

S W I T Z E R L A N D

Description of the Emergency Response Programme

1. a) Approach to demand restraint and stock draw-down

Switzerland is a locked country in the heart of Europe which depends to 100 % on oil imports.

The Swiss approach is to maintain a balance between available supply and domestic demand relying as far as possible on market forces. Governmental emergency measures are subsidiary.

Reliance on market forces, also in crisis situation, is an important element to reduce demand; however, in order to be prepared for severe oil supply disruptions and to meet the IEP obligations, the Swiss Government has in place an emergency programme, based on:

- moral persuasion
- close co-operation with the oil industry
- mandatory measures.

This programme is designed to reduce the negative impact of a possible crisis on the national economy to a minimum. The situation with regard to oil emergency stocks is a comfortable one. In view, however, of the geographical situation of the country it is to be assumed that in a severe oil crisis, the Government would consider a stock draw as a last resort measure and that, in a first period of disruption, would concentrate on demand restraint.

b) Legal authority

The legal basis for emergency actions is the Federal Law on National Economic Supply (Loi fédérale sur l'approvisionnement économique du pays) of 8 October 1982. Among other things, the law makes provisions for programmes of mandatory allocation and rationing of petroleum products and draw-down of compulsory stocks. It gives the competent authority broad powers to control the petroleum industry in case of a national emergency. Should the occasion arise the Federal Council will decide what kind of measures have to be implemented.

- c) In case of emergency the Authorities believe that the best possible measure is to reduce the demand rather than draw down stocks.

The first measure would be moral persuasion by public appeal. The public sector, namely the Federal Government Departments will set an example by applying emergency conservation plans (lower temperatures). It is anticipated that most of the local administrations (cantons) will introduce the same conservation measures.

It is difficult to quantify the effects and the results of such a campaign because long-term conservation efforts have reduced the potential effectiveness of persuasion. But in the meantime the emergency organisation becomes operational. Extensive consultations take place with oil companies, traders, industry and the other bodies concerned in order to evaluate the preliminary results and the importance of the emergency.

If the first voluntary action proves to be insufficient mandatory additional measures will be taken:

- in the transportation sector: speed limit, ban on week-end/sunday driving, stop of gasoline deliveries into can, reduced allocations to filling stations in proportion to previous deliveries;
- in the domestic and industrial sectors: reduction of heating and fuel oil deliveries in proportion to the deliveries made in a reference period.

Demand restraint programs can be implemented for all oil products.

The rationing of motor fuels will be introduced only as a last resort. Rationing schemes have been developed. The computerized system is operational and can be implemented in about 8 weeks. Procedures for the handling of motor fuels in the cross-border traffic are developed and discussed with neighbouring countries.

Some industries are already equipped with dual burners and storage capacity. They have flexibility to switch to gas or to coal. It is difficult to estimate the amount of fuel switching capacity but it seems that the reduction possibilities are limited.

If necessary current product specification limits such as lead in gasoline and sulphur in distillates and fuel oils could be relaxed.

- d) For years the approach to demand restraint has been examined thoroughly and discussed with oil companies, industry circles, consumer associations and other bodies concerned. On the other hand, demand restraint has been an integral part in all previous AST.

The Government does not feel it opportune, however, to bring the details of the emergency preparedness measures to the attention of the general public at this point.

2. Allocation obligation / Fair sharing

In case Switzerland would have allocation obligations, companies would be encouraged to participate in the Voluntary Offers process in agreement with the IEP principles.

The Swiss attitude during an emergency is based on extensive contacts between NESO and the oil companies providing all the information needed for a voluntary redistribution and taking into consideration that few companies would be involved in such a reallocation programme.

In case of type 3 mandatory transactions, the administration has the legal authority to issue instructions to oil companies operating in the country.

The national Fair Sharing programme is an essential factor for encouraging voluntary offers.

The basic policy is not to modify the historical market position of individual companies during a crisis.

Each company has the obligation to supply its traditional customers within the framework of the demand restraint programme, whereas the NESO has to rearrange the national allocation so that the companies are able to fulfil their supply obligations.

Each company is informed of its internal rights or obligations. As the internal AR/AOs of the companies fluctuate notably from month to month, the Swiss NESO tries to balance the monthly AR/AOs as long as possible in a bookkeeping manner. Nevertheless, if a company is short as a whole or in a specific product category, it has the right to get physically an allocation from another company to balance out its shortage. The authorities have the legal basis to handle fair sharing.

3. Stocks

- a) Under the Federal Law on National Economic Supply and related legislation, oil importers are legally bound to maintain compulsory stocks.

Under the terms of contracts, engagements are taken to hold determined levels of stocks in petroleum products at agreed locations on Swiss territory. Apart from these obligations, oil industry must hold a minimum of capacity for commercial stocks calculated in relation to the volume of compulsory stocks.

Existing regulations cover compulsory stocks of motor gasoline, gas/diesel oil, fuel oil, jet fuel and lubricating oil.

- b) For years stock levels have been permanently higher than the 90 days prescribed by the IEP.
- c) The Federal Law on National Economic Supply includes the authority for stock draw in the event of an oil supply emergency. It is not foreseen that stocks would be drawn down at an early stage of disruption. Such a stockdraw is considered to be the last resort and only after all the other emergency measures have been fully implemented. The Government has intentionally not implemented formal rules to draw down stocks in an emergency in order not to limit its flexibility.
- d) Oil stocks are established and held by the Oil Companies. They receive a bank credit at a low interest rate, with a governmental guarantee, covering up to 90 per cent of the cost of the oil. For the storage, companies receive indemnities to depreciate construction costs and to cover financing and maintenance expenditure. The costs of the stocks are recovered through a levy on gasoline, gas/diesel oil, heavy fuels, jet fuel and lubricating oil. The companies can pass on the costs of storage to the final consumers as far as market conditions allow it.

4. Domestic Price Controls

During periods of market tension the Government can use the authority given by the Federal Law on National Economic Supply to introduce maximum prices for all goods including oil products. Although legal possibility exists, the Swiss Government believes that price controls could be counterproductive and would be a disincentive for companies to import as well as a disincentive for consumers to reduce consumption. Therefore, it intends to encourage pragmatic solutions relying on the results of demand restraint backed up by extensive consultations with oil companies and consumers groups.

5. Voluntary offers from Non-Reporting Companies

Non-Reporting Companies account for about 33 per cent of Switzerland's available supplies. Although NRC are deeply involved in emergency preparedness and participate in the national fair sharing, very few of them have a wide international experience, especially in the crude oil sector. It is anticipated that a limited number of NRC would participate actively in the international allocation system in an emergency. The Swiss NESO would put in touch potential dealers, as informed by ISAG, with the Swiss NRC but does not intend to interfere in company negotiations regarding commercial terms.

6. Emergency Data System

To prepare the Questionnaire C, Carbura collects data from all the Reporting Companies and Non-Reporting Companies whose imports are of relevant size. In an emergency this procedure will be converted to the Questionnaire B reporting system.

The accuracy of the information given by the companies is not verified neither by the Administration nor by Carbura taking into account that an important part of the supply consists of products purchased on the spot market.

In order to resolve Trade Discrepancies it is possible to obtain additional data from the companies involved. Direct contacts with the other exporting/importing countries have already been tested.

7. NESO

The Swiss NESO is staffed mainly by the Federal Office for National Economic Supply and Carbura and headed by the Delegate for National Economic Supply.

The participation of the representatives of the oil companies is essential because of their technical experience and knowledge of the national and international oil markets. During an emergency these oil experts are legally classified as civil servants and are bound to confidentiality.

Training of oil industry peoples and NESO personnel has taken place during previous IEA Emergency Tests. The Federal Office for National Economic Supply holds regularly information meetings with the local governments and administrations (cantons) and industry representatives. The information of the public is envisaged only in case of market tension.

8. Communications

For communication with the IEA, the Swiss Government can use the communication facilities of the Swiss representatives to the OECD in addition to commercial telex and telephone. In case of an emergency additional communication facilities are soon available in the locations prepared for the NESO and other bodies concerned.



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AIE/Revue du programme suisse de réponse en cas de crise

Monsieur l'Ambassadeur,

Nous nous référons à vos lettres des 12 et 26 juillet 1984 et vous prions de faire tenir sans retard au Secrétariat de l'Agence notre réponse au questionnaire. Un exemplaire de l'exposé est destiné à vos dossiers.

Bonnes salutations.

OFFICE FEDERAL POUR L'APPROVISIONNEMENT
ECONOMIQUE DU PAYS
L'Adjoint pour les questions internationales

P. Oberson

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Annexe mentionnée, en double exemplaire

Copie avec annexe à:

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