Emergency Oil Stockholding Policy in Austria

Erdöl-Lagergesellschaft m.b.H. 
The Austrian Central Stockholding Entity

Klaus Messerklinger
Chief Operating Officer
# Table of contents

- Delegation of Stockholding obligations to ELG
- Introduction ELG
  - Provisions by law
  - ELG - At a glance
  - Current Business Model
- Oil Consumption and Stockholding Obligation
- Composition of Stocks, Status: April 1, 2016
- Tank locations in Austria
- Adria-Wien-Pipeline / Crude oil supply
- ELG’s Strategic Mission – Summary
- ELG´s Management System
Austrian Oil Stockholding Act
Delegation of Stockholding obligations to ELG  (1)

☐ Stockholding obligation for:
  ■ crudes and petroleum products
  ■ biofuels and feedstocks for the direct use in the production of biofuels, mandatory since 1 April 2007

☐ Stockholding obligation: 25 % of the previous net year imports
Fulfillment of the stockholding obligation:

Stockholding obligation may be fulfilled in the following ways:

- by holding compulsory reserves by the importers themselves
- by recourse to a private law contract obliging the counterparty to keep a certain amount of the products mentioned above
- by assuming the stockholding obligation by an officially authorised stockholding company, such as ELG, meanwhile the most practiced way

Compulsory emergency reserves as of April 1, 2016

- overall: ~3 mn t crude oil equivalents (coe)
- thereof kept by ELG: 2,86 mn t coe resp. 96 %
Erdöl-Lagergesellschaft m.b.H. Provisions by law (1)

- officially authorised stockholding company

- obliged to conclude stockholding contracts with any compulsory stockholders offering to assume stockholding obligations

- assumption of liability for loans and credits by the Federal Minister of Finance under special federal legislation
Erdöl-Lagergesellschaft m.b.H.
Provisions by law (2)

- non profit – organisation
- official tenders for the procurement and disposal of inventories and the award of contracts
- business in accordance with the principles of frugality, efficiency and expediency
- drawing up of general terms and conditions for the assumption of stockholding obligations and publishing - after approval of the Federal Minister of Economics and Labour - in the official gazette of Wiener Zeitung
- publishing of stockholding tariffs in the official gazette of Wiener Zeitung
Shareholders

- OMV Refining & Marketing GmbH
- BP Europe SE
- SHELL Austria GmbH
- ENI Austria GmbH

Registered office: Lannach / Styria

Non profit - Organisation, set up as „Central Stockholding Entity“ by Stockholding Act 2012
- Appropriation of profits only to create equity or strengthen equity base (to reduce inventory, investment and financial risks)
ELG
At a glance (2)

- Tank sites
  - owned by ELG: 5

- Employees: 60

- Centre of Competence
  - advisory service and reporting for all customers and interested parties
  - joint ventures and co-operations with oil companies and customers
  - joint use of synergies, especially in the range of quality control of compulsory emergency reserves
ELG
At a glance

- Organizational chart
Legal organization of the ELG Group

- **Organization**
  - ELG is the principal operating company of the ELG Group accounting for almost 97% of group revenues. Its main sources of income come from fees paid by importers and from selling stocks.
  - ELAG is ELG’s asset company responsible for the assets of all own tank farms. The income is generated from user fees.
  - ETLB was established to acquire tank farms in 2003. Today ETLB is a terminal operator, operating 5 tank farms. Most of ETLB’s income come from fees.
  - ELBG is a subsidiary for the establishment of Joint Ventures.
  - TLM Tanklager Management GmbH is a JV with BP (49% shareholder), operating since 08/2011.
**Current Business Model**

**Stockholding Business**

- **Importer**
  - delegates stockholding obligation to ELG

- **Stockholding contract**
  - (up to 30 years)

- **Fulfillment of assumed stockholding obligation**
  - by own stocks
  - by stocks held by third parties

- **Stock sale or acquisition**
  - Refreshments

**Other Business (subsidiaries)**

- **Terminal operations**
  - for importers, other clients and ELG

- **Stock Turnovers**
  - for importers, other clients and ELG

- **Acquisition and maintenance of tanks farms**

- **Establishing of Joint Ventures**
Oil Consumption in Austria 1998 - 2015, 2016 - 2020 estimated

1998: 10,928
1999: 10,718
2000: 10,506
2001: 11,248
2002: 12,603
2003: 12,408
2004: 12,853
2005: 12,009
2006: 12,785
2007: 11,919
2008: 11,610
2009: 11,297
2010: 11,919
2011: 12,603
2012: 11,919
2013: 10,986
2014: 10,728
2015: 10,700
2016: 10,740
2017: 10,700
2018: 10,640
2019: 10,540
2020: 10,430

in 1,000 t
Evolution of assumed compulsory emergency reserves by ELG (in t c.o.e.) (as of April 1 of each year)
Stockholding delegations by inventory categories
Status: April 1, 2016 (assumed by ELG)

- Crude Oil: 48% (-1%)
- Middle Distillates: 44% (+1%)
- Gasoline: 8%
- Heavy Fuel Oil: 0%
Composition of Compulsory Emergency Reserves

Status: April 1, 2016

- Crude Oil: 41% (+5%)
- Gasoline: 11% (-1%)
- Middle Distillates: 42% (-1%)
- Heavy Fuel Oil: 6% (-3%)
- Gasoline: 11% (-1%)
Strategic Oil Reserves 2016 in Austria
~3 million tonnes of crude oil equivalents (c.o.e.)*

- Stockholding Obligations delegated to ELG: 2,863 million tonnes c.o.e. resp. 96 %

- Stock structure:

  - Contractual Stocks (private law contracts): 23 % (-4 %)
  - Owned by ELG: 77 % (+4 %)

* A c.o.e. is defined as one kg of crude oil or an amount of refined products that is considered to be equivalent to one kg of crude oil under the Austrian Stockholding Act
Tank locations in Austria
Tank site Lannach/Styria
Head office
Adria-Wien-Pipeline / crude oil supply
## ELG’s Strategic Mission - Summary

<table>
<thead>
<tr>
<th>1</th>
<th>International obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Central Stockholding Entity (CSE)</td>
</tr>
<tr>
<td>3</td>
<td>Responsibilities</td>
</tr>
<tr>
<td>4</td>
<td>State guarantee</td>
</tr>
<tr>
<td>5</td>
<td>Stockholding tariff</td>
</tr>
<tr>
<td>6</td>
<td>Support by the Republic</td>
</tr>
<tr>
<td>7</td>
<td>Direct extension of the Republic</td>
</tr>
</tbody>
</table>

1. **International obligations**
   - International Energy Programm of IEA
   - EU – Stockholding Directive 2009/119

2. **Central Stockholding Entity (CSE)**
   - Appointed as CSE by the Austrian Stockholding Act 2012 to acquire, maintain and sell oil stocks for the purposes of EU - directive
   - no profit objective

3. **Responsibilities**
   - Obliged by law at all times to maintain sufficient emergency stocks to ensure that Austria is able to fulfill its international stockholding obligations

4. **State guarantee**
   - State guarantee for start-up financing (construction of tanks and purchase of initial stockpiles)

5. **Stockholding tariff**
   - Allowed to set market based tariffs to ensure it’s cash flows are sufficient to ensure a self sustaining financial profile
   - Stockholding maximum tariffs set by the Minister of Economy to cover all costs of ELG (upon request of ELG)

6. **Support by the Republic**
   - Extremely high likelihood of support by the Republic in the very unlikely case of need

7. **Direct extension of the Republic**
   - All activities, e.g. stock acquisition, stock release, fundings etc. are either defined in the Stockholding Act 2012 or occur only at the explicit requirement of the Republic of Austria
Risk management

- encompasses all areas of operations
- an integral component of the overall management system
- the internal control system requires periodic audits of all Group companies
- the results are reported to the Supervisory Board
Value management

- Early risk identification and action to minimize exposures are a high priority
- Closely monitoring the currency and interest rate risk from fixed-rate borrowing
- This requires effective management of financing structure
Total quality management

- The surveillance audits carried out during the year confirm the high HSEQ standards
- Protecting human health and the environment is one of the leading priorities
- Drawing up an environmental program every year
- Achieving the environmental targets by means of ongoing updates and changes
- Regular inspections by government agencies confirm that there is a robust HSEQ management in place
Resumé

- The Austrian stockholding system is able to guarantee the allocation of emergency reserves in a short period and in a practicable way on a legal basis.

- Co-operation between Department of Energy, oil industry experts and ELG is excellent.
Thank you for your attention

Klaus Messerklinger
Chief Operating Officer
Head of Stockholding & Technical Services
Erdöl-Lagergesellschaft m.b.H.
The Austrian Central Stockholding Entity
A-8502 Lannach, Radlpaßstraße 6