Manfred Leitner, APIA President

An issue that has been preoccupying our sector for quite some time is implementing the resolutions adopted at the Paris Climate Conference in December 2015. Expectations are great and have led to lively discussions at a political as well as scientific level. The petroleum industry itself is committed to the political goals and intends to contribute to achieving the climate targets through research and by increasing its efficiency. The important point is to keep requirements and the time frame within a realistic scope because approaches developed by self-appointed experts all too often show a creativity that has little regard for actual practice.

Frequently they voice populist demands such as quick bans on combustion engines and oil heating systems as well as tax increases. But those involved in the discussion should realise that single measures by themselves are not viable solutions for the population. When it comes to energy needs for the years to come we do not have a choice between alternatives but we rather need all of them. It is important to include all relevant players in a balanced and realistic overall energy concept, because an objective look at the situation shows us clearly that no fuel will be able to cover by itself the major challenges: security of supply, competitiveness, sustainability and affordability for business and consumers alike.

Every fuel – whether oil, gas or renewables – will continue to be needed by the key sectors: production, traffic and home heating. Depending on the sector, its mix will be weighted differently because changing to alternative energy types may be easier in one sector than another. We also need to consider improvements in the efficiency of time-tested technologies until alternative energy sources will be available in sufficient quantities. In the long run, the only ultimately successful options will be solutions that help the environment and remain attractive for consumers. After all, even the best innovation is useless when it is too expensive or impracticable for customers.

Over the coming decades, vehicles powered by the combustion engine will continue to play a key role, especially in the road transport of goods and for long-distance travel. For passenger cars, fuel cell vehicles as well as battery-powered cars will gain some importance by the mid-century. A total shift away from hydrocarbon-based fuels, including the intention to ban combustion engines, appears unrealistic from today's point of view. I am convinced that the path to reducing greenhouse gases can only be managed together with the combustion engine: it is part of the solution because conventional fuels still offer a large potential for efficiency. Both the automotive and the petroleum industries invest large sums to activate this potential.

Ever since the Paris Agreement was adopted in November 2016 it has been obvious that the energy sector is about to change. The petroleum industry endorses a reduction of global CO_2 emissions, seeing itself as a key player in the transformation to a low-carbon economy. In recent years, our enterprises have already contributed much to an efficient energy transition – a process that ranges from the borehole to the petrol pump. The industry has for years been investing in petroleum research. When it comes to the production and processing of crude oil, efficiency-boosting measures have for years been introduced along the entire value-added chain. Thus, crude processing in the refineries has become substantially more environmentally friendly: less energy is needed in order to produce high-quality petroleum products while at the same time reducing CO_2 emissions.

Mobility is a basic quest for society. Crucial issues to achieve it are powering and fuel concepts which will need to come up to society's high expectations. Large quantities of hydrocarbon-based fuels will continue to be consumed, especially in transport, whether by road, air or water, and the petroleum industry will continue to supply them in the customary high quality.

Manfred Leitner
President of the Austrian Petroleum Industry Association (APIA)
Executive Board Member, Downstream
OMV Aktiengesellschaft

IMPORT PRICE FOR CRUDE DECREASED

Real economic growth in Austria rose to 1.5% in 2016, a clear improvement over 2015 when the economy grew by just one percent. Growth in 2016 was powered by vigorous consumer demand and a greater rate of investment, according to the Austrian Institute of Economic Research WIFO. On a global scale, growth in 2016 was 3.1% or 0.3 percentage points below the previous year's level. Demand in Asia showed more dynamism, but China experienced a slight slowdown in its expansion. The effect of falling crude prices which burdened development in the oil-exporting countries in 2015 became weaker over the course of 2016. While recession came to a standstill in Russia, the crisis continued unabated in Latin America. Business in the industrialised countries remained flat, although the euro zone experienced an upswing which, at 1.7%, was for the first time since 2008 stronger than in the USA (1.6%).

In Austria, GDP grew by 2.8% in nominal terms to almost € 350bn. The upswing was powered by consumer and investment demand throughout 2016. Private spending on consumer goods was boosted by higher incomes in the wake of a tax reform which took effect on 1 January 2016. Demand for durable consumer goods in particular intensified.

Austrian foreign trade recorded a moderate growth rate in 2016. Specifically, demand from the USA and the CEE-5 countries was muted. Total exports (goods and services) grew by 1.6% in 2016, while imports rose by 2.8%, due to brisk demand for durable consumer goods.

The euro-US dollar exchange rate mostly remained within a narrow bandwidth of US$ 1.10 for the euro throughout 2016, before going down slightly to US$ 1.05 towards the end of the year. The British pound, on the other hand, experienced greater fluctuations. Its depreciation, started already towards the end of 2015, continued throughout 2016 and gained further speed due to the Brexit vote in June 2016.

The Austrian import price for crude, the key component of energy imports, declined to US$ 44.4/bbl in 2016 when looking at a dollar basis, and was 21% below the previous year's value even at a euro basis, due to the stable euro-US dollar exchange rate. This development was a boon for Austria's energy bill. The trade deficit for fuels and energy declined by altogether 16% to € 6.7bn, the lowest value in the last 15 years.

Same as in 2015, the inflation rate was 0.9% in terms of the CPI, thus clearly above the average of the euro zone (+0.2%). In the past two decades, rates below 1% were reported only in 1998, 1999 and 2009). According to WIFO, inflation dynamics in 2016 was affected, albeit more weakly than in the year before, by the decline in fuel prices, which were lower by 7.9% vis-à-vis the previous year. A large part of the moderate upturn of prices (1.8% as an average of the last 20 years) was caused by the negative contribution of petroleum products to inflation. This effect abated in the course of 2016 and turned positive in the fourth quarter.

With the economy generally in good shape, demand for labour picked up in 2016: the number of active dependently employed persons rose by 1.6% to 3,502,431 (2015: 3,448,745). Labour supply, on the other hand, also grew substantially in 2016, mostly due to an increase of the labour force participation rate among women and older people and an influx of foreign workers. As a result, unemployment failed to decline in 2016, in spite of the creation of new jobs. Registered unemployment rose marginally by 0.8% to 357,313, and at 9.1% the unemployment rate, as counted by the national method, remained unchanged in 2016.

KEY FIGURES

AUSTRIAN PETROLEUM INDUSTRY

		2016	2015	2014	2013	2012
Member companies, sold production, employees						
Number of association companies		27	28	28	26	23
Sold production	€ mn	7,223	8,097	10,124	10,960	12,072
Total employees		3,999	4,412	4,269	4,192	4,262
thereof blue-collar		787	876	847	873	900
thereof white-collar		3,107	3,422	3,322	3,235	3,293
thereof apprentices		105	113	100	84	69
Production, import, transport						
Domestic oil production (incl. NGL)	tons mn	0.81	0.91	0.94	0.92	0.92
Domestic natural gas production	m^3n bn	1.25	1.18	1.24	1.36	1.73
Crude oil import	tons mn	7.21	8.11	7.51	7.78	7.42
Natural gas import	m^3n bn	7.18	5.72	7.40	6.06	7.40
Oil transport[1]	tons mn	7.3	8.1	7.7	7.8	7.6
Oil refining (incl. semifinished products)	tons mn	8.9	9.5	9.3	9.3	9.2
Consumption, products						
Domestic oil consumption	tons mn	11.13	10.80	10.65	10.95	10.73
Petroleum imports – products[2]	tons mn	6.65	6.16	6.02	6.18	6.05
Petroleum exports – products[2]	tons mn	2.91	2.94	2.77	2.49	2.40
Domestic gas consumption	m^3n bn	7.00	7.50	7.00	7.76	8.15
Filling stations, vehicles						
Number of filling stations total[3]		2,670	2,641	2,622	2,640	2,515
thereof major branded		1,352	1,357	1,373	1,411	1,453
Approved vehicles		6,654,504	6,545,818	6,466,166	6,384,791	6,299,756
thereof cars and station wagons		4,821,557	4,748,048	4,694,921	4,641,308	4,584,202

[1] Adria-Wien Pipeline (2016 merged with OMV Refining & Marketing GmbH)
[2] Without petrochemicals or in part without pure biofuels
[3] Excluding 285 agricultural diesel outlets (2015: 285; 2014: 298; 2013: 298; 2012: 297)

INTRODUCTION TO THE ASSOCIATION

Christoph Capek, APIA Managing Director

The Austrian Petroleum Industry Association (APIA, or FVMI to give it is proper German title) operates within the scope of the Austrian Federal Economic Chamber (WKÖ). Together with its elected functionaries and staff members at the FVMI office it acts as expert interest group for its members. As an Austrian-wide association of petroleum-based industries it is organised, on the basis of the Act Governing Economic Chambers (WKG), as a corporation under public law. A legal interest group, the Association perceives itself 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 27 petroleum companies active in the up-, mid- and/or downstream sectors.

The five staff members at the FVMI office provide 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. On a daily basis they gather and coordinate sector-specific information and communications to members on general economic subjects. One of their primary tasks is to coordinate and draft comments within the scope of reviewing EU directives and national draft laws and regulations for ministries and other government authorities. In doing so, we consult and harmonise our work 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.

Next to comprehensively representing its members' interest at the legal level, 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 which requires a neutral assessment by the FVMI office and serves to facilitate a publicly accessible EU-wide comparison by 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 4,000 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 FVMI's website (also as a PDF file in English) and in the database of collective bargaining agreements kept by the Austrian Economic Chamber.

Also of note is our work to organise and chair several working group meetings per year for segments such as retail sector, commercial business, statistics, HSSE, REACH, transport logistics/hazardous goods, petrol station technology and waste management. In this respect, legal and technical expert opinions are frequently obtained. Examples of such cooperative schemes with other organisations in the field and the technical and financial assistance involve Österreichische Gesellschaft für Erdölwissenschaften (Austrian Society for Petroleum Sciences), the shareholders of Heizen mit Öl GmbH, a company promoting oil heating systems, the main office of Grubenrettungs- und Gasschutzwesen GmbH (mine rescue and gas protection services) and the SCC platform (Safety Certificate Contractor).

The FVMI office regularly gets industry-specific enquiries from government authorities, the social partners, consumers, students and national and international organisations which require a response with due regard to actual practice and experience, frequently drawing on the expertise of its members.

Accommodating international developments in the crude and product markets and frequent enquiries by the media, the Association sees itself as the mouthpiece for all PR activities. Press releases, interviews, newsletters and fact sheets on the petroleum market in Austria are typical examples of our work, as is the publication of contributions on our website. The FVMI's annual report is part of the Association's publicity work and is available as a printed version or as a pdf file on the FVMI website. The publication includes all the relevant facts and figures on the Austrian petroleum industry across many years since the reports of previous years can also be accessed from our website.

THE AUSTRIAN PETROLEUM INDUSTRY

In the 1930s, notable oil deposits were discovered on Austrian territory. They sufficed to make Austria self-sufficient up to the 1960s. Today, OMV and Rohöl-Aufsuchungs AG (RAG) explore and produce crude oil and natural gas in economically relevant quantities in the Vienna Basin (Lower Austria) and the molasse zone (Upper Austria and Salzburg).

CRUDE OIL PRODUCTION IN AUSTRIA

Compared to the previous year, oil production slightly declined in 2016. Specifically, total crude production including NGLs was reduced by 96,743 tons to 809,189 tons (a minus of 10.7% over the previous year), according to the Geological Survey of Austria (GBA). Crude production in the more narrow sense (without NGLs) was 752,420 tons (–11.2%), of which 663,035 tons were obtained in the Vienna Basin and 89,385 tons in the molasse zone. In addition, 56,769 tons of natural gas liquids (NGLs; condensate and liquid components of natural gas production) were produced, 99.6% of them in the Vienna Basin. Of the total crude production of 809,189 tons, OMV delivered 86.8% (702,273 tons) and RAG contributed 13.2% (106,916 tons). Broken down by the two production regions, 82.5% (667,939 tons) derived from the Vienna Basin and 17.5% (141,250 tons) came from the Molasse zone.

The assessments and estimates of Austrian hydrocarbon reserves carried out by GBA found proven reserves of crude oil (including NGLs) of about 6.5mn tons as of 31 December 2016. This figure covers total proven deposits, a range that has declined to about seven annual production quantities if current production activities are continued.

CRUDE OIL IMPORTS

In 2016, OMV imported altogether 7.2mn tons of crude oil into Austria, a minus of 11% over the previous year. Imports came from 17 countries, greatly varying in quantities. First in importance was Kazakhstan which supplied 2mn tons, followed by Libya (950,000 tons) and Russia (946,000 tons). Fourth in line is Iraq with 800,000 tons, and fifth is Saudi Arabia with 530,000 tons. To safeguard domestic supply furthermore requires the import of large quantities of finished products such as diesel, petrol and extralight fuel oil – altogether about 6.2mn tons in 2016.

Two pipelines supply the Schwechat refinery near Vienna with crude oil from abroad: the Transalpine Pipeline TAL and the Adria-Vienna Pipeline AWP (merged with OMV Refining & Marketing GmbH in 2016).

PRODUCTION AND STORAGE OF NATURAL GAS IN AUSTRIA

According to the GBA, 1.25bn standard cubic metres of natural gas were produced in Austria, of which 1.08bn m^3 were natural gas (86.5%) and 170mn m^3 were petroleum gas (13.5%), exceeding the 2015 production level by about 71mn m^3 (+6%). Of these volumes, OMV contributed 66.8% and RAG added 33.2%. As of 31 December 2016, proven natural gas deposits in Austria, excluding LPG and inert components, made up 9.4bn standard cubic metres; based on the current level of production this corresponds to reserves of about eight production years.

In Austria, natural gas is stored by OMV at Schönkirchen and Tallesbrunn and by RAG at Puchkirchen, Haidach, Nussdorf/Zagling, Aigelsbrunn and 7Fields. The reservoirs are generally filled during the summer months and partially emptied during the heating season. Austria has recently built up capacities of about 8.1bn m^3, of which 2.2bn m^3 are stored by OMV and 5.9bn m^3 by RAG. The total reservoir volume is drawn on by Austrian as well as international enterprises.

CRUDE OIL PROCESSING

The Schwechat refinery is the only one in Austria and one of altogether 618 refineries worldwide (Europe: 120). Built on premises of 1,42 km^2 in size, it has become one of the largest and most state-of-the-art refineries in Europe. Schwechat can process 9.6mn tons of crude oil per year. In 2016, the total processing volume was 8.2mn tons (2015: 8.9mn tons). Capacity utilisation was thus 86% (2015: 93%). Nine percent of the processed crude oil came from domestic production and about 91% derived from non-domestic sources. Semi-finished products made up 0.7mn tons (2015: 0.6mn tons). In April 2016, the OMV refinery at Schwechat discontinued fuel operations for a so-called turnaround routine that comprised the full-scale cleaning, inspection and maintenance of plant parts.

Of the quantities supplied, the refinery produced diesel fuels (38%), petrol (21%), extralight, light and heavy fuel oils (13%), petrochemical basics (11%), jet fuel JET A1 (9%), bitumen (5%) and other products (3%). Diesel and petrol had biogenic components admixed, about 180,000 tons of FAME and 70,000 tons of ethyl alcohol.

PETROLEUM CONSUMPTION

In 2016, 11.1mn tons of petroleum were consumed in Austria when including all petroleum products such as fuels, gas oil for heating purposes (extralight fuel oil), light and heavy fuel oil, lubricants and bitumen, but excluding petrochemical basics, corresponding to an increase of 3% over the previous year (2015: 10.8mn tons). Petrol and diesel consumption was found to be 8.4mn tons (about 10.2bn litres), according to statistics run by the Federal Ministry of Science, Research and Economy. Petrol sales remained more or less unchanged (–0.13%), diesel sales increased by 4.2% against 2015, once again exceeding the previous year's peak figures. Jet fuel consumption was about 765,000 tons in 2016, 8.9% more than in the previous year. Extra light fuel oil sales were 1.13mn tons or about 1.34bn litres, just 0.4% less than in 2015.

DEVELOPMENT OF PETROL AND DIESEL PRICES

The petrol price averaged for the year was € 1.11 per litre. In the European Union, Eurosuper petrol on average cost 18 cents more or € 1.29 per litre. Diesel sold for € 1.03 per litre in Austria as an annual average. With the weighted average for all EU countries at € 1.12 per litre, the EU average was higher by 9 cents/litre and thus continued to be clearly above the Austrian average.

As of early June 2017, petrol prices were made up of the following components: a 59% levy in the form of petroleum tax and VAT, 33% for the product itself, and just 8% for distribution. Diesel carried a tax of 54%, with the product costing 38% and distribution 8%. The greatest part of the receipts from petrol pumps thus goes to the state. If no tax had been charged for petrol, customers would have paid an average of € 0.433 for petrol and € 0.449 for diesel.

PUMP STATISTICS

In its survey of petrol stations, the Austrian Petroleum Industry Association APIA distinguishes between two principal groups: the so-called major branded stations which total 1,352 and include brands by APIA members BP, Eni, JET, OMV and Shell; and the other group which consists of 1,318 petrol stations, including those run by Genos, Turmoil, Avia, A1 and IQ. As of the end of 2016, APIA counted altogether 2,670 publicly accessible petrol stations – a slight increase over the 2,641 stations in the previous year. Added to this figure are 285 diesel sales points for farmers. Of the 1,352 major branded stations, 318 are operated by Eni, 280 by BP, 257 by Shell, 208 by OMV, 149 by JET and 140 by Avanti (OMV).