

Strategic stock holding of oil products in Switzerland

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Oil in Switzerland (2015)

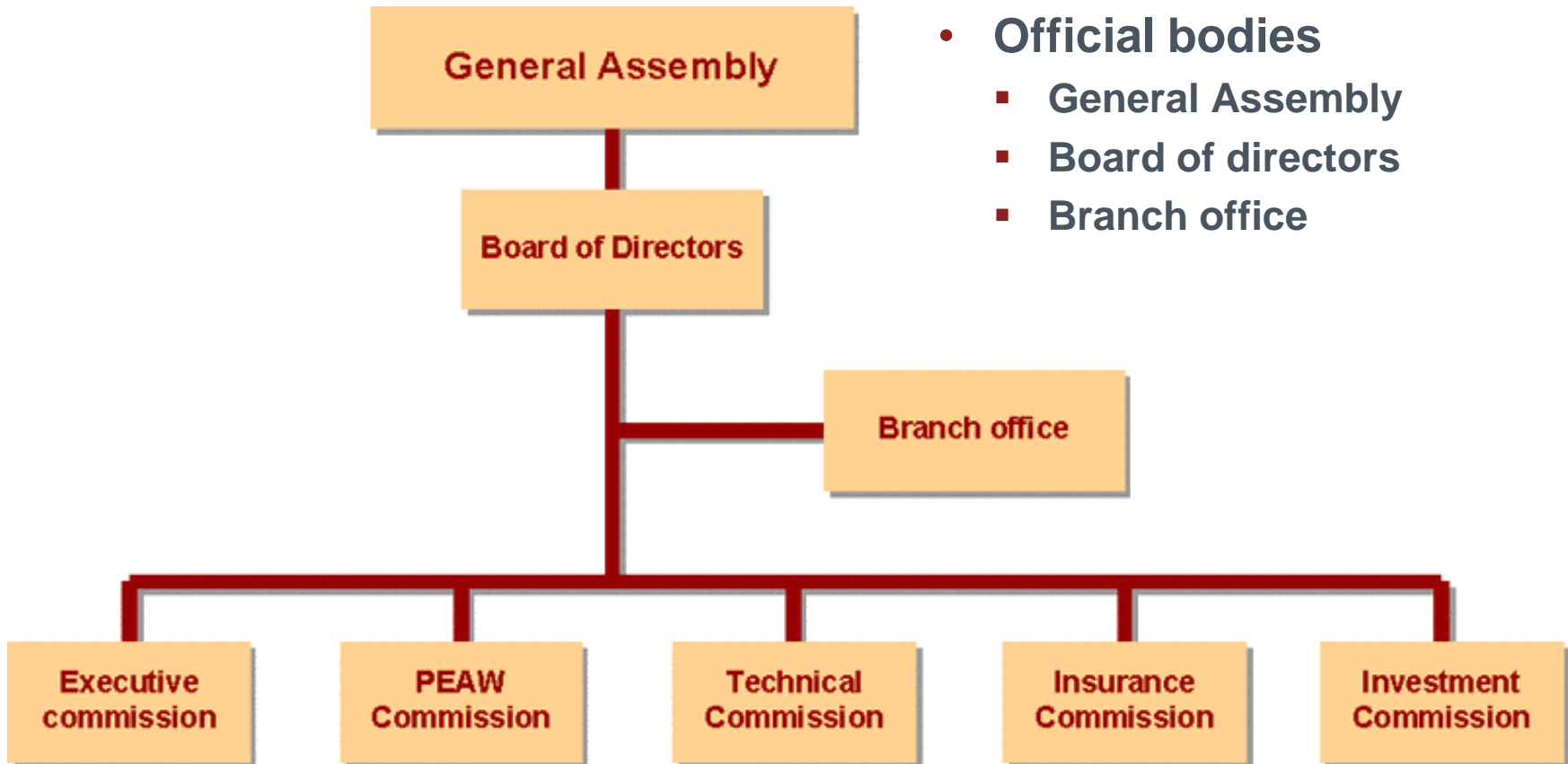
- **53% of end energy consumption**
- **deliveries to consumption: 12.5 mio m3**
 - 3.4 mio m3 gasoline
 - 3.2 mio m3 Diesel oil
 - 2.1 mio m3 jet fuel
 - 3.8 mio m3 heating oil
- **all imported, 1/4 crude, 3/4 products**
- **end of supply lines:**
 - Rhine river, 1 crude pipe, 1 product pipe, rail, trucks

National Legislation

- **law on national economic supply (SR 531)**
 - 1955 - 1981 - 2001 - 2016
- **about essential goods & services**
- **public private partnership**
 - stock holding obligation on private companies
- **measures:**
 - preparing :
 - improving resilience
 - stock holding: oil, food & animal feed, medical products, agricultural fertilizers, natural gas
 - crises intervention: stock release, demand restraint

CARBURA: structure

- Legal form: Association
- Official bodies
 - General Assembly
 - Board of directors
 - Branch office



CARBURA Annual Assembly

- **meets once a year**
- **participants:**
 - **all CARBURA members (oil importers and oil stockholders)**
- **voting procedures**
 - **decisions taken by 2/3rd majority vote**
 - **voting power depends on the import share by a company**
- **tasks (selection)**
 - **approval of bylaws (→ subject to approval by Federal Authorities)**
 - **election of president, board and auditor**
 - **approval of annual accounts and balance sheet**
 - **decision about other proposals of the board or members**
 - **decide about the liquidation of the association**

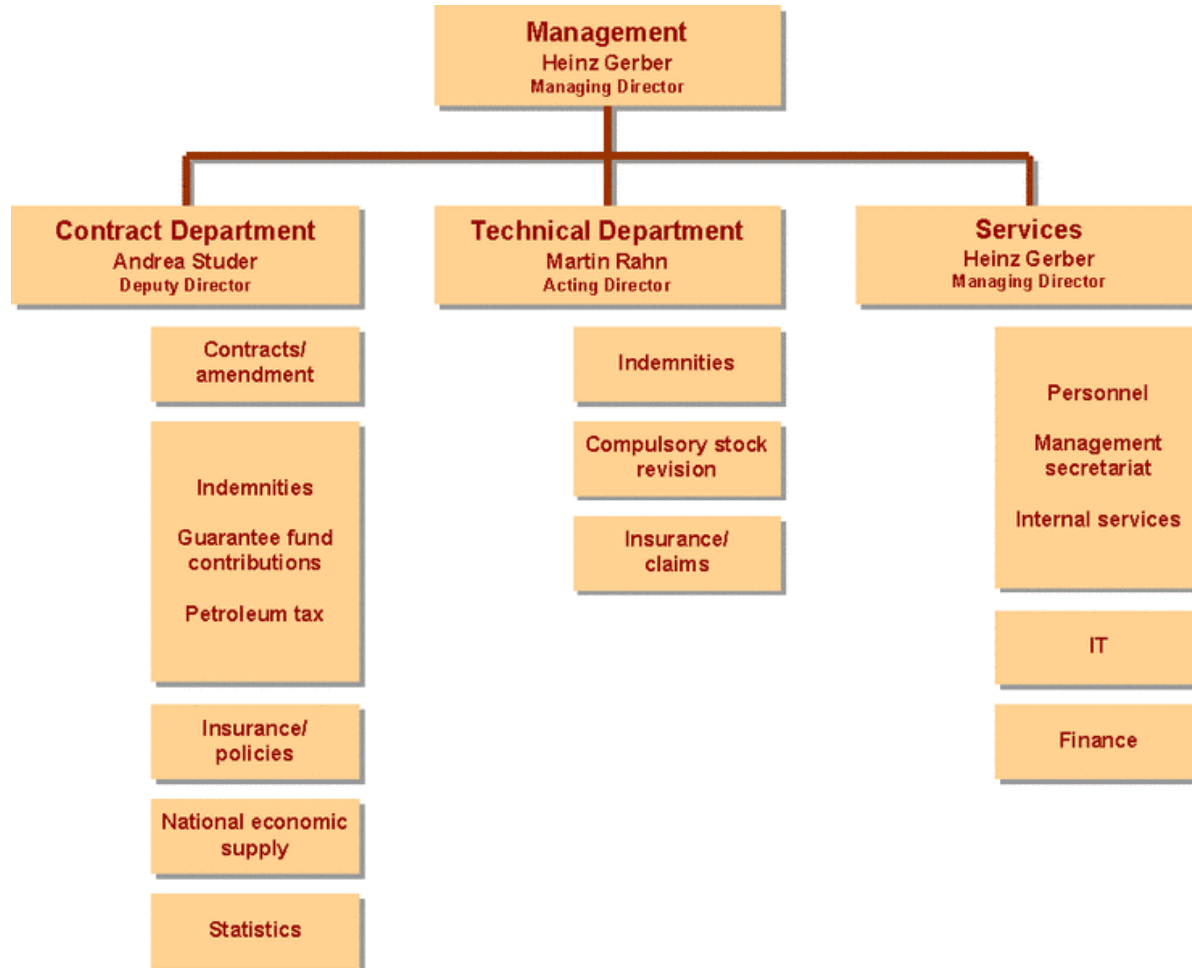
CARBURA Board

- **composition & voting procedures**
 - 1 neutral president (not from an oil company), Swiss citizen
 - 8 – 11 members, all from oil companies; representing different kinds of market players; Swiss citizens;
 - one man, one vote; at least 6 members of board present; president has no vote; decisions taken by 2/3 majority
- **meetings**
 - 4 – 6 a year, prepared by commission meetings
 - representatives of the Federal Office of National Economic Supply (FONES = supervisory body) to be invited, including documentation

CARBURA Board (II)

- **tasks (selection)**
 - management of CARBURA (can be delegated to branch office)
 - define regulations & executive orders (subject to FONES approval)
 - define stockholding levies (subject to FONES approval)
 - election of CEO (neutral, i.e. not from member; Swiss citizen)
- **planning process**
 - stockholding programme (4 years, annually updated; subject to FONES approval)
 - long-term financial planning (5 years)
- **decision making process**
 - branch office → commissions → Board (→ FONES)

CARBURA: branch office structure



CARBURA Branch office

- **staff (19 in total)**
 - CEO elected by Board
 - top and middle management Swiss citizens
 - subject to professional secrecy
- **tasks**
 - all tasks assigned by board
 - all tasks assigned by FONES (stocks inspection, import licences, import control)

General Conditions

- **stockholding obligation based on**
 - deliveries to consumption
 - average of previous 3 years
 - 4.5 months (= minimal requirements)
 - gasoline (1.4 mio m³),
 - transport diesel (1.2 mio m³)
 - heating oil (1.5 Mio m³), (+ 0.4 mio m³ for gas users)
 - 3 months for
 - jet fuel (0.5 mio m³)
- **adjustment of stocks**
 - recalculation every year in March
 - adjustment of stocks during following July – June

Financial Planning

- = budget + extension of budgeting
- expenses:
 - current costs 50 mio € (stock level * unit costs)
 - 5 mio m³
 - average: 10 € / m³ / y
 - incl. actual financing costs at an interest rate of 0.0%
 - devaluation of incoming stocks (* expected oil prices)
- income:
 - fees (import levies: 0.3 ct/l; exception: heating oil: 0.0 ct/l)
 - revaluation of outgoing stocks (* expected oil prices)
 - yield of financial assets

Financial Planning - summary

Year	(Mio CHF)	Gasoline	Jet fuel	Transport diesel	Heating oil	
2016	Income	+ 25	+ 5	+ 9	+ 36	
	Expenses	- 28	- 5	- 34	- 24	
2017	Income	+ 23	+ 5	+ 10	+ 14	
	Expenses	- 20	- 5	- 22	- 19	
2018	Income	+ 27	+ 6	+ 10	+ 43	
	Expenses	- 20	- 6	- 22	- 23	
2019	Income	+ 29	+ 6	+ 10	+ 46	
	Expenses	- 20	- 7	- 22	- 20	
2020	Income	+ 30	+ 6	+ 10	+ 49	
	Expenses	- 19	- 7	- 23	- 17	
2021	Income	+ 30	+ 6	+ 10	+ 49	
	Expenses	- 19	- 7	- 23	- 17	
2016-2021		+ 38	- 3	- 87	+ 117	

transfers

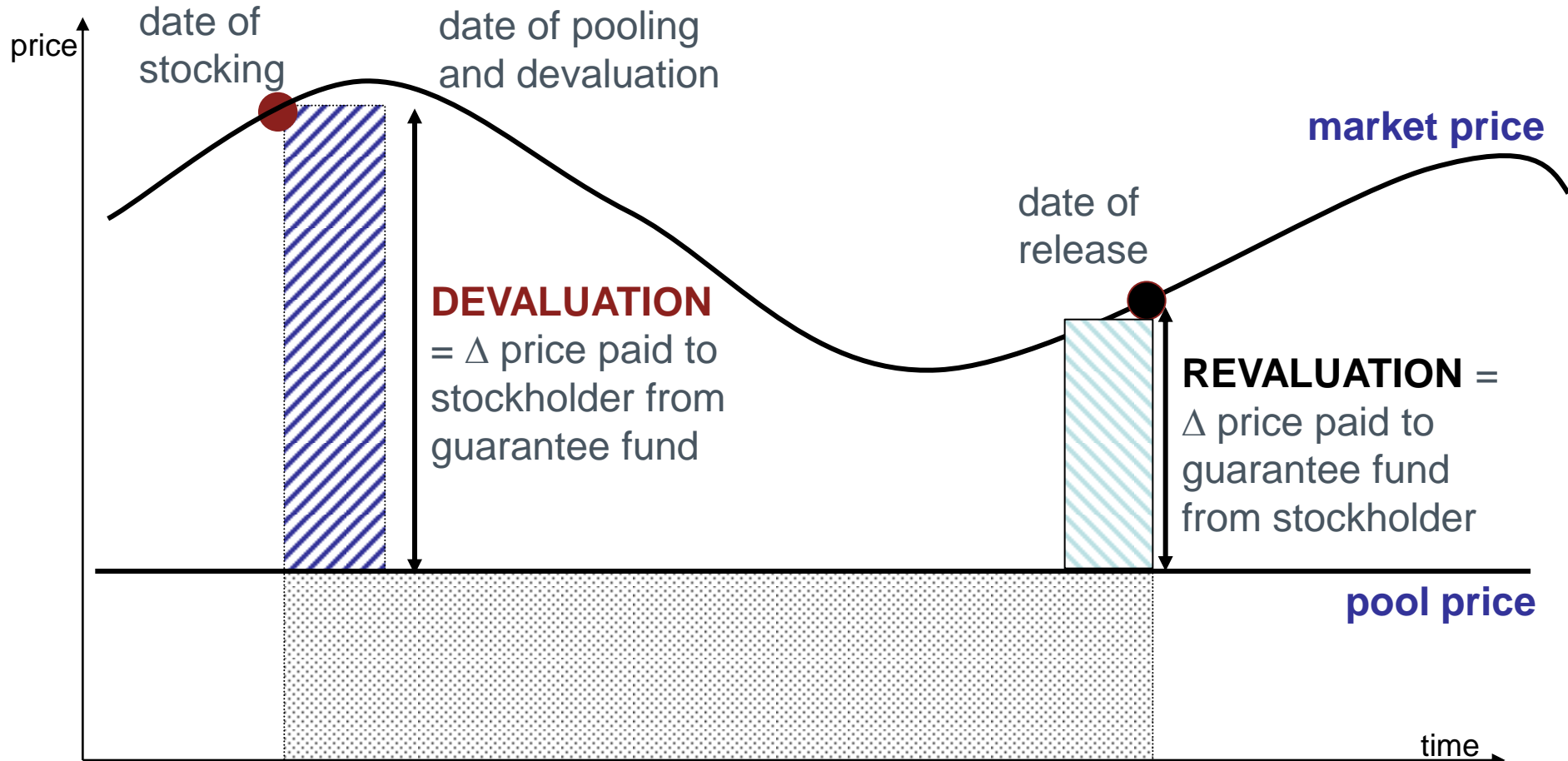
increase fee

refund to
consumers

Some characteristics of the Swiss system

- **stock holding contract: importer - government**
- **owner of products and tanks: companies**
- **financing of incoming stocks:**
 - **devaluation (CARBURA pays), loan, government guarantee**
- **no tickets**
- **no stocks abroad**
- **stock monitoring: CARBURA**
- **non-compliance: sanctions by the government**
- **money pump, "if price outgoing > price incoming"**

CARBURA Guarantee Fund: Devaluation & Revaluation



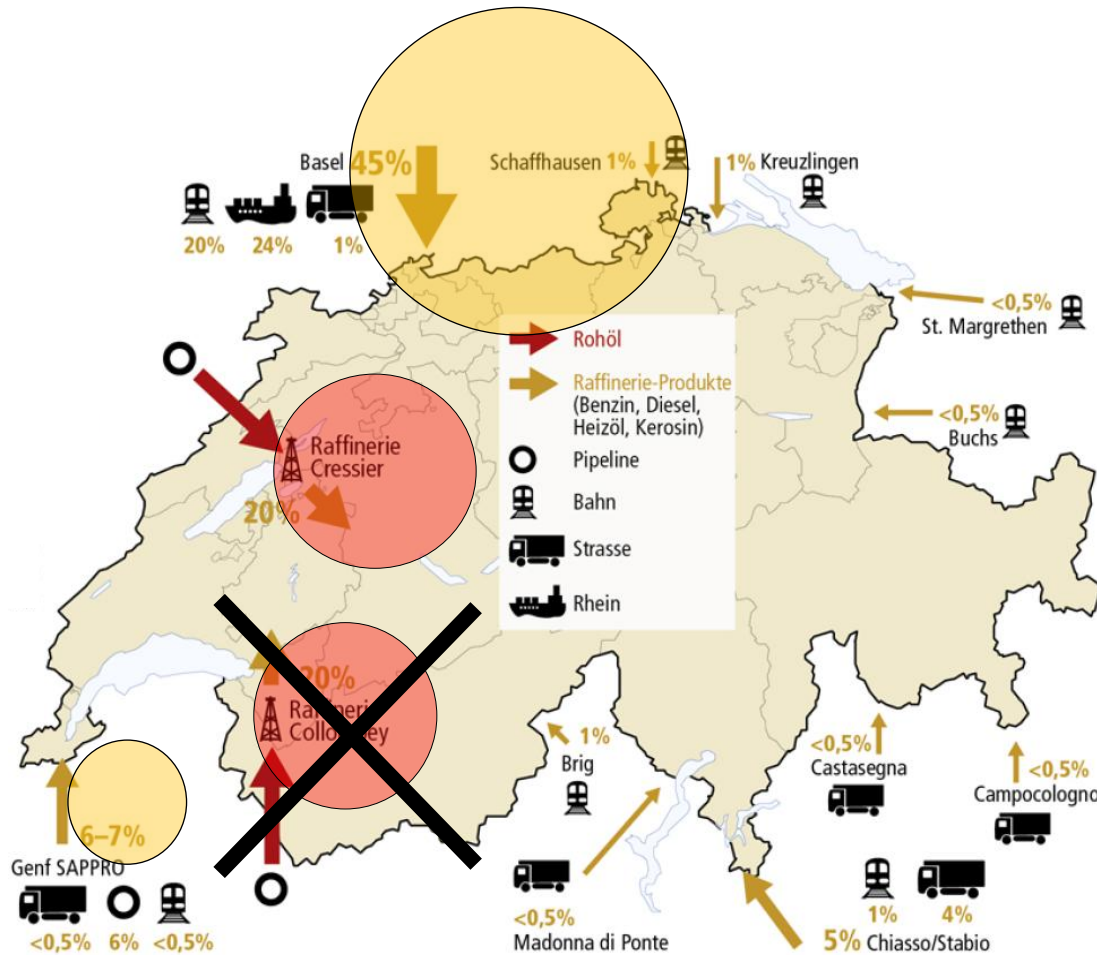
Data

- **import data**
 - collected by the foreign trade and tax authorities
 - transmitted to CARBURA (import fees)
- **stock data: level and changes**
 - collected by CARBURA: commercial and strategic stocks
- **data reporting by CARBURA to**
 - oil industry association
 - national statistical office
 - IEA
 - European Commission / UN

Emergency preparedness

- **responsible: Federal Office for National Supply (FONES), Ministry of Economics**
- **decision : Ministerial Level**
- **CARBURA involved in planning**
 - **stock release**
 - **demand restraint**

Stock release in autumn 2016

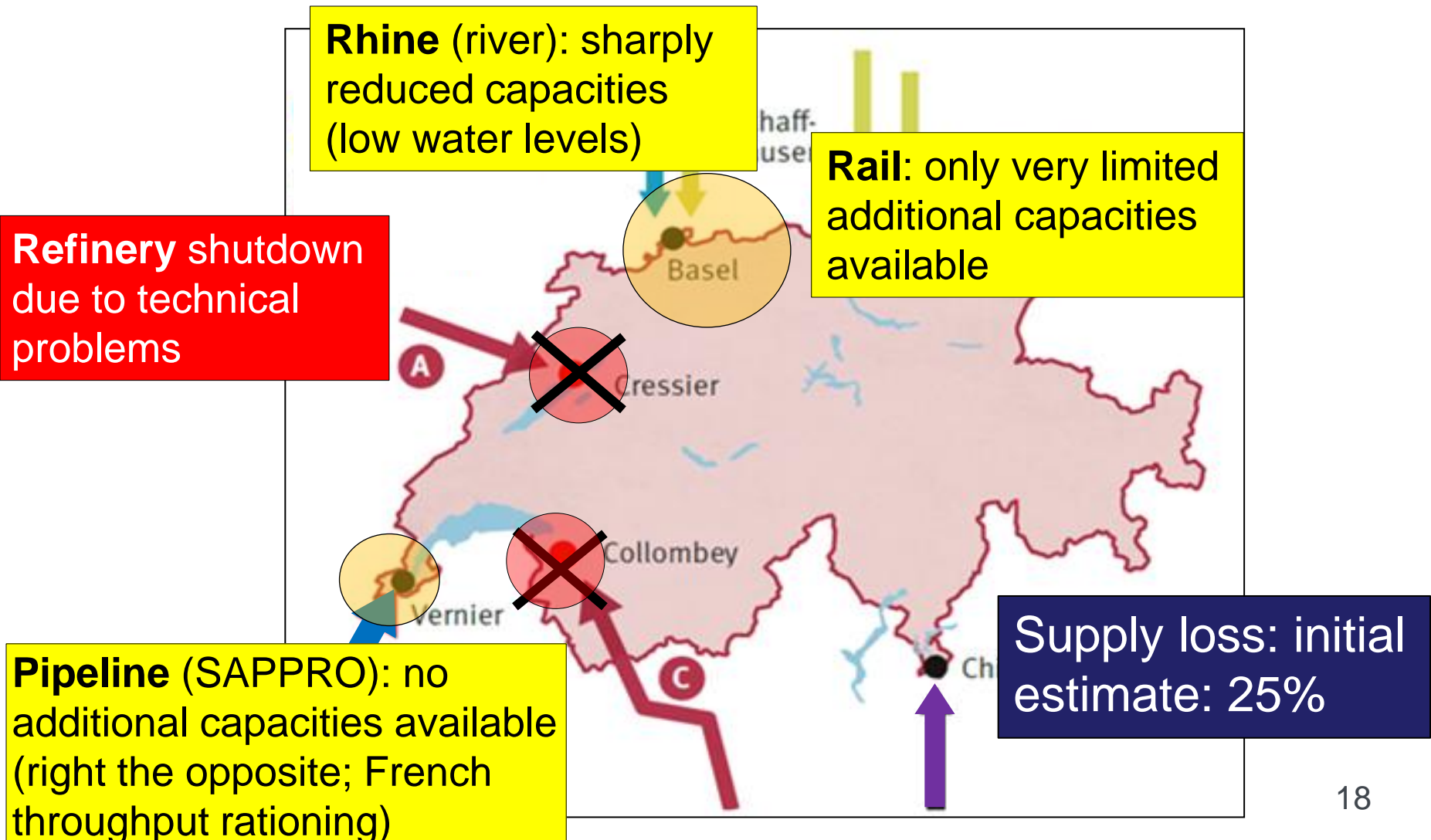


Crude:
~ 20 - 25%

Products:
~ 75 - 80%

	2014	2015
Refineries	42%	26%
Rail	25.5%	33%
Barge	20.5%	26%
Pipeline	7%	9%
Road	5%	6%

Supply situation in late OCTOBER 2015



Date	What	CARBURA	Oil industry	FONES
22.10.15 (Thu)	Report Refinery shutdown Phone conference (10 a.m.) Situation report attn. FONES	X X	X X	
23.10.15 (Fri)	Phone conference (a.m.) Situation report attn. FONES Stock release requested Prelim. information of stockholders	X X X X	X	X
26.10.15 (Mon)	Stock release granted Information of stockholders (release procedures, etc.) First stock uptake Phone conference (p.m.) Situation report attn. FONES	X X X X	X X	X X
29.10.15 (Thu)	Phone conference (a.m.) Situation report attn. FONES Add. stock release requested	X X X	X	X
30.10.15 (Fri)	Stock release granted Information of stockholders	X		X

Summary of events

- Late October & November 2015: reduction of the stockholding obligation on industry (in 2 steps).
 - 100'000 m3 of transport diesel
 - 80'000 m3 of motor gasoline
 - 60'000 m3 of heating oil.
- The stocks had to be rebuilt by the end of March 2016.
- Slight improvement of the supply situation in mid-November 2015.
 - Cressier refinery operating again
 - Railway logistics allowed for an additional 6-8 trains per week
- On 3 December 2015: Termination of the lowering of the stockholding obligation.
 - Cressier refinery running smoothly
 - Barges' transporting capacities up to 70-80% of normal capacities
 - Additional imports via rail could be maintained.
 - Only about 55% of stocks made available to industry had been absorbed
 - 140'000 m3, i.e. **10% of normal sales** or **3% of total compulsory stocks**

Lessons learned (initial NESO findings)

- **Positive**
 - Excellent cooperation within NESO (availability and commitment)
 - Good and timely communication between all stakeholders involved
 - Quick stock release due to quota allocations
- **Negative**
 - Allocations to companies didn't always match their individual needs
 - Relatively slow uptake of released stocks due to allocations for a 30-day period
 - Loss of supply via Rhine overestimated by oil importers
 - Stock release pricing tricky
- **Restrictions**
 - Spare transport capacities (barge, rail, pipelines) need some weeks to take effect
 - Events in neighbouring countries affect supply (pipeline-throughput allocation in France; higher demand for railway loading at refineries in Southern Germany)

Lessons learned (results from member survey)

- Survey with form among all 58 CARBURA members in April 2016 (after completion of re-stocking)
 - Good return, i.e. 35 answers (despite only 25 companies using stocks...)
- Overall: members well satisfied
 - **Stock release was necessary** – yet 4 companies against a stock release, complaining about market distortion due to the release
 - **Procedure adequate** and given the lack of time, **no alternative** deemed feasible – yet 6 companies complained about not being sufficiently supplied and 2 thereof faced problems getting product from other importers.
 - **Time-wise a good handling**, especially short time for applying for stock release no problem for importers. However, **uplift periode was way too long**.
 - **Pricing tricky**, current legal basis only allows for PEAW – yet this does not incorporate **domestic freight** adequately thus making released stocks cheaper than imports, to the benefit of “**lazy bones**”.
 - Members **satisfied with communication** from CARBURA office – except for lack of information about **start of re-stocking**.