FACE AND FAITH

The 20 year history of the Hungarian Petroleum Association in a nutshell

Prior to the change of political system in 1989, we lived in a so-called planned economy. This meant, among other things, that the State decides who has the right to conduct certain activities. In the case of the oil industry, this led to two monopolies. The National Oil & Gas Trust (the OKGT in Hungarian) which had the exclusive right to almost anything from oil production through refining to the sale of products in Hungary. The latter word is very important, because all OKGT activities were limited to Hungary. The import of crude oil from the former Soviet Union and the export of products abroad were in the hands of the Mineralimpex Foreign Trading Company. Not very business-like, but it worked. Not smoothly, but it worked.

In the early nineties, the major international petroleum companies entered Hungary and started to operate in joint ventures in which the Hungarian partner was mostly ÁFOR, the retail part of OKGT and/or Mineralimpex.

Parliament fatally removed OKGT's production and domestic trade monopoly and that of Mineralimpex abroad in 1991 without drawing up relevant conditions for control. The situation thus descended into chaos. For the major international oil companies already present in Hungary it was clear something had to be done.

1991

On 13th December, 1991, 14 companies established the Hungarian Petroleum Association, namely

- AGIP Hungaria Co. Ltd.
- Allcom Trading Co. Ltd.
- Aral Hungaria Ltd.
- Avanti Co. Ltd.
- BP Oil Hungary Ltd.
- Esso Oil Filling Station Ltd.
- Kuwait-ÁFOR Ltd.
- Mineralimpex Foreign Trade Company
- Mobil-ÁFOR Ltd.
- MOL Plc.
- OMV-ÁFOR Ltd.
- Shell & Interag Ltd.
- Tamoil Hungaria Ltd.
- Total Hungaria Ltd.

Their intention was to protect and represent the general and specific interests of the oil industry and trade, to contribute to the creation of improved market conditions and to promote business ventures and trading on the basis of free and fair competition.

The Association was to be based on professional principles and on the initiation of excellent and reciprocal relationships with the appropriate authorities. Under its statutes, the Association was open: any industrial or trading entity operating in the Hungarian oil market might become a member, provided it accepted and abided by the Statutes of Association.

1992
On 17th February, 1992, the Court of Budapest registered the Association as a social organisation.

To start serious work, technical, economic and legal workgroups were established. Later on new ones were established but the principle remained unchanged: prepare answers to specific issues at a professional level in expert workgroups. The workgroups would then make proposals to the Association's Presidium or Annual General Meeting, but were not entitled to express opinions representing the standpoint of the Association to any outside body.

As there was obviously no compatibility between Hungarian and West European legislation, we entrusted Arthur Andersen & Co. to make proposals as to how to reconcile the acts, modify laws on obligatory stockpiling, set up revenue control, V.A.T. and local taxes, as well as to examine whether they met European Economic Community practices (the precursor of the European Union). The study stated that a bonded warehouse system should be established, since without it, wholesale trading activity – essential even to the operation of a future energy exchange – could not take place. Thanks partly to this study and to the momentum provided by our member companies, it became clear that there were issues with the security of supply so we started to set up an institution to handle strategic stocks and in the following year the Association of Crude Oil & Oil Products Stockpiling was established, ensuring strategic security to the country.

1993
In 1993 we were consulted about several draft provisions of legislation and our standpoints were usually taken into consideration, with the exception, however, of an act on excise tax which was of high importance to the oil industry and trade. Our main proposals were:
a) to make all petroleum products subject to excise tax with those not using them as fuel reclaiming the tax)
b) to permit communication of any activity involving petroleum products only if a guarantee for a considerable sum were provided. Had that been accepted, fraud causing losses totalling USD 1 000 million could not have occurred.
Thus 'diesel' would not have been created by blending untaxed petroleum with spindle oil. If a company were caught out by the authorities it could plead it had no money thus paying neither taxes nor fines. It should have been realised that fuel trading required an amount of capital at the very minimum to cover tax due on the goods.
The sale of a train of rail tanker cars loaded with fuel with a taxable value of HUF 100 million to a deposit company without any capital could not have taken place either. If the deposit company had provided a guarantee to the seller, it could equally well have done so to the State.

We were then and still are of the opinion that separate laws should have been framed for each product revenue group or at least one for oil and one for the other groups. We should have been granted such consideration, since every fifth forint of State tax revenue is to do with oil.

One of the key problems then was that to get a licence to trade in petroleum products only involved a simple registration procedure or even less. It is hard to believe that an undertaker with a sense of humour put down the address of the President of Hungary as the registered location of his company while someone else described a third floor flat as a storage tank. Both received their licences.

Fraud involving domestic heating oil (HTO) to be used as automotive diesel started up and quickly escalated. In a statement published in the daily papers, the Association called for a solution so that honest market players, who met the regulation, should not be at a disadvantage to competitors disregarding the law. (Technically the uncoloured diesel and the red-coloured domestic heating oil were of the same quality, but a higher tax was levied on diesel, while the latter had no tax imposed at all.) Later, a decree was passed which initiated the inspection of filling stations, supported by the Association with financial aid. We were able to proudly boast that no tainted diesel or gasoline was to be found at the filling stations of Association member companies.

1994

In 1994, to further ensure order in the marketplace, official inspections were instituted, supported by the Association with token funds. We contributed one million forint to support Customs & Finance Guard computer inspections and another million forint to support Consumer Protection Agency filling station control visits. The Ministry of Finance and the Ministry of International Economic Relations issued a joint decree permitting the import of revenue products with deferred payment of duty. It was usual, in those days in the EEC, that besides providing suitable guarantees, companies with a proven ability to meet all financial obligations towards the State, might pay duty only after the sale of goods. In Hungary, however, instead of such guarantees or blemish-free trading histories, a ‘certificate of reliability from the relevant trade association’ was required. As Hungarian legislation did not recognise such certificates of reliability, we protested against this even during the preparatory work of the statutory provision. Our Association did not issue certificates of reliability to anyone, not even its own members. Despite this anomalous situation, several companies were able to defer tax payments when importing fuel. What then happened was that many trains arrived in Hungary without State imposts being paid, after which both importer and goods “disappeared”.

1995

Fraudsters, by their very nature, were continually cooking up new scams. Bearing in mind the complexity of the tax law, the Association requested the imposition of two types of tax on fuels (revenue tax and VAT) – similar to EU practices and leaving it to the government to apportion levies thus collected.

Despite this, the following public imposts were imposed on the import of unleaded gasoline:

- consumption tax	HUF 41.6/litre
- product fee	HUF 2.0/litre
- statistics duty	3%
- customs surcharge	8%
- road fund tax	HUF 9.5/litre
- stockpiling contribution	HUF 1.144/litre
- customs duty	2%
- V.A.T.	25%

Thus tax was imposed in 8 guises and was regulated by several legally binding rules. Some of the taxes were determined in percentage terms while others were fixed amounts. In the latter case, the basis for tax calculation was sometimes value and sometimes volume. The situation was exacerbated by the fact that the different taxes were not due at the same time. So it could well happen that imported fuel arrived at a phantom company through the trading chain (while physically remaining in the same place), which sold the fuel on to an existing company since the road tax and the environmental protection product fee appeared to have been paid at customs clearance (it had to be paid only later) with the new buyer – referring to this – paying nothing. This situation remained until our proposal to simplify taxation was ratified – but only some years later.

The other big scam was “bleaching” domestic heating oil (HTO). HTO was practically the same quality as automotive diesel but was dyed red. Legislation prohibited it being fed into car tanks but it was much cheaper than un-dyed diesel since excise tax was levied on diesel but not on HTO. This misuse of HTO was most probably the greatest scam in the history of Hungary and that is saying a lot! The State lost tens of billions of forint in revenues even though the misuse was not kept secret, Parliament not being ready to do anything about it. In the end controls were set up and samples were taken from car diesel tanks. Unfortunately Hungarians are very ingenious people and the chemical destruction of Sudan red started up. Sudan red was the substance that made HTO red and it was destroyed by sulphuric acid. The colour disappeared but the sulphuric acid generated resin formations in the diesel which destroyed car fuel pumps. Of course innocent and not so innocent drivers went to the major oil companies for damages. Since no bleached HTO was sold at any of their stations, they paid nothing. In the end parliament imposed an excise tax on HTO equal to the excise tax on diesel and those genuinely using HTO to heat their homes got tax refunds. It now made no sense to abuse HTO.

1996
In 1996, the Association acquired a 10% share in the Petroleum Products Quality Inspection Company (ÁMEI) – which it still enjoys. This institution played a decisive role in the elimination of the black market and was regarded as independent because

the Stockpiling Association and the Petroleum Association were its owners and behind them stood all the players in the Hungarian marketplace.

Although there was now no point in misusing HTO, somebody realised there was no excise tax on lubricants and started to import diesel fuel under the name “lubricant”. Hungary’s real lubricant demand was around 100,000 tons a year. In 1996, when MOL Group was producing lubricants at full speed and the major companies were importing them, organised crime imported 500,000 tons of “lubricants”, a strange situation indeed. In reality, 500,000 tons of diesel were smuggled into the country. We managed to reach a solution to this problem in just two years but after entry to the EU, such imports became pointless.

1997

In 1997, the failures of car fuel pumps which occurred mainly in north-eastern Hungary caused serious problems. Examinations were carried out in parallel by MOL Group laboratories, the affiliates of the international companies and Budapest Technical University. By the end of the year, it was stated that this was caused by contamination produced by the sulphur compounds in virgin naphtha, delivered by pipeline. Subsequently, MOL did not pump gasoline via this pipeline any more and Tisza Refinery’s storage facilities and loading system were cleaned. Thereafter, such gasoline problems no longer occurred.

This year witnessed the high point of unleaded gasoline misuse, a fairy-tale, however, compared to HTO misuse, but it still had to be stopped. The “procedure” was as follows. Parliament wanted to promote the use of unleaded gasoline and the excise tax on it was much less than that on leaded grades. Tricksters started selling leaded gasoline under the name “unleaded” and made a lot of money on the tax difference. The standard only prescribed a maximum for leaded grades. The Association managed to change this situation and most probably it was one of those “hungaricums” that the standard for leaded gasoline contains a minimum lead concentration, as well.

1998

In 1998, there was a continuous decrease in world crude oil market prices. In December, a barrel of crude could be bought at below USD 10. As a consequence, domestic prices started to go down. Despite this, the Hungarian Motor Club declared several times that traders were making billions of forint in profits because domestic fuel prices had not reflected decreases in crude prices in the world marketplace. It took a lot of effort to make it clear to the general public that gasoline was expensive due to taxes imposed on it and that the oil companies were not manipulating the situation in order to increase profits.

An important event occurred in this year. To stop misuse of lubricants, in other words to stop the smuggling of diesel, an “environmental product fee” was levied on lubricants equal to the excise tax on diesel. One could get a rebate if the used oil generated from lubricants were collected and re-utilized. There was now no point in smuggling diesel meaning that an unexpectedly large sum of money poured into the empty environmental protection budget.

1999
In 1999, world market trends changed drastically. Crude oil prices touched bottom in February (USD 9.64/bbl), then began to increase continuously. By December they were over USD 26.0/bbl. This trend was observed in product prices, as well.

The range of available products turned 'greener'. The sale of leaded AB 98 gasoline was stopped. An advertising campaign preceded this move using print and electronic media and the distribution of almost a million leaflets at filling stations informing drivers that from 1st April there would be no leaded AB 98 gasoline on sale any longer. The lead-replacing additive would be centrally blended into Superplus 98. So drivers who were used to buying leaded grades were given a choice – either buy Superplus with the additive or Euronormal 91 or Europlus 95 gasolines with the additive to be sold at every filling-station shop to then be blended in by the drivers. By this measure, Hungary preceded many EU member countries in "greening" its motor fuels.

2000
In 2000, modification of the excise tax act created the possibility for genuine wholesale trading of bonded warehouse supplies, a competitively neutral situation with the definition of the liable debtor. It was also compatible with other regulations such as the 'fuel decree' and other decrees issued by the Ministry of Finance in connection with the act on excise tax. At the same time, it was still difficult to understand the fine print of the act. One statutory provision regulated all revenue products and the act was not only a tax law but also had to deal with trading issues. The Ministry of Economy and its predecessors had been framing the law on trading for 10 years..

It was debated, for example, even in the EU, as to whether petrocoke, derived from residue upgrading, was a co-product or a dangerous waste. As a result of mediation by the Association, we managed to establish that in Hungary it was considered a product. This was very important because a delayed coking plant had been started at Százhalombatta by this time.

2001
In 2001, a long overdue event occurred. In the first year of the new millennium revenue tax was not raised. Before, the Ministry of Finance had always said that due to inflation excise tax had to be "re-valued". In our opinion, inflation itself was heated up in this way. Fuel consumption increased but not to the expected extent since pump prices were over HUF 200.-/litre and many drivers could not afford it.

To increase State income, some Hungarian Customs & Finance Guard (VPOP) regional centres decided to levy a tax on surpluses as was still permitted by law. We managed to get the VPOP not to impose a 0.5% tax on volumes marketed during the examination period as well as a 1% tax on volumes measured in storage tanks (so-called "measurement uncertainty"). The centres were ordered to desist and to reimburse the unnecessarily paid tax to the oil companies.

It was in this year that we celebrated our 10th birthday and on this occasion our website (www.petroleum.hu) first appeared in Hungarian and English.

2002
At the beginning of 2002, filling station standards ceased and were replaced, using practically the same wording, by Ministry of Interior decree No. 2/2002. This was very necessary because the EU had earlier objected to the unnecessarily high number of compulsory standards in Hungary.

Changes were then announced in the field of standards. When Hungary became a full member of the European Standardisation Committee (CEN) at the end of 2002, each CEN standard then had to be nationalised within 6 months after the publication. Nationalisation meant that old standards would be withdrawn and new ones published in English with Hungarian prefaces, known as “approval publications”.

The head of the Association’s PR Workgroup and the Secretary General developed and published the “Oil Industry Glossary of Terms” on our website as information for outsiders. This compilation, consisting of technical, financial and commercial terms has enjoyed high traffic.

2003
In 2003, OMV bought Aral’s filling station networks in Hungary and Slovakia. Shell bought Total’s filling stations in Hungary as the result of a European deal between the two companies, Shell receiving some Total stations in France.

Due to higher tax levels in Hungary than in neighbouring countries, both for excise and value-added tax, some motorists started making their fuel purchases abroad. Whilst paying taxes in another country, they continued to use their cars in Hungary. This meant that part of the funds that would serve to improve and develop the road system and repair environmental damage simply did not flow into the national budget.

	Gasoline		Diesel	
	Total payments	**Difference vs. Hungary**	**Total payments**	**Difference vs. Hungary**
Austria	144,9	-8,48	106,4	-22,86
Croatia	145,1	-8,28	104,6	-24,66
Romania	91,7	-61,68	66,8	-62,46
Serbia	111,1	-42,28	70,5	-58,76
Slovakia	130,9	-22,48	121,4	-7,86
Slovenia	122,9	-30,48	108,3	-20,96
Ukraine	26,9	-126,48	17,4	-111,86
Hungary	**153,38**	**0**	**129,26**	**0**

Because of the high tax burden imposed on Hungarian fuel, the Association addressed a letter to the Minister of Finance on the matter. It also communicated through the media that, due to lower taxes and fees in neighbouring countries, sales at domestic filling stations were decreasing meaning lower revenues for the national budget. In the middle of the summer, the Ministry of Finance promised to lower the excise tax on diesel by HUF 5/litre but leaving the excise tax on gasoline unchanged. It also envisaged decreasing VAT from 25% to 23%. However, neither of these proposals were presented to Parliament when tax laws were amended that Fall.

Neither did we obtain an amendment to Government Decree No. 21/2001 on air protection. The decree stipulated that all filling stations had to be surrounded by protection zones of at least 50 metres. However, the point at which this 50 metre distance should be measured was not specified. Moreover, the still existing decree is unbalanced since it prohibits the construction of a filling station within 50 metres of an existing house but it does not forbid the construction of a house within 50 metres of an existing filling station.

2004

In 2004, the European Union was enlarged by ten new countries including Hungary. In connection with joining the EU, many questions were raised relating to the modification of practices to-date. For example, at the end of April, it was unclear who had to pay the product fee on lubricants after 1st May. It may be due to hugger-mugger lawmakers that a lot of mixed-up "acts" appeared covering many areas and containing some very strange things.

Thus, at the beginning of May, but dated 28th April, Act XXIX of 2004 regulating many fields was published. Section four obliged oil companies to pay for the security of power stations. Section five modified the payment of product fees but, due to unfortunate wording, it was simply impossible to pay them for lubricants deriving from EU countries between 28th April and 12th June because delivery from the EU was not technically an "import" any longer. After a month, the Act was modified with retroactive effect by Act XLVIII of 2004. Under it, product fees had to be paid by the first buyer of the domestic producer or by companies importing lubricants from EU countries. In the "transition period", domestic producers paying fees instead of first buyers had to write off all invoices issued after 18th April and point out to buyers that they had to pay the fees and then had to ask the State to rebate products fees paid "by mistake".

2005

In 2005, a strange situation occurred which exists to this day. Versus the 1973 and 1979 oil crises, the price of petroleum products was high, not because of high crude oil prices but the high prices of products pulled the price of crude oil up after them, the tail wagging the dog.

EU member states had to implement Directive 2003/30/EC on bio-fuels within national legislation by 31st December, 2004. After some delay, in March, 2005, a government decree was published which was basically a translation of the Directive with all its errors. For example, it prescribed that bio-gen content must be indicated if it exceeded 5% while the European standard forbade selling gasoline with over 5% bio-ethanol content and diesel with over 5% bio-diesel content. The Hungarian Parliament modified the Act on Excise Tax in such a way as to offer, from 1st July, 2007, a tax incentive on gasoline if it contained at least 4.4% by volume bio-ethanol directly blended or in the form of ETBE. In the case of diesel there was a tax incentive from 1st January, 2008 if it contained at least 4.4% bio-diesel by volume.

A regrettable event happened on 22nd April when the representatives of transport interests requested their members to tank-up abroad, if possible, due to the high price of diesel in Hungary. They furthermore announced that if the government did not reduce the excise tax of diesel by HUF 10/l by 17th May, they would boycott production and storage depots. Fortunately this did not happen.

We succeeded in settling two affairs with the VPOP (the Hungarian Customs & Finance Guard) in connection with sulphur content, in a positive way. The sulphur content of fuels had to be less than 10 ppm but the sulphur content of the additive used in two-stroke engine "mixture" was already about 1% (10.000 ppm), resulting in the mixture's sulphur content, representing 1-2% of total sales, being over 10 ppm. The other problem was that fuels were being sold through rubber tubes made by vulcanisation. If gasoline stands in a tube throughout the night and the next morning a sample is taken, its sulphur content shows the maximum permitted value. If before sampling in line with the relevant standard, at least 4 litres of gasoline flows through a tube, no such problem occurs. Therefore we requested that the sulphur content of the "mixture" not be investigated and that strictly standard sampling be applied. The VPOP accepted both proposals.

2006

A significant change happened in relation to strategic stocks. Under Act XXVI of 2006 on the future strategic stockpiling of natural gas, it was to be the task of the Association of Crude Oil & Petroleum Product Stockpiling to store natural gas. In line with the Act, Association Statutes were modified and as part of that, its name was changed to the Hungarian Hydrocarbon Stockpiling Association.

2007

Under strong pressure from some car importers, the E85 standard was defined (a gasoline-ethanol mixture containing 70-85V% ethanol). Its sale, however, was permitted without the condition that it could only be used in cars with engines designed for this fuel. E85 dissolves materials which are not dissolved by gasoline and in the incomplete burning of ethanol, a well-known carcinogen material, acetaldehyde, is produced, so E85 should only be used in cars catalysts.

2008

A very nervous year. It started with an historic event. On 2nd January the price of oil exceeded USD100/bbl in New York. Brent reached USD98/bbl in London on the same day. The price of crude oil grew continuously in the first half of the year. Brent reached a historical maximum on 4thJuly hitting USD144.2/bbl but thereafter turned into free fall and reached the minimum of USD33.6/bbl on 24th December.

Another saga also started both in the EU and in Hungary. In June, László Kovács, the EU tax commissioner, proposed to introduce a so-called "Robin Hood" tax. Its essence was that from the extra profits of the "rich" oil companies the "poor" i.e. the lowest consumer levels, might be supported. At the end of July, Italy introduced such a Robin Hood tax. Not much later, Hungary introduced a new tax defined by an act which was not officially an act on tax but on making remote heating more competitive. Our Association requested the Ministry of Finance to withdraw this proposal since it distorted fair competition, penalised effectiveness and performance (making investors lose confidence) and furthermore, it was not a proper way of solving a social problem. But the bill was passed by Parliament, nevertheless, that November.

But this was only a small problem. In Magyar Közlöny (the official government newspaper) the text of the act was published including the words “energy supplier” which, in our case, meant “the wholesaler of petroleum products having an excise licence”. The only trouble was that Hungarian legislation knows nothing of such a licence. Our Association immediately turned to the Ministry of Finance asking for a ruling on who should be considered taxable in the petroleum industry and what the basis of the tax was - each activity in the area or just those activities which were connected to the oil industry? No worthwhile answer had arrived by the end of the year. The Ministry merely wrote to us that “due to the complexity of the question emerging between the ministries concerned, patience on our part was requested until they could agree a united standpoint”.

2009
This was a significant jubilee year. 150 years before, oil appeared on the stage of history at Titusville, USA and within a short while became one of the formative factors of history. Unfortunately, there was no reason for great celebration due to the global economic crisis of 2009 from which the oil industry could not extricate itself with any ease. To meet state budget revenue targets excise and value-added taxes were raised considerably in Hungary.

In November, the Ministry of the Environment & Water (KöViM) invited 36 participants (local authorities, civil environmental protection organisations and concerned professional associations) to a meeting on the modification of the environmental product fee. Written proposals were requested prior to the meeting. Our Association was one of the few who responded. We repeated our objections, having asserted them for a long time: the lubricant product fee was too high. If it was not ready to reduce it, the Ministry should be allowed to use the “remaining” money only on solving environmental problems related to the oil industry. In addition, the possible ways of avoiding payment should be blocked. Since we could not achieve our goals at the Ministry for the Environment, we visited the Finance Minister and thereafter wrote him a letter in which the product fee issues were listed (among others, that the regulation could be avoided with the budget losing some two billion forint). The Ministry replied that it found the regulation to be perfectly in order.

As mentioned above, at the end of 2008, we asked the Minister of Finance for a ruling. After four months, in March, 2009, the answer arriving stating the Robin Hood tax was imposed on any company dealing in oil wholesale and that the tax would be imposed on all that company’s activities whether in connection with oil or not. One of the Association’s member companies proposed establishing an *ad hoc* workgroup with the aim of getting the act modified. As a first step, the workgroup would assemble all the act’s shortcomings and then invite representatives of other concerned fields to agree joint steps forward. The Hungarian Union of the Gas Industry did not attend (although it had promised to do so) and the Union of Hungarian Electric Energy Traders informed us that they did not plan to be involved in independent steps even though their members were impacted by the act to the same extent but, if others were intending to be involved, then they were ready to support the withdrawal of the act. As the largest oil company concerned proposed, in the meantime, that the Association should not itself appear as an initiator, the activities of the workgroup became pointless.

On 1st July, after a long period of “peace”, tax on fuel increased sharply. The excise tax on gasoline rose to HUF 109/l from HUF 103.5 while that on diesel went up from from HUF 85 to HUF 90.5/l. At the same time, VAT rose from 20 to 25 per cent. This meant that the increase of HUF 5.5/l in excise tax was topped up with HUF 15/l VAT (calculated on a HUF 300/l pump price) which was a retail price increase of HUF 20/l. Such a big price hike had never happened in the history of the Association. Parliament passed another act in addition which again increased excise taxes on 1st January, 2010.

2010

After the Robin Hood Tax of October, 2010, Parliament then passed bill on “extra tax levied on some branches of commerce”. The act affected our members as “energy suppliers” in a very disadvantageous way but, knowing the desperate economic situation of the country, they accepted it. Since the wording of the act was ambiguous, our Association asked György Matolcsy, the minister responsible, for a ruling on relevant points and after discussion with Ádám Balog, the Deputy Secretary of State, we outlined in a letter to him the parts of the extra tax only hitting the oil companies. We asked him to take our objections into consideration and modify the act. Furthermore we said that it would be reasonable to eliminate the Robin Hood Tax because energy suppliers were paying double extra tax which was at odds with the theory of “equal sacrifice” through taxation.

Then the Authority for Worker Protection made some comments on filling stations. Referring to the Minister of Health decree No. 26/2000, they wanted to make compulsory the construction of “black-white” dressing rooms. The Secretary General outlined the problem to the National Superintendence for Labour Affairs & Worker Protection (OMMF) and asked the President for a meeting with the representatives of the Association. No meeting was held, however, with just a letter being sent in which our attention was drawn to the estimated risk at filling stations. After studying the letter member representatives agreed with its point on health monitoring but could not accept the need to measure benzene emissions at each filling station. Since the quality of gasoline (less than 1V% benzene content) and the technology used (vapour recovery) were the same at every station, we recommended to the authority that rather expensive benzene emission measurements be limited to four throughput categories: below 1 million litres, 1-2 million litres, 2-3 million litres and 3+ million litres for stations both inside and outside inhabited areas. Such measures had been carried out by MOL Group in the recent past and they revealed that filling station personnel exposure levels were far below the permitted minimum.

In July, the Ministry of National Economy and the National Transportation Coalition Forum concluded an agreement. The latter undertook that members would tank in Hungary even if it were cheaper to do so abroad. They expected a 20 million litre growth in consumption with the resulting tax amount being given to parties impacted by floods. If this increase were achieved, the Government was ready to introduce so-called “commercial” diesel with an excise tax HUF 8/l less than that imposed on “normal” diesel, from 1st January, 2011. In the end the tax actually imposed was HUF 6.5/l less but many questions remained open. The Association proposed the authority rebate the tax difference only if the fuel buyer could provide verification of bank payments for fuels. Its aim was to avoid tax difference rebates for people who had not actually paid pay for fuel.

From oil industry's point of view, the nationalization of directives 2009/28/EC concerning enhanced use of renewable energies and 2009/30/EC about fuel quality were of great significance. Thus the Hungarian "bio act" (act CXVI, 2010) was developed but related regulation at lower levels was not ready by the end of the year. Earlier publication of the directives would have been of great help because if the Hungarian producer could not verify that production occurred in a sustainable way, the product could be sold in the marketplace in an unfair way and not in harmony with the directives.

2011

The year saw huge increases in retail fuel prices. At the very beginning of the year diesel cost HUF 351/l and gasoline HUF 361/l. By end of the year these figures had increased to HUF 417/l and HUF 395/l, respectively. Such increases had never been seen before. Behind all this was the continuously weakening forint versus the US dollar and, in the case of diesel, an increase in excise tax. Fuel sales reacted: the volume of diesel sold at stations slightly increased whilst that of gasoline decreased. In the case of gasoline, one can simply state that the higher price reduced demand and that E85 was much cheaper. The different behaviour for diesel can be understood. Firstly, due to the introduction of "commercial" diesel, secondly, whether diesel is expensive or not, the transport of people and goods cannot be stopped.

In 2011, there were two important anniversaries: on 1st October MOL Group and on 13th December the Hungarian Petroleum Association both became twenty years old.

This has been the 20 year history of the Hungarian Petroleum Association in a nutshell. There were, are and always will be issues to resolve. Of course, we cannot see what the future brings but, in short term, there are three key problems to be solved.

The first one is really only an interpretation of the law. The authorities consider technological errors at filling stations as cheating. This means if a tanker lorry is not fully discharged prior to reloading at a depot and 1% of gasoline remains in it and if it is then filled with diesel of perfect quality, the flash point of the resulting mixture will reduce by 20-25^{o}C. If some diesel remains in the tanker lorry and then gasoline is loaded there will be trouble with the end boiling point. The tanker lorry driver made the mistake in both cases. The resulting "mixture" then arrives at the filling station where it is discharged. The filling station personnel cannot control the quality. They only have the accompanying documents to go on. Taxation authority control officials then arrive, take a sample and state that it is not of standard quality and fine the filling station for the mistake. What is more, they state the quality established cannot be traced back from the documentation, so the volume of fuel in the underground tank had evaded taxation, in other words, was smuggled. They again impose a fine and close the station for 30 days even though the personnel is innocent. Whereas we do not want to protect people who deliberately cheat, we cannot accept that an innocent individual or legal entity is fined.

The second issue is an old, old story, too. For the time being, some people as well as oil company employees do not smuggle lubricating oils and do not want to. However, they are at a price disadvantage of more than one hundred forint per kilogramme, making it impossible to sell cheaper category lubes. After six years of effort, the regulation was finally changed on 1st January, 2012. Its effect on the marketplace is, as yet, unknown. We can just hope that smuggling will be stamped out. If not, we will have to look for another solution.

The third issue is air quality at filling stations. About ten years ago, we demonstrated to the authorities through tests that the concentration of benzene in the air at the average filling station was less than the limit dictated by Hungarian legislation. The authorities accepted this but then, one or two years ago, they had a new idea. They said that, under so-called EU REACH regulation, which forbids materials having a carcinogen concentration of more than 0.1%, the concentration of benzene in gasoline is higher so the minimum must be applied to black-white personnel changing rooms and special washing for work overalls. If we did not believe it, we were invited to consult with the petroleum associations of other countries. The authorities were simply unable to understand that the concentration of benzene in the air of filling stations is much less than 0.1%. We of course asked the petroleum associations of a few other countries more developed than us, and all of them answered that the introduction of REACH did not call for any change whatsoever in the operation of filling stations. We now have to find a solution for this “hungaricum” issue because, in other countries, benzene that is not emitted into the ambient air is not carcinogenic. In any case, we have to find a solution that is acceptable both to the authorities and the oil companies.

(Written by Dr. György Wilde, Secretary General)