

6th Oil Forum

Belgrade
30 September 2014

Introduction

1. The Forum was chaired by Mr. Massimo Lombardini, representing the European Commission.
2. The Agenda was adopted by the Forum.

1. Oil dimension in the Energy Community as part of security of energy supply

3. The Secretariat presented the key points and suggestions/recommendations of the Report of the High Level Reflection Group which include proposed solutions to the most pressing challenges facing the Energy Community, including the gap between political commitment and effective implementation of the *acquis communautaire*, lack of investment in infrastructure and partial effectiveness of the institutional setup. In addition, the Secretariat noted that most of these suggestions/recommendations require further assessment in terms of their legal, financial and political feasibility and that appropriate draft decisions would be prepared for adoption by the Ministerial Council in 2015.
4. The Forum welcomed the presentation made by the European Commission which outlined the recent Commission work on energy security and its reaction to the current geopolitical environment and the EU's import dependence. Diversifying external energy supplies, upgrading energy infrastructure, completing the EU internal energy market and saving energy were among the main topics presented to the Forum. Sustainability of fossil fuel production, strengthening emergency and solidarity mechanisms, and protecting existing critical infrastructure were also presented as important actions for responding to medium- and long-term security of supply challenges.
5. 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 acknowledged the progress made so far by Serbia and the former Yugoslav Republic of Macedonia. The Secretariat also noted that most of the Contracting Parties still have a long way to go to achieve full compliance with the directive. The Forum noted that there has been no progress made by Bosnia and Herzegovina, Moldova and Ukraine since the last Oil Forum. Albania, Montenegro and Kosovo^{*1} have taken some partial steps which now need to be followed by concrete actions in the last quarter of 2014 and next year.

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.

6. The Forum welcomed the IEA presentation on energy security which focused on the overall costs, benefits and financing of holding emergency oil stocks. The IEA provided a general overview of the existing emergency stockholding systems for countries considering the introduction of new stockholding systems or changes to their existing regime. The IEA also highlighted the overall gains associated with emergency stocks and outlined important considerations for the establishment of emergency stocks. In addition, the different ways of financing the acquisition and maintenance of emergency stocks, as reflected in the distinct practices adopted by IEA countries, were outlined.

2. The recent changes in oil industry and their future investments within the EnC

7. The Forum welcomed the presentation made by FuelsEurope (previously EUROPIA) which outlined the need for policies to restore EU competitiveness in a broad range of industries and emphasised that remaining internationally competitive continues to be the major concern of the EU refining industry. The FuelsEurope Director General also pointed out that the recent wave of refinery closures in several Member States had led not only to capacity reductions but also to job losses. In addition, it was stressed that the comprehensive policy evaluations assessing whether the regulatory framework for a policy sector is fit for purpose (the Fitness Check) should be data driven and should address appropriately all relevant directives and regulations in order to examine the balance between competitiveness, security of supply, employment and sustainability.
8. The Forum welcomed the presentation from Petroleum Industry of Serbia (NIS) focused on the latest investments in refining capacities, in two of their refineries in Pancevo and Novi Sad. In addition to the largest individual capital refinery investment – the construction of MHC&DHT plant — NIS presented other investment projects considered as parts of the process of modernization of NIS refining which successfully resolve the issues related to environmental protection and increases the production of petroleum products. This investment will secure the strategic leading position for the Company in the regional market of petroleum products, while contributing to the energy stability in the Republic of Serbia. NIS as well informed the Forum that they have been closely involved in the Working Group responsible for drafting all secondary legislation under the Commodity Reserves Law and are fully supportive of the efforts to establish a robust emergency stockholding system in Serbia.
9. The Ministry of Economy of Montenegro presented the latest outcome of the First Tender for Award of the Hydrocarbons Production Concession Contract in Montenegro offshore, published in August 2013 under the Law on Exploration and Production of Hydrocarbons. The First Round includes 13 blocks in the Adriatic Sea covering 3,191 km². Three international oil and gas consortia replied to the tender and the Ministry of Economy plans to award a concession in autumn, subject to parliamentary approval.

3. Maintaining the emergency oil stocks in the Energy Community and perspectives

10. The Forum welcomed the presentation made by the European Commission which outlined the latest experience on oil stocks as part of security of oil supply in EU Member States, focusing on the current progress on the transposition of Directive 2009/119/EC in EU Member States and the ongoing checking of national transposition measures.
11. The Secretariat presented the outcome of the Coordinated Technical Assistance provided to the Contracting Parties during 2013/2014. The Forum noted that the progress in transposing the Directive varies substantially across the Contracting Parties, ranging from being in the early stages of considering possible options for a stockholding system to having formally adopted core legislation. In order to develop a broadly supported emergency stockholding scheme, raise the level of awareness and promote internal cooperation, all main stakeholders (including ministry of finance, customs, statistics, and key industry) have been part of the discussions carried out to date. In the Coordinated Technical Assistance provided in 2013, assistance was provided not only on meeting the legal aspects of the Directive, but also included exploring how to best create a system in the Contracting Parties which would be operational and effective in practice. The Secretariat renewed the assistance program in 2014 with the objective of helping to establish key milestones to be achieved by certain dates and which can be used to measure progress in the Contracting Parties over the coming years. All Contracting Parties have been offered 5 days of technical assistance in 2014; to date the vast majority have not yet taken advantage of this additional assistance. The Secretariat informed the Forum that any technical assistance not used by a Contracting Party may be allocated to another Contracting Party and therefore strongly encouraged those which have not already done it to submit their requests for this assistance as soon as possible.
12. The independent oil experts, who have been part of the Coordinated Technical Assistance, presented a summary of this Assistance provided to each Contracting Party. The Forum was informed in more details about the Serbian progress which serves as a concrete example that could be followed by the other CPs. Serbia, in addition to establishing the Commodity Reserves Law, which transposes Council Directive 2009/119/EC, has drafted the secondary legislation relevant to Annexes I – IV of the Directive, as well as the collection of an emergency oil stockholding fee, and is currently in the process of drafting the public procurement of goods and services related to the establishment of oil stocks. A key element in making this progress to date has been the establishment of an official working group, composed of all key stakeholders in Serbia, which has been integrally involved in the development and drafting of legislation. This has served to raise awareness of emergency oil stockholding and helped to build a consensus around a plan for the country's emergency stockholding system.
13. 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 understand the reporting details and methodologies related to the stockholding calculations. In this context, the Forum invited the Secretariat to organize in cooperation with Eurostat and the IEA - over the course of next year - 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.

14. The TAIEX expert presented his experience in Kosovo* and the final outcome from the provided expertise. The Forum noted that despite continuous efforts made by the Secretariat, most Contracting Parties had so far not taken advantage of this opportunity; these CPs were encouraged to submit their requests to TAIEX expert mission within the last quarter 2014.
15. The Forum noted that each Contracting Party needs to establish a plan of the main actions be achieved over the remaining period to end-2022, as well as the planned steps to be taken during the upcoming year (2015) towards the establishment of legal framework on emergency oil stocks and an effective, reliable emergency response system.
16. The Forum called upon the European Commission to propose in due time concrete relevant measures which would assist the Contracting Parties in their progress towards transposing the Directive, in line with the objective needs of the implementation process and the institutional framework of the Energy Community.
17. The next Oil Forum is tentatively scheduled to be held in September/October 2015.