

Petroleum supplies: Without SMEs, Europe would virtually come to a halt

Except in the upstream sector, small and medium companies are to be found everywhere in the oil business. But they would like to see more support from politicians, especially in Germany.

eid When people think of oil, petrol and diesel, they are most likely to think of buzzwords like mobility, oil companies, OPEC countries – and far less likely to think of small and medium enterprises (SMEs). But without the medium, small and very small companies in the petroleum sector, few consumers would receive deliveries of oil, unless they are major customers that get their supplies directly from refinery companies.

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The importance of SMEs for supplies to the consumer has become apparent in the United Kingdom. There the withdrawal of major oil companies from the supply sector and a hesitant approach to investment in the logistics sector have resulted in problems with deliveries which are now attracting the attention of the government, as mentioned in the “Report 2008” of the Union Pétrolière Européenne Indépendante (UPEI). UPEI is the umbrella organisation of national SME associations in 15 European countries. This makes it the mouthpiece of the petroleum SMEs in Brussels, where one of the organisation’s priority concerns is the harmonisation of petroleum taxes in the European Union. In UPEI’s opinion, there is also a need for better coordination of the rules and subsidies for biofuels in the automotive and heating sectors, an area where virtually all the 27 EU members each go their separate ways. The result is nearly 130 different regulations in this sector, which present obstacles to free trade in goods and impose unnecessary costs on companies and consumers, UPEI complains.

The role of the SMEs in the petroleum sector has become steadily more important over the past four decades, as the major integrated international oil companies have increasingly lost a considerable amount of their dominance in the value added chain

due to nationalisation of oil deposits in many producing countries and the emergence of state-run or state-controlled oil companies. With the exception of oil exploration and production, UPEI members are active in all sectors of the petroleum industry: these cover imports, the wholesale sector, distribution, logistics, refining, consumer supplies, and energy contracting and heating systems. And they are pioneers in new “renewable” sectors: biodiesel and bioethanol, bio heating fuels, heat pumps and solar thermal energy in combination with more traditional heating systems.

Unlike the integrated oil companies, however, petroleum SMEs mostly focus on one business field only, such as petroleum imports, filling stations or the heating oil trade. In the Netherlands, for example, SMEs cover about 50 percent of fuel requirements in the automotive sector. In the Czech Republic, filling stations operated by SMEs sell more than 40 percent of all diesel and petrol. In Italy some 30 percent of fuel sold via filling stations is in the hands of SMEs.

SMEs strong at filling stations in many EU countries

In Germany their share of the petrol market is around 20 percent; in the diesel market it is 30 percent, and in the heating oil market it actually exceeds 40 percent. The Federal Association of Independent Filling Stations (Bundesverband Freier Tankstellen – bft) has nearly 1,800 members. In Poland 45 percent of filling stations belong to SMEs. In Switzerland the figure is as high as 80 percent. In both Austria and Italy, more than one third of all filling stations are operated by “independents”. In Switzerland, for example, the two SME brands Avia and Agrola, with 713 and 430 stations respectively, have the biggest filling station networks in the country. There one

in three filling stations has a shop, and these have proved to be a great attraction for customers. Seventy percent of fuel sales are made through filling stations with shops, and filling stations with shops of more than 50 square metres sell nearly three quarters more petrol and diesel than those with smaller shops.

Calls for harmonised policy on biofuels

If SMEs in the petroleum sector are to be able to identify new supply sources and launch new and environmentally sound energy products, they need fair conditions for competition, equal treatment of all market players, and government policies they can rely on, demands UPEI. These are the areas where the association has pinpointed the greatest deficits, especially in Belgium, Germany, the United Kingdom and Turkey. In Belgium the companies operating in the filling station sector would like to see the state at last taking a more flexible approach to the system of state-imposed maximum prices. Particularly in times of major increases and fluctuations in oil prices – like last summer – they say the trade suffered very considerably from the rigidity of this system. And in Belgium there is still a lack of rules for the introduction of biofuels.

In Germany, as in the United Kingdom, the back and forth on the biofuel front has endangered investments made and long-term supply agreements signed in reliance on dependable state arrangements (EID 27109). In Turkey the legal situation still presents obstacles to the entry of new suppliers into the petroleum market. New companies have to possess filling stations, and must also sell at least 60,000 tonnes of products a year and maintain stocks of 3,300 tonnes. The result: five companies together account for 90 percent of the filling station market in Turkey.