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DIRECTORATE-GENERAL FOR ENERGY

Directorate A - Energy policy  
A.1 - Energy Policy & Monitoring of electricity, gas, coal and oil markets

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## NOTE FOR THE FILE

### **Subject: Summary and conclusions of the second meeting of the EU Refining Forum held on the 27<sup>th</sup> of November 2013**

#### **Overview**

The second meeting of the EU Refining Forum took place on Wednesday the 27<sup>th</sup> of November 2013.

The participants (+/-100) consisted among others of representatives from around 15 Member States, the Commission, Industry and the IEA.

Following from the first meeting of the Forum in April 2013 - at which a draft mandate of the Refining Fitness Check was discussed, and after which members of the Forum were provided time to respond with comments - the Commission published a final draft of the mandate, a copy of which was sent to members of the Forum along with the agenda for the meeting.

At this second meeting of the EU Refining Forum, the event was kicked off with a detailed presentation from the IEA on the current situation in the EU refining sector and on the supply and trade of petroleum products in the EU.

The Commission presented progress on the Refining Fitness Check, after which participants were given the opportunity to ask for more information. The Commission also reported on progress in the Commission's energy prices and costs study, and on the revision of the ETS carbon leakage list.

Several presentations were given by industry: one reporting on a cumulative costs analysis of the refining sector, and another providing the petrochemical industry's perspective on the challenges and opportunities to the EU industrial value chain.

There was also a presentation on the key challenges and opportunities ahead for EU refining, and a call for action from the EU refining industry.

Another presentation focussed on the Transatlantic Trade and Investment Partnership and the refining sector.

As was the case in the first meeting of the Forum, there was a session dedicated to providing Member State representatives the opportunity to give an update on refining

sector initiatives and developments in the refining sector and supply of petroleum products in their respective countries.

In the e-mail containing the agenda of the meeting, a number of questions were included to aid Member State representatives prepare their intervention. Those questions were as follows:

1. Since the time of the first meeting of the EU Refining Forum in April 2013, have there been any oil refining-related initiatives undertaken in your country, be it of a legislative or non-legislative nature? If so, are you already able to present results and/or recommendations?
2. How would you assess the evolution of the situation of the oil refining industry in your country? Do you consider that actions could/may be taken at national level in the foreseeable future, and if so, what actions?
3. What are, in your opinion, the critical regulatory issues facing the EU's refining industry?
4. What should be the key issues to be discussed at the meetings of the next EU Refining Forum in 2014?
5. In your view, how best could the conclusions of the EU Refining Forum feed into the work of the Commission and that of policymakers at the national and EU level?

Two Member States (FR and Italy) sent detailed responses to those questions. Member States which reported orally on developments in their markets included the UK, Ireland, Italy, Spain and France.

## Conclusions & highlights

- The EU refining Forum represents the type of initiative which is very much in line with the overall effort that the Commission is undertaking to improve policy-making, in order to make sure that it is fit for purpose. Improving the dialogue with industry and other stakeholders is one aspect of this approach, another being the horizontal fitness check which the Commission is carrying out over the course of this year and part of next year on the refining sector.
- A key component of the EU Refining Forum is the session dedicated to providing Member State representatives the opportunity to give an update on refining sector initiatives and developments in the refining sector and supply of petroleum products in their respective countries. Such updates will be sought at all meetings of this Forum, and for that reason it is important that Member State representatives continue to actively participate.
- Refining margins which had recovered in 2012 due to a number of capacity shut-downs across the EU have gone down again in 2013 in spite of further capacity shut-downs in 2013 which even exceeded contractions in demand, which normally would have implied improving margins were it not for increasing imports of petroleum products into the EU.
- By early 2014, the 16<sup>th</sup> refinery closure (in Mantova, Italy) will have occurred since 2008.
- Though EU and US refineries share similar characteristics and have typically faced similar challenges in recent times, access to relatively cheap feedstocks and energy are contributing to new refinery projects being planned there in the next few years, when the EU is facing the need for further reductions in capacity.
- Italy, Ireland and the UK are undertaking/ have recently undertaken reviews of their respective refining sectors and will be delivering policy recommendations in the new year. France is finalising an employment study focussed on the French refining sector.
- It is the intention of the Greek Presidency (beginning January 2014) to initiate deep discussions on energy prices and costs in the EU, and to include the experience and findings from the EU refining industry.
- The Greek Presidency will also aim to arrive at concrete conclusions by June 2014 on energy prices and costs and on competitiveness.
- Work on the Refining Fitness Check is progressing and COM has promised to do its utmost to deliver the results ahead of the planned date of publication in Autumn 2014, though this will to a certain extent depend on whether the industry is able to provide the required data input in a timely manner.
- The industry and several Member State representatives reiterated their support for and the importance of the Refining Fitness Check, with many parties stressing the need for the fitness check to be comprehensive, and for it to be conducted as quickly as possible.
- On security of supply, COM invited participants to come forward with any evidence and/or projections which show that the EU is facing actual/potential security of supply risks due to the present challenges faced by the industry and to

transmit such findings to the forthcoming energy and competitiveness Councils in 2014.

- On the revision of the carbon leakage list, the plan is that a draft revised list will be made public by DG Climate Action early next year, with the possibility for sectors not in the list to make representations if they want to contest the analysis/numbers used to arrive at the outcome. The aim is to have a final list adopted in the second half of 2014.
- The energy price and cost study which the Commission is currently working on will not only form part of the 2030 package but its findings will be taken into account in the political deliberations on the targets and measures to be proposed for 2030.
- The EU refining industry recommends to EU leaders who will debate the future policy framework in early 2014 to seek to achieve balance between the three pillars of sustainability, security of supply and competitiveness; to consistently apply the 'evaluate first' principle in policy making, with systematic use of competitiveness proofing in impact assessments of the Commission; to seek to create the conditions and remove the obstacles for access to diverse and competitively priced energy and raw materials; to reflect on the lessons learnt from the 2020 framework, including assessing employment impacts and extending measures to mitigate the risks of carbon leakage.
- The conclusions of the EU Refining Forum must serve as a reference document across the institutions and be reflected in initiatives that will have an impact on the sector.
- Two meetings of the EU Refining Forum are being planned in 2014, the intention being to have the next meeting organised in the spring and the second in autumn.
- The date for the next meeting will be announced early in the new year.

### **Background on the EU Refining Forum**

On the 15th of May 2012, Commissioner Oettinger organised an EU Refining Roundtable, at which representatives of all 21 EU Member States with an oil refining presence, Members of the European Parliament as well as representatives of the EU refining industry and of trade unions were convened to share views on the difficulties faced by the EU oil refining sector and to assess the need for coordinated action at the EU level to deal with the sector's difficulties.

In response to requests by industry and Member States at the Refining Roundtable, the Commission then organised an EU Refining Conference on the 26th of November 2012. This conference provided stakeholders the opportunity to give their views on the Commission proposals for a horizontal sectoral fitness check of oil refining announced in October 2012 in the communication on industrial policy, and on the setting up of an EU Refining Forum.

The aim of the EU Refining Forum is to provide an opportunity for the industry, Member States, Members of the European Parliament, the Commission and other stakeholders to come together and discuss planned and future regulatory proposals with potentially significant impacts on the EU oil refining industry and on the EU's security of supply of petroleum products.