UK Emergency Oil Stocks

A guide to the measures the UK has adopted to meet its international obligations to maintain emergency oil stocks

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1. Introduction

1.1. The UK is required to hold emergency stocks of oil under international obligations set by the International Energy Agency (IEA), through their International Energy Programme (IEP), and as a member of the EU through the Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain stocks of crude oil and/or petroleum products (‘the Directive’). The primary purpose of this requirement to hold oil stocks is to enable member countries to respond to major disruptions to the global oil market. Part I of this guidance sets out the UK’s obligations in this regard.

1.2. The UK meets its obligations by issuing legally-binding directions to companies to hold stocks. Part II of this guidance provides general information to these substantial suppliers of oil to the UK on their obligation to hold stocks in accordance with directions issued by the Secretary of State. This guidance is not, however, a substitute for legal advice.

1.3. This guidance may be reviewed and updated from time-to-time to provide further clarity. Since it is one of the measures through which the UK transposes its obligations under the Directive, this guidance can only be altered in ways that are consistent with the Directive. Before any alteration is made, it will be considered by the Department of Energy and Climate Change’s Oil Stocking team, who must be satisfied that the altered guidance will remain consistent with the Directive. Where a significant alteration is proposed, the Oil Stocking team will draw it to Ministers’ attention. Once an alteration is made, the amended guidance will be published on the Department’s website on www.decc.gov.uk, and substantial suppliers and any others affected by the alterations will be notified of the changes.

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2 See further, Part I, chapter 2, paragraph 2.2
Part I

2. Oil stocking obligations on the UK

International Energy Agency (IEA) International Energy Programme (IEP)

2.1. The IEA was formed after the 1973/74 oil crises with energy security as its core activity. The International Energy Program (IEP) contained in the IEA’s governing treaty commits member countries:

- to maintain emergency oil reserves equivalent to at least 90 days of net oil imports;
- to provide programmes of demand restraint measures to reduce national oil consumption;
- to participate in oil allocation among IEA countries in the event of a severe supply disruption.

The text of the IEP is at: https://www.iea.org/media/ieawebsite/about/iep.pdf


2.2. The meeting of the European Council in March 2007 highlighted the need to review the EU oil stockholding mechanism, with special reference to the availability of oil in the event of a crisis, stressing similarities with the crisis mechanism of the International Energy Agency (IEA). The European Council adopted the Directive, which replaces previous European legislation\(^3\) adopted in the late 1960s and early 1970s in relation to dealing with long and short-term shortages of oil supply. The Directive is closely aligned with the IEA with regards to the methods of calculating stockholding obligations. The Directive had to be transposed by Member States by 31 December 2012. The UK transposed the Directive through the Oil Stocking Order 2012\(^4\) (“the Order”), the Energy Act 1976 (“the 1976 Act”), directions given to companies under this Act and this guidance on oil stocking, which sets out the approach taken by the UK, and contains, the template directions to be given to companies under the 1976 Act.

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\(^3\) Council Directive 2006/67/EC of 24 July 2006 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products; Council Decision 68/416/EEC of 20 December 1968 on the conclusion and implementation of individual agreements between Governments relating to the obligation of Member States to maintain minimum stocks of crude oil and/or petroleum products; and Council Directive 73/238/EEC of 24 July 1973 on measures to mitigate the effects of difficulties in the supply of crude oil and petroleum products

\(^4\) SI 2012/2862
Total amount of stocks required to be held by the UK

2.3. Article 3(1) of the Directive states:

*Member States shall adopt such laws, regulations or administrative provisions as may be appropriate in order to ensure, by 31 December 2012, that the total oil stocks maintained at all times within the Community for their benefit correspond, at the very least, to 90 days of average daily net imports, or 61 days of average daily inland consumption, whichever of the two quantities is greater.*

In the current circumstances, since the UK has significant domestic oil production, the UK is required to maintain total oil stocks that correspond at the very least to 61 days of average daily inland consumption, which is greater than 90 days of average daily net imports. As UK crude oil production declines, the UK’s obligation will eventually be based on 90 days of average net daily imports.

2.4. The UK manages its oil stocking obligations by issuing legally-binding directions to substantial suppliers of oil to the UK, primarily refiners and importers, to hold stocks that could be released to the market in an oil supply disruption. Section 6 of the 1976 Act allows the Secretary of State for Energy and Climate Change to give directions to undertakings producing, supplying or using crude liquid petroleum or petroleum products within the UK market, requiring them to hold minimum levels of oil stocks. Section 6(1) of the 1976 Act provides that the Secretary of State for Energy and Climate Change can give a direction to: “any person who in the course of an undertaking carried on by him produces, supplies, or uses crude liquid petroleum or petroleum products”. Section 6(2) of the 1976 Act provides that a direction can require a person to make arrangements to enable their UK stocks to be brought to, and maintained at, a particular level, and to ensure that they do not fall below that level (except as may be permitted by the Secretary of State). Where a person is a “substantial supplier” to the UK market, a direction under section 6 can also require him to “create” UK stocks. The Order sets out when a person can be considered a “substantial supplier”, which is broadly where their supply exceeded 50,000 tonnes of crude liquid petroleum or petroleum products during a relevant period. Template directions are set out at Annex C of this guidance.

2.5. In the event of an emergency, the Secretary of State for Energy and Climate Change can authorise obligated companies to release part or all of their obligated stocks to the market. The Secretary of State also has various powers under the 1976 Act to make orders and directions regarding the production, supply, acquisition or use of crude liquid petroleum and petroleum products in the event of an emergency.

2.6. Article 9(5) of the Directive states at paragraph 1:

*Each Member State that has not made a commitment for the full length of a given calendar year to maintain at least 30 days of specific stocks shall ensure that at least one-third of their stockholding obligation is held in the form of products composed in accordance with paragraphs 2 and 3 [of the Directive].*

2.7. The UK has chosen not to hold state owned specific stocks and therefore has an obligation to hold at least one-third of its stocks as particular finished products. In order to meet this requirement, DECC issues legally-binding directions to companies

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5 Section 6(2)(b) of the 1976 Act
6 Section 16(3) of the Order: “relevant period” means a period of 12 months starting not earlier than 18 months before, and ending not earlier than 3 months before, the date when the Secretary of State is minded to give a direction to a substantial supplier under section 6(2)(b) of the 1976 Act.
supplying these products which provide that they must hold stocks of motor gasoline, gas/diesel oil and kerosene type jet fuel, as required by the UK’s oil consumption. The directions given to companies by the Secretary of State using powers under section 6 of the 1976 Act set out the breakdown of stocks companies are required to hold and are composed of one or more of the products set out in Chapter 6 of this guidance.

2.8. In addition the UK has an obligation under Article 9(5) at paragraph 2 to send the European Commission an annual report on or before 31 January each year on the measures taken by the UK authorities to ensure and verify the availability and physical accessibility of these stocks and our arrangements to control these in an oil supply disruption. Companies report on the breakdown of their stock holding to the Secretary of State every month, and the Secretary of State has audit and enforcement policies in relation to failure to comply with this aspect of the directions. The 1976 Act also provides that the Secretary of State can compel companies to provide information to DECC, with criminal sanctions for failure to comply.

Methodologies required to be used for calculating stock levels

2.9. The methodologies required to be used for calculating the UK’s total stock levels are set out at Annex D of this guidance, which transposes Articles 3(2), 3(3), 4(2) and Annexes II and III of the Directive. Annex D sets out the obligation on the UK to hold the correct volume of stocks, and the methodology that the Secretary of State must use in calculating the obligation on companies.

Updated register of emergency stocks

2.10. The UK is required to keep a continually updated detailed register of all emergency stocks held for its benefit. Specifically, to quote Article 6(1) of the Directive, the UK:

… shall keep a continually updated and detailed register of all emergency stocks held for its benefit which do not constitute specific stocks. That register shall contain, in particular, information needed to pinpoint the depot, refinery or storage facility where the stocks in question are located, as well as the quantities involved, the owner of the stocks and their nature, with reference to the categories identified in the first paragraph of Section 3.1 of Annex C to Regulation (EC) No 1099/2008.

2.11. The UK is directly responsible for ensuring that it meets the requirement to hold the requisite level of stocks and directed companies are legally bound to report on their stock levels to the Department of Energy and Climate Change (“DECC”). The reporting obligations imposed on directed companies require them to provide the Secretary of State for Energy and Climate Change with the necessary information that DECC can then use to compile and maintain the register. This assists the UK in tracking the relevant stocks to ensure it meets the obligation in Article 3(1) of the Directive (to hold 61 days of average daily inland consumption). The directions given to companies under section 6 of the 1976 Act and Schedule 2 of the 1976 Act provide that they must provide the Secretary of State with information concerning: quantities of stocks held; location of the stocks; the identity of the owner of any stocks not held by the directed person; and the type of stocks held. DECC uses the data collected through the methods set out

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above to compile its detailed register of stocks. Breach or other contravention of a direction is a criminal offence.

2.12. The UK also ensures that a summary, anonymised, copy of this register is sent to the European Commission by the 25 February each year, to comply with our obligation to do so under Article 6(2) of the Directive, and that processes are in place to ensure a full copy can be shared within 15 days of a request by the Commission, as stated under Article 6(3) of the Directive.

Contingency Plans

2.13. In accordance with the first sentence of Article 20(2) of the Directive, the UK has adopted measures to ensure that it complies with the requirement that “Member States shall at all times have contingency plans to be implemented in the event of a major supply disruption and shall provide for organisational measures to be taken to allow those plans to be implemented.” The UK has a broad range of emergency contingency plans across all sectors which are tested regularly to ensure they are able to be implemented effectively. Specifically with regards to oil supply, the UK has a National Emergency Plan for Fuel which is regularly reviewed, as well as holding emergency exercises. The UK also conducts exercises, both national and international, to ensure our stock release mechanism is fit-for-purpose and has an internal stock-draw handbook.

Central Stockholding Entity (CSE)

2.14. The Directive enables Member States to set up a CSE. This is a body or service upon which powers may be conferred to act to acquire, maintain or sell stocks, including emergency stocks and specific stocks. A CSE must take the form of a non-profit body, acting in the general interest and not as an economic operator. In April 2013, DECC issued a public consultation on the future management of the compulsory stocking obligation in the UK, including consideration of the option to establish an industry-owned and operated CSE in the UK. The Government response to the consultation was published on 9th April 2014 and set out that government supported the establishment of an industry owned and operated CSE in principle, but that this is subject to an agreeable roadmap for this being prepared by industry and presented to government. If the roadmap is acceptable, government would then look to legislate for this, subject to parliamentary time being available. The response can be found at: https://www.gov.uk/government/consultations/future-management-of-the-compulsory-stocking-obligation-in-the-uk
Part II

3. Collection of information

3.1. Information on supply and stocking is currently collected by DECC using either:

- The Downstream Oil Reporting System (DORS). This data collection is used by all companies with an oil stocking obligation.
- The Oil Stocking System (OSS) which collects information on stock held by non-obligated companies.

3.2. The Secretary of State requires companies which refine and supply oil to complete these forms in the Directions issued to them under section 6 of, and Schedule 2(1) to, the 1976 Act. Provision of this information is therefore a legal obligation, and failure to comply with the Direction or provision of information which the person knows to be false or does not believe to be true is an offence under section 18 of the 1976 Act.

4. Calculating obligations

4.1. The UK is required to maintain total oil stocks that correspond at the very least to 61 days of average daily inland consumption, which is greater than 90 days of average daily net imports, in accordance with Article 3(1) of the Directive\(^8\). The method by which the UK calculates required stocks is found at Annex D of this guidance.

4.2. As the UK is a large producer of oil within the EU, its obligation is currently set in terms of the requirement to hold 61 days of Inland Consumption (the relevant calculation is set out in Annex II of the Directive).

4.3. On top of the amount obligated, the EU requires all Member States to discount the volume of stocks held by 10 per cent.

4.4. Inland Consumption is the quantity of product delivered within a country for both energy and non-energy use. In the Directive, it is restricted to the following products:

- aviation gasoline
- motor gasoline,
- gasoline-type jet fuel (naphtha-type jet fuel or JP4),
- kerosene-type jet fuel,
- other kerosene,
- gas/diesel oil (distillate fuel oil) and
- fuel oil (high sulphur content and low sulphur content).

4.5. Inland Consumption includes deliveries to the transformation sector and deliveries to industry, transport, households and other sectors for ‘final’ consumption. It also includes

\(^8\) See further, Part I, chapter 2, paragraph 2.2
the own consumption of the energy sector (except refinery fuel), but it excludes deliveries to International Marine Bunkers.

4.6. When allocating obligations to individual companies, the UK will not take into account supply by those companies of aviation gasoline or gasoline type jet fuel given the small volume of deliveries of these products. This decision will be kept under review.

4.7. The crude oil equivalent of inland consumption is calculated by multiplying the volume of the relevant products by a factor of 1.2. The relevant products are motor gasoline, (i.e. petrol), gas/diesel oil (distillate fuel oil), kerosene type jet fuel (i.e. ATF), other kerosene (i.e. burning oil) and fuel oil.

4.8. The total obligation on an individual company will be calculated by reference to supplies to market over a 12 month period, starting 18 months prior to the obligated quarter and ending 6 months prior to the obligated quarter. Supplies to market are defined as:

\[
\text{Own Refinery Production (where applicable):} \\
\text{plus Import} \\
\text{minus Exports} \\
\text{minus Exclusions (where applicable) for deliveries to:} \\
\begin{itemize}
  \item International Marine Bunkers
  \item Refinery Fuel Use
  \item Channel Islands and Isle of Man
  \item Products to Feedstock
\end{itemize}
\]

4.9. Refiners’ obligations are based on 67.5 days of net consumption. For example:

\[
\begin{align*}
\text{Supplies to market (cy 2014)} & \quad 1,000,000 \text{ tonnes} \\
\text{Supplies to market (cy 2014) crude oil equivalent} & \quad 1,200,000 \text{ tonnes} \\
\text{Daily supplies COE (1,200,000 tonnes/365)} & \quad 3,287.7 \text{ tonnes} \\
\text{67.5 days of consumption} & \quad 221,918 \text{ tonnes}
\end{align*}
\]

The obligation (221,918 tonnes in this case) must be held for each calendar month.

4.10. Non-refiners are obligated at 58 days of net consumption. For example:

\[
\begin{align*}
\text{Supplies to market (cy 2014)} & \quad 1,000,000 \text{ tonnes} \\
\text{Supplies to market (cy 2014) crude oil equivalent} & \quad 1,200,000 \text{ tonnes} \\
\text{Daily supplies COE (1,200,000 tonnes/365)} & \quad 3,287.7 \text{ tonnes} \\
\text{58 days of consumption} & \quad 190,685 \text{ tonnes}
\end{align*}
\]

The obligation (190,685 tonnes in this case) must be held for each calendar month.

4.11. If an obligated person makes a permanent change in the activities carried out by its undertaking (e.g. a refinery converts to an import terminal) then the historic supply to market made by the undertaking will still be counted at the level appropriate to its activities at the time of supply. So, for example, if a refiner changed to a non-refiner, when its historic supply includes supply as a refiner this would be at 67.5 days of net consumption, but when its supply as a non-refiner was considered within historic supply this would be at 58 days. This does not apply during temporary changes, e.g. refinery turnarounds.
4.12. The current differential in stock holding requirements between refiners and importers was established following a 2006 study done for DTI (as it was) by Energy Market Consultants (UK) Ltd. DECC is currently considering whether the levels of obligation set on refiners and non-refiners remains appropriate in order to be compliant now and in the future with international obligations.

4.13. As part of the overall obligation, companies delivering motor gasoline (i.e. petrol), gas/diesel oil (distillate fuel oil) and kerosene type jet fuel into the UK market will be required to hold 22.5 days of each as finished stock (be this product held in tanks, or national or international tickets on stock). The differential for refiners and non-refiners does not apply to these 22.5 days. The remainder of the obligation would be held as ‘any oil’. That is, any of the products listed in paragraph 6.3.

4.14. For example, for refiners, the obligation would be as shown in the table below (there is no differential on the product obligation for importers and refiners):

<table>
<thead>
<tr>
<th></th>
<th>Motor Gasoline</th>
<th>Gas / Diesel Oil</th>
<th>Kerosene Type Jet Fuel</th>
<th>Other Kerosene</th>
<th>Fuel Oil</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply to Market</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>5,000</td>
</tr>
<tr>
<td>COE</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>6,000</td>
</tr>
<tr>
<td>Finished Grade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Obligation (@ 22.5 days)</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td></td>
<td></td>
<td>222</td>
</tr>
<tr>
<td>Any Oil Obligation (@ 45 days)</td>
<td>148</td>
<td>148</td>
<td>148</td>
<td>222</td>
<td>222</td>
<td>888</td>
</tr>
<tr>
<td>Total Obligation (@ 67.5 days)</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>1,110</td>
</tr>
</tbody>
</table>

4.15. The minimum stockholding requirement specified for each category of product will be rounded to the nearest multiple of 100 tonnes. The Direction will be made in Tonnes of Crude Oil Equivalent but the calculation methods and reporting proforma will clearly illustrate the translation between tonnes and tonnes of oil equivalent.

5. Communicating obligations

5.1. DECC will issue companies with a draft calculation setting out their proposed obligation and ask companies to check the proposed obligation and the base data used to calculate it. Companies will at this time be able to identify any product which can be legitimately excluded from the obligation. Companies will also have the opportunity at this time to record how trades between companies have affected the individual company obligations in accordance with the industry netting system.

5.2. Once the obligated company has had reasonable opportunity to confirm that the base data are correct, DECC will then prepare an oil stocking direction in accordance with Section 6 of the 1976 Act. This direction will state the amount of oil that each company is required to hold, both in respect of their overall obligation and specific finished grade.
product stock requirements for gasoline (i.e. petrol), gas/diesel oil (distillate fuel oil), and kerosene type jet fuel.

6. Stocks included and excluded from qualifying

6.1. Annex III of the Directive (see Annex D of this guidance) allows Member States the choice of two methods of counting oil stocks. The UK has chosen the first option which allows obligated companies to include a wide range of stocks (see below) and convert those into the required crude oil equivalences by multiplying them by 1.065.

6.2. The Order sets out the type, location and uses of stocks of crude liquid petroleum and petroleum products that may be counted towards an obligated person’s stocks, and when stocks can be considered to be an obligated person’s “UK stocks” (see articles 3 to 6 in particular).

6.3. Stocks must be in the form of crude liquid petroleum or the petroleum products identified in the first paragraph of Section 3.1 of Annex C to Regulation (EC) No. 1099/2008\(^9\). In summary:

- Crude oil,
- Natural Gas Liquids,
- Refinery feedstocks,
- Other hydrocarbons,
- Refinery gas (not liquefied),
- Ethane,
- Liquid Petroleum Gas,
- Motor gasoline,
- Aviation gasoline,
- Gasoline-type jet fuel (naphtha type jet fuel or JP4),
- Kerosene type jet fuel (aviation turbine fuel),
- Other kerosene (burning oil),
- Gas/diesel oil (distillate fuel oil),
- Transport diesel,
- Heating and other gasoil,
- Fuel oil (both low and high sulphur content),
- White spirit and SBP,

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• Lubricants,
• Bitumen,
• Paraffin waxes and
• Petroleum coke.

6.4. Crude oil stocks are discounted by 4 per cent which corresponds to an average EU naphtha yield. The calculation may not include crude oil not yet produced. Naphtha is excluded under terms of the Directive. However, naphtha stocks can be classified as a motor gasoline blending component where appropriate (when stocks can be used as such). Motor gasoline blending components are an applicable product for oil stocking purposes.

6.5. The stocks which companies count towards their obligations may include quantities held:
• In refinery tanks;
• In bulk terminals;
• In pipeline tankage;
• In barges;
• In intercoastal tankers;
• In oil tankers in port;
• In inland ship bunkers;
• In storage tank bottoms;
• As working stocks.

6.6. For stocks at airports, companies may count stock levels held where local arrangements ensure that there are volumes reserved during the course of a month that could be released in the case of a stock-draw. Practically, this means that – at most - this would be the lowest stock recorded at the airport during the reporting month. DECC reserves the right to review this practice.

6.7. The stocks which companies count towards their obligations may not include quantities held:
• In pipelines;
• In rail tank cars;
• In seagoing ships’ bunkers;
• In service stations and retail stores;
• In tankers at sea;
• As military stocks;
• For international marine bunkers.

6.8. Stocks which companies count towards the finished grade obligation may include blending components, additives and biofuels; it may not include refinery feedstocks that require further processing. For proportions of biofuels and additives see chapter 7 below.
7. Biofuels and additives

7.1. Biofuels and other blending components can count as finished products where they have been blended with petroleum products or where they are stored in the UK and:

- they are available to and physically accessible by the obligated person at all times;
- they are held by the obligated person or under an authorised United Kingdom ticket arrangement;
- they are held with the intention of being blended with the obligated person’s petroleum products; and
- the ratio of biofuels and blending components to the relevant petroleum products is such that when blended they may be used as a transport fuel.

7.2. The UK has not yet specified a maximum ratio for the blending proportion and considers that it will be for obligated companies to ensure that the ratio they apply is appropriate. However, DECC will monitor how companies apply this ratio, and may specify a specific ratio in the future if this appears necessary.

7.3. Non-refiners can also include blending components towards fulfilment of their obligation in accordance with the rules in 7.1 above. Given that non-refiners do not necessarily have the blending facilities to blend additives with finished stocks, DECC may ask non-refiners to provide evidence about how they will make these additives available to the market in the result of a stock-draw.

8. Availability of Stocks

8.1. An obligated company will only be able to count stocks towards its obligations where those stocks are at all times available and physically accessible to the company (article 3 of the Order). Stocks will not be considered available for these purposes unless the obligated company can freely dispose of the stocks when required by the Secretary of State.

8.2. Obligated companies are required under their Directions to notify the Secretary of State as soon as reasonably possible in the event of any circumstances which:

a) cause or are reasonably likely to cause their United Kingdom stocks to fall below the minimum levels stipulated in their direction;

b) are reasonably likely to cause them to cease to produce, supply or use crude liquid petroleum or petroleum products before the date on which this direction ceases to have effect.

8.3. These circumstances include, but are not limited to:

a) the commencement of any insolvency proceedings, including in relation to bankruptcy;

b) the making of any arrangement or composition with creditors;
c) the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;
d) the commencement of execution or other legal process (including the carrying out of diligence), or levying of distress, against United Kingdom stocks;
e) the enforcement of any mortgage, charge, lien or other security over United Kingdom stocks.

8.4. The Directive makes clear that the existence of enforcement proceedings against stocks or insolvency proceedings affecting the obligated company (or, if different, the person holding the stocks) may affect the availability of stocks. In particular, the Department considers that stocks should be considered unavailable in the following circumstances:

- Where execution or similar legal proceedings have been taken which have resulted or are likely to result in the seizure of the company’s stocks;
- Where the stocks are subject to a mortgage, charge, lien or other security, the terms of which could prevent the obligated company from freely disposing of the stocks (for example, where disposal of the stocks would require prior consent from a third party);
- Where the stocks form part of the assets of a company in respect of which a petition has been presented for winding up in a compulsory liquidation, or a creditors’ voluntary resolution for winding up has been made.

8.5. However, stocks subject to enforcement action may be considered to remain available for the period of any stay or suspension of action against the stocks obtained from the Courts (for instance, if an application is made under the Insolvency Act 1986 or the civil procedure rules). The obligated company must continue to meet the terms of its Direction at all times, and is responsible for ensuring that it has alternative stockholding arrangements in place in time before the end of the period of any stay or suspension.

8.6. In the event that an obligated company ceases trading as an oil supplier or refiner (for example as a result of financial difficulties or market exit) and wishes to bring its obligations to an end, the company must serve notice on the Secretary of State informing him that its refinery and/or supply activities have ceased. The Secretary of State will then consider how to proceed – including amending or revoking the direction, or extending the period of the direction for up to three months.

9. Stocks held on behalf of one company in the UK by another company

General

9.1. A company may arrange for some or all of the stocks held in compliance with a direction to be held on its behalf by another company in the UK. This is referred to as a “United Kingdom ticket arrangement”. In order for stocks held by another person to be counted by a company towards its obligations, those stocks must meet the requirements of the Order, in particular articles 3 to 6. Consequently, the company providing the stocks must have surplus stocks or stockholding capacity (as stock can only be counted towards an
obligation once), and the company whose obligation they are intended to meet, either partially or wholly, must ensure that its contractual arrangements with the stock provider ensure that the stocks will be physically accessible and available to it at all times. Under articles 12 and 13 of the Order, ticket arrangements must be the subject of prior authorisation by the Secretary of State.

9.2. DECC wishes to provide flexibility for companies to meet their respective obligations. However, we need to ensure that obligations are met in line with the Directive and IEA requirements. It is important that there is i) transparency of transactions and ii) no ‘double counting’ of stocks held toward the UK obligation (or in the case of cross-border tickets, other Member State obligation). As such, the Secretary of State may refuse applications for the authorisation of ticket arrangements (whether domestic or with other countries), and such arrangements should not be relied upon to fulfil a company’s obligation until notice of final authorisation of a ticket arrangement has been given by the Secretary of State. The Secretary of State would refuse authorisation, if companies are in breach of the requirements in the Directive for example, where there is sub-delegation.\(^\text{10}\)

**Tickets (delegation of stockholding obligations)**

9.3. As set out above, United Kingdom ticket arrangements must be authorised by the Secretary of State under article 13 of the Order before they can be relied on to meet a stock-holding obligation. Either the obligated company or the person who intends to hold the stock may apply for authorisation under article 12 of the Order. Such an application must be made in writing, preferably by e-mail. We would normally expect to grant authorisation unless to do so would lead to a breach of UK obligations under the Directive; for example, if there is reason to doubt that the stocks exist and will be available for release if necessary. Although applications may be made by either or both of the companies concerned, it is the company with the obligation which is responsible for ensuring that the stocks are held and available at all times. However, it is recommended that both parties involved in the ticket are copied in to the application for authorisation to ensure all parties are well informed.

9.4. A United Kingdom ticket arrangement cannot be for a period of less than one month. Preferably, any arrangement should be for a calendar quarter or quarters.

9.5. The application for authorisation must include the information set out in Schedule 1 to the Order, as relevant. This includes:

- the name and contact details of the company holding the stocks;
- the name and contact details of the company whose obligation the stocks are intended to meet;
- the location of the stocks – this information must make it possible to pinpoint the depot, refinery or storage facility at which the stocks are held;
- the form and quantity of stock;
- the period during which the stocks are to be held.

\(^\text{10}\) See further, Part II, chapter 9, paragraph 9.11
9.6. In some cases further information may be required before an authorisation will be granted. For instance, if the legal owner of the stocks is different from the company holding the stocks (see paragraph 9.13) we would expect to be informed of the name and contact details of the legal owner before granting the authorisation. We will also expect all quantities to be expressed in tonnes.

9.7. The directions require that stocking returns must be completed by the obligated person, and the authorisation will require equivalent returns to be completed by the ticket provider. The directions are in tonnes of crude oil equivalent but the reporting proforma will convert tonnes to tonnes of crude oil equivalent as required.

9.8. If a company becomes aware that stocks on which it has purchased or sold tickets are no longer available they should inform the Secretary of State as early as possible (reflecting guidance in section 8). In such a case, any stocks held by an obligated person under the ticket would not be capable of counting towards their UK Stocks, and alternative arrangements would need to be made to ensure compliance.

9.9. Details on the authorisation of international tickets, requiring in general at least one month’s advance notice, can be found at paragraph 10.6. In general the same notice period applies for domestic tickets also. However, there are instances when domestic tickets can be purchased within the month of cover to allow companies to maintain their obligated stocks throughout the month. This exception only applies to domestic tickets and must also consider the guidance set out in this section on ticket durations, information requirements and authorisation processes.

9.10. In order to buy or sell tickets on stocks a company should have a UK address, which DECC can use in the event of auditing or enforcement proceedings.

Sub-delegation

9.11. Sub-delegation is prohibited by the Directive (see Article 8(1) of the Directive) and any arrangement proposed by an undertaking that amounts to sub-delegation cannot be authorised by the Secretary of State under the UK’s domestic legislation. Consequently, DECC requires there to be a direct contractual relationship between the obligated company and the person which has surplus stocks or stockholding capacity. DECC would consider this to be the person who holds and manages the stocks, and can guarantee that the stocks will be physically accessible and available at all times. The delegation of all or part of the obligations related to holding and managing the stocks to a third party intermediary is likely to constitute an unlawful sub-delegation.

9.12. It is the responsibility of the obligated company to ensure that any arrangements it enters into with ticket providers do not breach the prohibition on sub-delegation; where stocks are held under sub-delegation, it will not be possible to count them towards the obligated person’s stocks.

Stocks held by an obligated person but owned by a third party

9.13. DECC is aware that some companies have or are considering entering into arrangements whereby legal ownership of their stocks lies with a third party, such as a bank. It is the responsibility of the obligated company to ensure that such arrangements do not compromise its ability to meet its obligations. In order for the stocks to be
regarded as the obligated person’s own stocks, we would expect the obligated person to have day-to-day management of the stocks and to be able to show that the stocks are at all times physically accessible and available to it. In particular, it must have the right to dispose freely of the stocks in the event of a supply crisis. In these circumstances, we would expect that returns are submitted by the obligated person, but that the return includes the identity of the legal owner of the stocks.

9.14. Where the obligated company does not itself have day-to-day control of the stocks, the arrangements must satisfy the normal delegation requirements relating to tickets, as set out in this guidance.

9.15. Before relying upon such arrangements, the obligated party should discuss the ownership proposal with DECC. The obligated party should expect a degree of scrutiny of the contractual arrangements, and DECC will need clarity regarding who owns the stocks throughout. We recommend earlier than usual engagement to regular timescales for ticket approval. DECC will assess whether the third party concerned is acting as a supplier to the market in oil stocking obligation terms and could therefore be expected to receive a direction to hold obligated stocks (see section 4). This scrutiny may take a substantial amount of time so early engagement is recommended. It may also be necessary to see relevant documentation related to the proposed agreement. DECC will also consider whether the resource requirement for DECC is disproportionate to the request and whether there is sufficient time to fully assess the request.

UK Ticketing arrangements making use of third parties as intermediaries

9.16. We are aware that some companies have or are considering entering into arrangements whereby legal ownership of their stocks temporarily lies with a third party, such as a bank, solely for the purposes of a particular trade. It is the responsibility of the obligated company to ensure that such arrangements do not compromise its ability to meet its obligations. Similarly to the situation set out at 9.13 DECC will assess whether the third party concerned is acting as a supplier to the market in CSO terms and could therefore be expected to receive a direction to hold obligated stocks (see section 4). As with the third party ownership model above, we would expect the obligated company to:

- have day-to-day management of the stocks
- be able to show that the stocks are at all times physically accessible and available to it
- have the right to dispose freely of the stocks in the event of a supply crisis
- be responsible for returns to DECC on stockholding as well as approaching DECC for prior agreement to such a transaction

9.17. In this model, we also expect it to be clear for what period of time the third party would own the obligated stocks. We would expect this to be a short period of time, given that the third party is intended to be the owner to facilitate the transaction.

9.18. Before relying upon such arrangements, the obligated party should discuss them with DECC. The factors outlined in paragraph 9.15 are relevant to this model, and the obligated party should expect a similar degree of scrutiny.
10. Stocks held in other EU Member States

10.1. Companies may arrange for some or all of the stocks held in compliance with a direction to be held in other EU Member States, either by themselves (through an international storage arrangement) or on their behalf by others (through international tickets). Such stocks may only be counted towards a company’s obligation if the arrangement has been authorised in advance by the Secretary of State and the competent authority of the Member State in which the stocks are to be held (see articles 3, 12, 13 of, and Schedule 1 to, the Order). Where the stocks are to be held by another person on the obligated company’s behalf, the obligation may not be sub-delegated.

10.2. Likewise, UK companies may hold compulsory stocks on behalf of companies from other EU countries. Such arrangements must again be authorised in advance (see article 9 of the Order). See Section 12 below on measures to protect stocks of other Member States which are held in the UK.

10.3. Formal bilateral agreements between Member States are no longer required by the Directive in order for stocks to be held outside the UK. However, DECC will need to be satisfied that stocks held in another Member State will remain physically accessible and available to companies, and have agreed arrangements in place with the relevant Government for the authorisation to be given and for the stocks to be reported accurately to the UK and the other Member State. We have developed an agreed format (a core Memorandum of Understanding) to be used with some Member States, although the documents will be able to be amended to meet local requirements. Some Member States, such as Sweden, have said that they do not require a MoU and we have agreed not to have one. A list of the current status of arrangements with other EU Member States can be found at: https://www.gov.uk/government/publications/emergency-oil-stocking-international-obligations

10.4. In general terms, companies wishing to hold stocks or have stocks held for them overseas must seek authorisation in advance from DECC in writing, preferably by e-mail.

10.5. Minimum and maximum periods may be applied in relation to tickets held in another Member State, in accordance with the arrangements agreed with the relevant State.

10.6. International tickets must be authorised by DECC in advance of the period for which they are to apply. In general, DECC must be informed of international ticket arrangements no later than one month before the period the ticket covers commences, although in some cases (e.g. tickets with certain Member States) more time may be required. So, for example, if a ticket is agreed by companies for July, but DECC is only informed of this during or later than July then this ticket cannot be permitted and would not be authorised.

10.7. The application for authorisation request will need to include the information set out in Schedule 1 to the Order. This includes:

- the name and contact details of the UK company who will hold the stocks;
- the name and contact details of the overseas company, CSE or Member States on whose behalf the stock is held;
- the location of the stocks— this information must make it possible to pinpoint the depot, refinery or storage facility at which the stocks are held;
• the form and quantity of stock;
• the period for which the stocks are to be held;
• whether stocks held on behalf of another member State are emergency or specific stocks.

We will also expect all quantities to be expressed in tonnes. DECC’s reporting proforma will convert tonnes to tonnes of crude oil equivalent when required.

10.8. Following receipt of a request for a stock holding arrangement, DECC will seek approval from the competent authority of the relevant Government, as they will seek our approval for any requests they receive. Such arrangements are subject to the approval of both Governments; for example, Governments of other countries might decline to agree requests which extend for more than a quarter of a year in time or involve companies unknown to them. On receipt of their response, we will inform the UK company by e-mail as to whether authorisation is granted. Companies should not consider stocks held under a ticket to be their UK Stocks until they have been informed that final authorisation has been granted.

11. Stocks held in the UK for non-EU countries

11.1. The UK has an agreement with New Zealand, negotiated under the International Energy Program, under which UK companies may hold stocks on behalf of the New Zealand Government, subject to the agreement of the UK Government. However, it is not possible for obligated companies to hold UK stocks outside the EU.

12. Protection of stocks held on behalf of other EU Member States

12.1. Companies holding stocks on behalf of other Member States or CSEs in the UK should be aware of the procedural requirements and protections for such stocks set out in Part 4 of the Order.

12.2. The procedures for authorisation of such arrangements are set out in section 10 above. Companies should be aware that tasks delegated to them on behalf of other Member States or CSEs cannot be sub-delegated. Where specific stocks (i.e. stocks owned by a CSE or Member State designated by it as specific stocks) are commingled with other stocks of crude liquid petroleum or petroleum products, the specific stocks may only be moved with the prior written authorisation of both the owner of those stocks and the Secretary of State.

12.3. In the event of a supply crisis, it is an offence for any person to hinder the transfer, use or release of emergency or specific stocks held in the UK on behalf of another Member State (see article 11 of the Order). Specific stocks are subject to an even higher level of protection, as they are subject to unconditional immunity against any enforcement action (see article 7 of the Order).
13. Revocation of ticket authorisation

13.1. If a company becomes aware that the stocks on which a ticket they have sold or purchased are not available they should inform DECC (see section 9). In such instance, we expect companies to amend or cancel the ticket as per their arrangement with the other company involved, and seek alternative arrangements to cover their obligation as necessary. An application for authorisation should be made for amendments to existing authorised ticket arrangements (see article 12 of the Order).

13.2. If the Secretary of State has reasonable grounds for considering that insufficient stocks are available to cover a ticket, then DECC will seek more information from the companies involved to better understand this. Where DECC is satisfied there are insufficient stocks, and the companies concerned have not amended or cancelled any affected tickets as we would expect (see paragraph 13.1), then the Secretary of State can commence the process to revoke the ticket authorisations (see article 14 of the Order).

13.3. In such cases the Secretary of State will consider which authorisations need to be revoked to reflect the shortfall in actual stockholdings. Any such decision would be considered on a case-by-case basis taking into account all the circumstances, and information will be sought from companies as necessary. The Secretary of State will consider any relevant factors in the round, but factors to be considered will include:

- The quantity of stocks held under a ticket, and the amount of the shortfall.
- When a ticket or delegation arrangement was entered into.
- The duration of a ticket, and the date of its expiration.
- The ability of affected obligated parties to meet their obligation through surplus stockholdings.
- The administrative requirements for DECC of taking a particular approach.

13.4. In the event of the Secretary of State initiating the process to revoke a ticket authorisation, the companies involved would be contacted about the proposed approach and given a reasonable amount of time to make representations about the decision. In addition, where the arrangements concern an international ticket, the Secretary of State will notify the competent authority of the relevant Member State.

13.5. In taking a decision on whether to revoke an authorisation, the Secretary of State will consider a range of factors including:

- Any representations received from affected parties.
- Whether the parties to the ticket have applied to the Secretary of State for an amendment to the existing arrangements.
- Whether the arrangements could be amended.
- The duration of any shortfall in stockholdings.
- The effect of a shortfall on the obligated party’s ability to meet its obligation, and the effect of revoking an authorisation on their UK Stocks.
• The effect of revoking an authorisation for any EU economic operator’s delegation arrangement.

• Where practicable, the effect on the company holding the stocks on behalf of the obligated company.

14. Obligation in the event of market changes

14.1. In the event of an obligated company ceasing to produce, supply or use crude liquid petroleum or petroleum products then DECC will have to consider how to apply the obligation in order to remain compliant with the UK’s total stockholding requirement.

14.2. For the company exiting the market, the Secretary of State can choose to extend the final Direction received by that company by up to three months. This would be considered on a case-by-case basis (see paragraph 8.6).

14.3. If no other company purchases the exiting company or its assets then DECC will have to consider how to approach any resulting shortfall in the UK’s overall CSO. Consideration will be given to whether obligations need to be revised to reflect this; if a change in the remaining obligated company obligations is required companies will be given a reasonable opportunity to comment on any revised obligations.

14.4. Where an existing obligated company sells its undertaking to a new or existing operator in the UK market, DECC will look to obligate the new company as swiftly as possible, including from the point of sale. Several factors will need to be considered by DECC at this point and early engagement by the companies involved is requested. Points to consider will include whether the sale in question is a company-sale (in which case the existing obligation will continue), or an asset-sale (in which case a new Direction will be issued to the buyer, taking into account the historic supply to market through the undertaking being purchased).

14.5. DECC will also consider whether the buyer is an existing substantial supplier to the UK market; if they are not then DECC will look to obligate them as soon as they have supplied over 50,000 tonnes of oil to the UK market. The new company will need to report data to DECC to inform this.

15. Monitoring and audit of available stock

15.1. All companies subject to an oil stocking obligation, or providing stocks to obligated companies under ticket arrangements, are required to complete and send to DECC a monthly return that reports levels of stock.

15.2. DECC also requires information on stock levels for those companies that are supplying oil to other UK companies, even if those companies are not themselves subject to an oil stocking obligation. This information is typically collected through an OSS return and allows DECC to monitor the relationship between volume of stock being held and the cover being offered.

15.3. Information on stock levels and supply are currently collected by the DORS and OSS forms as noted in section 3 above. The reported stocks must comply with all of the requirements of Part 2 of the Oil Stocking Order 2012 to be counted by an obligated
company towards its stocks. DECC has powers to request further information from companies, call for documents and inspect premises to check that requirements are being complied with, for example to ensure that stocks physically exist and are being accurately reported by the obligated company. This assurance is primarily provided by consistency checks within the oil stocking returns and on-going correspondence between DECC and the obligated companies in respect of any identified anomalies. These monthly checks are supplemented by on-site visits to obligated companies, and occasional inspection of physical stocks.

15.4. DECC’s Audit Policy for Compulsory Oil Stocking Obligations details how the Secretary of State can be assured that reported stocks are available to the market. This can be found at:


16. Operation of the IEA stock draw

16.1. The operation of a stock draw initiated by the IEA follows six stages.

Stage 1 – Incidence. The IEA Secretariat monitors the global oil market constantly and will email a provisional evaluation report to Member States as a Major Incident Alert / Preliminary Assessment shortly after any significant incident likely to prompt an oil supply crisis. Their initial focus would be on information gathering to quantify the probable impact and to decide whether any IEA collective action might be required. The IEA would discuss the potential for coordinated action with key officials in Member States using the Preliminary Assessment together with any additional information. At this stage DECC may set-up a Emergency Response Team (ERT) to evaluate the situation and advise senior officials and Ministers from across Government.

Stage 2 – Potential IEA Collective Action. The IEA would proceed to this next stage if there were a general consensus. The ERT would seek the Secretary of State’s formal agreement to the Initial Response Plan and would calculate exactly how the UK would meet its expected contribution to the collective action. The ERT would alert industry trade associations. The Initial Response Plan would include a table of expected contributions from each IEA Member State in terms of percentage share, thousand barrels and tonnes of crude oil. DECC would calculate what the UK contribution would equate to in terms of days reduced in compulsory stocking obligations.

Stage 3 – Activation. If there is agreement from all IEA member countries, the IEA would issue a Notice of Activation, with an initial action for 30 days, and formal implementation would begin. The ERT would contact industry stakeholders to inform of action and UK role in broad terms. This would be followed by separate bilateral discussions with individual obligated companies.

Stage 4 – Implementation. The ERT would contact all CSO holders to reduce their obligation levels and commence monitoring arrangements. Companies would be asked to decide upon their individual implementation plans and advise DECC. Stocks will be expected to be drawn down within an agreed timeframe (usually a month). Monitoring of the stock draw will likely be on a weekly basis and show the stock made available to market, along with contextual information that will allow DECC to monitor the
effectiveness of the response. If, after the initial 30 days, the IEA believed further action to be necessary, it would agree this with the IEA Governing Board (GB) and issue a Revised Response Plan for additional collective action.

**Stage 5 – Termination of the Collective Action.** The collective action is terminated by a Press Release, following agreement at the IEA GB. The ERT would immediately contact CSO holders and agree a transition period for companies to rebuild stocks to their obligation level.

**Stage 6 – Review of the Collective Action.** DECC would review the UK’s contribution to the Collective Action to identify lessons learnt and reflect these in the UK’s emergency policies, plans and processes. The IEA would also review the Collective Action from its overarching perspective to enhance its own procedures and address any issues identified with Member Countries.

16.2. More detailed information on the IEA response to oil supply disruption is available from the following document:

**17. Audit and Enforcement**

17.1. DECC has a duty to ensure that obligated companies comply with the directions and expects that this will happen as a matter of course.

17.2. In cases where there is a failure to comply with the Directive, DECC has a number of powers under sections 18 and 19 of, and Schedule 2 to the 1976 Act and article 13 of the Order to help ensure compliance, up to and including prosecution for non-compliance.

17.3. DECC’s Enforcement Policy for Compulsory Oil Stocking Obligations outlines the purpose, principles and methods of enforcement.
18. Further information

a) Policy Matters

David Rolfe or Will Mullins
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW
Email: david.rolfe@decc.gsi.gov.uk or will.mullins@decc.gsi.gov.uk
Tel: 0300 068 2924 or 0300 068 5614

b) Operational Matters

Mike Williams
Energy Statistics
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London SW1A 2AW
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Tel: 0300 068 5052
Annex A - Guidance on Compulsory Stocking Obligation

Introduction
There are templates for calculating compulsory stockholding obligations (CSOs), based on the method stipulated in Annex II of the Directive, for both refiners (obligated at 67.5 days) and importers (obligated at 58 days) available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69133/DORS_Template_2013.xls

Calculating Refiner Obligation
For each quarter, supplies to market for the five obligated products are calculated using data from two tabs, the DORS main balance tab (DORS MB.) and the Netting tab. Netting is common to both refiners and importers and discussed below. DORS data is provided monthly and the appropriate quarter’s data is uploaded to the DORS tab by DECC. Data from the DORS tab automatically updates the CSO for the corresponding quarter, such that the only manual inputs required for each quarter are Netting (discussed below) and exclusions for the Channel Islands and Isle of Man for that quarter (in the CSO QX YEAR tab). For each quarter, exclusions are then subtracted from supplies to calculate qualifying trade (see the link above for an example). This qualifying trade is equivalent to the obligated volume in tonnes. Each company’s obligated volume in crude oil equivalent is then calculated by multiplying each of these by 1.2.

The final tab (“Summary and Obligation”) sums the data for the four quarters to calculate the final obligation. The CSO for each of the five products is 67.5 days of the obligated volume (crude oil equivalent). For motor gasoline, gas/diesel oil and kerosene type jet fuel, 22.5 days of this obligation must be met with finished product. For the other 45 days of obligation, and for the entire 67.5 days obligation for other kerosene and fuel oil, this obligation can be met by “Any Oil”. The final obligation in tonnes of crude oil equivalent for finished products and “Any Oil” are provided in blue at the bottom of the table.

Calculating Importer Obligation
For each quarter, supplies to market for the five obligated products are calculated using data from two tabs, the DORS main balance tab (DORS MB.) and the Netting tab. Netting is common to both refiners and importers and discussed below. DORS data is provided monthly and the appropriate quarter’s data is uploaded to the DORS tab by DECC. Data from the DORS tab automatically updates the CSO for the corresponding quarter, such that the only manual inputs required for each quarter are Netting (discussed below) and exclusions for the Channel Islands and Isle of Man for that quarter (in the CSO QX YEAR tab). For each quarter, exclusions are then subtracted from supplies to calculate qualifying trade (see the link above for an example). This qualifying trade is equivalent to the obligated volume in tonnes. Each company’s obligated volume in crude oil equivalent is then calculated by multiplying each of these by 1.2.

The CSO for each of the five products is equivalent to 58 days of the obligated volume (crude oil equivalent). For motor gasoline, gas/diesel oil and kerosene type jet fuel, 22.5 days of this obligation must be met with finished product. For the other 35.5 days of obligation, and for the entire 58 days obligation for other kerosene and fuel oil, this obligation can be met by “Any Oil”.
The final obligation in tonnes of crude oil equivalent for finished products and “Any Oil” are provided in blue at the bottom of the table.

**Netting.**

Netting is an industry-led system which allows companies to change their supply levels by transferring product between themselves before the obligation is calculated. This system is available to all obligated companies. There is no expectation or requirement on any company to take part in the netting process.

The netting spreadsheet allows companies to record how trade between themselves impact on their obligation. For instance, if a company sells more to other companies than they themselves buy, they essentially transfer that obligation to the other company and vice versa.

The netting system needs to reflect the differential between refiners and importers. As refiners are obligated at 67.5 days and importers at 58 days, there is a 9.5 difference in obligation between the two. This difference is an “Any Oil” difference, as both importers and refiners must hold 22.5 days of finished product for motor gasoline, gas/diesel oil and kerosene type jet fuel. DECC therefore expects, for transfer of stock from refiners and importers conducted at 67.5 days, one of the two parties to take on this extra 9.5 days of obligation. Similarly, we would anticipate trades transfer of stock from importers to refiners conducted at 58 days to be adjusted accordingly. The commercial agreements between parties will be left to the discretion of the obligated parties. Potential adjustments are provided in the table below.

**Example Netting Table**

```
<table>
<thead>
<tr>
<th>Actual Sale Volume (kt)</th>
<th>9.5 days CSO (kt)</th>
<th>Sold by</th>
<th>Bought by</th>
<th>Agreed CSO cover</th>
<th>Adjustment made in netting tab of</th>
<th>Any Oil adjustment (kt)</th>
<th>Volume sold (kt) Adjusted for CSO</th>
<th>Volume bought (kt) Adjusted for CSO</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>2.60</td>
<td>Importer</td>
<td>Refiner</td>
<td>58 days</td>
<td>Refiner</td>
<td>-14.1</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>100</td>
<td>2.60</td>
<td>Refiner</td>
<td>Refiner</td>
<td>67.5 days</td>
<td>N/A</td>
<td>0.0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>100</td>
<td>2.60</td>
<td>Refiner</td>
<td>Importer</td>
<td>67.5 days</td>
<td>Refiner</td>
<td>14.1</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>100</td>
<td>2.60</td>
<td>Refiner</td>
<td>Importer</td>
<td>58 days</td>
<td>Importer</td>
<td>16.4</td>
<td>100</td>
<td>116.4</td>
</tr>
<tr>
<td>100</td>
<td>2.60</td>
<td>Importer</td>
<td>Importer</td>
<td>58 days</td>
<td>N/A</td>
<td>0.0</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
```

“Any Oil” adjustment is accounted for in the netting sheets (see links above) as follows: each netting tab contains two tables. In the top table, companies must input their netting in actual volumes (conducted in thousand tonnes) for each of the five obligated products (white columns). Any required adjustments for “Any Oil” are then put into the green columns on the far right. This top table is filled in for each appropriate quarter. DECC will then populate the bottom table using data provided from other companies for the obligated company in question. This will allow companies to cross-check netting.
Annex B – Guidance on stockholding

The UK will count stock as per Annex III of the Directive. Annex III stipulates two methods of counting stock and, as previously advised, the UK will be using Method A. Method A allows member states to count all crude oil stocks and a wide range of petroleum products (those stipulated in Section 3.1 of Annex C to EC Regulation 1099/2008. These stocks are converted to Crude Oil Equivalent by the following formula: Total Stocks = (Number of tonnes of Primary Products * 0.96)+(Stocks of other oil products * 1.065). To be clear, this formula operates across all product stocks, including gasoline, gas and diesel oil, kerosene type jet fuel, other kerosene and fuel oil.

Stocks will break down into four categories:

- Motor gasoline finished grades. Composed of motor gasoline plus biofuels for use in transportation and other blending components
- Gas/Diesel Oil finished grades. Composed of transport diesel, gas oil and associated biofuels for use in transportation and other blending components
- Kerosene type jet fuel finished grades.
- Any oil. Composed of crude oil and other products stocks listed, and reflects the current reporting framework for UKPIA companies and that laid out in EC regulation 1099/2008.

For each of these categories, stocks to meet the obligation can be held:

- As your own oil, in UK refineries or terminals. You will need to indicate the tonnes, and there is a formula to convert the tonnes to tonnes of crude oil equivalent at 1.065. There is a requirement for stock location for both refiners and importers. These are currently collected in DORS and the OSS and the new versions of these forms will continue to require this.

- As tickets, again you will need to indicate the tonnes and the formula will indicate how much is held as tonnes of crude oil equivalent. There is no restriction on companies selling any oil tickets that do not stipulate the product held. The requirement to provide this information on a product-by-product basis (as opposed to a generic ‘any oil’ ticket) will be reviewed in 2013.

- As for international tickets (i.e. those with other Member States) you will need to indicate the tonnes and the formula will indicate how much is held as tonnes of crude oil equivalent for each product. There is no restriction on companies buying or selling ‘any oil tickets’ that do not stipulate the product held but we will need to know the product held by the respective parties at the month end closure in line with current reporting deadlines. Information on stocks held by other countries on behalf of the UK and by the UK for other countries is required on a product-by-product basis by the EU. This requirement of course applies to sellers in other countries to allow them to meet their reporting requirements.
Direction to Importers to hold stocks

To: [Name]

DIRECTION TO HOLD OIL STOCKS AND TO HOLD AND FURNISH INFORMATION

1. I attach a formal direction, which sets out:
   - the minimum quantities of oil stocks which your company is required to hold with effect from [Date];
   - the information which your company is required to supply to the Secretary of State in relation to oil stocks which it holds (whether on its own behalf or on behalf of any other obligated company in the UK or EU);
   - the information which your company is required to supply to the Secretary of State in relation to your company and its activities; and
   - the information which your company is required to keep.

2. You should also refer to the Oil Stocking Order 2012, which makes provision for the cases and circumstances in which stocks are to be treated as United Kingdom stocks and other matters relevant to this direction.

3. Please confirm receipt of this direction.

Michael Williams
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

[Date]
ENERGY ACT 1976

Directions under section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of Schedule 2 to, the Energy Act 1976 (“the Act”) as to stocks of crude liquid petroleum and petroleum products and the keeping and furnishing of information.

To: [Name] on behalf of [Company]
    [email]

The Secretary of State for Energy and Climate Change (“the Secretary of State”), having:

i. notified you (where “you” refers to the company hereafter) of the substance of this direction and having afforded you a reasonable opportunity to make representations in accordance with section 6(5) of the Act;

ii. had regard to the quantities of crude liquid petroleum or petroleum products which have been supplied by you to the United Kingdom market in the following period: [Date] and the extent to which any crude liquid petroleum or petroleum products supplied by you are or will be indigenous; and

iii. concluded that it is expedient for the purpose of implementing European and international obligations incumbent on the United Kingdom, purposes connected with the operation of the Energy Act 1976 and the effective performance by him of his functions under it,

in exercise of the powers conferred on him by section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of, the Act hereby gives you the following direction—
1. As a person who in the course of an undertaking carried on by you produces, supplies or uses petroleum products, you shall make such arrangements with respect to your United Kingdom stocks of crude liquid petroleum or petroleum products as will—

(a) enable those stocks to be brought within 28 days from the day of sending of the direction, and thereafter maintained at the level of **xxx crude oil equivalent tonnes of crude oil and petroleum products**.

(b) ensure those stocks are eligible stocks within the meaning of article 4 of the Oil Stocking Order 2012, are your United Kingdom stocks within the meaning of article 3 of that Order, and include at least the following volumes of petroleum products—

i. **xxx crude oil equivalent tonnes of motor gasoline**;

ii. **xxx crude oil equivalent tonnes of gas/diesel oil**;

iii. **xxx crude oil equivalent tonnes of kerosene type jet fuel**.

(c) ensure that those stocks do not fall below the levels required by sub-paragraphs (a) and (b), except as may be permitted by the authority of the Secretary of State.

2. As a person who is a substantial supplier to the United Kingdom Market, to the extent that your United Kingdom stocks are not sufficient to comply with the obligation in paragraph 1, you shall create United Kingdom stocks and make such arrangements with respect to them in order to comply with the obligation in that paragraph.

3. You must notify the Secretary of State as soon as reasonably possible in the event of any circumstances which—

(a) cause or are reasonably likely to cause your United Kingdom stocks to fall below the minimum levels stipulated in this direction;

(b) are reasonably likely to cause you to cease to produce, supply or use crude liquid petroleum or petroleum products before the date on which this direction ceases to have effect.

4. The circumstances referred to in paragraph 3 include, but are not limited to—

i. the commencement of any insolvency proceedings, including in relation to bankruptcy;

ii. the making of any arrangement or composition with your creditors;

iii. the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;

iv. the commencement of execution or other legal process (including the carrying out of diligence), or levying of distress, against your United Kingdom stocks;

v. the enforcement of any mortgage, charge, lien or other security over your United Kingdom stocks.
5. You must, using the downstream oil reporting system (DORS) form (available at: https://www.gov.uk/government/publications/emergency-oil-stocking-international-obligations), furnish the Secretary of State before the 15th working day of every month with returns about:

(a) the amounts of crude liquid petroleum and petroleum products which were, on the last day of the preceding month—

   (i) held by you as your United Kingdom stocks;

   (ii) held by someone else as your United Kingdom stocks;

   (iii) held by you on behalf of someone else;

(b) the location of the stocks;

(c) the identity of the owner of any stocks which are not owned by you; and

(d) the type of stocks held.

6. You must keep, for 6 years from the date of any return provided by you to the Secretary of State in accordance with a direction under section 6, any books, accounts and records relating to—

(a) your United Kingdom stocks of crude liquid petroleum or petroleum products; and

(b) any other crude liquid petroleum, natural gas and petroleum products [and other substances used as a fuel] which are produced, supplied or used by you, which are reasonably necessary in order to enable the Secretary of State to verify any information provided in that return.

7. The Secretary of State for Energy and Climate Change, pursuant to section 6 of, and paragraph 1 of Schedule 2 to, the Energy Act 1976, hereby revokes the directions dated [Date] given by him to your company pursuant to those provisions.

8. This direction shall come into force on [Date].

Jonathan Holyoak
An official of the Department of Energy and Climate Change authorised to act on behalf of the Secretary of State

[Date]
Direction to Refiners to hold stocks

To: [Name, Company]

DIRECTION TO HOLD OIL STOCKS AND TO HOLD AND FURNISH INFORMATION

1. I attach a formal direction, which sets out:

   - the minimum quantities of oil stocks which your company is required to hold with effect from [Date];

   - the information which your company is required to supply to the Secretary of State in relation to oil stocks which it holds (whether on its own behalf or on behalf of any other obligated company in the UK or EU);

   - the information which your company is required to supply to the Secretary of State in relation to your company and its activities; and

   - the information which your company is required to keep.

2. You should also refer to the Oil Stocking Order 2012, which makes provision for the cases and circumstances in which stocks are to be treated as United Kingdom stocks and other matters relevant to this direction.

3. Please confirm receipt of this direction.

Michael Williams
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

[Date]
ENERGY ACT 1976

Directions under section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of Schedule 2 to, the Energy Act 1976 (“the Act”) as to stocks of crude liquid petroleum and petroleum products and the keeping and furnishing of information.

To: [Name] on behalf of [Company]
[Email]

The Secretary of State for Energy and Climate Change (“the Secretary of State”), having:

i. notified you (where “you” refers to the company hereafter) of the substance of this direction and having afforded you a reasonable opportunity to make representations in accordance with section 6(5) of the Act;

ii. had regard to the quantities of crude liquid petroleum or petroleum products which have been supplied by you to the United Kingdom market in the following period: [Date] and the extent to which any crude liquid petroleum or petroleum products supplied by you are or will be indigenous; and

iii. concluded that it is expedient for the purpose of implementing European and international obligations incumbent on the United Kingdom, purposes connected with the operation of the Energy Act 1976 and the effective performance by him of his functions under it,

in exercise of the powers conferred on him by section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of, the Act hereby gives you the following direction—
1. As a person who in the course of an undertaking carried on by you produces, supplies or uses petroleum products, you shall make such arrangements with respect to your United Kingdom stocks of crude liquid petroleum or petroleum products as will—

(a) enable those stocks to be brought within 28 days from the day of sending of the direction, and thereafter maintained at the level of **xxx crude oil equivalent tonnes of crude oil and petroleum products**.

(b) ensure those stocks are eligible stocks within the meaning of article 4 of the Oil Stocking Order 2012, are your United Kingdom stocks within the meaning of article 3 of that Order, and include at least the following volumes of petroleum products—

   (i) **xxx crude oil equivalent tonnes of motor gasoline**;

   (ii) **xxx crude oil equivalent tonnes of gas/diesel oil**;

   (iii) **xxx crude oil equivalent tonnes of kerosene type jet fuel**.

(c) ensure that those stocks do not fall below the levels required by sub-paragraphs (a) and (b), except as may be permitted by the authority of the Secretary of State.

2. As a person who is a substantial supplier to the United Kingdom Market, to the extent that your United Kingdom stocks are not sufficient to comply with the obligation in paragraph 1, you shall create United Kingdom stocks and make such arrangements with respect to them in order to comply with the obligation in that paragraph.

3. You must notify the Secretary of State as soon as reasonably possible in the event of any circumstances which—

(a) cause or are reasonably likely to cause your United Kingdom stocks to fall below the minimum levels stipulated in this direction;

(b) are reasonably likely to cause you to cease to produce, supply or use crude liquid petroleum or petroleum products before the date on which this direction ceases to have effect.

4. The circumstances referred to in paragraph 3 include, but are not limited to—

(a) the commencement of any insolvency proceedings, including in relation to bankruptcy;

(b) the making of any arrangement or composition with your creditors;

(c) the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;

(d) the commencement of execution or other legal process (including the carrying out of diligence), or levying of distress, against your United Kingdom stocks;

(e) the enforcement of any mortgage, charge, lien or other security over your United Kingdom stocks.
5. You must, using the downstream oil reporting system (DORS) form (available at: https://www.gov.uk/government/publications/emergency-oil-stocking-international-obligations), furnish the Secretary of State before the 15th working day of every month with returns about:

(a) the amounts of crude liquid petroleum and petroleum products which were, on the last day of the preceding month—

   (i) held by you as your United Kingdom stocks;

   (ii) held by someone else as your United Kingdom stocks;

   (iii) held by you on behalf of someone else;

(b) the location of the stocks;

(c) the identity of the owner of any stocks which are not owned by you; and

(d) the type of stocks held.

6. You must keep, for 6 years from the date of any return provided by you to the Secretary of State in accordance with a direction under section 6, any books, accounts and records relating to—

(a) your United Kingdom stocks of crude liquid petroleum or petroleum products; and

(b) any other crude liquid petroleum, natural gas and petroleum products [and other substances used as a fuel] which are produced, supplied or used by you, which are reasonably necessary in order to enable the Secretary of State to verify any information provided in that return.

7. The Secretary of State for Energy and Climate Change, pursuant to section 6 of, and paragraph 1 of Schedule 2 to, the Energy Act 1976, hereby revokes the directions dated [Date] given by him to your company pursuant to those provisions.

8. This direction shall come into force on [Date].

Jonathan Holyoak
An official of the Department of Energy and Climate Change authorised to act on behalf of the Secretary of State

[Date]
Direction to Ticket Sellers to hold stocks

To: [name, company]

DIRECTION TO HOLD OIL STOCKS AND TO HOLD AND FURNISH INFORMATION

1. I attach a formal direction, which sets out:

- the information which your company is required to supply to the Secretary of State in relation to oil stocks which it holds (on behalf of any other obligated company in the UK or EU);

- the information which your company is required to supply to the Secretary of State in relation to your company and its activities; and

- the information which your company is required to keep.

2. You should also refer to the Oil Stocking Order 2012, which makes provision for the cases and circumstances in which stocks are to be treated as United Kingdom stocks and other matters relevant to this direction.

3. Please confirm receipt of this direction.

Michael Williams
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

[Date]
ENERGY ACT 1976

Directions under section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of Schedule 2 to, the Energy Act 1976 (“the Act”) as to stocks of crude liquid petroleum and petroleum products and the keeping and furnishing of information.

To: [Name] on behalf of [Company]  
[Email address]

The Secretary of State for Energy and Climate Change (“the Secretary of State”), having:

i. notified you (where “you” refers to the company hereafter) of the substance of this direction and having afforded you a reasonable opportunity to make representations in accordance with section 6(5) of the Act;

ii. had regard to the quantities of crude liquid petroleum or petroleum products which have been supplied by you to the United Kingdom market in the following period: [Date] and the extent to which any crude liquid petroleum or petroleum products supplied by you are or will be indigenous; and

iii. concluded that it is expedient for the purpose of implementing European and international obligations incumbent on the United Kingdom, purposes connected with the operation of the Energy Act 1976 and the effective performance by him of his functions under it,

in exercise of the powers conferred on him by section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of, the Act hereby gives you the following direction—
1. You must notify the Secretary of State as soon as reasonably possible in the event of any circumstances which are reasonably likely to cause you to cease to supply crude liquid petroleum or petroleum products before the date on which this direction ceases to have effect.

2. The circumstances referred to in paragraph 1 include, but are not limited to—
   i. the commencement of any insolvency proceedings, including in relation to bankruptcy;
   ii. the making of any arrangement or composition with your creditors;
   iii. the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;
   iv. the commencement of execution or other legal process (including the carrying out of diligence), or levying of distress, against your United Kingdom stocks;
   v. the enforcement of any mortgage, charge, lien or other security over your United Kingdom stocks.

3. You must, using the oil stocking supply (OSS) form (available at: [https://www.gov.uk/government/publications/emergency-oil-stocking-international-obligations](https://www.gov.uk/government/publications/emergency-oil-stocking-international-obligations)), furnish the Secretary of State before the 15th working day of every month with returns about:
   (a) the amounts of crude liquid petroleum and petroleum products which were, on the last day of the preceding month—
      (i) held by you as your United Kingdom stocks;
      (ii) held by someone else as your United Kingdom stocks;
      (iii) held by you on behalf of someone else;
   (b) the location of the stocks;
   (c) the identity of the owner of any stocks which are not owned by you; and
   (d) the type of stocks held.

4. You must ensure those stocks held are eligible stocks within the meaning of article 4 of the Oil Stocking Order 2012 and are your United Kingdom stocks within the meaning of article 3 of that Order.

5. You must keep, for 6 years from the date of any return provided by you to the Secretary of State in accordance with a direction under section 6, any books, accounts and records relating to—
   (a) your United Kingdom stocks of crude liquid petroleum or petroleum products; and
   (b) any other crude liquid petroleum, natural gas and petroleum products [and other substances used as a fuel] which are produced, supplied or used by you,
which are reasonably necessary in order to enable the Secretary of State to verify any information provided in that return.

6. The Secretary of State for Energy and Climate Change, pursuant to section 6 of, and paragraph 1 of Schedule 2 to, the Energy Act 1976, hereby revokes the directions dated [Date] given by him to your company pursuant to those provisions.

7. This direction shall come into force on [Date].

Jonathan Holyoak  
An official of the Department of Energy and Climate Change authorised to act on behalf of the Secretary of State

[Date]
Direction to Brokers to hold stocking information

To: [name, company]

DIRECTION TO HOLD OIL STOCKS AND TO HOLD AND FURNISH INFORMATION

1. I attach a formal direction, which sets out:

- the information which your company is required to supply to the Secretary of State in relation to oil stocks which it holds (on behalf of any other obligated company in the UK or EU);

- the information which your company is required to supply to the Secretary of State in relation to your company and its activities; and

- the information which your company is required to keep.

2. You should also refer to the Oil Stocking Order 2012, which makes provision for the cases and circumstances in which stocks are to be treated as United Kingdom stocks and other matters relevant to this direction.

3. Please confirm receipt of this direction.

Michael Williams
Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

[Date]
ENERGY ACT 1976

Directions under section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of Schedule 2 to, the Energy Act 1976 ("the Act") as to stocks of crude liquid petroleum and petroleum products and the keeping and furnishing of information.

To: [Name] on behalf of [Company]
[Email address]

The Secretary of State for Energy and Climate Change ("the Secretary of State"), having:

i. notified you (where “you” refers to the company hereafter) of the substance of this direction and having afforded you a reasonable opportunity to make representations in accordance with section 6(5) of the Act;

ii. had regard to the quantities of crude liquid petroleum or petroleum products which have been supplied by you to the United Kingdom market in the following period: [Date] up to and including [Date] and the extent to which any crude liquid petroleum or petroleum products supplied by you are or will be indigenous; and

iii. concluded that it is expedient for the purpose of implementing European and international obligations incumbent on the United Kingdom, purposes connected with the operation of the Energy Act 1976 and the effective performance by him of his functions under it,

in exercise of the powers conferred on him by section 6(2)(a) and (b) of, and paragraph 1(1)(a),(b) and (c) of, the Act hereby gives you the following direction—
1. You must notify the Secretary of State as soon as reasonably possible in the event of any circumstances which are reasonably likely to cause you to cease to supply crude liquid petroleum or petroleum products before the date on which this direction ceases to have effect.

2. The circumstances referred to in paragraph 1 include, but are not limited to—
   
   i. the commencement of any insolvency proceedings, including in relation to bankruptcy;
   
   ii. the making of any arrangement or composition with your creditors;
   
   iii. the appointment of a receiver or administrator or any liquidation whether compulsory or voluntary;
   
   iv. the commencement of execution or other legal process (including the carrying out of diligence), or levying of distress, against your United Kingdom stocks;
   
   v. the enforcement of any mortgage, charge, lien or other security over your United Kingdom stocks.

3. You must, using the oil stocking supply (OSS) form (available at: https://www.gov.uk/government/publications/emergency-oil-stocking-international-obligations), furnish the Secretary of State before the 15th working day of every month with returns about:

   (a) the amounts of crude liquid petroleum and petroleum products which were, on the last day of the preceding month—

      (i) held by you as your United Kingdom stocks;

      (ii) held by someone else as your United Kingdom stocks;

      (iii) held by you on behalf of someone else;

      (iv) held by someone else in the UK, on behalf of whom you have agreed to provide stock information;

   (b) the location of the stocks;

   (c) the identity of the owner of any stocks which are not owned by you; and

   (d) the type of stocks held.

4. You must ensure those stocks held are eligible stocks within the meaning of article 4 of the Oil Stocking Order 2012 and are your United Kingdom stocks within the meaning of article 3 of that Order.
5. You must keep, for 6 years from the date of any return provided by you to the Secretary of State in accordance with a direction under section 6, any books, accounts and records relating to—

(a) your United Kingdom stocks of crude liquid petroleum or petroleum products; and

(b) any other crude liquid petroleum, natural gas and petroleum products [and other substances used as a fuel] which are produced, supplied or used by you, which are reasonably necessary in order to enable the Secretary of State to verify any information provided in that return.

6. The Secretary of State for Energy and Climate Change, pursuant to section 6 of, and paragraph 1 of Schedule 2 to, the Energy Act 1976, hereby revokes the directions dated [Date] given by him to your company pursuant to those provisions.

7. This direction shall come into force on [Date].

Jonathan Holyoak
An official of the Department of Energy and Climate Change authorised to act on behalf of the Secretary of State

[Date]
Annex D – Methodology for calculating stocks, as adopted by the UK to meet requirements of EU Directive 2009/119/EC\textsuperscript{11}

The Directive sets out a clear methodology for calculating inland consumption and level of stocks, which the UK applies in order to meet its obligations. The UK is obliged to comply with the requirements of the Directive, which are set out below:

**Article 3(2):** The average daily net imports to be taken into account shall be calculated on the basis of the crude oil equivalent of imports during the previous calendar year, determined in accordance with the method and procedures set out in Annex I. The average daily inland consumption to be taken into account shall be calculated on the basis of the crude oil equivalent of inland consumption during the previous calendar year, established and calculated in accordance with the method and procedures set out in Annex II.

**Article 3(3):** However, notwithstanding paragraph 2, the daily averages of net imports and inland consumption, as referred to in that paragraph, shall be determined, as regards the period from 1 January to 31 March of each calendar year, on the basis of the quantities imported or consumed during the last year but one before the calendar year in question.

**Article 4(2):** The levels of stocks held at a given time shall be calculated using data from the reference year determined in accordance with the rules set out in Article 3.

### Annex II

**METHOD FOR CALCULATING THE CRUDE OIL EQUIVALENT OF INLAND CONSUMPTION**

For the purpose of Article 3, the crude oil equivalent of inland consumption must be calculated using the following method:

*Inland consumption is the sum of the aggregate ‘observed gross inland deliveries’, as defined in Section 3.2.1 of Annex C to Regulation (EC) No 1099/2008, of the following products only: motor gasoline, aviation gasoline, gasoline-type jet fuel (naphtha-type jet fuel or JP4), kerosene-type jet fuel, other kerosene, gas/diesel oil (distillate fuel oil) and fuel oil (high sulphur content and low sulphur content) as defined in Section 4 of Annex B to Regulation (EC) No 1099/2008.*

*International marine bunkers are not included in the calculation.*

*The crude oil equivalent of inland consumption is calculated by multiplying by a factor of 1.2.*

\textsuperscript{11} Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain stocks of crude oil and/or petroleum products
Annex III

METHODS FOR CALCULATING THE LEVEL OF STOCKS HELD

The following methods must be used to calculate stock levels:

Without prejudice to the case addressed in Article 4(3)\textsuperscript{12}, no quantity may be counted as stock more than once.

Crude oil stocks are reduced by 4\%, which corresponds to the average naphtha yield.

Stocks of naphtha and petroleum products for international marine bunkers are not included.

Other petroleum products are included in the stock count using one of the two methods set out below. Member States must continue to use the method they have chosen throughout the whole calendar year in question.

Member States may:

(a) include all other stocks of the petroleum products identified in the first paragraph of Section 3.1 of Annex C to Regulation (EC) No 1099/2008 and calculate the crude oil equivalent by multiplying the quantities by a factor of 1,065; or

(b) include stocks of only the following products: motor gasoline, aviation gasoline, gasoline-type jet fuel (naphtha-type jet fuel or JP4), kerosene-type jet fuel, other kerosene, gas/diesel oil (distillate fuel oil) and fuel oil (high sulphur content and low sulphur content) and calculate the crude oil equivalent by multiplying the quantities by a factor of 1.2.

The calculation may include quantities held:

— in refinery tanks,  
— in bulk terminals,  
— in pipeline tankage,  
— in barges,  
— in intercoastal tankers,  
— in oil tankers in port,  
— in inland ship bunkers,  
— in storage tank bottoms,  
— as working stocks,  
— by large consumers as required by law or otherwise controlled by governments.

\textsuperscript{12} Article 4(3) provides that: “[a]ny oil stocks may be included simultaneously in both the calculation of a Member State’s emergency stocks and the calculation of its specific stocks provided that those oil stocks satisfy all the conditions laid down in this Directive for both types of stocks”.

However, those quantities except for any held in refinery tanks, in pipeline tankage or in bulk terminals, may not be included when calculating levels of specific stocks where such stocks are calculated separately from emergency stocks.

The calculation may never include:
   (a) crude oil not yet produced;
   (b) quantities held:
      — in pipelines,
      — in rail tank cars,
      — in seagoing ships’ bunkers,
      — in service stations and retail stores,
      — by other consumers,
      — in tankers at sea,
      — as military stocks.

When calculating their stocks, Member States must reduce the quantities of stocks calculated as set out above by 10 %. That reduction applies to all quantities included in a given calculation.

However, no 10 % reduction is to be applied when calculating the level of specific stocks or the levels of the different categories of specific stocks where those stocks or categories are considered separately from the emergency stocks, particularly with a view to verifying compliance with the minimum levels laid down by Article 9.