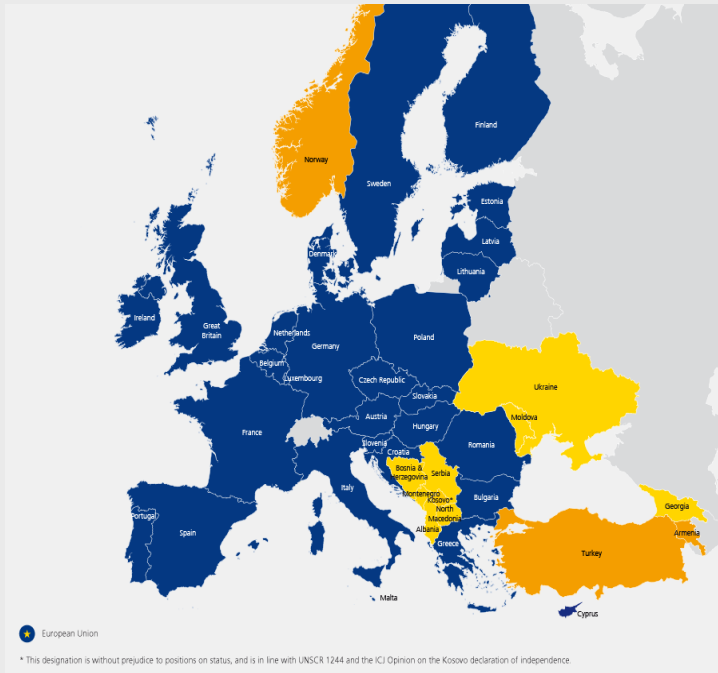




Impact assessment of the security of oil supply in the Contracting Parties

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The latest developments in the oil industry

- **4 May 2022:**

The president of EC unveiled the 6th package of sanctions against Russia, including a complete ban on all Russian oil

- **30/31 May 2022:**

The proposed plan was finally agreed upon at the European Council summit

The 6th package - covers crude oil, as well as petroleum products, delivered from Russia into the Member States, with a temporary exception for crude oil delivered by pipeline (exempt from the embargo for an indefinite time)

- **Council Regulation (EU) 2022/879 amended (EU) No 833/2014 entered into force on 3 June 2022**

Where do the Contracting Parties' oil and products come from?

- Imported mainly from the EU MS

- Russian crude oil imports before the war:

Serbia – 36%, mainly transported through the Janaf oil pipeline but will not be able to import it as of 1 November 2022

- Russian petroleum products imports before the war:

- Albania – 7.8 % (total consumption around 1 million tons)
- **Georgia** – 25% (total consumption around 1.4 million tons)
- Kosovo* - 2% (total consumption 0.77 million tons)
- Moldova – diesel - 30% in 2020 and decreased to 6.5% in April/May 2022 (total consumption – 1 m tons)
- Montenegro – 1% total consumption around 0.35 million tons)
- Ukraine – before the war - Belarus (44%), Russia (29%) – currently 0% (Total consumption around 9 million tons)



Market reactions after 24 Feb 2022

- **Oil prices climbed on news of the EU embargo, with Brent crude rising above \$123 a barrel, its highest level since March 2022**
- **After peaking in June, it is back where it was in March 2022**
- **Benchmark crude oil futures have sunk by around \$30/bbl since the June 2022 peak.**
- **Russian Oil - The embargo by some European oil refineries and traders hit the price of Russian oil**
- **Its benchmark Urals crude is now trading at a \$ 30 to \$35 per barrel discount to Brent compared with less than \$1 before the war**
- **Currently, Brent crude trades at around \$92/bbl. Oil prices rose 3% in European trade after Putin announced a partial military mobilisation on 20 Sept 2022**
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- Oil is an important component of today's energy mix in the Contracting Parties, accounting for about 28%, and it is likely to remain so in the near future
- It is a finite resource, where the remaining oil in place is around 600 million tons
- Existing oilfields are mainly depleted
- Oil production and export potential are likely to decline while its imports increasing
- Crude oil production of around 4 million tons
- Petroleum product consumption of around 19 to 20 million tons
- The oil market in the CPs has generally been considered an open market where crude and refined products move smoothly and freely
- However, there are limited connections between the pipelines

Potential risks and Proposed measures

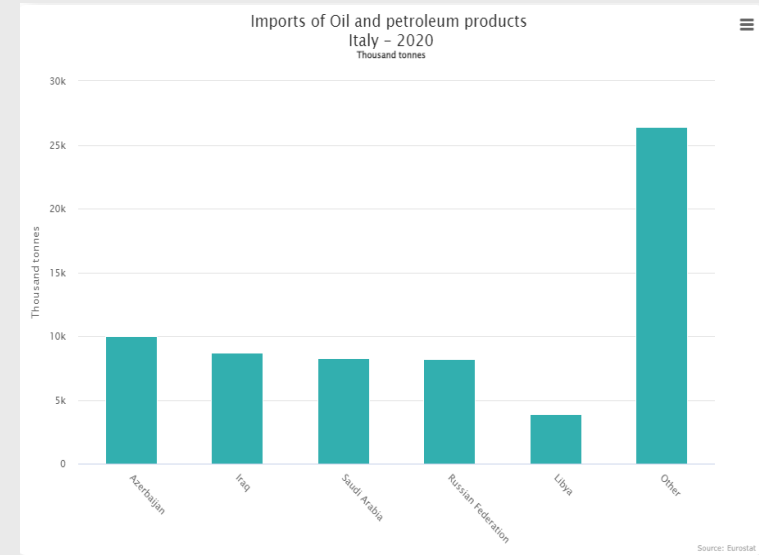
Potential risks:	Proposed measures:
Partial disruption of petroleum products imported from neighbour countries due to the ban of Russian oil and petroleum products to the EU	Consider new contacts with oil traders from the neighbouring countries Consider more imports from other countries and explore different supply sources outside the EU by establishing new contracts Increase supplies from Black Sea oil ports
Lack of available emergency oil stocks to be released in case of petroleum product disruption	Adoption of the draft Law on emergency oil stocks and secondary legislation with priority Increase the number of commercial stocks maintained as an obligation in case of supply disruption
Lack of alternative fossil fuel	Replacement of oil products by other energy sources Promoting further exploration activity in the country in addition to the current ongoing activities Long term: Building a new refinery with the latest technology using the best available techniques (near the seaside to process all domestic and partially imported crude oil)
The size of newly discovered and developed fields tends to decrease over time	Increasing the current oil production
Limited alternative transportation routes. Majority of petroleum products imports - seaborne	Investments in new infrastructure consistent with climate ambitions Consider the railway connections with other countries
Further rapid increase of petroleum products prices due to a combination of limited new supply options and growing demand around the world	Consider releasing of petroleum products from the existing emergency oil stocks system of 90 days net imports of the previous year Consider tax adjustment in order to decrease fuel retail prices Ensure that the existing storage capacities and pertaining (un)loading installations are fit for purpose and fully available for utilisation Consider demand restraint measures with immediate impact: <ul style="list-style-type: none"> · Reduction of speed limits on highways; · Working from home up to three days a week where possible; · Car-free Sundays; · Shifting travel demand away from private cars to public transport etc.

Albania – as an illustration (1)

- **Oil and petroleum products represent 55% of the Albanian energy mix**
- **No import of crude oil**
- **Crude oil production - around 1 million tons per year – exported - the main refinery in Ballsh is no longer in operation**
- **Petroleum products - imported from Italy, Turkey, Russia, Croatia, the US, Romania, Spain, Libya and some other countries with less than 1%**
- **Porto Romano and Vlora-1 – two main ports for exports**

Albania – as an illustration (2)

- Imported 0.15 MT (2020)
- Italian Imports from Russia in 2020 - 8.2 MT
- Italian total was 65,5 million tons
- Russian oil represents 12.5% of IT imports



Our opinion:

- Given that Albanian import is a low figure and has many suppliers from almost all Mediterranean countries, the ban on Russian oil should not have a significant impact in terms of the security of supply
- While in terms of product prices, as an open market, it will be directly influenced by the international oil products prices

All CPs will face supply difficulties due to the ban on the import of crude and products from Russia

On crude oil: Serbia and Bosnia and Herzegovina

On petroleum products – All CPs - Some more, some less

The revitalisation of some oil pipeline projects could facilitate the supply of oil products in the future, but this is not a quick solution:

- **Wardax pipeline - will supply all neighbouring countries that are part of the EnC**
- **Brody-Adamowo pipeline project – within two years**

Efficient development of the Contracting Parties' hydrocarbon resources could make an immediate contribution to the growth of the respective countries' energy security and economy in general

The top priority should be:

- energy savings
- diversification of energy supplies
- the accelerated rollout of renewable energy

to replace fossil fuels in homes, industry and power generation

The CPs should be ready to impose measures to reduce fuel use, such as making public transport free and incentivising car sharing

If those measures do not work, tougher ones such as odd-even driving bans based on license plate numbers would be needed or car-free over Saturday or Sunday

Solidarity between EU MS and EnC CPs

We have to ensure our security of supply and, at the same time, ensure our global competitiveness

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this is a complex network of glowing blue lines that connect various points across the globe, representing a global energy or communication network.

*Thank you
for your attention!*

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