

Minimum stocks of crude oil and/or petroleum products

2008/0220(CNS) - 13/11/2008 - Legislative proposal

PURPOSE: to impose an obligation on Member States to maintain stocks of crude oil and/or petroleum products.

PROPOSED ACT: Council Directive.

BACKGROUND: oil is the most important energy source in the EU and the economy is crucially dependent on its continuous, reliable and affordable supply. In the light of high and increasing import dependence, security of oil supply is particularly important. The EU must be in a position to offset or at least diminish any harmful effects resulting from possible supply disruptions. In recent years the risk of oil supply disruptions has grown for a number of reasons such as successive enlargements, completion of the internal market and decreasing indigenous production are among the factors which call for the revision of the existing EU stock legislation created 40 years ago.

In 2002, the Commission proposed a directive to increase the volume of stocks to be maintained in each Member State to 120 days and to give the EU the possibility to decide how these stocks are used, not only in the event of a physical disruption but also in the event of a perceived risk which would trigger dangerous market volatility. The Commission faced much resistance in the European Parliament and the Council and subsequently decided to withdraw the proposal.

The March 2007 European Council underlined the need to enhance the security of supply for the EU as a whole and for each Member State, inter alia by developing more effective crisis response mechanisms. It highlighted in this context the need to review EU oil stocks mechanisms, with special reference to the availability of oil in the event of a crisis, stressing complementarity with the crisis mechanism of the International Energy Agency (IEA).

The mandate of the European Council confirms the Commission's view that the weaknesses of the current system need to be addressed. Analysis of the current system reveals flaws which might prevent it from functioning suitably in case of an actual supply disruption. The EU also lacks coordinated intervention procedures, rendering prompt decision making and effective actions, which are crucial in a crisis, very difficult in practice. Better adaptation to the internationally accepted rules of the IEA also seems desirable because this would allow the use of EU stocks to have a better impact in an IEA action.

CONTENT: the objective of the proposal is to enhance the emergency oil stocks system and the mechanisms for using such stocks in the event of a crisis. This is expected to guarantee the availability of emergency stocks and to ensure that they can be mobilised when needed, thereby making oil supplies more secure for Europe's consumers. The Directive will help reduce any harmful effects resulting from possible supply disruptions, such as fuel shortages and price increases. The Directive will also contribute to transparency in the oil markets by introducing weekly reporting for commercial stocks.

The main points dealt with in the proposal are as follows:

Availability of stocks: Member States shall ensure that emergency stocks and dedicated stocks which are held within their national territory are physically accessible and available at all times. They shall establish arrangements for the identification, accounting and control of those stocks so as to allow them to be verified at any time. For emergency stocks and dedicated stocks that form part of or are commingled with

stocks held by economic operators, separate accounts must be kept. Member States shall, in particular, take all necessary measures to prevent emergency stocks and dedicated stocks from being used as collateral or for any other securities-related purpose. Emergency stocks and dedicated stocks may not be encumbered by any financial or legal charges whatsoever.

Dedicated stocks: each Member State may irrevocably undertake to maintain a minimum level of oil stocks, calculated in terms of number of days of consumption, in accordance with the conditions set out in the proposed Directive ('dedicated stocks'). These stocks shall be owned by the Member State or the central stockholding entity set up by it.

Register of emergency stocks: the proposal states that each Member State shall keep and continually update a detailed register of all emergency stocks held for its benefit which do not constitute dedicated stocks. That register shall contain, in particular, all the information needed to pinpoint the exact location of the stocks in question and to determine the quantities involved, the owner of the stocks and their exact nature. Within 30 days of the end of each calendar year, Member States shall send the Commission a copy of the stock register showing the stocks existing on the last day of the calendar year in question. Member States shall also send the Commission a copy of the register within eight days of a request by the Commission. Such requests may be made no later than 10 years after the date to which the requested data relate. Each Member State that has not undertaken to maintain dedicated stocks shall draw up an **annual report** analysing the measures taken by its national authorities to ensure and verify the availability of its emergency stocks and setting out any developments in the institutional and organisational arrangements for maintaining both national emergency stocks and emergency stocks held within its territory on behalf of other Member States. That report shall be sent to the Commission within three months of the end of the calendar year to which it relates.

Setting up central stockholding entities: Member States may set up central stockholding entities which shall take the form of a non-profit making body or service. Its purpose being to acquire, maintain and sell oil stocks within the national territory of the Member State that set it up.

Emergency procedures: Member States shall take such measures as may be necessary to enable their competent authorities to release some or all of their emergency stocks and dedicated stocks in the event of a major supply disruption. They shall have at all times contingency plans to be implemented in the event of a major supply disruption and shall provide for organisational measures to be taken to allow those plans to be implemented.

Simplification: the legal framework for emergency stocks in the EU and rules relating to their use are currently dispersed across three distinct pieces of EU legislation. Under the proposal, these would be replaced by a single legislative act.

Review: after three years, the Commission may propose that part of the emergency stocks of each Member State is to be owned by the government or an agency. Within three years of the entry into force of this Directive, the Commission shall review its implementation, looking in particular at whether it would be appropriate to require all Member States to hold a compulsory minimum level of dedicated stocks.

These measures shall guarantee the availability of emergency stocks and to ensure that they can be mobilised when needed, thereby making oil supplies more secure for Europe's consumers. The Directive will help reduce any harmful effects resulting from possible supply disruptions, such as fuel shortages and price increases.

The Commission considers that the Directive shall enter into force at the end of the second year after its adoption by the Council, which should take place in 2009 or 2010.