

9th Oil Forum

Belgrade
27/28 November 2017

Overview

1. The 9th Oil Forum took place on 27/28 November 2017 in Belgrade. The Forum was opened with the welcoming of participants by the chairman, Mr. Massimo Lombardini, representing the European Commission. The chairman welcomed Georgia as a full-fledged member in the 9th Oil Forum of the Energy Community.
2. The representative of the Ministry of Mining and Energy of the Republic of Serbia welcomed the Forum on behalf of the Government of Serbia thanking the Secretariat for organizing this important event and for the support it provides to the Contracting Parties in fulfilling their commitments. The energy law and the adopted secondary legislation constitute a largely compliant legal framework for the implementation of obligations undertaken by signing the Energy Community Treaty. The Forum was also informed about the latest progress of Republic of Serbia in establishing the oil stocks, fuel quality achievements and in particular their efforts on building up stocks in compliance with the long-term, mid-term and annual programs.

Introductory Procedures

3. The Agenda as modified and circulated on 25 September 2017 was approved by the Forum.

Keynote speech

4. The Secretariat presented the Energy Community status of the Third Energy Package implementation and the market reforms. The reform of the Energy Community was pinpointed as well as the regional perspectives for building a meaningful cooperation among Member States and Contracting Parties.

1. Oil Security

5. The Secretariat presented an updated overview of the transposition process in the Contracting Parties since the last Oil Forum as well as the follow up to the General Policy Guideline (adopted by the 2016 Ministerial Council) concerning a Roadmap on Implementation of the Certain Deadlines of the Council Directive 2009/119/EC in the Energy Community.
6. The Forum took note that only Albania, Moldova and Ukraine have sent, within the agreed deadline of 31 March 2017, the text of the main provisions of the draft national law, which

they intend to adopt/transpose Directive 2009/119/EC. In addition, all Contracting Parties were reminded of the invitation made in the General Policy Guideline to bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 2017.

7. The Forum acknowledged that the progress in transposing the Directive differs considerably across the CPs and most of them have not met the expectations. **Bosnia and Herzegovina**, is still in the early stages of considering possible options for a stockholding system; **Georgia and Ukraine** are currently preparing their respective primary and secondary legislation whereas **Albania and Kosovo**^{*1} have not been able to decide and approve the most appropriate final stockholding legal framework. **Moldova** has drafted the Law on creating and maintaining the minimum level of oil products stocks, which will allow it to immediately draft subsequent secondary legislation in line with the Law. The former Yugoslav Republic of **Macedonia** is close to approve the remaining part of the secondary legislation which is envisaged to begin to apply as of 1 January 2018. Despite the fact that **Montenegro** made great efforts in 2016 by drafting a compliant primary legislation, it has not managed to adopt the new draft law and the subsequent secondary legislation in line with Directive 2009/119/EC. **Serbia** is the Contracting Party that has most progressed with the implementation and the only remaining secondary legislation is the Intervention Plan in case of oil supply disruption, which was expected to have been drafted and approved within 2016.
8. The Forum noted that the Secretariat has financed Technical Assistance in 2017 to bring Georgian legislation in line with the Energy Community oil acquis, helping with drafting the necessary legal framework (primary and secondary) in compliance with the Oil Stocks Directive 2009/119/EC. The technical assistance has started in June 2017 and will be finalized by the end of 2017. The consultant hired by the Secretariat for drafting legal framework (primary and secondary) in compliance with the Oil Stocks Directive 2009/119/EC in Georgia, informed the Forum about the latest developments in Georgia.
9. The Forum invited all Contracting Parties to begin regular monthly participation in the submissions of the JODI Oil Questionnaire before 1 January 2018 and to communicate to the Secretariat by 31 March 2018 the proposed legal basis and Action Plan for collecting all oil data necessary to submit the Monthly Oil Statistics (MOS) Questionnaire. For this reason, a JODI Oil Training Workshop presenting the JODI Oil questionnaire, the general framework of the European monthly oil statistics, the MOS-Oil questionnaire and the complementarity between the MOS-Oil questionnaire and the JODI Oil questionnaire was organized by the Secretariat with the support of JODI Partners OPEC and EUROSTAT, in May 2017.
10. The Forum welcomed the presentation delivered by the representative of the State Reserve Agency of Ukraine, which introduced their current efforts in the transposition and implementation of the oil stocks Directive 2009/119/EC. The working group set up in 2016 was not able to develop the long-term action plan (2016 - 2022) for creating an emergency oil stockholding system and presenting to the government for deciding an optimal stockholding model as it was prepared by the Secretariat. The latest technical assistance via an EU funded project, which started in the second quarter of 2017, which is benefiting from the Energy Community Secretariat's direct support, was also presented. The working group led by the State Reserves Agency resumed its activities with the objective to develop and to pass on to the Cabinet of Minister for approval till the end of 2017 the draft Model and draft Law on compulsory stock obligation in Ukraine.

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.

11. The Forum appreciated the presentation delivered by the representative of the State Reserves Agency (ASMR) on their relevant experience regarding their stockholding system and emergency procedures in Czech Republic. The ASMR is an independent government body managed directly by the government rather than by a specific ministry or other agency. ASMR oil stocks are government property, and all acquisition, maintenance and storage costs are met from the central government budget. The Czech law requires that ASMR stocks be maintained at a level of at least 90 days of net imports of oil and petroleum products and there is no compulsory stockholding obligation on industry. The emergency stocks may consist only of the petroleum products and types of crude oil that can be processed in the refineries within their territory. Currently the country holds emergency stocks in accordance with the EU Directive equivalent to 85 days of net imports.

II. Investments in Infrastructure

12. The Secretariat presented the Project of Common Interest (PECI) and Project of Mutual Interest (PMI) selection exercise of the Energy Community. This process is governed by the adapted Energy Community Regulation 347/2013 and aims at facilitating electricity, gas, oil and smart grid project identification, assessment and realization by streamlining permit granting procedures, regulatory treatment and on project development status. It has also been noted, that the experience of the Secretariat during the first PEGI/PMI selection was that not many oil pipeline projects were interested in applying for the PEGI/PMI status; the reason might be the fact that currently there are no numerous oil projects under consideration in the Contracting Parties.
13. The Forum welcomed the presentation on the latest development of the Janaf pipeline as an important factor on the energy map of the Energy Community. The Janaf pipeline is a crude oil pipeline, which starts at the Omišalj Oil Terminal in Croatia and then continues to Serbia, and Hungary with branch lines to Slovenia and Bosnia and Herzegovina. Janaf is considered a strategic oil pipeline for the supply of the refineries in Croatia and the South-Eastern and Central European region. This pipeline is also recognized as a strategic pipeline for enhancing security of crude oil supply of the EU Member States and as such it is a Project of Common Interest (PCI). Revival of oil market and enhancement of crude oil supply to the refineries in the region and EU from Omišalj direction would contribute to the realization of strategic goals related to JANAF's development and its projects.
14. The Forum appreciated the detailed presentation of Transnafta Serbia regarding the Petroleum Products Pipeline System through Serbia, which will ensure the safest, and the most effective transport to customer centres, modern products management, reduced losses and leakage possibility. The representative of Transnafta Serbia informed the Forum that this is a project of national interest, because it contributes to the security of supply, energy efficiency, preservation and protection of the environment, reduced dependence on weather conditions during transport, as well as the steady regional development. Commissioning of the first facility of Petroleum Products Pipeline System through Serbia is planned for 2020.

III. Trends and challenges: Petrochemical and Refining Industry

15. The Forum welcomed the presentation made by the representative of Petrochemicals Europe (Cefic) which outlined the main macroeconomic factors shaping the European petrochemical industry. Amongst other topics it was highlighted the importance of the petro-chemical

industry as enabler for European manufacturing and for countries to reach the United Nations sustainable development goals. Cefic indicated that 95% of all goods are made from petrochemicals including smartphones, windmill blades and solar panels. On the other hand, despite the lower oil price the European petrochemical industry still faces structural challenges, which were also highlighted in the presentation, for example regulatory costs and predictability.

16. NIS Serbia on the other hand, introduced their experience on the new technologies for increasing efficiency. One way to optimize costs and increase profitability is to apply energy efficiency principles in company operations. The costs of energy sources make up more than 50% of the total costs of the Pancevo Refinery, and there is room for enhancing efficiency of the use of energy sources. NIS will proceed in 2017/2018 with implementing the second stage in the modernization of refining facilities and projects aimed at improving operational effectiveness and energy efficiency. In addition, NIS promotes energy efficiency in the community as well. Another important direction is participation in projects aimed at commercial power generation for operation in the domestic and regional electricity market. Also the program of co-generation capacities has been launched at the oilfields using the dissolved gas in the production of thermal and electrical energy which is more profitable than burning it on flare. The use of dissolved gas is a very topical issue both from an economic and environmental point of view.

IV. Climate change and low-carbon strategy

17. The Secretariat presented an overview of the impact of the sector on different environmental media such as on the climate, via the emission of greenhouse gases as well as on air quality and health via other exhaust gases. It was agreed that while the oil sector will remain vital for the functioning of the global economy, it is also clear that due to current transition to decarbonisation (shift in energy generation through the increase of renewables, increased share of electric vehicles, etc.) the sector is also facing a number of questions to which plausible answers are to be provided. Participants were reminded about the role of oil, which is not only used as an energy source but as a raw material, where it is also irreplaceable in many aspects.
18. The participants were briefed about the importance of cutting emissions of both the land-based and the marine use of petroleum products also in alignment with latest developments in international agreements. The relevance of marine fuels was marked by the Decision of the 2016 Ministerial Council of the Energy Community to incorporate Directive (EU) 2016/802 (the Sulphur Marine Fuel Directive) into the Energy Community environmental acquis by 1 January 2018. The Directive contains different provisions on the quality of such fuels in particular on the Sulphur content which should be reduced to 0.5% in all EU waters by 2020. It also contains enforcement obligations for coastal states for which dedicated technical assistance by the European Maritime Safety Agency is foreseen. The upcoming Ministerial Council of December 2017 is also expected to adopt a Recommendation on the Fuel Quality Directive (98/70/EC) with a view to start discussing its implementation for the Contracting Parties.

Concluding Remarks:

19. The Forum agreed as a key priority for all Contracting Parties the transposition of primary and secondary legislation in compliance with the Oil Stocks Directive 2009/119/EC. Each Contracting Party must update their Action Plans in order to fulfil all Oil Stocks Directive obligations and finally achieve full implementation of the Oil Stocks Directive over the coming 5-year period. The Forum also agreed that all Contracting Parties should start to communicate to the Secretariat by 31 March 2018 the proposed legal basis and Action Plan for collecting all oil data necessary to submit the Monthly Oil Statistics (MOS) Questionnaire.
20. The next Oil Forum is tentatively scheduled to be held in September/October 2018.