

UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents



REPORT 2008



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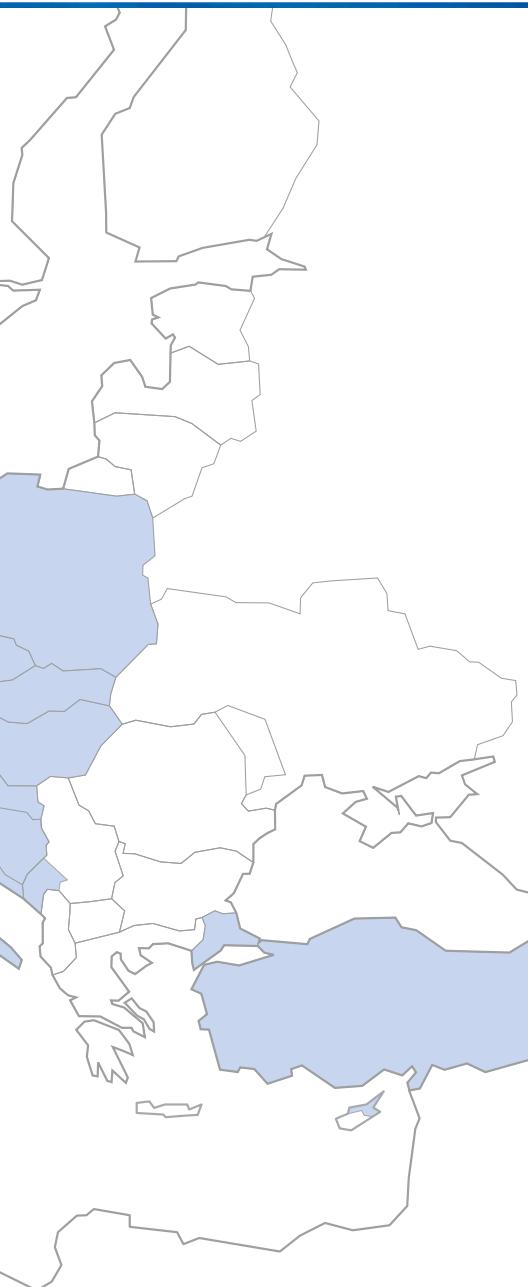
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UPEI BOARD MEMBERS

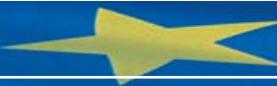


From left: Pacific Le Clere, Vice President;
Hellmuth Weisser, President; Paul Storme, Vice President

SECRETARY GENERAL



Bernd Schnittler



PRESIDENT'S FOREWORD

2008 was a bad year for prophets. Events in the business and financial world and on the energy market showed very clearly that despite all scientific predictions about the future, it is possible for events to occur and crises to arise that are almost totally unexpected. In such difficult times it is important for independent small and medium petroleum companies to use their flexibility and resourcefulness in exploiting opportunities. Furthermore, they must not neglect cooperation with political institutions in the face of other pressing concerns, to ensure that their views as representatives of a large number of national businesses are heard in the chorus of international operating groups.

A new European Parliament has been elected in 2009. In cooperating with the new members of parliament, UPEI wishes to maintain the same good climate as was characteristic of the period just ending. UPEI welcomes the "Energy Package" submitted by the European Commission and passed by the European Parliament. It indicates viable options for achieving a substantial reduction in emissions of greenhouse gases in the European Union by means of a 20-percent improvement in energy efficiency, a 20-percent increase in the use of new energy sources and a 20-percent saving in energy consumption. In the field of renewable energy sources, the members of UPEI have played a pioneering role in the biofuels sector in particular. They will continue to play this role if they are given the necessary opportunities.

On this front, the new legislative period of the European Parliament brings the challenge of standardising the diverse specifications for biofuels in the 27 member states of the European Union and eliminating the remaining fragmentation of the regulations on biofuels. The independent petroleum trade needs freedom of movement in Europe to enable it to exploit its flexibility to diversify its offerings for the benefit of the consumer.

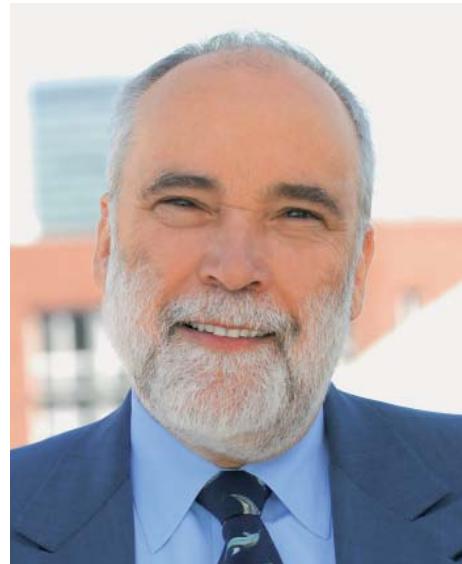
There should be a similarly great incentive for the European Parliament to continue and, if possible, complete its efforts to harmonise energy taxes. The European Commission's fiscal suggestion could provide an opportunity for doing so. The Commission would like to gear energy taxes more closely to the carbon dioxide emissions of the individual energy sources. Together with lack of coordination of specifications for products, differences in taxation distort competition and impede the flow of goods within the European Union. This results in unnecessary costs which have to be borne by the consumer. There is also a need for at least European, and preferably international, sustainability criteria for bio heating fuels and bio motor fuels. These are

needed to ensure that such bio energy sources are grown and produced without damaging the environment, and that there is no distortion of competition due to unfair supply offers.

Another field where action is needed is that of pan-European crisis management for petroleum and natural gas. In the case of oil, a strategic stockpiling system already exists under the auspices of the International Energy Agency (IEA). It has proved its value in the past and should be expanded to take in the entire European Union, since not all EU member states belong to the IEA. This means that some of them do not keep any strategic reserves. The system that has long been in successful use for oil should be extended to gas, and pipeline systems should be created which, together with strategic reserves, guarantee reliable and concerted gas supplies even in the face of prolonged disruption of supplies. At present, in spite of growing dependence on imports, only a small number of countries have regulations for gas stocks, and even these largely serve merely to smooth out seasonal peaks in demand. Strategic stocks help to avoid economic and social problems and the associated costs. Strategic stocks also make for stability of prices, which can be endangered by even minor supply disruptions.

Thanks to their resourcefulness in tapping new sources of supply, their identification of new market opportunities and their capacity to innovate, independent small and medium petroleum companies make a significant contribution to ensuring security of supply. And by diversifying the range of products available they help to maintain competition. Among other things, these skills and qualities are much needed in view of the upheavals in the transport sector and the heating market arising from new car models, new fuels, new drive systems ranging up to electro mobility, or from combinations of traditional and ecological heating systems.

I should like to thank all those who supported our activities in 2008, and for 2009 I wish our member associations in particular every success in an economically sustainable future.

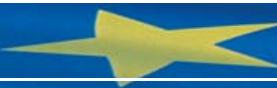


A handwritten signature in blue ink, appearing to read "Hellmuth Weisser".

Hellmuth Weisser
President

On the following pages you will find a selection of contributions with individual accounts of the oil market situation in various countries.





**Belgique
Belgium**

Union Pétrolière Belge Belgische Petroleum Unie Belgian Petroleum Union

The year 2008 is characterized by three great evolutions/events: the remarkable trend of petroleum product prices, the financial crisis and the absence of political power.

The first point is certainly the remarkable trend in prices. Indeed, at the beginning of the year, the barrel was priced at 100 dollars. This same barrel rose in value during the first half of the year to reach an historic high of 147 dollars. It should be said that the rate of exchange of the dollar against the euro was low; this relatively compressed the prices expressed in euro. Relatively, because the average monthly price per litre of heating gasoil nevertheless reached 95.5 eurocents in June. The price of oil started to drop as from July 2008. On December 5, 2008, a barrel of Brent was fetching 39.35 dollars, the lowest level since January 4, 2005. Thus the average monthly price of heating gasoil worked out at 50 eurocents per litre. In short, that means that the barrel:

- climbed to 147 dollars during the first 6 months, a rise of 47%
- dropped during the next 6 months from 147 to 39.35 dollars, an estimated fall of 73%

The average monthly price of heating gasoil oscillated between the highest average price of 95.50 eurocents a litre and the lowest average monthly price of 50 eurocents a litre, a difference of 50%.

The consequences of this situation are contradictory.

High prices for heating gasoil in the first half of the year prompted consumers and their organizations to seek creative solutions to obtain supplies on the best terms. Grouped purchases showed a strong increase. They created an important imbalance in the market, both for suppliers and for customers. Large volumes could not be provided immediately, which considerably disrupted the distribution of heating gasoil. The rapid

increase in prices caused higher effective purchase prices than initially envisaged; it generated financial problems for customers. The conclusion is that the grouped purchases deregulated the market. This was not useful for anybody.

Following the fall in the price of heating gasoil during the second half of the year, consumers stored more than they consumed by anticipating a possible rise in prices, which has not materialized so far. As from December 2008, the outside temperature started to drop, which at that time heralded severe winter weather conditions, and orders remained numerous until the end of the winter in 2009.

The conclusion is that oil is a cheap and flexible source of heating energy. The use of all its assets is highly recommended to allow consumers to enjoy the full properties of oil to the maximum. Modern burners and boilers, the low CO₂ emissions and the minimal sulphur content in the fuel, but also the light infrastructure and the facility with which the product can be stored, allow the use of this source of energy in combination with sustainable energies. One obtains as such competitive solutions for comfortable heating of houses and buildings for private and professional use.

The second great evolution of the year 2008 is the financial crisis. The rising oil prices during the first half of the year considerably increased suppliers' financing costs. The change of consumer behaviour in terms of later payment of invoices due to higher prices also contributed to higher financing costs for the oil companies.

The banking crisis of the middle of the year in our country reduced the facilities for financing companies, just at the moment when the companies needed these possibilities.

The financial crisis caused a significant fall in the stored volume during the first half of the year. Conversely, oil prices dropped during the second half of the year. In such market conditions, customers tend to buy the product in order to store it. These two-way movements provoke considerable price volatility on the market. It is very difficult in these conditions to make the right decisions at the right time, confirming the need to have sound financial support.

These problems were exacerbated by the inflexible and tightened contract-program determining the maximum authorized prices of the petroleum products. This increases the volatility of the market. So, certain situations occurred where the maximum authorized selling price was lower than the cost price. This is impossible. The seller is either obliged to sell above the authorized maximum price, which is not allowed. Or he is obliged to sell below his cost price, which is prohibited as well. He is left with one other possibility, which is not to sell, and that is not really desirable.

The conclusion on this is that the contract program is not adapted to regulate prices in these situations. We plead for shortened thresholds so that the maximum authorized price scrupulously follows the market prices. Moreover, it is necessary that the expenses taken into account in the contract programs to calculate the distribution margin are in phase with the real costs of operation. It is the only way to maintain the distribution



margin. This is why we insist on being present at the negotiating table when the distribution part of the contract program is negotiated.

This brings us to the third event of the year. For several months the country did not have a government. There was and always is a great need to have a strong government.

We have already referred above to the need to renovate and reconsider the contract program.

Other problems also remain unsolved, for example the introduction of bio fuels. With great dissatisfaction, both the members of the Belgian Petroleum Union (UPB) and the producers of bio raw materials for manufacturing bio fuels noted that no progress at all was achieved in this field. The introduction of bio fuels is, and remains, a failure. The insertion of the oil sector in the correct collective labour agreement committee was deeply disturbed during the year 2008 by the previous government (which was only handling current affairs at the time). Vague decisions were made, generating a lot of confusion so far. Actually, social engineering is needed to face pitiless competition between the actors in the sector.

Deliveries for consumption (in MT)	2008 (estimate)	2007
Essence Auto / gasolines	1,458,951	1,570,087
- of which EURO 95	1,110,097	1,170,277
Super 98	348,854	399,810
Gasoil	11,848,132	11,706,587
- of which Diesel	7,081,627	7,085,191
heating oil	4,202,197	4,557,461
Gasoil extra	413,572	—
other gasoils	150,736	63,935
Fuel oil	584,752	918,000
LPG	384,183	533,186
Butane	14,897	205,011
Propane	308,877	237,601
On the road	60,408	90,574



Although the UPB was strongly involved in the creation of Apetra, which was established in 2007, the board of directors of Apetra totally ignored the professionalism and the know-how of the oil sector in all its decisions in 2008. The government and the proper authorities needed more than one year to restore the equilibrium within the board of directors that is provided for in the Apetra law. Decisions made last year as such considerably weakened the position of Belgium in relation to the International Energy Agency and the European Union. In summary, we now envisage a revision of the contract programs, the introduction of the bio fuels and, the impartial and objective insertion of the oil companies in the correct

collective labour agreement committees, and this without causing unfair or false competition.

The year 2008 was an animated year. Many things changed during the year. The oil sector and independent operators in particular had to face new situations which they had to manage. In this respect, 2008 was very instructive, a year during which new experiences were acquired.

We hope that the acquisition of this new experience will permit better management of the companies in this sector in the country, with a view to creating more added value for the consumers and the companies.

Česká Republika Czech Republic

Společenství čerpacích stanic ČR (SCS) Association of Czech Private Petrol Stations

Excise duties

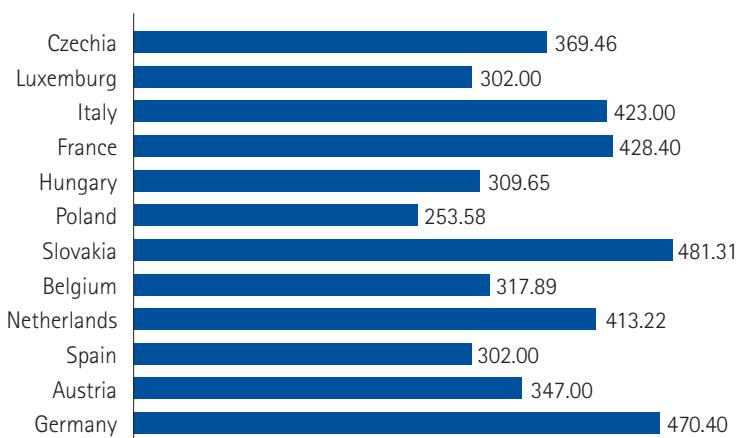
The exchange rate of the Czech currency (CZK) went down during the last few months of 2008. Refilling in Czechia has once again become more attractive for transiting customers. Even if the extremely high diesel

prices decreased to the lowest level in the last five years (they are cheapest in relation to the average salary within the last 15 years at least) there has been a proposal in Parliament (since last summer) for reducing excise duties on oil products to about 80 EUR/1,000 litres on diesel and 100



Actual excise duty in some EU countries (March 2009)

EUR/1,000 litres diesel



EUR/1,000 litres on gasoline. This proposal has meanwhile been rejected.

A "governmental" amendment of the Excise Duties Act finally came to Parliament in the middle of March. This amendment decreases taxes on 100% biofuels to 0 CZK, extends the tax advantage on B30 and implements a new tax advantage on E85. If there is no problem, the law will come into force by beginning of July.

Market situation

The rumour about the sale of Shell's share in Czech Refineries has not died. In view of some official statements (coming from government or Unipetrol/Orlen management) it seems to be true that some negotiations are proceeding.

Negotiations between PapOil (the biggest Czech independent network) and the Russian company Phaeton Aero ended unsuccessfully.

Nearly all former Esso stations have already been rebranded to Agip. Rebranding from Jet to LukOil started a few weeks ago.

Biofuels

From January 1, 2009 an increase in the lowest obligatory blending limit from 2% to 3.5% (gasoline) and to 4.5% (diesel) is valid.

Petrol stations market survey

There are around 6,360 tanks with dispenser in Czechia. 3,359 of them are classified as a "construction" (not only a "technological entity") and are open for public use. Others are sets of constructions and technological entities, serving either the owner only or a limited number of customers. Table 1 shows an ownership structure of the market.

SCS represents only about 3% (based on number of petrol stations) of all independents on the market. Other independents are not involved in any association.

Consumption

A strong decline in diesel consumption was registered during the last quarter of 2008. This trend was based mostly on a drop in numbers of transiting trucks.

Activities of SCS

Frauds are still the key trouble, which complicates the life of most independent traders and petrol stations. Oil traders say that products which are somehow connected to frauds are now nearly "standard" on the market. SCS is urging the responsible governmental agencies to take stronger and quicker action to solve such cases. For the same reason SCS strongly supports starting the EMCS system.

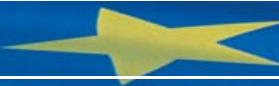
Tab. 1: Sales volume of motor fuels for 2007 (thou. tons)

	international „branded”	state owned	hyper- markets	others (inde- pendents)	total
sites	865	197	69	2228	3359
market share	25.7%	5.9%	2.1%	66.3%	100%

Tab. 2: Sales volume of motor fuels for 2006–2008 (thou. tons)

	2006	2007	2008
diesel	3,880	4,071	4,030
gasoline	2,012	2,099	2,015

SCS is preparing (in cooperation with Czech Chamber of Commerce) a system of further education for petrol station staff.



**La France
France**

Fédération Française des Pétroliers Indépendants Report on the situation on the French market

The combination of the rigorous winter, the rather low stocks and the decline in prices provoked an increase in the deliveries of domestic fuel.

Biofuels: E10

To meet the objectives of incorporation of the biofuels plan in France the government decided to introduce the fuel E10 at gas stations as from April 1st, 2009. The trademark will be SP95-E10. A list of vehicles



which can use this product will be published via legislative channels.

The specification of SP95-E10 mainly comprises the characteristics of SP95 (standard IN 228), which has an ethanol content of 10% and an ether content of 22%. SP 98 and SP 95 will continue to be marketed.

Deliveries over 12 months

	2008	2009	Change
At the end of February			
Super carburant (m³)	12,991,093	11,784,403	-9.3%
Diesel oil (m³)	39,133,613	38,093,910	-2.7%
Domestic fuel (m³)	15,485,844	17,252,179	+11.4%
Heavy fuel except electricity production (tons)	2,034,588	2,003,870	-1.5%

**Deutschland
Germany**

Federal Republic of Germany 2008

Energy consumption in Germany rose by more than two percent in 2008 to reach 479.8 million tonnes of coal equivalent (TCE). Of this demand, 56 percent was satisfied by oil and natural gas. The growth in energy consumption was due largely to the low temperatures in the first half of the year in particular. This is reflected in sales of light heating oil and natural gas. They were up by 32 percent in the case of oil and nearly 3 percent in the case of gas. By contrast, the decline in demand for petrol (motor gasoline) which began ten years ago was maintained in 2008. The figure fell by nearly 4 percent to 20.5 million tonnes. In view of the increased transport requirements of the lively economy during the first nine months of the year, consumption of diesel fuel rose by more than 4 percent to around 30 million tonnes. Sales of light heating oil were boosted not only by the lower temperatures, but also by the fact that when prices are high,

consumers run down their own stocks before ordering more as prices fall in the autumn. At 22.7 million tonnes, sales of heating oil in 2008 were nearly a third up on the previous year's level.

Biofuel sales showed a massive drop of 22 percent in 2008. The percentage of total motor fuel consumption due to biofuels fell from 7.6 percent to less than 6 percent. This development, which affected small and medium companies in particular, was triggered by the premature discontinuation of the petroleum excise duty exemption for biofuels.

Founded in 1960, the "Aussenhandelsverband für Mineralöl und Energie e.V." (AFM+E), Hamburg, is an association representing the interests of independent energy dealers and importers operating in Germany – and now also in other European countries – in the

fields of oil, electricity and gas. The members of AFM+E are active in all areas of the petroleum industry with the exception of oil production and refining, and in the field of trading and contracting in electricity, gas and renewable energies.

One tonne of petroleum in every seven consumed in Germany is supplied by a company not belonging to one of the major groups. Such companies supply more than 40 percent of all light heating oil in Germany. They operate about 30 percent of the approximately 14,800 German filling stations and are responsible for more than 30 percent of all imports of petroleum products into Germany.

With a total of around 1,200 employees and sales of nearly €6 billion a year in Germany, the members of AFM+E make a substantial contribution to maintaining and intensifying competition on the energy market, which is increasingly being dominated by a small number of large firms. By developing additional supply sources, the independent companies help to secure energy supplies.

By pushing ahead with the market launch of biofuels they have once again played a pioneering role. However, the independent companies can only make such contributions for the benefit of the consumers in the context of a liberal economic policy. Such a framework must ensure that small and medium companies have freedom of action so that they can react quickly to changes in their environment.

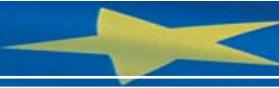
In spite of our liberal economic policy, the "independents" are exposed to great survival risks. For example, the members of AFM+E do not possess the great financial resources of the multinationals. They are usually active in only one sector of the energy industry, and are often closely connected with an upstream supplier. Moreover, the import and export companies in the energy business are also confronted with another risk: there are many different taxes, public charges, regulations and specifications in the member states of the European Union, resulting in a "balkanisation" of the European market especially in

the case of petroleum products and their alternatives. AFM+E therefore advocates uniform European treatment of companies, goods and services, so that the association's members can develop their strengths and minimise their weaknesses. Harmonisation of German and European energy policy for the benefit of supply security, competition and equal treatment of all market players is a pre-eminent concern of AFM+E.

The best example of the different treatment of identical products in the European Union is biofuels. Here, in addition to the European legislation, almost every one of the 27 member states has enacted its own regulations and assistance measures. This has given rise to nearly 130 different regulations, which impede the free traffic of goods. The result is financial burdens on businesses and consumers.

In Germany the association advocates the introduction of E10 Premium, Super and Regular gasoline grades on a voluntary basis, following the adoption of a national standard for these motor fuel grades at the beginning of 2009. The European Council, Parliament and Commission have already approved the introduction of E10 by 2010 under the EU Fuel Quality Directive. In view of the sustainability criteria which are important for importers of biofuels, AFM+E is urging the earliest possible adoption of such a regulation valid throughout Europe, in order to prevent any further fragmentation of the biofuel market in Europe.

As far as strategic petroleum stockpiling is concerned, AFM+E is pressing for a single European crisis management system of the kind sought by the European Commission. This must also include natural gas – to ensure concerted and reliable gas supplies in the member states. After oil, natural gas is the second most important source of energy in Europe and in Germany. Following the petroleum industry's 30 years experience of strategic stockpiling, this proven system should be applied to the gas industry and should be operated by a public-law corporation whose members comprise all natural gas importers and domestic producers of natural gas.



AFM+E is concerned about the European Services Directive, which has not yet been transposed into national law. The goal of this directive is to involve all energy suppliers in providing advice on energy in order to ensure maximum efficiency in the use of energy in all sectors of the economy. The aim is that individual advice should reduce energy consumption by final customers by one percent per annum. In principle this is a good idea. But the associated demands for documentation of the advisory services and progress checks are turning it into a bureaucratic monster that imposes extra work and additional costs on the energy suppliers – particularly small and medium companies. Especially since not all suppliers are in a position to exert direct influence on their clients' energy consumption. Here AFM+E advocates a practicable and economically acceptable solution that does not lose sight of the political objective.

The association has misgivings about the introduction of a computerised system for monitoring the movement of excise goods under suspension of duty. The administrative mechanism is to be introduced in all EU member states by the end of 2010 and is to replace the paper-based system. But the "Excise Movement and Control System"

(EMCS) is a very rigid computer system which makes the processing of many business workflows more complicated and considerably more difficult. AFM+E has drawn attention to this on numerous occasions, and has met with appreciation of the problem on the part of the Federal Ministry of Finance. However, it has not yet succeeded in getting the European Commission to simplify the system. The association will continue to draw up practical solutions at national level jointly with the ministry.

The banks' present restrictive credit policies are also affecting the members of AFM+E. With the assistance of our umbrella association MEW, AFM+E has held many discussions – including with the Federal Ministry of Finance, the governments of the federal states (Länder) and the regional guarantee banks – at which it has argued in favour of making the necessary credit lines available to businesses and continuing to provide commercial credit insurance. The association will keep future developments under close and critical observation.

Bundesverband Freier Tankstellen e.V. (bft), Germany

In the reporting period 569 member companies with a total of 1,792 petrol stations belonged to Bundesverband Freier Tankstellen e. V. (bft): bft has a market share of more than 10% in the retail sector. The total number of petrol stations in Germany is 14,447 (01.01.2009)

The main problem of the year 2008 was the high product prices. It was not always possible to implement cost-covering prices. The selling prices nevertheless reached historic record levels.

Margins in 2008 were still small but sufficient. The volatility of the German market is very high. By the end of 2008, bft counted more than 110 attempts to raise the price of petrol products. The price for most products changes daily.

In 2008 bft dealt with the topic of BASEL II. bft worked on improving the existing rating program. As a further component a risk management is planned. The fourth sector study on the petrol market in Germany was published together with UNITI and sent to all member companies. The sector study is also available in English and can be downloaded from our website (www.bft.de).

The stagnation of sales for biodiesel went on. bft and UNITI tried to stop this taxation or to delay the next steps. Our intervention led to the fact that the next step of taxation for 2009 was only three instead of six cents. Meanwhile the taxation of biodiesel is 0.18 €/ per litre. The number of petrol stations selling biodiesel declined from 1,900 in the year 2006 to about 400 today. We do not see that this process can be stopped.

Due to the fact that there is an equal ranking between LPG and CNG member companies are forced to sell LPG at their petrol stations. The number of stations selling LPG is approximately 4000, most of them from medium sized companies.

The problems of tank tourism did not stop. Some politicians tried to get a solution in form of a road charge, but we believe the charge will have to be too high to be a real solution to this problem.

In 2006 some member companies started to sell bioethanol. Together with Ford and Saab the members opened about 20 new pumps for E85, a product containing 15% petrol and 85% bioethanol. The number of these stations in 2008 was approximately 150.

bft used the discussion about greenhouse effect, global warming and climate protection to start a project with the partner Global Woods. Every bft-partner has the chance to sell a so called "Klima Bonus" at his petrol station. The bonus will be two cents per litre. The money will be used to start a reforestation project in Uganda, Paraguay or Argentina and to neutralize CO₂.

Tax rates for information

Gasoline	65.45 Euro / 100 litres
Diesel	47.04 Euro / 100 litres
Biodiesel	18.00 Euro / 100 litres

Selling prices (Euro/Litre) in 2008:

	Highest	Lowest
Gasoline	1.539	1.179
Diesel	1.499	1.079

Selling prices per 27-03-2009 (Euro/Litre)

Gasoline	1.209
Diesel	1.059



Koninkrijk der Nederlanden The Netherlands

Nederlandse Organisatie voor de Energiebranche (NOVE)

The Dutch market for transport and mobility fuels is maturing. Figures of 2008 show that only LPG shows significant growth, due to relative high prices of competing fuels in the first half year. Also more carmakers started active campaigns for LPG-cars. On the other hand the percentage of more energy-effective cars in the Dutch vehicle fleet is growing, due to government stimulation, especially on cars that are used by lease-companies and car owners.

In 2008 the market also saw new initiatives with alternative fuels, such as E15 blends and natural gas. Most of these initiatives are taken by independent fuel suppliers.

Motor fuel consumption in the Dutch market 2008:

In litres	Dec-07	Dec-08	+/-	Year 07	Year 08	+/-
Diesel	631,830	646,145	+2.3%	8,033,626	8,056,053	+0.3%
Petrol	457,759	472,720	+3.3%	5,418,424	5,426,493	+0.1%
LPG	46,843	55,396	+18.3%	606,768	637,293	+5.0%
Total				14,058,818	14,119,839	+0.4%

The bunker market in the Netherlands, which is a big market, is also led by independents. Although the financial crisis caused a slight downfall in the second half year, the bunker suppliers are quite confident looking to the future, where inland waterways will play a more important role in transport.



España Spain

Unión de Petroleros Independientes (UPI)

Consumption in 2008

In 2008, consumption of oil products in Spain dropped by 3.3%, being 72.48 million tons, about 2.44 million tons less than in 2007, in accordance with the weakness of all economic indicators. Officially, Spain entered recession at the end of 2008.

Consumption

Product	12 months (kt)	Annual variation (%)	Share (%)
Gasolines	6,295	-6.0	8.7
Gasoils	35,327	-3.9	48.7
Fuel oils	11,637	-0.9	16.1
Kerosenes	5,631	-1.4	7.8
LPG	1,979	-3.9	2.7
Other products	11,609	-2.9	16.0
Total	72,479	-3.3	100.0

However, the GDP grew by 1.2%, which indicates an outstanding decrease in the oil intensity rate of the Spanish economy.

Consumption of biofuels represented 2.20% of gasolines and 1.66% of gasoils.

As regards consumption structure, the increase in the importance of medium distillates continued in 2008, to the detriment of light and heavy products.

Petrol stations were affected by the economic crisis, particularly since the summer. In some cases, their sales dropped by 20% (compared with the same period of 2007). Gasolines were more badly affected than diesel (25-30%, compared with 10%).



Market position of independents in Spain (December 2008)

Market share (%)

UPI	8.85
Other independents	2.55
Total independents	11.40

UPI groups 77.63% of all independents.

Brand petrol stations

UPI	796
Total Spain	8,974 (December 2007)

Own storage capacity (million m³)

UPI	1,094,100
Total Spain	10,268,455 (December 2007)

Issues of interest for the Spanish independents

Compulsory stocks

Events related to this issue brought us our main satisfaction in 2008. After more than ten years of efforts, including contributions by UPEI, to get fair legal treatment for non-refining companies, legislative changes were finally carried out at the end of 2007.

According to these changes, strategic stocks (those compulsory stocks held by the Spanish agency, CORES) were increased in 2008 in

order to meet the target of at least 45 days of strategic stocks before 31 December 2010, with a minimum of 40 days for each company as well, in order to satisfy the request of non-refining companies. These companies have now the right to ask for 35 days more of strategic stocks with a corresponding reduction in the rest of their compulsory stocks. Therefore, during August and September 2008, 12 days of strategic stocks were assigned to the non-refiners who had asked for this option.

The increase of strategic stocks will go on next year and according to CORES budget for 2009, those of the non-refiners will reach 70 days in 2009. The predictable fall in both consumption and oil prices is helping to achieve this purpose.

Apart from all that, the whole of compulsory stocks will have to be increased from the present 90 days to 92 days before the end of 2010.

Biofuels

October finally saw the adoption of a ministerial rule related to the compulsory targets which had been decided in 2007 for 2009 and 2010. The obligation is imposed on all those required to hold minimum stocks. These subjects are required to sell minimum percentages – expressed in energy content (equivalent tons) – of biofuels in relation to their sales of fossil fuels. Only national sales of automobile fuels (diesel and gasoline) are concerned.

- 2009: 3.4% of total (2.5% in gasoline, 2.5% in diesel and the remaining 0.9% of total, distributed as desired)
- 2010: 5.83% of total (3.9% in gasoline, 3.9% in diesel and the remaining 1.03% of total, distributed as desired)

In order to guarantee fulfilment of the obligation, a certification system has been set up. Companies will have to ask for certification by the National Energy Commission (one certificate per equivalent ton), declaring and proving the sales of biofuels they ask to be certified. Other elements of this system are the possibility to buy and sell certificates, the



possibility to transfer them to the following year, and penalties in case of non-fulfilment of the percentages.

Biofuels must be blended within the EU to obtain certification (otherwise they can be sold but do not count towards the obligation).

Blending at filling-stations is permitted if all the blended products have left the fiscal logistics system. However, in the case of products which do not require to be labelled (5% or less of biofuels), blending must be done before they leave the system.

At the end of 2008, important difficulties could be foreseen because the regulation was not about to be concluded. The companies were still waiting for the adoption of

the last rules regarding the certification system and their implementation. As well as that, the obligation has severe implications in the fields of quality and taxation that have not been solved or even visualized on time.

Reimbursement of the Excise Duty on Mineral Oils

The economic situation has brought an increase in non-payments and slowness in payments (about 350% more) and UPI therefore considers that the reimbursement of the Excise Duty on mineral oils, in case of irrecoverable debts, would help to compensate this situation.

Sources: companies, CORES, Ministry of Industry and Energy, National Energy Commission, AOP.



2008: Recovery of sales of oil products

Sales of the most important oil products were approx. 11.1 million tons in 2008. This is an increase of 7.2% on the previous year. 2007 sales were very much down due to the collapse of heating oil sales.

7 million tons (63%) of the total sales in 2008 were fuels (petrol, gas oil and kerosene), which was 3.2% up on 2007. Heating oil sales increased by 15% and reached 4.1 million tons. Despite this increase the collapse of the previous year (2007 was 27% down on 2006) could not be compensated.

To the various products:

The decrease in demand for petrol which had already been observed for a considerable period speeded up in 2008 and reached -2.2% compared with 2007. There are many reasons for this development: engine efficiency on the one hand, on the other hand the weakening €/CHF exchange rate during the second half of 2008 which lowered the attractiveness of Switzerland for foreign fuel customers. However, only a minor role in

the reduction of petrol sales derives from a further increase in diesel cars. The share of this car segment on new registrations was 32.4% in 2008 (32.5% in 2007). Despite this, sales of gasoil increased again in 2008 by 9.9%, mainly due to a robust inland economic situation – with civil construction and transport of goods traffic as most important gasoil consumers. In the course of the economic slowdown during the second half of 2008, the upturn in gasoil sales also slackened and reached only 5% more in that period than in the same period of 2007.

The market for kerosene continued the upward trend of recent years, with sales in 2008 up by 7% at 1.41 million tons. This reflected above all the development of passenger traffic at the airports in Zurich and Geneva, which again reached 1998 levels.

During 2007 the market for heating oil plunged by 26.8%, during 2008 sales were up by only 14.7%. At least the massive drop in prices during the second half of 2008 did stimulate the demand for heating oil to



Market for petrol filling stations 2008

Stable size of network – Increase of sites with shops

On January 1st 2009 there were 3,620 branded petrol filling stations in Switzerland, publicly available for filling up with petrol or gasoil. This represents a drop of 0.47% on the previous year. AVIA still has the biggest network with 713 sites. Number 2 is Agrola (430), followed by BP (406), Shell (360) and Tamoil (325). As already during the past years, some of the brands had quite a few changes in the number of sites, reflecting the ongoing dynamic situation as a consequence of the competition.

Gasoil pumps were available at 3,505 stations, corresponding to 96.8% of the total branded retail sites. Ten years ago it was only possible to fill up with gasoil at 69.8% of the sites. As already seen with the share of new registrations of diesel cars in Switzerland the number of diesel sites reflects a certain consolidation.

The number of sites with shops increased further by 2.25%, totalling 1,301 sites. As a result it is now possible to shop at more than every third filling station – an opportunity which is extensively used by the customers. This also has an effect on sales of petrol and gasoil: about 70% of the total fuel sales take place at sites with shops, demonstrating quite obviously their competitive advantage. Furthermore the general trend to bigger "shop area" continues: 70.3% of the shops (68.3% previous year) have an area greater than 50 square metres. On average, petrol stations with shops larger than 50 square metres sell 72.5% more fuel than those with smaller shops.

Market development

Product	2007 (t)	(%)	2008 (t)	(%)	+/- %
Petrol	3,449,895	33.2	3,375,199	30.3	- 2.2
Diesel	1,990,163	19.2	2,187,554	19.6	+ 9.9
Kerosene	1,320,620	12.7	1,413,549	12.7	+ 7.0
Heating oil	3,627,952	34.9	4,159,899	37.4	+ 14.7
- of which Extra light	3,530,754		4,064,761		+ 15.1
Medium/heavy	97,198		95,138		- 2.1
Total sales	10,388,630	100.0	11,136,201	100.0	+ 7.2

Source: Press Releases 13th February 2008 and 18th March 2008 from Erdölvereinigung Schweiz
Data /Table from Erdölvereinigung Schweiz

Average annual throughput in 2008 was 1.45 million litres of fuel per site. The average annual throughput varies depending on type of service, site configuration or concepts, and of course the location of the site. Throughput is highest on motorway sites with 4.24 million litres per annum, and lowest on unmanned sites with 0.68 million litres per annum.



Mabanaft Energy Ticaret ve Sanayi A.S.

Turkey continues to be a stable, high tax and high profit market with still some barriers for a competitive and free market situation. Main figures as follows:

Total Market

Million tons	2007	2008
White Products	18,628	18,442
gasolines	3,277	2,959
gasoils	15,333	15,375
Fuel oil	2,561	2,721
LPG	3,518	3,435
Luboil	350	340

Ratio of taxes to selling prices per litre/kg as follows:

Products	Tax/unit price
Gasolines	61.42%
Gasoil	49.55%
Fuel oil	35.73%
LPG	46.35%

Retail pricing showing taxes and profit margins in detail as follows:

Gasoil 1000 ppm	TL/m ³	Euro/m ³
Refinery sale price	656.2	292.95
Consumption tax	934.5	417.18
EMRA share	1.7	0.76
Total	1,592.40	710.89
VAT 18%	286.63	127.95
Total cost	1,879.63	838.84
Retail Price	2,340	1,044.64
Difference	460.37	205.80
Difference per litre	0.4603	0.2058

New entries still have problems on same issues reported earlier, briefly

- having filling station
- selling minimum 60 kt per year
- keeping minimum 3300 tons national stocks.

Positive steps are expected after strong report of competition institute. However, it is still impossible for any newcomer to enter the market without complying with above main rules.

In 2008, LUKOIL paid over 550 million USD for a retailer called AKPET, the number 6 retailer in Turkey with 700 filling stations. The first five account for over 90% of the market with almost the same market shares and market positions, except that OPET achieved significant growth again.





United Kingdom

Association of UK Oil Independents (AUKOI)

Biofuels

Following the publication of the report by Professor Gallagher and his team on the "Indirect Effects of Biofuels Production" in July last year, which recommended a more cautious approach to the inclusion of biofuels in the UK, the UK Government has consulted with Industry but now, predictably (having commissioned the work), will propose lower targets for biofuels inclusion in the coming years than were originally agreed within the RTFO (Renewable Transport Fuel Obligation). A Bill will be placed before Parliament in the next few weeks which will propose max. biofuel inclusion limits of 3.25% for 2009/10 (original RTFO min 3.75%) and 3.5% for 2010/11 (original RTFO min 5%).

The Industry generally has taken this proposed change calmly but we in AUKOI are hugely disappointed by the government's action based as it is upon little or no scientific evidence.

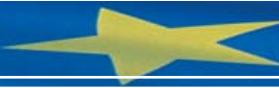
Supply companies have invested in biofuel production and delivery infrastructure on the basis of the previous RTFO plan which had (until the Gallagher Report) been agreed and accepted by both Government and Industry. They have also concluded long term supply agreements with producers of high quality, sustainable biofuels. It is these supply companies, who have embraced the renewable fuels concept and targets most enthusiastically, that will become competitively disadvantaged in the market as a result of the likely change in targets. Furthermore, we believe the backtracking on targets for 2009-11 has pushed the UK off-track to achieve the longer-term targets contained in the Renewable Energy Directive (RED). Representations have been made to all levels of government, but it now appears likely that the proposed lower targets for 2009/10 and 2010/11 will become law very shortly.

Additionally, this year it appears that there has been a drafting error in the text of the RTFO legislation which has in effect meant

that the minimum levels for biofuels inclusion have been rendered virtually meaningless. The error will be corrected for the coming year (2009/10) when Parliament approves the revised wording. It has not been a great year for biofuels in the UK.

UK Supply Infrastructure

Following the sequence of major product supply interruptions in the UK during the period Nov 2007-July 2008, it has become apparent that the capacity of the downstream industry to import, hold and redeliver products to end-customers has reached a critical point. The gradual diminution of supply capacity has been caused primarily by lack of investment in new and existing terminal facilities and terminal closures. The gradual withdrawal from certain market sectors by the major oil companies (refiners) and the slow, partial return to operation of the terminal at Buncefield are further contributory factors. AUKOI has continued to bring to the attention of the UK Government the seriousness of the capacity erosion that has taken place in the country's product infrastructure required to deliver products through the supply chain to the end customers. We believe, and the government and other sectors of our UK industry now understand and accept, that the situation has reached a critical point. The government is now taking some action. Under the leadership of the newly created Department for Energy & Climate Change (DECC), an industry/government Task Force has been set up to investigate the issues and produce a final report with recommendations for action, by the end of this year, which will be taken forward to the responsible Ministers for parliamentary discussion. A detailed management and work structure has been agreed for this project, which bodes well for a positive outcome, although at this stage it is difficult to predict what this or any government might be able to do to alleviate the situation in the short term. If this process only highlights the importance of the serious threat to the continuity of energy supply throughout the country, it should at least



have the beneficial effect of removing threats of closures of existing terminal facilities due to competing government priorities (e.g. new housing). Naturally, we hope for and will work for much more than this for the longer term.

Compulsory Stocks

As above, after years of denial and intransigence within certain sectors of government and following intense lobbying by sectors of the oil industry, some positive signs are now emerging that allow us to conclude that some progress on the issue of the management structure for CSO in UK may now be possible.

For those who may not be aware, within the EC the UK is in a minority of EC states that does not have a separate Agency structure set up to manage its Compulsory Stock Obligation. Instead, it continues with the system that passes the responsibility for CSO management to the supply companies and it is they who must hold appropriate levels of oil stocks and report on that to the government quarterly. We have repeatedly advised government that not only is this system conferring a considerable operating expense upon those companies in markets where profit levels have always been very tight, but by increased reliance upon the paper market for stocks, it is also far from secure from a stock availability point of view. Whilst the Industry and Energy Departments

have had some understanding of the problems, more powerful groups within government have resisted change.

Working with senior officials in DECC, the services of a highly placed Civil Servant were secured for a short while at the end of last year to assist us with articulating the issues within government. The UK oil industry has a common view on this issue, so the Trade Associations individually met with the government Appointee and later, working together, productively produced a composite report containing a critique of the current system within the UK together with costed proposals for a better, lower cost structure to manage CSO in the UK. It appears that in the short time available, the government Appointee, armed with the pan-industry report, may have effected some (small but possibly significant) change of view within critical sectors of the government.

It has been agreed that the issues and proposals contained in the Industry Report will be further examined over the course of the remainder of this year at the end of which recommendations will be made to the relevant Ministers. As this is the first sign that the industry is being listened to at long last, we are cautiously optimistic, but realise there is a long and difficult road to travel.



Eurofuel – the European Heating Oil Association – is an umbrella trade association based in Brussels. Eurofuel represents the national organisations that promote the use of liquid fuels (heating oil and kerosene) for domestic heating in 10 European countries. Eurofuel's constituent national organisations have members numbering over 10,000 companies.

Eurofuel is engaged in the development of common standards and innovative techniques for heating oil and equipment, primarily in the domestic housing heating market. Our members are committed to ensuring the competitiveness and efficiency of heating oil, while reducing its environmental footprint.

UPEI and Eurofuel share reciprocal Associate Membership status of one another's organisations, and co-operate closely on issues of shared interest, such as promoting efficiency in oil supply chain logistics, ensuring fair trading conditions and a competitive market for oil products, and furthering marketplace penetration of innovative products, such as low sulphur heating oil and bioliquids/biofuels.

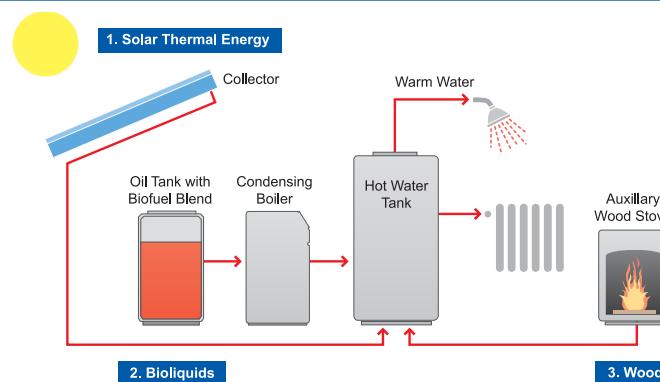
Eurofuel differs to some extent from UPEI's other member organisations, in that Eurofuel's members comprise the whole supply chain related to oil heating, from the oil majors, through to independent oil traders and distributors, oil heating equipment manufacturers, and finally heating installers. Similar to UPEI, many of its members are small and medium enterprises (SMEs).

The overall EU heating oil market experienced price volatility during 2008, the price per litre peaking in many EU countries during the summer months, but the declining price of crude oil in the latter half of 2008 was rapidly reflected in quickly diminishing heating oil prices. The cold 2008 winter "heating season" meant that overall 2008 heating oil sales rose substantially in many

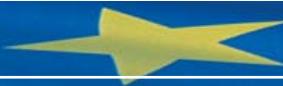
EU member states, compared to 2007 statistics. The "pipeline diplomacy" exercised by Russia during recent months has once again given much food for thought regarding gas pipeline-based energy security of supply to EU governments, and also domestic and industrial consumers. This has heralded a return to investment decisions taking greater account of the advantages offered by the independent energy storage of heating oil, assisted by low fuel consumption modern oil condensing boiler technologies.

Oil condensing boilers achieved a significant market penetration of overall oil boiler sales in 2008, in a number of countries (UK over 90%, Germany close to 60%, Austria ca. 50%, France ca. 30%), and the uptake of combining solar thermal collectors with oil condensing is increasing substantially. Throughout 2008 Eurofuel's members have been promoting so-called "trivalent" heating systems, which enable three types of renewables to be combined with conventional heating oil, as illustrated.

For further information, please see Eurofuel's website www.eurofuel.eu



Eurofuel exhibited the advantages of such trivalent systems at two popular annual Brussels-based European Commission events: EU Sustainable Energy Week (Jan 2008), and Green Week (June 2008). Lastly, in December 2008, Eurofuel took part in the Poznań Climate Change Conference, COP-14, as a Strategic Partner of Responding to Climate Change (RTCC), an official observer organisation to the United Nations Framework Convention on Climate Change.



UPEI Matrix Oil Product Markets

Country	Volume (in t) of Consumption 1-6 2008 / *2007/ **2006/ ***2005			Market Share of Independents 2008/ *2007/ **2005/ ***2004		
	Gasoline	Diesel	Heating oil	Gasoline	Diesel	Heating oil
Austria	*1,966,000	*6,321,200	*2,189,400			
Belgium	763,125	3,396,720	2,296,883	20%	30%	30%
Bosna i Hercegovina	***269,800	***513,400	(HEL + HL) **229,276			
Croatia						
Czech Republic	*2,135,000	*4,021,000	*458,000	**44%	**41.8%	
France	*12,331,609	*38,908,351	*16,455,279	*16.34%	*11.8%	*32.93%
Germany	10,100,000	14,500,000	(HEL) 9,000,000	35%	25%	43%
Hungary	**3,436,000 combined data		**376,000	14%	30%	
Italy	5,452,000	13,105,000	976,000	***30% share on fuel retail market		
Montenegro						
Netherlands	2,706,802	4,111,452		50% (transport sector)	[comment: the whole market for heating oil is very small]	
Poland	***4,146,000	*** 9,544,000				
Slovakia	(1-12 2008) 665,364	(1-12 2008) 787,822	*62,000			
Spain	(1-12 2008) 6,295,000	(1-12 2008) 35,327,000	(1-12 2008) 11,637,000	11.4% (UPI share of all independents: 77,63%)		
Switzerland	*3,449,895	*1,990,163	*3,627,952			
Turkey						
UK	*17,591,00	*27,120,000	(supply) *3,448,000			

Most figures are assumptions!

Sources:

AT Kearney 2007

COM study 24 Feb 2009

EID 06/09

http://portal.wko.at/wk/startseite_dst.wk?AngID=1&DstID=308

http://stats.berr.gov.uk/energystats/dukes3_2-3_4.xls

http://www.cappo.cz/ftp/annual_report_cappo_2007.pdf

<http://www.sappo.sk/aseinfo.htm>

MOL market study COM non retail customer market shares 2006

MOL market study COM non retail customer market shares 2006 only Heating oil EL and L

UPEI country reports

UPEI Flyer (2007)

UPEI members

Petrol stations 2008 / *2007/ **2006/ ***2005/ ****2004		Petrol stations margins 2008 total Cent/l		Share of biofuels present in Euro Super 95 and automotive gas oil/diesel products	
total	independent	Eurosuper	Diesel	share 2008/ *2007/ **2006	
*2,810	*966	8.26	7.79		*4.23%
***3,574	***17% (602)	15.30	15.18		n/a
	*940				
*845	*175				
3,573	**27% (582)				**0.37%
		15.00	13.53		*3,5% (PCI: energetic power; figure: target)
(1.1.2009) 14,826	ca. 30% ¹⁾	7.08	8.16		*7.3%
1,234	**3%				*4.4%
(2007: approx. 22,500) ****21,344	****8,432	17.01	15.57		*0.5%
ca. *4,000		12.96	11.82		*2%
*6,981	*45%				*0.68%
**685					**1.041%
*8,984	(stations of UPI) *796	12.81	12.03		2.2% gasoline 1.66% Diesel
*3,637	*80%	16.08	13.93		
*9,382		10.57	9.01		*1%

1) partly fixed
margin contracts

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Photographs: European Commission, iii@iol.cz, pixelio, UPEI