

- Consultation on the Oil Stocks Directive (Directive 2009/119/EC)

1. General information about respondents

1.1 Are you answering on behalf of an organisation or institution?

Yes

1.2 If replying as an individual/private person, please give your name; otherwise give the name of your organisation, your full name and position title

Sweden

1.3 Please enter your email address:

bjorn.telenius@regeringskansliet

1.4 In which capacity are you completing this questionnaire?

Government official

1.5 If you are a private or public enterprise, could you please indicate your principal business sector?

N/A

1.6 If you are a private or public enterprise, could you please indicate the size of your company? (Medium-sized enterprise: an enterprise that employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million or whose annual balance-sheet total does not exceed EUR 43 million. Small enterprise: an enterprise that employs fewer than 50 persons and whose annual turnover and/or annual balance-sheet total does not exceed EUR 10 million. Micro-enterprise: an enterprise that employs fewer than 10 persons and whose annual turnover and/or annual balance-sheet total does not exceed EUR 2 million.)

N/A

1.7 If you are a private or public enterprise, could you please indicate whether you are obliged to hold oil stocks?

N/A

1.8 If you are a professional organisation, which sector(s) does your organisation represent?

N/A

1.9 If you are a professional organisation, where are your member companies located? (several answers are possible)

N/A

1.10 If you are a civil society organisation, please indicate your main area of focus.

N/A

1.11 If you are a public authority, can you define more specifically your area of competence?

National government

1.12 Is your organisation registered in the Transparency Register?

No

1.13 Please give your country of residence/establishment

Sweden

1.14 Please indicate your preference for the publication of your response on the Commission's website:

(Please note that regardless the option chosen, your contribution may be subject to a request for access to documents under Regulation 1049/2001 on public access to European Parliament, Council and Commission documents. http://ec.europa.eu/transparency/access_documents/index_en.htm In this case the request will be assessed against the conditions set out in the Regulation and in accordance with applicable data protection rules.)

Under the name given: I consent to publication of all information in my contribution and I declare that none of it is subject to copyright restrictions that prevent publication.

2. Relevance

Relevance looks at the relationship between the needs and problems in society and the objectives of the intervention. The economic, social or political climate may change over time which could make a previous intervention less relevant. In this context, is it still relevant to stipulate minimum requirements for emergency oil stocks and/or to align those requirements to those of the International Energy Agency (IEA)?

2.1 Do you agree that the emergency oil stocks are necessary to guarantee the security of supply in the EU?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: Yes, stocks of oil and fuel are necessary in order to provide S-o-S and stability to the MS' critical societal infrastructures and economies.

2.2 Do you agree that the EU needs to have its own rules on emergency oil stocks?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: Yes, fully, as it is valuable that EU MS, which are not IEA MS, are also part of the stockholding regime and carry their own fuels S-o-S weight within the EU, not least from a solidarity perspective.

2.3 Do you agree that the EU rules on emergency oil stocks need to be in line with the rules applied in the context of the IEA?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: Yes, fully. It is the global weight of the emergency stocks held under the IEA-framework which provides the best and most comprehensive supply security for consumer nations, including all EU MS. The best way for the EU to support the IEA framework is to align closely and support the organisation in its efforts to uphold adherence to its rules as well as to support its expansion.

2.4. The Directive obliges to hold a level of oil stocks equivalent to 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater. In your view, are these levels of emergency oil stocks requested by the Directive appropriate for the EU to cope with a serious oil supply disruption?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: Yes, that level is accepted throughout the whole IEA/OECD as good practice.

2.5 The average daily net imports referred to in question 2.3. need to be calculated based on the crude oil equivalent of imports during the previous year. Annex I of Directive 2009/119/EC lays down the methodology based on which the imports of petroleum products are converted into crude oil equivalent. In your view, is this methodology well adapted for the calculation of the equivalent of crude oil import?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: The methodology works well.

2.6. The average daily inland consumption referred to in question 2.3 need to be calculated based on the crude oil equivalent of inland consumption during the previous calendar year. Annex II of Directive 2009/119/EC lays down the methodology based on which the inland consumption is converted into crude oil equivalent of inland. In your view, is this methodology well adapted for the calculation of the inland consumption?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer:

2.7. Annex III of Directive 2009/119/EC lays down the methodology for calculating the level of stocks held. In your view, is this methodology well adapted for calculating the actual level of stocks that would be actually accessible and available in case of oil supply disruption?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

No

Please explain your answer: Without relevant justification annex III applies a 10% deduction on calculated emergency stocks. This is far from any third party estimates of technically unavailable stocks in modern oil and products supply systems. The deduction is also applied regardless of how stocks are held (type of regime), even if emergency stocks in a comingled system like Sweden's already have to be fully available at outset, in order to at all be counted (as not being commercial stocks). In such a case, the 10% deduction is applied to already completely available stocks, above and beyond any tank bottoms, working stocks or any other technically unavailable volumes, which are already "carried" as an addition on the commercial stocks definition.

2.8. Any additional views related to the relevance of the objectives of Directive 2009/119?

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3. Effectiveness

Effectiveness analysis considers how successful EU action has been in achieving or progressing towards its objectives. The evaluation should form an opinion on the progress made to date and the role of the EU action in delivering the observed changes. Directive 2009/119 aimed at: (1) improving the availability of the stocks, (2) better harmonizing with the stockholding system created by the IEA, (3) reducing administrative burden and (4) improving transparency. In this context, to what extent have the 4 main objectives

been achieved? To what extent have the planned results been produced and contributed to the overall objective of strengthening the security of oil supply?

3.1. In your view, has the Directive improved the availability of the stocks in case of oil disruption?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, partly

Please explain your answer: Given Sweden's stock holding model, availability and responsiveness was already very high and the Directive has not affected either responsiveness or availability in Sweden. However, due to the unjustified 10% deduction less of it could be counted and – as a consequence – more had to be held, raising the overall cost and lowering the cost efficiency. Sweden does, however, recognise that the improved streamlining within the EU has brought several EU MS which are not IEA MS more in line with the IEA framework, which likely has improved the availability of some of these countries' stocks.

3.2 In your view, has the Directive improved the physical accessibility of the stocks in case of oil disruption?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, partly

Please explain your answer: No discernible difference for Sweden, where time between final stock draw decision and first stock draw volumes reaching market can be counted in hours. However, as detailed in the answer above, it is likely that the EU's overall physical accessibility has improved due to the Directive.

3.3 In your view, has the Directive achieved a better harmonization with the International Energy Agency (IEA) system?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, partly

Please explain your answer: In many aspects, the Directive has moved all EU MS which were not IEA MS closer in line with the EU MS which also were IEA MS, with greater unity and streamlining as a result. However, in some cases discrepancies to the IEA rules still exist, as in the case of the 10% deduction, which penalises a flexible and rapid-reaction system like Sweden's industry-held model, by adding significant costs to it and lowering its efficiency.

3.4. If you are a public administration, how would you rate the impact of the Directive on the administrative burden?

(Alternativ: The administrative burden increased largely, The administrative burden increased slightly, No impact, The administrative burden decreased slightly, The administrative burden decreased largely, no opinion)

The administrative burden increased slightly

Please explain your answer: Given the new discrepancies between the Directive and the IEA rules, the administrative burden initially (around transposition) increased largely. With time this has changed and some parts of the administrative burden have decreased to levels below those preceding the current Directive. Overall, the administrative level has, however, increased slightly. Much of this increase pertains to the new MOS report component (MOS Table 5b_5c) as well as the stock location register to be submitted in the beginning of each year.

3.5. If you are an economic operator, how would you rate the impact of the Directive on the administrative burden?

(Alternativ: The administrative burden increased largely, The administrative burden increased slightly, No impact, The administrative burden decreased slightly, The administrative burden decreased largely, no opinion)

N/A

3.6. In your view, has the Directive improved the transparency as regards the level of emergency oil stocks held in the Member States and the European Union as a whole?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: The Directive has brought reporting and oil statistics more in line throughout the EU, which has benefitted transparency. Differences in availability between stockholding systems have also been illuminated as well as cross-border stockholding and, to some extent, the European ticket market.

3.7 Emergency oil stocks may be held at any location across the EU. The previous rules allowed cross-border stockholding only if there was a bilateral agreement between the Member States concerned. The Directive removed this requirement, but Member States need to authorize in advance cross-border arrangements between operators. In your view, has the Directive improved transparency as regards the cross border stocks?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

No

Please explain your answer: While Sweden fully supports the removal of the demand for bilateral agreements from a transparency perspective there is no change. However, cross-border stockholding has been greatly

simplified by the requirement. While some countries still maintain somewhat different approaches and processes for clearing cross-border holdings, there seems to be a clear natural move, over time, towards unification and simplification of the dialogue between national oversight bodies.

3.8 Are you aware of any unexpected or unintended effects of the Directive?

(Alternativ: Yes, No)

Yes

Please explain your answer: The move away from industry held stocks towards government held stocks and special stocks, which – as detailed by the Trinomics study - has as a consequence that a larger part of EU stocks will be available at a later stage in a crisis (because of longer “technical” start-up times for stock draws) compared to before, should probably be listed among unintended consequences. Previously, the mix between different stock holding systems with different grades of responsiveness meant that a relatively even flow from the stock draw was achieved over the time of crisis from very early following decision, to the end of the crisis response period. Now, more of the crisis response volume becomes available to market later during the crisis. The effect of this on crisis management in the EU should be further investigated. Another unintended effect is the naphtha threshold issue. Although not directly damaging for Sweden, which we have become aware of it by other MS’ reporting of their problems.

3.9. Any additional views on the effectiveness of Directive 2009/119?

Please explain your answer:

N/A

4 Efficiency

Efficiency considers the relationship between the resources used by an intervention and the changes generated by the intervention. Efficiency analysis will include analysis of administrative and regulatory burden and look at aspects of simplification. It is important to note that efficiency analysis should always look closely at both the costs and benefits of the EU intervention as they accrue to different stakeholders.

The ex-ante cost benefit carried out by the Commission in 2008 can be consulted in the Impact Assessment

4.1 In your view, the costs related to the implementation of the Directive were:

(Alternativ: Very high, High, Moderate, Low, No opinion)

Very high

Please explain your answer: At implementation of the Directive, Sweden had to start making a 10% deduction from already available stocks, instead of –as under IEA rules- from total stocks, since Sweden's emergency stocks per legal definition only can be counted as such if they are completely available. Hence, the deduction for unavailable stocks which Sweden needs to make, compared to other MS, is applied after unavailable stocks have already been excluded from counting. This, at a time of historically high oil prices and very low downstream profitability, proved a great strain on industry to finance up-front, before the cost could be rolled over onto consumers who now have to pay for the oversized deduction in the stocks calculation.

4.2 How would you estimate the economic burden resulting from the Directive on the different stakeholders?

(0 stands for no impact 1 for minimum impact and 5 for a maximum impact)

0	1	2	3	4	5	
CSE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SME	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Consumers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tax payers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State finance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.3 Did the Directive improve efficiency by simplifying reporting?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, partly

Please explain your answer: Much of the reporting was simplified, particularly as it was brought more in line with IEA-reporting however a few extra reports, with very limited obvious benefit, remain.

4.4 Did the Directive improve efficiency through better harmonisation with the IEA system?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: The improvements brought by the Directive were indeed in the areas where more harmonisation with the IEA-

framework was achieved. Scope for remaining improvement generally rests with the areas where harmonisation has yet to be achieved.

4.5 Considering your answers to chapter 3 and to questions 4.3 and 4.4, do you think that the costs related to the implementation of the Directive are proportionate to the benefits achieved?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

No

Please explain your answer: Cost of implementation was very high and Sweden continues to be subject to a higher calculated deduction (for unavailable stocks, from already available stocks), however in many other ways, the Directive has brought clarity, simplifications and streamlining.

4.6 Any additional views on the effectiveness of Directive 2009/119?

Please explain your answer (500 characters):

N/A

5 Coherence

The evaluation of coherence involves looking at how well or not different actions work together. Checking "internal" coherence means looking at how the various internal components of an EU intervention operate together to achieve its objectives. Similar checks can be conducted in relation to other "external" interventions, at different levels: for example, between interventions within the same policy field or in areas which may have to work together. At its widest, external coherence looks at compliance with international agreements/declarations.

5.1 The IEA requires its members to hold oils stocks equivalent 90 days of net imports and imposes no obligation on net oil exporters. Contrary to the EU system, stocks held for commercial or operational use can be counted to this purpose. 20 EU Member States have to comply with both the EU and the IEA mechanism. In your view, is the system resulting from the Directive coherent with IEA obligations?

(Alternativ: Yes fully, Yes, partly, No, No opinion)

No

Please explain your answer: Not fully. As detailed in answers above, some discrepancies in the harmonisation have resulted in countries with industry-held and comingled systems having to deduct a large share to compensate for unavailable stocks, from compulsory stocks which are available, thereby applying the Directive's effects unevenly. This potentially damages the competitiveness of industry in some EU MS, compared to those with other systems.

5.2 The Energy Union means making energy more secure, affordable and sustainable. The Energy Union strategy is made up of 5 dimensions: (1) energy security, solidarity and trust; (2) a fully integrated European energy market; (3) energy efficiency

contributing to moderation of demand; (4) decarbonising the economy and (5) research innovation and competitiveness.

http://ec.europa.eu/priorities/energy-union-and-climate_en

In your view, is the Directive coherent with the Energy Union objectives?

	Yes, fully	Yes, partly	No	No opinion
Energy security, solidarity and trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fully integrated European energy market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy efficiency contributing to moderation of demand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Decarbonising the economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Research, innovation and Competitiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answer: See above re competitiveness and a fully integrated Energy market. Regarding decarbonising the economy; while the directive does not prevent de-carbonisation, it might not safeguard the s-o-s perspective regarding emergency stocks during and after a transition, either.

5.3 In your view, is the Directive coherent with other EU rules in the energy sector?

<https://ec.europa.eu/energy/en/topics>

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: -

5.4 In your view, is the Directive coherent with other EU rules relating to the oil sector?

<https://ec.europa.eu/energy/en/topics/oil-gas-and-coal>

[http://ec.europa.eu/growth/tools-](http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8630&lang=en)

[databases/newsroom/cf/itemdetail.cfm?item_id=8630&lang=en](http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8630&lang=en)

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes, fully

Please explain your answer: -

5.5 In your view, is the Directive coherent with other EU policies?

https://ec.europa.eu/info/index_en

(Alternativ: Yes fully, Yes, partly, No, No opinion)

Yes fully

Please explain your answer: -

5.6 Any additional views on the coherence of the Directive with other rules, policies and actions?

Please explain your answer: -

6 EU added value

European added value is defined as the value resulting from an EU intervention which is additional to the value that would have been otherwise created by Member State action alone. In the context of the evaluation, the question is whether having an EU Directive on emergency oil stocks presents more added value than a situation without EU intervention.

6.1 Do you see an added value in having a coordinated mechanism for emergency oil stocks?

(Alternativ: Yes, No, No opinion)

Yes

6.2 Do you think that the existence of a separate EU system for emergency oil stocks is justified?

(Alternativ: Yes, No, No opinion)

Yes

Please explain your answer: The added weight to the IEA-system of bringing non-IEA MS which are EU MS into the stockholding system, is very good. Likewise is ensuring that EU coordination exists in case of a supply disruption within the union.

6.3 Do you consider that the EU system is a good complement of the IEA system?

(Alternativ: Yes, No, No opinion)

Yes

Please explain your answer: -

6.4 What would be the consequences on the levels of oil stocks available in case of disruption if the EU no longer required Member States to hold emergency stocks?

(Alternativ: No consequence, Decrease of the level of oil stocks held, No opinion)

Decrease of the level of oil stocks held

Please explain your answer: It is unlikely that EU MS, which are not IEA MS, would hold sufficient stocks, creating a situation where, under Energy Union solidarity clauses, EU MS who are in IEA would have to carry the weight of the combined EU on their stocks. Alternatively, shortages would develop unevenly throughout the EU.

6.5 What would be the consequences on the security of oil supply if the EU no longer required Member States to hold emergency stocks?

(Alternativ: No consequence, Increase the vulnerability in case of oil disruption, No opinion)

Increase the vulnerability in case of oil disruption

Please explain your answer: See answer to question 6.4. Furthermore, it deserves to be said that in the absence of this EU requirement, quality and coherence of energy statistics, as well as the transparency and availability of the ticket market, would likely decrease.

6.6 Is there a need for EU additional policy on emergency oil stocks?

(Alternativ: Yes, No)

No

Please explain your answer: There is no need for additional policies. Focus should be on more harmonisation with IEA rules and to make the directive apply evenly across the EU

6.7 Any additional views on Directive 2009/119 added value?

Please explain your answer: N/A

7 Results of the study – Recommendations

A study in support of the mid-term evaluation of the functioning and implementation of Council Directive 2009/119/EC was prepared by a consultant to provide the Commission with an independent evaluation of the Directive. Respondents are invited to give their opinion on the findings and recommendations presented in the report[1].

The composition and levels of emergency stocks held are crucial to addressing a disruption in an effective way. Annex I of the Directive sets out the methods and procedures for the calculation of the crude oil equivalent of the petroleum product imports. Annex II sets out the method for calculating the crude oil equivalent of inland consumption. Annex III sets out the methods for calculating the level of stocks held. The methods and procedures described in these Annexes may be amended in comitology, in accordance with the regulatory procedure referred in Article 23(2).

Naphtha is a petroleum product which can also have a petrochemical use. Annex I and Annex II detailed specific provisions to take into account the part of naphtha not available for energy purposes. Annex I states that the crude oil equivalent of oil import is reduced by 4%, or if by the net actual consumption or the average naphtha yield if greater than 7% on the national territory of the Member State. Annex III state that crude oil stocks are to be reduced by 4% which correspond to the average naphtha yield, and stocks of naphtha are not included in the emergency stocks.

[1] Study in support of the mid-term evaluation of the functioning and implementation of Council Directive 2009/119/EC- Trinomics, 2016- [http](http://)

7.1 The 7% naphtha threshold might have an impact on the stockholding obligation for some Member States with naphtha yield fluctuating around 7%. Do you consider annex I should be amended to limit the trigger effect of the 7% naphtha yield?

(Alternativ: Yes, No)

Yes

Please explain your answer: Please see common position paper submitted by Sweden and several other MS ahead of last OCG meeting (1H 2016). This is an unwanted threshold effect which only creates fluctuations and uncertainty in the energy system, without any benefit.

7.2 Under the IEA methodology, for calculating the stock levels, the 4% naphtha yield is deducted from "crude oil, NGL, and feedstock" which is the abbreviation for the full name of Crude, NGL, Feedstocks, Additives/oxygenates and Other Hydrocarbons; compared to 4% reduction of "crude oil" in Annex III of the Directive. "Crude oil" in the sense used in Annex III of the Directive comprises also Crude, NGL, Feedstocks, Additives/oxygenates and Other Hydrocarbons. Do you consider Annex III of the Directive should be amended to explicitly indicate the full name of Crude, NGL, Feedstocks, Additives/oxygenates and Other Hydrocarbons?

(Alternativ: Yes, No)

Yes

Please explain your answer: Yes, it would clarify the application of the rule and simplify its use.

7.3 Under the IEA methodology, naphtha for gasoline production is included in the calculation for stock levels if it is reported as gasoline blending component while naphtha for petrochemical uses is excluded. According to Annex III of the Directive, stocks of naphtha are not included in the emergency stocks. Do you consider Annex III of the Directive should be amended to further detail the possible reporting of naphtha as gasoline blending component?

(Alternativ: Yes, No)

Yes

Please explain your answer: Yes, this clarification would be good, as complex refiners at times hold significant stocks of naphtha awaiting blending with streams from other parts of the facility, in order to become gasoline. These streams qualify as naphtha according to the definitions, but are often not fit for petrochemical feedstock.

Both in the IEA methodology and in Annex III of the Directive, a 10% deduction is made on the quantities of stocks calculated. According to the IEA methodology the deduction is made to account for unavailable stocks. The Directive does not specify any reason for the deduction.

7.4 In your view, is a 10% deduction still justified?

(Alternativ: Yes, No)

No

Please explain your answer: As has been detailed in a common paper from several MS, including SE, as well as by responses in chapters above, this deduction is not justifiable size-wise as a representation of unavailable stocks. Modern environmental regulations, as well as industry flows and accounting standards testify to that. Moreover, the way IEA applies the 10% deduction is in effect very different to how it is applied in the

Directive, which is why a situation where particularly industry-held and comingled stocks are put at a disadvantage compared to other stockholding models is created. This is done even though the former has been proven having comparatively high (and quick) availability levels. Hence, the motivation for the 10% deduction, should it be clarified and even reduced, still would not hold scrutiny.

7.5 if not justified, how should Annex III be amended?

(Alternativ: No deduction rate at all for unavailability, A lower deduction rate, Several deduction rates based on the nature of the stock holders (whether CSE, private, cross border,...), Other (specify))

A lower deduction rate

Please explain your answer: As per the common position paper submitted by SE and several other MS, the deduction rate should be lowered. Sweden's position is that this lower, technically more relevant, deduction rate should be applied by the Directive in the same way as IEA-rules apply the current deduction, i.e. on the total of commercial and strategic stocks counted together. This would not penalise comingled stocks, given their benefit as fast-release, early crisis management ability-stocks, compared to the slower-to-release stocks held in other stockholding models.

Additional contribution

Do you have other specific views that could not be expressed in the context of your replies to the above questions?

Please explain your answer: N/A