

13th Oil Forum

Online 12/13 October 2021

Overview

1. The 13th Oil Forum took place online on the 12th and 13th of October 2021. Mr. Erik Somelar, representing the European Commission, chaired and opened the Forum of the Energy Community. The 13th Energy Community Oil Forum focus was to introduce/present some ideas on how oil can be part of the green transition.
2. The State Secretary of the Ministry of Energy and Mining, Zoran Lakicevic welcomed the Forum on behalf of the Government of Serbia, by outlining the importance of working on decarbonisation and implementing all elements of the Green Agenda for the Western Balkans in order to ensure security of energy supply. The Forum was also informed about the progress of the Republic of Serbia on the implementation of the oil acquis in establishing the oil stocks, long-term plan for the establishment and maintenance of emergency stocks and preparation of public private partnership arrangements with the interested oil companies in this partnership.

Introductory Procedures

3. The Agenda, as modified and circulated on 5 October 2021, was approved by the Forum.

Keynote speech

4. The Director of the Secretariat recalled the importance of implementation of the Oil Stocks Directive and reiterated fast approaching deadline of 2023 when sufficient oil stocks shall be formed. With the exception of Serbia and North Macedonia, all Contracting Parties have not made any genuine progress in implementation, while some have not even transposed the Directive into national law. In addition, the Forum took note of the Secretariat's point of view regarding the ongoing energy security and the energy transition process. The emergency oil system should be continuously reviewed in response to market changes and specific measures shaping the future energy system. Director Kopač also underlined the importance of the Energy Community keeping alignment and progress, similar to the European Green Deal, on tackling climate and other environmental challenges.

I. Oil Security

5. The chair in his remarks recounted that the energy system integration refers to the planning and operating of the energy system "as a whole", across multiple energy carriers, infrastructures, and consumption sectors. It sets out a vision on how to accelerate the transition towards a more integrated energy system, in support of clean energy and a climate neutral economy while strengthening energy security, protecting health and the environment, and promoting growth and global industrial leadership. Similarly, the energy system

integration is the pathway towards an effective, affordable and deep decarbonization of the European economy. The chair also emphasized that the energy system integration will be another building block of the economic recovery in the outcome of the COVID-19 crisis.

6. The Forum took note of the presentation delivered by the representative of European Commission on the recent developments on the oil market. The presenter provided an overview about the main factors moving/impacting the crude oil market and the latest OPEC+ deal of 2021 to restore market balance.
7. The Forum took note of the cybersecurity policies and recommendations for the oil industry presented by the Energy Community Secretariat. The new legal framework currently developed in the EU fills the gaps in the cybersecurity framework applicable to the essential entities such as operators of critical oil infrastructures. The security features specific to the oil industry were reiterated, such as interconnected networks prone to cascading incidents, and protection of legacy systems. A set of recommended measures are applied by the stakeholders in the oil sector including identification of critical information infrastructure assets, plans and financing of cyber protection, recovery from incidents, contingencies, training and education, building internal teams or acquiring services for computer security incident response (CSIRTs), and applying programs for risk assessment on company and sectoral level were also presented.

II. Oil Stocks Directive Transposition and Implementation

8. The Secretariat presented a detailed overview of the progress in the Contracting Parties since the last Oil Forum. The Forum recognized that there is no significant progress in transposing the Directive 2009/119/EC by majority of the CPs. They have prepared their respective primary legislation and have not been able to decide and approve the most appropriate final stockholding legal framework.

In North Macedonia, the Law on Compulsory Oil Reserves, was adopted and its implementation started on 1 January 2021. Actual performance was that oil stocks corresponded to 52 days of average daily consumption in September 2021, a decrease from September 2020 when stocks stood at 80 days. This decrease of average daily net imports may cause non-fulfilment of the final 90 days' obligation by 1 January 2023. In Serbia, the emergency oil stocks obligation, calculated based on inland consumption, covers an estimated number of 21 days, which is expected to rise to 25 by the end of 2021 as a result of public procurements for the purchase of diesel, fuel oil and crude oil expected to be finalized by Q4 2021.

The main concern address by the Secretariat was related to the fulfilment the oil stocks implementation deadline by 1 January 2023.

9. The representative of the Belgium's Central Stockholding Entity (APETRA) informed the Forum about the current oil supply (including pipelines) in Belgium, international oil stocks obligations, the set-up of the emergency oil stockholding system in Belgium (legal form of APERTA as a public limited company; its operating costs borne by oil companies); emergency oil stocks structure (crude vs finished products, tickets, stocks obligation and possibility of holding specific stocks), existing and new storage capacities etc.; No more than 60% of the stocks held by APETRA can be crude oil and the main products should be at least 30%. In a supply crisis APETRA must be able to ensure that the crude oil it holds can be transformed into finished products within 30 days. APETRA is obliged to inspect its own stocks on a continuous basis and during an oil supply emergency, the implementation of emergency measures is overseen by the National Bureau of Petroleum.

10. The presentation of Eurostat - European Commission provided a detailed update on the latest reporting and calculation modalities for emergency stockholding obligations compliance with the Implementing Directive (EU) 2018/1581. In addition, the Forum was informed about the Crude Oil Import Register (COIR) questionnaire which should be reported on a monthly basis and having as references the type of imported crude oil, the total number of companies reporting imports of crude oil, the total import, total production volume /weight and the corresponding average prices. The Forum invited the Secretariat to organize in cooperation with Eurostat - European Commission - over the course of the Q1 2022 - a workshop mainly focused on the establishment of a data reporting system using the Monthly Oil Statistics (MOS) and COIR questionnaires, which both forms the basis for fulfilling the bulk of the reporting requirements of the Oil Stocks Directive and the new reporting requirement introduced with Regulation 2019/2146 amending Regulation (EC) No 1099/2008 on energy statistics.

III. Refineries and the realities of the ongoing energy transition

11. The Forum took note of the detailed presentation by the representative from the MOL Group overview related to the updated long-term 2030+ strategy that it is now fully integrated with a new sustainability strategy aligned with the European Green Deal ambitions. The Forum also was informed about the MOL vision to become a key player in the low carbon circular economy in Central and Eastern Europe. MOL Group is committed to minimize its environmental footprint and aims to decrease the greenhouse gas emissions throughout the entire value chain of its operations. In addition, MOL emphasized the aim of improving their waste management and emission performance, manage the impact on water and biodiversity and address any related impact on local communities.
12. The Forum took note of the detailed presentation by the representative of the Energy Community Secretariat on the status and realities of hydrogen technologies. It was noted that hydrogen technologies are indeed capable to play a significant role in contributing to climate change mitigation, especially in electricity generation and hard to abate sectors. At the same time, ECS informed the Forum about the outstanding challenges ahead of hydrogen project realization, especially in the Contracting Parties and potential ways to overcome them.
13. The representative of the Secretariat presented a detailed information regarding the trends and activities related to methane emissions on global and the Energy Community level. So far, the gas industry of the Contracting Parties has been included in the report, published in May 2021. The aim is to extend the report' scope to oil industry, based on the OGMP 2.0 framework, as determined within UN and to be taken into the EU legislation by the end of this year. The Oil Forum welcomed the initiative and invited the oil companies in the Energy Community Contracting Parties to consider doing assessment of methane emissions, in line with OGMP 2.0 framework, and in cooperation with the Secretariat.

IV. Net-zero-emissions targets

14. The Forum took note of the presentation by the European Association of Chemical Distributors (Fecc) representative who introduced their initiatives such as responsible care, good trade and distribution practices to ensure that policies remain feasible, long term sustainable, encouraging innovation and safeguard the industry's competitiveness. The Forum was informed that Fecc is the voice of the chemical distribution industry in Europe and represents around 1,600 companies of which many are small and medium sizes companies.
15. The representative of the BTG Bioliquids informed the Forum about the fast pyrolysis technology which turns lignocellulosic biomass residues into a dark-brown bioliquid known as fast pyrolysis bio-oil, which can be used as a renewable refinery feedstock. The Forum took note of the main advantages of this technology such as the absence of inert carrier gas; high feedstock flexibility (suitable for a range of biomass residues); the low amounts of solids in the oil and the high energy efficiency.
16. The representative of SINTEF briefed the participants about the need to develop new biofuels production technologies that can be integrated into existing infrastructures, leading to biofuels that are cost competitive compared to existing ones and conventional fuels, with the same level of performance and a lower carbon footprint. In addition, the Forum was informed about the optimal pathways for the transformation of bio-liquids from fast pyrolysis and hydrothermal liquefaction into advanced biofuels, through intermediate process steps combined with downstream co-processes technologies at different levels of severities.