

Introduction

1. The Tank Storage Association (TSA) represents the interests of over 60 member companies engaged in the storage of bulk liquids and the provision of products and services to the sector. Collectively, its members operate 293 terminals and distribution hubs in the UK and have over 10 million cubic metres of storage capacity in the United Kingdom (UK) and Republic of Ireland (ROI). TSA's members provide and support an essential interface between sea, road, rail and pipeline logistics for many different substances including transport and heating fuels, chemicals, animal feed and foodstuffs. In the process, they are responsible for the direct employment of around 4,000 highly skilled, specialised people. Many of the strategic terminals in the UK – around 22 - are also designated by HM Government as Critical National Infrastructure due to their importance in providing energy to industrial, transport and defence markets. Storage capacity also includes strategic reserves held for emergencies and supply disruptions.

Q.1 Is the Government's policy on fuel resilience appropriate and effective?

2. UK bulk liquid storage terminals are critically important to the petroleum products supply chain, with fuels and hydrocarbon derivatives currently accounting for over 65% of tonnage throughput¹. And the transport energy system's strategic flexibility is heavily supported by the bulk liquid storage sector. For example, net imports of middle distillates in the UK, such as diesel and aviation fuel, have increased steadily owing to a misalignment between UK production and domestic demand. This means that around half² of the UK's demand for diesel and over 60%³ of aviation fuel demand are currently met by imports, with the bulk liquid storage sector providing the necessary infrastructure and staging area for distribution throughout the entire supply chain. In addition, several UK regions - the Southeast and Northeast of England for instance - are more reliant on the import of transport fuels such as petrol, by ship.
3. Many of the strategic terminals in the UK – around 22 - are also designated by HM Government as Critical National Infrastructure due to their importance in providing energy to industrial, transport and defence markets. Storage capacity also includes strategic reserves held for emergencies and supply disruptions.
4. More recently, the bulk liquid storage has also felt the impact of the coronavirus (COVID-19). During this challenging time, the industry and associated logistics have continued to work tirelessly to keep critical infrastructure operating. Against a background of increased demand for petroleum storage globally and a decline in oil demand due to the COVID-19 pandemic, the critical importance of bulk liquid storage terminals in responding to market fluctuations and in improving the flexibility of the entire supply

¹ Tank Storage Association 'Annual Review' 2020

² BEIS 'Digest of UK Energy Statistics' (DUKES)

³ Ibid.

chain has undoubtedly come to the fore. This has not only highlighted the extent to which the economy we live in is global but the need to ensure the flexibility and resilience of the supply chain.

5. As the UK transitions to a decarbonised economy, the bulk liquid storage sector will have a pivotal role to play in the context of fuel resilience, by having to both help balance demand for legacy liquids in a declining market whilst maintaining compliance with regulatory requirements and addressing the availability of current infrastructure against a growing demand for alternatives. For our sector, this means careful advance planning and management to ensure the supply chain can be maintained in the interim and to minimise change in the consumer experience. It will also require conversion of existing assets, additional infrastructure and significant investment at a time of great pressure on margins. Expanding storage capacity is also a lengthy process that varies by the size of tank and permitting - on average, a typical aboveground storage tank in an existing petroleum product terminal would take at least 12 months to permit and construct.
6. To that end, we contend that whilst the draft Bill addresses some of the issues around resilience, consideration should be given to wider and developing Government policy addressing the challenges in the Energy White Paper and the Ten Point Plan for a Green Industrial Revolution to ensure that sufficient resilience, and support, is provided to existing energy supply chains, and to keep critical infrastructure operating now and well into the future.

Q.2 How well does the draft Bill, as currently drafted, meet the Government's policy stated policy intentions?

7. While we are generally supportive of the measures contained in the Draft Bill and acknowledge that these may go some way to alleviate pressures in the fuels supply chain, we contend here that their implementation must be carefully thought out to ensure their effectiveness, as highlighted in our response below.

Q.3 Are the measures contained within the draft Downstream Oil Resilience Bill necessary and proportionate? Is the Bill necessary, given existing emergency powers under the Energy Act 1976 and the Civil Contingencies Act 2004?

8. Please refer to our response below (Question 6).

Q.4 How did the Government's 2017 consultation on Fuel Resilience Measures inform the draft Downstream Oil Resilience Bill?

9. Please refer to our response below (Question 6).

Q.5 Have the views of stakeholders been taken account of in the draft Downstream Oil Resilience Bill?

10. More generally, industry's views have been reflected in the draft Downstream Oil Resilience Bill. However, detailed points relating to interpretation and application, as raised in our original response to the consultation on the Downstream Oil Resilience Bill, will have to be addressed and carefully considered. These have been summarised below.

Q.6 Are the measures contained within the draft Downstream Oil Resilience Bill, appropriate, sensible and workable?

11. We are generally supportive of the measures contained in the Draft Bill and acknowledge that these may go some way to alleviate pressures in the fuels supply chain. The proposed measures (Directions for resilience or continuity purposes, Information, Restriction on acquisitions and Financial Assistance) may also positively contribute to existing measures in this space. However, we contend that their implementation must be carefully thought out to ensure their effectiveness. We submit the following observations:

a. Directions for resilience or continuity purposes

Regarding the control thresholds contained in Clause 3 Paragraph 6 of the draft bill, consideration should also be given to other parameters such as geographical location and importance to the local community and services.

b. Information

The means to gather data from businesses should utilise effective technology and, wherever possible, use existing systems.

We would encourage Government departments, through the Government Gateway system, to share and exchange information which is already collected for other purposes. There is a need to ensure that duplication of reporting is avoided – other schemes such as Downstream Oil Reporting System (DORS), Operation Escalin, National Emergency Plan – Fuels (NEP-F) and the future Network Information Systems (NIS) regulations have reporting processes in place, and these should be considered and incorporated into any wider scheme.

With regards downstream oil sector events, greater clarity is required regarding what activities would need to be reported. Industry currently manages supply outages due to planned maintenance activities (such as a refinery turnarounds) with no impact on supply. We would not wish to see incoming legislation require operators to report all maintenance and outages that could have the potential to impact supplies. Instead, this should only be confined to significant events, such as refinery turnarounds or major tank farm refurbishment involving substantial tank capacity outage.

c. Restriction on acquisitions

We generally support the concept of the “Ownership/Control Test” (as referred to in the consultation document); however, we would question how the level of intervention, as set out in the Draft Bill, sits with current competition law and if it could be interpreted as anti-competitive.

d. Financial Assistance

Whilst we are generally supportive of the measures as set out, we believe that Government should seek novel approaches to ensuring the sustainability of the downstream oil infrastructure. There are several areas that could be improved at minimum cost to help ensure longer-term viability of terminal operations in the UK, which is essential to safeguard future resilience in fuels supply.

Q.7 Do stakeholders have any other concerns about the draft Bill?

12. We have no other concerns regarding the Bill but refer the Committee to the comments above.

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