UPEI

Union Pétrolière Européenne Indépendante
Union of European Petroleum Independents

REPORT 2013

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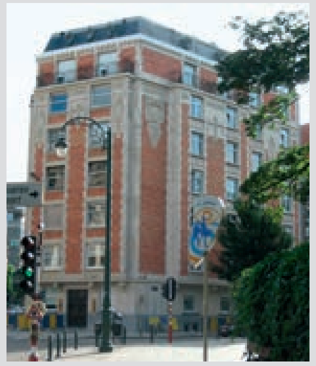

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PRESIDENT'S FOREWORD

In view of new technologies for producing unconventional oil and gas, and also the slow but sure onward march of renewable forms of energy, the issue of supply security has taken a back seat as far as many consumers are concerned. But among traditional producers, concerns about the security of demand for fossil fuels are growing. In this setting, the European petroleum market is largely dominated by four factors which lawmakers in the EU and its Member States are hardly in a position to influence.

One is the alliance of oil exporting countries on three continents in the Organisation of Petroleum Exporting Countries (OPEC), which seek to keep the world market price of oil at what they consider a reasonable level by means of agreed production quotas.

The next factor in this picture is the shift in the growth of world demand for oil from the western to the eastern hemisphere as a result of the increasing industrialisation and growing prosperity in a number of Middle East and Asian countries. The increasing demand for oil there is giving rise to new refineries in both the Middle and Far East. Since the growth in demand is linear, whereas refinery capacity grows in discrete steps, there is currently surplus capacity in the Middle East and Asia. The resulting over-production needs markets where it can be sold, and these include Europe.

The third factor is the North American boom in shale gas and shale oil. The increase in available energy has brought a reduction in demand for imported crude and petroleum products in the United States. At the same time US refineries have been able to increase their exports of petroleum products, and some of these go to the European market. One of the outcomes has been a robust supply of oil worldwide, with the result that crude oil prices have hardly been influenced by production losses and tensions in the Middle East, militia battles in Libya, sabotage in Nigeria or the boycott of Iranian oil. On the other hand, European refineries can no longer export surplus gasoline to the USA. On the contrary, they are faced with competition from American products on their home markets.

The fourth main factor is the effects of taxation of petroleum products in Europe, with its implications for the structure of European petroleum sales. In view of the overall increase in transport costs, the lower tax rate on diesel compared with gasoline, which was designed to relieve the burden on road freight transport, has resulted in increasing numbers of motorists in Europe deciding in favour of diesel-engined cars. Together with the demand for jet fuel and light heating oil this has led to middle distillates accounting for an unusually large share of petroleum sales. This demand cannot be met by the refineries in Europe and makes it necessary to import.

What is more, the EU's energy and climate policy on promoting renewable energy and alternative drive systems means that demand for petroleum will continue to fall.

Changes on markets, the entry of new suppliers and the advent of new products add up to a favourable environment for small and medium-sized independent energy trading enterprises. Against this background they have shown their flexibility in exploring new supply paths and adapting to new market conditions, and demonstrated their innovative strength by introducing new products to stimulate competition. This, however, presupposes that the companies have sufficient entrepreneurial freedom to put their strengths to good use for the benefit of the consumer. Product imports are the domain of independent trading companies. These companies supply the European markets in addition to the international oil companies, whose refineries are unquestionably the backbone of petroleum supplies. But they are either unable or unwilling to meet the demand for all products. There is a need for imports of products such as gasoil and jet fuel. Maintaining this freedom as far as possible for small and medium energy trading companies will be one of UPEI's paramount tasks. As in the past, **UPEI will continue to keep a close watch on the legislative activities of the European Commission and the European Parliament**, with the aim of minimising adverse political impacts on the existence of small and medium enterprises in the energy sector and keeping UPEI members informed about developments in Brussels and Strasbourg.

The most important issue is the EU's climate and energy policy. As a continuation of the programme running until 2020, which aims to reduce greenhouse gas emissions by 20 per cent below 1990 level, improve energy efficiency to 20 per cent and raise the renewable share of energy by 20 per cent, the EU Commission has now opened the discussion on seeking to reduce carbon dioxide emissions by 40 per cent under the "2030 Energy and Climate Framework". By contrast with earlier measures, there are to be no individual targets for specific forms of renewable energy. In this connection efforts are being made to reform the European emissions trading scheme. UPEI supports this target as a positive step towards reducing greenhouse gas emissions.

Another field is the Fuel Quality and Renewable Energy Directives, which apply to all fuels. They are concerned with sustainability rules for biofuels and with labelling and consumer information for motor fuels. The aim is to reduce CO_2 emissions by the transport sector – along the entire value chain from production to consumer. UPEI has strongly advocated a consensus between the petroleum industry and the Commission on an EU average fixed GHG default value for gasoline and diesel. To date the European Commission has not

managed to reach an agreement either internally or with the Member States and the market players. A final decision is not likely to be taken before the next term of the EU Parliament.

In 2012 Energy Commissioner Günther Oettinger organised a stakeholder-conference on Fuel Labelling and Consumer Information. The initial aim was uniform fuel labelling at filling stations throughout Europe. Since then, the list of measures has been expanded to include promotion of the use of alternative energy sources such as electricity, hydrogen and natural gas in compressed and/or liquid form and the necessary infrastructure in the transport sector. UPEI has made substantial contributions to the work on drawing up proposals in the working group on "Future Transport Fuels".

The marine shipping participants in the "Sustainable Shipping Forum" meet to discuss criteria relating to the introduction of low-sulphur bunker oils under the Marine Fuels Directive. This requires a reduction in the sulphur content of bunker oils, which will lead to higher fuel costs and will probably prompt ship-owners to install flue gas purification systems or convert their vessels to run on LNG.

In the EU Refining Forum set up at the initiative of Commissioner Oettinger, market players and representatives of associations and Member States discuss problems which the European refining industry has with the Refining Fitness Check proposed by the EU Commission. The aim is to gather information and achieve a balance between sustainability, security of supply and the competitiveness of European refineries. **As independent traders we will keep a careful watch to ensure that this round table, of which UPEI is also a member, is not used to distort competition or introduce barriers against product import.**

One never-ending subject of discussion is the taxation of energy products. For example, the EU Commission is proposing to tax energy products and electricity on the basis of energy content and the quantity of CO_2 emitted when they are used. In the motor fuels sector, for example, the new tax on diesel fuel would work out higher than for gasoline – because of the greater energy content of diesel and the higher level of pollutant emissions. It will be the task of the coming presidencies to find a consensus, since efforts to date have failed to bring about agreement between the Member States.

These are only a few examples of the extent to which the Commission, Parliament and Council of Ministers of the EU make regulatory interventions in economic activities with the aim of creating a level playing field for a common market. Whether by accident or through thoughtlessness, however, this sometimes creates obstacles for the trade – and above all a good deal of red tape. UPEI has always warned about the dangers of over-regulation. Directives and regulations need to be relevant to the single market if it is to be maintained on a sustainable basis. Unfortunately in addition to the supranational regulations there continues to be a dense jungle of national and European rules which is counterproductive to the EU-internal Market.

In 2013 the UPEI Board set up a working group on the "Future of UPEI" with the aim of finding an up-to-date form of organisation that would meet the demand of the political context. This is intended to ensure greater transparency and closer integration of our members in our work in Brussels, in order to safeguard our association's presence in the long term.

UPEI has increased its membership. The organisation now has 20 members. After 15 years as Secretary General, I handed over this responsibility to Yvonne Stausbøll in February 2014. With her international background and her experience of European activities and dealings with EU institutions, she possesses the necessary understanding of the work of UPEI's members and the political stakeholders. I would like to wish her – and hence our association – every success in the future, together with my warmest thanks to all who gave us their support.

Bernd Schnittler

Union Petroliere Belge (UPB)
Belgische Petroleum Unie (BPU)

2013 was a turbulent year in the energy sector in general and in the North of Europe in particular. Prices of oil have been stable for about 18 months. Prices of gas have remained low in the US due to shale gas. Prices of coal have remained under pressure due to the fact that the industry and Power generation is buying cheaper gas, which means less demand for coal products.

The major news on the energy front in Belgium:

Biofuels

The UPB is still in a court case against the Belgian government to:

- break up the law of 2006 (quota system) which was extended until June 2013, and thus against the fines distributed to some importers; a new law has been put in place in the course of the month of July 2013. This law, which came too late and so is a source of juridical insecurity. Indeed, the delay to replace the "old bio law" by the new one creates big uncertainties such as the way to keep the bio balance for the year 2013. Further, it is important to know that the bio law in Belgium cannot be applied without a financial law, determining the excise duties reductions applied on the quota volumes produced by the 7 agreed bio producers. This financial law remains unchanged until May 2014 as we can see at this stage. The non-concordance between the new bio law (which was put in place too late), and the extension of the previous financial law is another source of uncertainty in terms of juridical insecurity. These uncertainties apply to the Belgian operators such as the BPU members as well as the European operators as the members of the different federations being covered by UPEI.
  At the end, it is important to mention that the new bio law has changed the compulsory blending percentages; diesel has to contain 6% of FAME, gasoline still 4% ethanol and that since E10 is legally introduced on the market, which is practically still not the case, although the new bio law has been put in place in July 2013.
- create an open market for biofuels;
- impose normal taxes on the bio components; there is a shortage of Belgian quota products in the first half of 2014. Importers cannot buy (enough) bio and cannot fulfil their bio obligation. The UPB is in contact with the government in that respect.

APETRA (Strategic Stocks)

The EC has changed the way of calculating the compulsory stock obligation. Belgium has translated this European directive into the national law as from the 1st of January 2014. Volumes need to be calculated on basis of the imported volumes instead of on the volumes put in consumption on the Belgian market. This may create significantly different volumes of strategic stocks in the short term. In a longer term, there will be a very small difference in the volumes of the strategic stocks.

Heating Oil

The Belgian government has decided to reduce the sulphur content on heating oil. It will be lowered from 1,000 ppm of sulphur to 50 ppm as from 2016. Germany has implemented this regulation since 2012. This might increase the price of heating oil by not more than10 Euro / m^3 for the end-consumer.

General News on the Belgian Market

1) The year 2013 was marked by a very cold and long winter. Sales of heating oil were 15% higher compared to 2012. The winter has still not started in 2014. Volumes of Nov.-Jan. 2013/2014 compared to 2012/2013 are roughly 25% lower.

2) EXXON MOBIL has sold its entire petrol station network to several independent distributors. Major oil companies are selling their assets in Europe in order to invest in growing countries. This creates important opportunities for independent operators.

3) The biggest independent heating oil distributor in Belgium and a 100% family business is still taking over distributors on the Belgian territory. The yearly volumes sold by the major distribution company are estimated at about 1,000,000 m^3.

Hrvatska udruga poslodavaca-Udruga energetike (HUP)

Overview

The consumption of energy by comparison with the EU 27 shows insufficient usage of energy potential, decreased energy consumption in the overall economy with the advantage of having natural energy resources.

The main companies in the field of energy and oil industry have 27,000 employees and an annual income of 40 billion Kunas. There are seven companies registered for oil and gas extraction, 31 for production of oil products and 589 companies for supplying electrical energy, gas and steam, which is a relatively small number of companies representing a considerable concentration in the sector.

In general, the energy sector in Croatia shows progress towards deregulation of the energy market.

Biofuels

Act on Biofuels for Transportation adopted in June 2009 has already been amended several times. The National Action Plan (2011-2020) adopted in 2011 stipulates the national targets for Biofuels on the Croatian market for the next 10 years. Distributors are obliged to put quantities on the market according to the National Action Plan and buy biofuel at the price prescribed by the law. With the latest Amendments to the Act on Biofuels for transport, the amount of fee to promote production of biofuels from January 1, 2013 is paid to the biofuel producer from the excise duty revenues (state budget) of the Republic of Croatia, in the amount determined by the Croatian Government. As of July 1st, 2013 biofuels placed on the Croatian market have to comply with the sustainability requirements of the Renewables Directive 28/2009/EC. Subsidies are awarded to producers of biofuels only. This is done through a special compensation fee which is paid for by an excise duty on fuel.

Association's activities

The Association of Energy engaged in activities aimed at coordinating private-sector viewpoints and interests in the field of energy with the aim of actively involving business representatives in the creation of the legal framework. The focus was on promoting a favourable, efficient and sustainable investment climate, cooperating with energy experts and institutes, and

promoting energy efficiency. The issue of renewable energy was strongly articulated with a view to promoting synergies between conventional and renewable energy and thus supporting the idea of Croatia's energy independence.

Regular communication was initiated with all relevant ministries, institutions and agencies. Due to insufficient knowledge of potential in the energy sector, educational activities were also carried on through various channels in order to increase the level of understanding among decision-making bodies, media and consumers.

The Association started to exchange experience and good practice with the associations and institutions at European level.

The final aim is to establish a coordinated energy and economic platform.

Společenství čerpacích stanic ČR (SČSČR)

Collateral for fuel distributors

The Czech Parliament approved an amendment to the "Fuel act" introducing a compulsory collateral requirement of 800,000 Euro for anyone wishing to engage in fuel distribution (wholesale). This step, which is unique within the European Union, led to the immediate exclusion of at least 350 small and medium enterprises for which fuel distribution was either their sole business or an important part of it. This amendment – introduced as a key step in the fight against VAT frauds – was strongly supported by major oil companies. By contrast, SCS wanted (if the government insisted on going ahead with the collateral as a necessary step) either to significantly decrease the level of collateral or target it directly to a risky segment of the market. But these activities by SCS were not successful.

A group of members of the Senate has appealed to the Constitutional Court on the grounds that the amendment is not compatible with the European directive, free market principles, proportionality principles, and – above all – the principles of the right to conduct a business and the right of ownership. The result of this case should be known in 2014.

Market situation

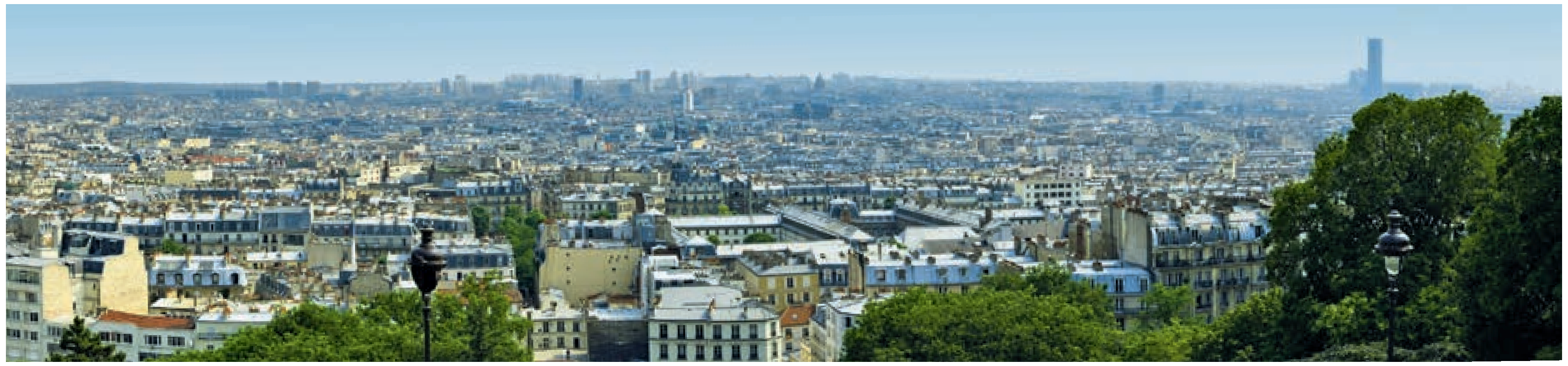
The situation is similar to the year before. While diesel consumption stagnated, gasoline sales fell by nearly 7% last year. The reason for the drop in gasoline sales is a trend towards "dieselification" of the car fleet – similar to the rest of the EU. In addition – because of its price – an alternative product E85 is becoming more popular year by year. Even if there is a lack of "flexi-fuel" engines on the market, customers are also using E85 in 15-year-old gasoline engines.

Excise duty level

After four years of unsuccessful lobbying the level of diesel taxation has become less extreme than it was in the past. There are two reasons for this development. First: excise duty in some surrounding countries increased during this period. Secondly: the Czech currency was slightly devalued in autumn 2013. The activities of SCS are now focusing more on the introduction of "professional diesel" than on reducing excise duty across the board.

Fuel quality

The quality of fuel sold on the Czech market improved compared with previous years. Checks on nearly 2,500 samples revealed that only 2% were not compatible with EN. Also most reported problems are the result of accidental mixing of diesel with gasoline, and conversely, the volume of blending of untaxed "lubricants" into diesel is increasing. The only effective way of stopping this increasing fraud model is to include exploitable lubricants in the EMCS system. But support for this request in some other EU countries is still very poor.



Year	2013	2012	Change
Super fuel/mogas (m^3)	9,363,414	9,665,883	-3.13%
Diesel (m^3)	40,294,139	40,378,464	-0.21%
	49,657,553	**50,044,347**	**-0.77%**
Heating fuel (m^3)	9,243,885	9,234,336	+0.10%
Off road diesel (m^3)	5,152,425	4,774,048	+7.93%
	14,396,310	**14,008,384**	**+2.77%**
Fuel oil (t)	850,914	1,048,345	–18.83%

Fédération Française des Pétroliers Indépendants (FFPI)

FFPI Independents' Market Share of the National Market

Statistics are not available on the different distribution channels. 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 diesel.

Obligation to import petroleum products on vessels flying the French flag

In France, 5.5% by volume of crude oil imported must be carried by vessels flying the French flag. The tonnage of raw materials imported for refineries is decreasing and the French Merchant Marine is in difficulty. The Government would like to increase this requirement and extend it to cover refined products imported by sea. The matter is under discussion.

Biofuels

In 2013, full exemption from the general tax on polluting activities required the incorporation of an equivalent volume of biofuels to 7% LHV for both mogas and for road diesel. In 2014, this value remains unchanged for mogas and is increased to 7.7% LHV for diesel.

The share of renewable energy biofuels allows a reduction in the rate. A defined list of biofuels can be introduced into the account for twice their actual value. A system of double counting is allowed for a strictly defined list of sustainable biofuels.

Energy-saving certificates

The third phase of 3 years will commence on 01.01.2015 (instead of 01.01.2014.). The requirement will be multiplied by almost 2. Of this requirement, 45% is borne by motor fuel distributors and 9% by heating oil distributors. The procedure is becoming increasingly complex.

Ecotax

The Ecotax on trucks over 3.5 tons (French and foreign) that run on French roads was suspended following various objections to this provision.

Olerex AS

The Estonian fuels market is amongst the smallest in the EU. Also, Estonia is one of the few European non-refining states.

In 2013, the Estonian automotive fuels market amounted to 1.05 billion litres comprising 0.33 billion litres of automotive gasolines and 0.72 billion litres of diesel fuel. As it is characteristic for the other EU countries, demand for gasoline continues to fall (-3.7% compared to 2012) and demand for diesel fuel increases (+0.1% compared to 2012). The most of the automotive fuels were imported from Finland, Lithuania, and Belorussia.

The biggest part of the imported volumes, particularly automotive gasoline, were distributed through the network of about 450 petrol retail stations. Following the pattern of the Scandinavian countries, the Estonian retail network is characterised by the relatively high share of the unmanned stations. Also, the concentration of the market is rather high, where the TOP5 retailers together control about 85% of the retail market.

Thanks to the efficient fuel monitoring programme, there are virtually no problems with the fuel quality in Estonia. Anti-smuggling measures, set by the government in the earlier years, have effectively reduced the share of the grey market.

After years of active fuel tourism to Russia, the Government enforced efficient restrictive measures against it in 2013. As a result, the queues on the Eastern border crossing points disappeared and the petrol stations close to the border increased their turnover.

Remarkable is the fact, that after a long period of stagnation, other-than-conventional automotive fuels have begun to gain popularity. First of all, due to the notable price discount compared to the automotive gasoline, LPG demand has increased. Retailers have responded with active promotion and opening of the new retail outlets of LPG. During 2013, the total number of the LPG stations in Estonia nearly doubled.

Secondly, Estonia has completed the electric vehicles (EV) quick charging points network with 163 chargers in operation all over the country. This government-supported programme (Estonian Electromobility Programme – ELMO) was started in 2011, when Estonia concluded a contract with Mitsubishi Corporation for the sale of AAUs (CO_2 credits). 507 Mitsubishi iMiev electric cars were commissioned by the Ministry of Social Affairs, and the Ministry of Economic Affairs and Communications developed a support system for acquisition of electric cars, and infrastructure for charging electric cars was initiated to cover the whole country.

Thirdly, Estonia has continued to develop the CNG (compressed natural gas) retail network. Natural gas distribution company „Eesti Gaas" (Estonian Gas) has opened additional CNG retail stations to bring the total number of the stations to five.

Plans of developing Estonia's own refining industry, using locally produced shale oil as a feedstock, were officially abandoned in 2013, partly due to the planned changes in the Fuel Quality Directive.

Deutschland Germany

MEW Mittelständische Energiewirtschaft Deutschland e.V.

Energy consumption in Germany rose by about 2.6% in 2013. The greatest influence on this trend was the long period of cool weather in the first six months. Without the temperature effect, energy consumption would only have increased by about 1%. The slack economic situation did hardly anything to increase consumption.

Petroleum consumption showed a below-average increase of 2% and rose to a total of 110,4 million tonnes. Growth was recorded for light heating oil (+6%), diesel fuel (+2%), naphtha (+3%) and LPG (+7%). Sales of gasoline stagnated; this was also true of Super E10 gasoline, with a share hovering around 15%. There was a fall in sales of heavy fuel oil (-7%). Petroleum accounted for 33.0% of Germany's total energy consumption (previous year 33.2%).

To meet the increased demand for petroleum in 2013 it was necessary to import petroleum products. This was because production by German refineries fell roughly 3% short of the 2012 figure. As a result, product imports increased by a substantial 11%. A considerable proportion of the imported quantities was due to the independent petroleum companies, which thus made their contribution to supplies in 2013.

The number of filling stations in Germany again remained virtually unchanged in 2013 at 14,272. Market shares showed little change. The market leaders continue to be the international brands ARAL (BP) and Shell, each with 20% of the filling station market. The other brands Esso, Total and Jet maintained and in some cases strengthened their market position in 2013. Minor brands such as Orlen (under the Star brand in Germany), HEM and OMV generally play only a regional role. Small and medium enterprises in the filling station sector have a total market share of about 30%. The more than 500 companies in the bft operated 2315 filling stations under the brand bft or their own brands. There was a significant drop in the number of members in bft, which was due to mergers

Product	2012			2013		
	Product imports	Consumption	Imports as share of consumption	Product imports	Consumption	Imports as share of consumption
Gasoline	1.173	18.48	6.36%	1.085	18.41	5.89%
Diesel	7.837	33.63	23.30%	10.126	34.14	29.66%
Heating oil	5.184	18.6	27.87%	5.179	19.39	26.70%
Heavy fuel oil	0.474	4.87	9.73%	0.888	4.42	20.09%

within the association. In particular, the number of individual filling station operators fell sharply as a result of the increasingly keen competition and growing official requirements. In the motorway services segment, SMEs lost a large number of positions in 2013 because Autobahn Tank & Rast GmbH, the monopoly company responsible for the right to supply motorway service stations, auctioned about 100 motorway service stations. The SME sector was only able to secure a very few stations in this auction. In effect, the design of the auction put SMEs at a clear disadvantage.

One important political event was the introduction of the "Market Transparency Unit" for motor fuels (MTS-K) in summer 2013. Since then, all 14,272 filling stations have been required to notify any price changes to the unit within 5 minutes. The legislature's intention in establishing the MTS-K was to create greater price transparency for motorists. Its introduction was an organisational and financial tour de force. It is not yet possible to assess what impact the MTS-K will have, since it did not officially start operating until December 2013. On the whole, however, the SME segment managed to maintain its position on the German filling station market.

And finally, a general election was held in Germany in autumn 2013, resulting in the formation of a government coalition between the Christian Democrats (CDU, CSU) and the Social Democrats (SPD).

Mabanaft Hungary Kft

Political and economic environment

In 2013, market players were no longer required to pay the so-called sectoral crisis tax, which hit the fuel sector in Hungary over the past three years. At the same time, the Hungarian fuel trade was still heavily taxed:

Since last year, the base of the so-called industrial tax had to be calculated alternatively to the way it was before, as an outcome of which this tax may even reach up to 8-10 USD per tonne (which is approx. 10 times the tax rate charged earlier).

Besides the usual tax paid on profit, energy providers (including fuel wholesale traders) have been required to pay a special tax, dubbed the "Robin Hood" tax by economic journalists; however, from 2013, this tax was increased by such a margin that energy providers in practice now have to pay a total of 50% tax on profits.

The planned fuel economy labelling scheme and its associated costs can be viewed as a new type of tax:

The Hungarian legislature endorsed a new law back in December 2012, according to which a so-called labelling scheme will be introduced in Hungary in 2013 to ensure excise tax revenues charged on fuels. This, in practice, implies injecting labelling substances in fuels. The act of injecting alone implies considerable additional costs (labelling, substances and setting up and operating the necessary infrastructure). Consumers will end up paying these costs through higher prices.

This new system should have been up and running from 1 October 2013. However, the European Union also has to approve the introduction of the system (notification procedure). This is currently in progress; however, is expected to be delayed due to the adverse opinions received. The Hungarian Hydrocarbon Stockpiling Association will be responsible for operating this system to be introduced in the future.

The uniform opinion of Hungarian market players is that the introduction of this system is unnecessary and contrary to European standards and practices.

In relation to 2012, major changes did not take place in the following priority areas that are important for the fuel market:

Infrastructure

Fuel can be stored in Hungary at a total of 21-22 sites.

Quality

The Hungarian Standard remains fully aligned to European Standards.

Bio-content

Fuels marketed must contain an average bio-content of 4.8 volume percent concentration. At the same time, the Standard sets a content ranging between 0% and 7%. Certifying the origin of the bio-content and that it was produced in a sustainable fashion is compulsory.

Market players

The same players continue to retain their position in the wholesale market, namely: MOL, as well as OMV, ENI, Lukoil and Mabanaft.

There are only a few players that can be classified small and medium-size enterprises – 3-5 companies. MOL's market share, which changes periodically, is approximately 85%.

Pricing

The Hungarian wholesale market still aligns its prices to the wholesale prices quoted by the market leader, i.e., MOL.

MOL wholesale prices primarily follow quotations from the Platts European Marketscan CIF Med.

Entry opportunities

The possible entry of a new market player in the Hungarian fuel wholesale market is neither legally nor logistically obstructed.

DCC Energy Limited

The Irish economy showed mild recovery in 2013 with domestic demand estimated to have grown by 0.9% (source: ESRI Quarterly Economic Commentary, Winter 2013). This is the first increase in this aggregate since the economic crisis began and there is an expectation of continued recovery in 2014. In the oil market, industrial oil product demand continues to decline at rates comparable to previous years, while transport and heating fuel demand has largely stabilised despite milder average winter temperatures and consistently high energy costs.

Based on official data published by the National Oil Reserves Agency (NORA) for the Republic of Ireland which excludes aviation volume and volume to a small number of large customers who import their own requirements, total oil sales showed their smallest level of decline since 2009 at -0.4%.

The Transport Fuels market was flat overall with the continued replacement of Gasoline demand by Diesel demand. Diesel consumption as a proportion of total road fuels continues to grow and now represents 62% of the combined sector. Consumption of Gas Oil continues to decline in line with recent years, as construction activity remains stagnant. Kerosene grew slightly despite a milder than usual third and fourth quarters, kerosene being the predominant oil product type used for domestic heating purposes in Ireland. Not included in the above figures are estimated aviation volumes of ca. 700 million litres per annum.

	2013 million	% on PY	2012 million	% on PY	2011 million	% on PY	2010 million	% on PY
Gasoline (incl. Bio)	1,574	-6.3	1,680	-8.1	1,828	-6.4	1,952	-8.2
Motor Diesel (incl. Bio)	2,626	4.6	2,511	-1.2	2,541	-0.4	2,552	-3.4
Transport Fuels	4,200	0.2	4,191	-4.1	4,369	-3.0	4,504	-5.5
Kerosene (ex Jet)	930	2.4	908	-8.2	989	-24.0	1,302	2.1
Gas Oil	961	-4.5	1,006	-4.8	1,057	-5.5	1,119	-6.9
Other Oils	55	-16.7	66	-17.5	80	-22.3	103	-4.7
Total	**6,146**	**-0.4**	**6,171**	**-5.0**	**6,495**	**-7.6**	**7,027**	**-4.4**

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

Associazione Nazionale Commercio Prodotti e Servizi Energetici (Assopetroli-Assoenergia)

Assopetroli-Assoenergia, since its foundation in 1949, gathers companies active in the trading of fuels which, among other things, gave rise to the phenomenon of "white pumps". It represents the innovative element in fuels trading, being a strong stimulus to market dynamism, guaranteeing true price competition and consequently an undeniable advantage for the consumer. This entrepreneurial reality, comprised of more than 1.000 companies, generates employment for more than 15,000 workers and an annual turnover of more than 40 billion Euros. It covers 75% of the national demand for oil and energy products; represents 50% of the ownership of petrol stations positioned on Italian roads – more than 12.000 – with a network model that is taken as an example by the EU for its capillarity and for the wide choice offered to consumers in terms of different services and making more efficient and rational use of energy. Members produce work, promote research, develop innovation, and lastly contribute to the guarantee of social cohesion in Italy.

Italy and the crisis – Consumption and tax burden on Gasoline, Gasoil and LPG

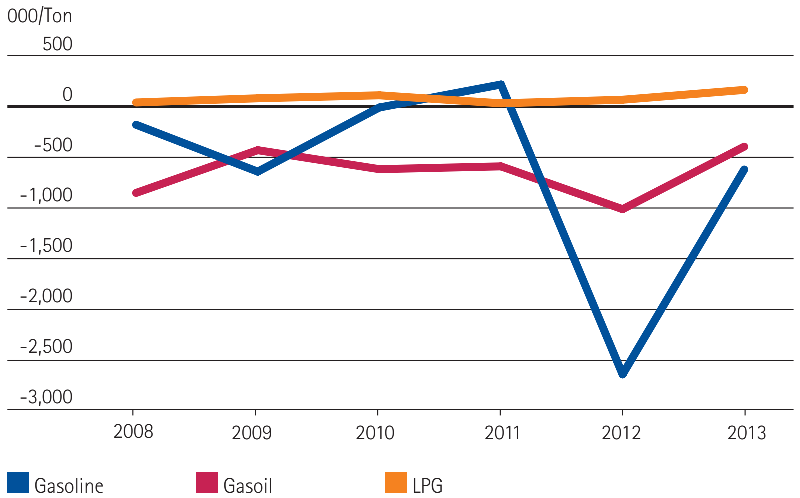
Total consumption of oil products in 2013 equalled 60,874 kilotonnes, decreasing by 5.2% as compared to 2012. The economic crisis has heavily influenced the sector generating a total loss of 20 million tonnes between 2008 and 2013. (-24%)

Automotive products have shown a drop in consumption of 861 kilotonnes, equal to 3% as compared to 2012. Overall the drop has equalled 4,8% for Gasoline and 2,7% for Gasoil. On the contrary, LPG showed an increase in consumption equal to 12,2% as compared to 2012, also due to tax advantages.

The 2013 balance shows then a loss of more than 1,007 billion litres equal to 21% as compared to 2008 (-554 million litres of Gasoline; -747 million litres of Gasoil and +294 million litres of LPG.)

Total loss in consumption between 2008 and 2013 is 7,221 million tonnes which equals 9,018 billion litres.

Consumptions 2008-2013



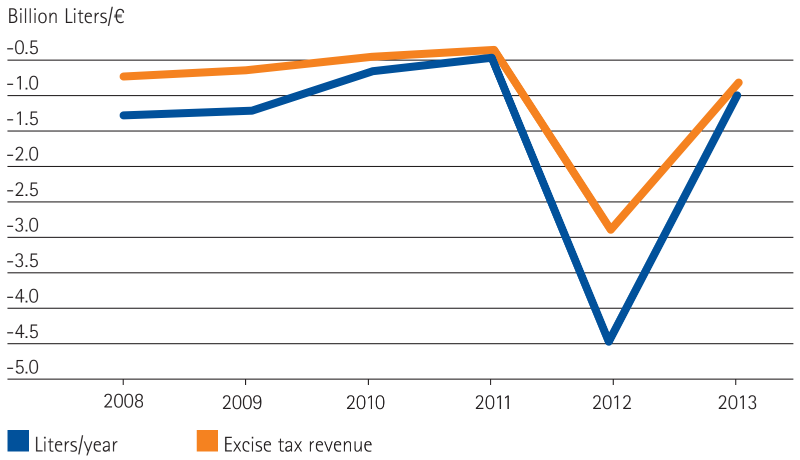
Ministero Sviluppo Economico data processed by Assopetroli (provisional data for 2013)

Regarding excise tax (on national basis) on referred products, although increased to maintain the income, aggregated loss in the period 2008-2013 totalled 5,909 billion Euro, regardless of the increased LPG consumption that generated an excise increase equal to 138 million Euro.

The economic conjuncture that started in 2008, and still continues, has induced the different Governments which ruled our country to increase the tax levy on fuel to such a level that in 2013 the excise tax burden (only national and net of VAT) on automotive fuels is:

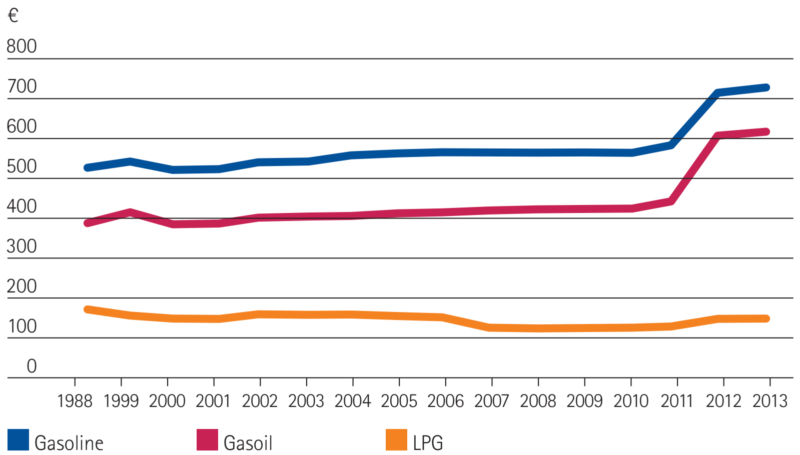
- Gasoline 0.7284 Euro/litre (+23% vs. 2008)
- Gasoil 0.6174 Euro/litre (+32% vs. 2008)
- LPG 0.1473 (+16% vs. 2008)

Loss of revenue excise taxes



Ministero Sviluppo Economico data processed by Assopetroli

Loss of revenue excise taxes



Ministero Sviluppo Economico data processed by Assopetroli

At the end of 2013 the tax component for Gasoline only (national excise duties + VAT) reached the level of 60,7% of the average consumer price, thus confirming Italy as the second excise taxed country among the 28 European Countries. The SIA differential (Stacco Italia Accise) between Italy and the 28 European Countries referring to automotive Gasoline and Gasoil, at the end of 2013, proves that Italian consumers pay Gasoline 28.2 Euro cents/litre and Gasoil 26.4 Euro cents/litre more than in the rest of Europe. For Gasoline the Italian price is 28.2 Euro cents/litre higher, of which 25.8 cents is due to higher taxation (excise + VAT) and only 2.4 cents are due to a higher industrial price while for Gasoil the consumer price is 26.4 Euro cents/litre higher, of which 25.3 cents is due to higher taxation and only 1.1 cents to the higher industrial price.

In the decade preceding the beginning of the economic crisis of 2008, increase in excise duties has been limited to 6% for Gasoline and 8% for Gasoil.

LPG, thanks to incentive policies, has registered, after a high 40% excise increase in 1998, a progressive reduction in taxation equal to 34%. This percentage counts only for a small reduction of -14% in 2013 versus the period 2007 – 1998 due to new increases gradually launched.

In 2013 the Italian Government launched further increases in fuel excise duties for above 1,440 million Euro from March 1st 2014 to December 31st 2018.

Actions for a fairer and more transparent taxation

The national market of fuels and energy products has substantially reduced its volumes between 2008 and 2013 with a high peak in 2012 of above 4.4 billion litres consumed, also due to strict policies put in place by the Government with the aim to meet European parameters, resulting in a reduction of consumers' expenditure capacity and heavily affecting the field of fuel marketing.

In 2013 the aggregate loss was better than in 2012, though still above 1 billion litres, slightly below 2008 level.

In light of the above data it is necessary that Italy start a substantial rebalancing towards average European fiscal taxation on fuels, net of regional excise duties which should in the same way be harmonised to avoid inequalities among internal geographical areas.

A complex harmonisation of the Italian fuel fiscal system cannot be started without a similar revision in Europe, thus conforming to homogenous criteria binding Member States, which should be fair enough to balance the budget needs of individual States with market needs and mainly with those of consumers.

It is Assopetroli's general belief that a comprehensive revision of the energy taxation is necessary, and should be able to support rather than depress the market with a high level of tax levies on fuels, and to guarantee price stability for consumers.

Such a desired revision, potentially calibrated on CO_2 emissions in order to meet limits imposed by international regulations and on the real calorific value of each single product, will naturally produce, if so structured, only positive effects on the market, generating also virtuous dynamics aimed at empowering consumers in preferring those products that, with equal energetic efficiency, satisfy environmental compatibility levels. At the same time both the production and the marketing sectors will be able to better direct their strategic and commercial choices, also following each product market trend, thus depending on a system no longer spoiled by fiscal asymmetries among same products imposed only for budget necessities, but based on objective and homogeneous criteria.

At the same time a revision of taxation based on criteria aimed to guarantee homogeneous taxation in all Member States would encourage a solution to market distortions generated by different taxation which, especially along Italian borders, results in the so-called "energy tourism" and sometimes also a black market and other criminal activities which registered a definite increase in recent years.

In this context, in order to encourage a complete market harmonisation in Europe together with the solution of issues existing in Italy, still unresolved, regarding network and non-network sectors, like credit to business, removal of IRES ("Robin Tax"), logistics, simplification of land reclamation procedures, proposals emanating from Assopetroli will continue to increase not only for Italy but through its representation in UPEI, for the whole of Europe.

Latvijas Degvielas Tirgotāju Asociācija (LDTA)

The oil products market in the Republic of Latvia is relatively small by comparison with other European countries. Total transport fuel sales in 2013 were 1,051.486 kilotonnes. This is about 2.08% more than in 2012, when total sales amounted to 1,030.066 kilotonnes.

Changes can be seen in the proportions of fuels: gasolines fell from 31.90% (in 2009) to 20.00% (in 2013), diesel increased from 66.14% (in 2009) to 75.01% (in 2013), and LPG increased from 1.96% (in 2009) to 4.99% (in 2013). The fastest growing fuel type is LPG – due to increasing fuel prices the difference in excise taxes (6 times less than for gasoline) is becoming more and more significant for consumers.

70% of total oil products sales in 2013 were made through petrol stations (an increase of 2% on 2012) and 25% of all oil products sold were delivered to wholesale end-users, such as transport companies, bus companies, agricultural companies (2% down on 2012). As of December 31, 2013, there were 619 licensed petrol stations operating in Latvia. This compares with 609 petrol stations operating in Latvia on December 31, 2012.

Regional characteristics

Latvia is one of the few Member States of the EU which do not have a petroleum refinery industry. As a result, the gasoline delivered in 2013 came from Lithuania and Finland, diesel from Lithuania, Finland and Belarus, and LPG mainly from Russia.

As in the other Baltic countries, one major problem in the Latvian fuel market is the presence of illegal fuel. In general there are two ways of penetration – either in the standard fuel tanks of cars from Russia and Belarus, or by tank car from other EU countries under tax fraud schemes.

Given the differences in fuel tax, retail prices in the Eastern neighbouring countries are half the level of Latvian retail prices. This is related to the fact that Latvia applies the minimum rates of excise duty set by the European Union and a value-added tax (VAT) of 21%.

The current law allows people to cross the Russian-Latvian and Belarus-Latvian borders without paying taxes for fuel carried in standard containers (regardless of size), if it is for their own use. Starting from January 1, 2012, rules came into force restricting the right of private persons to cross the border without paying taxes on excise goods (fuel, alcohol, tobacco) to not more than one crossing every 7 days.

Unfortunately there are no requirements applying to commercial transport, unlike Poland and Finland where there are set limits on the amount of fuel in tanks.

Heavy vehicles of international freight carriers are rare guests at Latvian retail stations. In order to save costs, transport companies often set up a scheme in which, before travelling to EU Member States, a truck will travel to the Russian Federation

Products sold (kt)	2010	2011	2012	2013	+/- 2013 vs. 2012
Gasolines (incl. Bio)	288.352	255.179	228.085	210.318	-7.79%
Diesel (incl. Bio)	691.898	721.996	761.360	788.729	3.59%
LPG	21.545	27.026	40.627	52.439	29.07%
TOTAL	**1,001.795**	**1,004.201**	**1,030.072**	**1,051.486**	**2.08%**

Products sold (%)	2010	2011	2012	2013
Gasolines (incl. Bio)	28.78%	25.41%	22.14%	20.00%
Diesel (incl. Bio)	69.07%	71.90%	73.91%	75.01%
LPG	2.15%	2.69%	3.94%	4.99%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**

and fill its standard fuel tanks on the way back (the standard volume of the fuel tank offered by vehicle dealers is up to 1,500 litres). Consequently, they can travel 3,000 to 4,000 kilometres through many countries and come back to Latvia without refuelling in the European Union – and thus avoid paying excise duty and VAT.

Biofuels

Mandatory blending of biofuels is required under existing legislation in Latvia: 5% bioethanol to all 95-octane gasoline, and RME biodiesel to all diesel fuel (except during the winter period, when depending on the climatic conditions, Arctic diesel fuel class 0, 1, 2, 3 and 4 is used). The objective set for use of renewable energy for transport in Latvia is similar to many other European countries – 10% in 2020. At present there are no government decisions to increase admixture volumes in 2014.

Nederlandse Organisatie voor de Energiebranche (NOVE)

Dutch market in 2013

For the downstream oil industry in the Netherlands, 2013 was the second year of decline. According to NOVE a few reasons can be mentioned. First of all the sales of oil products is directly related to the state of the economy. Netherlands, with its strong position in inland marine bunkers and bunkers for seagoing ships, have a strong international character. Secondly, on the water we see the concept of slow steaming. This means less intake of bunker fuels. Cargo operators are keen on cutting their fuel costs. On land there is a strong emphasis on cutting the CO_2 emission, which basically means smaller and more fuel efficient cars. Thirdly, this reason only goes for the sale of fuel on land, the Netherlands imply high taxes on motor fuels, especially petrol, which causes Dutch citizens to fill up their tanks in the German or Belgian border regions, much to the delight of the local fuel pumps over there.

Another policy measure of the Dutch government was to ban the sale of red diesel, used by farmers and construction companies (non-road diesel). In 2013 the Dutch government announced another plan to raise the taxes (apart from the year automatic indexation that is in place

Products	2010	2011	2012	2013	+/- 2013 vs. 2012
Diesel	7,687	7,783	7,512	7,417	-1.3%
Petrol	5,589	5,697	5,495	5,407	-1.6%
LPG	568	541	539	499	-7.4%
TOTAL	**13,844**	**14,021**	**13,546**	**13,323**	**-1.6%**

Based on CBS-figures 15 March 2014

in the Netherlands) on diesel and LPG. NOVE feared more cross border traffic and opposed heavily, together with other associations. The plan was carried out however, forcing NOVE to continue their protests in 2014. Netherlands has since the highest tax on petrol in Europe. The year 2013 was also a year of mergers of independent fuel suppliers. This is a logical effect of a sector that is in need of restructuring. NOVE feels that the Netherlands could well be off with 3,000 fuel stations instead of the 4,200 at present, especially in the light of the declining market.

In 2013 there was also a heavy discussion about alleged mix of waste with bunker fuels, according to Dutch authorities. This even led to questions being asked in the Dutch Parliament and a session with all the stakeholders was held. It came clear that the same Dutch authorities who accused the sector before could not back up their allegations. At the same time however, Port of Rotterdam, the association for the oil industry, the storage companies and NOVE have worked out an agreement to enhance the transparency of the bunker fuel sector to prevent further allegations and misunderstandings in the future. This should result, amongst other things, in a black list of products that should not be included in bunker fuel, sampling at point of transfer and more efficiency of the bunker fuel process as a whole. First results are expected in 2014.

Polska Izba Paliw Płynnych (PIPP)

The Polish Chamber of Liquid Fuels ("PIPP"), as a representative of around 300 members, takes part in most legal actions conducted by the Polish government and legislative bodies that might have influence on the petrol market businesses in our country. The organization is also involved in some court and administrative procedures, as the decisions may be as binding for the companies as statutory regulations. Having this experience we gathered necessary data for this report, containing short descriptions of the most concerning issues of the Polish fuel market in the past year and at the beginning of 2014.

Black economy

The Polish fuel market struggles with the expanding black economy in the fuel sector. There is a variety of different activities undertaken by dishonest entrepreneurs. Among others they are using existing regulations regarding value added tax, excise duty and fuel fee. In most situations the fuel is imported from countries outside the European Union but there is also information that it flows via other EU Member States. Thus such business entities are able to offer fuels at prices that are unattainable for those who run their businesses in accordance with the existing law and without its unacceptable usage.

For a long period of time the government had not been acknowledging the problem of decreasing income of the fuel sector as a result of the black economy, putting the whole responsibility on the turmoil touching all sectors and regions. After further consultations and presentation of arguments and evidence the Ministry of Finance acknowledged this problem and presented a draft of an amendment to the Act on Value Added Tax, which contained:

- joint and several liability of the buyers for the VAT liabilities of the seller in case the tax regarding the bought fuel was not properly settled,
- shorter period of time for settlement of the VAT liabilities - 1 month instead of 3 months,
- Regulations regarding creation of a register of business entities who presented collaterals for VAT; this annuls the joint and several liabilities of the buyers.

PIPP has been underlining that only reverse charge within the Value Added Tax may solve the problem regarding this levy.

From the very beginning PIPP has been indicating that the presented amendment is not sufficient and a broader approach is required. Especially that the amendment does not refer to the excise duty and fuel fee frauds. The relevant regulations regarding these levies under public law should also be adjusted to remove the possibility to use them in unfair and illegal activities. The government should also put more focus on the controls of the imported and transported fuels.

The problem seems to be even bigger when the loss for the State Treasury was evaluated. According to the unofficial information the loss may be reaching 2 billion Euro.

Modernisation of fuel tanks located on petrol stations

December 31, 2013 was the last day of the interim period for the adjustment of the petrol station infrastructure, referring among other to the fuel tanks. From this year all tanks used need to be equipped with double cover preventing the potential leak of fuel to the soil and water. The modernisation of the tanks costs from around 20,000 Euro to 50,000 Euro or even more depending on the amount of the tanks and the scope of other required adjustments. Any station that does not comply with the regulation in force was obliged to be closed.

Due to the problems with the economic crisis in the previous years and the expanding black market many of the petrol stations were already in poor financial condition and could not fund such big expenses. They hoped moreover that the interim period would be prolonged as it happened in previous years or that even if it comes into force the officials would not take severe steps against such businesses. At the beginning of the year many petrol stations were closed, according to the official information of the Office of Technical Inspection. 10% of the total number of the petrol stations do not comply with the new regulation. This means that over 600 petrol stations should be closed. This number covers both those who do not intend to adjust and those who are closed just temporarily for the time needed for the necessary works. It is impossible to evaluate at the moment the exact number of petrol stations which will exist on the market after the whole process has been finished.

Another problem concerns the technical requirements for the stations which are kept by the legislator as wide as possible. In some situations the same goal is achieved by different obligations. Such repetitions should be excluded as they generate unnecessary costs for the companies.

Drafts of prohibitions on petrol stations

The last year was abundant in a number of legislative procedures that might strongly influence the petrol stations. The most important were the drafts of prohibition of the sale of alcohol and pharmaceuticals on petrol stations. They both were presented with a similar argumentation, namely that the sale is dangerous for the buyers and consequently for other road users. Moreover it was presented that pharmaceuticals (even the most basic) should be sold only in the pharmacies by the properly trained personnel.

PIPP took measures in order to stop these solutions, as there is no sufficient evidence to accept the argumentation of the legislator. Especially if it is taken into account that all petrol stations selling alcohol must fulfil a number of requirements in order to receive a licence that there are no contraindications. Referring to the pharmaceuticals it was emphasised that these are mostly cough pills, simple painkillers, bandages or other basic medicines.

Another prohibition was the exclusion from the sale to consumers of products containing more than 3% of methanol. This legislation came into force. Many petrol stations had been selling cheap screen wash liquids with the amount of methanol exceeding the said amount. The remaining amounts had to be withdrawn from sale for the consumers.

Statutory decrease of interchange fees for card payments

After long negotiations with legislative bodies the PIPP and cooperating organizations managed to convince the Parliament to

adopt an amendment of the existing regulations regarding electronic payments. Thus the interchange fees shall not exceed 0,5% of the card payment. This is a huge improvement as Poland had fees of around 1,5% which was one of the highest in whole Euroope.

The new fees shall be binding as of June 2014.

Planned legislation

The abovementioned legislative initiatives were not the only ones which took place in the past year. The government and parliament keep working on a few wide amendments of existing acts on mandatory fuel stocks, biofuels and bio components, as well as competition and consumer protection.

All of them shall have a huge impact on the fuel business as in many situations they change the existing system. These changes are even more necessary as they implement the EU requirements into the national legal system. It is also planned to introduce a new energy law and an act on renewable sources of energy.

PIPP keeps insisting moreover on the codification of franchise agreement. At the moment all contracts are drafted at the discretion of the know-how owner. Even though they can be negotiated there are no fundamental principles regarding this form of an agreement. The codification would help the petrol station owners planning to enter into the chain.

Spoločenstvo Čerpacích Staníc Slovenskej Republiky (SČSSR)

The trends in the petroleum industry and trade in the Slovak Republic in 2013 mirrored the situation on the international oil market and the world economy.

In 2013, 5.8 million tonnes of crude oil were processed, representing an increase over the previous year by more than 7%. Of this, more than 87% was converted into light oil products. As a result of higher crude oil processing and the increase in demand, production of motor fuels annually increased by 138,000 tonnes to a total of 4,453.000 tonnes.

Motor gasoline production reached 1,422 thousand tonnes, approximately 13,000 tonnes higher than in 2012 , thus representing an annual increase of 1%. Production of diesel fuel reached 3,030 thousand tonnes, represents about 124,000 tonnes more than in 2012 and an annual increase of 4.3%. After a slight slump in domestic production in 2012, production of petroleum and petrochemical products came closer to the record levels of 2011.

In 2013, GDP in the Slovak Republic showed only a slight increase (+1.0% estimate by National Bank of Slovakia) , which was naturally also reflected in the total consumption of diesel, which more or less stabilised at 2012 levels. Despite traditionally high consumption during the summer driving season, the highest consumption was recorded in October mainly due to agricultural seasonal work.

The downward trend in consumption of petrol which we have seen in recent years was confirmed in 2013. Total petrol consumption in Slovakia has been falling year on year by around 5%. The highest consumption was during the summer season.

66% of oil supply on the Slovak market was produced domestically. The remaining 34% was imported.

Oil pricing companies operating in Slovakia continue to report on the evolution of prices of petroleum products traded on international commodity markets. Regular surveys by the Directorate General for Energy of the European Commission demonstrate comparability of retail prices of diesel and petrol in the internal market of the Slovak Republic with those of neighbouring EU Member States.

Slovak motorists in the past year paid taxes on average around 1.390 Euro/litre for diesel and about 1.487 Euro/litre for petrol. In the case of diesel, the average final price in 2013 was lower than the average in 2012 by 3.6%; and in the case of petrol, the average final price in 2013 decreased by 3.7% compared to the average price in 2012.

The Slovak Republic met the Government stated objective for the blending of bio-components with motor fuels – both petrol and diesel. Blended fuels have been available on the Slovak market for 7 years now. However, a long-term issue remains the question of biofuels and Directive 2009/28/EU on the promotion and use of energy from renewable energy sources, as well as the issue of fuel quality and Directive 2009/30/EC on the quality of petrol, diesel and gas oil and introducing a mechanism to monitor and reduce greenhouse gas emissions. In addressing this issue, the Association managed to find a common position with the Ministry of Economy, in the context of the amendment to the Act on the Promotion of Renewable Energy, fixing the share of bio-components in diesel fuel at 6.8% also for 2014 and 2015.

In 2013, an Agency for the management of emergency stocks of oil and petroleum products (EOSA) was established, changing the method and management of emergency stocks of oil and petroleum products in the country. The new Agency has been founded by and is owned by the Government, but is cofounded with major, mainly multinational companies which are responsible for the maintenance of the emergency stocks.

Slovenski nacionalni naftno-plinski komite Svetovnega naftno-plinskega sveta (SNNK-WPC)

The Slovenian National Committee to the WPC (SNNK-WPC) is the only organisation representing the Slovenian oil and gas industry. The core values are: enhanced understanding of issues and challenges, networking opportunities in a national and international forum, co-operation (partnerships) with other organisations, developing business opportunities, information dissemination via regional meetings, conferences and workshops, awareness of environmental issues, conservation of energy and sustainable solutions.

Retail network

At the end of 2013 Slovenia had 545 filling stations in operation. The SNNK-WPC association represents 6 retail organisations, running 491 filling stations. The member's market share in terms of the number of filling stations is 90 percent. The biggest member of the SNNK-WPC association and the number one in Slovenia's oil and gas business is the company PETROL d.d., Ljubljana, who has a 58 percent market share in terms of the number of filling stations. It runs 319 filling stations.

The number two on the Slovenian retail market is the company OMV Slovenija, based in Koper. It has a 20-percent market share. They have 111 filling stations in operation.

Important market players are MOL Slovenija, ENI Slovenija, SHELL Adria and INTERINA. The rest of the market (10 percent) is covered by 25 small retailers, operating 56 service stations.

Pricing of petroleum products

Petroleum product price setting in Slovenia is not free! Fuel prices are set in accordance with the Price Modelling Methodology for Petroleum Products what means that the retailers can adapt the product retail prices every 14 days in accordance with the change of the product stock exchange prices, the modification of the two weeks average exchange rate of USD to Euro and the change of the excise tax, which is set by the Ministry of Finance. The gross margin and the compensation for the compulsory product storage expenses for petroleum products are, under the Methodology, set by a Governmental administrative decree once a year at a fixed amount. In 2013 SNNK-WPC strove to convince the government authorities to liberalise petroleum product prices but without success.

Petroleum product procurement and merchandise logistics

In 2013 activities relating to petroleum product procurement and logistics in Slovenia were directed towards streamlining the supply chain and the resulting cost-cutting. Slovenian retailers buy most of their petroleum products from the largest multinational oil companies and some from major global oil and petroleum products traders. Many years of continuous cooperation with reliable and competitive suppliers give the Slovenian retailers the status of a partner. But that does not mean they ignore new potential procurement sources: previous year's global changes are reflected chiefly in the redistribution of refinery capacities, changes in trade flows, and the emergence of new and merged multinationals, especially in Asia. The procurement strategy for motor fuels and middle distillates focuses on supply by sea, although inland refineries located in SE Europe, which complement the procurement network and increase the reliability of supply, mainly of derivatives for which there is local demand, are also important. Other petroleum products, such as fuel oil, bitumen and gas, are delivered only by land. In 2013 motor fuel deliveries to filling stations were carried out mainly by sea to their storage facilities on the Adriatic coast. From there, the fuel was delivered by land to its final destination. Other inland sources for supplying petroleum products to Slovenia include nearby inland refineries in Austria, Hungary, Italy, Bosnia and Herzegovina, and in Serbia. In line with long-term financial goals, environmental orientation and key policies, the selection of suppliers for the Slovenian market is subject to the following factors:

- Strict compliance of all products procured with applicable European standards and regulations;
- Purchase price and other terms of procurement allow for the lowest procurement and logistics costs;
- Reliability of supply which allows for lower operational stocks and thus reduced costs of stock financing.

Sale and distribution of gas

SNNK-WPC members are also engaged in the supply of natural gas and liquefied petroleum gas as well as in the construction and management of gas distribution networks. The selling prices of liquefied petroleum gas in Slovenia are determined freely. Also freely determined are the selling prices of natural gas as an energy source (supply), whereas the distribution prices (network fees) are approved by the Energy Agency of the Republic of Slovenia.

The largest supplier of natural gas in Slovenia is the company GEOPLIN. It supplies the majority of major industrial users, distributors and other customers, most of them are directly connected to the gas transmission network. The basic activities which the company has been performing since it was established in the middle of 1978 are the supply, trade and brokerage of natural gas on the Slovenian market. The company also operates across borders, being involved in both natural gas supply and the provision of services. A reliable supply is ensured through adequate and diversified sources of supply, transport and storage capacities.

The company Geoplin has three subsidiaries: Plinovodi, Geocom, and the company GGE, established in 2011. All three companies together make up the Geoplin Group. The business activities of the parent company Geoplin comprise:

- Procurement of natural gas from producers,
- Organisation of transport of natural gas to the Slovenian border,
- Supply of natural gas to customers at home and abroad.

Geoplin operates in a competitive and fully open market, where customers are free to choose their natural gas supplier and independently regulate access to the gas transmission network in Slovenia via the system operator, the company Plinovodi. Marketing activities at Geoplin in 2013 were aimed at achieving the planned sales volume of natural gas, and since the company faces a shrinking sales market in Slovenia, it is intensifying sales abroad. The price of natural gas is in line with the long-term contracts. Due to the poor liquidity of buyers and low lending activity of banks, payment discipline did not improve and intensive management of claims was required. Nevertheless, the company managed to retain its market share and position as the premier supplier and will remain a key factor in the reliable supply of natural gas in Slovenia. Given the situation the company operated successfully in 2013, selling about 850 million Sm3 of natural gas.

The supply of natural gas to customers was reliable and uninterrupted. Geoplin also provided its customers with services within the scope of its balance group with its system operator and in line with the standards of reliable delivery. Geoplin has one source of supply (Russia), and if necessary adds other incidental sources which, together with the established reserves of natural gas and optimised leasing of transport facilities for transporting natural gas from delivery points to Slovenia ensures the highest level of reliability for customers. The company also generated revenue from the marketing of transmission capacity for the transport of natural gas via Slovenia in 2013. Transmission lines from Austria to Croatia and from Italy to Croatia were active.

E&P, Petrochemicals: SNNK-WPC member, dealing with maintenance and drilling of wells, geothermal energy research, product storage and marketing, production of methanol-driven products, production of specialised machinery and equipment for the chemical, oil and timber industries, managing investments and developing new information technologies for the petroleum industry, is the company NAFTA Lendava. The company is wholly owned by the Republic of Slovenia. In the year 2013 the Group was faced with huge operating and financial problems.

Unión de Petroleros Independientes (UPI)

Consumption and market trends

	Kt	Change (%)
Gasolines	4,656	-5.4
Gas Oils	28,224	-3.2
Heavy fuel oils	8,628	-15.1
Kerosenes	5,133	-2.7

Total consumption of oil products (gasolines, gasoils, heavy fueloils, kerosenes, LPG and others) amounted 54.6 million tonnes, 8.9% less than in the previous year. Consumption of automotive fuels reached 25.1 million tonnes, by 3.7%, almost half of the figure registered in 2012 (6.7%)

In September 2013, consumption began weakly to recover (monthly variation rate of 0.8%). October was also a positive month (0.8%).

The year 2007 was the first one in which a consumption decrease was recorded. Since then, the decrease has been constant, reaching 20% at the beginning of 2013 and levels similar to those of 1999. At the same time, the number of petrol stations has gone up by 1,000 over the same 6 years. This increase is mainly due to hypermarkets, agricultural cooperatives and white pumps. Consequently, the average sales per station have fallen from 3,500 m^3 in 2007 to 2,500 m^3 last year.

Exclusive distribution agreements and competition

With the aim of promoting competition, new legal restrictions were adopted regarding exclusive distribution contracts between oil companies and independent petrol stations. The term of these contracts shall be of one year maximum and shall automatically be extended for one year until a maximum of two years at retailer's option. Additionally, these contracts shall not contain clauses that individually or jointly, would fix, recommend or influence, directly or indirectly, the retailer prices to consumers.

Existing contracts are due to be adapted to the new legislation before the 28th of July 2014. Aside of this grace period, the investments carried out by the oil companies have been disregarded.

This new legislation – whose compatibility with EU law we very much doubt – together with new market trends, i.e. low-cost petrol stations, will influence current business models.

Competition authorities continued to issue frequent reports fundamentally based on the weekly European Oil Bulletin although it is admitted that this source of information is not reliable as far as the calculation methodology varies from one country to the other (for example, Spanish prices do not include discounts). We take this opportunity to insist on the need to harmonise the national methodologies that are being used for calculating the prices which have to be reported every week by Member States to the European Commission.

Fraud

An operator, with a relevant market presence, was charged with tax fraud by the middle of the year. The suspected fraud, that could reach 10 million Euros, consisted in avoiding payment of VAT. The criminal proceedings have just started.

This kind of fraudulent behaviours have proliferated since legal requirements for oil wholesale trading were relaxed in 2010 as a result of the EU Directive 2006/123, concerning services in the internal market (concretely, a previous license is not necessary any more to develop this activity). UPI had already pointed out the risk of unfair competition that the current legislation implies.

Compulsory stocks

Directive 2009/119 was implemented without changing the Spanish model, whereby the new national obligation for Spain, based on net imports of crude oil and oil products, is being achieved with an obligation for companies based on more than 90 days of internal consumption. This means that the additional obligation which is due to products commercialised only by refiners – i.e. asphalt, lubes, coke – is being supported by all operators regardless of commercial activity with these products. We believe that this discrimination against non refiners, which turns out to be a competitive disadvantage for them, could be solved by replacing the current obligation imposed to the last wholesaler of the distribution chain by an obligation based on volumes manufactured and imported.

As a result of the consumption decrease, the national agency CORES holds stocks in excess of the statutory obligation. Several formulas are being considered to reduce the cost burden that this situation implies.

Taxation

In a case that came before the EU Court of Justice, the indirect Tax levied on retail sales that had been in force between 2002 and 2012 was declared illegal. Consumers are entitled to request pay back that could potentially amount to 4 billion Euro. This tax, originally designed to help the regions finance the public health system, had been integrated in the excise Tax at the end of 2012. Like for the previous tax, part of the applicable rate is decided by the regions and it is questioned whether this new model is compatible with EU rules.

Application of the EU EMCS (Excise Movements Control System) in the internal scope was postponed to the 1st January 2014.

Biofuels

While wholesalers are requested to declare sustainability characteristics and apply mass balance rules to reported biofuels volumes, the obligation to furnish a sustainability certificate remained suspended throughout 2013. Otherwise, the statutory reporting obligations are applied as per the sustainability regulation since the beginning of 2013. The introduction of the mass balance system has substantially complicated the reporting scheme and increased the number of cross-check errors, requiring yet more time and effort from companies.

The Spanish certification system which controls biofuels that are put on the market has become more and more complicated and is a costly bureaucracy that needs to be questioned.

In the framework of the biodiesel quotas system that had been set up in the precedent year, the Administration finally assigned the biodiesel quotas and this additional requirement will be applied by May 2014.

Supply and competition are uncertain with the quotas as most of the Spanish factories are in shutdown and there is a lack of credit. Double counting is on the way to being approved and should mean a relief.

Quality

The compulsory period for retailers to continue offering the so-called "protection gasoline" (petrol with a maximum oxygen content of 2,7% and a maximum ethanol content of 5%), was extended to 31st December 2016.

As permitted by Directive 98/70 modified by Directive 2009/30 (Fuels Quality), Spain was allowed by the European Commission to exceed the maximum vapour pressure for petrol containing ethanol (until 31st December 2020).

Avia International

By the end of 2013 there are less petrol sites, but with bigger shops

On 1 January 2014, there were 3,547 publicly accessible branded filling stations counted in Switzerland. This corresponds to a slight decrease of 21 stations (-0.6%) compared to 1st January 2013. The largest network still have the AVIA companies with 637 stations, followed by Agrola (453), BP (362), Ruedi Rüssel (321), Migrol (307) and Tamoil (301). By the end of 2013, a total of 1,328 convenience stores offered their customers the opportunity to combine smaller purchases with refueling. As in previous years, the trend for stores with a sales area of more than 50 m^2 (+19 units) continued. Convenience stores with a sales area of less than 50 m^2, however, decrease by 24 units. The total of the filling stations with a shop accounted in 2013 for 72% of the total fuel sales volumes and thus are an important competitive factor under the brand companies. It is also a fact that sites with a large shop area on average sell more fuel than those with a smaller shop.

The average annual throughput per site in 2013 remained unchanged compared with 2012 at 1.43 million litres of fuel per station, varying of course depending on the type of station. The highest throughput per site and per year was at motorway stations with around 3.4 million litres and the least with approximately 0.64 million litre at unmanned stations – both values are slightly lower than in 2013.

2013: A long winter leads to a sharp increase in fuel oil sales

Sales of the most important petroleum products reached in 2013 in Switzerland 10.9 million tonnes. This is compared to

2012, an increase of 4.8%. The increase is primarily due to the increase of fuel oil by 14.8% – primarily fuel oil extra light. Approximately 64% of total sales accounted for fuels (petrol, diesel, kerosene). The absolute fuel sales to the road traffic is roughly equivalent to the previous year – despite an increase of the motor car fleet by 1.6% (2013: 5,005.800 vehicles).

Individual products:

The demand for motor gasoline continued to decline as for several years before, down in 2013 by another 4.6% over the previous year. The main reason for this development is the continuously improved fuel efficiency of new engines and the tendency towards the purchase of less powerful cars.

Sales of diesel oil, which is used to a large extent in the construction and transport area, continued to increase also during 2013 (plus 4.4%), although at a lower rate than in the same period last year. The main reasons for this growth were the stable domestic economy, but also the increasing number of diesel passenger cars (the share of new registrations of cars reached in 2013 around 37%).

Kerosene sales in 2013 were up by 1.0% to 1.57 million tonnes. This although for both the Zurich and Geneva airports the flight movements compared to 2012 declined. However, they were able to report new passenger records, resulting from the use of larger aircraft.

The largest increase in comparison with 2012 was recorded in the sales of fuel oil extra light, up by 15.5%. For the second year in

a row, the number of heating degree days increased and was up by 5.8% during 2013. The announced increase of the CO_2 tax on fuels as from 1st January 2014 also led to a high demand and purchase volume towards the end of 2013.

Source: Extrakt from Communiqués and courtesy of Erdölvereinigung Schweiz

United Kingdom

Downstream Fuel Association (DFA)

Market

Partly owing to shutdowns at oil refineries for planned maintenance work, during the first nine months of 2013, UK indigenous production of petroleum products was 3% lower than in the same quarter in 2012. Gas oil, fuel oils and aviation turbine fuel showed the largest absolute changes, decreasing by 13%, 10% and 9% respectively.

In the same period, imports and exports of refined products broadly balanced each other whilst imports of aviation fuel showed the largest absolute increase, up by 11%.

Overall, the UK consumed slightly more than in 2012 with total consumption up by 0.6%. Consumption of transport fuels was at a very similar level to the same period last year but with significant differences between grades: petrol decreased by 3.8% while diesel deliveries increased by 1.3% on the same quarter last year. Diesel's share of road transport stands now at 63.5%.

Resilience of supply

During 2013, the UK's Department for Energy and Climate Change (DECC) and the UK Government launched a series of initiatives to revive the debate and consult on policy options to strengthen the resilience and the long-term robustness of the downstream fuel supply chain.

An increasing share of the UK's fuel is provided through the importation of refined products from a number of European and other Countries especially when it comes to middle distillates.

This growth is a market response to the increasing imbalance in domestic output versus actual consumer demand on the back of refinery closures and a shifting landscape. But this market trend resulted in a growing unease in the minds of policy makers. The main question being asked by DECC is whether this increasing reliance on imported products should be seen as a cause for concern.

DFA submitted an articulate response to the Government's call for evidence on the state of the UK oil refining and provided evidence of how a healthy fuel import sector could complement UK based refiners in ensuring competition and strong support for security of supply. This UK initiative ran in parallel to a similar one launched by DG Energy focussing on industry proposals for a fitness check of the European refining industry.

Coupled with this, the Department has been active in reviewing the policy framework surrounding the compulsory stockholding obligation.

A comprehensive consultation on both the effectiveness and appropriateness of the current regime and on options to transition to a centralised stocking entity was held in the summer months and DFA contributed with comments supportive of the creation of the Agency.

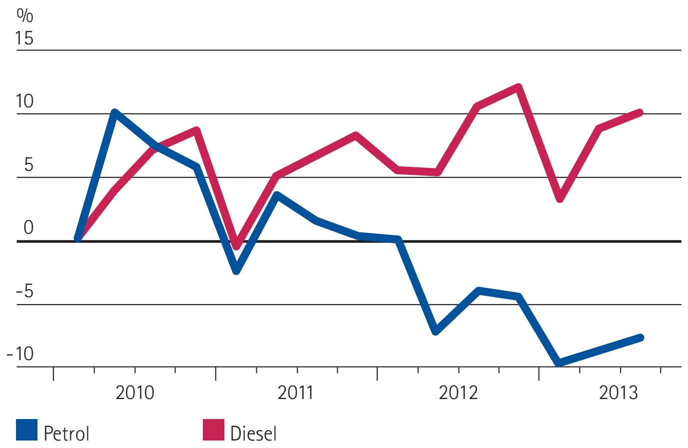
Diesel Fuel Filter blocking incidents

An investigation on the root cause of a number of incidents affecting diesel powered cars and linked to the blocking of fuel filters was launched last year by the British Standards Institution (BSI). The task force has been collating significant amount of data on fuel quality and vehicles but is yet to come to a conclusion as to the cause of the problem. As an interim measure, the UK fuel industry has committed to comply with a voluntary limit of 2.52 for the filter blocking tendency (FBT) of diesel fuel until the 15th of April to determine whether high FBT readings correlate to higher numbers of incidents in the field. The terms of reference and practical details of an experiment to test a number of potential contributory factors to this phenomenon are being agreed by the industry and other stakeholders at the time of writing.

E10

The UK's Government stance on the introduction of the E10 petrol grade on the market is largely unchanged and the slow progress on dossiers including ILUC is not clarifying policy thinking on the broader topic of biofuels at EU level.

Petrol & Diesel Demand since 2010



Source: Department of Energy and Climate Change

The European Heating Oil Association

Eurofuel is the umbrella organisation representing 10 national associations, including over 10,000 companies which promote best practice in the use of heating oil for domestic heating, with respect of the protection of the environment.

Throughout its communication activities and interactions with the EU and international institutions, Eurofuel has been demonstrating that oil heating can address many of the shortcomings facing the EU energy efficiency policies. This has been the case lately when Eurofuel was invited to present to the EID Wärme Forum in Hamburg, the Platts Middle Distillates Conference in Antwerp, or the IWO Austria's Exclusive Round Table on Energy Efficiency, which is organised in Vienna in cooperation with the International Energy Agency and the European Commission.

There is huge potential for energy savings in heating. 40% of the EU's energy consumption is used in buildings, of which 67% for space heating and 14% for water heating. This is why promoting modern and efficient oil heating technologies can help the EU achieve its energy savings objectives and reduce consumers' energy bills.

Furthermore, oil heating is an enabler for the deployment of renewable energy sources at a lower cost to society. Thanks to the development of multi-energy hybrid systems, which combine renewable input and modern oil heating technology, heating oil is becoming a reliable back-up energy source for moments where the sun is not shining and the wind not blowing. Eurofuel is also thinking more specifically about the introduction of renewable electricity. By nature, heating oil has excellent energy storage capacities, which can address the issue of non-storability of renewables.

Europe is characterised by a diversity of geographical and economic situations, as well as different technologies across the Member States. There is no "one size fits all" solution to tackle the whole EU's energy demand:

- In rural areas, e.g. Ireland, it is clear that the replacement of oil heating with cogeneration and district heating facilities is undoubtedly not the most effective solution, not to mention the costs of installing such systems.
- The consumers' and state budget constraints are a reality today. Oil heating is an affordable solution and the industry contributes to facilitating system modernisation. Industry support schemes, such as the "Heizen mit Öl" programme led by our member IWO in Austria, help consumers modernise their systems and reach up to 40% energy savings. This is all the more important for consumers' bills and the climate, since most of the existing boilers are more than 20 years old. Thanks to our member's programme, Austria was able to save as much energy as the production of wind energy in one year.

The oil heating sector, which can propose solutions to many issues, paradoxically encounters obstacles relating to a policy bias, not only by the EU, but also by national institutions, towards other technologies (e.g. cogeneration and district heating and cooling), as well as national restrictive measures on oil. Such measures include a ban on oil boilers currently being applied in Denmark and discussed in Norway. Eurofuel closely follows national developments on restrictive measures and has been involved in consultations with the Commission to address the shortcomings in the Danish legislation. A paper co-signed by UPEI was sent out a few months ago in the framework of the Commission's TRIS notification procedure.

In view of these priorities and the surrounding policy environment, energy efficiency has clearly been a major focus for Eurofuel's recent efforts, with contributions to the 2030 climate and energy framework, consultations on energy labelling, ecodesign, primary energy and lately energy efficiency, not to mention the years-long involvement in the preparation of ecodesign and labelling measures for space heaters.

Eurofuel is also honoured to have contributed to a publication on energy efficiency by the International Energy Agency, featuring IWO Austria's boiler modernisation scheme. An event was organised in cooperation with the European Commission and the International Energy Agency to highlight the content of this highly important publication for our industry.

We have also published user-friendly case studies on national members' energy savings schemes, which can be downloaded from our website www.eurofuel.eu.

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