

JSCOT Questions on Notice – Agreement between the Government of Australia and the Government of the Kingdom of the Netherlands concerning oil stocks contracts

What are the consequences or penalties for non-compliance?

There are no specific penalties for Australia’s non-compliance, as international law does not permit punitive sanctions (such as penalties) to be applied to nation states. However, Australia could be obliged by an international tribunal to make reparations (such as through restitution and compensation measures) to International Energy Agency (IEA) Member/s if economic damage was attributable to Australia’s non-compliance.

A likely consequence from continued non-compliance with the IEA 90-day oil stockholding obligation is further international reputational damage. Several IEA Members perceive Australia to be free riding on the IEA’s oil security mechanism and that Australia is not a committed IEA member – this has been mitigated to an extent by progress on Australia’s plan to return to compliance.

Other IEA Members could also suspend or terminate Australia’s participation in the *Agreement on an International Energy Program* (IEP Treaty) due to non-compliance.

Can you please send the Committee a list of other countries who have been non-compliant and the extent to which they have been non-compliant?

The IEA’s public website lists the monthly closing oil stock levels in days of net imports (using the IEA statistical methodology) of Members dating back to October 2008. Since that date, in addition to Australia, two other countries have been non-compliant with the IEA 90-day stockholding obligation, as listed below:

IEA Member	Period of non-compliance	Total days held
Luxembourg	August 2013	89 days
	September 2013	89 days
	June 2014	89 days
Turkey	October 2009	88 days
	April 2018	86 days

Australia is aware that several other IEA Members have also had periods of non-compliance prior to October 2008. However, this information is contained in IEA reports that are confidential to the IEA. To release this information publically, Australia will need to gain permission from the IEA and the relevant administrations. It has not been possible to do this within the Questions on Notice timeframe.

If we were to access fuel for use in Australia (this extra 3.8 days) - from the point where it is triggered to it arriving, are there arrangements in the treaty about the speed with which we can access it, and then how long physically will it take to get to Australia?

Under Article 8 (2) of the *Agreement between the Government of Australia and the Kingdom of the Netherlands concerning oil stock contracts*, Australia is required to provide a notification to the Government of the Netherlands two weeks before the exercise of an option (purchase or release) under a ticket contract.

In the unlikely event that Australia chose to ship ticketed oil to Australia during an IEA collective action, the transit time from the Netherlands would be dependent on several factors including the specific shipping route and the destination port in Australia. The average shipping time from the Port of Rotterdam in the Netherlands to Melbourne is around 36 to 42 days. The average shipping time from Rotterdam to Western Australia (Kwinana) is around 30-37 days.

JSCOT Additional Question on Notice

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What times have we been asked to contribute to a collective action that equalled 2.5 days of fuel?

A 'collective action' is declared by the International Energy Agency (IEA) when the IEA Governing Board deems that a global supply disruption is of such magnitude that IEA members must take coordinated action to diminish potential economic damage. This is achieved by IEA members making additional oil available to the global market through supply or demand-side measures.

IEA members can meet their obligations to make oil available by reducing stockholding obligations placed on industry, releasing government reserves or cancelling oil tickets. Other responses include demand restraint, fuel switching and increasing domestic production.

During a collective action, IEA members are required to be ready to make available, if required, their share of total IEA oil stock consumption. Australia's share is 2.5 per cent of the total figure of IEA members' oil consumption.

While the contribution can be quantified in kilotonnes, barrels or IEA-days, it is easier to use barrels as the day calculation changes from month-to-month for each individual country and oil releases are typically calculated in barrels by the IEA. The maximum quantity of the tickets to be purchased under Phase 1 of Australia's compliance plan is 3 million barrels. This quantity of tickets would allow Australia to contribute its mandated 2.5 per cent contribution towards a collective action up to around twice the magnitude of the disruptions to date.

Three collective action events have been called by the IEA:

- 2011: Disruption of oil production in Libya through civil unrest (Total IEA contribution was 2 million barrels per day, total 60 million barrels)
 - Australia was not required to respond to the 2011 collective action, as the IEA only asked the 12 largest oil-consuming members to release oil.
- 2005: Response to Hurricanes Katrina and Rita in the United States (Total IEA contribution was 2.1 million barrels per day, total 60 million barrels)
 - Australia was not able to release oil, as we did not hold sufficient physical stocks above normal market requirements.
 - Instead, the Australian oil market contributed through a price-based demand response equivalent to 35,900 barrels per day.
- 1990-1991: Disruption of oil production due to the Iraqi invasion of Kuwait (Total IEA contribution was 2.5 million barrels released per day, total 61.6 million barrels)
 - The Australian oil market contributed through a price-based demand response equivalent to 33,000 barrels per day, and by increasing oil production by 13,000 barrels per day.