

Oil Stockholding in Georgia State of Play

An aerial photograph of a wetland landscape. A long, narrow wooden boardwalk or path runs vertically through the center of the image, crossing several small, interconnected ponds. The water in the ponds is a deep blue, reflecting the sky. The surrounding land is covered in lush green vegetation, including grasses and small trees. In the background, a dense line of trees stretches across the horizon under a sky filled with soft, white and grey clouds. The overall scene is serene and natural.

Priit Enok
OSPA

9th OIL FORUM
Belgrade

Transposing the Oil Stocks Directive in Georgia

- **Parliament of Georgia ratified the Energy Community accession agreement – 21 April 2017**
- **Accession to the Energy Community – 1 July 2017**
- **Acquis on Oil:**
- **Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products**
- **Implementation Deadline – 1 Jan 2023**
- **Presently the legal framework of Georgia does not stipulate the obligation to hold emergency oil stocks**

Transposing the Oil Stocks Directive in Georgia

- The project “Transposing the Oil Stocks Directive 2009/119/EC in Georgia”
- Georgia has an obligation to maintain oil stocks equating 90 days’ net import volume
- Total stockholding obligation estimates to more than 300.000 tons of oil equivalent
- Total stock building should be equally divided over 5-years period; min. 60 thousand tons (18 days) per year



DIFFERENT STOCKHOLDING SYSTEMS

Existing compulsory stockholding fall under 2/3 broad categories:

- **Centralised public or private offices**
with or without a separate stockholding entity
- **Decentralised systems**
the oil companies hold compulsory stocks comingled with their operating inventories



Oil stockholding principles

- **It should not matter how the stockholding is administered, providing it has the backing of the state and oil companies**
- **There are strong arguments for suggesting that oil companies should be involved in the process**

Main tasks related to oil stockholding

- Purchasing and storing of the stocks
- Inspection of the quality and quantity of stocks
- Rotation of the stocks
- Insurance of the stocks
- Reporting routines
- Maintaining bilateral relations with the fee payers

CSE criteria

- CSE shall take the form of a body or service without profit objective and acting in the general interest
- It shall not be considered to be an economic operator
- It should not distort the competition in the oil market
- Proposal: Georgian State Agency for Oil and Gas to be appointed the CSE

OVERVIEW OF THE FUNDING SCHEMES

FUNDING OF RUNNING COST			
Government budget	Levy/tax paid by the operators	Direct tax/levy paid by the consumers	Others <u>Mixed scheme</u>
10%	45%	45%	10%

EXAMPLES OF THE FEE/LEVY RATES

Vary from 0 to 20 euros per 1000 litres

3,7 €/1000 l gasoline, diesel, jet fuel and 6 €/ton FO

1,222 €/1000 l gasoline and 1,166 €/1000 l diesel, FO, jet fuel

1,78 €/ton

8 €/1000 l

7 €/1000 l

9,60 €/ton

6,8 €/1000 l gasoline; 3,5 €/1000 l diesel; 2,8 €/ton FO

5,51 €/1000 l gasoline

5,16 €/1000 l diesel

4,6 €/1000 Jet

4,75 €/ton FO

THE COST ESTIMATES for GEORGIA

- For covering the running costs of holding 18 days oil stocks **2,1 EUR** per every ton of fuel released to inland consumption should be foreseen
- For covering the running costs of holding 90 days stock **9,7 EUR** per ton of fuel released to consumption should be foreseen
- For fuel purchase: 18 days obligation – **1,4 EUR** per ton of fuel released to consumption
- 90 days fuel purchase – **3,3 EUR** per ton of fuel released to consumption
- By summing up the costs related to creation and management of 90 days oil stocks, the impact of oil stockholding policy to the fuel retail price can be estimated as following:
 - 1,0 eurocents per litre of fuel
- ...the same calculation for management of 18 days oil stocks
 - 0,3 eurocents per litre of fuel

Scenario C – Industry model

- Stockholding obligation applies to the importers of crude oil and petroleum products
- From 1 April 2022 every compulsory stockholder is required to hold emergency stocks equal to 25% of their imports during the reference year
- The compulsory stockholders may maintain the stocks itself or delegate their stockholding obligations to the CSE

Obligation

Stockholding obligation will grow gradually:

- From 1 April 2018 - 5%
- From 1 April 2019 - 10%
- From 1 April 2020 - 15%
- From 1 April 2021 - 20%
- From 1 April 2022 - 25%

of imports of crude oil or petroleum products during the reference year



“For an Oil Stocks Agency it is absolutely essential to have a solid funding base, underpinned by legislation, with limited exposure to changes in Government and/or Government policy”