



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ENERGY AND TRANSPORT

CONSULTATION DOCUMENT
ON THE REVISION OF THE EMERGENCY OIL STOCKS REGIME IN THE
EU

"TOWARDS A MODERN AND EFFECTIVE SYSTEM
OF OIL STOCKS IN EUROPE"

This consultation document is presented in the context of the preparation of the possible revision of EU legislation on emergency oil stocks undertaken by the Commission services. Its purpose is to outline specific issues on which the Commission services seek stakeholder reactions that could contribute to its further work on the subject.

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INTRODUCTION

Notwithstanding efforts to improve energy efficiency and increase the share of renewables in energy consumption, the European Union like other advanced economies depends heavily on continuous, reliable and affordable supply of oil. In Europe, oil is primarily used for transportation and as chemical industry feedstock. With current technologies, the possibility to substitute oil in these sectors is limited, making our economies vulnerable to a disruption of oil supply. The continuous supply of oil is particularly important for the transport sector, which provides crucial services for other sectors and ensures the mobility of citizens.

In recognition of the potential risks associated with the dependency on oil, the EU introduced already in 1968 legislation which imposed an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products¹. The EU and many of its Member States thus have a long tradition and extensive experience in holding emergency oil stocks. The EU's internal development (for example, successive enlargements coupled with the completion of the internal market), the changing global energy situation and new challenges in the oil market require, however, the strengthening and streamlining of this emergency response system. It needs to be better aligned to the European Union's needs concerning its readiness to react to oil supply disruptions, should they occur, with desirable efficiency and in a fully coordinated manner.

The European Council in March 2007² underlined the need to enhance the security of supply for the EU as a whole and for each Member State, inter alia through developing more effective crisis response mechanisms. It highlighted in this context the need to review EU oil stocks mechanisms, complementary to the crisis mechanism of the International Energy Agency (IEA), especially with respect to the availability of oil in the event of a crisis.

There is therefore a need to look at existing oil stocks provisions with a new pair of eyes. This consultation document stems from an analysis of the current situation of oil stocks in the EU based on existing EU legislation in force and outlines the views of Commission services on the need for and possible ways of revising this legislation.

1. THE CHANGING GLOBAL LANDSCAPE

The risk of supply disruptions is increasing. Supply is more and more concentrated in a handful of countries, many of which are exposed to high geopolitical risks. Oil imports from producing countries often involve transport along long and vulnerable

¹ This legislation had been created even before the International Energy Agency (IEA) was established in 1974 with a core mission to cope with severe international supply disruptions.

² 7224/1/07 REV 1

maritime and pipeline routes³. Moreover, as we saw in recent years, even the possibility of disruptions within Europe cannot be excluded.

Furthermore, forecasts indicate that in the medium term, oil supply may not keep pace with the ongoing increase in global demand. If, as a result, markets are becoming tighter, any future supply disruption may have a bigger impact than in the past and even smaller disruptions may have serious consequences.

In other parts of the world, such as the United States and Japan, revisions of the emergency stock legislation have been undertaken. China and India are also planning to introduce emergency stockpiling obligations.

These trends, coupled with intensifying globalisation of the oil market (due to the arrival of new important players from developing economies), increasing competition and decreasing indigenous production in Europe are all factors calling for updating of the existing EU stock legislation.

2. THE ROLE OF OIL STOCKS AND THE CASE FOR REVISION

In the context of security of oil supply, stocks play a crucial role in keeping the global oil supply system operating. Two types of stocks are generally recognized: commercial stocks and emergency stocks⁴.

Commercial stocks are the key to the oil industry's ability to deliver the right product to the right location at the right time under usual operating conditions. They are created at the discretion and cost of business operators, in line with their commercial strategies and contractual obligations.

Emergency stocks, on the other hand, are established as part of public security policy in order to provide a buffer in case of a major disruption when usual business operations are disrupted and commercial activities may be suspended to some degree. Even in such situations supply must be ensured in order to offset or at least mitigate the negative impact of the disruption on society and the economy.

³ In January 2007, the Druzhba pipeline carrying oil from Russia to Europe was halted due to a conflict between Russia and Belarus, cutting oil supplies to many refineries in the EU.

⁴ In countries where emergency stocks are held at least partly by oil companies on behalf of public administrations, it might be difficult to clearly distinguish in practice the commercial from the emergency stocks (due to the practice known as "commingling" whereby commercial and emergency stocks are held in the same physical location and are effectively mixed). In this case, which is explicitly allowed by the IEA, it is not clear how much of the 90-day obligation is available as supplementary oil in a crisis.

Experience shows that the release of emergency stocks constitutes the most effective way of replacing missing barrels.⁵

To fulfil such a role, a stockholding system for emergency oil stocks has to ensure that the right stocks are available and can be effectively released in the event of an emergency. However, analysis of the legislation in force and of the existing emergency stockholding systems in Europe reveals shortcomings which justify a revision of the present system⁶. Furthermore, the diversity of stockholding systems makes it, under the current provisions, difficult to monitor stocks and ensure their required availability across the EU.

A number of aspects of the current system have proven their merit over time, and there should be no need to change what has worked well. Although never put to a real test by a large-scale disruption⁷, emergency oil stocks can be considered to have served the European Union well so far and accomplished the objective of protecting economies against the adverse consequences of oil supply disruptions and related speculation. The internationally accepted 90 days coverage provides reasonable protection in case of a disruption, while the high share of product stocks serves as an instant remedy even if refineries were to come to a halt.

On the other hand, the existing EU legislation on emergency oil stocks was created nearly 40 years ago and needs to be adapted to important structural changes in both the EU and the oil market. At a time when the EU consisted of six Member States, all of them members of the IEA, the current provisions were sufficient. However, the EU nowadays consists of 27 Member States and many of them are not members of the IEA. In addition, the new Member States' geographic location often makes them vulnerable to supply disruptions. This new situation calls for a more proactive approach by the EU.

At the same time, the European oil market has changed from a set of protected national markets dominated by state-owned companies to an integrated, competitive internal market existing in the context of a globally interconnected and interdependent energy sector. With competition, costs have become more visible, creating clear incentives to minimize the level of stocks held by companies. Consumption patterns have developed⁸, products have become more complex and

⁵ Demand restraint measures can be also used in a supply disruption in order to alleviate market shortage. The potential of using other measures like fuel switching and increasing indigenous production is limited.

⁶ In particular, the current legislation does not provide for a clear decision making process at EU level to respond to emergencies. This issue and other shortcomings are outlined in detail in chapter 2 of the Annex.

⁷ Even the IEA collective action after hurricane Katrina in 2005 used only 2.5 days of stocks out of 90.

⁸ For example, in the early 1970s fuel oil was the most important oil product while jet fuel demand was marginal. As a result of the expansion of aviation and the phase-out of oil from the power sector, European jet fuel consumption today exceeds inland use of fuel oil.

diversified through mandatory and market-driven specifications⁹. Furthermore, indigenous European production makes up for an ever-declining proportion of demand.

Despite the above changes, the European Union still relies on a system based on stocks provisions that was created quite some time ago and lacks coordinated intervention procedures, rendering prompt decision making and effective actions, which are crucial in a crisis, very difficult in practice. The absence of clear decision-making procedures in the EU for the release of emergency oil stocks in a coordinated European action, as well as the growing need to speak with one voice, also makes co-operation with the IEA difficult. Moreover, better adaptation to the internationally accepted rules of the IEA seems also desirable because this would allow the use of EU stocks to have a better impact in an IEA action.

However, the revision of the legislation would not change a fundamental understanding that emergency stocks are not to be used for market or price management. They should be available as a last resort in a severe supply disruption in order to enable continuous provision of crucial supplies.

3. WHAT IS TO BE ACHIEVED THROUGH THE REVISION?

The overall objective of the revision is to strengthen further the system while at the same time optimising the administrative obligations on Member States. In particular, the Commission services aim to achieve the effects outlined below in this chapter.

The Commission services invite stakeholder reactions whether the objectives outlined below reflect the needed improvements in current practice based on existing legislation. Stakeholders are particularly encouraged to comment on the suitability and completeness of these objectives of the intended legislation revision.

3.1. Better regulation through a consolidation of fragmented legislation

The legal framework for emergency stocks in the EU and rules related to their use are currently dispersed across three distinct pieces of EU legislation.¹⁰ In line with the Commission's "Better Regulation" strategy and the simplification programme, these could be replaced by a single legislative act.

⁹ Lately, in order to comply with EU biofuel targets, more and more motor fuels include a certain percentage of biocomponents. This development is likely to have implications on the emergency oil stock system.

¹⁰ Council Directive 2006/67/EC of 24 July 2006 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products, OJ L 217, 8.8.2006, p. 8; Council Decision 68/416/EEC of 20 December 1968 on the conclusion and implementation of individual agreements between Governments relating to the obligation of Member States to maintain minimum stocks of crude oil and/or petroleum products, OJ L 308, 23.12.1968, p. 19; Council Directive 73/238/EEC of 24 July 1973 on measures to mitigate the effects of difficulties in the supply of crude oil and petroleum products, OJ L 228, 16.8.1973, p. 1

In addition to improving readability, a single text could also help to remove legal uncertainties and obsolete provisions. The fragmented legislation makes it difficult to handle an emergency situation in a legally transparent and practically efficient manner and makes decision-making more complicated¹¹.

Furthermore, some current provisions governing cross-border stockholding may limit the optimization of stockholding patterns across the EU by restricting the possibility of a company to choose the location of its stocks and creating additional administrative obligations for authorities¹².

3.2. Improved stock availability

The transposition of the current legislation in different Member States has brought about very diverse stockholding systems across the EU. Some Member States have set up government-owned stocks or special agencies responsible for holding emergency stocks. In other Member States stocks are entirely kept by the oil companies, while yet others have opted for a mixed system.

Different arrangements may lead to different capacity to release stocks in case of need. In particular, some administrations might find it difficult to achieve the release of emergency stocks which are held by the industry. The capability of the current diverse national systems to provide supplementary oil to the market is thus likely to be divergent if put to the test in a crisis.

Furthermore, while most stocks are held in the form of physical oil, some stocks are often present in the form of "tickets"¹³. It is not always assured that all these stocks will be available as foreseen and can be adequately released in the event of a disruption. In addition, in a supply disruption, public and commercial interests may not coincide and may even become contradictory¹⁴.

¹¹ For example, Council Directive 2006/67/EC stipulates that a "consultation" between Member States be arranged in case of a supply disruption but the Oil Supply Group as the body serving in practice for the conduct of such consultation is established under related but different provisions of the Council Directive 73/238/EEC.

¹² Stockholding in other Member States is currently only allowed if there is a bilateral agreement in force between the Member States concerned. Bilateral agreements provide safeguards for the availability of such stocks but they also impose burden on administrations in terms of concluding the agreements and tracing bilateral stockholding.

¹³ Stocks held by way of tickets are not owned and stored by the entity which has an obligation to hold stocks, but are held at its disposal by another, typically commercial entity for a pre-determined period and fee, with an option to buy them in case of a supply disruption.

¹⁴ For companies it might make economic sense to make use of the emergency stocks for commercial operations and neglect their stockholding obligation, even if this entails penalties. In anticipation of increasing prices, companies might be also inclined to opt for holding on to stocks instead of alleviating the shortage by releasing them.

Holding stocks through "ticket" arrangements is a less reliable way of complying with the stockholding obligation for a number of reasons. The current shortage of "tickets" in the market makes it extremely difficult to replace expiring "ticket" contracts, as the demand for them surpasses the supply. Furthermore, there is no experience with the release of "ticket" stocks in a disruption. It has also been demonstrated that stocks held by way of "tickets" are occasionally double counted i.e. "tickets" are issued without physical oil coverage¹⁵.

On the other hand, "tickets" can offer a flexible if temporary way of complying with the stockholding obligation, which can be useful in occasional cases of a shortage of storage capacity or when product stocks are to be exchanged for reasons of aging/degradation or changing specifications. Holding stocks by way of "tickets" is generally considered to be also cost-efficient, at least in the short run, although this largely depends on market conditions. Holding a limited proportion of stocks in the form of "tickets" can thus be useful as long as the above limitations are carefully taken into account.

3.3. Improved effectiveness of the stocks system

The composition of emergency stocks is crucial to addressing a disruption in an effective way. The availability of all key oil products in an emergency has to be ensured. This is not the case in the current system which establishes fairly aggregated product categories and leads to inconsistencies between the structure of stocks held and the structure of actual consumption¹⁶. The composition of product stocks has to reflect demand patterns, thereby matching market needs. The current system also gives only limited consideration to the fact that holding crude oil instead of products needs to take into account the balance of refining capacity and demand.

The effectiveness of the stocks system is determined not only by suitable composition of the stocks held but also by the existence of clear stock release mechanisms which facilitate the effective release of stocks when and where most needed. However, the current legislation does not provide for clear rules and procedures for common action. It merely foresees a consultation between the Member States in the Oil Supply Group administered by the Commission prior to releases decided and implemented by individual Member States.

However, since oil markets are nowadays well integrated beyond the limits of national borders, any major disruption will have repercussions on all Member States. The internal market also ensures that any stock released in one Member State can flow freely within the EU. These considerations call for the EU to

¹⁵ See Figure 5 in the Annex.

¹⁶ For example, jet fuel belongs to category II (middle distillates) but it is significantly more expensive to store than other middle distillates and therefore stored in relatively small volumes as part of the emergency stocks.

have the capacity for an EU-wide emergency response coordinated by the Commission.

Furthermore, practical experience shows that in case of an IEA action responding to disruptions with global implications, the Commission is well placed to ensure also the participation of Member States that are not currently members of the agency in a global collective response orchestrated by the IEA¹⁷.

3.4. Closer to IEA

Most of the Member States¹⁸ are members of the IEA and have also a stockholding obligation in the context of their membership. At present, that obligation, although following similar goals and resulting in similar stockholding, differs from the one set up by EU legislation. The double obligation to comply with EU and IEA rules entails undue administrative burden for both Member States and the industry¹⁹.

The administrative burden can be mitigated without compromising emergency preparedness by approximating the two stockholding systems. Reporting can also be simplified by using a single questionnaire. Better complementarity to the IEA crisis mechanism can also enhance the effectiveness of IEA actions.

Furthermore, it is necessary to clarify the role that the EU can collectively play vis-à-vis the IEA, which has a mandate to tackle global emergencies. Not all EU Member States participate in the work of the IEA, which excludes them from the decision-making on IEA-driven emergency response actions. The European Commission has a special observer status within the IEA system and can coordinate the response of the EU as a whole in case of an IEA-mandated stock drawing, ensuring a coherent response also from Member States outside the IEA²⁰.

¹⁷ After the Exercise in Capitals that took place in October 2007 as part of the IEA's Emergency Response Exercise 4, several IEA member countries agreed (IEA internal document IEA/SEQ(2007)40) that the contribution from non-IEA EU Member States should be considered in the future and appreciated the role of the European Commission in this regard.

¹⁸ Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Slovakia, Spain, Sweden, United Kingdom, Poland.

¹⁹ As a result of the different obligations, Member States who are IEA members for example have to report stock levels to the EU and to the IEA through separate procedures and using separate methodologies.

²⁰ In case of an IEA action, the role of the Commission has to include a responsibility for coordinating the actions of all EU Member States, regardless of their status vis-à-vis the IEA. The involvement of non-IEA Member States in future emergency response actions necessitates that coordinating procedures by the Commission are in place, including the provision of information and guidance.

Approximation to the IEA offers also an opportunity to address the issue of biofuels in an internationally accepted manner. The increasing role of biofuels makes it imperative to clarify whether the use of biofuels, either in pure or blended form, has an impact on the stockholding obligation. Adoption of IEA practices in this regard can also help determine the extent and conditions in which biofuels can qualify or may be mandated for inclusion in emergency stocks.

3.5. Improving transparency

The current deadline for reporting levels of emergency stocks in Member States, effectively in the range of 6-8 weeks, is unduly long²¹. A shorter reporting deadline should be possible with contemporary administrative and technical tools and would help to achieve a higher level of transparency, allow better monitoring and improve Europe's emergency preparedness.

Analysis is necessary to determine if also a more frequent, visible and complete reporting of commercial stocks in Europe²² could further improve transparency and security of supply.

4. PROPOSED CHANGES

To meet the purpose outlined in the preceding chapter, the Commission services are considering options for revising the stipulations of the existing three pieces of legislation and merging them into one single, comprehensive directive covering stocks obligations, compliance options, release coordination and reporting. This would create a simple, transparent and integrated regulatory framework for the use of oil stocks in an emergency. This new piece of legislation could include the following main characteristics, to which the Commission services seek stakeholder reactions, especially on the particular aspects identified in the appropriate sections of the text below.

90-day obligation characteristics brought closer to the IEA practices

Stocks levels resulting from the 90-day rule have proved sufficient for the past 40 years. Therefore, this basic rule seems not to be in need of changing. However, an approximation of the actual calculation to the IEA practice can bring about benefits. This approximation would mainly involve a switch from a consumption-based calculation method to the net import-based method used by the IEA and the

²¹ Member States have to submit the data by the 25th day of the second month after the month to be reported.

²² In Europe, commercial stock data are reported monthly on a voluntary basis to Euroilstock. Aggregate data are published by country through Reuters (available to subscribers only).

introduction of the 10% deduction to take account of unavailable stocks²³. This change would make the level of the overall obligation under EU rules identical to the one mandated by the IEA, bringing about important practical simplifications in compliance.

The 2005 supply disruptions after hurricanes Katrina and Rita clearly showed how important product stocks can be when refineries are disrupted. The EU rules should, therefore, maintain an obligation to hold part of the obligatory stocks in the form of products²⁴.

In a departure from the current EU rules, the existing division of the EU obligation into three product categories might reasonably be abolished as it has clear disadvantages (for example, it leads Member States to store some less needed products which could be useless in an emergency situation while not obliging them to store products of crucial importance, such as jet fuel). Instead, calculation of the obligation could be based on actual products consumed by Member States. This change would create important safeguards aimed at providing the right oil products to the economy in case of emergency.

Such a switch would not cause a substantial change to overall stock levels although it could lead to initial variations in some of the Member States, especially those that produce significant quantities of oil. Since these countries import no or relatively less oil in comparison to the import-dependent countries, the change to the import-based obligation could weaken the emergency system as a whole and undermine the solidarity amongst the Member States.

Therefore, the overall 90-day obligation based on net imports could be complemented with the condition that stocks held should not represent less than 67.5 days of internal consumption. As result, Member States with important indigenous oil production would continue to have the same stockholding obligation as before.²⁵

Stakeholders are particularly encouraged to comment on the suitability of an approximation of the EU calculation to the IEA methodology, on the proposed rules for holding finished products replacing the current provisions on product categories and the suggested modification of the obligation for oil producing Member States.

Strengthened government control for part of the stocks

²³ Under IEA rules, 10% is deducted from actual stock levels to account for stocks which are unavailable, either for technical (e.g. tank bottoms) or other reasons.

²⁴ IEA member countries are free to choose whether their stocks held under the IEA obligation are composed partly, wholly or not at all by products as well as crude oil.

²⁵ Today they have a 90-day obligation based on consumption, with a deduction of maximum 25%.

Emergency oil stocks can be held by the industry and/or by the government/agency. Both forms of stockholding have their advantages and disadvantages related to their visibility, availability, control and release in crisis situations.

Stocks held by the industry are usually located near to consumers and can be easily released using the infrastructure of oil companies. However, the practice of co-mingling with commercial stocks hinders the visibility of such stocks.

Emergency stocks held by the government/agency are generally stored separately from commercial stocks and are therefore clearly visible and fully available as supplementary oil in a crisis. This way of stockholding also facilitates effective control and swift reporting of stock levels. It is also easy to monitor the volume of stocks released, which is not the case if emergency stocks are held by the industry.²⁶

A system in which all emergency stocks were held by government/agency could considerably improve the capability and effectiveness of the whole EU emergency response system. It would ensure that 90 days of stocks are available in all Member States at all times, fully dedicated to emergency purposes.

Such a radical change might not be necessary as the costs associated with its implementation and maintenance would probably outweigh the incremental security obtained through such means. Instead, the Commission services suggest strengthening the emergency system by using a combination of both stockholding systems, following the successful examples of countries in other parts of the world.

Under this option the Member States could be obliged to maintain a minimum proportion, for example at least a third, of their obligation as dedicated stocks under stricter control of government authorities²⁷. These stocks would have to be located separately from commercial stocks and could be moved only with governmental consent. Furthermore, they could not be pledged or encumbered in any manner. They would be held in the form of products, reflecting customary consumption of a given Member State. For these dedicated emergency stocks, "tickets" might be allowed only if drawn against stocks satisfying the same requirements of government control in another Member State. Member States would be free to establish joint stockholding entities together with other Member States in order to comply with the above conditions. For the rest of the 90-day obligation, Member States would have flexibility in choosing the stockholding arrangements and the composition of the stocks, with due regard to their geographical situation, refining capacities and other relevant factors.

²⁶ In case of government/agency stocks, the release is usually done by means of tenders, while emergency stocks held by the industry are released by decreasing the stockholding obligation.

²⁷ Stocks held under arrangements generally corresponding to those envisaged here presently reach levels of ca. 40-45 days for the EU as a whole. (DG TREN assessment on the basis of inquiries with Member States undertaken in 2007 – see Section 2.2.2. of the Annex for further details.)

The Commission services invite stakeholders to comment on options for achieving higher guarantees of the availability of stocks in emergency situations. In particular, stakeholders are asked if mandatory government holding of a full 90 days of emergency stocks is deemed necessary. If a combined system could be envisaged, what is the minimum proportion of government controlled stocks? Furthermore, does control imply the necessity of ownership or can sufficient assurance of full control be obtained without mandatory government ownership?

Reinforced verification and control

The Commission monitors pro-actively the compliance of Member States with the current oil stocks legislation. Reinforcement of these activities may be necessary to assure oil markets that European emergency oil stocks and related policies are effectively functioning. Drawing on current experience, reinforced verification and control procedures appear necessary and may necessitate allowing the Commission to appoint auditors in order to verify the emergency stocks of the Member States.

The Commission services intend to continue seeking closer cooperation with the IEA and aim to pursue closer involvement in the IEA's verification activities, which could be used for simultaneous execution of stock audits by the Commission. External, Commission-appointed auditors could be entitled to carry out spot controls in storage facilities.

In conjunction with the IEA and its emergency preparedness policy, the Commission services also suggest establishing practices allowing regular review of Member States' emergency policies and measures with a special focus on oil stocks availability. Making use also of the concept of peer reviews, the Commission services are considering a practice whereby Member States could be reviewed regularly by a team assembled from representatives of other Member States and the Commission.

The Commission services seek the views of stakeholders on the adequacy and feasibility of audits and country reviews as the proposed tools effectively to monitor the compliance of Member States.

Coherent emergency procedures

The Commission services consider it necessary to develop and implement clear and transparent rules for the EU on how to act in a supply crisis in a coordinated manner. In circumstances of a crisis, it is essential to collect the necessary information, to evaluate the situation, in particular from a European perspective, to provide for effective consultation with Member States and, if necessary, to make swift decisions on the best course of action for the EU.

In this context, the existing Oil Supply Group (OSG) could be used not only for consultation of actions by individual Member States, but also for discussion and

management and coordination of crisis response. In order for the OSG to play its role efficiently, it should obtain a dedicated mandate and be supported by the necessary information and communication systems. In case of a disruption requiring stock release in one or more Member States, the Commission could contribute to ensuring that releases by Member States concerned have desired effects, are possibly aided by other Member States, and certainly do not affect those negatively.

The IEA remains the main entity to deal with disruptions on the global scale. Therefore, crisis management procedures of the Commission may need to be amended to take account of the need to react swiftly in co-operation with the IEA and the Member States, taking into account their status vis-à-vis the organisation. In case of an IEA action, the Commission's role is seen in co-ordinating the proceedings of all the Member States, regardless of their status vis-à-vis the IEA. The instruments of crisis management and consultation outlined above would be of equal relevance. In the case of those Member States that are not members of the IEA, the Commission could provide for additional exchange of information and guidance and could act as an intermediary between the IEA and those Member States.

The Commission services are considering, in the context of the role outlined above, developing and implementing an IT tool allowing real-time contacts and consultations with and between relevant national authorities in Member States in times of impending or actual emergencies.

The Commission services invite stakeholders' comments, particularly on the necessary changes to the Oil Supply Group so that it could provide an effective tool for coordination in emergencies and support the Commission's role in facilitating Member States' participation in collective emergency actions.

Improved reporting and data availability

Currently the Commission (DG TREN) collects data on the emergency oil stocks via a dedicated questionnaire, as provided for under Council Directive 2006/67/EC. If the obligations under EU rules are approximated to those of the IEA, the Monthly Oil and Natural Gas Statistics (MOS) could substitute the current special questionnaire of the Commission that has to be regularly filled by the Member States. It should be investigated whether the submission deadlines of MOS could be shortened and to what extent the JODI (Joint Oil Data Initiative) reporting could replace it. Both MOS and JODI are included in the proposed "Energy Statistics Regulation" and are already collected by the Commission (Eurostat), so their use would not increase the administrative burden on Member States.²⁸

²⁸ The draft Energy Statistics Regulation has been adopted by the European Parliament in its Plenary Session in Strasbourg, on Wednesday, 12 March 2008. With its entry into force, Member States will have a legal obligation to provide this data, which they have been providing over years to the Commission (Eurostat) on a voluntary basis. MOS is already used by the IEA to calculate the compliance of its member countries.

The Commission has recently set up the Energy Markets Observation System (EMOS), a database containing data and information relating to the oil, gas and electricity sectors. A module of the system, currently under development, could envisage simplification of the reporting of stock levels and could enable the shortening of the reporting deadline.

It is also important to consider to what extent the data on emergency stocks could be complemented by data collected on commercial stocks. In the near future, the Commission services plan to undertake a feasibility study reviewing the costs, benefits and possible modalities of regular (possibly weekly) reporting of commercial stocks.

The Commission services also intend to look into the possibility of using EMOS as an instrument for cross-checking the statistics of "ticket" transactions. In addition to preventing double counting, this would facilitate the abolition of the need to conclude bilateral agreements for cross-border stockholding.

Stakeholders are encouraged to express their views on whether these proposed steps can contribute to the transparency of oil stock data.

Biofuels

The Commission services consider that biocomponents blended into motor fuels should entail a stockholding obligation, while pure biofuels should be exempt. Blended products could count towards meeting the stockholding obligation. The IEA methodology embraces the same logic - the biofuel content of imported fuels is taken into account when calculating the stockholding obligation, but pure biofuels do not qualify as emergency stocks and their imports do not give rise to a stockholding obligation.

The Commission services believe that the revised legislation should clarify the position on biofuels, reflecting the outlined logic, and call for comments from stakeholders on the proposed way of treating biofuels in the emergency oil stock system.

The Commission services invite all stakeholders and interested parties to comment on the considerations and options outlined in the document and to submit their ideas, views and comments by 17 June 2008.

The consultation of stakeholders is open on the "Your Voice in Europe" web site:
<http://ec.europa.eu/yourvoice/>.

The Commission services will publish all comments on the above web site unless otherwise requested during submission.