



Netherlands Petroleum Stockpiling Agency



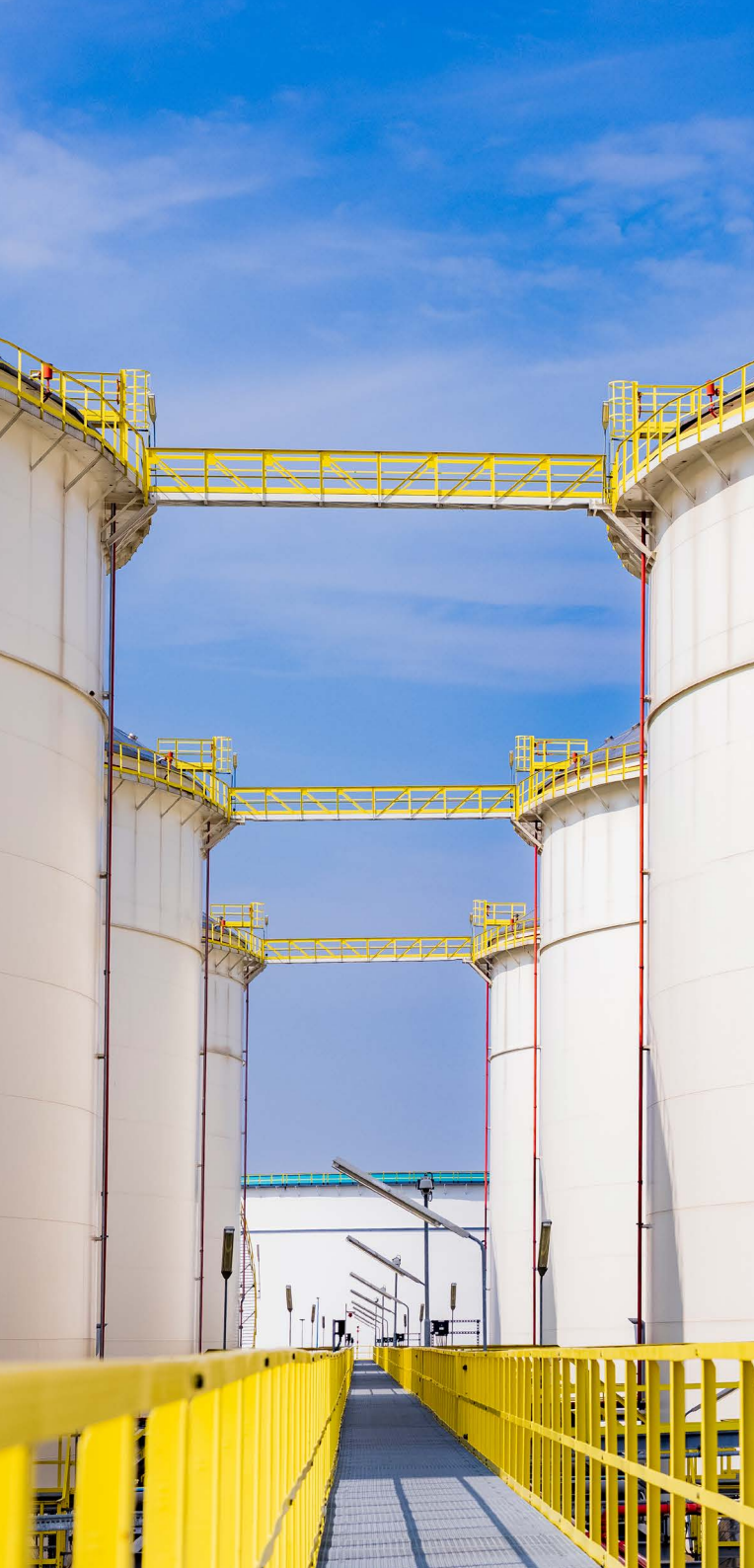
# Annual report **2022**

45<sup>th</sup> Financial

Approved,

On behalf of the Minister for Climate and Energy Policy:  
the deputy Secretary-General

May 2023  
The Hague



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# Foreword

**The year 2022 was an exceptional year for COVA. The Russian invasion of Ukraine plunged the European energy markets into turmoil, while also affecting the oil market. In the spring of 2022, the Minister for Climate and Energy Policy decided twice in short succession to take part in an IEA-led collective action to release oil stocks.**

COVA contributed to the second collective action. In June, the European Union decided to impose extensive sanctions and to phase out imports of Russian crude oil and oil products. In anticipation of these sanctions, the Ministry of Economic Affairs and Climate Policy decided to ask COVA to replenish the stocks released earlier and, insofar as the market would allow this, purchase a substantial extra quantity of diesel (500 kt). At the time of the adoption of this annual report, COVA is pleased to report that it managed to comply with this instruction by the end of the first quarter of 2023.

## **Supply security: also for oil**

Energy supply security was again an important theme in 2022, certainly now that Russian supplies of oil and gas to Europe are much reduced. Significant steps were taken to enhance oil supply security. For example, COVA's compulsory oil stock was increased to 4,100 kt COE. In addition, the Ministry intends to apply a lower limit of 90 days of inland

consumption in calculating the compulsory oil stock. Significant steps were also taken in the governance of COVA, as recommended in the governance review of 2021. More information on these subjects can be found in the chapters [About COVA](#) and [Report of the Board](#).

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COVA was instructed in 2022 to purchase an additional 500 kt of diesel

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Obviously, this annual report contains a detailed discussion of the developments in the oil market (see the chapter [Oil and oil storage markets 2022](#)). In 2022, we devoted much attention to analysing the potential impact of the Russian invasion of Ukraine and the EU sanctions on oil supply security in the Netherlands. The Ministry asked us to report on the subject in various consultations. At the same time, we did not lose sight of our core duty: storing oil at the lowest possible cost. Thus, we decided to store even more crude oil in cheap cavern facilities. Further details can be found in the chapter [Management Report](#). Our risk analysis in turbulent times is explained at length in the chapter [Management of risks and uncertainties](#).

## **COVA remains financially robust**

We took out substantial new loans in order to fund the requested increase in our stock position. In this context, the rising interest rate will result in higher interest expenses in future years. Our operating costs will go up as well, in particular the storage costs because we are renting more tank capacity. We are also affected by the high rate of inflation. Nevertheless, we ended the year 2022 with a higher operating result. COVA's solvency is and remains robust as well. The market value of our stocks is well above the amount of the liabilities. More information on the development of our financial position can be found in the [Management Report](#) and the [Financial Statements](#).

In 2022, we also saw a change in personnel on our team, which was extended by another market analyst. The interplay between COVA's Management and Board and the Ministry has intensified considerably, with good substantive discussions. We are therefore facing the future with confidence.

## **Stichting COVA**

24 April 2023

# About COVA

## Background

The oil crisis in the 1970s prompted the Organization for Economic Cooperation and Development (OECD) to devise a joint strategy in order to cope with a potential future energy crisis. The International Energy Programme (IEP) was drawn up and the International Energy Agency (IEA) was founded. In the IEP Treaty, all OECD member countries agreed to form emergency oil stocks as a strategic reserve. The Netherlands was among the founders of the IEP Treaty.

This treaty was translated into an EU directive by the European Union (EU) and into the Petroleum Products (Stockpiling) Act (Wva) in the Netherlands. Where the Netherlands is concerned, this act provides that the emergency oil stocks are held by the obligated Dutch oil companies and by COVA.

The Dutch national stockholding obligation is calculated in accordance with the terms drawn up by the IEA and the EU. In the Netherlands, these terms have been laid down in the Dutch Stockholding Law (Wva). The Netherlands Enterprise Agency (RVO) annually sets the obligation for the business sector. COVA's stockholding obligation is the calculated Dutch stockholding obligation minus the obligation imposed on companies in the oil industry. In March of each year, our annual obligation

is communicated in writing on behalf of the Minister for Climate and Energy Policy (K&E) and expressed as a total volume in kilotons of Crude Oil Equivalent (COE). This communication also specifies the minimum quantities of gasoline, diesel/gas oil and aircraft kerosene (jet A1). More information can be found under [Stockholding obligation](#).

## Objective

The Netherlands Petroleum Stockpiling Agency (COVA) was founded in 1978 and, being a legal person with a statutory task (RWT), is an independent organisation. The Wva sets out COVA's structure and terms of reference. Our task is to hold a part of the statutory stock while providing the requisite supply security at the lowest possible cost, and to take all measures which help us to achieve this.

COVA carries out this task by purchasing, storing and, where necessary, selling or refreshing crude oil and oil products. These strategic oil stocks can be released during national or international oil shortages. The joint strategic reserves held by COVA and the obligated Dutch oil companies enable the Netherlands to contribute to:

- I. A joint action with the OECD countries so as to prevent major economic effects during a



COVA office Rotterdam

temporary disruption of oil supplies. The cause of such disruptions could be political tensions, natural disasters or war. As an EU Member State and IEA member, the Netherlands may then be requested, together with other countries, to put parts of the stock on the market in order to make up the shortages that have arisen. This happened for example during the Gulf War (1991), after Hurricane Katrina (2005), during the civil war in Libya (2011), and even twice during the Russian invasion of Ukraine in 2022.

- II. Supply security for domestic oil consumers, such as the industrial and transport sectors. We may receive instructions from the Minister for K&E to release (parts of) the stock in order to make up fuel shortages in the domestic market. COVA is part of the national crisis organisation. COVA must have a particular quantity of diesel/gas oil available that can be released under all circumstances, specifically for domestic crisis control purposes.

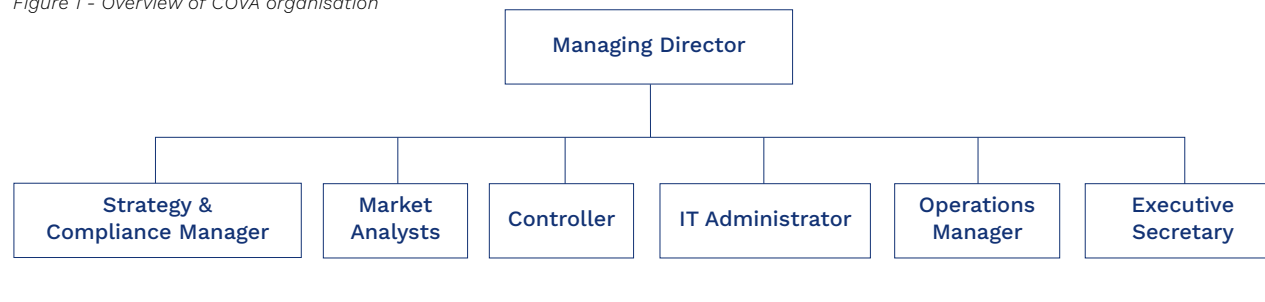
## Organisation

COVA is a not-for-profit foundation. The Minister for K&E bears the ultimate responsibility for COVA, adopts its articles and approves the financial statements, budget and rules of procedure. The Board is appointed by the Minister and consists of three members, each with their own expertise. The Board appoints a Managing Director. The Managing Director is responsible for COVA's day-to-day management and for implementing the policies approved by the Board. This structure guarantees COVA's independent position in relation to the Dutch oil market and the Ministry<sup>1</sup>.

COVA's business operations are supported by detailed stock and accounting records. COVA's liquidity and solvency are monitored through financial planning and reporting and through regular treasury management. These are supplemented by essential supporting tasks, such as procurement of appropriate insurance and maintenance of COVA's IT infrastructure, as well as facility and office management. These tasks are performed by a team of eight staff members. Each of them has many years of work experience in the financial sector, the energy market or the public sector, but always in relation to the oil sector. For legal, HR and specialist IT activities we draw on external support.



Figure 1 - Overview of COVA organisation



At the special request of the Ministry, COVA supports the central government with its knowledge of the oil and oil storage markets. For this purpose, we maintain contacts with various organisations in the oil sector. We closely monitor the oil market statistics and provide the Ministry with regular reports on the developments in the oil market.

We also support the Ministry with regard to the calculation of the Dutch stockholding obligation and in EU and IEA meetings.

<sup>1</sup> COVA falls under the ultimate responsibility of the Minister for Climate and Energy Policy (K&E). Where the annual report uses the term Ministry, this refers to the Ministry of Economic Affairs and Climate Policy (EZK).

### **Storage of crude oil and oil products**

COVA's business operations are directed primarily at guaranteeing sufficient availability of crude oil and oil products on a long-term basis. We own the crude oil and oil products and rent the requisite storage facilities. COVA therefore has no direct operational responsibility for the storage process.

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### **We monitor the security, environmental and ICT risks of our contracting parties**

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We are an organisation with a low risk appetite. This means that we require our contracting parties to take adequate measures in order to comply with all applicable regulations. With help from external parties, we monitor the product quality, the storage risks (such as security, environmental and ICT risks) and the financial stability of contracting parties. The product quality is measured annually, while an external advisor carries out a risk analysis every four years for each storage location. In addition, COVA receives an overview every four years of the findings of the Human Environment and Transport Inspectorate at the relevant companies subject to the Major Accidents (Risks) Decree ('BRZO+ companies').

Where necessary, these findings are discussed with the storage facility holders.

An estimate of COVA's future stockholding obligation forms the basis of a long-term storage plan. This plan revolves around three issues:

1. adapting the requisite stocks by purchasing, selling or renewing crude oil and oil products;
2. finding suitable storage facilities;
3. purchasing or selling tickets as a stock adjustment instrument in order to absorb short-term volatility.

COVA has clear guidelines on monitoring and covering product risks, price risks and storage risks in relation to its stocks.

### **Funding of COVA**

The annual financial cycle consists primarily of a budget and an annual report. The Board submits these for approval to the Minister for K&E. COVA's operating costs are financed by a statutory stockholding levy which end users of transport fuels<sup>2</sup> have to pay. This stockholding levy has been laid down in the Wva and amounts to €8 per 1,000 litres. The levy is collected in the same manner as excise duty and is paid to COVA each month by the Tax and Customs Administration.

COVA funds its oil stock purchases with loans it takes out from the Ministry of Finance under the terms of treasury banking. The Ministry guarantees the loans contracted up to €1,465 million. The Wva provides that the State will be liable for any debts of COVA which remain after its winding-up as a legal person.

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<sup>2</sup> The stockholding levy is effectively applied to gasoline, diesel and LPG.





### **Laws and regulations**

COVA's structure, terms of reference and funding have been laid down in the Wva. The Wva follows Directive 2009/119/EC, which was amended in 2021 through Implementing Directive 2018/1581/EU. The stockholding obligation applies for a period of one year at a time, starting on 1 July of that year.

As a legal person with a statutory task, COVA is subject to the Public Procurement Act. This is why the framework agreements between COVA and various market parties for the purchase of crude oil, oil products or tickets were concluded after a public procurement procedure. The rent of immovable property, such as storage tanks, is exempt under the Public Procurement Act.

In 2018, the Minister of EZK designated COVA as an operator of an essential service (AED) in the context of the Network and Information Systems Security Act (Wbni).

COVA complies with the derivatives policy framework of the Ministry of Finance and uses hedges only to cover cash flow risks in transactions as a result of exchange rate or oil price volatility.

COVA is subject to the Standards for Remuneration Act (Wnt) and complies with the rules of the General

Data Protection Regulation (GDPR). As a foundation, COVA is exempt from corporate income tax.

### **Stockholding obligation**

The Dutch stockholding obligation is calculated in accordance with the IEA and EU calculation methods, as laid down in the Wva. The key factor in these methods is 'net imports'. The IEA and EU calculation methods determine net imports as the difference between oil imports (in the Netherlands primarily crude oil) and oil exports (in the Netherlands both crude oil throughput and exported oil products). Oil products for bunker fuels (international shipping fuels) and the chemical industry (such as naphtha) are disregarded in this calculation.

IEA members and EU Member States are obliged to maintain a strategic stock equal to 90 days of net imports. In addition to the 90 days of net imports obligation, EU Member States must also comply with a lower limit of 61 days of inland consumption. This lower limit for inland consumption is intended especially for countries producing large quantities of crude oil. After all, domestic production means low net oil imports, or no net oil imports at all, which might result in a low level of strategic stocks. For this reason, the EU has set a lower limit for the strategic stocks of oil-producing countries of at least 61 days of inland consumption supplementary to their production.



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The Ministry of EZK intends to set the lower limit for the Dutch stockholding obligation at 90 days of inland consumption

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The EU rules also dictate that the strategic stocks must be held within the territory of the EU, while at least one third of the national compulsory oil stock must be maintained as refined product. For the Netherlands, this means gasoline, diesel and jet A1.

The stockholding obligation is calculated in Crude Oil Equivalent (COE). On this occasion, the physical quantities of crude oil or oil products are converted into a common oil equivalent unit, by multiplying crude oil or oil products by the conversion factors determined by the EU. For crude oil this is a conversion factor of 0.96, whereby account is taken of conversion losses in refining the oil. The conversion factor for oil products is 1.2.

The Netherlands takes up a special position where these calculations are concerned. In recent years, the Netherlands has seen a sharp decline in calculated net imports, in particular as a result of increased processing of naphtha. Naphtha is an important blend component for gasoline in the Dutch oil market. At the time when the IEP Treaty was signed, naphtha was primarily a raw material for the chemical industry, which was disregarded in calculating the stockholding obligation. Naphtha (imports, production, consumption) is still disregarded in the net imports calculation, whereas it does count towards exports or consumption when blended into gasoline. Because of the large quantity of export gasoline in the Netherlands,<sup>3</sup> a very large amount of naphtha was blended into the exported gasoline in recent years. As a result, the calculated net imports have fallen sharply.

Given the low 90 days of net imports obligation, the calculated Dutch stockholding obligation has since 2019 been equal to the lower limit set by the EU of 61 days of consumption.

In 2023, the IEA will finalise a discussion on the oil crisis mechanism, with the aim to improve supply security. The Ministry represents the Netherlands in this review process. In anticipation of the outcomes, and in view of the attainment of the lower limit of 61 days of consumption not intended for the Netherlands, as well as the annually changing size of the obligation, the Ministry invariably decided in recent years to keep COVA's stockholding obligation at the same level.

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3 Amsterdam has the world's largest port for gasoline exports.

In 2022, the government informed the Lower House of Parliament that it intended to adjust the statutory obligation to 90 days of inland consumption. This adjustment will be combined with a proposed adjustment of the Wva.

### Storage policy

COVA's storage strategy comprises three core objectives: timely availability of the stocks, minimum storage risks and the lowest possible costs. We aim to cover our obligations primarily with stocks held in the Netherlands or in the immediate vicinity. COVA opts to store more than one third of our compulsory stock as refined end products. These can be released quickly and are ready for use, and therefore offer a high degree of supply security.

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We store more than one third of our compulsory stock as refined end products: these can be released quickly and are ready for use

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The Wva allows us to cover the stockholding obligation with 'tickets'. Tickets give the buyer the right to purchase stocks from the seller in the

## Development of national stockholding obligation

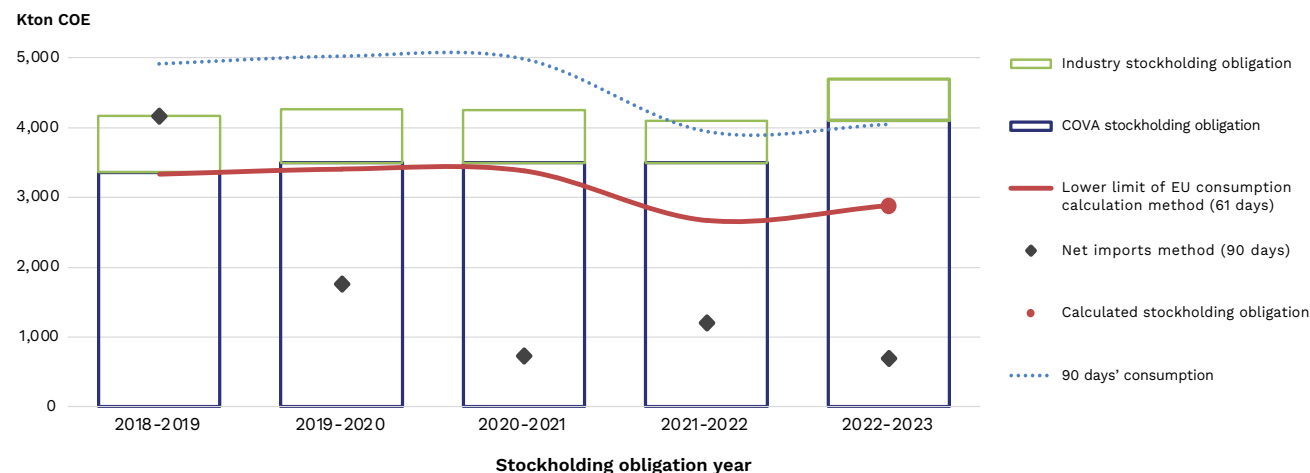


Figure 2 - Development of national stockholding obligation

The stockholding obligation is based on the oil statistics of the previous calendar year. The proposed statutory obligation based on 90 days of domestic consumption has been included in the graph for information purposes.

event of an oil crisis. This right carries a fee, which is used to cover the seller's storage costs, price risks and interest charges, among other things. COVA's policy is to make limited use of tickets, and mainly for the purpose of covering temporary shortages resulting from stock obligation volatility or during renewals.

### Storage locations

Diesel and gasoline are currently stored only in the Netherlands. Because of the costs, a part of the crude oil and diesel stocks is stored in underground caverns (see Figure 3). Parts of the crude oil and jet A1 stocks are stored in neighbouring countries. All the storage terminals have a good connection to pipelines or open water. This means that the products can be readily available in the Netherlands when required.

COVA does not own any storage facilities. We therefore work closely with a range of partners in renting storage capacity. We normally conclude long-term contracts with oil storage companies at a favourable price. This enables us to store our products at the lowest possible cost.

In our storage portfolio, we take account of the possibility of an annual downward adjustment of the COVA stocks. The storage contracts we conclude have different end dates. This composition of our storage portfolio gives COVA annual adjustment flexibility.

### COVA's benchmark

Every year we take part in a benchmark study within the Annual Coordinating Meeting of Entity Stockholders (ACOMES). This study compares our

## Overview of COVA's stocks at year-end 2022

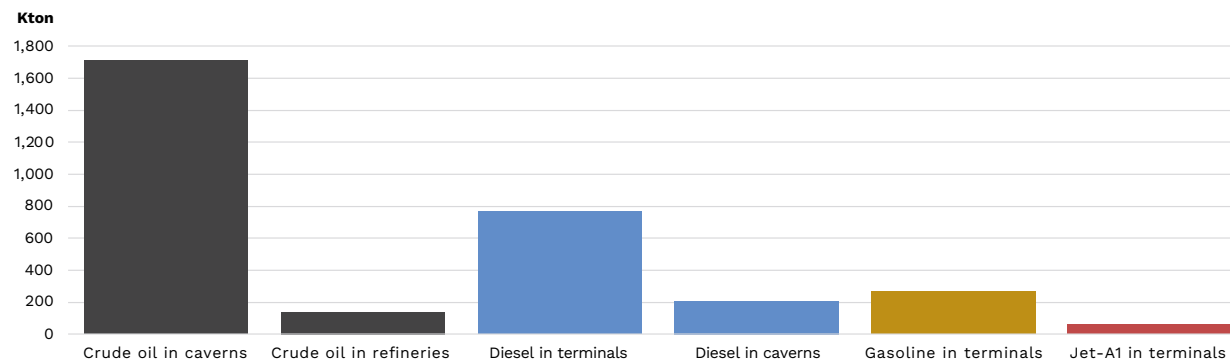


Figure 3 - Overview of COVA's stocks at year-end 2022

organisation and storage costs with those of a number of agencies in Europe, Asia and America. Although the outcomes of this study are confidential, they do provide a general picture of COVA's cost efficiency.

COVA's total costs were measured against the size of COVA's storage space. These costs per m<sup>3</sup> of storage are lower than the European average, but significantly higher than the Asian/American average. This is because the Asian and American

strategic storage entities are many times larger than COVA and store a much larger part in cheap caverns.

The storage costs per unit of stored product are slightly lower than the European average. This is due primarily to choices in the storage portfolio. COVA's staff costs per unit of stored product are lower than the European average.



# Oil and oil storage markets in 2022

One of COVA's tasks is to secure knowledge with regard to the oil and oil storage markets. We monitor and analyse developments in the oil storage sector, market opportunities and the trend in the national stockholding obligation. These analyses help us in our business operations.

## Oil market

The Russian invasion of Ukraine caused much unrest in the energy market. The oil market reacted with concern. Within a short period, Western oil companies significantly reduced their imports of Russian crude oil through self-sanctioning. The IEA Governing Board responded swiftly to the unrest in the oil market by announcing, on 1 March 2022, a first collective action to release oil stocks. The Netherlands participated in this action by reducing the stockholding obligation for the oil business sector by 20%, which enabled companies to release their strategic stocks where necessary. On 1 April 2022, the IEA announced a second collective action. On this occasion, the Minister decided to release a part of the COVA diesel stocks. This was because of a scarcity in the Dutch diesel and gas oil market, due in part to major maintenance at two large refineries in Rotterdam.

## Development of Dated Brent and diesel prices from 1 January 2021

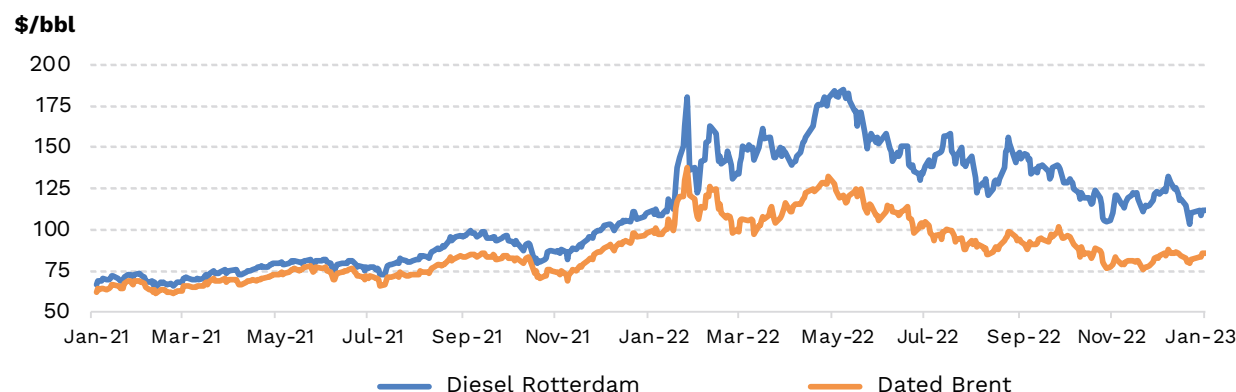


Figure 4 - Development of crude oil price (Dated Brent) and diesel (Rotterdam) prices in 2021 and 2022

Oil prices remained volatile throughout 2022. At \$103.07/bbl, the average Brent price was 45% higher in 2022 than the average price of \$70.91/bbl in 2021. However, diesel prices rose even more sharply than crude oil prices. This was the main reason why the refinery margins were exceptionally high in 2022. The market price structure was in backwardation for nearly all of 2022. Backwardation reached an all-time high especially in the months following the Russian invasion of Ukraine. A backwardated market structure means that forward prices of future supplies are below the spot prices during a number of months. Backwardation fell rapidly at the end of

2022, probably because of the uncertainty about the import sanctions.

The backwardated market structure in 2022 made it economically uninteresting for traders to maintain stocks. As a result, commercial stocks at the oil business sector remained low in 2022. Commercial diesel stocks in particular were structurally low and declining during 2022.

In June 2022, the European Union announced sanctions on imports of Russian crude oil and oil products. From 5 December 2022, the Netherlands is no longer permitted to import Russian crude oil. Russian crude oil is suitable for most refineries to produce large quantities of diesel. It is therefore expected that the use of other types of crude oil in 2022 and 2023 will result in lower diesel production from the European refineries. The EU also decided to ban imports of oil products, such as diesel and jet fuel, from Russia effective from 5 February 2023. The European Union used to import around 10% of its total diesel demand from Russia.

In order to guarantee diesel supply security, the shortage resulting from the import ban on Russian oil and oil products will have to be made up by alternative imports from other parts of the world. This means that the oil market faces a major challenge to keep diesel supplies to Europe steady in 2023. In September 2022, the Minister asked COVA to build up additional strategic diesel stocks. These will offer an extra buffer in the event of scarcity in 2023.

## Brent price and market structure in 2021 and 2022

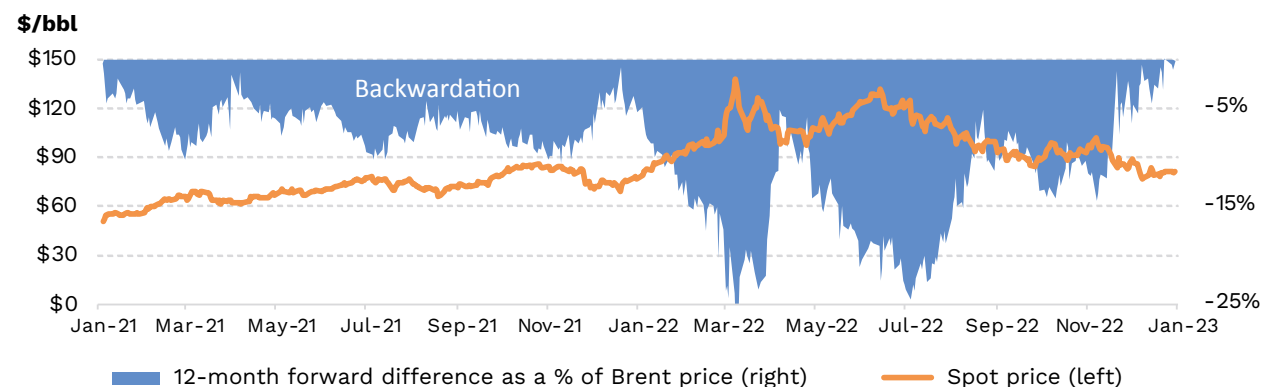


Figure 5 - Crude oil price and market structure in 2021 and 2022

## Development of commercial and strategic stocks on Dutch territory from 2019 to early 2023

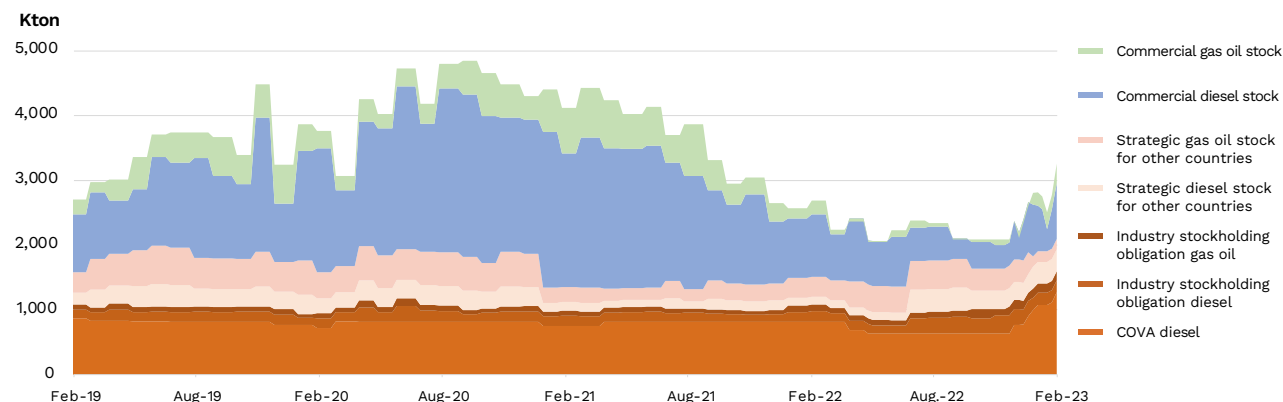


Figure 6 - Development of diesel and gas oil stocks on Dutch territory

### Dutch transport fuel consumption

Demand for transport fuels in the Netherlands rose by 3.8% in 2022 relative to 2021. Aviation consumption increased by more than 30% because of a recovery following the lifting of all travel restrictions under the COVID-19 measures. Gasoline consumption rose by 2.8%, while diesel consumption fell by more than 5.7%.

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Dutch transport fuel consumption rose by 3.8% in 2022, with a sharp rise in jet fuel due to increased air travel

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### Consequences for the stockholding obligation

The trend in Dutch oil consumption has an impact on the national stockholding obligation calculated over 2022. The rise in fuel consumption in the Netherlands directly translates into an increase in the compulsory stock based on the 61-day lower limit.

The stockholding obligation based on the 'net imports method', which has been extremely low for years, decreased further (-7%) in 2022 due to a higher degree of naphtha blending in 2022 (the 'naphtha blending effect', see [Stockholding obligation](#)).

### Fuel consumption in the Netherlands

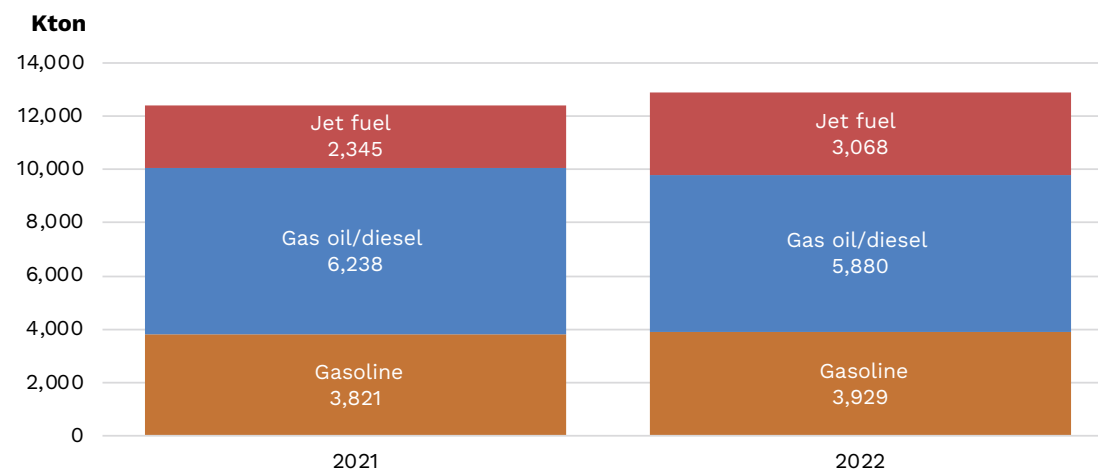


Figure 7 - Overview of fuel consumption in the Netherlands (CBS)

The Dutch trade, production and export of gasoline, of which naphtha is a key component, went up because of a global recovery in demand for oil products. In the graph 8, this is reflected in the rising net naphtha imports in the Netherlands (+11%).

The national stockholding obligation based on the 'net imports' method fell to the extremely low level of 0.6 million tons COE. In comparison: the national stockholding obligation calculated for 90 days in accordance with the 'domestic consumption' method would have been 4.3 million tons in 2022.

The stockholding obligation for 2023 calculated on the basis of 2022 data, in accordance with the methods prescribed by law (see [Stockholding obligation](#)), will again be equal to the EU lower limit of 61 days of domestic consumption.



## Projected consumption in Climate and Energy Report 2022

Following a dip during the pandemic, Dutch transport fuel consumption is expected to increase further in the years ahead. This appears from oil consumption projections in the Climate and Energy Report (KEV) 2022.<sup>4</sup> However, these projections show a decline in total oil consumption in the longer term. The projections differ greatly per product type. Whereas a decrease is expected for diesel and gasoline, there will be a sharp increase for jet fuel.

## Oil storage market

The aforementioned decline in stocks up to and including the summer of 2022 was caused primarily by the ‘backwardation’ effect. It enabled COVA to find storage capacity in the market for the extra diesel it had to purchase. By the end of 2022, this ‘backwardation’ effect had disappeared and (commercial) stocks were increasing, with market parties preparing themselves for the announced sanctions. The sanctions on Russian oil and oil products entail the challenge that large quantities of crude oil and oil products will have to be imported

<sup>4</sup> The KEV is published by the Netherlands Environmental Assessment Agency (PBL). It calculates the effects of established and proposed policies on the Dutch energy system.

## Progressive insight into Dutch stockpiling obligation

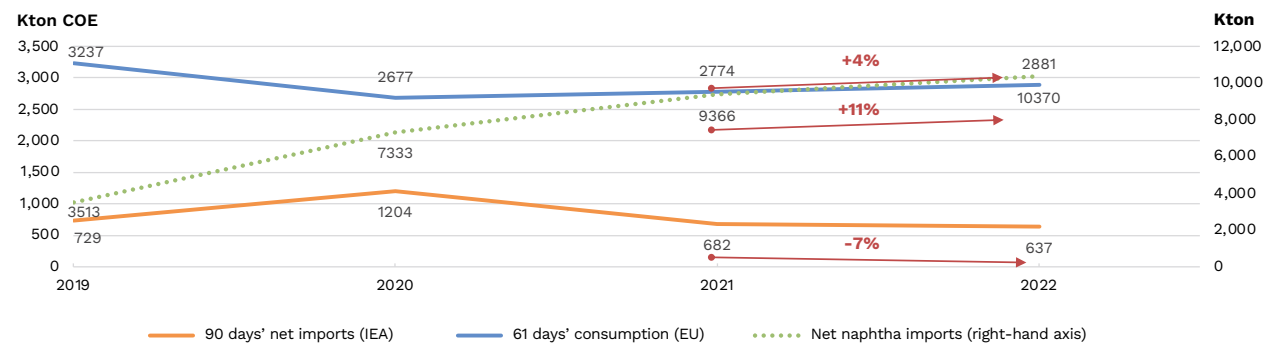


Figure 8 - Development of the Dutch stockholding obligation

## Projected demand for oil products in KEV 2022

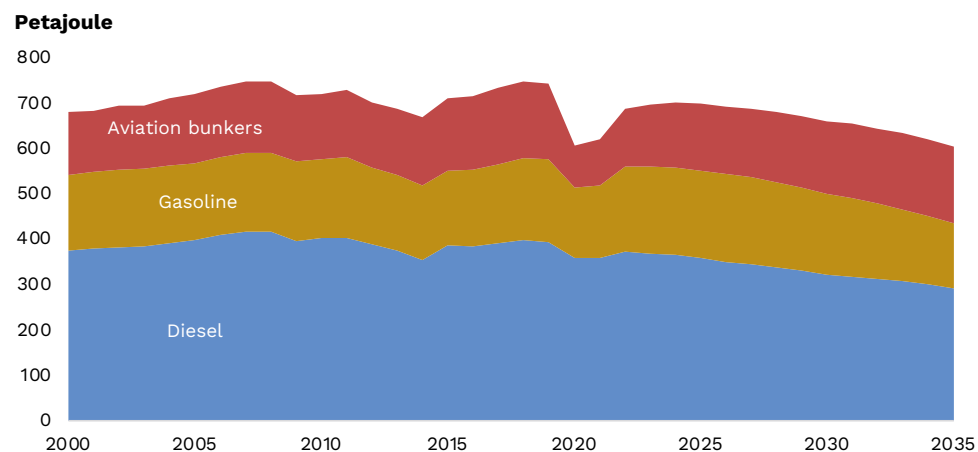


Figure 9 - Transport fuel projections in PBL Climate and Energy Report 2022 (KEV 2022, PBL)

into the Netherlands and Europe from other parts of the world. This will require considerable logistics efforts. Products must be procured from further afield and will probably arrive in larger bulk quantities. Demand for storage tanks is expected to rise as well. This may increase COVA's operating costs when contracts are renewed or the strategic stocks are expanded.

The capacity of the storage sector in the Netherlands remained virtually the same in 2022. The delivery of a large newly built storage terminal in Rotterdam (1.3 million m<sup>3</sup>) was postponed in 2022 and the construction company was actually declared bankrupt early in 2023. Various trends and developments can be perceived in the storage market itself, however. These include the conversion and/or construction of storage tanks for the storage of sustainable biofuels and other fuels, such as Hydrotreated Vegetable Oil (HVO) and Fatty Acid Methyl Esther (FAME). In addition, pilot projects were launched for the storage of hydrogen and hydrogen carriers. A consolidation trend can be perceived as well, with oil and oil storage companies taking over fossil fuel storage terminals.

### Storage level of independent tank storage facilities in Amsterdam-Rotterdam-Antwerp



Figure 10 - Independent tank storage in the ARA region for all fuels (Insights Global)

# Management of risks and uncertainties

An important part of COVA's remit is to ensure the availability and usability of stocks in crisis situations. Our business operations are characterised by a low risk appetite. Risk management is a fixed element of our business procedures. In September of each year, we perform a risk analysis across the full spectrum of our business operations. This analysis involves a detailed description of the risks, an appraisal of our risk appetite, the possible risk management measures and any steps to be taken. The results are summarised in this chapter. We will also address continuity in the context of the geopolitical developments.

## Risk analysis

In 2022, the risk analysis covered the subjects of risk management, supervision and compliance. On this occasion, we reviewed both the internal organisation and external factors. The risk analysis did not include a number of identified risks to the business operations that can be controlled, such as staff turnover. We do consider these risks in our business operations, however.



In the analysis, the risks and uncertainties were grouped into five categories:

- A. Operational risks
- B. External risks
- C. Policy risks
- D. Reputational risks
- E. Risks due to human action

The matrix on the next page shows the specific risks arranged by impact and likelihood. A colour code indicates the clustering according to risk category. The shifts in the matrix relative to 2021 are shown as dotted lines.

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The principal risk for COVA remains product (value) loss due to factors such as obsolescence and policy changes

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The principal risk in the 2022 risk analysis is product (value) loss. A product may lose quality or value through obsolescence or contamination (operational risks) or because it lacks a renewable component (policy risk).



Compared to the 2021 analysis, we can see three shifts in the matrix:

- 1 The Russian invasion of Ukraine has increased the likelihood of **stock obligation volatility**
- 2 Because of extra pressure on our knowledge management, **business continuity** is now back in the matrix
- 3 Farther-reaching measures in the IT environment and the results of an investigation into IT/OT cyber maturity at storage facility holders have caused a **reduction of the IT risks**

The unpredictability of the impact of the Russian invasion of Ukraine on energy supply security has increased the likelihood of the risk of stock obligation volatility. In addition, the possibility of an energy crisis has created additional demand for COVA knowledge management in support of policy-making by the Minister for K&E. No new risks were identified in the 2022 risk matrix.

### Operational risks

**Product loss or obsolescence** remains the principal risk for COVA. Apart from obsolescence, product contamination at the terminal may also cause a quality and value loss for COVA. In order to mitigate this risk, our contracts with storage facility holders contain arrangements on product quality, maximum

## COVA Risk Analysis 2022

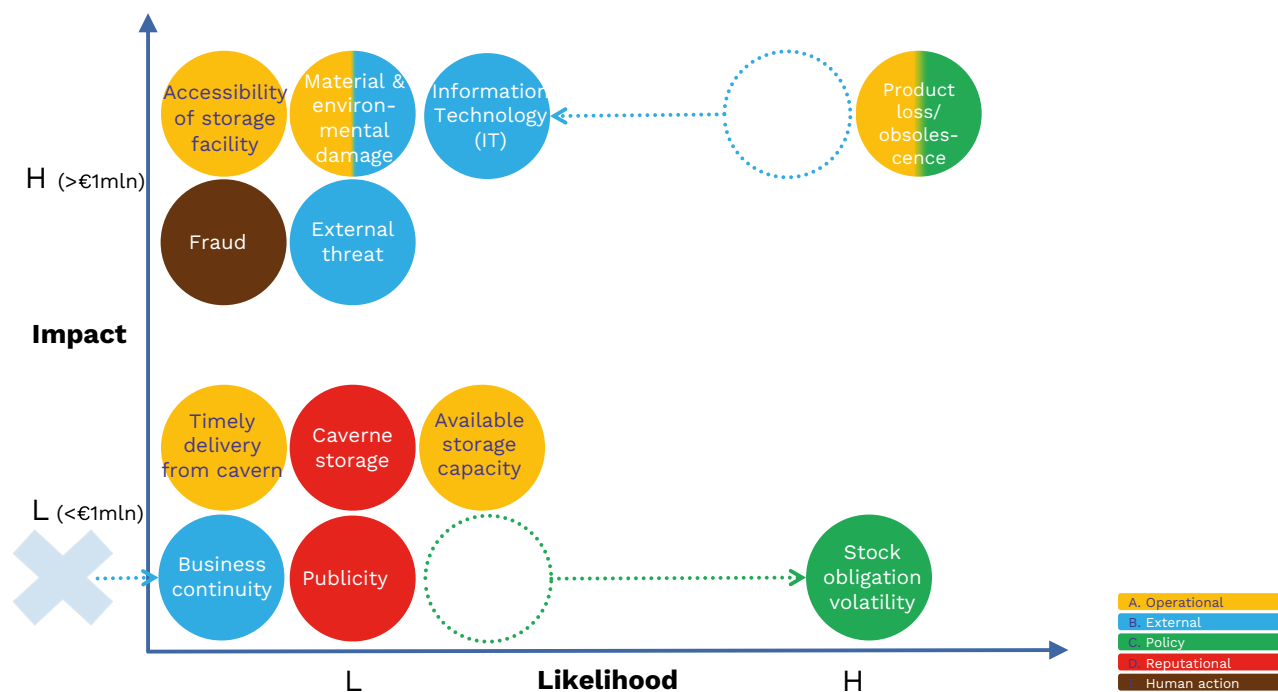


Figure 11 - COVA risk matrix

stock differences and product contamination. The Operations department receives a monthly update on the current stock situation. Any unexpected differences will trigger immediate intervention. Independent inspection companies

carry out annual quality tests on the stocks at the terminals. COVA uses the test results to monitor the development of product quality. Where necessary, we decide to renew parts of the product stock in good time.



**Material and environmental damage** comprises a large number of sub-risks. Leakages or security incidents may lead to environmental damage, health risks and the loss of COVA products. Because COVA does not own the storage facilities, we take a neutral stance towards this risk. We limit our liability in the event of an incident through contractual arrangements with storage facility holders and carriers. Likewise, COVA's general terms and conditions transfer liability for the transport and storage of our products to the carriers and storage facility holders. Partly because of our duty of care under environmental legislation, we periodically commission independent risk evaluations at the terminal. These evaluations focus on internal and external safety and compliance with laws and regulations. In addition, COVA asks the government every four years for the results of inspections at BRZO+ companies and discusses these with the relevant storage facility holders where necessary. COVA is insured against material and environmental damage.

Delivering stocks in times of crisis is COVA's core duty. **Inability to deliver in time or limited accessibility of storage locations** is an important risk, and we take a risk-averse position in this respect. Contractual arrangements have been made with the storage facility holders about the delivery of stored products within a period not exceeding 90 days.

Additional specific arrangements have been made especially with the companies managing underground storage facilities for crude oil and diesel. Together with the company managing the cavern storage facility in the east of the Netherlands, COVA drew up a plan in 2020 to test these arrangements in the coming years through a series of exercises. Bilateral arrangements between the Netherlands and the EU countries provide that countries will always be able to access their respective strategic stocks, irrespective of the situation. In order to further mitigate the risk attached to storage abroad, COVA's policy is aimed at minimising transport time by using storage facilities in nearby countries.

The operational risk of **storage capacity availability** remained low in the 2022 analysis. Despite the concerns about energy supply security as a result of the Russian invasion of Ukraine, COVA was able to rent large amounts of storage capacity in the market in 2022. COVA closely monitors the developments in the storage market. The sanctions on Russian oil and oil products entail the challenge that large quantities of crude oil and oil products will have to be imported into the Netherlands and Europe from other parts of the world. This will require considerable logistics efforts. Products must be procured from further afield and will probably arrive in larger

bulk quantities. Demand for storage tanks is expected to rise as well. This may increase COVA's operating costs when contracts are renewed or the strategic stocks are expanded.

### **External risks**

**Criminal access to business networks or large-scale outage of IT systems** are important external risks on which we take action. Both COVA and our storage facility holders may be the victim of such incidents. The damage to our operations may consist in inability to deliver, product contamination or product leakage. Furthermore, a disruption of the IT processes within COVA may lead to our data being manipulated, held to ransom or stolen. This may jeopardise COVA's continuity and financial stability. Having been designated by the Minister as an operator of an essential service (OES), COVA is obliged to take supplementary digital security measures for our own IT environment. We further increased our digital security in 2022 by adjusting our IT systems, by making contractual arrangements with IT suppliers and by documenting security measures and processes in business procedures. As part of our duty of care under the Wbni/NIS Directive in respect of supply chain management, COVA commissioned an assessment of the IT/OT cyber maturity of the storage facility holders with which we have contracts.

This assessment revealed that the risk of disruption of our operations due to cyber attacks at storage facility holders is extremely low. The outcomes of this assessment were shared with the storage facility holders, and arrangements for improvement were made where necessary. We monitor the security of the IT systems as part of our periodic risk evaluations. During this process, we hold regular consultations with our supervisor in the context of the Wbni, the Dutch Authority for Digital Infrastructure (formerly the Radiocommunications Agency Netherlands).

The debate on energy supply security following the Russian invasion of Ukraine has put **business continuity** back in the matrix. The resulting situation takes up much of the available capacity at COVA knowledge management. In forming an opinion on the crisis, the Ministry relies to a significant extent on the analyses and recommendations provided by knowledge management. Because of the multitude of questions and topics, we are sometimes forced to make choices with regard to the depth and/or significance of the analyses. Our principals are informed about this. We have meanwhile decided to extend the team by an extra market analyst, while supplementary capacity can be engaged for specific questions.

Among **external threats** COVA includes incidents such as **assaults, industrial action and natural disasters**. Through our storage policy, we mitigate these risks and are able to limit the impact of these threats on our operations. We do so among other things through geographic diversification of storage locations. We regularly commission assessments of the storage locations, in which an independent expert reviews the security and resilience of storage facility holders. In order to cover any residual risks, we insure our stocks against threats such as fire and terrorism. The risk to business continuity, for example due to serious damage to the Rotterdam office, is also covered by insurance. Furthermore, we have our own emergency response staff and excellent cloud and back-up facilities for the IT environment, while we facilitate working independent of time and place. In this way, the continuity of our core processes is guaranteed.

### **Policy risks**

Here, too, the greatest risk is **product (value) loss or obsolescence**. In this case this is due to policy decisions, such as climate measures and changing statutory requirements with which fuels have to comply. The value of our product stock may be impacted by farther-reaching obligations to blend in renewable components. With regard to gasoline, this may lead to a loss in value of COVA's purely



fossil stock. We closely monitor these developments and continue to expand our knowledge of renewable fuel storage. In this way, COVA remains sufficiently flexible to respond to changes in policy and national and international regulations.

**Stock obligation volatility** is a risk that directly affects COVA's core duties. The recent geopolitical developments, a pandemic and numerous significant social developments may lead to a sudden rise or fall in the stockholding obligation. Uncertainty about the method of calculating the stockholding obligation increases the risk of unforeseen volatility. The sudden sharp rise in the stockholding obligation assigned to COVA in 2022 caused major changes to the financial obligations. In the event of a compulsory rapid fall in the stockholding obligation, COVA's flexibility will be restricted by long-term contracts. Both building up and reducing stocks entails additional costs for COVA.

Knowledge management is an important part of our remit. It provides COVA with the latest market information and outlook, which enables us to identify developments in the medium and long term. If the stockholding obligation is proportional to the market developments via a consistently applied

calculation method, we will have insight into the potential changes to the stockholding obligation in the current year and future years. Using scenarios, COVA can then assess the financial consequences of potential changes to the future stockholding obligation, which will help it organise and direct its operations accordingly. In its long-term storage contracts, COVA has opted for an overlapping structure, i.e. with different terms and end dates. This approach offers flexibility in the event of a gradual and predictable adjustment of the stockholding obligation. Under these circumstances, COVA has sufficient opportunities to adjust the stock position either upwards or downwards if necessary.

Since 2018, the Ministry has mitigated volatility to some extent by assigning COVA a constant stock-

holding obligation ([see Stockholding obligation](#)). We adopt a risk-neutral position where policy risks are concerned.

#### **Reputational risks**

Environmental damage due to problems at our storage facility holders may generate **negative publicity**. Public concerns may result in permits being called into question, for example with regard to the option to store oil or oil products in underground caverns. COVA has mitigated this risk through a clear and unequivocal storage policy, explicit contractual arrangements with storage facility holders on liability in the event of an incident, and arrangements with the Ministry of EZK on communication. To ensure safe business operations, COVA periodically commissions independent risk



evaluations at the terminals, focusing on internal and external safety, resilience and compliance with laws and regulations. In addition, COVA asks the supervisor every four years for the results of inspections at BRZO+ companies and discusses these with the storage facility holders where necessary. By doing so, COVA also fulfils its social duty of care as laid down in environmental and safety legislation.

#### *Risks due to human action*

**Financial or product fraud** may seriously harm COVA's position and integrity. We therefore take a risk-averse position. In order to prevent payment fraud, we ensure maximum segregation of duties in the cash management system. For example, the staff member authorised to create new creditors or change bank account numbers is not permitted to approve payments. All payment mandates and authorisations must be approved by two persons. Furthermore, COVA has a code of conduct which counteracts conflicts of interest, among other things.

#### **Continuity**

Because of the increase in our stockholding obligation, COVA took out €480 million in additional loans in 2022. At the same time, we saw a sharp rise in interest and inflation rates. We also concluded several

rental contracts in connection with the extra 500 kt in diesel stocks. We therefore expect that COVA's expenditure will increase substantially in 2023. In addition, it is not clear how the economy will develop. An economic relapse may lead to lower oil consumption and therefore lower stockholding levy revenue for COVA.

COVA's operating result in 2022 was €34 million positive. We therefore expect that, despite the substantial increase in expenditure, COVA's results and cash flows will still be positive in the next few years. If the recent increase in COVA's stockholding obligation is imposed for a longer period, the non-indexed stockholding levy will not provide enough compensation in due course for the inflationary pressure on expenditure and the rising interest rates. COVA's equity increased from €481 million to €804 million in 2022. The market value of the stocks, being €2,197 million (at a Brent oil price of €81.33), was significantly higher than the value of the liabilities (€1,146 million), which is a reassuring buffer.

The sanctions imposed against Russia create uncertainty about oil supply security. Because of the increase in its stockholding obligation to 4,100 kt COE, COVA is well prepared to provide assistance in the event of shortages. For the sake of clarity: the

extra diesel purchased does not originate from Russia. Likewise, COVA has no relations with Russian parties, while all our storage locations are situated within the EU, in conformity with legislation (see [\(see Stockholding obligation\)](#)).

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#### Despite a sharp rise in COVA's expenditure in 2023, we expect a positive operating result

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We believe that COVA's continuity is safeguarded through its robust solvency and the expected positive liquidity in the coming years. In addition, COVA has a funding cap of €1,465 million guaranteed by the Ministry, as well as guaranteed access to government treasury banking. Finally, there is the statutory guarantee laid down in Section 25 of the Petroleum Products (Stockpiling) Act: "The State will be liable for any debts of COVA that remain after it has been wound up as a legal person".

# Report of the Board

## A turbulent year

Whereas we started the year 2022 with a clear-cut agenda, a large part of COVA's priorities was soon determined by the consequences of the Russian invasion of Ukraine. It was evident that oil supply security would require much attention, given the loss of supplies from Russia due to the sanctions announced by the European Union. In this context, the COVA team played a key supporting role for the Ministry of EZK.

First in the second quarter COVA was able to assist the oil market by releasing diesel stocks. Furthermore, when the potential impact on the Netherlands of the sanctions on Russian oil imports became clear, COVA was instructed by the Minister to replenish and even significantly increase diesel stocks. On top of all this, we also took major steps in giving follow-up to the recommendations of the 2021 governance review to improve COVA's governance.

## Activities of the Board in 2022

COVA's Board met eleven times in 2022.

We started converting the recommendations of the 2021 governance review, aimed at improving COVA's governance, into concrete actions. Adjustments to COVA's articles were discussed in close consultation with the Ministry. These



changes will create greater clarity about Board appointments and terms of office, and about interaction between Board and Management. The Ministry will have the articles executed by a civil-law notary in 2023. The Ministry now has a better view of COVA's governance, with a clear management and policy direction line.

In April, we had our first meeting with the deputy Secretary-General (dSG) and the Director-General for Climate and Energy Policy (DGKE). During this meeting, roles were clarified and the annual report was approved. An initial strategic dialogue with the

Ministry took place in the autumn. On this occasion, we looked at COVA's role in the crisis organisation, the proposed adjustments to the Wva and the role of COVA's knowledge management.

In September 2022, we made a very interesting working trip to a storage terminal in the northern Netherlands and the crude oil caverns in northern Germany. We did so together with several representatives of the Ministry, including the deputy Secretary-General. This trip resulted in greater understanding about the size of our stocks and COVA's way of working.



Various discussions were held and decisions taken with COVA's Management in respect of stock management. We spoke at great length about transferring a crude oil position in the western Netherlands to caverns in northern Germany and the plans to release and replenish the diesel stocks. During the meeting in April, we discussed the annual report and the auditor's findings and adopted the 2021 annual report. We also devoted much consideration to the 2022 risk analysis (see [chapter Management of risks and uncertainties](#)) and our policy on insurance, and we adopted the budget in December.

In addition, the mandates of Bert Roukens and Johan de Leeuw were extended by three years and two years respectively. We also approve of the change and expansion of the COVA team.

## Conclusion

This annual report presents a clear picture of COVA's special activities in 2022. It renders account for the supply security which COVA must provide, the associated risks and the costs involved. COVA managed to find the right balance between these aspects also in the turbulent year 2022. Our conclusion is that COVA is well equipped for all its responsibilities and tasks. Apart from COVA having a robust financial basis, the COVA team



*Visit to caverns in northern Germany*

members are well attuned to each other and provide the right mix of competences. We therefore extend our sincere thanks to COVA's staff members for their dedication in 2022.

On behalf of the Board of Stichting COVA,

**Johan de Leeuw**

*Chairman*



# Governance structure

During the reporting year 2022,  
the bodies set out below were composed as follows:

## Board

Chairman	J.F. de Leeuw
Member	H. Trumpi (Deputy Chairman)
Member	G.K. Roukens

## Secretariat

Secretary	B. Ent
Deputy Secretary	G.J. ten Broeke

## Management

Managing Director	G.J. ten Broeke
Strategy & Compliance Manager	B. Ent

# Management Report

## COVA's activities

Much of our attention in 2022 was devoted to analysing and responding to the impact of the Russian invasion of Ukraine. In April, the Ministry asked COVA to deliver diesel to the market. Through tendering procedures, a total of 184 kt of diesel was released to various market parties. The European Union's extensive sanctions resulted in an import ban on Russian crude oil from December 2022 and on Russian diesel from February 2023. The Ministry asked COVA to replenish its oil stocks from September 2022 and to buy an additional 500 kt of diesel, provided that this would not disrupt the market. This is a 55% increase in the strategic diesel stock.

We were able to conclude contracts with various terminals in the Netherlands for storing the extra diesel. We also managed to purchase the total volume of diesel required via purchasing tenders with our European procurement partners. The delivery of this diesel was completed early in 2023, which means that COVA meets the additional stockholding obligation of 4,100 kt COE by the end of the first quarter

We intensively supported the Ministry of EZK with analyses of all the consequences for the oil market of the Russian invasion of Ukraine. This considerably increased COVA's workload. We therefore decided to appoint an additional market analyst. We also appointed a new operations manager after his predecessor had left. This means that COVA had eight staff members at the end of 2022 (7.6 FTE). Where HR matters are concerned, COVA obtains the necessary support from an external personnel advisor.

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## On the Minister's instructions we increased our strategic diesel stock by 55%

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In 2002, we finished testing and setting up a new version of our stock registration system. This new version has meanwhile been rolled out. An investigation had been conducted in 2021 into the IT risks of storage facility holders with which COVA has a contract ([see the chapter Management of risks and uncertainties](#)). We discussed the outcomes with the parties involved in 2022. COVA's IT security was improved further. Thus, a more extensive contract was concluded with our IT supplier on monitoring our IT environment 24/7.



*ACOMES meeting in Amsterdam*

The Netherlands Court of Audit carried out a focus review in 2022 of the strategic stocks held in the Netherlands on the instructions of central government. We also took part in this review where the Dutch strategic oil stock was concerned. The Netherlands Court of Auditors published its report in September, referring to the Ministry's concern that the Netherlands may experience a diesel shortage due to the sanctions against Russia.

In 2022, COVA again actively engaged in the activities of ACOMES. This is the consultative body of the executive strategic storage agencies and the sub-groups for benchmarking (BMG), best practices (BPG), product quality (ELABCO) and crude oil storage (ICPG). We hosted a successful ACOMES meeting in Amsterdam, which was held in September.

### COVA's operations

At 3,500 kt COE, the stockholding obligation imposed as per July 2022 was equal to that of the previous year (see the chapter About COVA). In September 2022, the Ministry asked COVA to purchase an additional 500 kt (600 kt COE) of diesel, which increased the required stockholding obligation to 4,100 kt COE.

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### COVA again transferred a part of its crude oil stock to cheaper caverns in northern Germany

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At the end of 2021, it was decided that COVA would again transfer a part of its oil stocks from the western Netherlands to significantly cheaper crude oil storage facilities in caverns in northern Germany. This will not fundamentally change supply security in the event of a crisis. The sale of 375 kt of crude oil in the western Netherlands was completed by the end of 2022. The purchase of 438 kt of crude oil in the cavern in northern Germany has been contractually agreed and will be completed by the end of March 2023. Purchases and sales do not happen simultaneously because of the contract price for sales agreed in the past, which was based on a 3-month forward

price. COVA applies a hedge construction to cover the price and exchange risks between the moments of sale and purchase. The proposed transfer of diesel was postponed because of the instruction later in 2022 to purchase extra diesel.

In April 2022, the Minister for K&E decided to release 215 kt of COVA's strategic diesel stock. This happened in the context of a second collective IEA action, intended to make up oil shortages resulting from the Russian invasion of Ukraine. COVA offered this quantity of 215 kt to the market through three tenders. With regard to a number of batches in one tender, totalling 32 kt, the bids were significantly below market value, which is why it was decided not to award these batches. Altogether, 183 kt was released.

In September 2022, the Ministry instructed COVA to replenish the diesel stock released and, without disrupting the market, build up an extra diesel stock of 500 kt. This increased the stockholding obligation to 4,100 kt COE. In this context, COVA concluded several extra storage contracts for storage tanks in the Netherlands, predominantly for one year with an option of renewal by another year. With around 290 kt of diesel still to be supplied in 2023, the extra diesel purchases assigned were completed before the product sanctions took effect on 5 February 2023.

Its purchases of the extra diesel and the crude oil in the first quarter of 2023 mean that COVA will meet the higher stockholding obligation of 4,100 kt COE. Furthermore, a small amount in gasoline tickets was sold in the first six months of 2022. There were no refreshments in 2022. An inspection and quality assessment of our products was carried out also in 2022, and all our products were found in order. In addition, an external specialist company performed two inspections at terminals.

### External contacts with the Ministry and other organisations

In 2022, a three-way meeting was held with the deputy Secretary-General and representatives of the Directorate-General for Climate and Energy Policy. During this meeting, the parties approved the annual report and discussed the progress of the changes in COVA's governance, among other things. A first strategic review involving the same parties was held in October 2022, with the focus on the developments in the oil markets. There was also a discussion about potential future adjustments to the Wva. In the second half of 2022, the role as COVA's owner was formally transferred to the deputy Secretary-General. The Director-General for Climate and Energy Policy will remain COVA's client.



A large part of our time in 2022 was devoted to analyses for the Ministry of EZK on the potential consequences for the oil markets of the Russian invasion of Ukraine

In 2022, we devoted a large part of our time to performing a thorough analysis of the tensions in the oil markets. Russia's invasion of Ukraine caused uncertainty about the supply of Russian crude oil and diesel to the European markets. This uncertainty was greatly enhanced by the sanctions imposed by the European Union and other OECD countries.

The Ministry of EZK set up various consultative meetings with interest groups and market parties, at which COVA presented market analyses. In addition, we provided several analyses and presentations at the request of the Ministry of EZK about the Dutch oil sector's dependence on Russian oil. The Ministry also asked COVA to take part in general consultations and the working group preparing an update of the National Crisis Plan for Oil. At the Ministry's request COVA's market analyst joined the IEA Task Force. This task force examined the options for improving the IEA stockholding obligation calculation method in 2022.

In support of the Ministry's representative, COVA participated in the IEA's Standing group on Emergency Questions (SEQ) and Standing group on Oil Markets (SOM). COVA also took part in the EU's Oil Coordination Group (OGC).

A key precondition was agreed with the Ministry for the performance of the knowledge management duties on the instructions and for the benefit of the Ministry. The Ministry takes the policy decisions and is responsible for these decisions at all times.

### Stockholding obligation and stock coverage

#### Stockholding obligations

The stockholding obligation was as follows in 2022:

	Until 30 June	From 1 July	From 1 October
<b>Total obligation (kt COE)</b>	<b>3,500</b>	<b>3,500</b>	<b>(*) 4,100</b>
of which:			
minimum quantity of gasoline (kt)	154	158	158
minimum quantity of diesel (kt)	268	228	(*) 728
minimum quantity of jet fuel (kt)	35	23	23

Table 1 (\*) This involves an increase in the stockholding obligation by 500 kt (600 kt COE) in extra diesel purchases, provided that these will not disrupt the market.

### Stock coverage

COVA met its stockholding obligation in the first three quarters of 2022. During the fourth quarter of 2022, the required stockholding obligation was increased to 4,100 kt COE at the Ministry's request. At year-end 2022, 285 kt of diesel (342 kt COE) and 438 kt of crude oil (418 kt COE) were still to be supplied, which means that COVA met the required stockholding obligation by the end of the first quarter of 2023.

At the end of the year, the total physical stock amounted to 3,349 kt COE.

The table 'Stock overview 2022' (page 34-35) presents a detailed overview of the obligations, the current stocks and the development of the coverage thus achieved in 2022.

### Purchases and sales of crude oil and oil products

COVA sold parts of its stock at several moments in 2022. In the second quarter, we sold 183 kt of diesel as the Dutch contribution to a collective IEA action. In the fourth quarter, we sold 375 kt of crude oil as part of a switch to cheaper cavern storage. In the second half of 2022, we purchased 345 kt of diesel for supply to various terminals in the Netherlands in order to replenish the strategic diesel stock.

## Development of COVA's stockholding obligation in Kt COE

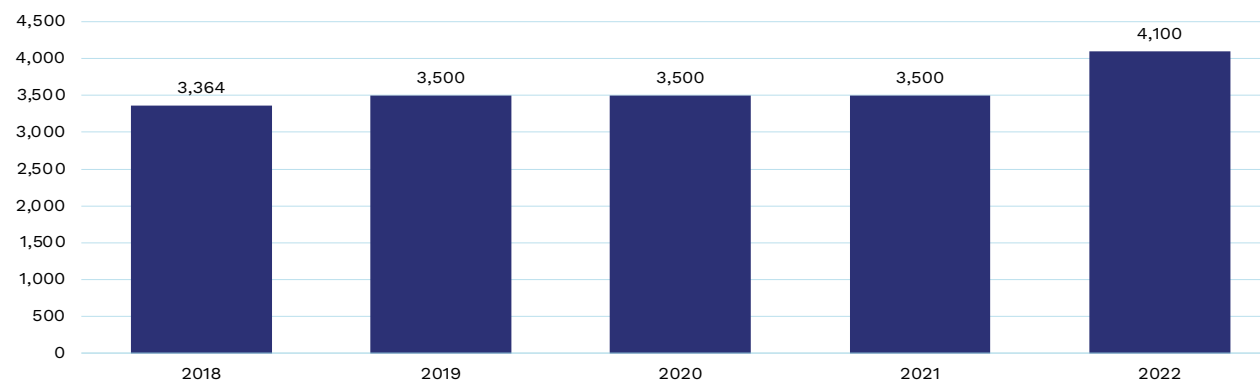


Figure 12 - Development of COVA's stockholding obligation (for an explanation, see Stockholding obligation)

## Strategic stock breakdown as at 1 July in Kt COE

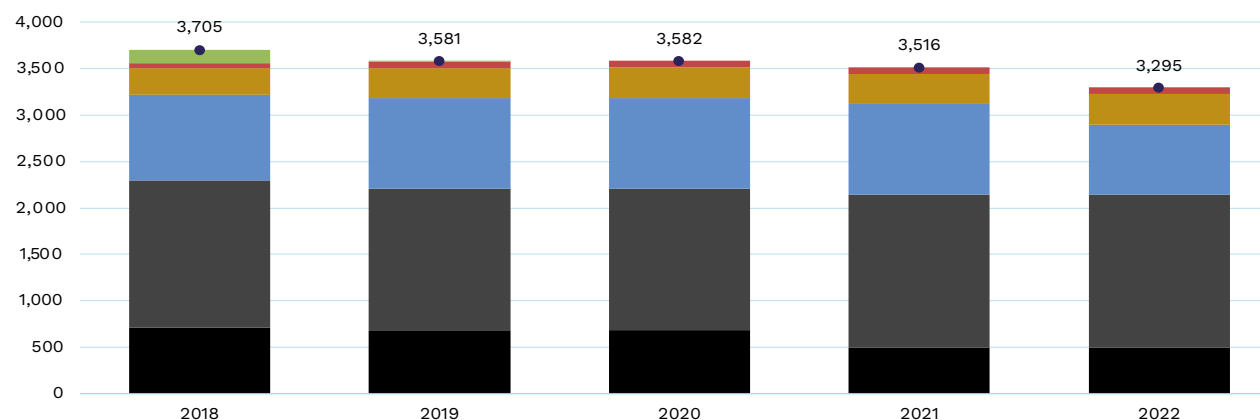


Figure 13 - Breakdown of COVA's strategic stocks as at 1 July (the conversion factors for translating physical quantities into the 'crude oil equivalent' were changed with effect from 2021, on the instructions of the Ministry of EZK)



### Purchases and sales of tickets

In the first six months, COVA sold 5 kt in gasoline tickets. No tickets were purchased.

### Storage

COVA concluded several storage contracts in the Netherlands for the storage of the extra diesel purchased. Arrangements were made for storage in a new cavern in northern Germany. A number of storage contracts were extended. Because of higher inflation, there was great pressure from the market to increase storage fees upon the conclusion of contracts. The costs of storing the physical stocks rose slightly in 2022, in particular as a result of contractual indexation.

## Results

### Operating result

The stockholding levy revenue recorded in 2022 was €98.7 million. This figure includes amounts still to be received, as specified by the Tax and Customs Administration. The stockholding levy revenue in 2022 was €3.6 million higher than in 2021. This was in line with a slight increase in gasoline and diesel consumption in the Netherlands (3.6%). The stockholding levy remained unchanged in 2022, at €8 per 1,000 litres. Ticket revenue in 2021 was still €0.1

### Nominal costs for holding physical stocks in €/m<sup>3</sup>

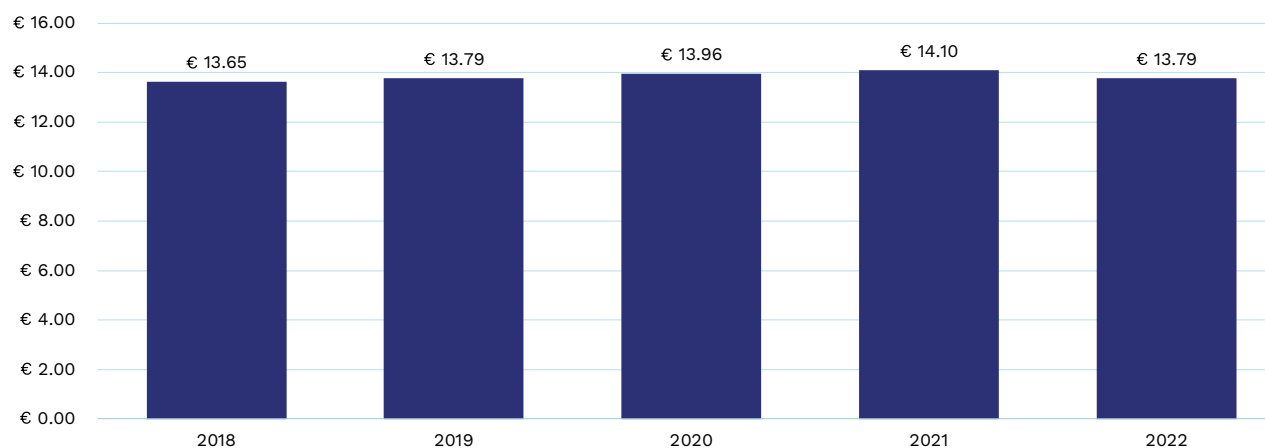


Figure 14 - COVA's storage costs per unit of stored product

### Operating result for 2022 vs 2021



Figure 15 - COVA's 2022 operating result relative to 2021

million, while only a very small amount in tickets was sold in 2022. All in all, total revenue in 2022 was €3.5 million higher than in 2021.

### Storage costs fell in 2022 due to the transfer of crude oil to relatively cheap caverns

The storage costs were €1.1 million lower than in the previous financial year. The storage costs for crude oil were €4.6 million lower, due to the transfer of crude oil to relatively cheap caverns. The storage costs for diesel were €3.3 million higher, primarily due to additional storage costs in the fourth quarter for the extra diesel purchased. Furthermore, the storage costs rose due to indexation pursuant to the contract. The negative stock differences amounted to €0.2 million in 2022, which was €0.2 million lower than in 2021. The stock differences are primarily attributable to evaporation, density and measurement differences. The insurance costs were €0.7 million higher than in 2021, in particular because of a higher insured value due to higher oil prices in 2022. The costs of quality inspections went up by €0.1 million, among other things because of extra inspection upon delivery

## Operating result 2018-2022

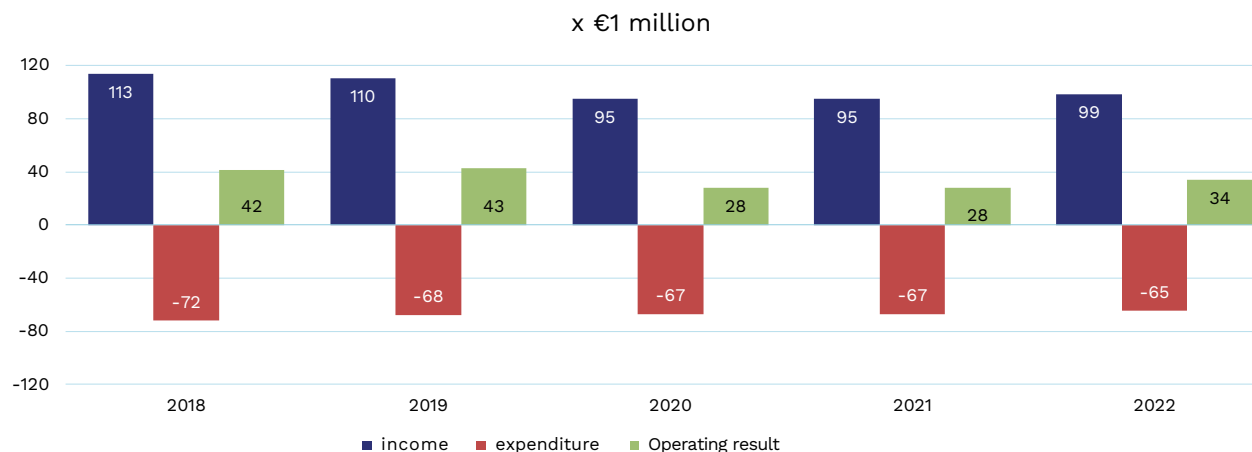


Figure 16 - Development of COVA's income, expenditure and operating result over the years

The financing costs declined by €1.9 million compared to 2021. This was because of the lower interest rate on new loans, higher interest income on the current account of €1.5 million due to the rise in the short-term interest rate, compensated in part by the rising interest rate on the additional loan of €480 million for the purchase of the extra diesel.

The management and administration costs were €0.2 million higher (rounded figure) than those of

2021. This was due to the cost of hosting the ACOMES meeting, higher staff costs and inflation. Because of these developments, total expenditure decreased by €2.2 million, from €66.9 million to €64.7 million in 2022.

The higher income, together with the lower expenditure, resulted in a €5.7 million increase in the operating result to €34.0 million in 2022.

### Result on product sales

In 2022, diesel stocks were sold in the second quarter and crude oil stocks were sold in the fourth quarter, generating a total result on sales of €279.0 million. The result on sales in 2021 was €36.0 million.

### Revaluation of stocks

The oil price at year-end went up from \$77.02 per barrel in 2021 to \$81.33 per barrel at the end 2022. The year-end euro rate fell against the US dollar by approximately 6% relative to the end of 2021. This meant that the euro-denominated market prices had risen by the end of 2022, which resulted in an upward revaluation of the stocks by a total amount of €9.6 million. At year-end 2022, there was no further downward revaluation to market price level of the stocks purchased in earlier years. In 2021, there had been an upward revaluation of the stocks by €207.9 million.

The total result for 2022 (operating result, result on sales and revaluation) was €322.6 million, versus a result of €272.2 million in 2021.

### Total expenditure per unit of compulsory stock in €/ton COE

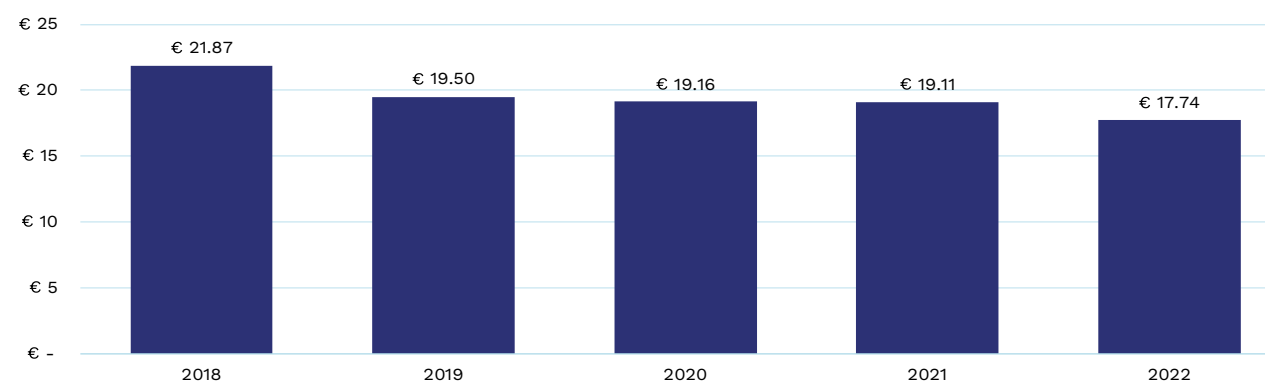


Figure 17 - COVA's total costs per unit of stored product. The costs per unit decrease over the years, in particular because of lower financing costs, as well as lower storage costs in 2022.

## Financing

The financing requirement decreased by €29.5 million. The difference between revenue and operating expenses was €29.6 million. The difference between the proceeds from the diesel sales in the second quarter and the payments for the diesel supplies in the fourth quarter was €0.1 million negative. A total of €20 million in loans was repaid, while €480 million was borrowed in new loans for the purchase of the extra diesel stocks. This increased the long-term loan position by €460.0 million.

The current account position at year-end 2022 was €507.8 million. The diesel supplies in the final months of 2022 and the diesel and crude oil supplies in the first quarter of 2023 will have to be paid out of this amount. As at year-end 2022, COVA only had long-term loans with a total value of €1,146 million.

## Financing expenses

The financing expenses decreased by €1.9 million, from €3.8 million in 2021 to €1.9 million in 2022. This was because of the lower borrowing requirement, lower interest rates on outstanding loans and interest income on the current account balance, due to the rising short-term interest rate.

## Interest rates

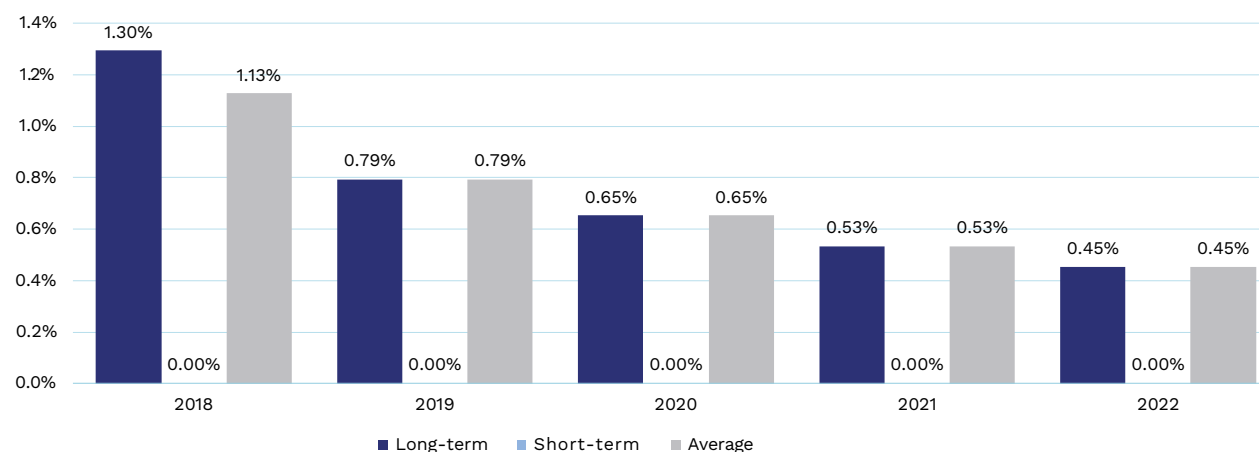


Figure 18 - COVA's effective interest rates per type of debt

## Equity

Because of the operating result of €34.0 million, the retained earnings increased to €288.9 million. Because of the result on product sales of €279.0 million and the upward revaluation of the stocks by €9.6 million, the accumulated result on inventories went up to €514.9 million.

Total equity increased from €481.2 million at year-end 2021 to €803.8 million at year-end 2022.

Rotterdam, 24 april 2023

## Stichting COVA

**G.J ten Broeke RC**

*Managing Director*

**B. Ent**

*Strategy & Compliance Manager*

# Stockholding overview 2022

Inventories and stockholding obligation	31-12-2021	01-04-2022	01-07-2022	01-10-2022	31-12-2022
In kiloton COE					
<b>A. Minimum stockholding obligation (100%) COE</b>	<b>3,500</b>	<b>(*) 3,242</b>	<b>(*) 3,242</b>	<b>(**) 4,100</b>	<b>(**) 4,100</b>
				(**) Conditional stockholding obligation (see footnote)	
Total products – physical (Kt)	1,147	1,013	963	1,073	1,308
Total products – tickets (Kt)	-5	-5			
Crude oil stocks – physical (Kt)	2,229	2,229	2,229	2,229	1,854
Crude oil stocks – tickets (Kt)					
<b>Total physical stocks (Kt)</b>	<b>3,376</b>	<b>3,242</b>	<b>3,192</b>	<b>3,302</b>	<b>3,162</b>
Total tickets (Kt)	-5	-5			
<b>Total stock coverage (Kt)</b>	<b>3,371</b>	<b>3,237</b>	<b>3,192</b>	<b>3,302</b>	<b>3,162</b>
<b>B. Total stock coverage COE</b>	<b>3,510</b>	<b>3,349</b>	<b>3,295</b>	<b>3,427</b>	<b>3,349</b>
B.1 Physical stocks COE	3,516	3,355	3,295	3,427	3,349
B.2 Tickets COE	-6	-6			0
<b>Surplus relative to stockholding obligation (B-A) COE</b>	<b>10</b>	<b>107</b>	<b>53</b>	<b>(**) (673)</b>	<b>(**) (751)</b>
Total stock as a % of A (B/A)	100%	103%	102%	84%	82%
Tickets COE as a % of total stock COE	-0%	-0%			

(\*) In April 2022, COVA was instructed to supply 215 kt (258 kt COE) of diesel to the market. The actual releases in the second quarter amounted to 183 kt (220 kt COE).

(\*\*) In September 2022, COVA was instructed to replenish the diesel stocks and purchase 500 kt (600 kt COE) of extra diesel, without disrupting the market. As at year-end 2022, COVA has outstanding purchases of approximately 420 kt COE (438 kt) of crude oil in a cavern in northern Germany, and another 348 kt COE (290 kt) in diesel supplies. This means that COVA will have met the required stockholding obligation by the end of the first quarter of 2023.



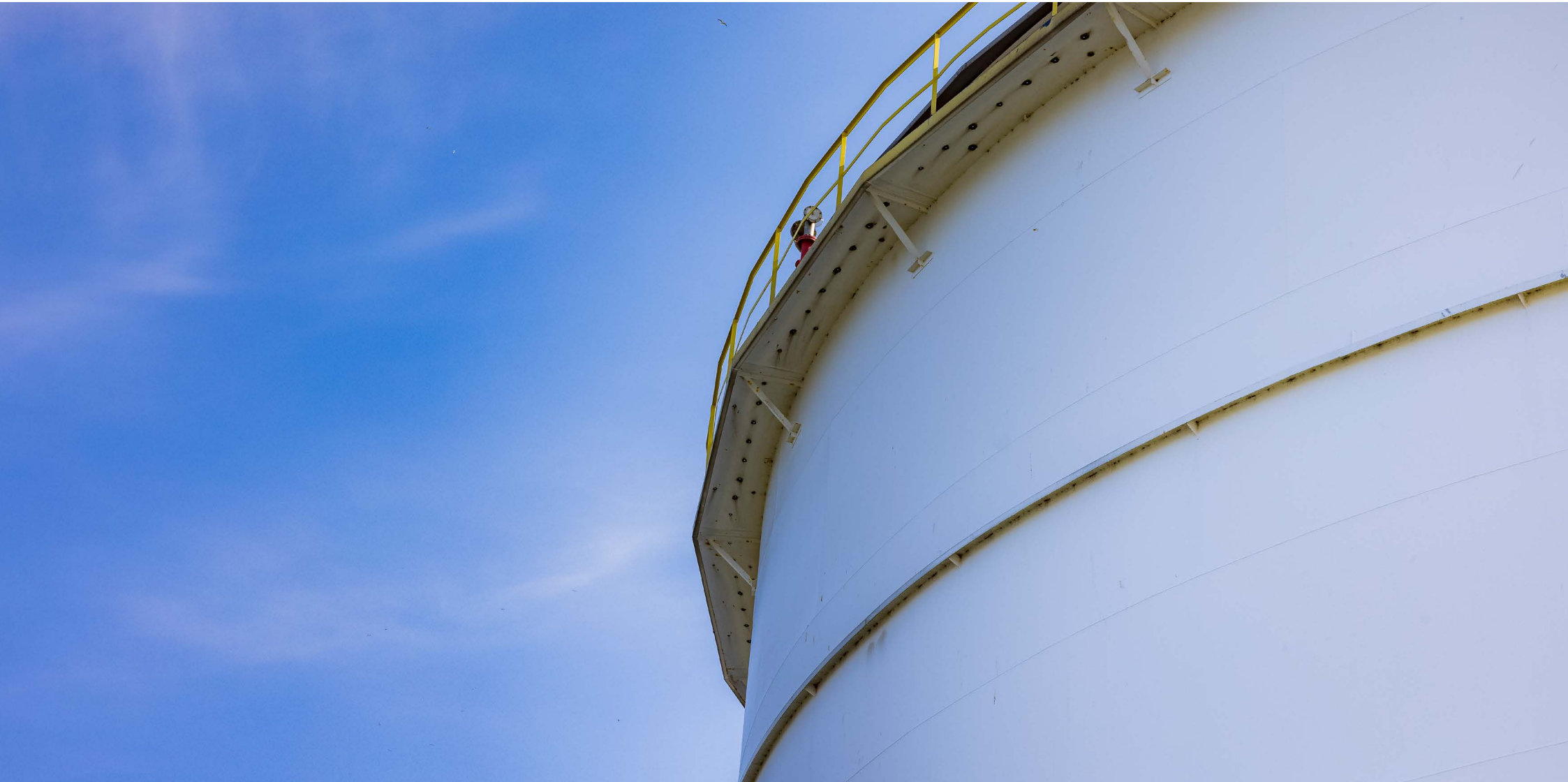
# Stock overview 2022 – continued

Inventories and stockholding obligation		31-12-2021	01-04-2022	01-07-2022	01-10-2022	31-12-2022
In kiloton COE						
<b>Crude oil (in Kt product)</b>						
C.1	Crude oil stocks in the Netherlands – physical	517	517	517	517	142
C.2	Crude oil stocks abroad	1,712	1,712	1,712	1,712	1,712
C.3	Crude oil stocks – tickets					
<b>C.</b>	<b>Total available crude oil</b>	<b>2,229</b>	<b>2,229</b>	<b>2,229</b>	<b>2,229</b>	<b>(**) 1,854</b>
<b>Gasoline (in Kt product)</b>						
<b>D.</b>	<b>Stockholding obligation</b>	<b>154</b>	<b>154</b>	<b>158</b>	<b>158</b>	<b>158</b>
E.1	Gasoline stocks	271	271	270	270	270
E.2	Gasoline tickets	(5)	(5)			
<b>E.</b>	<b>Total available gasoline</b>	<b>266</b>	<b>266</b>	<b>270</b>	<b>270</b>	<b>270</b>
	<b>Surplus (E-D)</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>
<b>Gas oil – Diesel oil (in Kt product)</b>						
<b>F.</b>	<b>Stockholding obligation</b>	<b>268</b>	<b>(*) 53</b>	<b>(*) 13</b>	<b>(**) 728</b>	<b>(**) 728</b>
G.1	Gas oil stocks	816	682	633	743	978
G.2	Gas oil tickets					
<b>G.</b>	<b>Total available diesel</b>	<b>816</b>	<b>682</b>	<b>633</b>	<b>743</b>	<b>978</b>
	<b>Surplus (G - F)</b>	<b>548</b>	<b>629</b>	<b>620</b>	<b>15</b>	<b>250</b>
<b>Kerosene – Jet fuel (in Kt product)</b>						
<b>H.</b>	<b>Stock obligation</b>	<b>35</b>	<b>35</b>	<b>23</b>	<b>23</b>	<b>23</b>
I.1	Jet fuel stocks	60	60	60	60	60
I.2	Jet fuel tickets					
<b>I.</b>	<b>Total available jet fuel</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
	<b>Surplus (I - H)</b>	<b>25</b>	<b>25</b>	<b>37</b>	<b>37</b>	<b>37</b>

(\*) In April 2022, COVA was instructed to supply 215 kt (258 kt COE) of diesel to the market. The actual releases in the second quarter amounted to 183 kt (220 kt COE).

(\*\*) In September 2022, COVA was instructed to replenish the diesel stocks and purchase 500 kt (600 kt COE) of extra diesel without disrupting the market. As at year-end 2022, COVA has outstanding purchases of approx. 420 kt COE (438 kt) of crude oil in a cavern in northern Germany, and another 348 kt COE (290 kt) in diesel supplies. This means that COVA will have met the required stockholding obligation by the end of the first quarter of 2023.

# Financial statements 2022



# Balance sheet

(Including result of current financial year)

In €	Note		31.12.2022		31.12.2021
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible fixed assets	1		<b>42,093</b>		<b>61,122</b>
<b>Current assets</b>					
Inventories	2	1,313,403,302		1,125,686,983	
Trade receivables and other current receivables	3	277,141,472		25,004,599	
Cash and cash equivalents	4	507,814,675		18,266,836	
			<b>2,098,359,449</b>		<b>1,168,958,418</b>
<b>Total</b>			<b>2,098,401,542</b>		<b>1,169,019,540</b>
<b>Liabilities</b>					
<b>Equity</b>					
Retained earnings	5	288,903,494		254,930,323	
Accumulated result on inventories	5	514,911,214		226,303,857	
			<b>803,814,708</b>		<b>481,234,180</b>
<b>Non-current liabilities</b>	6		<b>981,000,000</b>		<b>347,000,000</b>
<b>Current liabilities</b>					
Cash loans	6	-		-	
Current part of long-term debts	6	165,000,000		339,000,000	
Trade payables and other current liabilities	7	148,586,834		1,785,360	
			<b>313,586,834</b>		<b>340,785,360</b>
<b>Total</b>			<b>2,098,401,542</b>		<b>1,169,019,540</b>

# Income statement

(Including result of current financial year)

In €	Note		2022		2021
<b>Income</b>					
Stockholding levy	9		98,705,658		95,153,394
Ticket income	10		7,500		73,800
Other income or (charges)	11		(871)		-
<b>Total income</b>			<b>98,712,287</b>		<b>95,227,194</b>
<b>Expenses</b>					
<b>Stock management</b>					
Storage rental fees	12	58,892,432		59,956,842	
Insurance costs	13	1,943,195		1,194,822	
Inventory volume differences	14	245,297		375,636	
Inspection costs	15	103,362		49,402	
Transport costs	16	19,420		-	
<b>Total inventory related charges</b>			<b>61,203,706</b>		<b>61,576,702</b>
<b>Financial charges</b>	17		<b>1,879,115</b>		<b>3,772,135</b>
<b>Management and administration</b>					
Staff costs	18	1,195,516		1,138,749	
Office rental	19	71,688		69,372	
Depreciation	19	25,114		27,733	
Third-party services and general insurance	20	240,144		225,683	
Other charges	21	123,833		69,880	
<b>Total management and administration costs</b>			<b>1,656,295</b>		<b>1,531,417</b>
<b>Total expenses</b>			<b>64,739,116</b>		<b>66,880,254</b>
<b>Operating result</b>			<b>33,973,171</b>		<b>28,346,940</b>
Result on product sales	22		278,989,687		36,030,542
Adjustment of inventory cost price to lower market value	2		9,617,670		207,901,857
<b>Result</b>			<b>322,580,528</b>		<b>272,279,339</b>

# Cash flow statement

(Indirect method)

In €			2022		2021
<b>Result</b>		322,580,528		272,279,339	
Depreciation of tangible fixed assets		25,114		27,733	
<b>Changes in working capital</b>					
Changes in inventories		(187,716,319)		(223,365,204)	
Changes in receivables and payables		(105,335,399)		(6,282,364)	
<b>Cash flow from operating activities</b>			<b>29,553,924</b>		<b>42,659,504</b>
<b>Investments</b>					
Tangible fixed assets		(6,085)		(13,903)	
Assets under construction		-		-	
<b>Cash flow from investment activities</b>			<b>(6,085)</b>		<b>(13,903)</b>
Changes in long-term loans		460,000,000		(40,000,000)	
Changes in cash loans		-		-	
<b>Cash flow from financing activities</b>			<b>460,000,000</b>		<b>(40,000,000)</b>
<b>Change in cash and cash equivalents</b>			<b>489,547,839</b>		<b>2,645,601</b>
Cash and cash equivalents on 1 January			18,266,836		15,621,235
Cash and cash equivalents on 31 December			507,814,675		18,266,836



# Notes to the balance sheet and income statement

## General

Stichting COVA, having its registered office at Boompjes 40, Rotterdam, registered with the Rotterdam Chamber of Commerce under number 24134320, has the task of holding stocks of oil products in compliance with international obligations of the Netherlands. COVA aims to maintain these statutory stocks at the lowest possible cost, with due regard for the requisite supply security, and to do anything that may be conducive thereto.

COVA raises and maintains financial resources for the strategic stocks with banks and financial institutions under a guarantee from the State of the Netherlands.

COVA raises and maintains financial resources for the strategic stocks with the Ministry of Finance pursuant to a covenant between the Ministries of EZK and Finance which provides for the risk assumption by the Ministry of EZK.

## Accounting policies

The financial statements have been compiled in accordance with Dutch Accounting Standard 640, “Not-For-Profit Organisations”, and with due observance of the audit protocol adopted by the Minister of Economic Affairs and Climate Policy, dated November 2021 and in compliance with the Standards for Remuneration Act.

## Tangible fixed assets

The tangible fixed assets are measured at acquisition cost reduced by depreciation. This depreciation is calculated using fixed percentages of the acquisition cost, based on the expected service life per category.

## Strategic stocks

The strategic stocks are measured at cost, including additional costs, or at market value if this is lower. The market value is determined on the basis of market prices adjusted for specific gravity. The result realised on product sales is recognised in the income statement. In the event of stock renewal of stored product at virtually the same cost, no purchase costs or sales proceeds are recorded, but a small amount of renewal costs (if any) is included in the stock value.

## Currencies

In the balance sheet as at 31 December 2022, amounts in USD have been converted at an exchange rate of €1 = \$1.0666 (2021: €1 = \$1.1326). If any forward transactions are in progress, the rates pertaining to these transactions will prevail. The result generated is recognised in the income statement.

## Other assets and liabilities

All other assets and liabilities are measured at their nominal value.

## Income statement

In determining the result on product sales, COVA proceeds from the income and expenses based on historical cost that can be allocated to the financial year.

## Stockholding levy

The stockholding levy is a levy applied to oil products that are subject to excise duty on mineral oils. The levy is imposed by the Minister of Finance and collected by the Dutch Tax and Customs Administration. The Minister of Economic Affairs and Climate Policy pays out the levies raised to COVA.

## Financial instruments

COVA applies cost price hedges to cover the volatility of oil prices or exchange rates in future payments or receipts. These hedges are measured at market value, and are included in the result at the moment when the underlying transaction is realised. Market values of hedges on as yet unrealised transactions are not included in the balance sheet, but are explained in the notes to the balance sheet.

# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €						
<b>1. Tangible fixed assets - office equipment: € 42,093 (2021 € 61,122)</b>						
			<b>2022</b>			<b>2021</b>
Acquisition price at start of financial year			213,045			199,142
Investments			6,085			13,903
Write-downs			-			-
Acquisition price at end of financial year			<b>219,130</b>			<b>213,045</b>
Cumulative depreciation at start of financial year			151,923			124,190
Depreciation in current financial year			25,114			27,733
Write-downs			-			-
Cumulative depreciation at end of financial year			<b>177,037</b>			<b>151,923</b>
Book value at end of financial year			<b>42,093</b>			<b>61,122</b>
<b>2. Inventories: € 1,313,403,302 (2021: € 1,125,686,983)</b>						
	Quantity	Cost price	Cost price	Adjustment to lower market value	Cost price/lower market value	
<b>2022</b>	<b>t</b>	<b>€/t</b>	<b>€</b>	<b>€</b>	<b>€</b>	
Crude oil	1,853,760	228,80	424,143,650		424,143,650	
Gasoline	270,451	717,01	193,917,051		193,917,051	
Gas oil	977,878	674,47	659,548,870		659,548,870	
Jet-A1	59,914	597,42	35,793,731		35,793,731	
	<b>3,162,003</b>		<b>1,313,403,302</b>	<b>-</b>	<b>1,313,403,302</b>	
<b>2021</b>						
Crude oil	2,228,751	228,80	509,941,591		509,941,591	
Gasoline	270,669	717,01	194,072,988	(9,617,670)	184,455,318	
Gas oil	816,130	484,60	395,496,343		395,496,343	
Jet-A1	59,914	597,42	35,793,731		35,793,731	
	<b>3,375,463</b>		<b>1,135,304,653</b>	<b>(9,617,670)</b>	<b>1,125,686,983</b>	

The market value of the strategic stocks at the end of 2021 stood at €2,197,450,496 (2021: €1,857,426,790).

In comparison: the Platt's closing price for Brent crude at the end of 2022 was \$81.33/bbl, versus \$77.02/bbl at the end of 2021.

The strategic stocks are measured the lower of the cost price, including associated costs, or market value.

# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €		2022	2021
<b>3,</b>	<b>Trade receivables and other current receivables: € 277,141,472 (2021: € 25,004,599)</b>		
	Receivables from Tax and Customs Administration - Stockholding levy	27,023,974	24,551,142
	VAT receivables	22,065	19,490
	Prepaid expenses	1,017,696	378,729
	Receivables relating to strategic stocks	247,569,880	-
	Other current receivables	1,507,857	55,238
		<b>277,141,472</b>	<b>25,004,599</b>

The amount in receivables relating to strategic stocks concerns the sale of crude oil. This amount includes a commodity and currency hedge for €36 million.

<b>4,</b>	<b>Cash and cash equivalents: € 507,814,675 (2021: € 18,266,836)</b>		
	Freely disposable:		
	- Cash in hand	203	203
	- Cash at banks	476,793,836	9,245,997
	Not freely disposable:		
	- Guarantees	31,020,636	9,020,636
		<b>507,814,675</b>	<b>18,266,836</b>

Amounts of €9,0 million and €22,0 million are administered in a separate account as security in connection with excise duty and forward exchange transactions/ currency swaps. The guarantee of € 0,9 million was issued by the Ministry of Finance to Customs on COVA's behalf in relation to COVA stocks stored at bonded warehouses. No excise duty is owed on these stocks, but a guarantee to Customs is required. An additional guarantee for forward exchange transactions was issued in 2022 in respect of product purchases, in the amount of € 22 million.

# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €

## 5. Equity: € 803,814,707 (2021: € 481,234,180)

Balance as at 1 January 2022	Retained earnings	Accumulated result on inventories	Equity
Balance as at 1 January 2022	254,930,323	226,303,857	481,234,180
Result on product sales		278,989,687	278,989,687
Operating income 2022	33,973,171		33,973,171
Adjustment to lower market value 31.12.2022		9,617,670	9,617,670
Balance as at 31 December 2022	<b>288,903,493</b>	<b>514,911,214</b>	<b>803,814,707</b>

Balance as at 1 January 2021	Retained earnings	Accumulated result on inventories	Equity
Balance as at 1 January 2021	226,583,382	(17,628,541)	208,954,841
Result on product sales		36,030,542	36,030,542
Operating income 2021	28,346,940		28,346,940
Adjustment to lower market value 31.12.2021		207,901,857	207,901,857
Balance as at 31 December 2021	<b>254,930,323</b>	<b>226,303,857</b>	<b>481,234,180</b>

The operating result is added to the retained earnings. The result on product sales and the adjustment to lower market value are added to the accumulated result on inventories.

# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €		2022	2021
<b>6.</b>	<b>Financing: € 1,146,000,000 (2021: € 686,000,000)</b>		
	<b>Long-term debts:</b>		
	- Ministry of Finance	981,000,000	347,000,000
	The average interest rate for long-term debts outstanding as at 31.12.2022 is 0.44% (31.12.2021: 0.53%).		
	<b>Current debts:</b>		
	- Cash loans from Ministry of Finance	-	-
	- Current part of long-term debts	165,000,000	339,000,000
		<b>165,000,000</b>	<b>339,000,000</b>
	The average interest rate for cash loans outstanding as at 31.12.2022 is 0.00% (31.12.2021: 0.00%)		
	<b>Total outstanding debt</b>	<b>1,146,000,000</b>	<b>686,000,000</b>
	Of which with an average tenure of more than 5 years:		
	- Ministry of Finance	464,000,000	247,000,000
	Total	<b>464,000,000</b>	<b>247,000,000</b>
	The total outstanding debts are guaranteed by the Dutch State, against which a pledge on the strategic stocks was granted to the State. At the end of 2022 there were no derivative contracts.		
<b>7.</b>	<b>Trade payables and other current liabilities: € 148,586,834 (2021: € 1,785,360)</b>		
	Interest due on loans	1,590,632	766,908
	Payable in relation to strategic stocks	146,824,174	841,466
	Taxes payable	59,709	49,707
	Other liabilities	112,319	127,278
		<b>148,586,834</b>	<b>1,785,360</b>

The amount payable in relation to strategic stocks concerns diesel supplies in December 2022. This amount includes a currency hedge for €11 million.



# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €	2022		2021
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## 8. Off-balance sheet rights and commitments

Annual commitments relating to existing storage contracts that expire at various dates up to and including 2033 amount to approx. €233 million. Of this amount, €55 million will expire within 1 year, €134 million between 2 and 5 years and €44 million after more than 5 years. Annual commitments relating to an office rental agreement and a number of parking spaces starting in 2019 for a period of 10 years amount to approx. €72 thousand per year including service costs. A third-party guarantee of €20,636 was provided to a third party for the rent of office space. As at the end of 2022, COVA had a purchase obligation for 438 kt of crude oil and 290 kt of diesel. The total value of these purchases as at the end of 2022 was approx. €587 million.

COVA applies cash flow hedges to cover the volatility of oil prices or exchange rates in future payments or receipts. These hedges are measured at market value, and are included in the result or the balance sheet at the moment when the underlying transaction is realised. Market values of as yet unrealised cash flow hedges are not included in the balance sheet, but are explained in the notes below.

Outstanding commodity hedges	(34,855,565)	-	
Outstanding currency hedges	(12,431,584)	-	
<b>Market value of hedges as at year-end</b>		<b>(47,287,149)</b>	<b>-</b>

## 9. Stockholding levy € 98,705,658 (2021: €95,153,394)

Stockholding levy received in the bank	96,232,826	89,425,923
Change in deferred stockholding levy receivable from Customs because of COVID-19 support measures	451,031	(718,791)
Change outstanding stockholding levies by Customs	414,018	4,712,035
Difference between cash month and accrual month	1,607,783	1,734,227
	<b>98,705,658</b>	<b>95,153,394</b>

Since early 2021, the Tax and Customs Administration provides transparency about administrative delays of outstanding stockholding levies. A part of the deferred payments is related to support measures provided by the government during the COVID-19 lockdowns. Another part is related to a changed payment methodology by the Tax and Customs Administration. Of these deferred amounts, an amount of €8,556,866 (2021: €7,691,817) was still outstanding as a receivable at the end of 2022 (see also note 3: Receivables from Tax and Customs Administration). Customs has indicated that the outstanding receivable is collectable.

# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €	2022	2021
<b>10. Ticket sales € 7,500 (2021 € 73,800)</b>		
The ticket sales for the year can be split into the following categories:		
Crude oil	-	-
Gasoline	7,500	7,500
Gas oil	-	66,300
	<b>7,500</b>	<b>73,800</b>
<b>11. Exchange result realised on product sales or purchases and other income € -871 (2021: € -)</b>		
<b>12. Storage rental fees € 58,892,432 (2021: € 59,956,842)</b>		
The total contracted storage volume at the end of the financial year was approx. 4.70 million m <sup>3</sup> (2021: approx. 4.26 million m <sup>3</sup> ).		
<b>13. Inventory insurance fees € 1,943,195 (2021 : € 1,194,822)</b>		
These relate to all-risk, liability and transport insurance in respect of strategic stocks.		
<b>14. Inventory volume differences € 245,297 (2021 : € 375,636)</b>		
These are measurement differences during storage, pumping and transport and measured density differences.		
<b>15. Inspection costs € 103,362 (2021: € 49,402)</b>		
These are the costs of inspection agencies engaged for quantitative and qualitative stock inspections. In 2022, COVA incurred additional inspection costs in the various purchase and sales transactions.		
<b>16. Transport costs € 19,420 (2021 : € -)</b>		
<b>17. Net financial charges € 1,879,115 (2021 € 3,772,135)</b>		
Interest charges	3,392,030	3,772,135
Interest income	(1,512,915)	-
	<b>1,879,115</b>	<b>3,772,135</b>

# Notes to the balance sheet and income statement – continued

(Including result of current financial year)

In €		2022	2021
<b>18. Staff costs € 1,195,516 (2021 € 1,138,749)</b>			
Salaries management	281,569	268,743	
Salaries other staff	490,742	440,974	
Social security charges management	19,763	21,132	
Social security charges other staff	46,549	50,346	
Pension charges management	44,860	43,745	
Pension charges other staff	239,760	263,243	
Other staff costs	72,273	50,566	
	<b>1,195,516</b>		<b>1,138,749</b>
Average number of FTE 6.56 (2021: FTE 6.64). The payments to directors are included under 'Salaries other staff' (see p. 49).			
<b>19. Office rental and depreciation € 96,802 (2021: € 97,105)</b>			
Depreciation of tangible fixed assets	25,114	27,733	
Office rental including service charges, energy, cleaning and other costs	61,899	59,711	
Telecommunication	9,789	9,661	
	<b>96,802</b>		<b>97,105</b>
<b>20. Third-party services and general insurance € 240,144 (2021 € 225,683)</b>			
Accountants (audit of the financial statements)	45,590	37,500	
Other third-party services	154,555	148,198	
General insurance costs	39,999	39,985	
	<b>240,144</b>		<b>225,683</b>
<b>21. Other costs € 123,833 (2021: € 69,880)</b>			
Subscriptions, documentation, office supplies, postage, office material, office management and other charges	80,881	67,980	
Representation charges	1,647	1,900	
Representation charges in relation to ACOMES	41,305	-	
	<b>123,833</b>		<b>69,880</b>
<b>22. Result on product sales € 278,989,687 (2021: € 36,030,542)</b>			
Revenue	453,338,334	77,084,162	
Cost price	(174,348,647)	(41,053,620)	
<b>Result</b>	<b>278,989,687</b>		<b>36,030,542</b>

# Accountability statement under the Standards for Remuneration Act (WNT)

## Remuneration of officials

The Netherlands Petroleum Stockpiling Agency (COVA) has to meet the publication requirement laid down in Section 4.1 of the Standards for Remuneration Act (Wnt) in relation to the top officials, former top officials and supervisors mentioned below. Pursuant to Section 4.2 Wnt, this also applies to officials whose remuneration during the financial year, restated to the full-time equivalent on an annual basis, exceeded the statutory remuneration cap.

During the financial year, there were no top officials, former officials or supervisors whose remuneration exceeded the Wnt cap.

## Top officials, former top officials

Position details	G.J. ten Broeke <i>Managing Director</i>	B. Ent <i>Strategy &amp; Compliance Manager</i>
<i>Amounts in €</i>		
<b>Details 2022</b>		
Start and ending date position in 2022	1-1 to 31-12	1-1 to 31-12
Full time equivalent of the contract	1	1
Employment contract?	yes	yes
Remuneration		
Remuneration plus taxable reimbursements	143,958	137,011
Provisions for post-employment benefits	22,628	22,232
<b>Subtotal</b>	<b>166,586</b>	<b>159,243</b>
Individual applicable remuneration maximum	216,000	216,000
-/- Undue payments	-	-
<b>Total remuneration 2022</b>	<b>166,586</b>	<b>159,243</b>
Reasons for undue payments	Not applicable	Not applicable
Information on claims relating to undue payments	Not applicable	Not applicable
<b>Details 2021</b>		
Start and ending date position in 2021	1-1 to 31-12	1-1 to 31-12
Full time equivalent of the contract	1.0	1.0
Employment contract?	yes	yes
Remuneration		
Remuneration plus taxable reimbursements	140,530	127,774
Provisions for post-employment benefits	22,195	21,549
<b>Subtotal</b>	<b>162,725</b>	<b>149,323</b>
Individual applicable remuneration maximum	209,000	209,000
<b>Total remuneration 2021</b>	<b>162,725</b>	<b>149,323</b>

The remuneration cap applicable to Stichting COVA in 2022 is €216,000, which is the general remuneration cap.

## Board

Position details	J.F. de Leeuw <i>Chairman</i>	H. Trumpi <i>Board member</i>	G.R. Roukens <i>Board member</i>	H.J.M. Schouenberg <i>Chairman</i>	G.E. Schoolenberg <i>Board member</i>	K.H.S. van Buijen <i>Board member</i>
<i>Amounts in €</i>						
<b>Details 2022</b>						
Start and ending date position in 2022	1-1 to 31-12	1-1 to 31-12	1-1 to 31-12			
Remuneration	20,536	16,400	16,400			
Individual applicable remuneration maximum	32,400	21,600	21,600			
-/- Undue payments	Not applicable	Not applicable	Not applicable			
<b>Total remuneration</b>	<b>20,536</b>	<b>16,400</b>	<b>16,400</b>			
Reasons for undue payments	Not applicable	Not applicable	Not applicable			
<b>Details 2021</b>						
Start and ending date position in 2021	1-1 to 31-12	1-1 to 31-12	1-1 to 31-12	1-1 to 30-09	1-1 to 30-09	1-1 to 31-08
Remuneration	992	8,656	725	8,871	6,481	5,756
Individual applicable remuneration maximum	2,613	20,900	1,742	23,513	15,675	13,933



# Profit appropriation and post balance sheet events

## Appropriation of the result for the year

The operating result of €33,930,323 was added to the retained earnings. The result on product sales of €278,989,687 was added to the accumulated result on inventories. The positive adjustment for the difference between cost and lower market value, in the amount of €9,617,670, was also added to the accumulated result on inventories.

## Events after the balance sheet date

In the first quarter of 2023, COVA was supplied with 290 kt of diesel and 438 kt of crude oil pursuant to contracts concluded in 2022. On the balance sheet date, the value of the purchase obligation was around €587 million. COVA meets the required stockholding obligation of 4,100 kt COE.

# Signing the annual report and accounts

The annual report and the financial statements were adopted at the 180<sup>th</sup> meeting of the Board of Stichting COVA.

Rotterdam, 24 april 2023

## Stichting COVA

**G.J. ten Broeke RC**

*Managing Director*

**B. Ent**

*Strategy & Compliance Manager*

## Board of Stichting COVA

**J.F. de Leeuw**

*Chairman*

**H. Trumpi**

*Deputy Chairman*

**G.K. Roukens**

*Board member*

# List of abbreviations

## Abbreviation Definition

<b>ACOMES</b>	Annual Coordination Meeting of Entity Stockholders
<b>AED</b>	Operator of an essential service (Aanbieder Essentiële Dienst)
<b>ARA region</b>	Amsterdam-Rotterdam-Antwerp region
<b>GDPR</b>	General Data Protection Regulation
<b>Backwardation</b>	Market situation in which future prices are lower than spot prices
<b>Bbl</b>	Barrel, 42 US gallons, 159 litres
<b>BFI</b>	Business operations, Finance and ICT (annual meeting with EZK)
<b>BMG</b>	Benchmark Group (ACOMES working group)
<b>BPG</b>	Best Practice Group (ACOMES working group)
<b>Brent</b>	Crude oil benchmark for 'European' oil (formally 'Dated Brent')
<b>BRZO</b>	Major Accidents (Risks) Decree (Besluit Risico's Zware Ongevallen) (hazardous substances)
<b>CBS</b>	Statistics Netherlands (Centraal Bureau voor de Statistiek)
<b>Contango</b>	Market situation in which future prices are higher than spot prices
<b>COVID-19</b>	COronaVirus Infection Disease 2019
<b>DGKE</b>	Director (or Directorate) General for Climate and Energy Policy
<b>ELABCO</b>	Experts Laboratory Coordination (ACOMES working group)
<b>ERE</b>	Emergency Response Exercise (IEA)
<b>EU</b>	European Union
<b>EZK</b>	Ministry of Economic Affairs and Climate Policy
<b>FEZ</b>	Financial and Economic Affairs Department
<b>I&amp;W</b>	Ministry of Infrastructure and Water Management
<b>ICPG</b>	International Crude Project Group (ACOMES working group)
<b>IEA</b>	International Energy Agency in Paris
<b>IEP</b>	International Energy Programme (IEA Agreement, 1974)
<b>Jet A1</b>	Aircraft kerosene

<b>K&amp;E</b>	Minister for Climate and Energy Policy
<b>Km<sup>3</sup></b>	One thousand cubic metres
<b>Kt</b>	Kiloton
<b>Kt COE</b>	Kiloton Crude Oil Equivalent
<b>LPG</b>	Liquefied Petroleum Gas
<b>NOVE</b>	Netherlands Organisation for the Energy Sector (Nederlandse Organisatie Voor de Energiebranche)
<b>(d)SG</b>	(Deputy) Secretary-General
<b>OCG</b>	Oil Coordination Group (EU working group)
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>COE</b>	Crude Oil Equivalent
<b>SEQ</b>	Standing group on Emergency Questions (IEA working group)
<b>SOM</b>	Standing group on Oil Markets (IEA working group)
<b>Ticket</b>	Contract with the right to buy a specific quantity of oil or oil product at a later time at the market price then applicable
<b>USD</b>	United States Dollar
<b>VNPI</b>	Netherlands Petroleum Industry Association (Vereniging Nederlandse Petroleum Industrie)
<b>VOTOB</b>	Dutch Association of Tank Storage Companies (Vereniging van Nederlandse Tank Opslag Bedrijven)
<b>Wbni</b>	Network and Information Systems Security Act (Wet bescherming netwerk- en informatiesystemen)
<b>Wnt</b>	Standards for Remuneration Act (Wet normering topinkomens)
<b>Wob</b>	Government Information (Public Access) Act (Wet openbaarheid van bestuur)
<b>Woo</b>	Open Government Act (Wet open overheid)
<b>Wva</b>	Petroleum Products (Stockpiling) Act (Wet voorraadvorming aardolieproducten)

# Other information

Independent auditor's report

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Stichting Centraal Orgaan Voorraadvorming Aardolieproducten

### Report on the audit of the financial statements 2022 included in the annual report & accounts

#### Our opinion

We have audited the financial statements 2022 of Stichting Centraal Orgaan Voorraadvorming Aardolieproducten, based in Rotterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting Centraal Orgaan Voorraadvorming Aardolieproducten as at 31 December 2022, and of its result for 2022 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board, the conditions and requirements of the Dutch act 'Wet normering topinkomens (WNT)', the requirements and conditions of the Dutch act 'Wet Voorraadvorming Aardolieproducten (Wva)' as well as the underlying legislations that are derived from this Dutch act.

The financial statements comprise:

1. The balance sheet as at 31 December 2022.
2. The income statement for 2022.
3. The notes comprising a summary of the accounting policies and other explanatory information.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

Deloitte Accountants B.V. is registered with the Trade Register of the Chamber of Commerce and Industry in Rotterdam number 24362853. Deloitte Accountants B.V. is a Netherlands affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited.

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We are independent of Stichting Centraal Orgaan Voorraadvorming Aardolieproducten in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Information in support of our opinion**

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

## **Audit approach fraud risks**

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We refer to the chapter 'Management of risks and uncertainties' of the annual report, in which the joint risk analysis, including fraud risks, by the board and management is explained. We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

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We identified the following fraud risks and performed the following specific procedures:

Based on this work and the risk assumed in the auditing standards, we have assessed the presumed fraud risks related to the override of internal controls by the management, including whether there are indications of biases in the management that may pose a risk to a material misstatement due to fraud.

Our audit work with regard to fraud risks focuses on an evaluation of the design and implementation of the relevant internal controls to mitigate these risks. We performed the following substantive procedures to address the risk of management override of controls:

- Testing whether specific journal entries and other adjustments made during the preparation of the financial statements are acceptable.
- Evaluating the judgments and assumptions of management in making the estimates included in the financial statements, such as the valuation of the inventory position.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of relevant members of the board and management.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

## **Audit approach compliance with laws and regulations**

We have obtained a general understanding of the legal and regulatory framework applicable to the entity by making inquiries with the director, reading minutes of the board and management joint meetings.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

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We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, Stichting Centraal Orgaan Voorraadvorming Aardolieproducten is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

### **Audit approach going concern**

Our responsibilities, as well as the responsibilities of the board and management, with regard to the going concern assumption are described in the chapter "Description of responsibilities with regard to the financial statements".

In fulfilling our responsibilities, we have performed procedures including:

In our audit, we have established that the entity is fully financed by the national government through the inventory levy and through long-term financing. Long-term financing is currently provided within the funding cap issued in 2012. The inventory position of the entity has been pledged as collateral to cover the long-term debts. Compared to the funding cap for further long-term financing, the foundations long-term financing is currently 300 million euros lower than the guarantee ceiling. Over the past years, the entity has realized an operating surplus of around 30 million euros. According to the 'WVA', the Dutch government is liable for any remaining debts that remain in the event of the foundation's dissolution.

The foundation has explained the going concern assumption in the annual report section "Continuity" on page 22 of the annual report.

### **Report on the other information included in the annual report & accounts**

The annual report & accounts contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- Annual Report.
- Other information, being the stock overview 2022.

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- List of abbreviations.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

## **Description of responsibilities regarding the financial statements**

### **Responsibilities of the board for the financial statements**

The board is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board, the conditions and requirements of the Dutch act 'Wet normering topinkomens (WNT)', the requirements and conditions of the Dutch act 'Wet Voorraadvoeding Aardolieproducten (Wva)' as well as the underlying legislations that are derived from this Dutch act. Furthermore, the board is responsible for such internal control as the board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board is responsible for assessing the entity's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the entity's or to cease operations, or has no realistic alternative but to do so.

The board should disclose events and circumstances that may cast significant doubt on the entity's ability to continue as a going concern in the financial statements.

The board is responsible for overseeing the entity's financial reporting process.

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## **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity's to cease to continue as a going concern.

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- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the board and the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Rotterdam, 24 April 2023

Deloitte Accountants B.V.

Signed on the original: E.J.N. Jungheim MSc RA

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