

Korean Experience of the IEA Collective Action

**IEA/MoEN Joint Workshop
on 'Oil Security & national emergency preparedness'**

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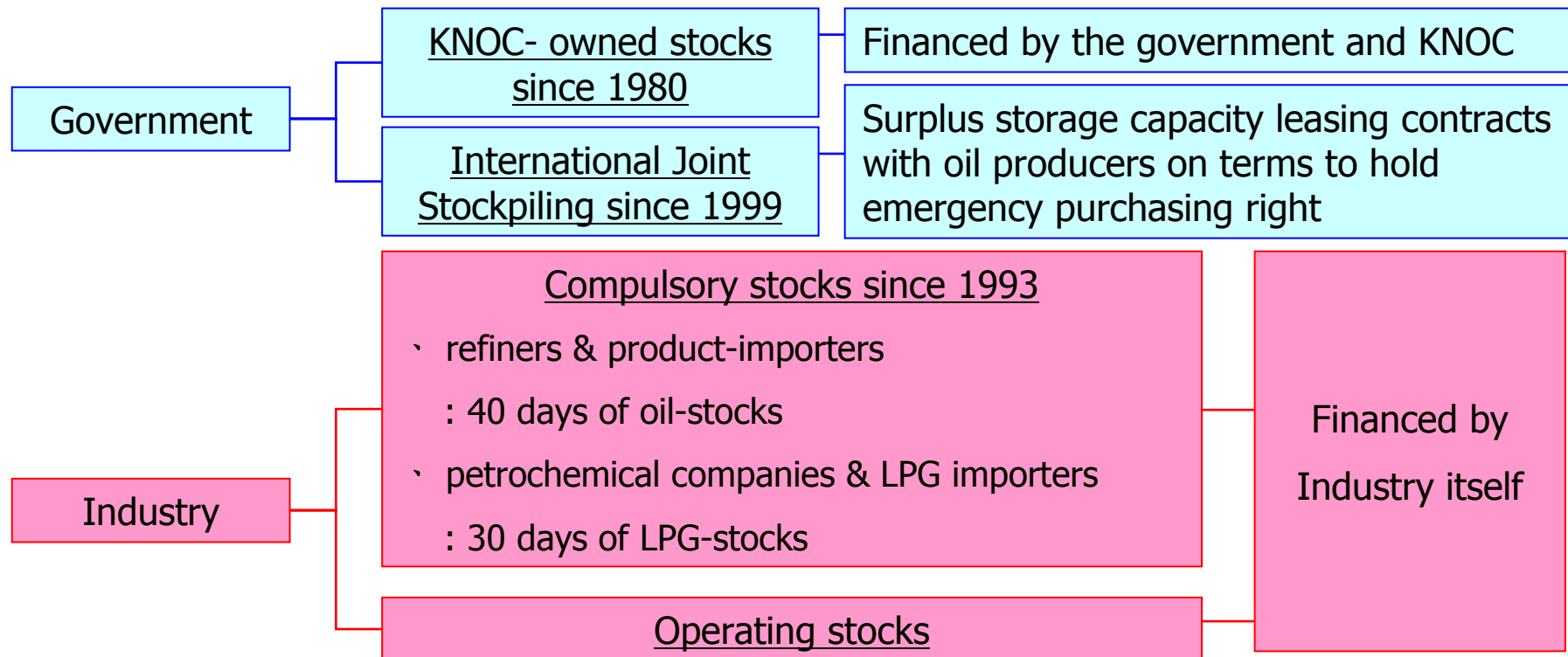
I. Outline of Korean Petroleum Stockpiling

Korean Strategic Petroleum Stockpiling System

■ Legal basis for petroleum stockpiling

- The petroleum and Petroleum-Alternative Fuel Business Act
- The Act of Korea National Oil Corporation

■ Structure of Petroleum Stockpiling



Status of Korean Petroleum Stockpiling

■ Current Petroleum Stockpiling (June. 2007)

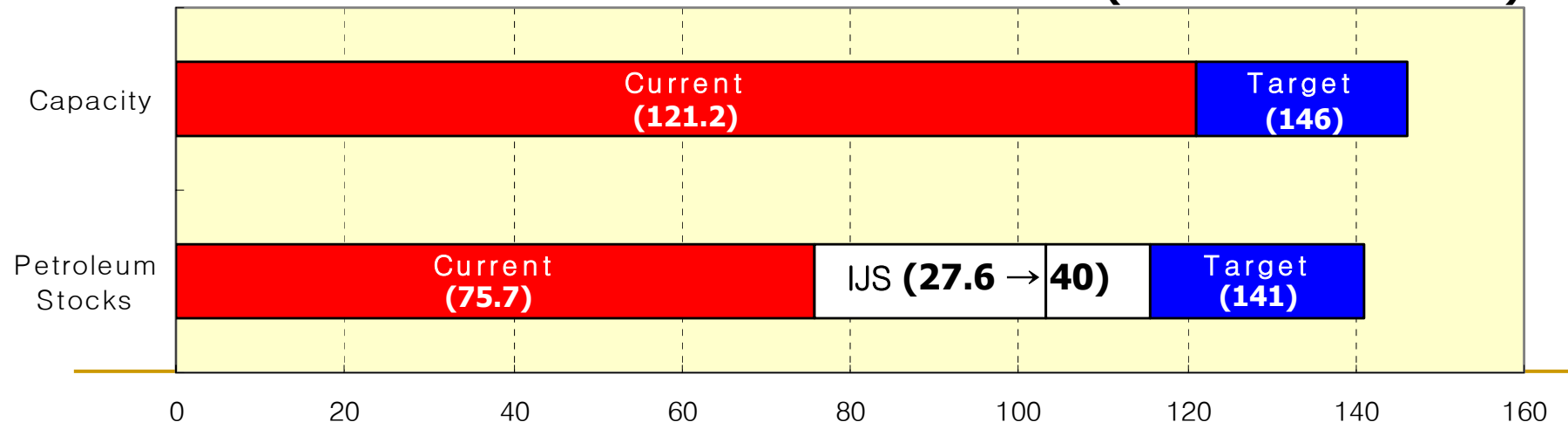
(Unit : Million Barrels, Days)

-	Capacity	Stockpiles				Stock Days (Based on IEA standard)
		Crude	Products	LPG	Total	
Government	121.2	63.9	8.0	3.8	75.7	69.6
Industry	149.8	35.1	54.3	3.2	92.6	74.9
Total	271.0	99.0	62.3	7.0	168.3	144.5

* No inclusion of International Joint Stockpiling in the government stocks

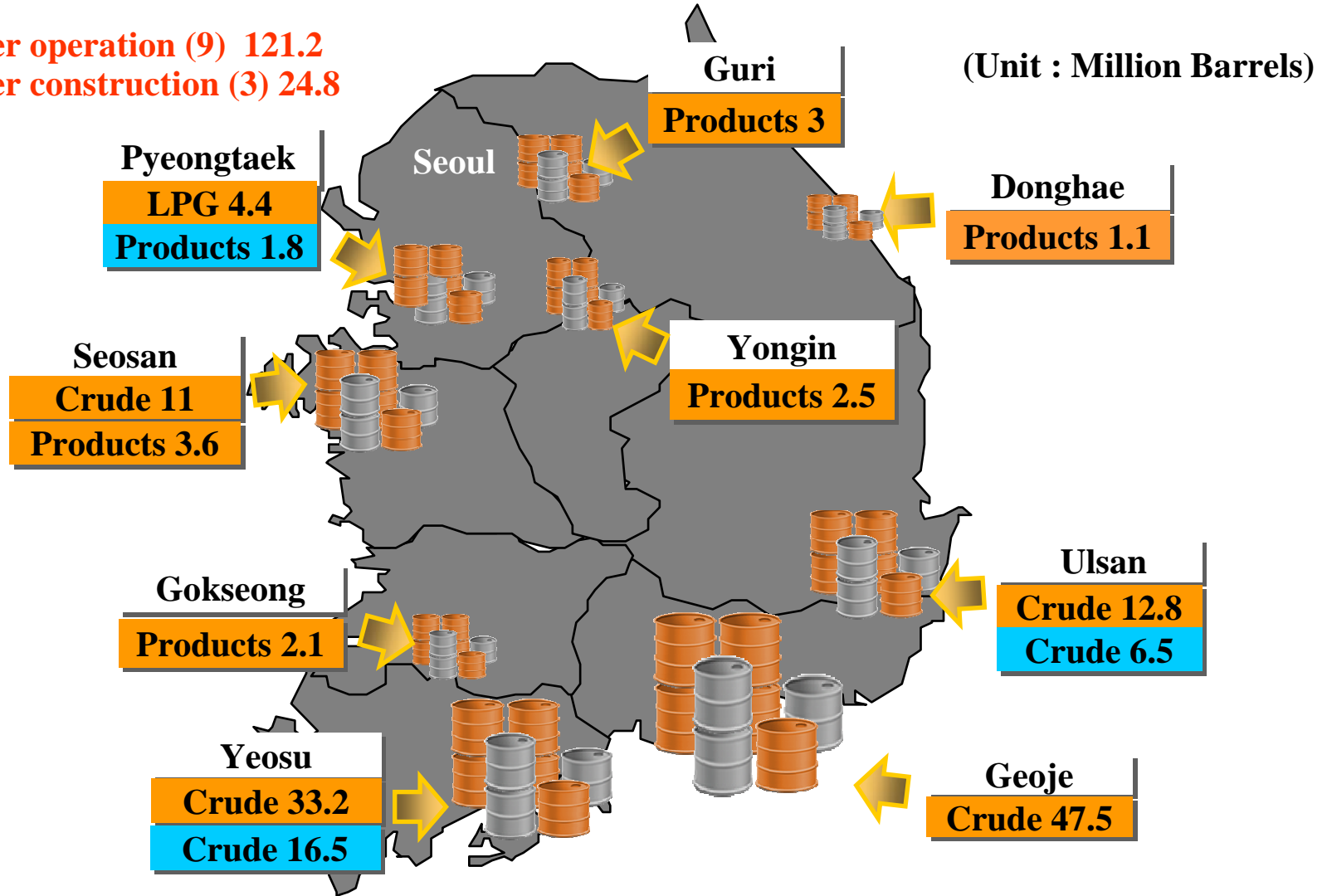
■ Target of government Petroleum Stockpiling (June. 2007)

(Unit : Million Barrels)

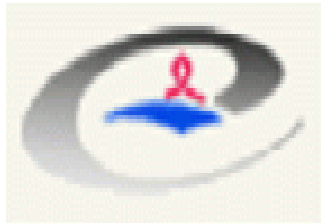


Government Petroleum Stockpiling Facilities

- Under operation (9) 121.2
- Under construction (3) 24.8



Total capacity of 9 storage sites : 146 million Barrels
 (Crude 127.5 , Products 14.1 , LPG 4.4)



II. Experience of the IEA Collective Action

Outline of the IEA Collective Response Action

■ Why the IEA implemented the collective response action in 2005

- Hurricane Katrina hit the Gulf of Mexico on 29th, August, 2005 and caused the shut-in of 1.5mb/d of crude oil production and the loss of 2.0mb/d of refining capacity in the area.
- The IEA assessed that although the initial impact of the storm was regional, it could have a ripple effect on the global oil market.
- Finally, the IEA decided to take collective action on 2nd, September, 2005 with all IEA member countries' support.

■ How the IEA responded against the supply disruption

- The IEA decided to make available to the market the equivalent of 60 million additional barrels of oil with stock release, increased indigenous production, demand restraint and other measures for an initial period of 30 days

Time Schedule of Korean Response

2005	Process
29th, Aug.	The Gulf of Mexico was hit by the Hurricane Katrina
2nd, Sep.	The IEA suggested all 26 IEA Member countries to take collective action that makes available to the market the equivalent of 60 million additional barrels of oil for an initial period of 30 days.
2nd, Sep.	All IEA Member countries supported the collective action
4th-5th, Sep.	The MOCIE had a meeting with KNOC and domestic refiners to make a Korean detail plan of IEA collective action and decided to release 2,916 thousand barrels of the government oil stocks from 10 th , Sep. through 10 th , Oct. for 30 days.
10th, Sep.	KNOC started releasing government oil stocks
10th, Oct.	KNOC released all planned government oil stocks
22nd, Dec.	The IEA terminated the IEA collective action on 22 nd , December, 2005 at 12h00 Paris time.

* MOCIE : Ministry of Commerce, Industry and Energy of Korea

* KNOC : Korea National Oil Corporation

※ The released crude oil and products were redelivered by 1st, June, 2006 and by 4th, June, 2006 respectively.

Korean Response Action in detail

■ Breakdown of 2,916 thousand barrels by each refiner

(unit : thousand barrels)

-		Stock-draw storage site	SK	GS Caltex	S-Oil	Hyundai Oilbank	Total
Crude		Yeosu, Ulsan	701	720	702	400	2,523
Product	Gasoline	Yongin	-	-	-	132	132
	Diesel	Yongin, Guri	160	50	27	24	261
	Total	-	160	50	27	156	393

■ Conditions to release the government oil stocks

Type of release	Lease
The companies to take oil stock	domestic 4 refiners (SK, GS Caltex, S-Oil, Hyundai Oilbank)
Amount of lease	2,916 thousand barrels (crude 2,523 thousand barrels, products 393 thousand barrels)
Term of redelivery	one year * After consultation with the government, refiners can do prior redemption or postpone their redelivery date
Period of release	From Sep. 10 through Oct. 10 for 30 days
The rate of lease	market interest rate

Evaluation (I)

■ The first formal participation of Korea

- Since Korea released oil-stock independently against oil supply disruption caused by the Gulf war in 1991, this was the first time to release oil-stock with international cooperation.

■ Prompt decision-making

- Within 24 hours of an assessment of the damage caused by Hurricane Katrina, IEA announced the collective response action against the interrupted oil supplies on 2nd Sep., 2005 supported by all IEA countries.
- In spite of 7 or 8 hours of time difference between Paris and Seoul, Korea swiftly communicated with the staffs in charge of emergency response and decided to participate the IEA collective action.

■ Proper plan and well-trained staff

- In this collective action, we followed the Initial Contingency Response Plan established in 2002. It was proved to be an effective framework for action.
- The IEA exercises and trains against virtual emergency situations regularly since 1998 through 'Emergency Response Exercise (ERE)'. Especially ERE 3 in 2004 was very helpful to response the Hurricane Katrina disruption. In 2007-2008, IEA is carrying out ERE4.

Evaluation (II)

■ Holding both of crude and product

- As IEA countries hold both of crude and products, severe products supply loss of this time was responded properly.
 - Among 54,667kbbbls of oil supplied by IEA collective action, about 34% was products.
 - Korea also released both of crude and product in the ratio of 86.5 to 13.5
- Product supply disruption was new emergency situation and the importance of product stocks came into the spotlight.

■ Further improvement of IEA emergency response plan

- Even though the collective action was implemented successfully, there are some parts to be reinforced in IEA emergency response system like clear guidelines to start and to finish an action, stock-draw below 90 days and etc.
- Now IEA is strengthening its emergency response capacity through the experience of 2005 collective response action.



Thank you for your attention !!