Definitions Used in IEA Reporting of Oil Stocks

The **minimum operating requirement** is the level of stocks necessary at a given time to maintain smooth operations and avoid runouts, and below which shortages begin to appear in a defined distribution system. It is composed of unavailable stocks and working stocks, and is not normally for sale.

Unavailable stocks include oil contained in continuous transportation systems, refinery equipment and storage tank bottoms. This oil cannot be drawn down unless the facilities in which it is contained are shut down.

Working stocks are the quantities of oil over and above unavailable stocks that are necessary to keep the primary refining and distribution system functioning without operating problems and runouts. It includes oil needed to cope with operating cycles, to overcome unexpected delays or operating problems, and to smooth differences between production schedules for associated blending components. This is not a precisely measurable quantity of oil but it can be estimated on the basis of operating experience.

Potentially accessible stocks = Total stocks – Unavailable stocks – Working stocks

Potentially available stocks are estimated for the OECD countries but the data are not publicly released.

In the 1973 Arab oil embargo, certain Western nations were targetted because of their support of Israel in the Yom Kippur War. This strategy of "divide and conquer" met with some success as several industrial countries practiced a 1970s version of appeasement to avoid being embargoed by OAPEC. To prevent this happening again, the IEA participating countries have agreed to an oil allocation program activated by a specified reduction in oil supplies. If the group as a whole, or any participating country, sustains or expects to sustain a reduction in its oil supplies equal to at least 7% of its average daily rate of consumption, then each participating country agrees to restrain demand by an amount equal to 7% of its consumption and to allocate oil among the group according to certain provisions. At the present time, Canada is a net oil-exporting nation and would therefore have an obligation under these circumstances to allocate oil, directly or indirectly, to other participating countries having an allocation right.

Doubt has been expressed in some quarters about the willingness of all 21 IEA nations to participate fully in an allocation program if a serious shortfall in international oil supply occurs. During the Iranian Revolution of 1978 and subsequently at the onset of the Iran-Iraq War in 1980, the decline in non-Communist oil supply approached 7%