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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY

of the

Mid-term evaluation of Council Directive 2009/119 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products

{SWD(2017) 438 final}

EXECUTIVE SUMMARY

Council Directive 2009/119 imposes an obligation on Member States to maintain minimum emergency stocks of crude oil and/or petroleum products. This Staff Working Document presents the findings of the mid-term evaluation to assess the actual effectiveness, efficiency, relevance, coherence and EU-added value of the Directive in the period 2009 to 2016.

While the transition to alternative sources of energy has started and is projected to accelerate in the future as a result of EU policies to decarbonise the economy and to implement the Paris Agreement on climate change, EU dependency on imports of crude oil and petroleum products remains today extremely high[1]. Given the important role of oil products in the current economy, holding emergency stocks that can be allocated quickly to where they are most needed in case of supply disruptions remains vital for the energy security of the Union.

Emergency oil stocks have existed since 1968 and the corresponding rules were revised on several occasions. The last time was in 2009 when the legislator adopted Directive 2009/119 to achieve the following four specific objectives:

- improved availability of the oil stocks, in particular by obliging Member States to have arrangements in place for identifying, accounting and controlling the oil stocks and to keep up-to-date an oil stocks register which identifies the exact location of the stocks;
- better harmonization with the mechanism existing under the International Energy Agency (IEA), in particular by aligning the methodologies and allowing for synergies in case of an oil supply crisis;
- reduced administrative burden for those Member States that are parties to the IEA, as a result of the alignment with IEA's methodologies and reporting obligations, and
- improved transparency on the actual levels of stocks held in the EU, by providing data comparability and avoiding double accountancy of stocks.

The mid-term evaluation concludes with a reasonable degree of assurance that the Directive has **effectively** contributed to achieve the above-mentioned objectives. The stakeholders' confidence in the availability and accessibility of the emergency stocks in case of need has improved as a result of clearer rules on who may own the stocks, the type of products to stock, as well as the requirements to count, control and trace the location of stocks. The methodologies for calculating the crude-oil equivalent of the imports of petroleum products and the level of oil stocks held were aligned with the ones of IEA, as well as the rules for preparing and submitting to the Commission the statistical summaries of oil stocks. This harmonisation of methodologies and reporting has reduced the administrative burden for the administration and the operators of those Member States that are member countries of the IEA and has introduced a greater transparency.

No firm conclusions can be drawn as to the Directive’s **efficiency** due to the difficulties to quantify the costs and the benefits linked to the security of oil supply. On one side, the majority of stakeholders consulted stated that the costs resulting from the implementation of the Directive, although potentially substantial, are proportionate to the benefits for the security of supply. On the other side, new obligations for Member States to report annually on

[1] The EU imports 89 % of its oil demand.

their national oil stock registers and the measures to inspect and control the level of stocks and the methodology to calculate the stocks are perceived as giving rise to unnecessary administrative burden and uncertainties; this is the case of the impact of the 7% ‘naphtha trigger’ in the annual stockholding obligation, the need to comply with the stockholding obligation by 1st April, the obligation to deduct 10% of the stocks when calculating the level of stocks actually held or the perceived ambiguity of the provisions on cross-border stocks. This administrative burden and uncertainties may imply extra costs for those obliged to hold stocks, which may undermine the Directive‘s efficiency.

As to the **relevance** of the Directive, the energy security needs that led to the establishment of reliable emergency stocks fully remain. While oil consumption in power generation and heating has fallen, transport still relies on oil for 94 % of its energy needs. Even if the EU medium to long term climate and energy objectives imply a strong decline in the use of oil thanks to a greater energy efficiency, use of bioenergy and electrification of transport, the fact is that oil is projected to remain a vital source of energy in the short term. Moreover the extremely high external dependency of the EU has to be seen in a context of higher exposure to supply risks as dependency from supply sources in geopolitically unstable regions has increased.

The evaluation confirms the **added value** of the Directive above and beyond Member States’ individual measures and the IEA framework. The Directive enhances the energy security of the eight Member States that are not member countries of IEA[2]. For the other Member States that are member countries of the IEA, the Directive reinforces the legal certainty about their obligation and their right to use their emergency oil stocks upon request of this organisation, as well as about the potential interactions between the Commission and the IEA. The majority of respondents considered that the levels of emergency oil stocks available in case of disruption would be lower without the Directive and that the existence of an EU mechanism separate from the one under the IEA is justified.

The evaluation highlights that the Directive is **coherent** with the different objectives of the Energy Union. The Directive contributes to the objectives of security of energy supply and completes the parallel mechanisms existing in other energy sectors even if there might be some room for alignment with the rules applicable to these other sectors, e.g. through regional cooperation and solidarity in case of oil disruption. The Directive is also coherent with the objective of decarbonisation. As the share of clean energy will increase in the Member States (including as a result of EU initiatives on clean energy and low-emission mobility), the levels of consumption of oil and oil products and the corresponding emergency stocks needed calculated on the basis of the consumption will fall accordingly.

Overall the evaluation concludes that the existing EU mechanisms for holding oil emergency stocks are effective, relevant, coherent with Energy Union objectives, and with a well-recognised EU added value. The evaluation has however identified a series of areas for improving the efficiency of the obligations stemming from the Directive by reducing uncertainties and administrative burden for operators. To this end, it makes suggestions to further assess potential changes concerning mainly the annexes of the Directive, namely the methodology to calculate the crude oil equivalent of imports of petroleum products, the 10 %

[2] BG, CY, HR, LT, LV, MT, RO and SI.

reduction applicable when calculating the level of oil stocks held, the date of start of the yearly stockholding obligation and possible harmonisation of the conditions for holding oil stocks in another Member State (‘cross border stocks’).