UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents

REPORT 2007

CONTENTS

STRUCTURE OF MEMBERS IN UPEI

Belgium:
Union Pétrolière Belge ASBL (UPB), Mouscron
Phone ++32 (56) 85 92 00

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

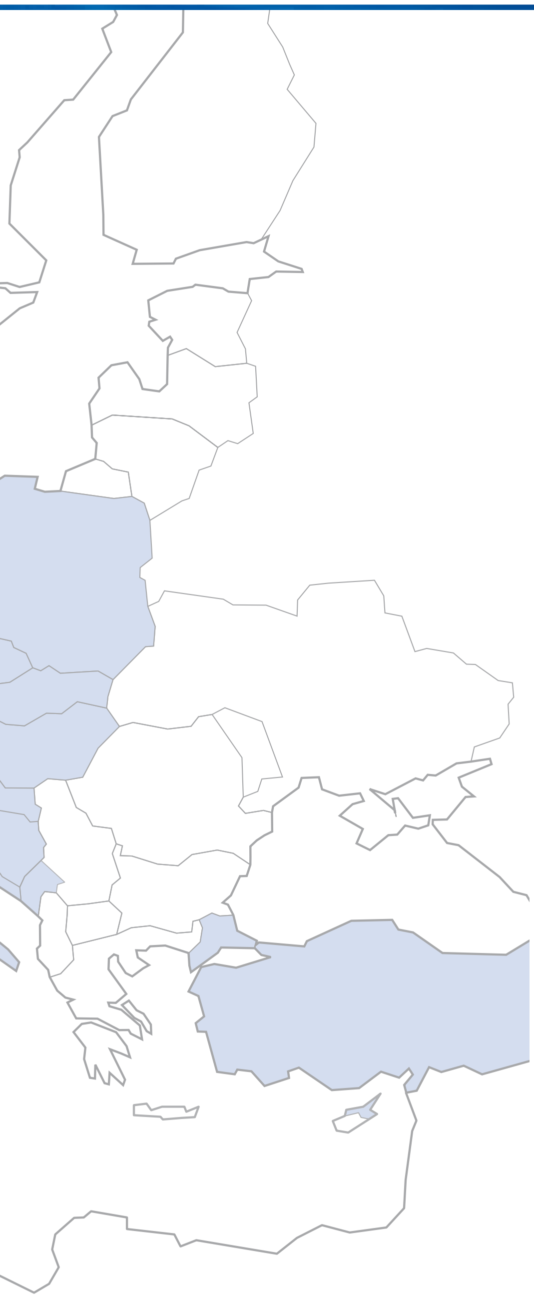
Czech Republic:
Association of Czech Private Petrol Stations (SCS),
Desná
Phone ++420-4 83 38 49 99
www.scscr.cz

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),
Hamburg
Phone ++49 (40) 34 08 58
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),
Hamburg
Phone ++49 (40) 2 27 00 30
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 ++382-81-210 555
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:
Spolocenstva Cerpach Staníc Slovenskej Republiky (SCSSR), 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

Switzerland:
Avia International, Zurich
Phone ++41 (1) 4 05 90 10
www.avia-international.com

Turkey:
Mabanaft Energy Ticaret ve Sanayi A.S., Uskudar/Istanbul
Phone ++90 (216) 4 92 52 43

United Kingdom:
Association of United Kingdom Oil Independents (AUKOI), Shipdham
Phone ++44 (13 62) 82 07 39
www.aukoi.co.uk

eurofuel
The European Heating Oil Association

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

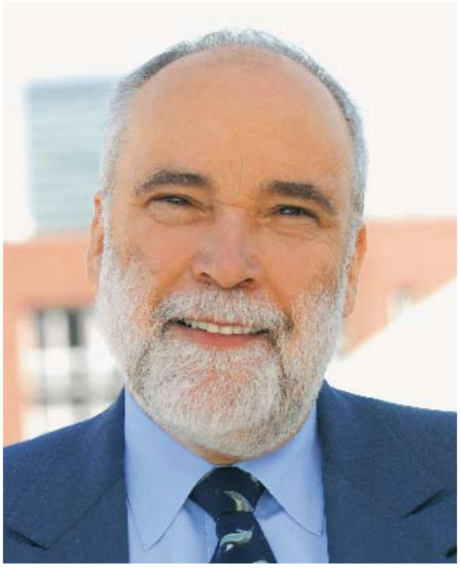
UPEI BOARD MEMBERS

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

SECRETARY GENERAL

Bernd Schnittler

PRESIDENT'S FOREWORD



The year 2007 once again made it abundantly clear that when it comes to solving energy problems and especially ensuring security of supply in the energy sector, the challenges facing the European member states are enormous. Outstanding issues here were climate change mitigation, the search for ways of using renewable energy sources, and security of supply. Areas of special concern were the availability of adequate stocks and adequate development of new fields. Another factor which was also the subject of public discussion was our growing dependence on a limited number of producing countries, some of them politically unstable.

Against this background, UPEI endeavoured to work out possible solutions and offer them to the political bodies. UPEI welcomes the numerous initiatives taken by the European Commission to develop a deregulated European energy market, and also its readiness to enter into even closer cooperation with the market players. A good example of this was the "Berlin Forum" with its working groups. UPEI was delighted to be invited to take part in these activities and initiatives, giving it the opportunity to contribute expertise.

In view of climate change, the discussion about increased use of biofuels continued to be a focus of attention. Once again, it has to be said that in particular the independent oil traders in Europe identified this market niche at a very early stage and have built up a dependable structure for reliable market supplies. UPEI prepared soundly based discussion papers for a close dialogue with politicians and the public about reducing greenhouse gas emissions and achieving an economic and ecological energy mix with renewable energy sources.

"Independents" are the classic drivers on this market. They do not need any legislative pressure to make them assume this role. What they need instead is freedom of action so that they can operate appropriately. Today we are impeded by the fragmentation of a single internal market – a veritable

patchwork of national standards and uncoordinated national regulations on the energy issue, which means national protectionism is a barrier to the single internal market. This is an unfortunate state of affairs, not only for the business concerned, but also for consumers who suffer from a burden of steadily rising costs. Not least, the lack of standardized regulations weakens the security of supply situation in Europe. We need a return to European standardization of regulations on bio admixtures and sustainability. We must protect the internal market and strengthen security of supply as, after all, member states of the European Union are not islands.

The social market economy in Europe is driven by European SMEs – and the energy sector is no exception here. Small and medium enterprises are a driving force behind growth and job creation. In view of the long-term nature of their business policies, family businesses are of outstanding importance as a social factor in Europe.

In January 2008 the European Commission presented its "Energy Package" for discussion. UPEI welcomes this viable programme for the future and intends to help ensure that the targets set out in the Commission's proposal are achieved by 2020.

I should like to thank all those who supported our activities in 2007, and for 2008 I wish our member associations in particular every success in an economically sustainable future.

Hellmuth Weisser
President

Union Pétrolière Belge
Belgische Petroleum Unie
Belgian Petroleum Union

The Belgian Petroleum Union was founded in 1961 by a few large oil importers. Today, the union counts 15 members thereunder oil importers, large distributors, storage companies and retail companies (petrol stations). All members of the Union are independent family companies. The Union represents a market share of roughly 30% of the National sales.

The year 2007 was characterised by several topics:
1. The mild winter period has contibuted to a large drop in heating oil sales (minus 25%) compared to the previous year. Sales of diesel oil were higher and sales of heavy fuel oil have seen a decrease again. High oil prices are of course leading to energy switches to gas, solar and wind energy and a return to coal. In other words, those factors represent a substantial issue in terms of profitabilty.

2. Biodiesel has been introduced in Belgium on 1 November 2006. The Belgian government has decided on a very „Belgian" solution: Four producers have been allocated quotas for the production and sales of FAME on the Belgian market which are free of excise duties. On 1 November 2006 excise duties on mineral diesel have been increased in order to have a "zero effect" for the Belgian finance. Blending of vegetable oil with mineral oil is not compulsory and on top of that, the four privileged producers are hardly starting to produce FAME now. With high oil prices and even higher vegetable prices there is no economic purpose in blending. In addition to this refineries have the possibility to blend, too – but do not specify any percentages of blending. The maximum percentage for blends is 5%: If the mineral diesel loaded at the refinery already contains (for example) 4%, that means that the downstream will not have the possibility to blend much and of course a financial loss and competitive loss against the major oil companies occurs.

The Union has started a process of actions against the Belgian government in order to liberalise free trade for vegetable oil. With the current system, it is impossible for Belgian operators to purchase FAME from other producers than those four elected producers.

3. Apetra, the public limited company responsible for managing the strategic stocks other than those held by the major oil companies, proceeded to business on 1 April 2007. Today, Apetra has still not accomplished its obligations. The International Energy Agency has put severe pressure on the belgian government in order that Apetra respects the compulsary stock obligation.

4. The market has seen some changes like the sale of the Texaco Benelux network to Delek Petroleum Ltd and the sale of the European Jet network to Lukoil.

In conclusion, one can say that 2007 was a very difficult year for independent oil operators in Belgium. Action has been taken to improve the situation, especially with regard to biofuels. However, as the federal elections took place in June 2007 and the politicians found it very difficult to form a new governement, virtually no decisions were taken. Hopefully, 2008 will be a better year with a government capable of making the right decisions, and a cold and long winter!

Hrvatska Udruga Poslodavaca (HUP)
Croatian Employers' Association

The Croatian Employers' Association (CEA) is an independent voluntary association of private entrepreneurs and employers founded in 1993. From the very beginning CEA has been a strong voice of private sector interests in Croatia. Being appointed as the only employers' representative in the National Economic and Social Council, CEA is influencing the creation of Croatian economic policy and is a respected partner in the tripartite dialogue with trade unions and government representatives. The Oil and Oil Products Association is a sectoral association within CEA.

Growing competition

The oil products market in Croatia is undergoing significant changes. It is a market still dominated by INA, the majority state owned company. However, increasing competition is noticeable in both wholesale and retail oil markets. Apart from INA there are some 50 other oil traders. INA has 80% of the total market share of oil products, while in the retail sector its percentage is below 60%.

Unfortunately, the conditions on the market are not sufficient for the development of competition:

- INA can place on the market only up to 350 ppn of gas oil and 150 ppn of gasoline, due to the existing production capacities. Other companies which are not buying from INA and would like to compete have to import oil products only in accordance with the EU standards.
- The Croatian Government influences the prices of oil products through INA.
- The legal framework on compulsory stocks favours INA and consequently slows down the development of competition.

Ambitious goal

Therefore, the majority of other players on the market depend directly on INA and its rebate policies.

The Oil and Oil Products Association hopes that most of the problems will disappear with the process of adjusting to the European legislature and entering the EU market.

Společenství čerpacích stanic ČR
Association of Czech Private Petrol Stations

Thanks to a new fuel law that came out in 2006, most shadow Petrol stations disappeared from the market. This legislation (which was passed as a result of SCS activity) has had a significantly positive influence on the market standard. The market overview was actualised by the end of 2007.

	Classified as a construction	Classified as a „technical equipment“	Total
Public stations	3,359	241	3,610
Fleet and „back yard" stations	1,646	1.012	2,658
Stations with a limited offer	71	21	92
Total	5,076	1,284	6,360

Year	2001	2002	2003	2004	2005	2006	2007
Inland production (tons)	71,100	104,400	113,500	85,144	126,894	110,152	81,806
Import (tons)	2,900	40	60	3,120	7,811	22,973	8,339
Export (tons)	22,400	31,300	43,500	52,414	131,536	110,926	53,572
Storage changes (tons)						1,971	-373
Consumption (tons)	51,600	73,140	70,060	35,850	3,169	20,229	36,946

The chart above shows FAME production and consumption in the last seven years. After the strong sifting in 2004 due to the change of the excise duty law, the consumption increased again in connection with obligatory blending.

Important changes

The biofuel program (obligatory blending) started on 1 September 2007 with the obligation of 2% FAME in the total volume of diesel sold. The Gasoline project commenced on 1 January 2008.

After LukOil overtook the Conoco JET network in 2006, another important change came about. Agip bought the Esso network. Moreover, Agip acquired the Conoco share in the Czech Refining Company and therefore reinforced its market position.

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

Three Shell refineries changed hands on 1 April 2008 after 79 years of activity in France.

The takeover process started in August 2007 and ended as follows:

- The Dutch group LyondellBasell acquired the Berre refinery, near Marseilles (105,000 barrels per day), as well as infrastructures and contracts necessary for its functioning. The group was already operating on the petrochemical complex at Berre. The purchase price amounted to 700 million euros.
- The Swiss group Petroplus acquired the refineries at Petit Couronne (154,000 barrels per day) in Normandy and, together with Reichstett, Vendenheim in the East (85,000 barrels per day).

Deliveries over 12 months

To end of December	2006	2007	Change
Super gasoline (m^3)	13,678,402	13,063,379	–4.50%
Diesel oil (m^3)	37,740,477	39,003,877	3.35%
Domestic fuel oil (m^3)	17,233,961	15,291,063	–11.27%
Heavy fuel, excluding electricity production (tons)	2,133,689	1,919,703	–10.03%

Share of the independents in the national market
At the end of December 2007, the independents' market shares for the 12-month period are as follows:

Year 2007	Independents	Large multi-specialists	Refineries
Super gasoline	5.20%	52.80%	42.00%
Diesel oil	11.80%	35.00%	53.10%
Domestic fuel oil	29.60%	6.50%	63.90%
Total excluding heavy fuel	14.60%	32.00%	53.40%
Change in total deliveries compared with 2006, excl. H.F.	-2.60%	-1.90%	-3.60%

Biofuels
Figures published in mid-February by the Syndicate of the producers of agricultural alcohol (SNPAA) indicate that it is the hypermarket chains Carrefour and Leclerc who equipped most gas stations to distribute bioethanol E85.

Whereas France has nearly 13,000 fuel outlets, at the end of January only 198 stations possessed at least one pump for E85. Among these, the great majority (approximately 150) belong to the large retailers, compared with forty-seven E85 pumps for oil company stations and only one for an independent distributor.

Even if the price of E85 is about €0.83/litre, it is much cheaper than traditional fuels (although consumption is higher). The French motor vehicle population (car fleet) counted, also at the end of January, some 4,250 cars equipped with flexible-fuel engines that can run on both high-octane gasoline 95 and E85.

On 20 February 2008 the petroleum manufacturers declared that the aim of 5.75% admixture of biofuels would be difficult to achieve in France in 2008.

Professionals in the ethanol sector think that "it is difficult, it is constraining, but it is possible. And that the stimulus of the TGAP (a penalty that will be imposed upon distributors of oil products in cases of failure to comply with the incorporation thresholds) will have its effect". They want all fuels using some ethanol to be mobilised to meet this target, whether it be ETBE (ethyl tert butyl ether), E5 (5% ethanol) or E85 (85% ethanol). What is more, they think that it "is necessary to open the opportunities for use ethanol in direct incorporation", a direct allusion to the wish of the sector to see the European rule authorising a new type of gasoline, E10, capable of containing up to 10% ethanol.

Diesel oil
As defined in the European directive and the French ordinances valid from 1 January 2009, the sulphur content of the fuel delivered at the pump will have to be less or equal to 10 ppm.

Tax system: Tank aid
Faced with the increase of the price of domestic fuel, the government decided to

allocate 150 euros assistance per household for fuel delivered between 10 November 2007 and 31 January 2008 to households below the tax-paying minimum. More than 680,000 homes should benefit from it, to the tune of 102 million euros. The financing of this "tank aid" will be chargeable to the refining companies and the major distributors of oil fuels.

Spare stocks: Manosque pipeline
On 6 December 2007, the new Sagess pipeline between Manosque and Fos sur Mer, which went into service on 9 November, was officially inaugurated. 130 kilometres in length, it doubles the transport capacity between Étang de Berre and Manosque: it can store 6 million cubic metres of hydrocarbons and transport up to 2,000 cubic metres per hour of oil.

German Member Associations

Events on the German petroleum market in 2007 were largely determined by external factors: climate, politics, developments on the world energy market. The mild conditions during the winter months at the beginning and end of the year led to reduced demand for energy on the heating market. Politicians, by raising value-added tax, introducing the quota system for biofuels and increasing excise duty on biodiesel, caused prices to rise. The world market, especially towards the end of the year, saw a sharp rise in prices for crude oil and petroleum products which was largely triggered by geopolitical tensions. This price surge originating from the world market was only partially offset by the increase in the value of the euro against the dollar. The price of crude oil (free German border) rose by 25%, from €379 to €467.

Primary energy consumption drops
These factors, combined with more efficient use of energy, resulted in a decline in primary energy consumption. Although gross domestic product showed real growth of 2.4% in 2007, energy consumption fell by 5%. At 472.2 million tons of coal equivalent (TCE), it was down to the level of about 30 years ago. Demand for oil fell by nearly 10% and for gas by 4.5%. By contrast, consumption of coal and lignite increased, partly because of standstills at several nuclear power plants, and partly because of increased demand by the steel industry. Consumption of hydro and wind energy grew by more than one fifth, but still only accounts for about 1.5% of total energy consumption.

All these factors resulted in domestic oil consumption falling to 102.5 million tons or 9.4%. This meant that domestic oil consumption was roughly back to the level of 1980. The downward trend affected all products with the exception of diesel fuel and heavy jet fuel. Sales of the main products, motor gasoline, diesel and light heating oil, totalled 67.9 million in the year under review, a good 10 million tons lower than in 2006.

Decline in petrol sales volume
The decline in domestic sales of petrol (motor gasoline) which has been in progress for nine years was maintained in 2007, albeit at somewhat reduced pace. Deliveries fell by 4.2% to 21,663,700 tons. This means that petrol accounted for 21.2% of the total volume of oil sold in Germany. The extent of the decline varied depending on the grade, however. Whereas the sales volume of Super Plus, which in 2006 had fallen by more than 12%, was down by only 3.6% to 619,667 tons in the year under review, and sales of premium (Eurosuper) were

down by 2.1% to 15,348,208 tons, the figure for regular grade petrol fell by 9.3% to 5,695,825 tons. These differences in the development of motor gasoline grades were due above all to the fact that in the late autumn the congruence of prices of regular and premium grade products that had already existed on the international market made itself felt on the German market as well. In the final weeks of the year this prompted many motorists to turn to premium grade and caused a number of filling stations to discontinue sales of regular grade completely.

Independent petrol stations

In the reporting period 575 member companies with a total of 1.806 petrol stations belonged to Bundesverband Freier Tankstellen e.V. (bft) making up a retail market share of more than 10%. In the year 2007 bft again dealt with the topic of BASEL II. Together with UNITI a sector study on the petrol market in Germany was published and sent to all member companies. The sector study is also available in english and is available for download on www.bft.de.

Margins in 2007 were still small but sufficient and market volatility in Germany is very high. Up to the end 2007 bft recorded more than a hundred attempts to raise the price for petrol products. The price for most products changes daily. In the year under review, the continuing decline in demand for motor gasoline was again due to the price situation, the trend to diesel-powered cars, and advances in engine technology which are producing steady reductions in specific fuel consumption. High fuel prices were the reason why people refrained from using their cars more frequently and why German motorists in many border regions went outside Germany to refuel. Thus the problem of tank tourism did not cease: Some politicians tried to find a solution in form of a road charge, but we think the charge would be too high to become a feasible answer to this question.

Demand for diesel fuel

Domestic sales of diesel fuel showed only slight growth. Although diesel was one of the two products that displayed no decline in sales (the other was heavy jet fuel), its consumption in 2007, at 29,345,249 tons, was only 0.7% up on the previous year's figure, giving it a 28.6% share of total domestic sales volume. The increase in transport volume driven by the economic upturn, which is also reflected in the 10% rise in HGV registrations and the 11% rise in tractor units, more than compensated for the sales-reducing factors such as additional costs for admixture of bio components, higher value-added tax, the international rise in diesel prices and the decline in the annual mileage of diesel cars. In November 2007, when the price of crude oil began to approach 100 dollars per barrel, the cost of diesel fuel on the market in Rotterdam was more than 900 dollars per ton.

Biodiesel sales stagnated

Due to the fact that LPG and CNG are treated as equals bft member companies were forced to sell LPG at their petrol stations. We used the discussion about the greenhouse effect, global warming and climate protection to start a project with Global Woods as partner. Every bft-member can use the option of charging a so-called "Klima Bonus" of two cents per litre at his petrol station. The money will be used to start reforestation projects in Uganda, Paraguay and Argentina and hereby "neutralises" a certain amount of CO_2.

The stagnation of biodiesel sales held on. Biodiesel was first subjected to taxation in 2006. bft and UNITI tried to stop this taxation or to postpone the next steps. In the beginning of 2008 the second stage commenced. The taxation for biodiesel is now 15 Ct. per litre.

In 2006 various bft-member companies startet to sell bioethanol. Till the end of 2007 about 100 new pumps for E85 were installed with support from car manufacturers Ford and Saab. The number of this stations will rise in 2008 because there is a great interest of Ford, Saab and some French motor companies to sell their cars as flexible-fuel vehicles.

The sharp increase in deliveries of lubricants in 2006 was not maintained in the year under review. Deliveries of 1,143,898 tons meant that sales of lubricants in the year under review were 2.6% down on the year before. Lubricants continue to account for about one percent of total domestic sales.

Heating Market
Increased energy efficiency, and above all the unusually mild conditions in the winter months of last year, brought a drop in demand for heating oil and natural gas in the heating market. Sales of light heating oil fell by 34% to 17,489,678 tons. Another contributory factor was the increase in value-added tax with effect from 1 January. This prompted consumers to lay in larger stocks towards the end of the previous year. Until very late in the year, the mild winter with its unusually small reductions in private heating oil stocks combined with the price rise originating from the international market prompted unparalleled restraint on the part of heating oil customers.

The German government and the European Commission believe the high energy prices are due not only to the increased worldwide demand for energy, but also to the imperfect competition situation on the European energy market. The Federal Government has therefore introduced a new abuse of competition offence for the German energy industry. In future, energy enterprises must show that they are not abusing their market power when setting their prices. It also constitutes unfair impairment of competition if powerful enterprises on the competitive market offer their own customers products and services at prices lower than those they demand from the small and medium enterprises they supply. Moreover, the Federal Network Agency ensures non-discriminatory competition in the use of power and gas lines. These measures are intended to strengthen competition on the German energy market and put medium-sized companies in a better position to compete with energy majors.

Climate protection
In connection with the Federal Government's climate change mitigation measures, there are plans for compulsory use of certain renewable energy sources for both new and existing buildings. Independent heating oil traders are opposed to such a measure impairing the conditions for heating with oil, especially since at the beginning of 2007 the Federal Environment Ministry issued a joint declaration on behalf of the Federal Government and the petroleum industry. In this declaration the petroleum industry undertook to ensure nationwide availability of low-sulphur light heating oil, while the Federal Government promised to introduce differentiated tax rates for standard and low-sulphur heating oil with effect from 1 January 2009. The petroleum industry has fulfilled its commitment. In each of the 8,000 postcode areas in Germany there are at least two dealers who supply low-sulphur heating oil, and the number is increasing. In addition, the petroleum industry is working on the introduction of bio heating oil which may only use agricultural raw material produced in accordance with certain ecological and social standards. In the opinion of the IWO Institut für wirtschaftliche Ölheizung

(Institute for Economic Oil Heating), a first step could be the admixture of fatty acid methyl ester (FAME), also known as biodiesel, which has similar properties to heating oil of mineral origin. Second-generation biofuels in which not only fruits, but also plant residues undergo synthetic treatment, will also play a role. The contribution of renewable energy sources to the heating market reached 6.5%, following 6.0% the year before.

Position on the biofuels market for motor vehicles

In the Meseberg decisions, the German government laid down that by 2020 the biofuel share of the German market was to be increased to 20% by volume. This is an ambitious target.

In effect, this means that for the foreseeable future only first-generation biofuels will be available for reaching the 2020 targets. Given present conditions, therefore, it is essential to make every effort to increase shares not only in the biodiesel sector by means of more demanding standards, but also on the petrol front in connection with E10 and E85. Roughly 7% of total motor fuel consumption comes from renewable sources.

Image problems arise

There is an urgent need for the German government to adopt a clear external position on first-generation biofuels. It must reaffirm its targets (CO_2 reduction, reduction of dependence on fossil motor fuels, improvement in security of supply, domestic added value). An extensive catalogue of objective arguments must be used to counteract the excessive public debate about biofuels (sustainability, apparent competition for land, apparent competition with food production). The image of biofuels has already suffered considerable damage. For example, attention is constantly being drawn to the threat to the rainforests. This, however, ignores, the fact that palm oil has only been used for biodiesel on a marginal scale to date, and also that solutions are possible here with the aid of a clear sustainability ordinance. Switzerland effectively does not permit any palm oil or soya oil in the production of motor fuels. Another aspect that is ignored is the fact that there are sufficient opportunities for importing biomass without sustainability problems, especially from the countries of Eastern Europe.

The efforts to create a practicable sustainability regulation must be stepped up. And it is absolutely essential to create standardised systems for the whole of Europe, making use of existing international standards wherever possible. When considering all these aspects, it is important to remember that Germany, like Europe, has to rely on imports of biodiesel and vegetable oils, and on imports of ethanol and its precursor substances. The present draft of the EU motor fuel quality directive completely disregards the topic of indirect rededication of land. The call to achieve a 50% reduction in CO_2 by using biofuels instead of fossil fuels ought to take account of the fact that the base value for fossil fuels needs to be adjusted to take account of the much greater pollution caused by fossil fuel production methods today and in the future.

Immediate decisions are needed for the biodiesel market. The present uncertainty about political decisions encourages a "wait-and-see" attitude and is an obstacle to new contracts.

Mabanaft Hungary Kft

The domestic political situation was quite tense in 2007. The economy mostly stagnated. Fuel consumption increased slightly, by about 3%. ConocoPhilips and ExxonMobil withdrew from the Hungarian market. Lukoil bought up the interests of the former, while Agip acquired those of the latter.

As from the end of 2007, only the following major players are present on the Hungarian fuel market: MOL, OMV, Shell, Agip and Lukoil. Other players of interest were Mabanaft, Tesco, Auchan and Avia. Alongside the above companies there are still quite a large number of Hungarian private fuel stations. In addition, there are some six smaller Hungarian fuel retailers in the market.

In 2007 a conflict broke out between OMV and MOL. OMV wants to buy up MOL, but MOL's management is strongly opposed to this intention. The Hungarian government and public opinion are completely on the side of MOL. The individual events and the present state of the conflict are well-covered even in the international media.

Products

In practice it is only possible to sell fuel with less than 10 ppm sulphur content and fuel with 4.4% bio content in Hungary. This summer (at one of Mabanaft's franchise petrol stations, OIL! Bábolna) we have started to sell the E85 fuel. At the moment there are about 15 filling stations that sell E85. There is no pure biodiesel at all in the Hungarian market.

There have been several announcements in the last few years in Hungary that a total of 38 new bioethanol factories would be built. Mostly because of the dramatic increase in corn prices, none of these was started in 2007. Otherwise two existing companies have the capacity to produce bioethanol, and one of them continuously produces it. As in the case of bioethanol, there were news items in the Hungarian press about the planned construction of several biodiesel factories. Two of them have started production. The latter of the two is Rossi, a partner of MOL.

Trends for 2008

The political crisis in Hungary will probably grow even more serious. A premature general election is not out of the question. The economy may continue to stagnate, but our opinion is that fuel consumption will not decrease.

Considering the whole year, the outcome of the MOL-OMV conflict will have the biggest impact on the players in the market as a whole. As for the retail market, there will probably be growth in the Avia chain, and the appearance of a new market player (Gazprom) is quite possible.

Italia
Italy

Associazione Nazionale Commercio Prodotti e Servizi Energetici

Assopetroli, the National Association for Trade in Energy Products and Services was founded in 1949 and has 600 member companies with approximately 15,000 employees. The member companies distribute 90% of the liquid fuel through a widespread network of depots throughout Italy; these companies represent approximately 40% of the national fuel distribution network.

Assopetroli is a member of Confcommercio (Confederazione Generale Italiana del Commercio, del Turismo, dei Servizi, delle Professioni e delle Piccole e Medie Imprese – General Confederation of Trade, Tourism, Services, Professions and SMEs), Italy's largest organisation for commercial firms with over 840,000 members.

The Italian energy requirement is currently covered at a rate of 43.4% by oil (in 1995, the rate totalled 56%), 36.9% by gas and 9.1% by solid fuels. While nuclear energy is absent, an increase in renewable energy sources has been observed with a percentage on the total of 6.4%. Trends in coming years will involve an increase in gas and a fall in oil.

Governmental measures

The current government has presented a draft-bill on energy to complete the liberalisation of the electricity and natural gas markets, and to relaunch energy savings and renewable energy sources. In addition, the Government has enacted measures to guarantee the security of supplies, the reduction of costs and greater concern for the environment through economic incentives.

Number of Sales Points – Early 2006	22,450
Number of Vehicles ('000) – End of 2006	35,297
Vehicles per Sales Point	1,570
Average Fuel Distributed per Sales Point (in Cubic Metres)	1,618

Unleaded Gasoline	
Price Inclusive of Tax (€/'000 litres)	1,389
Tax Component (€/'000 litres)	796
Industrial Price (€/'000 litres)	593
Annual Expenditure (1)	13,890

Diesel Oil	
Price Inclusive of Tax (€/'000 litres)	1,314
Tax Component (€/'000 litres)	642
Industrial Price (€/'000 litres)	672
Annual Expenditure (1)	13,140

Heating Oil	
Price Inclusive of Tax (€/'000 litres)	1,261
Tax Component (€/'000 litres)	613
Industrial Price (€/'000 litres)	648
Annual Expenditure (1)	12,610

(1) Hypothesis of an annual expenditure formulated by an average consumption of 10,000 litres times the price inclusive of tax.

In certain circumstances, contradictory measures have been enacted with aims of energy efficiency and savings (elimination of VAT reductions on energy service contracts).

Liberalisation package

The Government has recently presented a "liberalisation package", which, among other things, provides for the change in existing rules on the minimum distance between roadside service stations. The project, with regard to both the contents and the method adopted, has met with Assopetroli's firm opposition as well as that of other bodies in the sector. This is an evident concession to large-scale organised distribution, which in Italy plays a marginal role (less than 0.5% of total sales points and less than 1% of the volume of fuels sold).

For years, the oil companies and independent retailers have rationalised the network by closing service stations and investments in facilities to ensure the compliance of Italian distribution with European standards. Much remains to be done regarding liberalisation and the development of non-oil activities, shifts, opening times and contracts.

Assopetroli experts are participating in the technical committees established at the competent Ministries for the reform of the excise duty system, the development of the bioenergy sector and the modernisation of the fuel distribution network. Assopetroli also has delegates in all the regional, provincial and municipal committees.

The Assopetroli association is governed by a new charter, approved in December 2006. In 2007 the election of the new executives confirmed Enrico Risaliti as chairman of Assopetroli.

Koninkrijk der Nederlanden
The Netherlands

Nederlandse Organisatie voor de Energiebranche (NOVE)

In 2007 more than 14 billion litres of fuel for transport purposes were sold in the Netherlands. Diesel is still the most popular fuel with almost 8 billion litres. At 2%, diesel also showed the strongest growth compared to 2006 – although diesel had to cope with a relatively strong price increase. Moreover, the Dutch government imposed higher taxes on cars with diesel engines. Sales of unleaded petrol rose by 1.3% to 5.4 billion litres. Sales of autogas dwindled by 1.9% to 0.6 billion litres.

Minding public affairs

NOVE is the association of Dutch independent suppliers of oil and gas products. The organisation enhances the entrepreneurial spirit in order to stimulate a profitable and sustainable environment for fuel suppliers. Special attention is given to quality, safety, health and environment.

Sales in million litre/kg	2007	2006
Diesel	7,984	7,824
Petrol Unleaded	5,418	5,347
Autogas	606	618
Marine bunkers distillates, kg	1,430	–
Marine bunkers >1% S, kg	14,948	–

Not only does NOVE keep close contact with governmental institutions, political decision makers and relevant marketplayers, but also with the media and other branch organisations in the Netherlands as well as the European Union.

NOVE is involved in the process of making and maintaining law and regulations regarding the distribution, supply, storage and sale of fuel.

NOVE centenary

In 2007 NOVE celebrated its 100th anniversary. An important part of this celebration was a special magazine and a DVD presenting the views of a number of experts on the changes in the energy market. NOVE is confident that independents can and will play a significant role in these developments.

Polska Izba Paliw Plynnych – The Polish Chamber of Liquid Fuels

The Polish Chamber of Liquid Fuels was established in 1991 and was brought to life by businessmen in the Polish private fuel sector. The Chamber brings together more than 300 small and medium enterprises operating in the retail and wholesale liquid fuel trade. A large group of our members are suppliers of equipment and services, designers, and experts. The statutory scope of our activity is to defend and represent our members' interests. In practice, it starts with a number of initiatives which turn out to be profitable for the whole fuel industry. The Polish Chamber of Liquid Fuels cooperates with state administrative organs (ministry and offices) on nationwide and regional markets. Our communication tools – Chamber's Bulletin, "Paliwa Plynne" monthly, www.paliwa.pl website, newsletters, "Petrol Station" fair and lectures support our statutory activity. The Association of Liquid Fuel and Energy Industry Employers cooperates with the Chamber. The Polish Chamber of Liquid Fuels is a member of UPEI and ECFD (European Conference of Fuel Distributors). The following branch organisations operate within The Polish Chamber of Liquid Fuels: section for cistern manufacturers, section for alternative fuels, heating oil, biofuels and renewable energy sources, section for technology, exploitation and product research.

Growth in sales

The last column in the table below represents a dynamic increase compared to the previous year. The growth in sales is caused by the increase in imports in conjunction with a small increase in production and a large decrease in exports. The total number of filling stations accounts for 7,000 outlets, half of them operated by independents.

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

Items	Gasoline	Diesel oil	LPG	Total	Total for 2007:2006
Production	3,992	7,544	219	11,755	104.8
Import	749	2,943	1,609	5,301	113.0
Export	595	943	–	1,538	80.4
National consumption	4,146	9,544	1,828	15,518	110.9

"Paliwa Plynne" monthly

The Polish Chamber of Liquid Fuels publishes the first Polish independent magazine for the fuel sector – Paliwa Plynne, which first appeared in 1992. The magazine is primarily addressed to filling station operators and workers, so the main section is entitled "Manual for petrol station operators". Here readers find information on petrol station operation, modernisation, systems and complex devices that every petrol station should be equipped with to meet customers' needs and to improve their service quality. Additionally, authors raise topics relating to ancillary businesses: shops, bars, motels, car wash facilities and service workshops. In short, we provide a comprehensive approach to the petrol station theme – basic equipment for stations, practical hints on how to run a station, current regulations etc. An integral part is devoted to the macroeconomic conditions of running a petrol station: news from domestic and international fuel markets in its wider aspects, company news from producers and importers of fuels and biofuels, LPG, heating oil, distribution systems, new players on the market, new products and services, as well as legal and technical questions. In addition there is the full range of suppliers, goods, services and equipment, designers and constructors. Circulation is 3,000 to 5,000 copies, subscription and distribution is managed by The Polish Chamber of Liquid Fuels.

Internet relations

The website www.paliwa.pl was created especially for member companies of The Polish Chamber of Liquid Fuels and all parties involved and interested in the fuel sector. The aim of the site is to provide market operators with economic, legal and technical knowledge from both domestic and international markets and to monitor fuel and resource prices on local and worldwide stocks. The portal www.paliwa.pl is also an efficient marketing tool for companies operating in the fuel branch: it contains a database of companies operating in the fuel market. The number of visitors averages 2,000 a day and the number is still increasing.

Market information

Mr. Wojciech Heydel has been appointed Chief Executive Officer of Polski Koncern Naftowy ORLEN S.A., PKN ORLEN for the 3-year term of office of the company's management board starting on 7 June 2008.

Multi-year biofuels promotion plan for 2008-2014

In July 2007 the government approved a multi-year biofuels promotion plan for 2008-2014, developed by the Ministry of Economy of the Republic of Poland. The aim of the plan is to create conditions for feasible production and use of biofuels in Poland.

Number of filling stations

Network	2007
Total:	6,981
PKN Orlen S.A.	1,897
Grupa Lotos S.A.	379
International concerns total:	1,098
BP	342
Shell	311
Statoil	247
Neste-Fortum	95
Lukoil/Conoco-JET	103
Hypermarket stations total	105
Independent private networks of stations	302
Delfin (SNOSP)	92
Moja Stacja	50
WW Energy	45
Huzar (POLPetro S.A.)	51
Witospol	18
Moc-Jakość-Zysk	11
Poczta Polska	35
Independent private stations	about 3,200

Spoločenstvo čerpacích Staníc Slovenskej Republiky – Association of Slovak Private Petrol Stations SČS SR

In the saturation of the domestic consumption of motor fuels the import participated by more than 40%, which is a share common on the European market. In case of some products such as LPG and motor oils the domestic consumption was satisfied by imported products to nearly 100%.

The total domestic consumption of refinery products in Slovakia increased by more than 11% last year as a result of a boom of economic activities, a rising standard of living and an intensive involvement of Slovakia in international trade. A commensurate role was played also by a comparatively favourable and warm weather that contributed to the fact that some economy sectors such as the building industry could be running throughout the year.

Rising demand for petrol

Not even Slovakia evaded the European trend of increasing the number of automobiles with diesel engines that caused the year-to-year demand for diesel fuel to increase by as much as 15%. When compared with West European trends, the development of the demand for petrol was surprisingly favourable. In Slovakia it went up by nearly 4% while in more developed European countries the petrol consumption stagnated or even fell. An increasing consumption of motor fuels in Slovakia is expected to exceed standard growth rates of Western Europe for some time, in particular due to the launched process of gaining on the more developed countries.

High tax burden

The behaviour of prices of motor fuels in Slovakia followed the global market with crude oil and oil products. During the year, the petrol prices ranged between 36 and 43 Slovak crowns (SKK) per litre and between 37 and 42 SKK per litre of diesel.

The average retail price of petrol and diesel increased in the course of the year by about 3%. A major share in the final price for motorists continued to be the tax burden that exceeded 55% for petrol and 52% for diesel. When comparing the taxation of motor fuels in Slovakia with other countries, it is the highest out of the surrounding countries and it also considerably exceeds the minimum rate of excise duty set by the EU. For diesel fuel, the difference amounted to 3 to 4 SKK and for petrol it was 2 to 3 SKK per litre to the detriment of Slovakia. A significant appreciation of the exchange rate of the Slovak crown that exceeded revaluation of currencies in the surrounding countries contributed to a higher relative taxation of motor fuels in Slovakia.

Euro implementation

Actually the most important problem we are tackling in Slovakia is to create the conditions in individual member companies for the smooth implementation of the law 659/2007 Col on the implementation of the Euro in the Slovak republic. The problems will rise in the period of dual displaying of consumer prices, mainly one month after the freezing of exchange rates until one year after the implementation of the Euro. Before the effective day of Euro implementation it is the price in Slovak crowns that is decisive and the price in Euro will be of informative nature only in the system of dual display of the prices. From the effective date it will be the price in Euro that will have a decisive role and the price in SKK will be of informative nature only. This obligation will apply to all the receipts issued by electronic cash register for the sale of goods and this includes fuel sales. The actual procedure for issuing the receipts from cash registers at petrol stations is as follows:

Total domestic consumption of selected refinery products in 2000–2006, in '000 tons, (state reserves excluded)

Products	2000	2001	2002	2003	2004	2005	2006	06/05
Motor petrol	602	638	666	677	643	656	682	3.9%
Motor diesel	731	783	932	909	1,003	1,124	1,294	15.1%
Heating oils	83	57	65	105	75	61	62	2.5%
LPG total	n.a.	n.a.	n.a.	50	52	54	56	3.7%
Lubricants	36	40	38	40	44	45	45	0.0%
Bitumens	84	79	106	102	91	139	178	28.3%

Price display problems

Each petrol station has some petrol pumps with a display showing the unit price in SKK, the quantity of fuel delivered and the total price that is to be paid by customer. These petrol pumps are connected to a cash register into which the data from the display are transported and then the cash register prints out a receipt for a customer. Based on the above mentioned facts it will be necessary to modify all the displays of the petrol pumps. This can be only done by a special service company. Taking into account the number of petrol stations (ca. 900) there is an estimation that it could be done in 15 days. It is clear that the displays at petrol stations won't be able to show a dual pricing right after the implementation of the Euro (1.1.2009) and until the modification done by the special technician it will give the price in SKK. For that reason the same problem will occur with the receipts issued by the cash registers because the petrol pumps are connected with them. This concerns also the price pylons of gas stations.

Union de Petroleros Independientes (UPI)

Fifteen years have passed since in 2002 the liberalisation of the Spanish oil distribution market was achieved and a considerable degree of concentration remains: at the end of 2007 more than 70% of the market was shared by the three Spanish refiners. The rest of the market is divided among multinationals and independents. In 2007, the independent companies (including the biofuels producers and traders) represented almost 12% of the market.

Independents guarantee competition

Drawing up a balance as regards the presence of independent companies, one may say that in spite of the initial difficulties, quite an appreciable number of these companies have succeeded in settling in the Spanish market with a relevant joint market share.

These independent companies have become an alternative to the traditional oil companies, with very important investments in building storage, extending their networks of petrol-stations and purchasing other companies or networks. The main independents appear as a guarantee of competition that has to be preserved and promoted with market neutrality and by taking into account independents' interests and penalising anticompetitive behaviour.

In the last years the Administration has acknowledged UPI as a social partner, representative of a specific kind of oil companies. This acknowledgement has resulted in our regular participation in working groups of the Administration and in other activities like those that took place during the visit

of the International Energy Agency inspectors in November 2005 in the framework of the review of the Spanish security of supply system. In February 2006, the Spanish Energy Commission decided to designate a representative of UPI as observer in the Consultative Board of Mineral Oils of this administrative body.

Medium distillates increased

Focusing now on the main events that occurred in 2007 in Spain, oil products consumption went up moderately -1,3% – totalling 74,91 million tons, one more than in 2006. The economy growth was much higher than the increase of the oil products demand. According to the Mineral Oils Statistic Bulletin (December 2007), the demand elasticity with relation to the GDP amounted to 0,34%. The importance of medium distillates – kerosenes and gas oils – in the structure of the total consumption of oil products increased once again, amounting to 56,6%. The dieselization process of the vehicle fleet remained steady although at lower rates than in previous years: petrol represented 20,6% of the total consumption of fuels. With regard to fuel prices, average net prices went up 30% in only one year.

In December a Royal Decree introducing changes in the legislation on compulsory stocks was adopted. This Royal Decree implies a progress in setting up an obligation with equal burdens for refiners and non-refiners. Let us remember that refiners hold, in relative terms (proportionally to their sales), two to three times more operating stocks than non-refiners and count these additional working stocks as compulsory ones. The Spanish Energy Commission, as well as the European Commission, has expressly admitted that this combination of legislation and market reality produces a competition disadvantage for non-refiners. With the new Royal Decree, the oil companies will have the option to hold through the Spanish stock-piling agency, CORES, 75 days of their 92 days of compulsory stocks (instead of staying at 40 days). This option will be given firstly to the non-refiners and only when their demands are entirely satisfied, to the rest of companies.

Biofuel targets

As regards biofuels in July the following targets of biofuels for petrol and diesel (fuels for road transport purposes) were adopted:

- 2008 1,9% (indicative)
- 2009 3,4% (compulsory)
- 2010 5,83% (compulsory)

These percentages refer to biofuels expressed in equivalent tons.

The implementation legislation is still at a draft stage because many opposing interests are affected, especially those of the refiners and the ethanol producers. A control system will be set up, based on the Administration delivering certificates, one per unit of biofuels sold by the required subjects. This system is also aimed to promote a certificates market.

The Swiss Petroleum Market

Switzerland imports two-thirds of its finished products by way of the Rhine, rail tank car, tanker truck or pipeline. One third of its finished products are processed in two refineries. Government influence is limited to the general legal conditions (corporate law, quality and security provisions. These, however, are leading edge for European development).

One exception is the import licence required to bring petroleum products into the country. Linked to this is also the condition for the maintenance of compulsory inventories. Compulsory inventories are operated and administered by the sector itself, while the state is limited to the setting of guidelines and monitoring adherence.

There are no governmental price regulations. For that reason, and due to Switzerland's heavy dependence on imports and tough competition amongst market participants, the impact of international price quotations on consumer prices is total and immediate. Six fully integrated international groups have importer status, as do two national companies (group members of the two largest retail organisations) and around 50 smaller, independent companies.

Independent petroleum companies
This segment does not have its own organisation. Nevertheless, individual independent companies (amongst them a few well-known AVIA companies) are members of "Erdöl Vereinigung Schweiz" ("the Swiss petroleum association"), which is an umbrella organisation for the sector. The independent petroleum companies in Switzerland are regulated by the same general conditions as all the others and are thus not subject to any particular market restraints.

Nevertheless, a considerable portion of the independent importing companies are AVIA members. "AVIA Vereinigung Schweiz" ("AVIA Association of Switzerland") represents their interests with the public and coordinates common activities. AVIA INTERNATIONAL in Zurich/Switzerland is the umbrella organisation. It coordinates the activities of 14 European AVIA country organisations and those of some 80 associated member companies. AVIA is thus the single (brand) association for independent petroleum companies operating throughout Europe.

Consumption data
Sales of the most important petroleum products dropped to 10.4 million tons in 2007, which represents a steep drop of 10%. The fuel consumption was slightly higher, despite the considerable increase in prices at the pump of up to CHF 0.25 per litre. However, this trend is largely due to a growing preference for diesel.

Market development (tons)				
Product	2006	+/– %	2007 (interim)	+/- %
Petrol	3,484,437	-3.1	3,449,895	–1.0
Kerosene	1,238,603	+4.8	1,320,620	+6.6
Diesel	1,854,348	+8.2	1,990,163	+7.3
Total fuel	**6,577,388**	**+1.3**	**6,760,678**	**+2.8**
Extra light heating oil	4,824,540	+2.8	3,530,000	-26.8
Medium/heavy heating oil	138,571	+16.2	138,571	–29,9
Total heating oil	4,963,111	+3.1	3,627,952	–26.9
Other products	719,535	+6.9		
Refineries own-use	291,240	+10.8		
Total sales	**12,551,274**	**+2.5**	**10,388,630**	**-10.0**

The demand for petrol fuel was 1.0% below the previous year at 3,45 million tons. Demand for diesel fuel, however, continued to grow: diesel consumption rose by 7.3% to 1,99 million tons. The diesel share of overall new vehicles continued to come to about 33%. The price situation visibly strengthened the trend toward the more fuel-efficient diesel vehicles, while diesel fuel benefited from an ongoing upswing in the construction and transportation sector.

Heating oil consumption, on the other hand, showed a dramatic drop of 26.8% to 3,53 million tons. However, along with the mild weather and certain technical factors, this drop is largely attributable to the liquidation of stocks.

Mabanaft Energy Ticaret ve Sanayi A.S.

In 2007 the total oil retail market reached a turnover of 25 billion euros, which is a plus of 23% compared to 2006. This increase mainly results from price and tax increases. The total retail market volume was 18.1 million tons:

Gasoil	13.4 mill. tons	+5.07%
Gasolines	2.5 mill. tons	-5.6%
Fuel oil	2.2 mill. tons	-18%

2007 was dominated by new and stricter regulations by EMRA, the Energy Markets Regulatory Authority. A total of 7 million tons retail product was marked under new regulations introduced to combat smuggling. Companies are now required to present high bank letters of guarantee before being allotted marking material. Any litre of marking material lost counts as a tax obligation and is required to be covered by bank guarantees.

National stock obligations

Another heavy burden was national stock obligations. Some 3.5 million tons national stock was kept by players in 2007, bringing

Refinery sale price	1,256.00 YTL/m^3	= 628 EUR/m^3
Mineral tax	924.50 YTL/m^3	= 462 EUR/m^3
EMRA share	1.50 YTL/m^3	= 0.75 EUR/m^3
Total	2,182.00 YTL/m^3	= 1,091 EUR/m^3
VAT (18%)	392.76 YTL/m^3	= 196 EUR/m^3
TOTAL	**2,574.76 YTL/m^3**	**= 1,287 EUR/m^3**
Retail price	3,010.00 YTL/m^3	= 1,505 EUR/m^3
(Tax, VAT incl.)		
Difference	435.24 YTL/m^3	= 217.62 EUR/m^3
	= 335.00 USD/m^3	
	= 217.62 EUR/m^3	
	= 396.50 USD/ton	

very heavy financial costs and difficulties with current independent storage availability, which is very limited for such a big market.

White product sales

New regulations also required all retail businesses to sell through filling stations only, which resulted in sky-high procurement costs for the filling station. Especially industry and large-scale consumers had traditionally been supplied by retailers operating without any filling stations. However, the authorities believe that such organisations give rise to smuggling, therefore EMRA banned white product sales by any company without a filling station as from 1 January 2008. Now the whole market has to be supplied through filling stations, resulting in higher final prices and profit.

All these rulings keep newcomers from entering the market, which makes final retailing prices among the highest in the world with a total profit of about 400 USD per ton (see table previous page).

Difficult market situation

Such market conditions result in the top five occupying 88% of the market and the top eight as much as 95%! If the market continues with this high price / high profit situation, it should remain difficult to enter. The regulating authority and its rulings are far from open, fair, and competitive, and are no more than a poor imitation of European standard market conditions.

Association of UK Oil Independents (AUKOI)

Biofuels on the rise

The up-take of biofuels has continued to increase in response to the Renewable Transport Fuels Obligation, which came into effect on 15 April 2008. This requires all designated fuel suppliers in UK to supply diesel and gasolines with a minimum biofuel content of 2.5% (max. 5%) from that date. There will be a certificates trading system which will allow those suppliers in deficit to purchase certificates from those in surplus to the minimum requirement, similar to the "stock ticket" market that existed for Compulsory Stock cover for many years. In the Budget last month the Chancellor of the Exchequer announced that the duty benefit in favour of biofuels (currently 20p/l) would be discontinued in 2010. Increasingly, the Government has been focusing on the issue of sustainability of various biofuels types and is now actively considering differentiating biofuels in accordance with a deemed sustainability/carbon saving rating in the period beyond 2010. This would mean that instead of the one certificate for 1 litre of biofuel regardless of origin or type, the biofuels themselves will be accorded a calculated value rating relative to their sustainability and carbon reduction effects.

In response to press and other comments/reports in the past few weeks the Renewable Fuels Agency (RFA) has initiated a comprehensive review of the overall effect of biofuels, to be headed by RFA-Chairman Professor Ed Gallagher. The RFA has sent out a "request for evidence" to all parties who may wish to contribute to the study. This Review will take into account not just the renewable effect of biofuels relative to their mineral oil counterparts, but also the

wider aspects and impacts upon other industries e.g. agriculture, food, land. The Gallagher Report will publish its initial findings at the end of June this year.

Oil Product Infrastructure

In November 2007, a fire at the Petroplus, Coryton refinery on the Thames caused a product shortage which severely tested the ability of the market to supply its customers at this period of peak demand. The refinery remained out of action until mid January, so the brunt of the product supply shortfall in South East England had to be supplied by import through existing (highly utilised) independent terminals and the Coryton refinery itself. There was naturally considerable disruption to product supply and a massive increase in price premia in the lead-up top Christmas. Whilst the Industry just managed to cope by hard work and employing a range of ingenious, if costly solutions, the whole uncomfortable episode served to highlight that the UK oil products supply infrastructure has reached the point, through lack of investment over many years, that it is barely able to cope with a major supply or operational interruption at periods of peak demand. At a meeting between Government and Industry in Autumn 2007, a senior Government Official proposed that a Task Force be set up to consider the full implications of this matter and to report to the Government its recommendations. This meeting took place over 4 months ago but regrettably, there has been little progress made to set up the Task Force and progress its remit. AUKOI together with other Trade Associations who represent Independents in the UK market is pressurising Government to move this matter forward with urgency as we see that, by degrees, the capacity of the UK product supply infrastructure continues to decline.

Carbon Reduction

Conformance with the EC Carbon Reduction targets under the EU ESD is being managed by two separate Government Departments. The Dept. for Transport (DfT) is responsible for road fuels and heating oils and falls under the Dept. for Environment, Food and Rural Affairs (DEFRA). Both have consulted with the Oil Industry and have proposed Voluntary Agreement (VA) schemes. This means that rather than legislating the Government wishes the companies in the "non net-bound sector" of the UK Energy Industry to conform voluntarily to a series of measures to be agreed by the Government which are designed to progressively reduce carbon emission to the targets agreed for 2020 (and interim milestone targets). At this stage it is sufficient to report that the proposed measures are not too onerous however, under the proposed wording of the VA's, the Government has the right to change key aspects of the programme. We are currently negotiating the format and wording of the VA's to develop it to the point where all AUKOI Members (and other UK suppliers) will be able to voluntarily accept the proposal and sign up. Government Depts would rather deal directly with the Trade Associations (for obvious reasons) but we have pointed out that, even though they may be members of a Trade Association, we do not have the authority to make contractual commitments on behalf of individual companies. The deadline for the commencement of the programme is May 2008, so we have doubts that the VA's will all be signed and in place by then.

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

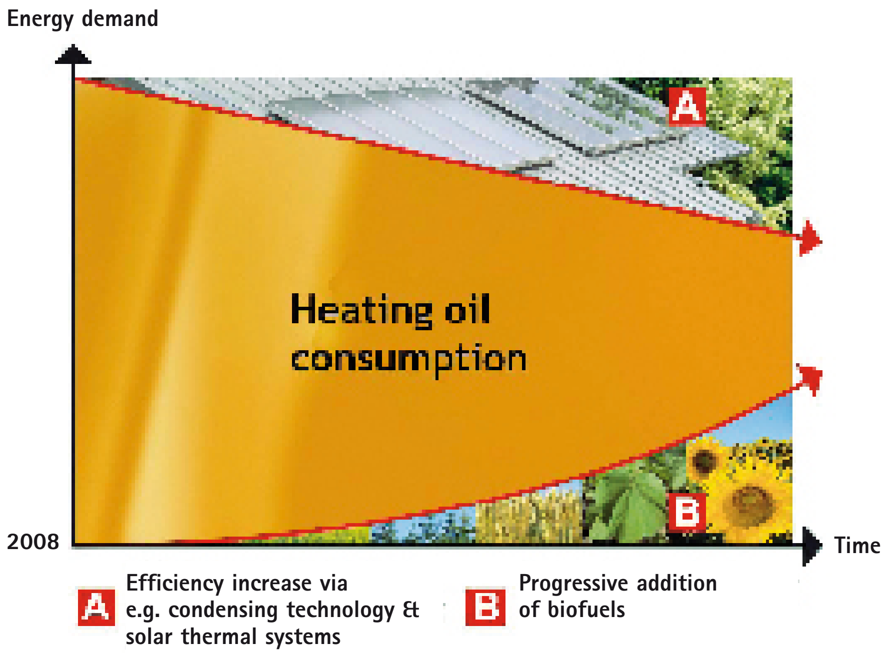
Eurofuel is engaged in the development of common standards and innovative techniques for heating oil and equipment, primarily in the domestic housing heating market. Our members are committed to ensuring the competitiveness and efficiency of heating oil, while reducing its environmental footprint.

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

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

European policy issues for Eurofuel and its members during 2007-8 hinge on the implementation of energy efficiency directives and initiatives (Energy using Products, revisions to Energy Performance of Buildings, Energy Services, Energy Efficiency Action Plan) and the promotion of renewables (e.g., renewables directive proposal), research and development (R&D) and technology (e.g., Strategic Energy Technology Plan).

Eurofuel's vision for the future of oil heating systems can be summarised in the following diagram:



Modern oil heating systems represent an intelligent, hybrid eco-efficient response to climate change challenges, and offer the following advantages:
- Very high efficiency oil heating boiler equipment and systems design
- Very low particulate, NO_x and SO_x emissions
- High energy density fuel
- Autonomous, network-free energy storage via the consumer's own oil tank
- Truly deregulated and unbundled
- Ideal combination with solar thermal heating
- Incorporation of biofuel/bioliquid blends, further reducing Greenhouse Gas emissions.

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

UPEI Biofuels Matrix

due date: April 2008

Country	Tax Advantage Biodiesel	Bioethanol	Mandatory Blending	Mandatory Blending Plan	Vegetable Oil
Austria	B100: 100%	E85: no tax on ethanol share, full tax on gasoline share	yes	01.10.2005: 2,5% 01.10.2007: 4,3% 01.10.2008: 5,75%	
Belgium	14,2 €/m³ (if 4,29% FAME)	43,59 €/m³ (if 7% Ethanol)		2006: 3,37% + 0,92% per year 2010: 5,75%	
Croatia					
Cyprus	n.s.	n.s.			
Czechia	no tax incentives for obligatory blended products, only blend >31% FAME has an advantage of 31% of basic excise duty		yes (in % of total on market placed volume)	diesel: 01.09.2007 = 2%, 01.01.2009 = 4,5%, gasoline: 01.01.2008 = 2%, 01.01.2009 = 3,5%	no special law
Denmark	n.s.	n.s.			
Estonia	100%	100%			
Finland	n.s.	n.s.			
France	2005: 33 €/hl 2006: 25 €/hl	2005: 38 €/hl 2006: 33 €/hl	yes	2008: 5,75% 2010: 7% 2015: 10%	
Germany	2007: 39,94 ct/l; 2008: 33,64 ct/l; 2009: 27,34 ct/l; 2010: 21,04 ct/l; 2011: 14,74 ct/l; 2012-2015: 2,14 ct/l no tax advantage on blend	E 85: 100% / no tax advantage on blend	yes	Mandatory blending from 01.01.2007: diesel 2007–2015: 4,4% gasoline: 2007: 1,2% / 2008: 2% / 2009: 2,8% / 2010-2015: 3,6% (percentage based on energy content). Starting with 2009 additional to the separate quota of gasoline and diesel a combined quota of bio has to be fullfilled (starts with 6,25% and + 0,25% every year till 2015) (buy-out price for non-fullfillment of the combined quota: 60ct/l). An amendment of the law is under discussion.	2007: 47,04 ct/l 2008: 38,89 ct/l 2009: 30,49 ct/l 2010: 22,09 ct/l 2011: 14,74 ct/l 2012-2015: 2,14 ct/l no tax advantage on blend
Greece	n.s.	n.s.			
Hungary	100%	100%	no	but from 01.01.2007 there will be tax disadvantage for fuels without biocomponents	Pure vergetable oils are not a topic in Hungary.
Ireland	100%	100%			
Italy	84,60 EUR/1.000l up to 250.000 tons/2007	n.s.	Biodiesel: yes	Biodiesel: 01.07.2006 1%	Vegetable Oil in 2007 was excise free and only for agricultural purposes, in 2008 this regulation has been cancelled and therefore vegetable oil is out of the market.

n.s. = not specified

HVO (hydrogenated vegetable oil)	Comments	Legislation
There are no special laws in Austria regarding HVO.	(percentages based on energy content)	Quota on gasoline and diesel. Yearly turnover. Tax advantage only if share of bio is above 4,4 vol-% per litre, otherwise you have no tax advantage (Differential diesel 3,30 EUR/100l and gasoline 2,80 EUR/100l)
	The percentage of 7% Ethanol exceeds the max ethanol spec in EN 228 of 5%. Therefore the only feasible solution will be to add close to 15% max. ETBE.	Furthermore tax incentives in Belgium are only applicable when biocomponent is purchased at government appointed companies and limited to predefined max quota. Overall excise duties are raised with similar percentages to ensure budget-neutral tax-income operation for the Belgian government.
	"The national indicative aim is to put on the domestic market by 31 December 2010 biofuel up to 5,75% in the total amount. The Decree of April 2007 regulates that the obligatory percentage of biofuel in the total amount of energetic consumption of fuel is 0,9% or 22.000t of biodiesel. By 31 January 2008 the supplier must report to the Ministry of Economy, Labour and Enterpreneurship the fulfillment of this obligation for the year 2007. If the supplier has not fulfilled it, he/she is obliged in 2008 to put on the market the obligatory amount for the year 2008 plus the amount that he/she did not put in the year 2007."	
no special law	restart of 100% tax incentives (tax = 0) for 100% pure bio product is planned (depends on obtaining EC approvement)	All obligations are set by "Air pollution" law no. 86/2002
The "38. Bundesimmissionsschutzverordnung" came into force in January 2008 which will allow from 1. January 2010 coprocessed hydrogenated vegetable oil for fullfillment of the quota. The maximum content of HVO is limited to 3%. There is a roadmap of the oil industry (majors and independents), the ministries and the German car manufacturers to introduce a B7+3, which means 7% FAME plus 3% HVO in diesel. This topic is under discussion in Germany at the moment. There might be changes!	Mineral Oil Tax: 47,04 ct/l. A directive for sustainability is in preparation. At the moment the EU has stopped the notification process of the German sustainability directive.	Obligation for gasoline and diesel seperately. Obligation of yearly turnover. It is possible to assign surplus in the following year. If shortage it is allowed to buy "surplus" of another party or otherwise payment of buy-out price (60ct/l diesel / 90 ct/l gasoline)
There is no legislation for HVO.		Since 01.09.2006 it is allowed to have 5% bio in the fossil diesel. It is allowed to import but not to blend.
HVO is not yet a topic and consequently there is no legislation for use and production.	Biodiesel: law allows blending up to 5% Bioethanol: not defined	The European Commission has given the green light to a tax reduction in Italy to stimulate the production and use of biodiesel. Under the scheme a quota of 250,000MT/year of biodiesel would see an excise duty rate of only 20% of the rate applicable to diesel oil used as automotive fuel.

Continued overleaf >

Country	Tax Advantage Biodiesel	Bioethanol	Mandatory Blending	Mandatory Blending Plan	Vegetable Oil
Latvia	n.s.	n.s.			
Lithuania	100%	100%			
Luxembourg	n.s.	n.s.		since 01.01.2007 there is an obligation of 2% (based on energy)	
Malta	n.s.	n.s.			
The Netherlands	no tax incentives	no tax incentives	no	01.01.2007: 2% (energy basis) 01.01.2008: 3,25% 01.01.2009: 4,5% 01.01.2010: 5,75%	For vegetable oils there are no specicfic plans other than some very small subsidized initiatives (excluded from obligation).
Poland	n.s.	n.s.			
Portugal	100% for 1%	100% for 1%			
Slovakia	100% until 5% blend	100% until 5% blend of ETBE	yes	selling every litre with Vol-5% (accumulated) 2007: 4,5 %	
Slovenia	0	0	no for each litre / yes for year quantity	3-4% (reality none) / 5%	
Spain	100%	100%	yes	percentages on energy basis 2008: 1,9% – indicative 2009: 3,4% – compulsory 2010: 5,83% – compulsory	
Sweden	100%	100%			
Switzerland	0	0			
United Kingdom	20 pence/l	20 pence/l		15.04.2008: 2,5% 2009: 3,75% 2010: 5%	There is no official policy on use of pure vegetable oil.

n.s. = not specified

HVO (hydrogenated vegetable oil)	**Comments**	**Legislation**
There are no movements on HVO in NL.	Fame is blended at terminals. Ethanol or ETBE is except for 1 terminal not blended yet, delivered ex refinery.	Obligation for gasoline and diesel seperately. Obligation of yearly turnover (dutch volume sold including excise duty). It is possible to count the quota in NL even if the product is exported to another country. Trading system: parties can trade shortage or surplus to fulfil own obligation. Per 01.01.2008: Introduction of a buy-out-system. Payment of buy-out price (as sanction) when obligation cannot not be met on reasonable terms (e.g. shortage of biocomponent or strong price increase).
		tax will be defined at the end of the year
	There is no ethanol in Slovakia but ETBE.	up to 5% for biodiesel and 5 % for ETBE blending is without tax, more than that you have to pay the tax.
HVO is not a topic in Spain.	You can do blending at filling-stations and not only in fiscal tanks, once the fiscal suspension regime has been concluded for all the products that are blended.	Draft legislation: Only fuels for road transport (diesel and gasolines) are concerned. The oil companies will have to ask for administrative certification of the quantities of biofuels included in their sales (the National Energy Commission will be competent for delivering these certificates, one per equivalent ton sold and proved). In case of a lack of certificates and without prejudice to penalties, the companies will have to make compensating payments (274 euros per lacking certificate of diesel and 437 euros per lacking certificate of gasolines); the so-generated income will be distributed annually between those companies with an excess of certificates: by means of these payments, the administration intends to promote a certificates market.
	In the foreseeable future there will be no marketable production sites for biodiesel and bioethanol in Switzerland. Only by special permission pilot production sites with capacities of up to 5,000 MT/a are allowed, total capacity for those sites limited to 15,000 MT/a. There already are two pilot production plants but as yet there is no production going on for want of investors.	From 1 July 2008 biofuels according to EG-directive 2003/30/EG are exempt from mineral oil tax if they comply to certain sustainability criteria. Biofuels from rape seed or sugar cane have to provide evidence of a positive ecological balance. There will be no tax exemption for biofuels from palm oil, soy or crops.
HVO does not qualify for RTFO certificates.	15 ppl buy-out price (penalty) till spring 2010, afterwards the buy-out price will rise to 30 pence/l. Duty differential (20ppl) is guaranteed to 2010. The 20 pence/l duty incentive for bioethanol and biodiesel will be withdrawn from spring 2010. The RTFO buy-out price will then rise from 15 pence/l to 30 pence/l. Intend to raise the level beyond 5% after 2010. Obligation works by one certificate being awarded for every litre of sold biofuel. From 2010 certificates will be awarded based on their greengas saving. From 2010 certificates will only be awarded if the fuels meet certain sustainability standards.	All the legislation has been put before the government and approved. total amount, not in every litre compliance period from 15 April to 14 April

Contact:

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents
info@upei.org
www.upei.org

Hamburg office:
c/o AFM+E
Grosse Theaterstrasse 1
D-20354 Hamburg
Phone ++49 40 34 08 58
Fax ++49 40 34 42 00

Brussels office:
Avenue Michel Ange 68
B-1000 Bruxelles
Phone ++32 2 739 62 66
Fax ++32 2 739 62 73

Siège social:
10, rue de Laborde
F-75008 Paris
Phone ++33 120 43 87 00 01
Fax ++33 120 43 87 43 46

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