

2015
UPEI
ANNUAL
REPORT



**TOWARDS
A SMART
ENERGY
UNION FOR
EUROPE**



NEW BRAND, LOGO & WEBSITE

2015 saw the launch of UPEI's new brand and logo as part of the ongoing evolution of the association. It is designed to better communicate who we are and what we stand for. For an association with over 50 years history, we felt it was time to re-evaluate our identity to ensure that it truly reflects the way that UPEI has developed over the years, as well as its aspirations for the future.

When UPEI was created, the independent fuel supply sector in Europe was still a relatively limited phenomenon. Since then, it has grown significantly and throughout the continent, reflected in the number of national associations of independent fuel suppliers that now exist and form the majority of UPEI's membership. UPEI also boasts a company membership which it encourages in particular from those countries where a national association is still lacking.

Today our business is that of consumer driven fuel supply, principally petroleum products and their alternatives.

This is represented by the oil drop. The oil drop is composed of many dots that differ in size and colour. This reflects the diversity of our members in terms of their scale (largely but not exclusively SMEs) and activities (which cover the full downstream supply chain). The multiplicity of the components depicts the nature of the market, in the sense that the presence of independents has brought competition into what was a market previously dominated by major oil producers. The dot on the "I" of UPEI makes the link to our members' core shared identity – that of "independents" and the entrepreneurial spirit that that represents.

The UPEI brand and logo has also been reflected in our modernised website which was launched last Spring at www.upei.org and which we invite you to visit for further information about UPEI, its members and activities.



NATIONAL ASSOCIATIONS

BELGIUM



BrafcO
Belgische Federatie der
Brandstoffenhandlaars
www.brafcO.be

CROATIA



HUP
Hrvatska udruga poslodavaca-
Udruga energetike
www.hup.hr

CZECH REPUBLIC



SČS
Unie Nezávislých Petrolejářů ČR, z.s.
www.scs.cz

FRANCE



FFPI
Fédération Française
des Pétroliers Indépendants

GERMANY



MEW
Mittelständische
Energiewirtschaft Deutschland e.V.
www.mew-verband.de

ITALY



**ASSOPETROLI
- ASSOENERGIA**
Associazione Nazionale Commercio
Prodotti e Servizi Energetici
www.assopetrolI.it

NETHERLANDS



NOVE
Nederlandse Organisatie
voor de Energiebranche
www.nove.nl

SLOVAKIA



SČSSR
Spoločenstvo Čerpacích
Staníc Slovenskej Republiky
www.scssr.sk

SLOVENIA



SNNK-WPC
Slovenski
Nacionalni Naftno-plinski omite
Svetovnega naftno-plinskega sveta
www.snnk-wpc-si

SPAIN



UPI
Unión de Petroleros
Independientes
www.petrolerosindependientes.es

UK



DFA
Downstream Fuel Association
www.downstreamfuel.org.uk



COMPANIES

CZECH REPUBLIC



EuroWag
W.A.G Payment Solutions a.s.
www.eurowag.com

ESTONIA



Olerex AS
www.olerex.ee

HUNGARY



Mabanaft Hungary Kft
www.mabanaft.hu

IRELAND



DCC Energy Limited
www.dcc.ie

SWITZERLAND



AVIA International
www.avia-international.com

16

MEMBERS

5

COMPANIES

11

NATIONAL
ASSOCIATIONS

15

COUNTRIES



CONTENTS



**PRESIDENT'S
FOREWORD**

P.4

ACTIVITY REPORT

P.6

STATEMENTS

P.9

**STRUCTURE
OF UPEI**

P.10

COUNTRY REPORTS

Reports from UPEI's members on the latest fuel sector developments in each country will be available on the UPEI website from 20 May 2016.

www.upei.org/publications/reports

PRESIDENT'S FOREWORD

2015 saw the launch of the European Commission's Energy Union framework strategy designed to deliver a secure, sustainable, competitive and affordable energy supply to the EU. These are credible objectives which, as President of UPEI, I can only welcome and share, as this is the daily mission of Europe's independent fuel suppliers.

A **secure energy** supply means that Europe's consumers are reliably supplied with the energy that they need for their day to day consumption without risks of interruption. These can be unexpected, caused by various factors: political, natural or manmade, all affecting our short term security. But long term security is also a concern. This leads to the objective of a **sustainable energy supply**, which is one that must embrace **energy efficiency** at its core. This means changing old habits and investing in modern solutions – as well as encouraging the development of renewable energies as viable alternatives. However, we must also be careful to ensure that this is done in a **competitive and affordable** manner. This is essential if Europe's economy as a whole is to thrive. Our competitiveness must be viewed on a global scale and not just within the boundaries of Europe.

We see that these objectives must be mutually reinforcing, as should the policies that are adopted to implement them. The focus on energy efficiency is a good example and has the potential of tangible clear results. For other policy areas the challenge is greater.

Let us take **decarbonisation**, for example, which is fundamentally about sustainability. A more sustainable use of our limited resources, through energy efficiency and integration of renewables, as they mature, makes sense in economic as well as environmental and climatic terms – however, only if imple-

mented in a competitive and affordable way and without jeopardising our energy supply.

We are frequently reminded that Europe's transport sector depends on oil for 94%. Oil's dominance is being rightly challenged, as economically and sustainable alternatives enter the market and consumer behaviour starts to change. Progress has and is being made on many fronts, be it improved fuel quality, better vehicle efficiency, the development of alternatively fuelled vehicles and their

fuels as well as others. However, we need greater recognition that the **transition to a decarbonised economy will take time and needs to be managed.**

Similarly, we should remember that refined petroleum products on the market today differ significantly from those of 50 years ago. There is a tendency to forget the advances and investments that have been made, all self-financed and without government subsidies. The fuel in our vehicles is lead free, the sulphur content has been dramatically reduced, it includes biofuels. Which other fossil fuel can demonstrate such progress? Should more be done? Certainly, wherever technically feasible. However, I have difficulty when the sector is branded as operating on a "centralised, supply-side approach" relying on "old-technologies and outdated business models"¹. **Europe's oil sector**

should be recognised as one that has proven its commitment to doing better, and what's more, with its own resources. This commitment remains but requires certain conditions.

If independent fuel suppliers are in the oil business today, it is because there is a consumer demand to be met and because oil will be required for the foreseeable future, be it at decreasing levels. For the decarbonisation agenda to be successful, it



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needs to work with this reality. Today, policy makers are focussing on how to do away with oil by promoting alternatives and all the related infrastructure that is required for them. By doing so, they are placing increasing burdens on the oil supply sector which, if not contained, risks suffocating fuel suppliers, including independent suppliers.

Moreover, independent fuel suppliers are not producers. They are the first to adapt to new market demands, as was the case with the introduction of biofuels, some ten years ago. They are principally entrepreneurs who are seeking new opportunities to serve the customer, whom they know so well. They distribute the products to the market because this is their core business. They do it with a lot of flexibility which guarantees security, sustainability and efficiency as well as the productivity of their way of doing business at the sole advantage of the consumer. They are willing to invest in improving current supply as well as bringing alternatives to the market. However, they need certain conditions in order to be able to do so particularly during this transition to a low carbon economy. **What are these conditions?**

Firstly, there needs to be more transparency in the public domain over the fact that oil will remain in the fuel mix for the foreseeable future. This is not to say that alternatives should not be promoted. But a more realistic vision of a decarbonised Europe needs to emerge. This would improve the investment climate for independents, allowing them not only to continue to supply their current clientele in the best manner possible, but also to look to the future as technology matures and new market trends are identified.

Secondly, the role that oil based technologies can play in the transition, and beyond, needs to be recognised. The heating sector is an excellent example. Of course, oil based heating is not the optimal solution in all circumstances. However, investment in improved boiler technology combined with low sulphur heating oil and renewables can achieve major economic savings as well as in greenhouse gas emissions already today. This is an immediate, cost effective and affordable solution which should be promoted as being compatible with the Energy Union.

Thirdly, there needs to be a level playing field between the different actors:

- between the competing energy sources (both renewables and traditional fuels);
- between Member States to avoid artificial barriers and market fragmentation due to the way in which legislation is implemented and enforced;
- and between all fuel suppliers competing on the market.

Fourthly, the added value of regulation must be clear and efforts to limit associated administrative and financial burdens must be stepped up in order for

SMEs not to be squeezed out of the market.

This may seem obvious, but much of UPEI's time is spent defending these interests, be it ensuring that the European Commission's new heating and cooling strategy expected this year takes account of these concerns, or combatting Denmark's attempt to ban oil heating, or limiting the damage that could be caused by the new reporting requirements imposed on fuel suppliers.

Faced with such challenges, UPEI has its work cut out. This was already clear in 2015, during which we spent much time and effort consolidating the association in terms of its internal structures and how it communicates. We expanded our team of experts, from within our membership, backed by working groups to identify and analyse in depth the challenges ahead and propose constructive solutions that will ensure that the market conditions are in place to allow independents to continue to serve their client base effectively.

A secure and sustainable energy supply, which serves the consumer in a competitive and affordable manner, with a well managed transition to a low carbon future: this is the objective that we need to work on during 2016 according to me ! •

1. Energy Union Package COM (2015) 80 final



Thierry De Meulder



ACTIVITY REPORT 2015

2015 saw the culmination of work on a number of long-standing issues, as well as the launch of a number of consultations and reviews, all against the backdrop of the new Energy Union framework launched by the European Commission in February 2015.

As pressure intensifies on the oil sector to both improve and diversify to alternative fuels, so does the challenge to make the voice of independent fuel suppliers heard, in an energy policy that is increasingly geared towards the gas and electricity sectors.

Without independent fuel suppliers, Europe's market would only be supplied by major oil producers. As some majors are currently exiting the retail market the independents' market share is on the increase. This is good for competition and affordability. However, over-regulation is a real threat to independents, many of which are SMEs. They operate the downstream supply chain on streamlined business models are more vulnerable to regulatory burdens. Regulators must take this into account if they wish to preserve a competitive and healthy fuel supply sector.

TRANSPORT FUELS

— Fuel Quality

UPEI supports the measures under the European Union's Fuel Quality Directive (FQD) to set standards for road transport fuels and to reduce the greenhouse gas intensity of these fuels. However, the reporting requirements placed on fuel suppliers must be realistic and effective.

UPEI was actively engaged in defending the interests of independent fuel suppliers with regards to the adoption of Council directive (EU) 2015/652 laying down the calculation methods and reporting requirements pursuant to the FQD (Directive 98/70/EC). This directive requires fuel suppliers to report on the greenhouse gas intensity of the transport fuels supplied on the European market. The adoption of default values as the basis for calculating greenhouse gas intensity was a major success, in order to ensure that the reporting requirements of the directive would be feasible. The directive also requires that the "place of purchase" (i.e. the name of the refiner) of fuels is reported. UPEI continues to work towards ensuring a harmonised and workable implementation of this requirement that takes account of the fuel supply chain and access to information by fuel suppliers.

— Sustainable Transport

Consumers will be at the heart of any transition to alternatively fuelled vehicles. As new fuels and alternatively fuelled vehicles begin to enter the market, UPEI welcomes all efforts to ensure that consumers are effectively informed of their options in a transparent manner. Under the directive for the deployment of alternative fuels infrastructure (2014/94), Member States will be

obliged to provide consistent and clear information with regards to the compatibility of fuels with vehicles. In this respect, UPEI has been engaged in the TC 441 committee (European Committee for Standardisation) which is responsible for drawing up standards for Europe wide **fuel compatibility identifiers**. The work of the committee will conclude during 2016 as the deadline for transposition of the directive by Member States is 18 November 2016.

UPEI has been advocating for a system that responds simply and clearly to the requirement for consumer information, without jeopardising fuel supplier's current marketing practices, including for special fuel grades, or the restructuring of the forecourt. The administrative and financial cost of implementation should be kept to a minimum. UPEI also firmly believes that prior to implementation, the proposals should be tested through consumer organisations to ensure that they will meet the original objective.

Another requirement under the directive for the deployment of alternative fuels infrastructure is one to provide consumers with a **direct price comparison of fuels** which are sold in different units. This measure is ultimately designed to encourage consumers to move to alternatively fuelled vehicles by improving their knowledge of alternative fuel prices.

Whilst embracing the objective of this measure, UPEI advocates for a proportionate approach that ensures clarity and transparency of information to the consumer whilst limiting the financial costs of implementation for retail station operators. The priority for the retail station must be to ensure that the price of refuelling a vehicle at a given forecourt is clearly displayed for the consumer. Any comparison of costs between *different* fuel types must not detract from this primary obligation. It is the view of UPEI that a price comparison between different fuel types is a useful instrument to aid the consumer in the decision to purchase a new vehicle. However, the consumer should be made aware of the full cost considerations of differently fuelled vehicles, of which the fuel price is only one element.

UPEI is a member of the European Commission's Sustainable Transport Forum (STF), composed of EU Member States and stakeholders with an interest in the development of a sustainable transport system in Europe. This expert group was created by the European Commission in April 2015, in order to advance the application of the Clean Power for Transport strategy and facilitate the implementation of the Directive on the deployment of alternative fuels infrastructure 2014/94/EU. Within the STF, UPEI also participates as observer in the Sub Group on Advanced Biofuels which will notably address the technical, operational and economic challenges hampering the market take-up of Advanced Biofuels.

— **Payment Services**

Directive 2015/2366 was adopted on 25 November 2015 amending previous legislation on payment services in the internal market. It was an important achievement for UPEI to ensure that the terminology of the directive clearly recognised fuel cards as being exempt from the scope of the directive.

This directive distinguishes between different categories of payment service provider and establishes rules concerning conditions and information requirements for payment services and the rights and obligations of payment service users and providers. **Fuel cards** remain exempt from the scope of this directive in recognition of the fact that they cover only a limited range of goods directly connected to the mobility sector and operate on the basis of a contractual agreement and within a limited network of service providers.

HEATING OIL

Of the more than 120 million heating systems operating within the EU, approximately 20 million run on heating oil. These are often installed in remote areas where there are currently no affordable alternatives due, principally, to the lack of infrastructure connections. This market is predominantly supplied by around 12,500 small and medium-sized independent fuel suppliers.

Oil based heating systems have made significant technological advances in recent years. Modern condensing boilers together with improved quality of fuels (low sulphur and blended bio-components) can achieve up to 30% reductions in heating oil consumption as well CO2 emissions. These are tangible and affordable solutions that can make an immediate difference.

Despite this, there is a trend in some EU countries and regions to ban oil based heating systems. This is a development that UPEI is actively involved in combatting, together with other stakeholders, in the interest of preserving consumer choice and promoting efficient and affordable heating systems. In this context, the recent decision by the Danish authorities to overturn their envisaged ban of oil based heating in existing buildings is welcomed. Such a decision would have limited consumers' choice in terms of heating systems and modernisation options.

Modern condensing boilers can achieve up to 30% reductions in heating oil consumption

COMPULSORY STOCKS OBLIGATION

UPEI welcomes the European Commission's decision to launch a mid term evaluation of directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products. Independent fuel suppliers are directly concerned by this obligation, through compulsory fees as well as in terms of providing storage capacity.

The CSO is a central aspect of Europe's energy security and is well established. UPEI contributed to the ongoing evaluation of this directive with a view to addressing certain anomalies which have come to light that place independents at a competitive disadvantage or which incur sizeable costs without contributing to Europe's security of supply. Work on this will continue in 2016.

TAXATION

Through its membership of the European Commission's Excise Contact Group, which includes Member States & Stakeholders, UPEI has been able to tackle a number of problematic issues which have arisen in the context of EU legislation with regards to excise duties on energy products. This concerns, in particular, goods under duty-suspension and handled through the EMCS, an electronic system monitoring these goods in real-time and ensuring that duties are duly levied at the final destination.

The impossibility to verify the holder of the excise license of every consignee when preparing the electronic Administrative Document (eAD) was solved at the end of 2014. Traders will now be able to access SEED on Europa data (the European register of operators), thus reducing the risk of fraud. This is a major step forward in the fight to minimise fraud risks, in particular for SMEs represented by UPEI, given that they do not have the capital to absorb the cost of tax frauds to the same extent as larger companies.

UPEI also contributed to the European Commission's evaluation of arrangements for the holding and movement of goods under excise duty suspension. This has confirmed the existence of differences between Member States in the way in which certain aspects of the system are administered. UPEI continues to work, together with other stakeholders, to address the need for harmonisation as well as to solve specific issues such as the treatment of shortages and errors in eAD.

Minimising the risk of fraud is key for SMEs to remain competitive

STATEMENTS ISSUED BY UPEI 2015

OCTOBER 2015

Energy Union Governance
– The need for a balanced
and proportionate framework

JULY 2015

The role of heating oil in
a Sustainable Heating Strategy
for Europe

JUNE 2015

Clean and Sustainable Transport

APRIL 2015

The Energy Union Strategy

JANUARY 2015

UPEI announces new Presiding
Board

JANUARY 2015

UPEI raises concern at the intro-
duction of B8 diesel in France

To read the statements in full, please visit:
WWW.UPEI.ORG/PUBLICATIONS



STRUCTURE OF UPEI



EXPERTS



EUROPE'S DEMAND FOR OIL IS A REALITY

UPEI represents European importers and wholesale/retail distributors of refined petroleum products and their alternatives, supplying Europe's customers, independently of the major fuel producers.

Independent suppliers, covering more than a third of Europe's demand, play a crucial role in an evolving market by bringing competition which is vital to the economy. Their independence enables them to respond rapidly to changes in terms of market structure, products and services, contributing to security of supply on a local, regional and national level.

UPEI was created in 1962 with the aim of ensuring a level playing field for the supply of energy on the European market and safeguarding a competitive approach. The organisation brings together national associations and suppliers across Europe.

Today **UPEI** also acts as an informed and responsible partner to Europe's decision-makers on the risks and opportunities involved the transition to a genuine European Energy Union.



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