2014

UPEI
ANNUAL
REPORT

THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

UPEi

THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

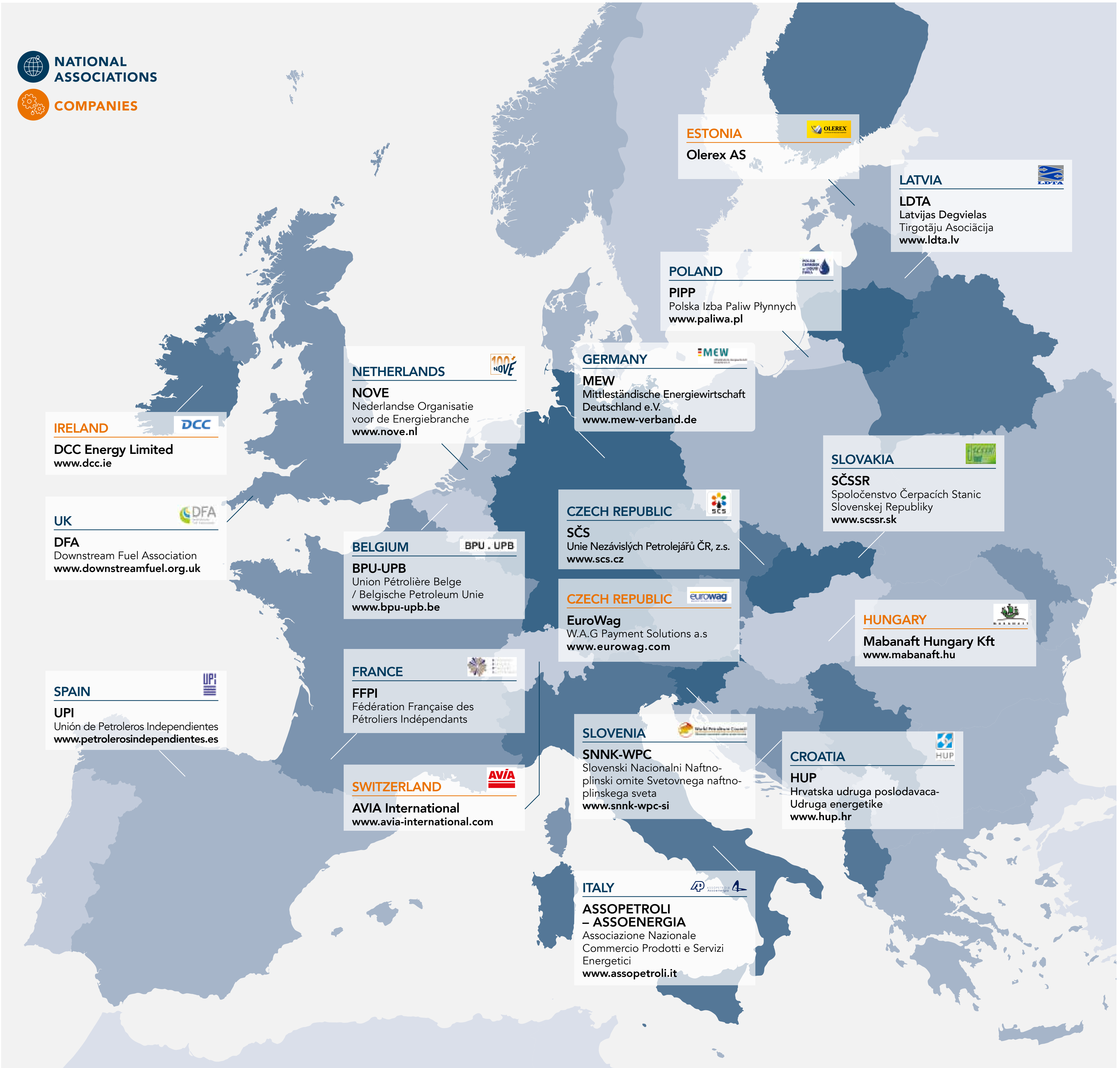
EUROPE'S DEMAND FOR OIL IS A REALITY

UPEI represents European importers and wholesale/retail distributors of refined petroleum products and their alternatives, supplying Europe's customers, independently of the major fuel producers.

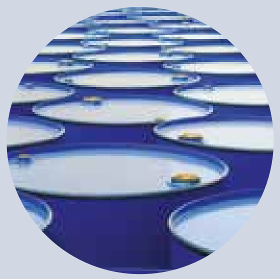
Independent suppliers, covering more than a third of Europe's demand, play a crucial role in an evolving market by bringing competition which is vital to the economy. Their independence enables them to respond rapidly to changes in terms of market structure, products and services, contributing to security of supply on a local, regional and national level.

UPEI was created in 1962 with the aim of ensuring a level playing field for the supply of energy on the European market and safeguarding a competitive approach. The organisation brings together national associations and suppliers across Europe.

Today **UPEI** also acts as an informed and responsible partner to Europe's decision-makers on the risks and opportunities involved the transition to a genuine European Energy Union.



CONTENTS



PRESIDENT'S FOREWORD

As of 1 January 2015, a newly elected and expanded Board of Directors is at the helm of UPEI and I am honoured to have taken over the Presidency from my esteemed predecessor, Bernd Schnittler to whom I would like to pay tribute for his dedication, vision and leadership. The continued success of the Association is undoubtedly dependent on the support and commitment of all Members and I would like to express my sincere gratitude for the opportunity and their trust in electing me to lead UPEI for the next three years.

For over 50 years UPEI has been achieving great success. It is an Association with a broad and stable membership, reflecting the growing importance of the independent sector in the fuel supply business and it is an established stakeholder in the European energy landscape. UPEI is the voice of European independent fuel suppliers and is proud to be able to contribute its experience and advice in the development of new policies as well as bringing solutions to problems in its implementation.

2014 has been a year of transition for Europe and has brought great challenges for the oil sector. The crisis in Ukraine raised concern over Europe's dependence on energy imports and brought security of supply to the top of Europe's political agenda.

Indeed energy supply is at risk when markets are isolated and supply routes limited. However, this is not the case for the oil sector, which should be recognised for its robust contribution to security of supply, given its comprehensive system of compulsory stocks, diverse and flexible supply routes and the liquidity of the oil market. Independent fuel suppliers benefit from a business model which is very dynamic and flexible. They are, therefore, well placed to respond to the challenges of a constantly changing market which is highly influenced by geo-political as well as economic factors.

This leads me to challenge the repeated criticism of Europe's dependence on energy imports. Today, in Europe's energy mix, oil and gas represent around 60% of gross inland consumption. In the absence of sufficient, exploitable, domestic resources, Europe is dependent on imports from third countries, for these products.

PRESIDENT'S FOREWORD

Europe's demand for oil is a reality. It continues to play a key role in Europe's broader economy given its diverse uses. Even in Europe's low carbon 2050 scenario, oil will remain part of the energy mix. If the sector is to continue to invest in even cleaner technologies, this reality needs to be reflected in a more balanced way.

We can safely estimate that in one way or another, approximately 70% of Europe's economy is dependent on the availability of this product. Alternatives are being developed, but their maturity and affordability will take time to develop. In 2014, crude oil and petroleum products imported from countries outside of the European Free Trade Area (EFTA) amounted to 66%. This is portrayed as a one way flow of resources out of Europe. However, these imports also bring benefits to the economy.

A recent study undertaken by the Cologne Institute for Economic Research demonstrated how the German economy has benefited from the investment boom in the oil-rich exporting countries over the past 15 years. Since 2008, oil producing countries accounted for more than twice as much of Germany's capital goods trade surplus as they did in the 1990s.

Security of supply remains one of the five dimensions of the newly announced European Energy Union Strategy, which will drive the European Agenda for the next five years. Amongst the other dimensions, moderation of demand and completion of the internal market are rightly identified as key. However, a number of uncertainties persist, in particular with regards to the path towards a low carbon economy, creating a difficult climate for businesses who have invested heavily and stand ready to continue to meet continuing demand. For this, European petroleum independents need a stable regulatory framework. The current complexity and unpredictability is a real barrier to investment and innovation. The transport sector is a good example. The current targets for emissions reductions in transport will expire in 2020. What will follow is not yet defined. 2015 promises to be an intense year in terms of new initiatives.

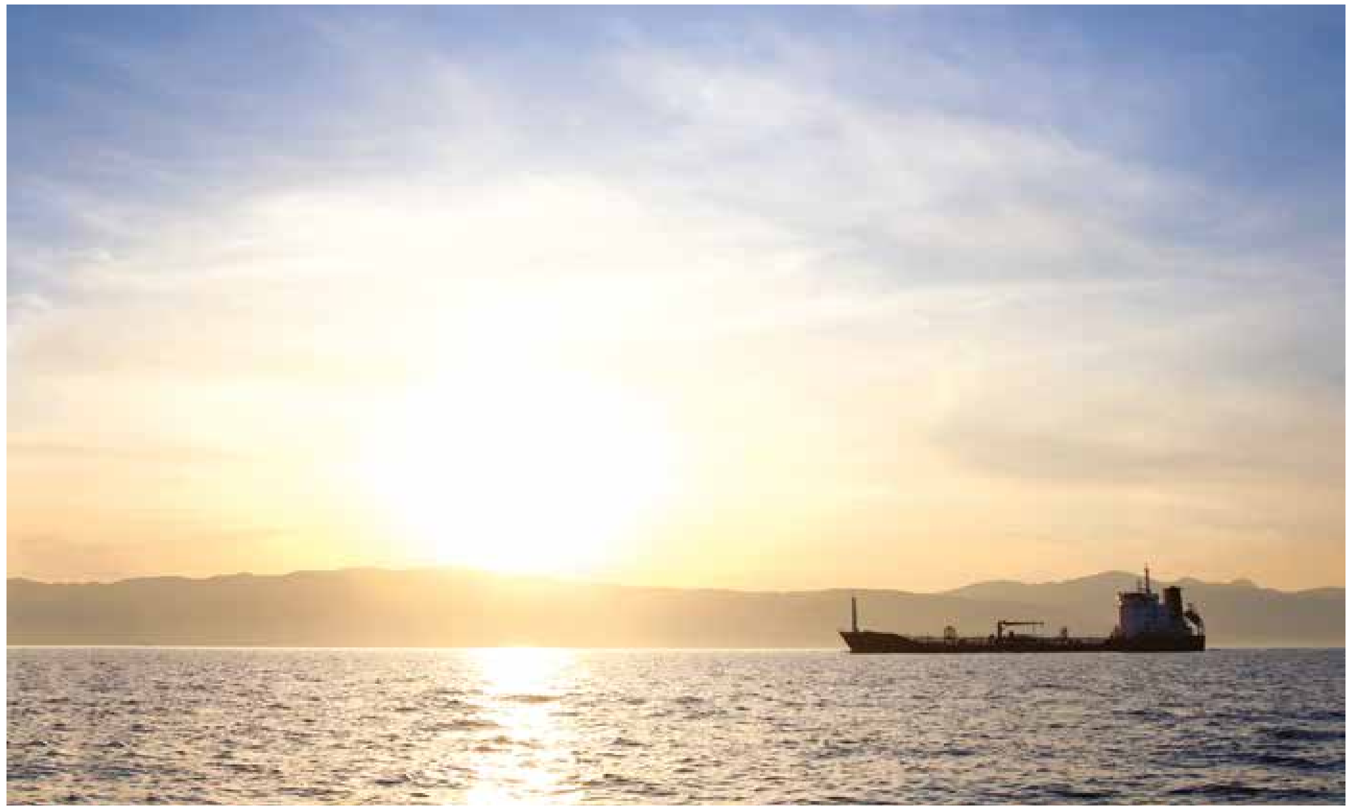
Additional barriers range from the lack of harmonised implementation by Member States of EU legislation, to excessive red tape which is particularly harmful for SMEs in the sector. To this list, we must add the need for greater transparency on the enforcement of existing legislation. If not, the tendency to over-regulate risks being continued, with the introduction of ever more stringent regulation to compensate for deficiencies in enforcement of existing legislation. We need to maintain a vigilant eye on these developments and call for increased transparency on the hidden costs that they generate. We have many examples not least in the biofuels sector and the Fuels Quality Directive. But it is worrying that there are increasing initiatives from Member State that have a destabilising effect on the market, most recently the decision of the French Authorities at the end of 2014, to unilaterally introduce B8 onto the forecourts. Coming back to the Energy Union, UPEI does call for competitiveness to remain at the heart of each of the five dimensions and any initiative. We must remember that energy is a global market and Europe must remain competitive in the way it does business internally with a level playing field, as well as with the outside world. We need a realistic approach to meeting Europe's energy challenges, which embraces all players who are willing to contribute effective solutions. In this respect, Europe's independent fuel suppliers who are responsible for over one third of Europe's fuel supply, are ready to play their part. Their track record in terms of investments to maximise efficiency and to bring new products to the market speaks for itself.

In short, the challenges that Europe faces in terms of creating an Energy Union are ones that UPEI stands ready to address for its part. This is an exciting time to step into the Presidency's shoes and I look forward, in due course, to looking back on what is already proving to be a very intense 2015! ●

Thierry De Meulder

2014 ACTIVITY REPORT

2014 has been a year of transition not only for Europe, with the election of a new European Parliament and the installation of the new European Commission, but also for UPEI.



AN INTENSE YEAR OF ADVOCACY

On the political agenda, UPEI has continued to focus its efforts on raising awareness amongst EU politicians and decision makers of the context within which independent suppliers of refined petroleum products operate. In particular UPEI has been stressing **the need for a level playing field**, in order to effectively continue to supply Europe's businesses and households with a secure and affordable supply of energy – both refined petroleum products and their alternatives, principally biofuels.

On the legislative process, UPEI was particularly active in defending the interests of these independent businesses with regards to the implementation measures for article 7a of the **Fuel Quality Directive** (FQD) and the proposed new targets for biofuels in transport to take account of indirect land use change (ILUC). UPEI heralds the final decision on the implementation measures for article 7a of the FQD as a particular success. Any alternative to the decision to adopt average default values for reporting on feedstocks for the determination of greenhouse gases intensity of road transport fuels would have, at best, posed an intolerable administrative burden on fuel suppliers and, at worst, risked non-compliance due to the non-availability of the data, given the complex supply chain for petroleum products. Independent companies represented by UPEI could have been forced out of the market as a result.

On **ILUC**, it seems that a workable compromise has now been achieved between the Council and the European Parliament. This framework has been long awaited in order to put an end to the regulatory instability which has been so detrimental to the attraction of much needed new investment in the biofuels sector.

The **directive on the deployment of alternative fuels infrastructure** was adopted in September 2014. UPEI welcomes the more realistic targets (as compared to the original proposal) that were set in this directive. However, we continue to call for the need to take account of the medium and long term sustainability of the various fuel options that are promoted, as well as consumer behaviour and demand, if major progress is to be achieved in the implementation of this directive. Success is dependent on a **technology neutral approach** as well as a **functioning free market** in order for the necessary investments to be made and if targets are to be met.

With regards to the retail sector, UPEI engaged in advocacy activities relating to the **Payments Services Directive**, in order to safeguard the exemption of fuel card operators, given the limited range of services and network within which they operate.

UPEI is engaged in European **standardisation** efforts through its participation in the CEN (TC19) and welcomes the decision to create a new committee on fuel labelling and consumer information.

ONGOING CHALLENGES

As the umbrella organisation of independent European fuel suppliers, UPEI has continued to actively promote **the need for fair trading conditions** for its members in an open and competitive market. Given that this sector is responsible for over one third of the supply of refined petroleum prod ucts in Europe, these basic parameters are essential in order for UPEI's members to continue to play their role in delivering a secure and competitive energy to Europe's economy. The **EU Refining Forum** is a key platform for exchange and discussion on the competitiveness and regulatory framework of Europe's refining sector. UPEI's role in this forum is both to engage as a partner of Europe's refineries, but also to ensure fair competition in the import of petroleum products and their downstream supply and distribution.

Nevertheless, **hidden barriers to trade are a constant challenge**. These can arise from differences between Member States in their transposition of EU legislation, or the introduction of specific measures to promote or restrict specific economic activity. This continues to be a particular challenge for biofuels where operators must navigate through a field of 28 different legal frameworks governing tax concessions, mandatory blending plans and eligibility of different feedstocks. This has been highlighted in the matrix produced by UPEI in 2011 and which was updated in 2014 (see insert) and further information is provided in this report under the section "Focus on Biofuels".

Equally, UPEI has been calling for **transparency and equal treatment between all energy sources** in delivering a secure energy supply for Europe and the transition to a low carbon economy. In the case of oil, this is achieved through the compulsory stocks obligation. UPEI welcomes that addressing **storage and stocks** of electricity and gas are now included in the European Commission's agenda for 2015/2016.

The never-ending story of the revision of the **Energy Taxation** Directive finally came to a close, with the withdrawal of the proposal by the European Commission in the absence of an agreement amongst Member States. This thorny problem will remain one that UPEI will continue to monitor given its significance for the sector.

BUILDING ON UPEI'S ACHIEVEMENTS

Finally, in 2014, UPEI adopted **new Statutes** for the Association bringing increased transparency into its operations and to decision making, as well as enlarging the Presiding Board to harness a broader range of expertise to head the association. A **Code of Ethics** was also adopted, reflecting UPEI's commitment to act to the highest professional standards in all aspects of the business of the individual members as well as an association. With these developments, UPEI and its membership are well positioned to embrace the challenges of 2015 and beyond. ●

STRUCTURE OF UPEI

COUNTRY REPORTS

BELGIUM

UPB – BPU : UNION PÉTROLIÈRE BELGE / BELGISCHE PETROLEUM UNIE
(National Association)

Prices on the NYMEX and the ICE went down dramatically in the second half of 2014 by almost 50%. This is due to a slow economic situation worldwide, the fact that OPEC did not adapt its production to the new parameters and that the US is established as a major producer of shale gas and shale oil, thus no longer reliant on importing fossil fuels.
In Europe, the refining sector is still struggling for profitability. Over the last few years, huge new refineries were built in Asia and the Far East. Those new, state of the art refineries have a much lower processing cost than the existing refineries in Europe. At least 20% of the refining capacity is expected to close in the near to mid-term in Europe.

VOLUMES

CONSUMPTION OF OIL PRODUCTS (IN 1000 M³)	YEARS		TREND (%)
	2013	2014	
Diesel	8 236	8 199	-0.44%
Gasoline	1 643	1 738	+5.46%
Heating Oil	6 548	4 309	-34.67%

The sale of diesel decreased slightly, gasoline was higher due to a switch of diesel cars to gasoline cars and heating oil sales were marginally lower, due to better insulation, more efficient central heating systems and the very mild winter in 2014 compared to 2013. A survey indicated that about 750,000 existing central heating oil systems will be due for replacement in the near future. New installations means lower energy consumption and thus heating oil sales are expected to continue to decline in the future.

COMPULSORY OIL STOCKS

The European Commission changed the calculation for the Compulsory Stock Obligation in Europe's Member States. Consequently, Belgium reduced the obligation / volumes from 4,306,050 Metric Tonnes to 3,470,300 Metric Tonnes. This resulted in Belgium becoming a net seller of Compulsory Stock Obligation. In order to fulfil the 90 days obligation, Apetra (responsible for compulsory stocks of oil in Belgium) sold CSO tickets and not products.

HEATING OIL

Informazout is the organisation, created by the petroleum sector, for the promotion of heating oil in Belgium. The last decade can be identified as the «year of renewable energy». Informazout, in combination with the UPB and its members, has been working closely together in order to integrate renewable energy in the general heating landscape. ●

CROATIA

HUP : HRVATSKA UDRUGA POSLODAVACA-UDRUGA ENERGETIKE
(National Association)

In 2014 the aggregate energy consumption fell, but towards the end of the year a rise in diesel demand in particular emerged, reflecting a pick-up in industrial production driven by a stronger EU economy. An important reason for the aggregate decline in oil product demand is the multi-year structural decline in fuel oil demand. A warmer winter influenced the 9% year over year fall in domestic natural gas consumption while electricity consumption fell 1.8% year over year. The fall in oil product prices in the final quarter of 2014 is unlikely to have influenced near term demand, however, lower prices should positively affect demand in 2015.
Croatia's further integration into the EU energy market resulted in the implementation of EU environmental requirements and continuous work on reducing energy demand and GHG emission levels. This remained as one of the significant cost elements for the main companies in the energy sector.
Intended investments in security of supply will solve Croatian internal needs for energy stability and contribute to the security of supply of the whole region. ●

CZECH REPUBLIC

SČS : UNIE NEZÁVISLÝCH PETROLEJÁŘŮ ČR, Z.S.
(National Association)

EUROWAG : W.A.G PAYMENT SOLUTIONS A.S
(Company)

In the Czech Republic, gasoline consumption is in constant decline: since 2007, consumption has decreased by 5%. Between 2013 and 2014 a slight increase in consumption could be observed, due to a relatively mild winter and the low oil prices.
With regard to diesel, consumption is increasing for a number of reasons, including the slight difference between diesel prices in the Czech Republic and the neighbouring countries (due to increased taxes in the latter and the weak CZK to Euro exchange rate) and the growing shift towards diesel-powered passenger cars.
The Czech Republic has over 7,000 petrol stations, 3,800 of which are public.

CONSUMPTION OF OIL PRODUCTS (IN KT)	YEARS		TREND (%)
	2013	2014	
Diesel	4144 (incl. bio components)	4359 (incl. bio components)	+5.1%
Gasoline	1570 (incl. bio components)	1577 (incl. bio components)	+0.4%
LPG	234	271	+15.8%
Heavy Fuel Oil	76	58	-23.7%
Heating Oil	25	15	-40%

COMPULSORY OIL STOCKS

In the Czech Republic, compulsory oil stocks are regulated by a Government based agency. However, part of the stocks have been stored by a private company located in Germany, which recently went bankrupt. Oil reserves have consequently been considered assets of the company and have not been returned to the Czech Republic. As a result, future oil stocks will be stored only in the national territory.

RETAIL STATIONS

A number of new acquisitions were concluded in 2014. Lukoil sold its petrol stations to Slovnaft (MOL Group), which has also acquired ENI's petrol stations.
With regard to refineries, ENI owns 34% of the Czech refining company. At the same time, Unipetrol (Orlen Group) took advantage of the right of pre-emption. This merger was challenged by SCS and the final decision is in the hands of the Czech Office for the Protection of Competition.

TAXATION

SČS filed a complaint to the Constitutional Court against the introduction of collaterals for fuel distributors. By mid-2015 the law will be amended and collaterals will be lowered for smaller market players.
Because there is no agreement at EU level with regard to the extension of the EMCS (i.e. misuse of some lubricants as diesel), the Czech Republic approved a new amendment to Act N. 311/2006 on fuels. This amendment states that all traders dealing with those specific lubricants must be registered with the customs authorities and any trading of such products must be reported in advance. •

ESTONIA

OLEREX AS
(Company)

100% of the oil products consumed in Estonia are imported from refineries operating in neighbouring countries, particularly Lithuania and Finland. A minor share of oil products is imported from the Baltic and the Belarus refineries, by railway.
Orlen and Neste are the major wholesalers operating in Estonia, supplying products from the Mažeikiu refinery in Lithuania and the Porvoo refinery in Finland, respectively. The strong competition between these two major importers keeps the market very competitive, creating high barriers for other possible players and keeping wholesale premiums low.
In total there are only 10 oil importers operating in the Estonian market who have secured their rights as importers by filing a guarantee worth 1,000,000 EUR in favour of the Estonian Tax Department, as stated in the Liquid Fuels Act of 2003.
Whilst the market share has been dominated by supplies coming from the Lithuanian Mažeikiu refinery, in 2014 the four biggest oil retailers were supplied by the Finnish Porvoo refinery. In 2015, Mažeikiu managed to regain some of its market share.
In 2014 total oil consumption in Estonia increased by 3.9% to 1,151 million litres, (the highest increase in the past 5 years). This consumption is also the highest since the financial crisis in 2008. Oil consumption broken down by products (in millions of litres) is as follows:

CONSUMPTION OF OIL PRODUCTS (IN MILLION LITRES)	YEARS		TREND (%)
	2013	2014*	
Diesel	720	761	+5.38%
Gasoline	327	t323	-1.22%
Heavy Fuel Oil	1	1	-

During the last six years (period 2009-2014), a significant shift in consumption between gasoline and diesel was observed. Gasoline consumption decreased by 19.4% whilst diesel consumption increased by 21.1%.
The sharp drop in oil prices in 2014 led to a slower decline in gasoline consumption, which amounted to -1.2%, compared with -3.7% in 2013. A similar trend was observed for diesel: in 2012/2013 diesel consumption decreased from 4.9% to 0.1% whilst in 2014 the consumption of diesel increased by 5.6% as a result of the price plunge.

RETAIL STATIONS

At the retail level, the market is characterised by a large number of service stations compared to the size of the country. There are around 500 filling stations (on average only 3,500 citizens per station compared to the EU average of 5,000), of which 128 are unmanned. The five largest operators are Olerex, Statoil, Neste, Alexela and Lukoil, which together operate 65% of all stations. The remaining filling stations are either operated by small retailers or are family owned, many of them unmanned. In terms of volumes sold, the TOP5 retailers together control more than 85% of the retail market.
There are clear signs that competition in the retail market increased in 2014. In addition to Olerex, Statoil, Neste and Alexela, who have invested in the new stations or renovated the existing ones, a number of smaller retailers have launched their renovation projects as well. Due to the keen competition in the retail market, margins have decreased. It was notable that thanks to the rapid fall in world market prices, gasoline RON95 was sold at the retail price of 0.999 EUR/litre and even less in several parts of Estonia, throughout the second half of December.
In 2014, the government-supported programme (Estonian Electromobility Programme – ELMO) was completed. Through that programme, the Government supported the purchase of new Electric Vehicles (EVs) with a maximum benefit of up to 18,000 EUR. As a result of this support the number of EVs in Estonia jumped to 1,300. The total support amounted to 10.5 million EUR.
In the alternative fuels sector, the focus is continuously on LPG. The consumption of LPG is increasing every year, and the number of LPG stations has doubled in recent years.
Due to its direct dependence on the natural gas network, which is not available everywhere, CNG is not so popular. Currently there are five CNG filling stations active in Estonia. However, the development plan of the monopolistic gas supplier Eesti Gaas provides for further construction of new natural gas filling stations and the launching of non-commercial CNG filling stations for transport enterprises, if necessary.

TAXATION

The Estonian Tax Department has been successful in competing with the grey market. In October 2014 the Estonian Tax Department declared that VAT payments by the oil companies had increased by 38% year-on-year, which makes an extra 30 million euros for the state budget. •

FRANCE

FFPI : FÉDÉRATION FRANÇAISE DES PÉTROLIERS INDÉPENDANTS
(National Association)

CONSUMPTION OF OIL PRODUCTS	YEARS		TREND (%)
	2013	2014*	
Diesel (m3)	40 558 692	40 718 191	+0.4%
Off Road Diesel (m3)	5 152 425	5 247 462	+1.8%
Gasoline (m3)	9 363 446	9 367 799	-
Heavy Fuel Oil (tonnes)	851 744	609 555	-28.4%
Heating Oil (m3)	9 243 865	7 557 088	-18.2%

Statistics on the various distribution channels are not available. However, the market share of independents represented by FFPI is estimated at around 5% for fuels and about 24% for heating oil and off-road fuel.

OBLIGATION TO IMPORT PETROLEUM PRODUCTS BY VESSELS UNDER THE FRENCH FLAG

In France, 5.5% of crude oil import volumes are required to be chartered on ships under the French flag. The French mercantile marine is in difficulty because the gross tonnage of crude products for refineries is decreasing. As a result, at the request of ship owners, the French Government introduced this obligation, based on the volumes of refined products placed on the consumer market.
To comply with this obligation, all French importers of refined products must come together to create a structure and pool contracts to cover charter capacities under the French Flag.

ECOTAX

The Ecotax charged on trucks over 3.5 tons (French and foreign) travelling on French roads was finally abandoned following the various dissatisfactions arising from this provision. ●

GERMANY

MEW : MITTELSTÄNDISCHE ENERGIEWIRTSCHAFT DEUTSCHLAND E.V.
(National Association)

Petroleum consumption in Germany showed a slight decline of 2.1% in 2014. The trend was set by the drop in sales of heating energy due to weather conditions. The trend in sales of motor fuels took the opposite direction: demand for diesel reached a new record high, and sales of motor gasoline rose again after a long phase of decline. Taken as a whole, combined sales of gasoline and diesel reached more than 54 million tonnes. The main reason is the relatively good economic situation in Germany with record employment.
The refineries in Germany operated profitably, producing 100 million tonnes of petroleum – slightly less than in 2013. Overall, product imports were also down – to 37 million tonnes. Imports of diesel were up as a result of the good demand situation.
*provisional

RETAIL STATIONS

In 2014 there were 14,209 filling stations operating on the German market.
Aral (2,377 outlets) and Shell (1,985 outlets) are the largest suppliers on the German retail market. The bft (Bundesverband Freier Tankstellen e.V.), a member of MEW, has 500 member companies with a total of 2337 filling stations and 39 motorway outlets. Its share of the retail market is stable at around 15%. The bft filling stations are run under the association's brand "bft" or member company brands such as "Oil!", "Q1", "ED", "BK" or "Allguth".
2014 was dominated by the establishment of the Market Transparency Unit. Today virtually all filling stations in Germany belong to this system. The data provided make it possible to supply almost real-time information about fuel prices for motorists with smartphone apps. Tests have revealed that about 40% of motorists know about these apps and actually use them.
About 75% of fuel supplies to filling stations come from refineries in Germany and 25% from imports, especially from the ARA region.
The total number of CNG and LPG filling stations has shown a slight rise. However, the industry is holding back on investments in this sector and waiting to see whether the tax concessions so far granted for the two products will continue beyond 2017. Without these tax concessions neither product would be competitive. Technologies such as hydrogen or LNG do not yet play any role on the filling station market. E10 continues stable at a low level with a market share of about 15 – 20%.
The development of electric mobility is being kept under close observation. In future the installation of high-speed charging stations could well fit into the filling stations' product portfolio. At the moment, however, these are model projects.
The minimum wage which came into force in 2015 presents the operators with considerable challenges. Its impacts on price levels have yet to be seen. The profit margins on fuel, which are in any case slim enough in Germany, do not leave the operators much room to manoeuvre.

HEATING OIL

Sales of heating oil dropped by 15.2% to 16.8 million tonnes - a new low record (the maximum level of 50.6 million tonnes was reached in the year 1978). The trend was set by warm weather conditions, which also put demand of natural gas and LPG under pressure. Falling prices could not stop the downward trend; in December 2014 heating oil was as low as in 2009. Furthermore, the price level of heating oil undercut even prices of natural gas – for the first time in four years.

CLIMATE TARGETS IN THE LÄNDER

In addition to the climate targets at European and national level, the German Länder (federal states) are setting and implementing their own climate targets, which are increasingly stringent.
With roughly one third of Germany's energy production, North-Rhine Westphalia is the country's most important energy region. Lignite and hard coal are the main sources of energy, with the result that greenhouse gas emissions are correspondingly high: more than one third of the climate-relevant gases emitted in Germany are attributed to North-Rhine Westphalia. This region is now aiming to cut greenhouse gas emissions by at least a quarter by 2020. By 2050 the reduction is to be at least 80%.
In Baden-Württemberg, governed by the Greens and Social Democrats, emissions are also to show a reduction of 25% by 2020, and as much as 90% by 2050.
The government of Rhineland-Palatinate is aiming at a further reduction in greenhouse gas emissions, targeted at 40% by 2020, and if possible 100%, but at least 90%, by 2050.
The Länder are pushing ahead with strict rules in the heat sector as well: in Baden-Württemberg the share of renewable energy in the heat sector is to be doubled from the current 8% to 16% by 2020. To this end, a legal obligation has been introduced to use at least 15% renewable energy in residential buildings.
This patchwork of small-scale approaches has mainly resulted in competition between the Länder to outdo each other on paper. It is not in line with the national targets. It would therefore be better to develop a consistent overall strategy covering all the Länder. ●

CONSUMPTION OF OIL PRODUCTS (IN KT)	YEARS		TREND (%)
	2013	2014	
Diesel	34,840	35,587	+2.1%
Gasoline	18,422	18,527	+0.6%
LPG	3,383	2,846	-15.9%
Heavy Fuel Oil	4,422	4,296	-2.8%
Heating Oil	19,829	16,807	-15.2%

HUNGARY

MABANAFT HUNGARY KFT
(Company)

Crude oil represents about 25% of prime energy source of Hungary. Close to 6 million tons/year, crude oil is processed in a local refinery of which only about 10% is domestic production. The remainder is imported mainly from Russia through the Friendship Pipeline and partly from the Adriatic seaport Omisalj via the Adriatic Pipeline.
Due to its logistical advantage, domestic refinery coverage is about 90%, meaning that the motor-fuel import is only roughly 10% of the total consumption.

CONSUMPTION OF OIL PRODUCTS *(in litres)*	YEAR 2013	YEAR 2014	TREND (%)
Diesel	1 591 947 459	1 733 690 871	+8.9%
Gasoline	1 187 240 578	1 222 248 566	+2.9%

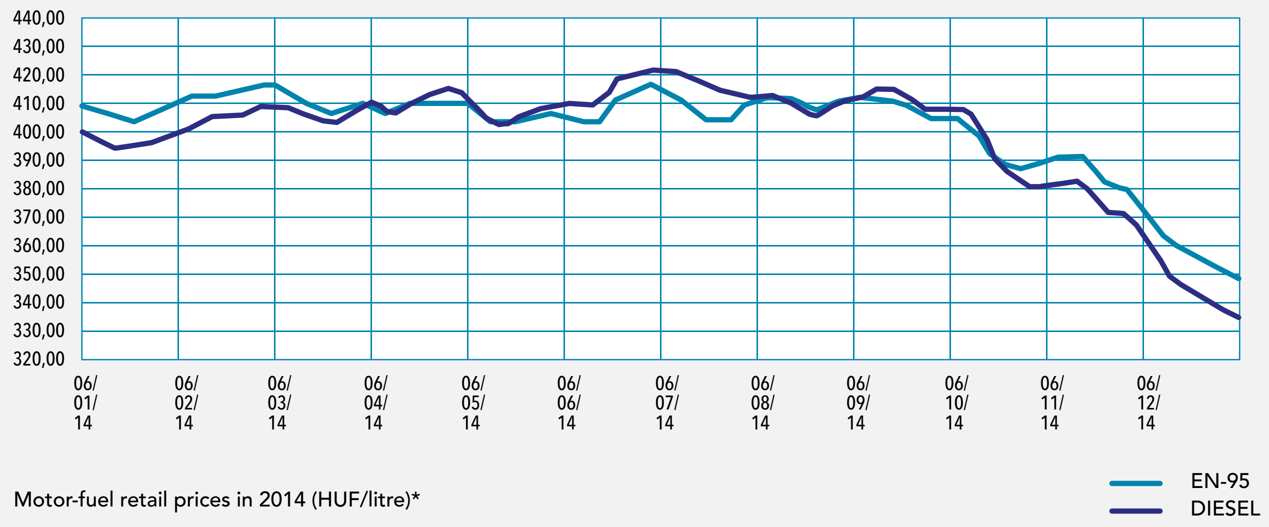
The market is dominated by MOL Hungarian Oil and Gas Co. Ltd., which own and operate the sole refinery and both the crude and product pipeline system. Consequently the Hungarian wholesale market aligns prices to the wholesale prices quoted by the pacesetter and based on import parity: FOB ROT and CIF Med Platts quotations, adding up all import costs (incl. freight, storage, financing, USD/HUF exchange rate, excise duty, VAT, etc).

RETAIL STATIONS

There are about 1950 filling stations in Hungary.
Consumption of motor fuels slowly returns to the level of 2008 after almost a decade of depression.
Major market players are associated into the Hungarian Petroleum Association: EniHungária Zrt., Normbenz Magyarország Kft. (owner of LUKOIL brand in Hungary), MABANAFT HUNGARY Kft., MOBIL PETROL Hungary Zrt., MOL Magyar Olaj- és Gázipari Nyrt., MOL-TRADE-Mineralimpex Zrt., OMV Hungária Ásványolaj Kft., OPAL Tartálypark Zrt., Shell Hungary Zrt., Terméktároló Zrt. Their aggregated consumption is shown on the table below:

HEATING OIL

Heating oil consumption decreased to marginal a decade before due to the excise duty applied (equal to diesel motor-fuel!) and the extremely high natural gas pipeline coverage of the country. ●



Motor-fuel retail prices in 2014 (HUF/litre)*

IRELAND

DCC ENERGY LIMITED
(Company)

The total fuel market in Ireland is estimated at 6.1 billion litres for 2014, relatively unchanged since the previous year (-0.8%). Auto diesel and petrol represent 46% and 24% of the overall market respectively, the remainder comprising marked gas oil (14%), kerosene (14%) and fuel oil (1%).
Between 2010 and 2014, the market saw a decline in overall volumes of fuel oil (-46%) and marked gas oil (-23%), largely as a result of decreased economic activity. Kerosene volumes were down 32% on 2010. Petrol volumes decreased 23% in the period while diesel volumes rose an overall 10%.

CONSUMPTION OF OIL PRODUCTS *(in Kt)*	YEARS 2013	YEARS 2014	TREND (%)
Diesel	2,626,133	2,820,661	+7.41%
Gasoline	1,573,874	1,489,275	-5.38%
LPG	n.a.	n.a.	n.a.
Heavy Fuel Oil	55,421	54,943	-0.86%
Heating Oil	929,579	880,118	-5.32%

Based on NORA returns 2010-2014

Comparison between 2014 and the previous year showed a slowdown in the rate of decline of fuel oil (-1%). However the rate of decline in consumption of marked gas oil was over 11% (almost twice that of each of the previous years back to 2010), illustrating a change in practice driven by compliance initiatives introduced by the Irish Revenue Commissioners during 2013. Marked gas oil is the product of choice for diesel laundering, which had been a significant issue in the Irish market. Compliance obligations (via monthly returns to Revenue Commissioners) are now such that marked gas oil is identifiable once it leaves the legitimate supply chain. This was followed in 2013 by rigorous new trading provisions that strengthened the authorities' ability to address those traders involved in supplying fuel to launderers, whether directly or indirectly.
In terms of transport fuels, diesel and petrol volumes in 2014 changed by +7% and -5% respectively, indicating opposing pressures affecting consumption, namely reductions in demand due to economic factors (in particular within the road freight sector) and a consumer switch from petrol vehicles and kilometres travelled. (1)

COMPULSORY OIL STOCKS

Ireland is obligated under EU legislation and IEA rules to maintain a minimum of 90 days stock of oil in case of a physical shortage of supply. This is managed by the National Oil Reserves Agency (NORA). The obligation is met by a combination of:

- Stocks owned by NORA and stored in Ireland and in other EU member states with whom Ireland has concluded a bilateral oil stock holding agreement.
- Stocks held by NORA under short term commercial contracts ("Stock Tickets") stored in Ireland and in other EU member states with whom Ireland has concluded a bilateral oil stock holding agreement

The Department of Communications, Energy & Natural Resources (DCENR) determines the volumes of oil stock NORA is to hold on an annual basis. The current minimum for 2014 is:

- 1.4 million tonnes of refined product
- 70,000 tonnes of crude

RETAIL STATIONS

There were estimated to be around 1,700 retail sites operating in the Republic of Ireland in 2013 (a net increase on 1% on 2012), with this largely unchanged in 2014. Fuel labelling is not currently an issue, with no significant penetration of additivised or premium fuels.

HEATING OIL

Kerosene volumes comprised 14% of the overall fuel market in Ireland in 2014, showing a decline of 5.3% on the previous year on the back of a milder-than-average winter period. Typically volumes are extremely reactive to seasonal temperature levels, and total market volumes for 2014 (880 million litres) were at their lowest since 2010 (1.3 billion litres) (-32%), which was perceived as a particularly harsh winter.

TAXATION

Excise duty on oil, i.e. Mineral Oil Tax (MOT), varies by product as shown below. Light oils, including petrol, have the highest rates. Diesel is taxed at slightly lower rates. The MOT rate on Marked Gas Oil is just under a fifth of the auto diesel rate.
Carbon charges are an integral component of MOT and are shown separately here for information purposes. VAT is applied on the sale of oil, at the standard rate (23%) except for 13.5% on Marked Gas Oil and Kerosene. VAT applies on the excise-inclusive price. ●

€/1000 LITRES	NON-CARBON	CARBON CHARGE	TOTAL MOT RATE
Petrol	541.84	45.87	587.71
Aviation Gasoline	541.84	45.87	587.71
Auto-Diesel	425.72	53.30	479.02
Off Road Diesel /Marked Gas Oil	47.36	54.92	102.28
Fuel Oil	14.78	61.75	76.53

ITALY

ASSOPETROLI – ASSOENERGIA
ASSOCIAZIONE NAZIONALE COMMERCIO PRODOTTI E SERVIZI ENERGETICI
(National Association)

In 2014, in Italy diesel sales amounted to 22,794,000 tonnes (+1.8% compared to 2013), while sales of gasoline decreased to 7,880,000 tonnes (-1,8% compared to the previous year). Sales of gasoline and diesel in the wholesale market, +20.3% and +7.5% respectively, and an increase of 2.1% in LPG consumption are just a few positive aspects of 2014.
Sales of heating oil in 2014 dropped by 20.7% , to 1.098.000 tonnes.

CONSUMPTION OF OIL PRODUCTS *(000/ton)*	YEARS		TREND (%)
	2013	2014	
Diesel	22400,0	22794,0	+1.8%
Gasoline	8025,0	7880,0	-1.8%
LPG	1537,0	1570,0	+2.1%
Heating Oil	1385,0	1098,0	-20.7%

TAXATION

With regard to excise duties, the level of taxation applied in Italy is considerably high compared with the other Member States and with the minimum level of taxation, as set in the Energy Taxation Directive n. 2003/96/EC (ETD).

PRODUCTS	NATIONAL LEVEL	MINIMUM LEVEL OF TAXATION *(ETD 2003/96/CE)*
Gasoline	728.4 (€/1000l)	359 (€/1000l)
Diesel fuel	617.4 (€/1000l)	330 (€/1000l)
LPG fuel	267.77 (€/1000kg)	125 (€/1000kg)
Heating oil	403.21 (€/1000l)	21 (€/1000l)

The last SIA differential (Stacco Italia Accise) between Italy and the 28 European Countries referring to the fuel sector, shows that the tax component for gasoline (national excise duties + VAT) reached the level of 63,75% of the average consumer price, while for diesel the level of 59,73%.

RETAIL STATIONS

In 2013 there were estimated to be around 23000 retail sites operating in Italy (a decrease of 2% compared to the previous year), with an average fuel throughput of around 1300 cubic meters. ●

LATVIA

LDTA : LATVIJAS DEGVIELAS TIRGOTĀJU ASOCIĀCIJA
(National Association)

The oil products market in the Republic of Latvia is relatively small compared with other European countries. Total transport fuel sales in 2014 were 1.113.566 Kt. This is about 5.90% more than in 2013, when total sales amounted to 1.051.486 Kt.
There have been changes in the proportions of fuels – the share of gasolines fell from 31.90% in 2009 to 18.40% in 2014, diesel increased from 66.14% in 2009 to 76.37% in 2014 and LPG rose from 1.96% in 2009 to 5.22% in 2014.
70.0% of the total oil products sales in 2014 were made through petrol stations and 24.5% of all oil products sold were delivered to wholesale end users, such as transport companies, bus companies, agricultural companies (- 4% in comparison with 2013). As of 31 December 2014, there were 609 licensed petrol stations operating in Latvia. The corresponding figure for 31 December 2013, was 619 petrol stations operating in the territory of Latvia.
With regards to regional characteristics, Latvia is one of the few member states of the European Union that do not have a petroleum refinery industry. In 2014 gasoline was supplied by Lithuania and Finland and diesel came from Lithuania, Finland and Belarus, whilst LPG came mainly from Russia.
As in the other Baltic countries (Lithuania and Estonia), one major problem in the Latvian fuel market is the presence of illegal fuel. In general, there are two means of penetration, i.e. using standard fuel tanks of vehicles from Russia and Belarus, and using tank trucks from other EU countries under tax fraud schemes.
Given the differences in fuel tax, retail prices in the neighbouring Eastern countries are half of those of Latvia. This is related to the fact that the minimum rates of excise duty set by the European Union and VAT of 21% are applied in Latvia.
The current law allows motorists to cross the Russian-Latvian and Belarus-Latvian border without paying taxes for fuel, provided it is in standard containers (regardless of size) and is for their own use. Starting from 1 January 2012, rules came into force restricting the right of private persons to cross the border with excise goods (fuel, alcohol, tobacco) without paying taxes to a maximum of once every 7 days.
Unfortunately, there are no requirements that apply to commercial transport, unlike Poland and Finland where there are limits to the amount of fuel carried in tanks.
Heavy vehicles of international freight carriers are rare visitors to Latvian retail stations. Transport companies set up cost-saving schemes under which a truck, before visiting the EU Member States, travels to the Russian Federation and fills its standard fuel tanks before re-entering Latvia (the standard volume of the fuel tank offered by motor dealers is up to 1500 litres). Consequently, they can travel 3-4 thousand kilometres through many countries and come back to Latvia without refuelling under the European Union tax regime – thereby avoiding paying excise duty and VAT.

COMPULSORY OIL STOCKS

Under the existing legislation, Latvia has compulsory oil stocks purchased as full service from Latvian and EU companies with annual announcement of an open tender. The total storage volume corresponds to at least the average daily net imports for 90 days. The stocks use the real products. "Tickets" are not allowed. ●

NETHERLANDS

NOVE : NEDERLANDSE ORGANISATIE VOOR DE ENERGIEBRANCHE
(National Association)

In 2014, most fuel resellers in the Netherlands found their sales volumes declining.
The average decrease in sales for fuel stations was more than 6%, whilst those near the borders of Germany and Belgium were affected by even bigger losses of up to 15%. Fuel suppliers to home bases of international trucking agencies also experienced decreases in turnover.
Heavy fuel oil is also subject to a shift towards lighter fuel oil with less sulphur, due especially to international measures in the SECA area.
Meanwhile electric vehicles, which are fiscally supported by the Dutch government, are gradually being introduced into the Dutch territory.

CONSUMPTION OF OIL PRODUCTS *(in Kt)*	YEARS		TREND (%)
	2013	2014	
Diesel	6081	5593	-7.0%
Gasoline	3958	3835	-3.1%
LPG	266	204	-23.3%
Heavy Fuel Oil	11547	10420	-9.8%

Among other alternative fuels that are expanding fast are green gas and LNG, the latter both for trucks and for inland waterways. With regard to hydrogen, a public fuel station was opened in 2014.
There is pressure on the market due to increasing vehicle efficiency and the deployment of alternative fuels, and the future can be described as "less and diverse".

The market share of independent fuel suppliers in the Netherlands is 50% at the wholesale level (total volume) and 25% at the retail level (number of fuel stations).

TAXATION

The decrease in sales volumes can mostly be explained by the fiscal measures put in place by the Dutch government as of January 1, 2014, with increased taxes for diesel and LPG on top of the yearly tax indexation. In the light of these fiscal measures, the Netherlands climbed to first place for the highest tax rate for LPG in Europe and sixth place for diesel. In this context, the high gasoline tax rate has always ensured that the Netherlands take first place ahead among other countries in Europe. Consequently, passenger cars and trucks are fuelled across the border where prices are more competitive. Especially for LPG, the market collapsed. •

POLAND

PIPP : POLSKA IZBA PALIW PŁYNNYCH
(National Association)

In 2014 the Polish Chamber of Liquid Fuels (PIPP) took part in a number of legislative procedures in order to tackle the biggest problems of the Polish liquid fuel market and guarantee a better position for the independent sellers e.g. in the fields of black market, compulsory stocks, technical adjustments at service stations, simplification of the heating oil sale procedure, bio-components and biofuels amendments, as well as poor margins generated by retailers.
The production of fuel products is decreasing. In 2013 it was 24.34 million m3, whereas in 2014 it was 24.12 million m3, affecting mostly gasoline, diesel and light heating oil. Product sales also decreased (both gasoline and diesel fuel oil). This is due to the constantly growing black market and the lack of good mechving from low crude oil prices did not improve this situation, and retail stations are affected to a much greater extent than in the past years. Consumption shrank from 24.93 million m3 in 2013 to 24.58 million m3 in 2014.

COMPULSORY OIL STOCKS

On 22 July 2014 a new Act came into force on crude oil, petroleum products and natural gas stocks and the rules of conduct in emergency situations regarding fuel security of the state and disturbances on the oil market.
It changed the way compulsory fuel stocks are to be established and maintained. At the moment compulsory oil stocks are maintained by traders and producers, as well as to some extent by the state Material Reserves Agency. There are 146 subjects obliged to establish and maintain such stocks. The compulsory stocks amount to 68 days of the average daily carriage net of the crude oil equivalent. The number of days for the calculation will be systematically reduced.
The Compulsory Oil Stocks are only part of the whole Intervention Stocks System and are maintained alongside agency stocks established and maintained by the state organ, namely the Material Reserves Agency. This organ is responsible for the remaining 22 days of the average daily carriage net of the crude oil equivalent, which will be extended with each reduction of the obligation on the producers and traders. Although the number of days on the side of the companies is being decreased, they are obliged to pay for the stocks maintained by the Agency, and consequently payment obligations are increasing. This means that the support for business is only of a theoretical character. The financial burden is in fact no more than a mere replacement of the factual burden by the obligation to maintain the stock.

RETAIL STATIONS

At the end of 2014 there were around 6,480 retail petrol stations. Some of the existing petrol stations needed to be closed due to technical issues relating to fuel tanks and pumps, as well as regulations improving environmental protection. However the influence on the total number of petrol stations was not as great as expected, because new ones filled the gap. Nevertheless the number shrank by about 250 stations. It is expected that in 2015 existing and new operators (e.g. Total) will increase their petrol station numbers, and thus the overall total number.
The Polish retail market is under reconstruction as many retailers decide to join petrol station networks. It is estimated that there are currently around 33 networks active on the Polish market. Most of the petrol stations act under the logo of PKN Orlen S.A. and Grupa Lotos S.A., state owned companies (together around 2,200 stations). Nevertheless the significance of international and Polish private networks is growing. The number of petrol stations operating under international brands is around 1,400, whereas Polish independent brands account for around 740 stations. There are a further 2,000 stations operating outside any network and 170 stations belonging to supermarkets.

HEATING OIL

Due to the amendment of Art. 89 of the Excise Duty Act the legislature, together with the Ministry of Finance, the number of requirements which have to be met in order to use the reduced excise duty rate for heating oil has been reduced. The amendment came into force on 1 January 2015 and now places the onus on customs officials to prove that the light heating oil is being used for transport purposes. Thus, if there is a change of the purpose of the light heating oil, only the person in fact responsible for the change shall be obliged to pay the additional excise duty. Consequently small mistakes will not result in huge financial penalties for suppliers any more, as was previously the case.
Moreover some regulations dating from 2004 relating to excise duty for light heating oil were acknowledged to be inconsistent with the Polish Constitution, which opened the door for appeals for by those businesses which were affected by large fines for their activities in 2004.
The excise duty for light heating oil amounts to PLN 232/1000 litres, compared with PLN 1.171/1000 litres for diesel.

TAXATION

The Polish fuel market has been strongly affected by the sale of fuel products imported from third countries, and also within the intra-Community acquisition of goods procedure. A number of those transactions were not subject to VAT or excise duty payment or fuel fee. Thus the products could be sold at a much lower price that could not be achieved by companies operating in compliance with the law. The Ministry of Finance introduced new legal solutions, e.g. joint and several liability of the buyer for VAT and collaterals issued by the trader in the amount of around 2.4 million EUR for trading with other countries, which unfortunately did not produce the expected effects. Consequently the black market and fraudulent acts are still affecting the market. New legislative initiatives are under discussion. The independents emphasized the importance of the reversed charge system for this problem, as it is the only means of eliminating current problems concerning tax evasion and tax frauds. However, authorities quote that EU legislation does not grant the reverse charge solution for liquid fuels and believe that it will not produce the expected effects. Excise duty for all fuel products was reduced for 2015.

The rates of the public law burdens for particular products are listed below:

- Diesel – PLN 1,171/1000 l (excise duty); 23% VAT; PLN 129.41/1000 l (fuel fee);
- Gasoline – PLN 1,540/1000 l (excise duty); 23% VAT; PLN 288.05/1000 l (fuel fee). •

"Europe has a role to play in leading the way towards sustainable solutions to our energy and climate problems. But the transition must respect past investments and be managed fairly and competitively."

SLOVAKIA

SČSSR : SPOLOČENSTVO ČERPACÍCH STANÍC SLOVENSKEJ REPUBLIKY
(National Association)

The development of the petroleum industry and trade in Slovakia in 2014 followed the situation on the international oil market and the world economy.
Last year, Slovakia processed 5.8 million tonnes of oil, which represented an increase of more than 7% over the previous year. Of this quantity, 87% constituted light products. As a result of higher crude oil processing and increased demand for fuels, production of motor fuels increased by 138,000 tonnes to a total of 4,453 thousand tonnes.
Motor gasoline production reached 1,422 thousand tonnes, representing an increase of 13,000 tonnes over the previous year, thus representing an annual increase of 1%. Production of diesel reached 3,030 thousand tonnes, which represents about 124,000 tonnes more than last year and represents an annual increase of 4.3%.
The petrochemical division produced 409,000 tonnes of polymers – polyethylene and polypropylene –maintaining a high quality level and minimising losses and waste, which was an increase of 18% on 2013.
Production at the Bratislava refinery Slovnaft in 2014 was characterised by high operational stability, supported by a continuous supply of oil from the Russian Federation.
In 2014, for the seventh year, the Slovak Republic sold both key motor fuels - diesel and petrol - blended with bio-components. The Slovak Republic met the government's stated objective for the admixture of bio-components to fossil fuel.
The liberal, competitive nature of the Slovak oil market remained preserved last year, despite strong production overcapacity at the domestic refinery Slovnaft. Imports of major products – motor fuels – are saturating the total domestic consumption in Slovakia at about 34%. On average, every third litre of motor fuel bought by home consumers is imported from abroad.
As a result the Slovak market was fully supplied from domestic sources and foreign refineries. Within the country and around the border there is a sufficient amount of storage and logistical capacity owned by different companies competing with each other, which makes it easy to supply Slovak customers and also ensure a healthy competitive environment.
Gross domestic product in Slovakia in 2014 showed only a slight increase (NBS estimate of + 1.0%), which is naturally also reflected in the total consumption of oil, which was almost identical to the figures from 2013.
Traditionally high consumption was observed during the summer driving season, but the highest consumption was recorded in October mainly due to agricultural seasonal work.

FUEL TYPE	SALES VOLUME (IN THOUSANDS OF LITRES)	YEARLY CHANGE 2013 - 2014
BA 95 Petrol	618 441	-1.49%
BA 95 Petrol with Additives	27 825	+9.07%
BA 98 Petrol	13 137	+10.58%
Diesel	1 156 574	+6.29%
Diesel with Additives	51 789	+14.96%
LPG	34 538	+0.80%

The downward trend in the consumption of petrol which we have seen in recent years was confirmed in 2014. Total gasoline consumption in Slovakia declined year on year by about 5% and peaked precisely during the driving season in the summer.
Last year Slovak motorists paid average taxes of about €1.240 per litre of diesel and about €1.387 per litre of gasoline.
In the case of diesel, the average final price in 2014 was 23.6% lower than the average for 2013, and in the case of gasoline, the average final price in 2014 was 21.4% down on the average price in 2013. •

SLOVENIA

SNNK-WPC :
SLOVENSKI NACIONALNI NAFTNO-PLINSKI KOMITE SVETOVNEGA NAFTNO-PLINSKEGA SVETA
(National Association)

SNNK-WPC member companies hold an estimated 89% share of the Slovenian petroleum product market

CONSUMPTION OF OIL PRODUCTS (IN KT)	YEARS		TREND (%)
	2013	2014	
Diesel	1482	1542	+ 4%
Gasoline	621	600	-3%
LPG	77	75	-3%
Heavy Fuel Oil	71	65	-8%
Heating Oil	339	308	-9%

COMPULSORY OIL STOCKS

In 2014, a larger portion of the compulsory stocks of petroleum products of Slovenia was held as the physical, i.e. real stocks owned by the Agency, and a smaller portion was maintained as delegated stocks.
The enormous crude oil price drop in the second half of 2014, followed by the decrease in the value of the compulsory product stocks, caused a significant loss. No decision has yet been taken on how to cover the financial gap which will arise if the crude oil price stabilises at 60 USD/bbl.

RETAIL STATIONS

Slovenia had 546 (+1) filling stations in operation at the end of 2014. The SNNK-WPC association represents six retail organisations, running 488 (-3) filling stations. The members' market share in terms of filling station numbers is 89%.
The biggest member of the SNNK-WPC association and the number one in Slovenia's oil and gas business is the company PETROL, Ljubljana, which has a 58% market share in terms of the number of filling stations (it runs 315 filling stations).
The number two on the Slovenian retail market is the company OMV Slovenija, based in Koper. It has a 20% market share. They have 111 filling stations in operation. Important market players are MOL Slovenija, ENI Slovenija, SHELL Adria and INTERINA. Twenty-five small retailers, operating 58 service stations, cover the rest of the market (11%).

HEATING OIL

Domestic heating oil: consumption of domestic heating oil is permanently decreasing and being replaced by LPG combined solar systems and heating pumps.
Heavy fuel oil is used only for industrial purposes. The process of converting heating systems using heavy fuel oil to CHPP systems is in progress. Heavy fuel oil is planned to be replaced almost everywhere by natural gas.

TAXATION

The value-added chain of the Slovenian oil retail business is clearly put at risk by increased "hidden taxes" (communal fees, compliance with other technical and environmental requirements, etc.) without any provision for fiscal incentives.
An appropriate and stable regulatory framework reflecting market realities and the progressive liberalization of the fuel market in Slovenia are therefore essential in order to encourage long-term investments, contributing to Slovenia's security of supply and economic growth.
Furthermore, the excise duty policy in Slovenia needs to be reviewed in order to alleviate the impact of being less competitive than its neighbouring countries. In fact, high excise duties lead to a higher fuel price in Slovenia compared to Austria, Croatia and Hungary. Being also a transit country, Slovenia is already feeling the negative effects of the decreasing volumes sold at highway service stations which are falling by 10% every year. •

"Consumers remain at the heart of Europe's energy transition. Affordability and efficiency are the key."

SPAIN

UPI : UNIÓN DE PETROLEROS INDEPENDIENTES
(National Association)

In 2014, the total consumption of oil products (gasolines, all gas oils, heavy fuel oils, kerosene, LPG and others) diminished to 54,350 Kt (-0.5% vs 2013) due to drops in gasoline and other products (-13.7%), which were not offset by the growth of LPG (4.1%), kerosene (+2.7%), all gas oils (+0.4%) and heavy fuel oils (+3.7%).
Automotive fuels consumption amounted to 25,546 Kt with a rise in demand for diesel (+2%), while demand for gasolines decreased slightly (-0.8%).
As a consequence of the drop in crude oil prices from July until the end of the year there was a continuous downward trend in fuel prices. Differences between June and December in average prices before taxes amounted to 15 cents/litre for diesel and 19.5 cents/litre for gasoline. This trend has however been counteracted by other factors, especially by the high cost of the new energy efficiency requirement (see below).
In October 2014, the Spanish regulator CNMC issued its regular report on supervision of fuel prices at petrol stations, concluding that despite the decrease in final prices that started in July, so-called "gross margins" (which exclude taxes and product costs but not the remaining costs) went up compared to the preceding month. It also judged that Spain continued to occupy one of the highest positions in the EU with regard to pre-tax prices.

In this context, UPI issued a press release explaining that comparison of prices without taxes is still being realised on the basis of the European Commission's weekly Oil Bulletin, although this information is not homogeneous (member states use different criteria for selecting and treating base figures). The Spanish Energy Ministry itself addressed the lack of reliability of this publication in its website. Spain has asked for harmonisation of the member states' reporting methodologies, but in the meantime the CNMC continues to use the Oil Bulletin as a source of information for its regular reports without even including a warning about the margin of error. Other bad practices are also followed by the CNMC, such as using the term "gross margins" in a way that leads consumers to confuse this concept with net margins or profit. Another example is comparing international fuel prices and final prices in Spain, when the international prices represent less than half of the national final prices and taxes represent approximately half of the final prices.

CONSUMPTION OF OIL PRODUCTS (IN KT)	YEARS		TREND (%)
	2013	2014	
Diesel	20,513	20,932	+2.0%
All Gasolines	4,653	4,617	-0.8%
LPG	1,592	1,654	+3.7%
Heavy Fuel Oil	8,579	8,946	+4.1%
Heating Oil (kerosene)	5,124	5,267	+2.7%
LPG	1,586	1,654	+4.1%

COMPULSORY OIL STOCKS

The excess of stocks held by the national agency CORES has now reached 22% as a result of the decrease in consumption. Storing and financing this excess results in an additional cost of about 39 million EUR. This burden creates an unnecessary rise in the cost of maintaining strategic stocks (those stocks held by CORES), to the detriment of consumers and the competitiveness of the economy.
UPI has insisted on the need to reduce this excess or, alternatively, to reduce the companies' obligations.

The legal framework resulting from implementation of Directive 2009/119 remained unchanged. As explained in 2013, the obligation for member states to maintain stocks of 90 days of net imports of crude oil and oil products is being achieved in Spain with an obligation for companies of 92 days of internal consumption. This model means that the additional obligation, which is due to products commercialised only by refiners such as asphalt, lubes, coke, is being supported by all operators regardless of commercial activity with these products. This undoubted discrimination against non-refiners, which proves to be a competitive disadvantage for them, could be solved by replacing the current obligation imposed on the last wholesaler in the distribution chain by an obligation supported by manufacturers and importers.

ENERGY EFFICIENCY

Art. 7 of Directive 2012/27/EC was implemented by setting up an energy efficiency obligation scheme. The national target is distributed amongst the obligated parties in proportion to their sales. As regards the oil sector, the wholesaling distributors are designated as obligated parties. The individual savings obligations are to be fulfilled by a compulsory annual contribution to the National Energy Efficiency Fund, created for this purpose. This contribution equals the investments required to achieve the individual obligation (as a result of multiplying the unit cost of achieving one single gigawatt of savings by the number of gigawatts comprised in the obligation assigned to each party).
This contribution has not been formally acknowledged and legislated as an indirect tax, and is therefore contrary to the Spanish Constitution. Moreover, it means that such a high cost leads to losses for many of the independent companies. As a consequence, it puts at risk their survival and effective competition on the Spanish market. The scheme is also discriminatory in the designation of the obligated parties and in the distribution of the cost burden, which is contrary to the Directive (Article 7.4) and EU competition Law.
Associations and companies in the oil sector have started legal proceedings against the energy efficiency obligation scheme and the individual payments (as levies). ●

SWITZERLAND

AVIA INTERNATIONAL
(Company)

In 2014, sales of the main petroleum products in Switzerland totalled 9.7 million tonnes. This is a drop of 11.2% on the year before. The sharp decline is largely due to the decrease of 30.4% on the year before in sales of heating fuels – primarily extra-light heating oil. Roughly 72% of total sales were due to motor fuels (gasoline, diesel, aviation fuel). Absolute sales of fuel in the road traffic sector were slightly below the previous year's figure – despite an increase of 1.6% in the number of vehicles on the road (2014: 5,084,900), which reflects the further increase in fuel efficiency. The mild winter resulted in reduced heating oil sales.
The declining demand for motor gasoline that has been observed for some years now was maintained in 2014 with a drop of 3.9% on the year before. The main reasons for this development are the continuous improvement in the fuel efficiency of new engines and the trend towards buying less powerful cars.
Sales of diesel fuel, a large proportion of which is used in the construction and transport sectors, showed a further increase of 2.8% in 2014, exceeding sales of gasoline for the first time. The main reasons were the stable domestic economy, and also the increasing number of diesel-powered cars (their share of new registrations averaged out at around 37% in 2014). Today roughly one quarter of all cars on the road have diesel engines.
Sales of jet fuel were up 0.7% on the year before to 1.58 million tonnes. Both Zürich and Geneva airports recorded an increase in scheduled and charter flights compared with 2013. Both airports reported new passenger records: in 2014 the number of passengers using Zürich Airport exceeded 25 million for the first time, while passenger traffic at Geneva Airport topped the 15 million mark for the first time. On the whole, the aircraft were larger and better utilised.

The decline in overall sales compared with 2013 is largely due to massive drop of 30.2% in extra-light heating oil. The unusually mild winter was reflected in a decrease of 19.9% in heating degree days compared with the year before. Moreover, the increase in the CO2 levy on heating fuels as of 1 January 2014 probably resulted in many heating oil tanks being topped up before the end of the year.

CONSUMPTION OF OIL PRODUCTS (IN T)*	YEARS		TREND (%)
	2013	2014	
Diesel	2,626,221	2,700,675	+2.8%
Gasoline	2,802,597	2,693,704	-3.9%
Kerosene	1,571,864	1,582,501	+0.7%
Heating Oil	3,931,724	2,738,179	-30.4%

RETAIL STATIONS

On 1 January 2015 there were 3,480 publicly accessible branded filling stations in Switzerland. This represents a slight decline of 67 filling stations (-1.9%) compared with 1 January 2014. (However, this reduction should not be equated with effective closures of branded outlets. Not all brand affiliations of filling stations were known on 1 January 2015.) The AVIA companies continue to have the largest network with 609 stations, followed by Agrola (437), BP (362), Ruedi Rüssel (350) and Migrol (311). The changes observed in the course of the year are due to the dynamic state of the market.
At the end of 2014 a total of 1,297 filling station shops offered their customers the opportunity to combine smaller purchases with refuelling. In 2014 filling stations with shops accounted for 72% of total fuel sales, and are thus an important factor in competition between the branded companies. It is also clear that, on average, outlets with larger shops sell considerably more fuel than those with a smaller shop.
Last year 3,447 filling stations offered customers diesel fuel as well as petrol. Sales of fuel per filling station averaged 1.44 million litres in 2014, almost unchanged from the previous year's figure. The average quantity sold varied depending on the kind of service provided and the equipment and location of the filling station. Motorway service stations sold the most fuel, at 3.30 million litres per year, and unmanned filling stations sold the least, at 0.64 million litres. Both figures were down slightly on 2013. •

(Courtesy of Erdölvereinigung Switzerland)

UNITED KINGDOM

DFA : DOWNSTREAM FUEL ASSOCIATION
(National Association)

The UK, along with much of the rest of Europe, has seen a steady reduction in its refining capacity and a rationalisation in the downstream sector over the last decade. The last five years have been particularly dramatic. 2014 saw the demise of Murco's refinery in Milford Haven. Its future is planned as a storage and distribution facility. This comes just two years after the closure of the Coryton refinery operated by Petroplus, which has seen its conversion into a storage and import hub in the demand-heavy southeast of England stalled. In addition, Essar has mothballed a crude distillation unit at its Stanlow refinery in the northwest of England and Total has revealed plans to cut the capacity at its Lindsey refinery by half at the end of 2016.
The government's long awaited review of Britain's refining and fuel import sectors in the UK stated that "given the current over-capacity in product supply there is scope for further rationalisation in the UK without impacting on supply security". Since the publication of the report in 2014, the UK has seen the number of refineries reduce to six, coupled with a steady decline in domestic production and an increase in imports to meet UK demand. As part of its response to the report, the government announced the creation of a joint government and industry Midstream Oil Task Force to consider ways to ease regulatory burdens and market distortions. Whilst it is acknowledged that market forces will decide what supply configuration and balance prevails in the longer term, a package of actions is being worked on by the task force to help improve the operating environment within the UK sector. The Downstream Fuel Association, along with other industry stakeholders, is a member of the task force.

COMPULSORY OIL STOCKS

The UK's requirement to hold emergency oil stocks as part of its membership of the European Union and the International Energy Agency is projected to increase by over 40% over the next 15 to 20 years. This increase is driven by the UK's declining indigenous oil production. The actual timing and rate of increase of the obligation is uncertain as it depends on the rate of decline in UK oil production, as well as changes in the UK's demand for oil products.
Rationalisation and consolidation in the UK downstream oil industry in recent years has seen a number of assets closed and decommissioned, including storage facilities at refineries, import terminals and other storage sites in the UK. To meet the increasing oil stocking obligation, a significant investment in new storage capacity and working capital will be needed in the UK to meet the expected increase in the level of the obligation.
Industry preference is for a Compulsory Stocking Entity (CSE) to be Government owned, but this has been rejected by government and the proposal is for the CSE to operate as a private entity, owned by private economic operators with no government control.
The compulsory stocking entity project was initiated in June 2014 as a response to the government's request for a roadmap to enable the establishment of an industry-owned entity with compulsory membership. The roadmap has now been completed and the industry awaits the government's approval to proceed to implementation

RETAIL STATIONS

The UK has seen a dramatic decline in the number of forecourts year on year for some considerable time. However, 2014 saw that trend reversed with a modest increase in forecourts being reported. The trend for sites changing ownership continues, particularly the trend of oil companies divesting of their retail assets. With just over 8,600 forecourts in operation, the largest share of the market is taken by independent dealers with over 5,000 forecourts. Hypermarkets have some 16% of the market, with the remainder operated by oil companies.
When considering the volume of fuel sold, over 40% of all road transport fuel is now sold from a hypermarket forecourt. Total road transport demand last year was down for a fifth consecutive year, linked partly due to the downturn hitting nearly all categories of oil product consumption, as well as higher oil prices and improved vehicle efficiency. The share between petrol and diesel continues to shift in favour of diesel with 49% of new registered vehicles being diesel. Over 61% of the 43.4 billion litres of road fuels sold last year was diesel. •

EUROFUEL EUROPEAN HEATING OIL ASSOCIATION

(Associate Member of UPEI)

Eurofuel has been very active in Brussels making the case for the continued use of oil heating in the 20 million homes within Member States using gas oil or kerosene. It has suggested ways to reduce fossil fuel consumption through its multi-hybrid heating vision which sees gas oil and kerosene – or biofuels - playing an important role as safe and secure backup energy to renewable heat.

Professor Christian Kuechen of IWO in Germany resigned in February 2015 as Eurofuel Chairman, prior to taking up his new role as Chief Executive of The Association of the German Petroleum Industry (MWV) based in Berlin. Jeremy Hawksley, Vice-President has taken over and will be acting President until the Eurofuel General Assembly in late June 2015. Mr Hawksley is the Director-General of the UK and Republic of Ireland Trade Association, OFTEC.

Eurofuel has started to engage in social media and has a twitter account.

FIGHTING THE PROPOSED BAN ON THE INSTALLATION OF OIL FIRED BOILERS IN DENMARK.

The Danish government passed legislation which envisages the total ban on the installation of new or replacement oil fired boilers in properties that are able to be heated by mains gas or by district heating. Eurofuel took legal advice and in June 2014 lodged a formal objection to this legislation, on the grounds that it unfairly discriminates against oil heating whereas mains gas is not affected. Also the aims of the Danish Government to reduce GHG emissions can be achieved without interfering with the free movement of goods which is a foundation principle of the EU. Discussions are ongoing between the European Commission and the Danish government and some amendment (and possible withdrawal) of this legislation is envisaged.

The concern is that the Danish government could establish a precedent that will be taken up by other Member States in their attempt to reduce carbon emissions from buildings. The Norwegian government has proposed a similar ban from 2020 and it is understood that some German federal states may also be considering a ban.

ECODESIGN AND ECO LABELLING OF HEATING PRODUCTS.

The Energy Related Products Directive – Lots 1 and 2 concerns space and water heaters and will impose rigorous new standards onto heating boilers from 26th September 2015. The Directive has been the subject of continuous Eurofuel lobbying for a number of years. High efficiency oil condensing boilers will get a green "A" label, showing the high efficiency that could be achieved with these systems. In the UK and Republic of Ireland there was a particular risk that very low permitted nitrous oxide emission limits from boilers would be imposed, which would have made oil fired boilers very large and expensive. Due to Eurofuel activity, this was avoided through a special exemption being granted for boilers running on kerosene.

Eurofuel is also working closely with the Commission on the proposed revisions of the energy labelling directive and is conducting research into the controversial issue of which 'Primary Energy Factor' should be maintained in future calculation methods. The Eurofuel technical commission chairman is member of the consultation forum and is discussing improvements in the labelling system.

ENERGY UNION & 2030 CLIMATE AND ENERGY FRAMEWORK

Eurofuel has welcomed the new "Energy Union Paper" and the "2030 Climate and Energy framework" and that the new Commission has now included energy efficiency as an important target to achieve the envisaged objectives in the environmental sector. Eurofuel published a policy manifesto to explain its policy promoting multi energy hybrid heating systems; energy efficiency measures; and the development of bio-oil to complement fossil fuel oil in future. Eurofuel emphasises that there is no single solution for all buildings in the search for decarbonisation of heating. Many different solutions should be allowed and encouraged, especially if affordability is taken into account. ●

FOCUS ON BIOFUELS

Biofuels are a prime example of the flexibility that independent fuel suppliers offer in their ability to respond quickly to changes in the market. A number of UPEI's members have been amongst the first to supply biofuels on their domestic markets. However, the cross border supply of biofuels has been hampered by restrictions and mechanisms introduced at national level.

In addition, the lack of coherent implementation by Member States of EU legislation is creating a fragmentation of the market and barriers to, in particular, cross border trade of biofuels. This is insufficiently monitored today and the impact/cost of this lack of harmonisation is not taken into account.

UPEI continues to stress the need for a stable and predictable legislative framework and a coherent application of EU legislation across Member States. UPEI has drawn up a matrix which clearly demonstrates this problem, listing the different national legislation, taxation regimes and blending plans, highlighting the complexity of the EU biofuels landscape and the need for greater harmonisation. This is critical if the full potential of biofuels market penetration is to be met. Barriers to cross border trade should be eliminated.

BELGIUM

The Belgian law of 2006 granted subsidies to 7 "privileged" producers of biofuels, closing the market for other producers. The BPU (Belgian Petroleum Union) went to court against the Belgian Government in order to free the market for all producers of biofuels. The case is ongoing at the European Court in Luxemburg. The subsidies were granted to compensate the cost of the biofuels and the mandatory blending of it, but were not sufficient. Therefore the prices at the pump rose.
In the meantime, subsidies were reduced and even completely stopped and the mandatory blending percentages were increased. As Belgium still works with an official maximum price for fuels, the cost of biofuels and the cost of blending, have been integrated in the formula for calculation.

CROATIA

According to the Act on Biofuels for Transportation adopted in June 2009, fuel suppliers are obliged to place biofuels quantities on the domestic market pursuant to the National Action Plan published in 2011. The Act is currently being amended with the aim of introducing a reduction in the excise duty on biofuels pursuant to the Excise Duty Tax Act for blending up to 5% which is due to the fact that as of 1 January 2015 the system of incentives for biofuels production was abolished.
As of 1 July 2013 biofuels placed on the Croatian market have to comply with the sustainability requirements pursuant to the Renewables Directive 2009/28/EC. Biofuels which are made from waste are double counted towards the bio quota. According to the current Act on Biofuels for Transportation, fuel suppliers must pay a penalty for each unit of biofuel not supplied (kn/MJ) to the domestic market, but a monitoring system and sanctions have not been implemented yet. Such penalty depends on the average price of CO2 on the European Climate Exchange.

ESTONIA

The fuel market was influenced by the Parliament's last-minute decision to withdraw the draft bio-obligation act from the final reading. It is therefore unclear when the bio mandate will enter into force. However, according to Eurostat, Estonia has already met its the renewable energy target for 2020.
In October 2014 the related discussions started and were based on the decision by the European Council to change the principles for fulfilling the CO2 reduction target by setting the new date to 2030 instead of 2020.

FRANCE

On December 31, the French government issued a decree authorising the increase in FAME content of biodiesel from maximum 7% to 8% despite the disapproval of the majority of the oil trade. This raises concerns with regards to coherence with the European wide adopted standard for diesel (and its bio content) as well as fuel/vehicle compatibility.
The French union of refiners (UFIP) have lodged a formal complaint to the French "Conseil d'État" and the European Commission.

GERMANY

Sales of bioethanol in 2014 came to 1.17 tonnes: this was 3% less than the previous year. Opposing trends were observed in biodiesel (FAME) and vegetable oil: together they increased to 2,299 million tonnes, 3.9% more than in 2013.
Germany has a special commitment to climate change mitigation. With its pioneering policies and national objectives, the Federal Government aims to encourage other countries to follow its example. However, the results of COP 20 in Lima show little impact to date. Germany's national objectives are far removed not only from international targets, but also from European targets.
When it comes to "decarbonising" the fuel sector, Germany also takes a special approach within Europe with its quota system. The new Act on the use of biofuels (decarbonisation) was adopted by the German parliament in autumn 2014.
Since 2007 biofuels have been promoted in Germany by means of an energy-based biofuel quota. This obliges companies that market motor fuels to sell a certain minimum share in the form of biofuels. In 2009 the German Bundestag decided to change the energy-based quota to a greenhouse-gas quota from 2015 onwards, to improve the climate balance of biofuels.
The 12th revision of the Federal Emission Control Act now adopted by parliament provides for companies to market fuels in line with the reduction in their greenhouse-gas quotas. In 2015 and 2016, companies affected have to reduce the greenhouse gas emissions of each of the fuels they sell by 3.5%. As from 2017 they are required to reduce them by initially 4%, and from 2020 onwards by 6%. The different rules for biofuel blending in Germany and other European countries lead to different market conditions for biofuels and fuels from waste. These differences in market conditions militate against a single European energy market.
Another issue under discussion was whether Germany should lay down stricter requirements for biofuel certification systems. The biofuel associations in particular were in favour of this idea. The MEW spoke out strongly in favour of ensuring that the certification systems recognised by the European Commission should remain in force without restriction in the future as well. Stricter requirements in Germany would result in a de facto ban on EU-certified biofuels from other European states and would thus violate the principle of the free internal market. Partly because of the MEW's activities in this field, it was decided not to introduce stricter requirements.

HUNGARY

Fuels must contain a yearly average bio-content of 5.3 energy percent concentration (aggregated in both products), however the National Standard sets a content ranging between 0% and 7%.

IRELAND

The Biofuels Obligation Scheme (BOS) came into effect on 1st July 2010. The scheme places an obligation on suppliers of mineral oil to ensure that 6.383% (by volume) of petrol and diesel placed on the market in Ireland is produced from renewable sources e.g. ethanol and biodiesel. The above percentage came into effect from January 1, 2013, and still stands, having previously stood at 4.166%.

ITALY

In 2013, approximately 1.42 million tons of biofuels have been released for consumption, largely biodiesel (94%). Sustainable biofuels accounted for 99.8% of the total biofuels released for consumption.
Compared to 2012, there has been a drop in total consumption of biofuels of -8.5% and a considerable decrease of double counting biofuels - 66%, compared to 2012 values.
Rapeseed oil has been the main raw material used for the production of biofuels consumed in 2013 in Italy (39%), followed by palm oil (35%) and byproducts/waste (14%).
In 2013, 129,678 tons of double counting biofuels have been released for consumption in Italy, of which 42% produced nationally, mainly from palm oil and animal fats (23.300 t), from vegetable oil (14,900 t) and byproducts of processed vegetable oils (11,700 t). With the 10 October 2014 National Decree, the Italian authorities set new compulsory biofuel mandates for the timeframe 2015-2022, as follows:

- **2015:** 5%
- **2016:** 5.5%
- **2017:** 6.5%
- **2018:** 7.5%, including at least 1.2% advanced biofuels
- **2019:** 9%, including at least 1.2% advanced biofuels
- **2020 & 2021:** 10%, including at least 1.6% advanced biofuels
- **From 2022:** 10%, including at least 2% advanced biofuels

LATVIA

According to the existing legislation, mandatory blending of biofuels is required in Latvia: 5% of bioethanol to all 95 octane gasoline, and 5% of RME biodiesel to all diesel fuel (except for the winter period, when depending on the climatic conditions, Arctic diesel fuel class 0, 1, 2, 3 or 4 is used). At present, there are no government decisions to increase the admixture volume in 2015. In the last few months of 2013 there were discussions about increasing the biodiesel admixture volume to 7%, but this was rejected due to strong opposition by agricultural NGOs.

POLAND

In 2014 Poland introduced amendments to the Bio-components and Liquid Biofuels Act which opened the market to the new E10 product. The new gasoline with a higher biofuel content has still not been available as producers and consumers are very hesitant about this product. Another obstacle has been a lack of quality regulations concerning E10. In this respect petrol stations willing to sell E10 were obliged to provide both products: E5 and E10. This is intended as a solution for car owners who cannot use E10, as their vehicles are not adjusted to higher biofuel content.
On the other hand, producers are obliged to achieve high levels of bio-component content in their general sales of fuel products. Until the end of 2016 the National Index Target is 7.1%. It is to reach 7.8% in 2017 and 8.5% in 2018.

SLOVENIA

In early 2014, the bio-component reimbursement under the excise duty act was suspended. This had a negative impact of 2 cents / litre, and the increase in the gross margin, set by the government in accordance with the price formula, resulted only in a plus of 0.16 cents / litre. The disproportionality of the measures is evident.
Biodiesel consumption in Slovenia decreased from 73,000 tons in 2013 to 43,000 tons in 2014. The reason for the decrease is an unreasonable tax policy.

SPAIN

Without prejudice to fulfilment of the 10% target for 2020, the current policy seeks a balance between competitiveness and environmental concerns. As a result, in the context of the economic crisis, compulsory biofuel targets remained unchanged during 2014. Taking into account the fact that the ILUC factor has not been introduced yet, this stand-by situation will also make it possible to minimise the risk of promoting unsustainable biofuels. Another example of such policy is to promote oil exploration; fracking is permitted in very high performance security conditions. The aim is to reduce external dependency and promote economic growth.

UNITED KINGDOM

Year 6 of the Renewable Transport Fuels Obligation (covering the period April 2013 – April 2014) showed that renewable fuel accounted for 3.46% of total road and non-road machinery fuel. This equated to 1,744 million litres. Bioethanol comprised 48% of supply; biodiesel (FAME) 49% and bio-methanol and methyl tertiary butyl ether (MTBE) accounting for the remainder. 19% of biofuel was sourced from UK feedstock.
Waste-derived biofuel has increased markedly over time, particularly used cooking oil, which benefited from a duty incentive in 2010/11 and 2011/12 and received double certificates following RED implementation. We have seen a 6% increase in waste feedstock compared with last year. Biodiesel from used cooking oil and bioethanol from corn continue to dominate supply. We are starting to see small volumes of bioethanol waste.
The UK has yet to introduce E10 onto the market, despite the European standard being available. Diesel B7 and Petrol E5 continue to be the main fuels offered at forecourts with LPG available at a limited number of forecourts. ●

2014
UPEI ANNUAL REPORT

CONTACT

—

Avenue de la Renaissance 1, B-1000 Brussels
Phone: +32 2 740 20 20 · **Fax:** +32 2 740 20 23
info@upei.org · www.upei.org

THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS