



Following the last peak for Brent crude in mid 2014, the crude price began to collapse. Within just a few months, it fell off from about US\$ 110 per barrel to less than half. The lowest point so far was for a short time reached in mid January 2015, at US\$ 45 per barrel. As a consequence, petroleum companies had to adjust to a difficult economic situation worldwide and needed to quickly respond to the scenario by toning down their investments. Many of us old-timers in the industry have made the experience that ups and downs are part and parcel of a natural economic cycle. But it is only in difficult times that you find out how robust a company actually is. It is important not to lose sight of the full picture and to be sure of the route that the industry wants to take.

But why did the crude price halve after enjoying a rather stable phase for quite a long time? The fact is that the balance of power prevailing on the crude market has shifted. While Saudi Arabia once was the leading OPEC member that controlled the price by expanding or contracting the volume of its production, it left its chosen path in 2014 and continued to pump out the crude in order to keep its market share in spite of global overproduction. Meanwhile the situation has calmed down somewhat and the price level in June 2015 settled down to US\$ 60 to 65 per barrel. In order to ensure an adequate future oil supply for the world, which will be necessary for several decades to come in spite of opinions to the contrary, it is to be hoped that investment plans will not be too restrictive in the mid-term and that sufficient funds will be invested into developing new oil wells. Even third-party experts in the field comment that bottlenecks could trigger a new surge in the crude price which would put the global economy to a severe test. In the late 1990s we had a similar situation at a price of

US\$ 10 per barrel, followed by almost US\$ 150 per barrel in the summer of 2008, after which the price dive-bombed in the wake of the global financial crash.

At a share of 0.3% of global consumption and 2% in the EU, Austria is a minor oil market that was forced to go along with price developments in the second half of 2014 without any scope for own initiatives. It was noticeable that the flagging price once again gave rise to the accusation that the petroleum companies would not prune prices at the petrol stations in goosetep with the reduction of international crude prices. Critics typically forgot to consider that motorists do not buy crude oil, but obtain a refined product at the petrol station and thus pay for many additional albeit less volatile costs than is the case with crude. Neither do they consider that the petroleum tax charged at the station is a fixed-value consumption tax regardless of the actual price level. This dampens price variations in either direction. Fortunately, the Austrian Petroleum Industry Association has for years made great efforts at public relations, providing information on the petrol market to the general public.

The Austrian Petroleum Industry Association has permitted me to be active as a member of the association's committee since 2002 and as the chairman of the association, whose independence I have always strongly advocated, since 2010. Together with colleagues from upstream, midstream and downstream sectors and experts in our own companies we have been dealing with subjects in the working groups which were frequently exciting but also reflected difficult times for our industry. Cooperation with other associations, especially those of the chemical industry and with departments of the Austrian Economic Chamber, has always been constructive and usually uncomplicated. My office of CEO of OMV, an integrated and international oil and gas group with strong roots in Austria, terminated in late June, so I also retired from my office of committee member and chairman of the association. Let me take this occasion to thank all those co-travellers and to wish the association all the best in its task of voicing the interests of the Austrian petroleum industry.

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

Gerhard Roiss

CEO of OMV and President of the Austrian Petroleum Industry Association (until 30 June 2015)

Contrary to general expectations, global growth did not take off in 2014. The global trade volume grew at a relatively moderate rate of 3%, and same as in the previous year, at 3.4% the global economy remained below the average of past years. In the LDCs and threshold countries, growth slowed down to 4.4%, while OECD countries enjoyed a slight increase of their GDP by 1.8%. In the OECD countries, the upswing was substantially stronger in North America (+2.4%) than in the euro zone (only 0.9%). After stagnating in 2013, the European Union managed a moderate rate of GDP growth (+1.3%). With exports declining over the year, and investment and consumption still sagging, growth failed to get off. Driven by the halving of the crude price, average inflation in the euro zone rapidly abated after mid-2014 and arrived in the negative zone at the turn of the year.

In Austria, the economy grew by just 0.3%, according to a report by the Austrian Institute of Economic Research WIFO. The last spurt of economic growth was recorded in 2011, which was followed by three sluggish years (2012: +0.9%; 2013: +0.2%; 2014: +0.3%). Austria had problems joining the successively brighter trend, due mostly to low investment on the part of businesses consequent to uncertainties regarding the development of domestic and foreign sales markets, diminished consumption by private households as a result of a moderate increase in real incomes, and a lack of any strong foreign trade impetus. Moreover, increasing uncertainty fed by political crisis situations the world over, such as the Ukraine/Russia crisis, dampened expectations of businesses and consumers alike. Exporters in the euro zone similarly felt a diminishing demand for their goods, the result of an ongoing weakness of the economy.

Plunging fuel prices slowed down inflation, albeit at a much lesser rate than in other EU countries. Inflation in Austria (consumer price index) was 1.7% in the year under review, compared to 2.0% in the previous year. Housing, catering services and food were the foremost contributors to inflation, according to WIFO. The inflation gap vis-à-vis the markedly lower average of the euro zone remained in place.

The ongoing appreciation of the euro against the dollar (March 2014: about US\$ 1.4 for the euro) abruptly stopped in May. By the end of the year, the exchange rate was back to the level of the summer of 2012 (US\$ 1.2 per euro), and in early 2015 it had dropped to below US\$ 1.15, the lowest rate since 2003. Over the year, the average euro-dollar exchange rate remained at the previous year's level of

US\$ 1.33. In this connection it should be noted that the dollar is used as the clearing currency for crude oil markets. Whenever the dollar strengthens against other currencies, such as the euro, prices for crude and oil-based products will go up in the non-dollar countries.

Crude markets developed in response to growth and demand, as well as consequent to the competitive strategies of key producers, especially those within OPEC. In the first six months of 2014, a barrel of Brent crude on average cost US\$ 109. After a terrorist attack directed against Iraq's largest oil field, the crude price reached the highest level in 2014, at US\$ 115 per barrel. This was followed by a continuous downward movement until it reached about US\$ 80 in November 2014. Contrary to expectations at that time, OPEC decided not to throttle outputs. As a result, the downward trend accelerated so that crude was priced at just US\$ 55 per barrel by the end of 2014. The change across the year was -45% on a dollar basis and -40% on a euro basis. For the year, the average price of Brent crude was US\$ 98.9 per barrel, some 9% below the previous year's level of US\$ 108.6 per barrel.

In spite of the price reductions that took hold in the second half of the year, fuel consumption declined by 2.5% for petrol and by 1.5% for diesel over the year. The sale of petrol has been on a downward movement for years, due mostly to a gradual increase in the efficiency of cars, while diesel consumption reflects economic growth to a greater extent. Overall petroleum consumption, excluding the petrochemical industry, amounted to 10.6m tons (-2.75%). Domestic demand for natural gas shrank by 8% to 7.4bn m³, the result of a major reduction in electricity generation by gas-fuelled power plants.

The situation of the domestic labour market continued to deteriorate. The supply of workers rose by 1.5% in 2014, while jobs grew by just 0.7%. Accordingly, the unemployment rate, as defined in Austria, rose from 7.6% in 2013 to 8.4% in 2014. Among EU countries, Austria thus ranked second-lowest, after Germany. The Austrian workforce (economically active and registered unemployed persons) increased by 61,875 to 4,205,687, of whom 3,503,400 were dependently employed (a plus of 0.6% over 2013; 1,863,039 males and 1,640,361 females). Altogether 588,722 non-nationals were registered on the Austrian labour market as dependently employed. The number of self-employed persons rose to 470,800 as an average over the year, a trend that was fuelled mostly by an ongoing expansion of self-employed work among women from the new EU countries who offered services such as nursing care.

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 storage) and downstream (processing at their own or associated refineries and sale of petroleum products). At present, the Association has 28 petroleum companies active in the up-, mid- and/or downstream sectors.

- The Association provides specialised and organisational coverage of 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. It gathers and coordinates sector-specific information and communications on general economic subjects in consultation and cooperation with the respective expert departments of the Austrian Economic Chamber, its industrial department and, within the frame of a cooperation agreement, with the Chemical Industry Association.
- 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. At the European level, it is in regular contact with FuelsEurope, the umbrella organisation of the European petroleum refining industry.
- Next to representing its members' interest at the legal level as provided for in the Economic Chamber Act (WKG), one of the Association's priority responsibilities that has an external impact is the weekly poll of petrol station prices as stipulated in the Price Transparency Act for an EU-wide comparison of fuel prices, and neutral assessments for the Economic Ministry which passes them on to the European Commission.
- Another 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 4,200 employees, held every January. 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

- Response to industry-specific enquiries by government authorities, the social partners, consumers, students and national and international organisations.
- 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 public relations activities.
- Organisation and commissioning of expert opinions on legal and engineering issues.
- Issue-oriented press information for the news 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).
- Preparation of the Association's annual report, its delivery as a printed version and publication on the Association's homepage. Preparation of a quarterly newsletter and of a brochure addressed at opinion leaders, especially politicians at the local, state and federal levels.
- 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).
- SCC platform (Security Certificate Contractors), secretariat run by the Association (www.scc-austria.at).
- Administration and organisation of the Association's office, including budgetary issues.

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 in Lower Austria, and in the molasse zone of Upper Austria and Salzburg. In 2014, oil production rose slightly while natural gas production declined against the previous year. Specifically, overall annual crude and NGL¹ production increased by 27,678 tons to 944,826 tons (a change of +3% over 2013). Crude production excluding NGLs accounted for 883,016 tons (+4.1%), of which 764,165 tons were extracted from the Vienna Basin and 118,851 tons from the molasse zone. Production of natural gas liquids (NGLs: condensates and the liquid proportion of natural gas production) amounted to 61,811 tons, of which 99.7% were extracted from the Vienna Basin.

Crude oil imports into Austria, sourced from many countries, including Kazakhstan (2.5m tons), Libya (1m tons) and Saudi Arabia (0.8m tons), totalled 7.5m tons in 2014. The oil was almost entirely delivered by pipeline from the harbour of Trieste, through the Transalpine Line (TAL) and the Adriatic-Vienna pipeline (AWP), to Schwechat. Processing is carried out at the OMV refinery at Schwechat, the only refinery in Austria. Covering the domestic petroleum supply required not just 7.5m tons of imported crude but also petroleum imports such as diesel, petrol and extralight fuel oil. They made up almost 6.2m tons and were derived mostly from Germany (3.3m tons), Slovakia (0.9m tons) and Hungary (0.5m tons).

About 17% to 18% of the domestic consumption of natural gas (7bn m³ in 2014) was extracted by OMV and RAG from sites in Austria. In 2014 natural gas extraction including petroleum gas ran to 1.23bn m³, of which 992m m³ were natural gas (80%) and 243m m³ were petroleum gas (20%). Natural gas imports declined by some 10% to 41.8bn m³, exports dropped by some 15% to 34.4bn m³. As a balance of imports and exports, some 7.4bn m³ remained in Austria. Of this, 51% (3.8bn m³) derived from CIS countries and the remaining 49% were sourced in other countries, including Norway.

In 2014, the refinery processed 8.6m tons of crude (2013: 8.7m tons) at a capacity utilisation rate of 90%. 10% of the processed crude came from domestic production and about 90% from abroad; 0.7m tons of semi-finished products were processed as well (2013: 0.6m tons). From this input, the refinery produced 39% diesel, 21% petrol, 14% fuel oil (extralight, light and heavy), 11% petrochemical basics, 8% jet A-1 fuel, 4% bitumen and 3% other products. Diesel and petrol had biogenic fuel components admixed to them, altogether about 234,000 tons of FAME and 82,000 tons of ethyl alcohol.

Total consumption of petroleum products in Austria, from liquefied petroleum gas to petrol, gas oil, fuel oils and bitumen, but excluding petrochemical basics, according to the Economic Ministry was set at 10.6m tons in 2014, 2.75% less than in the previous year (10.9m tons) and 17.5% less than the peak of 12.8m tons in 2005. In 2014, Austrians consumed almost 8m tons of petrol and diesel (-1.7%) or about 9.65bn litres (including biogenic components). Of these, 2.15bn litres were petrol and 7.5bn litres were diesel. Petrol consumption declined by 2.5% over 2013, while diesel recorded a slighter reduction of 1.5%. Extralight fuel oil was consumed to the tune of 1.1m tons, or 10.7% less than in the previous year. In terms of volume this amounted to 1.3bn litres. Extralight fuel oil continued its years of downward trend: sales were down by 17% over 2013, at a quantity of just below 153,000 tons. In 2014, some 655,000 tons of jet fuel were shipped, almost the same as in the previous year.

Generally, established trends in the saturated domestic market of petrol stations continued in 2014. The number of premium locations that feature bistros and car washes grew while conversions to unstaffed automated stations continued unabated. Altogether the Association counted 2,622 publicly accessible petrol stations in 2014, compared to 2,640 on 31 December 2013. The 1,373 major branded petrol stations include the brands of Association members BP, Eni, JET, MOL, OMV and Shell. The second category lists another 1,249 petrol stations as of the end of 2014, including those run by Genol, Turmöl, Avia, IQ and A1.

According to the weekly surveys carried out by the Association in accordance with the Price Transparency Act, station prices (including taxes) were about € 1.35 per litre of Eurosuper and diesel at the start of the year. From spring to mid-July, prices rose by 5 cents per litre for petrol, while diesel experienced an ongoing slight decline right from the start of the year, which accelerated in the second half. Petrol, too, was affected by price reductions in autumn which increased towards the end of the year under review. Throughout Austria, average station prices on 15 December 2014 were € 1.191 per litre for Eurosuper (-12% against the start of the year), and € 1.168 for diesel (-13% against the start of the year). As an annual average, Eurosuper cost € 1.35 per litre at the petrol station (-2.9%; 2013: € 1.39 per litre); for diesel the price was € 1.30 per litre (-4.4%; 2013: € 1.36 per litre). The EU average continued to be clearly above the Austrian average: by 19 cents per litre for Eurosuper and by 10 cents per litre for diesel. Petrol and diesel typically sell at higher than Austrian prices in 20 to 22 of the EU-28 member states.

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