

Emergency Oil Stockholding Policy in Austria

Erdöl-Lagergesellschaft m.b.H. The Austrian Central Stockholding Entity



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ELG
GROUP

The Austrian Central Stockholding Entity

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Austrian Oil Stockholding Act

Delegation of Stockholding obligations to ELG (1)

- Stockholding obligation for:
 - crudes and petroleum products
 - biofuels and feedstocks for the direct use in the production of biofuels, mandatory since 1 April 2007

- Stockholding obligation: 25 % of the previous net year imports

Austrian Oil Stockholding Act

Delegation of Stockholding obligations to ELG (2)

□ Fulfillment of the stockholding obligation:

Stockholding obligation may be fulfilled in the following ways:

- by holding compulsory reserves by the importers themselves
- by recourse to a private law contract obliging the counterparty to keep a certain amount of the products mentioned above
- by assuming the stockholding obligation by an officially authorised stockholding company, such as ELG, meanwhile the most practiced way

□ Compulsory emergency reserves as of April 1, 2016

- overall: ~3 mn t crude oil equivalents (coe)
- thereof kept by ELG: 2,86 mn t coe resp. 96 %

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Provisions by law (1)

- ❑ officially authorised stockholding company
- ❑ obliged to conclude stockholding contracts with any compulsory stockholders offering to assume stockholding obligations
- ❑ assumption of liability for loans and credits by the Federal Minister of Finance under special federal legislation

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Provisions by law (2)

- non profit – organisation
- official tenders for the procurement and disposal of inventories and the award of contracts
- business in accordance with the principles of frugality, efficiency and expediency
- drawing up of general terms and conditions for the assumption of stockholding obligations and publishing - after approval of the Federal Minister of Economics and Labour - in the official gazette of Wiener Zeitung
- publishing of stockholding tariffs in the official gazette of Wiener Zeitung

ELG

At a glance (1)

- Shareholders
 - OMV Refining & Marketing GmbH
 - BP Europe SE
 - SHELL Austria GmbH
 - ENI Austria GmbH

- Registered office: Lannach / Styria

- Non profit - Organisation, set up as „**Central Stockholding Entity**“ by Stockholding Act 2012
 - appropriation of profits only to create equity or strengthen equity base (to reduce inventory, investment and financial risks)

ELG

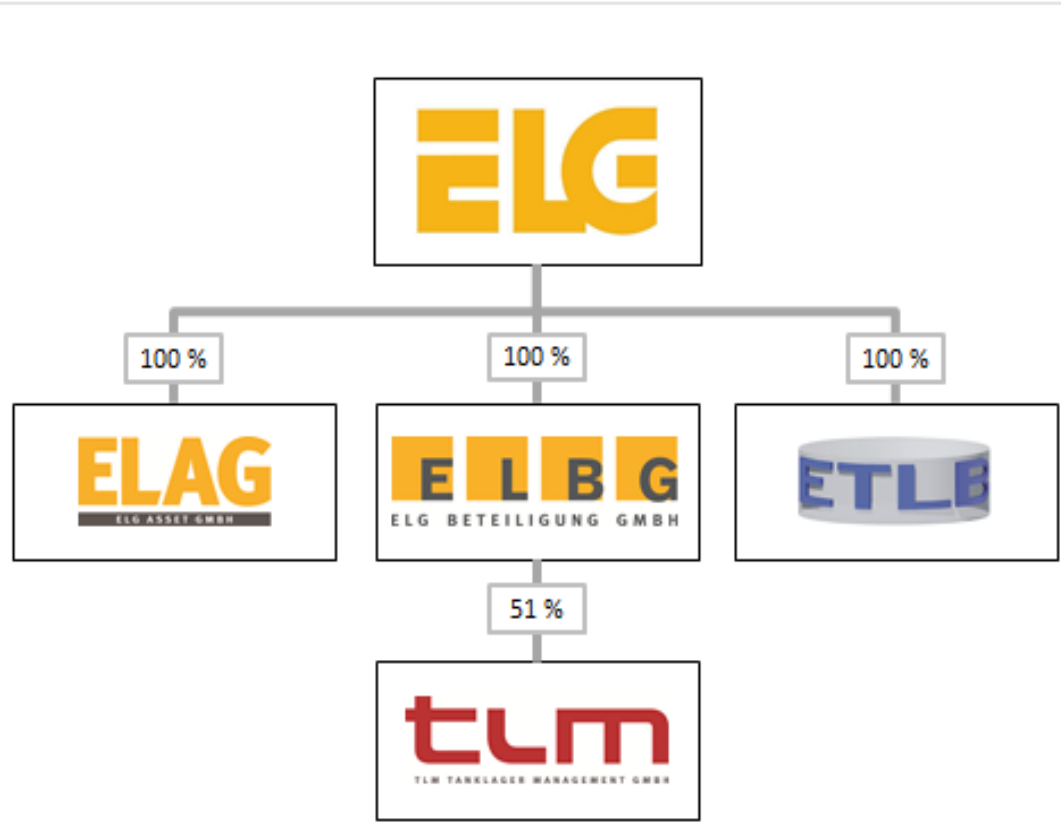
At a glance (2)

- Tank sites
 - owned by ELG: 5
- Employees: 60
- Centre of Competence
 - advisory service and reporting for all customers and interested parties
 - joint ventures and co-operations with oil companies and customers
 - joint use of synergies, especially in the range of quality control of compulsory emergency reserves

ELG

At a glance (3)

□ Organizational chart

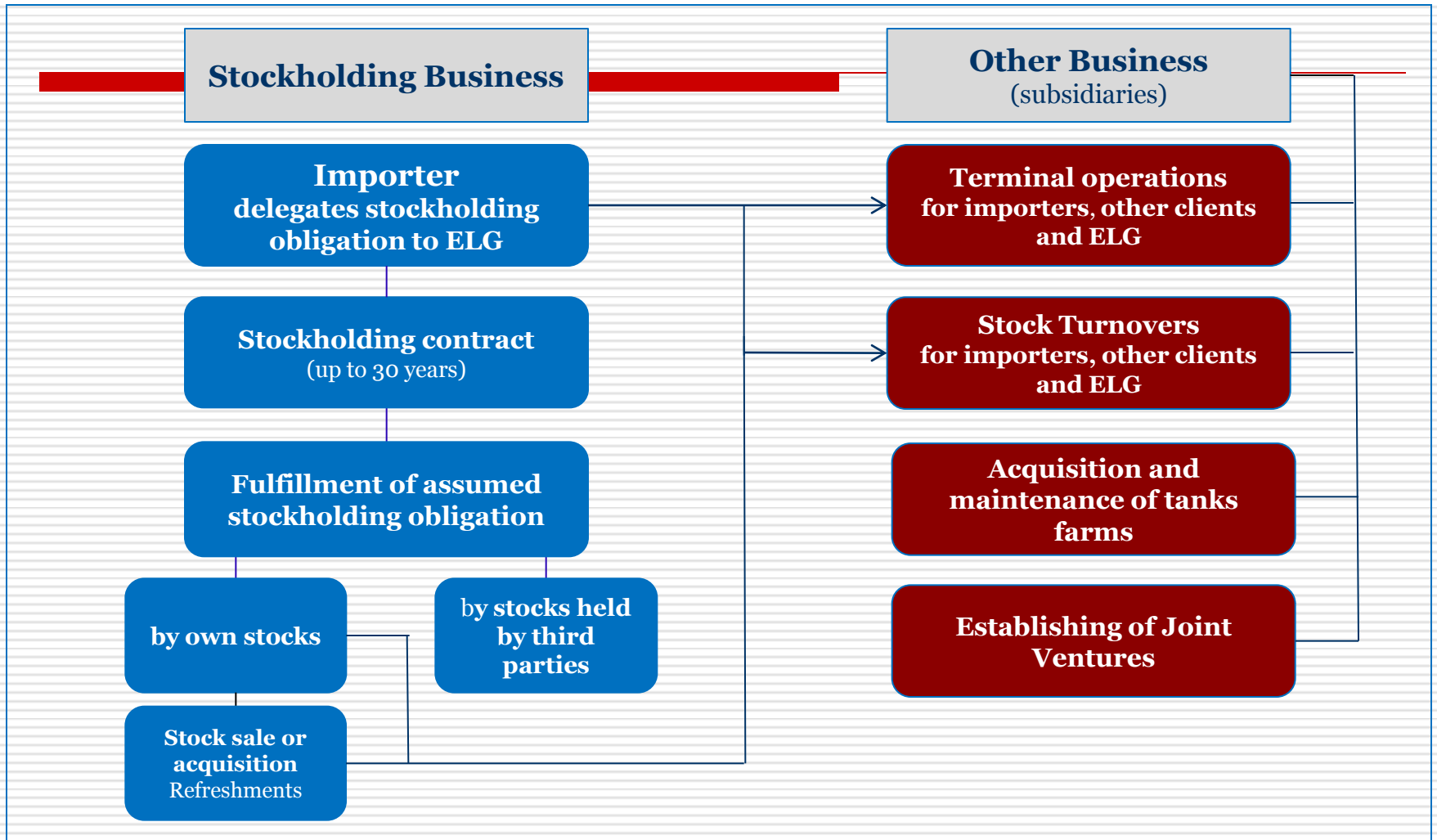


Legal organization of the ELG Group

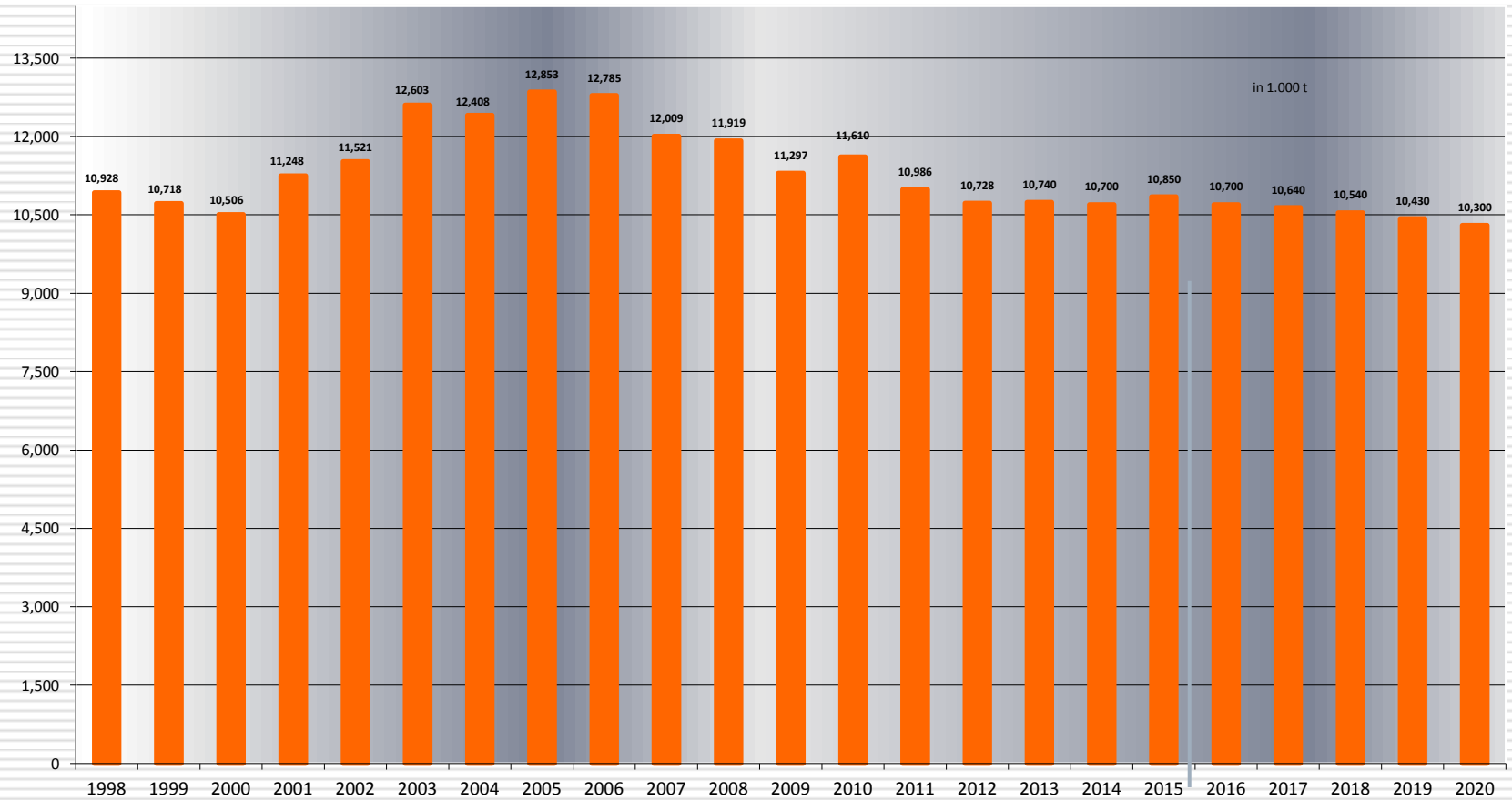
□ Organization

- ELG is the principal operating company of the ELG Group accounting for almost 97% of group revenues. Its main sources of income come from fees paid by importers and from selling stocks
- ELAG is ELG's asset company responsible for the assets of all own tank farms. The income is generated from user fees.
- ETLB was established to acquire tank farms in 2003. Today ETLB is a terminal operator, operating 5 tank farms. Most of ELTB's income come from fees
- ELBG is a subsidiary for the establishment of Joint Ventures
- TLM Tanklager Management GmbH is a JV with BP (49% shareholder), operating since 08/2011

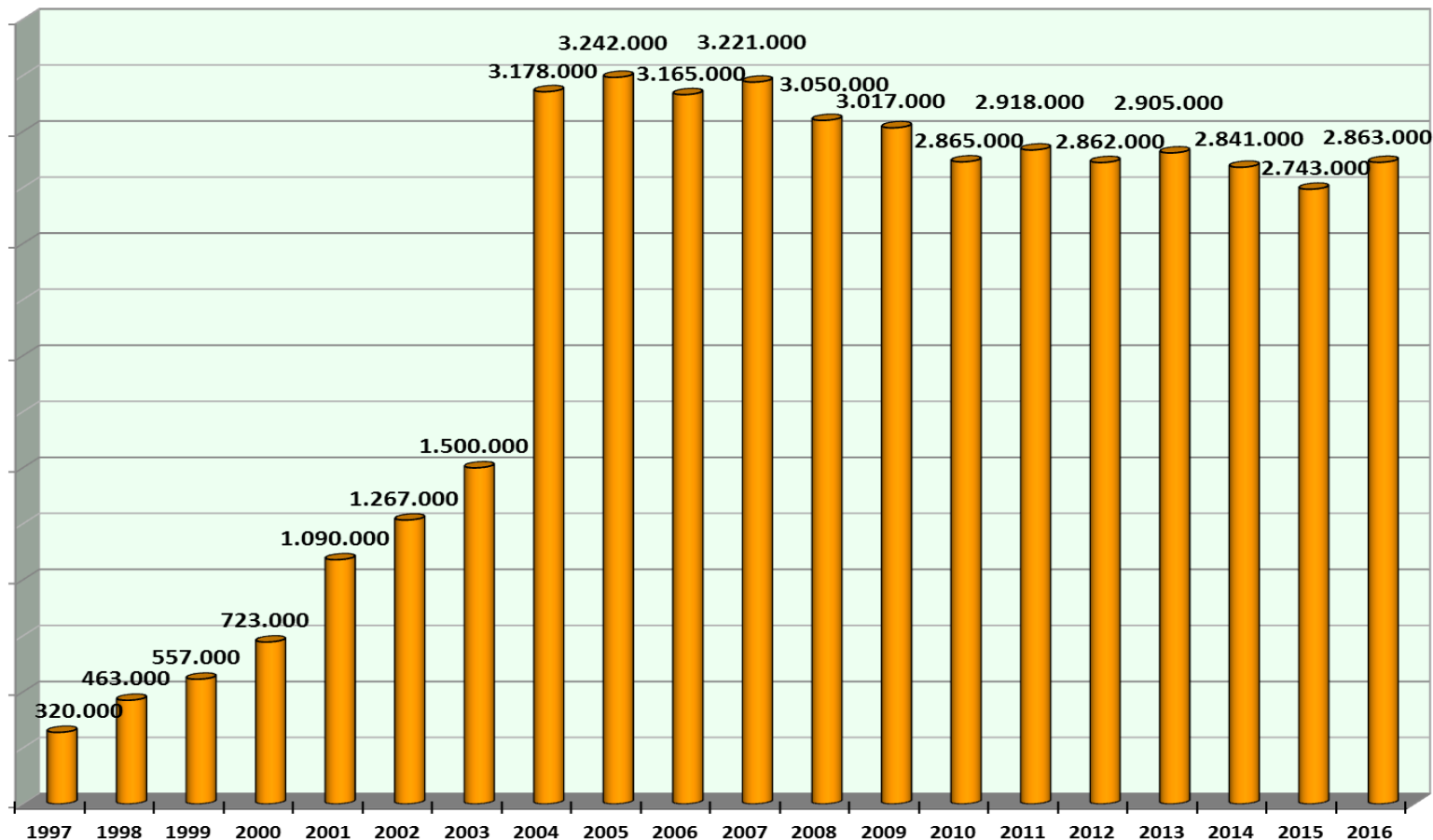
Current Business Model



Oil Consumption in Austria 1998 - 2015, 2016 - 2020 estimated

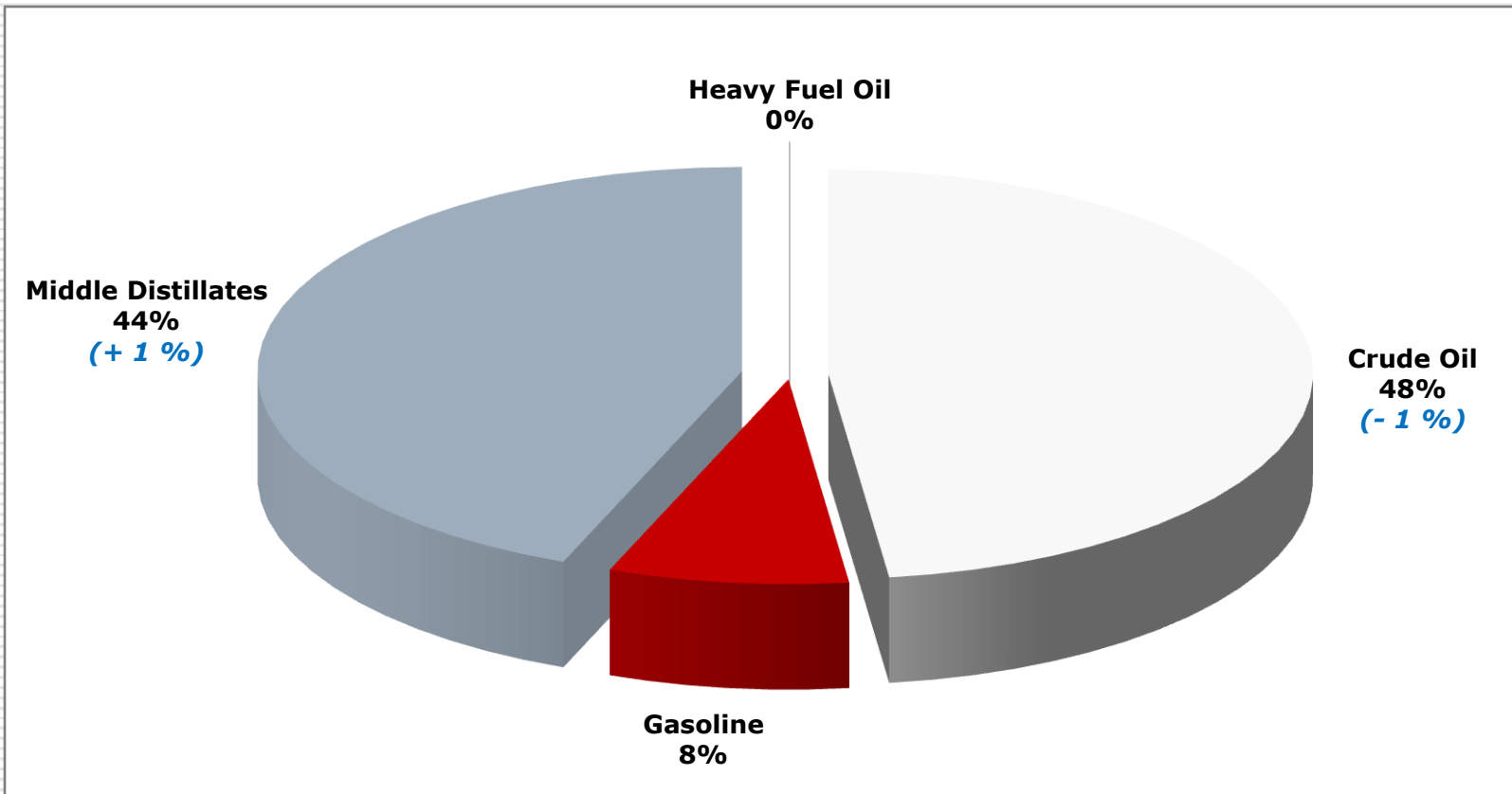


Evolution of assumed compulsory emergency reserves by ELG (in t c.o.e.) (as of April 1 of each year)



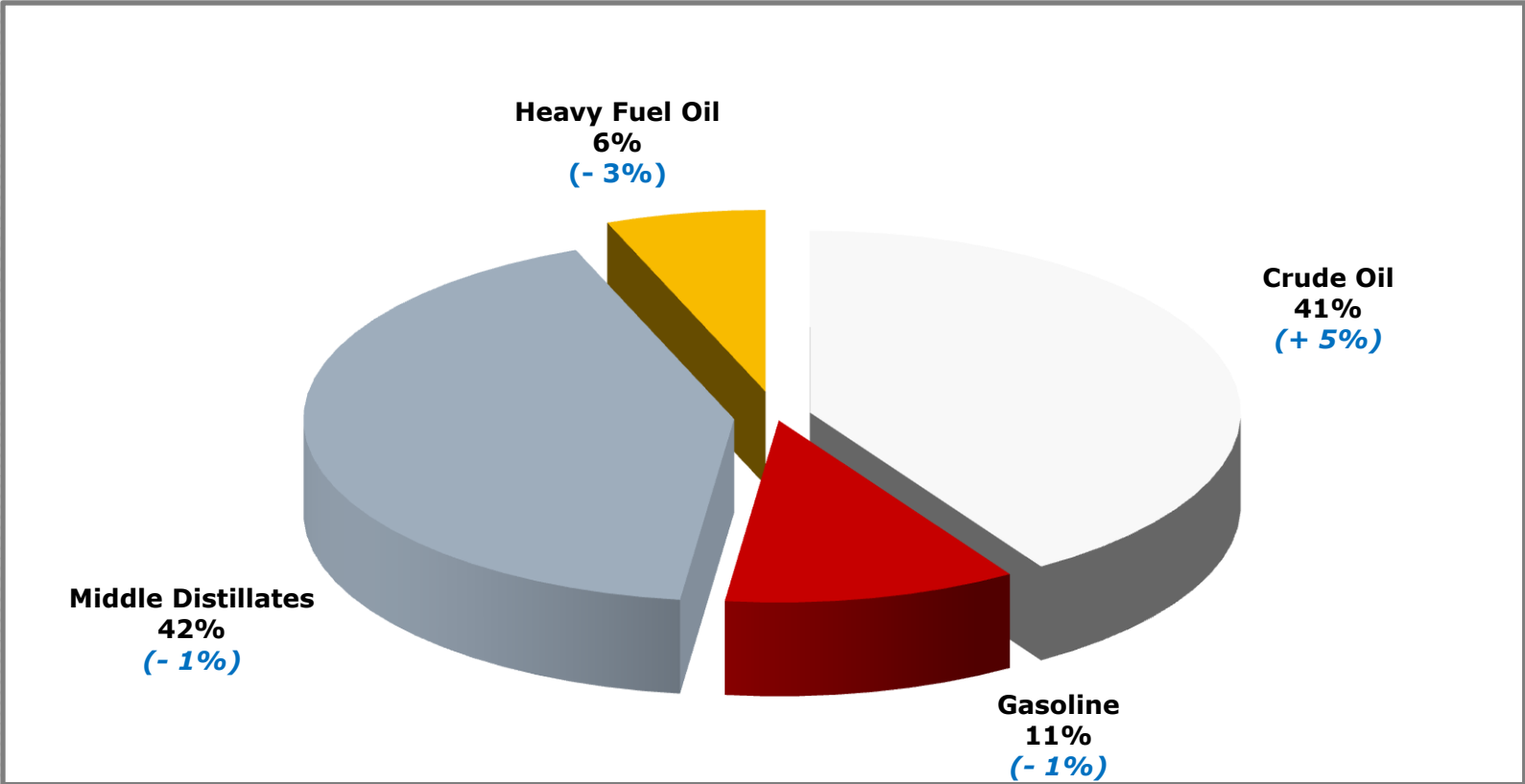
Stockholding delegations by inventory categories

Status: April 1, 2016 (assumed by ELG)



Composition of Compulsory Emergency Reserves

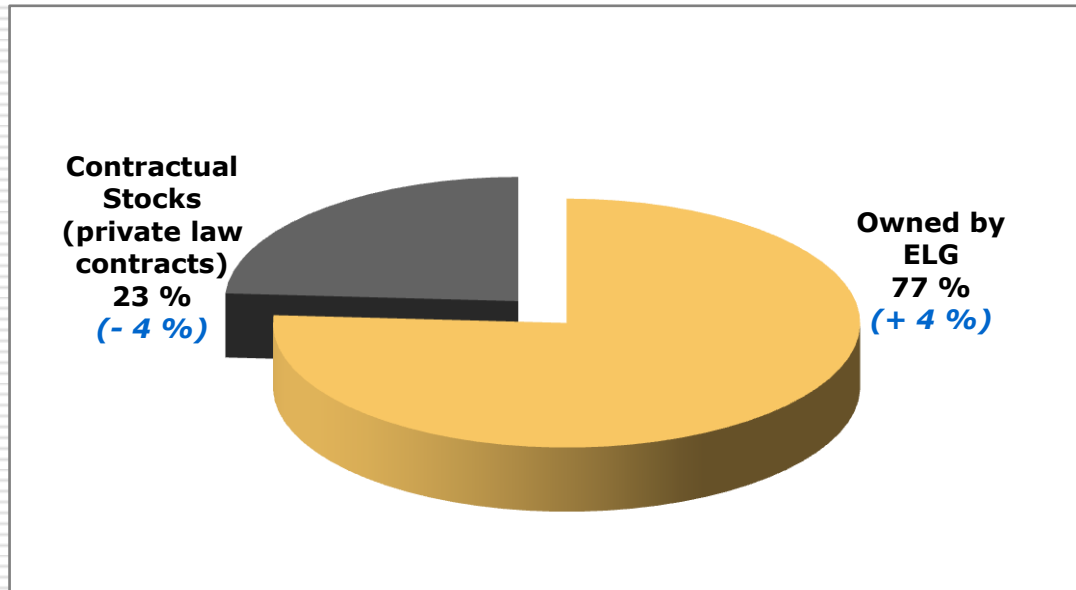
Status: April 1, 2016



Strategic Oil Reserves 2016 in Austria

~3 million tonnes of crude oil equivalents (c.o.e.)*

- **Stockholding Obligations delegated to ELG: 2,863 million tonnes c.o.e. resp. 96 %**
- **Stock structure:**



* A c.o.e. is defined as one kg of crude oil or an amount of refined products that is considered to be equivalent to one kg of crude oil under the Austrian Stockholding Act

Tank locations in Austria

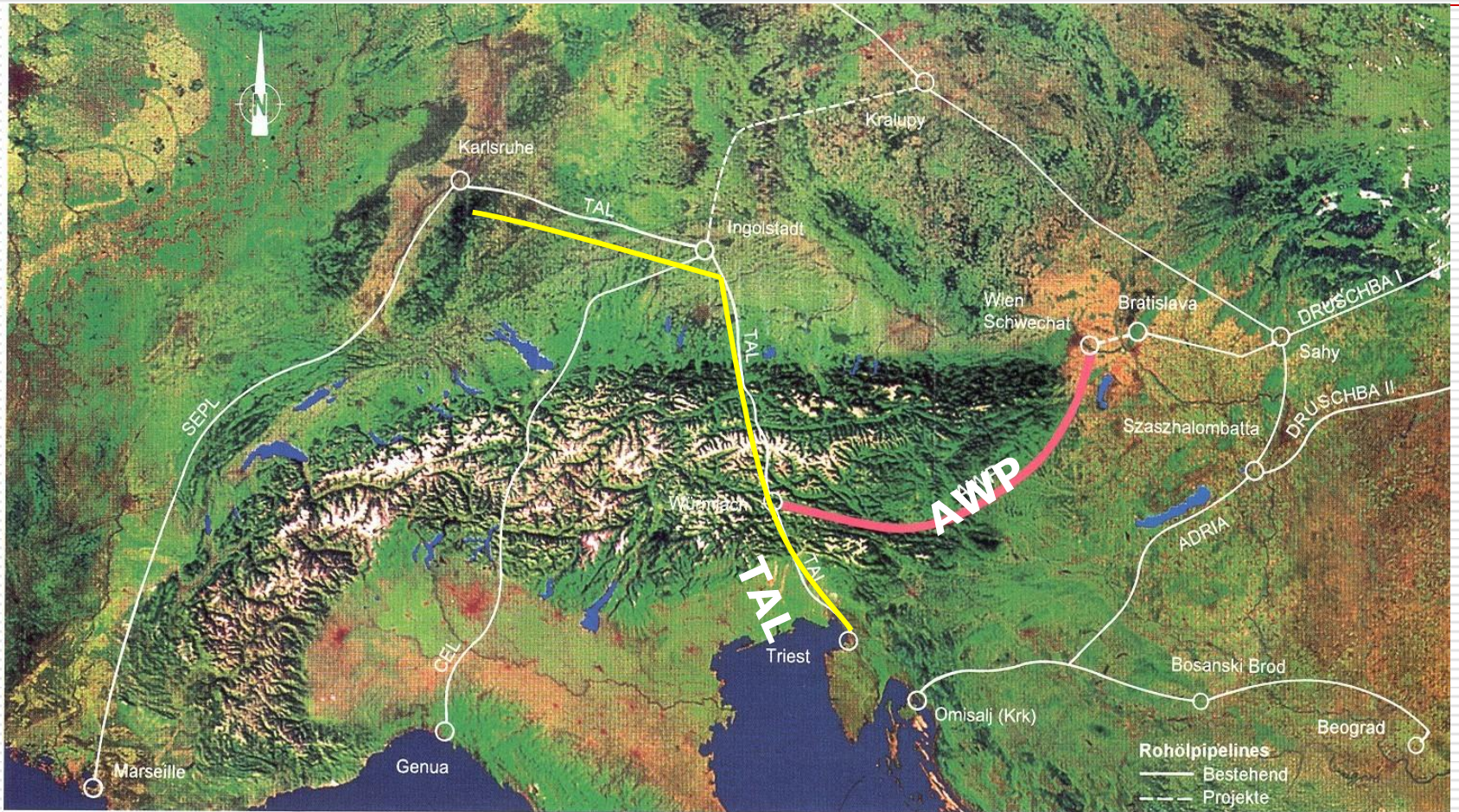


Tank site Lannach/Styria

Head office



Adria-Wien-Pipeline / crude oil supply



ELG's Strategic Mission - Summary

1	International obligations	International Energy Programm of IEA EU –Stockholding Directive 2009/119
2	Central Stockholding Entity (CSE)	Appointed as CSE by the Austrian Stockholding Act 2012 to acquire, maintain and sell oil stocks for the purposes of EU - directive no profit objective
3	Responsibilities	Obligated by law at all times to maintain sufficient emergency stocks to ensure that Austria is able to fulfill its international stockholding obligations
4	State guarantee	State guarantee for start-up financing (construction of tanks and purchase of initial stockpiles)
5	Stockholding tariff	Allowed to set market based tariffs to ensure it's cash flows are sufficient to ensure a self sustaining financial profile Stockholding maximum tariffs set by the Minister of Economy to cover all costs of ELG (upon request of ELG)
6	Support by the Republic	Extremely high likelihood of support by the Republic in the very unlikely case of need
7	Direct extension of the Republic	All activities, e.g. stock acquisition, stock release, fundings etc. are either defined in the Stockholding Act 2012 or occur only at the explicit requirement of the Republic of Austria

Risk management

- ❑ encompasses all areas of operations
- ❑ an integral component of the overall management system
- ❑ the internal control system requires periodic audits of all Group companies
- ❑ the results are reported to the Supervisory Board

Value management

- ❑ Early risk identification and action to minimize exposures are a high priority
- ❑ Closely monitoring the currency and interest rate risk from fixed-rate borrowing
- ❑ This requires effective management of financing structure

Total quality management

- ❑ The surveillance audits carried out during the year confirm the high HSEQ standards
- ❑ Protecting human health and the environment is one of the leading priorities
- ❑ Drawing up an environmental program every year
- ❑ Achieving the environmental targets by means of ongoing updates and changes
- ❑ Regular inspections by government agencies confirm that there is a robust HSEQ management in place

Resumé

- The Austrian stockholding system is able to guarantee the allocation of emergency reserves in a short period and in a practicable way on a legal basis
- Co-operation between Department of Energy, oil industry experts and ELG is excellent

Thank you for your attention



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