

11th Oil Forum

Belgrade, 8/9 October 2019

Overview

1. The 11th Oil Forum took place in Belgrade on the 8th and 9th of October 2019. Mr. Erik Somelar, representing the European Commission, chaired and opened the Forum of the Energy Community.
2. The representative of the Mining and Energy of the Republic of Serbia welcomed the Forum on behalf of the Government of Serbia and informed the participants about the latest progress of Republic of Serbia in establishing the oil stocks, fuel quality achievements and in particular their efforts on building up emergency oil stocks in compliance with the long-term, mid-term and annual programmes. Two new by-laws have been adopted at the end of 2018 and in 2019 - the Decree on Emergency Response Plan and the Rulebook on Defining the Yearly Programme of Emergency Oil. A register for establishing all emergency oil stocks is in progress. The Forum was also informed that during this period (2018/2019), activities on the formation of emergency oil stocks reserves have continued.

Introductory Procedures

3. The Agenda, as modified and circulated on 4 October 2019, was approved by the Forum.

Keynote speech

4. The Secretariat presented the factual situation regarding Energy Community and the energy transition, reform of the Energy Community Treaty and shared its reflections about a new governance for the Energy Community. The Secretariat also informed the Forum about its projected scenarios on the role of oil in National Energy and Climate Plans.

I. Oil Security

5. The chair in his remarks recounted the key policy priorities and fundamental action components to foster the EU energy transition and to fulfil the EU vision for carbon neutrality by 2050.
6. The Forum took note of the presentation delivered by the representative of JBC Energy on a new age for markets. JBC Energy presentation was focused on the impact of the attacks on Saudi crude facilities on global supply and geopolitics, why price reactions remained muted, the role of global oil stocks and JBC Mid-Term Outlook. According to the JBC, the global oil markets are entering a particularly interesting period over the next 3-15 months, with IMO 2020, economic headwinds, and geopolitical tensions setting up a potentially volatile time ahead while Iran remains at the forefront of considerations when talking about geopolitical risks.

7. The Forum took note of the detailed presentation by the representative from the Federal Public Service of Belgium. The Forum was informed about the national initiatives of the cyber security in the oil sector, notably the impact that a cyberattack would have on the oil supply of several neighboring countries – to which the Belgian pipeline systems are connected so as to form an unified balanced system. The Belgian administration will continue to monitor the situation on cybersecurity. Further actions, for example the establishment of a sectoral CSIRT, can be taken in order to enhance the level of cybersecurity in the energy sector.

II. Oil Stocks Directive Transposition and Implementation

8. The Energy Community Secretariat informed about the recent amendments to Directive 2009/119/EC at EU level via Commission Implementing Directive (EU) 2018/1581 of 19 October 2018. EU Member States have to transpose the Implementing Directive by 19 October 2019. The application of those provisions shall start from 01 January 2020. The Secretariat also clarified that the new date for the start of the stockholding obligation (1 July) applies from year 2020.
9. The Forum recognized that the progress in transposing the Directive 2009/119/EC diverges considerably across the CPs, with most CPs having not yet met the expectations. **Bosnia and Herzegovina**, is still in the early stages of considering possible options for a stockholding system; **Albania, Georgia, Kosovo^{*1}, Moldova, Montenegro and Ukraine** have prepared their respective primary legislation and have not been able to decide and approve the most appropriate final stockholding legal framework. **North Macedonia** is close to approving the remaining part of the secondary legislation, which is envisaged to apply as of 1 January 2020. Its current oil stocks correspond to 74 days of average daily consumption, an increase from the same period of last year when stocks stood at 64 days. **Serbia** has progressed with the transposition of the secondary legislation and their current estimated number of days of their stocks is 19.
10. The representative of the Polish Material Reserves Agency informed the Forum that the main piece of legislation governing emergency response is the Act of 16 February 2007 on Oil Stocks. This Act defines the principles of creating, maintaining and financing the stocks of crude oil and petroleum products in Poland. At present, Polish producers and traders must maintain emergency oil stocks corresponding in volume to 53 days of net imports. The Material Reserves Agency maintains at least the difference to 90 days. The Polish minister responsible for energy determines whether the conditions triggering the Polish emergency response system have been met and who subsequently decrees to use all or parts of the emergency stocks in order to alleviate the crisis. The representative of the Polish Material Reserves Agency also informed the Forum about the contaminated oil found at a section of the Druzhba pipeline from Belarus to Poland and the Polish Government's efforts to avoid any oil supply disruption to the domestic market.
11. The Representative of the State Reserves Agency of Slovenia (ZRSBR) made a presentation on the implementation of Article 16 of the Oil Stocks Directive. The Forum was informed about the national regulations in force in Slovenia, the increasing role of biofuels in the transport sector and some difficulties in the Monthly Oil Statistics (MOS) reporting.

¹ * This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

12. The presentation of Eurostat - European Commission provided a short update on the latest reporting and calculation modalities for emergency stockholding obligations compliance with the Implementing Directive (EU) 2018/1581. The presentation included points for consideration by the Contracting Parties and underlined that the MOS data collection is fundamental for meeting obligations under the Directive and that each Contracting Party will need to fully understand the reporting details and methodologies related to the stockholding calculations using the MOS data.

III. Trends and challenges: The future of fossil fuel energy

13. The Secretariat informed the Forum about the activities in the Energy Community towards decarbonisation the production of electricity, focusing on coal usage in the CPs and investigating the ways of putting price on emission as a means to internalize the costs for environment.
14. The representative of NIS a.d.Novi Sad Serbia informed the Forum about their efforts and achievements to reduce sulphur content in oil derivatives and SO₂, CO₂, NO_x emissions into the air and bringing the company to a strategically important leadership position in the regional petroleum products market.
15. With regards to the gas infrastructure, the Secretariat informed the Forum that connectivity in the Western Balkan Contracting Parties has not yet reached satisfactory levels which is required for security of supply and satisfactory functioning of the markets. Introduction of natural gas in the energy mix also requires investments into new infrastructure. The representative of the Secretariat emphasized that natural gas and increasing connectivity contributes to enabling the installation of higher renewable capacities in the countries and consequently can contribute to reach future CO₂ goals.

IV. Climate change and low-carbon strategy

16. The Secretariat informed the Forum that on 28 November 2018, the European Commission presented its strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy by 2050. The strategy shows, according to the Secretariat, how Europe can lead the way to climate neutrality by investing into realistic technological solutions, empowering citizens, and aligning action in key areas such as industrial policy, finance, or research – while ensuring social fairness for a just transition. The Commission's vision for a climate-neutral future covers nearly all EU policies (with energy policy being the most prominent one) and is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C. The oil sector would naturally have a crucial role in this process.
17. The representative of the Ministry of Sustainable Development and Tourism of Montenegro briefed the participants with the Ministerial Council Decision of the Energy Community that incorporated the new Sulphur in Fuels Directive in 2016. In the same year, the International Maritime Organisation (IMO) set 1 January 2020 as the implementation date for a significant reduction (to 0.50% by mass) in the sulphur content of the fuel oil used by ships. Contracting Parties have the same deadline to comply with these obligations. Coastal states, such as Montenegro, have already obtained some experience in the implementation of these provisions and the representative of the Ministry of Sustainable Development and Tourism shared the relevant experience on this issue.

18. The representative of the Ministry of Infrastructure and Energy of Albania referred to the Ministerial Council of the Energy Community that adopted a Recommendation for Contracting Parties to implement the Fuel Quality Directive in 2018. In a number of Contracting Parties, complying with the requirements of this directive faces several burdens, including legal, technical and institutional ones. The presentation of the representative from Albania took stock on where Albania currently stands in the process and what still needs to be achieved.

Concluding Remarks:

19. The Forum agreed as a key priority for all Contracting Parties the adoption and implementation of national legislation in compliance with the Oil Stocks Directive 2009/119/EC. There are some progress made by the Contracting Parties but not enough to ensure a quick transposition and consequently full implementation of the Oil Stocks Directive by 1 January 2023.
20. The next Oil Forum is tentatively scheduled to be held in September/October 2020.