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*****I**

REPORT

on the proposal for a European Parliament and Council directive concerning
the alignment of measures with regard to security of supply for petroleum
products

(COM(2002) 488 – C5-0448/2002 – 2002/0219(COD))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Hans Karlsson

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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PROCEDURAL PAGE

By letter of 13 September 2002 the Commission submitted to Parliament, pursuant to Article 251(2) and Article 95 of the EC Treaty, the proposal for a European Parliament and Council directive concerning the alignment of measures with regard to security of supply for petroleum products (COM(2002) 488 – 2002/0219 (COD)).

At the sitting of 9 October 2002 the President of Parliament announced that he had referred this proposal to the Committee on Industry, External Trade, Research and Energy as the committee responsible and the Committee on Economic and Monetary Affairs, the Committee on Legal Affairs and the Internal Market and the Committee on the Environment, Public Health and Consumer Policy for their opinions (C5-0448/2002).

The Committee on Industry, External Trade, Research and Energy appointed Hans Karlsson rapporteur at its meeting of 12 November 2002.

It considered the Commission proposal and draft report at its meetings of 19 March 2003, 29 April 2003, 19 June 2003, 9 July 2003 and 9 September 2003.

At the latter/last meeting it adopted the draft legislative resolution by 28 votes to 7, with 2 abstentions.

The following were present for the vote: Yves Piétrasanta, acting chairman; Hans Karlsson, rapporteur; Gordon J. Adam (for Eryl Margaret McNally), Sir Robert Atkins, Ward Beysen (for Marco Cappato), Hans Blokland (for Yves Butel, pursuant to Rule 153(2)), Guido Bodrato, Gérard Caudron, Giles Bryan Chichester, Willy C.E.H. De Clercq, Carlo Fatuzzo (for Michel Hansenne), Colette Flesch, Christos Folias (for Christian Foldberg Røvsing), Glyn Ford (for Gary Titley), Norbert Glante, Alfred Gomolka (for Peter Michael Mombaur), Malcolm Harbour (for Bashir Khanbhai), Efstratios Korakas (for Konstantinos Alyssandrakis, pursuant to Rule 153(2)), Hans Kronberger (for Daniela Raschhofer, pursuant to Rule 153(2)), Werner Langen, Peter Liese (for Angelika Niebler), Rolf Linkohr, Hans-Peter Martin (for Mechthild Rothe), Marjo Matikainen-Kallström, Ana Clara Maria Miranda de Lage, Elizabeth Montfort, Bill Newton Dunn (for Nicholas Clegg), Giuseppe Nisticò (for W.G. van Velzen), Reino Paasilinna, Paolo Pastorelli, Manuel Pérez Álvarez (for Concepció Ferrer), Samuli Pohjamo (for Elly Plooij-van Gorsel), John Purvis, Alexander Radwan (for Godelieve Quisthoudt-Rowohl), Imelda Mary Read, Jacques Santer (for Umberto Scapagnini), Konrad K. Schwaiger, Esko Olavi Seppänen, Alejo Vidal-Quadras Roca, Dominique Vlasto and Olga Zrihen Zaari.

The opinions of the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Consumer Policy are attached. The Committee on Legal Affairs and the Internal Market decided on 3 December 2002 not to deliver opinion.

The report was tabled on 10 September 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a European Parliament and Council directive on concerning the alignment of measures with regard to security of supply for petroleum products (COM(2002) 488 – C5-0448/2002 – 2002/0219(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2002) 488¹),
 - having regard to Article 251(2) of the EC Treaty and Article 95 of the Treaty, pursuant to which the Commission submitted the proposal to Parliament (C5-0448/2002),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy and the opinions of the Committee on Economic and Monetary Affairs and the Committee on Environment, Public Health and Consumer Policy (A5-0297/2003),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 - 2 a Insists on the appropriateness of the legal base proposed by the Commission and asks for the matter to be referred to it again, should the Council intend to amend the legal base.
 3. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 Recital 2

(2) Crude oil and petroleum products occupy a central position in the Community's supply of energy products and play an essential part in the functioning of the economy and society, in particular in view of their role in the field of transport. Oil prices are also used as a reference for the establishment of natural gas prices.

(2) Crude oil and petroleum products occupy a central position in the Community's supply of energy products and play an essential part in the functioning of the economy and society, in particular in view of their role in the field of transport.
On a long-term basis, the European Union should therefore support the establishment of the oil price in Euro. Oil

¹ OJ C 331 of 31.12.2002, p. 249.

prices are also used as a reference for the establishment of natural gas prices.

Justification

The European Union should aim at strengthening its currency and therefore, during negotiations, production and consuming countries should be encouraged to establish the oil price in Euro. This would be beneficial for both, the European Union and its currency.

Amendment 2
Recital 3

(3) Current national laws with regard to the security of oil supplies are insufficiently harmonised and coordinated at Community level can lead - and indeed have led - to distortions in the internal market in petroleum products. Greater harmonisation and coordination of the national measures relating to the security of oil supplies are therefore necessary to ensure the proper functioning of the internal market.

(3) Current national laws with regard to the security of oil supplies are insufficiently harmonised and coordinated at Community level can lead - and indeed have led - to distortions in the internal market in petroleum products. Greater harmonisation and coordination of the national measures relating to the security of oil supplies are therefore necessary to ensure the proper functioning of the internal market. ***In addition, on environmental grounds as well as in the light of probable supply shortages, a strategy for using the petroleum resource more prudently is required. In particular, the 18% energy-saving potential in the European Union must be attained, and the conversion to renewable energy sources must be vigorously promoted.***

Justification

The proposed measures will help to overcome short-term supply shortages through the release of emergency stocks. However, the causes of uncertainty in energy supply require further measures, such as a more prudent use of petroleum resources. This is also required on environmental grounds.

Amendment 3
Recital 7

(7) *To this end also, it is appropriate to harmonise the national provisions relating to the management of stocks by setting up a public body, as exists in certain Member States, responsible for managing at least one-third of the stockholding obligations in accordance with the principles relating to the opening-up of the national market.* delete

Justification

See amendment on article 3, paragraph 1 and 2.

Amendment 4
Recital 7 a (new)

Where a Member State, which has set up a stockholding body imposes stockholding obligations on operators in the market, the public or private stockholding body should assume the stockholding obligations of non-refiners which so wish, subject to a payment which shall not exceed the costs of the services rendered including a reasonable return on investment.

Justification

This measure would avoid market distortions to the disadvantage of small and medium sized enterprises in the oil importing sector allowing at the same time for the necessary investment in this sector.

Amendment 5
Recital 9

(9) As stated in the Green Paper Towards a European strategy for security of energy supply, the Community's external oil dependence and the geographical concentration of production capacities are substantial and are likely to increase. This situation creates major risks for the security of oil supplies.

(9) As stated in the Green Paper Towards a European strategy for security of energy supply, the Community's external oil dependence and the geographical concentration of production capacities are substantial and are likely to increase. This situation creates major risks for the security of oil supplies, ***and therefore one of the European Union's***

long-term objectives should be the reduction of the dependence on crude oil and petroleum.

Justification

Self-explanatory.

Amendment 6
Recital 10

(10) Any difficulty which substantially reduces supplies of petroleum products ***or substantially increases their price*** is likely to cause serious damage to the Community economy. ***It is therefore essential to be able to make good, or at least mitigate, the damage caused by any such difficulties. To this end, it is necessary to build up security stocks which can be used in a coordinated manner in such circumstances at Community level.***

(10) Any difficulty which substantially reduces supplies of petroleum products is likely to cause serious damage to the Community economy. ***Building up security stocks which could be used in a coordinated manner in such circumstances could be one of the necessary measures to be taken in order to mitigate such difficulties.***

Justification

Strategic oil stocks are one of the measures that can contribute to the security of energy supply in the European Union. In the past, the system established by the IEA has proved that this is the case.

Amendment 7
Recital 11

(11) Apart from the release onto the market of security stocks built up to deal with a crisis situation, the measures intended to mitigate the effects of difficulties related to the supply of crude oil and petroleum products also include measures to curb consumption. It is essential to provide for appropriate procedures and instruments to ensure the rapid, coordinated and unified implementation of these two types of

(11) Apart from the release onto the market of security stocks built up to deal with a crisis situation, the measures intended to mitigate the effects of difficulties related to the supply of crude oil and petroleum products also include measures to curb consumption ***temporarily***. It is essential to provide for appropriate procedures and instruments to ensure the rapid, coordinated and unified implementation of

measures.

these two types of measures.

Justification

This provision concerns administrative measures to curb consumption. The reduction in question must therefore be temporary so as not to distort the market and not lead to a decline in economic activity.

Amendment 8

Recital 12

(12) To this end, all the Member States must have the necessary powers to take the relevant measures, where appropriate and without delay, ***including in situations in which there is not an actual physical shortage, but sharp price rises have come about as a result of the expectation of the risk of a physical disruption.***

(12) To this end, all the Member States must have the necessary powers to take the relevant measures, where appropriate and without delay.

Justification

All the experts heard by the ITRE-committee expressed their doubts about the effectiveness of any measures aiming at influencing oil prices through the maintenance of or the increase in oil stocks. Bearing in mind the considerable cost of these measures, there should be no obligation on the Member States to release their oil stocks in the case of price rises. See also the deletion of article 8.

Amendment 9

Article 1

The aim of this Directive is to ensure the proper functioning of the internal market in petroleum products. For this purpose, it provides for the alignment of the provisions of the Member States with regard to oil stocks and crisis measures ***and*** coordinated action between the Member States in the event of a supply crisis.

The aim of this Directive is to ensure ***the unimpeded supply of the European Union with petroleum products and to strengthen*** the proper functioning of the internal market in petroleum products. For this purpose, it provides for the alignment of the provisions of the Member States with regard to oil stocks and crisis measures, coordinated action between the Member States in the event of a supply crisis, ***as well as coordination and consistency with***

the corresponding international bodies.

Justification

Security of supply is the principal objective of this directive. Ensuring the proper functioning of the market in petroleum products requires coordination not only at European level but also at international level.

Amendment 10
Article 2, paragraph 2

2. The level of minimum stocks referred to in paragraph 1 shall be increased to 120 days as soon as possible following the publication of this Directive and no later than 1 January 2007.

Justification

All the experts heard by the ITRE-committee expressed their doubts about the effectiveness of the increase in strategic oil stocks from 90 to 120 days. Bearing in mind the considerable cost of this measure it seems to be more appropriate to maintain the current level of 90 days and to make sure that this level is actually achieved and properly upheld by all Member States in accordance and cooperation with the system established by the IEA.

Amendment 11
Article 2, paragraph 3

3. Member States shall ensure the availability and accessibility of the stocks held in accordance with **paragraphs 1 and 2**, in order to be able to take, without delay, appropriate measures for their use in accordance with Article 6.

3. Member States shall ensure the availability and accessibility of the stocks held in accordance with **paragraph 1**, in order to be able to take, without delay, appropriate measures for their use in accordance with Article 6.

Justification

Follows on from the previous amendment, which rejects the increase of the level of strategic stocks to 120 days.

Amendment 12
Article 2, paragraph 4

4. Member States shall send the Commission, no later than one year following the entry into force of this Directive and then every six months until the level of stocks defined in paragraph 2 has been achieved, a detailed report on the measures taken or to be taken to achieve this level of stocks.

Deleted

Justification

Consistent with deletion of paragraph 2.

Amendment 13
Article 2, paragraph 5

5. The stocks referred to in *paragraphs 1 and 2* shall be built up and maintained by Member States within their territory *or in the territory of another Member State*.

5. The stocks referred to in **paragraph 1** shall be built up and maintained by Member States within their territory.

Justification

Follows on from the deletion of paragraph 2. See also amendment on article 4, paragraph 2.

Amendment 14
Article 3, paragraphs 1 and 2

1. The Member States shall set up a public oil stockholding body. They shall take all necessary measures to ensure that, as soon as possible following the entry into force of this Directive and no later than 1 January 2007, the stockholding body owns, for each of the categories of product, stocks representing at least one third of the obligations set out in Article 2(1) **and (2)**.

2. Where a Member State imposes stockholding obligations on operators in the market, the public stockholding body shall assume the stockholding obligations of non-refiners **which so wish**, subject to a payment *with* shall not exceed the costs of the services rendered.

1. The Member States shall set up a public oil stockholding body. They shall take all necessary measures to ensure that, as soon as possible following the entry into force of this Directive and no later than 1 January 2007, the stockholding body owns, for each of the categories of product, stocks representing at least one third of the obligations set out in Article 2(1).

2. *In the event that there is no other operator which is able to provide this service*, where a Member State imposes stockholding obligations on operators in the market, the public stockholding body shall assume the stockholding obligations of non-refiners, subject to a payment *which* shall not exceed the costs of the services

rendered.

Justification

The assumption of this responsibility by the public body should be subsidiary in nature, i.e. the body should assume the obligation in the event that the operator concerned is unable to maintain these stocks itself or through another operator.

Amendment 15
Article 4, paragraph 2

2. Member States shall ensure that their arrangements do not disadvantage supplies from refineries located in other Member States as compared with supplies from refineries located in their own territory. They shall in particular authorise any undertaking which has a stockholding obligation and which obtains its supplies of refined products from one or more other Member States to fulfil this obligation through stocks held in the Member States concerned. *deleted*

Justification

If security stocks of oil are sited in another Member State, far away – thus entailing long transport journeys – from the intended consumers whose oil needs they are meant to cover, they are not as useful as they would be if they were located near the consumers. That is why Member States should be allowed to determine and decide when oil stocks could be sited in another Member State without jeopardising security of supply.

Amendment 16
Article 6

1. Member States shall provide their competent authorities with powers to enable them to use the stocks maintained under the obligation referred to in Article 2(1) **and (2)** in the event of **difficulties relating to the functioning of the internal market in petroleum products due to supply problems, in accordance with Articles 7 and 8.**

2. Apart from the cases referred to in **Articles 7 and 8**, Member States shall refrain from drawing on stocks where this would

1. Member States shall provide their competent authorities with powers to enable them to use the stocks maintained under the obligation referred to in Article 2(1) in the event of **situations of shortages or imminent risk that such a shortage may occur.**

2. Apart from the cases referred to in **paragraph 1**, Member States shall refrain from drawing on stocks where this would

have the effect of reducing them to below the minimum compulsory level, except in cases of local supply difficulties, after having informed the Commission, or to comply with their international obligations.

have the effect of reducing them to below the minimum compulsory level, except in cases of local supply difficulties, after having informed the Commission, or to comply with their international obligations.

Justification

Stocks should be released in very specific circumstances. They should be released only in the event of a disruption of the supply of petroleum products or an imminent risk that such a disruption may occur. See justification of the amendment on article 7, paragraph 1.

Amendment 17

Article 7, paragraph 1, subparagraph 1

1. In the event of a disruption of oil supply which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission ***may, by taking a decision in accordance with the procedure provided for in Article 9(2), require*** the Member States to:

1. In the event of a disruption of oil supply which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission, ***through a recommendation, shall urge*** the Member States to:

Justification

The Commission's task should chiefly be to coordinate the measures which may be taken by the Member States. It is the Member States which have the greatest capacity for analysis and response when measures are to be taken, and as a result it does not appear desirable that the measures recommended by the Commission should be binding in nature.

Amendment 18

Article 7, paragraph 1, letter a)

(a) make the security stocks referred to in Article 2(1) ***and (2)*** gradually available,

(a) ***take the necessary measures to*** make the security stocks referred to in Article 2(1) gradually available, ***in accordance with the agreements in force between Member States and the IEA,***

Justification

Where the making available of stocks is subject to IEA standards, all Member States already have international obligations to comply with which the directive is not seeking to revoke.

Amendment 19
Article 7, paragraph 1, subparagraph 3

The measures to be taken by the Member States ***must*** restrict competition ***as little as possible***. The Commission shall ensure that this principle is complied with throughout the period of application of the measures.

The measures to be taken by the Member States ***which may*** restrict competition ***must not exceed the minimum limits required or last longer than necessary to attain their intended purpose***. The Commission shall ensure that this principle is complied with throughout the period of application of the measures.

The Commission shall

- verify the compatibility of these measures with Community law and international obligations;***
- coordinate them with a view to achieving their mutual compatibility and maximum effectiveness at Community level as well as at international level in coordination with the IEA.***

Justification

The excessive use of the measures permitted by this existing directive would lead to distortions which would hinder the development and operation of enterprises engaged in the petroleum product sector.

A coordination mechanism which is based on the current Directives on the security of oil supply shall make sure that:

a) at Community level, there is sufficient coordination of the measures taken by the Member States;

b) on an international level, there is sufficient coordination and better use of possible synergies with the system already put in place by the IEA.

A number of experts heard at the hearing organised by the ITRE-committee recommended to stick to the principles established by the current Directives on security of oil supply improving some of their coordination mechanisms instead of establishing a Community system for the oil stocks held by the Member States.

See also amendment on article 7, paragraph 1 a (new) and article 8.

Amendment 20
Article 7, paragraph 1 a (new)

1a. Member States shall take the utmost account of the results of this coordination and shall inform the Commission of the measures implemented thereafter.

Where the Commission considers that the measures referred to in paragraph 1 are inadequate to deal with the situation, it may issue recommendations to Member States on the measures to be taken in accordance with the provisions of this Directive, taking into account international agreements concluded by the Member States and decisions taken in the context of such agreements. Member States shall inform the Commission without any delay on the measures taken following these recommendations.

Justification

This amendment shall make sure that the utmost account is taken of the results of the coordination system proposed in the amendment on article 7 paragraph 1.

Amendment 21
Article 7, paragraph 2

2. The Commission may take measures of the type referred to in paragraph 1 when there is a 7% disruption of the normal level of crude oil supply at world level.

2. When taking measures according to paragraph 1 a) and b) Member States shall take into account international obligations, in particular the assessment of the situation by the International Energy Agency (IEA) and any objectives or measures adopted by the IEA.

The Commission shall issue recommendations in order to ensure that coordination and possible synergies with the IEA are used as much as possible when a measure is taken according to paragraph 1 a) or b) of this article for example by taking into account that

measures of the type referred to in paragraph 1 a) **are considered by the IEA** when there is a 7% disruption of the normal level of crude oil supply at world level.

Justification

See amendments on article 7, paragraph 1 and 1a.

Amendment 22
Article 7, paragraph 3

3. The Commission **decision** may lay down specific arrangements and conditions for the implementation of the measures to be **taken** by the Member States.

3. The Commission **recommendation** may lay down specific arrangements and conditions for the implementation of the measures to be **used as a guide** by the Member States.

Justification

See amendment on article 7, paragraph 1, subparagraph 1.

Amendment 23
Article 8

1 ***In the event of a general perception of a risk of disruption of oil supply, notably in the context of an external shock, giving rise to a high level of volatility in the oil markets which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission may, by taking a decision in accordance with the procedure provided for in Article 9(2), require the Member States to make the security stocks referred to in Article 2(1) and (2) gradually available taking into account international agreements concluded by the Member States and decisions taken in the context of such agreements.***

deleted

2 ***The Commission may examine the need for measures of the type referred to***

in paragraph 1 when the price of crude oil on the spot markets is such that, were the price maintained at that level for 12 months, the Community's external oil bill during the next 12 months would be increased by the equivalent of more than 0.5% of the European Union's gross domestic product as compared with the average external oil bill during the previous five years.

3 *In the context of the examination provided for in paragraph 2, the Commission shall take account of all the elements necessary for an evaluation of the Member States' supply conditions. It shall take into consideration in particular the nature, duration and scale of the elements giving rise to the situation referred to in paragraph 1.*

4. *The Commission decision may lay down specific arrangements and conditions for the implementation of the measures to be taken by the Member States.*

Justification

All the experts heard by the ITRE-committee expressed their doubts about the effectiveness of any measures aiming at influencing oil prices through the release of increased oil stocks. Bearing in mind the considerable cost of this measures, there should be no obligation on the Member States to release their oil stocks in the case of price rises (see as well recital 12).

Amendment 24 Article 9

1. *The Commission shall be assisted by a Committee made up of representatives of the Member States and chaired by the Commission representative.* **deleted**

2. *Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, in accordance with the provisions of Article 8 thereof.*

The period provided for in Article 5(6) of Decision 1999/468/EC shall be one week.

3. The Committee shall adopt its internal rules of procedure.

Justification

According to the proposed changes of article 7 (Community recommendations instead of decisions) as well as the proposed deletion of article 8 there is no need for establishing a comitology procedure.

Amendment 25
Article 13a (new)

13a.

1. The Commission shall submit an annual report to the Council and the European Parliament on the implementation of this directive. This report shall set out in detail, inter alia, the Commission's assessments concerning the consequences for the functioning of the internal market in petroleum products and competition and also its assessments regarding the cost of managing the stockholding system.

2. The report could also contain possible proposals on the distribution of costs so as to avert excessive increases in the cost of production at the expense of competitiveness and monetary stability.

Justification

It is indispensable that the Council and Parliament be informed on a regular basis in order to allow a broader exchange of views and discussions on this important matter. The provisions laid down in the directive constitute an intervention in the functioning of the internal market and freedom of competition, and they must be kept under constant review. Furthermore this is a system which involves costs, and an assessment of its consequences is imperative. It would be useful to have information on the cost increase involved in increasing stocks to cover 120 days.

Amendment 26
Article 14a (new)

14a. Three years after the completion of the implementation of the directive, as of 1 January 2010, the Commission shall submit a proposal for a review of the directive.

Justification

The maintenance or revision of the adopted system must be possible after a period of implementation

EXPLANATORY STATEMENT

1.) The current legal situation

a) Current provisions of European Community law

Currently there are three Community Directives¹ and two Community Decisions² governing the establishment of national reserves of crude oil and petroleum products by the Member States. According to these Community provisions, Member States must maintain a level of stocks equivalent to 90 days' consumption for each of the three main categories of petroleum products for energy use. Member States must also be ready to act when there is a risk of physical disruption, i.e. they must draw up action plans and set up appropriate bodies and powers enabling them to place stocks on the market and restrict consumption, guarantee supplies to priority consumers and regulate prices.

In the event of a crisis, the European Commission may, at the request of a Member State or on its own initiative, fix a target in terms of a reduction in consumption. The decision to release oil stocks, however, is a matter for the individual Member States, although consultations are arranged at Community level for coordination purposes.

The Directive, which is now proposed by the Commission, is intended to replace the existing Directives and Decisions mentioned above.

The Commission points out that the Commission proposal is needed for the following main reasons:

- * individual action by each Member State would upset the internal market;
- * uncoordinated action would have little or no impact in view of the size of the oil market,
- * the current European Community legislation does not provide for a Community mechanism for using oil stocks which establishes solidarity between Member States which form part of the same internal market in the event of supply problems;
- * in most countries of the EU - and unlike the Strategic Petroleum Reserve in the USA where stocks are held by the public authorities - the security stocks are held by the oil companies and are mixed up with their operational stocks; and
- * existing EC legislation is an instrument for managing an existing physical shortfall, which is in no way intended to cope with market volatility.

According to the Commission, the current system has therefore "never worked properly".

b) The International Energy Agency framework

The Treaty setting up the International Energy Agency (IEA) obliges participating States to maintain stocks equivalent to 90 days' of net imports of oil or petroleum products. It establishes

¹) **Council Directives 68/414/EEC and 98/93/EC** imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products, and **Council Directive 73/238/EEC** on measures to mitigate the effects of difficulties in the supply of crude oil and petroleum products.

²) **Council Decision 68/416/EEC** 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 and **Council Decision 77/706/EEC** on the setting of a Community target for a reduction in the consumption of primary sources of energy in the event of difficulties in the supply of crude oil and petroleum products.

a mechanism for responding to supply crises, i.e. the obligation to reduce consumption where a certain threshold of supply disruption is exceeded, to switch to other fuels, to increase domestic production as well as a procedure for disposing of stocks and allocating the available oil between the participating States.

At the beginning of the 1980s, the IEA had come to the view that the mechanisms of the 1974 Treaty were no longer suitable for the developments the oil market. Another crisis mechanism, the CERM (Coordinated Emergency Response Measures) was introduced by the Governing Board of the IEA to make stock disposal an easier option. Any decision taken in relation to CERM requires unanimity of the Governing Board which is made up of representatives of the 26 participating countries (including the USA, Australia, Japan and Korea.).

The emergency response mechanism may be activated if one or more of the IEA Member countries were deprived of at least 7% of normal oil supply. Additionally, the IEA has elaborated flexible arrangements for coordinated use of stockdraw, demand restraint and other measures, which could be implemented even in disruptions below the 7% trigger.

So far, the CERM has been used only once, five months after the outbreak of the Gulf War following the invasion of Kuwait by Iraq.

2.) Main features of the Commission proposal

* The level of minimum stocks maintained by the Member States at all times shall be increased from 90 to 120 days (Art. 2, par. 2.)

* Member States shall set up a public oil stockholding body (Art. 3, par. 1.)

* Harmonisation and coordination of crisis measure arrangements - establishment of a Community mechanism that enables the EC to decide how to use the security stocks held by the Member States and to coordinate their use:

Specifically, if the need urgently arises due to changes in the oil market, the European Commission will have the power to take the emergency measures as required, taking account of the general aims of the mechanisms for the use of security stocks: The Commission may require the Member States to "make the security stocks gradually available and/or to restrict consumption in a specific or overall manner" (Art. 7, par.1).

The Commission may take these measures "when there is a 7% disruption of the normal level of crude oil supply at world level" (Art. 7, par. 2) or "when the price of crude oil on the spot markets is such that, were the price maintained at that level for 12 months, the Community's external oil bill during the next 12 months would be increased by the equivalent of more than 0,5% of the EU's gross domestic product as compared with the average external oil bill during the previous five years" (Art.8, par. 2).

In doing so, the Commission will be assisted by a Committee made up of representatives of the Member States and chaired by a Commission representative (Art. 9). It will be a regulatory committee, which according to Article 5 and 7 of Decision 199/468/EC concerning the comitology, will decide by qualified majority.

The Commission representative will submit to the Committee a draft of the measures to be taken. The Committee will express its opinion on the draft within a period laid down by the Chairman according to the urgency of the particular situation. If the proposed measures do not reflect the Committee's opinion, or if the Committee has not expressed an opinion, the Commission will immediately submit a proposal on the measures to be taken to the Council by qualified majority.

If the EP considers that such an act exceeds the implementing powers provided for in the basic instrument (the proposed Directive), it shall - within one month- inform the Council of its position (so-called *droit de regard* of the EP).

* Member States shall determine a system of penalties applicable in case of infringements of the national provisions adopted pursuant to this Directive. They shall have intervention plans to be used in the event of a disruption of oil supply or the general perception of such a risk which gives rise to a high level of price volatility in the oil markets (Art. 10).

* A European observation system for oil and gas supply shall be set up in order to ensure the proper implementation of Community legislation in the field of oil supply, to monitor its application and to assist in evaluating the effectiveness of the measures in force and their effects on the functioning of the internal market in petroleum products. The European observation system for oil and gas supply shall be managed by the Commission (Art. 12).

3.) Key issues related to the functioning of the proposed system

During the first debates on the proposal the following questions arose :

* How can coordination between the IEA and the EU be guaranteed? To what extent will the decisions taken under the proposed Directive affect the other members of the IEA? Are there any possible synergies between EU and IEA mechanisms?

* What is the estimated cost of the increase in the volume of oil stocks by 30 days?

* Are there any alternative/additional ways of achieving increased security of supply apart from the increase in the volume of oil stocks in order to ensure that consumers are efficiently protected?

* Will there be any safety problems related to the proposed directive (e.g. possible impact on road safety, necessary protection against terrorist attacks)?

* What are the effects on the environment? Could these effects be dealt with by implementing a possible action or emergency plan?

* Will the increase in oil stocks have a significant impact on the oil price (effect of stabilisation, fall in prices in case of release of oil stocks)?

* What will the proposal's impact be on the competitiveness and functioning of the internal market in crude oil?

* Are there any social consequences to be borne in mind (e.g. possible impact on employment)?

4.) Main ideas of the amendments proposed by the rapporteur:

* The provisions of Art. 8 of the proposal, especially its paragraph 2 which gives the Commission the power to intervene not only in the case of a considerable physical disruption, but also in the case of a considerable price increase, needs to be deleted.

All the experts heard by the ITRE-committee expressed their doubts about the effectiveness of any measures aiming at influencing oil prices through the release of increased oil stocks.

Bearing in mind the considerable cost of these measures, there should be no obligation on the Member States to release their oil stocks in such cases.

Furthermore, Article 2, paragraph 2, which provides for an increase in minimum stocks to 120 days has to be deleted.

* Coordination between the EU and the IEA is a key issue of the proposal. Accordingly, this has to be reflected in some of the provisions of the Directive in order to use possible synergies as much as possible.

* The proposed Community system of oil stocks leaves a lot of questions open.

Especially, the circumstances, under which Member States will have to release their stocks, are not defined clearly (Art. 7). The Directive does for example not specify if there will be a compensation for those Member States, which will have to make their stocks gradually available.

The rapporteur therefore proposes an alternative system which is based on the current Directives and which would make sure that there is a sufficient level of coordination of the measures taken by the Member States.

* It should also be kept in mind that according to the Commission proposal a decision on the release of oil stocks at Community level would be taken by qualified majority and according to a comitology procedure (so called regulatory committee). The European Parliament would have the right to inform the Council within one month if it considers that a proposed decision exceeds the implementing powers provided for in the Directive (*droit de regard*, Art. 5, par. 5 of Directive 1999/468/EC). The rapporteur considers that this would not be acceptable.

* As far as the future European observation system for oil and gas supplies is concerned (see recital 14 and art. 12) the following aspects need to be clarified:

- What kind of experts or representatives will be part of this system?
- How many people will be on this board and who will appoint them?
- Which kind of decision-making process applies to this European observation system?

The Commission is invited to elaborate more on these aspects. In any case, sufficient cooperation between the future European observation system and the system put in place by the IEA must be guaranteed.

21 May 2003

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Industry, External Trade, Research and Energy

on the proposal for a European Parliament and Council directive on the alignment of measures with regard to security of supply for petroleum products
(COM(2002) 488 – C5-0448/2002 – 2002/0219(COD))

Draftsman: Ioannis Marinos

PROCEDURE

The Committee on Economic and Monetary Affairs appointed Ioannis Marinos draftsman at its meeting of 27 November 2002.

It considered the draft opinion at its meetings of 27 January, 18 March and 20 May 2003.

At the last meeting it adopted the following amendments by 20 votes to 0, with 1 abstention.

The following were present for the vote Christa Randzio-Plath (chairwoman), Philippe A.R. Herzog (vice-chairman), John Purvis (vice-chairman), Ioannis Marinos (draftsman), Generoso Andria, Hans Blokland, Manuel António dos Santos (for Pervenche Berès), Jonathan Evans, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Christopher Huhne, Othmar Karas, Christoph Werner Konrad, Werner Langen (for Ingo Friedrich), David W. Martin, Peter Michael Mombaur (for Renato Brunetta), Mónica Ridruejo, Peter William Skinner, Helena Torres Marques, Theresa Villiers.

SHORT JUSTIFICATION

1. The creation of the internal market in energy must be accompanied by measures to enhance security of supply for energy products, in particular oil and natural gas. This opinion confines itself to oil.
2. It should be noted that the EU's dependence on external supplies of oil will increase (currently 75%, it is likely to exceed 85% by 2020). It should also be pointed out that 80% of EU's imports of petroleum products come from the Persian Gulf region where the concentration of oil production is likely to increase significantly over the next few decades: this will further exacerbate existing uncertainties surrounding the EU's energy supply, given the political instability of the region (as recently evidenced by the Iraq crisis). Furthermore, the very limited flexibility of the oil market in the short term, as regards both supply and demand, means that oil prices are highly volatile. This may thus contribute to a slow-down in economic growth and seriously disrupt the economy, producing a social backlash in Europe and the rest of the world.
3. Measures must be taken to address not only permanent or temporary physical disruptions of supply, but also, and more importantly, the economic risks due to market instability which could be triggered even by the threat of a physical disruption of supply.
4. Energy dependence therefore raises questions of economic stability, international competitiveness and the social harmony which have a direct impact on unemployment levels. Security of supply is therefore a priority objective in the internal market in energy and every effort must be made to attain it. This cannot be effectively done with existing national rules which may cause distortions, owing to inadequate harmonisation as regards the organisation of security stocks and measures to deal with crises. Community intervention is therefore necessary, particularly since the International Energy Agency does not provide an adequate framework.
5. The Commission's proposal therefore seeks to align security stocks systems by defining minimum requirements (90 days of security stocks which shall be gradually increased to 120 days). It also provides that Member States are obliged to set up a national stockholding agency and that one Member State may set up and maintain security stocks on the territory of another Member State.
6. Your draftsman considers that it is more difficult to foresee the economic disruption of supplies: flexible and effective response mechanisms are therefore needed so that adjustments can be made. A form of management must therefore be chosen which allows the greatest possible flexibility in providing a rapid response to external challenges. Your draftsman also considers that the provisions should be reviewed after a specific implementation period, while regular briefings of Parliament would allow a debate to be held, thus increasing awareness of this important issue.

7. The measures proposed seek to address possible risks of disruptions in energy supplies, mainly after the event, and to limit their economic consequences. Other actions are also necessary, such as strengthening TransEuropean Energy Network interconnections, broadening the geographical spread of sources of oil supplies and reducing demand for oil, either by saving energy or by developing renewable and new sources of energy, for example increasing the use of solar and wind energy, nuclear fusion, cogeneration of electricity and heat, the use of biomass for heating etc. In other words a comprehensive approach is needed comprising both short-term and long-term measures. In this context, improving the stockholding system – a measure with which your draftsman agrees – constitutes only one aspect of the problem, albeit an essential one. Diversifying sources of supplies on the one hand and eliminating distortions of competition at all stages, including at the refining and distribution stages, on the other, and also promoting programmes for saving energy and alternative forms of energy, for example by establishing a fund endowed with a percentage of the tax on traditional forms of energy, might help achieve the desired objective. They would also have a beneficial effect on the environment by contributing to a reduction in atmospheric pollution which is also one of the demands of the Kyoto Convention.

AMENDMENTS

The Committee on Economic and Monetary Affairs calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission ¹	Amendments by Parliament
Amendment 1 Recital 1	
(1) The completion of the internal energy market must be accompanied by the necessary coordination of measures to guarantee the security of the Community's external oil supplies. The internal market is based on the need for solidarity between the Member States, which can be seen more particularly in the essential energy supply sectors of oil and gas.	(1) The completion of the internal energy market must be accompanied by the necessary <i>harmonisation and</i> coordination of measures, <i>in so far as necessary</i> , to guarantee the security of the Community's external oil supplies. The internal market is based on the need for solidarity between the Member States, which can be seen more particularly in the essential energy supply sectors of oil and gas.

Justification

The directive provides for harmonisation of measures, but only to the extent that this is

¹ OJ C331 E, 31.12.2002, p. 249.

necessary in order to achieve its objectives.

Amendment 2
Recital 7

(7) To this end also, it is appropriate to harmonise the national provisions relating to the management of stocks by setting up a public body, as exists in certain Member States, responsible for managing at least one-third of the stockholding obligations ***in accordance with*** the principles relating to the opening-up of the national market.

(7) To this end also, it is appropriate to harmonise the national provisions relating to the management of stocks by setting up a public body, as exists in certain Member States, responsible for managing at least one-third of the stockholding obligations. ***The acquisition and management of the stocks in question by the public body must be governed by*** the principles relating to the opening-up of the national market ***and the functioning of the internal market and freedom of competition.***

Justification

The establishment and operation of the public body must not affect the sound functioning of the internal market or stand in the way of freedom of competition. The public body must therefore observe the principles in question in performing its duties.

Amendment 3
Recital 11

(11) Apart from the release onto the market of security stocks built up to deal with a crisis situation, the measures intended to mitigate the effects of difficulties related to the supply of crude oil and petroleum products also include measures to curb consumption. It is essential to provide for appropriate procedures and instruments to ensure the rapid, coordinated and unified implementation of these two types of measures.

(11) Apart from the release onto the market of security stocks built up to deal with a crisis situation, the measures intended to mitigate the effects of difficulties related to the supply of crude oil and petroleum products also include measures to curb consumption ***temporarily***. It is essential to provide for appropriate procedures and instruments to ensure the rapid, coordinated and unified implementation of these two types of measures.

Justification

This provision concerns administrative measures to curb consumption. The reduction in question must therefore be temporary so as not to distort the market and not lead to a decline

in economic activity.

Amendment 4
Recital 12

(12) To this end, all the Member States must have the necessary powers to take the relevant measures, where appropriate and without delay, including in situations in which there is not an actual physical shortage, but sharp price rises have come about as a result of the expectation of the risk of a physical disruption.

(12) To this end, all the Member States must have the necessary powers to take the relevant measures, where appropriate and without delay, including in situations in which there is not an actual physical shortage, but sharp price rises ***which are not justified by the functioning of the market*** have come about ***or are very likely to come about*** as a result of the expectation of the risk of a physical disruption.

Justification

This directive is not concerned with price rises which are the result of the functioning of the market.

Amendment 5
Article 1

The aim of this Directive is to ensure the proper functioning of the internal market in petroleum products. For this purpose, it provides for the alignment of the provisions of the Member States with regard to oil stocks and crisis measures and coordinated action between the Member States in the event of a supply crisis.

The aim of this Directive is to ensure ***the unimpeded supply of the European Union with petroleum products and to strengthen*** the proper functioning of the internal market in petroleum products. For this purpose, it provides for the alignment of the provisions of the Member States with regard to oil stocks and crisis measures and coordinated action between the Member States in the event of a supply crisis.

Justification

Security of supply is the principal objective of this directive.

Amendment 6
Article 2, paragraph 2

2. The level of minimum stocks referred to in paragraph 1 shall be increased to 120 days as soon as possible following the publication of this Directive and no later than 1 January 2007.

Deleted

Justification

There is no evidence that the present level of security stocks (90 days of consumption according Directive 98) is insufficient to face disruptions. The proposed increase has not been justified nor quantified by the Commission either in terms of expected benefit or in terms of costs to the Community. The increase in stock will imply new depots being built with an increase in environmental impact and risk of relevant accident to the territory and nearby populations, according to Seveso 2 regulations.

Amendment 7
Article 2, paragraph 3

3. Member States shall ensure the availability and accessibility of the stocks held in accordance with **paragraphs 1 and 2**, in order to be able to take, without delay, appropriate measures for their use in accordance with Article 6.

3. Member States shall ensure the availability and accessibility of the stocks held in accordance with **paragraph 1**, in order to be able to take, without delay, appropriate measures for their use in accordance with Article 6.

Justification

Consistent with deletion of paragraph 2.

Amendment 8
Article 2, paragraph 4

4. Member States shall send the Commission, no later than one year following the entry into force of this Directive and then every six months until the level of stocks defined in paragraph 2 has been achieved, a detailed report on the measures taken or to be taken to achieve this level of stocks.

Deleted

Justification

Consistent with deletion of paragraph 2.

Amendment 9
Article 2, paragraph 5

5. The stocks referred to in **paragraphs 1 and 2** shall be built up and maintained by Member States within their territory or in the territory of another Member State.

5. The stocks referred to in **paragraph 1** shall be built up and maintained by Member States within their territory or in the territory of another Member State.

Justification

Consistent with deletion of paragraph 2.

Amendment 10
Article 3, paragraph 1, second indent (new)

1a. The acquisition, possession and management of stocks by the public body must not affect the functioning of the internal market or undermine fair competition in the market in petroleum products.

Justification

See amendment 2.

Amendment 11
Article 3, paragraph 2

2. Where a Member State imposes stockholding obligations on operators in the market, the public stockholding body shall assume the stockholding obligations of **non-refiners** which so wish, subject to a payment **with** shall not exceed the costs of the services rendered.

2. Where a Member State imposes stockholding obligations on operators in the market, the public stockholding body shall assume the stockholding obligations of **operators** which so wish, subject to a payment **which** shall not exceed the costs of the services rendered.

Justification

There is no reason for creating discrimination between refiners and non-refiners. All the operators on this market must have the opportunity to obtain cover from the stockholding body.

Amendment 12 Article 4, paragraph 2

2. Member States shall ensure that their arrangements do not disadvantage supplies from **refineries** located in other Member States as compared with supplies from **refineries located in their own territory**. They shall in particular authorise any undertaking which has a stockholding obligation and which obtains its supplies of refined products from one **or more other Member States** to fulfil this obligation through stocks held **in the Member States concerned**.

2. Member States shall ensure that their arrangements do not disadvantage supplies from **operators** located in other Member States as compared with supplies from **local operators**. They shall in particular authorise any undertaking which has a stockholding obligation and which obtains its supplies of refined products from one **Member State** to fulfil this obligation through stocks held in **any Member State**.

Justification

There is no reason for allowing refiners to play the role of supplier. Opening up the possibility of using the security stocks of any Member State in order to meet one's obligations will reduce the cost of the service by increasing supply and will thus cut the final cost paid by consumers. Operators importing products from outside the European Union should be in a position to find cover for this requirement in any Member State. This additional competition will bring about a reduction in the prices paid by the end user.

Amendment 13 Article 6, paragraph 2

2. Apart from the cases referred to in Articles 7 and 8, Member States shall refrain from drawing on stocks where this would have the effect of reducing them to below the minimum compulsory level, except in cases of local supply difficulties, after having informed the Commission, or to comply with their international obligations.

2. Apart from the cases referred to in Articles 7 and 8, Member States shall refrain from drawing on stocks where this would have the effect of reducing them to below the minimum compulsory level, except in cases of **extraordinary** local supply difficulties, **which may have serious economic or social consequences**, after having informed the Commission, or to comply with their international obligations. **The use of the stocks in the**

case set out in this paragraph must not be intended to reduce prices or directly or indirectly to limit the activities of market operators.

Justification

This provision must not be at odds with the main objective of the directive. Measures to tackle local problems must be allowed only where these problems are extraordinary and may have serious economic and social consequences. Any other intervention would replace the mechanisms governed by the functioning of the market, which would be unacceptable.

Amendment 14

Article 7, paragraph 1, introductory paragraph

1. In the event of a disruption of oil supply which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission may, by taking a decision in accordance with the procedure provided for in Article 9(2), **require** the Member States to:

1. In the event of a disruption of oil supply which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission may, by taking a decision in accordance with the procedure provided for in Article 9(2), **request** the Member States to:

Justification

Where the making available of stocks is subject to IEA standards, all Member States already have international obligations to comply with which the directive is not seeking to revoke.

Amendment 15

Article 7, paragraph 1, subparagraph a)

(a) make the security stocks referred to in Article 2(1) and (2) gradually available,

(a) **take the necessary measures to** make the security stocks referred to in Article 2(1) and (2) gradually available, **in accordance with the agreements in force between Member States and the IEA,**

Justification

Where the making available of stocks is subject to IEA standards, all Member States already have international obligations to comply with which the directive is not seeking to revoke.

Amendment 16
Article 7, paragraph 1, second indent

The measures to be taken by the Member States ***must*** restrict competition ***as little as possible***. The Commission shall ensure that this principle is complied with throughout the period of application of the measures.

The measures to be taken by the Member States ***which may*** restrict competition ***must not exceed the minimum limits required or last longer than necessary to attain their intended purpose***. The Commission shall ensure that this principle is complied with throughout the period of application of the measures.

Justification

The excessive use of the measures permitted by this existing directive would lead to distortions which would hinder the development and operation of enterprises engaged in the petroleum product sector.

Amendment 17
Article 9, paragraph 1

1. The Commission shall be assisted by a Committee made up of representatives of the Member States and chaired by the Commission representative.

1. The Commission shall be assisted by a Committee made up of representatives of the Member States and chaired by the Commission representative.
Representatives of the candidate countries may also be invited to attend the above Committee as observers.

Justification

The participation of representatives from the candidate countries ensures exchange of information and a greater degree of coordination with these countries.

Amendment 18
Article 9, paragraph 2

2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, in accordance with the provisions of Article 8 thereof.

2. Where reference is made to this paragraph, Articles 3 and 7 of Decision 1999/468/EC shall apply, in accordance with the provisions of Article 8 thereof.

The period provided for in Article **5(6)** of Decision 1999/468/EC shall be one week.

The period provided for in Article **3(2)** of Decision 1999/468/EC shall be one week.

Justification

Replacing the regulatory committee by a consultative committee would allow more rapid intervention if necessary.

Amendment 19
Article 13a (new)

13a.

1. The Commission shall submit an annual report to the Council and the European Parliament on the implementation of this directive. This report shall set out in detail, inter alia, the Commission's assessments concerning the consequences for the functioning of the internal market in petroleum products and competition and also its assessments regarding the cost of managing the stockholding system.

2. The report could also contain possible proposals on the distribution of costs so as to avert excessive increases in the cost of production at the expense of competitiveness and monetary stability.

Justification

It is indispensable that the Council and Parliament be informed on a regular basis in order to allow a broader exchange of views and discussions on this important matter. The provisions laid down in the directive constitute an intervention in the functioning of the internal market and freedom of competition, and they must be kept under constant review. Furthermore this is a system which involves costs, and an assessment of its consequences is imperative. It would be useful to have information on the cost increase involved in increasing stocks to cover 120 days.

Amendment 20

Article 14a (new)

14a. Three years after the completion of the implementation of the directive, as of 1 January 2010, the Commission shall submit a proposal for a review of the directive.

Justification

The maintenance or revision of the adopted system must be possible after a period of implementation

2 May 2003

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER POLICY

for the Committee on Industry, External Trade, Research and Energy

on the proposal for a European Parliament and Council directive concerning the alignment of measures with regard to security of supply for petroleum products
(COM(2002) 488 – C5-0488/2002 – 2002/0219(COD))

Draftsman: Hans Kronberger

PROCEDURE

The Committee on the Environment, Public Health and Consumer Policy appointed Hans Kronberger draftsman at its meeting of 27 November 2002.

It considered the draft opinion at its meetings of 24 March and 30 April 2003.

At the latter meeting it adopted the following amendments unanimously.

The following were present for the vote Caroline F. Jackson, chairman; Hans Kronberger, draftsman; María del Pilar Ayuso González, Hans Blokland, David Robert Bowe, John Bowis, Martin Callanan, Dorette Corbey, Chris Davies, Véronique De Keyser, Laura González Álvarez, Robert Goodwill, Françoise Grossetête, Jutta D. Haug, Christa Klaß, Bernd Lange, Paul A.A.J.G. Lannoye, Peter Liese, Torben Lund, Minerva Melpomeni Malliori, Patricia McKenna, Jorge Moreira da Silva, Riitta Myller, Mauro Nobilia, Ria G.H.C. Oomen-Ruijten, Marit Paulsen, Dagmar Roth-Behrendt, Guido Sacconi, Inger Schörling, Renate Sommer, María Sornosa Martínez, Bart Staes, Antonios Trakatellis and Kathleen Van Brempt.

SHORT JUSTIFICATION

The obligation to maintain a minimum stock of petroleum products within the Community was most recently regulated in 1998 by Council Directive 98/93/EC and requires the Member States to hold a 90-day stock. The fact that the European Commission is now addressing the important topic of security of supply for petroleum products is to be welcomed. The most recent oil price hike in 1999/2000, which led to crude oil prices being tripled and caused economic and social problems in the European Union, such as strikes and specific burdens for low earners, demonstrated the importance of a guarantee of security of energy supply within the European Union. Nevertheless, it is a moot point whether the measures set out in the proposal for a directive will really lead to security of supply for petroleum products in the medium to long term or whether they simply constitute short-term pricing mechanisms which will not only not solve the problems connected with the security of energy supply but also simply give a false impression that energy supplies have actually been secured.

What is particularly worrying is the situation regarding the supply of petroleum products, on the one hand, in the light of falling oil output and, on the other, the increasing dependence of the European Union on oil imports from third countries, a situation which is being exacerbated by increased demand.

Experts confirm that the availability of petroleum world wide since 2000 has been constantly decreasing and that maximum global output will either shortly be attained or has even already been exceeded. By as early as 2010, oil output in the United Kingdom and in Norway will fall to about 50% below the maximum output rate and, somewhere around 2020, will drop to a maximum of about 20% of output in 2000.

The dwindling oil reserves of the EU and Norway and the contrasting increase in consumption – in 2020, world oil consumption is estimated at 115 million barrels per day compared with about 77 million barrels per day in 2000, i.e. a 50% increase¹ - will entail an increasing dependence on oil imports in the European Union, and that situation will increase the threats to energy supply in the European Union.

In 2000, the EU was 75% dependent on petroleum. According to European Commission estimates, that dependence could rise to as high as 90% in 2020.

If security of oil supplies in the internal market is to be achieved, the Member States will have to act together in order to reduce dependence on oil imports by taking measures designed to ensure that petroleum resources are used more efficiently and that renewable energy sources are further expanded.

This proposal for a directive provides for the establishment of a European monitoring system. While that is to be welcomed, its tasks should, however, be expanded to include the monitoring and analysis of available petroleum resources world wide. The European Commission is proposing that the Member States should increase their minimum stocks to cover a 120-day period instead of the current 90 days, so that the Member States might release their reserves of petroleum products, where necessary, in accordance with a decision of the European Commission. Emergency oil stocks should not be released in order to pursue a particular pricing policy. Instead, the maintenance of emergency oil stocks must principally

¹ COM(2000) 631: The European Union's oil supply, p. 7.

serve to guarantee security of energy supply and not to bolster an unrestricted internal market. Since the acquisition of further emergency stocks would entail enormous expense, the Commission should draw up, in 2006, a report analysing the efficacy of the directive on security of supply for petroleum products which calls for a 90-day emergency supply and, where necessary, propose measures for the amendment thereof.

AMENDMENTS

The Committee on the Environment, Public Health and Consumer Policy calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1
Recital 1a (new)

***(1a) In 2000, the EU's dependence on petroleum amounted to 75%, and that figure might well reach 90% in 2020. Since 2000, the availability of petroleum world wide has been constantly decreasing, and maximum global output will shortly be attained, if it has not already been exceeded
. Accordingly, the Member States must act to***

¹ OJ C 31, 31.12.2002, p. 249.

Justification

Experts confirm that, since 2000, the availability of petroleum world wide has been constantly decreasing (see, for example, Jörg Schindler and Werner Zittel, 'World wide trends in energy demands and availability of resources', Ludwig-Bölkow-Systemtechnik GmbH, Ottobrunn, October 2000; Colin Campbell and Jean Laherre, 'The end of cheap oil?', March 1998; Basler Prognos Institut, Peter Hofer, Die ZEIT No 4, 29 October 1998; Ken Chew, IHS-Energy Group, Geneva; L.B. Magoon, 'Are we running out of oil', US Geological Survey). By as early as 2010, petroleum output in the United Kingdom and in Norway is likely to fall to about 50% below the maximum output rate, while, in around 2020, the output rate will fall to a maximum of about 20% of the output level in 2000 (see Ludwig-Bölkow-Systemtechnik GmbH, Ottobrunn, Germany). Accordingly, genuine measures are required which will result in a reduction in dependence and guarantee the long-term security of energy supply. The additional emergency stocks will not suffice for that goal to be achieved.

Amendment 2

Recital 1b (new)

(1b) The transport sector in the European Union is already 98% dependent on petroleum. Over the next ten years, it is estimated that the transport sector will expand by 2% per year and will become even more energy-intensive. European Union measures are required here as a matter of urgency, not only with a view to guaranteeing security of supply for petroleum products but also on environmental grounds, such as the use of more fuel-efficient engines and conversion to alternative fuel and propulsion technologies. Greater efforts should also be made in the promising development of hydrogen and fuel cells, as well as the expansion of public transport and the introduction of incentives for people to use such transport.

Justification

The transport sector is already an oil-intensive sector, and it is likely to become even more so. Energy efficiency measures and a conversion to renewable energy sources will reduce the degree of dependence on oil imports and contribute to the long-term security of energy supply.

Amendment 3 Recital 1c (new)

(1c) Maintenance of sufficient emergency supplies to cover a period of 120 days instead of 90 days constitutes a mechanism whereby supply shortages may be managed in the short term. It must be assumed that, before the end of this decade, availability of petroleum world wide will fall annually by 2-3%. That being the case, much more radical structural measures are required. The Commission should, therefore, devise a genuine strategy for the management of this supply scenario.

Justification

Given that petroleum is a valuable and non-renewable resource and that supply shortages are likely in the future (see Ludwig-Bölkow-Systemtechnik GmbH, Ottobrunn, Germany; www.energiekrise.de), it is a matter of urgency that more radical measures and a strategy for the management of this supply scenario should be devised.

Amendment 4 Recital 2

(2) Crude oil and petroleum products occupy a central position in the Community's supply of energy products and play an essential part in the functioning of the economy and society, in particular in view of their role in the field of transport. Oil prices are also used as a reference for the establishment of natural gas prices.

(2) Crude oil and petroleum products occupy a central position in the Community's supply of energy products and play an essential part in the functioning of the economy and society, in particular in view of their role in the field of transport. Oil prices are also used as a reference for the establishment of natural gas prices. ***In the medium term, the increasing scarcity of petroleum resources is likely to result in a further increase in the price of crude***

oil, and that will be reflected in the price of natural gas. Without an effective policy to increase energy efficiency and promote renewable energy sources, and without structural adjustments in highly energy-intensive sectors, the net domestic consumption of petroleum in the European Union will increase significantly.

Justification

Increasing the amount of emergency stocks is no more than a short-term measure. Given the serious supply situation, more radical measures are required in order to be able to guarantee security of supply in the medium and long term.

Amendment 5

Recital 3

(3) Current national laws with regard to the security of oil supplies are insufficiently harmonised and coordinated at Community level can lead - and indeed have led - to distortions in the internal market in petroleum products. Greater harmonisation and coordination of the national measures relating to the security of oil supplies are therefore necessary to ensure the proper functioning of the internal market.

(3) Current national laws with regard to the security of oil supplies are insufficiently harmonised and coordinated at Community level can lead - and indeed have led - to distortions in the internal market in petroleum products. Greater harmonisation and coordination of the national measures relating to the security of oil supplies are therefore necessary to ensure the proper functioning of the internal market. ***In addition, on environmental grounds as well as in the light of probable supply shortages, a strategy for using the petroleum resource more prudently is required. In particular, the 18% energy-saving potential in the European Union must be attained, and the conversion to renewable energy sources must be vigorously promoted.***

Justification

The proposed measures will help to overcome short-term supply shortages through the release of emergency stocks. However, the causes of uncertainty in energy supply require further measures, such as a more prudent use of petroleum resources. This is also required on

environmental grounds.

Amendment 6
Recital 4a (new)

(4a) Priority must be given to the security of long-term supply, with account being taken of social and environmental aspects. Given that oil requirements world wide will increase by 2020 to 115 million barrels per day as compared with 77 million barrels per day in 2000, i.e. by 50%, changes must be made in consumption patterns. In order to eliminate distortions of competition between energy sources, external costs should be internalised.

Justification

Priority must be given to security of energy supply. In the light of increasing demand, further measures are necessary.

Amendment 7
Recital 9

(9) As stated in the Green Paper *Towards a European strategy for security of energy supply*, the Community's external oil dependence and the geographical concentration of production capacities are substantial and are likely to increase. This situation creates major risks for the security of oil supplies.

(9) As stated in the Green Paper *Towards a European strategy for security of energy supply*, the Community's external oil dependence and the geographical concentration of production capacities are substantial and are likely to increase. This situation creates major risks for the security of oil supplies. ***Diversification towards decentralised renewable energy sources is therefore required as a matter of urgency.***

Justification

Only a reduction in dependence on oil imports will guarantee permanent security of energy supply.

Amendment 8

Recital 10

(10) Any difficulty which substantially reduces supplies of petroleum products or substantially increases their price is likely to cause serious damage to the Community economy. It is therefore essential to be able to make good, or at least mitigate, the damage caused by any such difficulties. To this end, it is necessary to build up security stocks which can be used in a coordinated manner in such circumstances at Community level.

(10) Any difficulty which substantially reduces supplies of petroleum products or substantially increases their price is likely to cause serious damage to the Community economy. It is therefore essential to be able to make good, or at least mitigate, the damage caused by any such difficulties ***which might result in energy supply crises***. To this end, it is necessary to build up security stocks which can be used in a coordinated manner in such circumstances at Community level.

Justification

Emergency stocks must be used only in the event of a crisis.

Amendment 9 Recital 12

(12) To this end, all the Member States must have the necessary powers to take the relevant measures, where appropriate and without delay, including in situations in which there is not an actual physical shortage, but sharp price rises have come about as a result of the expectation of the risk of a physical disruption.

(12) To this end, all the Member States must have the necessary powers to take the relevant measures, where appropriate and without delay, including in situations in which there is not an actual physical shortage, but sharp price rises have come about as a result of the expectation of the risk of a physical disruption ***which would result in a serious crisis***.

Justification

Emergency stocks should be used only to cope with a crisis.

Amendment 10 Article 2, paragraph 2

2. The level of minimum stocks referred to in paragraph 1 shall be increased to 120 days as soon as possible following the publication of this Directive and no later than 1 January 2007.

2. Before 1 January 2006, the Commission shall submit to the European Parliament and to the Council a report on the transposition of the Directive by the Member States and the efficacy thereof

and shall, where necessary, propose an amendment of the Directive.

Justification

An increase in the level of minimum stocks from 90 days to 120 days would result in a 33% cost increase to be borne by the economies of the Member States of the EU. In the event of a fairly lengthy reduction in oil supplies, a 90-day stock would cover 7% of demand for about three and a half years. In the medium to long term, other structural measures must be taken, together with measures designed to achieve more efficient use, in order to take due account of the petroleum supply situation world wide.

Amendment 11

Article 7, paragraph 1, subparagraph 1

1. In the event of a disruption of oil supply which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission may, by taking a decision in accordance with the procedure provided for in Article 9(2), require the Member States to:

1. In the event of a disruption of oil supply which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission, ***with the assent of the Council***, may, by taking a decision in accordance with the procedure provided for in Article 9(2), require the Member States to:

Justification

Given the scope of this decision, the assent of the Council should be required.

Amendment 12

Article 7, paragraph 1, subparagraph 3

The measures to be taken by the Member States ***must restrict competition as little as possible***. The Commission shall ensure that this principle is complied with throughout the period of application of the measures.

The measures to be taken by the Member States ***shall constitute crisis measures which are principally designed to guarantee security of energy supply***. The Commission shall ensure that this principle is complied with throughout the period of application of the measures.

Justification

Priority must be given to guaranteeing security of energy supply.

Amendment 13

Article 8, paragraph 1, subparagraph 1

1. In the event of a general perception of a risk of disruption of oil supply, notably in the context of an external shock, giving rise to a high level of volatility in the oil markets which may seriously disrupt the functioning of the economy and the internal market in petroleum products, the Commission may, by taking a decision in accordance with the procedure provided for in Article 9(2), require the Member States to make the security stocks referred to in Article 2(1) and (2) gradually available taking into account international agreements concluded by the Member States and decisions taken in the context of such agreements.

1. In the event of a general perception of a risk of disruption of oil supply, notably in the context of an external shock, giving rise to a high level of volatility in the oil markets which may seriously disrupt the functioning of the economy and the internal market in petroleum products ***and, hence, result in a serious supply situation***, the Commission may, by taking a decision in accordance with the procedure provided for in Article 9(2), require the Member States to make the security stocks referred to in Article 2(1) and (2) gradually available taking into account international agreements concluded by the Member States and decisions taken in the context of such agreements.

Justification

Emergency supplies must be used exclusively in the event of actual shortages or of disruption of supplies. Additional use of emergency oil stocks for the attainment of pricing objectives on the world oil market must be rejected.

Amendment 14

Article 12, paragraph 3, subparagraph aa (new)

(aa) monitoring and analysis of available petroleum resources world wide

Justification

If we are to be able to estimate the supply situation accurately, the existence of available petroleum resources world wide must be monitored and analysed.