

## **REPORT ON THE OIL DIMENSION IN THE ENERGY COMMUNITY – CURRENT DEVELOPMENTS AND PLANNED STEPS**

### **I. KEY ACTIVITIES SO FAR - SUMMARY**

The current report summarizes the work in the context of the development of the oil dimension of the Energy Community and outlines a proposal for next steps on the ground of the achievements, the identified problems and the goals of the Energy Community as specified in the Energy Community Work Programme.

The Emergency Oil Stocks Directive 2006/67/EC was the essential part of the Ministerial Council decision in 2008, when the official start of developing the Oil dimension of the Energy Community was launched<sup>1</sup>. However, the legal framework in the EU on this topic was improved in September 2009 with the new Council Directive 2009/119/EC. Thus, with its decision of December 2009, the Ministerial Council indicated the necessity of deepening of the work in relation to the above mentioned Directive.

At the PHLG meeting held in Vienna on 17 March 2010, the Energy Community Secretariat (ECS) submitted two reports on the implementation of Article 41 of the Treaty in the oil sector and on the steps related to the Energy Community (EnC) oil dimension.

With these reports, the Secretariat took preliminarily stock of measures in the Contracting Parties regarding the prohibitions on (1) customs duties and (2) quantitative restrictions, which could impede the free movement of oil / petroleum products and presenting also the main steps for year 2010.

It was noted that on the ground of the information received so far, the main area of concern with respect to the application of Article 41 EnC to the oil sector was the levying of customs duties and we were invited to collect more information on the details in each Contracting Party and report to the PHLG if specific cases are noted.

For identifying and eliminating of such barriers, ECS relies on the practical expertise of traders already active in the region (or envisaging trading activities in the future or having knowledge about the markets in Contracting Parties and Observer Countries). For this purpose, ECS prepared a detailed questionnaire on cross border flows (electricity / gas / oil-petroleum

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<sup>1</sup> See MC Decision 2008/03 - <http://www.energy-community.org/pls/portal/docs/296196.PDF> .

products-biofuels) and sent it out to traders and suppliers as a basis for further information and potential action by the Secretariat.

Further to these issues, the considerations, related to the implementation of the new Oil Stocks Directive (2009/119/EC) remains in the focus of attention.

This topic was discussed in concrete at the first Energy Community emergency oil stocks workshop in Zagreb on 27-28 May 2010. In parallel, on the ground of previous considerations and the elaborations during the workshop, the development of a regional study, concerning stock taking on the development of the oil dimension in the Energy Community in line with the Oil Stocks Directive was agreed.

Thus, the necessity of further analysis prior to a decision on the implementation of Council Directive 2009/119/EC seems evident, although the Contracting Parties are in favor of its implementation as a step forward towards security of energy supply.

## **II. MAJOR FINDINGS AND NEXT STEPS**

The development of a common emergency oil stocks policy within the Contracting Parties of the Energy Community is a prerequisite for strengthening the common security of supply approach.

However, the current regional situation, regarding the emergency oil stocks indicates substantial differences between the Contracting Parties. In general, with minor exceptions, due to the lack of experience, national stockholding systems are underdeveloped. Most of the Contracting Parties have adopted some legislation on emergency oil stocks with the effect that a majority of stocks obligations is to be held by industry. Some other Contracting Parties have not yet policies in place for oil stocks.

On the other hand, any big cut-off in supplies would mark a great threat for the economic development in the Contracting Parties and the region. In concrete, this became clearly visible during the gas crisis at the beginning of 2009.

These substantial differences between the Contracting Parties, on the one side, and the necessity to streamline the further work on both national and regional level, became clearly evident during workshop on oils stocks in Zagreb in May 2010. There was a common agreement for the need of in depth analysis on the status quo and the areas, where due attention should be paid.

This shall be aimed at via a study, launched in June 2010.

This study (On Emergency Oil Stocks in the Energy Community Level) is envisaged to cover the eight Contracting Parties of the Energy Community (Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Moldova, Montenegro, Serbia and UNMIK) and 3 Observer countries (Georgia, Turkey and Ukraine).

It is envisaged that the study shall be conducted in the period September 2010 – March 2011.

Thus, this study should specify all problems, which the Contracting Parties face in this regard, and propose adequate solutions, taking note of both the regional and national state of play.

The main scope of the study will be related to the following:

- Outlook of crude oil and petroleum products consumption in a specific time frame;
- Emergency oil stock obligation (crude oil and/or petroleum products) based on the EU Directive 2009/119/EC;
- Current import/export oil infrastructure, availability of storage capacities, additional required stockholding capacity;
- Legal review of the existing relevant legislative framework and needed changes for compliance with the *acquis*;
- Sources of financing of the activities;
- Possibilities for a regional approach - holding stocks jointly with other countries and coordinate stockdraw to maximize the economic benefits.
- Data processing;
- Necessary support and assistance on national and regional level.

### **III. CONCLUSIONS AND NEXT STEPS**

The Energy Community Secretariat is convinced that preparatory steps in each of the Contracting Parties and Observer Countries for easier implementation of Directive 2009/119/EC are needed. This view is also shared by the PHLG. Thus, concrete activities in this aspect shall continue,

Therefore, the Energy Community Secretariat, taking into considerations the outcomes of the first emergency oil stocks workshop held in Zagreb on 27 – 28 May 2010 and the regional study on the emergency oil stocks.

The Secretariat has already started individual work with each Contracting Party and Observer as to specify in concrete the major steps, needed to be undertaken as to prepare the Contracting Party for easier implementation of Directive 2009/119/EC upon its adoption as part of the Energy Community *acquis*. This work will be done with the main aim that the inclusion of the new Oil Stocks Directive on the list of applicable Energy Community *acquis* shall be the main target of work for 2010 and 2011 in the context of the Oil dimension.

On this ground, as well as on the ground of the conclusions and recommendations of the regional study on emergency oil stocks, it is expected that sufficient background shall be prepared for a proposal to the Ministerial Council of the Energy Community on the inclusion of Directive 2009/119/EC on the list of applicable *acquis* in 2011.