

12th Oil Forum

Belgrade, 15/16 September 2020

Overview

1. The 12th Oil Forum took place ONLINE on the 15th and 16th of September 2020. Mr. Erik Somelar, representing the European Commission, chaired and opened the Forum of the Energy Community. The 12th Energy Community Oil Forum focused on key trends and challenges facing the oil sector.
2. The Minister of Mining and Energy, HE. Aleksandar Antic welcomed the Forum on behalf of the Government of Serbia, highlighting the impacts of the COVID-19 pandemic on the oil industry and outlined Serbia's progress in the implementation of the oil acquis 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 programme.

Introductory Procedures

3. The Agenda, as modified and circulated on 14 September 2020, was approved by the Forum.

Keynote speech

4. The Director of Secretariat recalled the importance of implementation of the Oil Stocks Directive. With the exception of Serbia and North Macedonia, all Contracting Parties have not made any genuine progress in implementation, while some have not even transposed the Directive into national law. Director Kopač also underlined the importance of the Energy Community not staying behind when it comes to the European Green Deal on tackling climate and other environmental challenges.

I. Oil Security

5. The chair in his remarks recounted that the different risks associated with a pandemic are fundamentally new for energy security and are directly dependent on the pandemic's intensity and duration. The EU is fighting climate change through ambitious policies at home and close cooperation with international partners. The EU's nationally determined contribution under the Paris Agreement is to reduce greenhouse gas emissions by at least 40% by 2030 compared to 1990. The chair emphasized that the European Green Deal is an ambitious package of measures ranging from ambitiously cutting greenhouse gas emissions and the Commission will propose a new EU ambition to reduce greenhouse gas emissions by 2030. The chair highlighted that the Commission aims to propose raising the EU target to achieve a 55% reduction in greenhouse gas emissions by 2030 compared to 1990.

6. The Forum took note of the presentation delivered by the representative of European Commission on good practices to address pandemic risks. The presenter focused on the current pandemic as a reminder of how vital reliable access to energy is for citizens and businesses. The representative of the European Commission emphasized that the reduced oil consumption during the pandemic reduced the level of emergency stocks given that the emergency oil stocks are usually calculated on the basis of the consumption of the previous year. On the other hand, the oil stocks directive offers flexibility to build future stocks which are more representative of the country's future needs than estimations based on 2020 consumption.
7. The Forum took note of the detailed presentation by the representative from the Energy Community Secretariat on cybersecurity becoming essential, as teleworking and remote operations increase. The presenter informed the Forum about the features of interconnected energy infrastructures and the need to protect both modern and legacy parts. The cyberattack of large energy systems may include custom, more sophisticated and expensive malware. At the same time the Covid-19 crisis put additional security load on both exchange of sensitive information and remote system operation in the energy sector. The presenter underlined that energy system operators need to apply adequate cybersecurity technical standards and apply common mechanisms for risk assessment and early warning. The Forum committed to support the initiatives of the Secretariat in treatment of critical energy infrastructures, implementation of EU-compliant cybersecurity frameworks and the establishment of Energy Community cooperation network in cybersecurity such as the EnC Information Sharing and Analysis Centre (ISAC).

II. Oil Stocks Directive Transposition and Implementation

8. The Secretariat presented a detailed overview of the progress in the Contracting Parties since the last Oil Forum as well as the next steps necessary to prepare national legislation and to set up an emergency response system in order to comply with Directive 2009/119/EC. The Forum recognized that there is no significant progress in transposing the Directive 2009/119/EC by the CPs. Bosnia and Herzegovina, is still in the same position – in early stages of considering possible options for a stockholding system; Albania, Georgia, Kosovo^{*1}, Moldova, Montenegro and Ukraine are also the same as last year reporting. They have prepared their respective primary legislation and have not been able to decide and approve the most appropriate final stockholding legal framework. North Macedonia postponed again the implementation of the adopted Law in 2014 and now is close to approving the remaining part of the secondary legislation, which is envisaged to apply as of 1 January 2021. Its current oil stocks correspond to 80 days of average daily consumption, an increase from the same period of last year when stocks stood at 74 days. Serbia has progressed with the transposition of the secondary legislation and their current estimated number of days of their stocks is 20.

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.

9. The representative of the German National Petroleum Stockholding Agency (EBV) informed the Forum about the current oil market in Germany, the set-up of the emergency oil stockholding system in Germany (legal form of EBV; membership; financing and the current compulsory fees); emergency oil stocks structure (crude vs finished products, tickets, stocks obligation and coverage); quality monitoring, monthly oil statistics reporting; release of stocks in case of supply disruption and the role of the National Emergency Strategy Organisation (NESO) along with the task of liaising with the IEA and European Commission on matters of international co-ordination during an emergency.
10. The presentation of Eurostat - European Commission provided a detailed update on the latest reporting and calculation modalities for emergency stockholding obligations compliance with the Implementing Directive (EU) 2018/1581. The Forum also noted that the establishing of a full structure for handling monthly oil data flows and reporting framework is a critical next step that will need to be taken. Such data collection is fundamental for meeting obligations under the Directive and each Contracting Party will need to fully implement the reporting details and methodologies related to the stockholding calculations. In this context, the Forum invited the Secretariat to organize in cooperation with Eurostat - European Commission - over the course of the next 6-months - a workshop mainly focused on the establishment of a data reporting system using the Monthly Oil Statistics (MOS) questionnaire, which forms the basis for fulfilling the bulk of the reporting requirements of the Directive. The Forum proposed the adoption of a Ministerial Council decision in 2020 concerning the implementation of the Commission Implementing Directive (EU) 2018/1581 amending Council Directive 2009/119/EC.

III. Trends and challenges: Impact of the Covid-19

11. The Forum took note of the detailed presentation by the representative from the Energy Community Secretariat on Energy Community overview: Energy mix, demand and consumption. ECS informed the Forum about the tendencies in energy production and consumption in the light of decarbonisation paths.
12. The representative of the IEA informed the Forum about the impact of the Covid-19 crisis on global energy demand and CO₂ emissions and presented the latest respective data. Global oil demand was down nearly 25% in the early phases of lockdowns. Restrictions on travel and the closing of workplaces and borders sharply reduced demand for personal vehicle use and air travel, while the restriction of global economic activity put a brake on fuel oil use for shipping. All fuels except renewables are set to experience their greatest contractions in demand for decades. According to the IEA, oil demand could drop by 8%, (or 8 mb/d) on average across the year, returning oil consumption to 2013 levels. A possible second wave of the pandemic or a slower recovery could worsen the potential declines by fuel in 2020. On the other hand, the declines in energy demand resulted in a major drop in global CO₂ emissions, surpassing any previous declines. The decline is set to be almost twice as large as all previous declines since the end of World War II combined.
13. The Forum took note of the detailed presentation by the representative from the Energy Community Secretariat on ramping up hydrogen production and carbon capture. ECS informed the Forum about the commencing hydrogen potential in the Energy Community Contracting Parties study. Additionally, hydrogen production technologies with sector coupling (Power to Gas-P2G) and their potential benefits and uses have been discussed, along with their cost efficiency. The status of Carbon Capture and Storage in Europe has been touched upon.

IV. Climate change and low-carbon strategy

14. The Forum took note of the presentation by the Secretariat's representative on the first year of implementation of the new global sulphur cap for marine fuels. The Forum was informed about the legal obligations for the shipping sector under the Sulphur in Fuels Directive, which obliges Contracting Parties to apply the 0,50% limit for vessels used in their territorial waters, exclusive economic zones or pollution control zones since 1 January 2020.
15. The representative of DG ENER briefed the participants about the decarbonising of the energy sector as part of the European Green Deal which is the Commission's commitment to tackling climate and environmental-related challenges. The production and use of energy across economic sectors account for more than 75% of the EU's greenhouse gas emissions. Transport accounts for a quarter of the EU's greenhouse gas emissions, and still growing. The representative of DG ENER emphasised that to achieve climate neutrality, a 90% reduction in transport emissions is needed by 2050. Road, rail, aviation, and waterborne transport will all have to contribute to the reduction. In addition, the price of transport must reflect the impact it has on the environment, on health and the fossil-fuel subsidies should end and phasing-out fossil fuel and financing of their respective infrastructure.
16. The representative of the Secretariat presented a detailed information regarding the current state of play on the implementation of the Fuel Quality Directive 98/70/EC (as amended) in the Energy Community which aims to ensure a high level of environmental and health protection in relation to fuel used in road transport, as well as non-road mobile machinery, by reducing pollution from the transport sector, and enhancing air quality. The overall outcome of this presentation showed that the majority of the articles of the FQD are transposed by all Contracting Parties. The ECS emphasised that in order to transpose all suitable provisions of Directive 98/70/EC, the Contracting Parties need to update their legislation.