Note on the mid-term evaluation of the

European Union Oil Stocks Directive 2009/119/EC

Note 1: Views expressed in this document reflect the views or policy of the IEA Secretariat, but not necessarily of the individual IEA Member Countries.

Note 2: This document takes account of questions from the Mid-term Evaluation of the Oil Directive General Survey by the company Trinomics. The IEA Secretariat will only respond to general questions related to the evaluation of the Directive; there are many other questions in the survey related to the specificities of national stockholding systems, reporting obligations by reporting companies, etc.

The Directive has clearly met one of its main established goals of bringing greater alignment between the IEA and EU systems.

The Directive improves and codifies the communication and coordination links between the EU and the IEA. It tasks the European Commission (EC) to liaise and coordinate with IEA even in disruptions which have not led to an International Collective Action. From IEA's perspective, it is very beneficial that the Directive clearly allows those EU Member States who are also IEA Members to release their stocks in an IEA collective action without breaching their obligation towards the EU. Furthermore, under the Directive the EC also has a role of encouraging non-IEA EU Member States to participate in the action by using their stocks or taking other measures and takes on the role of coordinating these non-IEA EU Member States and communicating on their behalf with the IEA. It has always been one of the IEA's objectives to involve non-IEA or partner countries to enhance global energy security. While not yet tested in a real situation, the concept has been tested in exercises conducted by both the IEA and by the EC in the past and we encourage this to continue.

In its Article 18, the Directive also calls on the EC to conduct reviews of emergency preparedness of the Member States. The IEA has gathered significant experience by conducting such reviews (Emergency Response Reviews) in its Member Countries over several five-year cycles and has invited EC representatives to those reviews which involved an IEA member country that is also a member of the EU. The IEA Secretariat sees mutual benefits in extending this synergic cooperation to non-IEA EU members and is ready to provide assistance if requested.

In the methodology established by the Directive for calculating stock levels and the Member States obligations, there remain differences such that a country's level of compliance can be different under the two systems. The IEA methodology counts all oil stocks in a country (net bilateral stockholdings). This includes stocks held by industry purely for commercial or operational purposes. To discount for stocks that would not be accessible under any circumstances in a disruption as they are necessary to maintain the system physically operational, the IEA methodology discounts an average 10% of stocks. Under the EU Directive, only the "emergency stocks" count towards meeting the minimum mandatory obligation. Thus the EU system will not count stocks held by industry participants for reasons other than meeting a national stockholding obligation (either directly or based on a delegation from another obligated industry participant). Nevertheless, the Directive's methodology also discounts the above-mentioned 10% for inaccessible stocks.

The distinction made by the Directive between emergency stocks held by industry and non-emergency stocks held by industry ("commercial stocks") while also still applying the 10% deduction for unavailable stocks leads to some discrepancy between figures reported by the IEA and figures reported by the EU.

Table 1 below shows an example of the discrepancy between figures reported by the IEA and those presented at the EU's Oil Coordination Group in June 2015 for stocks held in February 2015.

As the table shows, figures match only in the case of the Czech Republic, Germany, Hungary and (with a minor difference attributable to rounding or data revisions) Slovakia between *EU Total Stocks* and *IEA Public Stocks.* This can be explained by the fact that in these four countries stockholding agencies are responsible for covering all of their countries' emergency obligations. We would expect this result also in the case of Belgium and Ireland due to these countries' stockholding systems.

Table 1: Difference in stock levels in number of days as reported by EU and IEA (February 2015)

	EU	DIFFERENCE	IEA Total	IEA Industry	IEA Public
Austria	111	10	121	26	95
Belgium	106	53	159	68	91
Bulgaria	77	-	n/a	n/a	n/a
Croatia	92	-	n/a	n/a	n/a
Cyprus	92	-	n/a	n/a	n/a
Czech Republic	99	36	135	36	99
Denmark	74	-		*n/a (net exporter)*	
Estonia	*73*	*n/a**	*300*	*61*	*239*
Finland	195	87	282	137	145
France	96	17	113	36	76
Germany	102	38	140	38	102
Greece	108	13	121	121	0
Hungary	121	43	164	42	121
Ireland	96	19	115	24	91
Italy	90	28	118	118	0
Latvia	95	-	*n/a*	*n/a*	*n/a*
Lithuania	101	-	*n/a*	*n/a*	*n/a*
Luxembourg	85	5	90	90	0
Malta	93	-	*n/a*	*n/a*	*n/a*
Netherlands	110	75	185	121	63
Poland	97	26	123	100	22
Portugal	91	2	93	55	37
Romania	62	-	*n/a*	*n/a*	*n/a*
Slovakia	97	65	162	65	98
Slovenia	104	-	*n/a*	*n/a*	*n/a*
Spain	114	8	122	67	55
Sweden	*n/a*	-	139	139	0
United Kingdom	*61*	*n/a**	*194*	*194*	*0*

Source: IEA, EUROSTAT

** Estonia and the United Kingdom are calculating their EU obligation based on daily consumption rather than net imports, as allowed by the Directive*

Furthermore, the IEA Secretariat regularly notices discrepancies between stocks reported as held on behalf of another country and stocks reported by that given country as held abroad (bilateral stocks). Often these discrepancies do not show in the totals but are caused by different product classifications. To improve transparency, a better system of cross-checking and verification of data between EU Member States could be devised.

Regarding the methodology, the IEA Secretariat has received requests from some Member countries to consider the possibility of revising the methodology for deducting naphtha from the calculation of the IEA's emergency stocks obligation. The IEA's established threshold of 7%, which forces countries to opt for a different method of calculation after exceeding that threshold, may lead to sudden and sometimes significant changes in the minimum stockholding obligation. As this methodology is also applied in the Directive, it would be necessary to coordinate the approach to this issue between the IEA and the EU.

One other important change brought by the Directive involves the removal of a requirement to conclude bilateral agreements for cross-border stocks. The IEA Secretariat has noticed a significant increase in bilateral stocks (notably tickets) in correlation with the implementation of the Directive. The Directive has streamlined and clarified rules, most importantly by banning the practice of "sub-delegation," and has led to a greater fluidity of the market and also to a decrease in ticket prices, which can be seen as another benefit to both the IEA and EU Member States. It is important to note however that good and transparent reporting and robust verification between countries is critical for cross-border stocks in order to avoid inconsistencies or double counting and to ensure the stocks availability in a disruption and Member State governments must maintain full control and oversight over this type of stocks. As mentioned above, the IEA Secretariat regularly notices discrepancies between the levels of bilateral stocks reported by the country on whose territory the stocks are being held and the country for whose benefit the stocks are being held.

The IEA Secretariat remains ready to continue cooperating with the European Commission on the process of this evaluation.