UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents

REPORT 2012

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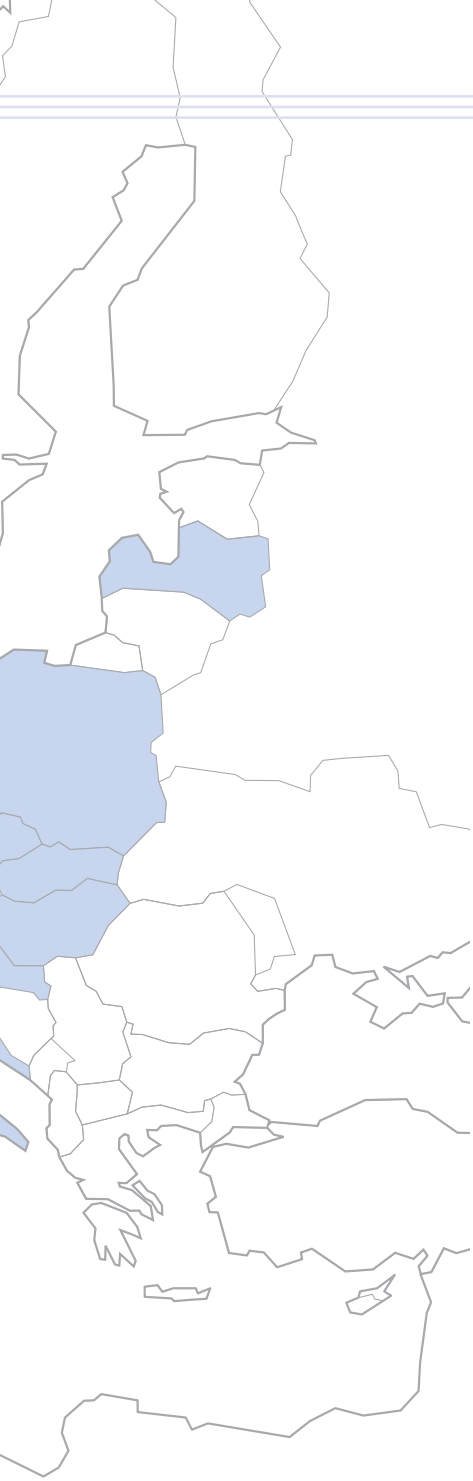

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Nicolas Storme,
Vice President
as from 17 May, 2013

PRESIDENT'S FOREWORD

With the development of unconventional oil and gas deposits and the increasing use of renewable energy sources, the global energy industry is moving into a new era. Whereas in the past there has always been a dominant source of energy – first wood, then coal, and finally oil and gas – this will be less and less the case in the decades ahead. The result of the new resource diversity is that the fossil fuels oil, gas and coal share the task of meeting the world's energy requirements with the CO_2-neutral sources in the ratio 3:1. Fossil fuels will remain available for a long time to come. Their abundant reserves are tending to put pressure on prices. This is clearly visible on the North American natural gas market. But in Europe too, the energy industry is a locational factor that always has to bear in mind the affordability and security of supply of energy – not least in order to improve the competitive strength of the European market.

This trend is tending to go against the renewable energy sources. What is more, their introduction is proving more expensive than expected. Thus sooner or later the renewable energy sources could find themselves in the grip of a strong pincer movement. Whether they will be able to escape from this movement is a burning question.

Advanced technologies will also open up new opportunities for bio-energy if the "tank or table" debate can be ended by economically successful efforts to do without field crops for the production of bio-fuels and bio-gases and to use agricultural and forestry waste instead.

The changes on the global energy market have to a large extent been due to independents. For example, independent explorers in North America were the first to test and introduce shale-gas and tight-oil extraction. In Europe it was the independent petroleum traders who pioneered the introduction of bio-fuels. However, the independents can only make full use of their innovation and flexibility for the benefit of their customers if they are allowed sufficient freedom of movement for their activities. There is a great danger that this freedom will be increasingly restricted by political intervention, which in some cases may be accompanied by consequences far removed from the market.

One barrier to the freedom of movement of goods in the European Union is the large number of very diverse acts and ordinances on bio-fuels in the 27 member states. Apart from impeding the flow of goods, this jungle of legislation results in higher costs, which are ultimately reflected in prices at the expense of the consumer. This is despite the fact that the European Commission had set out to reduce the burdens that legislation imposes on the more than 20 million SMEs.

First impacts of this resource diversity on the global energy market are already evident. The natural gas market has changed from a sellers' market to a buyers' market. The price of oil is no longer the only parameter for the price of gas in long-term supply agreements. Purchase prices and terms of business under such agreements are becoming more flexible. From regional gas markets, a global gas market is starting to emerge. In the oil sector, the crude oil streams are changing: crude oil from West Africa that is no longer needed in the USA because of increased domestic production there, is finding its way to energy-hungry Asia, and Russia is also supplying more oil to Asia. Sales of Middle Eastern oil to the United States have decreased; it is now being refined in Arabian refineries and the products exported to Asia and Europe. American coal, displaced from the power generation sector by cheap gas, is finding markets in Europe and making gas-fired power plants uneconomic. Asia and the Middle East are increasingly becoming the focus of global petroleum refining. The many new refineries are intended to meet the growing demand there and serve the global market. The pressure on Europe's refineries is growing. European refineries are losing some of their sales markets. Mass closure of European refineries would make the EU increasingly dependent on product imports in the future.

Whereas the issue in the bio-fuels sector is the task of reducing the different national regulations in favour of harmonisation in the European Union, the international petroleum trade is threatened by a new obstacle that casts doubt on the benefits of resource diversity. The issue in question is the Fuel Quality Directive. This proposes a system of calculating the greenhouse gas emissions of fossil fuels over their entire life cycle, which is to be used as a basis for determining the 6-percent reduction in greenhouse gas emissions per fuel unit by 2020, compared with the figure for the base year 2010. If this were implemented, diesel and gasoline from unconventional crude oils would be at a disadvantage compared with oils from conventional resources, which would make them impossible to sell. The petroleum trade between North America and the EU would practically come to a standstill. The introduction of such a requirement, against which Canada and the United States are already protesting, combined with detailed reporting requirements for the petroleum trade, would mean an unrealistic bureaucratic regulation of the energy trade and would seriously affect the petroleum trade in Europe.

The jungle of national bio-fuel regulations and the Fuel Quality Directive are only two examples of issues that UPEI is tackling. In numerous meetings with representatives of the trade, members of the European Parliament and staff of the European Commission, we are seeking to find optimum solutions for all concerned. Other topics that UPEI has been working on for quite some time include the Energy Efficiency Directive, the EU 2050 Energy Roadmap, the European Refinery Structure, and the security of energy supply, where the European Union will continue to depend on imports. One topical issue is the harmonisation of fuel pump labelling, which should only be brought in with the full cooperation of the automobile industry, with a view to improving consumer acceptance of bio-fuels, among other things.

In its jubilee year UPEI has acquired more members and hence greater weight, and it now represents the independent energy trade from 16 of the 27 Member States of the European Union. I would like to thank all those who have supported us not only in 2012 and helped us to strengthen the market presence of the independents.

Bernd Schnittler
President

Union Petroliere Belge (UPB)
Belgische Petroleum Unie (BPU)
Belgian Petroleum Union

Macro economics

As the USA is becoming more and more independent in energy terms due to shale gas and oil, prices of oil and gas could decrease. Furthermore it means that Europe is losing the gasoline market in the US, a market which suited the European refineries as they have to produce more diesel, which yields some supplementary gasoline quantities.

These additional quantities of gasoline can be an exchange for diesel with Russia in the short term, until Russian refiners have additional capacity available.

It means that the European market is stagnating. Some major oil companies do not like this and they have decided to withdraw from the market with their downstream activities. They prefer to invest in growth countries. This is a fantastic opportunity for independents who are operating or will operate in the near future on the national markets such as Belgium within Benelux.

Macro economics in Belgium

Temperature
In 2012, the number of heating degree days recorded were 10% colder compared to the records for 2011.

Prices 2012 versus 2011
We saw the following growth:
- Gasoline prices increased by 6% on average in 2012 versus 2011.
- Diesel prices also increased by an average of 6% over the same period.
- The heating gasoil price increased by an average of 10% in 2012 versus 2011.

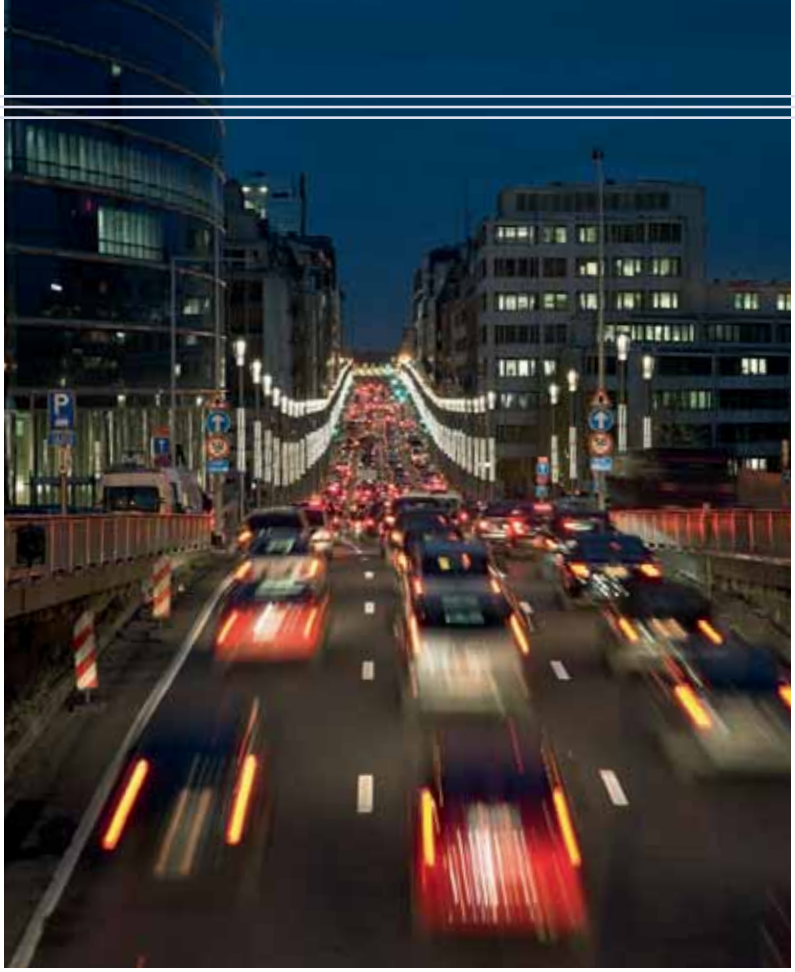
Market evolution
At this time we only have figures from the first three quarters of 2012 versus the same period in 2011 in retail.
- Gasoline: -5.20%
- Diesel: -6.60%

Overall, this means a weighted average decrease of 6.38% in the retail market. Figures for heating gasoil are not yet known at this stage. We are working on better and faster statistics and petroleum balances which will enable us to better monitor the market evolution in the future.

Challenges

Biofuels
- The BPU is in favour of incorporating bio material in the fossil fuels that are sold in this country in order to enable us to achieve the targets set by Europe in this respect. We are in favour of blending bio material with the fossil fuels expressed as a percentage in line with the European directive on the subject.

- The existing biofuel mandate and quota laws are coming to an end in June - September 2013. The BPU believes that these laws can be renewed under the following severe and stringent conditions:
  - The market for sustainable biofuel according to the standards set by the European Union within its European directives should be free.
  - No quotas of bio ingredients produced by recognised producers on a national basis should be admitted. That means the suppression of the present quota system in the existing law that comes to an end in 06-09/2013.
  - The blending of biomaterial with the fossil fuels can only be done using biomaterial conforming to the Renewable Energy Directive RED 2009/28/EC.
  - No fiscal incentives should be granted and
  - Access should be given to:
    - Double counting,
    - Bio material of the second generation,
    - Bio waste material.
  - As Belgium has a Max price control system, administered by a maximum price formula, it is obvious that the extra cost



of the bio material and the blending cost should be included in the formula.

Other challenges

- The oil sector in Belgium is working very hard to create a fund to motivate heating oil customers to replace oil tanks before they start leaking, on a pro-active basis. The purpose of this action is to improve the sustainability of the oil business in this heating oil market segment.
- The oil sector is trying out a uniform salary system, in collaboration with the Ministry of Labour, for drivers of secondary transport activities, i.e. movements of oil products to service stations and distribution activities to final customers such as heating and small industrial customers. The purpose is to apply similar salary grid conditions at each step of the supply chain in order to avoid illegal competition.

Conclusion

Independents are traders and not producers. They are not integrated as oil majors. They do not earn more as prices increase. This extra income only benefits the producers from the oil producing countries.

We have seen that the independents are getting more and more important as players in the oil supply in the country (30% import and 45% distribution market shares). So the world of the independents is an important one for the local business, and authorities should take that into account.

The message for the independents is that we have to try to cooperate as much as possible in order to increase the efficiency of our operations.

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

Consumption

In 2012, the consumption of most energy products types decreased, with a rise only in the consumption of coal and coke, fuel wood and biomass, other renewables and jet fuel. The consumption of almost all petroleum products was lower, except that of jet fuel which increased by 6%. The fall in the consumption of heating oil was 10.2%, of LPG 7.8% and of fuel oils 4.9%. The decrease in consumption of motor fuels was lower, 2.3% (motor gasoline) and 1.3% (diesel fuel). A more significant decrease was in oil coke consumption, 20.2%. The share of biogas in motor fuels was 0.1%.

Total consumption of electricity was 1.8% lower, natural gas 2.4% lower and heat fell by 8.3%. The consumption of coal and coke

increased by 2.2%. The consumption of fuel wood and biomass increased by 19.8%.

Energy efficiency was at the same level as in the previous year.

Development of the energy market

During 2012, Croatia's legislation was harmonised with the legislation of the European Union. Two new energy laws were adopted that significantly changed the whole energy sector in Croatia by completely adopting the Third energy package of the European Union: the Law on Energy and the Law on Regulation of Energy Activities. The issues of gas, electrical energy, renewable energy, oil and oil derivates, thermal energy and energy efficiency are regulated by separate laws.

The National Action Plan for Promotion of the Use of Biofuels in Transport prescribes the biofuels obligation (energy share) for the 2011-2020 period. In 2012, the obligation for Croatia in the transport sector was 1,23% and it is planned to gradually increase to 3,31% in 2015 and 9,19% in 2020. The Law on Biofuel in Transport (2009) and its bylaws define the implementation of the system to encourage the production of biofuels for transport in Croatia, obliging distributors of diesel and motor fuels to ensure the availability of biofuels on the market. The fuel distributor pays out of every sold litre an incentive to the Croatian Operator of the Energy Market.

In the area of security of supply, Croatia has asked for a transitional period in order to fully implement Council Directive (CONF-HR 21/07) that obliges the States to maintain minimal reserves of oil and oil derivates until 31 July, 2012. Croatia has fulfilled the obligation of 90-days reserves in accordance with EU legislation.

Energy Association activities

The year is marked by transforming the Association of Oil and Oil Derivates into The Energy Association. The reason was to establish a focal point for coordination of business interests and ensure participation of business community in the process of creating new laws and public policies in the energy sector.

The Energy Association covers energy market, production and trade of energy including the regulatory framework of derivates, gas, renewables, electrical energy and cogeneration as well as energy efficiency.

The Energy Association will focus activities on creating possibilities for companies to invest into the energy sector and green economy as one of the key areas in the years to come.

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

Market development

The following table shows the volume of oil products sold in the market (in millions of litres).

Products sold (in mio. l)	2008	2009	2010	2011	2012
Diesel	4.539	4.299	4.282	4.544	4.380
Gasoline	2.710	2.696	2.428	2.370	2.299
Total	7.249	6.995	6.710	6.914	6.679

Sales of both diesel and gasoline fell during 2012. Gasoline sales have been decreasing continuously year by year. The main reasons are the "dieselification" of personal cars, lower fuel consumption by new cars and economic downturn leading to reduced motoring by poorer households ("drive as little as possible"). While Czech gasoline prices are around the European average, salary income per capita is one of the lowest.

The reason for decreasing diesel consumption is probably both economic stagnation and fraud. Czech GDP felt by 1.3% in 2012. An increasing proportion of diesel sold in the Czech market is classified as "other lubricants" and comes to the Czech Republic from abroad without being subjected to appropriate taxation. The estimated volume of diesel avoiding excise duty taxation is 200 million litres per year.

Excise duties

Czech excise duty is 12.84 Kč/litre for gasoline and 10.95 Kč/litre for diesel. Although a few attempts have been made to convince the Czech Ministry of Finances about the positive impact of lowering diesel excise duty on the State Treasury (activities by SČS, Česmad – Association of Road Transport Operators, some MPs), there has been no move towards lowering the excise duty yet.

"Missing trader" or "Caroussel" VAT frauds

The situation has not changed since our last report. About 15% of all fuels currently sold in the market have not been subjected to VAT. No feasible solution has been found at "national" level yet. There have been a few attempts to resolve the situation in the updated VAT directive (January 2013), but none seem to lead to a visibly positive impact and some carry a risk of incompatibility with EU laws. The only effective solution to a fraud problem seems to be to implement the reverse-charge system. The possible impact of this system was visible for example in emission permits trade where EU approved its use.

The Czech republic is now in a difficult situation. It has to deal with significant fraud, but the only known solution to the problem is being blocked by the Council, and some Member States. Other Member States that should be assisting us to find a solution to fraud are "holding our head under water", forbidding us to use the reverse charge system, but are not able to provide us with an alternative solution.

The situation has two outcomes. Firstly, the Czech republic loses about half a billion EUR annually and – much worse – every day more and more independent companies decide to start buying untaxed petroleum products, since it is their only way to survive. Business morality and ethics are also being destroyed.

Legislative changes

The VAT Act: A new amendment to the Czech VAT Act came into force in January 2013. It includes – like last year's amendment – new mechanisms which focused on combating fraud.

According to the amendment, a buyer is liable for its supplier's VAT payment if
- the payment for supply goes to an "unregistered" bank account (not registered in central register provided by government financial authority)
- the payment for supply goes to a bank account which is located outside the Czech Republic
- the supplier is not registered as a "fuel distributor"
- the supplier is blacklisted by tax authorities as an "unreliable tax payer"

The Fuel Act: A new Fuel Act amendment has been in preparation since summer 2012. Its objective is to reduce tax fraud. It currently proposes that every distributor (any company handling any fuel, excepting petrol stations) should pay a deposit to the tax authority. The size of the proposed deposit is set at 800,000 EUR per company. This idea is very strongly supported by the biggest market players. However, SCS maintains that
- the deposit does not solve the cause of tax frauds, because losing the deposit to the state is insignificant when compared with profits from selling untaxed fuel.
- on the contrary, the deposit has a negative impact on market competition by limiting the number of market players. It is estimated that if the deposit remains at the current level, the number of fuel distributors will fall from 500 to 20, since the majority cannot afford to pay the deposit to the state.

Fédération Française des Pétroliers Indépendants (FFPI)

Deliveries for 12-month period to the end of March	2013	2012	Change
Super fuel (m³)	9,492,836	10,165,500	-6.6%
Diesel oil (m³)	40,153,983	40,272,511	-0.3%
	49,646,819	**50,438,011**	**-1.6%**
Domestic fuel (m³)	9,281,917	10,803,694	-14.1%
Off road fuel (m³)	4,757,518	2,592,641	+83.5%
	14,039,435	**13,396,335**	**+4.8%**
Heavy fuel (t)	986,986	1,220,130	-19.1%

FFPI Independents' Market Share of the National Market

Statistics are not available on the different channels of distribution. However, the market share of independents represented by the FFPI is estimated around 5% for fuels and about 22% for heating oil and off-road fuel.

Taxes on stocks

At the beginning of 2012, the French Government decided to collect an exceptional tax of 4% of the average value of stocks of the last quarter of 2011 (including strategic reserves) held by operators. Actions are underway in France to try to overturn this tax.

Off-road fuel

Since the introduction of the obligation to use off-road diesel approximately 14 months ago, its share has increased to about 34% from 19% at the end of 2011.

Biofuels

A system of double counting of biofuels of maximum 0.35% LHV (Lower Heating Value) for EMHU (methyl esters of oils) and EMHA (methyl esters of animal oils) has been introduced by the Administration – i.e. 5% of the obligation introduced in 2010 to include 7% biofuels.

In addition, all biofuels cannot be taken into account if we cannot establish traceability. All market participants from France or abroad must be registered.

Energy Saving Certificates

The third phase (3 years per phase) will begin on 1/1/2014. The Authorities have established a dialogue with the different energy operators to outline the main elements of the new phase in which the obligation of additional savings should be multiplied by 1.7.

This system is aimed at reducing all energy consumption through savings by consumers (insulation, efficient boilers, alternative energy). Financial incentives are given to customers to encourage them to make savings.

MEW Mittelständische Energiewirtschaft Deutschland e.V.
NOVOFLEET GMBH + CO. KG
CropEnergies AG

The sale of petroleum products in Germany has kept approximately to the level of 2011, with sales of about 103 million tonnes.

Demand is up for diesel fuel and light heating oil. SMEs also benefit from that, having a strong position in these market sectors. Demand for gasoline was down again – quite sharply, with sales volume reduced by nearly 6%. Gasoline grade Super E10 is still way below expectations, accounting for just over 14% of total gasoline sales in Germany as a whole.

Trading in light heating oil was livelier due to cold weather, with domestic sales rising 4.1% to 18.7 million tonnes. That makes the heating oil market the second largest segment in the German petroleum products market.

On the supply side, the refineries had luck on their side – margins in petroleum processing were up substantially. That led the refineries to increase domestic petroleum processing at the expense of product imports which were down by about 2%. But the trade was able to increase its shares of import volumes in many cases – e.g. for diesel up from 46.6% to 51.8%, and for light heating oil up from 46.8% to 57.9%.

The number of fuel stations in Germany remained stable around 14,328. According to German trade media, BP/Aral, Shell and Esso lost market shares due to high retail prices in 2012. However Total and Jet strengthened their market positions. So did BFT, the Association of Independent Fuel Stations, as the organisation gained some new members. BFT was thus able to increase the number of affiliated service stations by about 600 to 2,251 with its membership rising to 560. This increase was due in part to a number of the larger independent service station companies switching from UNITI to BFT.

Government policy

The focus of government policy makers in Germany was on various regulations for the heating and transport fuel market. A key element was the "Market Transparency Office Act" passed in November 2012 for transport fuels: This Act includes a mandatory requirement for service stations changing their fuel prices to notify the Market Transparency Office within 5 minutes. The data are then to be published in the Internet so that motorists can use the service station with the most attractive pricing. The Act was passed in response to the sharp rises and daily fluctuations in transport fuel prices in spring 2012. The system is expected to come into effect in the second half of 2013.

The main focus in the heating market was on three regulations designed to reduce carbon emissions. In December 2012, the Federal Government presented its report on experience gained with the Renewable Energy Heating Act (EEWärmeG), which prescribes a legal obligation to use renewables for heating of new buildings. Existing buildings are currently not subject to this requirement. The share of renewables in the heating market is to be increased to 14% by 2020; it is currently about 10%. The report on experience is the basis for planned amendment to the Act, but that will not be before the end of 2013.

The German Energy Efficiency Ordinance (EnEV) of 2009 is intended to reduce energy consumption for space heating and water heating in buildings. The EnEV is to be amended in 2013 in accordance with the EU Directive on Energy Performance of Buildings. Draft legislation was published by the Federal Government in February 2013. It does not contain tougher requirements for existing buildings, but focusses on new buildings.

Finally, the requirements of the EU Energy Efficiency Directive have an impact on the national petroleum products industry. The Directive includes a provision for savings each year of 1.5% of the annual energy sales to final customers of all energy distributors or all retail energy sales companies by volume, averaged over the most recent three-year period prior to 1 January 2013. The Directive was adopted in October 2012 and is to be transposed into national law in Germany by mid-2014.

Outlook

Car manufacturers are increasingly asking for AdBlue installations for passenger cars at fuel stations in Germany. This is due to the European standards (Euro 5 and Euro 6) to limit CO_2 emissions from passenger cars. Nearly all passenger cars delivered from autumn 2013 onwards will be equipped with SCR technique, which uses AdBlue. The limited storage capacity for AdBlue in passenger cars (approx. 8 litres) means there is frequent demand for AdBlue at service stations.

Quote

Dr. Christian Flach, CEO of Marquard & Bahls AG and Chairman of the Board of AFM+E Foreign Trade Association for Petroleum and Energy, says "I am convinced that the independent SMEs in the petroleum business have plenty of opportunities, and that SMEs will continue to increase their importance in the energy sector. The independent traders are filling more and more gaps which the international oil companies are leaving behind as they move out of various activities. We have demonstrated again and again that we SMEs can not only create jobs by our entrepreneurial spirit and willingness to take risks, but can also develop new fields of business and activity. We have repeatedly identified new market niches, and are rightly regarded as a driver of innovation.

We ensure security of supply and stand for fair price competition. We can be proud of that, and build on it even in challenging times."

Mabanaft Hungary Kft

Political and economic environment

The government in office since April 2010 is continuing its so-called unorthodox economic policy in 2012 as well. The way in which the inflation rate has dropped to its lowest level recorded in the past 40 years is an undoubted success of this economic policy (less than 3%) Sovereign debt has slightly decreased. The unemployment rate has stopped increasing and has even dropped slightly.

At the same time, the economy is stagnating. The hasty, at times retroactive, unpredictable and authoritarian legislative practices of the past two years have unsettled market players, including foreign investors, making a steady, balanced course of business and realistic business planning almost impossible.

However, in overall terms, it is plausible to state that although the style of governance is unusual, the economic players and the population are beginning to get used to this and, taking everything into account, the situation of the country is much better than the situation is in several EU Member States often reported on in the world press.

In the short run, the situation in the fuel sector will improve from 2013, since the so-called crisis tax imposed on this sector, which sectoral players were required to pay based on the turnover (!) they generated, was abolished on 31 December 2012.

However, several new changes introduced cast a shadow over upcoming expectations, namely:

- The mode of calculation of the so-called local business tax has significantly changed from 2013. This may even mean that fuel market players will have to pay up to 10 times more tax than they did before.
- Besides the usual capital gains tax paid on profit generated, energy service providers (including fuel wholesale traders) have for years been required to pay what business journalism has dubbed the "Robin Hood" crisis tax; however, the rate of this tax has now increased to such an extent that energy service providers will, in practice, now have to pay a total of 50% tax on profit!
- The Hungarian legislature adopted a new piece of legislation in December 2012, according to which a so-called labelling scheme will be introduced in Hungary in 2013 to collect duty tax imposed on fuels. This, in practice, implies injecting the labelling substances into the fuel. This new system must be up and running by 1 October 2013. The Hungarian Hydrocarbon Stockpiling Association is responsible for the introduction and operation of this system. Market players are stunned by this new legislation and are anxiously and curiously waiting to learn the details about the operation of the new system in practice.

It is important for the fuel market that major changes did not take place in relation to 2011 in the following priority areas:

Infrastructure

It is possible to store fuel at a total of 22-23 sites in Hungary.

Quality

The Hungarian standard continues to fully comply with European standards.

Bio-content

As a mandatory requirement, fuels sold must have an average bio-content of 4.8 v/v%.

At the same time, the standard applied sets a content ranging from 0% to 7%.

Bio-content is mandatory, which means that fuels without such a component will be classified as sub-standard.

It is compulsory to certify the place of origin of the bio-content and that it was produced in a sustainable manner.

Market players

Previous players continue to hold their market position in the wholesale market: Besides MOL, these players are OMV, ENI, Lukoil and Mabanaft.

There are very few players that can be classified in the small and medium-size enterprises category: 3-5 companies.

MOL's market share is approximately 85%, which fluctuates periodically.

Pricing

The Hungarian wholesale market is still adjusted to the wholesale prices quoted by MOL, the market leader.

MOL wholesale prices are fundamentally adjusted to Platts European Marketscan CIF Med quotes.

Entry opportunities

There are no legal or logistic restrictions for a potential new player to enter the Hungarian wholesale fuel market.

DCC Energy Limited

The Irish economy closed 2012 with slight GDP growth and slightly increased economic output. Continuing budgetary reforms combined with high unemployment and energy costs continued to suppress demand for oil products.

Based on official data published by the National Oil Reserves Agency (NORA) for the Republic of Ireland which excludes aviation volume and volume to a small number of large customers who import their own requirements, total oil sales continued to decline in 2012 which fell 5% short of the prior year, reaching about 6.1 billion litres.

	2012 million	% on PY	2011 million	% on PY	2010 million	% on PY	2009 million	% on PY
Gasoline (incl. Bio)	1,680	-8.1%	1,828	-6.3%	1,952	-8.2%	2,126	-9.0%
Motor Diesel (incl. Bio)	2,511	-1.2%	2,541	-0.4%	2,552	-3.4%	2,641	-10.8%
Transport Fuels	4,191	-4.1%	4,370	-3.0%	4,504	-5.5%	4,766	-10.0%
Kerosene (ex Jet)	908	-8.2%	989	-24.0%	1,302	2.1%	1,275	2.1%
Gasoil	1,006	-4.8%	1,057	-5.5%	1,119	-6.9%	1,201	-15.6%
Other oils	66	-17.8%	80	-22.3%	103	-4.7%	108	-5.1%
Total	**6,171**	**-5.0%**	**6,496**	**-7.6%**	**7,027**	**-4.4%**	**7,351**	**-9.1%**

Source: National Oil Reserves Agency statistics on oil sales subject to NORA Levy and Biofuel Levy

Republic of Ireland Consumption Review

The reduction in Transport Fuels has been driven by the poor economic conditions and the increases in the form of central government taxation on prices experienced over the 12 months. In line with European trends, diesel consumption as a proportion of total road fuels continues to grow and now represents 60% of the combined sector. Consumption of gasoil continued to fall due to lower construction related activity. Kerosene fell again, due to a milder than usual first quarter, with slightly below average temperatures for the rest of the year. Kerosene is the predominant oil product type used for domestic heating purposes in Ireland. Not included in the above figures are estimated aviation volumes of c.702 million litres, which is a 1.4% reduction on the prior year.

Associazione Nationale Commercio Prodotti e Servizi Energetici (Assopetroli)

Consumption

In Italy the global consumption of energy in 2011 was about 182 Mtoe with a decrease of 2.2% compared to 2010. The share due to oil was 37.6%, slightly down compared to the previous year, which confirms it as the main source of energy, followed by natural gas (34.6%), renewable energy (13.3%) solid fuels (9%) and net imports of electrical energy (5.5%).

The goal of energy saving represents an increasingly strategic achievement in Italy. The total cost of energy is estimated at around 65 billion euro in 2012 with an increase of 2 billion euro compared to the previous year (+3%).

The decrease in consumption has been mostly determined by the economic situation, as a result of international events. This situation then turned into economic recession hitting industry, transportation, agriculture, fishing and the Italian economy and families in general.

Furthermore the impoverishment of families and the crisis of companies, followed by their reduced purchasing power, are accompanied by the increasingly high cost of energy, mainly the tax component, that threatens to cause the collapse of small and big enterprises within the energy trade. In 2012 consumption of oil products was about 63.9 million tonnes, a decrease of 10.1% compared to 2011 (-7.2 million tonnes).

Prices

Another aspect determining the great decrease in consumption is the sizeable tax increase on fuels. From April 2011, the excise duty on diesel fuel was increased by 0.24 euro cents/litre. In this scenario the tax increase has in fact taken taxes on gasoline and diesel fuel to 58% and 54% respectively.

From the point of view of regulation the year 2012 included an act related to the fuel network introducing flexibility and liberalisation elements: partial liberalisation in the contract between the owner and fuel

station operator, drive towards greater automation through mandatory installation of self-service equipment. This issue is particularly important to Members of Assopetroli-Assoenergia who currently cover 50% of fuel stations on Italian roads.

Tax matters

Unfortunately, a series of particularly harsh fiscal aspects are affecting trade companies, while petitions for less tax pressure in the field of energy saving are still pending.

In the framework of wholesale oil products and energy services for which associated firms represent 75% of the market, there was in 2012 a dramatic increase in the strong financial exposure of companies vis-à-vis consumer credit with all connected risks and difficulties. This discomfort has already reached all areas in which trade companies are involved, showing striking financial exposures and putting their survival at risk.

The Latvian Fuel Traders Association

The oil products market of the Republic of Latvia is relatively small compared with other European countries. Total transport fuel sales in 2012 were 1,030.066 kilotonnes. This is about 2.49% more than in 2011, when total sales amounted to 1,004.201 kt.

Products sold (kt)	2009	2010	2011	2012	+/- 2012 vs. 2011
Gasolines (incl. Bio)	321.602	288.352	255.179	228.079	-10.88%
Diesel (incl. Bio)	666.711	691.898	721.996	761.360	5.45%
LPG	19.751	21.545	27.026	40.627	50.28%
Total	**1,008.064**	**1,001.795**	**1,004.201**	**1,030.066**	**2.49%**

Products sold (%)	2009	2010	2011	2012
Gasolines (incl. Bio)	31.90%	28.78%	25.41%	22.14%
Diesel (incl. Bio)	66.14%	69.07%	71.90%	73.91%
LPG	1.96%	2.15%	2.69%	3.94%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

We can see that there are changes in the proportions of fuels – the share of gasolines fell from 31.90% (in 2009) to 22.14% (in 2012), the share of diesel increased from 66.14% (in 2009) to 73.91% (in 2012) and the share of LPG rose from 1.96% (in 2009) to 3.94% (in 2012). The fastest growing fuel type is LPG – due to increasing fuel prices the difference in excise taxes (6 times less than for gasoline) is becoming more and more significant for consumers.

67% of the total oil product sales in 2012 were made through petrol stations (minus 1.29% compared with 2011) and 27% of all oil products sold were delivered to wholesale end users, such as transport companies, bus companies and agricultural companies (plus 3.58% compared with 2011). As of December 31, 2012, 609 licensed petrol stations were operating in Latvia. The corresponding figure for December 31, 2011, was 624 petrol stations operating in the territory of Latvia.

Regional characteristics

Latvia is one of the few Member States of the European Union which do not have a petroleum refinery industry! Therefore in 2012 the gasoline was delivered from the following countries: 63% from Lithuania and 37% from Finland, while 52% of diesel came from Lithuania, 32% from Belarus and 16% from Finland.

As in the other Baltic countries (Lithuania and Estonia), one major problem in the Latvian fuel market is the presence of illegal fuel. In general there are two ways of penetration – with standard fuel tanks of cars from Russia and Belarus and with tank wagons from other EU countries under tax fraud schemes.

Owing to differences in fuel tax, retail prices in the Eastern neighbour countries are half the Latvian retail prices. This is related to the fact that the minimum rates of excise duty set by the European Union and Value Added Tax (VAT) of 22% (decreasing to 21% from July 1, 2012) are applied in Latvia.

The current law allows people to cross the Russian-Latvian and Belarus-Latvian border without paying taxes for fuel carried in standard containers (regardless of size), if it is for own use. Starting from January 1, 2012, rules come into force for private persons which restrict the right to cross the border with excise goods (fuel, alcohol, tobacco), without paying taxes to a maximum of once every 7 days.

Unfortunately there are no requirements which apply to commercial transport, unlike Poland and Finland where there are limits on the amount of fuels carried in tanks.

Heavy vehicles of international freight carriers are rare guests at the Latvian retail stations. Transport companies often try to save costs by setting up a scheme under which, before travelling to the European Union Member States, a truck will make a trip to the Russian Federation and fill its standard fuel tanks on the way back (the standard volume of the fuel tank offered by automotive dealers is up to 1,500 litres).

Consequently, they can travel 3,000 to 4,000 kilometres through many countries and come back to Latvia without refuelling and incurring European Union taxes – so they avoid paying excise duty and VAT.

Biofuels

Under the existing legislation, mandatory blending of biofuels is required in Latvia, 5% bioethanol to all 95 octane gasoline, and RME biodiesel to all diesel fuel (except for the winter period, when according to the climatic conditions, Arctic diesel fuel of class 0, 1, 2, 3 and 4 is used). The target set for use of renewable energy for transport in Latvia is similar to many other European countries: 10% in 2020. In practice, the share of biofuels was 2.60% in 2010 and increased to 4.00% in 2011. Now we have a decision by the government to increase the admixture volume to up to 7% for diesel, starting from 2014.

Nederlandse Organisatie voor de Energiebranche (NOVE)

Dutch market in 2012

In 2012 total sales of fuel for road use dropped by more than 3% in comparison to the year before. Sales of diesel fell by 3.6%. Total sales reached 13.5 billion litres. Sales of LPG remained steady.

Total sales (bn. l)	2011	2012
Diesel	7,782	7,504
Petrol	5,696	5,503
LPG	538	538
Total	**14,016**	**13,545**

According to NOVE the drop in sales is caused by different developments: first of all the taxes on fuel in the Netherlands are higher than in the neighbouring countries. As of January 1st the Netherlands even has the "honour" of having the highest tax on petrol in Europe.

This means that many people living in the border region go to either Belgium and Germany to fill up their tanks. Also transport companies are telling their drivers to refuel outside the Netherlands. Secondly over 500 transport companies went bankrupt in the Netherlands in 2012, which meant lower diesel sales. Third, more and more fuel-economic cars are being sold due to fiscal stimulation by the Dutch government. Due to the economic situation people tend to use other means of transport for shorter rides. This also means less fuel sales.

NOVE's point of view is that tax policy is coming to an end with the drop in fuel sales. Netherlands needs to shift to a system where variable costs can be counted. Sales for inland marine bunker fell 1% from 0.906 million tonnes in 2011 to 0.897 million tonnes in 2012. Bunker sales for seagoing vessels in the Port of Rotterdam dropped from 12.2 million tonnes in 2011 to 10.9 million in 2012. Heavy fuel oil is still the main product with 10.2 million tonnes, while sales of LFO rose slightly from 0.53 to 0.55 million tonnes.

Main topics for NOVE in 2012

- Compulsory stock levels up from 5 to 12%
- Debunkering business down due to severe control government
- Improving the transparency of the bunker supply chain
- Abolition of red diesel for inland use
- SEPA and antiskimming
- High tax level in the Netherlands
- Biofuels (percentage)
- Safety of storage facilities
- Waste disposal levy for inland marine
- LNG and other alternative fuels

The Slovenian National Committee (SNNK-WPC)

The Slovenian National Committee to the WPC (SNNK-WPC) is the only organisation representing the Slovenian oil and gas industry. The core values are: enhanced understanding of issues and challenges, networking opportunities in a national and international forum, co-operation (partnerships) with other organisations, developing business opportunities, information dissemination via regional meetings, conferences and workshops, awareness of environmental issues, conservation of energy and sustainable solutions.

Retail network

At the end of 2012 Slovenia had 539 filling stations in operation. The SNNK-WPC association represents 6 retail organisations, running 483 filling stations in Slovenia. The members' market share in terms of the number of filling stations is 90%.

The biggest member of the SNNK-WPC association and the number one in Slovenia's oil and gas business is the company PETROL D.D., Ljubljana, which has a 58% market share in terms of the number of filling stations. It runs 315 filling stations.

The number two on the Slovenian retail market is the company OMV Slovenija d.o.o., based in Koper. It has a 20-% market share (by the number of filling stations; they run 109 filling stations) and is a subsidiary of the Austrian company OMV, based in Vienna.

Important market players are MOL Slovenia d.o.o., ENI Slovenia d.o.o., SHELL Adria d.o.o. and INTERINA d.o.o. The rest of the market (10%) is covered by 25 small retailers, operating 56 service stations; 21 of the 56 service stations are operating without personnel.

Pricing of petroleum products

Petroleum product price setting in Slovenia is not free! Fuel prices are set in accordance with the Price Modelling Methodology for Petroleum Products, which means that the retailers can adapt the product retail prices every 14 days in accordance with changes in the product stock exchange prices, the modification of the two weeks average exchange rate of USD to Euro and changes in the excise tax, which is set by the Ministry of Finance. The gross margin and the compensation for the compulsory product storage expenses for petroleum products are, under the Methodology, set by a Governmental administrative decree once a year at a fixed amount.

Product procurement and merchandise logistics

In 2012 activities relating to petroleum product procurement and logistics in Slovenia were directed towards streamlining the supply chain and the resulting cost-cutting. In Slovenia, transport margins were further reduced, resulting in lower logistics costs per litre of fuel. At the same time, the size of the fuel transport fleet was significantly reduced thus increasing the efficiency of road tanker use. In addition, the leasing of certain external storage facilities was discontinued. Also, the strategy for operating inland fuel storage facilities was finalised. The strategy will serve as a basis for investment and maintenance decisions with regard to the future business relationship with the Slovene Agency for Commodity Reserves, which is the most important user of storage services.

Slovenian retailers buy most of their petroleum products from the largest multinational oil companies and some from major global oil and petroleum products traders. Many years of continuous cooperation with reliable and competitive suppliers give the Slovenian retailers the status of a partner. But that does not mean they ignore new potential procurement sources: previous year's global changes are reflected chiefly in the redistribution of refinery capacities, changes in trade flows, and the emergence of new and merged multinationals, especially in Asia.

The procurement strategy for motor fuels and middle distillates focuses on supply by sea, although inland refineries located in SE Europe, which complement the procurement network and increase the reliability of supply, mainly of derivatives for which there is local demand, are also important. Other petroleum products, such as fuel oil, bitumen and gas, are delivered only by land.

In 2012 motor fuel deliveries to filling stations were carried out mainly by sea to their storage facilities on the Adriatic coast. From there, the fuel was delivered by land to its final destination.

Other inland sources for supplying petroleum products to Slovenia include nearby inland refineries in Austria, Hungary, Italy, Bosnia and Herzegovina, and Serbia.

In line with long-term financial goals, environmental orientation and key policies, the selection of suppliers for the Slovenian market is subject to the following factors:
- Strict compliance of all products procured with applicable European standards and regulations;
- Purchase price and other terms of procurement allow for the lowest procurement and logistics costs;
- Reliability of supply which allows for lower operational stocks and thus reduced costs of stock financing.

Sale and distribution of gas

SNNK-WPC members are also engaged in the supply of natural gas and liquefied petroleum gas as well as in the construction and management of gas distribution networks. The selling prices of liquefied petroleum gas in Slovenia are determined freely.

Also freely determined are the selling prices of natural gas as an energy source (supply), whereas the distribution prices (network fees) are approved by the Energy Agency of the Republic of Slovenia.

The largest supplier of natural gas in Slovenia is the company Geoplin d.o.o. It supplies the majority of major industrial users, distributors and other customers, most of them directly connected to the gas transmission network. The basic activities which the company has been engaged in since it was established in the middle of 1978 are the supply, trade and brokerage of natural gas on the market. The company also operates across borders, being involved in both natural gas supply and the provision of services. A reliable supply is ensured through adequate and diversified sources of supply, transport and storage capacities.

Geoplin d.o.o. has three subsidiaries: Plinovodi d.o.o., Geocom d.o.o., and the company GGE d.o.o., established in 2011. All three companies together make up the Geoplin Group.

The business activities of the parent company Geoplin comprise:
- Procurement of natural gas from producers,
- Organisation of transport of natural gas to the Slovenian border,
- Supply of natural gas to customers at home and abroad.

Geoplin operates in a competitive and fully open market, where customers are free to choose their natural gas supplier and independently regulate access to the gas transmission network in Slovenia via the system operator, the company Plinovodi.

Marketing activities at Geoplin in 2012 were aimed at achieving the planned sales volume of natural gas, and since the company faces a shrinking sales market in Slovenia, it is intensifying sales abroad. The price of natural gas is in line with the long-term contracts. Due to the poor liquidity of buyers and low lending activity of banks, payment discipline did not improve and intensive management of claims was required. Nevertheless, the company managed to retain its market share and position as the premier supplier and will remain a key factor in the reliable supply of natural gas in Slovenia.

Given the situation the company operated successfully in 2012, selling about 1,000 million Sm^3 of natural gas.

The supply of natural gas to customers was reliable and uninterrupted. Geoplin also provided its customers with services within the scope of its balance group with its system operator and in line with the standards of reliable delivery.

Geoplin has two main sources of supply (Russia, Algeria), and if necessary adds other incidental sources which, together with the established reserves of natural gas and optimised leasing of transport facilities for transporting natural gas from delivery points to Slovenia ensures the highest level of reliability for customers.

The company also generated revenue from the marketing of transmission capacity for the transport of natural gas via Slovenia in 2012. Transmission lines from Austria to Croatia and from Italy to Croatia were active.

E&P, Petrochemicals: a SNNK-WPC member, dealing with maintenance and drilling of wells, geothermal energy research, product storage and marketing, production of methanol-driven products, production of specialised machinery and equipment for the chemical, oil and timber industries, managing investments and developing new information technologies for the petroleum industry, is the company NAFTA Lendava, d.o.o. The company is wholly owned by the Republic of Slovenia. In the year 2012 the Group was faced with huge operating and financial problems.

Unión de Petroleros Independientes (UPI)

Consumption in 2012

	Kt	Change (%)
Gasolines	4,922	- 7.1
Gas oils	29,100	- 6.5
Heavy fuel oils	9,700	- 7.4
Kerosenes	5,267	- 5.9

Consumption of automotive fuels (gasolines and gas oils) amounted to 26.14 million tonnes, dropping by 6.3% with regard to 2011. Gasolines represented 18.8% of this amount and gas-oils 81.2%. The decline in automotive fuel consumption was higher than the drop in gross domestic product, which fell by 1.37% in 2012.

Gas oil imports went down to 6,696 million tonnes, 21.6% less than in the previous year. Gas oils exports added up to 6,192 million tonnes, 160.9% more than in 2011, so that the trade balance was almost

neutral. This evolution was due to the crash of internal demand and to investments in refining logistics.

Prices and competition

During the second half of the year, oil companies were under strong political pressure to reduce margins as a result of combined circumstances: economic recession and official reports of the national regulatory entities (Competition and Energy Commissions) concluding that margins in Spain were higher than in the rest of Europe due to a lack of effective competition on the Spanish market.

UPI believes that those reports are based on misleading data which lead to wrong conclusions. That is the case with the weekly European Oil Bulletin that provides the average final prices for the main oil products; this source of information is not reliable as far as the calculation methodology varies from one country to the other (for example, Spanish prices do not include discounts). It therefore appears necessary to harmonise the national methodologies that are being used for calculating the prices which have to be reported every week by Member States to the European Commission.

Finally, the Government adopted a package of regulatory measures aimed at increasing effective competition. Most of these measures, such as those concerning exclusive purchase agreements and the opening of new petrol stations, are rejected by the oil sector, and some of them clearly infringe EU and Spanish competition Law.

Biofuels

Fiscal advantages for biofuels were cancelled at the end of the year with relevant consequences on prices.

In view of the worldwide supply difficulties and the risk of price increases in the middle of the economic recession, the sustainability obligation was suspended. However, this suspension does not exclude the application of the so-called "mass-balance-system" and the fulfillment of reporting obligations concerning sustainability of biofuels.

Biofuels compulsory targets were at the same time reduced in order to moderate fuel prices.

Spain set up a quota system for biodiesel that meant the closure of the national market to any production from outside the EU. The volume that was allowed to be sold for the fulfillment of the compulsory targets was set at 5 million tonnes, assigned to a number of selected plants. Later on, the quota system was opened to plants from outside the EU and the maximum volume that could be sold was increased to 5.5 million tonnes. UPI estimates that this quota system restrains competition and is not an effective means of stopping unfair imports.

Avia International

Slight increase in sales of heating oil and motor fuels

In 2012, sales of the main petroleum products in Switzerland came to 10.4 million tonnes. This was an increase of 2.9% on 2011. The increase is largely due to the 6.9-percent rise in total sales of extra-light heating oil and heavy fuel oil compared with the year before. Approximately 67% of total sales was due to motor fuels, an increase of 1.1%. A contributory factor here was the 2.3-% rise in the number of motorised vehicles (2012: 4,925,500).

Notes on the individual products

The downward trend in demand for motor gasoline seen in recent years was maintained in 2012 with a drop of 3.5% on the previous year. The main reasons for this development were the continuous improvements in the fuel efficiency of new engines and the tendency to buy less powerful cars. In view of the strength of the Swiss franc against the euro, sales at filling stations close to the border are assumed to have remained at a low level.

Sales of diesel, the greater part of which is used in the construction and transport sectors, continued to rise in 2012 with a plus of 6.1%. The principal reasons were the stable domestic economy, and also the ongoing increase in the percentage of diesel-powered cars (the percentage of new registrations was 37%, an increase of 4.6% on 2011).

Sales of jet fuel were up 2.5% on the year before, at 1.56 million tonnes. Aircraft movements at the airports in Zürich and Geneva showed a slight increase of 0.3% on 2011, and the trend in passenger numbers in 2012 was also positive, resulting in a tendency to use larger aircraft.

Unlike in 2011, sales of extra-light heating oil rose by 7.0%. This increase is primarily the result of the 11.7-percent rise in the number of heating degree days compared with the year before. In general, the continuing high level of heating oil prices in 2012 made consumers hesitant about buying, so that sales fell short of expectations.

Filling stations 2012: Trend towards larger filling stations continues

On January 1, 2013 there were 3,567 branded filling stations open to the public in Switzerland. This is a drop of 28 filling stations (-0.8%) compared with 1.1.2011. The change in filling station numbers of most brands revealed by the year-on-year comparison illustrates the market trend. The biggest networks are still the AVIA companies with 659 units, followed by Agrola (435), BP (390), Ruedi Rüssel (314), Tamoil (306) and Shell (303).

Branded filling stations open to public as of January 1, 2013

Brand	Filling station type			Shop type		Sales share of shop stations (%)	Total at 1.1.12	Total at 1.1.13	of which: on motorways	of which: selling diesel
	Self-service, unmanned	Self-service, checkout	Service	Shop smaller than 50 m²	Shop larger than 50 m²					
AGROLA	349	86	–	4	76	38	432	435	–	429
AVIA	482	104	73	27	83	40	672	659	8	639
BP	226	156	8	39	122	73	397	390	21	382
CITY	2	24	–	4	20	98	27	26	2	26
COMBUSTIA	30	–	–	–	–	–	31	30	–	29
COOP	8	199	–	1	195	98	200	207	–	207
ENI SUISSE [1]	5	247	–	20	86	72	254	252	8	252
ERG	–	15	1	9	7	100	17	16	–	14
ESSO/SOCAR [5]	44	109	4	23	86	91	163	157	10	155
JUBIN	68	23	–	9	14	39	87	91	–	91
MIDLAND	9	–	1	1	–	13	10	10	–	8
MIGROL	133	149	–	44	105	81	288	282 [2]	2	278
MOSER	13	–	–	–	1	–	13	13	–	12
OELTRANS	11	2	1	2	2	25	14	14	–	14
OIL!	19	5	–	2	3	31	24	24	–	24
POCO	3	–	–	–	–	–	3	3	–	3
RUEDI RÜSSEL [3]	290	24	–	7	17	16	307	314	–	304
SHELL	93	139	71	95	101	89	316	303 [4]	11	299
SPURT	5	4	8	2	2	36	15	17	–	14
TAMOIL	184	122	–	27	95	71	309	306	2	304
VOEGTLIN-MEYER	16	2	–	–	2	22	16	18	–	18
Total	**1,990**	**1,410**	**167**	**316**	**1,017**	**71**	**3'595**	**3,567**	**64**	**3,502**

1 Hitherto AGIP
2 Of which: 63 filling stations with Shell logo and Shell fuels
3 Incl. Mazout Gobat SA, Miniprix, Charmettes, Margot, Termoplan, Vollan and Flamol
4 Of which: 59 with migrolino shops
5 Taken over by SOCAR Energy Switzerland as per 1 July 2012

At the end of 2012 a total of 1,333 filling station shops offered their customers the chance of combining small purchases with their refuelling stop. As in recent years, the trend towards shops with a sales area of more than 50 m² continued (+18 units). In the case of filling station shops with a sales area of less than 50 m², however, there was a decline in numbers (-14 units). In 2012 filling stations with a shop contributed 71% to total fuel sales, and are thus an important factor in competition between the majors. On average, there are also signs of a tendency to take more fuel on board at outlets with a larger shop area than at outlets with a smaller shop.

Filling station indicators	2011	2012
Total number	**3,595**	**3,567**
of which: Filling stations selling diesel	3,524	3,502
Motorway filling stations	67	67
Unmanned self-service stations	2,015	1,990
Self-service stations with checkout	1,397	1,410
Filling stations with service	183	167
Stations with shop smaller than 50 m²	330	316
Stations with shop larger than 50 m²	999	1,017
Sales	**mill. l**	**mill. l**
per filling station	1,425	1,433
per motorway filling station	3,775	3,488
per unmanned self-service station	0,673	0,664
per self-service station with checkout	2,430	2,444
per filling station with service	2,024	2,061
per station with shop smaller than 50 m²	1,640	1,663
per station with shop larger than 50 m²	3,070	3,068

Last year there were 3,502 filling stations selling both motor gasoline and diesel. Sales of motor fuel per filling station averaged 1.43 million litres in 2012, which is a slight increase of 0.6% on the year before. The average quantity sold varied depending on the type of service, equipment and location. Motorway service stations sold the largest amounts of fuel, at about 3.5 million litres per year, and unmanned filling stations the smallest amounts, at about 0.66 million litres.

Source: Erdöl-Vereinigung, Zurich

Downstream Fuel Association (DFA)

Petroleum products trade

In 2012, UK net exports of petroleum products amounted to 1.1 million tonnes, the lowest annual recorded volume since 1984. A net exporter of motor spirit, the UK remains a net importer of diesel and aviation turbine fuel.

UK's refinery production in 2012 decreased by 8.3%, a fall largely driven by the closure of Coryton. In 2012, total deliveries of key transport fuels decreased by 1.3% compared with 2011. Petrol deliveries decreased by 4.8%, aviation fuel was down by 4.2% and diesel increased by 2.6%.

Biofuels

1.6 billion litres of renewable transport fuel were supplied in 2012 in the UK, which led to the award of 1.9 billion RTFCs. RTFCs are traded biofuel certificates that allow non-blenders to comply with the UK biofuel targets.

Biodiesel (especially used cooking oil methyl ester) made up 56.9% of renewable fuel supplied with bioethanol accounting for 42.7% of renewable fuel supplied. Small volumes of hydrotreated vegetable oil, biogas, vegetable oil and bio-methanol were also supplied.

After the implementation of the Renewable Energy Directive, 50% of renewable fuel was double counting material. The average carbon savings in 2012 was 61.2%.

UK retail market

The total number of forecourts in the Country is 8,693, with approximately 4,000 cars per petrol station. Supermarkets account for less than one sixth of the network in terms of number of outlets but for 40 % of petrol and diesel sales, a 1-% drop on 2011.

Competition and policy

An OFT (Office of Fair Trading) call for evidence launched at the end of 2012, recently concluded that the UK retail market was sound and highly competitive confirming the findings of a number of previous investigations carried out in the last two decades.

In the last few months, the resilience of the UK downstream supply chain has become an area of heightened policy attention. In the wake of Coryton closure, in a crucial test for the resilience of the system, non-refining companies filled the gap left in the market, successfully reacting to an event which, considering Petroplus' refinery location, could have had far reaching implications for the UK economy.

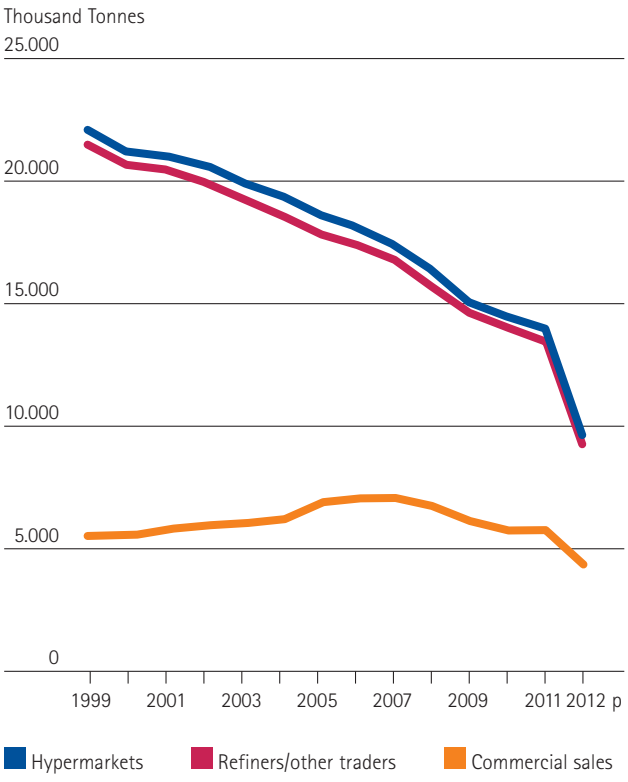
The Government has launched a consultation on the policy framework underpinning stockholding obligations in the UK. A crucial aspect of this is the potential for the creation of a centralised agency.

E10 discussions

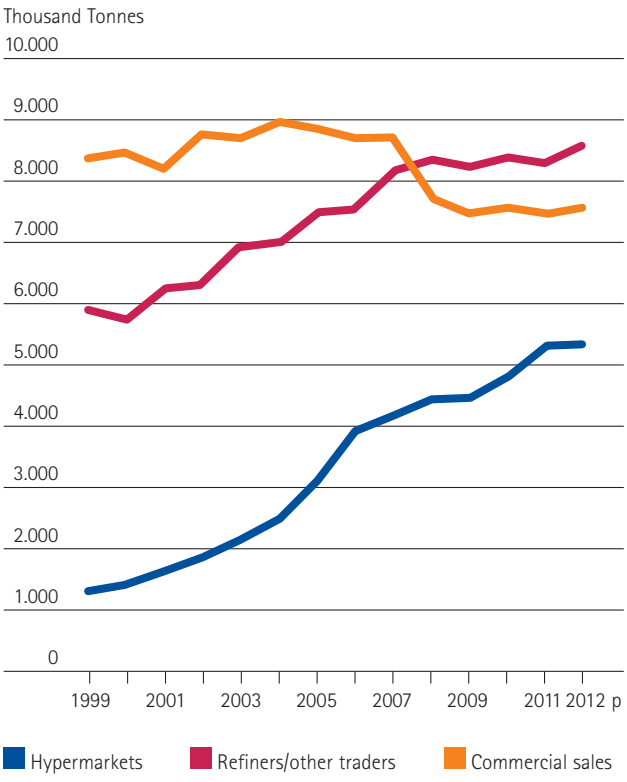
In the latter part of the year, the UK Government wrote an open letter to the fuel industry concerning the introduction of E10 into the UK. Fuel suppliers and retailers were strongly advised to delay the early introduction of the fuel until governments concerns over vehicle compatibility and the sustainability of biofuels (ILUC considerations) had been resolved. In addition, the government called for a co-ordinated consumer education programme to be launched to avoid a "chaotic launch".

Whilst the compatibility issue has largely been resolved (less than 5% of the car pool is believed to be non-compatible) the ILUC debate is far from over. With the UK Government taking such a strong position in respect of the fuel, it remains uncertain when E10 will find its way onto the UK forecourt.

Petrol sales in the UK



Diesel sales in the UK



Source: Department of Energy and Climate Change

eurofuel
The European Heating Oil Association

The European Heating Oil Association

The European Heating Oil Association (Eurofuel) represents the national organisations that promote the use of heating oil for domestic heating in 10 European countries, including over 10,000 companies. Eurofuel is engaged in the promotion of existing and innovative techniques for heating oil and equipment in the domestic market. In this way, our members are committed to ensuring the competitiveness and efficiency of heating with oil, while also reducing its environmental footprint.

Eurofuel is supportive of the European Union's endeavour to achieve a clean and safe energy supply for the future. Renewable sources of energy, including renewable electricity, will play an increasing role in Europe's energy mix. Heating oil will deliver a positive contribution to this goal since a backup energy source is necessary for the use of renewable electricity. Eurofuel is therefore taking an active part in these policy debates and has developed a future vision for multi-energy hybrid heating, where heating oil has a crucial role as a back-up energy source and for energy storage.

Eurofuel's "Multi-Energy / Hybrid Heating Vision"

The EU's objective of energy use reduction can best be achieved in two steps:

- First: The focus should be on using energy as efficiently as possible. Oil condensing technology should be installed and insulation work should be performed.
- Second: Oil condensing boilers should be combined with solar thermal or ambient heat technologies, as well as other renewable combustion technologies such as bio-liquids and/or wood/biomass heating appliances.

Heating oil is an ideal back-up energy source for the deployment of renewables, and facilitates energy storage. The storage of energy is actually a major challenge as all EU Member States seek to use much more energy from renewable sources. Wind or solar energy is not necessarily generated when it is most needed. Meanwhile, liquid fuels provide a good long-term energy storage solution. Each individual oil heating household has its own oil storage tank which ensures a guaranteed "base load" of energy at all times. Europe has over 20 million individual, decentralised, long-term oil storage tanks, which represent a major contribution to the EU's security of supply. The constant variations in the availability of sun or wind power will not cause a shortage of energy for these households: Their energy base load will always be available through the stored heating oil.

Eurofuel's vision on energy efficiency

Eurofuel strongly supports the challenges the EU has set for 2020 and 2050 as regards drastic improvements of energy efficiency, in particular in buildings. We are also closely following up negotiations on possible targets for 2030. Eurofuel is convinced that limiting the amount of energy used should be the first priority for the EU's climate and energy policy.

Tending towards these long-term objectives should not, however, distract policy-makers and industry stakeholders from the immediate concerns of Europe's citizens. In a current social environment marked by the impact of the economic crisis, including energy poverty, over-ambitious goals and mandatory requirements imposed on households may prove to be unfeasible. This is why a major element in Eurofuel's advocacy efforts has been to promote cost-effective energy savings as a realistic and beneficial way of gradually meeting energy efficiency targets.

Cost-effective energy savings

Very ambitious energy efficiency targets set by EU institutions may sometimes prove counter-productive when they neglect the tangible impact on citizens. A number of stakeholders have been promoting the concept of "deep renovation" of buildings, calling for comprehensive insulation works to be performed on all buildings. Eurofuel is aware of the concrete difficulties encountered by households who do not necessarily have the financial resources to invest in substantial renovation work and would in many instances prefer not to conduct any work at all. This is all the more regrettable since around 40% energy savings can be achieved through simple and less costly heating system modernisation.

This is why Eurofuel has been calling for a first focus on "cost-effective energy savings", which are very beneficial and more affordable to households, especially in a period of economic difficulties. To support citizens' efforts, Eurofuel members have been conducting very successful schemes at local level. We have combined a selection of these case studies in a new folder, which we are disseminating to policy-makers and stakeholders, and which will soon be available on Eurofuel's website. One of our members' schemes, the Austrian "Heizen mit Öl" subsidy programme, has recently been investigated in the International Energy Agency's (IEA's) Energy Provider-Delivered Energy Efficiency report.

Eurofuel has been communicating these messages to a wide variety of policy-makers and stakeholders, mainly through a targeted engagement programme (e.g. with representatives from the Commission's DG Energy, Energy Commissioner Günther Oettinger's cabinet, MEPs and assistants in the ITRE or ENVI Committees), participation in major conferences and forums (e.g. Ecodesign Consultation Forum, PLATTS Conference, ...), membership in key organisations (e.g. Friends of Europe, BUILD UP...) and the dissemination of position papers and other communication materials (e.g. through the Eurofuel website, BUILD UP online platform, targeted e-mails...).

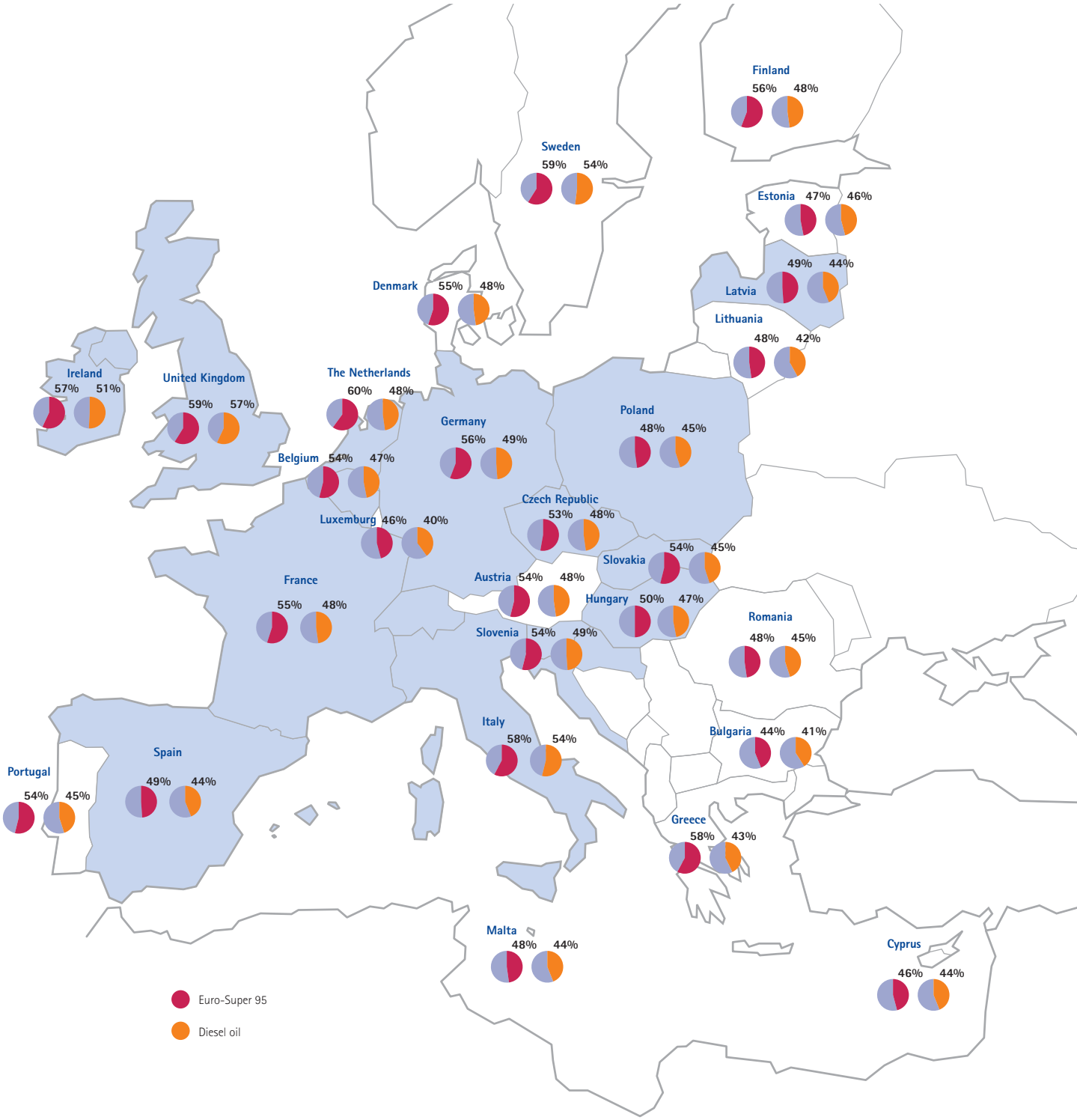
On 9th April 2013, Eurofuel organised a policy debate in close cooperation with the IEA and the Commission's DG Energy, which focused on energy provider initiatives to improve energy efficiency.

Beyond such important developments that will shape the future policy environment for our industry, Eurofuel has also been advocating targeted legislative initiatives of direct relevance to the heating sector. Regarding the ecodesign and energy labelling measures for space heaters, Eurofuel and its allies managed to provide political and technical evidence to remove contentious factors from calculation sheets as regards the modulation of boilers, to increase the minimum NOx emission levels for oil boilers to 120 mg/kWh and delay its application for three more years. Energy labels should first allow best oil condensing boilers to be granted a green-coloured A label; a revision will intervene before the labelling scale upgrade.

Total Taxation Share in the End Consumer Price for Euro-Super 95 and Diesel Oil

Share at: 8/4/2013

EU Weighted Average = 56% (Euro-Super 95), 49% (Diesel Oil)



Prices communicated by the Member States are the most representative prices for their market.
(Council Decision 1999/280EC of 22 April 1999)

Source: Eurogeographic for the administrative boundaries, DG ENER, April 2013

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