International
Energy Agency

Oil Security: Frequently Asked Questions

What is the role of the IEA in the event of a serious disruption to oil supply?

Since the IEA's founding in 1974, a key aspect of its work has been to help coordinate a collective response to major disruptions in the supply of oil. The collective response system is designed to mitigate the negative economic effects of a sudden oil supply crisis by providing additional oil to the global market on a short-term basis. The IEA emergency response system is not a tool for price intervention or long-term supply management, both of which are more effectively addressed through other measures.

Where does the additional oil supply come from?

Each IEA member country has an obligation to hold emergency oil stocks equivalent to at least 90 days of net oil imports. In the event of a severe oil supply disruption, IEA members can decide to release these stocks to the market as part of a collective action. Once the need for an IEA collective action has been agreed, each member country's contribution is proportionate to its share of total oil consumption among IEA member countries.

When has IEA collective action taken place previously?

Since the creation of the IEA, there have been three coordinated stock releases: in the build up to the Gulf War in 1991; after Hurricanes Katrina and Rita damaged offshore oil rigs, pipelines and refineries in the Gulf of Mexico in 2005; and in response to the prolonged disruption of oil supply caused by the Libyan Civil War in 2011. The contribution of each of these collective actions in helping the oil market adjust was evident at the time.

Even when stock releases do not occur during severe market events, the availability of IEA emergency stocks can help prevent panic reactions by market participants and reduce economic damage.

What kind of emergency stockholding systems are there in the IEA member countries?

IEA member countries use three approaches to meet their stockholding obligations:

- Government stocks are owned directly by the state, typically financed through the central government budget and held exclusively for emergency purposes.
- Agency stocks are held by a separate agency, either on behalf of the government or domestic industry. Several countries have established a separate agency defined by legislation and endowed with the responsibility of holding all or part of the country's emergency stocks. The agency structure and arrangements vary from country to country and can range from government-sponsored programmes to industry-created initiatives. But in all cases, compulsory stocks can only be released with government authorisation.
- Obligated industry stocks are held by industry in order to meet minimum stockholding requirements set by governments. Typically, these are requirements set on certain companies (e.g. importers, refiners, wholesalers) to hold a minimum level of stocks based on their share of imports or sales in the domestic market. While stocks held by industry both for commercial purposes and in order to comply with national stockholding rules count towards meeting a country's IEA

stockholding commitment, obligated industry stocks only become available when the government authorizes their use in a crisis.

Stockholding regimes vary among IEA member countries, reflecting differences in oil market structure, geography and national policy choices related to emergency response. Some countries use only one category of stocks, whereas most countries use a combination of categories to meet the minimum obligation:

- Government stocks: Australia, Czech Republic, New Zealand, United States
- Agency stocks: Belgium, Estonia, Germany, Hungary, Ireland, Slovak Republic
- Combination of government and obligated industry stocks: Japan, Korea, Poland
- Obligated industry stocks: Greece, Luxembourg, Mexico, Norway, Sweden, Switzerland, Turkey, United Kingdom
- Combination of agency and obligated industry stocks: Austria, Denmark, Finland, France, Italy, the Netherlands, Portugal, Spain

As net-exporters of oil, Canada, Mexico and Norway do not have a stockholding obligation under the International Energy Programme.

Further information on domestic legislation of each IEA member country regarding emergency oil response is available here.

The **latest data** on countries’ oil stock levels is available here.

Does the IEA specify whether stocks should be held in the form of crude or refined products?

No. The IEA stockholding obligation does not specify whether stocks should be held in the form of crude or refined oil. The most appropriate choice will depend on specific factors in each individual country. Countries with a large refining industry will likely hold more crude oil, which provides greater flexibility in times of crisis. In countries that have limited domestic refining capacity or rely on product imports to meet a large share of domestic demand, there is a greater tendency to hold reserves of refined products.

Yet even for countries with a substantial refining sector, holding at least some portion of emergency stocks as product stocks makes sense, despite the higher costs of holding such stocks compared to crude oil. This is because in the event of some supply disruptions such as natural disasters, particularly those impacting refineries or import terminals, product stocks may be more rapidly available to secure quick distribution to the affected area. The IEA recommends to its Member countries to hold a certain amount of refined product stocks and to ensure their timely drawdown and distribution in an emergency. Moreover, IEA Member countries that are also members of the EU are required to ensure that at least one-third of emergency oil stocks are held in the form of specific refined products.

Are countries able to hold emergency oil stocks abroad?

Yes. Member countries may store emergency oil stocks outside of their national boundaries and may count such stocks as part of their 90-day requirement, provided there is a bilateral agreement between governments which guarantees access to these stocks during a crisis.

Are emergency oil stocks only used during the IEA collective actions?

No. Holding emergency oil stocks also enables member countries to respond to domestic crises. In the event that a member country uses its emergency stocks, it informs the IEA Secretariat of the details and circumstances. Many member countries maintain stock levels well above the IEA obligations, so using emergency stocks does not necessarily mean they drop below the 90-day threshold.

How does the IEA collaborate with non-member countries?

Since the IEA was established in the 1970s, there have been significant shifts in the global energy landscape, with emerging economies becoming major oil consumers and importers. The IEA works closely with countries outside of its membership to find solutions to shared energy and environmental concerns. Part of this work involves sharing IEA expertise regarding the handling major oil supply disruptions. For example, as part of the Association programme, the IEA now works closely with China, India, Indonesia and Thailand to highlight the benefits of maintaining oil emergency stocks and of being prepared in the event of a major disruption to global oil supply.

During major disruptions, the IEA communicates with major consuming countries beyond its membership. This would include determining the ability and willingness of these partner countries to bring additional oil to the market or to refrain from stockpiling during an IEA stock release. The IEA and Association countries have established energy security hotlines in case of supply emergencies.

Does the IEA consult OPEC during major oil disruptions?

Yes. During a major oil supply disruption, the IEA would consult with OPEC and its larger member countries to determine the ability and willingness of its members to use any available spare production capacity to bring additional oil to the market.

Can IEA collective action include other responses beyond the release of emergency stocks?

Yes. Member countries have other measures available to mitigate the impacts of an oil supply disruption. These include demand-restraint measures, the substitution of petroleum products by another fuel, the rapid activation of spare crude oil production capacity, and the temporary relaxation of fuel specifications, such as environmental or quality standards.

Our work on energy security

Oil Security

One of the IEA's core activities is ensuring the security of oil supplies by setting oil stockholding requirements for member countries and coordinating the international response to supply shocks

Natural Gas Security

Gas security challenges are evolving. The current period of gas oversupply – driven by overcapacity in the LNG market – should not overshadow the critical importance of global gas security

Electricity Security

In May 2015, the Group of Seven (G7) Energy Ministers asked the IEA to help determine the best means of improving electricity security, including through increasing system flexibility

Member and Key Partner Emergency Policies

Since its founding in 1974, oil supply security has been a core mission of the International Energy Agency

Resilience

The energy sector has to withstand demand or supply shocks in global energy markets, natural disasters, explosions or cyberattacks and other extreme events

Emergency Response

In the event of an actual or potentially severe oil supply disruption, the IEA Secretariat first assesses its market impact and the need for an IEA co-ordinated response