UKRAINIAN OIL PIPELINE SYSTEM
IN THE
EUROPEAN ENERGY SECURITY CONTEXT

Energy Community
VIII Oil Forum
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Belgrade
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  Remarkable assets, half-a-century successful background, unique location, pan-European value

- **SOUTHERN DRUZHBA**
  Pipeline’s potential in the light of overloaded traditional routes

- **ENERGY COMMUNITY**
  Additional efforts for enhancing oil midstream integrity and compliance with the EU Acquis for better security and competitiveness of oil supplies
OIL TRANSPORTATION SYSTEM OF UKRAINE: the second largest oil trunk pipeline network in Europe

- Oil Trunk Pipelines Length: 4767 km
- Number of Pumping Stations – 51
- 11 tank-farms: 1, 083 mln. m³
- Throughput capacity: In – 114 MTA, Out – 56,3 MTA
PIVDENNY OIL TERMINAL: strategic location, modern technologies, flexible operations and promising prospects

Transshipment Capacity
14.5 MTA (full development – up to 45 MTA)

Deadweight of Tankers
up to 150 000 t (with max draught 13,8 m)

Tank Farm Capacity
200 000 m$^3$ (full development – up to 600 000 m$^3$)
ODESSA-BRODY OIL PIPELINE:
competitive route with the proved commercial record
for Caspian crudes to the CEE markets

Length: 674 km
Diameter: 1020 mm
Capacity: 14,5 MTA (full development – up to 45 MTA)
Line fill: Azeri Light

Successful shipments of Caspian crudes from the Black Sea basin
to the land-locked refineries
Fully operative new competitive route filled with Caspian crude for oil supply to the EU

Diversification of oil supplies and consolidation of EU energy security

Compliance with the EU Energy Security Policy

Odessa-Brody-Southern Druzhba pipeline project is one of those potential strategic EU diversification projects
ODESSA-BRODY-SOUTHERN DRUZHBA: THE RELIABLE, COMPETITIVE AND INDEPENDENT ROUTE FOR EUROPEAN CONSUMERS AND CASPIAN OIL PRODUCERS

Studies of experts-market operators prove commercial and technical feasibility of the Route

Suppliers and consumers are willing to use the Route to overcome the limitations of other routes

The Route is ALREADY in place: utilization of EXISTING pipeline spare capacities, limited investments only

The reliable transit of existing and future Urals supplies will be guaranteed

Support of the EU, compliance with the EU Energy Policies, Energy Charter and other regulations
EU TARGET REFINERIES
ALONG THE SOUTHERN DRUZHBA NETWORK

- Litvinov (Czech Republic)
- Mozyr (Belarus)
- Kralupy (Czech Republic)
- Schwehat (Austria)
- Slovnaft (Slovak Republic)
- Szazhalombatta (Hungary)
- Caspian Exporters

Ukrtransnafta PJSC
Transpetrol, a.s.
MERO CR, a.s.

International Traders
Middle East Exporters
Southern Druzhba Route
SOUTHERN DRUZHBA: ISSUES TO BE RESOLVED

- Remaining technical issues at the **Slovak part** are being actively discussed by the project sponsors with the Slovak partners to optimize relevant technical solutions.

- Studies of consultants and market operators show that relatively insignificant time and resources are required to fully adjust the Slovak system for batching.

- With the project getting its maturity (and if required) the EU financial institutions could be approached on co-financing of those limited investments.

- All other oil transportation companies as well as shippers and consumers confirm their technical and commercial readiness for batching via Southern Druzhba.

- **NO DAMAGE TO URALS EXPORTS TO THE REGION:** Light crudes will not replace Urals but use this route as a new way to the light crudes traditional markets.
Recent letters of intent / protocols on the Project and talks between suppliers, consumers and oil pipeline companies

Required oil volumes confirmed by the suppliers

Refineries’ owners confirmed their interest/readiness to buy oil via the Route

Pipeline companies confirm the technical feasibility of the Project

Governments of the countries on the route fully supportive

European Commission ready to help in facilitating the Project

A technical plan on conducting the experimental shipment is now being intensively developed between the national oil transportation companies
**Oil dimension of the Energy Community activities:** Dec 2008 Ministerial Council decision: the “network energy” mentioned in the Art. 2 of the Treaty is understood as to include the oil sector.

- Supply, trade, processing, transmission of oil/petroleum products fall within the scope of European Community Directive 2006/67/EC incl. the related **pipelines**, storage, refineries and import export facilities.

- The decision concludes on the extension of *acquis* in the area of oil. The relevant new elements of the *acquis* in the area of oil, including the subsequent timetable for implementation, are also to be decided.
Changes to the “network energy” definition translated into the establishment of Oil Forum to bring the discussions at regional level (Art.63-65 of the Treaty).

Following the PHLG's request the ECS examined the free movement of oil and petroleum products between the Parties to the Community in accordance with the Art. 41 of the Treaty. The ECS findings on the customs duties, tariffs and non-tariffs restrictions were presented at the 16th PHLG meeting in March 2010.

According to the findings the issue then was the levying of customs duties. In general, compared with other energy carriers, the market for oil/ petroleum products despite the high dependence on imports was identified as relatively open and competitive.

Significant political & economical developments after those studies incl. the Energy Community expansion, changes on energy up-, mid- and downstream markets, turmoil with the oil prices as a result of international sanctions on RF after annexation of Crimea and its' hostilities in the Eastern Ukraine.

The remaining inertia on access of third parties to the S/Druzhba highlight the continuing bottlenecks in free movement of oil in the EC area and thus the need for the reinforced Community efforts to streamline the free movement of oil in accordance with the EU energy security and energy diversification policies.
Project sponsors believe that the Energy Community / ECS have a unique positioning, tools and successful background for further integrating CEEC oil infrastructure markets.

The role of Energy Community and of ECS in cooperation with the European Commission could be vital through:
- providing TECHNICAL EXPERTISE
- facilitation of CO-FINANCING from IFI’s
- moderating and promoting TALKS of project participants
- mobilizing INTERGOVERNMENTAL PLATFORMS for the project facilitation and project sustainability
- introducing EU acquis and further INTEGRATING THE MARKETS and ENHANCING SECURITY OF SUPPLY through transparency and equal access to the cross-boundary energy networks.

To consider setting up the INTERIM task force to tackle this issues and/or the PHLG's request to the ECS to re-examine the free movement of oil and petroleum products between the Parties to the Community.
SUMMING UP

- **INTEGRATION OF ENERGY INFRASTRUCTURE** plays the vital role in implementation of Acquis by the EC members and in enhancing energy security in the EC ARIA.

- Ukrainian oil transportation system and the **Southern Druzhba Pipeline Batching Project** could represent a significant added value for the integration of the Community energy markets.

- The project shall use **existing infrastructure**, is driven by the market and will not harm Russian oil supplies.

- Energy Community and the ECS could use their unique positioning, mission and tools to facilitate the project and to additionally promote enhanced energy integrity via oil pipeline networks.

- An **interim task force** under the ECS auspices could be helpful in facilitating those objectives.
Thank you for your attention

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