

# Oil Emergency Contingency and Transfer of Renewable Transport Fuels Functions Bill 2023

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## Introduction

This L&RS Note has been prepared with a view to assisting Members of the Houses of the Oireachtas in relation to their consideration of the *Oil Emergency Contingency and Transfer of Renewable Transport Fuels Functions Bill 2023*. The Note covers:

- Policy context – Why is this Bill being enacted?
- Overview of Bill – What does it seek to achieve?
- International Context



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## Legal Disclaimer

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## Background

This L&RS Note has been prepared with a view to assisting Members of the Houses of the Oireachtas in relation to their consideration of the *Oil Emergency Contingency and Transfer of Renewable Transport Fuels Functions Bill 2023* (the Bill), by providing Members with an overview of the Bill and its policy context. **At the time of writing, the Bill had not been published and analysis in this paper relating to the Bill is based on a General Scheme of the Bill which the L&RS has had sight of.**

The information presented in this Note derives from an analysis of select material from government departments, the National Oil Reserves Agency, official reports from Sustainable Energy Authority of Ireland (SEAI), and Eurostat data.

## Policy context – why is this Bill being enacted?

The main purpose of the proposed Bill is to **strengthen the government’s ability to manage oil stocks** in the event of a disruption in supplies.

### Energy security

Energy security can be defined as **the uninterrupted availability of energy sources at an affordable price**<sup>1</sup>. Secure supplies of energy are critical for maintaining favourable economic activity and to ensure safe and comfortable living conditions.

### Energy import dependency

Energy import dependency is a simple and widely used indicator of a country’s energy security, with indigenous energy sources generally considered to be safer and more secure than energy imported from abroad.<sup>2</sup> Eurostat defines import dependency as:

*“the ratio of net imports (imports minus exports) to gross available energy. Gross available energy is the overall supply of energy for all activities on the territory of the country. This also includes energy transformation, losses and use of fossil fuel products for non-energy purposes.”*

**Ireland is heavily dependent on imported fossil fuels** for transport, energy generation and heating<sup>3</sup>, with **oil being by far the most significant import**, accounting for more than half of our total fossil fuel imports<sup>4</sup>. Ireland’s import dependency is approximately 80% at present and this dependency is expected grow over time in the absence of new indigenous energy supply sources (whether that be renewables and/or our own fossil fuels).

### Oil reserves

One aspect of Ireland’s energy security is our [National Oil Reserves Agency](#) (NORA). The [National Oil Reserves Agency Act 2007](#) established NORA as an independent statutory body tasked with, *inter alia*, **maintenance of strategic supplies of oil**. NORA maintains **90 days of strategic oil**

**reserves**, stored in oil storage facilities in Ireland (Figure 1), the UK and EU member states with whom Ireland has a Bi-lateral Oil Stockholding Agreement.<sup>5</sup>

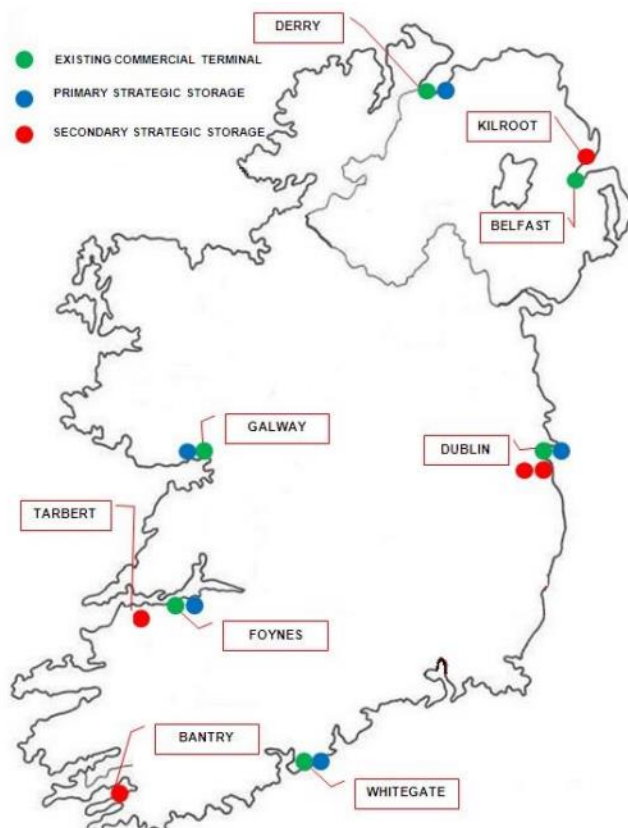


Figure 1. Strategic oil stock on the island of Ireland<sup>6</sup>.

NORA and the Department of the Environment, Climate and Communications work closely with the oil sector to monitor oil supplies and plan for issues related to this supply. If an interruption in oil supplies is anticipated or identified, the Minister for the Environment, Climate and Communications can direct NORA to **release strategic oil stocks**. This occurred **most recently in March and April 2022** when Ireland participated in co-ordinated International Energy Agency releases as a response to supply and price issues **arising from the war in Ukraine**<sup>7</sup>.

## Ireland's National Energy Security Framework

In response to the threat of interruption in energy supplies (due both to the war in Ukraine and our national circumstances) the government launched the [National Energy Security Framework](#), which provides an overarching response to Ireland's energy security needs. The Framework outlines the structures which are in place within government to monitor and manage Ireland's energy supplies. It sets out the national plans that are in place to deal with energy security emergencies should they arise, and outlines out how these plans will be tested in light of the war in Ukraine.

To coordinate the response to the war in Ukraine, the government established the [Energy Security Emergency Group \(ESEG\)](#), which is tasked with coordinating and overseeing national level activity and responses in relation to the impact of the war on energy security.

Energy security is enhanced by having robust emergency plans in place that can mitigate, offset or prevent supply issues from becoming extreme. The Department of the Environment, Climate and Communications has been testing [emergency plans](#) in recent months with relevant departments and agencies, with the work ongoing to ensure that plans can be operationalised at speed, in the unlikely event that are required.

## Overview of the Bill – What does it seek to achieve?

**Please Note:** The following commentary on the proposed Bill is based on a General Scheme of the Bill which the L&RS has had sight of. **At the time of writing, the Bill had not been published.**

The central aim of the proposed Bill is to strengthen the government's ability to manage oil stocks in the unlikely event of a curtailment of oil supplies. **While there is no such risk at present**, the legislation is being **developed in response to the invasion of Ukraine in February 2022**, and subsequent disruption in oil supplies.

It will seek to introduce a series of measures that would mitigate the impact of a sudden and/or prolonged interruption in the supply of oil, petrol, diesel and other hydrocarbon supplies on households and businesses. While high energy prices are still a concern, there is also an onus on government to ensure that households and businesses can have confidence in Ireland's future energy security.

The government's approach is in keeping with that of other EU Member States, where emergency preparedness plans have been sharpened in response to the ongoing energy implications of the war in Ukraine.

The Bill is intended to provide for:

- The **transfer of excise information** to the Minister for the Environment, Climate and Communications (the Minister) relating to the disposal by sale of mineral oil within the State.
- A **requirement on the Minister to conduct oil emergency planning**, and a **requirement for oil companies to cooperate with the Department** and public bodies in the creation of such a plan.
- The **establishment of a centralised register of oil companies** (retail services stations and wholesalers) to be known as the **Petroleum Suppliers Register**.
- Transfer to the Minister for Transport of certain functions relating to the [Renewable Transport Fuel Obligation Scheme and the Biofuel Levy](#) under the National Oil Reserves Agency Act 2007, including:
  - Allowing the Minister for Transport to **specify the level of ethanol in petrol**.

- The **number of certificates that can be awarded for certain renewable transport fuels**, to incentivise their supply.
- In cases of emergency, **to exempt petrol or diesel released by the National Oil Reserves Agency from the blending obligation requirement**.
- **For the Minister**, in defined emergency circumstances, **to give directions to any person involved in the supply, distribution and use of petroleum products controlled under a Government Order**.

### The Petroleum Suppliers Register – what is it?

The Bill intends to provide for the establishment of a **Petroleum Suppliers Register**, which will be a register of oil companies. Currently, **there is no central repository** within the State containing contact details, for the owners/operators/managers of the estimated 1,400 retail service stations and other oil retailers and wholesalers operating in the domestic market. Developing the register would facilitate the Minister to communicate any orders and directions<sup>8</sup> to control the supply and distribution of petroleum products to the entities that would be required to comply with them. This is a serious issue, as directions that, for example, limit the volume of fuel per customer might have to be issued at short notice. It is critical that communications of this nature can be sent rapidly to **avoid as far as possible a ‘run to the pumps’** by consumers and the depletion of available supplies.

## International Context

In the context of the war in Ukraine and in relation to oil supplies, the EU has responded by attempting to phase out dependence on Russian supplies, and moderate energy price fluctuations.

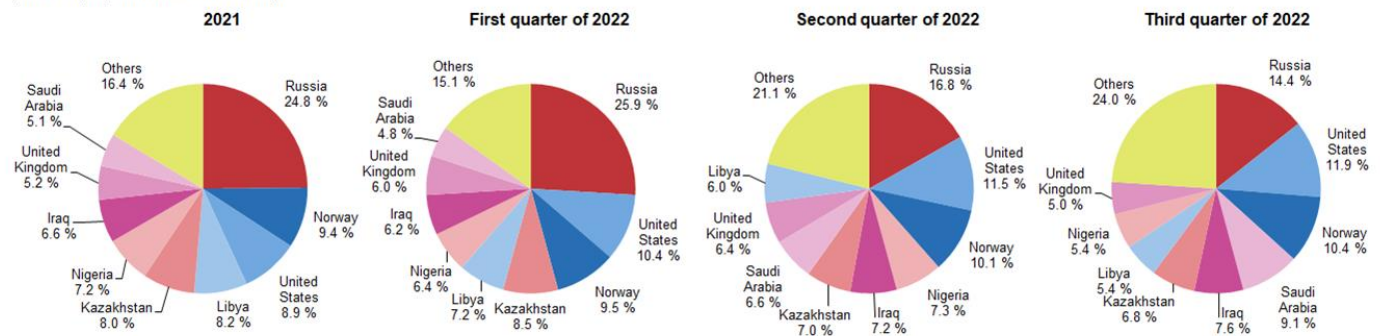
### Phasing out Russian supplies

Beginning in March 2022 with the [Versailles Declaration](#), all EU leaders agreed to phase out the EU's dependence on Russian fossil fuels as soon as possible. This was followed in June 2022 with the [sixth sanctions package](#), which included a complete import ban on all Russian seaborne crude oil and petroleum products (about 90% of Russian oil imports at the time). The EU then further intensified sanctions against Russia with a [price cap related to the maritime transport of Russian oil for third countries](#) (October 2022)<sup>9</sup> and an [oil price cap of \\$60](#) for crude oil and petroleum oils in December 2022.

In tandem with reducing Russian oil imports, the EU actively sought new oil supplies from other sources. Russia was the largest provider of petroleum oils in 2021, supplying approximately 25% of oil imports to the EU. This fell to 14.4% in the third quarter of 2022, a decrease of 10.5 % compared with 2021. The shares of the United States (+3.0 pp), Norway (+1.1 pp), Saudi Arabia (+4.0 pp) and Iraq (+0.9 pp) all increased while the shares of Kazakhstan (-1.2 pp), Libya (-2.8 pp), Nigeria (-1.8 pp) decreased (Figure 2).<sup>10</sup>

**Extra-EU imports of petroleum oil by partner**

(share (%) of trade in value)



Source: Eurostat database (Comext) and Eurostat estimates

eurostat

**Figure 2. Source of oil imports to the EU by country.****Moderating energy prices**

As noted above, the EU has implemented price caps on Russian oil as well as diversified supply in an attempt to moderate energy prices. In addition to measures directly targeting oil, the EU has introduced a range of other measures to moderate high energy prices. Agreement for these measures was reached by EU Energy Ministers in September 2022 for a new Regulation to introduce emergency measures to address high energy prices. These measures included a temporary **Solidarity Levy** for the fossil fuel sector and a **cap on market revenues for inframarginals**.<sup>11</sup> The **Solidarity Levy** is mandatory temporary solidarity contribution (effectively a windfall tax) of at least 33% on the surplus profits of EU businesses or permanent establishments that generate at least 75% of their turnover in the extraction, mining, refining of petroleum or manufacture of coke oven products. The central idea is that revenues from the Levy would be used to finance reduced energy bills for vulnerable households and (energy-intensive) businesses, and accelerate the transition to green energy. The **cap on market revenues for inframarginals** placed a revenue cap to a maximum of €180 per MWh on low-cost electricity generating companies (i.e. renewables like wind, solar and nuclear producers). Any excess revenue above the cap would be paid to the government, while leaving wholesale energy prices unchanged. The government would be expected to use this extra revenue to again support households and businesses in need.

Beyond an EU response, as noted above Ireland participated in a coordinated International Energy Agency response to the war in Ukraine by releasing some of its strategic oil reserves to **moderate price fluctuations** in March and April 2022.<sup>6</sup>

**National Measures**

The government have also introduced measures to moderate the impacts of high energy prices at a national level. These include an **extension to the reduction in excise on petrol and diesel until 28 Feb. 2023** and also a **reduction in the NORA levy** from 2 cent per litre to zero



(introduced to offset the impact of carbon tax increase).<sup>12</sup> The fuel allowance scheme has also been increased and expanded which is intended to help moderate the impact on householders.<sup>13</sup>

## References

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<sup>1</sup> This is the [definition of energy security](#) used by the International Energy Agency

<sup>2</sup> Eurostat, 2022 [EU energy mix and import dependency - Statistics Explained](#)

<sup>3</sup> SEAI, 2020 [Energy Security in Ireland 2020 Report](#)

<sup>4</sup> SEAI, 2022 [Energy in Ireland 2022 Report](#)

<sup>5</sup> NORA [Emergency Oil Stocks](#)

<sup>6</sup> NORA 2016 [Emergency Release Model presentation](#)

<sup>7</sup> Department of Environment, Climate & Communications, April 2022 [National Energy Security Framework](#)

<sup>8</sup> The Minister has this power under [Fuels \(Control of Supplies\) Act 1971 \(as amended\)](#)

<sup>9</sup> This price cap means it is prohibited to provide maritime transport and to provide technical assistance, brokering services or financing or financial assistance, related to the maritime transport to third countries of crude oil (as of December 2022) or petroleum products (as of February 2023) which originate in or are exported from Russia.

<sup>10</sup> Eurostat, 2022 [EU imports of energy products - recent developments - Statistics Explained](#)

<sup>11</sup> Consilium, 2022 [Council agrees on emergency measures to reduce energy prices](#)

<sup>12</sup> Department of Finance, 2022 [Statement by Minister Donohoe on Budget 2023](#)

<sup>13</sup> Department of Social Protection, 2022 [Minister Humphreys announces new expanded Fuel Allowance scheme is now open for applications](#)

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