

## Emergency preparedness is more than maintaining security stocks

A fundamental prerequisite for the community to function and the individual to survive is a safe and secure energy system in proper working order. Without a secure energy supply, vast and vital sectors of the community could be put out of action.

The Swedish Energy Agency works on issues that affect the community's need for energy in times of political security crises and war. The resources and the emergency preparedness that are thereby created should also be able to be used at times of severe difficulties for the community during peacetime, as well as for the promotion of international peace and humanitarian-aid contributions.

We are monitoring various international energy markets and carrying out political security analyses within the energy supply sector. All emergency preparedness measures must guarantee the commitments Sweden has made within the framework of the IEP agreement and its EU membership.

Another important task is early analyses of technological and market developments. These could provide good opportunities for cost-effective emergency preparedness considerations to be incorporated during development of the energy system. The Swedish Energy Agency also holds chief responsibility for consumption management of all forms of energy.

Work on emergency preparedness is a part of our overall task – to create the proper conditions for a sustainable energy system in Sweden. As a central figure in the energy sector, we wish to stimulate increased co-operation between energy users, researchers and other parties associated with the energy sector.

## Security stocks

Those who are  
obliged to  
maintain  
security stocks  
and why

## Why Sweden must maintain security stocks

The focus of political security has changed dramatically in recent years. Previously, the main focus in planning was on defense against invasion. Today a broader perspective prevails – the safety and security of the community and emergency preparedness.

Sweden should of course still be able to counter an armed attack, but the main focus has shifted from pure military planning to emergency preparedness when confronted by both peacetime crises and disasters as well as armed attacks.

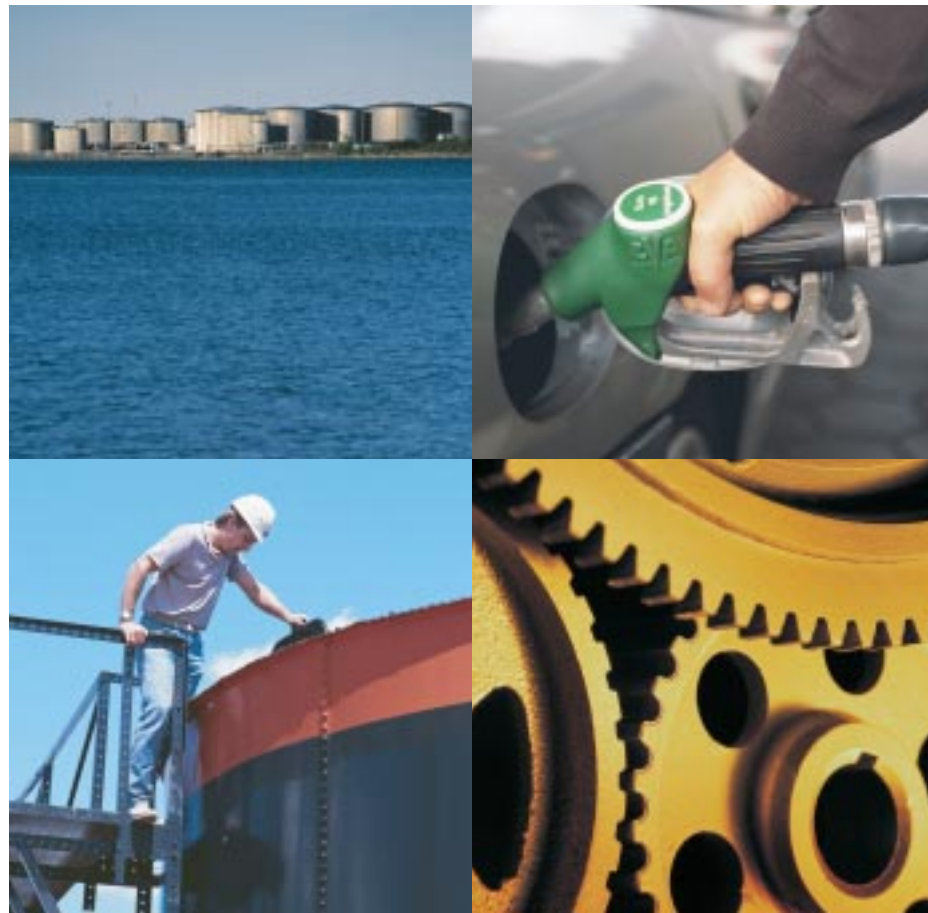
Despite political ambitions to reduce dependence on fossil fuels, Sweden is still an oil-reliant country to a great extent. Even if the total use of oil has practically been halved over the past 20-year period, disruptions to the oil supply will nevertheless have serious consequences for heating, production and transport.

From an emergency preparedness perspective, developments on the world's oil

markets demand intensified vigilance in the years to come. Crude oil production in the North Sea will pass its peak within a decade. With that, the main focus of Sweden's oil supply will shift from the North Sea back to the Middle East. Moreover, it is deemed that the world's oil production is slowly but surely diminishing because oil reserves are starting to run out.

Sweden is 100 % dependent on crude-oil imports, which to an ever increasing extent come from areas susceptible to turbulence. The EU's import dependency is 30 %, and is increasing steadily. Therefore Sweden must continue to maintain security stocks of oil.

This brochure is intended to provide a general description of security-stock maintenance and the regulations pertaining to this. The main focus is on security stocks of oil.



## Security stocks are controlled by statutes and regulations

For many years the State maintained stocks of petroleum products in its own mountain storage chambers. These stocks were intended for civil use in the event of war. They have now been sold. Instead, with some exceptions, the State has placed responsibility for all maintenance of security stocks – both for war and other serious supply crises – on the power industry, district heating plants and the oil and petroleum companies.

Parliament has passed the following statutes and acts concerning security stocks of fuels:

- Statute 1984:1049 on security stocks of oil and coal (LBOK). This statute is continually being adapted and revised.
- Act 1995:971 on security stocks of oil and coal.
- Statute 1985:635 on maintaining emergency supplies in the natural gas sector.
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The Swedish Energy Agency is the supervisory authority, and determines who is obliged to maintain security stocks and how extensive these should be.

The maintenance of security stocks is also governed by Sweden's membership in the EU and the international energy programme, IEP. Sweden and the other member countries, according to an agreement with the International Energy Agency, IEA, are obliged to maintain security stocks of oil equivalent to a net import of at least 90 days. This means that no company obliged to maintain security stocks may fall below this 90-day limit.

Note that a company's commercial supply may not be included in this 90-day stock.







## Must you maintain security stocks?

Parliament has decreed that security stocks of the following fuels must be maintained:

Fuel stocks	CN no.*
Hard coal, lignite and coke	2701
	2702
	2704
Motor spirit	2710 00 27
	2710 00 29
	2710 00 32
	2710 00 34
	2710 00 36
Kerosene-type jet fuel and other kerosene	2710 00 51
	2710 00 55
Transport diesel and gas oil (excl. heating oil); heating oil	2710 00 69
Fuel oil	2710 00 74
	2710 00 75
	2710 00 76
	2710 00 77
	2710 00 78

\* CN = Combined Nomenclature, a system according to which various goods are numbered in the EC's customs tariff schedule.

For **all fuels, except coal**, companies are obliged to maintain security stocks if:

- they have brought fuel into the country.
- they have sold or used up the fuel during the base year, i.e. the calendar year closest to the preceding stock-maintenance year.

The same applies to those that have been running an **oil refinery** in the country and sold fuel stocks during the base year.

Obligatory maintenance of security stocks could even apply to **customers**. Those who have bought from a company obliged to maintain security stocks, and then sold at least 50 000 m<sup>3</sup>, are also obliged to maintain security stocks.

Obligatory maintenance of **coal** secur-

ity stocks only applies to district **heating plants**. For these, the obligation to maintain security stocks applies if their annual consumption has amounted to at least 8 000 tonnes of coal.

The corresponding level for **oil-fired plants** is 5 000 m<sup>3</sup>.

Even district heating plants that use more than 5 million m<sup>3</sup> of **natural gas** are obliged to maintain security stocks, but in that case, stocks are to consist of oil. 1 000 m<sup>3</sup> of natural gas is equivalent to 1 m<sup>3</sup> of oil.

**Combined heating and power plants** with an installed output of at least 5 MW could also be ordered to maintain security stocks.



## Details you must provide

Companies obliged to maintain security stocks must declare their sales and/or consumption during the base year by no later than 01 February. This declaration must be sent to the Swedish Energy Agency.

If the company obliged to maintain security stocks and the Swedish Energy Agency have not reached any other agreement, the following forms must be used:

- Consumption report – industrial consumers.
- Consumption report – owners of district heating plants and combined heating and power plants.
- Sales report – companies (with sub-annexes).
  - Sales to Government authorities.
  - Sales to vendors obliged to maintain security stocks.
  - Sales to industrial consumers obliged to maintain security stocks as well as owners of district heating plants and combined heating and power plants.
  - Sales to owners of oil-fired condensing power plants and gas turbine plants obliged to maintain security stocks.

There are special forms for Group security stocks:

- Sales report – Groups (with sub-annexes).
  - Consolidated group sales.
  - Inter-company sales.
  - Export sales.
  - Sales of bunkers abroad.
  - Sales to Government authorities.
  - Sales to vendors obliged to maintain security stocks.
  - Sales to industrial consumers obliged to maintain security stocks as well as owners of district heating plants and combined heating and power plants.
  - Sales to owners of oil-fired condensing power plants and gas turbine plants obliged to maintain security stocks.
  - Import of fuels.

**These forms are available online at [www.stem.se](http://www.stem.se)**



## Procedures

No later than 30 June, the Swedish Energy Agency sends out a list to those companies obliged to maintain security stocks. This list details the currently applicable fuel stocks.

### It is sometimes possible to substitute fuel stocks

If a company wishes to meet its security-stock obligations by maintaining stocks of another fuel, then the company must submit an application to this effect. It is normally no problem if the fuel stock in question can functionally replace the original—for example, transport diesel and gasoil (excluding heating oil) and heating oil, instead of other fuel oils.

When transport diesel and gasoil (excluding heating oil) or heating oil only constitute a minor part of the security-

stock obligations, the difference can usually be made up with other fuel oils.

Companies may also apply to be allowed to meet their security-stock obligations by maintaining stocks of crude oil, other raw materials for manufacturing, or semifinished products. In such cases, these are recalculated to the equivalent amount of security-stock fuels in accordance with a special recalculation method, which the Swedish Energy Agency has ratified.

### Companies are not obliged to have their own individual stocks

Within a Group in the oil trade, all sellers subject to security-stock obligations and the parent company may jointly apply to meet these obligations. These are called Group security stocks.

For various reasons, a company may wish to commission another Swedish company to take care of its security stocks. In this case, both the principal and the assignee must apply for permission.

This arrangement also requires an agreement to be drawn up between the parties. The period of agreement may not be less than three months, nor exceed one stock-maintenance year. The security-stock agreement must be submitted to the Swedish Energy Agency no later than seven days prior to commencement of the period of agreement.

### Swedish security stocks may be located abroad

Companies obliged to maintain security stocks may be granted permission to locate 20 % of their peacetime emergency security stocks abroad – both within and beyond the EU. The Swedish Energy Agency is the supervising authority for these stocks as well.

Security stocks located in another country do not have to be owned by the Swedish company. On the other hand, an agreement between the Swedish govern-

ment and the government of the country in question is required for the Swedish Energy Agency to approve any security stocks located abroad. A list of existing agreements is featured in the periodic publication, *Sveriges internationella överenskommelser (SÖ)* (*Sweden's International Agreements*). The Swedish Energy Agency will readily provide information on current agreements and guidelines.

## Stock reporting and stock dues

When a company is obliged to maintain security stocks, a stock report must be issued monthly. This must detail the amount of fuel in stock at the end of the previous month, plus where the fuel is stored.

If the company obliged to maintain security stocks and the Swedish Energy Agency have not reached any other agreement, the following forms must be used:

- Stock in own storage facilities.
- Storage taken care of by another party.
- Storage carried out on behalf of another party.
- Loan on goods between oil-trade companies.
- Recalculation from stock of crude oil supply, stock of other raw materials for manufacturing or stock of semi-finished goods to stock of security-stock fuel.

These forms are available online at [www.stem.se](http://www.stem.se)

Stock reports are to be submitted no later than 30 days after the end of the month to which the report refers.

Stock dues will be levied on those who neglect their security-stock obligations. The same applies to those who, without permission, lodge security stocks with another, or those who otherwise breach the Swedish Energy Agency's regulations on security stocks. Such companies will receive a written injunction for the stock-maintenance year in question, which details the basis for calculation of the stock dues and terms of payment.

## Where to find all you need to know

Full information on what applies is detailed in STEMFS 2002:1, The Government Energy Agency's regulations on security stocks of oil and coal. It contains the following:

- Chapter 1: Area of application of the regulations, plus definitions.
- Chapter 2: Routines for determining obligation to maintain security stocks and size of security stocks.
- Chapter 3: Meeting security-stock obligations by substituting with other fuel.
- Chapter 4: Group security stocks, stocks taken care of by another party and stocks abroad.
- Chapter 5: Routines for security-stocks reporting and debiting of stock dues.
- Chapter 6: Amendment of security-stock resolutions, joint provisions concerning application and declaration documentation, exemptions.

These regulations also contain annexes featuring all application forms. All of these can be requisitioned from the Swedish Energy Agency's publishing firm or downloaded from the [www.stem.se](http://www.stem.se) homepage. The publishing firm's telephone no. is +46 (0)16-544 22 59, e-mail [forlaget@stem.se](mailto:forlaget@stem.se)