

14th Oil Forum

Belgrade, 27/28 September 2022

Overview

1. The 14th Oil Forum took place in Belgrade on the 27th and 28th of September, 2022. Ms Marie-Ange Balbinot, representing the European Commission, chaired and opened the Forum of the Energy Community.
2. Prof Dr Zorana Mihajlovic, Deputy Prime Minister and Minister of Mining and Energy of the Republic of Serbia welcomed the Forum on behalf of the Government of Serbia, emphasising that oil security as part of the security of supply is one of the main priorities in the oil sector of Serbia. The Minister reconfirmed Serbia's strong commitment to the implementation of the oil stocks directive. The Minister emphasised the main focus of the Government to prepare for winter ensuring energy security. It was noted that Serbia has mandatory and operational reserves of oil and products for more than two months. The physical emergency oil stocks have increased by 100% since March 2021 and are expected further increase, making total growth at least 116% by the end of this year.

Introductory Procedures

3. The Agenda, as modified and circulated on 12 September 2022, was approved by the Forum.

Keynote speech

4. The Secretariat informed the Forum about the expected decisions of the Energy Community Ministerial Council in December 2022. Adopting 2030 energy and climate targets is essential to put the Contracting Parties on a path towards achieving climate neutrality of their economies by 2050 and decreasing dependence on fossil fuels in the shorter term. Oil currently represents 28% of gross final energy consumption, and this figure will be reduced significantly with the European Green Deal measures and REPowerEU respond to the green transition ambition through energy savings, diversification of energy supplies and accelerated roll-out of renewable energy to replace fossil fuels in homes, industry and power generation.

I. Energy Security in the EU/Energy Community

5. The chair, in her remarks, recounted the key message of the EU policy on reducing dependence on energy imports from Russia as an urgent imperative. The Forum was informed about the 6th package of restrictive measures against Russia in response to the brutal and unprovoked attack on Ukraine. The chair clarified that sanctions are subject to certain transition periods to allow the sector and global markets to adapt and a temporary exemption for pipelined crude oil to ensure that Russian oil is phased out in an orderly fashion. This will allow the EU and its partners to secure alternative supplies and minimises the impact on global oil prices.
6. The Forum took note of the presentation delivered by the representative of the IEA on an overview of European crude and product balances in a global context; How have European oil import flows changed during 2022, and how will they change in 2023? What will be the impact of high gas prices on oil balances – this was another topic addressed by the representative of the IEA.
7. The Forum took note of the detailed presentation by the Secretariat on how the EU sanctions on oil would impact the Contracting Parties. The Forum was informed about the Ukrainian proposal to extend these sanctions to Contracting Parties, and the possibility to inform the respective Permanent High Level Group Member about the impact of the proposal by mid-October. The Forum discussed the consequences of the EU sanctions supplying crude oil (in particular on Serbia and Bosnia and Herzegovina) and petroleum products (on all Contracting Parties). The Forum agreed that increased usage of domestic oil resources should be considered a short-term solution only, as the top priority should be energy savings, diversification of energy supplies, and acceleration of renewable energy.

II. Oil Stocks Directive Transposition and Implementation

8. The Representative of the State Reserves Agency of the Czech Republic (ASMR) informed the Forum that two acts primarily govern the legal oil emergency framework, and ASMR manages public stocks. There is no compulsory stockholding obligation in the oil industry. The bulk of the storage is held by MERO (crude stocks) and ČEPRO (product stocks), providing storage facilities for the public stocks managed by ASMR. All Czech oil emergency stocks are government stocks stored domestically. Regarding product stocks, only the most important fuels are stored: diesel, gasoline and kerosene jet fuel. When an emergency response is required, the ASMR chairperson has the mandate to release emergency stocks as long as the stocks do not fall below the level of 90 days of net imports. For more significant stock releases, approval from the government is required.
9. The representative in charge of oil stocks in the Ministry of Mining and Energy of Serbia informed the Forum about the latest efforts of Serbia to establish oil stocks within the deadline of 1 January 2023. The current number of days of inland consumption is 36, and the public-private partnership (PPP) project initiated by the Ministry has been slightly delayed because of the recent events due to the war in Ukraine, but the Ministry is still reconsidering the model and redoing market research to provide a realistic model for PPP within the new circumstances.

10. The presentation of Eurostat - European Commission provided a short update on the latest reporting and calculation modalities for emergency stockholding obligations in compliance with the Implementing Directive (EU) 2018/1581. The presentation included legal basis and data submission on crude oil imports register (COIR) for consideration by the Contracting Parties and underlined that the MOS data collection is fundamental for meeting obligations under the Directive and that each Contracting Party will need to fully understand the reporting details and methodologies related to the stockholding calculations using the MOS data.

III. Oil market challenges: Institutions' overview

11. The representative of the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology of Austria informed the Forum about the mechanical incident that occurred at the OMV refinery in Schwechat, the only refinery in Austria, on 3rd June 2022. During inspection activities after a foreseen six-week maintenance shutdown, the main distillation plant was damaged. Due to the damages, the refinery is working at around 20% capacity. OMV refinery covers approximately 40-50% of the domestic fuel market, and the company's own product reserves were almost exhausted after the maintenance phase of several weeks, also there were various logistical challenges during the summer. Therefore, the Ministry took several actions to ensure Austria's security of fuel supply. This included releases of emergency stocks as well as the temporary reduction of stockholding obligations. Meanwhile, OMV was working on building an alternative system of supply, especially by-product supplies from other OMV branches and other refineries abroad, to ensure the market's fuel supply.
12. The Secretariat informed the Forum on the progress in transposing the Directive 2009/119/EC across the CPs, with most CPs having not yet met the expectations. Bosnia and Herzegovina is still in the early stages of considering possible options for a stockholding system; Georgia, Kosovo^{*1}, Moldova, and Ukraine have prepared their respective primary legislation and have not been able to decide and approve the most appropriate final stockholding legal framework. Albania and Montenegro are close to approving the remaining part of the primary and secondary legislation, which is envisaged to apply as of 1 January 2023. North Macedonia and Serbia have finalised the transposition of the secondary legislation, and their current respective oil stocks correspond to 55 days of average daily net imports and 35 days of inland consumption. The Secretariat believes that none of the Contracting Parties will be able to implement the Oil Stocks Directive by 1 Jan 2023. ,
13. The representative of the Ministry of Economy and Sustainable Development of Georgia briefed the Forum on the latest developments in the oil market and the measures taken by the Government to overcome such a situation taking into account that almost all petroleum products consumed in Georgia are imported, and the import of fuel into Georgia is not subject to licensing. There are no significant legislative restrictions on entry into the fuel market. The forum was also informed about the main reasons for the non-fulfilment of the implementation of the oil stock obligation, like the lack of storage facilities, the impact of the obligation on small importers, the effect of such obligations on the retail prices etc.

¹ * This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

IV. Oil market challenges: Market operator's overview

14. The representative of the European Association of Chemical Distributors (Fecc) informed Forum about the impact of oil and the challenging energy landscape on the (petro)chemical industry. Fecc is the voice of the chemical distribution industry in Europe and represents around 1,600 companies, of which many are small and medium sizes companies. Europe is the second-largest chemicals producer in the world, and more than half of EU chemicals are supplied to the industrial sector. The Forum was also informed about the EU petrochemicals' industry initiative on the green deal and the last 3 years (2020 -2022) of unprecedented challenges linked together: Pandemic, Disruptions in logistics, and the Russian war in Ukraine.
15. The representative of the Hellenic Petroleum Company (HP) informed the Forum about their activities as one of the leading energy groups in South East Europe and particular in North Macedonia, Montenegro and Serbia. HP operates through a variety of channels in retail, commercial and Industrial, aviation and bunkering. HP presented the established fuel sourcing and guaranteed its products' quality products and fuel market volatility. Dealing with challenges in the fuel business (volatility and regulation framework) was emphasized in their presentation.
16. The Senior Oil Consultant experienced in Distribution, Trading, Supply and Logistics and former General Manager at APETRA (the public limited company that manages the strategic oil stocks of Belgium) informed the Forum about the Oil Supply and Logistical challenges in times of oil crisis across all available means of transport: road, rail, pipeline, river- and seagoing movements.

Concluding Remarks:

17. The Forum agreed as a key priority for all Contracting Parties the adoption and implementation of national legislation in compliance with the Oil Stocks Directive 2009/119/EC. While some progress has been made by the Contracting Parties, it is not enough to ensure a quick transposition and consequently full implementation of the Oil Stocks Directive by 1 January 2023.
18. The next Oil Forum is tentatively scheduled to be held in September/October 2023.