The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' Report and
Financial Statements

Year ended 31st December 2020

Registered Number 229229

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Directors and other information

Directors	Terry Nolan (Chairperson) Frank O'Connor (resigned 13th August 2020) Frank O'Flynn Keara Robins Mairéad McCabe Pat Meehan (Chief Executive)	
Secretary	Lisa Mullan	
Management	Pat Meehan Lisa Mullan Frank Bergin Gavin Norris	Chief Executive Financial Controller Commercial Operations Manager Technical Operations Manager
Company number	229229	
Registered office	Second Floor, Building Number 3 Number One Ballsbridge 126 Pembroke Road Dublin 4 D04 EP27	
Auditors	Comptroller and Auditor General 3A Mayor Street Upper Dublin 1 D01 PF72	
Bankers	Bank of Ireland Lower Baggot Street Dublin 2 D02 Y754 National Treasury Management Agency Treasury Dock, North Wall Quay Dublin 1 D01 A9T8 KBC Bank Ireland Sandwith Street Dublin 2 D02 X489	
Solicitors	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 D02 T380	

Chairperson's Statement

The National Oil Reserves Agency Designated Activity Company (NORA) is responsible for:

- Ensuring that Ireland meets its obligations under EU legislation and International Energy Agency (IEA) rules to maintain a minimum of 90 days' stocks of oil for use in the event of a physical shortage of supplies, and;
- Administering Ireland's Biofuels Obligation Scheme, including fulfilment of the role of designated authority for measuring compliance with Article 7(a) of the EU Fuel Quality Directive (FQD).

Background to NORA

NORA was established in 1995 under the European Communities (Minimum Stocks of Petroleum Oils) Regulations 1995 as a private limited company for the maintenance of Ireland's strategic oil reserves. For pragmatic reasons it was set up as a subsidiary of Irish National Petroleum Corporation Limited (INPC).

In July 2001, the businesses and commercial assets of INPC were sold to Tosco Corporation. NORA did not form part of that transaction. It was subsequently considered appropriate that NORA should be established on a statutory basis as a private limited company independent of INPC. The Government white paper entitled "Delivering a Sustainable Energy Future for Ireland" (Section 3.7.3), published in March 2007 confirmed a commitment by Government to establish NORA as an independent statutory body in 2007.

On 1st August 2007 as provided for in the National Oil Reserves Agency Act 2007, NORA was established as a stand-alone state body under the aegis of the Minister for Environment, Climate and Communications.

This Act provided for:

- NORA's continued responsibility for the maintenance of strategic supplies of oil in line with the state's stockholding obligations to the EU and International Energy Agency (IEA);
- The transfer of the INPC shareholding in NORA to the Minister for Environment, Climate and Communications and the continued operation of the Agency as a private limited company under the Companies Act 2014;
- A variable levy on disposals of petroleum products to be imposed on oil companies and oil consumers;
- The furnishing to the Minister of regular returns regarding oil purchases, sales, consumption, imports and exports by oil companies, oil consumers and NORA;
- The monitoring of compliance with provisions for the application of penalties in the event of failure by oil companies and oil consumers to comply with the provisions;
- Revocation of the European Communities (Minimum Stocks of Petroleum Oils) Regulations 1995, and;
- The alteration of the Memorandum and Articles of Association of NORA for the purpose of making them consistent with the Act.

EU and IEA Stock Obligation

Under the National Oil Reserves Agency Act 2007 and associated legislation, NORA is responsible for ensuring that Ireland meets its obligations under EU legislation and International Energy Agency (IEA) rules to maintain a minimum of 90 days' stocks of oil for use in the event of a physical shortage of supplies.

In parallel with the introduction of the National Oil Reserves Agency Act 2007, the Minister for the Environment, Climate and Communications also introduced the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007).

These Regulations, effective 1st August 2007, set out the information to be provided by NORA, oil companies and oil consumers to the Minister in monthly statistical returns and provides for the variation in the amount of the NORA levy to be paid, together with the procedures for the invoicing and payment of the levy.

This legislation coupled with the policies and strategies set out in the Government White Paper entitled "*Delivering a Sustainable Energy Future for Ireland*" (Section 3.7.3) form the basis for NORA's ongoing role and remit in meeting Ireland's oil stock Obligation.

NORA's Oil Stocks Obligation

NORA meets its oil stockholding Obligation by a combination of:

- Stocks owned by NORA and stored in Ireland and in other EU and Non-EU Member States in accordance with S.I. No. 541 of 2012 – European Union (Oil Reserves) Regulations 2012, and;

- Stocks held by NORA under short term commercial contracts ("Stock Tickets") in Ireland, and EU Member States with whom Ireland has concluded a Bi-lateral Oil Stockholding Agreement in accordance with S.I. No. 541 of 2012 – European Union (Oil Reserves) Regulations 2012. These contracts include an option to purchase the oil in emergency circumstances during the period of the contract.

In line with the direction of the Minister for the Environment, Climate and Communications regarding the quantities of oil to be held by NORA in 2020, NORA has continued to meet its overall stock Obligation on an ongoing basis as set out by the Department of the Environment, Climate and Communications (DECC).

The year-on-year changes to NORA's Obligation volumes between 2020 and 2019 were as follows:

	Obligation Volume (Tonnes) 2020	Obligation Volume (Tonnes) 2019	Obligation Days 2020	Obligation Days 2019
Refined Product	1,667,420	1,645,800		
Crude Oil	70,000	70,000		
Equivalent Total in Refined Product Only	1,723,420	1,701,800	90	90

Strategic Oil Stocks Obligation

The calculation of Ireland's annual oil stocks Obligation volume is determined by the methodology set out in the EU Oil Stocks Directive 2009/119.

The increase in NORA's stock Obligation from 2019 to 2020 arises from an increase in "net imports" of oil to Ireland in 2019 over that of 2018.

At year-end 2020, the breakdown of the stocks held by NORA was as set out below, compared to corresponding data for 2019:

	2020 ('000 Tonnes)	% of TOTAL	2019 ('000 Tonnes)	% of TOTAL
Stocks in Ireland	**1,146**	**65%**	**1,144**	**64%**
Stocks Abroad	**502**	**28%**	**540**	**30%**
Stock Tickets (Ireland)	**0**	**0%**	**0**	**0%**
Stock Tickets (Abroad)	**128***	**7%**	**115**	**6%**
Total:	**1,776**		**1,799**	

* Net position at 31st December 2020.

The physical stocks, excluding stock tickets, owned by NORA and stored both in Ireland and abroad at the end of 2020 and 2019 consisted of:

	2020 (‘000 Tonnes)	**2019** (‘000 Tonnes)
CATEGORY I – Gasoline	297	289
CATEGORY II – Distillates	1,350	1,395
Total:	**1,647**	**1,684**

Obligation Volumes -v- Actual Stocks Held

A summary of:

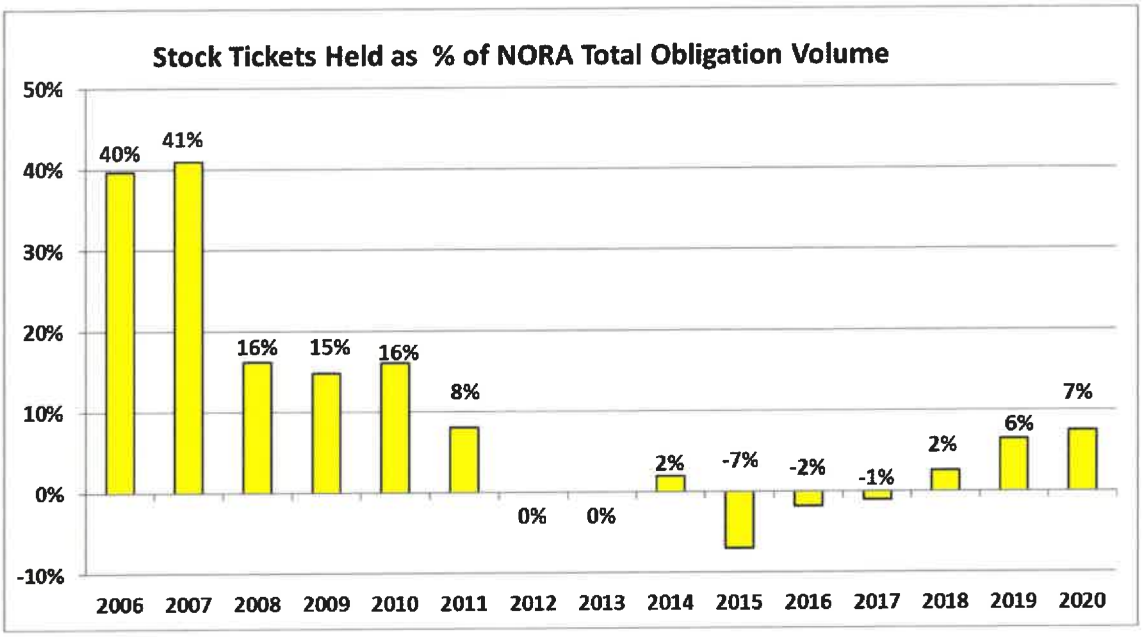
- NORA's Stock Obligation Volumes -v- Actual Stocks held, and;
- Stock Obligation Days -v- Actual No. of Days Stocks held as of the end of year, for the period 2013 to 2020 is set out below.

All Category Stocks	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Stock Obligation (Tonnes)	1,456,000	1,524,000	1,506,670	1,585,000	1,619,000	1,654,930	1,701,800	1,723,420
Actual Stocks Held	1,458,587	1,547,000	1,573,730	1,584,079	1,678,493	1,656,035	1,799,098	1,776,217
Stock Days - Obligation	88	89.5	90	90	90	90	90	90
Stock Days- Held	88	91	94	90	92.5	90	95.2	93

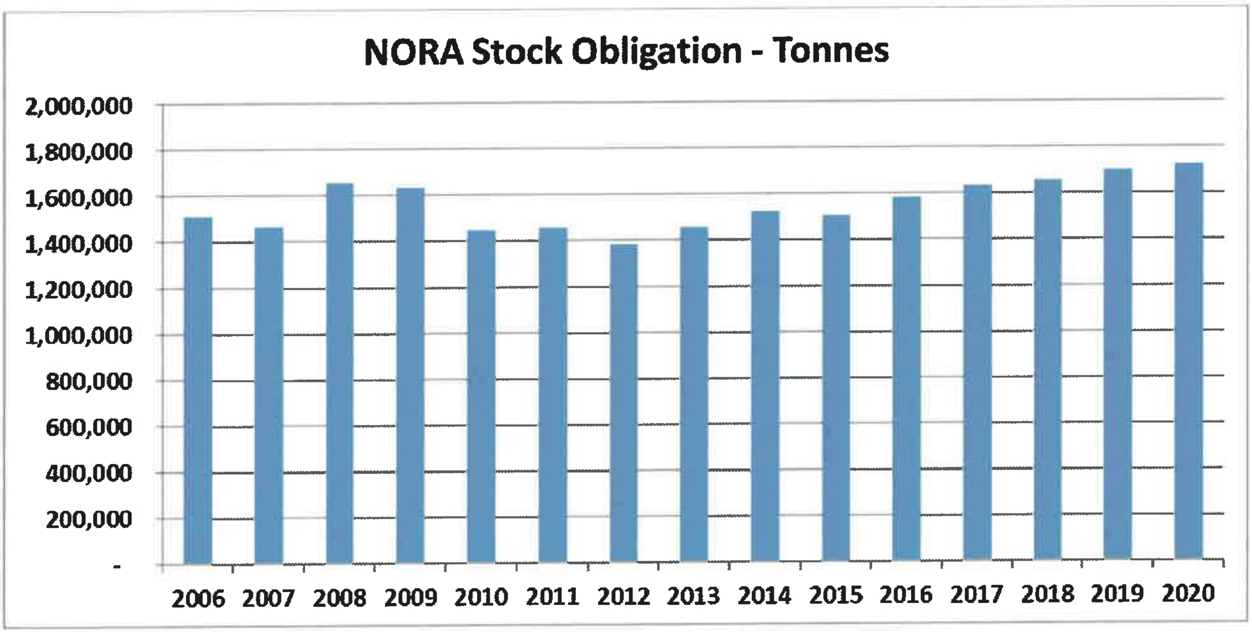
NORA meets its stock Obligation through a combination of physical stocks and stock tickets. In the absence of available storage either on the island of Ireland or within the EU, NORA has for a number of years bridged the gap between Obligation volumes and physical stocks held by way of securing stock tickets.

The extent to which NORA is dependent on stock tickets has reduced dramatically in recent years as NORA has progressively improved its physical stock position. NORA continues to use stock tickets as a temporary replacement for physical stocks undergoing product refreshment, as reflected in the higher stock ticket position as of 31st December 2020 and 31st December 2019.

A profile of physical stocks held at home and abroad, together with stock tickets in terms of their relative proportions of NORA's annual stock Obligation for recent years is set out below.

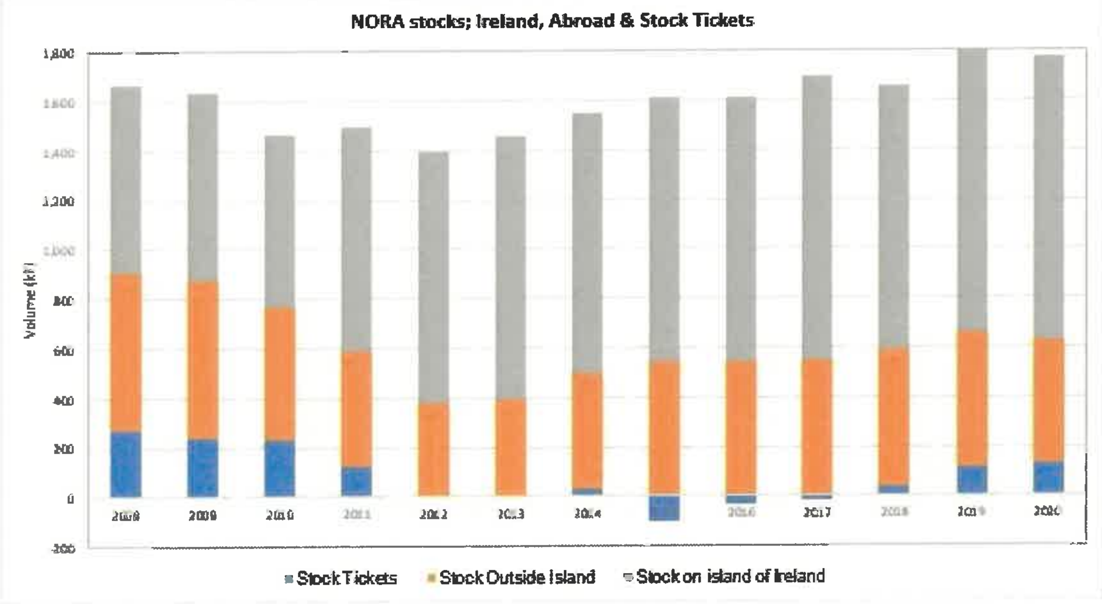


Throughout 2020, the Agency maintained compliance with its Obligation volumes. A profile of the trend in NORA's Stock Obligation volumes for recent years is set out below.



NORA Stockholding

Set out below is a graphical representation of the breakdown of NORA's stockholding in the period 2008 to 2020 ('000 tonnes).



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Stock on island of Ireland	763	759	696	914	1,018	1,065	1,053	1,068	1,068	1,146	1,066	1,144	1,146
Stock Outside Island	634	633	532	465	378	394	464	546	546	549	549	540	502
Stock Tickets	270	242	235	120	0	0	30	-105	-30	-17	41	115	128
Total Stock	1,667	1,635	1,464	1,499	1,396	1,459	1,547	1,509	1,584	1,678	1,656	1,799	1,776
NORA stock obligation	1,657	1,634	1,448	1,457	1,386	1,456	1,524	1,507	1,585	1,633	1,655	1,702	1,723

NORA Financing

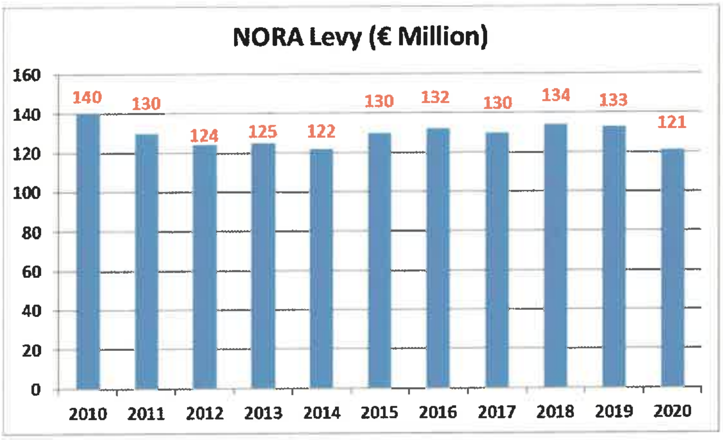
NORA Levy Income

NORA is funded by a Levy on the sale of oil products. Its revenue, coupled with commercial loans when required, is used to fund the procurement and holding of Ireland's strategic oil stocks. NORA receives no Exchequer funding.

On 1st October 2009, the NORA Levy was increased from €0.01 per litre, to €0.02 per litre under the terms of the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007. The Biofuel Levy was also set at €0.02 per litre upon the introduction of the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010 which introduced the Biofuels Obligation Scheme (BOS).

On 1st August 2020, arising from the enactment of the National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020, the Biofuel Levy was amended to €0.001 per litre.

Levy income (€ millions) in recent years has been as follows:



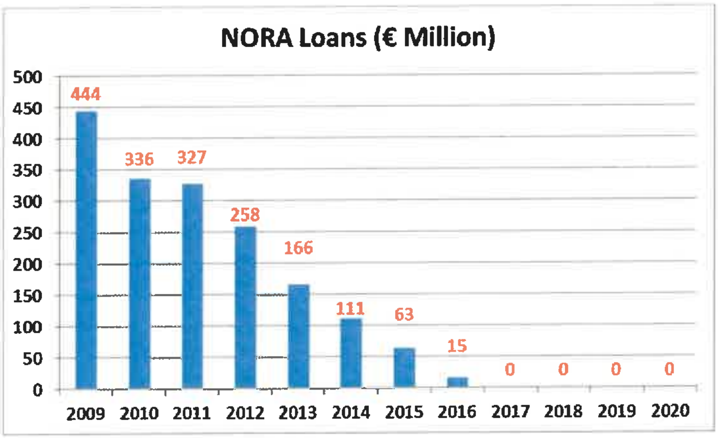
Levy income to 31st December 2020 has reduced mainly as a result of Covid 19 restrictions and this reduction is expected to continue into 2021 reflecting the continued impact of the Covid-19 pandemic on oil consumption.

On 1st August 2020, arising from the enactment of the National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020, the Biofuel Levy was amended from €0.02 per litre to €0.001 per litre, resulting in a reduction in income from the Biofuel levy between 1st August and 31st December 2020 of c. €2.4 million.

Despite the reduction in Levy income, NORA was able to meet its ongoing expenses throughout the year.

Financing and Debt Repayment

In March 2017, NORA reached a point of zero debt having reduced its debt from €444m in 2009. Since 2017, NORA has managed its cash reserves by holding deposits with financial institutions and the National Treasury Management Agency (NTMA). NORA reviews its deposit strategy regularly and considers both market interest rates and capital preservation when making its decisions on depositing funds, this is in line with the Agency's policies and procedures. Set out below is the profile of NORA's end of year debt from end 2009 to end 2020.



Climate Action Fund

Since the conclusion of the repayment of debt in 2017, the annual level of income derived from the NORA and Biofuel levies has resulted in a surplus of income for the Agency each year. To date, this surplus has been retained arising from the development of plans by Government for the repurposing of the Levy as a source of funding for a new Climate Action Fund.

Section 8 (pages 77 and 78) of the National Development Plan 2018 sets out plans for a new "Climate Action Fund" wherein it states:

"Given the very significant levels of investment required to fund the necessary climate action measures identified in the National Development Plan, a new Climate Action Fund will be established that will leverage investment by public and private bodies. The fund will have an initial allocation of €100 million and with an annual income of at least €50 million thereafter. To finance the fund and ensure it remains capable of replenishing its resources, the Government will repurpose part of the existing petroleum products levy (commonly known as the NORA levy) of 2 cents per litre that has been in place since 2007. The fund will focus on climate action projects where it can augment existing public or private investment. It will have a strong focus on interventions in the transport sector".

Accordingly, the National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act was enacted on 1st August 2020. This new legislation facilitates the transfer of allocated funds to the Department of Environment, Climate and Communications as directed by the Minister. In accordance with the provisions of this legislation, NORA transferred €28 million to the Climate Action Fund in December 2020.

End of Year Financial Position

NORA is constantly seeking to optimise "value for money" in its operations, in particular, in relation to its ongoing storage costs and financing costs, both of which combine to represent over 90% of NORA's total annual operating costs.

At 31st December 2020, NORA's cash in hand was €128.5 million, this includes cash held in current accounts, call deposit accounts and National Treasury Management Agency (NTMA) exchequer notes due to mature between 31st December 2020 and 31st March 2021. The cash in hand position does not include NTMA exchequer notes with maturity dates after 31st March 2021 which amount to €172.5 million. These NTMA exchequer notes have been classified as financial investments within these financial statements. This cash in hand position takes account of:

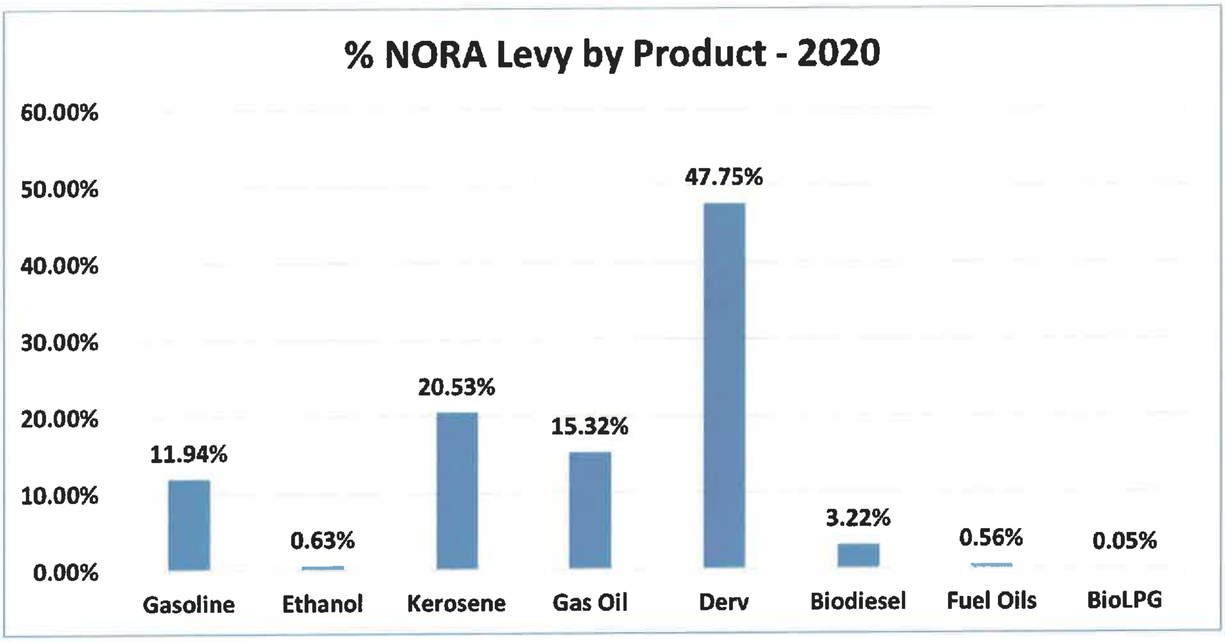
(a) NORA's ongoing financing requirements and commitments, and;
(b) the procurement of oil stocks associated with planned changes in storage contract arrangements and stock procurement in 2021 and onwards.

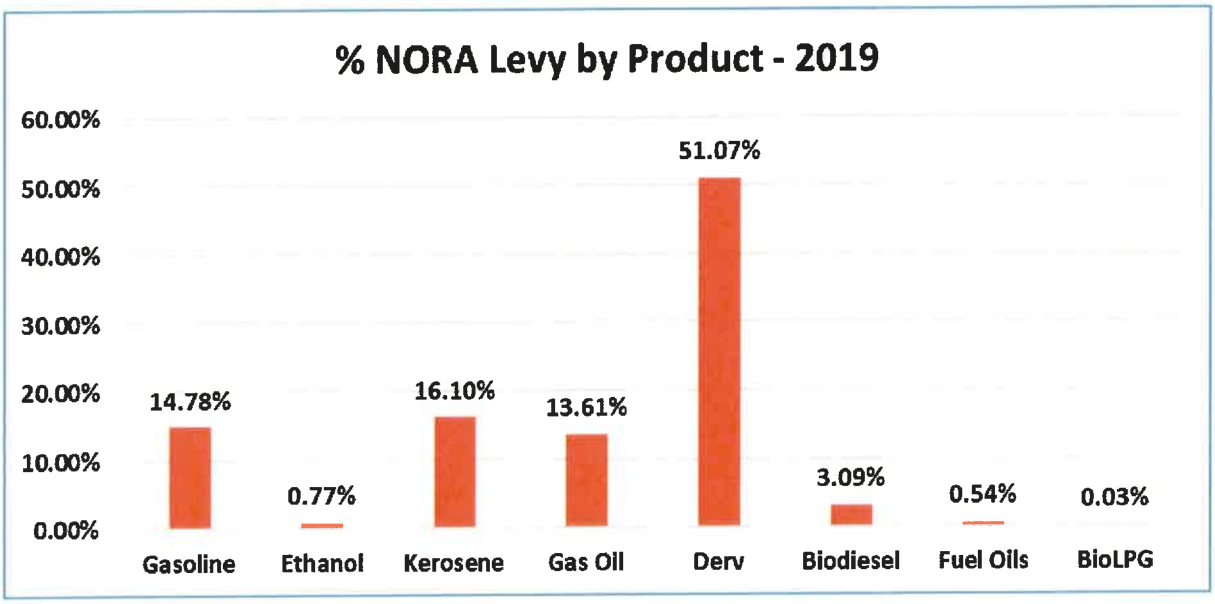
Taking account of the commitments above, plans are in hand for the utilisation and availability of these cash balances in 2021 and beyond, based on commitments made and/or planned which are summarised as follows:

	€ million
Cash in Hand at 31st December 2020	128.5
Stock Purchases 2021	- 49.0
Net Cash Position	79.5
NTMA Exchequer Notes with maturity over 3 months	172.5

Composition of the NORA Levy

Set out hereunder is a breakdown of the Levy volume percentages by product for 2020, together with comparable figures for 2019.





Biofuels Obligation Scheme

NORA commenced its administration of Ireland's Biofuels Obligation Scheme (BOS) on 1st July 2010 shortly after the introduction of "The Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010".

This legislation was introduced to give effect to the provisions of the EU Directive 2009/28/EC (the Renewable Energy Directive – RED) on the promotion of the use of energy from renewable sources.

The Scheme places an obligation on suppliers of mineral oil to ensure that a minimum percentage of the motor fuels (generally Gasoline and Motor Diesel) they place on the market are Biofuels manufactured from renewable sources, e.g. Ethanol and Biodiesel.

Under the terms of the National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010), a Biofuel Levy of 2.00 cent per litre is payable on the sales of all Biofuels into the market with effect from 1st July 2010. On 1st August 2020, the National Oil Reserves Agency Amendment Act and Central Treasury Services Act was enacted and as a result, the Biofuel Levy was reduced to 0.1 cent per litre.

S.I. 198 of 2018 increased the biofuel obligation rate to 12.359% (11 litres of Biofuels and 89 litres of hydrocarbons in every 100 litres of motor fuels) from the 1st January 2020.

In April 2018, a Policy Statement was published by Government outlining the proposed future development of the Biofuels Obligation Scheme. The Policy Statement is intended to provide certainty to industry and stakeholders thus facilitating the longer-term planning necessary to increase the use of biofuels. As of December 2020, an updated Biofuels Policy Statement is being prepared for publication.

The Biofuel Obligation Scheme (BOS) is entering a critical phase as significant changes planned are anticipated for the 2020 to 2030 period, in line with the new Climate Action Plan.

Biofuels Obligation Volumes

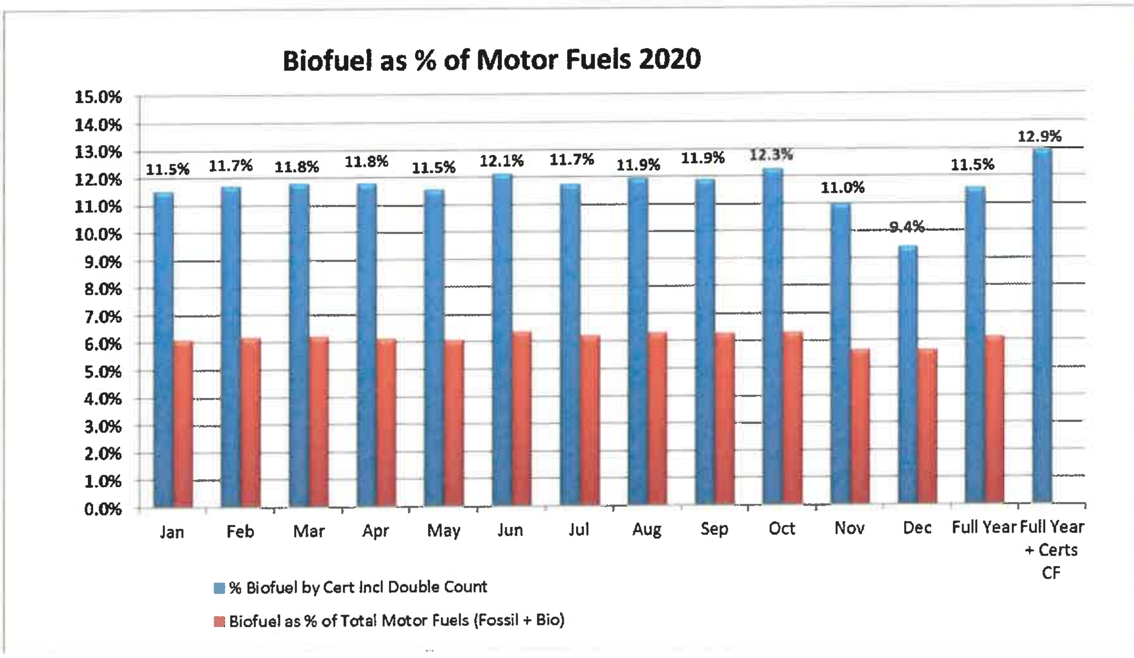
The table below sets out how the volume of Biofuels as a percentage of total Motor Fuels per annum placed on the market compares to the minimum percentage Biofuels Obligation.

It should be noted that the percentages take account of the fact that:

- **i.** The terms of compliance with the Biofuels Obligation enables Obligated Parties to carry excess Biofuels Certificates earned in one year through to the next, to meet compliance in that year, and;
- **ii.** Biofuels placed on the market that are made from wastes or residues qualify for "double certificates" i.e., 1 litre of Biofuel made from waste will earn 2 Biofuels Certificates, and thus, with a significant volume of "waste or residue" Biofuels placed on the market, the total volume placed is likely to be less than the total Obligation volume percentage, but compliance with the Obligation is still achieved.

Biofuel Obligation Rates and Volumes 2010 – 2020

	Biofuels Placed on Market as % of Total Motor Fuels	Biofuels % Obligation Volume	Volume of Biofuels Placed on Market (million litres)	Volumes incl. Double Cert Biofuels	Equivalent % of Motor Fuels	
2010	4.31%	4.166%	98	110	2.5%	
2011	3.40%	4.166%	144	195	4.6%	
2012	4.80%	4.166%	128	199	4.8%	
2013	3.71%	6.383%	151	244	5.9%	
2014	3.91%	6.383%	167	264	6.3%	
2015	4.10%	6.383%	184	307	7.1%	
2016	3.70%	6.383%	174	284	6.4%	
2017	4.84%	8.695%	226	393	8.9%	
2018	4.61 %	8.695%	216	379	8.5%	
2019	5.52%	11.111%	261	467	10.6%	
2020	6.12%	12.359%	239	456	11.5%	



When coupled with Biofuels volumes placed on the market in previous years in excess of the compliance target for that obligation period, which can, under the regulations be carried over to subsequent years, the 2020 compliance target was achieved.

Ensuring adherence to adequate levels of compliance with the Biofuels Obligation Scheme is an important aspect of NORA's administration of the Scheme, as the extent of use of renewable Motor Fuels in the market is a key measure of Ireland's level of compliance with the EU Renewable Energy Directive.

To this end, the Agency provided DECC with a detailed report on the performance of the BOS for each year to date of the operation of the Scheme, and a summary version of these reports for each year is published on the Agency's website, https://www.nora.ie/biofuels-obligation-scheme/bos-annual-reports.225.html

In addition, in 2020, the Agency conducted a detailed audit of BOS participants within the terms of the Scheme and provided a full report on same to DECC. The findings and recommendations of the audit have since been acted upon and a follow up audit is planned for 2021.

Biofuels Obligation Rate

NORA has been responsible for administering Ireland's Biofuels Obligation Scheme since its commencement in July 2010. Since then, Biodiesel and Bioethanol have been an integral part of the transport fuels market through the mandatory inclusion of Biofuels in Motor Fuels.

The applicable rates for the Biofuels Obligation Scheme have been:

Effective Date	Biofuels Rate
1st July 2010	4.17%
1st January 2013	6.38%
1st January 2017	8.70%
1st January 2019	11.11%
1st January 2020	12.359%

Following a consultation process undertaken by DECC with stakeholders in December 2018, the rate for 2020 was set at 12.359% from 1st January 2020.

A further consultation process was undertaken in late 2019. It is anticipated that DECC will set revised biofuel obligation rates for 2022 and beyond, in line with updated biofuel policy for the coming years, all with a view to achieving the Government's 2030 targets.

NORA – Designated Authority for the FQD

The FQD was transposed into Irish Legislation on 17th April 2017. There is a significant overlap between the reporting requirements of the RED and the FQD Directives. It was recognised that it would be administratively simpler to combine the reporting requirements of both Directives with the BOS.

In addition to its role as administrator of the BOS, with effect from 19th April 2017, under S.I. No. 160 of 2017 transposing the EU Fuel Quality Directive (FQD) 98/70/EC as amended by 2009/30/EC, NORA was appointed as the designated authority for the administration and monitoring compliance of the Fuel Quality Directive (FQD).

The FQD sets technical specifications on health and environmental grounds for fuels use for motor vehicles. Article 7a of the FQD introduces an obligation on fuel suppliers to reduce greenhouse gas emissions by up to 10% per unit of energy. The target is to achieve a reduction of at least 6% by 31st December 2020 and for each subsequent year thereafter compared to 2010.

As the designated authority for the administration of the relevant EU FQD legislation, NORA has expanded the framework of the BOS systems to put in place the necessary arrangements for monitoring of obligated parties with the legislation.

It requires fuel suppliers to achieve a 6% reduction in the greenhouse gas (GHG) intensity of fuels used in road vehicles, and non-road mobile machinery, agricultural and forestry tractors, and recreational craft, by 2020. The majority of this target will be reached by substituting biofuel for fossil fuel. The FQD also requires biofuel to satisfy the same sustainability criteria as the RED, if it is to be counted towards the 6% target. Thus, there is a significant overlap in how both Directives will achieve their respective targets, i.e. both require significant volumes of sustainable biofuel to be placed on the market.

The S.I. 160 target for 2020 is a 6% reduction in carbon intensity (there was no target for 2019). Meeting the 6% carbon intensity reduction target will be very challenging for fuel suppliers. There is a disparity between the 11% renewable energy target of the BOS and the 6% carbon intensity of the FQD. If fuel suppliers reach the 11% BOS target, they would achieve between 3% and 4% carbon intensity reduction (this depends on the fuel mix, the carbon intensity of the biofuel supplied and on how many BOS Certs from previous periods are discharged against the Obligation in 2020). To go beyond an 11% biofuel obligation will require the bioethanol and biodiesel blend walls to be exceeded. To reach a 6% carbon intensity reduction using biofuels alone would require a physical biofuel blend of around 10% in gasoline and diesel.

While carbon savings generated from electricity consumed in EVs and from Upstream Emission Reductions (discussed in the following sub-sections) can also contribute to achieving the FQD targets, it is not anticipated that these will make a significant contribution in 2020, particularly when the potential penalty for noncompliance is significantly below the costs of either purchasing Upstream Emission Reductions or additional biofuel.

Assessment of Compliance of Fuel Suppliers with FQD for 2020

Fuel Suppliers are required to report to NORA, details of the level of reduction in carbon intensity of the transport fuels they placed on the market in 2020. Following receipt of such reports, NORA will assess the level of compliance achieved, in accordance with the provisions of S.I. 160 (2017).

FQD Post 2020

The 6% carbon intensity reduction target will continue to apply post 2020. This was confirmed through the introduction of S.I. 670 (2020). Throughout 2020, NORA and the BOS Team have been engaging with DECC on developing a strategy for managing the requirements of several complementary yet differing drivers for increasing renewable energy penetration and reducing GHG emissions in the transport sector, namely Article 7a of the FQD (6% carbon intensity reduction target), RED, RED II and Ireland's national policy for reducing GHG emissions.

NORA and the BOS Team has been providing support to DECC and the Department of Transport with preparing and developing a renewable energy transport policy document and a transport model to determine the biofuel blend rates required to meet the various targets while satisfying the many constraints. A key objective of the policy document is to provide the oil industry with a relatively clear view of the compliance requirements over the coming years. However, changes to primary legislation may be required to cater for the nature of changes required in future years.

Energy Management Obligation in 2020

In 2020 NORA met its Public Body Energy Management obligations under S.I. No. 542 of 2009. NORA has progressed its Energy Management objectives by continuing to participate in the Sustainable Energy Authority of Ireland's (SEAI) public sector Advice, Mentoring & Assessment (AMA) programme. A more detailed report on NORA's Energy Management is available on NORA's website, www.nora.ie.

Conclusion

I would like to thank the members of the Board and staff for their dedication and assistance during the year. I would also like to express my thanks to the Minister for his encouragement and interest in the work of the Agency. My thanks are also due to the staff of the Transport Energy and Climate Action Fund Divisions of the Department for their continuing support and assistance throughout the year.

Terry Nolan
Chairperson

Date: 10th June 2021

Directors' report

The directors submit their report and the audited Financial Statements for the year ended 31st December 2020.

Principal activities and review of the business

On 1st August 2007, NORA was established as an Agency on a statutory basis under the aegis of the Minister for Environment, Climate and Communications. The Agency operates in accordance with several statutes and regulations, key among them:

- National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) Regulations 2009 (S.I. No. 214 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009 (S.I. No. 220 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-out Charge) Regulations 2010 (S.I. No. 644 of 2009);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2012 (S.I. No. 562 of 2012);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2018 (S.I. No. 198 of 2018);
- National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020;
- Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010;
- European Union (Biofuel Sustainability Criteria) Regulations 2012 (S.I. No. 33 of 2012), and;
- European Union (Oil Reserves) Regulations 2012 (S.I. No. 541 of 2012).

The operations of the Agency consist of managing the strategic stocks of Ireland required under EU legislation and administering Ireland's Biofuel Obligation Scheme. The company meets its oil stocks obligations by owning stocks and by entering into agreements with third parties in Ireland and abroad to store stocks owned by the company and to make other strategic stocks available in certain specific circumstances.

The majority of the Agency's stocks have to date been held and managed by third parties in independently owned and operated storage facilities at home and abroad. However, as part of the Agency's medium to long term storage development plans, NORA has undertaken long term leases in respect of three storage facilities (at Ringsend, Dublin; Tarbert, Co. Kerry; and Poolbeg, Dublin). The commissioning of Ringsend in 2011 and Tarbert in 2012 marked the commencement by the Agency of the responsibility for the operation and maintenance of these facilities in accordance with all prevailing regulations, with particular emphasis on health, safety and regulatory compliance.

The refurbishment of the facility at Poolbeg in Dublin was the next step in the Agency's storage development programme in Ireland. NORA completed the refurbishment of the redundant oil storage at the ESB site at Poolbeg, Dublin, which provides c. 120,000 tonnes of additional distillate storage. The completion of this project has provided a valuable increase to oil reserves stored in Dublin Port through which circa 64% of Ireland's total oil products are imported.

The original target date for the completion of this major refurbishment project was Q2 2020. However, as a result of Covid-19 restrictions completion of this project was delayed and the storage facility was commissioned in November 2020.

The Agency was delegated the task of administering the Biofuels Obligation Scheme which came into operation on 1st July 2010 following the commencement of the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010. The Agency has successfully managed all biofuel obligation periods to date in accordance with the requirements of the scheme and will adapt such administration to meet future scheme requirements as they develop.

The costs of the Agency's operations are recoverable by the company through the oil stocks (mineral oil and biofuel) levy which, taking one year with another shall meet but not exceed the costs incurred by the company in carrying out its duties under the Regulations.

The directors do not anticipate any significant changes in the principal activities of the company in the foreseeable future.

Having repaid all remaining debt in 2017, it is planned, subject to affordability, to finance stock purchases through the use of working capital. Where required, stock will be financed by medium term revolving credit facilities, with the aim of having a balanced maturity profile.

Exchange rate exposure arises on strategic stock purchases and sales and on certain operating costs. Foreign currency spot and forward contracts and options are used to reduce volatility arising from currency fluctuations and to minimise costs.

The Agency seeks to minimise cash balances held in current accounts. Cash surpluses are deposited with banks with an appropriate credit standing, in a manner which provides the most competitive return while also ensuring capital preservation.

All financial instruments are used to match underlying physical requirements and are non-speculative. In addition, financial transactions entered into are in line with the Specification of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act 1992.

Results for the year

The results are disclosed on page 33 of the Financial Statements. As noted in the statement of income and expenditure, a surplus of €34.6 million (2019: €100.9 million surplus) was recorded for the year. The entire balance of retained earnings is considered not to be available for distribution.

The company successfully repaid all outstanding debt on 15th March 2017. No debt was outstanding at the reporting date. The Agency continues to be advised by the NTMA in relation to the management of its financing taking account of the need for the ongoing retention of cash reserves, likely future requirements for capital expenditure, oil stock purchasing and the renewal of essential borrowing facilities.

Included in the surplus of €34.6 million is a loss on the sale of strategic stocks of €12.5 million (2019: profit of €9.1 million). The losses arise on the sale or refreshment of stocks in the normal course of business. Also included in the surplus are tolerable losses written off for 2020: €0.8 million loss (2019: €1.0 million loss).

Corporate Governance

The directors have adopted the Code of Practice for the Governance of State Bodies (2016). Corporate Governance within the Agency comprises the systems and procedures by which the Agency is directed, controlled and managed. The Board and Management being accountable for the proper management of the Agency is strongly guided by the Code of Practice and understands it is collectively responsible for leading and directing the Agency's activities. In meeting those responsibilities, the Agency is committed to ensuring that all activities, whether covered specifically by the Code of Practice or otherwise meet the highest possible standards of corporate governance.

Matters for decision of the Board

The directors have set out a formal schedule of matters specifically reserved for decision of the Board which is in line with the schedule as set out in the Code of Practice. The schedule also sets out the matters which will require Ministerial approval. All other matters have been designated to Management. The schedule is reviewed annually by the Board.

The following matters are specifically reserved for the decision of the Board:

- Significant acquisitions, disposals and retirement of assets;
- Major investments and capital projects, delegated authority levels, treasury and risk management policies;
- Approval of terms of major contracts (subject to tender and procurement procedures);
- Policy on determination of senior management remuneration;
- Approval of annual budgets and corporate plans;
- Approval of annual reports and financial statements;
- Appointment, remuneration, assessment of performance of and succession planning for the Chief Executive Officer (CEO);
- Significant amendments to pension benefits of the Chief Executive and staff;
- Compliance with statutory and administrative requirements in relation to the approval of the appointment, number, grading and conditions of appointment of all staff, including remuneration and superannuation;
- Appointment or removal of the secretary of the Board;
- Meet at least twice per year without the executive Board members or management present to discuss relevant matters.

Business risks and management

It is the company's policy to develop and implement a risk management process which:

- sets the risk appetite;
- enables identification and assessment of risks that could impact the achievement of the Agency's remit and business objectives, and;
- ensures that appropriate mitigating measures and controls are adopted and implemented.

Risk management process

The Agency has developed a risk management process to meet the requirements of the Code of Practice for the Governance of State Bodies (2016). The process has been approved by the Board and is supported in the following manner:

- risk management is included in the terms of reference for the Audit and Risk Committee;
- the CEO has been given specific responsibility for management of the risk management process and has been assigned the role of Chief Risk Officer;
- annual review and approval of policies for managing risk;
- development of and annual review of the Agency's Risk Register, in order to identify, manage and mitigate risks identified, and;
- ensuring that appropriate reporting procedures are in place.

Business risks

The principal business risks arising from the company's activities are as follows:

- health, safety & environment;
- management and operation of oil storage facilities;
- oil price;
- interest rate;
- foreign exchange;
- liquidity;
- shipment of oil;
- credit, and;
- counterparty risk.

Directors' and company secretary's interests

The directors and company secretary, holding office at the end of the reporting period, had no beneficial interest in the share capital of any group companies during or at the end of the financial year.

Directors' remuneration

Government guidelines on the payment of Directors' fees are being complied with.

Directors' fees paid in 2020 and 2019 were:

		2020	2019
		€	€
Chairperson:	Terry Nolan	11,970	11,970
Directors:	Frank O'Connor (Resigned 13th August 2020)	-	-
	Frank O'Flynn	7,695	7,695
	Keara Robins	7,695	7,695
	Mairéad McCabe	-	-
	Pat Meehan	-	-
		27,360	27,360

Directors' expenses in 2020 amounted to €NIL (2019 - €NIL).

The remuneration of the non-executive Board members in the performance of their duties for the Agency is in compliance with Government guidelines. The Agency operates the 'One Person One Salary' principle whereby public sector employees are not entitled to receive additional fees from public sector directorships.

Under the 'One Person One Salary' principle no fees were payable to Frank O'Connor, Mairéad McCabe or Pat Meehan.

Directors' fees and expenses include amounts paid directly to directors and amounts paid on their behalf.

Directors' attendance at Board meetings

In accordance with the requirements of section 4.9 of the Code of Practice for the Governance of State Bodies (2016), the following is a summary of the attendances of each Board member at Board meetings for the year ended 31st December 2020.

	Board	Audit and Risk Committee
Number of meetings held:	9	5
Attendance:		
Terry Nolan	9	-
Frank O'Connor	3	2
Frank O'Flynn	9	5
Keara Robins	9	5
Mairéad McCabe	9	-
Pat Meehan	9	5

In accordance with section 1.7 of the Code of Practice for the Governance of State Bodies (2016), the Board met at least twice during the year without the presence of executive Board members and management.

Gender Balance, Diversity and Inclusion

The Minister for the Environment, Climate and Communications has responsibility for appointments to the Board of the Agency. At 31st December 2020, the Board was comprised of two female (40%) and three male members (60%) with one position vacant.

The Board therefore meets the Government target of a minimum of 40% representation of each gender in the membership of State Boards.

The gender composition of the Board is highlighted when making submissions to the Minister on Board appointments and re-appointments.

Post reporting period events

Covid-19 Pandemic

On 12th March 2020, as a result of the Covid-19 global pandemic, the Irish Government issued a directive instructing all non-essential businesses to close or work remotely. NORA invoked its Business Continuity Plan whereby all staff commenced working remotely and continued thereafter to manage the day-to-day business of the organisation on this basis. The Agency reviews its Business Continuity Plan and Emergency Supply model regularly and remains in a position to fully respond to an oil supply emergency.

While the Covid-19 pandemic does not affect the financial reporting for 2020, the reduced levels of oil consumption arising from Covid-19 restrictions has resulted in a significant decrease in Levy income for some months in 2020. Accordingly, it is expected that oil consumption and Levy income for 2021 will be below average levels for recent years. The Agency has assessed its current and ongoing obligations and while a decrease in levy income has occurred the Agency has sufficient cash to meet its obligations for 2020, 2021 and beyond. At the time of reporting, Covid-19 restrictions remain in force.

Health and Safety

The wellbeing of the Agency's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and The National Oil Reserves Agency takes the necessary action to ensure compliance with the Act.

Protected disclosures

In accordance with the provisions of section 1.14 of the Code of Practice for the Governance of State Bodies, the Board has approved the Agency's policy to ensure workers have the opportunity to raise concern about possible irregularities in financial reporting or other matters.

The Board has also reviewed the Agency's policy to ensure that it complies with the provisions of the Protected Disclosures Act 2014.

In accordance with the provisions of the 2014 Act, the Agency's Annual Protected Disclosures Report for 2020 is as follows: the number of protected disclosures made was NIL (2019: NIL) and accordingly, it was not necessary for the Agency to take any action in this regard.

Prompt payments

NORA complies with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2012 and its predecessor, the Prompt Payment of Accounts Act 1997.

In compliance with Government Decision No. S29296 of 8th March 2011 on Prompt Payments, NORA operates a policy of payment of all undisputed, valid supplier invoices within 15 days of receipt of invoice. Where relevant, NORA will continue to pay suppliers in line with contractual arrangements, some of which may fall outside the scope of the aforementioned 15-day Prompt Payment requirement.

Accounting records

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The company's accounting records are maintained at Second Floor, Building Number 3, Number One, Ballsbridge, 126 Pembroke Road, Dublin 4, D04 EP27.

Statement of relevant audit information

The Directors believe that they have complied with Section 330 of the Companies Act 2014 whereby they have taken steps to inform themselves of all relevant audit information and have established that the auditor is aware of all such information.

Audit committee

The Directors have fulfilled their requirement to establish an audit committee that meets the requirements of Section 167 of the Companies Act 2014.

Human Rights and Equality

The Agency is committed to protect and promote human rights and equality in accordance with the Irish Human Rights and Equality Commission Act 2014.

In accordance with Section 42 of this Act, NORA is obliged, in the performance of its functions, to have regard to the need to:

- eliminate discrimination,
- promote equality of opportunity and treatment of its staff and the persons to whom it provides services, and
- protect the human rights of its members, staff and the persons to whom it provides services.

NORA operates a policy of equal opportunity in all its recruitment activities.

Directors' Compliance Statement

Under Section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing compliance with the relevant obligations of the company. Relevant obligations are inclusive of the Companies Act 2014 and Irish tax law.

The directors also confirm the following;

- a compliance policy statement has been drawn up which sets out the company's policies regarding compliance by the company with its relevant obligations;
- the appropriate arrangements or structures are in place that are, in the directors' opinion, designed to secure material compliance with the company's relevant obligations; and
- a review of such arrangements or structures which occur during the relevant financial year has been conducted..

Statement of Compliance with the Code of Practice for the Governance of State Bodies (2016)

The directors have adopted the Code of Practice for the Governance of State Bodies (2016) and other than set out under the heading "*Internal control matters*", NORA was in compliance with the Code during the twelve months to 31st December 2020 and up to the date of this report.

Disclosures as required by the Code are included in Notes 4 and 8 to the financial statements.

Auditors

In accordance with Section 29(2) of the National Oil Reserves Agency Act 2007, the Comptroller and Auditor General is the auditor of the Agency.

On behalf of the Board

Mairéad McCabe
Director

Terry Nolan
Director

Date: 10th June 2021

Directors' Responsibilities Statement in respect of the Directors' Report and Financial Statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations, including FRS (Financial Reporting Standard) 102 and the Companies Act 2014.

The National Oil Reserves Agency Act 2007 and Irish company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the company Financial Statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the surplus or deficit of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether the Financial Statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards;

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and surplus or deficit of the company to be determined with reasonable accuracy, enable them to ensure that the Financial Statements and directors' report comply with the Companies Act 2014 and enable the Financial Statements to be audited. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board

Mairéad McCabe
Director

Terry Nolan
Director

Date: 10th June 2021

Responsibility for system of internal control

On behalf of the Board of the National Oil Reserves Agency, I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

In accordance with the requirements of Section 6 of the Code, (and Section 1.6 of the Code of Practice for the Governance of State Bodies – Business and Financial Reporting Requirements), the information below sets out the details of the system on internal control in place during that year. This system continues to apply and to be adhered to.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the National Oil Reserves Agency for the year ended 31st December 2020 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Audit and Risk Committee (ARC) has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of directors and staff in relation to risk. The policy has been issued to all staff that are expected to work within The National Oil Reserves Agency's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work. The ARC met five times in 2020.

Risk and Control Framework

The Board has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing reporting procedures to control significant failures and ensuring appropriate corrective action is taken;
- establishing a dedicated Audit and Risk Committee consisting of at least two non-executive Board members;
- clear separation of Board and Management functions;
- publication of a Code of Business Conduct for Board members and staff of the Agency, and;
- establishing an Internal Audit function.

Ongoing Monitoring and Review

The Board has established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implications of risks facing the Agency including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the Board's ability to manage and mitigate the risks that do occur, and;
- having regard to the costs of operation of particular controls relative to the benefit obtained.

The system of internal control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability.

In particular, it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Audit and Risk Committee and Board of periodic annual financial reports which indicate financial performance against targets;
- setting targets to measure financial and other performance, and;
- regular internal audit

The internal audit function is a key element in informing the Board of the effectiveness of the system of internal control. The internal audit function operates in accordance with the Code of Practice for the Governance of State Bodies (2016). The National Oil Reserves Agency's internal audit function is outsourced.

The annual internal audit plan is informed by an analysis of the risks to which the Agency is exposed and a formal Risk Register has been developed following a full risk analysis exercise. Internal audit plans are endorsed by the Audit and Risk Committee. The analysis of risk is also endorsed by the Audit and Risk Committee and approved by the Board. The internal auditors provide the Committee with reports on assignments carried out. These reports highlight deficiencies or weaknesses, if any, in the system on internal control.

Correspondence with the Office of the Comptroller and Auditor General, including the Audit Management Letter, and any issues raised therein, are brought to the attention of the Audit and Risk Committee and Board, which ensures that the issues raised are pursued.

The National Oil Reserves Agency has in the year ended 31st December 2020, through the activity of the Board, monitored the work of Management in the area of financial, operational and internal control. Specifically, the Board examined the following:

- bi-monthly management accounts, with analysis and explanation of significant deviations from budget;
- annual financial statements for 2020 and explanations of significant variances from expenditure in 2019
- annual budget, financial plan, and corporate procurement plan for the year
- annual review of financial controls
- management of ongoing capital expenditure and operational projects
- management and maintenance of oil storage operations, and;
- purchase and sale of oil stocks

Covid-19 and Impact on the Control Environment

A checklist relating to the OC&AG's special report on 'Audit Insights – Covid-19 Impact on the Control Environment' was prepared and responses to same were discussed at the Audit & Risk Committee meeting held on 11th February 2021. The Committee having discussed management's responses, were satisfied with the checklist provided and responses therein which showed the Agency's level of preparedness for such an event and advised of minimal impact on the control environment. The checklist was also used to inform the Board as part of their annual review of the effectiveness of the system of internal controls.

Procurement

The National Oil Reserves Agency has an established procurement policy and procedure. NORA's procurement practices are in accordance with this procedure. A corporate procurement plan based on the Office of Government Procurement Policy Framework document is in place and is being implemented by the Agency. The Corporate Procurement plan is updated on an annual basis.

The National Oil Reserves Agency's Procurement policy and procedure is consistent with that of the current Office of Government Procurement guidelines. In certain instances, it is deemed appropriate to apply duly authorised exceptions to this Procurement policy and procedure, (i.e. in respect of services or suppliers of works valued above €5,000 (ex VAT) for reasons such as. urgency, sole source of supply, conflict of interest, etc.).

NORA is subject to EU Directive 2014/24/EU as implemented in Ireland by the European Union (Award of Public Authority Contracts) Regulations 2016), in respect of the procurement of services, supplies and works above certain value thresholds set by the EU. Where the Regulations do not apply, either due to the value of procurement being below the EU thresholds or being outside of the Regulations, NORA adopts a process that is designed to achieve the best value for money for the Agency. Exceptions to NORA's Procurement policy and procedure are approved by management.

The use of exceptions under NORA's Procurement policy and procedure does not amount to non-compliant procurement and exceptions are signed off in restricted circumstances.

During the year ended 31st December 2020 payments with a total value of c. €618,000 (inc. VAT) were made in respect of goods/services that were the subject of procurement exceptions (€437.5k) approved by management or were single source suppliers (€180.5k).

During the year one item was found to be non-compliant with public procurement guidelines the value of the contract was €20.6k (inc. VAT). Public procurement training has since provided to consultants at NORA's facilities to ensure guidelines are following going forward.

Internal Control Matters

Tax Clearance Certificates

As part of its ongoing business, and as an essential element to the fulfilment of the Agency's remit of maintaining 90 days oil stocks obligation for Ireland, NORA engages the services of a number of storage companies and service providers abroad and within the EU.

None of these storage companies have a trading presence in Ireland, and neither do they have a tax presence in Ireland.

Nonetheless, it is a requirement of the Revenue Commissioners that companies with whom state bodies' trade have tax clearance certificates (TCC's). NORA requests each of these companies obtain a TCC from the Revenue Commissioners. All companies had previously provided NORA with TCCs all of which were due to expire on 23rd December 2020.

In early December, NORA wrote to all contracted storage companies to request the provision of a valid TCC. At end December 2020, two storage companies had not provided valid TCC's but had engaged with the Revenue Commissioners on the renewal of same. No payment was made to either of these companies between 23rd December and 31st December 2020. Both companies had provided up to date TCC's by 15th January 2021.

Update on Single Scheme Pension Internal Control Matter

In the Chairperson's Report to the Minister at 31st December 2019, it was reported that a new employee opted not to join the Single Public Service Pension Scheme and therefore NORA is non-compliant with the Department of Public Expenditure and Reform guidelines in this area. All other new employees since 1st January 2013 have been enrolled in the scheme.

Annual review of controls

I confirm that the National Oil Reserves Agency has procedures to monitor the effectiveness of its risk management and control procedures. The National Oil Reserves Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work and the senior management within the National Oil Reserves Agency responsible for the development and maintenance of the internal financial control framework.

Review of the Effectiveness of the System of Internal Controls

I confirm that in respect of the year ended 31st December 2020 the Board conducted a review of the effectiveness of the system of internal control on 11th February 2021.

Signed on behalf of the Board.

Terry Nolan
Chairperson

Date: 10th June 2021

Report for presentation to the Houses of the Oireachtas

National Oil Reserves Agency Designated Activity Company

Opinion on the financial statements

I have audited the financial statements of the National Oil Reserves Agency Designated Activity Company (the company) for the year ended 31 December 2020 as required under the provisions of section 29 of the National Oil Reserves Agency Act 2007. The financial statements comprise the statement of income and expenditure, the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- give a true and fair view of the assets, liabilities and financial position of the company at 31 December 2020 and of its income and expenditure for 2020
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland,* and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

The directors have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- the appropriateness of the use by the directors of the going concern basis of accounting, and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the chairperson's statement, the directors' report, the directors' responsibilities statement and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

Ineffective expenditure

I draw attention to note 3 to the financial statements which discloses that the company has made provision for €250,000 in respect of an onerous lease contract. The company vacated a leased premises in December 2019 but has lease commitments payable up to 2024.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

24 June 2021

Responsibilities of the Directors

As detailed in the directors' responsibilities statement, the directors are responsible for

- the preparation of financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 29 of the National Oil Reserves Agency Act 2007 to audit the financial statements of the company and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- I obtain 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 internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of Income and Expenditure

for the year ended 31st December 2020

	Notes	2020 € '000	2019 € '000
Levy Income	*2*	**120,660**	133,370
Operating costs	*3*	**(45,470)**	(41,548)
Other operating income		-	2
Operating surplus - continuing operations		**75,190**	91,824
(Loss) / Gain on sale of strategic stocks	*10*	**(12,533)**	9,123
Transfer to Climate Action Fund	5	**(28,000)**	-
Surplus on ordinary activities before interest and taxation		**34,657**	100,947
Interest receivable	*6*	**25**	77
Interest payable	*6*	**(95)**	(103)
Surplus on ordinary activities before taxation		**34,587**	100,921
Taxation charge on surplus on ordinary activities	*9*	-	-
Surplus for the financial year		**34,587**	100,921

Notes 1 - 23 on pages 38 - 63 form an integral part of these financial statements.

On behalf of the Board

Mairéad McCabe
Director

Terry Nolan
Director

Date: 10 June 2021

Statement of Comprehensive Income

for the year ended 31st December 2020

	Notes	2020 € '000	2019 € '000
Surplus for the year		**34,587**	100,921
Other comprehensive income			
Actual return in excess of interest on assets	21	**162**	196
Experience gains on pension scheme liabilities	21	**12**	170
Change in assumptions underlying the present value of pension scheme liabilities	21	**(32)**	(168)
		142	198
Total comprehensive income for the year		**34,729**	101,119

Notes 1 - 23 on pages 38 - 63 form an integral part of these financial statements.

On behalf of the Board

Mairéad McCabe
Director

Terry Nolan
Director

Date: 10 June 2021

Statement of Financial Position

at 31st December 2020

	Notes	2020 € '000	2019 € '000
Fixed assets			
Strategic stocks	*10*	**928,994**	900,360
Leasehold improvements	*11*	**41,403**	39,117
Property, plant and equipment	*12*	**222**	214
		970,619	939,691
Current assets			
Receivables	*13*	**30,671**	57,189
Financial investments	*14*	**172,500**	-
Cash and cash equivalents	*19*	**128,460**	231,882
		331,631	289,071
Current Liabilities: amounts falling due within one year			
Payables	*15*	**(44,596)**	(5,809)
Net current assets		**287,035**	283,262
Total assets less current liabilities		**1,257,654**	1,222,953
Payables: amounts falling due after more than one year			
Other creditors	*16*	**(128)**	-
Net assets excluding retirement benefit asset		**1,257,526**	1,222,953
Retirement benefit asset	*21*	**944**	790
Net assets		**1,258,470**	1,223,743
Capital and reserves			
Called up share capital presented as equity	*18*	**-**	-
Revenue Reserves		**1,257,526**	1,222,953
Retirement benefit reserve	*21*	**944**	790
Shareholders' funds		**1,258,470**	1,223,743

Notes 1 - 23 on pages 38 - 63 form an integral part of these financial statements.

On behalf of the Board

Mairéad McCabe
Director

Terry Nolan
Director

Date: 10 June 2021

Statement of Changes in Reserves

for the year ended 31st December 2020

	Retirement Benefit Reserve € '000	Revenue Reserves € '000	Total € '000
Balance at 1st January 2019	573	1,122,051	1,122,624
Surplus for the financial year	-	100,921	100,921
Remeasurement of net defined benefit obligation	198	-	198
Total comprehensive income for the year	198	100,921	101,119
Pension adjustment	19	(19)	-
Balance at 31st December 2019	**790**	**1,222,953**	**1,223,743**
Balance at 1st January 2020	790	1,222,953	1,223,743
Surplus for the financial year	-	34,587	34,587
Remeasurements of net defined benefit obligation	142	-	142
Total comprehensive income for the year	142	34,587	34,729
Pension adjustment	13	(13)	-
Balance at 31st December 2020	**945**	**1,257,527**	**1,258,472**

Net equity is attributable to the holders of the ordinary shares in the Company.

An adjustment has been made to bring the retirement benefit reserve in line with the retirement benefit asset.

Section 44(3) of the National Oil Reserves Agency Act 2007 provides that in determining the rate of the Levy, the Minister for Environment, Climate and Communications shall seek to ensure that (taking one year with another) the sums realised by applying those rates to the volume assessments meet but do not exceed the estimated expenses of the Agency. Therefore the entire balance on the statement of income and expenditure is considered not to be available for distribution.

Notes 1 - 23 on pages 38 - 63 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31st December 2020

	Notes	2020 € '000	2019 € '000
Cash flows from operating activities			
Operating Surplus		**34,657**	100,947
Adjustments for:			
Depreciation of leasehold improvements	*11*	**2,510**	2,226
Depreciation of property, plant and equipment	*12*	**64**	64
(Gain)/loss on disposal of property, plant and equipment		**(22)**	-
Retirement benefit charge less contribution		**(13)**	(19)
Strategic stock losses written off	*10*	**775**	987
Changes in:			
Trade and other receivables		**26,517**	(32,222)
Trade and other payables		**38,914**	1,376
Strategic stock		**(29,409)**	(13,361)
Cash generated from operating activities		**73,993**	59,998
Cash flows from investing activities			
Movements in leasehold improvements	*11*	**(4,796)**	(11,775)
Movements in property, plant and equipment	*12*	**(72)**	(249)
Proceeds from sale of tangible assets		**22**	-
Interest received	*6*	**26**	75
Negative interest paid on deposits	6	**(95)**	(103)
Net cash from investing activities		**(4,915)**	(12,052)
Cash flows from financing activities			
Movement in short term financial investments		**(172,500)**	-
Net cash used in financing activities		**(172,500)**	-
Movement in cash and cash equivalents in the year		**(103,422)**	47,946
Cash and cash equivalents at the beginning of year	*19*	**231,882**	183,936
Cash and cash equivalents at the end of year	*19*	**128,460**	231,882

Notes 1 - 23 on pages 38 - 63 form an integral part of these financial statements.

Notes Forming Part of the Financial Statements

1. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of Preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) of the Financial Reporting Council as promulgated by the Institute of Chartered Accountants in Ireland.

These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2014 applicable to the company reporting at 31st December 2020.

The statement of cash flows was prepared using the indirect method.

The principal accounting policies are set out below and have been applied consistently throughout the year.

The financial statements are prepared in Euro which is the functional currency of the company.

Use of Estimates and Judgements
The preparation of financial statements in conformity with Financial Reporting Standards requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, there are significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements in the following areas:

Note 10: Strategic stocks
Strategic Stocks are held at the direction of the Minister for Environment, Climate and Communications and are not intended to be sold in the short or medium term. These oil stocks are classified as fixed assets rather than inventory as it better reflects the Agency's purpose and objectives, and are valued at cost less accumulated impairment losses. A detailed impairment assessment is undertaken at each reporting date to assess the recoverable value of the stocks held. The key judgments underpinning this assessment relate to global prevailing oil prices and the historic and intended utilisation of these oil stocks.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Use of Estimates and Judgements (continued)

Note 21: Retirement Benefit Obligations

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and inflation rates), are updated annually based on current economic conditions and any relevant changes to the terms and conditions of the retirement benefit and post-retirement plans.

The assumptions can be affected by:

(i) the discount rate, changes in the rate of return on high-quality corporate bonds;
(ii) future compensation levels, future labour market conditions, and;
(iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

Revenue

Revenue comprises the fair value of consideration received and receivable exclusive of value added tax. Levy income represents the invoiced amounts received and receivable in respect of the year as notified by the Department of Environment, Climate and Communications.

Taxation

The company is managed and controlled in the Republic of Ireland and consequently, is tax resident in the Republic of Ireland. Tax is recognised in the statement of income and expenditure, except to the extent that it relates to items recognised in other comprehensive income or directly in reserves.

(i) Current tax

Current tax is calculated on the surplus for the period. Current tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable surpluses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable surpluses will be available against which the temporary differences can be utilised.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Taxation (continued)

(ii) Deferred tax (continued)

Deferred tax liabilities are recognised in relation to the pension scheme surplus (see note 15). As it is highly likely that any taxable surplus could be offset against brought forward tax losses, a deferred tax asset of an equal amount has been recognised separately in the financial statements (see note 13).

Current or deferred taxation assets and liabilities are not discounted.

Leasehold Improvements

Leasehold improvements include lease incentives relating to long term oil product storage agreements and the cost of refurbishing certain terminals where the Agency has a property lease and is the terminal operator.

Lease incentives occur when an upfront payment is made at the beginning of a storage agreement in return for reduced monthly storage payments for the duration of the agreement. The initial payment is capitalised and amortised in a straight line over the term of the agreement.

Additionally, NORA has entered into property leases for oil terminals that it uses to store strategic stocks. As part of the commercial agreements the Agency undertakes the responsibility to refurbish the facilities so that they are suitable for storing oil products. External refurbishment costs are capitalised and amortised over the term of the lease once each terminal is operational.

Property, Plant and Equipment

(i) Cost

Property, plant and equipment are recorded at historical cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes prime cost and overheads in financing the construction of property, plant and equipment.

(ii) Depreciation

Depreciation is provided on property, plant and equipment, on a straight line basis so as to write off their cost less residual amounts over their estimated economic lives.

The estimated economic lives assigned to property, plant and equipment are as follows:

Motor vehicles	-	33% Straight Line
Office equipment	-	15% Straight Line
Computer equipment	-	33% Straight Line
Fixtures & fittings	-	15% Straight Line

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

(ii) Depreciation (continued)

The company's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the statement of income and expenditure.

(iii) Impairment

Assets not carried at fair value are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If the recoverable amount of the asset (or the asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of income and expenditure, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of income and expenditure.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of income and expenditure.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Strategic Stocks

Strategic Stocks of petroleum products are valued at cost less accumulated impairment losses. Cost includes the purchase price, freight and other costs incurred in bringing the stocks to their present location and condition.

Strategic Stocks are classified as fixed assets as it is not intended that they be sold in the short or medium term.

Operating stock losses arise from evaporation of oil products held in storage over time. The Agency continuously monitors such operating losses and measurement differences against industry standards. Operating stock losses are recognised in the year in which they occur based on the difference between actual stock measurement at year end and "book" stocks (by location).

Impairment of Assets

The carrying amounts of the Agency's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset may be determined by reference to its value in use or its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income and expenditure. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

In the case of Strategic Stocks, the recoverable amount is determined by reference to value in use, taking very specific account of the strategic purpose and remit of the Agency.

Strategic Stocks are held solely in order to be available to meet the Agency's statutory remit rather than for commercial purposes and will only be released to the market at times of crisis and at the direction of the Minister for Environment, Climate and Communications and in response to a co-ordinated (IEA and/or EU) international response to an identified matter. On this basis, the Board deems it appropriate to include in its value in use assessment historic evidence and other qualitative factors deemed relevant to estimating the recoverable value of Strategic Stocks held at each reporting date. Further information is set out in note 10 to the financial statements.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Currency

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Euro, which is the company's functional and presentation currency and is denoted by the symbol "€".

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions or at a contracted rate.

At each year end, foreign currency monetary items are translated using the closing rate. Monetary assets and liabilities are cash balances and unsettled sales and purchases invoices.

Stock Tickets

Stock tickets are short term holding contracts under which one party agrees to hold oil which will be available to a counterparty during a specified period, and under which the counterparty has an option to purchase oil in emergency circumstances, at a price to be determined in the future. In periods when the Agency's physical stocks are below its stockholding obligation it purchases stock tickets, and conversely in periods when the Agency's physical stocks are in excess of its stockholding obligation it may sell stock tickets in certain locations. The revenue or costs relating to these tickets is recorded in the statement of income and expenditure in the period to which the contracts relate.

Leases

Operating Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income and expenditure on a straight line basis over the period of the lease.

Employee Benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined retirement benefit plans.

(i) Short Term Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

(ii) Defined Retirement Benefit Plan

Defined retirement benefit pension scheme assets are measured at fair value. Defined retirement benefit pension scheme liabilities are recognised as the net total of the present value of defined retirement benefit obligations under the plan less the fair value of plan assets at the reporting date using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the statement of financial position as a liability. The defined retirement benefit pension charge to operating surplus comprises past service costs. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of changes in reserves for the year in which they occur.

(iii) Single Pension Scheme

The Agency also operates the Single Public Service Pension Scheme (Single Scheme) which is the defined retirement benefit pension scheme for public servants recruited on or after 1st January 2013. Single Scheme members' and employer's contributions are paid over to the Department of Public Expenditure and Reform.

The scheme provides for a pension and retirement lump sum based on career-average pensionable remuneration, and spouse's and children's pensions. The minimum pension age is 66 years (rising in line with State pension age changes). It includes an actuarially-reduced early retirement facility from age 55. Pensions in payment increase in line with the consumer price index.

Bank Borrowings

Bank borrowings are recognised initially at the transaction price (present value of cash payable, including transaction costs). Where the future expected cash flows are known or can be reliably estimated subsequent measurement is at amortised cost using the effective interest rate method.

Revolving Credit Facilities (RCFs) are measured at transaction price as the expected cash flows are not known.

The company did not have any bank borrowings in 2020.

Derivative Financial Instruments

Under advice from the National Treasury Management Agency (NTMA), the Agency uses Interest Rate Swaps (IRS, "Swaps") to hedge the interest rate risk from the RCF's floating rates. Derivative financial instruments are recognised at fair value based on mark to market valuations provided by the counterparty banks.

The company did not have any interest rate derivative financial instruments in 2020.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

1. Summary of Significant Accounting Policies (continued)

Comparative Figures

Comparative figures have been regrouped and reanalysed, where necessary, on the same basis as those for the current period.

2. Levy Income

Levy Income is collected in accordance with the terms of the following Regulations:

- National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) Regulations 2009 (S.I. No. 214 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009 (S.I. No. 220 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-out Charge) Regulations 2010 (S.I. No. 644 of 2010), and;
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2012 (S.I. No. 562 of 2012).
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2018 (S.I. No. 198 of 2018).
- National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020.

Due to the introduction of the Biofuel Obligation Scheme in July 2010, NORA's Levy Income for the year is segregated into the following categories:

	2020 € '000	2019 € '000
Fossil Fuel	**117,846**	128,176
Biofuel	**2,814**	5,194
	120,660	133,370

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

3. Operating Costs

	2020 € '000	2019 € '000
Storage Costs	**38,578**	37,016
Strategic stocks losses write off	**775**	987
Stock tickets	**277**	594
Salaries and retirement benefit costs (Note 8(a))	**735**	718
Directors' fees (Note 8(d))	**27**	27
Administration and professional fees	**791**	959
Finance costs	**2,046**	(175)
Stock upgrade and movement costs	**-**	2
Covid-19 related costs	**584**	-
Provision for onerous lease contract (Note 16)	**250**	-
Other operating costs	**1,407**	1,420
	45,470	41,548

Other operating costs include Insurance and Quality Monitoring of Stocks costs, together with BOS Scheme Administration costs.

4. Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2020 €	2019 €
Legal advice	**11,663**	18,513
Financial advice	**44,247**	87,376
Human Resources	**33,395**	35,283
Other	**11,975**	99,444
	101,280	240,616

Legal costs relating to contracts with third parties does not exceed €50,000 for the reporting period and therefore are not disclosed separately within this note.

All consultancy costs have been charged to the statement of income and expenditure.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

5. Transfer to Climate Action Fund

The National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020 was enacted on 1st August 2020. This legislation facilitates the transfer of NORA Levy funds to the Climate Action Fund and is facilitated by the Department of the Environment, Climate and Communications. In the year ended 31st December 2020, only NORA Levy funds invoiced and collected from 1st August 2020 were available for transfer to the Climate Action Fund.

Following discussions with DECC and having taken into consideration the provisions contained within the legislation, at the direction of the Minister for the Environment, Climate and Communication NORA transferred the amount of €28 million to the Climate Action Fund in December 2020.

	2020 € '000	2019 € '000
Transfer to Climate Action Fund	**28,000**	-

6. Interest Payable and Receivable

	2020 € '000	2019 € '000
Negative interest paid on deposits	**95**	103
Interest on bank loans paid	-	-
Bank interest receivable	**(24)**	(76)
Levy interest receivable	**(1)**	(1)
	(25)	(77)
	70	26
<u>Cash flows from financing activities</u>		
Interest on bank loans paid	-	-
Accrued interest payable	-	-
	-	-

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

6. Interest Payable and Receivable (continued)

Cash flows from investing activities		
Bank and levy interest receivable	**(25)**	(77)
Accrued interest receivable	**(1)**	2
	(26)	(75)
Negative interest paid on deposits	**95**	103

7. Surplus before Taxation for the Year

This has been arrived at after charging the following items:

	2020 € '000	2019 € '000
Directors' remuneration	**27**	27
Auditors' remuneration	**37**	37
Depreciation of leasehold improvements	**2,510**	2,226
Depreciation of property, plant and equipment	**64**	64

8. Staff Numbers and Costs

(a) The average monthly number of persons employed by the company in the financial period analysed by category was as follows:

	2020	2019
Executives	**1**	1
Operations	**3**	3
Finance	**2**	2
	6	6

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

8. Staff Numbers and Costs (continued)

The aggregate payroll costs of these employees were:

	2020 € '000	2019 € '000
Wages and salaries	**589**	577
Social welfare costs	**63**	60
Retirement benefit costs (Note 21(b))	**33**	36
Single Public Service Pension Scheme costs	**50**	45
	735	718

In accordance with the Government Decision announced in Budget 2012, the Agency's Employment Control Framework (ECF) employment numbers ceiling for 2020 was 8 staff (2019: 8 staff).

In addition to aggregate payroll costs, professional fees in respect of the provision of accounting, finance and administrative services to the Agency were incurred, whereby third party personnel filled designated positions in the Finance function. Such fees are included in the administration and professional fees figure of €790,632 disclosed in Note 3 to the Financial Statements (2019: €958,914).

The Single Public Service Pension Scheme costs of €50k in 2020 (2019: €45k) relate to employer contributions for the year under the 'Single Scheme' payable to the Department of Public Expenditure and Reform as prescribed under Circular 28/2016: Single Public Service Pension Scheme: Employer Contributions required in cases of self-financing bodies or self-financing activities. Employee contributions to the scheme in the year were €17k (2019: €15k)

In addition, the number of employees earning in excess of €60,000 was as follows:

	2020	2019
Between €60,000 and €70,000	**-**	-
Between €70,000 and €80,000	**1**	1
Between €80,000 and €90,000	**1**	1
Between €90,000 and €100,000	**1**	1
Between €100,000 and €110,000	**-**	-
Between €110,000 and €120,000	**1**	1
Between €120,000 and €130,000	**-**	-
Between €130,000 and €140,000	**-**	-
Between €140,000 and €150,000	**-**	-
Between €150,000 and €160,000	**1**	1
	5	5

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

8. Staff Numbers and Costs (continued)

(b) Key management personnel consists of the members of the Board, the Chief Executive Officer, members of Operations Management and Head of Finance. The total value of employee benefits for key management personnel is set out below:

	2020	2019
	€	€
Annual basic salary	**439,942**	464,926
Director's fee	**27,360**	27,360
Other benefits including company car	**14,786**	13,912
	482,088	506,198

This does not include the value of retirement benefits earned in the year. Key management personnel's retirement benefit entitlements do not extend beyond the standard entitlements in the defined benefit Model Superannuation Scheme for civil servants.

(c) Details of the remuneration of the Chief Executive for the year ended 31st December 2020 which are included in the wages and salaries costs figure of €588,550 are as follows:

	2020	2019
	€	€
Annual basic salary	**140,284**	137,784
Other benefits including company car	**14,786**	13,912
	155,070	151,696

The Chief Executive's retirement benefit entitlements do not extend beyond the standard entitlements in the defined benefit Model Superannuation Scheme for civil servants.

Expenses of €3,060 (2019: €15,199) were incurred by the Chief Executive in the year and relate directly to the performance of his duties as CEO, and not as a member of the Board. These expenses include the following categories: mileage, subsistence, air fares, hotel accommodation, entertainment and other expenses.

8. Staff Numbers and Costs (continued)

(d) Directors' fees paid in the year were:

	2020	2019
	€	€
Terry Nolan	**11,970**	11,970
Frank O'Connor	-	-
Frank O'Flynn	**7,695**	7,695
Keara Robins	**7,695**	7,695
Mairéad McCabe	-	-
Pat Meehan	-	-
	27,360	27,360

Directors' expenses in 2020 amounted to €NIL (2019 - €NIL).

(e) An amount of €19,846 (2019 - €29,490) in respect of the Annual Superannuation Contribution in respect of all staff has been deducted in 2020 and paid over to the Department of Environment, Climate and Communications.

(f) Management and staff related hospitality expenses for the year were €687 (2019 - €5,806).

(g) Total expenditure on foreign travel incurred in the year in respect of the CEO and all staff was €2,899 (2019 - €20,256).

(h) Total expenditure on domestic travel incurred in the year in respect of the CEO and all staff was €7,627 (2019 - €24,532).

(i) The statement of income and expenditure includes the following hospitality expenditure:

	2020	2019
	€	€
Staff hospitality	**151**	2,567
Client hospitality	**536**	3,239
Total	**687**	5,806

Notes Forming Part of the Financial Statements
for the year ended 31st December 2020

9. Taxation

	2020	2019
	€ '000	€ '000
Current tax		
Corporation tax for current year	-	-
Factors affecting tax charge for period		
Surplus on ordinary activities before taxation	34,587	100,921
Surplus on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.50% (2019: 12.50%)	4,323	12,615
Effects of:		
Income not taxable	(15,086)	(16,671)
Expenses not deductible for tax purposes	4,368	516
Income taxable at higher rate of tax	-	9
Profit on disposal of tangible assets	(1)	
Unrecognised losses	6,396	3,531
Current tax charge/(credit) for year	-	-

The company is not liable to corporation tax on its levy income for the year.

In accordance with FRS102, no deferred tax asset has been recognised in respect of trading tax losses carried forward, as it is unlikely that there will be suitable future surpluses to offset the losses forward. The total deferred tax asset arising thereon is €65.0m as at 31st December 2020 (2019: €58.9m)

The total unrecognised deferred tax asset arising on tax losses carried forward is €64.9m as at 31st December 2020 (2019: €58.8m).

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

10. Strategic Stocks

	2020	2019
At Cost	**€ '000**	**€ '000**
Petroleum Products		
At beginning of year	**900,360**	887,986
Additions in year	**53,695**	30,261
Sales during the year	**(24,286)**	(16,900)
Losses written off during the year	**(775)**	(987)
At end of year	**928,994**	900,360
Gain/(loss) on sale of strategic stocks		
Net sales proceeds	**11,792**	26,046
Less: Cost of product	**(24,325)**	(16,923)
	(12,533)	9,123

Strategic Stocks are held at the direction of the Minister for Environment, Climate and Communications and are not intended to be sold in the short or medium term.

The Directors noted the prevailing oil market prices during 2020 and identified this as an indicator of impairment. A detailed impairment assessment was undertaken by the Agency based on the position at 31st December 2020, of which the Directors have considered in estimating the recoverable value of Strategic Stocks held by the Agency. Following this review, the Directors have formed the view that the recoverable value of Stocks held is not less than their carrying value at December 2020.

The following are the relevant key judgements underpinning this assessment:

- Current prevailing prices in global oil markets are significantly impacted by excess supply over demand and the Board does not foresee a direction from the Minister to release any portion of its Strategic Stocks in the short or medium term while current market dynamics prevail.

- Historic utilisation of NORA's stocks has arisen primarily in times of oil supply crises or other circumstances which led to significant dislocation in oil supply dynamics in the global market or in specific regional markets and to which NORA responded based on requests, either domestically or internationally, to release Strategic Stocks to address the specific identified shortages arising. An analysis of the circumstances where the Agency participated in such co-ordinated actions indicates that an observable increase in oil pricing arose relative to prevailing prices before and after such events.

- The Directors expect that any future events or circumstances which could trigger the release of Strategic Stocks would result in a significant increase in oil market pricing, caused directly by the related restrictions on available supply to meet demand.

The replacement cost of stocks at 31st December 2020 was €608.2 million (31st December 2019: €941.0 million). Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2020 and December 2019 respectively.

11. Leasehold Improvements

a. Year Ended 31st December 2020

	Leasehold Improvements € '000	Total € '000
Cost		
At beginning of period	62,693	62,693
Additions in period	4,796	4,796
At end of period	67,489	67,489
Depreciation		
At beginning of period	23,576	23,576
Charge for the year	2,510	2,510
At end of period	26,086	26,086
Net book value:		
At 31st December 2020	**41,403**	**41,403**
At 31st December 2019	39,117	39,117

b. Year Ended 31st December 2019

	Leasehold Improvements € '000	Total € '000
Cost		
At beginning of period	50,918	50,918
Additions in period	11,775	11,775
At end of period	62,693	62,693
Depreciation		
At beginning of period	21,350	21,350
Charge for the year	2,226	2,226
At end of period	23,576	23,576
Net book value:		
At 31st December 2019	**39,117**	**39,117**
At 31st December 2018	29,568	29,568

Notes Forming Part of the Financial Statements
for the year ended 31st December 2020

12. Property, Plant and Equipment

a. Year Ended 31st December 2020

	Motor vehicles € '000	Office Equipment € '000	Computer Equipment € '000	Fixtures & Fittings € '000	Total € '000
Cost					
At beginning of period	48	62	103	201	414
Additions in period	42	4	10	16	72
Disposals in period	(48)	-	-	-	(48)
At end of period	42	66	113	217	438
Depreciation					
At beginning of period	48	28	89	35	200
Charge for the year	14	7	10	33	64
Disposals in period	(48)	-	-	-	(48)
At end of period	14	35	99	68	216
Net book value:					
At 31st December 2020	**28**	**31**	**14**	**149**	**222**
At 31st December 2019	-	34	14	166	214

b. Year Ended 31st December 2019

	Motor vehicles € '000	Office Equipment € '000	Computer Equipment € '000	Fixtures & Fittings € '000	Total € '000
Cost					
At beginning of period	48	23	152	11	234
Additions in period	-	39	20	190	249
Disposals in period	-	-	(69)	-	(69)
At end of period	48	62	103	201	414
Depreciation					
At beginning of period	32	22	146	5	205
Charge for the year	16	6	12	30	64
Disposals in period	-	-	(69)	-	(69)
At end of period	48	28	89	35	200
Net book value:					
At 31st December 2019	**-**	**34**	**14**	**166**	**214**
At 31st December 2018	16	1	6	6	29

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

13. Receivables

	2020 € '000	2019 € '000
Trade receivables	**18,200**	10,596
Value added tax	**1,160**	34,817
Prepayments	**368**	482
Accrued income	**10,825**	11,195
Deferred tax asset	**118**	99
	30,671	57,189

Included in value added tax above at 31 December 2019 is an amount of €30.6m which was refunded in full in July 2020.

14. Financial Investments

	2020 € '000	2019 € '000
Exchequer notes greater than 3 months	**172,500**	-

Financial investments consist of exchequer notes purchased from the National Treasury Management Agency with a maturity date more than 3 months after the year end. Exchequer notes with a maturity date of less than 3 months after the year end have been recognised within cash and cash equivalents.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

15. Current Liabilities: amounts falling due within one year

	2020 € '000	2019 € '000
Trade payables	-	409
Accruals	44,351	5,264
PAYE/PRSI	21	20
Deferred tax liability	118	99
Other payables	45	17
Provision for onerous contracts due within one year	61	-
	44,596	5,809

Some trade payables had reserved title to goods supplied to the Agency. Since the extent to which such payables are effectively secured depends on a number of factors and conditions, some of which are not readily determinable, it is not possible to indicate how much of the above amount is secured under reservation of title.

Accruals at 31 December 2020 includes €40.4m (31 December 2019: €0.2m) for the purchase of strategic stock.

16. Payables: amounts falling due after more than one year

	2020 € '000	2019 € '000
Provision for onerous contracts due after one year	128	-

Maturity analysis:

	2020 € '000	2019 € '000
Onerous contracts are repayable as follows:		
(a) Within one to two years	61	-
(b) Within two to five years	67	-
	128	-

In the current market conditions the office at 7 Clanwilliam Square is not expected to be subleased for the remainder of the lease contract. Therefore the remaining lease has been deemed an onerous contract and the expense from 1st January 2020 to the end of the lease of €250k has been realised in the Statement of Income and Expenditure and the liability has been realised within creditors in 2020.

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

17. Treasury Risk Management

Currency Analysis

The following is an analysis of the company's foreign currency denominated assets and liabilities.

	€'000 USD	€'000 STG	€'000 DKK
Monetary assets	40,690	6,358	343
Monetary liabilities	-	-	-
	40,690	6,358	343

Monetary assets and liabilities are cash balances and unsettled sales and purchases invoices.

18. Called Up Share Capital Presented as Equity

There are 100 ordinary shares of €1.27 authorised, of which 1 share was allotted, called up and fully paid at 31st December 2020 (31st December 2019: 1 share).

19. Cash and Cash Equivalents

a. Year Ended 31st December 2020	1st Jan '20 € '000	Cash flow € '000	31st Dec '20 € '000
Cash at bank and in hand	**231,882**	**(103,422)**	**128,460**
	231,882	**(103,422)**	**128,460**

b. Year Ended 31st December 2019	1st Jan '19 € '000	Cash flow € '000	31st Dec '19 € '000
Cash at bank and in hand	**183,936**	**47,946**	**231,882**
	183,936	**47,946**	**231,882**

20. Commitments

Operating lease commitments

Operating lease charges recognised as an expense were €34,755,186 (2019: €34,605,287)

The company has leasehold interests in its registered office at Second Floor, Building Number 3, Number One, Ballsbridge, 126 Pembroke Road, Dublin 4, D04 EP27 and in oil storage facilities at Ringsend, Dublin; Poolbeg, Dublin; and Tarbert, Co. Kerry. The company holds a further leasehold interest at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2, D02 CV48.

Premises

The Agency has commitments payable up to the year 2024 in respect of a 25 year lease for office accommodation at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2 D02 CV48. Rent reviews are carried out every 5 years and the current rent is €61,400 per annum.

As stated in note 16, this note is being recorded as an onerous contract and has been expensed to the Statement of Income and Expenditure in 2020.

The Agency has commitments payable up to the year 2034 in respect of a 15 year lease for office accommodation at Second Floor, Building Number 3, Number One, Ballsbridge, 126 Pembroke Road, Dublin 4, D04 EP27. Rent reviews are carried out every 5 years and the current rent is €118,446 per annum.

At 31st December 2020 the National Oil Reserves Agency had the following minimum lease charges under non-cancellable operating leases for each of the following periods:

	2020		2019	
	Property € '000	**Oil Storage € '000**	Property € '000	Oil Storage € '000
Payable:				
Within one year	**118**	**32,368**	180	33,979
Within two and five years	**588**	**94,949**	718	103,384
After five years	**1,637**	**130,081**	1,815	151,491
	2,343	**257,398**	2,713	288,854

Foreign currency commitments

The Company had no foreign currency commitments at 31st December 2020 or 31st December 2019.

Capital commitments

Future capital expenditure approved by the directors at 31st December 2020 was as follows:

	2020 € '000	**2019 € '000**
Contracted	**611**	2,377
Authorised but not contracted	**-**	1,721

Notes Forming Part of the Financial Statements

for the year ended 31st December 2020

20. Commitments (continued)

At 31 December 2020, NORA was also committed to sell 63,571 tonnes of strategic stock in April 2021 as part of a contract entered into in 2020. This stock represents €32.4m of the strategic stock balance on the balance sheet at 31 December 2020.

21. Retirement Benefit

(a) Retirement benefit costs	**2020 € '000**	**2019 € '000**
Current service cost	**42**	47
Past service cost	**-**	-
Recognised in arriving at operating surplus	**42**	47
Net interest cost credit	**(9)**	(11)
Total recognised in Statement of Income and Expenditure	**33**	36

(bi) Movement in surplus during the year	**2020 € '000**	**2019 € '000**
Surplus in scheme at beginning of year	**790**	573
Movement in year:		
Current service cost	**(42)**	(47)
Contributions - Employer	**45**	55
Other finance income	**9**	11
Remeasurements of net defined benefit obligation	**142**	198
Surplus in scheme at end of year	**944**	790

(bii) **Reconciliation of scheme's liabilities**	**2020 € '000**	**2019 € '000**
Opening value of scheme's liabilities	**2,025**	2,277
Service cost	**42**	47
Member contributions	**8**	9
Interest on scheme liabilities	**25**	42
Remeasurement losses/(gains)	**21**	(2)
Benefits paid	**(53)**	(348)
Closing value of scheme's liabilities	**2,068**	2,025

21. Retirement Benefit (continued)

(biii) Reconciliation of scheme's assets	2020 € '000	2019 € '000
Opening value of scheme's assets	**2,814**	2,849
Interest on scheme assets	**34**	53
Remeasurement gains	**163**	196
Employer contributions	**45**	55
Members' contributions	**9**	9
Benefits paid	**(53)**	(348)
Closing value of scheme's assets	**3,012**	2,814

The current practice of increasing retirement benefits in line with public sector salary inflation is taken into account in measuring the defined retirement benefit obligation.

(c) *Description of scheme and actuarial assumptions*

The retirement benefit scheme is a defined benefit final salary retirement benefit arrangement with benefits defined by reference to current "model" public sector scheme regulations. Employer contribution rates are set having regard to actuarial advice and periodic review on the funding rate required for the scheme. The scheme provides a retirement benefit (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse's and children's retirement benefits. Normal retirement age is a member's 65th birthday. Retirement benefits in payment (and deferment) normally increase in line with general public service sector salary inflation.

	2020	2019
Discount rate	**1.10%**	1.20%
Salary increases	**2.80%**	2.80%
Retirement benefit increases	**1.80%**	1.80%
Inflation increases	**1.30%**	1.30%

Assumptions regarding future mortality experience are set based on published mortality tables (PNMLOO/ PNFLOO) published by the actuarial profession in the UK. The OO tables are derived from insurance company data collected between 1999 and 2002.

The mortality assumptions chosen are based on standard tables reflecting typical pensioner mortality and they allow for increasing life expectancy over time.

21. Retirement Benefit (continued)

The average life expectancy, in years, of a pensioner retiring is as follows:

	Retiring at 65 in 2020	Retiring at 65 in 2019
Males	**22.7**	22.7
Females	**24.2**	24.2

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and inflation rates) are updated annually, based on current economic conditions and for any relevant changes to the terms and conditions of the retirement benefit and post-retirement plans.

The assumptions can be affected by:
(i) the discount rate, changes in the rate of return on high-quality corporate bonds;
(ii) future compensation levels, future labour market conditions and
(iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

(d) Scheme assets	Value at 31st Dec '20 € '000	Value at 31st Dec '19 € '000
Equities	**-**	-
Bonds	**2,967**	2,770
Absolute Return	**-**	-
Cash	**45**	45
Overall	**3,012**	2,815
Total market value of assets	**3,012**	2,815
Present value of scheme's liabilities	**(2,068)**	(2,025)
	944	790
Related deferred tax liability/(asset)	**-**	-
Net retirement benefit reserve	**944**	790

(e) ***Funding of retirement benefits***

A triennial actuarial valuation of the scheme was carried out as at 1st January 2018 and the recommended contribution rate was subsequently agreed. The next triennial actuarial valuation is due to be carried out at 1st January 2021.

Notes Forming Part of the Financial Statements

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22. Related Party Disclosures

In the normal course of business the Agency may enter into contractual arrangements with undertakings in which Board members have interests. No such transactions occurred in the year ended 31st December 2020.

The Board has adopted procedures in accordance with guidelines issued by the Department of Public Expenditure and Reform, in relation to the disclosure of interests by Board members and these procedures were adhered to during the year. The Board complied with the Department of Public Expenditure and Reform guidelines covering situations of personal interest. In cases of potential conflict of interest, Board members do not participate in or attend any Board discussion relating to the matter.

23. Approval of financial statements

The directors approved the financial statements on 10th June 2021.