

27 October 2023

REVIEW OF THE OIL STOCKS DIRECTIVE

Joint FETSA-UPEI Statement

Europe is facing an unprecedented situation due to the invasion of Ukraine by Russia and the subsequent decoupling of Russian energy supplies to the EU. This has shown that there is an **impending need to re-assess the EU framework for compulsory energy storage** in order to upgrade the capacity to address potential future crises.

FETSA, the Federation of European Tank Storage Associations and **UPEI**, the Association of Europe's Independent Fuel Suppliers, therefore welcome the first steps taken by the Commission towards a critical revision of Directive 2009/119/EC (hereinafter the 'Oil Stocks Directive'), in light of the 'Fit for 55' objectives and lessons learned for the energy sector from the ongoing war in Ukraine.

- > **Overall, we believe that the existing EU strategic oil stocks mechanism, effectively co-ordinated with stocks of other OECD countries through the IEA, has helped to ensure security of supply.**
- > For the revision of the Oil Stocks Directive to fully deliver, **future energy carriers and technologies, as well as the new geopolitical realities, need to be considered. We are open to discuss the requirements in terms of the size and composition of stockpiles in the light of recent experiences.**

The Storage and Distribution sectors are key to reinforce Europe's readiness and security of supply. We therefore wish to support the European Commission in its ongoing reflection and provide input to future legislative proposals in this area.

WHAT IS TO-DATE STRATEGIC STORAGE IN THE EU?

Currently, compulsory EU strategic stocks for **crude oil and oil derived products** are implemented through the Oil Stocks Directive of 2009. Under this framework, EU Member States must maintain emergency stocks of crude oil and/or petroleum products to ensure at least 90 days of continuous supply.

However, there are no EU mandated stocks for **gas/LNG**, nor for **alternative energy carriers** such as hydrogen or liquids that can be used to store hydrogen more easily (e.g., liquid organic hydrogen carriers 'LOHCs', ammonia, and methanol).

Although the Oil Stocks Directive covers, to some extent, the storage of biofuels, there are also no EU mandated stocks for **low carbon and renewable liquid fuels**, which could easily offer a substitute for refined products (e.g., synthetic fuels, e-fuels etc.).

WHY DO STRATEGIC STOCKS MATTER?

As the current situation shows, strategic stocks are a key element for ensuring the **security of supply** of energy products and may have, as a consequence, a temporary effect on **prices**, if released during a period of market tightness. In addition, stockpiles are an effective tool to increase the **independence of EU decision making** and reduce the impact of supply cut-offs.

States with large strategic reserves – e.g., 200+ days (China, Japan, USA) – are less exposed to the influence of other countries and thus have greater scope for action in the event of supply disruptions or peaks in demand.

To avoid situations of crisis generated by drastic deficiencies of supplies, strengthening the EU's strategic reserves of current and future energy carriers must be a matter of absolute priority. Without security of energy supply, the security and competitiveness of the EU economy both risk suffering.

OUR RECOMMENDATIONS FOR A MORE RESILIENT EU

To deliver the most efficient and optimal energy storage frameworks, we call on EU policymakers to take the following steps. These will reinforce the EU's ability to cope with current and future supply crises, mitigating the effects of disruptions to energy carriers used both today and in the near future.

- > **Assess the current and future needs for stockpiling based on experience and national specificities, while providing maximum flexibility to each Member State.** Given that energy mix is a national competence (article 194.2 TFEU), and that different needs and possibilities exist according to a Member State's geographic location, geological features, and production/consumption levels, **storage obligations should be demand-led.**

Member States should have **flexibility on both stockpiling requirements and stock release**, both according to their **local needs** and if they are **producer countries**.

We do however recognise that European countries are interdependent when it comes to energy logistics. In case regionalisation of stocks is discussed within the International Energy Agency (IEA), to ensure energy security within regions, such an approach must be the subject of a public consultation and discussion amongst stakeholders. We recommend that a regional regime operates according to regional needs and not according to an IEA-wide policy approach which would create natural tensions between producer and consumer countries.

- > **Expand the list of products for which mandatory strategic storage is required in relation to demand trends.** This should cover **energy carriers in use today that are not yet subject to such coverage** (e.g., natural gas), as well as **those of the future**, while avoiding the creation of obstacles to the development of the market for new energy carriers, such as hydrogen.

A clear vision for the stockpiling of the 'energy of the future' should consider the energy carriers supported by other pieces of EU legislation, including but not limited to **clean hydrogen, e-fuels, green methanol, green ammonia, electricity, batteries, and advanced biofuels**, as defined by the Renewable Energy Directive¹ and by the 'Gas and Hydrogen Markets' Directive.²

¹ The Commission proposal on the revision of the Renewable Energy Directive (RED III) allows to include both new and old definitions, as it amends the definition of RFNBO, but it also refers to [RED II](#) definitions for what concerns advanced biofuels (biofuels that are produced from the feedstock listed in Part A of Annex IX).

To recall, RED III groups under the category of 'renewable fuels': biofuels, bioliquids, biomass fuels and RFNBOs, as defined by RED II. Biofuels: liquid fuel for transport produced from biomass; bioliquids: liquid fuel for energy purposes other than for transport, including electricity and heating and cooling, produced from biomass; biomass fuels: gaseous and solid fuels produced from biomass; RFNBOs: liquid or gaseous fuels which are used in the transport sector other than biofuels or biogas, the energy content of which is derived from renewable sources other than biomass.

² The Commission Proposal for a Directive on common rules for the internal markets in renewable and natural gases and in hydrogen (COM/2021/803 final) defines "clean" hydrogen as 'low-carbon hydrogen', meaning hydrogen the energy content of which is derived from non-renewable sources, which meets a greenhouse gas emission reduction threshold of 70%.

Similarly, at present, biofuels are currently covered by the Oil Stocks Directive when mixed with petroleum products and this approach should be kept.

The peculiarities and technical standards of other energy carriers, especially gas, may also suggest concretizing their mandatory stock in new legislation separate from the existing Oil Stocks Directive.

Overall, the expansion of the stockpiling obligations to energy carriers of the future will help national authorities to tender long-term contracts, making it more reasonable for companies to invest into the modernisation of existing or new storage facilities already today.

- > In line with Articles 7 and 8 of the 2009 Oil Stocks Directive, the revised Directive should **maintain the possibility for economic operators subjects to stockholding requirements to delegate their obligations to other economic operators or central stockholding agencies (CSE)**, like the French Comité Professionnel des Stocks Stratégiques Pétroliers (CPSSP) and the French association of oil operators – Société Anonyme de Gestion des Stocks de Sécurité (SAGESS)³; or the Spanish Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES), and should simplify administrative procedures wherever possible.
- > Accordingly, in the case of a new specific Directive and/or by extending the scope of this Directive to other energy carriers other than crude oil and derived products, **economic operators should be allowed to delegate stockholding obligations for products other than those already covered by the 2009 directive.**
- > **Revise rules on emergency/strategic storage frequently** enough to ensure that the mix of stored product reflects changes in demand levels, and the European environmental and business context. Any such developments should also involve the provision of strategic support from Member States and the EU towards the companies involved in storage and distribution of such stockpiles.
- > **Ensure greater harmonisation in the implementation of the Directive**, including in the definition of products kept as emergency stocks (e.g., linking them with CN custom codes or with definitions provided in other pieces of EU legislation). We note that the current lack of harmonisation also leads to large differences between Member States in the costs of compliance with the requirements of the Directive.
- > **Ensure sufficient public funds are available** to support the investments needed and remedy market failures via public intervention. For example, where no true market exists in the case of future energy carriers, public funding could establish a reserve and incentivise the construction of the necessary infrastructure, subject to a robust cost/benefit and competition law analysis of such an intervention.
- > With regards to any compulsory stocking obligations of current and future energy carriers, **permits should be fast tracked** so that the bulk liquid storage sector can react quickly and appropriately to changing energy storage demand e.g., for gas, hydrogen carriers etc.
- > Other issues to take into consideration are maximum flexibility in the **composition of the strategic stocks** (finished product and source / crude product); ensuring **rapid availability of the stocks; transparency and reporting on storage levels; release mechanisms; full product ownership by governments; and separation of commercial and strategic stocks.**

³ In France, oil operators delegate an increasing part of their strategic stock's coverage to the CPSSP, which ensures that the required emergency stocks are created and maintained. The CPSSP mandated the SAGESS to serve as France's Central Stockholding Entity and to acquire and to maintain France's emergency stocks on behalf of the CPSSP. As of December 31, 2018, SAGESS ensures 73.9% of this coverage through its own stocks.

ABOUT FETSA

Members of [FETSA](#) are businesses engaged in bulk storage and energy infrastructure across Europe. Bulk liquid and liquified gas terminals are present in ports, airports, logistics platforms and along rivers, canals and pipelines. In total FETSA represents 141 companies operating 743 terminals across Europe.

These tank storage terminals provide an essential interface between sea, road, rail, inland waterways and pipeline logistics. They are critical links in the supply chain for energy carriers, chemicals, animal feeds and fats, oils and other substances, helping to balance out supply and demand and ensure companies and consumers have access to these products.

Many tank storage terminals are designated as Critical National Infrastructure by the EU and national governments due to their importance in providing energy to society. The storage capacity represented by FETSA also includes strategic reserves held for emergencies (such as NATO stocks and IEA mandated reserves) and supply disruptions.

ABOUT UPEI

[UPEI](#) represents nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, supplying Europe's customers independently of the major energy producers.

They are the interface between producers and consumers, using their own infrastructure and flexibility to supply existing demand for conventional and renewable liquid fuels, as well as non-liquid alternatives as part of the energy transition. They cover more than a third of Europe's current demand. The organisation brings together national associations and suppliers across Europe.

Independent fuel suppliers bring competition to Europe's energy market and are able to respond rapidly to changes affecting supply, contributing to security on a local, national and regional level. They have developed and maintain a comprehensive infrastructure for the sourcing, storage and distribution of transport and heating fuels, with a commitment to delivering a high-quality service to all consumers, including those in remote areas.

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