HUNGARIAN PETROLEUM ASSOCIATION

MEMORANDUM
2021

Hungarian Petroleum Association
Presidium

Budapest, April 25th, 2022

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MEMORANDUM

on the activity of the Hungarian Petroleum Association int he year of 2021

2021 did not belong to the average era of the domestic oil industry. The complete year was accompanied by the COVID epidemic. Compared to the previous years just limitations of lower level were introduced, but even these measurements influenced the fuel market. adversely.
The real dramatic changes were, however, generated by the introduction of the magisterial price control on fuel by November 15th, 2021. The maximum price of 480HUF/liter of normal gasoline and diesel made the activity of the retail sector wasteful even in the time of its introduction. The continuously growing oil price (with exception of the first two weeks of December) generated bigger and bigger differences between the wholesale and retail prices.
The drastic intervention into the market processes brought more troubles to the surface and the new regulations aiming to solve them just deepened the troubles. The small enterprises operating stations became practically bankrupt. The import fell back in a dramatic way. The “gasoline tourism” was continuously increased both in the case of private cars and the vehicles taking part in the international transport. Until the end of the year the troubles were not reduced, and what is more the year of 2022 started with an even more chaotic situation.
The present memorandum introduces the economy of the HPA in 2021, the important fields of the activity of the association, the work of professional teams and of workgroups and the results reached in spite of the special conditions.

I. THE INTERNATIONAL CRUDE OIL MARKET

The short market overview is concentrated on two fields. Beside the quotation prices of crude oil in the world market it introduces the demand/supply statistics and prognoses of the IEA.

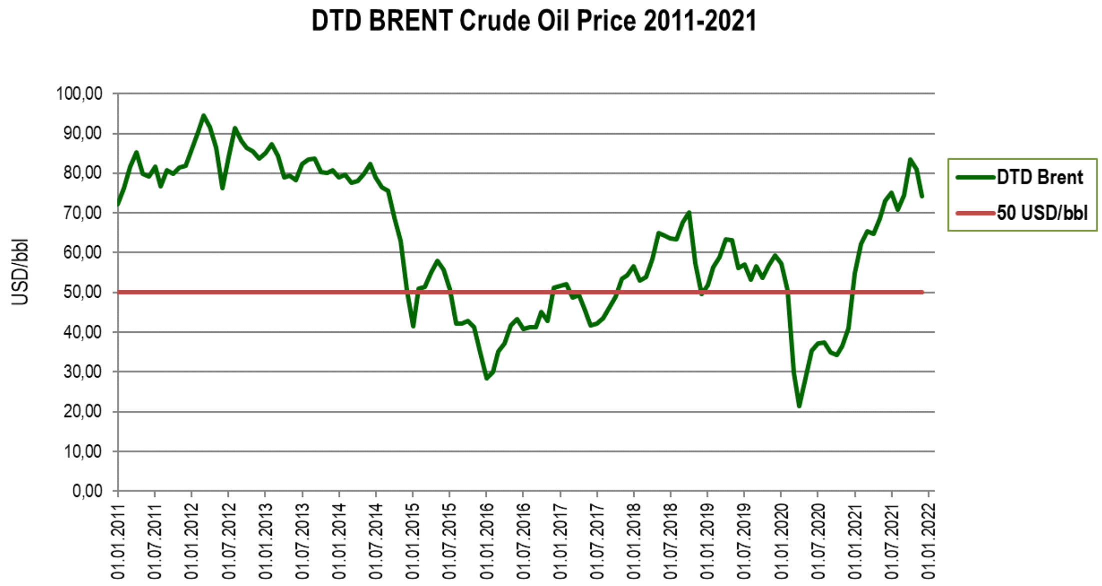
1. Crude oil

If one brings under a more accurate investigation the formation of the world market price of the BRENT crude indicative in Europe the following facts can be seen. The values of prompt market quotations being just a bit over 50 USD/bbl in January started to grow and reached the top (85.76 USD/bbl) on October 20th. Thereafter came a slight correction and as a consequence of it in the first two week of December the trading was even close to 70 USD/bbl. In the rest of the year, however, a new increase was observed that resulted the closing value on December 31st 77.24 USD/bb.

The limit value of 50 USD/bbl critical from the point of view of the stripped excise tax rate was under the BRENT price and has continuously shoved off from the beginning of the year, so the higher excise tax value was effective in the whole year.

Formation of BRENT crude price (authoritative in Europe) is illustrated in Figure 1.

Figure 1



source: IEA

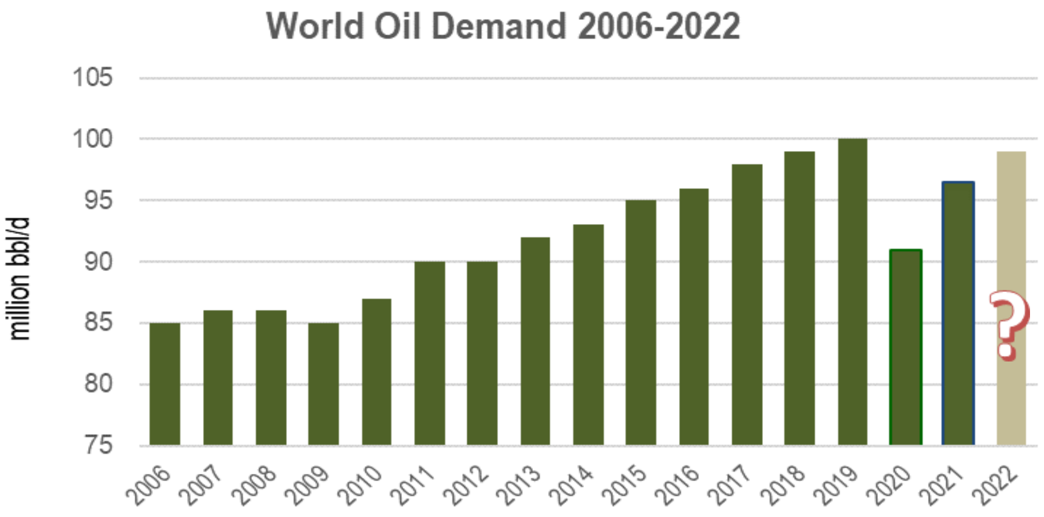
2. Demand and supply in the crude oil world market

The previous year cannot be called ordinary neither from the point of view of demand nor supply.

The international fallback of the world economy, caused by the COVID pandemic, generated significant oversupply. The whole year can be characterized by imbalance that was influenced on the one hand by reduction of demand and on the other hand by the extreme formation of prices.

The International energy Agency modified more times the prognoses on demand in the course of 2020 which was ended by 91 million barrel a day (mb/d) in the end of the year.

Figure 2



source: IEA

II. THE DOMESTIC SITUATION

The most important tasks and events of the work of the Association can be summarized in the following main chapters:

- news and statistics of the oil market (prices, rates, fuel and lubricant sales)
- the most important professional tasks (main activities of the workgroups)
- outstanding professional programs

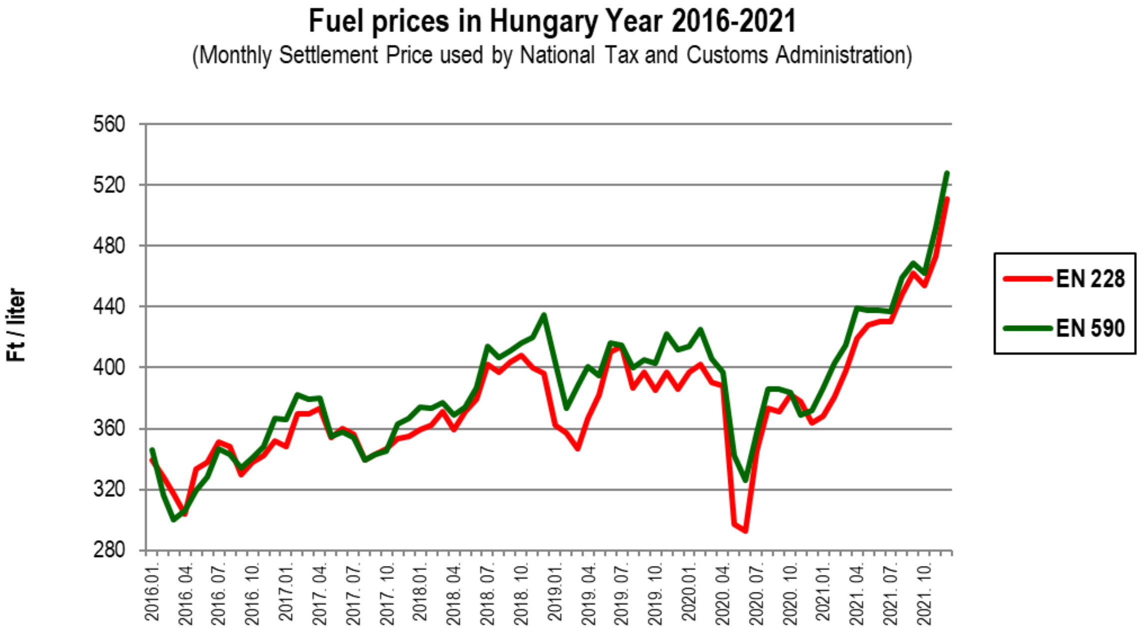
1. Oil market outlook

1.1. Retail sale of fuels

Formation of the domestic fuel prices. beside the quotation prices in the world market of crude oil as well as the European quotations of petroleum products are basically influenced by the exchange rates of forint/dollar and forint/euro (crude oil world market price and European product quotation prices). Their formation in the period of the latest four years are illustrated in the Figure 3.

The annual average rates were 303.3 HUF/USD as well as 358 HUF/EUR (in the previous year 290.7 HUF/USD and 325.4 HUF/EUR). Whilst in 2021 one had to pay for a dollar the minimum (283.9 forints) on February 8th, the maximum (329.8 forints) on November 30th, the rates of euro has the minimum (345.7 forints) on July 7th and the maximum (371,4 forints) on November 23rd.

Figure 3

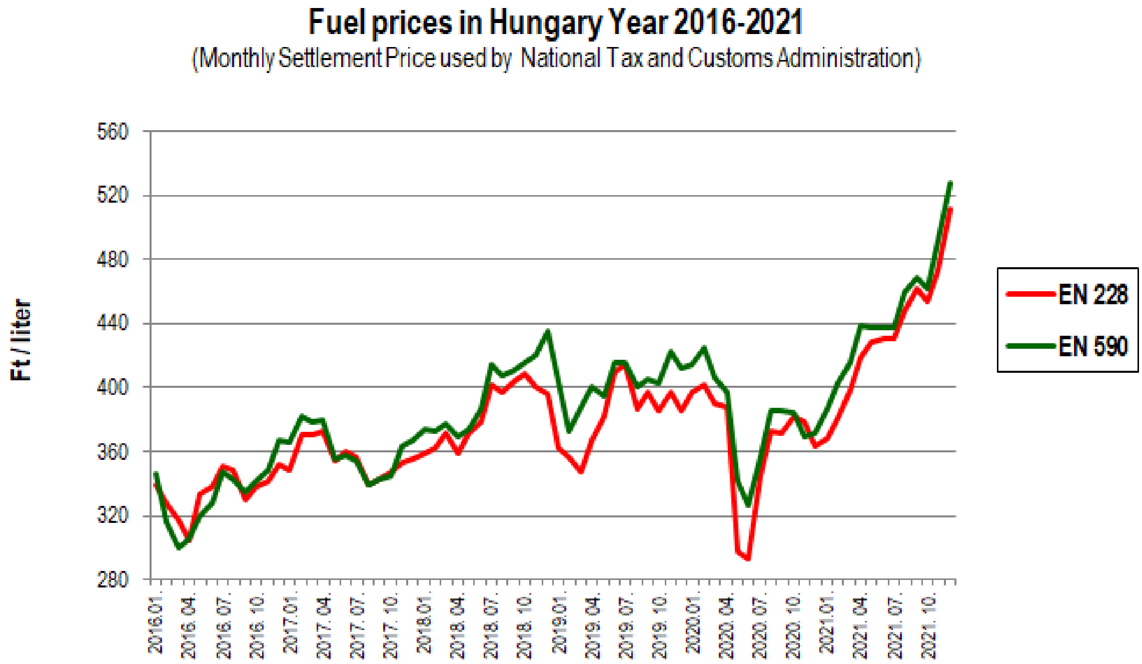


Source: National Bank of Hungary

Formation of the Hungarian retails prices for gasoline and diesel were decisively influenced by the steady increase of the crude oil in the world market as well as by the rates HUF/USD and HUF/EUR. The value of the excise tax was not modified in 2021.

On the changes of the average of retail prices (the official calculation price of the NAV National Tax and Customs Administration) in the latest five years, Figure 4 indicates values.

Figure 4



Source: NAV

In the year of 2021 the indicative price given by the NAV for gasoline (EN228) RON95 and for diesel (EN 590) was the lowest in January (368 and 387 forints/liter) and the annual maximum was reached in the case of both fuels in December (511 and 528 forints/liter). The method for calculation of the "NAV indicative price" may significantly differ from the real market prices.

The fixed retail price of the government (480 forints/liter) introduced on November 15th, 2021 appears in the NAV indicative prices just with a certain delay.

Investigating the data of fuel sales in the previous year it can be stated that, with exemption of the first quarter, the figures always exceeded that of 2020. Because the first three quarters of 2020 were the "peacetime" prior to the pandemics. From the second quarter both products were strengthened. In the second half of the year, one could more and more feel the absorbing effect of the increasing prices, in which just the introduction of the "price cap" brought changes. Application of the fixed prices repaired the intention of consumers that meant an extreme growth mainly in December on year/year basis.

If one studies the formation of retail sales of gasoline and diesel, it can be said that that the headway of premium fuels could be observed first of all in the case of diesel. The run-up of demand for premium gasoline was fallen back (because of the ethanol share) in 2020 and mainly due to the fixed price, that generated a price difference, it fell significantly back by the end of the year.

As a consequence, the sale of premium gasoline grades was reduced by 4.7% on year/year basis, in turn the sale of high-quality diesel products was able to enhance by 14.7% in spite of the fact that the share of cars, considered as primary market, is lower in this product group.

At stations operated by HPA members the quantities sold in the latest six years can be seen in the Table 1 (data in liters).

Table 1

Fuel retail sales data of the HPA members
2016-2021

	2016	2017	2018	2019	2020	2021	Change % 2020/2019
RON 95	1 242 389 999	1 267 555 912	1 324 339 972	1 370 400 360	1 069 001 811	1 132 297 875	5,9%
RON 98	3 384 333	242 892	202 724	-	-	-	-
Premium motor gasolines	63 769 755	83 431 559	93 804 756	116 124 932	314 621 481	299 886 991	-4,7%
Motorgasoline total	**1 309 544 087**	**1 351 230 363**	**1 418 347 452**	**1 486 525 292**	**1 383 623 291**	**1 432 184 866**	**-6,9%**
Diesel	1 896 272 205	1 923 342 167	2 107 304 329	2 211 092 711	1 973 077 748	2 083 251 407	5,6%
Premium diesel	151 840 600	194 630 270	198 706 269	222 321 888	257 781 994	295 618 879	14,7%
Diesel total	**2 048 112 805**	**2 117 972 437**	**2 306 010 598**	**2 433 414 599**	**2 230 859 742**	**2 378 870 286**	**6,6%**
Motorfuels total	**3 357 656 892**	**3 469 202 800**	**3 724 358 050**	**3 919 939 891**	**3 614 483 033**	**3 811 055 152**	**5,4%**

1.2. Sales by Fuelcards

The decisive share of fuels sales is realized by fuel cards. Investigating of statistical data of the HPA it can be named that the gasoline sales were strengthened (with exemption of the first two months of the year) so the steady increase since 2018 have been continued. The dynamism of diesel sales, forming the backbone of fuel sales was continued in the complete year.

The work of the segment is successful at any rate, because on year/year basis the increases can be experienced as follows: in the case of gasoline by 19.6%, in the case of diesel by 28.5% in the case of AdBlue by 205.3%.

The spectacular run-up of AdBlue sold via filler nozzle that appears in our statistic since 2020 can naturally be thanked to the ever growing use of the new product.

The accumulated volumes sold by the members of the association in the latest five years appear in the Table 2.

Table 2

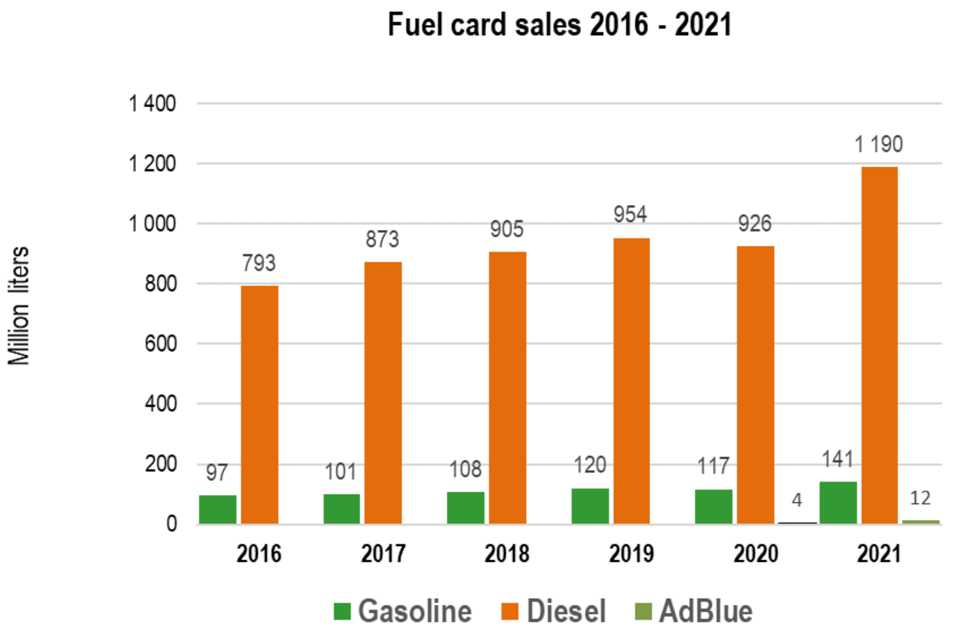
Fuel sales by card of the HPA members by product groups
2016 – 2021

	Gasolines						
	2016	2017	2018	2019	2020	2021	2021/2020
	Sales (liter)	Sales (liter)	Sales (liter)	Sales (liter)	Sales (liter)	Sales (liter)	Change (%)
01	6 819 588	7 201 435	7 994 906	8 504 790	9 731 838	9 316 105	-4,3%
01 - 02	7 408 667	14 306 785	15 703 892	17 192 177	19 800 491	18 877 221	-4,7%
01 - 03	7 912 754	22 724 636	23 721 140	26 863 219	28 312 819	28 593 372	1,0%
01 - 04	8 209 371	30 607 487	32 661 399	36 567 565	34 676 065	38 714 087	11,6%
01 - 05	8 562 081	39 850 948	42 496 493	47 201 813	42 896 358	50 584 409	17,9%
01 - 06	8 683 525	48 977 983	52 102 234	57 719 202	53 388 498	63 951 476	19,8%
01 - 07	8 253 753	57 645 997	61 524 932	68 429 514	64 896 789	77 298 473	19,1%
01 - 08	8 215 360	66 353 035	71 244 858	78 602 068	75 712 700	89 999 125	18,9%
01 - 09	8 354 512	75 147 348	80 699 490	89 218 951	86 477 842	103 351 088	19,5%
01 - 10	8 401 169	84 064 647	90 531 415	100 314 754	97 566 806	116 679 725	19,6%
01 - 11	8 176 841	92 737 290	99 949 642	110 708 007	107 710 144	128 974 817	19,7%
01 - 12	7 489 838	100 509 619	108 356 674	120 231 075	117 111 115	140 887 155	20,3%

Diesels							AdBlue		
2016	2017	2018	2019	2020	2021	2021/2020	2020	2021	2021/2020
Sales (liter)	Sales (liter)	Sales (liter)	Sales (liter)	Sales (liter)	Sales (liter)	Change (%)	Sales (liter)	Sales (liter)	Change (%)
54 472 715	61 692 292	67 075 188	71 303 933	73 330 043	83 793 823	14,3%	298 035	880 115	195,3%
59 511 748	122 261 600	133 476 598	144 078 687	149 302 398	172 560 064	15,6%	622 107	1 829 818	194,1%
63 784 883	194 821 890	201 841 923	223 915 855	226 796 239	273 814 819	20,7%	960 600	2 763 439	187,7%
66 698 823	260 805 922	275 798 677	303 568 541	292 045 444	369 602 256	26,6%	1 233 474	3 805 130	208,5%
68 017 619	336 616 339	356 014 192	387 101 094	363 327 007	468 434 833	28,9%	1 545 324	4 872 136	215,3%
69 817 194	410 373 626	435 178 640	465 732 107	442 600 105	575 096 436	29,9%	1 869 250	5 784 106	209,4%
67 872 439	483 106 971	515 277 461	553 330 558	526 883 070	681 575 720	29,4%	2 219 620	6 888 044	210,3%
69 250 154	560 811 380	596 206 267	632 109 175	602 689 917	780 236 192	29,5%	2 551 345	7 929 366	210,8%
70 804 281	639 649 094	675 443 832	717 375 343	688 801 274	887 206 734	28,8%	2 950 822	9 097 123	208,3%
69 659 585	722 134 562	759 998 156	806 734 958	777 514 826	993 572 419	27,8%	3 370 868	10 489 354	211,2%
71 608 145	805 023 253	840 106 614	886 908 352	858 098 433	1 098 859 288	28,1%	3 801 631	11 708 161	208,0%
61 148 498	872 998 039	905 224 526	953 363 816	925 981 162	1 190 087 596	28,5%	4 167 153	12 720 557	205,3%

Figure 5 illustrates well the existing dominance of diesel in sales by card.

Figure 5



1.3. Fuel market shares

On the basis of the statistics published in the homepage of the NAV at the station to be found in Hungary 1,796.3 million liters of gasoline and 3,417.3 million liters of diesel were put into circulation in 2021 against the 1,827.0 and 3,400.4 million liters of 2020. Consequently, on national level the retail sale of gasoline was reduced by1.7% whilst that of diesel was increased by 0.5%.

The growths registered in the case of HPA members exceeded the national figures in the case of both fuels (gasoline 3.5, diesel 6.6%). In the case of both fuels the growth exceeding the national average can be thanked first of all to the price fixed by the authorities. The independent stations lost the market advantage deriving from the lower price level.

In the latest months of the previous year significant extra sales were observable at stations along highways and in the neighbourhood of borders.

However, it can be deducted from the statistical figures that the combined share of the member companies is in the case of gasoline 79.7%, in the case of diesel 69.9% which, projected to the whole fuel vertical was 73.1% (these percental values considerably exceed the data for 2020).

The formation of distribution of fuel retail sale of gasoline and diesel since 2010 are indicated in the Figures 6 and 7.

Figure 6

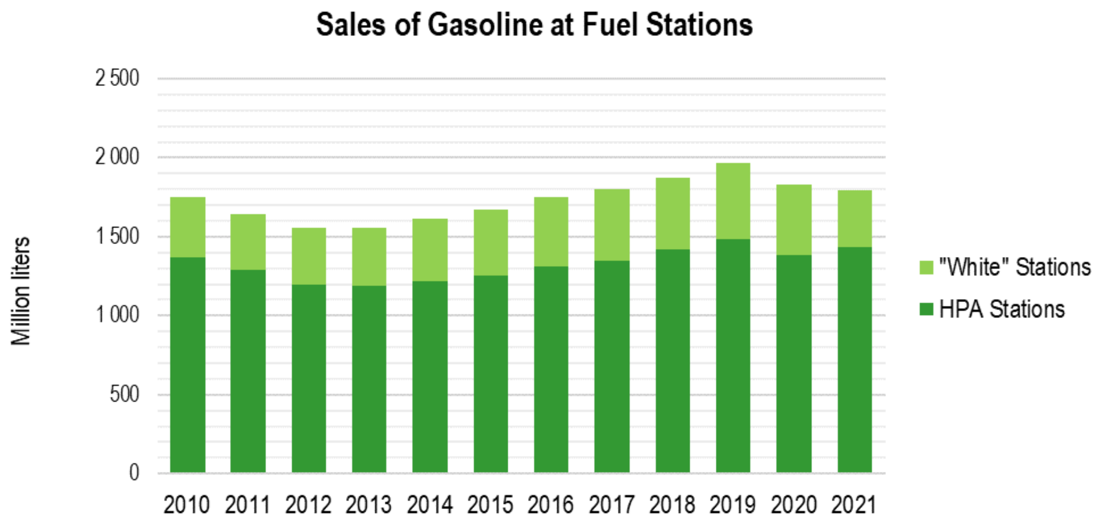
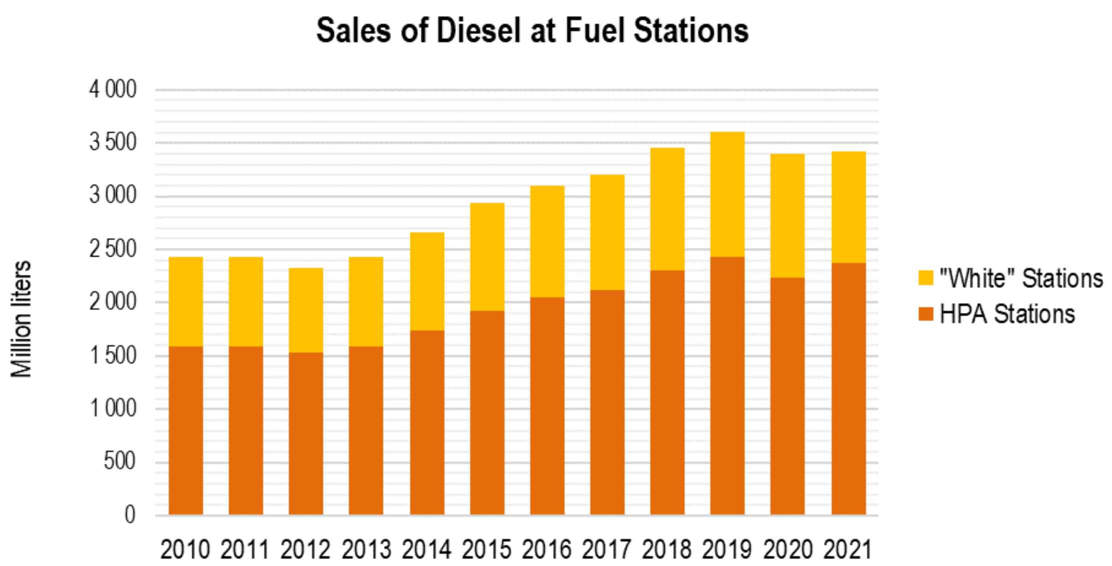


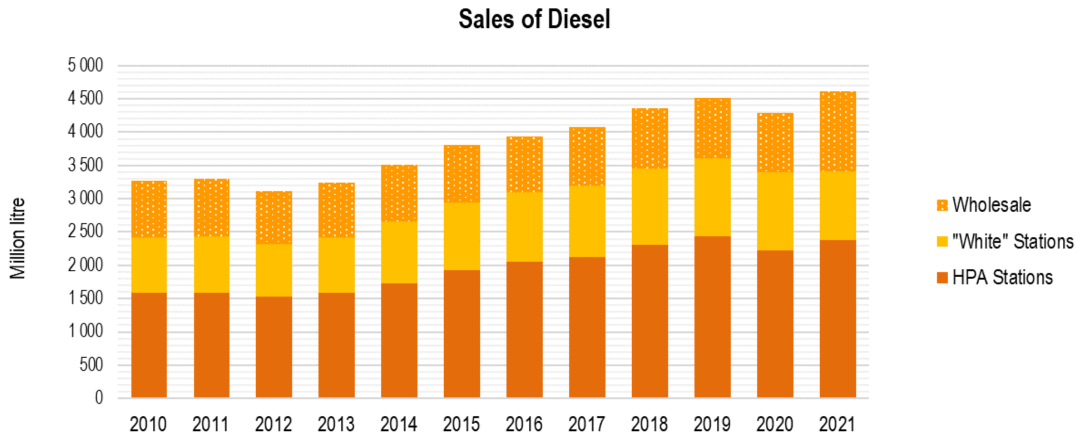
Figure 7



Furthermore, according to the data base, on national level in 2121 1,974.4 million liters of gasoline and 4,619.1 million liters of diesel were put into free circulation against the 1,849.4 and 4,290.2 million of 2020 which means an increase of 6.8% in the case of gasoline and 7.7% in the case of diesel.

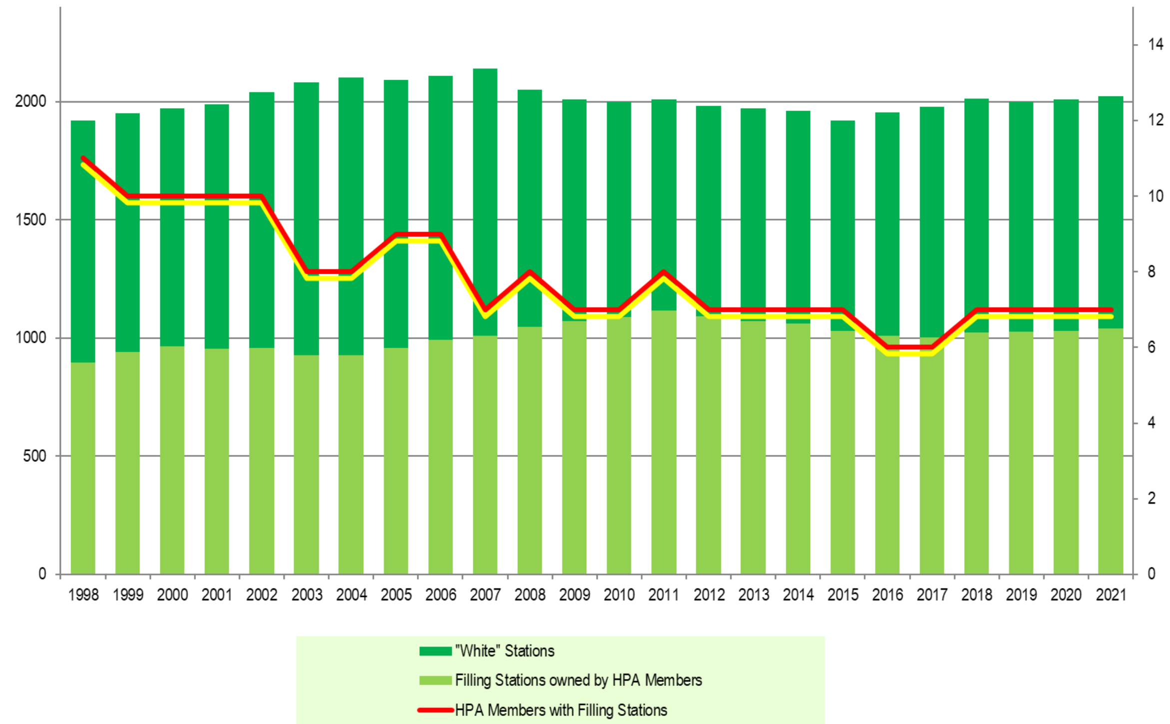
The presented figures firm that whilst the gasoline sold are practically put into circulation via stations (91.1%) in the case of diesel just 74% gets to stations and more than 25% is delivered directly to the big users (Figure 8).

Figure 8



The registration of the NAV indicates that the number of operating filling stations was further increased by the end of 2021. The share of stations operated by HPA members was grown (1,039 units) and increases the 50% (51.4%) which can be seen in the Figure 9.

Figure 9



1.4. Wholesale of lubricants

The data of the lubricant statistics can fulfil an illustrating role for market share in just case if the circle of data forwarders is stable at least for a period of one year. We further succeeded in realizing it in the latest year but it is true that the circle of data forwarders was changed compared to previous years. In supplying of data for the HPA lubricant statistics took part in 2021 four members (Lubexpert, MOL-Lub, Orbico, Total) and five external partners (ENI, FUCHS, GULF, LUKOIL, Prista Oil).

Table 3 summarizes in a detailed way the wholesale data of the most important product segments for the latest six years.

The evaluation of statistical data is encumbered by the fact that on the extent of the complete market there are no reinforced data at disposal. It means some help the co-operation agreement between the NAV and the HPA signed in February, 2020 which makes some magisterial data available. For the time being the Lubricant Workgroup looks for solution on the comparison of the NAV and HPA statistics based on different product groups as well as for possible modification of NAV grouping. The definition of the legal lubricant consumption is not easy even in itself but the measurable existence of grey and black economy makes almost impossible the determination of the real market size.

In the case of mainly VAT abuse of grey import the quality of the product is not exceptionable but the not payment of the environment protection product fee and a part of the VAT generates unrivalled advantage for the interest circles transacting such businesses.

In the mirror of the known statistical figures, it can be declared that that the market share of the HPA companies is determining in important segments mainly in the field of lubricants of high quality. The reduction of the quantity sold experienced in the latest year can be explained not by weakening of the market share but with partial fallback of consumption.

The HPA continues the steady co-operation with the competent organs of the NAV and looks for new fields where the common efforts could strengthen the further purification of the market as well as the headway of the legal players. The number of product cheating cases has been decreased without which the quality image of known grades cannot be preserved.

It is necessary to further initiate the investigation of product fee system because the tax content of lubricants (product fee plus VAT of 27%) are outstandingly high in the region which brings the legal market players in a significantly disadvantageous situation against the grey and black traders.

Table 3

The accumulated sale figures of the companies taking part in the lubricant statistics of the HPA 2016 - 2021

	Gategories of Products	2016	2017	2018	2019	2020	2021	2021/2020 surplus
				Quantity (kg)				%
1.1	Fully synthetic engine oils for passenger car and small commercial vehicle	4 077 326	4 811 817	5 575 033	5 921 913	6 289 450	5 889 924	-6,4
1.2	Semi synthetic engine oils for passenger car and small commercial vehicle	3 661 059	3 615 691	4 294 989	4 329 285	2 964 712	2 040 442	-31,2
1.3	Mineral oil based engine oils for passenger car and small commercial vehicle	784 064	847 170	779 709	795 818	557 809	499 807	-10,4
1.	**Sum of engine oil for passenger car and small commercial vehicle**	**8 522 449**	**9 274 678**	**10 649 731**	**11 047 016**	**9 811 971**	**8 430 173**	**-14,1**
2.1	Fully synthetic engine oils for commercial vehicle	852 408	796 104	975 791	1 226 614	1 242 469	1 282 902	3,3
2.2	Semi synthetic engine oils for commercial vehicle	1 461 429	1 810 249	1 838 821	1 939 684	1 903 634	1 868 804	-1,8
2.3	Mineral oil based engine oils for commercial vehicle	4 368 960	4 333 169	4 469 621	4 233 564	3 950 043	3 614 055	-8,5
2.	**Sum of engine oils for commercial vehicle**	**6 682 798**	**6 939 521**	**7 284 233**	**7 399 861**	**7 096 146**	**6 765 762**	**-4,7**
3.	**Sum of engine oils for motorbike**	**209 934**	**189 879**	**218 608**	**180 396**	**311 130**	**221 704**	**-28,7**
4.	**Sum of engine oils for other purposes**	**489 941**	**446 155**	**489 100**	**402 901**	**366 353**	**336 732**	**-8,1**
5.1	Gear oils for motor vehicle	1 365 215	1 581 922	1 692 772	1 732 228	1 759 600	1 508 216	-14,3
5.2	Automatic transmission fluids	479 925	494 333	545 359	943 554	910 977	712 261	-21,8
5.3	Gear oils for agricultural and other industrial vehicle	1 476 900	1 609 375	1 767 235	1 835 977	1 847 865	1 993 648	7,9
5.	**Sum of gear oils for transport purposes**	**3 322 040**	**3 685 631**	**4 005 366**	**4 511 759**	**4 518 442**	**4 214 126**	**-6,7**
6.	**Sum of hydraulic transmission oils**	**6 079 652**	**6 785 404**	**7 870 145**	**7 925 082**	**6 805 790**	**6 295 433**	**-7,5**
7.1	Gear oils for industrial purposes	1 018 974	1 197 119	1 179 215	1 292 635	1 216 169	1 239 292	1,9
7.2	Neat oils for metalworks	1 028 078	1 139 823	1 409 460	1 692 997	908 060	525 669	-42,1
7.3	Soluble oils for metalworks	506 196	630 509	692 698	841 705	626 547	489 389	-21,9
7.4	Machine oils for general purposes	1 083 006	1 275 124	1 360 326	1 185 256	813 489	740 265	-9,0
7.5	Turbine oils	545 392	416 827	572 384	546 864	663 109	365 211	-44,9
7.6	Compressor oils	508 565	548 450	562 380	550 751	530 688	468 495	-11,7
7.7	Insulating oils	214 224	210 687	307 236	382 794	300 189	431 802	43,8
7.8	Stable natural gas motor oil	466 053	465 238	510 316	513 208	512 758	489 218	-4,6
7.9	Process oils	2 267 980	2 258 285	2 276 810	2 188 500	1 761 120	1 784 119	1,3
7.10	Industrial oils for other purposes	646 750	618 216	578 490	588 998	671 477	794 439	18,3
7.	**Sum of Industrial oils**	**8 285 219**	**8 760 277**	**9 449 316**	**9 783 707**	**8 003 605**	**7 327 900**	**-8,4**
8.	**Sum of greases**	**1 016 513**	**1 076 165**	**1 162 681**	**1 365 861**	**1 272 492**	**1 171 086**	**-8,0**
	TOTAL INLAND SALES	**34 608 547**	**37 157 710**	**41 129 180**	**42 616 583**	**38 185 927**	**34 762 915**	**-9,0**

2. Organizational events

2.1. Number of members

The number of memberships of the HPA was reduced due to the clearing of an associate member (Prista Oil). On December 31st, 2021 the association had 11 ordinary and 4 associate members.

2.2. Ordinary general meeting of the Association on May 14th, 2021

The members of the association (by written decision-making, without meeting) accepted the report on 2020 and validated the business plane (budget) for 2021.

2.3. Proprietary role

The sale of shares in the ÁMEI Petroleum Product Quality Inspection Ltd were closed in 2019 the proprietary role of the association was limited in 2021 to the "Foundation for supply of Chemical Engineers in the Hydrocarbon Industry" established in 2007 for support of education of oil engineers and the and the institutions ensuring such qualification.

The primary aim of the foundation of public utility is to support the Pannon University (in the city of Veszprém) in education of chemical engineers especially in the faculty of crude oil and petroleum chemistry in order to help supply of experts in the treatment of crude oil and natural gas, in the processing and in production of petrochemicals.

In 2017 the foundation (preserving his name) was merged with the "Foundation for the Education of Engineers for the Oil Industry Realized at the University of Veszprém" in order to use the resources in a more effective way.

The education of engineers is of emphasized importance from the point of view of the petroleum industry so a lot of tasks had to be done by the board of trustees led by the secretary-general in 2021.

3. Main elements of the professional activity of the HPA

In the first ten months of 2021, in the centre of the professional activity of the association (as in each field of economy and everyday life) were the corona virus epidemics and its consequences. The methodical professional work was relieved obligate convenience for the daily tasks and challenges.

The practice of previous years, i.e., the personal meetings were (professional days, meeting of workgroups) was practically totally changed for video conferences.

The other outstanding task of the year was generated by the fixed price system on fuels introduced by November 15th, 2021. The newer and newer measures published in each week made the work steady within the organization in maintaining relation with both government and the authorities.

The EU harmonization tasks, the maintaining relation with international professional organizations were put into the virtual space for the COVID situation placed the European oil industry and the players of oil industry against a completely new challenge.

The coming chapters provide an overview on the workgroups, important tasks as well as on the results of solutions

3.1. Workgroups

3.1.1. Taxation

The work of this field was not made easier by the elimination of the NAV Central Control Excise Directorate. After the re-organization finished in the previous year the total connection system must have been rebuilt.

In the course of the year changes happened in the supreme leadership of the NAV which demanded the overview and modification of the NAV-HPA Co-operation Agreement signed earlier.

The regulation in connection with fixed prices affected numerous taxation tasks but the complexity of questions in the majority of cases demanded strong handling of affairs that was elaborated in extended negotiations by ad hoc workgroups in on-line form.

The stripped excise tax system finalized by approval of the HPA remained in force in the previous year, too and its operation remained smooth further. Just the calculation of the crude price, approved by the association appeared in the homepage of the NAV.

The association supplied via workgroups professional support for the authorities in the battle against “designer” fuels both in Hungary and on international forums. In this territory the activity have been continued in spite of the extraordinary circumstances.

The formerly elaborated figures, deriving from the authorities (NAV Excise Directorate) in monthly regularity, arriving as “special” customs tariff numbers for volumes putting into free circulation of fuels, as supplementary statistics were at our disposal from the beginning of the year.

When the co-operation agreement was put into force the data delivery was extended to the territory of lubricants. In the previous year it was started the procession of data, and the interleaving with the inner statistical categories of the NAV.

In general, it can be said that the co-operation of the association and the authority is exemplary in almost each filed.

3.1.2. Legislation

The most important task of the workgroup is preparation and updating of the documents for operation of the association.

On the basis of the decision of the HPA presidium it was started the fully comprehensive overview of the statutes of the association aiming at the organizational extension (that most probably would affect the membership of association and the field where the profession is represented) in order to generate the legal conditions and in the same time the leading and controlling subsistence of he of the founder as well as of the leaders of the primary profile (oil industry, fuel trade).

The criticism on the execution of decisions of the government remaining in force in the extraordinary legislation made often necessary the prompt activity of the legal workgroup.

Each branch of the professional representation of interest demand high quality legal support, without it the criticism of regulations and proposals for the modifications cannot be thinkable. It was especially true in the course of processing and interpretation relating to the fixed prices.

The workgroup elaborated the timely modification for the statues of the HPA that was approved by the presidium and an extraordinary general meeting on January 14th, 2020 put it into force.

The legal workgroup was continuously in co-operation with the Taxation and other workgroups in the latest year, too.

3.1.3. EU integration tasks

Many elements of the association in the previous year were in connection (directly or indirectly) to this workgroup in the fields of preparation and realization of the technical, environmental and legal harmonization and data delivery obligations deriving from the EU membership.
The following fields were affected by new EU legislation or by its nationalization:

- fit for 55
- directive of the European Parliament and the Council2009/28/EC on the promotion of the use of energy from renewable sources
- directive of the Council 2015/652 on definition of determination of the requirements on the calculation method and report on the quality of gasoline and diesel fuels defined by the directive of the European Parliament and the Council 98/70/EC (attachment 7A).
- the directive 2014/94/EC of the European Parliament and Council on the formation of the infrastructure of alternative fuels
- modification of the Council directive 2008/98/EC on wastes (collection and re-utilization of used oils)
- directive of the European Parliament and the Council 2015/1413 on the quality of gasoline and diesel fuels and on the modification of the directive 2009/28/EC on the support of energy produced from renewable energy sources
- REACH and relating and relating regulations

3.1.4. Lubricants

Within the association the activity of the lubricant workgroup covers a territory developing dynamically and operating according to special points of view.

In the latest year the workgroup was thickened by five companies (KITE, Lubexpert, MOL LUB, Orbico and Total) for Prista Oil indicated his intention on secession in January.

The modified, new statistical system structures correctly the present market product groups. Although fluctuation of data suppliers was reduced, but to realize a frame stable for years is almost impossible. Nevertheless, new members have joined, we managed to assure that the statistical work could be based on annually constant database, i.e. on constant circle of data suppliers. As a consequence of it the association can ensure more reliable data for the members selling lubricants.

For the time being external suppliers are: ENI, Lukoil, Prista Oil, Fuchs, Lubricant Gulf.

The really serious problem has been the definition of the size of the real domestic market. The calculation of market size based on net product fee payment has not been passable due to lack of fundamental data. Our request aiming at it and sent to the NAV has not been fulfilled. It is a problem to be solved to find the way for definition of the real market figures, because just in this way can be placed the data coming from statistics. A significant advance was reached in the NAV-HPA Co-operation Agreement, signed in 2020, that contains data supply.

One of the most important tasks was in the previous year the integration of data sets having different bases that is most probably soluble in co-operation with the authorities.

A steady agenda is the fight against the players of black and grey markets.

It is a huge advantage in the competition for the correct market players the even regionally outstanding product fee and tax obligations which unfortunately generates a greenhouse for the grey import (i.e. when legal lubricant is brought from an EU country that was taxed there). Even in this field the co-operation with the competent authority has been continued. The successful criminal work resulted in spectacle procedures and as its consequence the role of the companies operating legally was grown mainly in the field of motor oils of high value.

It has been in the agenda the looking for co-operation with the market players in exchanging of information and in the statistical data supply.

3.1.5. Fuel statistics

Founder of the association were companies having retail activity and station network.

The summarizing statistics on number of stations, on volumes sold and on sales in shops are practically coeval with the organization.

The number of companies taking part in the workgroup remained steady in 2021 (MABANAFT, MOBIL PETROL, MOL NORMBENZ, OMV, SHELL) and the data collected so, are more valuable because they derive from a uniform base.

The system of collected data was not changed in 2021 although the workgroup investigates the possibility of modifications in each year.

Keeping the deadline for data supply is acceptable, but it must further be strengthened for in this field is the most important the quick disposal of statistical figures.

Considering the risks of data handling there is no advance in setting the data supply system into the internet surface. The member companies say the present practice means less risks even if its operation is less effective.

3.1.6. Fuel Cards

More and more member companies operating filling stations deal with maintenance of the fuel card system.

The processing of statistical data has been done permanently. Difficulty may be generated at keeping of the deadline for the data delivery from time to time although even in this field the fresh data are important for each company. On modification of the data supply system, it is valid what was formulated earlier.

Since the previous year the list of products appearing in the statistics was extended and the companies supply data on AdBlue’s sales (via noddle).

Negotiations were started with the biggest card emitters on statistical co-operation and in this year the card sale figures contain the data of UTA, DKV and EUROWAG whose admission as members are in progress.

The fixed price system touched the card business heavily. The members of this workgroup took often part in the meetings of ad hoc committees for the problems of this territory cannot be handles separately from the difficulties of filling stations.

The co-operation was started with the department against the cheating with money and cards of the National Investigation Office in order to the more effective scouting on misuses by cards.

3.1.7. Alternative department

This committee preparing the new structure of the HPA was founded and worked diligently in 2021. They prepared the list and schedule of tasks and finalized its promotion material.

Unfortunately, the tasks deriving from the official price control introduced in November, and the chaotic conditions in the oil market as well as re-structuring of market player groups played down the urgency for establishment of the alternative department. In the present situation it will be necessary the review and re-scheduling of the conceptions.

3.1.8. „PR"

The workgroup dealt in emphasized way with the information tasks relating to the structural reform of the HPA as well as communication questions of the magisterial prices.

3.1.9. Security of stations

The security of stations has been improved. The combined data in the case of every crime showed a reducing tendency in 2021.

Attacks reported the HPA in 2018 - 2021.

	2018	2019	2020	2021
Experience for burglary	0	0	1	0
Burglary	2	0	0	0
Experience for robbery	0	0	0	0
Robbery	0	0	0	0
Experience for armored robbery	1	0	0	0
Armored Robbery	0	1	0	1

3.1.10. Product quality

The latest year gave the workgroup considerably less task than in earlier years. Neither Hungarian nor in international standards were changed.
In the present year the re-conciliations must be continued on the production of advanced bio fuels and on their blending rules.

3.1.11. Environment, health, safety of stations

The workgroup decided in 2019 to stressfully separate in his activity the questions of environment and health from the safety of stations and in its frame independent heads are elected for control of both tasks of the two territories.

In 2021 there was no change but modifications of legislation in the latest two months generated challenges mainly from the point of view of safety of stations, regarding to the significantly increased international traffic, the introduction of quantity control and to the various accesses (high pressure nozzles).

3.1.12. Storage, tank technics

It was further on the agenda to receive certain activities from the Hungarian Association for Tank Technics and Pressure-keeping Devices. Reconciliations had been started on initiation the necessary technical background for starting educational activity of our association of his own, but due to the growth of ad hoc tasks it was played down.

In 2019 was established the Storage Workgroup that defined a broader list of tasks as activities to be executed.

It can significantly support the professional work that the representatives of the HPA worked in 2021 in the Special Technical Committee for Storage Tanks (HEXUM Tartálypark Zrt.) and in Special Technical Committee for Pressure-keeping Devices (MOL Nyrt).

3.2. National Co-operation

The HPA as an association for representation of interest co-operates closely with numerous similar organizations in the field of preparing legislation and representation of interest.

The most important partners are:

MAVESZ	Hungarian Association of Chemical Industry
MPE	Hungarian "LPG" Association
MMSZ	Hungarian Polymer Association
ANK	Motorist Great Coalition
MGE	Hungarian Vehicle Importers Association
MKFE	Hungarian Association of Road Transporters
MBT	Hungarian Bioethanol Association
MSZTT	Hungarian Association of Alcohol Industry and Product Council
MLSZ	Hungarian Leasing Association

3.3. International relations

It is a decisive part of the activity of the association, too the international representation of the Hungarian petroleum companies which is realized by active participation in the work of European professional associations and other organizations.

The HPA is a member of FUELSEUROPE an organization thickening the European petroleum companies and within it the NOIA that thickens the EU petroleum associations.

Furthermore, the HPA is in connection with other organizations like

UEIL Union of the European Lubricant industry
UPEI Europe's Independent Fuel Suppliers

In the previous year the work was darkened even in this field by the COVID epidemics, but it became of extreme interest the settling of the international challenges due to the continuously increasing oil price.

The important international events, professional discussions were held in video conference form in 2021, too.

The most serious task of the year was the help to be given to the European professional organizations with statistics and background information at their negotiations with the EU Committee (data on fuel consumption, share of biofuels, summer/winter quality change).

3.4. Professional events

The outstanding domestic and internal events of the previous year are summarized in the chapter bellow.: The outstanding programs in Hungary and within the association were as follows in chronology.

3.4.1. EKR (energy efficiency)

The most important duty in the first half of 2021 was the practical execution of the Energy Efficiency Commitment System (in Hungarian abbreviation EKR) an act that was extended to the fuel marketing activity.
In the course of the work the representatives of the association met numerous times on-line with the representatives of the law-making (ITM) and the law executing (NAV) authorities, and on organized forums with the heads of other touched industries, too.

3.4.2. Round table with the authorities

The traditional organization of the National Directorate for Disaster Protection became a "victim" of the epidemics, too. The two leaders of the authority, Zoltán Góra director and Judit Mógor deputy director have sent written materials to the regular participants of the earlier meetings, among other to the HPA.

3.4.3. NAV-HPA professional day I

In the building of the NAV on June 10th, 2021 the representatives of the HPA with Ágnes Sinkáné Csendes, leader of the taxation directorate in the re-structured Central Control of the NAV and they discussed the further possibilities for professional co-operation as well as he conception of the two organizations on the joint work in the future.

3.4.4. NAV-HPA professional day II

The criminal deputy director of the NAV, Péter Zámbó held a lecture in the building of the OM on July 22nd, 2021 on the realignment of the criminal territory as well as timely questions were discussed on possible trends of the NAV-HPA co-operation.

III. ECONOMY OF THE ASSOCIATION

The main frame figures of the economy of the association in 2021 are fixed by the budget that was approved by the Presidium of the HPA without personal meeting by written voting [number of decisions: 2/2021 (05.25)].

The principles of the economy of the association, the strict and cost-effective operation prevailed in the previous year, too.

Despite the extraordinary epidemic situation, the association met each earmarked task for 2021 in a way that in the case of every relevant cost group remained within the planned numbers whilst the incomes of the organization were formed according to the plans.

Beside the balance finalized according to the accounting regulation, a cash-flow based financial summary was prepared containing the real incomes and expenditures of the operation and its detailed elements are to be found in the Attachment 1. (Figures in thousand forints, thHUF)

1. Incomes

1.1. Membership fee

As after preparation of the budget plan neither member nor new associate member joined, the income from membership fee was formed in harmony with the targets (34,800 thHUF)

1.2. Amount brought forward

The economy of the association in 2020 was ended with a surplus of 55,348 thHUF

1.3. Interests

Regarding to the situation of the financial market a very modest income from interest was planned and was realized for the sums of the current account, but after the files in public papers (on the basis of prescriptions on public accountancy) interest income was separated in the balance The two items are 541 thHUF combined.

1.4. Sale of tangible assets

In harmony with the plans no tangible asset were sold in 2021.

2. Expenditures

2.1. Expenditures of personal character

Wages and allowances of the two employees of the association as well as affixes on them were lower than planned. This row has been encumbered with ad hoc engagements.

2.2. Operational costs

The operational costs of the association were realized basically in harmony with the plans.
Rent of office:
The agreement with the OPAL Ltd was resigned and the office of the association moved to the Lurdy building. In the row of “rent of office” appears as surplus cost the caution for three months that we had to transfer to the lessor.

Vehicle:
The leasing system started in February 2018 meant higher annual cost but by its application the financially hectic situation due to the buying of a new car, was eliminated. The home office and the limitation of travels reduced the annual fuel consumption.

Recruitment of equipment:
The agreements with the HEXUM Group (and its successor) on services ensures the important elements for operation of the office so in 2021 no significant recruitment was necessary (regardless to some stationery of small cost).

Post and phone:
The transgression of the planned figure was due to the cost of transfer of the line phone of the association (new cables within the building).

Conferences and events:
This row basically contains the representation costs of the emphasized events and important meetings of the HPA. In the previous year the planned jubilee event "The HPA is 30 Years Old" was postponed due to the epidemic situation.

Membership fees in other organizations:
It contains the annual fee for the membership in the Hungarian Standardization Institute.

Books, standards and journals:
It was not necessary to buy a new standard in 2021.

Banking costs:
After the change in bank handling the current account (old: CIB, new: Raiffeisen) with the unchanged circle and extent of services resorted was formed properly.

2.3. Services

The association needed the following services:

- legal representation
- book-keeping
- statistics
- WEB site/informatics

Cost of each services resorted was formed as planned.

3. Surplus

As outcome of the costs under the plans and incomes according to plans the association finalized the economy of 2021 with higher surplus (**57,129 thHUF**) than expected.
The HPA like (like all the other organizations having double entry-keeping) is obliged to elaborate simplified report which is enclosed to this document (enclosure No. 2).

Enclosures:

Enclosure No. 1	Incomes and expenditures 2021
Enclosure No. 2	Simplified annual report of the HPA (sent as a separate document)
Enclosure No. 3	Complementary attachment (sent as a separate document)

Attachment 1

Incomes & Costs
Year 2021

		Planned	Estimated	Fulfilment
I.	**Incomes**	**thHUF**		**%**
1	Membership fees	34 800	34 800	100
1.1	- Members	33 000	33 000	100
1.2	- Associate Members	1 800	1 800	100
2	Brought forward (from previous year)	55 348	55 348	100
3	Interest	150	541	361
4	Tangible asset sales	-	-	-
	Total Incomes	**90 298**	**90 689**	**100**
II.	**Costs**	**thHUF**		**%**
1	Personnel Costs	26 500	21 651	82
1.1	- Gross wages and taxes	26 000	21 636	83
1.2	- Travel expenses	500	15	3
2	Operational Costs	9 900	9 008	91
2.1	- Office rent	4 500	4 960	110
2.2	- Office stationery	400	486	122
2.3	- Car related costs	3 200	2 767	86
2.4	- Acquisition of devices	500	-	
2.5	- Postage, phones	500	588	118
2.6	- Conferences, events, representation	500	132	26
2.7	- Membership fee in other organizations	200	75	38
2.8	- Books, standards, and journals	100	-	
3	Services	3 370	2 739	81
3.1	- Lawjer	1 000	629	63
3.2	- Book-keeping	850	847	100
3.3	- Home page	520	560	108
3.4	- Cleaning	1 000	703	70
4	- Bank costs	300	162	54
	Total Cost	**40 070**	**33 560**	**84**
III.	**- Surplus**	**50 228**	**57 129**	