



Directorate-General
for Energy
and Transport



EUROPEAN
COMMISSION

- **Recent Developments in the EU Directive on Oil Stocks**

Klaus-Dietmar Jacoby
IEA – EU - HANDA Workshop on
Emergency Oil Stocks
Zagreb, 28 -29 Mai 2009

● **Current legislation**

- Origins dating back to 1968, no major change of substance since then
 - » Amended in 1972 and 1998
 - » Codified in 2006
- Circumstances changed over time
 - » internal market: completion, enlargements
 - » globalization of oil markets, role of financial markets
 - » IEA established in 1970s
 - » decreasing indigenous production

● Change is needed

- Current system: no hard proof of failure but some concerns about e.g.:
 - » Availability of some stocks in a major crisis
 - » Use of “tickets”; use of stocks as assets; etc.
 - » Efficient interaction with IEA system



- The March 2007 European Council called for the review of EU oil stocks mechanisms with emphasis on:
 - » availability of stocks in the event of a crisis
 - » complementarity with the IEA crisis mechanism

● EU vs. IEA Emergency Stocks

EU

- Based on consumption of 3 product groups
- Max. 25% reduction for producers
- Crude oil is recalculated to product equivalent
- Monthly reporting and assessment
- Stock levels are published
- Infringement procedure in case of non-compliance

IEA

- Based on net imports of oil and oil products (excl. naphtha)
- Product stocks are converted into crude oil equivalent
- Stock reduced by 10% to take account of unavailable stocks
- Monthly reporting and quarterly assessment
- No legal power on non-compliant countries



- Public/Stakeholder Involvement

- Fossil Fuels Forum (“Berlin Forum”)

- » Plenary sessions
- » Working parties

- Impact Assessment study

- Public Consultation

- » Commission document in April 2008
- » 40 contributions received by June

- Main elements of the proposal (1)
- Adopting IEA methodology to maximum possible extent
 - 90-day obligation based on net imports (not consumption)
 - but retaining current obligation for producing countries
- Underlining preference for government/agency stocks
 - though only an option for the moment (MS retain flexibility)
 - 3-year review clause

- Main elements of the proposal (2)
 - Clarification of the procedures for emergency situations
 - » enabling the EU to contribute better to an IEA action
 - Reinforced verification
 - » possibility of audits, spot checks
 - Provisions facilitating the weekly reporting of commercial stocks
 - » implementing provisions after due diligence

● Who will be negatively affected? (1)

- No additional burden is expected on MS which have done a good job so far
 - » Also depending on practical arrangements chosen
- Administrative burden may actually decrease
 - » Especially for MS with IEA membership
- No significant change of stock levels is expected
 - » Most MS already comply with IEA obligation

● Who will be affected ? (2)


- Some MS might have to establish a central entity
 - » To which (esp. smaller) companies can delegate their obligation
 - » Which would not necessarily own the emergency stocks
- Weekly reporting of commercial stocks might entail a burden for MS and industry
 - » This will be evaluated in a forthcoming study
- Some extra work in the Commission is expected
 - » Audits, alignment of reports handling

● How this will impact security of oil supply ?

(1)

● Improved assurance about the availability of stocks

- » Clarifying criteria of availability
 - No pledging
 - Identification of stocks
 - Restrictions on international “tickets”
- » Indicated preference for partial government/agency stockholding, held as products (“specific stocks”)
- » Audits/inspections



- How this will impact security of oil supply ?
(2)

- Better crisis management, in conjunction with the IEA
 - » Simplified/streamlined procedures for participation in IEA actions
 - » Adapting IEA methodology helps to establish a common basis for evaluating the emergency preparedness of MS