



Republic of Serbia
Ministry of mining and energy
Emergency oil stocks Administration



14th OIL FORUM 27/28 September 2022.



Brief reminder on activities on establishing the emergency oil stocks

Transposition of Directive 2009/119/EC

- Legal framework
- Institutional framework
- Activities by 2021
- Advances in 2021 and 2022
- Issues, next steps



Legal framework

Laws

- Law on Commodity Reserves (In December 2013, Emergency oil stocks legally defined. By adopting such legislation, the Republic of Serbia transposed the most relevant provisions of the Directive.)
- Energy Law (Administration for emergency oil stocks established in 2015 as an administration body within the ministry responsible for energy affairs)

By-laws

- Regulation on the methodology for gathering and processing of data and calculating of average daily import, average daily consumption and the quantities of emergency oil stocks
- Regulation on the amount, manner of calculating, paying and dispense with the compensation for forming of emergency oil stocks
- The Rulebook on keeping records on compulsory reserves of oil and oil products (statistical reporting on the quantity, quality, structure and allocation of emergency oil stocks)
- Regulation on plan and criteria for procurement of establishment of emergency oil stocks
- Methodology for pricing of stockholding in public storages

Legal framework had been completed and sustainable financing for gradual building and maintaining of the emergency oil stocks had been provided



Organization of administration for emergency oil stocks

Rulebook on internal organization says that the Administration should have 9 work positions, organized in two groups

- The Group for Central Warehousing Body - CWB and
- Group for public procurement, financial and general affairs, as the basic internal units.

Currently, two employees work at the Administration and three more as temporarily contracted.

Activities and stocks building by 2021

Since Administration establishment activities on building stocks have started, various plans (long term, mid term, annual as well as action plan in December 2015) were prepared and to some extent fulfilled. By spring 2021 the stocks were: 74kt of diesel, 3kt of gasoline, 5kt fuel oil and 32kt of crude. Options (tickets) were 50kt of diesel. **All together 21 days of average consumption.**

Stocks are held in public owned storages, through the Directorate for commodities reserves and Trananafta l.l.c.

Investments by 2021 - Construction of 40,000m³ storage had begun in December 2020.



Speed up in 2021 and 2022

- Action plan update was prepared together with the EU expert through the PLAC III support, and it was officially adopted by the Government in May 2021.
- Procurement and contracting for construction of additional 40,000m³ of storage had been done by the end of 2021 with works started in February 2022 (total 80,000m³ being constructed and planned for commissioning in early 2024)
- Focus on physical stocks rather than options – procurement of additional fuel oil and crude and delay of tickets payment (allowed by the contract) during the budget rebalance
- Registration of Administration in the system of VAT – utilization of returned VAT for stocks procurements (roughly 16% more budget)
- Preparation of draft Public private partnership project as defined by the Action plan by March 2022

Results:

By September 2022, the stocks are: 115kt of diesel, 14.5kt of gasoline, 20kt fuel oil and 86.1kt of crude and 3.6 kt of jet (expected to be delivered in full by mid October). Physical stocks are more than 100% higher than in March 2021. In options (tickets) there are still 50kt of diesel. **All together 35 days of average consumption.**



Issues, Problems

- Procurement of refined products is subject to immediate payment of excise tax that effectively decrease the budget by 50%. Excise tax law will be changed in future according to EU standards (Chapter 16 of EU access negotiations) but it is still long time before being effective.
- Public Procurements' Law does not „understand“ specific features of crude and refined products market and procurement cycles are long (ideally 45 days) and e.g., it is not possible to utilize price drops.
- Stocks renewal (maintaining the quality) is not solved in systematic manner, shared stocks are automatically renewed but others need special arrangement (exchange liter to liter) that consume much of time and resources
- War in Ukraine and its consequences – higher prices, supply logistics issues, uncertainty

Next steps:

- Finish of storage construction (80,000m³ total in Smederevo) by the end of 2023 and commissioning in early 2024
- Full utilization of existing storage
- Redesign of the draft project for Public Private Partnership for construction of missing capacities and procurement of missing stocks according to changes in the market in region and wider.