

## **IEP AGREEMENT**

Explanatory Note:

Set out below is the text of the IEP Agreement of 18 November 1974, as amended to the present time, with particular reference to amendments to Article 62.

Subsequent to signature by the original Member countries indicated at the end of the Agreement, the following Member countries acceded to the I.E.P Agreement: Australia, Czech Republic, Finland, France, Greece, Hungary, Korea, New Zealand and Portugal.

Norway participates in the Agency as a Member under a special agreement.

The Commission of the European Communities also takes part in the work of the Agency pursuant to the Supplementary Protocol No. 1 to the OECD Convention.

## AGREEMENT on an INTERNATIONAL ENERGY PROGRAM (As amended)

THE GOVERNMENTS OF THE REPUBLIC OF AUSTRIA, THE KINGDOM OF BELGIUM, CANADA, THE KINGDOM OF DENMARK, THE FEDERAL REPUBLIC OF GERMANY, IRELAND, THE ITALIAN REPUBLIC, JAPAN, THE GRAND DUCHY OF LUXEMBOURG, THE KINGDOM OF THE NETHERLANDS, SPAIN, THE KINGDOM OF SWEDEN, THE SWISS CONFEDERATION, THE REPUBLIC OF TURKEY, THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, AND THE UNITED STATES OF AMERICA,

DESIRING to promote secure oil supplies on reasonable and equitable terms,

DETERMINED to take common effective measures to meet oil supply emergencies by developing an emergency self-sufficiency in oil supplies, restraining demand and allocating available oil among their countries on an equitable basis,

DESIRING to promote co-operative relations with oil producing countries and with other oil consuming countries, including those of the developing world, through a purposeful

dialogue, as well as through other forms of co-operation, to further the opportunities for a better understanding between consumer and producer countries,

MINDFUL of the interests of other oil consuming countries, including those of the developing world,

DESIRING to play a more active role in relation to the oil industry by establishing a comprehensive international information system and a permanent framework for consultation with oil companies,

DETERMINED to reduce their dependence on imported oil by undertaking long-term co-operative efforts on conservation of energy, on accelerated development of alternative sources of energy, on research and development in the energy field and on uranium enrichment,

CONVINCED that these objectives can only be reached through continued co-operative efforts within effective organs,

EXPRESSING the intention that such organs be created within the framework of the Organisation for Economic Co-operation and Development,

RECOGNISING that other Member countries of the Organisation for Economic Co-operation and Development may desire to join in their efforts,

CONSIDERING the special responsibility of governments for energy supply,

CONCLUDE that it is necessary to establish an International Energy Program to be implemented through an International Energy Agency, and to that end,

HAVE AGREED as follows:

*Article 1*

1. The Participating Countries shall implement the International Energy Program as provided for in this Agreement through the International Energy Agency, described in Chapter IX, hereinafter referred to as the "Agency".
2. The term "Participating Countries" means States to which this Agreement applies provisionally and States for which the Agreement has entered into and remains in force.
3. The term "group" means the Participating Countries as a group.

## Chapter I

### EMERGENCY SELF-SUFFICIENCY

#### *Article 2*

1. The Participating Countries shall establish a common emergency self-sufficiency in oil supplies. To this end, each Participating Country shall maintain emergency reserves sufficient to sustain consumption for at least 60 days with no net oil imports. Both consumption and net oil imports shall be reckoned at the average daily level of the previous calendar year.
2. The Governing Board shall, acting by special majority, not later than 1st July, 1975, decide the date from which the emergency reserve commitment of each Participating Country shall, for the purpose of calculating its supply right referred to in Article 7, be deemed to be raised to a level of 90 days. Each Participating Country shall increase its actual level of emergency reserves to 90 days and shall endeavour to do so by the date so decided.
3. The term “emergency reserve commitment” means the emergency reserves equivalent to 60 days of net oil imports as set out in paragraph 1 and, from the date to be decided according to paragraph 2, to 90 days of net oil imports as set out in paragraph 2.

#### *Article 3*

1. The emergency reserve commitment set out in Article 2 may be satisfied by:
  - oil stocks,
  - fuel switching capacity,
  - stand-by oil production,in accordance with the provisions of the Annex which forms an integral part of this Agreement.
2. The Governing Board shall, acting by majority, not later than 1st July, 1975, decide the extent to which the emergency reserve commitment may be satisfied by the elements mentioned in paragraph 1.

#### *Article 4*

1. The Standing Group on Emergency Questions shall, on a continuing basis, review the effectiveness of the measures taken by each Participating Country to meet its emergency reserve commitment.
2. The Standing Group on Emergency Questions shall report to the Management Committee, which shall make proposals, as appropriate, to the Governing Board. The Governing Board may, acting by majority, adopt recommendations to Participating Countries.

## **Chapter II**

### **DEMAND RESTRAINT**

#### *Article 5*

1. Each Participating Country shall at all times have ready a program of contingent oil demand restraint measures enabling it to reduce its rate of final consumption in accordance with Chapter IV.
2. The Standing Group on Emergency Questions shall, on a continuing basis, review and assess:
  - each Participating Country's program of demand restraint measures,
  - the effectiveness of measures actually taken by each Participating Country.
3. The Standing Group on Emergency Questions shall report to the Management Committee, which shall make proposals, as appropriate, to the Governing Board. The Governing Board may, acting by majority, adopt recommendations to Participating Countries.

## **Chapter III**

### **ALLOCATION**

#### *Article 6*

1. Each Participating Country shall take the necessary measures in order that allocation of oil will be carried out pursuant to this Chapter and Chapter IV.
2. The Standing Group on Emergency Questions shall, on a continuing basis, review and assess:
  - each Participating Country's measures in order that allocation of oil will be carried out pursuant to this Chapter and Chapter IV,
  - the effectiveness of measures actually taken by each Participating Country.
3. The Standing Group on Emergency Questions shall report to the Management Committee, which shall make proposals, as appropriate, to the Governing Board. The Governing Board may, acting by majority, adopt recommendations to Participating Countries.
4. The Governing Board shall, acting by majority, decide promptly on the practical procedures for the allocation of oil and on the procedures and modalities for the participation of oil companies therein within the framework of this Agreement.

#### *Article 7*

1. When allocation of oil is carried out pursuant to Article 13, 14, or 15, each Participating Country shall have a supply right equal to its permissible consumption less its emergency reserve drawdown obligation.
2. A Participating Country whose supply right exceeds the sum of its normal domestic production and actual net imports available during an emergency shall have an allocation right which entitles it to additional net imports equal to that excess.
3. A Participating Country in which the sum of normal domestic production and actual net imports available during an emergency exceeds its supply right shall have an allocation obligation which requires it to supply, directly or indirectly, the quantity of oil equal to that excess to other Participating Countries. This would not preclude any Participating Country from maintaining exports of oil to non-participating countries.
4. The term "permissible consumption" means the average daily rate of final consumption allowed when emergency demand restraint at the applicable level has been activated; possible further voluntary demand restraint by any Participating Country shall not affect its allocation right or obligation.

5. The term “emergency reserve drawdown obligation” means the emergency reserve commitment of any Participating Country divided by the total emergency reserve commitment of the group and multiplied by the group supply shortfall.
6. The term “group supply shortfall” means the shortfall for the group as measured by the aggregate permissible consumption for the group minus the daily rate of oil supplies available to the group during an emergency.
7. The term “oil supplies available to the group” means
  - all crude oil available to the group,
  - all petroleum products imported from outside the group, and
  - all finished products and refinery feedstocks which are produced in association with natural gas and crude oil and are available to the group.
8. The term “final consumption” means total domestic consumption of all finished petroleum products.

#### *Article 8*

1. When allocation of oil to a Participating Country is carried out pursuant to Article 17, that Participating Country shall
  - sustain from its final consumption the reduction in its oil supplies up to a level equal to 7 per cent of its final consumption during the base period,
  - have an allocation right equal to the reduction in its oil supplies which results in a reduction of its final consumption over and above that level.
2. The obligation to allocate this amount of oil is shared among the other Participating Countries on the basis of their final consumption during the base period.
3. The Participating Countries may meet their allocation obligations by any measures of their own choosing, including demand restraint measures or use of emergency reserves.

#### *Article 9*

1. For purposes of satisfying allocation rights and allocation obligations, the following elements will be included:
  - all crude oil,
  - all petroleum products,
  - all refinery feedstocks, and
  - all finished products produced in association with natural gas and crude oil.
2. To calculate a Participating Country’s allocation right, petroleum products normally imported by that Participating Country, whether from other Participating Countries or from non-participating countries, shall be expressed in crude oil equivalent and treated as though they were imports of crude oil to that Participating Country.

3. Insofar as possible, normal channels of supply will be maintained as well as the normal supply proportions between crude oil and products and among different categories of crude oil and products.
4. When allocation takes place, an objective of the Program shall be that available crude oil and products shall, insofar as possible, be shared within the refining and distributing industries as well as between refining and distributing companies in accordance with historical supply patterns.

*Article 10*

1. The objectives of the Program shall include ensuring fair treatment for all Participating Countries and basing the price for allocated oil on the price conditions prevailing for comparable commercial transactions.
2. Questions relating to the price of oil allocated during an emergency shall be examined by the Standing Group on Emergency Questions.

*Article 11*

1. It is not an objective of the Program to seek to increase, in an emergency, the share of world oil supply that the group had under normal market conditions. Historical oil trade patterns should be preserved as far as is reasonable, and due account should be taken of the position of individual non-participating countries.
2. In order to maintain the principles set out in paragraph 1, the Management Committee shall make proposals, as appropriate, to the Governing Board, which, acting by majority, shall decide on such proposals.

## **Chapter IV**

### **ACTIVATION**

#### *Article 12*

Whenever the group as a whole or any Participating Country sustains or can reasonably be expected to sustain a reduction in its oil supplies, the emergency measures, which are the mandatory demand restraint referred to in Chapter II and the allocation of available oil referred to in Chapter III, shall be activated in accordance with this Chapter.

#### *Article 13*

Whenever the group sustains or can reasonably be expected to sustain a reduction in the daily rate of its oil supplies at least equal to 7 per cent of the average daily rate of its final consumption during the base period, each Participating Country shall implement demand restraint measures sufficient to reduce its final consumption by an amount equal to 7 per cent of its final consumption during the base period, and allocation of available oil among the Participating Countries shall take place in accordance with Articles 7, 9, 10 and 11.

#### *Article 14*

Whenever the group sustains or can reasonably be expected to sustain a reduction in the daily rate of its oil supplies at least equal to 12 per cent of the average daily rate of its final consumption during the base period, each Participating Country shall implement demand restraint measures sufficient to reduce its final consumption by an amount equal to 10 per cent of its final consumption during the base period, and allocation of available oil among the Participating Countries shall take place in accordance with Articles 7, 9, 10 and 11.

#### *Article 15*

When cumulative daily emergency reserve drawdown obligations as defined in Article 7 have reached 50 per cent of emergency reserve commitments and a decision has been taken in accordance with Article 20, each Participating Country shall take the measures so decided, and allocation of available oil among the Participating Countries shall take place in accordance with Articles 7, 9, 10 and 11.

#### *Article 16*

When demand restraint is activated in accordance with this Chapter, a Participating Country may substitute for demand restraint measures use of emergency reserves held in excess of its emergency reserve commitment as provided in the Program.

*Article 17*

1. Whenever any Participating Country sustains or can reasonably be expected to sustain a reduction in the daily rate of its oil supplies which results in a reduction of the daily rate of its final consumption by an amount exceeding 7 per cent of the average daily rate of its final consumption during the base period, allocation of available oil to that Participating Country shall take place in accordance with Articles 8 to 11.
2. Allocation of available oil shall also take place when the conditions in paragraph 1 are fulfilled in a major region of a Participating Country whose oil market is incompletely integrated. In this case, the allocation obligation of other Participating Countries shall be reduced by the theoretical allocation obligation of any other major region or regions of the Participating Country concerned.

*Article 18*

1. The term "base period" means the most recent four quarters with a delay of one-quarter necessary to collect information. While emergency measures are applied with regard to the group or to a Participating Country, the base period shall remain fixed.
2. The Standing Group on Emergency Questions shall examine the base period set out in paragraph 1, taking into account in particular such factors as growth, seasonal variations in consumption and cyclical changes and shall, not later than 1st April, 1975, report to the Management Committee. The Management Committee shall make proposals, as appropriate, to the Governing Board, which, acting by majority, shall decide on these proposals not later than 1st July, 1975.

*Article 19*

1. The Secretariat shall make a finding when a reduction of oil supplies as mentioned in Article 13, 14 or 17 has occurred or can reasonably be expected to occur, and shall establish the amount of the reduction or expected reduction for each Participating Country and for the group. The Secretariat shall keep the Management Committee informed of its deliberations, and shall immediately report its finding to the members of the Committee and inform the Participating Countries thereof. The report shall include information on the nature of the reduction.
2. Within 48 hours of the Secretariat's reporting a finding, the Committee shall meet to review the accuracy of the data compiled and the information provided. The Committee shall report to the Governing Board within a further 48 hours. The report shall set out the views expressed by the members of the Committee, including any views regarding the handling of the emergency.
3. Within 48 hours of receiving the Management Committee's report, the Governing Board shall meet to review the finding of the Secretariat in the light of that report. The activation of emergency measures shall be considered confirmed and Participating Countries shall implement such measures within 15 days of such confirmation unless the Governing Board, acting by special majority, decides within a further 48 hours not to activate the emergency measures, to activate them only in part or to fix another time limit for their implementation.

4. If, according to the finding of the Secretariat, the conditions of more than one of the Articles 14, 13 and 17 are fulfilled, any decision not to activate emergency measures shall be taken separately for each Article and in the above order. If the conditions in Article 17 are fulfilled with regard to more than one Participating Country any decision not to activate allocation shall be taken separately with respect to each Country.
5. Decisions pursuant to paragraphs 3 and 4 may at any time be reversed by the Governing Board, acting by majority.
6. In making its finding under this Article, the Secretariat shall consult with oil companies to obtain their views regarding the situation and the appropriateness of the measures to be taken.
7. An international advisory board from the oil industry shall be convened, not later than the activation of emergency measures, to assist the Agency in ensuring the effective operation of such measures.

#### *Article 20*

1. The Secretariat shall make a finding when cumulative daily emergency reserve drawdown obligations have reached or can reasonably be expected to reach 50 per cent of emergency reserve commitments. The Secretariat shall immediately report its finding to the members of the Management Committee and inform the Participating Countries thereof. The report shall include information on the oil situation.
2. Within 72 hours of the Secretariat's reporting such a finding, the Management Committee shall meet to review the data compiled and the information provided. On the basis of available information the Committee shall report to the Governing Board within a further 48 hours proposing measures required for meeting the necessities of the situation, including the increase in the level of mandatory demand restraint that may be necessary. The report shall set out the views expressed by the members of the Committee.
3. The Governing Board shall meet within 48 hours of receiving the Committee's report and proposal. The Governing Board shall review the finding of the Secretariat and the report of the Management Committee and shall within a further 48 hours, acting by special majority, decide on the measures required for meeting the necessities of the situation, including the increase in the level of mandatory demand restraint that may be necessary.

#### *Article 21*

1. Any Participating Country may request the Secretariat to make a finding under Article 19 or 20.
2. If, within 72 hours of such request, the Secretariat does not make such a finding, the Participating Country may request the Management Committee to meet and consider the situation in accordance with the provisions of this Agreement.
3. The Management Committee shall meet within 48 hours of such request in order to consider the situation. It shall, at the request of any Participating Country, report to the Governing Board within a further 48 hours. The report shall set out the views expressed by the members of the Committee and by the Secretariat, including any views regarding the handling of the situation.

4. The Governing Board shall meet within 48 hours of receiving the Management Committee's report. If it finds, acting by majority, that the conditions set out in Article 13, 14, 15 or 17 are fulfilled, emergency measures shall be activated accordingly.

*Article 22*

The Governing Board may at any time decide by unanimity to activate any appropriate emergency measures not provided for in this Agreement if the situation so requires.

**DEACTIVATION**

*Article 23*

1. The Secretariat shall make a finding when a reduction of supplies as mentioned in Article 13, 14 or 17 has decreased or can reasonably be expected to decrease below the level referred to in the relevant Article. The Secretariat shall keep the Management Committee informed of its deliberations and shall immediately report its finding to the members of the Committee and inform the Participating Countries thereof.
2. Within 72 hours of the Secretariat's reporting a finding, the Management Committee shall meet to review the data compiled and the information provided. It shall report to the Governing Board within a further 48 hours. The report shall set out the views expressed by the members of the Committee, including any views regarding the handling of the emergency.
3. Within 48 hours of receiving the Committee's report, the Governing Board shall meet to review the finding of the Secretariat in the light of the report from the Management Committee. The deactivation of emergency measures or the applicable reduction of the demand restraint level shall be considered confirmed unless the Governing Board, acting by special majority, decides within a further 48 hours to maintain the emergency measures or to deactivate them only in part.
4. In making its finding under this Article, the Secretariat shall consult with the international advisory board, mentioned in Article 19, paragraph 7, to obtain its views regarding the situation and the appropriateness of the measures to be taken.
5. Any Participating Country may request the Secretariat to make a finding under this Article.

*Article 24*

When emergency measures are in force, and the Secretariat has not made a finding under Article 23, the Governing Board, acting by special majority, may at any time decide to deactivate the measures either wholly or in part.

## **Chapter V**

### **INFORMATION SYSTEM ON THE INTERNATIONAL OIL MARKET**

#### *Article 25*

1. The Participating Countries shall establish an Information System consisting of two sections:
  - a General Section on the situation in the international oil market and activities of oil companies,
  - a Special Section designed to ensure the efficient operation of the measures described in Chapters I to IV.
2. The System shall be operated on a permanent basis, both under normal conditions and during emergencies, and in a manner which ensures the confidentiality of the information made available.
3. The Secretariat shall be responsible for the operation of the Information System and shall make the information compiled available to the Participating Countries.

#### *Article 26*

The term "oil companies" means international companies, national companies, non-integrated companies and other entities which play a significant role in the international oil industry.

### **GENERAL SECTION**

#### *Article 27*

1. Under the General Section of the Information System, the Participating Countries shall, on a regular basis, make available to the Secretariat information on the precise data identified in accordance with Article 29 on the following subjects relating to oil companies operating within their respective jurisdictions:
  - (a) Corporate structure;
  - (b) Financial structure, including balance sheets, profit and loss accounts, and taxes paid;
  - (c) Capital investments realised;
  - (d) Terms of arrangements for access to major sources of crude oil;
  - (e) Current rates of production and anticipated changes therein;
  - (f) Allocations of available crude supplies to affiliates and other customers (criteria and realisations);
  - (g) Stocks;
  - (h) Cost of crude oil and oil products;
  - (i) Prices, including transfer prices to affiliates;
  - (j) Other subjects, as decided by the Governing Board, acting by unanimity.

2. Each Participating Country shall take appropriate measures to ensure that all oil companies operating within its jurisdiction make such information available to it as is necessary to fulfil its obligations under paragraph 1, taking into account such relevant information as is already available to the public or to Governments.
3. Each Participating Country shall provide information on a non-proprietary basis and on a company and/or country basis as appropriate, and in such a manner and degree as will not prejudice competition or conflict with the legal requirements of any Participating Country relating to competition.
4. No Participating Country shall be entitled to obtain, through the General Section, any information on the activities of a company operating within its jurisdiction which could not be obtained by it from that company by application of its laws or through its institutions and customs if that company were operating solely within its jurisdiction.

#### *Article 28*

Information provided on a “non-proprietary basis” means information which does not constitute or relate to patents, trademarks, scientific or manufacturing processes or developments, individual sales, tax returns, customer lists or geological and geophysical information, including maps.

#### *Article 29*

1. Within 60 days of the first day of the provisional application of this Agreement, and as appropriate thereafter, the Standing Group on the Oil Market shall submit a report to the Management Committee identifying the precise data within the list of subjects in Article 27, paragraph 1, which are required for the efficient operation of the General Section, and specifying the procedures for obtaining such data on a regular basis.
2. The Management Committee shall review the report and make proposals to the Governing Board which, within 30 days of the submission of the report to the Management Committee, and acting by majority, shall take the decisions necessary for the establishment and efficient operation of the General Section.

#### *Article 30*

In preparing its reports under Article 29, the Standing Group on the Oil Market shall

- consult with oil companies to ensure that the System is compatible with industry operations;
- identify specific problems and issues which are of concern to Participating Countries;
- identify specific data which are useful and necessary to resolve such problems and issues;
- work out precise standards for the harmonization of the required information in order to ensure comparability of the data;
- work out procedures to ensure the confidentiality of the information.

*Article 31*

1. The Standing Group on the Oil Market shall on a continuing basis review the operation of the General Section.
2. In the event of changes in the conditions of the international oil market, the Standing Group on the Oil Market shall report to the Management Committee. The Committee shall make proposals on appropriate changes to the Governing Board which, acting by majority, shall decide on such proposals.

**SPECIAL SECTION**

*Article 32*

1. Under the Special Section of the Information System, the Participating Countries shall make available to the Secretariat all information which is necessary to ensure the efficient operation of emergency measures.
2. Each Participating Country shall take appropriate measures to ensure that all oil companies operating within its jurisdiction make such information available to it as is necessary to enable it to fulfil its obligations under paragraph 1 and under Article 33.
3. The Secretariat shall, on the basis of this information and other information available, continuously survey the supply of oil to and the consumption of oil within the group and each Participating Country.

*Article 33*

Under the Special Section, the Participating Countries shall, on a regular basis, make available to the Secretariat information on the precise data identified in accordance with Article 34 on the following subjects:

- (a) Oil consumption and supply;
- (b) Demand restraint measures;
- (c) Levels of emergency reserves;
- (d) Availability and utilisation of transportation facilities;
- (e) Current and projected levels of international supply and demand;
- (f) Other subjects, as decided by the Governing Board, acting in unanimity.

*Article 34*

1. Within 30 days of the first day of the provisional application of this Agreement, the Standing Group on Emergency Questions shall submit a report to the Management Committee identifying the precise data within the list of subjects in Article 33 which are required under the Special Section to ensure the efficient operation of emergency measures and specifying the procedures for obtaining such data on a regular basis, including accelerated procedures in times of emergency.

2. The Management Committee shall review the report and make proposals to the Governing Board which, within 30 days of the submission of the report to the Management Committee, and acting by majority, shall take the decisions necessary for the establishment and efficient operation of the Special Section.

*Article 35*

In preparing its report under Article 34, the Standing Group on Emergency Questions shall:

- consult with oil companies to ensure that the System is compatible with industry operations;
- work out precise standards for the harmonization of the required information in order to ensure comparability of the data;
- work out procedures to ensure the confidentiality of the information.

*Article 36*

The Standing Group on Emergency Questions shall on a continuing basis review the operation of the Special Section and shall, as appropriate, report to the Management Committee. The Committee shall make proposals on appropriate changes to the Governing Board, which, acting by majority, shall decide on such proposals.

## **Chapter VI**

### **FRAMEWORK FOR CONSULTATION WITH OIL COMPANIES**

#### *Article 37*

1. The Participating Countries shall establish within the Agency a permanent framework for consultation within which one or more Participating Countries may, in an appropriate manner, consult with and request information from individual oil companies on all important aspects of the oil industry, and within which the Participating Countries may share among themselves on a co-operative basis the results of such consultations.
2. The framework for consultation shall be established under the auspices of the Standing Group on the Oil Market.
3. Within 60 days of the first day of the provisional application of this Agreement, and as appropriate thereafter, the Standing Group on the Oil Market, after consultation with oil companies, shall submit a report to the Management Committee on the procedures for such consultations. The Management Committee shall review the report and make proposals to the Governing Board, which, within 30 days of the submission of the report to the Management Committee, and acting by majority, shall decide on such procedures.

#### *Article 38*

1. The Standing Group on the Oil Market shall present a report to the Management Committee on consultations held with any oil company within 30 days thereof.
2. The Management Committee shall consider the report and may make proposals on appropriate co-operative action to the Governing Board, which shall decide on such proposals.

#### *Article 39*

1. The Standing Group on the Oil Market shall, on a continuing basis, evaluate the results of the consultations with and the information collected from oil companies.
2. On the basis of these evaluations, the Standing Group may examine and assess the international oil situation and the position of the oil industry and shall report to the Management Committee.
3. The Management Committee shall review such reports and make proposals on appropriate co-operative action to the Governing Board, which shall decide on such proposals.

#### *Article 40*

The Standing Group on the Oil Market shall submit annually a general report to the Management Committee on the functioning of the framework for consultation with oil companies.

## Chapter VII

### LONG TERM CO-OPERATION ON ENERGY

#### *Article 41*

1. The Participating Countries are determined to reduce over the longer term their dependence on imported oil for meeting their total energy requirements.
2. To this end, the Participating Countries will undertake national programs and promote the adoption of co-operative programs, including, as appropriate, the sharing of means and efforts, while concerning national policies, in the areas set out in Article 42.

#### *Article 42*

1. The Standing Group on Long Term Co-operation shall examine and report to the Management Committee on co-operative action. The following areas shall in particular be considered:
  - (a) Conservation of energy, including co-operative programs on
    - exchange of national experiences and information on energy conservation;
    - ways and means for reducing the growth of energy consumption through conservation.
  - (b) Development of alternative sources of energy such as domestic oil, coal, natural gas, nuclear energy and hydro-electric power, including co-operative programs on
    - exchange of information on such matters as resources, supply and demand, price and taxation;
    - ways and means for reducing the growth of consumption of imported oil through the development of alternative sources of energy;
    - concrete projects, including jointly financed projects;
    - criteria, quality objectives and standards for environmental protection.
  - (c) Energy research and development, including as a matter of priority co-operative programs on
    - coal technology;
    - solar energy;
    - radioactive waste management;
    - controlled thermonuclear fusion;
    - production of hydrogen from water;
    - nuclear safety;
    - waste heat utilisation;
    - conservation of energy;
    - municipal and industrial waste utilisation for energy conservation;
    - overall energy system analysis and general studies.

- (d) Uranium enrichment, including co-operative programs
- to monitor developments in natural and enriched uranium supply;
  - to facilitate development of natural uranium resources and enrichment services;
  - to encourage such consultations as may be required to deal with international issues that may arise in relation to the expansion of enriched uranium supply;
  - to arrange for the requisite collection, analysis and dissemination of data related to the planning of enrichment services.
2. In examining the areas of co-operative action, the Standing Group shall take due account of ongoing activities elsewhere.
3. Programs developed under paragraph 1 may be jointly financed. Such joint financing may take place in accordance with Article 64, paragraph 2.

*Article 43*

1. The Management Committee shall review the reports of the Standing Group and make appropriate proposals to the Governing Board, which shall decide on these proposals not later than 1st July, 1975.
2. The Governing Board shall take into account possibilities for co-operation within a broader framework.

## Chapter VIII

### **RELATIONS WITH PRODUCER COUNTRIES AND WITH OTHER CONSUMER COUNTRIES**

#### *Article 44*

The Participating Countries will endeavour to promote co-operative relations with oil producing countries and with other oil consuming countries, including developing countries. They will keep under review developments in the energy field with a view to identifying opportunities for and promoting a purposeful dialogue, as well as other forms of co-operation, with producer countries and with other consumer countries.

#### *Article 45*

To achieve the objectives set out in Article 44, the Participating Countries will give full consideration to the needs and interests of other oil consuming countries, particularly those of the developing countries.

#### *Article 46*

The Participating Countries will, in the context of the Program, exchange views on their relations with oil producing countries. To this end, the Participating Countries should inform each other of co-operative action on their part with producer countries which is relevant to the objectives of the Program.

#### *Article 47*

The Participating Countries will, in the context of the Program

- seek, in the light of their continuous review of developments in the international energy situation and its effect on the world economy, opportunities and means of encouraging stable international trade in oil and of promoting secure oil supplies on reasonable and equitable terms for each Participating Country;
- consider, in the light of work going on in other international organisations, other possible fields of co-operation including the prospects for co-operation in accelerated industrialisation and socio-economic development in the principal producing areas and the implications of this for international trade and investment;
- keep under review the prospects for co-operation with oil producing countries on energy questions of mutual interest, such as conservation of energy, the development of alternative sources, and research and development.

#### *Article 48*

1. The Standing Group on Relations with Producer and other Consumer Countries will examine and report to the Management Committee on the matters described in this Chapter.
2. The Management Committee may make proposals on appropriate co-operative action regarding these matters to the Governing Board, which shall decide on such proposals.

## **Chapter IX**

### **INSTITUTIONAL AND GENERAL PROVISIONS**

#### *Article 49*

1. The Agency shall have the following organs:
  - a Governing Board
  - a Management Committee
  - Standing Groups on
    - Emergency Questions
    - The Oil Market
    - Long Term Co-operation
    - Relations with Producer and Other Consumer Countries.
2. The Governing Board or the Management Committee may, acting by majority, establish any other organ necessary for the implementation of the Program.
3. The Agency shall have a Secretariat to assist the organs mentioned in paragraphs 1 and 2.

### **GOVERNING BOARD**

#### *Article 50*

1. The Governing Board shall be composed of one or more ministers or their delegates from each Participating Country.
2. The Governing Board, acting by majority, shall adopt its own rules of procedure. Unless otherwise decided in the rules of procedure, these rules shall also apply to the Management Committee and the Standing Groups.
3. The Governing Board, acting by majority, shall elect its Chairman and Vice-Chairmen.

#### *Article 51*

1. The Governing Board shall adopt decisions and make recommendations which are necessary for the proper functioning of the Program.
2. The Governing Board shall review periodically and take appropriate action concerning developments in the international energy situation, including problems relating to the oil supplies of any Participating Country or Countries, and the economic and monetary implications of these developments. In its activities concerning the economic and monetary implications of developments in the international energy situation, the Governing Board shall

take into account the competence and activities of international institutions responsible for overall economic and monetary questions.

3. The Governing Board, acting by majority, may delegate any of its functions to any other organ of the Agency.

*Article 52*

1. Subject to Article 61, paragraph 2, and Article 65, decisions adopted pursuant to this Agreement by the Governing Board or by any other organ by delegation from the Board shall be binding on the Participating Countries.
2. Recommendations shall not be binding.

**MANAGEMENT COMMITTEE**

*Article 53*

1. The Management Committee shall be composed of one or more senior representatives of the Government of each Participating Country.
2. The Management Committee shall carry out the functions assigned to it in this Agreement and any other function delegated to it by the Governing Board.
3. The Management Committee may examine and make proposals to the Governing Board, as appropriate, on any matter within the scope of this Agreement.
4. The Management Committee shall be convened upon the request of any Participating Country.
5. The Management Committee, acting by majority, shall elect its Chairman and Vice-Chairmen.

**STANDING GROUPS**

*Article 54*

1. Each Standing Group shall be composed of one or more representatives of the Government of each Participating Country.
2. The Management Committee, acting by majority, shall elect the Chairmen and Vice-Chairmen of the Standing Groups.

*Article 55*

1. The Standing Group on Emergency Questions shall carry out the functions assigned to it in Chapters I to V and the Annex and any other function delegated to it by the Governing Board.
2. The Standing Group may review and report to the Management Committee on any matter within the scope of Chapters I to V and the Annex.
3. The Standing Group may consult with oil companies on any matter within its competence.

*Article 56*

1. The Standing Group on the Oil Market shall carry out the functions assigned to it in Chapters V and VI and any other function delegated to it by the Governing Board.
2. The Standing Group may review and report to the Management Committee on any matter within the scope of Chapters V and VI.
3. The Standing Group may consult with oil companies on any matter within its competence.

*Article 57*

1. The Standing Group on Long Term Co-operation shall carry out the functions assigned to it in Chapter VII and any other function delegated to it by the Governing Board.
2. The Standing Group may review and report to the Management Committee on any matter within the scope of Chapter VII.

*Article 58*

1. The Standing Group on Relations with Producer and other Consumer Countries shall carry out the functions assigned to it in Chapter VIII and any other function delegated to it by the Governing Board.
2. The Standing Group may review and report to the Management Committee on any matter within the scope of Chapter VIII.
3. The Standing Group may consult with oil companies on any matter within its competence.

**SECRETARIAT**

*Article 59*

1. The Secretariat shall be composed of an Executive Director and such staff as is necessary.
2. The Executive Director shall be appointed by the Governing Board.
3. In the performance of their duties under this Agreement the Executive Director and the staff shall be responsible to and report to the organs of the Agency.
4. The Governing Board, acting by majority, shall take all decisions necessary for the establishment and the functioning of the Secretariat.

*Article 60*

The Secretariat shall carry out the functions assigned to it in this Agreement and any other function assigned to it by the Governing Board.

**VOTING**

*Article 61*

1. The Governing Board shall adopt decisions and recommendations for which no express voting provision is made in this Agreement, as follows:

- (a) by majority:
- decisions on the management of the Program, including decisions applying provisions of this Agreement which already impose specific obligations on Participating Countries
  - decisions on procedural questions
  - recommendations
- (b) by unanimity:
- all other decisions, including in particular decisions which impose on Participating Countries new obligations not already specified in this Agreement.
2. Decisions mentioned in paragraph 1 (b) may provide:
- (a) that they shall not be binding on one or more Participating Countries;
- (b) that they shall be binding only under certain conditions.

*Article 62*

1. Unanimity shall require all of the votes of the Participating Countries present and voting. Countries abstaining shall be considered as not voting.
2. When majority or special majority is required, the Participating Countries shall have the following voting weights:

	<b>General voting weights</b>	<b>Oil Consumption voting weights</b>	<b>Combined voting weights</b>
Australia	3	1	4
Austria	3	1	4
Belgium	3	1	4
Canada	3	4	7
Czech Republic	3	1	4
Denmark	3	1	4
Finland	3	1	4
France	3	6	9
Germany	3	8	11
Greece	3	0	3
Hungary	3	1	4
Ireland	3	0	3
Italy	3	5	8
Japan	3	14	17
Korea (Republic of)	3	1	4
Luxembourg	3	0	3
The Netherlands	3	1	4
New Zealand	3	0	3
Portugal	3	0	3
Spain	3	2	5
Sweden	3	2	5
Switzerland	3	1	4
Turkey	3	1	4
United Kingdom	3	5	8
United States	3	43	46
<b>Totals</b>	<b>75</b>	<b>100</b>	<b>175</b>

3. Majority shall require 60 per cent of the total combined voting weights and 50 per cent of the general voting weights cast.
4. Special majority shall require:
  - (a) 60 per cent of the total combined voting weights and 57 general voting weights for:
    - the decision under Article 2, paragraph 2, relating to the increase in the emergency reserve commitment;
    - decisions under Article 19, paragraph 3, not to activate the emergency measures referred to in Articles 13 and 14;
    - decisions under Article 20, paragraph 3, on the measures required for meeting the necessities of the situation;
    - decisions under Article 23, paragraph 3, to maintain the emergency measures referred to in Articles 13 and 14;
    - decisions under Article 24 to deactivate the emergency measures referred to in Articles 13 and 14.
  - (b) 66 general voting weights for:
    - decisions under Article 19, paragraph 3, not to activate the emergency measures referred to in Article 17;
    - decisions under Article 23, paragraph 3, to maintain the emergency measures referred to in Article 17;
    - decisions under Article 24 to deactivate the emergency measures referred to in Article 17.
5. The Governing Board, acting by unanimity, shall decide on the necessary increase, decrease, and redistribution of the voting weights referred to in paragraph 2, as well as on amendment of the voting requirements set out in paragraphs 3 and 4 in the event that
  - a Country accedes to this Agreement in accordance with Article 71, or
  - a Country withdraws from this Agreement in accordance with Article 68, paragraph 2, or Article 69, paragraph 2.
6. The Governing Board shall review annually the number and distribution of voting weights specified in paragraph 2, and, on the basis of such review, acting by unanimity, shall decide whether such voting weights should be increased or decreased, or redistributed, or both, because a change in any Participating Country's share in total oil consumption has occurred or for any other reason.
7. Any change in paragraph 2, 3 or 4 shall be based on the concepts underlying those paragraphs and paragraph 6.

## **RELATIONS WITH OTHER ENTITIES**

### *Article 63*

In order to achieve the objectives of the Program, the Agency may establish appropriate relations with non-participating countries, international organisations, whether governmental or non-governmental, other entities and individuals.

## **FINANCIAL ARRANGEMENTS**

### *Article 64*

1. The expenses of the Secretariat and all other common expenses shall be shared among all Participating Countries according to a scale of contributions elaborated according to the principles and rules set out in the Annex to the “OECD Resolution of the Council on Determination of the Scale of Contributions by Member Countries to the Budget of the Organisation” of 10th December, 1963. After the first year of application of this Agreement, the Governing Board shall review this scale of contributions and, acting by unanimity, shall decide upon any appropriate changes in accordance with Article 73.
2. Special expenses incurred in connection with special activities carried out pursuant to Article 65 shall be shared by the Participating Countries taking part in such special activities in such proportions as shall be determined by unanimous agreement between them.
3. The Executive Director shall, in accordance with the financial regulations adopted by the Governing Board and not later than 1st October of each year, submit to the Governing Board a draft budget including personnel requirements. The Governing Board, acting by majority, shall adopt the budget.
4. The Governing Board, acting by majority, shall take all other necessary decisions regarding the financial administration of the Agency.
5. The financial year shall begin on 1st January and end on 31st December of each year. At the end of each financial year, revenues and expenditures shall be submitted to audit.

## **SPECIAL ACTIVITIES**

### *Article 65*

1. Any two or more Participating Countries may decide to carry out within the scope of this Agreement special activities, other than activities which are required to be carried out by all Participating Countries under Chapters I to V. Participating Countries which do not wish to take part in such special activities shall abstain from taking part in such decisions and shall not be bound by them. Participating Countries carrying out such activities shall keep the Governing Board informed thereof.
2. For the implementation of such special activities, the Participating Countries concerned may agree upon voting procedures other than those provided for in Articles 61 and 62.

## **IMPLEMENTATION OF THE AGREEMENT**

### *Article 66*

Each Participating Country shall take the necessary measures, including any necessary legislative measures, to implement this Agreement and decisions taken by the Governing Board.

## Chapter X

### FINAL PROVISIONS

#### *Article 67*

1. Each Signatory State shall, not later than 1st May, 1975, notify the Government of Belgium that, having complied with its constitutional procedures, it consents to be bound by this Agreement.
2. On the tenth day following the day on which at least six States holding at least 60 per cent of the combined voting weights mentioned in Article 62 have deposited a notification of consent to be bound or an instrument of accession, this Agreement shall enter into force for such States.
3. For each Signatory State which deposits its notification thereafter, this Agreement shall enter into force on the tenth day following the day of deposit.
4. The Governing Board, acting by majority, may upon request from any Signatory State decide to extend, with respect to that State, the time limit for notification beyond 1st May, 1975.

#### *Article 68*

1. Notwithstanding the provisions of Article 67, this Agreement shall be applied provisionally by all Signatory States, to the extent possible not inconsistent with their legislation, as from 18th November, 1974 following the first meeting of the Governing Board.
2. Provisional application of the Agreement shall continue until:
  - the Agreement enters into force for the State concerned in accordance with Article 67, or
  - 60 days after the Government of Belgium receives notification that the State concerned will not consent to be bound by the Agreement, or
  - the time limit for notification of consent by the State concerned referred to in Article 67 expires.

#### *Article 69*

1. This Agreement shall remain in force for a period of ten years from the date of its entry into force and shall continue in force thereafter unless and until the Governing Board, acting by majority, decides on its termination.

2. Any Participating Country may terminate the application of this Agreement for its part upon twelve months' written notice to the Government of Belgium to that effect, given not less than three years after the first day of the provisional application of this Agreement.

*Article 70*

1. Any State may, at the time of signature, notification of consent to be bound in accordance with Article 67, accession or at any later date, declare by notification addressed to the Government of Belgium that this Agreement shall apply to all or any of the territories for whose international relations it is responsible, or to any territories within its frontiers for whose oil supplies it is legally responsible.
2. Any declaration made pursuant to paragraph 1 may, in respect of any territory mentioned in such declaration, be withdrawn in accordance with the provisions of Article 69, paragraph 2.

*Article 71*

1. This Agreement shall be open for accession by any Member of the Organisation for Economic Co-operation and Development which is able and willing to meet the requirements of the Program. The Governing Board, acting by majority, shall decide on any request for accession.
2. This Agreement shall enter into force for any State whose request for accession has been granted on the tenth day following the deposit of its instrument of accession with the Government of Belgium, or on the date of entry into force of the Agreement pursuant to Article 67, paragraph 2, whichever is the later.
3. Accession may take place on a provisional basis under the conditions set out in Article 68, subject to such time limits as the Governing Board, acting by majority, may fix for an acceding State to deposit its notification of consent to be bound.

*Article 72*

1. This Agreement shall be open for accession by the European Communities.
2. This Agreement shall not in any way impede the further implementation of the treaties establishing the European Communities.

*Article 73*

This Agreement may at any time be amended by the Governing Board, acting by unanimity. Such amendment shall come into force in a manner determined by the Governing Board, acting by unanimity and making provision for Participating Countries to comply with their respective constitutional procedures.

*Article 74*

This Agreement shall be subject to a general review after 1st May, 1980.

*Article 75*

The Government of Belgium shall notify all Participating Countries of the deposit of each notification of consent to be bound in accordance with Article 67, and of each instrument of accession, of the entry into force of this Agreement or any amendment thereto, of any denunciation thereof, and of any other declaration or notification received.

*Article 76*

The original of this Agreement, of which the English, French and German texts are equally authentic, shall be deposited with the Government of Belgium, and a certified copy thereof shall be furnished to each other Participating Country by the Government of Belgium.

## ANNEX (TO THE IEP)

### EMERGENCY RESERVES

#### *Article 1*

1. Total oil stocks are measured according to the OECD and EEC definitions, revised as follows:
  - A. Stocks included:

crude oil, major products and unfinished oils held

    - in refinery tanks
    - in bulk terminals
    - in pipeline tankage
    - in barges
    - in intercoastal tankers
    - in oil tankers in port
    - in inland ship bunkers
    - in storage tank bottoms
    - in working stocks
    - by large consumers as required by law or otherwise controlled by Governments.
  - B. Stocks excluded:
    - (a) crude oil not yet produced
    - (b) crude oil, major products and unfinished oils held
      - in pipelines
      - in rail tank cars
      - in truck tank cars
      - in seagoing ships' bunkers
      - in service stations and retail stores
      - by other consumers
      - in tankers at sea
      - as military stocks.
2. That portion of oil stocks which can be credited toward each Participating Country's emergency reserve commitment is its total oil stocks under the above definition minus those stocks which can be technically determined as being absolutely unavailable in even the most

severe emergency. The Standing Group on Emergency Questions shall examine this concept and report on criteria for the measurement of absolutely unavailable stocks.

3. Until a decision has been taken on this matter, each Participating Country shall subtract 10 per cent from its total stocks in measuring its emergency reserves.
4. The Standing Group on Emergency Questions shall examine and report to the Management Committee on:
  - (a) the modalities of including naphtha for uses other than motor and aviation gasoline in the consumption against which stocks are measured,
  - (b) the possibility of creating common rules for the treatment of marine bunkers in an emergency, and of including marine bunkers in the consumption against which stocks are measured,
  - (c) the possibility of creating common rules concerning demand restraint for aviation bunkers,
  - (d) the possibility of crediting towards emergency reserve commitments some portion of oil at sea at the time of activation of emergency measures,
  - (e) the possibility of increasing supplies available in an emergency through savings in the distribution system.

#### *Article 2*

1. Fuel switching capacity is defined as normal oil consumption that may be replaced by other fuels in an emergency, provided that this capacity is subject to government control in an emergency, can be brought into operation within one month, and that secure supplies of the alternative fuel are available for use.
2. The supply of alternative fuel shall be expressed in terms of oil equivalent.
3. Stocks of an alternative fuel reserved for fuel switching purposes may be credited towards emergency reserve commitments insofar as they can be used during the period of self-sufficiency.
4. Stand-by production of an alternative fuel reserved for fuel switching purposes will be credited towards emergency reserve commitments on the same basis as stand-by oil production, subject to the provisions of Article 4 of this Annex.
5. The Standing Group on Emergency Questions shall examine and report to the Management Committee on:
  - (a) the appropriateness of the time limit of one month mentioned in paragraph 1,
  - (b) the basis of accounting for the fuel switching capacity based on stocks of an alternative fuel, subject to the provisions of paragraph 3.

#### *Article 3*

A Participating Country may credit towards its emergency reserve commitment oil stocks in another country provided that the Government of that other country has an agreement with the Government of the Participating Country that it shall impose no impediment to the transfer of those stocks in an emergency to the Participating Country.

#### *Article 4*

1. Stand-by oil production is defined as a Participating Country's potential oil production in excess of normal oil production within its jurisdiction
  - which is subject to government control, and
  - which can be brought into use during an emergency within the period of self-sufficiency.
2. The Standing Group on Emergency Questions shall examine and report to the Management Committee on:
  - (a) the concept of and methods of measurement of stand-by oil production as referred to in paragraph 1,
  - (b) the appropriateness of “the period of self-sufficiency” as a time limit,
  - (c) the question of whether a given quantity of stand-by oil production is of greater value for purposes of emergency self-sufficiency than the same quantity of oil stocks, the amount of a possible credit for stand-by production and the method of its calculation.

#### *Article 5*

Stand-by oil production available to a Participating Country within the jurisdiction of another country may be credited towards its emergency reserve commitment on the same basis as stand-by oil production within its own jurisdiction, subject to the provisions of Article 4 of this Annex provided that the Government of that other country has an agreement with the Government of the Participating Country that it shall impose no impediment to the supply of oil from that stand-by capacity to the Participating Country in an emergency.

#### *Article 6*

The Standing Group on Emergency Questions shall examine and report to the Management Committee on the possibility of crediting towards a Participating Country's emergency reserve commitment mentioned in Article 2, paragraph 2, of the Agreement, long term investments which have the effect of reducing the Participating Countries' dependence on imported oil.

#### *Article 7*

1. The Standing Group on Emergency Questions shall examine and report to the Management Committee regarding the reference period set out in Article 2, paragraph 1, of the Agreement, in particular taking into account such factors as growth, seasonal variations in consumption and cyclical changes.
2. A decision by the Governing Board to change the definition of the reference period mentioned in paragraph 1 shall be taken by unanimity.

*Article 8*

The Standing Group on Emergency Questions shall examine and report to the Management Committee on all elements of Chapters I to IV of the Agreement to eliminate possible mathematical and statistical anomalies.

*Article 9*

The reports from the Standing Group on Emergency Questions on the matters mentioned in this Annex shall be submitted to the Management Committee by 1st April, 1975. The Management Committee shall make proposals, as appropriate, to the Governing Board, which, acting by majority, not later than 1st July, 1975, shall decide on these proposals, except as provided for in Article 7, paragraph 2, of this Annex.