



The publication of the annual report by the Austrian Petroleum Industry Association provides me with an opportunity to offer a short overview of the past year and furnish some highlights from the petroleum sector.

Supply hiccups, market interventions and the dark clouds of the ongoing economic crisis characterised 2011, a year that was strongly marked by the “Arab Spring”. Political unrest in North Africa and the Middle East, and in particular events in Libya contributed to a global rise in the prices for oil products in the first months of 2011. The supply of crude oil was briefly choked, a bottleneck that was widened only gradually by the other OPEC states. In April, Brent crude reached its highest price of the year of almost USD 127 per barrel. When the OPEC meeting of June did not produce any agreement on an increase of production quotas, the International Energy Agency IEA responded by tapping its own strategic oil stocks.

This market intervention and ominous cyclical prospects put some temporary pressure on prices for oil products. Yet by the end of the year, a growing dispute about the Iranian nuclear programme once again upped prices, a rise that reached its current climax only in April 2012. As an average of 2011, the oil price was USD 111/bbl or 40% above the previous year, thus reaching an absolute record. At the Rotterdam commodities exchange, which governs domestic consumer prices, the prices for the main product groups such as petrol, diesel and fuel oil, translated into euros, rose by 28 to 33% over the previous year.

In Austria, consumption of petrol and diesel declined to 7.8m tons or about 9.5bn litres in 2011. Overall demand thus dropped by 2.8% against the previous year, with a fall of 3.6% for petrol and 2.6% for diesel. Extralight fuel oil showed a

minus of 12%, with consumption at just below 1.3m tons. Petrol stations noted the global market development of oil prices and wobbly market expectations regarding the crude supply between January and May by increases of about 10% in the prices for petrol and diesel, which once again triggered the familiar annual public discussion, with the media and politicians fielding their usual biased comments, which led to the introduction of the petrol price calculator by E-Control to identify the lowest petrol price.

The discussion climaxed in late March in a petrol price summit at the Economic Ministry where the petroleum companies once again made it clear that fuel prices are the result of the workings of the market and competition rather than the holiday schedule, an insight corroborated at the time by politicians and experts. The Austrian market of petrol stations continues to be characterised by a relatively high density and predatory price cutting. The price war among petrol stations, while pleasing consumers, still makes it difficult, due to the low margins, to manage them with some economic success. The number of publicly accessible petrol stations in Austria has declined by some 300 over the past ten years, to 2,575. The development disproportionately affected the rural areas where petrol stations have a hard time surviving due to their low earnings potential while on the other hand regional politicians typically respond by bitterly complaining whenever a petrol station closes down.

There will be continued growth in the global demand for energy and mobility, hand in hand with the growing importance of supplying people with high-quality liquid and gaseous energy sources. Moreover, affluence, economic stability and environmental protection are accorded an ever greater value. For the petroleum industry this translates into major challenges. Meeting these challenges to the best of their abilities and progressing on the road to success requires responsible and foresightful action. The members of the Austrian Petroleum Industry Association are fully aware of the role and responsibility they are expected to discharge.

Vienna, on September 2012

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)

In 2011, the global economy grew by just under 4%. The recovery following the crash of 2008 and 2009 continued into the reporting year, albeit at a lower pace than in 2010. While LDCs and threshold countries still managed to grow at a robust rate of 6.2%, OECD countries saw their GDP rise by just 1.6%. High sovereign debt rates and the political discussion of how to contain them impaired the business climate both in the US and in an increasing number of euro-zone countries.

For the Austrian business community, 2011 was a highly successful year, as the Austrian Institute of Economic Research WIFO reports. Overall economic production rose by 3.0% in real terms, following a growth rate of 2.3% in the previous year. The growth was greatest in exports and investments. Austria exported goods of EUR 122bn worldwide, 11.7% or EUR 12.8bn over the 2010 result in nominal terms and a new record level (+7.5% in real terms). Another growth driver in 2011 was gross fixed capital formation. Following a sharp decline in 2009 by 8.3% in real terms, demand did not kickstart until 2011, when it produced an investment volume of 5.4%, with the greatest boost coming from a real increase of 10.5% in expenditures on plants and equipment. Private consumption, on the other hand, grew at a negligible rate of 0.5% in real terms, and public sector expenditure on consumption stagnated.

According to the WIFO economic report for 2011, the inflation rate, at 3.3%, reached its highest level in almost 20 years (1993: 3.6%). The hefty climb in the general price level was due mostly to the substantial increase in energy prices. Crude prices certainly yielded towards the middle of the year, yet by the end of the year they were far above the previous year's level. A key difference vis-à-vis the rise that had occurred in the spring of 2008 was the weakened euro against the US dollar. In 2008 a marked increase in the euro/dollar exchange rate had counteracted the price rise of oil products traded in US dollars, whereas in 2011 the dampening effect was weaker due to the stronger dollar.

As an average of 2011, the number of active dependently employed rose by 63,312 or 1.9% to 3,323,325. The number of self-employed grew by 1.7% to 433,600 in 2011, according to WIFO calculations. The figure for non-national workers grew at a highly dynamic rate already at the start of 2011, and in May nationals from the new EU countries that had joined in 2004 received unrestricted access to the Austrian labour market. Altogether 14.7% of the active dependently employed were foreigners (488,934). Unemployment dropped by 0.2 percentage points to 6.7%, according to the Public Employment Service AMS and the Federation of Austrian Social Insurance Institutions; by Eurostat figures, the Austrian unemployment rate was 4.2%.

The oil sector has been experiencing an ongoing price increase ever since 2000, due mostly to the global rise in demand for petroleum products, particularly in the briskly growing threshold countries. In Austria, on the other hand, a growth in the real GDP of 3.0% compares to a decline in energy consumption in 2011, by 2 to 3% on current estimates. This decline was caused chiefly by the weather and resultant lower number of heating days and an increase in prices for oil and natural gas products. In this way, it is the weather, economic developments and changes in energy prices which are the key factors driving energy consumption. At a plus of 8.7%, the rise in the gas price for consumers was lower than that for oil, the result not just of an increase in the tax for fuels but also of the long-term decoupling of gas prices from petrol prices. New technological options to produce gas, also from unconventional resources, have caused the supply to be extended worldwide which in turn translates into regional divergences between prices on the gas market.

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 just under 4,000 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. In the past years, the focus of this part of the Association's activities was in implementing a harmonised pay system and a joint framework agreement for blue- and white-collar employees in the petroleum industry.

- 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.

### Examples of activities pursued by the Association

- Organising and chairing several working group meetings per year for segments such as commercial business, retail sector, statistics, HSSE, REACH, transport logistics and hazardous goods, petrol station technology, waste and p.r. activities.

- 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.

- 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.

- 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 at state-operated petrol stations.

- 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. Domestic crude oil and natural gas thus make a quite substantial contribution to securing the supply of energy to households, transport, industry and utilities.

In Austria, crude as well as gas production declined in 2011. Specifically, total annual production of crude oil including NGLs shrank by 45,675 tons to 919,437 tons (a reduction of 4.7% over the previous year). Crude production excluding NGLs yielded 838,052 tons (-4.3%), of which 733,848 tons were extracted from the Vienna Basin and 104,204 tons from the molasse zone. Production of natural gas liquids (NGLs: condensates and the liquid proportion of natural gas production) amounted to 81,385 tons, of which 99.4% were extracted at the Vienna Basin. Of the total crude production of 919,437 tons, OMV delivered 86.5% (795,247 tons), with RAG providing the remaining 13.5% (124,190 tons). Broken down by the two extraction zones, 88.6% (814,747 tons) came from the Vienna Basin and 11.4% (104,690 tons) from the molasse zone.

Crude imports into Austria comprised 7.25m tons in the year under review, or 7% higher than the previous year's level of 6.77m tons. Austria's main crude suppliers were Kazakhstan, Nigeria and Russia. Less than a million tons were supplied by Saudi Arabia, which at 818,000 tons ranked fourth, Iraq and Libya. It should be noted that imports from Libya declined to about a third of the previous year's level due to the effects of the "Arab spring". 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. As regards crude imports into Austria, it needs to be noted that Austria also required imports of 6.1m tons of finished products, such as petrol, diesel or fuel oil, mostly from Germany, Italy and Slovakia, in order to supply Austria with liquid petroleum products.

Austrian natural gas production is an important factor in the country's economy. Austria can cover about a fifth of its natural gas requirements from own production. In 2011, natural gas extraction including petroleum gas ran to 1.6bn m<sup>3</sup>n (standard cubic metres), of which 1.33bn m<sup>3</sup> were natural gas (83.8%) and 257m<sup>3</sup> were petroleum gas, a minus of some 113m<sup>3</sup> (-6.6%) compared to the previous year. Of the total production volume 83% were contributed by OMV and 17% by RAG.

In 2011, total refinery processing made up 8.3m tons of crude (against only 7.7m tons in 2010 when a turnaround was performed). Capacity utilisation was at 86% (2010: 81%).

Eleven percent of the processed crude came from domestic production and 89% from abroad; 0.6m tons of semi-finished products (2010: 0.6m tons) were processed as well. The OMV refinery, being the only refinery in Austria, covered 47% of Austria's demand for petroleum; about 22% of the production was exported. From this input, the refinery produced 39% diesel, 21% petrol, 8% extralight fuel oil, 7% fuel oil including light fuel oil, 10% petrochemical basics, 9% Jet A-1 fuel, 5% bitumen and 1% other products. The biogenic components added to diesel and petrol in 2011 were 205,000 tons of FAME (biodiesel) and 81,000 tons of bioethanol.

During the reporting year, consumption of petroleum products, ranging from liquid gas to petrol, kerosene, gas oils, fuel oils, lubricants and bitumen, amounted to 10,985,979 tons. Compared to 11.6m tons in the previous year, this translates as a decline of 5.4% for 2011 (both figures exclude petroleum products for the petrochemical industry). The main product categories, such as petrol or gas oil (diesel, extralight fuel oil), generally reported shrinking demand. Thus, petrol consumption sank by 3.5%, and the figure for diesel was -2.6%. Extralight fuel oil (gas oil for heating) consumption changed substantially, not least due to an unusually warm European winter, falling off by 12.2% to 1.27m tons. Sales of diesel at the 2,575 petrol stations made up some 57% of the total quantity, with the remaining 43% sold directly to major customers such as transport and construction companies, lorry pools and government agencies. Petrol was sold almost exclusively through petrol stations. The turnover of petrol and diesel through petrol stations constituted some two thirds of the total amount of fuel marketed in Austria. In the heating market, heating oil marketed to private households accounted for some 20%, while the services sector took some 10%.

The number of publicly accessible petrol stations contracted from 2,656 in 2010 to 2,575 in the year under review. By the end of 2002, there had been 304 more stations operating. At a reduction by 485, major-branded stations showed a disproportionately high rate of contraction. In late 2011, only 1,545 were left, compared to 2002 when 2,030 major-branded stations had been in business.

According to the weekly polls carried out by the Association, petrol station prices as an Austrian average (including petroleum tax and VAT) in early 2011 hovered at about EUR 1.3 per litre of Eurosuper (OK95) and at about EUR 1.25 per litre of diesel. In spring prices for both petrol (OK) and diesel (DK) rose. OK95 reached its peak in early May at just under EUR 1.41 per litre, after which petrol prices remained below EUR 1.40 for the rest of the year. Diesel already peaked in April, only to relax before getting back up to EUR 1.4 per litre in the autumn of 2011 and in some weeks even exceeding the spring level. As an annual average, the price for OK95 was EUR 1.357 per litre (2010: EUR 1.187), and diesel sold for EUR 1.329 per litre (2010: EUR 1.104).