FACT SHEET

IEA STOCKS AND EMERGENCY RESPONSE

Fact Sheet on IEA Oil Stocks and Emergency Response Potential

This document presents factual information regarding IEA oil stocks and response potential. The IEA was formed in the wake of the 1973-74 oil crisis. Energy security is a core IEA activity. IEA Member countries are committed to the maintenance and improvement of the Agency's emergency response systems.

What does the IEA oil security system include?

- Maintenance of national emergency oil reserves and plans for co-ordinated use (stockdraw);
- Other national measures, including demand restraint, fuel switching and surge oil; production;
- Operation and co-ordination of effective national emergency organisations;
- Testing response measures and providing training in real-time emergency situations;
- Mechanisms for industry advice and operational assistance (the Industry Advisory Board and Industry Supply Advisory Group); and,
- a system for reallocation of available supplies, if necessary.

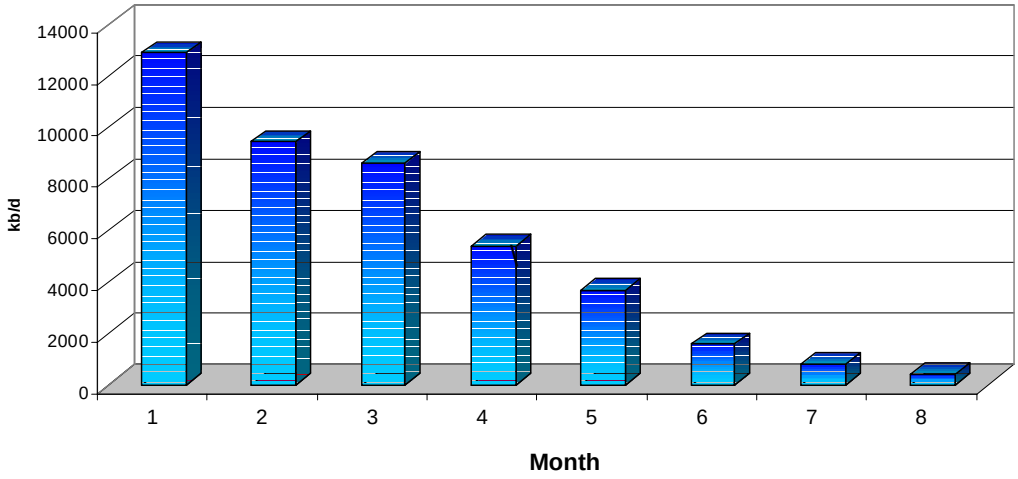
What is the level of IEA Member countries' oil stocks?

- IEA Member countries are holding nearly 3.9 billion barrels of public and industry oil stocks, which represent at least 111 days of net imports.
- IEA net oil importing countries have legal obligation to hold emergency oil reserves equivalent to at least 90 days of net oil imports of the previous year.
- IEA net exporting countries are at present: Canada, Denmark, Norway and the United Kingdom; they do not have stockholding obligations under the IEP. Denmark and the United Kingdom do hold stocks under consumption-based EU regulations, as do other EU Member countries.

What is the potential IEA stockdraw capacity?

- IEA Member countries hold some 1.4 billion barrels of public oil stocks;
- The maximum drawdown profile of IEA public oil stocks for the first month is about 12.9 mb/d, consisting of 9.6 mb/d crude oil and 3.3 mb/d oil product stockdraw (see figure 2);
- Thus, the IEA stockdraw potential for both public and compulsory industry stocks is sufficient in magnitude and sustainability to cope with the largest cited historical supply disruption.

Figure 2: Maximum Drawdown Profile for IEA Public Oil Stocks, 2002

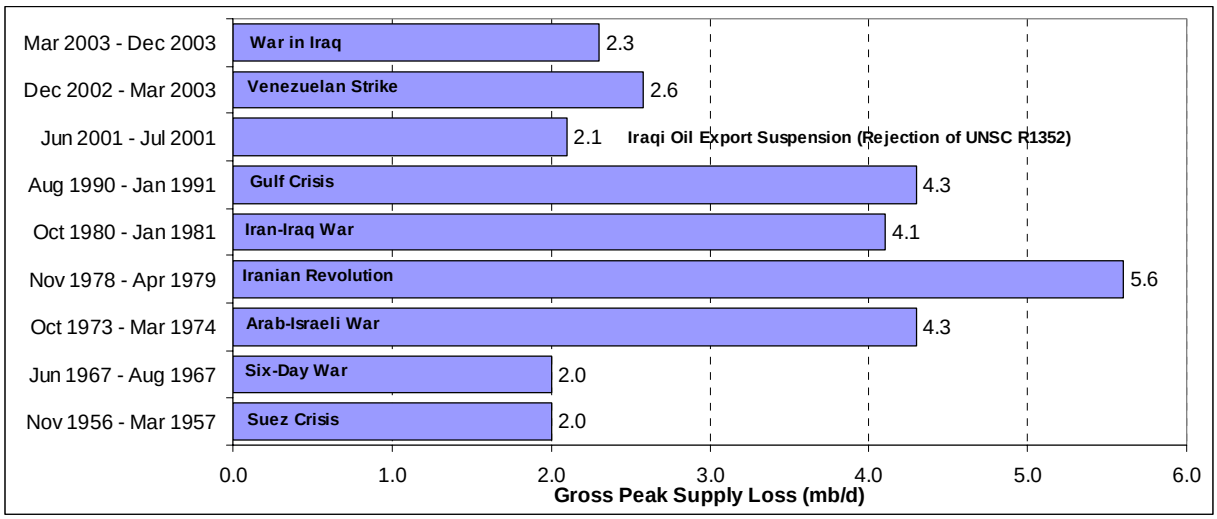


Source: IEA

What was the largest historical oil supply disruption?

- Since 1973, the largest oil disruption occurred at the time of the 1978/79 Iranian revolution. This resulted in a supply shortfall of approximately 5.6 mb/d for a period of 6 months.

Figure 1: World Oil Supply Disruptions



Note: Magnitude of supply shortfall is the peak gross supply loss excluding supply increases of other oil producing countries. The IEA calculation uses a trigger of 7% net loss of available IEA supplies. Average daily supply loss over the disruption period is lower than the gross peak supply loss.

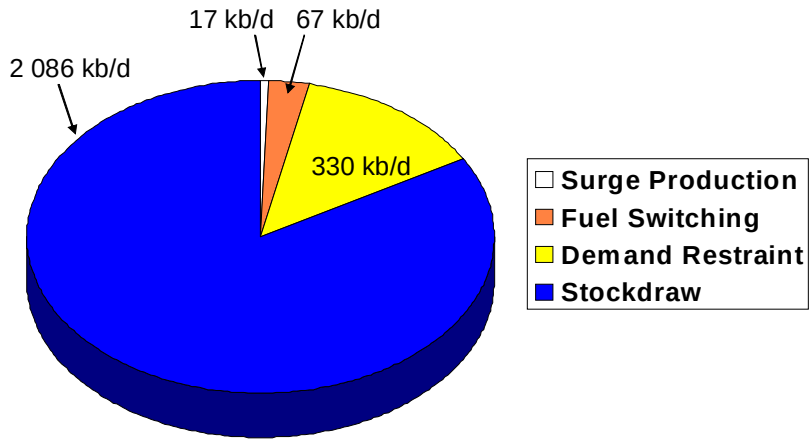
Has the IEA taken co-ordinated action in the past?

Yes.

IEA 2.5 mb/d Gulf War Contingency Plan (1991)

- At the time of the outbreak of hostilities in the Gulf ("Desert Storm") the IEA activated its Contingency Plan on 17th January 1991 to make available to the market 2.5 million barrels of oil per day.
- The biggest component of the response was stockdraw.

Figure 3: IEA Gulf War Contingency Response Plan



IEA Y2K Response 1999/2000

- December 1999 - January 2000: following Governing Board adoption of "IEA Y2K Response Plans", the Secretariat prepared and maintained an emergency response team for the roll-over period. Corresponding arrangements were made in IEA Member countries.

IEA 2003 Response Preparations

- During the period end-2002 and beginning 2003, global oil markets were tight, affected by low inventories and high uncertainty with strikes in Venezuela, disturbances in Nigeria, and the war in Iraq. The IEA's experience in emergency response management during this period highlighted the appropriateness of IEA emergency response procedures. Notably, Member countries and the IEA Secretariat demonstrated rapidity and flexibility in responding to the situation through its decision making framework.

- Using this framework, the IEA carefully and continuously assessed the situation and shared these assessments with Member countries, the oil industry and strategic non-Member countries. The IEA was ready to reinforce the efforts of oil-producing countries, and the markets knew it. The risk of a possible disruption was minimized.

Who holds the oil stocks in IEA Countries?

- Stocks to meet IEA requirements are held within three broad types of oil stockholding systems:

  - **Company stocks**
  Compulsory stocks and commercial stocks.

  - **Government stocks**
  Financed with central government budget and held exclusively for emergency purposes.

  - **Agency stocks**
  Maintained for emergency purposes by both public and private bodies. They are usually held under a co-operative cost-sharing arrangement.

- About two-thirds of the total IEA stocks are held by the oil industry whilst the remaining one-third is held by governments and specialised agencies.

Does the IEA co-operate with non-Member countries?

- Yes.

- The IEA has developed strong relationships and co-operates in experience-sharing with important oil producer and consumer countries including China, India and other international organisations.

What is the legal basis for IEA coordinated emergency response action?

- The International Energy Program (IEP) which is contained in the IEA's governing treaty

  Under the IEP Agreement, participating countries' commitments include those:

- 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.

- Rapid response measures and framework for decision making

  - The IEA also has an additional set of co-ordinated stockdraw and other response measures commonly known as Co-ordinated Emergency Response Measures (CERM). This was established by a July 1984 IEA Governing Board Decision and updated more recently.
  - In making the Decision, the Governing Board recognised the importance of responding rapidly to a supply disruption in order to minimise the potential economic damage.
  - CERM may apply even if the oil supply disruption is not large enough to activate the IEP emergency measures.

How does the IEA determine whether or not co-ordinated action is required?

The Governing Board, which is made up of senior energy officials from Member countries, directs the activities and makes the major policy decisions of the IEA. In the event of an actual or potential oil supply disruption, the Governing Board would meet promptly to consider what action should be taken.

Industry experts, through the Industry Advisory Board, provide advice and consultation on emergency response issues and oil supply/demand questions related to them. The IEA also maintains a network of international organisations and industry associations for energy emergencies. This network was effectively used in preparations for the Y2K rollover and during the period leading up to the Gulf War 2003.

What is the difference between European Union and IEA stockholding requirements?

- As a basis of its calculation of the 90 days, the IEA uses the total *net oil imports* of the preceding year for each participating country concerned, whereas the EU uses the domestic *consumption* for three categories of products (gasolines and related feedstocks, middle distillates and heavy fuel oil) for each of its member states as the basis of its calculation of the 90 days.

- In calculating the stocks held by its members, the IEA applies a 10% reduction for unavailable stocks (including tank bottoms), whereas the EU applies no reduction for unavailable stocks.