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# UKRAINIAN OIL PIPELINE SYSTEM IN THE EUROPEAN ENERGY SECURITY CONTEXT

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**Energy Community  
VIII Oil Forum  
28-29 September 2016  
Belgrade**



# CONTENT

- **UKRTRANSNAFTA PJSC**

*REMARKABLE ASSETS, HALF-A-CENTURY SUCCESSFUL BACKGROUND, UNIQUE LOCATION, PAN-EUROPEAN VALUE*

- **SOUTHERN DRUZHBA**

*PIPELINE'S POTENTIAL IN THE LIGHT OF OVERLOADED TRADITIONAL ROUTES*

- **ENERGY COMMUNITY**

*ADDITIONAL EFFORTS FOR ENHANCING OIL MIDSTREAM INTEGRITY AND COMPLIANCE WITH THE EU ACQUIS FOR BETTER SECURITY AND COMPETITIVENESS OF OIL SUPPLIES*

# OIL TRANSPORTATION SYSTEM OF UKRAINE: the second largest oil trunk pipeline network in Europe





# PIVDENNY OIL TERMINAL: strategic location, modern technologies, flexible operations and promising prospects

## Transshipment Capacity

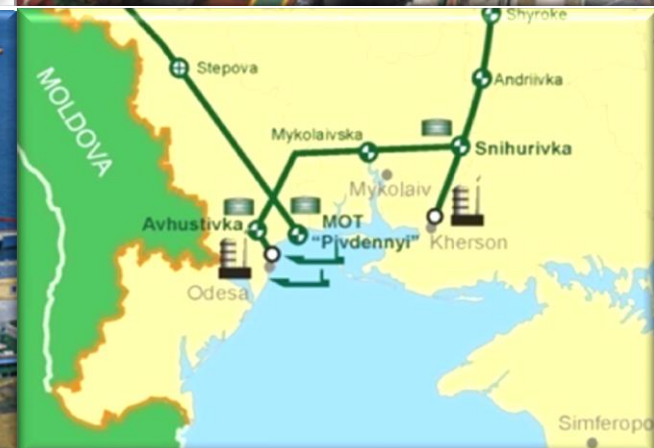
14.5 MTA (full development – up to 45 MTA)

## Deadweight of Tankers

up to 150 000 t (with max draught 13,8 m)

## Tank Farm Capacity

200 000 m<sup>3</sup> (full development – up to 600 000 m<sup>3</sup>)

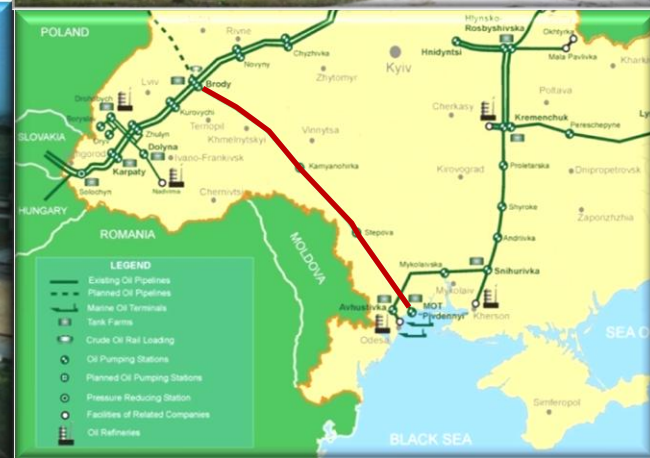


# ODESSA-BRODY OIL PIPELINE: competitive route with the proved commercial record for Caspian crudes to the CEE markets



Length	674 km
Diameter	1020 mm
Capacity	14,5 MTA (full development – up to 45 MTA)
Line fill	Azeri Light

*Successful shipments of Caspian crudes from the Black Sea basin  
to the land-locked refineries*



# ODESSA-BRODY OIL PIPELINE IN THE EU ENERGY SECURITY CONTEXT



**Fully operative new competitive route filled with Caspian crude for oil supply to the EU**

**Diversification of oil supplies and consolidation of EU energy security**

**Compliance with the EU Energy Security Policy**

**Odessa-Brody-Southern Druzhba pipeline project is one of those potential strategic EU diversification projects**





# ODESSA-BRODY-SOUTHERN DRUZHBA: THE RELIABLE, COMPETITIVE AND INDEPENDENT ROUTE FOR EUROPEAN CONSUMERS AND CASPIAN OIL PRODUCERS



Studies of experts/market operators prove commercial and technical feasibility of the Route

Suppliers and consumers are willing to use the Route to overcome the limitations of other routes

The Route is ALREADY in place: utilization of EXISTING pipeline spare capacities, limited investments only

The reliable transit of existing and future Urals supplies will be guaranteed

Support of the EU, compliance with the EU Energy Policies, Energy Charter and other regulations

# EU TARGET REFINERIES ALONG THE SOUTHERN DRUZHBA NETWORK



**Litvinov (Czech Republic)**

**Mozyr (Belarus)**



**Kralupy (Czech Republic)**

**Ukrtransnafta PJSC  
Transpetrol, a.s.  
MERO CR, a.s.**

**International  
Traders**

**Middle East  
Exporters**



**Schwehat (Austria)**



**Slovnaft  
(Slovak Republic)**



**Szazhalombatta  
(Hungary)**



**Caspian Exporters**





# Southern Druzhba Route



# SOUTHERN DRUZHBA: ISSUES TO BE RESOLVED



- Remaining technical issues at the **Slovak part** are being actively discussed by the project sponsors with the Slovak partners **to optimize relevant technical solutions**
- Studies of consultants and market operators show that relatively insignificant time and resources are required to fully adjust the Slovak system for batching
- With the project getting its maturity (and if required) the EU financial institutions could be approached on co-financing of those limited investments
- All other oil transportation companies as well as shippers and consumers confirm their technical and commercial readiness for batching via Southern Druzhba
- **NO DAMAGE TO URALS EXPORTS TO THE REGION: LIGHT CRUDES WILL NOT REPLACE URALS BUT USE THIS ROUTE AS NEW WAY TO THE LIGHT CRUDES TRADITIONAL MARKETS**



# SOUTHERN DRUZHBA : MARKET OPERATORS, GOVERNMENTS, THE EC SUPPORT AND RECENT ACTIVITIES



- Recent letters of intent / protocols on the Project and talks between suppliers, consumers and oil pipeline companies
- Required oil volumes confirmed by the suppliers
- Refineries' owners confirmed their interest/readness to buy oil via the Route
- Pipeline companies confirm the technical feasibility of the Project
- Governments of the countries on the route fully supportive
- European Commission ready to help in facilitating the Project
- A technical plan on conducting the experimental shipment is now being intensively developed between the national oil transportation companies





- **Oil dimension of the Energy Community activities:** Dec 2008 Ministerial Council decision: the “network energy” mentioned in the Art. 2 of the Treaty is understood as to **include the oil sector**
- Supply, trade, processing, transmission of oil/petroleum products fall within the scope of European Community Directive 2006/67/EC incl. the related **pipelines**, storage, refineries and import export facilities.
- The decision concludes on the extension of *acquis* in the area of oil. The relevant new elements of the *acquis* in the area of oil, including the subsequent timetable for implementation, are also to be decided.





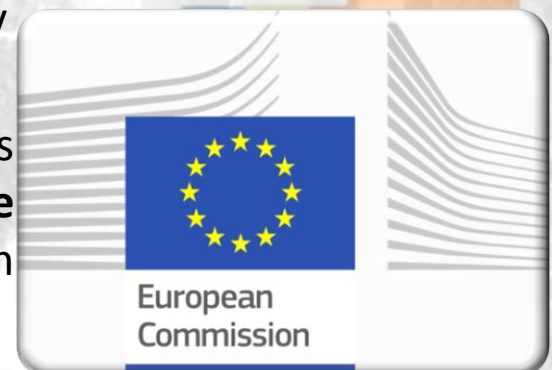
## ENERGY COMMUNITY MISSION IN SECURITY OF ENERGY SUPPLY (2)

- Changes to the “network energy” definition translated into the **establishment of Oil Forum** to bring the discussions at regional level (Art.63-65of the Treaty).
- Following the PHLG's request the ECS **examined the free movement of oil and petroleum products** between the Parties to the Community in accordance with the Art. 41 of the Treaty. The ECS findings on the customs duties, tariffs and non-tariffs restrictions were presented at the 16th PHLG meeting in March **2010**.
- According to the findings the issue then was the **levying of customs duties**. In general, compared with other energy carriers, the market for oil/ petroleum products despite the high dependence on imports was identified as **relatively open and competitive**.
- Significant political & economical **developments** after those studies incl. the Energy Community expansion, changes on energy up-, mid- and downstream markets, turmoil with the oil prices as a result of international sanctions on RF after annexation of Crimea and its' hostilities in the Eastern Ukraine.
- The remaining inertia on access of third parties to the S/Druzhba highlight the continuing bottlenecks in free movement of oil in the EC area and thus the **need for the reinforced Community efforts** to streamline the free movement of oil in accordance with the EU energy security and energy diversification policies.

# ENERGY COMMUNITY / EC DESIRABLE ROLE IN THE PROJECT



- Project sponsors believe that the **Energy Community /ECS** have a **unique positioning, tools** and successful background for further **integrating CEEC oil infrastructure markets**
- The role of Energy Community and of ECS in cooperation with the European Commission could be vital through
  - providing **TECHNICAL EXPERTISE**
  - facilitation of **CO-FINANCING** from IFI's
  - moderating and promoting **TALKS** of project participants
  - mobilizing **INTERGOVERNMENTAL PLATFORMS** for the project facilitation and project sustainability
  - introducing EU acquis and further **INTEGRATING THE MARKETS** and **ENHANCING SECURITY OF SUPPLY** through transparency and equal access to the cross-boundary energy networks
- To consider setting up **the INTERIM task force** to tackle this issues and /or the PHLG's request to the ECS to **re-examine the free movement of oil and petroleum products** between the Parties to the Community





## SUMMING UP

- **INTEGRATION OF ENERGY INFRASTRUCTURE** PLAYS THE VITAL ROLE IN **IMPLEMENTATION OF ACQUIS** BY THE EC MEMBERS AND IN **ENHANCING ENERGY SECURITY** IN THE EC ARIA
- UKRAINIAN OIL TRANSPORTATION SYSTEM AND THE **SOUTHERN DRUZHBA PIPELINE BATCHING PROJECT** COULD REPRESENT A SIGNIFICANT ADDED VALUE FOR THE INTEGRATION OF THE COMMUNITY ENERGY MARKETS
- THE PROJECT SHALL **USE *EXISTING* INFRASTRUCTURE** , IS **DRIVEN BY THE MARKET** AND WILL **NOT HARM RUSSIAN OIL SUPPLIES**
- **ENERGY COMMUNITY AND THE ECS** COULD USE THEIR **UNIQUE POSITIONING, MISSION AND TOOLS** TO FACILITATE THE PROJECT AND TO ADDITIONALLY PROMOTE ENHANCED ENERGY INTEGRITY VIA OIL PIPELINE NETWORKS
- **AN INTERIM TASK FORCE** UNDER THE ECS AUSPICIES COULD BE HELPFUL IN FACILITATING THOSE OBJECTIVES



**Thank you for your attention**

**UKRTRANSNAFTA PJSC**

*18/7, General Almazov Str, Kyiv, 01133, Ukraine*

*tel: (+38 044) 201-57-01, 201-57-76*

*fax: (+38 044) 201-57-78*

*web: [www.ukrtransnafta.com](http://www.ukrtransnafta.com)*

*e-mail: [shevchenko@ukrtransnafta.com](mailto:shevchenko@ukrtransnafta.com)*