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Petroleum companies found 2015 to be an extremely challenging year. Given an excess of global supply – the result of a change in OPEC’s strategy in response to rapidly rising shale oil production in the US – crude prices plummeted and continued to fall in the next year. After petroleum companies had got accustomed to US\$ 50 per barrel (bbl) in 2015, key reference crude prices, to the utter amazement of many experts, tumbled to below US\$ 30/bbl in January 2016. In early March prices went back to US\$ 40/bbl, and in mid-June Brent oil returned to about US\$ 50/bbl. The collapse of crude prices impacted on the product markets. Fuel prices of, at times, less than one euro caused joy at the petrol pumps. Energy producers, on the other hand, felt differently. Petroleum companies had to extend their austerity schemes, and many energy experts were and are still worried about long-term investment and supply security in the oil sector.

Nevertheless, a general trend of declining prices for petrol, diesel and fuel oil has been looming for several years already. From their peaks in the autumn of 2012, prices for liquid fuels have been moving downward continually, with only a few interruptions. And if we look back 30 rather than three years, we find that today’s fuel prices, adjusted for inflation, have not risen, in contrast to prices for bread, which, adjusted for inflation, have gone up by fully 56% since 1986. If we reduced prices by the several increases in the petroleum tax since 1986 and accounted for the inflation rate (based on a CPI for 1986 = 100), fuel would be substantially cheaper than it was 30 years ago. And it is also a fact that

the larger part of the revenues from fuel sales (55% to 60%; June 2016) goes straight into the state budget without any earmarks. Without petroleum tax and VAT, petrol and diesel would have had an average price of just below 47 cents per litre each between June 2015 and May 2016.

Looking into the future we see that, more than ever, a practical mix of energy sources will be needed in the next decades. Expectations regarding the decisions taken at the Paris Global Climate Conference in late 2015 are enormous, and frequently cause emotional discussions at a political and scientific level. The petroleum industry generally supports the political targets and will contribute to achieving the climate goals by improving its own efficiency. It is important that the targets and timeframe for their implementation remain realistic. In my opinion, a balanced mix of energy types drawn from several sources will be increasingly important. A well-functioning energy system based on renewables and fossil energy carriers will ensure that Austria’s energy supply will be modern, sustainable, low-cost and competitive. Regardless of the progress made with alternative motors such as hybrid, electric and hydrogen models, the internal combustion engine will remain paramount for the next decades. Thanks to more efficient engines and lower transport performance per passenger car, fuel consumption and CO₂ emissions will substantially decline over the next decades. But even if e-mobility should intensify, the share of internal combustion engines will still be clearly in excess of 80% by the 2050s.

In this connection it is advisable to look at the Energy Efficiency Act. Its implementation with regard to fuels has been a priority for the Association in recent years. Petroleum companies are obliged to take efficiency measures at their customers’ level which result in lower energy consumption – a challenge considering that, e.g., petrol stations have no fixed customer base and operate in a highly competitive market environment. One option is the addition and dosing of detergents in diesel. Certified institutes and Europe-wide standardised tests provide proof to the relevant authorities of what such additives can do for consumers in terms of energy efficiency.

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LOW INFLATION DYNAMICS

At 3.1%, the global economy achieved a growth rate in 2015 that was lower by 0.3% than in the previous year. Contrary to the trend of recent years, threshold countries and LDCs found their economic performance reduced from 4.6% to 4.0%. Industrialised countries, on the other hand, managed a slight growth to 2.0%; in the euro zone, the economy grew by 1.6%. The Austrian economy achieved a plus of 0.9% according to the Austrian Institute of Economic Research WIFO, but the growth was still less than 1% for the fourth year in a row. In nominal terms, GDP rose by 2.4%. Business performance remained inert across the year.

GDP in 2015 was fuelled solely by consumer and investment demand. As reported by WIFO, domestic consumption contributed 0.9 percentage points to growth, while foreign trade failed to make any contribution. The international environment was once again challenging to Austrian exporters, which did not enjoy much dynamic growth. Foreign trade was burdened by the crisis in the threshold countries, and exports to China and Russia declined dramatically. Nevertheless, with the euro losing in value, trade with the US was expanded, so that the US for the first time rose to second-ranking trade partner in 2015, ranging after Germany and before Italy. Total exports (goods and services) were increased by 1.6% in 2015, while imports rose by 1.9%. Exports were € 180 billion in nominal terms (+2.7%).

Following the sharp devaluation of the euro vis-à-vis the US dollar in 2014 to early 2015, the exchange rate stabilised at US\$ 1.1 for the euro. In parallel to the continued trend of a stronger US dollar, crude prices remained on a downward spiral in 2015. The price of Brent crude, a reference rate of great importance for Europe, imploded from US\$ 112/bbl on average in June 2014 to US\$ 48/bbl in January 2015. By May, it had recovered to US\$ 64/bbl on average, before once again plummeting to about US\$ 30/bbl in January 2016. At that rate, the price for crude at the start of 2016 had dropped to about a quarter of its mid-2014 value.

In dollar terms, the Austrian import price for crude oil, the key element of energy imports, plunged to US\$ 56.8/bbl in 2015, a minus of 46% over the previous year. In euro terms, the import price was 35% below the previous year, cutting energy costs in Austria by almost € 1.5 billion.

Inflation in 2015, when measured by the CPI, was 0.9%, definitely lower than in the two years before, when 1.7% was recorded for 2014 and 2.0% for 2013. Apart from 2009 (+0.5%), this was the lowest value in the past 16 years. The low inflation in 2015 was due mostly to the decline of prices for petroleum products. Diesel was cheaper by 13.7%, premium by 10.8% and extralight fuel oil by 20% compared to the previous year. Based on the harmonised consumer price index, the inflation rate was 0.8% in 2015, compared to no price increase in the euro zone. This gap was due mostly to the higher prices for catering and accommodation services as well as rents and insurance premiums.

The flat economy and a growing pool of job seekers once again caused unemployment to grow while employment increased as well. The work force increased by 35,600 or 0.9% to 4,148,400. The number of dependently employed persons grew at a disproportionately high rate, by 1.2% to 3,609,200, although three out of four new jobs were of the part-time type. The number of hours put in (declining in 2013 and 2014) thus increased only marginally, by 0.1%. The number of unemployed rose by 5,900 to an average of 251,800, causing the unemployment rate to rise to 5.7%.