

UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents



REPORT 2009

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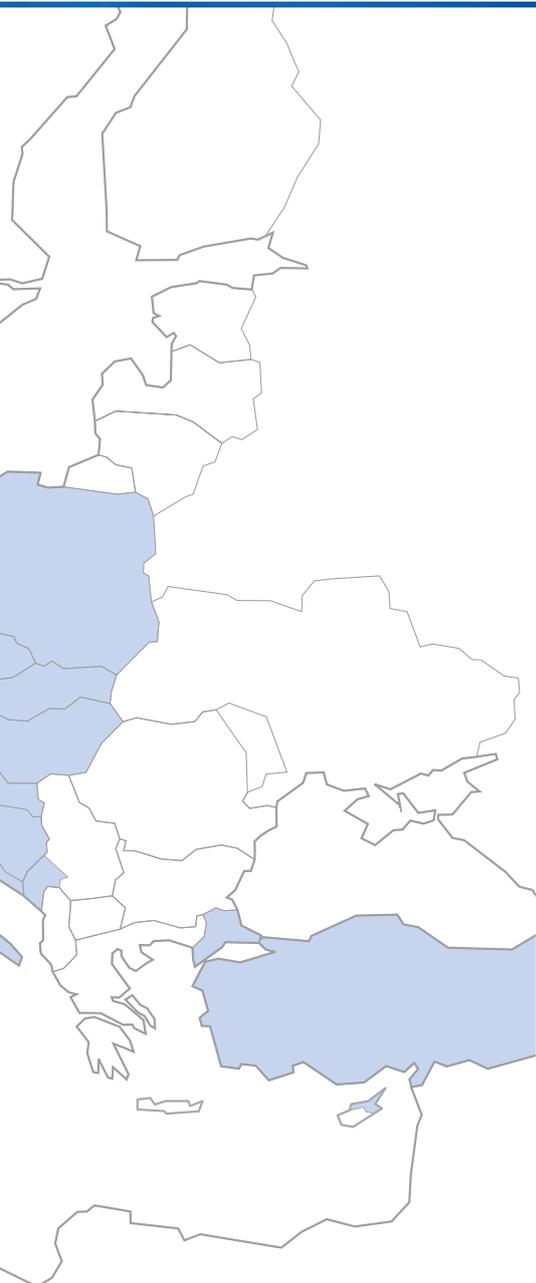
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From left:
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Vice President;
Bernd Schnittler,
President and
General Secretary;
Raimundo Baroja,
Vice President



PRESIDENT'S FOREWORD

It is an honour for me, as the new President of UPEI, to write a few words of introduction to our Annual Report 2009. I will hold this office in addition to my function as Secretary General, and have every hope of continuing successful cooperation with all concerned.

The newly elected executive committee of UPEI officially started work at our annual spring meeting 2010 in Brussels. The handover had been preceded by a transitional phase in which the long-serving presidents gradually withdrew from the day-to-day business of the organisation and gave their successors an opportunity to set new trends. This is no easy task, as the triumvirate of Hellmuth Weisser, Pacifique Le Clere and Paul Storme with their outstanding personalities had determined the successful course of UPEI for many years.

A look back to the past shows that the role of the small and medium petroleum companies has grown steadily over the past four decades. As a result of the nationalization of oil fields in many producing countries and the rise of state-owned or state-controlled oil companies, the major integrated international oil companies have lost a considerable part of their dominance in the value added chain. With the exception of oil exploration and production, our members are active in all areas of the petroleum industry: be it imports, wholesale trading, sales, distribution, refining, consumer supplies or energy contracting and heating systems – the portfolio covers a wide range. At the same time they are pioneers in new, trend-setting fields: biodiesel and bioethanol, biofuels, heat pumps and solar-powered heating in combination with more traditional heating systems.

Among other things, UPEI is doing its best to bring about harmonization of petroleum taxation in the European Union. In our opinion, there is also a need for better coordination of the rules and subsidies for biofuels in the automotive and heating sectors. This is 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: an intolerable situation in our united Europe. We are maintaining constant contact with representatives of the European Commission and keep them informed about the findings of our research in this field.

We are also concerned about the security of natural gas supplies in particular, and of energy supplies in general. After all, Europe is faced with ever-increasing demand competition from other countries around the world. Today there is a need for active European management of emergency gas supplies aimed at legislation on the structure of energy stockpiling. We believe that a public-law corporation with all importers and domestic producers as its members is the most promising solution. Experience in the oil industry in various member states has shown that this would ensure reliable emergency supplies without affecting the competition situation.

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 an open competition, equal treatment of all market players, and government policies they can rely on. We do all we can to support this, relying heavily on the ideas and suggestions that the member companies contribute from their day-to-day business. This is especially true in stormy times like the crisis year we have behind us. Our work thrives on communication, on sharing a wide range of experience with our partners in the industry, and on meetings with European policymakers in the field of economics and taxation. We encourage all concerned not only to engage in this dialogue, but to intensify it: we look forward to hearing from you.

This report is designed to give you an overview of the situation of the small and medium petroleum enterprises in a number of regions of Europe. Many of the problems may seem to differ, but they tend to have one main feature in common: the persistent quest for competitive market conditions.



Bernd Schnittler
President



Belgique
Belgium

Union Pétrolière Belge Belgische Petroleum Unie Belgian Petroleum Union

The year 2009 was characterized by two big events, namely the market evolution and the new legislation on biofuels, which required the oil sector to blend bio material to the mineral fuels, gasoline and diesel. This bio material is provided exclusively by 7 agreed Belgian producers who were awarded the sole right to produce quota designated quantities.

The year 2009 started with freezing weather. Suppliers delivered 7 days a week, 20 hours a day. These were record supply quantities that will be remembered for a very long time. When spring arrived, business became quieter.

During the whole of 2009, we noticed a 2-point decrease in the degree days versus 2008.

A first estimation of the quantities of heating gasoil put into consumption in 2009 indicates a decrease of some 8 to 10% on last year.

Further, it is very well possible that during 2009 the quantities of diesel put into consumption were – for the first time – slightly lower than the previous year. The decrease was small, however, estimated at only one third of a percent. If this information is confirmed in the national oil balance, it means a reversal of the trend. The diesel quantities put into consumption during previous years have always increased. The quantities of gasoline put into consumption also decreased, by an estimated 5%.

Official 2009 figures from the Ministry of Economic Affairs are still in preparation, so not available yet. We will pass them on as soon as they are known.

Collective purchase phenomenon

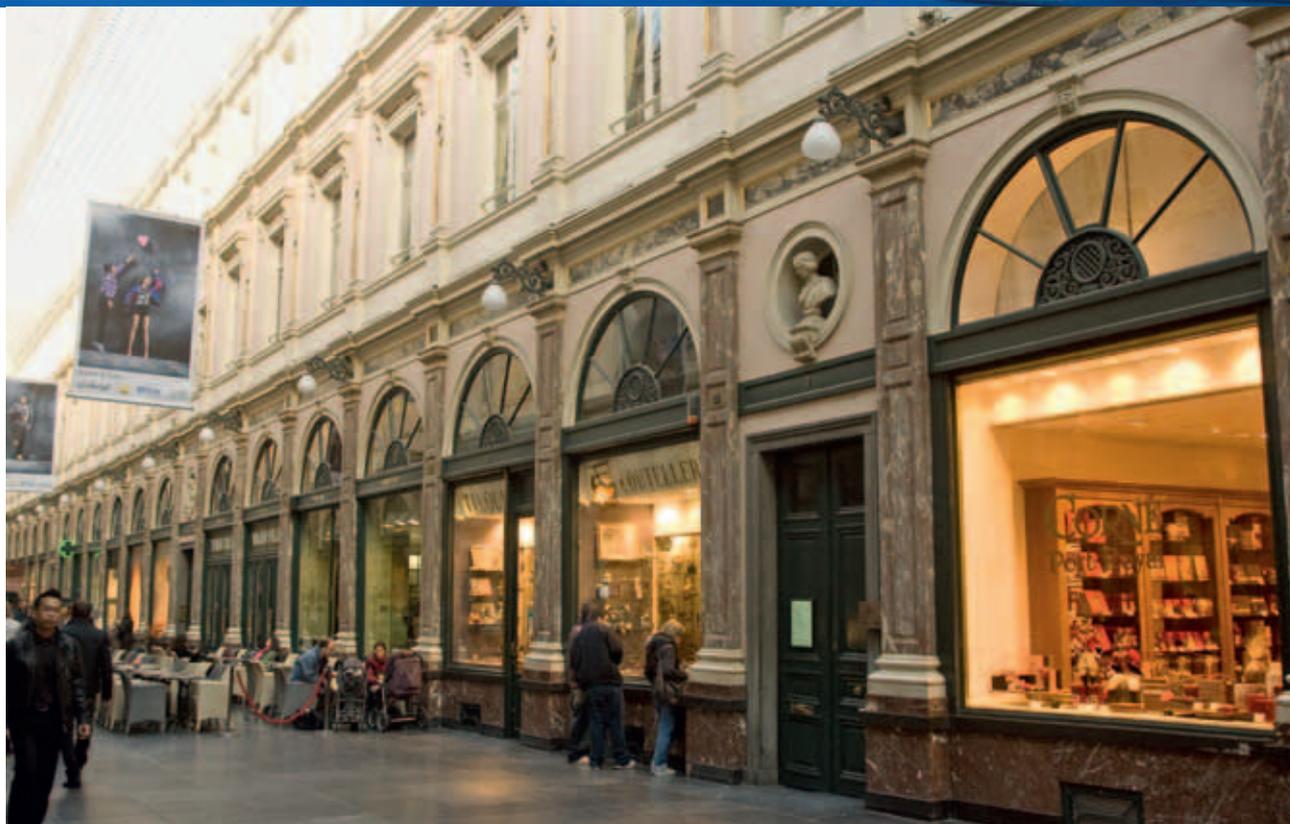
Prices remained stable, at a fairly low level. The price of heating oil is becoming significantly lower than the price of natural gas. And despite this, customers are being encouraged more and more to join collective purchasing groups for heating oil. Some resellers are keen to supply them. They are attracted by the big volumes, although the market is very stable. A stable market normally allows better margins. The phenomenon of collective purchase is fundamentally disturbing the market. However, it is being promoted in several places by the (local) authorities. And not only the margins are suffering from this phenomenon. The risk of unsafe supply deliveries is increasing too. Indeed, the professional and conscious reseller takes the time to verify the quality of customer installations. He is looking to see if the installation is well equipped to avoid oil spills or other supply related damage. In the case of collective purchases, the supplier doesn't know the customers.

Biofuels legislation

The second important event of 2009 is the new legislation, added to the existing legislation, obliging the oil sector to blend a percentage of bio material to the mineral fuels, diesel and gasoline. It was well known that the first biofuel law dating from 2006 was not achieving the set objectives.

With the new legislation of 2009, the oil sector has to deal with the addition of quotas supplied by designated agreed suppliers and compulsory blending.

Failure to comply with the law leads to heavy administrative penalties.



Although the independent oil suppliers have done their utmost to explain to the authorities the problems arising from this legislation, the legislation has been enforced. And the problems foreseen by the independent oil suppliers have occurred

1. no possibility of blending ethanol with 98-octane gasoline produced with ETBE that remains within the European specification of the product,
2. no free traffic of the bio material in the country as it has to come from agreed quota producers.

The latter is bad for Belgian oil suppliers, but also for European blended oil suppliers who cannot introduce their products onto the Belgian market.

As a result of this, there has been a deterioration in the competitive situation of the independent operators for these products. In view of the circumstances described, Belgische Petroleum Unie has had no option but to take court action and has filed suits with the Belgian Constitutional Court and the European Commission. These cases are still pending at present.

The year 2009 was an eventful year. Many things changed. The oil sector and the independent operators in particular had to face new situations which they had to manage. In this respect, 2009 was very instructive, a year during which new experience was gained. Hopefully, this new experience will permit better management of the country's companies in this sector, with the aim of creating more added value for consumers and companies.



Hrvatska
Croatia

Croatian Employers' Association – Oil and Oil Products Trade Association

Consumption

The Croatian energy sector is characterised by majority state ownership of the electric power industry, while distribution of natural gas and oil products, and also the distribution of LPG, is partially in the private sector. Consumption of electricity, coal and coke and fuel wood increased, while consumption of natural gas and oil products decreased. Total production of oil products was 14% less than in the previous year. Overall consumption of all oil products decreased by 8.1% last year. Production of oil from domestic fields covers some 20% of domestic requirements for crude oil. The Croatian economy is expected to become increasingly dependent on imported oil, which will account for 90% after 2020.

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

Research, production and storage of natural gas and crude oil, and also the greater part

of trading in oil and oil products is organised by the INA group, 44.83% of which is owned by the Republic of Croatia and 47.15% by MOL. Of the total of around 785 pump stations, 435 are owned by the INA group (there are also 50 stations in neighbouring countries).

According to the Directive on Biofuels, the national indicative aim is to put biofuels on the domestic market by 31 December 2010 in quantities up to 5.75% of the total amount. The Decree of April 2007 lays down an obligatory percentage of 0.9% biofuels in relation to total fuel energy consumption, or 22,000 tons of biodiesel. The Decree of May 2008 sets the obligatory percentage of biofuels in relation to total fuel energy consumption at 1.21%, or 1.13 PJ of biodiesel. The Law on Biofuels in Transport entered into force in May 2009. The secondary directives and decrees have to be in force within a year. Croatia is to have a National action plan (for 10 years), an annual national target, county action plans (for





SME sector situation

Croatia is harmonising with EU legislation, and the biggest problem for the SME sector in the harmonisation process is ensuring its implementation, which has major impacts on the economy and business community. For example, one of the obstacles is the minimum storage volume, which has to be 500m³. This puts big traders in a favourable position compared with the SME sector, where companies have to invest in storage volume that they never use in practice. The SME sector advocates a minimum volume of 300m³.

Results of the activities of our association and member companies

The Croatian Employers' Association (CEA) with its CEA-Association of Independent Traders of Oil and Oil Products continuously protects the interests of its members, 90% representing the SME sector. The CEA is a non-profit association consisting of 27 branch associations. It is the only employers' representative in the National Economic and Social Council. The CEA influences the development of labour and social legislation and economic policy, and promotes the favourable business climate in order to strengthen the competitiveness of the Croatian economy.

3 years), distributors' 3-year programme and 1-year plan. Users in public transport (road and maritime) and the public sector (state users, county municipality budgets) would have to buy at least 70% of the new vehicles which can use more biofuels than allowed in EN590 diesel and EN228 gasoline. The law needs to be amended because of Directive 2009/28/EC. Currently, only one of the 8 secondary documents has come into force.



Spoločenství čerpacích stanic ČR (SCS) Association of Czech Private Petrol Stations

Excise duties

- Excise duties on mineral fuels were increased by 1CZK per litre
- Since Slovakia took the opposite course (i.e. decrease), Czech diesel is now among the most expensive in Central Europe.

Amendment of "Fuel Act"

- A new amendment of the "Fuel Act" has been prepared during the last half year by the Ministry and key market players

- (incl. SCS). Adoption by the Czech Parliament is expected in the second half of 2010 (delay due to parliamentary elections)
- Proposed changes:
 - Improved statistics (overview of market)
 - Designation of all petrol stations by unique number according to registration by Ministry of Industry and Trade
 - Registration of all oil-wholesalers, trade restrictions (only purchases from registered companies are allowed)



Meaning of this step is a limitation of carousel transactions.

- iv. Publication of stations where poor quality products were discovered
- v. Minor changes triggered by EU directive 2009/30/ES

Consumption

- a. The following table shows the figures for diesel and gasoline consumption (including bio components) on the Czech market during the last three years (in thousands of tons)

	2007	2008	2009
Diesel	4,072	4,037	4,098
Gasoline	2,098	2,019	2,040

- b. Diesel consumption increased to 101.5% (2009/2008) and gasoline to 101% (2009/2008), both after a decline last year.

Activities of SCS

- a. Fraud

Tax frauds remain the key problem which has made life difficult for all independent traders and petrol stations since 2008. Oil traders say that in the case of products that in some way involve excise duties or VAT, frauds have become "a standard" in the market.

The government, police and courts are too weak in dealing with the present situation. SCS is therefore pushing the responsible governmental agencies to take stronger and quicker action to resolve the fraud cases. Most "gray" products come from Čepro tax storage facilities (owned by Czech state) or from Austrian storage facilities near Linz (BP) and Vienna (Shell). Minor sources of these products are German or Polish storage locations near the Czech border.

- b. Further education

SCS has prepared a project of further education for petrol station staff and applied for funding from EU supported financial sources.



La France
France

Fédération Française des Pétroliers Indépendants

Deliveries for 12-month period At the end of February	2009	2010	Change
Super carburants (m ³)	11,785,538	11,451,153	-2.8%
Diesel oil (m ³)	38,096,395	38,909,648	+2.1%
Domestic fuel (m ³)	17,252,189	15,221,630	-11.8%
Heavy fuel except electricity (tons)	1,992,781	1,480,382	-25.7%

We have no additional statistics on the various distribution channels.

EMAG: E10

France having anticipated the European directive, the incorporation target rose to 7% of LHV in 2010 (biodiesel and bioethanol), as against 6.25% in 2009. For gasoline, the launch of SP95-E10 on 1 April 2010 was a necessary contribution to achieving this objective.

The intention was that 70 to 80% of petrol stations would be distributing this product by the end of 2009. However, last November it was available in only 14% of the network.

Carbon tax

The law establishing the carbon tax, which had been passed by Parliament at the end of 2009, was cancelled and finally abandoned during March. The Government is waiting for a "hypothetical" extension of the system to the whole of Europe.

Non-road fuel

To comply with the European directive on non-road fuel which is due to enter into force on 1 January 2011, France is moving towards the creation of a new product. Its exact name is not yet defined, but the basis will be an EN590 diesel with 10 ppm sulphur, dyed red like heating oil.

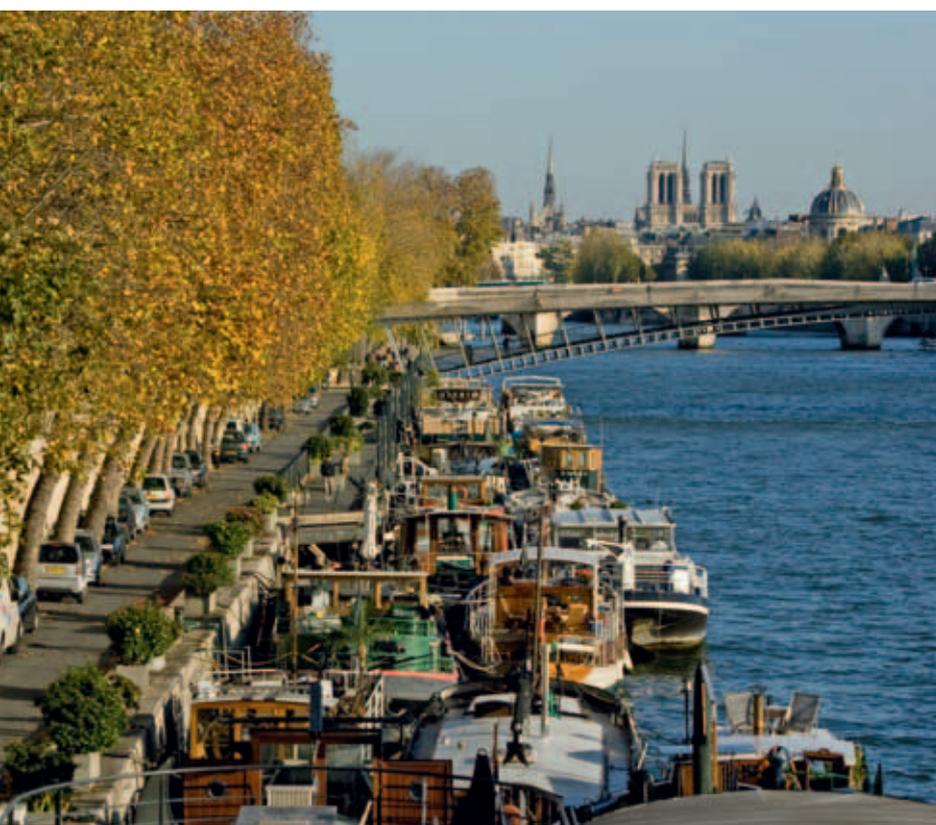
This product may contain 7% of EMAG, and France would like a CSSP of minus 15°C throughout the year.

Fiscally, no decision was taken on excise duty rates, which could be similar to the rate for heating oil but lower than the rate for diesel.

French "white certificates"

The second 3-year period for the French "white certificates" system is in preparation (see meeting Nice). It will start on 1 September 2010. The most important change is the addition of an obligation in respect of fuels. The companies covered by the obligation will be approved refiners and independents. Obligations for heating oil in the second period are nearly 5 times higher.

The circle of companies subject to the obligation differs little from the first period. The application of the instrument is to be extended to the agricultural sector.





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

The near collapse of the international financial system in autumn 2008 gave rise to the worst recession in the global economy since the great depression in the 1930s. Only rapid intervention by central banks and governments prevented the situation getting even worse. From the second quarter of 2009 onwards, an expansive monetary and fiscal policy led to the start of a recovery by the world economy. By the third quarter there were once again signs of economic growth in nearly all countries. Despite this encouraging development, however, one must not lose sight of the fact that in 2009, according to figures published by the Federal Statistical Office, a dramatic drop in exports and a marked decline in industrial investment caused Germany's gross domestic product (GDP) to fall by 5%, the biggest drop since 1945.

Drop in consumption

This economic decline did not leave the energy industry untouched. Primary energy consumption in Germany fell by 6%, even more than GDP, and according to "Arbeitsgemeinschaft Energiebilanzen" the total figure of 455.2 million tons of coal equivalent (TCE) was the lowest since the early 1970s. Consumption of petroleum recorded a slightly smaller drop of 5%. This was because its share of primary energy consumption in Germany increased slightly to 34.7% and petroleum remained the most important fuel. The second most important source of energy was natural gas, with a similar drop in consumption of 5% and a 21.8% share of the energy balance. Sales of lignite, which is largely used for power generation, were down by 3%. Coal was the fuel hardest hit, owing to lack of demand from the iron and steel industry and the power generation sector. Consumption of coal was down by 18.1%. Thus in 2009 coal and lignite accounted for 22.4% of energy requirements in Germany. All in all, nearly

80% of energy supplies in Germany came from fossil fuels.

Power generation by nuclear power plants was down by 9.3%. Their contribution to energy requirements was 11%. By contrast, water, wind and other renewable energy sources stepped up sales by 3%, raising their share of the German energy balance by nearly one percentage point to 8.8%. This increase was mainly due to the increased contribution of biomass, biofuels and photovoltaics. In 2009, some 16% of electricity generated came from renewable energy sources. This and the overall drop in energy consumption had a favourable impact on the environment and climate situation, thanks to the accompanying reduction in CO₂ emissions.

According to the industry association, nearly all products in the petroleum sector suffered a drop in sales. The only exceptions were diesel fuel and liquefied gas. Diesel consumption rose by more than 3% to 30,9 million tons. Sales of liquefied gas were up nearly one percent to 3,0 million tons. Sales of motor gasoline, by contrast, fell by 1.6% to a bare 20.2 million tons. Competition in the retail sector increased. For the first time, filling station prices showed daily upward and downward movements throughout the year. The continuing pressure of competition resulted in net fuel prices in Germany being among the lowest in the European Union. Over the last ten years, demand for motor gasoline has increasingly focused on Eurosuper (premium grade). Its share has increased from 63 to more than 92%, whereas that of regular grade has fallen to 4.6% and that of SuperPlus to less than 3%. Filling stations operated by SMEs felt their position in the fuel market was strengthened by the Federal Cartel Office, which found that an extremely oligopolistic structure existed in the retail sector and stressed the need to prevent further concentration.



Despite this, the strongest SME group ranks fourth, with a 9.5% share of filling station fuel sales.

Natural gas on the rise

The heating market is the biggest end-use energy consumer, ahead of transport and industry. It accounts for about 40% of end-use energy requirements. On this market, light heating oil is the second-largest fuel after gas. Of the 36.2 million heated dwellings in Germany, about 30% use light heating oil, especially in older buildings. Integration of solar energy is more common in oil-fired systems than in any other kind of heating system. 60% of all newly installed oil-fired condensing systems are combined with solar thermal energy. There are three kinds of light heating oil on the market: standard heating oil, low-sulphur heating oil and bio heating oil. Bio heating oil is a product in which up to 20% biodiesel is added to low-sulphur heating oil. Supplying individual consumers with light heating oil is increasingly becoming a task for medium-sized independents. The integrated petroleum companies are confining themselves more and more to the wholesale trade, a trend that can also be seen – albeit not so clearly –

in the filling station sector. In recent years the number of filling stations operated by the majors has fallen faster than the number run by SMEs.

SMEs have also moved into the field of gas trading and are engaging in energy contracting, which can give rise to cooperation with companies that run biomass power plants. In view of the growing importance of emissions trading, the SME sector will at least play a certain part in these activities. In view of future prospects, it makes sense to take every opportunity to open up new business fields. At least in industrial countries like Germany, the demand for energy will hardly increase in future because of new, clean energy technologies, and renewable energy will play a greater role, especially biomass. According to the latest predictions, natural gas will increase its share of Germany's energy balance, while petroleum will decline in importance. Over the next two decades, this scenario predicts that consumption of motor gasoline and of light heating oil will decline to about seven million tonnes a year in each case, while demand for diesel fuel will continue at present levels.



Assopetroli Assoenergia

Biofuels

In the field of technical and quality specifications concerning the introduction of biofuels, we are experiencing a lot of problems for biodiesel in particular. These are caused by unstable blending of the components, with the result that diesel engines are damaged by scum and sludge. There are also increased costs linked to the percentage increase in biodiesel blends. Harmonisation of product norms and specifications is essential to ensure free circulation of biofuels throughout Europe to improve competitiveness.

Italian Independents are working on the reimbursement of excise duty in cases of insolvency, and we are working hard to obtain preferential tax credit in cases where debtors go bankrupt. For Assopetroli operators, who are essentially wholesale dealers, the tax element in credit risk is one of the most important reasons for failure of smaller companies. In the implementation of "International Convergence of Capital Measurement and Capital Standards" by the Basel Committee (Basel 2), we are focussing on the evaluation criteria for business income.

As a matter of fact, the real profit of our companies is calculated after excise and after tax. By contrast, the Italian Inland Revenue Agency takes its stand on global receipts after VAT.

This topic has a devastating side-effect: In particular, in the Italian case, the so-called "Robin Tax" for wholesale dealers. Our colleagues in this market are paying the extra tax on the theoretical extra income derived from increased petrol margins.

Competition

As in the UK, the expansion of hypermarket retail businesses is a big problem in Italy, too. This market indeed impacts on smaller private operators because of a lack of respect for market rules. The hypermarket core-business allows businesses to operate with very long working hours, while the retail fuel market in Italy is bound by restrictions. Low-priced or even under-priced fuels are pushing filling stations out of the market in influential areas.



Contracts

Another important issue is to keep exclusive sales contracts through a renewal of the European Committee dispensation until new Italian norms lay down other kinds of contract. At the moment the Government, the Oil Industry Union, Independents' Associations and Pump Attendants' Unions are discussing the matter, but it seems to be a never-ending dispute.

Energy and Services

The Energy and Services Department of Assopetroli is pressing for harmonisation of the rules regarding sustainable management of heating and air conditioning systems in residential buildings.



Koninkrijk der
Nederlanden
The Netherlands

Nederlandse Organisatie voor de Energiebranche (NOVE)

Sales motorfuels

In 2009, a total of 2.7% less motor fuel was sold in the Netherlands compared with 2008. This decline was mainly due to a sharp decline in diesel demand. Sales of gasoline rose slightly by 0.9%. Sales of LPG went down with 2.0%. According to NOVE, the Dutch trade association of independent fuel dealers and wholesalers, the decline in sales of diesel is mainly due to lesser demand in the transport sector. Some members of

NOVE are even reporting decreases 8 to 10% by this client group. The decrease in the fuel stations for passenger traffic remained reasonably intact. This is reflected in the nearly constant demand for gasoline. Also in the sale of fuel to the inland waterways vessels NOVE sees a decline in demand. Inland waterways transport is suffering hard due to the economic situation and its heavily over-financed sector, which has led to structural overcapacity.

Motor fuel consumption in the Dutch market 2008:

In litres	Dec-07	Dec-08	Dec-09	+/-	Year 07	Year 08	Year 09	+/-
Diesel	631.830	646.145	626.978	-3,0%	8.033.626	8.056.053	7.632.501	-5,3%
Petrol	457.759	472.720	461.595	+2,4%	5.418.424	5.426.493	5.477.904	+0,9%
LPG	46.843	55.396	49.632	-10,4%	606.768	637.293	624.284	-2,0%
Total					14.058.818	14.119.839	13.734.689	-2,7%

(Source: Central Bureau of Statistics, Netherlands)

Refinery

Russian Oil producer Lukoil achieved 45% of the oil refinery in Vlissingen/Flushing. The oil company bought shares in the refinery for 725 million euros from the French Total which itself kept the other 55% in hand.

The oil refinery employs about 390 people in Flushing. This will provide Lukoil a direct footprint into the Western European market.

Biofuels

In 2009 a regulation was adopted in the Netherlands to favour sustainable biofuels over non-sustainable biofuels.

The scheme allows companies that put petrol or diesel on the Dutch market to double-count proven sustainable biofuels to meet their legal biofuel obligations. Thus, a company that has a total obligation of 4% for 2010 would, with a sufficient share of sustainable biofuels, be able to achieve this with 2% instead of 4%. The scheme applies to biofuels produced from wastes, residues and lignocellulosic materials. The scheme applies only to biofuels yielding a greenhouse gas emission reduction of at least 35%. To show that biofuels are eligible for double-counting, companies have to send in annual information forms to the Ministry of Environment.



Polska
Poland

Polska Izba Paliw Płynnych

The Polish Chamber of Liquid Fuels is the organisation uniting Polish private entrepreneurs in the fuel sector. Following is a short description of four main topics that have currently become the biggest concern for the Polish fuel sector:

Excise

The new Polish Excise Act dated March 2009 introduced a reduced tax rate for diesel fuel oil used for heating purposes. In order to lower the tax assessment the seller is obliged to prove that the oil was sold for heating purposes, documenting

the sale with an appropriate buyer's declaration. However the conditions for the validity of each declaration are extremely severe, and it is very difficult to fulfil the specified requirements. In the event of errors, the declaration is held to be invalid, which leads to higher tax assessment. As a result, it is the seller who is held responsible and who bears all the consequences of tax control procedure. Currently, the Polish Chamber of Liquid Fuels is struggling to change the Excise Act and the excise control procedure.

Legalisation of measuring instruments

Recently the organisation has received information about numerous problems regarding legalisation procedures for measuring instruments. The Polish Central Office of Measures does not acknowledge the original legalisation of measuring instruments conducted in European Union Member States. The information concerns German fuel tanks with preinstalled fuel meters, but the problem could be much broader. At this stage the Polish Chamber of Liquid Fuels is negotiating with the appropriate state organs to secure a change in their policy and to make sure it is in accordance with the EU regulations and principles.

Environmental protection

The Polish environmental protection regulations are becoming more severe due to new requirements of European law. Owners have been quick to adjust their petrol stations to the changed regulations. However, the legislature did not foresee the need for appropriate control procedures, and the controls on fulfilment of the statutory obligations are being conducted without sufficient preparation of the officers, equipment or rules of conduct. At the moment the Polish Chamber of Liquid Fuels is taking part in the legal actions of a working group founded at the Main Inspectorate for Environmental Protection, focusing on the preparation of a conduct manual for control activities.

Transportation limits

As a transit and EU border country, Poland encounters many problems resulting from its geopolitical location. Polish regulations regarding uncontrolled private importation of fuels are very liberal – setting no limits for such imports – and have a strong influence on the position of Polish businesses in the fuel sector. Cheap and unverified fuels, mostly from eastern neighbours, are sold without the required taxes and outside the national procedure. This situation not only supports the growth of the black economy, but also reduces the profits of entrepreneurs and the State Treasury. Our Chamber is requesting amendments to the appropriate acts to impose limits on such uncontrolled imports.

To sum up, the situation of the Polish fuel market is stable, and all problems are the result of new policies by the state organs. The above descriptions reflect only the most current and troublesome inconveniences, however. The Polish Chamber of Liquid Fuels is also dealing with a variety of other concerns obstructing the work of fuel market entrepreneurs. Presentation of all problems that we have encountered recently would be beyond the scope of this report, but this brief summary should provide general information about the situation on the Polish fuel market.




 España
Spain

Unión de Petroleros Independientes (UPI)

Consumption and general remarks

In 2009, consumption of oil products in Spain was 68.4 million tons. This was a decrease of 5.7% on the year before, in line with the weakness of the national economic indicators. However, oil consumption by the Spanish economy continued to decrease, in view of the GDP annual variation rate (3.6%).

Consumption of fuels (gasoline and diesel) was 29.8 million tons, 5.2% less than in 2008 (79.8% due to diesel and 20.2% to gasoline). According to provisional data, the biofuel share reached 3.9% of gasoline and 4.3% of diesel (in terms of weight).

The year 2009 was marked by the economic crisis. Particular features were a fall in consumption and an increase in debtors.

Product	12 months (kt)	Annual variation (%)	Share variation (%)
Gasolines	6,013	- 4.5	8.8
Diesel	33,344	- 5.7	48.7
Fuel oils	11,150	- 4.2	16.3
Kerosenes	5,133	- 8.8	7.5
LPG	1,840	- 7.1	2.7
Other products	10,950	- 5.7	16.0
TOTAL	68,430	- 5.7	100.0

Compulsory stocks

To implement the new legislation adopted at the end of 2007, compulsory stocks were increased from 90 to 92 days from 1 January 2010. The Spanish agency, CORES, decided to assume these two additional days as strategic stocks (compulsory stocks directly held by CORES) in order to reach 45 days, which is the minimum strategic stock level established by the new legislation.

The remaining strategic stocks set up in 2009 were distributed according to the legal priority order also established by the legislation mentioned above: all companies have

the right to ask for 35 days more of strategic stocks (above the individual minimum which has to be at least 40 days and is now 42 days), but priority is given to oil companies with no refining activity either in Spain or in any other EU country that has signed a bilateral agreement with Spain (category 1), and secondly to oil companies with refining activities in one of these countries but not in Spain (category 2). The remaining strategic stocks have to be distributed among all companies.

As from 1 January 2010, category 1 (which includes all UPI members) thus has 77 days of strategic stocks (15 days of compulsory stocks directly held by the companies). Category 2 has 45 days of strategic stocks (47 days of compulsory stocks directly held by the companies).

Biofuels

For the first time, a compulsory target for biofuels was required from the oil companies in 2009: 3.4% (by energy content) of all fossil fuels for road transport purposes (gasoline and diesel). This percentage was to be distributed as follows: 2.5% in gasoline and in diesel and the rest as desired.

In order to guarantee fulfilment of this obligation, a certification system has been set up. This system includes the possibility of buying and selling certificates, the option of transferring them to the following year, and penalties for non-fulfilment of the percentages. However, the certification system was not ready to admit requests for certificates until 1 October, and the oil companies have therefore been suffering the consequences (concentrated workload, lack of experience leading to mistakes, lack of supporting documents, etc.).

As regards technical aspects, quality problems have arisen from the handling and blending of biofuels. It should also be noted that terminals have had very little time to



build their blending installations. By the end of 2009, not all of them were prepared for adding bioethanol. During the year, oil companies managed to fulfil the minimum

percentage for gasoline by buying it from the Spanish refineries with a proportion of ETBE.

At the end of 2009, neither Directive 2009/28 (Renewable Energies Directive) nor Directive 2009/30 (Fuels Quality Directive) had been implemented in Spain. In particular, sustainability criteria set up by both Directives were still to be implemented. With regard to implementation of these criteria by Member States in general, UPI believes that the European Commission must be vigilant: it should be possible to buy biofuels offered as sustainable in other Member States with the guarantee that these biofuels will also be considered sustainable and certified in one's own country. The second step would be to create a European market for certificates.

Taxation

In June, without any previous notification, the Government decided to increase the rate of excise duty on mineral oils by 2.9euro cents. Commercial, heating and agricultural gasoil were excluded, as were natural gas, kerosene and fuel oil.



Avia International

Less fuel sales, more heating oil

Sales of petroleum products in Switzerland in 2009 reached around 11.4 million tons. This is a slight increase of 2.2% over the previous year, mainly caused by the rise in sales of heating oil (+9.6%). Of total sales in 2009, some 6.9 million tons (60%) were due to fuel (petrol, diesel oil and aviation fuel), which is 1.6% less than in 2008.

The individual categories:

The decline in demand for petrol (UL95/98) continued in 2009 (-2.7% compared with 2008). The continuous improvement in engine efficiency is seen as the main reason for the continuing decline in sales, while the shift from gasoline-powered to diesel cars observed in recent years has come to a halt (diesel cars as share of new registrations in 2008: 32.4%; 2009: 29.4%).



Although the rate of growth of diesel oil sales volume seen in recent years slowed down, the sales rise of 1.6% in 2009 nevertheless indicates relatively robust domestic demand (construction and goods transportation, the main large diesel oil consumers). The increased strength of the Swiss franc has – especially for the international trans-

port industry – reduced the incentive to refuel with diesel oil in Switzerland.

The upward trend of recent years in aviation fuel sales has been halted: On a year-on-year basis, sales declined by 4% to 1.35 million tonnes, reflecting the slightly negative traffic development at Zurich and Geneva airports.

Sales of heating oil (extra light) showed an increase of 9.6% on 2008. In the first half of 2009 the significantly lower prices revived and triggered demand. Many consumers also filled their tanks before the end of the year to avoid the trebling of CO₂ tax on 1 January 2010.

Retail network in Switzerland

As of 1 January 2010, one could refuel with gasoline and diesel oil in Switzerland at 3,612 publicly accessible branded gas stations. This is only 18 stations less than a year ago. The largest network of petrol stations is AVIA with 708 units. It is followed by Agrola (429), ahead of BP (401), Shell (344) and Tamoil (321).

The number of gas stations with a shop rose slightly to 1316 units (+14), so that customers can now purchase shop products at more than a third of gas stations. About 71% of total fuel sales were generated at gas stations with a shop, illustrating their great importance in the competition between oil companies. The general trend towards more retail space (larger shops) continued (+27 units), while the number of smaller stores fell (13). There was also fresh confirmation of the fact that fuel sales at sites with larger stores were significantly higher than at those with smaller shops.

Average sales per station in 2009 were about 1.45 million litres of gasoline and diesel oil, though figures naturally varied depending on the operation, facilities and location of the gas station. The highest average fuel volumes were at motorway stations, with 4.14 million litres per site, and the lowest at unmanned service stations, with about 0.67 million litres.

Key Data Petrol Stations

	2008	2009
Total	3,630	3,612
Stations: with Diesel Oil	3,515	3,523
Motorway Stations	65	67
Self-Service Stations	2,042	2,052
Self-Service Stations with Cashiers	1,404	1,366
Serviced Stations	184	194
Gas Stations with a shop smaller than 50 m ²	387	374
Gas Stations with a shop bigger than 50 m ²	915	942

Sales in Mio. l

per gas station	1.448	1.450
per motorway station	4.242	4.141
per self-service station	0.677	0.673
per station with cashier	2.512	2.536
per serviced station	1.887	2.025
per station with shop smaller than 50 m ²	1.872	1.790
per station with shop bigger than 50 m ²	3.220	3.222



Türkiye
Turkey

Mabanaft Energy Ticaret ve Sanayi A.S.

Turkey has kept its position as an oligopolistic high-margin market with the top five players accounting for more than 90% of the total market

The main figures and issues for 2009 were as follows:

- Total auto market including gasolines, gasoils and LPG autogas down 2.3% to 18 million tons
- Total gasoil 3.9% down to 15.9 million m³
- High-sulphur gasoil indicating industrial and agricultural activities down 9.4% to 11.9 million m³
- Total gasolines down 2.7% to 2.9 million m³
- Autogas LPG up 9% to 2.3 million tons
- Fuel oils down 30.5% to 1.9 million tons, which is the biggest drop in history
- Total luboil down 10% to 461,000 tons
- Taxes from oil including oil tax and VAT up 3.5%, reaching 29.5 billion TL (about 20 billion USD). Taxes from LPG up 4%, reaching 5.5 billion TL (about 3.6 billion USD), with taxes from oil and LPG market totalling 35 billion TL.

The market was affected by the following issues in 2009:

- Competition institute limited retail agreements to 5 years, which will affect 12,000 retailers starting in November 2010
- EMRA applied maximum pricing for 2 months between 27.06 and 27.08, decreasing total profit of distributors and retailers
- On 15.07.2009 oil tax was increased to 1234 TL/m³ (about USD 825) for high-sulphur gasoil and 1304 TL/m³ (about USD 870) for 50 ppm gasoil, making Turkey the most expensive country for oil at the retail level
- Mixing of No. 10 luboil into diesel fuels has been the biggest market problem, harming fair competition and customers rights and resulting in about half a billion dollars tax losses for the country
- The most discussed issue for the oil market in Turkey has been whether and when to switch to low sulphur gasoil
- EMRA held 52 committee meetings, announcing over 5,000 resolutions and decisions, which shows the complexity of the market and rulings





United Kingdom

Association of UK Oil Independents (AUKOI)

The UK Market

Gasoline sales in the UK have continued to decline from their peak of 33bnl/yr (25mn tons) in 1990 to approximately 21bnl/yr (16mn tons). The proportion of gasoline in total fuel sales has also continued its decline to less than 50%. Diesel has increased its proportion of total fuel sales, but due to the effects of high pricing and the economic recession, sales of diesel as road fuel in UK have also declined slightly in the past year.

Biofuels

The current rate for biofuels inclusion is set at 3.75% and will rise to 5% by 2013/14. A duty differential (incentive) of 20p/l (EUR 0.23/l) which has applied to biodiesel since 2002 and to bioethanol since 2005, has been withdrawn. As a consequence there is no economic benefit for suppliers to blend much higher priced biofuels into their products, so we anticipate that for the future, blending will be managed at a level to meet minimum targets imposed upon suppliers.

Government and oil industry attention has now turned to the Renewable Energy Directive (RED), its implementation from 2011, and also the implementation of the Fuel Quality Directive. Discussions with the Department for Transport (the responsible Government Dept), NGOs and industry groups are progressing and are on the point of discussing sustainability criteria, how they will be applied to different biofuel types and sources, and a viable system for certificate trading. We are trying as far as is possible to translate the data reporting setup for RTFO as smoothly as possible for RED and FQD measurement systems. It is proposed that the UK will undertake reporting for RED from April 2010 as a trial before the requirement comes into force the following year.

A current topic of conversation within the industry and with the government is the specification of gas oil from 1/1/2011. The issue is: Will gasoil supplied to meet the mandated sulphur specification from that date be dyed diesel due to the lack of infrastructure to manage a separate 100% mineral oil derivative grade? Companies are looking at the problem that a single grade of dyed diesel (with FAME added) will be supplied to the inland marine, off-road non-mobile machinery and stand-by fuel market sectors. Doubts about the stability of the product if left to stand for long periods is the issue here. I will update you as and when it becomes clearer how suppliers in UK will deal with this issue. My guess is the usual – some will, because they can and may see a market advantage, and some will not because they can't physically operate with two grades or don't see the advantage.

Compulsory Stocks

The joint government/oil industry work group that has been set up to review and recommend the preferred system and structure for managing strategic stocks in the UK has virtually completed its work. Deloitte and Co, the Consultants appointed by the government to work on the evaluation of alternative management structures for the management of compulsory stocks in UK, has submitted its report. The Steering Group has subsequently identified a small amount of further work to be done prior to the submission of its report and recommendations to Ministers.

The important point to realise is that the whole of the downstream industry in UK supports the recommendation to set up an industry-funded central agency to manage compulsory stocks in the UK. The government department with whom we have been working (DECC – Dept of Energy and Climate Change), supports the proposal and will work with the parties and Ministers to try to move the structure concept forward once the dust



has settled on the General Election. Realistically, this is unlikely to be before the Autumn, so the earliest that the proposal could be debated in Parliament would be later next year.

2015 remains the most likely date for the implementation of any change. Whilst the process has achieved a great deal and reached a critical point, there remains a lengthy and somewhat uncertain path ahead before any change in CSO management structure is implemented.

Supply Infrastructure in UK

As for compulsory stock management above, the team that the government and oil industry have set up to review the downstream products supply infrastructure system in UK has now virtually completed its work. I'm not sure quite what it has achieved beyond a much improved understanding of the current supply infrastructure in UK, the current prob-

lems and identifying the challenges. Likely structural changes in the market infrastructure will probably overtake the conclusions of the report. Key among these are the current discussions by a number of UK refiners (there are only nine, including one "mothballed") to sell their assets in the UK. It has been widely reported that Shell are in active and advanced discussions with Essar (India) to sell the Stanlow (North-West) refinery, and – less reliably – that Total and Fina have been in similar talks with Gazprom (and no doubt others) for their refinery assets on the East coast. The facilities owned by Petroplus are also widely recognised as "for sale".

It is clear that some of these discussions will result in changes of ownership of some of UK's refining and supply infrastructure facilities in the near future. It remains to be seen whether the change(s) of ownership will have any serious effect upon the UK supply infrastructure.



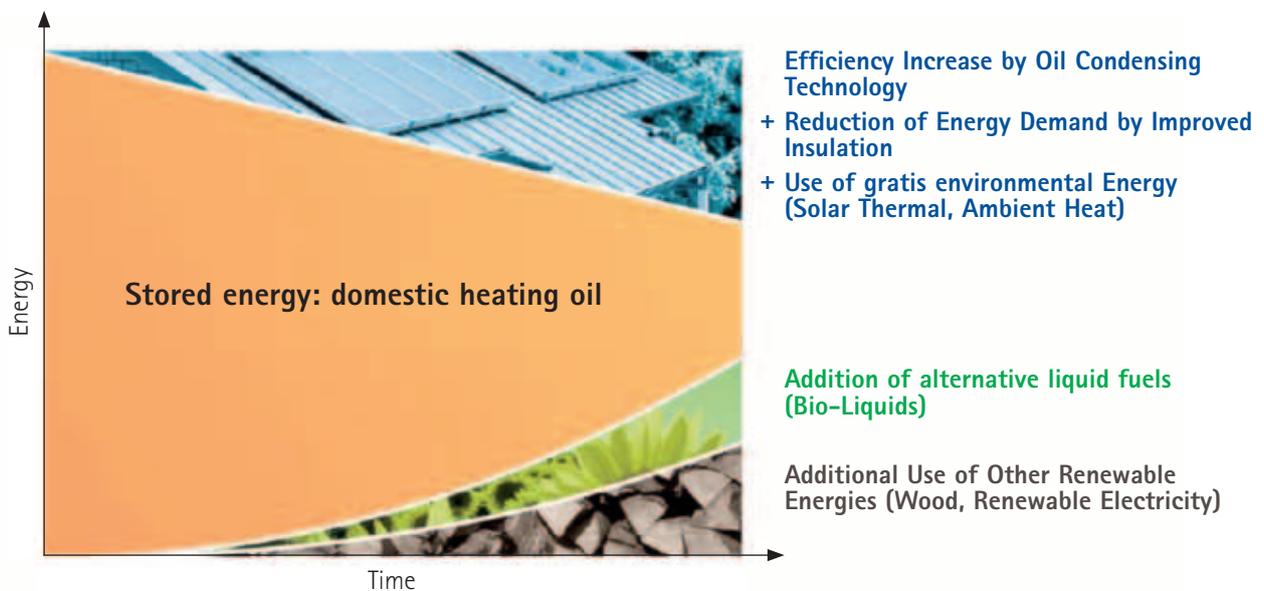
Eurofuel - the European Heating Oil Association - is an umbrella trade association based in Brussels. Eurofuel represents the national organisations that promote the use of liquid fuels (heating oil and kerosene) for domestic heating in ten European countries. Eurofuel's constituent national organisations have members numbering over 10,000 companies.

Eurofuel is engaged in the development of common standards and innovative techniques for heating oil and equipment, primarily in the domestic housing heating market. Our members are committed to ensuring the competitiveness and efficiency of heating oil, while reducing its environmental footprint. UPEI and Eurofuel share

reciprocal Associate Membership status of one another's organisations, and co-operate closely on issues of shared interest, such as promoting efficiency in oil supply chain logistics, ensuring fair trading conditions and a competitive market for oil products, and furthering the penetration into the marketplace of innovative products, such as low sulphur heating oil and bioliquids/biofuels.

Eurofuel differs to some extent from UPEI's other member organisations, in that Eurofuel's members comprise the whole supply chain related to oil heating, from the oil majors, through to independent oil traders and distributors, oil heating equipment manufacturers, and finally heating installers.

Eurofuel's Vision – Now to 2030



Eurofuel's Vision for the Progressive Incorporation of Renewable Energy Sources into Oil Heating & Hot Water System, Guaranteeing Best Practice Efficiency

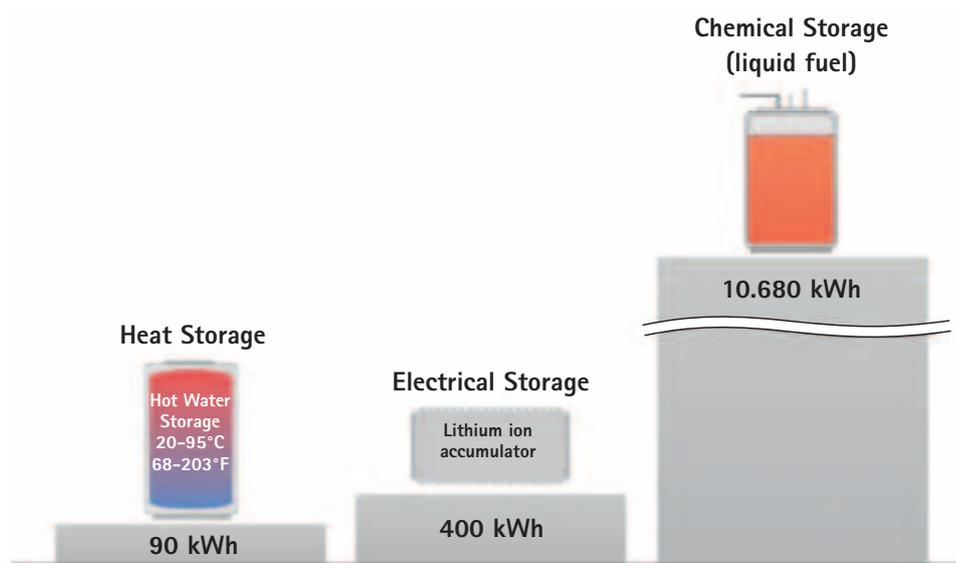
Similar to UPEI, many of its members are small and medium enterprises.

The EU heating oil market experienced much less price volatility during 2009, the mean annual price per litre being around two-thirds of the peak prices experienced during 2008. Oil condensing boilers continued to penetrate further into the heating market during 2009 (e.g., in the UK over 90%, and in Germany c.65% of new oil boilers were condensing units). The combination of solar thermal collectors with oil condensing boilers is also becoming ever more popular, in Germany reaching over 60% of oil-based heating installations. Eurofuel presented its "Vision for heating systems in 2030" - as illustrated - at the

important European Commission-sponsored EU Sustainable Energy Week (March 2010). In January 2010, both Eurofuel and UPEI became founding members of the EU Re-Building Forum, the purpose of which is to emphasise the importance of renovating the EU's existing building stock with efficient and hybrid fossil-renewable heating systems. A great advantage of heating oil systems is the high energy storage available at low cost available in each consumer's oil tank (see second figure). This energy storage facilitates the incorporation of a greater proportion of renewables into each country's heating energy mix, owing to the transitory availability of renewables (especially solar and wind).

For further information, please see Eurofuel's website www.eurofuel.eu

Energy Storage – Technology Comparison (1,000 litres volume as basis)





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.

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.

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.

Union Pétrolière Européenne Indépendante (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. 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.



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