

ANNEXE 2

Réponses complémentaires au questionnaire

2. Relevance

2.1

Most EU member countries are net importers of oil products and crude oil. Such a dependency on an energy of vital importance for their economy must be addressed. Emergency oil stocks is the most appropriate tool to cope with supply disruptions.

2.2

All EU member countries are not part of the IEA so EU needs to have its own rules on emergency oil stocks in order to make the burden of oil security of supply shared equitably.

2.3

Applying emergency oil stocks rules in line with IEA ones reduces the administrative burden. There must be only one system (or at least the greatest similarity possible).

2.7

Under the IEA methodology, the naphtha yield of 4% is deducted from “crude oil, NGL and feedstocks” i.e. the deduction is made not from crude oil alone but from crude oil, NGL and feedstocks (see question 7.2). The UE should apply the same wording.

3. Effectiveness

3.1

The Directive had an influence on stocks level. The 10% deduction and the exclusion of commercial stocks from emergency stocks have led to an increase of emergency stocks.

3.2

French stocks knew no change in terms of physical accessibility with the new Directive. No opinion concerning other Member Countries.

3.4

Reporting obligations under articles 6.2, 7.4 and 9.5 are new ones. See “additional contribution” point 5.

3.6

The register of emergency stocks which must be sent to the Commission each year and the possibility for the Commission to ask a summary copy of this register at any time improves transparency.

3.7

With the Directive no change has occurred in the way France deals with cross border stocks.

3.8

Method for calculating the crude oil equivalent of imports of petroleum products has been aligned on IEA one. But as the range of products reckoned to cover the obligation is smaller in EU

regulations, variations in obligation level induced by naphtha yield in this method can not be cushioned with commercial stocks.

4. Efficiency

4.1

The cost is certainly different for each country but the implementation must mainly have generated one-off expenses in order to adapt stocks nature and level to new requirements.

4.4

Only one obligation is managed and calculating methods are the same. Therefore global emergency stockholding system (IEA and EU) is more comprehensible and reports simplified.

4.5

In the French case, the implementation of the Directive led to a slight increase of the obligation (+2,5%) balanced by new possibilities of substitution between categories of products. If costs were limited, the benefits were few too in terms of stockholding. Real benefits are to be found in a better clarity of the system with an alignment on the IEA.

5. Coherence

5.1

The range of stocks reckoned by EU to cover the obligation is narrower than IEA one. Henceforth this situation creates the difficulties exposed in question 3.8.

5.2

The Directive is coherent with fully integrated European energy market because cross border stocks constitution has been simplified and encouraged (bilateral agreements no longer necessary, right given to operators to delegate their obligation to foreign operators in the EU).

6. EU added value

6.2

As long as some EU member countries are not IEA members a separate EU system is justified to compel these countries to hold emergency stocks.

6.3

EU requires that a minimum of emergency oil stocks has to be maintained in the form of oil products. This important constraint for availability of emergency stocks is inexistent in IEA system.

6.4

A slight decrease of the level of stocks held would probably be observed. IEA member countries would probably lightly reduce the level of "obligated" stocks in order to be compliant to IEA regulations by taking into account commercial stocks.

6.6

Indeed emergency oil stocks policy could be improved but any further amelioration could have impact on the costs/benefits ratio (decrease crude oil stocks and increase oil products stocks for instance). Member countries are free to take additional measures to improve their own security if needed.

7. Results of the study – Recommendations

7.1

The trigger effect mentioned can create a strong prejudice to countries (Belgium bring this subject because it caused a “jump” of approximately 40% of its national obligation). The Annex I should be amended but only in line with a change in IEA regulations.

7.2

The current wording of Annex III induce a big difference with IEA methodology. As an alignment with the IEA regulation was in the recitals of the Directive, this difference is probably a mistake rather than an intended wording. There is no reason not to count NGL and feedstocks as they do participate to oil products production.

7.3

The question is why these stocks of naphtha were excluded in Annex III of the Directive. If no explanation can justify such an exclusion, then Annex III should be amended. One explanation to this difference could be that the legislator did not want to take the risk that non energetic naphtha could be taken into account in emergency stocks.

7.4

The Directive aligned with the IEA system on this point but diverged by excluding commercial stocks from emergency oil stocks. In the IEA system, commercial stocks cushion this 10% deduction. This deduction is too strong given the stocks on which it applies.

7.5

With the EU system the 10% deduction that applies on emergency stocks must be compensated with emergency stocks. As it is said in the directive that emergency stocks are fully available and accessible, this deduction is not justified and should be abandoned.

Additional contribution

Even if already mentioned in previous questions the following considerations are expressed again in order to insist on their importance:

1. Regarding emergency stocks (obligated industry stocks and Central Stockholding Entity (CSE) stocks), Article 5 of the Directive requires that Member States ensure these are fully available and accessible at all times. Given this it does not appear reasonable that a 10% reduction is imposed (as set out in annex III: methods for calculating the level of stocks) to account for ‘tank bottoms’. Member States are seeking a revision of the calculation methodology to remove this 10% tank bottom deduction on obligated industry and CSE stocks, or at least consider whether 10% is still an accurate figure and if this should be reduced. However, consideration of this by Member States and the Commission should be done alongside the IEA to ensure the regulations remain aligned.
2. Currently, the stockholding obligation of some Member States might change quite significantly up or down due to the naphtha calculation method and threshold values which exposes Member States to sharp increases or decreases in obligation which are hard to manage. This issue was already raised by Belgium and Germany in the Oil Coordination Group in June 2015. The Member States support addressing this issue in the Directive review. It may be appropriate for those Member States also in the IEA to raise this issue there as well, so that the regulations remain aligned.

3. The stockholding obligation for the reference year should start in July of the year following the calendar year rather than in April. Stockholding obligations relate to energy statistics in respect of the previous calendar year. As there may be delays with statistical reporting, it is often March before Member States are clear on their obligation in respect of the previous calendar year. In order to comply with increased stock-holding obligations and put new contracts in place, a deadline of April for the commencement of the reference year is too short a timeframe by which to adjust stock levels and meet new obligation volumes. Therefore Member States request the commencement of the reference year be moved to 1 July to provide three additional months to facilitate making the necessary arrangements in the case of stock increases.
4. According to article 5 (1) of Directive 2009/119/EC, Member States may impose limitations on emergency stocks being held outside its territory. *'Each Member State may set limits or additional conditions on the possibility of its emergency stocks and specific stocks being held outside its territory.'* It is the understanding of Member States that this overall Member State entitlement should not be diminished because of the manner in which a Member State chooses to hold its stocks. The Directive deals with security matters and thus Member State should be empowered to place stocks as close as deemed necessary to final consumer. In particular Article 8(2) should not take precedence over this entitlement. A Member State should be able to require an economic operator with an obligation to hold any proportion of stocks on national territory, as is currently the case for a Member State with a CSE.
5. Member States consider that some reporting obligations (e.g. obligations according article 9.5) impose an unnecessary administrative burden without adding value and could usefully be suspended.
6. The EU methodology for calculating the stock levels held (see annex III of Directive 2009/119/EC) states that crude oil stocks are to be reduced by 4%, *'which corresponds to the average naptha yield.'* Under the IEA methodology, the naptha yield of 4% is deducted from *'crude oil, NGL and feedstocks'* i.e. the deduction is made not from crude oil alone but from crude oil, NGL and feedstocks. It is recommended that this discrepancy between the two methodologies could be resolved as part of the review of the Directive.