

## The impact of coronavirus on the Downstream Oil Sector

The UK Petroleum Industry Association represents eight oil refining, distribution and marketing companies that operate the six major oil refineries in the UK and source over 85% of the transport fuels used. UKPIA members also own around 1,250 of the UK's 8,476 filling stations in the UK.

### 1. The petroleum industry is supporting the national effort to combat coronavirus

- Petrol stations are stepping up by protecting customers and staff and increasing stocks of key items and adding protective barriers, also supporting key workers with free food and fuels.
- Refineries are manufacturing hand-sanitiser for their own use and for supply to emergency workers. Masks, eye protectors and other PPE have also been donated to worthy recipients.

### 2. Demand for Fuel in the UK has reduced overall causing major issues for the sector

- *Road Fuel* - Delivery of road fuels matched the established trend prior to the lockdown with weekends (including bank holidays) seeing lower demand than midweek but has been greatly reduced overall on average by around a third of the usual deliveries. In the time since the final week of March, the sales of diesel and petrol have reduced significantly with both fuel types seeing a fall of over half the usual sales for that period. Reduced demand at forecourts has meant there has been a slower fuel turnover, resulting in higher stocks of fuel on site.
- *Aviation Fuel* – Prior to the lockdown, aviation fuel demand also matched the established trend of February demand being lower than January. Travel and other restrictions have depressed demand significantly, falling by over a third in March, while cargo demand fell by 15% in Q1.<sup>1</sup> The International Aviation Trade Association (IATA) estimates that the industry's Revenue Passenger Kilometres will fall by 38% (46% in Europe) in 2020 meaning that demand for jet fuel will be significantly lower for a long time.<sup>2</sup>

### 3. The downstream oil industry has been affected significantly by coronavirus but in working with regulators, has kept the country moving through the ready supply of liquid fuels

- The petroleum sector has responded quickly and changed many things such as industry training schemes, implementing new policies and working closely with the Government to make decisions that keep the country moving e.g. relaxation of drivers' hours.
- Overall, the downstream petroleum sector has seen a material impact on its workforce, although supply was not affected due to the concurrent drop in demand. At one point, there was a reduction of almost 10% of available staff to carry out duties, due to coronavirus itself and isolation rules.
- Refinery and Terminal operators were able to avoid furloughing staff but did in some cases reduce the use of contractors, impacting the wider supply chain. Other parts of the sector, especially drivers were put on the furlough scheme with most delivery agreements affected.
- The sector was required to keep running throughout the crisis and adapted, even before the Government issued its advice for the workforce. Some of the changes made were revising operations in control rooms, gantries and canteens to increase distancing, while shift patterns were modified for to increase the level of resilience and mitigate risks, steps that are now included in government guidance.

### 4. Long-term impacts

- UKPIA and its members remain committed to long-term efforts to contribute to the decarbonisation of the UK economy: we responded positively to DfT's consultation in May for the introduction of E10 fuels and there has been further progress on low-carbon investments involving UK refineries, such as the Humber Zero project with member company Phillips 66. Despite that, there is concern that the capital required for such future projects may not be as readily available for investment post coronavirus, as many companies are economically exhausted.
- We would like to ask HMG to continue to work with industry constructively, ensuring it is still able to contribute to the long term decarbonisation goals, given current levels of crisis fatigue.

<sup>1</sup> de Juniac, A. Remarks of Alexandre de Juniac at the IATA Media Briefing on COVID-19, 28 April 2020. (2020).

<sup>2</sup> de Juniac, A. Remarks of Alexandre de Juniac at the IATA Media Briefing on COVID-19, 14 April 2020. (2020).