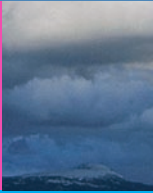


In this issue...



▶ The Carbon Reduction Commitment



▶ National Card Fraud Prevention Campaign



▶ Fringe Events

www.ukpia.com

Director General's view

Looking back on 2007, it has been a momentous year and a busy one for our small Secretariat team.



As I write this, a major concern for everyone is the rising price of crude oil which is scaling new heights of close to \$100 per barrel. In the UK, some of the impact of high crude prices has been offset by the strength of sterling against the dollar. However, that is little consolation to consumers as pump

prices exceed £1 a litre, or indeed that in real terms the crude price has not quite reached the record levels of 1979/80.

Aside from the recent duty increase, market commentators speak of prices being driven by a range of factors including political tensions in the Middle East, fear of production disruption but above all continuing strong underlying demand from the growing economies of China and India. On the face of it there do not appear to be visible signs of physical shortages in crude oil or refined products, although with the imminent specification change to low sulphur diesel, traders report genuine tightness in that market.

During 2007, UKPIA's work has been focussed on the key areas of refining, security of supply, fuel specification changes, biofuels, environment, air quality, emissions trading, and process safety leadership.

An area of major activity is the introduction of bio fuels. At the end of October, the Renewable Transport Fuel Obligation Order was approved by Parliament.

UK **pia**
Refining Britain's fuels

WINTER

This legislation places an obligation on fuel suppliers to add bio fuels to petrol and diesel from 15 April 2008 or pay a penalty. It also created the Renewable Fuels Agency which will be responsible for overseeing compliance by road fuel suppliers. MPs had a lively debate about the sustainability and amount of carbon saved by bio fuels, as the Government has scaled back its estimates of the amount of carbon that will be saved when the level of 5% bio fuel content is reached in 2010/11. This and the issue of sustainability are key concerns and UKPIA, through the Low Carbon Vehicle Partnership, continues to give advice. Initially conservative default values will be used to calculate greenhouse gas savings where detailed information is not available. The sustainability of different bio fuel source material will be addressed against a detailed set of criteria once the information is available from the supply chain. As I have said before, this is the biggest change for road fuels since the introduction of unleaded petrol. The industry is working hard to make sure the introduction goes smoothly and we will have failed in our job if motorists notice any change. Just for good measure, this is all happening at much the same time as the switch to sulphur free petrol and diesel and lower sulphur levels for gas oil.

The Government also announced recently its response to the public consultation on its Climate Change Bill. The Bill, which has just been published, will when enacted in 2008, effectively place a legal obligation on the Government to meet carbon reduction targets of 26-32% by 2020 and 60% by 2050, and make progress towards achieving them by setting binding five year carbon budgets. It also establishes a Climate Change Committee to provide independent expert advice to the Government on achieving these objectives. I thought it interesting that a number of responses to the Consultation said the 60% reduction target for 2050 was too low and should be increased to 80% - interesting in that there doesn't seem to be a clear idea how we shall achieve our 2020 targets, other than by improved energy efficiency and a mixture of renewables and bio fuels. These targets continue to be a major challenge given that by then, a good part of our nuclear power generating capacity will have been shut down and the UK's population is projected to grow towards 70 million.

The EU Commission has also proposed revisions to the Fuels Quality Directive, which are being considered by the EU Parliament and relevant Committees. Amongst the revisions, Article 7a proposes that fuel suppliers should cut lifecycle greenhouse gas emissions per unit of energy by 10%. This would imply a considerable expansion of bio fuel content well beyond the 10% level already proposed from 2020, as well as further energy efficiency gains in the refining process on top of those already made in recent years.

Meeting all these challenges keeps us on our toes, alongside making sure that we have reliable and secure production and delivery of fuels, which at the end of the day is what customers expect!

Last but by no means least, is the work that has taken place over the last 18 months on process safety. The Buncefield Standards Task Group was established in the aftermath of the Buncefield incident, with a steering group chaired by Ken Rivers of Shell. An enormous amount of work has been put in by everyone involved with the various work groups. The conclusion of the role of the BSTG culminated in the publication of its comprehensive report on standards at major fuel storage sites, published in July. However, the need for the industry to show continuing leadership on process safety has resulted in the formation of the Process Safety Leadership Group, chaired by Tony Traynor of INEOS. This group will also take forward any unfinished tasks of BSTG work groups.

Looking forward to 2008, the first major external event is the International Safety conference that we are organising with the Energy Institute on 21st February which will form part of the IP Week programme (see programme outline page 6). I am pleased to say we have secured some excellent speakers from both the industry and regulators, for what is a vitally important aspect of our operations.



Finally, the UKPIA Secretariat takes this opportunity to wish our readers a happy Christmas and peaceful New Year. In place of sending cards we have made a donation to The Princess Royal Trust for Carers.

EU Fuels Directive Review

At the end of January 2007, the European Commission published a consultation on a proposed Directive to amend the 1998 & 1999 Fuels Directive that determined many of the specifications for road fuels that have been in place since 2000.

The oil industry in Europe has a number of issues with the revisions to the Directive, especially Article 7a which proposes reductions in greenhouse gas emissions per unit of energy from liquid road fuels of 1% per year from 2011 to 2020.

However, UKPIA and its members in the UK also have concerns about proposed amendments to the definition of which countries qualify for the higher summer vapour pressure allowed under the Directive.

Vapour pressure and safety

The draft revision to the Fuels Directive seeks to define maximum summer vapour pressure of petrol by reference to winter ambient temperatures. UKPIA believes that the summer vapour pressure of petrol should be based on summer, not winter temperatures, as emissions of volatile organic compounds (VOCs) are related to summer not winter temperatures. Higher ambient temperatures give rise to a higher actual vapour pressure and the potential for increased evaporation of lighter VOCs within petrol. Hence, in making comparisons of the effects of vapour pressure it is important

that they are corrected for ambient temperature, recognising, for example, that southern EU countries have higher average summer temperatures than northern EU countries such as the UK.

The Fuels Quality Directive 98/70/EC (modified by 2003/17/EC) accepted the need for a higher vapour pressure (70kPa) and a shorter summer period in Northern Europe for a number of reasons including:

- to ensure vehicle operability during cold start conditions and
- to minimise the possibility of static ignition causing fires during vehicle refuelling at the start and end of the summer period in colder countries.

Malcolm Watson, UKPIA's Technical Director, commented "Static ignition and cold starting are not problems in the UK at the present 70 kPa vapour pressure limit. However, a move to the proposed 60 kPa vapour pressure in the UK would increase the risk of static ignition during refuelling at the start and end of the summer period as flammable mixtures would form in the filler neck of the petrol tank. At 70 kPa the mixture formed in the filler neck is outside the flammable limits for petrol."

Ethanol waiver

As drafted, the revised Fuels Directive would also give an ethanol waiver (i.e. allow a higher vapour pressure)

in countries with a 60 kPa summer vapour pressure but not in Northern Europe which has a 70 KPa limit. The summer vapour pressure waiver for ethanol should apply equally to all parts of the EU or to none at all.

UKPIA believes strongly that the UK should be treated like Scandinavian countries and permitted to retain its 70 kPa summer maximum pressure limit, rather than being included in the 60 kPa limit for Southern Europe, because the UK has similar summer temperatures to Scandinavia.

Furthermore, we consider that the proposed summer vapour pressure waiver for ethanol should apply equally to all parts of the EU or to none at all.

Latest Developments

UKPIA has sought amendments to the Directive as outlined above. The European Parliament's ENVI committee vote at the end of November indicated support for retaining the 70kPa summer maximum pressure limit for Northern Europe. It also proposed slightly more flexible timing for the CO₂ reduction - 2% every two years between 2011 - 2020. It also called for sustainability and carbon reporting criteria for biofuels to be in place from 2009. The coming months will be important in agreeing the final content of the Directive, with a first hearing in the EU parliament in January 2008.

The Carbon Reduction Commitment (CRC)

The Government announced in the Energy White Paper 2007 the CRC scheme which will apply mandatory emissions trading to cut carbon emissions from large commercial and public sector organisations (including supermarkets, hotel chains, government departments, large local authority buildings) by 1.1 MtC / year by 2020.

In June, DEFRA issued a consultation on the CRC scheme, a key aim of which is to improve energy efficiency in the non energy-intensive sector. UKPIA supports the principle that greenhouse gas savings should be made across all sectors of the economy, and feels this will be best achieved with a policy framework that targets the correct participants in a cost-effective way, with no regulatory overlap.

The proposed CRC scheme has been designed to avoid the unnecessary capture of energy-intensive installations by excluding any organisation where over 25% of its emissions are in a Climate Change Agreement. However, oil refineries are not part of a Climate Change Agreement as they are energy producers, and so are not exempted by this provision. Additionally they are not part of the stated CRC target sector of large non-energy intensive public and business sector organisations.

Refineries are already fully regulated under the Integrated Pollution Prevention and Control (IPPC) regulations and their carbon dioxide emissions are directly regulated in the EU-Emissions Trading Scheme. It is a condition of refineries' PPC permits to operate, that "energy is used efficiently". It is also a requirement of the PPC BREF on Best Available Techniques that refinery operators examine all cost energy efficiency measures, discuss these with the Environment Agency and undertake a cost-efficiency analysis. Refineries use on-site power generation wherever possible, import and export power to the grid regularly, and so already generate electricity in an efficient manner.

Enacting the CRC on refiners will not result in energy efficiency gains from the target sector and will be an additional cost to refiners. UK refiners will not be able to pass this cost through to consumers, as global petroleum product markets are deep, open, liquid and transparent, oil import terminals are readily available and specifications for products are standardised across Europe. UK refiners therefore compete against those not incurring the costs of CRC and will have to absorb the costs, which will damage their competitive position compared to their European counterparts. This could result UK refiners being less able to attract investment in the future and could therefore have implications for UK energy security of supply.

UKPIA believes therefore that the coverage of CRC should be extended to the stated target sector only, and strongly believes that energy intensive sites such as refineries, already doubly regulated under IPPC and EU-ETS, should be exempted from CRC.

"...UKPIA supports the principle that greenhouse gas savings should be made across all sectors of the economy..."

National Card Fraud Prevention Campaign

UKPIA has supported APACS, the UK Payments Association, in delivering a **National Card Fraud Prevention Campaign**. The week long campaign, which ran from 5th to 12th November, was designed to raise awareness among consumers about plastic card fraud with the key message of keeping their cards and PIN safe and secure at all times.

During the campaign, 14 million small advice cards were handed out to costumers at most petrol stations throughout the UK. They contained the following security messages:

- **Guard your Card**
- **Protect your PIN**
- **Be aware of your environment**

The cards also directed consumers to the *Card Watch* website, which focused on Chip and PIN fraud for the duration of the campaign.

Chris Hunt, UKPIA's Director General, commented: "Our members take customer security very seriously and are pleased to be supporting APACS in this fraud prevention initiative."

"Our members are alert to potential fraud risks and remain vigilant on this issue. The fight against fraud is a shared responsibility. During this campaign they will be issuing advice cards to customers reminding them to keep their card details safe and secure at all times."

APACS figures show that, thanks to Chip and PIN card fraud losses have decreased by 67 per cent in the last three years. However, fraudsters continue to try and copy cards' magnetic stripe details to create fake cards to be used overseas, in countries that do not have Chip and PIN. Raising customer awareness can certainly play an important role in tackling this type of fraud. Research from APACS also shows that not all cardholders are taking the appropriate steps to protect themselves fully from fraudsters. The *2006 Attitudes to Card Fraud* survey reveals that 20 per cent of cardholders 'rarely' or 'never' shield their PIN when entering it at a cash machine

Sandra Quinn, Director of Communications at APACS noted: "Chip and PIN has been hugely successful in reducing card fraud in the UK



but that does not mean we can lower our guard. Simple measures such as shielding your PIN with your free hand whenever you enter it into a keypad will significantly reduce your chances of becoming a victim of fraud."

UKPIA's Nunzia Florio, who helped organise the campaign with member companies, commented "We have positive feedback about the campaign. Service station staff seem to have been proactive in handing out the cards and customers welcomed the information and advice."

National Skills Academy for the Process Industries launched

The Department for Innovation, Universities and Skills (DIUS) has given Cogent the go-ahead for the employer led proposal for a National Skills Academy for the Process Industry (chemicals, pharmaceuticals and polymers).

Supported by the industry, the Academy will be a wholly owned subsidiary of Cogent, the sector Skills Council for the chemicals, pharmaceuticals, nuclear, oil and gas, petroleum and polymer industries. It follows the successful announcement of a National Skills Academy for Nuclear.

The Skills Academies will be centres of excellence for training and development, ensuring high quality learning provisions across the UK.

Joanna Woolf, Cogent CEO, said: "We have long shared employers' determination to make the National Skills Academy for Process Industries a reality and we are delighted that we can now move ahead. Our Academy represents a much needed centre of excellence for employers in learning, training and education."

Chris Hunt, UKPIA's Director General said: "We welcome the launch of a National Skills Academy for the Process Industries, which we hope will address some of the skills' needs upon which the industry will depend in the future".

EVENTS

BERR Fawley visit

On 20th November, UKPIA organised a visit to ExxonMobil's Fawley refinery for the Department for Business, Enterprise and Regulatory Reform's 'Energy School'.

The visit was aimed at giving all participants an overview of the scale and complexity of the refining process, as well as outlining some of the key issues and challenges facing UK refining.



Some of the participants pictured with Brian Allison of BERR (centre) and Nigel Burt ExxonMobil (far right)

UKPIA International Safety Conference: 'Effective Leadership on Process Safety in the Downstream Oil Industry'

On 21st February 2008, UKPIA will be holding an International Safety Conference in partnership with the Energy Institute as part of the International Petroleum Week (18-21 February).

The 'Effective Leadership on Process Safety in the Downstream Oil Industry' conference will bring together an international panel and audience selected from oil industry experts, regulators, professional bodies and trade association in order to generate a wider debate on process safety and sharing of best practice in the downstream oil industry.

To request more information about the international safety conference, please contact us on 020 7240 0289. Or visit www.ukpia.com

Fringe events

Labour Conference, Bournemouth

Titled 'Reducing CO₂ from road transport - who's responsible?', UKPIA's well attended fringe event at this year's Labour Party conference brought together oil industry experts, motoring organisations, action groups and transport experts for a lively and informed debate on road transport.



L to R: Nick Sutton, Chris Hunt, Peter Stokes, Quentin Willson

The panel was chaired by Chris Hunt, UKPIA's Director General, who was joined by Peter Stokes of Volkswagen UK, Nick Sutton, CEO of Provecta Vehicle Leasing and Quentin Willson, motoring journalist and broadcaster.

Chris Hunt focused on both the challenges faced by the downstream oil industry in reducing key emissions from road transport and its ongoing and proactive efforts in tackling CO₂ emissions by looking at the refinery process and cleaner fuel production, along with carbon capture and storage and promotion of energy efficiency. Mr. Hunt's key message included the continued central role of fossil fuels in meeting the needs of transport for at least the next thirty years and how these fuels were likely to evolve to meet consumer requirements and environmental objectives.

Peters Stokes, Nick Sutton and Quentin Willson looked respectively at technical and behavioural change issues which also play a crucial role in the reduction of CO₂ from road transport. Whilst Peter Stokes reiterated the efforts of car manufacturers to work towards environmental sustainability, Quentin Willson focused on the vital role played by consumers' behaviour - who needed clear messages and consistent policy direction if they were to be persuaded to change.

UKPIA would like to extend its thanks to the speakers and all participants.

Conservative Conference, Blackpool

This popular dinner organised by the Tory Green Initiative was addressed by the Rt Hon John Gummer MP and Chris Hunt, UKPIA's Director General. Key messages included the future role of fossil fuels, which will continue to provide 35% of all energy by 2050 as estimated by the International Energy Agency, along with the evolving role played by a range of alternative fuels and the need for behavioural change by consumers.

Liberal Democrat Conference, Brighton

Director General, Chris Hunt, attended the Liberal Democrats Business Forum Corporate Day. The day was aimed at giving all attendants an opportunity to discuss pertinent issues in a series of workshops and breakout sessions.

We welcome **Brian Worrall** as Council Representative for Chevron, replacing **John Lynn**. John has been a Council member for over six years, one of them as President. We thank him for the valuable contribution he has made to UKPIA and wish him well in the future.



Roger Peake of ExxonMobil, who has chaired the Legal Affairs Committee for several years, steps down from the Committee in December. We thank Roger for his valuable input to the work of the Committee and guidance to UKPIA on a range of complex issues.