

JOINT CONCLUSIONS

5TH OIL STOCKSWORKSHOP OF THE ENERGY COMMUNITY (Co-organised by the ECS and HANDA)

Zagreb, 20 April 2016

Welcome addresses:

1. The Representative of the Energy Community Secretariat and the Minister of Economy of Croatia (as hosting country) welcomed the participants at the Fifth Energy Community Workshop on Oil Stocks, attended by representatives of governments, oil experts, and state stockholding agencies/directorates.

Workshop target:

2. The key objective of the Workshop was to clearly outline the basic steps on the best-suited oil stock holding policy in each Contracting Party for the full implementation of the oil stocks Directive 2009/119/EC. The timely transposition and implementation of the Directive were another important objective of this workshop. Implementation of the EU oil stocks Directive will strengthen security of energy supply in each Contracting Party and will help to modernize the respective energy sector.

Progress in the Contracting Parties of the Energy Community:

3. The latest state of play and progress on legal framework and stockholding practices in the Contracting Parties were presented by the Secretariat. The open issues related to the legislation in force on the use of emergency oil stocks as well as the suggested steps for moving forwards were the main topics addressed by the Secretariat.
4. The Secretariat suggested that the adoption of an action plan for the establishment of emergency stocks as well as the preparation of primary and secondary legislation necessary to transpose and implement the requirements of the Directive should be considered the key priority for all Contracting Parties. The Secretariat also noted that in all of the Contracting Parties the establishment of a monthly data reporting framework, which should include quality verifications and assure data submissions each month by a given deadline, remains a critical next-step that needs to be taken.
5. The Secretariat noted that there has been no progress made by Bosnia and Herzegovina, Moldova and Ukraine and they still have a long way to go to achieve full compliance with the directive. Albania, Montenegro and Kosovo^{*1} have taken some concrete steps (finalizing their draft Laws) which now need to be followed by concrete actions (drafting of secondary legislation) within this year and next year.

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.

6. The Secretariat welcomed the Serbian progress which can serve as a concrete example for other Contracting Parties to follow. Former Yugoslav Republic of Macedonia is the second Contracting Party that has transposed the most relevant provisions of Directive 2009/119/EC on maintaining minimum stocks of crude oil and/or petroleum products but the secondary legislation still needs to be approved.
7. The Workshop participants welcomed the presentation made by the representative of the Ministry of Mining and Energy of Serbia which provided an overview of the main transposed elements of the Council Directive 2009/119/EC. It was emphasized that oil security, as part of energy security of supply is one of the main priorities in the oil sector of Serbia. The representative of Serbia also presented the latest progress made by Serbia with regards to implementing the Oil Stocks Directive 2009/119/EC which has allowed Serbia to start building emergency oil stocks. The only remaining secondary legislation not yet transposed is the Intervention Plan in case of oil supply disruption, which will be drafted and approved within 2016.

Emergency response measures in the IEA members:

8. The Workshop participants welcomed and appreciated the presentation delivered by the IEA which explained that emergency response mechanisms were established to create a concrete and co-operative action plan in the event of a major oil supply disruption. In addition, the IEA presented examples of different oil stockholding models and shared best practices among IEA members on different responsibilities in emergency response measures helping to enhance an effective response to oil supply disruptions and strengthen energy security worldwide.

Field Trip to JANAF Terminal in Zitnjak:

9. The participants thanked HANDA for the field trip organized to Terminal JANAF Zitnjak, located in an eastern part of the city of Zagreb. All participants were informed that in this terminal JANAF plans to establish a regional terminal for receipt, storage and delivery of oil products both for commercial purposes and for the needs of storing the national compulsory stocks. The participants visited the rail tanker transfer facility, storage tank farm with accompanying handling pipelines, pump units and road tanker loading facility. Total storage capacity of this terminal is 142,000 m³.

Transposition and implementation of the new oil stocks Directive in the EU MS:

10. The participants highly appreciated HANDA's efforts of sharing their experience on the establishment of their emergency oil stocks under the Council Directive 2009/119/EC. HANDA was established in 2006 with the task of meeting the full EU stockholding obligation by July 2012. Because of insufficient storage capacity, part of the stocks are held abroad. Bilateral agreements have been signed with Germany and Hungary. At present, a number of storage tanks are being constructed across the country. Stockholding was financed by a fee included in the retail price of fuels. HANDA reported that starting from 2013 this was replaced by financing from the state budget.
11. In addition HANDA provided detailed information of their daily activities which can be considered as a potential model to be taken into consideration for some of the Contracting Parties on the establishment of their own stockholding policy.

12. An important part of this workshop was the sharing of experience with EU Member States Agencies (ELG – Austria; ZRSBR – Slovenia; SASRWTS – Bulgaria and EOSA - Slovakia) on stockholding systems and emergency procedures and looking at their past and current achievements. This was considered very valuable, and encouraged the Contracting Parties to take advantage of this experience at European level and to discuss topics like legal and institutional framework, composition of oil stocks, technical aspects, costs and funding and basic elements of emergency response system. The role of industry in stockholding and emergency response policies was another element that was discussed and appreciated by the participants.
13. ELG presented its activity as a privately owned company that acts as a stockholder on behalf of importers of crude oil, petroleum products, bio-feedstocks and biofuels by exempting them from those obligations. The participants were informed that the quantities of oil held by ELG and its contractual partners (approx. 3.3 million tonnes) are sufficient to keep Austria supplied for about 113 days in a crisis.
14. The representative of ZRSBR Slovenia presented the Slovenian oil stockpiling policy where the task for setting up and maintaining emergency oil stocks is delegated to the Agency of Commodity Reserves - a state owned agency. Slovenia has reached the mandatory level of compulsory stocks that corresponds to 90-day of average daily consumption. The participants were also informed about current focus on the maintenance of the mandatory quantity and quality of the stocks and constant improvement of storage, logistics and financial conditions for the stocks maintenance.
15. The representative of the State Reserve and War -Time Stocks (SASRWTS) Agency presented the latest progress on oil stock building. The Agency controls the creation, storing, using and recreation of the obligatory reserves of oil and oil products. The obligated persons to maintain mandatory oil stocks are Agency and Industry (oil products producers, importers and persons who supply oil products from other MS; and the agency enterprises). Bulgaria started to hold stocks abroad from March 2014 and has started gradually to increase the stock held by the Agency - offset by the decline of stock held by industry. The compulsory oil stocks of petroleum products, which are state property, are financed by the state budget. The other obligated individuals establish their specified levels with own resources and in own reservoirs or hired ones which are registered according to the Law, for storage of compulsory oil stocks. The current stocks in days of net imports is 75 and not compliant with the Directive. The main challenges and problems for this non compliance were also presented.
16. The Slovakian representative delivered a presentation on new emergency stockholding system which entered into force in 2013. While previously stocks were owned by the Administration of State Material Reserves (ASMR), under the new system stocks are owned and managed by the Emergency Oil Stocks Agency (EOSA). Oil industry representatives are EOSA's members and membership is voluntary. The obligation is formally imposed on industry but, regardless of the membership in the EOSA, market participants are obliged to delegate this responsibility to the EOSA, which subsequently holds the emergency stocks on their behalf. Stockholding is financed through fees paid by market participants. EOSA stocks are stored by private companies on the basis of storage contracts concluded between these companies and the EOSA.

Concluding Remarks:

17. The Secretariat was invited to inform the PHLG during its next meeting in June on the outcome of the workshop.
18. The participants very much appreciated the assistance from the EU Member States Oil Stockholding Entities, HANDA and the Energy Community Secretariat for their high level of commitment to help all Contracting Parties to become truly integrated with the European strategy on secure energy supply.
19. All participants agreed on the importance of oil security as part of energy security and that emergency oil stocks and stockholding policies are important instruments to cope with possible energy supply disruptions.