Compulsory Stocks Obligation Directive
June 1st, 2017
FuelsEurope represents 40 Member Companies

~ 100% of the EU Refining sector
The EU Petroleum refining sector

The future of petroleum products will continue for decades to come

The industry uses petroleum in the most responsible way

Using domestically produced products means the best environmental conditions are applied to our products

EU refining and fuels industry guarantees Energy Security for Europe
Directive 2009/119/CE

Directive 2009/119/CE, dealing with strategic stock obligations, foresees that Members States have to maintain minimum stock of crude oil, unfinished and/or finished products (gasoline, diesel, jet fuel, etc) representing about 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater.

Two consultations took place and an impact assessment is currently taking place.

FuelsEurope would like to draw attention to a number of challenges that the refining industry is experiencing with this Directive.
Issues to pay attention to

- List of eligible products
- Use of non-petrochemical naphtha
- Fair competition between importers and refiners
- Risks for an effective CSO regulation and for a resilient EU system
- Discrepancies across Europe
- Biofuels definition
- % unavailable stocks
- Restrictions linked to bilateral agreements
**FuelsEurope position - included in the EC’s study recommendations**

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| A wide list of products are eligible to meet the CSO, but some are not strategic | Only strategic and relevant products should be allowed in order to have the following advantages in case of crisis:  
  - Generally improve security of supply;  
  - Preserve the image of the petroleum industry by making sure that supply of products needed for transport and chemicals industry is secured. |
| In the present EU Directive non-petrochemical naphtha is not treated consistently | The exclusion of all Naphtha stocks, independent of their use, isn’t in line with the IEA methodology.  
  **Obligated parties should be allowed to use Naphtha stocks** for compulsory coverage when used for gasoline production or as a component in gasoline blending (transport use). |
| Existing discrepancy across Europe                                    | Some feedstocks/products are eligible for CSO coverage in one country but not in another. **The Directive should:**  
  - Create a transparent market leading to a more level playing field across Europe for CSO costs;  
  - Ensure a level playing field by harmonising among Member States;  
  - Comprise an EU-wide unified table, linking custom codes of the various feedstocks/products with their eligibility for CSO coverage. |
| The fixed 10% provision for unavailable stocks (Annex III) should be updated | This figure could be overestimated. An **updated technical study** backed by IEA should be launched, based on both current practices and recent techniques available. |
**FuelsEurope position - mentioned in the EC's recommendations**

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| Bureaucracy and barriers linked to the use of bilateral agreements | In order to **create a single, unified European system** (and a potential unified EU-wide response to a supply disruption), the following revisions should:  
- Enforce the **abolishment** of the need for bilateral agreements;  
- Ensure that restrictions imposed by Member States on quantity, location, ownership status and specification of stocks being held abroad are not stricter than for stocks held on their territory. |
| Competitive disadvantage for refiners | In certain Member States (Netherlands, UK, Greece), CSO legislation **requires refiners to hold a higher obligation** than importers, thus providing a competitive advantage for importers.  
A **more level-playing field** should be ensured, including justification and transparency of any exemptions or partial exemptions granted to certain market participants. |

The EC should also take into consideration that:  
Next steps

**Commission next steps**

- End 2017: publication of an impact assessment
- Early 2018: Proposal on revised CSO

**FuelsEurope Availability**

- Support to the consultant, if requested/needed
- Seeking a common approach
- Cooperation/contacts with:
  - NOIA
  - National government
  - Companies

The interaction between the private and public sector is a priority in the Better regulation approach.

FuelsEurope cooperates with the EU institutions and other stakeholders so as to contribute constructively to developing technically feasible and cost effective EU policies and legislation.
Main issues being assessed in the IA?

- Changes in the methodologies used to calculate the crude oil equivalent of imports of petroleum products and the level of oil stocks held?
- Will you keep unchangeable the current stockholding obligation foreseen by the Directive that specifies that the level of oil stocks must be equivalent to 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater?
- Removal of the naphtha trigger from the calculation of the CSO?
- Transposition into the national systems?
- Availability of stocks?
- Interaction with IEA?
- Transparency (included of cross-border stocks)?
THANK YOU FOR YOUR ATTENTION