EMERGENCY RESPONSE POLICIES
EXAMPLES OF STOCKHOLDING SYSTEMS

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www.iea.org
Establishment of IEA

- **IEA established against backdrop of 1973-1974 oil crisis**
  - Avoiding competition for limited resources
  - Coordinated mechanisms for response
  - Safety net

- **Today, energy security as urgent as ever**
  - Oil security remains cornerstone
  - IEA move to a more comprehensive approach beyond oil

**IEA definition of Energy Security**

“Uninterrupted availability of energy sources at an affordable price”
Oil emergency response measures

Increase supply
- Stockdraw
- Production surge
  - Increased indigenous production

Reduce demand
- Demand restraint
- Fuel switching
  - Temporarily replacing oil use with other energy sources

Government
- Loans
- Sale/tender
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- Reduction of mandatory level
  - Instruct physical release
  - Use of spare production capacity

Public
- Industry
- Light-handed
  - Persuasion/public campaigns (e.g. eco-driving, carpooling)
  - Administrative/compulsory (e.g. speed reduction)
  - Administrative/compulsory (e.g. driving restrictions)
  - Electricity generation in multi-fired installations
- Medium
- Heavy-handed
Stockholding systems

- **Regimes vary across IEA countries**
  - Reflect differences in market structure, geography & national policy
  - EU members need to comply with both IEA & EU systems (but same stocks can be used for both obligations)
  - Two general approaches:
    - Industry (compulsory & commercial stocks)
    - Public stocks (held exclusively for emergencies):
      - Government stocks *(financed by govt budget)*
      - Agency *(held / controlled by public bodies including industry owned / operated)*
Stockholding Options

Different stockholding structures in IEA countries

- **Government**
  - Czech Republic
  - New Zealand
  - USA
  - Japan
  - Korea
  - Poland

- **Industry obligation**
  - Luxembourg
  - Greece
  - Norway
  - Sweden
  - Turkey
  - UK

- **Agency**
  - Austria
  - Denmark
  - Netherlands
  - Portugal
  - Switzerland
  - Finland
  - France
  - Spain
  - Italy
  - Estonia
  - Belgium
  - Germany
  - Hungary
  - Ireland
  - Poland
  - Slovakia

**Commercial & operational stocks**
Total IEA stocks by type

IEA North America

- Public: 691
- Industry: 659

IEA Europe

- Public: 213
- Industry: 518

IEA Pacific

- Public: 388
- Industry: 238

Crude, NGL and Feedstocks

- Crude: 61%
- Product: 39%
Stock Release Mechanisms

- Release of stocks varies by system:
  - Industry obligations reduction by % or specified number of days
    - Volumes made available through regular market channels
    - Possible exceptions: government can allocate to priority customers or set pricing
  - For government/agency stocks:
    - Tender bidding process
    - Sell at market price
    - Government sets price
    - Loan
Example 1: government stocks

- **Czech Republic, ASMR (governmental body)**
  - Initial cost covered from state budget/other stock sales
  - Direct funding from state budget
    - Running cost 1.4-1.5 EUR/tonne/month
    - No direct cost to consumers (only taxes)
  - Responsible for any international obligation
    - In practice holds 95-100 days as buffer
    - Separately stored with contractors, 50:50 crude/product
  - Released by loan (subject to fee) or tender
    - Possibility to process crude to products in refinery
    - Government decides
    - ASMR chairman also some limited authority
  - ASMR physically monitors and fines
Example 2: agency stocks

- **Belgium, APETRA (stockholding agency)**
  - Established by law
  - Initial cost covered by 800 mil EUR base loan
    - Running cost covered by levy (9.5 EUR/1000 l gasoline, 10.3 EUR/l diesel)
  - Responsible for any international obligation
    - Must hold at least 90 days of net imports
    - Stored with contractors
    - Maximum 60% in crude; separate, commingled, tickets
  - Different release mechanisms for international/domestic
    - International crisis: call for bids
    - In national disruption special price formula
    - Minister for energy decides
  - APETRA physically monitors; harsh fines set in contracts
Example 3: mixed

- Spain, CORES (stockholding agency) + industry
  - Industry has obligation of 92 days of sales/consumption
    - Obligatory membership of CORES
  - CORES established by law and holds at least 42 days
    - Delegated by industry; can be over 42 days (limit to capacity)
    - Priority given to small operators
    - Running costs financed by monthly fee from members
    - Fee calculated annually by CORES and published by ministry
  - Stocks separate or commingled, some in own storage
  - Different release mechanisms; governmental decision
    - CORES: offer to members based on market share; tender
    - Industry: lowering of obligation
  - CORES physically monitors; harsh fines set in contracts
Demand-side measures

**Demand restraint**
- Most policies focus on transportation sector
  - Wide range of measures, from light to heavy
  - Short-term can lead to long-term behavioral changes & fuel efficiencies (car-pooling, smart truck logistics etc.)
- Some potential in reduced heating

**Fuel switching**
- Significant decline since 1970s
- In 2012 only 3% oil in electricity generation (25% in 1973) (OECD)
- Virtually no potential for short-term switching in transport

**Other**
- Relaxation of regulation, e.g. on fuel quality specifications

**Successful measures require advance preparation!**
For more information

Available for download at http://www.iea.org/topics/energysecurity/

600 pages describing the emergency response policies for oil and gas of IEA and key partner countries.

PDF files for whole publication and individual chapters.
Thank you!

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