UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents

REPORT 2010

CONTENTS

STRUCTURE OF MEMBERS IN UPEI

Belgium:
Union Pétrolière Belge ASBL (UPB),
Vilvoorde
Phone ++32 (2) 2 55 21 80
www.bpu-upb.be

Bosnia and Herzegovina:
Vanjskotrogovinska Komora Bosne i
Hercegovine (BiH), Sarajevo
Phone ++387 33 663-370 / -636
www.komorabih.ba

Croatia:
Croatian Employers' Association –
Oil and Oil Products Trade Association (HUP),
Zagreb
Phone ++385 (1) 4 89 75 55
www.hup.hr

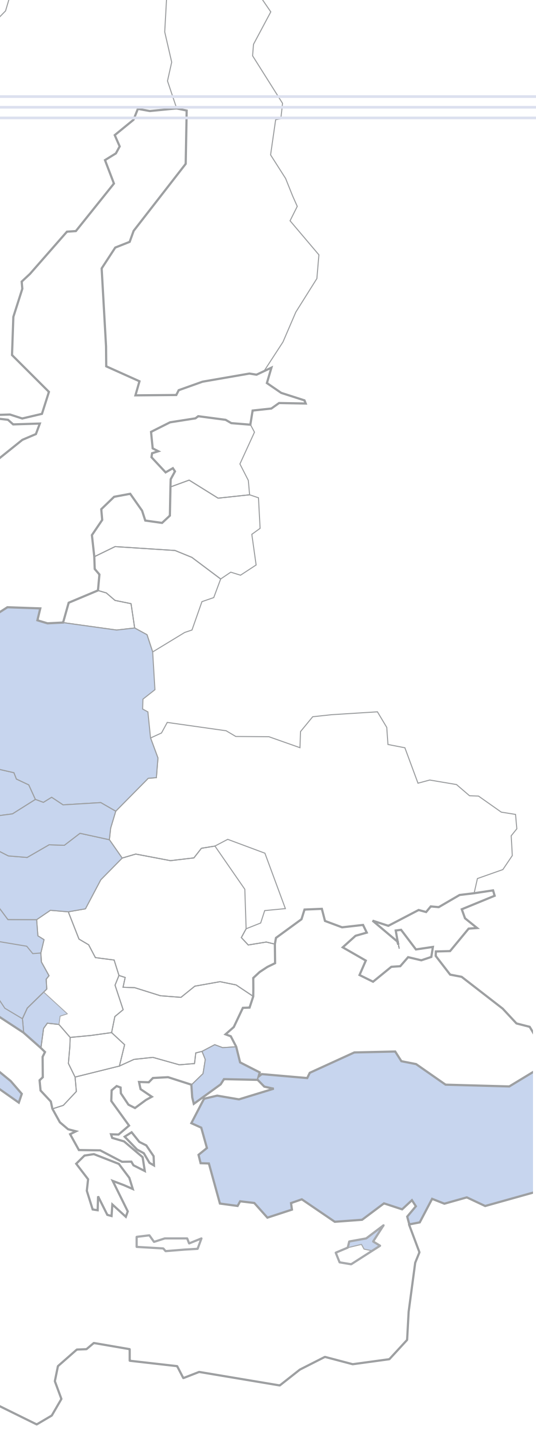
Czech Republic:
Association of Czech Private Petrol
Stations (SČS), Desná
Phone ++420-4 83 38 49 99
www.scscr.cz

France:
Fédération Française des
Pétroliers Indépendants (FFPI), Paris
Phone ++33 (1) 43 87 00 01

Germany:
Aussenhandelsverband für Mineralöl und
Energie e. V. (AFM+E), Berlin
Phone ++49 (30) 22 605 976
www.afm-verband.de

Bundesverband freier Tankstellen e. V. (bft), Bonn
Phone ++49 (2 28) 91 02 90
www.bft.de

Bundesverband mittelständischer Mineralölunternehmen e. V.
(UNITI), Berlin
Phone ++49 (30) 75 54 14-3 00
www.uniti.de



Hungary:
Mabanaft Hungary Kft, Budapest
Phone ++361-4 50 29 60

Italy:
Associazione Nazionale Commercio Prodotti e Servizi Energetici (Assopetroli), Rome
Phone ++39 (06) 6 86 91 56
www.assopetroli.it

Montenegro:
Unija Poslodavaca Crne Gore (UPCG), Podgorica
Phone ++382-20-209 250
www.poslodavci.org

The Netherlands:
Nederlandse Organisatie voor de Energiebranche (NOVE), Rotterdam
Phone ++31 (10) 2 44 38 88
www.nove.nl

Poland:
Polska Izba Paliw Plynnych (PIPP), Warsaw
Phone ++48 (22) 6 37 50 77
www.paliwa.pl

Slovakia:
Spoločenstvo Čerpacích Staníc Slovenskej Republiky (SČSSR), Bratislava
Phone ++421 (2) 58 28 00 11
www.scssr.sk

Spain:
Unión de Petroleros Independientes (UPI), Madrid
Phone ++34 (91) 3 50 90 57
www.upi-oil.es

Switzerland:
Avia International, Zurich
Phone ++41 (44) 4 05 90 10
www.avia-international.com

Turkey:
Mabanaft Energy Ticaret ve Sanayi A.S., Uskudar/Istanbul
Phone ++90 (216) 5 32 25 25

United Kingdom:
The Downstream Fuel Association (formerly AUKOI), London
Phone ++44 (0) 207 182 45 06
www.aukoi.co.uk

Associated Member:
Eurofuel – European Heating Oil Association, Brussels
Phone ++32 (2) 558 52 22
www.eurofuel.eu

UPEI BOARD MEMBERS

From left: Raimundo Baroja, Vice President; Bernd Schnittler, President and General Secretary; Ivan Indracek, Vice President

PRESIDENT'S FOREWORD

The terrible nuclear disaster in Fukushima, triggered by a powerful earthquake and a subsequent massive tsunami, has set people around the world thinking about the direction that energy and climate policy should take in the future. All over the world, the question is being raised – with varying intensity – as to whether nuclear power generation can continue to play the role that was assigned to it as an energy source free from carbon dioxide emissions in the context of climate protection and the substitution of coal. At least its renaissance, recently welcomed by many, seems to have been stopped. Not all countries will be able to follow the German example of a rapid phase-out of nuclear power. In some regions the role that nuclear power plants play in the supply of energy is far too important to allow them to be dispensed with in the foreseeable future. But all over the world the years ahead will see changes in the composition of the energy mix that is to meet future demands.

With a changed energy mix the question arises as to whether the European Union will still be able to continue pursuing its energy and climate strategy under which energy demand is to be reduced by 20 percent, energy efficiency increased by 20 percent, and the share of the energy balance due to renewable energy sources is to rise to 20 percent. If nuclear power becomes less important, the calls for "no more coal, phase out oil" will grow less vociferous.

However, there is a broad consensus that Energy consumption should be reduced by approving efficiency and that the 20-20-20 targets need to be achieved. There is also a consensus that these goals are to be extended to the years 2030, 2040, 2050 in a subsequent strategy. Clearly, there will be a change of paradigm.

This is a situation that calls for the qualities of SMEs: innovative strength, flexibility, the ability to take rapid action, and knowledge of the local market. These are the qualities that have enabled SMEs in Europe to achieve a share of up to 45 percent of the petroleum market in certain Member States in response to the diminishing integration in the petroleum industry and the associated withdrawal of the majors from oil refining, and even more so from selling petroleum to end customers.

The European economy is characterised by small and medium enterprises with a broad business base. UPEI seeks to serve as a bridge between its members in the European Member States and the European Commission. The aim is to bring about more transparency and cooperation.

Whatever changes take place in the business environment of the SMEs and whatever new problems arise for SMEs, there are still a number of existing problems that have yet to be solved. For a resource-poor continent like Europe, security of supply will always continue to be an issue. In the case of petroleum, the security of supply has improved. Fresh oil deposits have been developed in new countries. Modern exporting refineries have gone into service. The number of procurement opportunities has grown, and the competition on the market is ensuring that this diversity is actually being exploited.

This became evident when oil exports from Libya dried up without leading to any shortage of oil in terms of volume. A similar trend has been seen on the gas market with the increased availability of liquid natural gas (LNG). Unlike oil there are no permanent emergency supply precautions in the case of gas which however has to be developed.

In the biofuels sector the anti-dumping tax against imports from North America succeeded in preventing distortion of the market, but final solutions have yet to be found for dealing with attempts at interventionist measures in favour of national biofuel producers in individual Member States, and also the sustainability certificates system. Both these factors are obstacles

to trade, as is the lack of standardisation of products and energy taxes, to mention only a few examples of issues that will continue to concern UPEI and its members. To these must be added the proposal that energy sources should in future be taxed on the basis of their energy content and their in-use greenhouse gas emissions, and the road map for a single European transport market.

The more UPEI's members are motivated and committed to playing an active part in its activities, the more successful UPEI will be. This is the purpose of the regular meetings of the new Board which has been in office for a year. Participation in working groups has been organised for specialised issues, for example the "Berlin Forum", carbon capture and storage (CCS) techniques, future transport fuels, EMCS or the White Paper on Future Transport.

In response to the growing importance that the European Commission and the European Parliament are attaching to global and hence European energy and climate policy, UPEI has moved its headquarters to Brussels, where it has opened a new office. There UPEI will be able to communicate more closely with the Commission and the Parliament and to make it clear to European authorities and legislatures what UPEI members are capable of doing if they are allowed to act unhindered by politicians and distortions of competition.

Without communication, without sharing a wide range of experience with our partners in the industry, and without meetings with European policymakers in the field of economics and taxation, our work is inconceivable. I should like to thank all those who support us, and I wish all readers an interesting time reading our members' country reports. And last but not least, I want to encourage all those concerned to continue their dialogue with us: Together we can move in the right direction.

Bernd Schnittler
President

Union Pétrolière Belge (UPB)
Belgische Petroleum Unie
Belgian Petroleum Union

Belgium has still no government for more than 300 days.

Facts

The Platt's European Market Scan has always been the basis for the calculation of the maximum sales price. Due to serious discussions between the Belgian government and Platt's the reference used for the calculation has been changed to Argus. Some transactions still use Platt's as a reference, but not the maximum sales price. This is the cause of some disruptions in the Belgian market. Argus reflects the transactions done during the entire day, whereas Platt's only reflects transactions done during a 30-minute period (between 5 and 5:30 pm).

"Bio"

The court case between the UPB and the Belgian government has moved on. The Constitutional Court has asked two prejudicial questions to the European Court of Justice. This means that the Constitutional Court thinks that the Belgian bio law is not correct, as the Court believes that the law is not in line with the European directives. With this in mind, we have brought a claim against the first judge, as he did not ask those questions and therefore we are losing a lot of time. By doing so we expect that the decrees applying the bio law will be suspended until the Constitutional Court has received an answer from the European Court of Justice and has pronounced its advice concerning our case. Our lawyers are fairly sure of obtaining the first decisions for this claim in early June.

RED Directive

Given the fact that there is no government, the RED Directive from the European Commission has not yet been transposed into Belgian Law. According to information gained from the energy administration, a text should shortly be ready to be signed.

Heating Oil 1,000 ppm

Exxon Mobil has decided to stop production of 1,000 ppm heating oil at the Belgian and Dutch refinery as from 1st April 2011. This has caused an imbalance in the Belgian market. Distributors who were ExxonMobil customers were forced to source their purchases elsewhere in the market.

Figures

Sales figures for the year 2010/2011 (starting in February to January) compared to 2009/2010 show a much colder year (2010/2011) resulting in a slight (+3%) increase in the volume of heating oil. During the same period, volumes of diesel oil probably decreased about 1%. These figures are estimates, the exact figures are not official yet.

Gasoline prices increased by 9.5% over the same period, 17% for diesel oil and 28% for heating oil (excluding VAT).

Croatian Employers' Association (HUP) Oil and Oil Products Trade Association

Development of the energy market

In October 2009 Croatia adopted a new Energy Development Strategy for the period up to 2020.

The strategy is based on an estimated annual increase of 3.1% in energy consumption. It deals with the construction of an LNG terminal, the connection of Croatian and Hungarian gas networks, investments in underground storage of natural gas, reconstruction of refineries, ensuring 90-day oil supplies by 2012 and the Družba Adria project as well.

The increased use of renewable energy sources is one of the key assumptions of EU sustainable development in the energy sector and in fulfilling the request of decreasing greenhouse gas emissions. In its energy strategy, Croatia has accepted the basic EU guidelines in that area including the alignment with the relevant EU regulatory framework simultaneously with the EU member countries.

In the area of security of supply the establishment of the mandatory 90 days of emergency oil stocks is in progress – Croatia has adapted its plan for security, formation and replenishment of mandatory stocks of oil and oil products and for storage and regional distribution to harmonise it with the new Oil Stocks Directive. In May 2010, the oil stocks management agency signed long-term storage contracts for 480,000 m^3 of crude oil and 120,000 m^3 of petroleum products. These contracts will allow for the construction of new storage capacities in Croatia.

Renewables

Croatia adopted the National Renewable Energy Action Plan in June 2010, as foreseen under the new Renewable Energy Directive. A National Action Plan for promotion and use of biofuels in transport (2011-2020), as well as most of the legislation regulating the introduction of biofuels in transport on the Croatian market has been adopted and its implementation started with the collection of subsidy fees for biofuel producers.

Contrary to widespread EU practice in promoting the use of biofuels through excise tax incentives (tax differentiation or tax exemption of blended and pure biofuels), the Croatian regulator introduces an economic model with the following key elements:

- No excise duty incentives/exemption for blended biofuels – only pure biofuels are exempt from excise duty
- Promotion of use of blended biofuels through regulated price of domestically produced biofuels (at the level of regular fuels – gasoline and diesel averages of Platt's CIF Med quotations) for distributors in Croatia
- Subsidy for domestic biofuels producers to compensate for the difference between market price and regulated price for distributors – subsidy funds to be generated from the fee charged in the price of every liter of gasoline and diesel sold on the domestic market (similar to compulsory stockpiling fee model).

Consumption

The consumption of oil products for the last year is as follows: motor gasoline 670,000 tons, diesel fuels 1,463,000 tons, gasoil 254,000 tons, jet fuel 51,000 tons and heating oil 249,000 tons. In total, 2,687.000 tons.

The Croatian National Action Plan to encourage Production and Use of Biofuels in Transport for the period 2011-2020 stipulates the following national targets for putting biofuels on the Croatian market in the next 10 years:

Year	% of Biofuels (energy share)
2011	0.91
2012	1.23
2013	1.45
2014	2.08
2015	3.31
2016	4.71
2017	5.99
2018	7.12
2019	8.23
2020	9.18

The regulation on promoting the production of biofuels for transport defines the way for stimulating the production of biofuels for transport, the types of biofuels which are encouraged, the method of determining the size of cash incentives and benefits to boost biofuels production, billing, payment and usage fees, and the powers, duties and responsibilities of the Croatian Energy Market Operator. In 2011 the achievement of the target will have to be implemented through biodiesel due to the lack of production of bioethanol in Croatia. The total domestic production capacity for biodiesel is some 64 kt/year. New investments in biofuel production in Croatia are expected in the next couple of years.

Electricity Market

Although Croatian energy law allows for independent producers to operate, HEP (Hrvatska elektroprivreda d.d.) is still the country's only electricity company (with the exception of a wind farm). With the transposition of the Third Energy package into the Croatian regulatory framework, it is expected that market liberalisation will slowly pick up in practice.

SME sector situation

The Croatian market is becoming more competitive, which is encouraging for the consumers. However, since 2009 it has been decreasing due to the belated effect of the financial crisis which has seriously damaged our region in 2010.

There are 169 independent traders that possess some 20% of the total number of filling stations. The market is relatively well structured but has oligopoly characteristics since four companies have a market share of 75%.

Croatia has adopted new amendments on the regulation of conditions for performance trading of goods with large impacts on the economy and business community. The minimum storage volume has been reduced from 500m³ to 300m³. Liberalisation of this aspect has contributed to the increase in the number of companies dealing with wholesale oil products to eight companies.

Results of activities from our association and member companies

Since the Association is a social partner in the Economic and Social Council, it has participated in all activities linked to presenting the members' interests in the process of creating new legislation regulating the oil and oil products market. Since the issue of margins was one of the activities last year, the Association has made a comparison of the margins in the EU with the assistance of UPEI.

The Association has strongly articulated members' interests and activities using public media. It has established good cooperation with EUROFUEL through continuous publication of articles on liquid oil and European system of heating based on multi-energy hybrid resources.

In addition, the activities were also aimed at contributing to long-term education in the Working group of the Croatian Qualification Framework to create a competitive business environment based on mobile competences in this sector.

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

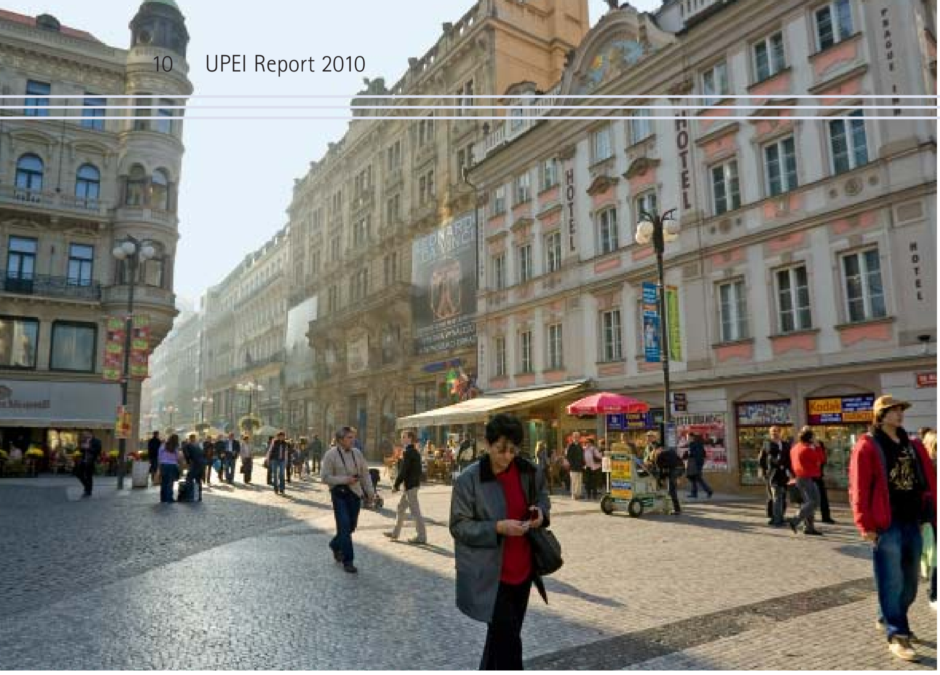
Changes of acts

A new amendment of the "Fuel Act" has come into force in mid-April 2011.

Key changes:
There is a new obligation for wholesalers to register. Until recently, there have not been any regulations for starting activity in the oil business, nor has there been any obligation to have special trade licences. Selling to or buying from a non-registered company will now be prohibited under severe penalty. At minimum, this new registration gives authorities an opportunity to control who can be involved in the trade, which is an important factor in the "battle against fraud". This part of the Fuel Act was proposed, written and passed with prominent SCS involvement.

A list of petrol stations where inadequate fuel quality has been discovered will be published regularly every month. There is a state agency organised quality monitoring, with about 2,000 samples checked per year. The typical "quality inadequacy" discovered is a lower flash point of 45-53°, which represents 90% of all issues discovered. Giving information to the public about bad quality fuels is a beneficial activity, but regrettably, the state agency is not permitted to comment upon the results, and customers are not able to separate serious quality issues from marginal and irrelevant cases. The blacklist therefore indiscriminately reveals minor "technical issues" offenders alongside serious cases of petrol blending. The Minister of Industry says that commenting upon and interpreting the "black list" is the sole responsibility of companies or associations. According to the Minister, the associations can do it "at their own risk!", as the Ministry is afraid of possible lawsuits by the serious offenders or in cases of misinterpretation of the test results.

A list of all petrol stations will be publicly accessible (until now it has only been an internal database of the Ministry of Industry).
An amendment of the "VAT Act" came into force on 1 April 2011. These are the key changes touching on the oil business:
- Reverse charge model, referred to in our previous reports, is regrettably not a part of this act (see next point).
- VAT reimbursement – companies have a right to have the VAT they have paid



reimbursed in case of bankruptcy of its customer (applies to unrelated companies, up to 180 days before the insolvency was approved by the court).
- VAT liability – companies are liable for their suppliers' non-payment of VAT where they know, could know or should know that VAT would be not paid. This liability will apply for example in case of buying products at unjustifiably low prices.

Additional changes either in VAT or excise duty legislation are under preparation; in both cases the government intention is stopping or limiting fraud.

Excise duties

Czechia does not have competitive prices compared with the rest of the Central European market. Because of these high prices (caused by high levels of taxation), the market is no longer attractive for transiting customers and the volume of tank tourism has plummeted as well. So far, SCS activities aimed at decreasing the excise duties have not been successful. The decision makers' position could be described as "we completely agree with you, but there is no political will to carry out the taxation changes". We have not identified a source of this negative "political will" yet, because everyone seems to agree with our proposition of decreasing excise duties.

Fraud

Oil associations, the Ministry of Finances and the Customs Office arrived at an estimate of 300 million Euros per year for the current scale of fraud. This represents approximately 15% of all products sold in the market and nearly 40% of products sold by other market players.

The role of those companies involved in this "business" is not illegal, but unethical. They are well informed about the situation, but as they make substantial money from this trade, they are not willing to reduce it (their selling price to Czechia is a few cents higher than the common market price in Austria).

Currently, the most common source of fraud is avoiding VAT payment for oil products imported from other EU countries.

There are some smaller similar sources in Slovakia and Germany.

Also serious VAT frauds are reported from the Estonian market, and it seems that the Slovak market is infected as well.

Reverse charge

Last February Czechia sent a request to the EU Commission to allow the VAT "reverse charge" system on fuels. Here are the arguments which we got from the Czech negotiating team:
- A decision about such tax exemption must be approved by all 27 states, but there are some that do not want to accept it (France).
- There is a feeling that the problem is not so serious.
- There is a fear that fraud will "infect" other countries after reverse charge introduction in Czechia. That has however already happened. There is a similar situation in Estonia and Slovakia now, but it might be also present elsewhere, albeit not yet visible. In Czechia, the frauds were discovered by market players and associations, not government agencies. It happened because fraudsters sold products for unrealistically low prices. If they charged "normal" prices, no one would have discovered the fraud.

UPEI sent a letter to the Commission/DG Tax to support introducing reverse charge in the Czech market.

Fédération Française des Pétroliers Indépendants (FFPI)

Deliveries for 12-month period to the end of March	2011	2010	Change
Super fuel (m^3)	10,862,567	11,393,036	- 4.7%
Share of SP95-E10	12.94%	8.99%	
Diesel oil (m^3)	40,284,880	39,032,044	+ 3.2%
Domestic fuel (m^3)	15,083,613	15,074,862	- 0.18%
Heavy fuel (t)	2,000,005	2,073,203	- 3.5%

The share of independents is estimated at approximately 12%.

Biofuels: E10

Sales increased from 9% to 13% of total sales of supers.

Off-road fuel

The text was published on December 10, 2010.

Non-road diesel is a diesel with sulphur content reduced to 10 ppm for some agricultural machinery and buildings and public works machines. For winter conditions it meets the same requirements as diesel. It can contain up to 7% of esters.

It replaces domestic fuel oil for these uses according to the following schedule:

- January 1, 2011: authorisation on the market
- May 1, 2011: obligation for all agricultural and forestry machines but tractors
- November 1, 2011: requirement for all listed applications.

French "white certificates"

The second three year period system of energy saving certificates started on January 1, 2011. The cost of this system is very important and the commercial and administrative workload is heavy.

Various subjects

BP has sold almost 400 service stations to DELEK France.

The refineries of FLANDERS in the North and REICHSTETT in the East of France have been shut down.

Aussenhandelsverband für Mineralöl und Energie e.V. (AFM+E)
Bundesverband freier Tankstellen e.V. (bft)
Bundesverband mittelständischer Mineralölunternehmen e.V. (UNITI)

In 2010, German energy policy was primarily concerned with the role that nuclear power has to play in the future. The government decided to phase out production of electricity from nuclear power plants until the end of 2022. The motto was nuclear power as a bridge to a world which would be dominated by renewable energy sources. Clearly, the nuclear disaster in Japan in the spring of 2011 has added fresh fuel to this debate. In all probability, the explicitly anti-nuclear attitude of large sections of the population and the political parties will lead to a change in German energy policy with a move away from nuclear power. However, three core issues still remain unresolved: what energy sources in particular are to replace nuclear power, what effect will a short-term phase-out of nuclear power have on greenhouse gas emissions in Germany, and what period will be allowed for the change to take place (cost issues and legal issues)?

The German economy has recovered surprisingly fast from the deep recession of 2009. In 2010 the gross domestic product grew by 3.4 percent. In 2011 the situation will continue to improve, though more slowly.

The economic upswing and low winter temperatures resulted in a marked increase in the consumption of primary energy by 4.1 percent to 459.3 million tonnes of coal equivalent (TCE). Petroleum sales also increased in 2010. They were 1.5 percent up on the year before, at 105.7 million tonnes. In the motor fuel sector, increased goods transport resulted in an increase in demand for diesel fuel. Sales of diesel rose by 3.9 percent to 32.1 million tonnes. By contrast, the decline in demand for motor gasoline which began some years ago was maintained in 2010. Sales fell by 3.0 percent to 19.6 million tonnes.

The retail outlet sector remained constant at around 14,700 filling stations. The number of filling stations belonging to independent SMEs increased further to around 6,800. The market leader in the German filling station market is the BP subsidiary Aral with a share of 23.5%, followed by Shell with 22%.

Towards the end of 2010 the German oil companies started preparing to introduce a premium petrol with an ethanol blend of up to 10 percent. Initially the main thrust was in eastern and southern Germany. However, as it became clear that the new grade Super 95 E10 was not popular with the consumer, the refinery companies stopped the distribution of Super 95 E10 in northern and western Germany. Although 90% of all petrol cars can run on this fuel, motorists are extremely worried about the possibility of damage. Consumer rejection of this fuel has become a political issue in Germany. It now seems likely that instead of a 2-grade structure (Super 95 E10 and Super Plus) it will be necessary to implement a 3-grade structure, namely Super 95 E5, Super 95 E10 and Super Plus.

On the heating market in Germany, light heating oil – which retail customers obtain almost exclusively from independent petroleum companies – is the second-largest fuel. Sales of light heating oil reached 21.0 million tonnes, which was 2.3 percent up on the figure for 2009. At the end of the year the newly introduced low sulphur quality became the main grade.

In the long term, however, demand for heating oil can be expected to decrease further.

Mabanaft Hungary Kft

The state of the fuel wholesale market in Hungary in 2010

Political and Economic Environment

The government ruling since April 2010 started to balance the budget in the fastest way possible and started to reconfigure the main legal framework around the economy and society. The known policies and their communication were not an ultimate success either in Hungary or in the EU.

The life of the fuel sector was mainly influenced by a new statute which was issued in 2010 and will also be in effect for the next 2 years.

This is part of the above-mentioned balanced budget: the introduction of the so-called solidarity tax. In a completely unexpected way the Hungarian Parliament adopted a law based on which the fuel sector has to pay a so-called solidarity tax for the whole year of 2010 (retroactively).

Unfortunately this not only meant that most of the fuel wholesale market players lost their yearly results, but also they were in the red for the year.

Infrastructure

There were no major changes in the Hungarian fuel wholesale infrastructure during 2010. The leading company is still MOL, who also own the only refinery and a further 8 depots in the country. The organisation administering the country's strategic fuel and natural gas supplies, the Hungarian Hydrocarbon Stockpiling Association owns a total of 7 fuel depots:

- Tarjánpuszta (H+R.),
- Mád (Mád-Oil),
- Budapest – Csepel (OMV),
- Budapest – Csepel (Oiltanking),
- Dunaföldvár (Lukoil),
- Baja (W.W.Impex),
- Bodaszőlő (Kiss-Oil)

Quality

The Hungarian Fuel Standard remains in full accordance with the European Standards.

Biocontent

The biocontent level increased from the previous 4.4 volume percent to 4.8% in 2010. Biocontent is compulsory, which means that fuel types which do not have any biocontent are considered non-standard.

Blending possibilities: fuels purchased from MOL as well as those imported from the EU or even from outside the EU already come into the country with the required biocontent. At the moment there are two companies with blending permits, excluding MOL. However, the need for blending – because of the above reasons – is not significant. One important recent development is compulsory verification of the origins and sustainable production of the biocontent. The statute governing this came into effect on 1 January, 2011.

Market players

On the wholesale market the following – previously present – players are active: In addition to MOL, there are OMV, Eni, Lukoil, and Mabanaft.

Shell – because of the introduction of the solidarity tax – no longer has any wholesale activity. The number of players in small and medium-sized companies is quite small: 2-4. MOL's market share fluctuates between 80-90%, depending on the time of year.

Price trends

There are no changes in this area. The Hungarian wholesale market adjusts its pricing to the market leader, MOL's prices. In turn, MOL prices are mostly governed by Platt's European Markets CIF Med subscriptions. This pricing – theoretically – makes it possible that any market player other than MOL could import fuel into the country with some profit, including transportation and storage costs.

During 2010 the pressure that MOL exerted on the market was constantly fluctuating by suppressing the difference between its own wholesale prices and that of Platt's quotations. The situation was exacerbated by the major fluctuation of the HUF/USD exchange rate. (Due to various political developments the forint weakened then regained its strength.)

Entry opportunities

Based on the above, it is fair to say that there are no legal or logistic restrictions on a new player entering the Hungarian fuel wholesale market.

Associazione Nationale Commercio Prodotti e Servizi Energetici (Assopetroli)

In 2010 Italy has shown no more than a weak recovery from the international economic crisis of 2008-2009. Italian energy consumption in 2010 is estimated to be equal to 177.7 Mtep compared to 128.3 from the previous year, making up less than a quarter compared to 2009.

A source analysis stresses that the increases are related mainly to gas consumption (+6.3%), coal (+4.5%) and renewable energy (+0.4%), whereas imports of electricity show a countertrend (-2.3%), mainly that of oil (-2.4%). In 2010 the oil share decreased to 40.3% compared to the 50% of 2000, it nevertheless remained the main source of energy for national needs.

Altogether, the decrease in oil demand in 2010 was 1.8 million tons: from 2004 the drop verged on 20 million tons (-18.1%). The demand for fuel dropped to 800 thousand tons (gasoline and diesel), a decrease of 2.2%; gasoline registered the lowest level in the last 30 years.

Exports

In 2010 exports showed an increase of 9.4%, which counterbalanced the drop in internal consumption. The most exported products were diesel (+15%) and gasoline (+14.9%).

Imports

Imports of crude are increasing (+3.2%). In the first 11 months of 2010 they saw an upswing in the Middle East area, with 33.9%, followed by the African continent (31.9%) and the former USSR (31.7%). Libya with 16.4 million tons was the main provider for Italy.

Refining

Thanks to exports the national refining system could counterbalance the negative trend in consumption (-2.4%), greater than in other European countries. In fact, consumption in Italy went down by 18 million tons in the last 6 years, and in 2010 alone the decrease came to 2 million tons. Refining capacity in 2010, in 16 facilities, was 107 million tons with utilisation of facilities at only 84%, an increase of 2% compared to 2009 but still smaller in comparison with 92% in 2008 and 100% in 2005.

Compared to today's production rate there is a surplus of about 10 million tons. Taking into account the probable evolution in oil consumption, in the next years we forecast a surplus capacity of between 15 and 20 million tons, that is to say the same as 3 or 4 medium-size refining facilities.

Nevertheless the future of refining does not seem to be a priority of industrial politics in our country. The year 2010 confirmed that the present crisis is a structural one requiring decisions and target interventions that cannot be faced on a national basis alone.

The industrial sector is aware that, taking into account the ability to stay competitive in the international panorama, a lot of resources will be required in order to face the structural change in demand, in new crude qualities and in environmental regulations, which will be stricter both on product specifications and on industrial emissions.

In the period 1997-2009 the Italian industry invested almost 17 billion euros, of which 60% went into environmental improvement of production cycles. Another 5 billion euros is planned by 2012. To back up this project it is necessary to maintain a stable and predictable legal framework.

Prices

Concerning prices it has to be stressed that the cost of crude in euro per barrel has increased by 38% in 2010, reflecting and amplifying the increase of import costs in dollars (+30%), following the weakening of the euro. In particular the industrial price of gasoline increased by 10.8 cents euro/litre in 2010 compared to 10.3 cents for Platts, while diesel oil increased by 12.4 cents against 11.6 cents for Platts. The average industrial price of diesel was 1.6 cents euro/litre higher than that of gasoline.

Concerning the "Italian distance" from the euro area, in 2010 the difference from Europe for gasoline remained at 2009 levels, that is to say 3.6 cents euro/litre, while for diesel it dropped from 3.5 to 3.1 cents. The lowest figures were 1.9 cents euro/litre for gasoline in January and 2.1 for diesel in October.

Despite the consumption decrease, the increase in international oil brought an increase of about 6.5 billion euro in the oil bill, which in 2010 was estimated at around 27 billion euro (+32%), with a share on the national gross product of 1.7%.

The energy bill in 2010 was estimated to be around 51.7 billion euros with a tax increase of 9.3 billion compared to 2009 and a share of 3.3% on the NGP (it was 2.8% in 2009). In 2011 the energy bill should be around 60.4 billion euros, following the forecasted recovery of consumption and the increase in prices for the different sources.

The fiscal output of mineral oils in 2010 was about 34.3 billion euros, with a decrease of about 1.7% due in particular to minor excise duties (-6.2%). The smaller income from excise duties was about 1.5 billion euros, of which 500 million was for gasoline alone. Concerning VAT alone, in 2010 it has to be said that there was a global increase of 900 million euros (+8.3%) due to the amplifying effect that this tax has on prices during the increasing phase.

Environmental aspects

The environmental aspect is a critical element for the oil sector and for the oil industry in particular because of various obligations to be fulfilled with no certainty about the timetable, because of a legal framework which is quite unclear.

The fuel retail network

Also in 2010 the fuel retail network was at the core of legal attention; this started a comparative procedure including consumers aimed at creating guidelines for a reform concerning a lowering of system prices.

This process started in the first months of 2010 with the creation of thematic tables at the Ministry of Economic Development that led at the end of July to the definition of measures which did not find any support from associations of pump managers who saw their role in danger.

The oil industry is still convinced about the need for a shared reform of the distribution system that allows a reduction of sales points, an increase of average supply and a spreading of self service and of non-oils as in the rest of Europe.

Nevertheless it has to be said that today in about 10,000 facilities (out of the existing 22,900) you can find prices equal to or even lower than the European average. Therefore it is not possible to talk about one single national price, because even in Italy there are already a number, at least as many as the domestic micro markets at the facilities, also considering the different levels of fiscal regulation in local administrations (7 regions out of 20 introduced additional taxes of 3 cents euro/litre on fuels).

The Ministry of Economic Development has recently signed a decree for the creation of a Price Commission.

Biofuels

In Italy the law has fixed a minimum of 1% for 2007 and 2% for 2008 of bio on total marketed fuels. The minimum compulsory rate for 2009 increased by 3%, while blended dues for the years 2010, 2011, 2012 were fixed at 3.5%, 4.0% and 4.5% respectively.

In the years from 2007 to 2009 the biofuel put to use, mainly bio-diesel, was fiscally assisted. From 2011 incentives are not allowed any more. The use of biofuels has a significant economic impact, both for necessary investments in the logistic and distribution systems (mainly for bioethanol) and for the major cost of these fuels compared to fossil fuels.

It must be considered that today the vast majority of biofuels used in Italy are imported, both from EU and from non EU countries. During 2009, of about 1,200,000 tons of biofuels needed to meet the requirement (mainly biodiesel), only 30-50,000 tons came from national sources.

With the transposition of Regulation 2009/28/CE by Law No. 28 of 3 March 2011, the minimal share of biofuels for the years 2013 and 2014 has been raised to 5%, with incentives for those from Europe compared to fuels coming from non-EU countries. The transposition decree of Reg. 2009/30/EC on sustainability criteria for biofuels is awaiting publication.

EMCS (Excise Movement Control System)

The European project of computerisation of the excise control system started in Italy on 1 January 2009; from 1 January 2011 the new procedures are also applied to document of transportation of DAA products in stock. From 1 January 2012 the transitional period will end with computerisation of all other documents not yet due to be tracked and transmitted by electronic files.

Increase of tax on gasoline and diesel

A new excise is to be added to a long list of Italian historical excises, from the war in Abyssinia to the Suez crisis tax: an excise for "interventions in aid of culture". The increase of excise decided by Government entered into force on 6th April last year by Decree No. 34 of 31 March 2011 and has proved that fuels are an endless source of funds for public expenditure!

The reform in this field, which has been under discussion for months and concerns the decrease of consumer prices, seems to have been a mere intellectual exercise! The Decree foresees more changes – certainly not decreases – for the coming 1 July, for 1 January 2012 and for 1 January 2014.

Nederlandse Organisatie voor de Energiebranche (NOVE)

Sales of fuels in the Netherlands stabilizing

The growth in sales of fuels for road transport use in the Netherlands has stopped. This is the conclusion of NOVE, the association for independent fuel suppliers, after receiving the latest figures from the Central Bureau of Statistics. While the number of vehicles saw a growth of 2.9%, sales of fuels dropped slightly in 2010 compared to 2009.

NOVE states that the decline of fuel consumption is caused by effective fiscal measures by the Dutch government, which stimulate people to buy smaller, more efficient cars.

Members of NOVE however see an increase in sales. This is caused by the high prices for fuel. The public is looking for cheaper alternatives and this is the typical segment a lot of NOVE-members are operating in. We also see a withdrawal of the majors in retailing. This also opens up opportunities for the independent retailers.

Another development is the steady progress of biofuels and the progress of alternative energy sources such as green gas, LNG and electricity. NOVE is actively involved in a couple of these developments. One example is Green4Fuel, a project where biomass is gathered to produce green gas for road use.

x 1,000l	Dec-09	Dec-10	+/-	Year 09	Year 10	+/-
Diesel	626,978	608,258	-2.3%	7,632,501	7,634,133	0.0%
Euro95*	461,595	443,937	-3.8%	5,477,904	5,498,288	+ 0.4%
LPG	49,632	46,015	-7.3%	624,284	583,387	- 6.6%
Total				13,734,689	13,715,808	- 0.1%

*excl. super plus lead free
(source: Central Bureau of Statistics)

Polska Izba Paliw Płynnych (PIPP)

The Polish Chamber of Liquid Fuels, as the organisation uniting Polish private entrepreneurs in the fuel sector, gives a short description of four main topics that have become the biggest concern for the Polish fuel sector at the present time.

Price Policy of PKN ORLEN S.A.

PKN ORLEN S.A. is the biggest Polish fuel company with state capital active at all stages of production and trading, including wholesale and retailing. Using its extensive organisation PKN ORLEN S.A. is able to offer very low retail prices unattainable for subjects not related to PKN ORLEN S.A. In connection with growing prices of the products, only PKN ORLEN S.A. and related entities could offer products below 5 PLN/litre, whereas unrelated petrol stations had prices at the level of 5.10 - 5.15 PLN/litre. Such disproportion justifies the view that as far as price policy is concerned, PKN ORLEN S.A. with its dominant position is using dumping prices and/or margin squeezing measures in order to limit free competition. The Polish Chamber of Liquid Fuels has initiated proceedings at the Office of Competition and Consumer Protection.

Excise

The Polish Excise Act dated March 2009 introduced a reduced tax rate for diesel fuel oil used for heating purposes. In order to lower the tax assessment the seller is obliged to prove that the oil was sold for heating purposes, documenting the deal with an appropriate buyer's declaration.

Currently, the Polish Chamber of Liquid Fuels is struggling to change the Excise Act and the excise control procedure in order to facilitate trading with heating oil. In the past few months a significant change in the approach of the organs and officers has become visible. Their attitude is less radical as they enable corrections to the submitted documentation during the control process. In respect of this problem Polish Chamber of Liquid Fuels filed a complaint to the European Commission as the binding regulations might violate European legislation.

Legalisation of Fuel Tanks

The Polish Central Office of Measure states that all fuel tanks located on the petrol station area are subject to legalisation procedure. The Polish Chamber of Liquid Fuels takes the view that this approach is not correct as it does not have any support in the regulations. Furthermore it burdens the entrepreneurs with additional costs, as at least two separate legalisations are required for the same sale system, one for the tank and one for the fuel pumps. At this stage the Polish Chamber of Liquid Fuels is negotiating with the appropriate state organs to amend the competent regulations.

Transportation Limits

As a transit and EU border country Poland meets many problems resulting from its geopolitical location. Polish regulations regarding uncontrolled private import of fuels from eastern block countries are liberal – setting a limit of 600 litres for each car. Thus these imports strongly influence the position of Polish businesses in the fuel sector. Cheap and unverified fuels mostly from eastern neighbours are sold without required taxes and beyond the national procedure. This situation not only supports the growth of the black economy but also decreases the profit of the entrepreneurs and the State Treasury. Our Chamber is requesting amendments to the appropriate acts to introduce lower limits for such uncontrolled imports.

Summing up the situation of the Polish fuel market, it is stable and all problems result from new policies of the government bodies. The above descriptions reflect only the most current problems; however the Polish Chamber of Liquid Fuels deals with a variety of other concerns obstructing the work of fuel market entrepreneurs.

Presentation of all problems that we have recently come across would be excessive, nevertheless this short report should provide general information on the situation of the Polish fuel market.

Spoločenstvo Čerpacích Staníc Slovenskej Republiky (SČSSR)

In 2010 the Slovak oil industry and trade partially extricated itself from the impacts of the global economic crisis which hit bottom in 2009.

After a slight demand surplus in 2009, consumption of oil products increased thanks to strong sales of diesel oil with the ultimate price lower in comparison to the neighbouring countries in 2010. Development was also affected by the essential decreasing of the tax burden on diesel from February 2010.

In 2010 both key motor fuels – diesel and petrol with bio-component admixture – were sold in Slovakia for the fourth year.

From October 15th the share of bio-components ETBE (Ethyl-tert-butylether) and MERO (rapeseed oil methyl ester) in motor fuels declined from 5.75% to 3.7% of energy content. In general, fuels with added bio-components were accepted by motorists in Slovakia without any comments. In many European countries bio-components in fuels have a higher quota than in Slovakia. Many motorists prefer the fuel E85, it is 85% mixture of alcohol with Natural 95. In Slovakia currently there are no petrol stations with this fuel, but it is a feasible project for the future.

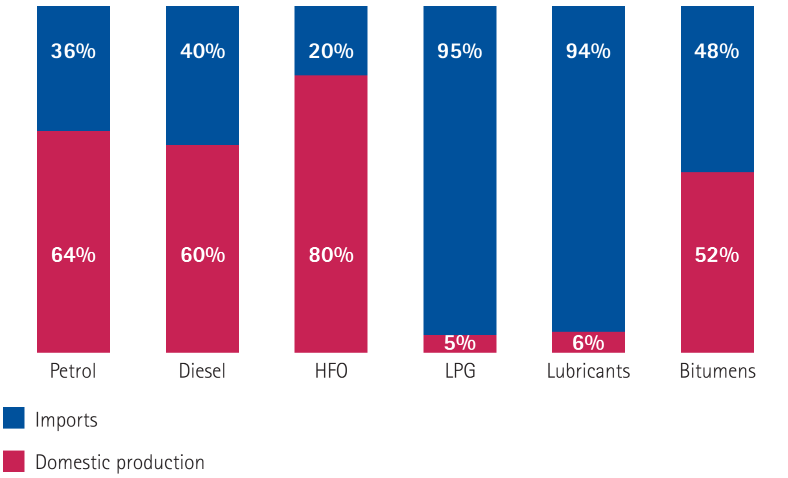
From January 2011 based on the government economy measures, the tax preference for

biofuels blended with fossil motor fuels was abolished. In the previous period up to 5% by volume of biofuels per litre in petrol or diesel were taxable at the higher consumer tax rate. Biofuels above this value were taxable at the lower consumer tax rate.

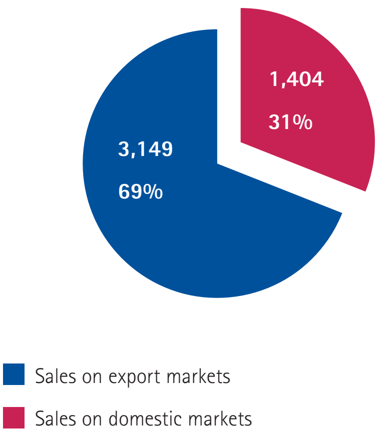
Last year the prices of oil, oil products and the EUR/USD exchange rate showed high volatility, which caused increased pressure on oil companies to optimize the level of stocks, as well as the whole supply chain. The aim of these measures was to harmonise possibilities of oil companies with the needs of the customers in such a way that the customers can be fully satisfied at all seasons. From 1 January 2011, prices increased by 4.5% for petrol and 4.6% for diesel.

Last year 5.5 million tonnes of oil were processed, from which roughly 86% of light products were manufactured in high conversion ratio. Motor fuels in the volume of roughly 4.1 million tonnes dominated among them in traditionally excellent quality, which once again confirmed the leading qualitative status of the Slovak refinery industry among European manufacturers of oil. Nearly 420 thousand tonnes of polymers – polyethylene and polypropylene –

Saturation of domestic demand from domestic production and imports



Placement of domestic production of motor fuels and plastics 2010 (mn tonnes)



Domestic refinery and petrochemicals production (in ths tonnes)

Products	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	'10/'09 %
Motor petrol	1418	1556	1584	1671	1565	1451	1617	1569	1557	1319	-15,3%
Motor diesel	2189	2269	2279	2540	2441	2613	2864	2844	2880	2839	-1,4%
Heavy fuel oil	350	274	281	190	181	262	284	231	325	398	22,5%
Bitumens	74	95	84	67	46	41	36	41	26	14	-45,0%
Plastics	236	249	236	271	323	383	427	389	405	395	-2,5%
Others	502	506	495	514	505	504	588	575	440	397	-9,8%
Total	4769	4949	4959	5253	5061	5254	5816	5649	5633	5363	-4,8%

Imports of key motor fuels (in ths tonnes)

Products	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	'10/'09 %
Motor petrol	141	218	184	188	244	261	229	228	220	230	4,5 %
Motor diesel	110	238	231	311	395	481	520	479	468	611	30,6 %

were manufactured in the petrochemical division while maintaining high quality levels.

In January 2011 VAT in Slovakia increased from 19% to 20% as also did consumer tax.

Recently Slovakia has had the most expensive petrols in comparison with its neighbour countries. At the same time Slovakia is under the biggest pressure of taxes and tariffs among them.

On the other hand, diesel taxes are the second lowest among European Union countries. On the scale of the European Union, Slovakia is in 15th place.

Comparing with the EU average, petrol in Slovakia is cheaper by 8.2 cent per litre and diesel is cheaper by 4.1 cent per litre. Petrol without taxes in Slovakia is 3.9 cent cheaper per litre and diesel without taxes is 0.3 cent cheaper than EU average.

For some Slovak motorists it is more effective to refuel in neighbouring countries. This, of course, applies mainly to people living near the borders of Slovakia.

From January 15th 2011 the reduced tax for agricultural red diesel was abolished. Afterwards the cost of fuel for farmers increased by up to 26%.

Also in 2011, the fee for strategic fuel stocks was introduced. This is 1.7 cent per litre of petrol and diesel, which means that for each litre of petrol and diesel sold, the producer or importer pays 1.7 cents to the government.

The association of independent petrol stations in Slovakia has 23 permanent members.

Unión de Petroleros Independientes (UPI)

Consumption in 2010

The year 2010 closed with a consumption of 67.1 million tons of oil products, 2% less than the former year. However, elasticity demand increased with regard to the GNP (-0,1%). Consumption of fuels amounted to 29,26 million tons, 1.8% less than in 2009. Consumption went down differently as for gasolines (5,6%) and diesel (0,8%).

Consumption of automotive fuels (gasoline and diesel) in 2010 amounted to 29.53 million tons, 1.8% lower than consumption in 2009.

The Spanish market seems to be overcoming the consumption crisis very slowly.

Production quota system for biodiesel

In spite of all the lobbying actions – including press releases – carried out by UPI and UPEI, a production quota system for biodiesel will probably be adopted in the next few weeks. The Ministry for Industry affirms that the guarantees given to the oil companies (required to meet the compulsory targets) have been improved, but we have had no access to the last draft and have doubts about whether there will be enough product to fulfil the targets. The oil companies are also worried about whether the level of competition that is targeted is really guaranteed and will be reached. The majority of factories are stopped and have no financial resources. This system can lead to an increase in the biodiesel price of 0.35 cents/litre (value of the penalty that the oil companies must pay for each missing ton of biodiesel). The independents are also worried because they could miss opportunities to improve their competitiveness.

We now have to consider further actions, such as a formal appeal before the national courts or a formal complaint before the EU Commission.

Compulsory biofuels targets

Some time after the beginning of the Libyan civil war and in order to reduce the cost of energy, the Spanish Government decided to increase the compulsory biofuels targets for 2011, 2012 and 2013 that had been adopted only a short time before at the end of December 2010 after months of negotiations between all the parties involved.

The new targets were adopted at the beginning of April against the wishes of the oil companies and the National Energy Commission, and the oil companies are now faced with a serious problem if it is not possible to meet the new targets:

- because of legal quality limits (European specifications EN228 and EN590 and obligation to have available at each petrol-station, until 2013, gasoline with the former maximum oxygen and ethanol contents – the so-called "protection gasoline" – according to Directive 2009/30)
- because there is almost no demand for blends with higher biofuel contents (the car industry is against it and prices of biodiesel have exceeded diesel).

The National Energy Commission thinks that the increase in the targets requires changes in the determining factors mentioned, such as partial or total elimination of "protection gasoline", adoption of B-10 by CEN, increase in consumption of blends with high biofuel contents. We are now considering appealing against the new targets.

As well as that, we are still waiting for the implementation of sustainability criteria. A working group will soon start to discuss this issue. These criteria could help us to fulfil the new targets (for example, if some biofuels carry the right to more than one certificate per ton).

Compulsory stocks

The Spanish agency, CORES, is still preparing for the Administration a report on the implementation of Directive 2009/119 as a first step. UPI, through DISA which is a member of the Board of CORES, supports the view that the companies subject to the obligation must be producers and importers instead of companies that place the product on the market, according to the new criteria of calculation of the obligation (net imports instead of national consumption). UPI also supports an evolution towards a system similar to the German or Belgian ones.

Product	kt	2010 variation %*	2009 variation %*
Gasoline 95	5,102	- 4.9	- 3.9
Gasoline 98	566	- 11.8	- 9.5
Blended gasolines	2	+ 365.4	–
Total gasolines	5,671	- 5.6	- 4.5
Diesel	23,294	- 1.2	- 5.1
Blended and diesel and pure biodiesel	292	+ 40.5	- 0.2
Total diesel	23,586	- 0.8	- 5.3
Total automotive fuels	29,257	- 1.8	- 5.2

*comparison with last year

Avia International

Sales 2010: Motor fuel sales constant, demand for heating oil down

Swiss sales of the main petroleum products in 2010 fell 8.1% short of the previous year, reaching about 10.5 million tonnes. This decline was largely due to the 21.2% drop in sales of heating oil. Sales of motor fuel showed only a slight increase of 0.6%.

Of the total sales of petroleum products, about two thirds were due to motor fuels and about one third to heating fuels. The roughly 6.9 million tonnes of motor fuel sold were made up of 46% petrol, 33% diesel and 21% aviation fuel (kerosene).

Gasoline

The decline in petrol sales which has been seen for some years now continued in 2010 with a drop of 3.6% on the year before, to reach 3.17 million tonnes. The ongoing improvements in engine efficiency are probably a major reason for this negative trend. Moreover, the marked increase in the strength of the Swiss Franc reduced price differences on both sides of the border, which probably resulted in fewer foreign customers refuelling in Switzerland.

Diesel

The 3.9% increase in demand for diesel, totalling 2.31 million tonnes, reflects a positive trend in the domestic economy. The most important customers for diesel are the construction and transport sectors, including public road transport. The 30.4% share of new car purchases accounted for by diesel-powered cars is helping to increase the fleet of diesel-powered passenger cars and hence bring about growth in sales of diesel.

Jet fuel

Following the drop in 2009, jet fuel showed a fresh upward trend in 2010. Sales were up 5% on the year before to 1.42 million tonnes, which was due in particular to the growth in traffic at the airports in Zürich and Geneva.

Heating oil

Compared with the year before, there was a massive drop of 21.2% in sales of extra-light heating oil. The marked increase in prices during the year made consumers reluctant to buy. This restraint was made

possible by well-stocked heating oil tanks at the beginning of the year, because many consumers had topped up their stocks in 2009 to avoid the threefold increase in the CO_2 charge at the beginning of 2010.

On 1 January 2011 some 3,626 branded filling stations open to the public were recorded in Switzerland, compared with 3623 the previous year. Changes in the numbers of filling stations were noted in most brands. AVIA has the largest network of filling stations as before with 690 units, followed by Agrola (427), BP (400), Shell (324) and Tamoil (318). With an increase of 14 new convenience stores, a total of 1,331 service stations at the end of 2010 were offering their customers the opportunity to combine small purchases with refuelling. The trend towards stores with larger sales area (+34 units) at the expense of smaller shops (-20) continued.

Gas stations with a store, with around 70%, accounted for a major share of total fuel sales. Having a store is an important factor in competition among the oil companies. As before, fuel sales at locations with larger stores were much higher than those with smaller shops. On average 1.43 million litres of gasoline and diesel were sold per station in 2010. Depending on the operating mode, the equipment and the location of the service station, the average sales volumes varied. The highest sales, averaging around 4.1 million litres per year, were at motorway stations, and the lowest sales, with about 0.69 million litres, at unmanned service stations.

(Courtesy of Erdölvereinigung Schweiz)

United Kingdom
Downstream Fuel Association (DFA)

UK Trends

Provisional data published by the Department for Climate Change show that transport demand for fuel was down 0.8% in 2010, compared with 2009. Within this, aviation fuels were down by 3.0% and motor spirit sales down by 4.8%. Diesel increased by 4.1%.

Indigenous oil production within the UK decreased by 7.7% compared with last year. The UK remained a net importer of crude oil, NGLS and refinery process oils.

The price of petrol and diesel has continued to make the news with steady increases seen over the last year. The press and consumers' focus on pump prices has caused a continuing squeeze on margins and a continuing shift of fuel volumes towards the hypermarkets. Hypermarket company shares of overall retail sales for motor spirit and diesel accounted for 45.3 and 38.1% respectively in the 4th quarter of 2010.

The number of retail sites has declined by 292 sites compared with 2009 figures, with the UK reported to have 8,884 open retail sites. 5,431 sites are independently dealer operated with nearly 30% of these being operated by a dealer with three sites or more.

Market Changes

Over the last ten years or so, the industry has been pushing the UK Government to establish a Central Oil Stocking entity, in line with many other European Member States. Having an agency for compulsory stocks in the UK has a number of advantages including the creation of a robust financial framework for new investment in storage; and supporting competition by providing transparency for all obligated companies in terms of the costs of meeting the Compulsory Stocks Obligation.

The UK's requirement to hold emergency oil stocks is projected to increase by nearly 50% over the next 10 - 20 years due to the decrease in the UK's indigenous oil production and changes to the EU directive on oil stocks. The UK has to date met its compulsory stocking obligations by placing compulsory stocking requirements on oil companies operating within the UK.

At the invitation of the Government, an industry/Government working group has been exploring the potential for a central stocking agency. It is hoped that this will receive a favourable response from the Government in early 2011 with approval to move on to the set up phase.

At the close of 2010, the UK Government had yet to consult on the transposition of Directives 2009/28 + 30/EC into UK Law. The announcement of a general election, interruption of Parliamentary business and formation of a new Government are largely blamed for the delays. The subsequent election of a coalition Government came with a declaration from David Cameron that his government would be the greenest in UK history. The UK fuels industry will have to wait and see what's in store.

What is clear is that the Renewable Fuels Agency (RFA), the administrator of the Renewable Transport Fuels Obligation, is due to be dissolved in March 2011 as part of a wider review of arms-length Government bodies. Its duties will be transferred to the Department for Transport.

Eurofuel (the European Heating Oil Association) is the umbrella organisation representing 10 national associations, including over 10.000 companies which promote best practice in the use of heating oil for domestic heating, with respect of the protection of the environment.

The members cover the complete home heating supply chain, from oil companies of various sizes, through to independent fuel traders and distributors, heating equipment manufacturers and finally heating installers.

Eurofuel stands out for sustainable, affordable and secure energy in particular concerning the heating of buildings and domestic warm water.

One of our top priorities is helping European consumers to reduce their energy use. Eurofuel strongly supports the challenges the EU has set for 2020 and 2050 and believes following aspects are of the utmost importance to achieve these goals:

- **Multy-Energy Hybrid systems Vision: Heating system to minimise costs of energy and eco-efficient integration of renewables – not to forget the huge advantage of fuel: the maximum security of supply.**
  The goal of energy use reduction can best be achieved via efficiency measures (improved insulation, use of oil condensing technology, solar thermal and ambient heat) and high-efficiency introduction of renewable combustion technologies (sustainably-derived bio-liquids, wood & renewable electricity)

- **Significantly reducing the primary energy consumption of existing buildings.**
  Primary energy, being the most inclusive definition of energy, including the energy necessary for generation, transport and distribution and hence the ideal value to make sure that real impacts on reducing energy consumption are realised. Using a hybrid mix of fossil energy combined with sustainably-derived renewables (e.g. bio heating and oil blends) in a very high efficiency condensing boiler gives a best-practice combination of primary energy savings.

- **Liquid fuels contribute to EU security of Energy supply and therefore enable to incorporate more renewable technologies.**
  The storage of energy is a major challenge for increasing the use of renewable energy sources. Wind or solar energy is not necessarily generated when it is most needed. Liquid fuels provide an optimal long-term energy storage solution. Each individual oil heating consumer has its own oil storage tank which enables to always have a guaranteed "base load" of energy. Europe has over 20 million individual, decentralised, long-term oil storage tanks which represent an autonomous contribution to the EU's security of supply. Therefore variations in the availability of sun or wind will not result in a shortage of energy at any time as these sources can be added to the base load available via the stored heating oil.

This Eurofuel vision has been pictured lately on various events.

On 14 April 2011 Eurofuel organised together with Estif (EU solar thermal industry federation) a conference and panel debate: "the best of renewable and fossil heating energy" in the frame of the EU Sustainable Energy Week at Charlemagne building of the EU commission.

On this occasion, the Eurofuel President, Prof Dr.-Ing. Christian Küchen declared: "The EU's new Energy Efficiency Plan stressed once again the massive potential for primary energy savings in buildings, specifically through efficient heating systems, but we must take it one step further and offer consumers cost-effective solutions, such as hybrid systems combining oil appliances with solar thermal energy."

On 24 May 2011, together with other K4I members (Knowledge for Innovation Forum of the European Parliament), a dinner debate hosted by MEP Lambert Van Nistelrooij, Member of the Committee on Regional Development, was organized in the EU Parliament.

Presentations were given by European Parliament members, the European Commission and Industry representatives e.g Judith Merkies, MEP, Member of the Committee on Industry, Research and Energy, William Neale, Member of the Cabinet of Commissioner Potocnik, Beatriz Yordi Aguirre, Head of Unit, Responsible for Eco-Innovation Initiative, Prof. Dr-Ing. Christian Küchen, Eurofuel.

The idea was to shortly before the publication of a "Roadmap for a resource-efficient Europe", to invite Members of the European Parliament and other interested parties to exchange views on the contribution of eco-innovation to resource-efficient patterns.

In the heating sector, a greater uptake of best practice solutions by consumers and substantial investment in innovative hybrid technology combinations and controls by equipment manufacturers can result in primary energy savings and further resource efficiency along the whole energy supply chain. Solutions are available but the implementation gap must be solved.

PETROLWORLD

UPEI excerpt from "PetrolWorld"-Magazine Issue 2, 2011

UPEI – Speaking Out For Smaller Businesses

If the need for deep Governmental relationships, huge capital reserves and infrastructure makes upstream oil production a game solely for the big-time players, the downstream world has rich opportunities and niches for agile, vibrant companies to establish themselves. However, competing with international companies for a place in the market – and for a fair regulatory environment – is a large challenge for a small or medium sized business. That's why the Union of European Petroleum Independents (UPEI) has been protecting the interests of independent companies across the continent since its foundation almost 50 years ago. Derek Owens talks to President and General Secretary Bernd Schnittler about the organisation and its work.

How many members in total would your organisation have?
Schnittler: UPEI is an umbrella organisation for the independent European oil companies. These SMEs are represented by their national organisations from each European Member State. They are focused on the independent oil companies and you cannot find such an organisation in every European Member State. At the moment UPEI has 19 members from 16 Member States. All other Member States unfortunately have no independent oil organisations and therefore UPEI members decided to open the organisation to individual companies from these countries.

How many members would be in each country?
Schnittler: Neither UPEI nor its member associations are involved directly with an operating business, but the member companies are active in all fields save crude oil production, that is: importing, wholesaling, retailing, distribution, logistics and refining. Though most of these firms are small and medium sized, some them are independent world class players in their own right. Due to different market structures and historical backgrounds in the EU, the importance of independents and therefore the number of SMEs in the oil market varies from country to country.

Are you any closer to achieving the goals cited in your 2009 report of harmonising petroleum taxation in the European Union, or coordinating the rules and subsidies for biofuels in the automotive and heating sectors?
Schnittler: Standardisation of European rules and quality criteria is one of the main goals of UPEI. For example, regarding biofuels regulations and legislature we discovered that there are more than 120 different national requirements within the EU. UPEI was involved in minimising bureaucracy with regard to the Fuels Quality Directive, and UPEI has influenced directives on strategic stocks for oil and for gas as well as sustainability of biofuels. These are only a few examples to show how UPEI is trying to play its role within the political scene in the interest of its members. We know that we have a long way to go to make our mark in Brussels – but one of the main tasks of our organisation is to give clear and firm statements to the politicians.

What benefits do independent members enjoy from being linked into a pan-European organisation?

Schnittler: As already mentioned, the market structure differs from country to country and we have to adapt to these circumstances. Also the independent oil companies range in size from a company with a single service station or delivery tanker through medium-sized operations to larger firms. To maintain and develop the role provided by independent firms as free competitors they must not only be able to operate in equitable conditions but they also have to present their interests as stakeholders with one voice. Only a sound organisation with the backing and initiative of its members can fulfil this objective. Cooperation on the one hand together with transparency on the other raises the awareness of all parties involved.

Is it an uphill struggle for UPEI to protect competitiveness in the marketplace at present?
Schnittler: It is indeed an uphill struggle for us to protect an open and free market as it is laid down in the Lisbon treaty. There are always attempts by some Member States and even by some interest groups, to protect their national and individual markets. You can be sure that we make ourselves heard above these voices or initiatives that in themselves form barriers in the market. Our function is to seek equal treatment for our members in the creation of laws and regulations. We strive for a sustainable internal market – and against particularism.

Are small and medium independent companies generally at a disadvantage in the regulatory/legislative process?
Schnittler: We do not feel that independents are playing second fiddle. Independent oil companies in Europe cover about 30 percent of the oil market – in some countries up to 45 percent – mainly with a direct connection to the end consumer. This is the basis on which the SMEs are able to develop vibrant competition, regional diversity together with the protection of the environment.

Can you cite an example or policy area where the interests of independent companies came second to larger multinationals?
Schnittler: We are on equal footing with the majors – we are not acting against each other. Although we are competitors we complement each other in the European oil business – in particular in times of crisis. Independent oil companies offer flexibility and fast decisions. For example, the introduction of biofuels into the European market was one of the important issues where the independent oil companies took up action much earlier than the majors.

What was the impetus behind founding the UPEI? How did it come together?
Schnittler: UPEI was founded 50 years ago in 1962. This was a time when barriers, frontiers and national protectionism thrived. You should consider that whether in world markets, the single European market or in domestic markets, oil consumers are not exclusively supplied by the highly integrated major oil companies. This was the motivation for independents to establish themselves in every country where the dominance of the energy monopolies has been broken, in order to seek and attain fairness and equal treatment in Europe.

Is closer integration of the national organisations a long-term goal of UPEI?
Schnittler: Closer cooperation by the national independent organisations while keeping their identity could have advantages for all associations and their members. There are attempts to found a European platform on which all parties involved would maintain and develop a common role. This would present our fundamental principle of encouraging and preserving free and fair supply conditions on the market and would in return preserve the competition essential to the efficiency of markets and fair prices for the consumer.

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents

Offices **Brussels:**
Tel +32 2 740 20 20
Fax +32 2 740 20 23

Hamburg:
Tel +49 40 34 08 58

info@upei.org
www.upei.org

Postal Address: UPEI · Avenue de la Renaissance 1 · B-1000 Brussels
UPEI is registered at Préfecture de Police, Paris No. 00056460P

June 2011 · Photographs: European Commission, Fotolia, istockphoto, UPEI