

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT ON THE STATE OF IMPLEMENTATION
OF COUNCIL DIRECTIVE 68/414/EEC AMENDED
BY COUNCIL DIRECTIVE 72/45/EEC IMPOS-
ING AN OBLIGATION ON MEMBER STATES OF THE EEC
TO MAINTAIN MINIMUM STOCKS OF CRUDE OIL
AND/OR PETROLEUM PRODUCTS

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I. LEGISLATIVE AND REGULATORY POSITION

Council Directive 68/414/EEC, modified by Council Directive 72/425/EEC requires the Member States to adopt, before 1 January 1975, such laws, regulations or administrative provisions as may be appropriate in order to maintain at all times their stocks of the specified categories of petroleum products at a level equivalent to not less than 90 days' average daily internal consumption in the preceding calendar year.

On 22 November 1974, the Commission sent a letter to each of the foreign ministers of the Member States, other than France, emphasising the urgent need for compliance with Directive 72/425.

Only four Member States (France¹, Luxembourg², Denmark³ and the United Kingdom⁴) have so far enacted the necessary laws and/or regulations, etc.

In Germany, a law concerning the increase of security stocks was brought into force on 24 June 1975.

According to that law, from 1 October 1976, refineries are obliged to hold security stocks corresponding to 90 days' consumption and dependent importers are obliged to hold stocks of 70 days' consumption.

Stage by stage application is envisaged for the independent importers; they will be obliged to have security stocks of 40 days' consumption by 1 October 1980.

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¹For the last 16 years, the oil trade as a whole in France has, by category and in a permanent manner, held 90 days' emergency stocks (under the Order of 10 March 1958 and the Implementing Order of 13 April 1959).

²Article 4 of the Grand Ducal Regulation of 31.10.1973 (Art. 4).

³Regulation on Minimum Stocks of 22 December 1972 and Regulation on Emergency Stocks of 12 February 1973.

⁴Essential Commodities Reserves Act of 1938 and Fuel and Electricity (Control) Act of 1973.

Furthermore, the German Government has a national reserve, in underground storage points, which will reach, at the end of 1975, 1.6 million tons, in 1976, 4 million tons and a final figure of 10 million tons if the budgetary position permits.

In the Netherlands, a draft law requires refineries to hold 90 days' and independent importers to hold 70 days' stocks. The total obligation to hold 90 days' stocks will be achieved by taking into account the 15% allowance in respect of indigenous crude.

Italy, by virtue of laws in force, does not need new legislation to conform with EEC Directive 72/425. It will be sufficient in effect to enforce ministerial decrees legally to oblige the operators to constitute and maintain security stocks. Such an operation would take about a month.

In Belgium, de facto, the total storage capacity in the country and the stocks held exceed, in total, taking the national plan as a whole, the 90 days' level required by the Commission.

Belgium confirms that, at present, she satisfies the principal security objectives of the Community Directive of 20.12.1968.

At any rate, Belgium has indicated that all legislative measures will be taken before 1 January 1976 to impose stocks of 90 days' consumption.

In Ireland,¹ a legal framework exists whereby the responsible minister can take legal steps and regulations without delay and without need for the prior approval of Parliament.

¹ A Working Party drawn from the oil industry was formed in August 1974 to study the problems raised by the application of Directive 72/425 and to give advice on the best way of implementing it. The Working Party reported in January 1975; its report is now being considered in detail by all parties concerned, including the oil industry and the various Government departments.

II. BILATERAL AGREEMENTS

a) Existing agreements

Under Article 6 of Directive 68/414/EEC stocks may be established within the territory of a Member State for the account of undertakings established in another Member State under individual agreements between governments.

Up to the present, the existing agreements which have been notified to the Commission are as follows:

Germany has concluded agreements with its neighbours within the meaning of the said Article. The agreements with Belgium and the Netherlands are reciprocal; those with France and Italy, however, are unilateral in that they relate only to stocks belonging to German undertakings situated in a foreign country.

Luxembourg has concluded an agreement with Belgium.

Apart from these bilateral agreements, it should be noted that the Belgo-Luxembourg agreement (Article 5 of the Protocol of 29 January 1963) stipulates that in the event of supply difficulties, the two countries' disposable stocks will be pooled and considered as a whole.

b) In draft or under consideration

Negotiations are now in progress between Belgium, on the one hand, and the Netherlands and France, on the other.

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The United Kingdom has approached France, Germany, Ireland and the Netherlands with a view to bilateral agreements; likewise Luxembourg has approached France, Ireland and Belgium.

III. PROBLEMS OF FORMING SECURITY STOCKS

The declarations made by the Member States on the increasing of stocks to 90 days has raised a certain number of problems, especially:

a) Problems affecting the undertakings/companies

Several Member States have pointed out that, although their total capacity available, on a national basis, exceeds the 90-day level overall, certain companies are at present short of the individual storage capacity required.

Certain Member States have said that the amount of capital that will have to be tied up in stocks is causing cash-flow problems in the oil industry (and in particular to the independents) which also may not always be able to pass on the additional costs to consumers.

b) Monetary problems

Certain Member States have emphasised the monetary problems, the funds necessary to buy the supplementary oil, risk aggravating severely the disequilibrium which already exists in the balance of payments.

IV. STOCK POSITION IN THE COMMUNITY (situation at 1.6.1975)

Oil/products stocks at the full disposal of a Member State in the event of oil supply problems

1. Total stocks (all products)

As emerges from the Member States' returns supplied pursuant to Directive 68/414/EEC, the average level of Community stocks on 1 January 1975 was 101 days, on 1 April 1975, 98 days and on 1 June 1975, 95 days.

2. Stocks by category of product

Community Directives require the Member States to hold, at all times, stocks of petroleum products equivalent to not less than 90 days' internal consumption of each of the specified categories of petroleum products¹.

¹In the statistical summary of stocks provided for in Article 4, finished products shall be accounted for according to their actual tonnage; crude oil and intermediate products shall be accounted for:

- in the proportions of the quantities for each category of product obtained during the preceding calendar year from the refineries of the State concerned, or
- on the basis of the production programmes of the refineries of the State concerned for the current year, or
- on the basis of the ratio between the total quantity manufactured during the preceding calendar year in the State concerned of products covered by the obligation to maintain stocks and the total amount of crude oil used during that year; the foregoing shall apply to not more than 40% of the total obligation for the first and second categories (petrol and gas oils) and to not more than 50% for the third category (fuel oils). Blending components, when intended for processing into the finished products listed in Article 3, may be submitted for the products for which they are intended.

Analysis of the stock situation in respect of each of the product categories used in calculating internal consumption produces the following results:

a) Category I (motor spirit and aviation gasolines)

The average level of Category I stocks throughout the Community at 1 January 1975 was 87 days, at 1 April 1975, 93 days and at 1 June 1975, 92 days.

b) Category II (gas oil, diesel oil, kerosene and jet fuel of the kerosene type)

The quantities of Category II products in stock amounted at 1 January 1975 to 116 days, at 1 April 1975 to 103 days and at 1 June 1975 to 95 days.

c) Category III (fuel oils)

Category III stocks, for the Community as a whole, amounted at 1 January 1975 to 90 days, at 1 April 1975 to 94 days and at 1 June 1975 to 95 days.