Intervention stocks system in Poland experience

Material Reserves Agency (MRA)

Belgrad, Serbia, 08.10.2019 r.
History in brief

- **1968 r.** – Council of European Communities obliged members to hold stocks at 65 days of oil consumption (result of Israeli-Arabian war in 1967 and increasing pressure of oil)

- **1972 r.** – increasing demand in oil (ab. 10% yearly) resulted from i.e. „cold war”, members of EU community increased level of stocks to 90 days of consumption

- **1973 r.** – oil embargo of OPEC on oil deliveries as the result of Jom Kipur War

- **1974 r.** – establishment of IEA – main aim to prevent oil deliveries disruption
Conclusions

• In the past 50 years there were many oil crisis causing disruption in international oil markets

• Oil disruption caused crucial price fluctuations

• Central European countries much depended on oil deliveries from Russia

• Poland needs system that guarantees oil deliveries in market disruption
EU & state legislation

1) Poland - EU member and IEA member
2) Directive 2009/119/WE z dnia 14 september 2009 r. imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products (with further amendments)
4) Act on stocks of oil and petroleum products
Act on oil and petroleum products’ stocks

Act on stocks defines:

• rules of creating, holding and financing oil and petroleum products stocks
• inspections in entities responsible for creation and maintenance of stocks (compulsory and agency’s stocks)
• emergency procedures in oil disruption or implemented to fill international duties
National acts related to Act of stocks

1) Code of administrative procedures
2) Entrepreneurs’ law (implemented in 2019)
3) Tax Act (section III and V)
4) Proper regulations and announcements of Minister of Energy
Intervention stocks system in Poland

90 days* daily average net import in oil eq

MRA
Agency stocks
Oil and petroleum products
>= 37 days

Entities (producers and trades)
Compulsory stocks
Oil and petroleum products
= 53 days
System of supervision in intervention stocks

Ministry of Energy
Department of Oil and Gas

MRA
Intervention stocks office

The Energy Regulatory Office
IEA (Poland)

Internal affairs Office
National Tax Office

cooperation

Inspections and monitoring

Producers and traders
Stockholders (stockholding, tickets)
Stockholders (agency’s stocks)
Main tasks (I)

Main tasks is achieved by MRA activities:
1. Creation and holding stocks in fuels and oil
2. Supervision of creation and holding stocks of fuels and oil in entrepreneurs (producers and traders)
3. Release in intervention stocks (delegation of ME)
4. Administration of Intervention Stock Fund and supervision of obligations filled by companies in stock fee
Main tasks (II)

1) Creation and holding stocks in fuels and oil (MRA)
   • Planning volumes in fuel and oil stocks
   • Purchase of storage capacities
   • Purchase of fuels and oil (gasoline, dieseloil, JET A-1, REBCO)
   • Monitoring of quality and quantity of agency/compulsory stocks
Main tasks (III)

2) Supervision of obligations connected with creation and holding oil and fuel stocks by producers and traders:
   • MRA holds register of producers and traders (80)
   • Collecting and updating data related with created and held compulsory stocks by producers and traders (declarations)
   • Opinions to drafts of tickets and stockholding agreements
   • Inspections of compulsory stocks in companies
3) Intervention release of stocks:
The Minister of Energy issues decisions in terms of
- market disruption
- in order to cope with international obligations
Main tasks (IV)

4) Administration of Intervention Stock Fund and liabilities of stock fee (quasi tax):
   • Collecting stock fee for creation of agency’s stocks
   • Financing purchase, refreshment, recreation of stocks, administrative costs
   • Conducting administrative proceedings in relation to stock fee (declaration is given to MRA to the 20th day of the month for the previous month, stock fee is paid to the end of the month in which declaration was given)
Incomes of Intervention Stock Fund

**Intervention Stock Fund**
Keeper
Chairman of MRA

- Income from sale of fuels, VAT returns, administrative charges
- Financing of stockholding and stock creating
- Production, delivery, export, import of fuels by producers and traders
Expenditures Intervention Stock Fund (MRA)

- Purchase of oil and products
- stockholding
- Re-creation of stocks after their release
- Costs of storage facilities
- Costs of refreshment
- Other costs: insurance, administrative costs returns in stock fee

Intervention Stock Fund
to understand the system of stocks

MRA elaborated „Guidelines for producers and traders” to improve understanding of system among entrepreneurs
Stockholding in Poland
Oil and petroleum stocks - structure (I)

On the 31st of March 2019 - 7,932k tonne of net oil equivalent - 91 days of secure
31.03.2019 r. above 1/3 of intervention stocks was held in gasoline and diesel oil - products, which sum of state deliveries reached above 75 % of internal consumption in oil eq.
REBCO contamination in Poland
Timeline

19.04.19 – information from Belarus to refineries and PERN about worse quality of REBCO transported to Poland. Chloride tests

24.04.19 – shut down eastern part of Druzhba pipeline – Adamowo / Belarus. Refusal deliveries in REBCO

26.04-17.05.19 – Decisions of Ministry Energy – release of compulsory stocks

01-30.05.19 – multilateral meetings on REBCO solutions (Warsaw, Bratislawa)

09.06.19 – opening of 1st thread of eastern Druzhba pipeline (quality below 2ppm)

01.07.19 – re-start REBCO deliveries from Adamowo / Belarus pipeline
The structure of oil and fuel logistics
Undertaken measures

1. Polish Ministry of Energy made 3 decisions to release compulsory stocks - ab. 1,1 mln tonne of REBCO - (MoE)
2. Intense quality monitoring concerning organic chloride (PERN)
3. Sea deliveries of clean crude performed by Naftoport Gdańsk (PKN, LOTOS)
4. Cleaning of pipeline from Adamowo to Belarusian border in order to remove organic chlorides before re-start
5. Emergency reporting in order to monitor intervention, commercial stocks and sea deliveries as well, opinions on releasing stocks for MoE (MRA)
Current state

1. Druzhba operational – deliveries continued (increased frequency of quality monitoring)

2. Companies were obliged to restore compulsory stocks of oil

3. Continuation of diversification process in oil supplies
Thank you for attention