Oil Stockholding in Georgia
State of Play

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Transposing the Oil Stocks Directive in Georgia

- Parliament of Georgia ratified the Energy Community accession agreement – 21 April 2017
- Accession to the Energy Community – 1 July 2017
- Acquis on Oil:
  - Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products
  - Implementation Deadline – 1 Jan 2023
- Presently the legal framework of Georgia does not stipulate the obligation to hold emergency oil stocks
Transposing the Oil Stocks Directive in Georgia

- The project “Transposing the Oil Stocks Directive 2009/119/EC in Georgia”
- Georgia has an obligation to maintain oil stocks equating 90 days’ net import volume
- Total stockholding obligation estimates to more than 300,000 tons of oil equivalent
- Total stock building should be equally divided over 5-years period; min. 60 thousand tons (18 days) per year
Existing compulsory stockholding fall under 2/3 broad categories:

• **Centralised public or private offices**
  with or without a separate stockholding entity

• **Decentralised systems**
  the oil companies hold compulsory stocks comingled with their operating inventories
Oil stockholding principles

• It should not matter how the stockholding is administered, providing it has the backing of the state and oil companies

• There are strong arguments for suggesting that oil companies should be involved in the process
Main tasks related to oil stockholding

- Purchasing and storing of the stocks
- Inspection of the quality and quantity of stocks
- Rotation of the stocks
- Insurance of the stocks
- Reporting routines
- Maintaining bilateral relations with the fee payers
CSE criteria

- CSE shall take the form of a body or service without profit objective and acting in the general interest

- It shall not be considered to be an economic operator

- It should not distort the competition in the oil market

- Proposal: Georgian State Agency for Oil and Gas to be appointed the CSE
# OVERVIEW OF THE FUNDING SCHEMES

## FUNDING OF RUNNING COST

<table>
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<th>Levy/tax paid by the operators</th>
<th>Direct tax/levy paid by the consumers</th>
<th>Others</th>
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<tr>
<td>Government budget</td>
<td>10%</td>
<td>45%</td>
<td>Mixed scheme</td>
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EXAMPLES OF THE FEE/LEVY RATES

Vary from 0 to 20 euros per 1000 litres

3,7 €/1000 l gasoline, diesel, jet fuel and 6 €/ton FO

1,222 €/1000 l gasoline and 1,166 €/1000 l diesel, FO, jet fuel

1,78 €/ton

8 €/1000 l

7 €/1000 l

9,60 €/ton

6,8 €/1000 l gasoline; 3,5 €/1000 l diesel; 2,8 €/ton FO

5,51 €/1000 l gasoline

5,16 €/1000 l diesel

4,6 €/1000 Jet

4,75 €/ton FO
THE COST ESTIMATES for GEORGIA

- For covering the running costs of holding 18 days oil stocks 2.1 EUR per every ton of fuel released to inland consumption should be foreseen.
- For covering the running costs of holding 90 days stock 9.7 EUR per ton of fuel released to consumption should be foreseen.
- For fuel purchase: 18 days obligation – 1.4 EUR per ton of fuel released to consumption.
- 90 days fuel purchase – 3.3 EUR per ton of fuel released to consumption.
- By summing up the costs related to creation and management of 90 days oil stocks, the impact of oil stockholding policy to the fuel retail price can be estimated as following:
  - 1.0 eurocents per litre of fuel.
  - ...the same calculation for management of 18 days oil stocks
    - 0.3 eurocents per litre of fuel.
Scenario C – Industry model

- Stockholding obligation applies to the importers of crude oil and petroleum products.

- From 1 April 2022 every compulsory stockholder is required to hold emergency stocks equal to 25% of their imports during the reference year.

- The compulsory stockholders may maintain the stocks itself or delegate their stockholding obligations to the CSE.
Obligation

Stockholding obligation will grow gradually:

- From 1 April 2018 - 5%
- From 1 April 2019 - 10%
- From 1 April 2020 - 15%
- From 1 April 2021 - 20%
- From 1 April 2022 - 25%

of imports of crude oil or petroleum products during the reference year
“For an Oil Stocks Agency it is absolutely essential to have a solid funding base, underpinned by legislation, with limited exposure to changes in Government and/or Government policy”