UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents

2012
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REPORT 2011

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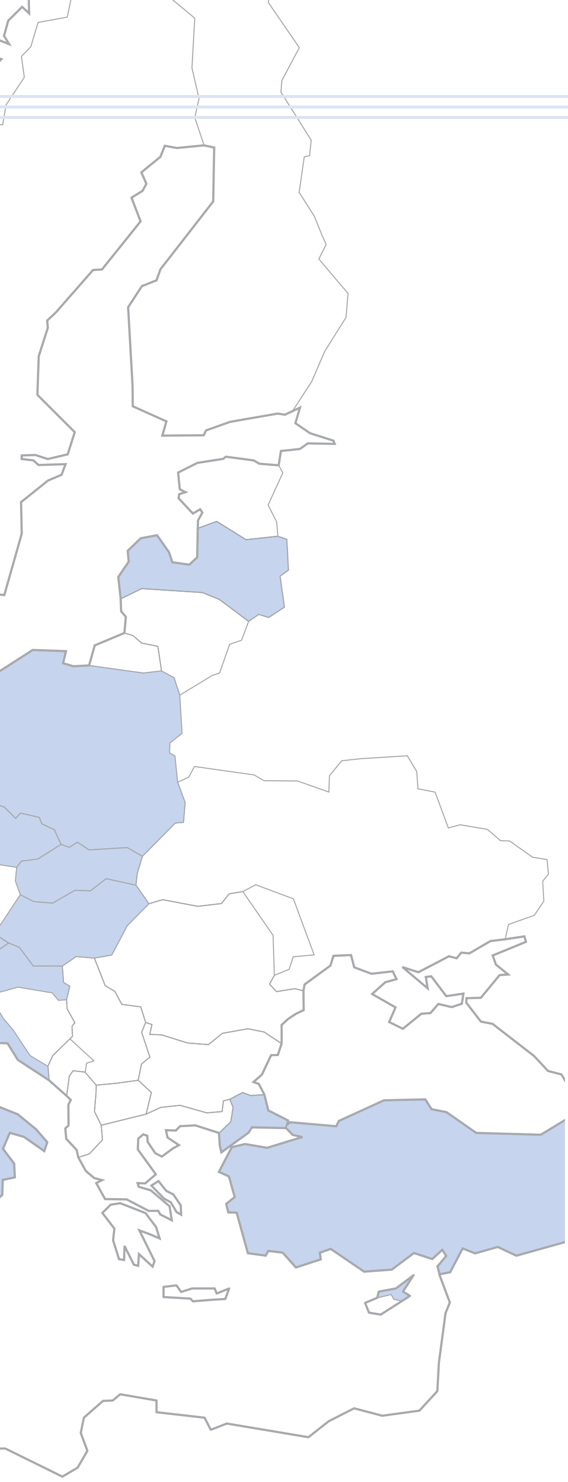

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UPEI BOARD MEMBERS

From left:
Ivan Indracek, Vice President;
Bernd Schnittler, President;
Raimundo Baroja, Vice President

PRESIDENT'S FOREWORD

This year UPEI, Union Pétrolière Européenne Indépendante, celebrates the fiftieth anniversary of its foundation. Over the last five decades, UPEI has developed from a small group of four national associations into an instrument for alliances of small and medium enterprises operating in 18 countries at all stages of the petroleum industry except for oil production, and also in the field of heat contracting. UPEI was founded at a time of change in many fields. The integrated oil companies were building new refineries all over Western Europe and laying pipelines to make their grip on the market even firmer. Supermarkets were starting to sell motor fuel. Natural gas was taking its first steps in the heating market. The European Economic Community was creating the basis for a common economic, energy and social policy. These were developments that prompted independent companies to join forces with a view to learning from each other and ensuring effective representation of their interests vis-à-vis supranational institutions.

Today there are signs of more new developments which will not fail to affect UPEI members. The European Union has set itself the ambitious target of establishing a sustainable and affordable energy supply system by 2050, under which the member countries will only emit 20 percent of the greenhouse gases that this group of countries input into the atmosphere in 1990 at a time when economic output was much lower. The necessary structures for energy production and use are to be established today on the basis of the EU Energy Strategy 2020 – 20 percent less energy consumption, 20 percent energy from renewable sources, 20 percent better energy efficiency.

It is clear even today that this will inevitably involve changes in the energy industry. Change is nothing new for the energy industry and the companies in it. In the past, however, it was always a matter of transition from an established primary energy source to a new energy source that was more versatile and easier to use than its predecessor – from wood to coal, from coal to oil. But the hopes of the "Atoms for Peace" programme which ushered in the peaceful use of nuclear energy have not been realised. Electricity has not become so cheap that it is not worth measuring how much is consumed. Much the same applies to the use of solar and wind power for energy generation. The sun shines and the wind blows free of charge, but using them as energy sources is so expensive that solar and wind energy and also biomass cannot compete with the traditional fossil fuels, quite apart from the unreliable supply situation – sometimes a lot, sometimes a little, sometimes none at all. Developments that have taken centuries are now to take place in the space of decades.

This prospect, combined with the national debt crisis that many European countries are suffering from, calls for the special qualities that characterise SMEs: innovative strength, flexibility, the ability to take rapid action and knowledge of the local market. These are the qualities that have enabled SMEs in Europe to achieve shares of up to 45 percent of the petroleum market in certain Member States in response to the diminishing integration in the petroleum industry and the associated withdrawal of the majors from oil refining and even more so from selling petroleum to end customers.

Whatever changes take place in the business environment of the SMEs and whatever new problems arise for the SMEs, there are still a number of existing problems that have yet to be solved. For a resource-poor continent like Europe, security of supply will always continue to be an issue. In the case of petroleum the security of supply has improved. Fresh oil deposits have been developed in new countries. New technology has opened up long known resources which were thought to be unreachable. Modern export refineries have gone into service. The number of procurement opportunities have grown, and the competition in the market is ensuring that this diversity is actually exploited. A similar trend has been seen in the gas market with the increased availability of liquefied natural gas (LNG). Unlike oil, there are no permanent emergency supply precautions in the case of gas, so these will have to be developed.

In the biofuels sector final solutions yet have to be found for dealing with attempts to introduce interventionist measures favouring national biofuels producers in individual Member States, and also the sustainability certificates system. Both these factors are obstacles to trade, as are a lack of standardisation of products and energy taxes, to mention only a few examples of issues that will continue to concern UPEI and its members. To these must be added the proposal that energy sources should in future be taxed on the basis of their energy content and their in-use greenhouse gas emissions, and the Roadmap for a single European transport market.

The last 50 years have shown that the more UPEI's members are motivated and committed to playing an active part in its activities, the more successful UPEI will be. Let us continue to pursue this course for the next 50 years.

Bernd Schnittler
President

FOREWORD BY THE EU COMMISSIONER FOR ENERGY

Europe's energy policies will have to change if our energy is to remain secure, competitive and sustainable in the global context. The EU Roadmap points the way to a European energy supply system in 2050 that generates no more than 20 percent of the greenhouse gases of 1990. This is to be achieved by a marked improvement in energy efficiency, increased use of low-carbon energy sources, application of modern technologies, and profound evolutions as regards the use of oil and gas. This change of the European energy system will take place against the background of increasing global competition for energy resources.

Looking forward, diversity of energy sources is needed to guarantee a secure, affordable and environmentally sound energy supply. No single energy source and no single energy technology can satisfy all three requirements equally well. Diversity also guarantees competition, which guards against the risk of improper exploitation of market power and constantly stimulates the market participants to innovate. A substantial contribution to dynamic and competitive energy markets has been made in the past by the members of UPEI, the Union Pétrolière Européenne Indépendante. This year they celebrate the 50th anniversary of the foundation of their pan-European federation, and I would like to express my sincere congratulations on this achievement.

Independent importers of and traders in energy are playing a vital role in providing our daily energy needs, helping to smooth out fluctuations and preventing gaps in supplies. They also ensure stability and security of supply in the market. Equally important, they are receptive to innovations and thus played a pioneering role in the market launch of biofuels in the automotive and heating sectors. UPEI members have been instrumental in opening up the Central and Eastern European economies, exposing them to competition and the principles of a market economy.

In the global energy market there will be a need for the participating companies to display foresight and flexibility, and the courage to innovate and cooperate. I am convinced that UPEI and its members – mainly small to medium-sized enterprises, all of them independent of major groups – will continue to play a leading role in this context. Wishing you continued success for the future.

Günther Oettinger
Energy Directorate-General

GREETING FROM THE PRESIDENT OF THE EUROPEAN PARLIAMENT

The European Parliament, like UPEI, seeks to achieve transboundary regulations with the aim of facilitating co-existence and trade in the European Union. In the years ahead, we will undoubtedly have to devote more attention than in the past to energy issues, as part of the reorientation of energy and climate policy which is aimed at environmentally sounder energy production.

As Members of the European Parliament directly elected by the citizens of the EU Member States and responsible for the EU budget, we have to consider both the interests of consumers and taxpayers, that competition between energy suppliers remains lively and leads to affordable prices for consumers, while enabling producers to achieve sustainable earnings. On the way to the completion of the EU internal energy market we must also make use of our energy mix intelligently. Another issue in this context is ensuring the sustainability of bioenergy sources. While we acknowledge that the independent petroleum companies have taken a number of initiatives to blaze a trail in the direction sought by the EU on the way to its target of reducing greenhouse gas emissions by 80 percent compared with 1990 levels, climate protection remains a priority. Yet it is also important to ensure that security of energy supply is always guaranteed and that costs remain affordable. The more efficiently energy is used in the future, the easier it will be to resolve this entire issue. The future will bring new technologies that permit greater energy efficiency, better use of resources and the production of renewable energy, and industry, politicians and the public should keep an open mind about these developments.

I wish your federation and its members continued success in pursuing this course.

Martin Schulz
President of the European Parliament

Union Pétrolière Belge (UPB)
Belgische Petroleum Unie
Belgian Petroleum Union

In Belgium, the year 2011 has been characterised by a few important elements:

Drop of volume in heating oil and natural gas

Due to extremely mild temperatures during the early and later parts of 2011, the sales of heating oil dropped by 26% and the sales of natural gas dropped by 28% compared to 2010. The rising prices throughout the year have also contributed to lower consumption of heating oil and gas. In 2011, there was a difference in degree days of 30% compared to a normal year.

Refining

There is a refining overcapacity of roughly 25% in Europe, refining margins are extremely low (if not negative at certain times) and major oil companies are investing in state-of-the-art refineries all over the world. The weakest refining group Petroplus was declared bankrupt in early 2012.

In the previous year, TOTAL announced the closure of the refinery of Dunkerque. Another refinery of TOTAL in the south of France is due to shut down in the coming years. In the meantime, the BRC (Antwerp) refinery of bankrupt Petroplus has been taken over by GUNVOR, the Corryton refinery is being operated by Shell while the Petit Couronne refinery is being operated by Morgan Stanley. The other assets of the Petroplus group are still up for sale.

Mergers & Acquisitions

North Sea Group has taken over the Argos Group: The new entity is becoming a major operator in trading, bunkering, wholesale and storage facilities in the North of Europe.

Comfort Group has taken over Orion Trading: The new group of companies is the biggest independent heating oil distributor to end consumers in Belgium with sales over 800,000 m³ and five inland storage facilities.

Geopolitical uncertainties

Some Arabian nations such as Tunisia, Egypt, Libya and Syria have been undergoing civil wars, with the fall of a dictator regime in most of those countries. Occurrences like the Nigerian strike and the tensions between Iran and Europe/USA because of the nuclear developments in Iran are driving the international energy prices up to over 120 dollars per brent barrel and 100 dollars for WTI. Compared to the oil spike of 2008, the final end consuming price is at the same level because of a much stronger dollar, 1,30 €/$ compared to 1,60 €/$.

Major oil companies

Major oil companies are selling their retail network and storage facilities in non-growing markets (USA & Western Europe) in order to invest in growing markets such as Asia, South America and Eastern Europe. This is creating some opportunities for independent oil importers & distributors to gain market shares, enforce their position in all stages of the oil business, such as trading, distribution, storage and retail activity.

We trust that the European Commission will support and help the independent oil importers and distributors as they do support other small and medium enterprises (SMEs).

Biofuels

The Belgian bio law as it was with the quota system has been prolonged another two years until 2013. The Belgian Petroleum Union is in intensive talks with the government to liberate the market – with no quotas and no excise advantage for biofuels. We have been

tion on the national markets serve as a basis of calculation for the required level of strategic stocks. Europe has put an end to this: The new directive calculates the strategic stock level on the basis of the net imported quantities. This means that in times of a market structure in contango, the import will be much higher than quantities put into consumption. As a consequence, the volume of strategic stocks will rise, although the consumption is lower or unchanged. Who will pay for this increase?

told by the Minister of Energy, Melchior Wathelet, that a positive outcome is due in the coming months.

European strategic stocks

The European Community has altered its directive for strategic stocks which will have to be applied to national law. Today the quantities of products put into consump-

General comments

The sales of heating oil products in 2011 compared to 2010 were 26% lower while the sales of diesel oil were almost stable – as have been the sales of domestic coal products. A new energy source, pellets, is seeing a very rapid increase in production and consumption in Belgium. Sales of natural gas slumped by 28%.

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

Consumption

The whole energy market has been slightly decreasing in Croatia since July 2011, especially the production of coke and oil products which decreased by 18%, while the extraction of gas and crude oil is 8.7% down.

The energy sector is highly regulated and mainly in state ownership. There is some progress towards liberalisation of the energy market owing to some private initiatives.

The production of wind energy shows the fastest growth in the use of renewable energy.

Development of the energy market (fossil fuels, biofuels, alternative energies)

Croatia adopted a new Energy Development Strategy for the period up to 2020 in October 2009.

The strategy is based on an estimated annual increase of 3.1% in energy consumption. It is also concerned with the construction of an LNG terminal, connection to the Croatian and Hungarian gas networks, investments in underground storage of natural gas, reconstruction of refineries, ensuring 90-day oil supplies by 2012 and the Družba Adria project.

Increased use of renewable energy sources is one of the key assumptions of EU sustainable development in the energy sector

and in meeting the requirement to reduce greenhouse gas emissions. In its energy strategy, Croatia has accepted the basic EU guidelines in that area including alignment with the relevant EU regulatory framework simultaneously with the EU member countries.

In the area of security of supply, the establishment of the mandatory 90 days of emergency oil stocks is in progress – Croatia has adapted its plan for security, formation and replenishment of mandatory stocks of oil and oil products and for storage and regional distribution to harmonise it with the new Oil Stocks Directive. In May 2010, the oil stocks management agency signed long-term storage contracts for 480,000 m^3 of crude oil and 120,000 m^3 of petroleum products. These contracts will allow for the construction of new storage capacities in Croatia.

Renewables

Croatia adopted the National Renewable Energy Action Plan in June 2010, as foreseen under the new Renewable Energy Directive. The National Action Plan for promotion and use of biofuels in transport (2011-2020), as well as most legislation regulating the introduction of biofuels in transport on the Croatian market has been adopted and its implementation started with the collection of a subsidy fee for biofuel producers.

Contrary to widespread EU practice in promoting the use of biofuels through excise tax incentives (tax differentiation or tax exemption of blended and pure biofuels), the Croatian regulator is introducing an economic model with key elements:

- No excise duty incentives/exemption for blended biofuels / only pure biofuels are exempt from excise duty
- Promotion of use of blended biofuels through regulated price of domestically produced biofuels (at the level of regular fuels – gasoline and diesel averages of Platt's CIF Med quotations) for distributers in Croatia
- Subsidy for domestic biofuels producers to compensate the difference between market price and regulated price for distributors – subsidy funds to be generated from the fee charged in the price of every liter of gasoline and diesel sold on the domestic market (similar to compulsory stockpiling fee model).

The Croatian National Action Plan to encourage Production and Use of Biofuels in Transport for the period 2011-2020 stipulates the following national targets for putting biofuels on the Croatian market in the next 10 years:

Year	% of Biofuels (energy share)
2011	0.91
2012	1.23
2013	1.45
2014	2.08
2015	3.31
2016	4.71
2017	5.99
2018	7.12
2019	8.23
2020	9.18

The regulation on promoting the production of biofuels for transport defines ways of stimulating the production of biofuels for transport, the types of biofuels which are encouraged, the method of determining the amount of cash incentives and benefits to boost biofuels production, billing, payment and usage fees, and the powers, duties and responsibilities of the Croatian Energy Market Operator.

In 2012 the achievement of the target will have to be implemented through biodiesel due to the lack of production of bioethanol in Croatia. The total domestic production capacity for biodiesel is some 64 kt/year. New investments in biofuel production in Croatia are expected in the next couple of years.

Electricity Market

Although Croatian energy law allows for independent producers to operate, with the exception of a wind park, HEP (Croatian Electricity Company) is still the country's only electricity company. With the transposition of Third Energy Package into the Croatian regulatory framework, it is expected that market liberalisation will slowly pick up in practice.

SME sector

The Croatian market is becoming more competitive, which is encouraging for the consumers.

There are 169 independent oil and oil products traders that possess some 20% of the total number of gas stations. The market is relatively well structured but has oligopoly characteristics since four companies have a market share of 75%.

Croatia has adopted new amendments on regulation of conditions for performance trading of goods with large impacts on the economy and business community. The minimum volume of storage has been reduced from 500 m³ to 300 m³. Liberalisation of this aspect has contributed to the increase of the number of companies dealing with wholesale oil products to eight companies.

Results of activities from your association and member companies

Since the Association is a social partner in the Economic and Social Council, it has participated in all activities linked to presenting the members' interests in the process of creating new legislation regulating the oil and oil products market.

The Association has increased its membership and thus its representativness from 80% to 90% of the companies in the oil market.

Communication with the relevant ministries and state bodies was carried out solely through the Association, thus positioning the Association as the main channel for articulating the sector's interests.

The Association was active in the process of preparing legislation such as Law on Oil and Oil Derivates Market, Law on Natural Gas Market, Law on Electricity Market and Law on Energy.

The members voiced the need for further liberalisation of the electricity market as well as the need to define the supply, distribution and selling of gas as free market activities, stressing the importance of having a more efficient legal framework to support the use of renewable energy.

Significant efforts were undertaken to initiate better regulation and implementation of legal instruments in the area of biofuels. The Association stressed the importance of informing the companies on the future dynamics of the legal framework. There was a great need to clarify biofuels in transport, define the distributors' needs as well as explain how legal definitions and terms function in practice.

As the Act on Conditions for Wholesale Trade and Export Trade did not allow for all the members to be competitive requiring companies to store the oil prior to delivering it to the pump stations, the Association proposed that it be either revised or completely abolished.

Cooperation was established with the Serbian Association of Oil Companies as an initiative for joint activities with the aim of improving the regional oil market through the exchange of information on national legislation, sharing best practice in adapting Croatian oil market to EU legislation, and developing the entrepreneurial environment.

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

Market development

Diesel: The drop in sales between 2008 and 2009 was caused by the economic crisis. There was a possibility for an increase in 2010 since due to the economic recovery there was approximately a 6% growth in the transportation industry. However because of an increase of excise duty by 4 ct/l a stagnation was recorded due to significant losses of transiting fleet customers and Czech trucks starting to refill abroad. The increase in sales in 2011 can be attributed to an ongoing economic recovery.

Gasoline: There is a visible trend of sinking gasoline consumption every year. The main reason for the decrease is that the Czech car park is quite old (approximately 14 years). Every new car purchased in the Czech Republic (even if it is a used one) consumes less fuel than the previous. The decrease in gasoline sales was also linked to the trend of gasoline-powered automobiles being substituted by diesel cars (the market share of diesel cars is now at about 20%).

Excise duty

There was a significant loss of sales in the Czech market after the increase of excise duty on January 1, 2010. Probably most of the stakeholders agree that the diesel excise duty should sink to the level of 2009 or even slightly below, but the official attempts have so far been unsuccessful since there seems to be a lack of political will.

"Missing trader" VAT fraud

The VAT fraud is a never-ending story in the Czech Republic, but during the last year we heard of some new similar cases in other countries, too. It therefore seems that the VAT fraud is no longer solely a Czech problem.

So far it seems that the best solution to stopping the fraud would be an introduction of a "reverse charge" model. However this system would have to be approved by the European Commission as an exception from the EU VAT Directive. So far, negotiations undertaken by the Czech government to secure the Commission's approval have been unsuccessful. The key argument against the approval of the exception is that if the VAT reverse charge was introduced in the Czech Republic, frauds would simply migrate to surrounding EU countries.

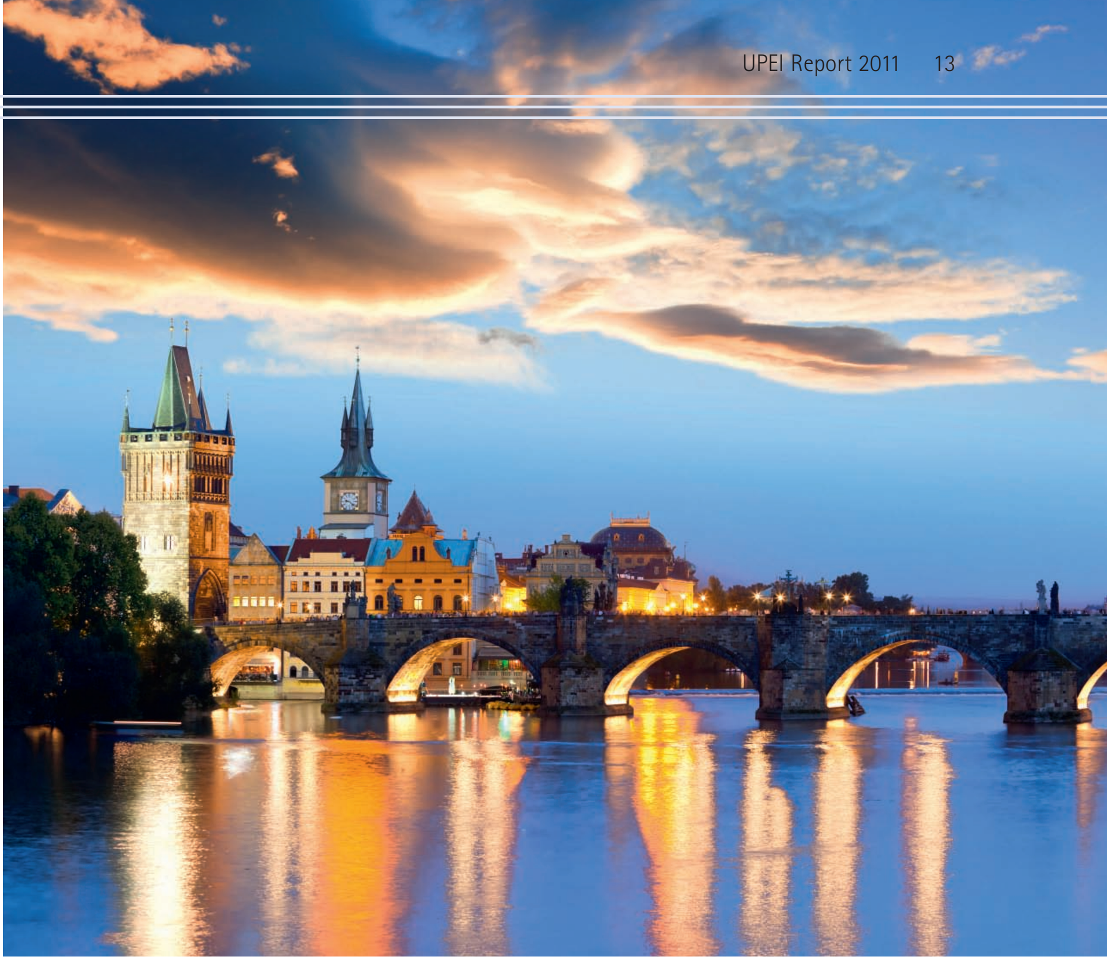
In the current situation, therefore, about 15% of all fuels sold in the market are not taxed correctly, which translates into some 300,000,000 € of yearly losses to the Czech state budget. Roughly said, after three years of government activities focused at stopping VAT "missing trader" fraud, no significant changes have taken place.

Legislative changes

The VAT Act: A new amendment of the Czech VAT Act came into action in April 2011. It has introduced two new obligations that have impact on companies in the oil market. Firstly, companies that buy products for unreasonably low prices, or know (or should know) that their supplier would not pay VAT, now guarantee the VAT payment of the supplier. This provision has been introduced with intention to delimit a tax fraud.

Secondly – and more positively – creditors now have the right to reclaim VAT from transactions for which they have never

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



received payment due to their customer's bankruptcy. Previously, this had not been the case, and the VAT payments had been kept by the state. SČS has played an active role in the introduction of this provision.

The Fuel Act: In April 2011 a new registry of mineral oils distributors was introduced in which every company buying mineral oils for resale must be registered. There is no fee nor any another obligation linked to the registration. The only exception from this provision concerns service stations. The law also specifies that all distributors are only allowed to buy oil products from registered resellers, under penalty of 200,000 €. The registry should provide the government with an overview of the market and help to limit the tax fraud.

In a new provision the Czech Trade Inspection, a government authority, has been obliged to publish all cases in which it has detected that the fuel sold did not fulfil the EN norm. The market players have criticised the fact that the Inspection publishes results without any accompanying commentary. The public can therefore only see a list without being able to distinguish between petrol stations engaged in "a black blend" and stations where only minor problems caused by carelessness were found.

Acts under preparation: Amendments of the VAT and Excise Duties Acts are in preparation and should be valid from January 2013. There should be new provisions focused at limiting the VAT fraud and a fraud linked to the mineral oils not registered in the EMCS system.

The current and future main activities of SČS

- trying to negotiate a decrease of diesel excise duty for 7 ct which should return fleet customers to the Czech Republic and which therefore should also increase an income of the state budget.
- pro-activity and cooperation with the government on preparation of amendments of the VAT Act, the Excise Duty Act and the Fuel Act, all of these mainly focused on fraud combat.
- pushing for changes in the fuel quality monitoring system in the Czech Republic and in the provision of information provided to the public to help with the interpretation of the results of the monitoring.

Fédération Française des Pétroliers Indépendants (FFPI)

Deliveries for 12-month period to the end of March	2012	2011	Change
Super fuel (m^3)	10,166,274	10,867,510	-6.5%
Diesel oil (m^3)	40,332,797	40,257,755	0.2%
	50,501,083	**51,127,276**	**-1.2%**
Domestic fuel (m^3)	10,781,847	15,089,998	-28.5%
Off road fuel (m^3)	2,519,504	45,134	n.s.
	13,301,351	**15,135,132**	**-12.1%**
Heavy fuel (t)	1,624,908	1,947,645	-16.6%

On the French market, the share of independents is estimated around 10 and 11% depending on products.

Refineries

Important structural difficulties related to the lasting reduction of suitable margins and the application, the imbalance of gas oil (80%) and gasoline (20%), as well as the costs of adaptation to European standards have led to discontinuation or suspension of 4 refineries since 2009:
- Dunkirk (Northern) closure of Total Flanders
- Reichstett (East) closure of Petroplus
- Marseille (Southeast) on sale (end of May) and suspension of production of LyondellBasell
- Petit-Couronne (Northwest) temporary closure Petroplus

There are only 10 refineries remaining in France in 2012.

Off-road fuel

The use of the non-road diesel oil is compulsory since 1 November 2011 for all non-road mobile machinery and agricultural and forestry tractors, river recreational vessels of inland navigation vessels (formerly user of fuel oil domestic).

This product has the characteristics of road diesel 10 ppm of sulfur but has a red colour.

Biofuels

European directive (09/04/23) has been transposed into French law during 2011. Since the beginning of 2012 implementation of the part "Sustainability" is nearing completion.

A complex scheme of certification of "sustainable" biofuels origin, from the producer to the distributors, was organised by the customs services and the Ministry.

E10

Sales increased from 14,24% to 21,60% of total sales of supers.

Aussenhandelsverband für Mineralöl und Energie e.V. (AFM+E)
Bundesverband freier Tankstellen e.V. (bft)
Bundesverband mittelständischer Mineralölunternehmen e.V. (UNITI)

2011 and the first months of 2012 were a very challenging time for independent petroleum retailers in Germany.

The downturn in the petroleum products market in Germany left its mark on all the companies in this sector. All in all, domestic sales in the past year were 2.8% lower than in 2010, at approx. 103 million t. The heating oil market, one of the primary domains of SMEs, was particularly affected, with a drop of 14.4%, mainly due to weather conditions. There was also a dip in sales of heavy heating oil (1.7%) and jet fuel (4.1%). The situation was better with diesel (+2.6%), a market segment where independent retailers likewise have a strong position. Gasoline demand (19.6 million t) remained on the level of 2010 (0.1%).

Things were "stormy" in the fuel station business. That was due partly to the introduction of gasoline Super E10. The new fuel with an ethanol content of up to 10% was a flop with motorists. There was extremely negative publicity due to (unfounded) fears of engine damage and a very critical political discussion on sustainability of biofuels. Political summits and information initiatives were held, but they failed to achieve a turnaround in the opinions of motorists in Germany. It remains to be seen whether the sales figures will improve somewhat for Super E10 since the beginning of 2012.

According to independent survey results, all oil companies were faced with shrinking margins in the gasoline business in 2011. However, margins remained stable in diesel fuel retailing. The gross margins for German companies are definitely at the lower end of the scale by European comparison, due to the high degree of competition in the domestic fuel station market.

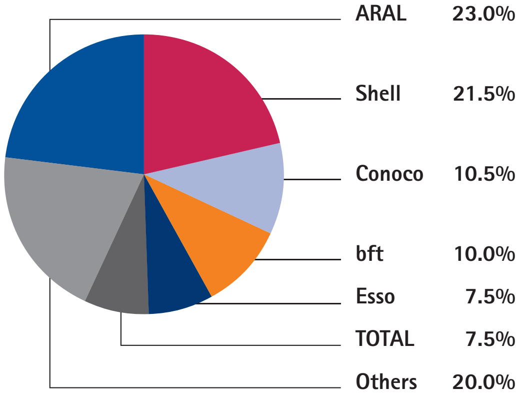
The independent fuel station operators which are members of the bft (Association of Independent Fuel Stations) made a strong showing in the market, with a share of over 10% (see diagram – source: Energie-Informationsdienst). The leading companies Aral (BP) and Shell lost market share, as reported by the German trade press.

Domestic demand for petroleum products was covered to a greater extent by domestic refineries in 2011. Their gross production dropped by only 1.5%, whereas imports of petroleum products were down 7.3%, especially imports of light heating oil (41.3%) and jet fuel (9.4%). But diesel was up 15.9%. The shift in supply towards the refineries was in part to the detriment of the independent importers.

In the first quarter of 2012 the petroleum products sector in Germany was faced with very lively heating oil demand, due to icy temperatures in February and the low level of stocks held by consumers. That enabled the sector to make good some of the sales volume it lost in 2011.

The independent medium-sized businesses are worried by the political discussion which flared up in 2012 about possible measures to regulate fuel prices. The examples mentioned by politicians were the market interventions in Western Australia and in Austria. The

Market shares in Germany 2011



example of Western Australia in particular is regarded as a potential threat to their existence and is therefore rejected.

The interventions practised in the countries cited are linked to symptoms of price setting, but the competitive structures and thus also the fundamental behavioural incentives remain largely unaffected. The interventions in Austria and Western Australia give no long-term positive impact by increasing the functioning efficiency of competition.

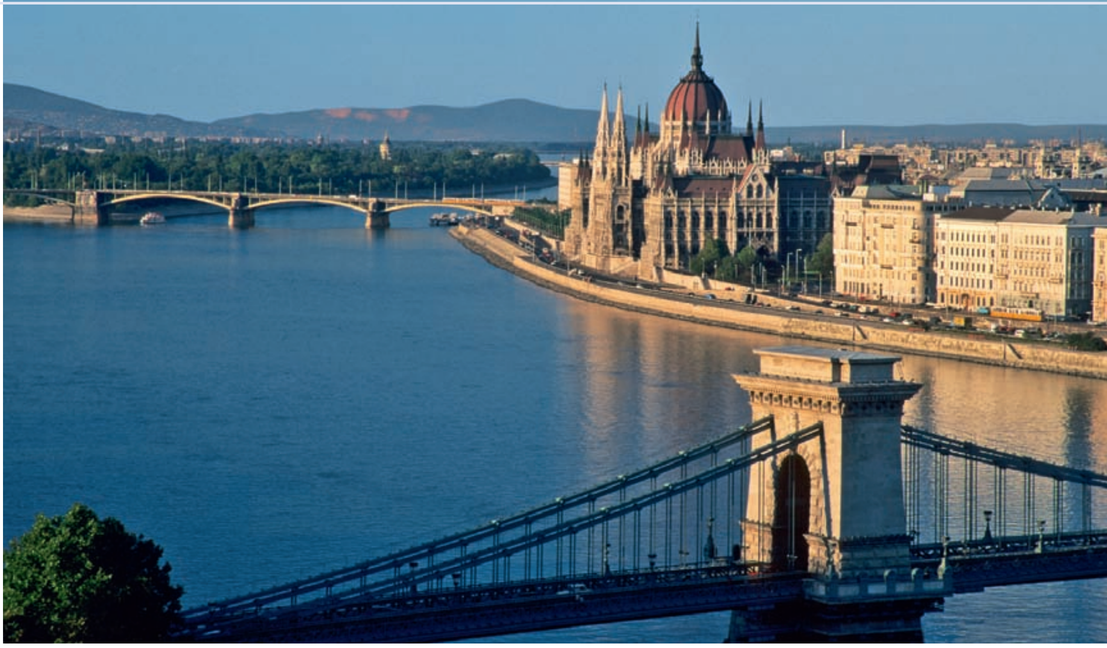
The member companies of UNITI were once again able to expand its position in the petrol station sector in 2011. Their share of the road network of petrol stations, a total of 14,373 facilities at the turn of 2011/2012, that is, six more than in the previous year, increased during the reporting period from 4,850 to 4,936; thus making up 34.4% of the petrol station market. The increase was essentially due to the acceptance of new members, the setting-up of new facilities as well as the extension of existing facilities. The average size of the petrol stations of small and medium-sized enterprises in the petroleum and fuel business, however, is slightly smaller than for companies in the petroleum industry. This is because a large portion of their facilities is often deployed far away from the centres of consumption in order to supply rural areas.

Domestic sales of petrol decreased by 0.1% in 2011 to 19,601,120 t, thus declining for the 13th year in succession. Regular petrol was not widely offered in the reporting year, therefore, sales fell by 81.2% to 131,068 t. The introduction of Euro Super E10 caused major market shifts in the super grades of fuel. In particular, 15,234,174 t of Euro Super E5 (-17.2%), 2,409,333 t of Super Plus E5 (+340.9%) and 1,826,545 t of Super E10 were sold. The proportion of Super Plus E5 of the total fuel deliveries rose from 2.78% the previous year to 12.3%. The proportion of regular petrol, on the other hand, dropped to 0.69%. The proportion of Super E10 was 9.3%. Petrol attained a 19.0% share of the total domestic sales volume of petroleum products.

Fuel deliveries of diesel, which had already increased in the preceding year, rose again in 2011 by 2.6% to 32,963,811 t. This product attained a 32.0% share of the total domestic sales volume of petroleum products. The slight rise in total sales of diesel is largely owing to the increasing number of diesel-powered cars, trucks and tractor units in 2011.

The domestic sales of heating oil fell in the reporting year by 14.4% to 17,970,639 t; mainly as the result of the mild temperature and small private stocks.

Domestic sales of lubricants were 1,030,422 t, an increase of 3,0% compared to the previous year. The market figures are as follows: As far as motor oils are concerned, sales rose by 4.4% to 285,171 t. Sales for car refills increased by 2.4% to 171,533 t. Sales for first fills decreased by 9.5% to 7,755 t. Refills of diesel-powered commercial vehicles fell by 5.0% to 57,165 t. First fills of diesel-powered commercial vehicles, however, rose by 28.1% to 9,068 t. Sales of other motor oils rose by 32.1% to 39,650 t.



Mabanaft Hungary Kft

The political and economic environment

The government in office since April 2010 turned to the International Monetary Fund (IMF) for help last year to stabilise the country's financial situation. This is a major shift in relation to how they practically kicked IMF out at the end of 2010, stressing that Hungary is capable of financing itself exclusively from international financial markets. The IMF set approval by the European Union as a precondition for launching negotiations. However, Hungary has an explicitly tense relationship with the EU, although improving continually. The source of this tension is the way in which Hungary has endorsed a series of new legislation (such as interfering with the independence of the Central Bank or retirement regulations affecting judges, etc.) deemed contrary to EU norms by the representatives of the European Union. Although the Government has improved on its earlier communication and is definitely seeking compromise with the EU, the IMF – when the present report was being written – was not entirely satisfied with the steps taken by the Government constituting a precondition for negotiations.

This situation is making the HUF fluctuate extremely and continuously against other currencies, primarily the EUR/HUF and USD/HUF exchange rate. All this had (has) an explicitly negative impact on the entire Hungarian economy and therefore on the fuel market, too.

However, the crisis tax imposed on the fuel sector, which market players must pay after the turnover they realise on fuel sold, continued to heavily impact the life of the fuel sector.

This was coupled with the continuous decline in the demand for fuel associated with the general economic situation and the deteriorating financial status of the population. This decline is most evident in the case of petrol, declining by 10% at a national level, with some companies even recording a decline of up to 20%.

Major changes did not take place in 2011, neither in respect of the infrastructure of the fuel market, nor applicable standards.

Infrastructure

There are still 22 fuel storage sites in Hungary. 6-8 of these sites are open to any market player. The rest are exclusively used by various companies.

Quality

The Hungarian standard continues to fully comply with European standards.

Bio-content

Fuels sold must contain a bio-content of 4.8 volume percent on average. However, the standard sets a volume percent ranging from 0% to 7%. This bio-content is mandatory. Fuels that fail to comply with this standard are disqualified.

Blending options: fuels purchased from MOL and typically imported into the country from the EU or outside the EU are marketed with a bio-content. Besides MOL, at present only two companies are licensed to blend. However, there is little demand for this for the above-specified reasons.

It has been mandatory to certify the place of origin of the bio-content and its sustainable production since 2011. In this regard – in view of the alternative, not standardised regulations in force in the neighbouring countries – several explicitly acute conflicts arose between the competent control authority and certain market players.

Market players

The previous market players have managed to maintain their position in the wholesale market, namely, OMV, ENI, Lukoil and Mabanaft, alongside MOL. Shell abandoned its wholesale activities in 2011 because of the crisis tax imposed.

There are a two to four companies which may be classified in the SME category. MOL's market share is approximately 90%, varying periodically.

Pricing

There are no changes in this area. The Hungarian wholesale market still adjusts to the wholesale prices quoted by the market leader, i.e. MOL. MOL wholesale prices generally follow prices listed by Platts European Marketscan CIF Med. In theory, this pricing enables other players, apart from MOL, to economically import fuel into the country by taking account of transportation and storage costs. (This means that MOL wholesale prices typically include a premium on top of the current CIF Med prices listed.)

During 2011, premiums applied by MOL obviously fluctuated; however, mostly made it possible for other market players, other than MOL, to economically import fuel into the Hungarian market.

Entry opportunities

Based on the above, it is still plausible to suggest that there are neither legal nor any logistical impediments to any new players entering the Hungarian wholesale fuel market.

DCC Energy Limited

The Irish economy closed 2011 with lower than expected economic output. Continuing budgetary reforms combined with high unemployment and energy costs continued to suppress demand for oil products and the mild winter conditions further reduced requirements for space heating.

Based on official data published by the National Oil Reserves Agency (NORA) for the Republic of Ireland which excludes aviation volume and volume to a small number of large customers who import their own requirements, total oil sales continued to decline in 2011 which fell 7.6% short of the prior year, reaching about 6.5 billion litres.

Consumption Review

The reduction in Transport Fuels has been driven by the poor economic conditions and the substantial increase in the product prices experienced over the 12 months. In line with European trends, Diesel consumption as a proportion of total road fuels continues to grow and now represents 58% of the combined sector. Consumption of gasoil has fallen due to lower construction related activity and the impact of the milder weather conditions in 2011. Kerosene usage was dramatically lower as 2010 experienced a very cold winter period compared to very mild winter temperatures in 2011. Kerosene is the predominant oil product type used for domestic heating purposes in Ireland. Not included in the above figures are estimated aviation volumes of c. 710 million litres in 2011 which is a 5% reduction on the estimate for the prior year.

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

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

Associazione Nationale Commercio Prodotti e Servizi Energetici (Assopetroli)

Consumption

Global consumption of energy in 2011 is estimated at around 178 Mtoe, a decrease of 1.7% compared to 2010. The share due to oil was 39.4%, almost unchanged in relation to the previous year, which confirms it as the main source of energy, followed by natural gas (36%), renewable energies (11%), solid fuels (9%) and net imports of electricity (5%).

In Italy the goal of energy saving represents an increasingly strategic achievement. The total cost of energy in 2011 was 63 billion euro, an increase of 10 billion euro compared with the previous year (+19%).

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

Furthermore the impoverishment of families and the crisis affecting companies, followed by the reduction in their purchasing power, are accompanied by the increasingly high cost of energy that threatens to bring the

collapse of small and large enterprises within the energy trade.

In 2011 consumption of oil products was about 71.9 million tons, a decrease of 2.5% compared with 2010. The most striking data concerns the last five years during which the consumption of oil products decreased by almost 15 million tons with peaks of 17% for gasoline and 26% for heating fuel. Consumption of motor fuel has not changed.

Prices

Another aspect determining the great decrease in consumption is the increase in gasoline prices, setting around an average of 110 dollars/bbl (+39.2% compared with 2010) and the important tax increase on fuels. In this scenario the tax increase has brought taxes on gasoline and diesel fuel to 59% and 53% respectively.

From the point of view of regulation the year 2011 has recorded an act related to the fuel network, introducing flexibility and liberalisation elements that partially forecasted the goals pursued by the new Government in 2012. This issue is particularly important to members of Assopetroli-Assoenergia who today cover 50% of fuel stations on Italian roads.

Tax matters

Unfortunately, a series of particularly harsh fiscal aspects are still acting on trade companies, while petitions for less tax pressure in the field of energy saving are still pending. In the framework of wholesale oil products and energy services, where associated firms represent 75% of the market, the strong financial exposure of companies vis-à-vis consumer credit with all connected risks and difficulties arose in 2011, and is increasing dramatically in 2012. This unfortunate situation has already reached all areas where trade companies are involved, showing serious financial exposures and putting their survival at risk.

The Latvian Fuel Traders Association

The oil products market of the Republic of Latvia on the scale of other European countries is relatively small. The total transport fuel sales in 2011 was 1,004 Kt. It is for about 0.24% more than in 2010, when total sales amounted to 1,001 Kt. Share of diesel sales of the total fuel sales amounted to 722 Kt (+4.35% in comparison with 2010), gasoline 255 Kt (a decline of 11.50% in comparison with 2010) and Gas fuel (LPG) 27 Kt (+25.44% in comparison with 2010). 67.7% of the total oil products in 2011 were sold through petrol stations (-3.8% in comparison with 2010) and 26.5% of all sold oil products delivered to the wholesale end-users, such as transport companies, bus companies, agricultural companies (+12.2% in comparison with 2010). As of 31 December 2011, 624 licensed petrol stations operated in Latvia. A year before, 635 petrol stations operated on the territory of Latvia.

Regional characteristics

Latvia is one of the few Member States of the European Union which do not have a petroleum refinery industry! Therefore in 2011 the gasoline was delivered from the following countries: 73.9% from Lithuania and 26.1% from Finland, and diesel 47.0% from Lithuania, 33.0% from Belarus, 17.7% from Finland and 2.1% from Russia.

This also means that almost all retailers operate in conditions of free competition, including subsidiaries of the big oil companies (subject to certain exceptions), in fact, working according to the principles of independent dealers, if we are drawing parallels between Latvia and other European markets.

Like in the other Baltic countries (Lithuania and Estonia), one major problem in the Latvian fuel market is the import of illegal fuel from Russia and Belarus. Given differences in fuel tax, retail prices in the Eastern neighbour countries are 1/2 of the Latvian retail prices. This is related with the fact that the minimum rates of excise duty set by the European Union and Value Added Tax (VAT) of 22% are applied in Latvia.

Heavy vehicles and international freight carriers are rare guests at the Latvian retail stations. For the cost-saving purposes transport companies often set up the scheme when before the trip to the European Union a truck will take the trip to the Russian Federation and fill the standard fuel tanks while coming back (the standard volume of the fuel tank is offered by the car dealers for up to 1,500 litres). Consequently, they can travel 3,000 to 4,000 kilometres through many countries and come back to Latvia without refuelling with the European Union taxes – avoiding excise duty and VAT. The current law allows to cross the Russian-Latvian and Belarusian-Latvian border without paying taxes for fuel, which is filled in the standard containers (regardless of size), if it is for own use.

Biofuels

According to the existing legislation, mandatory blending of biofuels is set in Latvia, 5% bioethanol to all 95 octane gasoline, and RME biodiesel to all diesel fuel (except for the winter period, when according to the climatic conditions, Arctic diesel fuel 0, 1, 2, 3 and 4 class is used). The objectives set for the use of biofuels in Latvia is similar to many other European countries: 5.75% in 2010 and 10% in 2020. In practice, the share of biofuels in 2010 was 2.60%. Currently there are on-going lively discussions on the possible increase of admixture volume up to 10% for gasoline and 7% for diesel, in order to increase the share of biofuel use.

Nederlandse Organisatie voor de Energiebranche (NOVE)

Dutch market in 2011: up for road transport, down for inland marine

The market for motor fuels in the Netherlands had two faces in 2011. Fuels for road use went up by 1,3%. The main reason is that the number of automobiles in the Netherlands is still slightly growing. This balances the effect of new cars being more fuel efficient. Sellers of LPG however had a tough year: sales went down by 4,8% compared to 2010. Petrol increased by 1,9% and diesel by 1,2%.

Sales for the Dutch inland bunker suppliers went down, whereas the total sales of bunkers for seagoing vessels increased, especially due to the increase in sales of low sulphur fuel oil. The growth of bunkers for seagoing vessels matches the increase of activity in the Port of Rotterdam.

Although inland marine shipping still faces structural overcapacity, 2011 also was the year of the Argonon, the first inland barge on dual fuel, diesel and LNG. European regulations still fully have to adapt to this new fuel, but as of January 2012 transportation on European waterways is officially allowed. The proper infrastructure for LNG-bunkering has yet to be built: the Argonon is fuelled by trucks. Hopefully this will change in the near future, since a large storage facility for LNG was built in the Rotterdam area. LNG will provide a relatively clean fuel for ships (and maybe also trucks), which provides better air quality in densely populated areas like the Netherlands and the Ruhr area in the west of Germany.

On land more fuel pumps for natural gas have been built. Also a lot of investments are being made for infrastructure to service electric vehicles. Car numbers are still very small.

Other topics in 2011 where NOVE was involved were: sulphur level in marine fuel, correct sampling of heavy fuel oil, safety requirement for storage facilities, introduction of EMV for fuel stations, obligatory publication of pump prices, FQD, RED, new quality standards for inland marine diesel.

Annual turnover	2010	2011	+/-
LPG (x m. liters)	568	541	- 4.8%
Petrol (x m. liters)	5,589	5,697	+ 1.9%
Diesel (x m. liters)	7,687	7,783	+ 1.2%
Gasoil - inland (mts)	936,000	893,000	- 4.6%
Gasoil - sea (mts)	760,000	771,000	+ 1.4%
Fuel oil <1% S (mts)	1,773,000	2.964,000	+ 67.2%
Fuel oil >1% S (mts)	10,841,000	10,665,000	- 1.6%

Polska Izba Paliw Płynnych (PIPP)
Polish Chamber of Liquid Fuels

High prices

Poland has been struggling with very high prices for liquid fuels. This is partly caused by the uncertain situation in the mining industry and unstable value of the Polish currency. Additional reasons are amendments within the tax regulations, limited competition, obstacles for new businesses and the fact that interchange fees for card payments are the highest in Europe. The prices reached almost 6 PLN for 1 litre of petrol products. Even though the prices in comparison to other European countries are still quite low, the real problem is visible in the relation of the said prices to the average salaries. For an average salary in Poland you can buy 400 l of ON whereas in Germany it is 1,400 l.

The biggest Polish fuel companies have been continuing their aggressive price policy. This situation is mostly visible on both the retail and wholesale markets. Companies with stretched and vertical internal organisations sell products at their own petrol stations at a price significantly lower than other operators. In some situations independent petrol stations buy wholesale amounts at prices offered by the corporations at their own stations. This problem, limiting free competition, was notified to the Office of Competition and Consumer Protection. It became an international issue as the PKN ORLEN S.A. (dominating company in Poland) is active, among others, on the German and Czech markets.

Tax adjustments on fuels

With the beginning of 2012 the right of Poland to impose lower taxes on liquid fuels expired. The amendment of the Polish Excise Duty Act adjusted the existing public law burden to the level required by the EU and is now on the level of most member countries. This adjustment had a strong impact on the price situation on the Polish market as it caused prices rising by 0,10-0,15 PLN.

B7 and B10 in Poland

Petrol stations in Poland started to offer B7 as the new standard fuel. All normative requirements were met and there are no further legal obstacles for the new type of fuel. As far as B10 is concerned there are no legal provisions allowing this type of fuel. Even though the Polish Government started general consultations regarding B10 it is highly improbable that it will be offered on the market within the year 2012. In order to introduce the product to the market, two legal acts would require amendments. Furthermore such changes would require wide social dispute, including the impact of B10 on engines, especially the older ones. The implementation of the said amendments is strongly supported by fuel producers and importers who are required to meet the National Index Target regarding bio components.

High fees for liquid fuel trading license

Polish fuel market entrepreneurs are struggling with very high operative costs. Among others they are obliged to pay an annual fee for a liquid fuel trading license. The document is issued by the President of the Energy Regulatory Office and the fees are set in a statutory regulation. At the moment the fees are calculated as a product of the income for the previous year and of a 0,0004 index. The fee cannot be lower than 200 PLN and higher than 1,000,000 PLN. Such regulation supports the position of the biggest corporation with an income estimated at billions of PLN. The relation between their income and the fee is imbalanced because even if they earn more they pay the one million PLN fee. This discriminates smaller entrepreneurs whose higher income results in a higher fee. In order to change this situation PIPP decided to propose amendments in which the index of 0.0004 would be lowered or/and the top cap would be excluded.

Interchange fees highest in Europe

Poland has the highest interchange fees for card payments in Europe. The average is 1.6% (both MasterCard and VISA) for each card payment. In comparison the average cost for each operation in the EU is 0.77%. Since it became one of the main forms of regulating commitments and there is a strongly developed technological infrastructure it is no longer justified to maintain such high costs. The interchange fees have to be included in the final price, which unnecessarily raises the prices of various products and services. PIPP started a broad campaign against these costs and found support of the National Bank of Poland and various business organisations. Next step would be either a statutory regulation or a multilateral agreement between banks, including the National Bank of Poland, and card operators.

In sum, the situation of the Polish fuel market is stable. The sale of products is increasing despite high prices. However some of the smallest businesses declared bankruptcy or were closed as they could not deal with the difficulties of the regulations and the market. It is anticipated that almost 300 independent petrol stations may be closed. Businesses operating in small towns, at the eastern border (in the neighbouring non-EU countries fuels are at half the price) or located next to corporation owned petrol stations have the biggest problems.

Spoločenstvo Čerpacích Staníc Slovenskej Republiky (SČSSR)

Demand patterns

Long-time trends in the oil market in the Slovak Republic in terms of demand patterns in comparsion with last year have not changed. Overall demand was still focussed primarily on diesel fuel and automotive gasoline. The market for LPG despite the re-introduction of the excise tax had a slight increase. During the year 2011, the trends in prices of energy commodities changed significantly. Prices of oil products increased while prices for natural gas, coal and electricity sank.

As the result of the continued decrease of fuel demand in Slovakia, caused by higher prices on international markets, the total fuel sales in the domestic market in 2011 sank by 8% compared to the year 2010. Domestic sales of gasoline decreased by 7%, which was due to the still relatively high unemployment, an unbroken trend of customers towards diesel engines as well as new cars with economical engines.

Fees and taxes

In 2011 VAT increased in Slovakia from 19 to 20% and also did consumer tax. Prices of motor fuels compared with the beginning of the year increased by 20,6 cents per liter (16,4%). Diesel prices rose by 24,6 cents per liter (21,9%), which places us at the 25th place out of 27 in order from smallest to largest rising prices. Development was still affected by substantial reduction of the tax burden on diesel from February 2010. However the sales of diesel decreased compared to the year 2010. The price of diesel reached the level of neighouring countries.

Slovakia is under the biggest pressure of taxes and tariffs in comparison with the V4 countries and Austria. On the other hand, diesel taxes are the third lowest within the European Union. Gasoline without taxes in Slovakia is by 0,4 cent per liter higher than the EU average. Diesel without taxes is in comparsion with the average of EU countries more expensive by 3,1 cent per liter.

For some Slovak motorists it is more effective to refuel in neighbouring countries. This, of course, applies mainly for people living close to the borders of Slovakia.

Also in 2011, the fee for strategic fuel stocks was introduced. This is 1.7 cent per litre of petrol and diesel, which means that for each litre of petrol and diesel sold, the producer or importer pays 1.7 cents to the government.

In 2011 was also introduced the fee for strategic fuel stocks, 1,9 cent per liter of gas and diesel, which means that from each sold liter of gas and diesel, the refinery or importer pays 1,9 cent to the government.

Unión de Petroleros Independientes (UPI)

Consumption in 2011

Consumption of oil products in Spain amounted to 64.3 million tonnes, a drop of 4.2% compared with 2010. This decrease was due to the slack internal demand, the year's high temperatures, and competition from other energy sources. In particular, demand for fuels was weak, with a decrease of 4.6% and a total of 27.9 million tonnes.

	Kt	Change (%)
Gasolines	5,299	-6.6
Gas oils	31,119	-6.3
Heavy fuel oils	10,475	+0.6
Kerosenes	5,567	+6.1

Prices

The strong fuel price differential compared with other EU countries was maintained (gasoline 95 was 16.2% cheaper and diesel was 11.9% cheaper) as a consequence of the lower taxation level. Net prices published by the European Commission are usually a bit higher than in the other EU countries; however, these figures are not reliable in that the calculation method varies from one country to another (for example, Spanish prices do not include the discounts applied in most cases).

Biofuels

The year 2011 was characterised by mandatory objectives that were hard to achieve, the introduction of HVO and a strong decrease in labelled blends (blends with a biofuels content higher than permitted by European specifications for gasoline and diesel).

Sustainability criteria established by EU Directives 2009/28 (Renewable energies) and 2009/30 (Fuels quality) have been implemented. The setting up of the sustainability control systems is still in progress. These requirements, as part of the compulsory objectives, will mean an increase in bureaucracy and responsibility for the oil companies.

Objectives for 2012 and 2013 are not viable and the oil companies could have to pay enormous penalties. UPI is of the opinion that for the moment Spain should not go beyond EU mandatory targets (10% of biofuels in transport in 2020 and a 6% reduction in greenhouse gas emissions at the end of 2020), because a debate is taking place in Europe on the real global sustainability of biofuels as well as on their cost/benefit situation, and this could lead to a revision of European energy policy.

Implementation of Directive 2009/119 (oil reserves)

As European Law now defines the obligation on the basis of net imports, UPI believes that the obligation, as it is now defined by the Spanish legislation, should be modified in order to avoid discrimination against non-refiners (otherwise they would have to maintain part of the stocks due to products marketed by refiners). UPI supports as the best model an obligation for refiners and importers (at present, the obligation is imposed on the last wholesaler in the distribution chain).

Avia International

Filling stations 2011: Dynamic market – more large filling station shops

On January 1, 2012 there were 3,594 branded filling stations open to the public in Switzerland. This amounts to a drop of 31 filling stations compared with 1.1.2011. The change in filling station numbers of most brands revealed by the year-on-year comparison illustrates the market trend. The biggest networks are still the AVIA companies with 672 units, followed by Agrola (432), BP (397), Shell (316) and Tamoil (309). At the end of 2011 a total of 1,338 filling station shops offered their customers the chance of combining small purchases with their refuelling stop. As in recent years, the trend towards shops with a sales area of more than 50 m^2 continued (+18 units). With a share of around 71% of total fuel sales, filling stations with a shop are an important competitive factor among the

Branded filling stations open to public as of January 1, 2012										
	Filling station type			Shop type						
Brand	Self-service, unmanned	Self-service, checkout	Service	Shop smaller than 50 m²	Shop larger than 50 m²	Sales share of shop stations (%)	Total at 1.1.11	**Total at 1.1.12**	of which: on motorways	of which: selling diesel
AGROLA	357	75	–	4	71	36	427	**432**	–	427
AVIA	489	103	80	25	83	39	690	**672**	8	651
BP	225	161	11	47	121	73	400	**397**	22	389
CITY	2	25	0	5	20	97	28	**27**	2	27
COMBUSTIA	31	0	0	0	0	0	31	**31**	–	29
COOP	12	188	–	1	185	98	194	**200**	–	200
ENI SUISSE [1]	130	124	–	36	86	76	255	**254**	6	253
ERG	0	16	1	12	5	100	17	**17**	–	15
ESSO	49	109	5	23	86	91	172	**163**	10	160
JUBIN	65	22	0	9	13	39	82	**87**	–	87
MIDLAND	9	–	1	1	–	12	8	**10**	–	8
MIGROL	148	140	–	37	103	80	297	**288** [2]	2	295
MOSER	13	0	–	0	1	0	14	**13**	–	12
OELTRANS	11	–	3	2	1	22	11	**14**	–	14
OIL!	18	5	–	2	3	34	21	**23**	–	23
POCO	3	–	–	–	–	0	3	**3**	–	3
RUEDI RÜSSEL [3]	281	26	–	8	18	15	305	**307**	–	293
SHELL	100	140	76	101	101	88	324	**316** [4]	15	311
SPURT	5	4	6	2	2	42	14	**15**	–	12
TAMOIL	186	123	0	29	94	70	318	**309**	2	307
VOEGTLIN-MEYER	15	1	0	1	0	17	14	**16**	–	16
Total	**2,149**	**1,262**	**183**	**345**	**993**	**71**	**3,625**	**3,594**	**67**	**3,532**

1 Hitherto AGIP
2 Of which: 53 filling stations with Shell logo and Shell fuels
3 Incl. Mazout Gobat SA, Miniprix, Charmettes, Margot, Termoplan, Vollan and Flamol
4 Of which: 54 with migrolino shops

majors. On average, there are also signs of a tendency to take more fuel on board at outlets with a larger shop area than at outlets with a smaller shop.

Filling stations sold an average of 1.42 million litres of gasoline and diesel in 2011, some 0.8% less than the year before. The average quantity sold varied depending on the type of service, equipment and location. Motorway service stations sold the largest amounts of fuel, at about 3.9 million litres per year, and unmanned filling stations the smallest amounts, at about 0.66 million litres.

2011: Heating oil sales down again, motor fuel sales constant

Sales of the main petroleum products in Switzerland reached 10.1 million tonnes in 2011. This was 3.2% down on 2010. The reduction is largely due to the 9.8% drop in heating oil sales compared with the year before. About 68% of total sales was due to motor fuels.

Filling station indicators	2010	2011
Total number	**3,625**	**3,594**
of which: Filling stations selling diesel	3,545	3,532
Motorway filling stations	67	67
Unmanned self-service stations	2,178	2,149
Self-service stations with checkout	1,263	1,262
Filling stations with service	184	183
Stations with shop smaller than 50 m^2	365	345
Stations with shop larger than 50 m^2	975	993
Sales	**mill. l**	**mill. l**
per filling station	1.432	1.420
per motorway filling station	4.093	3.894
per unmanned self-service station	0.672	0.656
per self-service station with checkout	2.654	2.631
per filling station with service	2.041	2.029
per station with shop smaller than 50 m^2	1.689	1.614
per station with shop larger than 50 m^2	3.108	3.083

The individual products:

The downward trend in demand for motor gasoline seen in recent years was maintained in 2011 with a drop of 3.9% on the previous year. The main reason for this development lies in the steadily improving fuel efficiency of new engines. Also, the strength of the Swiss franc reduced the gasoline price differences between Switzerland and its neighbours. Especially in the second half of the year this resulted in a decline in the number of foreign customers visiting filling stations near the border.

Sales of diesel, the greater part of which is used in the construction and transport sectors, continued to increase in 2011 with a plus of 2.7%. The main reasons were the favourable state of the domestic economy, and also the continued growth in the share of diesel-powered cars.

The upward trend in jet fuel was also maintained: sales were up 6.6% on the year before, at 1.51 million tonnes. The trend reflects the growth in air traffic at the airports in Zürich and Geneva.

Sales of extra-light heating oil fell once again, with a drop of 9.8% on 2010. This decline is largely due to the 18.1% reduction in the number of heating degree days compared with the previous year and the relatively high level of heating oil prices over the year. As a result, heating oil stocks held by end consumers showed a further drop in 2011, due to hesitant buying by consumers.

(Courtesy of Erdölvereinigung Switzerland)

Energy Ticaret ve Sanayi A.S.

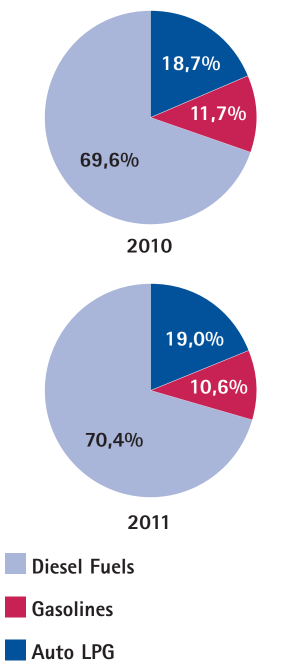
Oil Industry Statistics

Diesel Fuels

According to data published by the Energy Market Regulatory Authority of Turkey (EMRA) in December, the total consumption of diesel fuel types (diesel fuel and off-road diesel fuel) in 2011 reached 17.4 million m^3 with an increase of 5.7% compared to 2010.

As a result of the removal of high sulphur off-road diesel from the market following the Communiqué published by EMRA in April, the share of high sulphur diesel in total diesel fuel consumption, which had constituted 70% of the total diesel fuel consumption the previous year, declined to 4.1% after the final stocks at the pumps were sold out in January and April. As of April 1, 2011 all diesel fuels at the pumps are being offered to consumers in Turkey as low sulphur (10 ppm) diesel fuel. Similarly, gasoline and diesel fuels are in full compliance with EU standards. Due to the restriction of the sulphur content of the gasoline and diesel fuels to 10 ppm as a result of the harmonisation process to EU Legislation

Shares ot automotive fuels consumption (volume based %)



regarding fuel quality, the amount of pollutant emissions decreased significantly. According to the report published by PETDER in September 2010, the amount of emissions is expected to be reduced 9,900 t every year.

Gasolines

In 2011, total gasoline consumption decreased by 5.4% compared to 2010 totalling 2.6 million m³. The price advantage of LPG Autogas due to lower SCT and the increased use of diesel vehicles (the number of diesel powered vehicles increased by 663,244 in the first eleven months of 2011) have had a significant role in the decline in gasoline consumption. Gasoline 95 Octane has the highest share (91.4%) in total gasoline consumption. The consumption of unleaded gasoline with additives that is used in older vehicles declined drastically almost reaching a near end.

Automotive Fuels

The total automotive fuel (Gasoline, Diesel Fuels and LPG Autogas) consumption increased by 4.4% compared to the previous year and reached 24.8 million tons in 2011. Besides the economic crisis in 2009, the fact that there has been a considerable increase in the number of vehicles in transit in Turkey and not a corresponding increase in the consumption of fuels can be explained by number 10 lube and other such products that are being used excessively in lieu of automotive fuels.

Among the automotive fuels, the shares of diesel (low sulphur) and LPG Autogas have been increasing while shares of gasoline and off-road diesel in total consumption have been decreasing. This is shown in the diagrams to the left. The figures indicate that the share of autogas (LPG) in automotive fuels constantly grows reaching twice the size of the gasoline share. Autogas constitutes 19% of the total automotive fuel market. Gasoline to LPG transition can best be observed in the shares of total Gasoline-LPG consumption shares. While in 2010 autogas LPG constituted 61.6% of the LPG Autogas and Gasoline market, in 2011 the share of LPG increased to 64.3%.

Black Products (Fuel oil, heating oil)

In 2011, black product consumption totalled approximately 793,000 t with a decrease of 4.9% compared to the previous year. In this period, heating oil consumption totalled 195,000 t with a total decrease of 4.2% and Fuel Oil No 6 consumption totalled 598.000 t with a total decrease of 5.1%. Hence, the progressive decline in black products has continued in 2011 due to the wide penetration of natural gas into the market. The decline in fuel oil and heating oil consumption is primarily caused by the deep penetration of natural gas into the sector.

Fuels

Total fuel (gasolines, diesel fuels, kerosene, heating oil and fuel oil) consumption totalled approximately 17.6 million tons in 2011 with an increase of 3.9%. As the chart below demonstrates, fuel consumption after having excelled in 2007 and 2008 has fallen back in 2009 and 2010. This change is in great part due to the contracted consumption of black products because of the transition to natural gas, the adverse effects of the economic crisis in 2009 and the negative effects of number 10 lube consumption over off-road diesel consumption.

Lubricants

Lubricant consumption data in this report is consolidated through data obtained from ALPET, BP, CASTROL, LUKOIL, OPET, POA, SHELL, TOTAL, and MOIL and through data obtained from EMRA, PIGM and Ministry of Environment and Forestry. According to these data the total amount of lubricant consumption in 2011 decreased by 0.9% compared to the same period of the previous year and totalled 410,600 t.

According to EMRA data there are 310 facilities in Turkey active in mineral oil production. According to the report, mineral oil production capacity in Turkey was 4,370,000 t by the end of 2010.

In 2011 total mineral oil consumption shares have been as follows: 53% vehicle oils, 37% industrial oils, 5% marine oils and 5% greases.

Vehicle Oils

Turkey's total vehicle oil consumption has reached 217,000 t in 2011 with a decrease of 6.1% compared to the previous year. While the amount of gear and transmission oils consumed was 34,000 t and engine oil consumption was 197,000 t in 2010, in the same period of 2011, gear and transmission oil consumption reached 34,000 t and engine oil consumption totalled 183,000 t.

Engine Oils

In 2011, consumption of engine oils decreased by 7.1% compared to the same period of 2010 and totalled 183,000 t. In this period the engine oils share in total lubricants consumption has been approximately 45%.

Industrial Oils

Total consumption of industrial oils (hydraulic, processed, other) reached approximately 152 thousand tons in 2011 with an increase of 7.8%. During this period, industrial oils had approximately a 37% share within the total lubricant products.

Other developments

Four refineries, 50 distributor companies, 102 storage facilities, and 12,326 fuel stations are actively participating in the petroleum market with EMRA's licenses as of December 2011. In the LPG market, 70 distributor companies, 79 storage facilities, and 9,377 autogas stations are actively participating with EMRA's licenses. The table below demonstrates the number of licenses in oil and LPG markets in the last five years. Some of the significant issues regarding the table are:

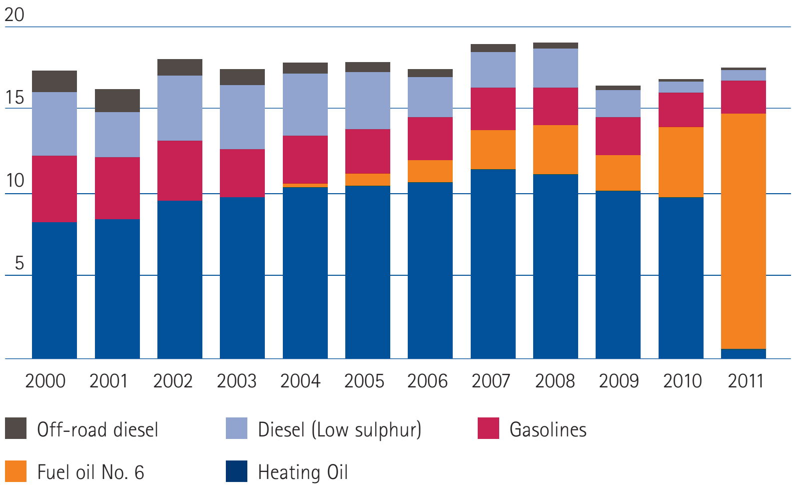
- The number of autogas stations continues to increase.
- The number of fuel stations decreased for the first time in 2011.
- While the number of fuel distribution companies have not increased in the last three years, the number of LPG distribution companies continues to increase.

According to Turkish Statistical Institute (TUIK) data by the end of November 2011, the total number of vehicles registered was 16,042,526 and the shares were divided as the follows; 50.4% automobiles, 16.2% vans, 15.7% motorcycles, 9.1% tractors, 4.6% trucks, 2.4% minibuses, 1.4% buses, and 0.2% special purpose vehicles.

At the end of the first eleven months of 2011, there has been an increase of approximately 34% in the number of vehicles that have entered traffic compared to the previous year. However, the 4.9% increase in the automotive fuels consumption does not seem to parallel the increase in the number of vehicles. This situation is believed to be a result of increased fuel efficiency and the "Number 10 Lube" problem. Several news that appear in the media prove that "Number 10 Lube" is still a growing problem.

	2006	2007	2008	2009	2010	2011
Refinery Licenses	4	5	5	5	6	6
Fuel Stations	11,543	11,645	12,317	12,702	12,894	12,326
Distributor Licenses	51	47	45	54	53	50
LPG Stations	5,686	6,586	7,702	8,163	8,721	9,377
LPG Distributor Licenses	56	58	61	64	65	70

Changes in total fuel consumption (million tons)



TUIK statistics providing the number of vehicles using different fuel types indicate that there is an increase in the number of diesel and autogas powered vehicles while the decline in the number of gasoline powered vehicles continues. By the end of 2010, while the number of LPG powered vehicles increased by 335.000 and the number of diesel powered vehicles increased by 663,000, the number of gasoline powered vehicles decreased by 34,000.

The figure left demonstrates changes in the total number of vehicles and automotive fuel consumption in Turkey over the years. Although the number of vehicles in traffic progressively increased between the years 2004-2010, automotive fuel consumption, especially in years 2009 and 2010, remained stable. This difference, which does not reflect the actual amounts of consumption, is mostly caused by illegal activities such as the "Number 10 Lube".

Natural gas import progressively increased from 2000 to 2008, while after the economic crisis in 2009 consumption decreased and import fell. In the first eleven months of 2011, natural gas sales reached 34.7 million m^3 .

Downstream Fuel Association (DFA)

UK Trends

Provisional data published by the Department for Energy and Climate Change (DECC) show that transport demand for fuel was down 0.5% in 2011, compared with 2010. Within this, aviation fuels (ATF) deliveries were higher by 2.3% in 2011 and motor spirit sales down by 4.8%, broadly in line with recent trends. Diesel Engined Road Vehicle fuel (DERV) increased by 1.2%, at a lower growth rate than in 2010.

Overall demand for petroleum products was lower by 2.5% in 2011 compared with 2010. The warmer weather in 2011 was a factor in this decrease.

UK production (extraction) of petroleum products in 2011 was 17.4% lower than in 2010, exports 20.5% lower and imports 5.7 per cent higher. This was the lowest level of production since the 1970's and continues the downward trend seen since 2000.

Refinery output in 2011 increased by 2.4%, with large increases in diesel fuel and aviation fuel offset by a decrease in gas oil. The price of petrol and diesel has continued to make the news with steady increases seen over the last year. The press and consumers' focus on pump prices have caused a continuing squeeze on margins and a continuing shift of fuel volumes towards the hypermarkets. Hypermarkets' shares of overall retail sales for motor spirit and DERV accounted for 42.8 and 39.1 per cent respectively.

The number of retail sites has declined to 8,410 petrol filling stations, a loss of more than 400 forecourts since 2010.

Compulsory Stock-holding obligation agency

Unlike the majority of European Countries, the UK does not have a centralised stock-holding entity and relies on the downstream fuel industry to comply with IEA and EU stockholding obligations. This market-based solution has been under review for the last few years especially in light of the industry's concerns about the long-term availability of storage and the volatility of the so called 'ticket market' where short and medium term contracts are exchanged whereby a party agrees to hold petroleum stocks on behalf of another.

After significant and coordinated effort on the part of the industry, the Department for Energy and Climate Change have given approval to an industry-led report advocating the creation of a centralised stockholding entity and called for further work between Government and Industry to deliver a UK private agency.

The DFA is one of the two major parties to this effort (the other being the association that represents the refining industry in the UK) and has already made initial steps to identify the best way to move forward.

RED/FQD

The end of 2011 saw the UK implement several aspects of the RED and FQD. In particular, the UK Road Transport Fuel Obligation (RTFO) has been amended to become more stringent and to incentivise the sale of sustainable and traceable bioliquids.

Excise duties on fuel

Unsurprisingly, considering the steady increase in the price of oil, duties on fuel have become a particularly hot topic with significant pressure being exerted by consumer groups on the Treasury to reconsider certain automatic increases in fuel duty over and above the official rate of inflation that were due to become effective in 2011.

As a consequence, the UK Government approved two measures aimed at containing fuel price increases: the Rural Fuel Rebate and the Fair Fuel Stabiliser. Whilst the former works as a reimbursement to fuel retailers of 5p of duty so that they can lower prices in the Scottish Islands where logistics push the price of fuel up well above the UK average, the latter is a UK-wide measure that links above inflation tax increases to the price of oil. When oil is above $75 a barrel, there is no duty increase and vice versa.

These measures notwithstanding, in August 2012, excise duties on fuel will increase by 3.02p across all grades.

Market changes

In general, UK fuel retailing businesses face margin pressures and operate in a market characterised by decreasing sales volumes. This isn't a new trend but one which has gathered momentum in the last few years. This has led to a number of changes in the structure of the downstream fuel market. Perhaps among the most noteworthy we should mention the sale of TOTAL's retail network and fuel distribution business. The company, however, hasn't completely left the UK downstream arena with no immediate plans to sell their refinery at Lindsey. At the same time, Petroplus ran into difficulties with their lenders forcing the group into administration. If potential buyers' offers do not come to a positive outcome, the UK may face the closure of yet another refinery leaving only seven surviving sites operational.

The European Heating Oil Association

Eurofuel is the umbrella organisation representing 10 national associations, including over 10.000 companies which promote best practice in the use of heating oil for domestic heating, with respect of the protection of the environment.

The members cover the complete home heating supply chain, from oil companies of various sizes, through to independent fuel traders and distributors, heating equipment manufacturers and finally heating installers.

Eurofuel supports the challenges the EU has set for 2020 and 2050. The industry is absolutely willing to cooperate for a cleaner and safer energy environment and should contribute to this debate with its well known experience, and expertise.

Eurofuel however strongly regrets he European policy focus on decarbonisation, and believes fuel has its place in the energy mix. The following aspects are of importance.

- **A vision: Eurofuel's "Multi-Energy/Hybrid Heating Vision"**

The EU's goal of energy use reduction can best be achieved by a combination of measures. First all possible energy efficiency measures including improved insulation, and use of oil condensing technology, should be installed. Second the oil condensing boiler should be linked with solar thermal / ambient heat technologies and also other renewable combustion technologies such as bio-liquids and / or wood / bio-mass heating appliances.

- **Cost-effective innovation**

The EU still focuses on deep renovation, despite the economic crisis and lack of potential to finance grid-based energy. However, research is needed to save higher amounts of energy with lower investment.

Case studies gathered in the member states of Eurofuel are crystal clear and provide speaking examples out of real life. All of them underline the high potential of fuel for cost-effective energy savings.

- **To ensure that liquid fuels contribute to the EU's security of energy supply, as the ideal back-up energy source, and to incorporate more renewable technologies.**

The storage of energy is a major challenge as all EU Member States seek to use much more energy from renewable sources. Wind or solar energy is not necessarily generated when it is most needed. Liquid fuels provide a good long-term energy storage solution. Each individual oil heating household has its own oil storage tank which gives it a guaranteed "base load" of energy at all times. Europe has over 20 million individual, de-centralised, long-term oil storage tanks which represent a major contribution to the EU's security of supply. The constant variations in the availability of solar or wind power will not cause a shortage of energy for these properties – because the base load is always available via the stored heating oil.

Eurofuel organised the Research & Development Symposium, Liquid fuels and heating systems, European Studies Status 2012, in participation with the EC-DG energy. Topics were: Ecodesign and energy labelling of heaters, Eurofuel's Multi-Energy Hybrid Vision, Technology Development – existing and new technologies, Greenhouse Gas Emissions – throughout the whole life cycle, Biofuels – future components in heating oil, the testing and development of methods for fuel analytics and biofuel field testing.

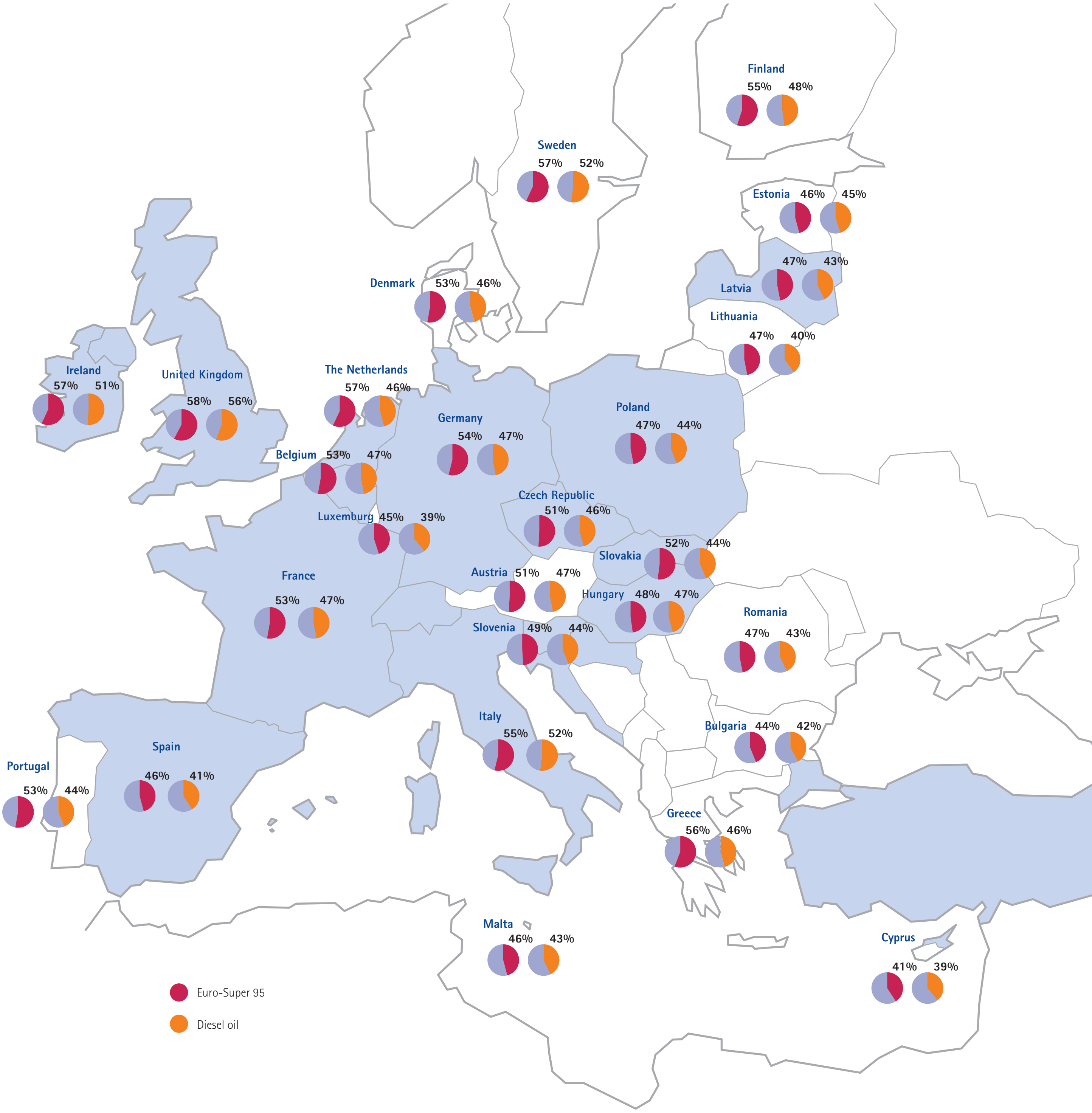
In the heating oil for domestic heating sector, key to survival dossier: Ecodesign and energy-labelling, Eurofuel achieved a breakthrough, where after regular contact with the policy officer and the submission of several (policy) position papers and (technical) background documents, the final draft which is under interservice consultation removes contentious modulation factor F(1) and maintains NO_X emission limits at 120 mg/kWh

Various meetings with several MEP's, the EC-DG energy, and with Cabinet Oettinger, were undertaken in order to get the Commission's reassurance that heating oil will still be needed.

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

Share at: 23/04/2012

EU Weighted Average = 54% (Euro-Super 95), 48% (Diesel Oil)



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

Source: Eurogeographic for the administrative boundaries, DG ENER, April 2012

UPEI Biofuels Matrix

Enclosed please find the current Biofuels Matrix, based on data supplied by UPEI Members and independent research. If your copy is missing or you would like to obtain more copies, please mail to info@upei.org.

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