



The systems of world-wide energy supply are undergoing change. Crude oil consumption will decline relative to other sources of energy, even though in absolute figures it will continue to grow over the next years. The gap yawning between the traditional sources of energy and the “green” energies is expected to be filled mostly by natural gas. Seen altogether, natural oil, natural gas and coal are set to meet about 80% of the world’s energy requirements for many years to come, even though the renewables are gradually gaining in importance. In the group of fossil resources some major shifts are about to take place. Shale gas will be extracted in all parts of the world. Substantial quantities can be expected in the US, China, Russia and Argentina, and Europe has suitable production sites as well. This “unconventional” gas makes up a large percentage of our global gas reserves. The US are currently experiencing an upheaval in their energy situation. Lower oil and gas prices have gained them a competitive edge and Europe is already feeling its effects: parts of the European petrochemical, aluminium and steel industries are migrating to America, a trend that has a negative impact on economic growth and employment. Europe will need to respond by being more open-minded about its energy policy. Ideological and unrealistic demands and the refusal to aim for a balanced energy mix will mean the failure to produce solutions for achieving an affordable and secure energy supply.

This annual report is also intended as an occasion to look back at 2012. At 91.1m bbl/d, global oil supply was 2.5m bbl/d above the previous year’s level of 88.6m bbl/d. OPEC, producing crude oil to the tune of 31.3m bbl/d and NGL at a rate of 6.2m bbl/d, achieved a market coverage of 41%. World-wide demand for crude oil rose by 1% in 2012, to a level of 89.8m bbl/d. Non-OECD countries increased their

crude oil consumption by 1.5m bbl/d or 3.5%. In the OECD demand fell by 0.7m bbl/d, with the decline stronger in Europe (-4.5%) than in the US (-1.2%). In Austria, consumption of petroleum excluding petrochemicals amounted to some 10.7m tons, or 2.4% less than in the previous year and 17% less than at its peak in 2005 (12.9m tons). Throughout 2012, the oil price remained at the relatively high level of the previous year. In the first weeks of 2012, delivery failures in some exporting countries and an embargo instituted by the US and EU made the price rise to its annual maximum of USD 128/bbl. Towards the middle of 2012, clouds on the economic horizon and the crisis in the euro zone caused it to drop to its annual minimum of less than USD 89/bbl. This was again followed by an upwards trend, to be explained by the Syria conflict and a more relaxed financial market. As an annual average, one barrel of Brent crude cost USD 111.67, just marginally higher than in the year before. At the Rotterdam spot market, prices in euro rose by 10% to 13% due to the strong dollar.

Moving our review a step towards consumers, we are confronted with changes at the local level that sound almost accusatory, as is shown by a newspaper report: across a distance of 100 km between the Semmering mountain pass and Slovenia no petrol station can be found any more. Three of them closed down over the past years. The flood of closures is due to the fact that operating a petrol station often no longer pays. Margins in Austria have long since gone towards zero. In Europe, only British operators earned less on Eurosuper petrol than did Austrian ones. For diesel, the gross margins of domestic operators rated 13<sup>th</sup> of 16 markets investigated. There is hardly any country where the sale of fuels is less profitable than in Austria. The reason is the cut-throat competition in the petrol station market and, as a result, lower prices than in the rest of the EU. The situation is reflected in the stations still operating: over the past ten years, the number of publicly accessible petrol stations has declined by 337 or 12%. By the end of 2012, Austria counted 2,515 petrol stations, against 2,575 in the previous year.

Vienna, on September 2013

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)

WIFO, the Austrian economy managed a growth in real terms of 0.8% in 2012, compared to 2.7% in 2011, with growth slackening towards the end of the year. Germany reported a growth of just 0.7% in its GDP, while the global economy grew by 3.1% in 2012. Everywhere a vigorous start was followed by a slowdown further on in the year. Less developed and threshold countries once again had the advantage over the OECD region, growing by 5.1% vs. 1.3%. While industrialised countries found their expectations dented by worries about the stability of financial markets and efforts to consolidate their budgets, a positive impetus came from the expansive monetary policy pursued by central banks. GDP growth accelerated to 2.2% in the US and to 1.7% in Japan. Averaged over the year, the exchange rate was USD 1.29 for the euro, with the dollar thus appreciating over the euro (2011: USD 1.39 for one euro).

In spite of a difficult environment internationally, Austria's exports in 2012 contributed substantially to the overall growth of its economy. Although some dynamism was lost over the year, exports still grew by 1.7% overall. Exports of goods made up EUR 123.5bn, reaching a nominal peak (EUR 122bn in 2011), as did the imports (EUR 132bn vs. EUR 131bn in 2011). Looking at the details we find that while exports to Germany and Italy, the country's two most important trading partners, were declining slightly (by 0.5% and 9.6% respectively), exports to France, Austria's fifth-largest export market, could be boosted by 13.2%. According to WIFO figures, Austria's exporters profited most from the excellent demand situation in third countries (+6.5%).

Investment, borne along by housing construction and public works, grew by 1.3%. Government spending on consumption was reduced by 0.2% while private consumption showed a modest increase of 0.4%, in spite of pruned-down disposable incomes by private households. In 2012, the latter spent almost EUR 169bn on consumption.

Inflation in Austria rated 2.4% as an annual average in 2012, based on the Consumer Price Index (2010: +1.9%, 2011: +3.3%). Starting out from 2.8% it declined to 2.1% during summer, only to rise again to 2.8% in the fourth quarter. WIFO saw this development being driven mostly by rising prices for petroleum products (contributing 0.3%), food and housing services (each adding 0.4 percentage points to inflation).

Confronted with this background, employers and employees in the metal industry in the autumn of 2012 agreed to raise wages and salaries by an average of 4.2%. Subsequently, nominal remunerations in other sectors similarly rose faster than in most of the past years, but the majority of the agreements remained below the level of the metal industry.

In spite of a sluggish economy, employment rates grew in 2012. Active dependent employment as an average of 2012 rose by 47,155 or 1.4% to 3,370,480. Self-employment increased by 1.1% to 439,500, all according to WIFO figures. The number of alien workers has been rising at a highly dynamic rate since May 2011, when the transition periods for the free movement of workers from the new EU countries (which had joined in 2004) expired. The trend continued in 2012, and the figure increased by 38,128 workers (+7.8%). Altogether, 15.6% (2011: 14.7%) of active dependent employment was taken up by alien workers (527,062). Registered unemployment spread in the course of 2012, especially in the second half of the year when the labour market became noticeably tighter. According to the Public Employment Service AMS, 260,643 workers were unemployed as an average over the year (a plus of 5.7% vis-à-vis 2011), and 66,602 were in training for a new job. The unemployment rate went up by 0.3 percentage points to 7.0% when using data by AMS and the Federation of Austrian Social Insurance Institutions, or to 4.3% according to Eurostat. Unemployment among alien workers accelerated at an above-average rate over the year, rising by 12.5% against 2011.

On WIFO figures, energy consumption continued to fall in Austria throughout the year. A key factor was the weak economy which managed a growth of just 0.8% in its real GDP, while the weather did not much impact on energy consumption. Next to economic development and the weather, the greatest influence comes from changes in energy prices, which rose in 2012 but at a lesser rate than in 2011. Crude oil prices in dollars remained almost unchanged as an average of 2012 (+0.3%), but increased by 8.5% when seen at a euro basis. Prices for petroleum products reflected the rising crude oil trends at a euro basis. Thus, prices for extralight fuel oil rose by 8.3%, petrol by 6.7% and diesel by 6%. Gas prices for end consumers showed a slightly lower increase (+5%). Prices for solid fuels such as coal and biomass were higher by 1.4%, and electricity went up by 1%.

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), midstream (transport in pipelines) and downstream (processing at their own or associated refineries and sale of petroleum products). At present, the Association has 23 petroleum companies active in the up-, mid- and/or downstream sectors.

- The Association's remit comprises not just considerable activities in representing its members' interests at the legal level as provided for in the Economic Chamber Act but also 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, as well as 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.

- The Association is also 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 (working groups). 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.

### Examples of activities pursued by the Association

- Response to technical enquiries by government authorities, the social partners, consumers, students and national and international organisations.
- 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)).
- 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.
- 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 p.r. activities.
- Organisation and commissioning of expert opinions on legal and engineering issues.
- 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 Rohöl-Aufsuchungs AG (RAG) are prospecting for and extracting crude oil and natural gas in economically relevant quantities at the “Wiener Becken”, a sedimentary basin around Vienna, and in the molasse zone of Upper Austria and Salzburg. According to figures by the Federal Geological Institute GBA, overall annual crude and NGL<sup>1</sup> production declined by 2,085 tons to 917,352 tons (a reduction of 0.2% over the previous year). Crude production excluding NGLs amounted to 837,561 tons (-0.1%), of which 738,443 tons were extracted from the Vienna Basin and 99,118 tons from the molasse zone. Production of NGLs amounted to 79,791 tons, of which 99.2% were extracted at the Vienna Basin. Of the total crude production of 917,352 tons, OMV delivered 87.2% (800,328 tons), with RAG providing the remaining 12.8% (117,024 tons).

Crude imports into Austria comprised 7.42m tons in the year under review, or 2.4% more than the previous year's level of 7.25m tons. Austria's main crude suppliers were Kazakhstan, Nigeria and Russia. Libya, ranking sixth in the previous year, rose to fourth place. Altogether, crude for Austria was sourced from 15 countries. The oil was transported by pipeline, almost all of it from the oil harbour of Trieste to the Schwechat refinery through the Transalpine pipeline (TAL) and, from Carinthia, through the Adriatic-Vienna pipeline AWP.

It should be noted that the crude oil imports of 7.4m tons delivered for processing at Schwechat were supplemented by imports of about 6.3m tons in finished products such as petrol, diesel or fuel oil, deriving mostly from Germany (3.2m tons), Slovakia (540,000 tons) and Italy (479,000 tons), to supply Austria with liquid petroleum products.

Austria can cover about 20% of its natural gas requirements from own production. In 2012, natural gas extraction including petroleum gas ran to 1.73bn m<sup>3</sup>, of which 1.48bn m<sup>3</sup> were natural gas (85.4%) and 251m m<sup>3</sup> were petroleum gas (14.6%), according to figures from the Federal Geological Institute GBA. These levels exceeded the previous year's production by about 138m m<sup>3</sup> (8.7%). Of the total production volume 75% were contributed by OMV and 25% by RAG.

The Schwechat refinery, the only refinery in Austria 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 9.6m tons of crude per year (worldwide refining capacity: 4,430m tons). In 2012, it processed 8.5m tons of crude (2011: 8.3m tons), at a capacity utilisation rate of 89% (2011: 86%). Ten percent of the processed crude came from domestic production and 90% from abroad; 0.7m tons of semi-finished products (2011: 0.6m tons) were processed as well. From this input, the refinery produced 40% diesel, 20% petrol, 14% fuel oil (extralight, light and heavy), 12% petrochemical basics, 8% jet A-1 fuel, 5% bitumen and 1% other products.

When including all petroleum products, such as fuels, gas oil for heating (HEL), light and heavy fuel oil, lubricants and bitumen, and excluding petrochemical basics, some 10.7m tons of petroleum were consumed in Austria in 2012 (figures by the Economics Ministry), 2.4% less than in the previous year (about 11m tons) and 17% less than at its peak in 2005 (12.9m tons).

Consumption of fuels (petrol and diesel, but excluding jet fuel) was 7.8m tons in the past year, corresponding to some 9.5bn litres. Total demand for fuels shrank only slightly against 2011, with petrol reporting a minus of 2.3% while diesel achieved a slight plus of 0.5%. Of the 1.7m tons of petrol (just under 2.3bn litres), 96% were Eurosuper, with the rest shared by Super Plus and small quantities of regular petrol. As to diesel, 6.1m tons (some 7.2bn litres) were sold in 2012. Total sales of petrol and diesel from publicly accessible petrol stations made up about two thirds of the overall quantity or about 5.2m tons.

The market of petrol stations in Austria continues to be characterised by a dense network of stations and cut-throat competition. With competition that brisk, margins of the petrol station operators are very low. Consequently, the number of petrol stations, especially those at suboptimal locations, has been on a precipitous decline for several years in a row. Over the past ten years, the total figure has been cut by more than 350. Other trends observed are the enlargement of so-called premium locations and the conversion to unmanned, automated operation at the more remote and less profitable locations. During the year under review, the number of publicly accessible petrol stations was cut by 60 and is now down to 2,515, of which 1,453 were major branded stations.

According to the weekly polls carried out by the Association under the Price Transparency Act, petrol station prices as an Austrian average (including petroleum tax and VAT) in early 2012 hovered at about EUR 1.39 per litre of Eurosuper (OK95). The diesel gap was almost fully closed. From March onwards, prices for both petrol (OK) and diesel (DK) rose, reaching their peak in mid-April at EUR 1.52 per litre of OK and EUR 1.44 per litre of DK. From May to late June, prices relaxed at about EUR 1.38 per litre of OK and EUR 1.32 per litre of DK, only to rise again in August, to reach, as an Austrian average, up to EUR 1.55 per litre of OK and just under EUR 1.47 per litre of DK. Towards the end of October, prices once again let up and remained steady until December. Just before Christmas, the Association's poll found EUR 1.39 for one litre of petrol (Eurosuper) and EUR 1.38 for one litre of diesel. By the turn of 2012/2013, prices at the petrol stations were thus back to the level of the start of the year.

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