

EU POLICY ON MINIMUM STOCKS OF CRUDE OIL AND/OR PETROLEUM PRODUCTS

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Director

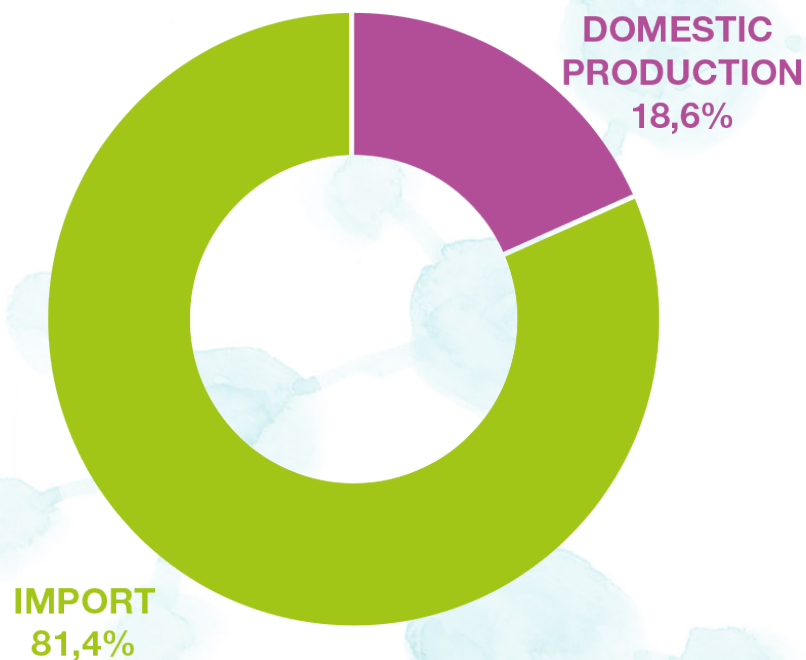
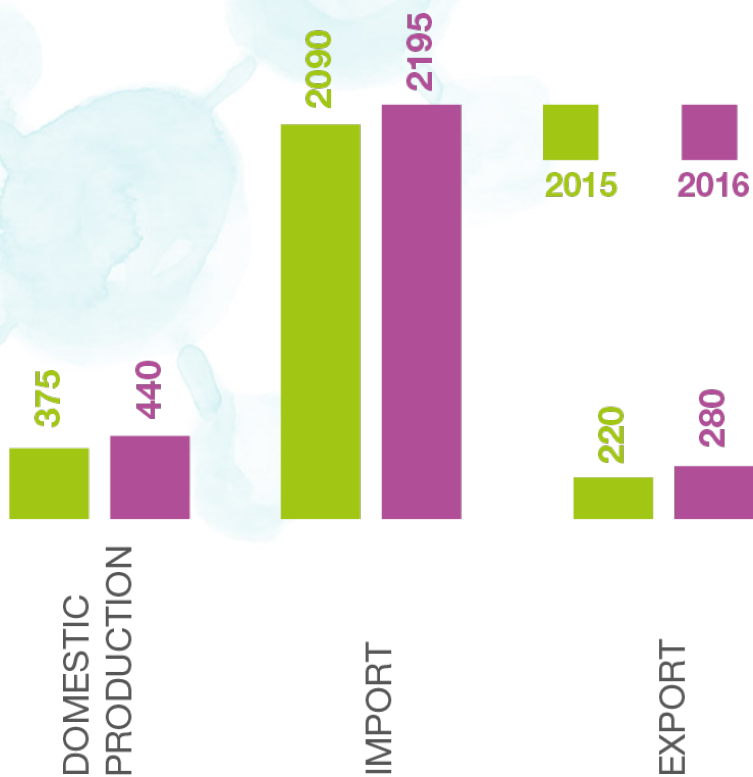
**Congress ULPGA, Kiev
16-17.05.2017**

AGENDA

- **Polish LPG Market**
- **EU Policy – Council Directive 2009/119/EC**
 - a. Legislation
 - b. Functioning and implementation
- **LPG stocks in Poland**

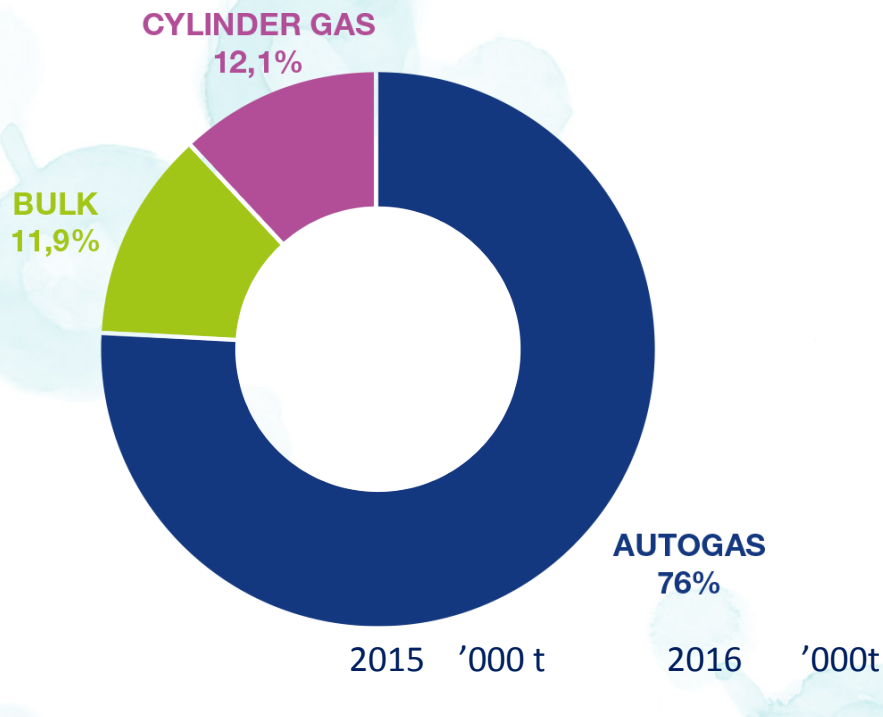
POLISH LPG MARKET IN 2015 - 2016

Consumption 2016 2 355 '000t +4,9% y/y
Consumption 2015 2 245 '000t



Source: POGP,
Ministry of Finance

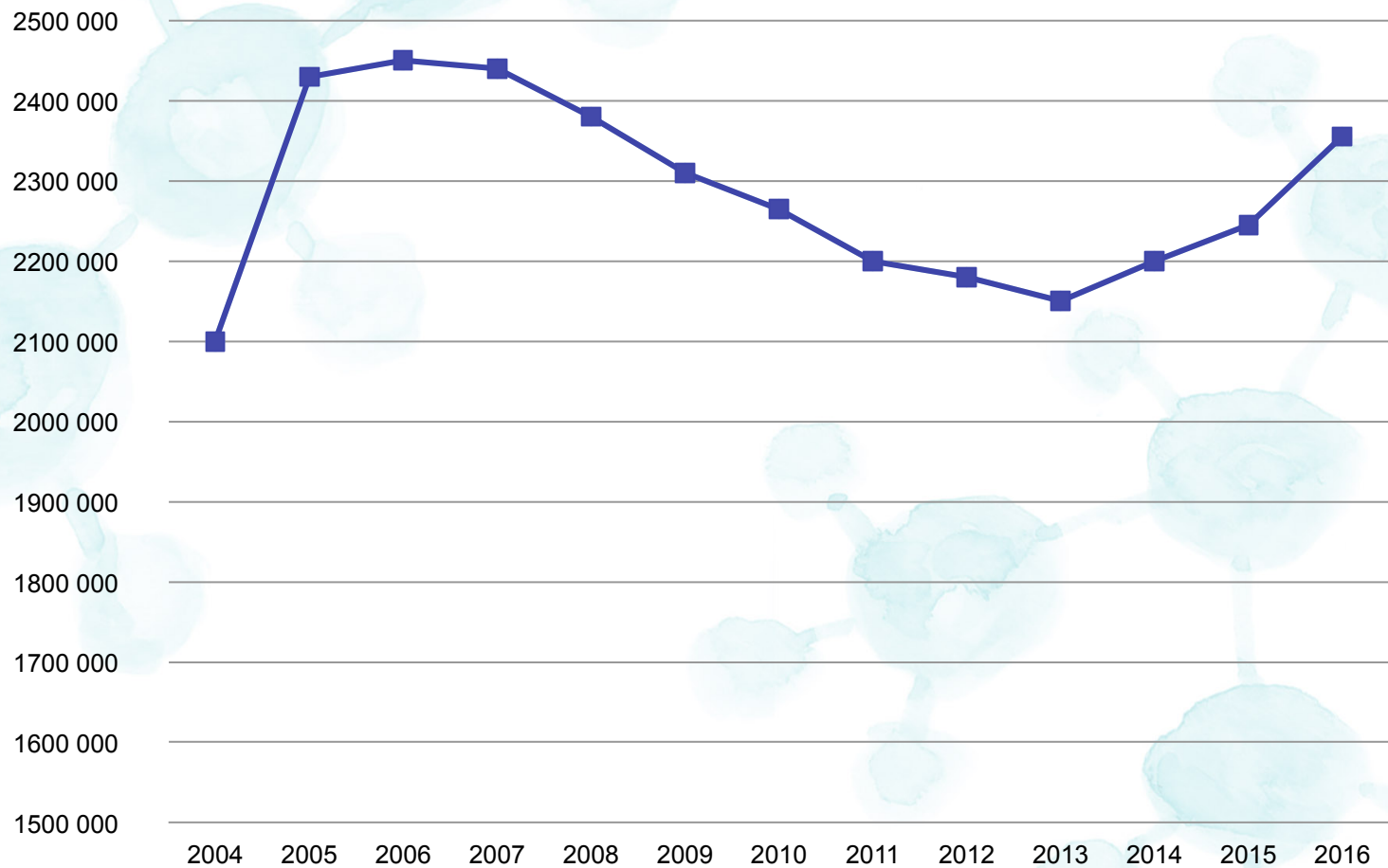
POLISH LPG MARKET SECTORS IN 2016



	2015 '000 t	2016 '000t	y/y %
CONSUMPTION	2 245	2 355	4,9%
AUTOGAS	1 690	1790	5,9%
BULK	265	280	5,7%
CYLINDER GAS	290	285	-1,7%

SOURCE: POGP

LPG MARKET 2004 – 2016 (IN T)



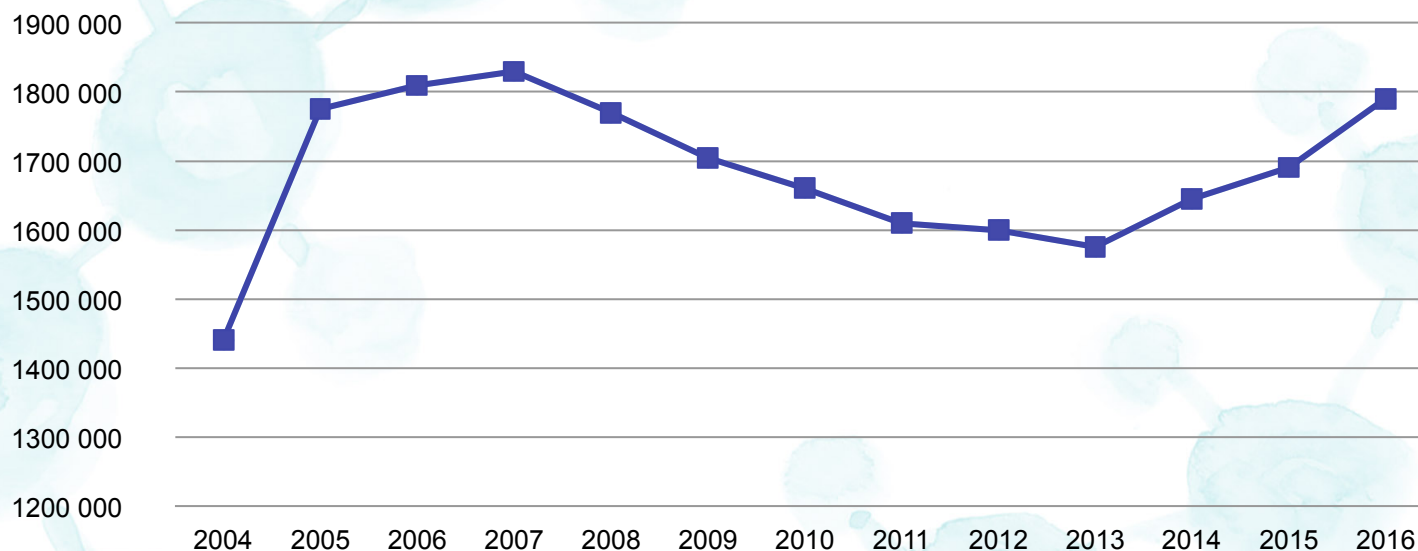
SOURCE: POGP, CSO

LPG MARKET SECTORS 2004 – 2016

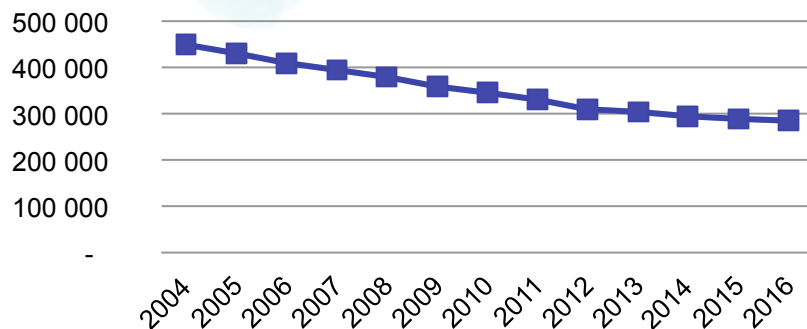
(IN T)



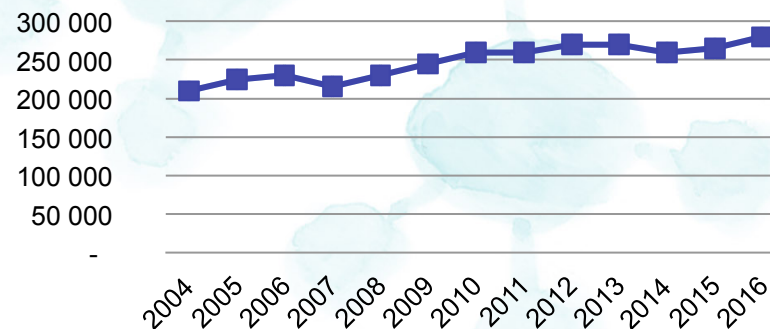
Autogas



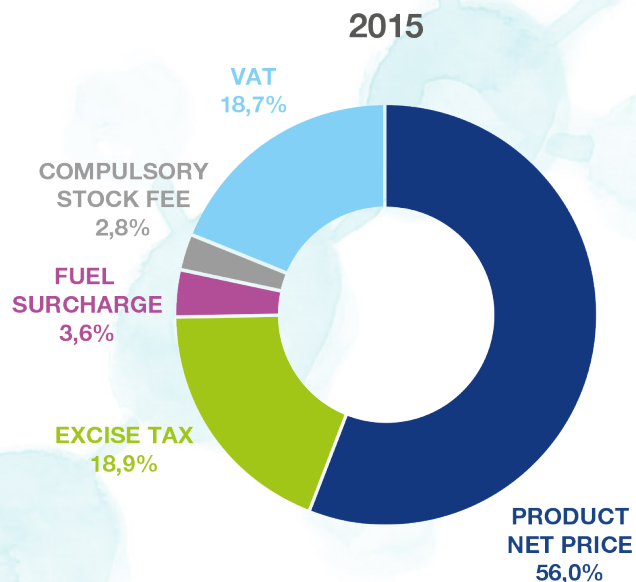
Cylindered gas



Bulk

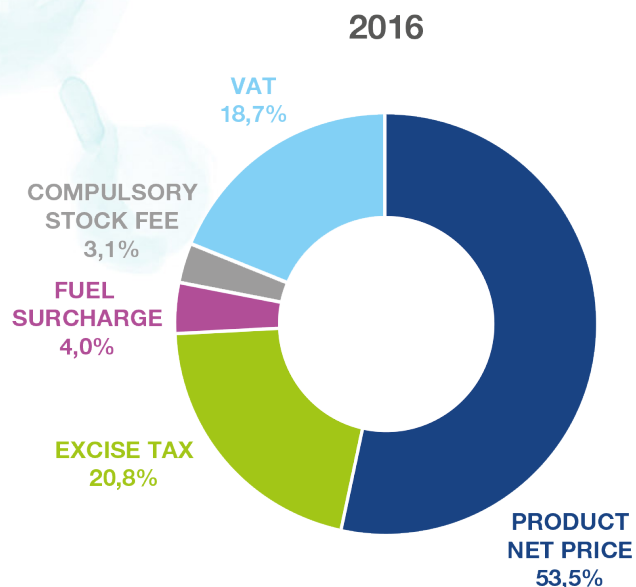


STRUCTURE OF AVERAGE RETAIL AUTOGAS PRICE IN 2015 - 2016



Average annual autogas price

- 2015 1,99 PLN/l
- 2016 1,81 PLN/l



Taxes & fees in 2016 (no changes vs 2015)

- Excise tax 670 PLN/t,
- Fuel surcharge 159,71 PLN/t,
- Compulsory stock fee 99 PLN/t,
- VAT – 23%.

SOURCE: POGP

Fuel package/Energy package



LPG main changes:

- PLN 10 mln security/collateral – LPG: WPC, OPZ (production & cross – border)
- New definition of production/manufacturing i.e CN 2711 12 + 2711 13 = production !!!
- New type of concession - transroading,
- Register of companies, importers - own purposes
- Bureaucracy,
- VAT - to be paid within 5 days, if product comes from UE.

More info:

www.ure.gov.pl

<http://bip.ure.gov.pl/bip/form/4,Rejestr-przedsiębiorstw-energetycznych-posiadajacych-koncesje-w-zakresie-paliw-c.html?szukaj=5322532>

<http://bip.ure.gov.pl/bip/form/13,Rejestr-podmiotow-przywozacych.html>

www.arm.gov.pl

<http://bip.arm.gov.pl/ftp/1420/lista-biezaca-15.03.17.pdf?d=20170315123958>

https://www.iea.org/publications/freepublications/publication/Energy_Policies_of_IEA_Countries_Poland_2016_Review.pdf

POGP – FUTURE CHALLENGES AND OPPORTUNITIES

- ❑ Energy law
definition of manufacturing, concession system, CN codes,
- ❑ Compulsory stock fees- rates in 2017 and in the future,
- ❑ Changes in supervision services system or fees,
- ❑ LPG/DIESEL MIX/tractors – ecological opportunity for market growth
- ❑ LPG vs smog

- ❑ **PDH plant with new sea LPG terminal**

- **Legislation**

- National authorities had to adapt their laws to meet certain goals, but were free to decide how to do so

- **The stockholding obligation (Article 3)**

- 90 days of net of imports or 61 days of consumption, whichever is the higher
 - Calculation methodology in Annex I and Annex II, respectively
 - Unit of measurement: crude oil equivalent

CENTRAL STOCKHOLDING ENTITY – ARTICLE 7



- Central stockholding entity (CSE) (Article 7)
- Each Member State may set up a CSE
- A body or service without profit objective, acting in the general interest
- Main purpose: to acquire, maintain and sell oil stocks
- Can delegate tasks relating to the management of stocks to other CSEs, Member States and economic operators
- Economic operators can delegate their obligation to CSEs (Article 8(1))
- An obligation to establish a CSE when the right of economic operators to delegate is limited to less than 10% (30% after 5 years) of their stockholding obligation (Article 8(2))

PRODUCT STOCKHOLDING OBLIGATION (ARTICLE 9)

- For Member States with less than 30 days of specific stocks
- At least 1/3 of the stockholding obligation to be held in products
- Product composition to reflect consumption patterns
 - In line with the rules for specific stocks

MEMBER STATES STILL HAVE CHOICES

- Government/Agency/Industry Stocks
- What to hold?
 - Crude oil or products
- Where to hold it?
 - In the country/abroad
 - Availability and physical accessibility to be taken into account
 - Own/rented storage
 - Commingled/segregated
- How to release it?
 - Tender, loans, sales (government and agency stocks)
 - Reducing the obligation, instructing companies to sell (industry stocks)

STOCKHOLDING REGIMES IN THE EU

- **Government Stocks**
 - Financed by government budget
 - Held exclusively for emergency purposes
- **Stocks held by stockholding organizations**
 - Held by dedicated bodies/agencies/entities
 - Usually held exclusively for emergency purposes
- **Industry Stocks**
 - Stocks held under an obligation imposed on companies (compulsory stocks)
 - (Commercial stocks)
- **Most Member States have a mixed system**

European
Commission

Government Stocks

Czech Rep.

Slovakia

Poland

Bulgaria

Lithuania

Agency Stocks

Germany

Belgium

Hungary

Austria

Estonia

Ireland

Cyprus

Finland

Slovenia

Denmark

France

Greece

Netherlands

Spain

Romania Portugal

Luxembourg

Sweden

Italy

UK

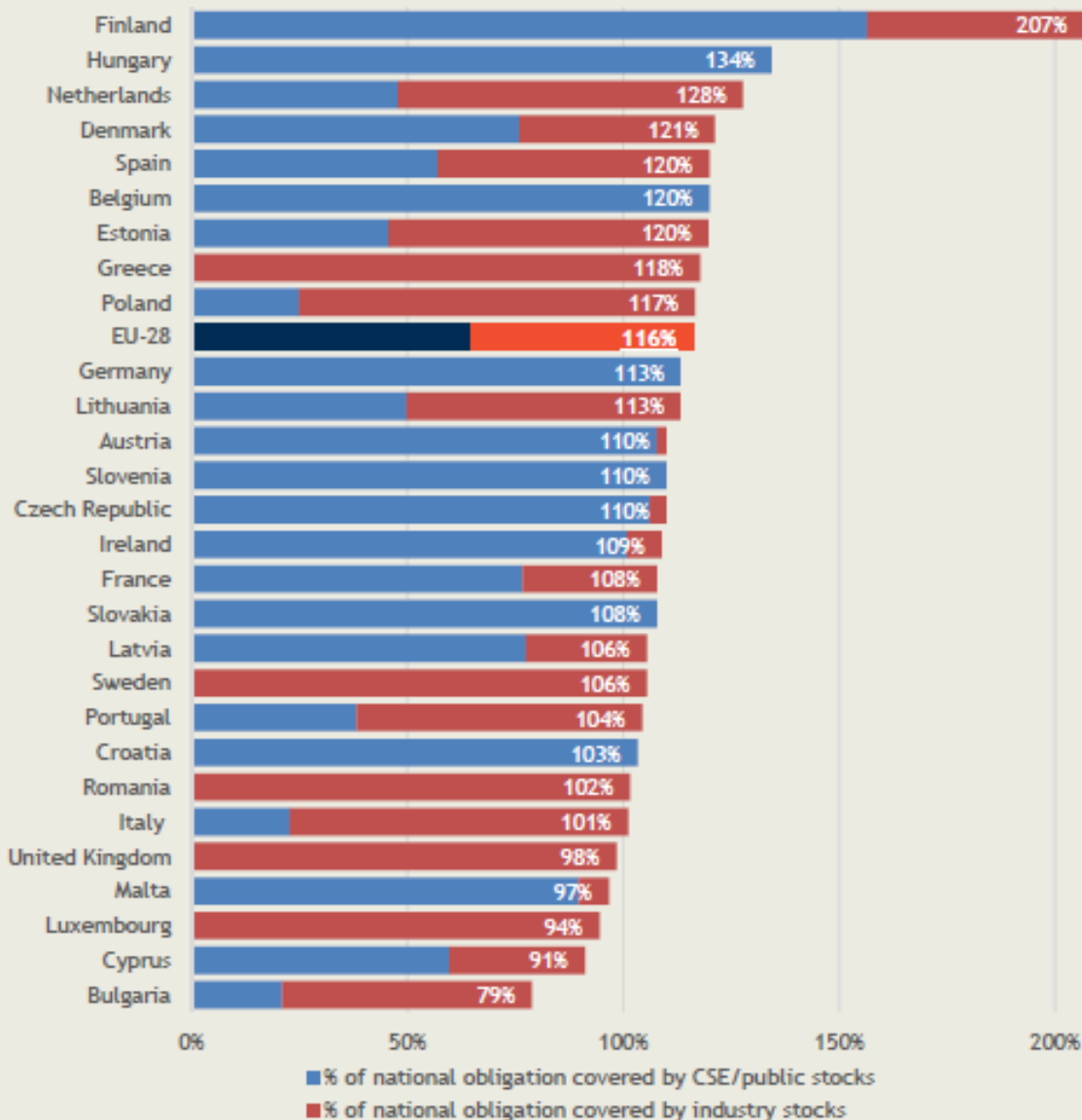
Compulsory Industry Stocks

Member State	Level of government/CSE-owned Stocks (kt)	% held abroad	% held as products
Austria	2995	15%	51%
Belgium	4338	63%	44%
Bulgaria	185	0%	100%
Croatia	677	28%	40%
Cyprus	327	62%	100%
Czech Republic	1942	0%	100%
Denmark	898	0%	78%
Estonia	84	0%	100%
Finland	2762	3%	100%
France	13653	0%	65%
Germany	24514	2%	37%
Greece	0	0%	0%
Hungary	1209	0%	59%
Ireland	1562	41%	96%
Italy	2823	100%	63%
Latvia	249	0%	100%
Lithuania	187	0%	100%
Luxembourg	0	0%	0%
Malta	180	100%	100%
Netherlands	2123	0%	58%
Poland	1388	0%	24%
Portugal	950	0%	42%
Romania	0	0%	0%
Slovakia	711	0%	35%
Slovenia	598	30%	100%
Spain	6884	0%	65%
Sweden	0	0%	0%
United Kingdom	0	0%	0%
EU-28	71239	11%	55%

Stocks owned by governments or CSEs in December 2014

Source: EC, *Study in support of the mid-term evaluation of the functioning and the implementation of Council Directive 2009/119/EC on Oil Stocks*, Trinomics, August 2016.

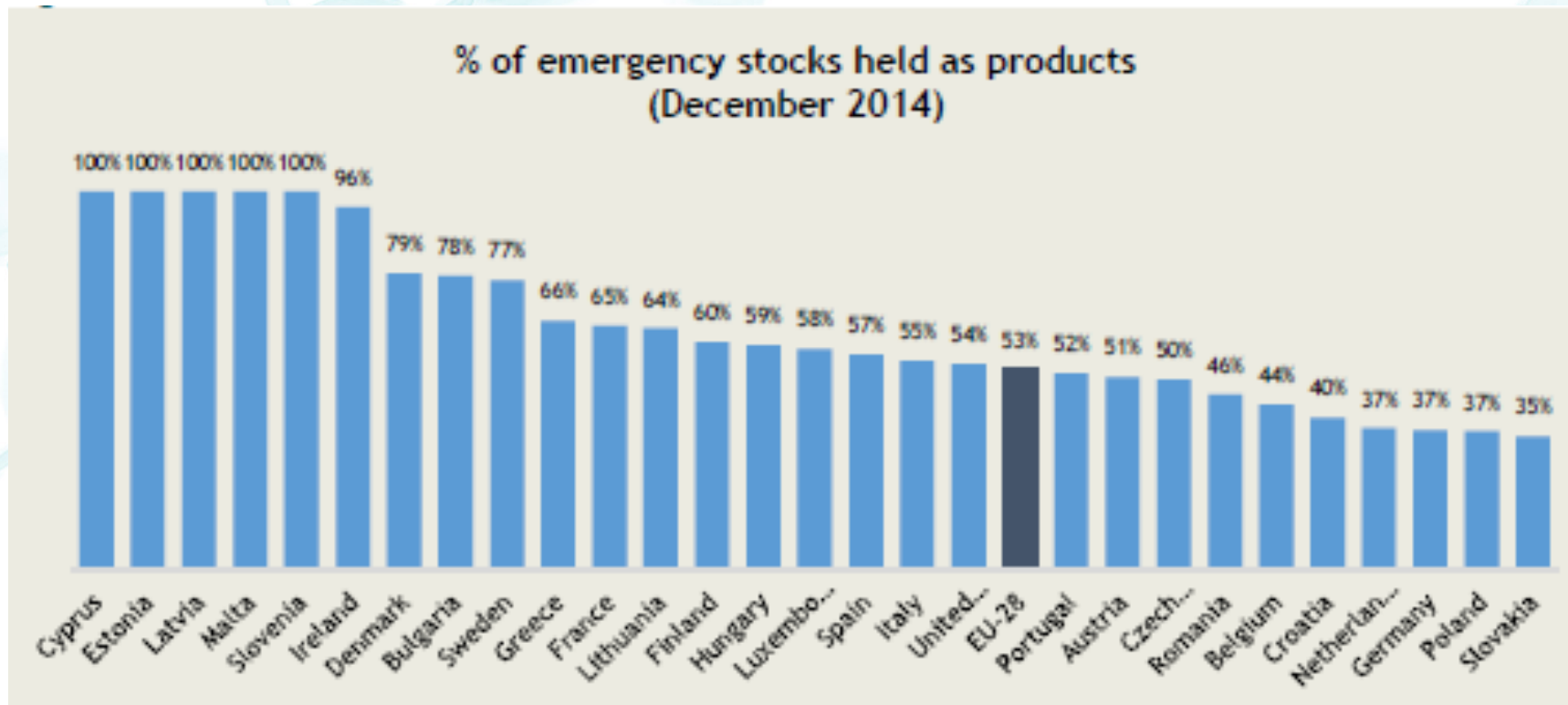
Percentage of stockholding obligation held by industry or CSE
(dec/2014)



Distribution of obligation between CSE/public entities and industry operators

Source: EC, Study in support of the mid-term evaluation of the functioning and the implementation of Council Directive 2009/119/EC on Oil Stocks, Trinomics, August 2016.

Functioning and implementation of Council Directive 2009/119/EC



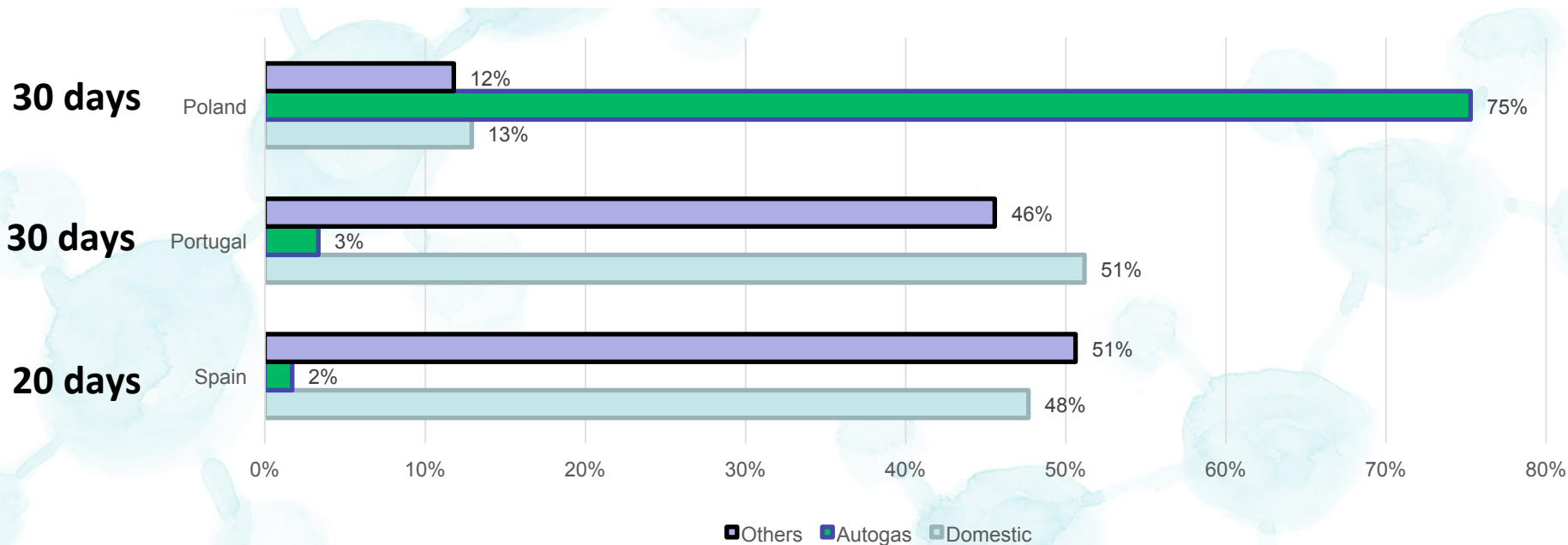
Source: EC, Study in support of the mid-term evaluation of the functioning and the implementation of Council Directive 2009/119/EC on Oil Stocks, Trinomics, August 2016.

Observed changes in the stocked specific oil products

# of EU Member States for which ...	the product was stocked but is no longer stocked	the product was stocked and is still stocked	the product was not stocked and is now stocked	the product was not stocked and is still not stocked	information is not available	Comments
Crude Oil	0	22	1	3	2	In most of EU Member States, crude oil is still stocked. This is in line with the idea of the Directive to maintain minimum stocks of crude oil.
LPG	0	5	3	16	4	Above 16 of the EU Members States are continuing to not stock LPG.
Motor gasoline	0	25	0	1	2	For most of EU Member States, motor gasoline is still stocked.
Gas/diesel oil	0	26	0	0	2	In most of EU Member States, gas/diesel oils are still stocked. Like kerosene type jet fuel, gas/diesel oils were products of the Category 2. Therefore, they were stocked and are still stocked in countries as "specific stocks".

Source: EC, Study in support of the mid-term evaluation of the functioning and the implementation of Council Directive 2009/119/EC on Oil Stocks, Trinomics, August 2016.

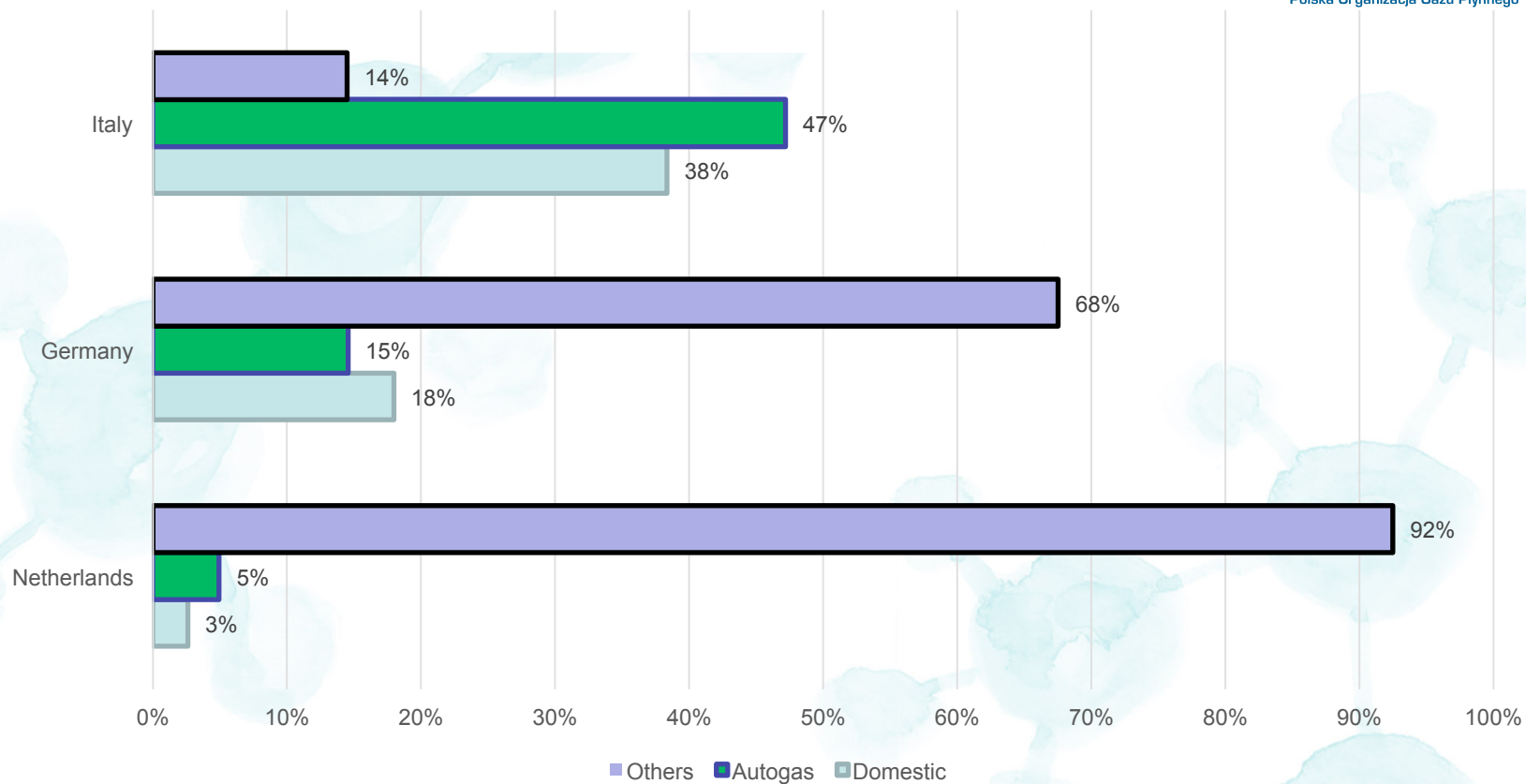
LPG consumption/stocks in the EU in 2015



Consumption (mln t): PL – 2,2, PT – 1, ES – 2,3

Source: Statistical Review of Global LPG 2016, WLPGA&Argus

LPG consumption/stocks in the EU in 2015



Consumption (mln t): IT – 3,5, DE – 2,9, NE – 3,7

Source: Statistical Review of Global LPG 2016, WLPGA&Argus

LPG stocks in Poland



Oil stocks– till 2014



LPG

30 days of average daily internal consumption:

Compulsory stocks: **30 days**

State stocks: **0 days**

Financed by companies

Oil and other oil products (without LPG)

90 days of average daily internal consumption :

Compulsory stocks: **76 days**

State stocks: **14 days**

Financed by companies and the state

Oil stocks since 1.01.2015

LPG

- 90 days, incl.:

Compulsory stocks: **30 days**

Agency stocks: **60 days**

- Compulsory stock fee: max. 160 PLN/ t

Oil and other oil products (without LPG)

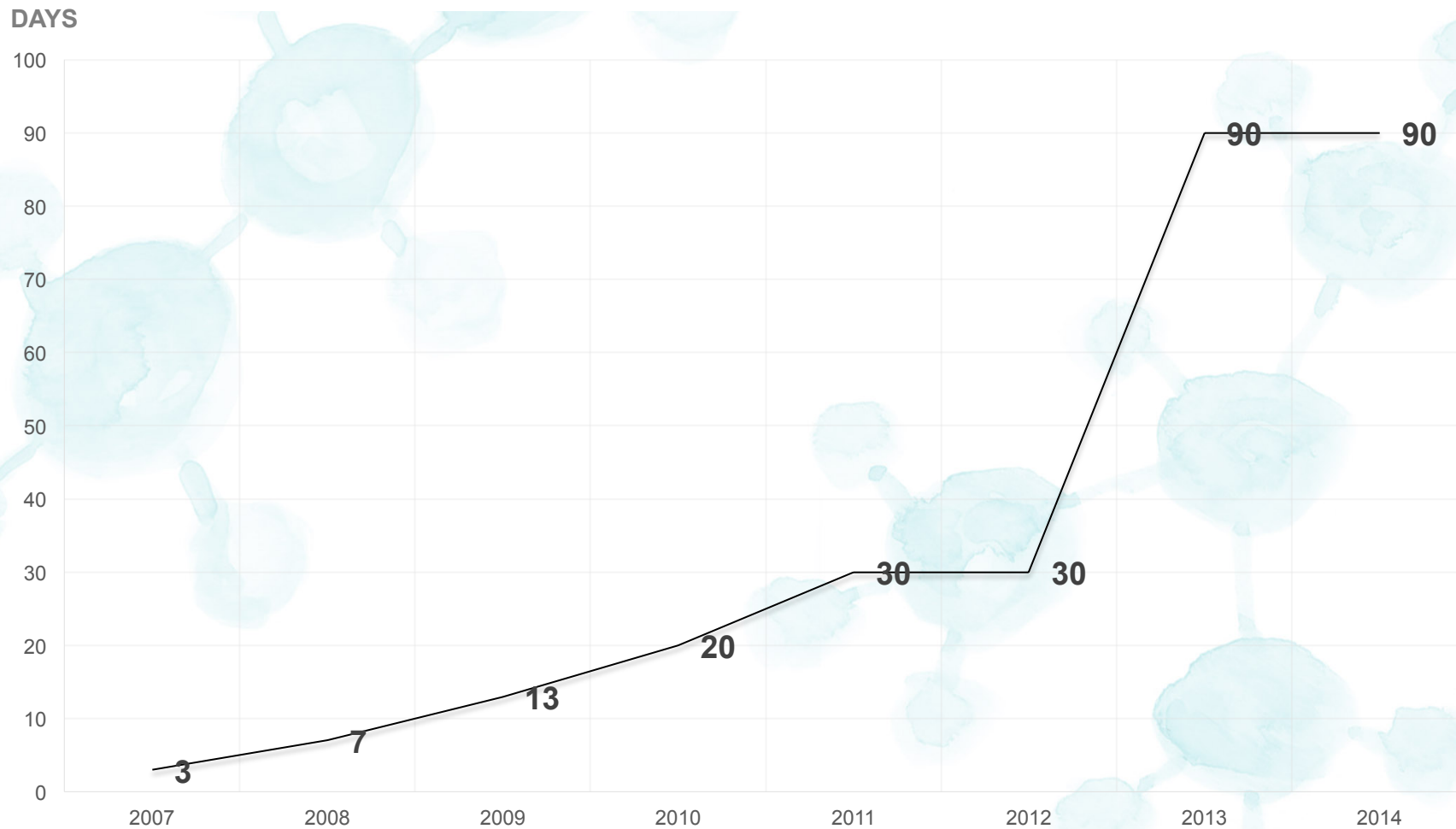
- 90 days, incl.:

Compulsory stocks: **53 days**

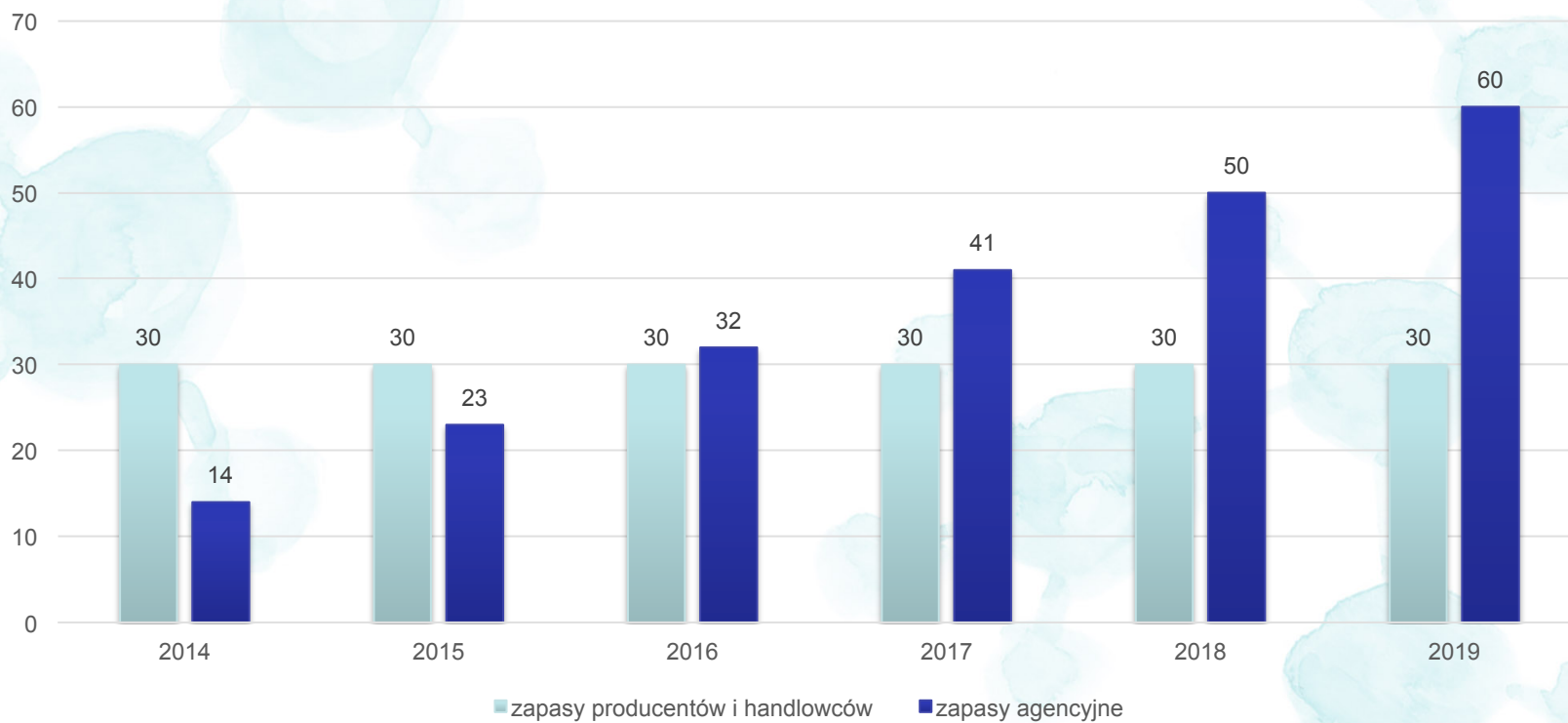
Agency stocks: **37 days**

- Compulsory stock fee: max 60 PLN/t

LPG stocks in Poland in 2007-2014



Emergency reserves timetable concerning LPG in 2014-2019 (MRA) - days



LPG compulsory stock – LPG in LPG

$$ZO_{LPG} = \left(\frac{P - O}{R} \times 30 \right) \times W$$

$$W = 1,1$$

LPG compulsory stock – LPG in motor oil

$$P_b = \frac{P_{LPG} \times Q_{LPG}}{Q_b}$$

$$Q_b - 29 \text{ MJ/l}$$

$$Q_{LPG} - 19,90 \text{ MJ/l}$$

Compulsory stock fee – all fuels

$$O_z = (W_h + W_{pr}) \times U$$

$$O_l = (G_h + G_{pr}) \times Z$$

G_h – import

G_{pr} – production

Z - fee

ACT (all fuels): max. **90 PLN** per t of crude oil equivalent

LPG - max. **160 PLN** per t

DECREE since 1.01.2015

all fuels: **43 PLN** per t of crude oil equivalent

LPG - **99 PLN** per t

LPG 2016 → 30 days, 2,355kT * 99 PLN/t = 233 145 000 PLN (55,2 mln EUR)

MAIN PROBLEMS OF LPG MARKET IN POLAND

❑ LPG compulsory stocks

LPG (from January 1st, 2015 r.)

- 30 days of average annual production/import in the previous year (LPG, TICKET FEE)
- 99 PLN/t - compulsory stock fee PER EACH produced/imported tone

Very restrictive law in comparison with other EU countries!

- Supreme Audit Office 2017: surplus of 500 mln PLN, Agency Stocks Fund





DZIENNIK USTAW RZECZYPOSPOLITEJ POLSKIEJ



ROZPORZĄDZENIE MINISTRA GOSPODARKI¹⁾

z dnia 8 grudnia 2014 r.

w sprawie szczegółowego wykazu surowców oraz produktów naftowych objętych systemem zapasów interwencyjnych oraz wykazu paliw stanowiących podstawę do wyliczenia opłaty zapasowej

§ 2. Podczas ustalania wymaganej ilości zapasów interwencyjnych uwzględnia się surowce i produkty naftowe oznaczone następującymi kodami CN:

- 1) Ropa naftowa oraz kondensat gazu ziemnego NGL: 2709 00;
- 4) Gaz płynny (LPG): **2711 12, 2711 13, 2711 14, 2711 19 00**
- ... 17

§ 3. Producenci i handlowcy, obliczając wymaganą ilość zapasów obowiązkowych ropy naftowej lub paliw, uwzględniają surowce i produkty naftowe wskazane w § 2 pkt 1 i 2 oraz pkt 4-12.

§ 4. Zapasy interwencyjne tworzy się w surowcach i paliwach oznaczonych następującymi kodami CN.

- 1) Ropa naftowa – 2709 00,
- 2) Gaz płynny (LPG)
- ...10

§ 6. Podstawę do wyliczenia opłaty zapasowej stanowią paliwa oznaczone następującymi kodami CN.

- 1) Gaz płynny (LPG)
- ...7

POGP's position

YES

- to takeover by the MRA the obligation of physical maintainance of fuel stocks against the compulsory stock fee
- to the MRA ticket system
- to Consultative Council

NO

- to more commitments – LPG emergency reserves
- to excessive compulsory stock fee for LPG
- to law adoption without detailed implementation plan

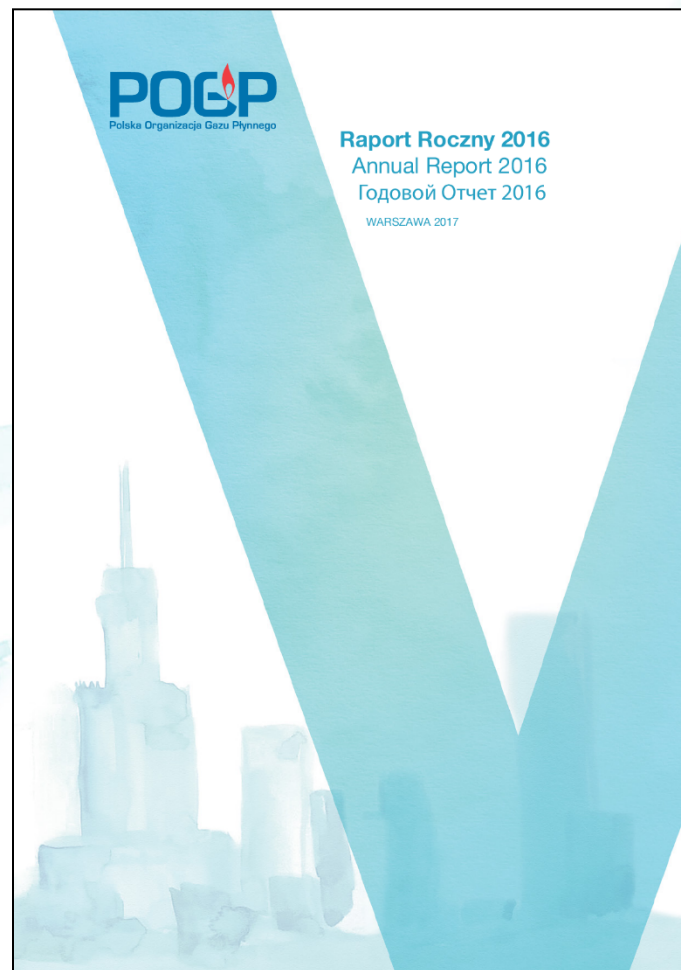
THANK YOU

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