



It is with great pleasure that I present to you the 2013 report of the Austrian Petroleum Industry Association, which provides an overview of the petroleum industry in Austria and worldwide. The report summarises facts and figures regarding prospecting and drilling, provision, processing, consumption and pricing of oil and oil-based products as well as energy and environmental aspects.

To begin with, let me present a few thoughts on topics central to the industry. Oil and oil-based products are of vital importance to the efficient and reliable supply of energy. In our economy, going without oil would have detrimental effects in almost all sectors of life. In spite of frivolous attacks by the media, oil is the most important and cheapest source of energy. In real prices, petroleum products cost the same as in the 1980s. Foregoing oil as an energy source would thus cause mobility costs to explode. At the same time, the relatively low prices for petroleum products make it possible for the government to generate disproportionately high and readily flowing revenues. Contrary to assumptions in the 1970s, crude oil looks to be available for many more years. Proven global reserves continued to rise in 2013 and are sufficient to maintain global production at the present level for more than 53 years. Only a few years ago, we had proven reserves for some 40 years. The extent to which crude will remain stable at today's prices will greatly depend on global political developments and the expectations of market participants.

Global primary energy consumption grew by 2.3% in 2013. The increase was greater than in 2012 (+1.8%), but still below the ten-year average of 2.5%. At a market share of just under 33% of worldwide energy consumption, oil continues to be the main global energy source, but has been shedding market share for the 14<sup>th</sup> year in a row. Fully 80% of the rise in global energy consumption occurred in the emerging

economies even though their current rate of increase, at 3.1%, was below average. In recent years, the net growth in energy consumption in the OECD countries was solely the result of increases in the USA (+2.95%), while consumption declined in Europe and Japan, by 0.3% and 0.6% respectively.

The global energy map has recently been changing, with manifest effects on the markets. Its technological and political capacities allow the US to boost its oil and gas production and become ever more independent of oil and gas deliveries from abroad – all of it at prices that are distinctly below those in Europe. The latter continent, on the other hand, needs to obtain most of its crude from the Middle East where it encounters competitors such as China and India. The situation is quite similar when it comes to natural gas. Europe, the world's biggest consumer of natural gas, currently labours under a price that is about three times higher than in the US. Nevertheless Europe is not doing enough to develop and boost its gas production. Europe's competitiveness vis-à-vis the US is suffering and energy-intensive production industries are increasingly migrating from Europe into the US. At the same time, gas-fired power plants in the US generate only half as much CO<sub>2</sub> as the old coal-fired plants operating in Europe which run on cheaper imported coal and make havoc of Europe's carbon footprint. Unfortunately, Europe is not yet able, for political reasons, sufficiently to grasp the full economic dimensions and potentials offered by shale gas.

Looking ahead with regard to the demand for energy, we see that, although the composition of the energy mix will change, fossil resources (oil, natural gas and coal) will still be dominant 20 years from now, as they will have a share of 26% to 27% each, while the market shares of renewables, hydropower and nuclear power will be something between 5% and 7%.

To conclude with I would like to emphasise that the petroleum industry advocates the European and national goals of boosting energy efficiency and has been taking measures to this effect for many years.

Vienna, September 2014

A stylized, handwritten signature in blue ink, consisting of a large, sweeping 'R' followed by a horizontal line and a small flourish.

Gerhard Roiss, CEO

*President of the Austrian Petroleum Industry Association (APIA)*

Following a growth rate of 3.2% in 2012, the global economy grew by 3% in 2013 according to the Austrian Institute of Economic Research (WIFO). The strong growth achieved by the threshold countries, which had been propelling the global economy in recent years, lost its dynamics in 2013. In the industrialised countries, on the other hand, production growth accelerated throughout the year. In the US, expansion intensified by the quarter, and the euro zone managed to overcome the persistent recession. In the five CEE countries that are of importance to the Austrian economy, however, growth remained under 1%, same as in the previous year, even though they showed signs of growing dynamism. The Austrian economy grew by just 0.4% in 2013, the lowest figure since the 2008/2009 recession when total production shrank by 3.8%. Seen against this background, foreign trade grew at a very muted rate. In real terms, exports rose by 2.8%. Continued recession in the euro zone and the resultant scepticism among domestic businesses greatly affected their readiness to invest. Weak private consumption and a decline in investments impacted not just on the domestic growth rate but also on imports which rose by just 0.6% in real terms.

Confronted with a tiny growth in their disposable incomes, private households slightly scaled back their consumption while again reducing their savings ratio – to 6.6% or the lowest rate since this figure was first calculated. At a growth of 0.1%, public consumption did not provide any boost to domestic demand either.

In spite of the negative economic climate, it was still possible, according to the WIFO report, to reduce the public debt in 2013. While state spending was increased by just 1.2%, revenues grew by 3.4%, not least due to special effects. Consequently, the country's budget deficit declined to 1.5% of GDP, compared to 2.6% in 2012. The debt level remained almost unchanged, at 74% of GDP.

The weak economy and decline in the prices for raw materials – especially oil products – kept inflation in Austria at a low level. Following 2.4% in 2012, the inflation rate went further down, to 2%, in 2013, although this was still relatively high compared to the average of the euro zone. Throughout this zone, the harmonised consumer price index rose by just 1.3%, its rise decelerating notably towards the end of the year. A large part of the reversal was due to the increasingly negative contribution that oil-based products made to inflation. If their prices had developed, as an annual average, similar to the full basket of goods used for

calculating the consumer price index, the Austrian inflation rate would have been higher by 0.3 percentage points. Fuel prices went down by 3.8% as an average in 2013, and the decline also affected diesel (–3.7%) and petrol (–3.9%).

The labour market in Austria was similarly sluggish, according to the WIFO report. Employment grew by just 0.6% (+21,200), slower than in the three previous years, while unemployment rose. The rise of the unemployment rate as computed by the Austrian method accelerated to 7.6%, a new record high. As an annual average, 3,391,706 persons were dependently employed. The economically active population grew by 56,900 or 1.4%, to 4,129,013. Growth was very dynamic among foreign workers, once the transition periods for the free movement of workers from the new EU countries had expired. Altogether, 16.4% of the economically active population were non-natives (556,752).

The euro continued to gain throughout 2013, albeit at a slightly lesser pace, once the US Fed had loosened up its monetary policy in 2012 and the European Central Bank calmed European bond markets by announcing open-market transactions. The euro rate of exchange rose by 3% to US\$ 1.33.

The price gap between crude from the North Sea (Brent) and crude from the mid-west parts of the US (West Texas Intermediate, WTI), which had opened in 2011 when large volumes of shale oil first came on the market, continued to widen in 2013. Crude prices did not rise in 2013, but rather varied between US\$ 97 and 119/bbl for Brent (WTI: US\$ 88 to 109/bbl), because the positive supply effects continued in the US and demand remained muted at a global level. The Austrian import price for crude, the chief component of its energy imports, dropped to US\$ 112.4/bbl in 2013, a decline of 2% over 2012. Using the euro as the basis, imports became cheaper by 5.2%, as the euro gained over the dollar. Austria obtains about one fifth of its energy imports from Russia, so that over 85% of its goods imports from Russia consist of energy. The value of crude oil and natural gas imports fell by 11% in 2013. The massive decline of the import value of natural gas, by fully 26%, was almost entirely due to the reduction in volume. Altogether, imports of fuels and energy dropped by 14.4% in 2013. Fuel consumption rose by a total of 3.9% in 2013, the result of a growth in diesel consumption. Petrol consumption, almost entirely by passenger cars, on the other hand declined by 2.9%, while diesel consumption was up by 5.8% over the previous year.

The Austrian Petroleum Industry Association (APIA, or FVMI to give it its proper German title) is an Austrian-wide association of petroleum-based industries operating within the scope of the Austrian Federal Economic Chamber (WKO). It is organised as a corporation under public law to serve as a lobby for its members. A legal interest group, the Association acts as a link between business and the public. Its members are Austrian companies that operate upstream (exploration and production of crude oil), mid-stream (transport in pipelines) and downstream (processing at their own or associated refineries and sale of petroleum products). At present, the Association has 26 petroleum companies active in the up-, mid- and/or downstream sectors.

- The Association is charged with coordinating and drafting comments for the sector's assessment of EU directives and national laws and regulations to be furnished to ministries and other government authorities.
- Issues of relevance to the industry, such as environment and energy (energy efficiency, climate strategy, emissions trading, regulations governing fuels and biofuels, standards, waste water and garbage, etc.), taxation, commercial law and social policy, are covered by the Association jointly with its members in technical and organisational terms. Sector-specific information and communications on general economic subjects are furnished to its members upon consulting and cooperating with the respective specialist departments of the Austrian Economic Chamber, in particular the Chemical Industry Association.
- The Association's remit also comprises considerable activities in representing its members' interests at the legal level as provided for in the Economic Chamber Act as well as regular surveys, such as a weekly poll of petrol station prices as stipulated in the Price Transparency Act for an EU-wide comparison of fuel prices, and neutral assessments and data for regional zones in Austria for the Economic Ministry.
- A key responsibility of the Association is negotiations for the collective bargaining agreement with the Union of Salaried Private Sector Employees in the Print, Journalism and Paper Sector and the Production Workers Union for about 4,250 employees. The collective bargaining agreement for the employees of the Austrian petroleum industry is published in a paper version as well as on the Association's homepage (also as a pdf file in English) and in the database of collective bargaining agreements kept by the Austrian Economic Chamber, and it is updated on a regular basis.

#### Examples of activities pursued by the Association

- Enquiries addressed to government authorities, the social partners and other public and private institutions on concerns of the petroleum industry, representation of the petroleum industry at the federal- and state-level bodies of the Economic Chamber.
- Response to technical enquiries by government authorities, the social partners, consumers, students and national and international organisations.
- Organising and chairing several working group meetings per year for segments such as retail sector, commercial business, biofuels, statistics, HSSE, REACH, transport logistics and hazardous goods, petrol station technology, waste and public relations activities.
- Organisation and commissioning of expert opinions on legal and engineering issues.
- Issue-oriented press information, statements and interviews for the print and broadcast media on market developments and the supply situation of crude and petroleum products, and publication of contributions on the Association's homepage ([www.oil-gas.at](http://www.oil-gas.at)).
- Preparation of the Association's annual report, its delivery as a printed version and publication on the Association's homepage. Preparation of a newsletter and, once a year, a brochure addressed at opinion leaders, especially those in politics.
- Cooperation with and support of *Österreichische Gesellschaft für Erdölwissenschaften* (Austrian Society for Petroleum Sciences; ÖGEW).
- Participation as the sponsoring organisation in the "Liquid Biofuels" working group and as a shareholder in *Heizen mit Öl GmbH*, a company promoting oil heating systems, cooperation with *Hauptstelle für das Grubenrettungs- und Gasschutzwesen GmbH* (Main Office for Mine Rescue and Gas Protection Services).
- Coordination activities with *Schutzverband gegen unlauteren Wettbewerb* (Association to Protect Against Unfair Competition) to combat anticompetitive fuel sales.
- SCC platform (Security Certificate Contractor); secretariat run by the Association ([www.scc-austria.at](http://www.scc-austria.at)).
- Administration of the Association's office, organisation and agenda of the committee meetings, preparation of the budget and audit.

In Austria, OMV and RAG are prospecting for and extracting crude oil and natural gas in economically relevant quantities at the Vienna Basin, a sedimentary basin around Vienna, and in the molasse zone of Upper Austria and Salzburg. In 2013, oil production remained steady while natural gas production declined significantly over the previous year. Specifically, overall annual crude and NGL<sup>1</sup> production fell by 203 tons to 917,149 tons (a change of 0.0% over 2012). Crude production excluding NGLs amounted to 847,952 tons (+1.2%), of which 729,589 tons were extracted from the Vienna Basin and 118,363 tons from the molasse zone. Production of NGL amounted to 69,196 tons, of which 99.1% were extracted at the Vienna Basin. Of the total crude production of 917,149 tons, OMV delivered 85.2% (781,815 tons), with RAG providing the remaining 14.8% (135,333 tons).

Crude oil imports into Austria comprised 7.78 mn tons in the year under review, or 4.9% more than the previous year's level of 7.42 mn tons. Austria's main crude suppliers were Kazakhstan, Nigeria and Russia. Altogether, crude for Austria was sourced from 17 countries. The oil was almost entirely delivered by ship and pipeline via the oil harbour of Trieste, first through the Transalpine Line (TAL) to Carinthia and then through the Adriatic-Vienna pipeline (AWP). The average import value per ton of crude was € 628 in 2013, a decline of 4.7% over the previous year (€ 659/ton).

Crude oil imports of 7.8 mn tons were supplemented by imports of just under 6.3 mn tons in finished products such as petrol (0.5 mn tons), diesel (4.0 mn tons) and fuel oil (0.6 mn tons), required to supply Austria and deriving mostly from Germany (3.6 mn tons), Slovakia (1.2 mn tons) and Italy (0.4 mn tons).

In 2013, natural gas extraction including petroleum gas ran to 1.36 bn m<sup>3</sup>n (standard cubic metres), of which 1.13 bn m<sup>3</sup>n were natural gas (83.0%) and 0.23 mn m<sup>3</sup>n were petroleum gas (17.0%). These levels were lower than the previous year's production by about 371 mn m<sup>3</sup>n (-21.5%), but contributed about 16% to the overall natural gas consumption in Austria. Of the total production volume 82.5% were contributed by OMV and 17.5% by RAG. About 75% came from the Vienna Basin and 25% from the molasse zone in Upper Austria/Salzburg. 6 bn m<sup>3</sup>n of natural gas were imported from abroad (balance of imports and exports). Of this, some 82% (almost 5 bn m<sup>3</sup>n) came from CIS countries and the remaining 18% were sourced in other countries, including Norway. Delivery to end customers for natural gas in Austria amounted to 7.76 bn m<sup>3</sup>n, a reduction of 4.8% over the previous year (8.15 bn m<sup>3</sup>n). The drop was due to fewer operating hours by the gas-fuelled power plants whose run-time was cut by almost a third over 2012.

The Schwechat refinery, the only refinery in Austria, one of 646 refineries operating worldwide and spreading on a site of 1.42 km<sup>2</sup>, has become one of the largest and most modern non-seashore refineries in Europe. It can process 9.6 mn tons of crude per year. In 2013, it processed 8.7 mn tons of crude (2012: 8.5 mn tons), at a capacity utilisation rate of 90% (2011: 89%). Almost ten percent of the processed crude came from domestic production and just over 90% from abroad; 0.6 mn tons of semi-finished products were processed as well. From this input, the refinery produced 40% diesel, 21% petrol, 14% fuel oil (extralight, light and heavy), 12% petrochemical basics, 8% jet A1 fuel, 4% bitumen and 1% other products. Diesel and petrol had biogenic fuel components admixed to them.

Consumption of petrol and diesel was about 8.1 mn tons or 9.8 bn litres (including biogenic components), of which some 2.2 bn litres were petrol (22.5%) and about 7.6 bn litres were diesel (77.5%). Petrol consumption declined by 2.9% over 2012, while diesel accounted for a rise of 5.8%. At 6.45 mn tons, diesel consumption in 2013 with and without biogenic components slightly topped the peak of 2007. Extralight fuel oil was consumed to the tune of 1.23 mn tons, 1.2% more than in the previous year (1.45 bn litres). Sales of light fuel oil, amounting to 185,000 tons, were lower by 11%. In 2013, some 656,000 tons of jet fuel were consumed, almost 4.5% less than in the previous year.

When including all petroleum products, such as fuels, fuel oil extralight, light and heavy fuel oil, lubricants and bitumen, and excluding petrochemical basics, some 10.9 mn tons of petroleum were consumed in Austria in 2013, 2.1% more than in the previous year (about 10.7 mn tons) but 15.5% less than at its peak in 2005 (12.9 mn tons).

By the end of 2013, Austria counted 1,411 major branded petrol stations (BP, Eni, JET, MOL, OMV/Avanti, Shell) plus another 1,229 petrol stations (figures as of 31 Dec 2013), which brought the total to 2,640. At about 3,200 persons per petrol station, Austria ranks in the European middle, with Greece at the high end and Romania at the low end.

As an annual average, Eurosuper cost € 1.39 per litre at the petrol station (-4.1%; 2012: € 1.45); for diesel the price was € 1.36 per litre (-3.5%; 2012: € 1.41). The weighted averages in 2013 for all EU member states were € 1.58 per litre for Eurosuper (-2.5%; 2012: € 1.62) and € 1.45 per litre for diesel (-2.7%; 2012: € 1.49). The EU average was thus once again clearly above the Austrian average: by 19 cents per litre for Eurosuper and 9 cents per litre for diesel. Even though there is the occasional shift, it is still true that petrol and diesel sell at higher than Austrian prices in 19 or 20 of the EU-28 member states.

<sup>1</sup> Natural gas liquids (NGLs): Condensates and the liquid proportion of natural gas production.