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REPORT  
on the promotion of the use of biofuels and other renewable fuels in transport  
ESTONIA

1. Measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes.

The Ministry of Finance has put before Parliament a bill amending the Alcohol, Tobacco and Fuel Excise Duty Act according to which biofuels used as motor or heating fuels will be exempt from excise duty. The Act is expected to enter into force on 1 January 2005. Pursuant to Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, growers of energy crops have the possibility of applying for direct EU aid. Similarly, growers and processors of energy crops can apply for investment aid from the EU structural funds.

2. National resources allocated to the production of biomass for energy uses other than transport.

No national resources have been directly allocated to the production of biomass.

In order to increase the proportion of electricity produced from renewable energy sources, Section 59 of the Electricity Market Act places an obligation on the network operator to purchase electricity produced from renewable sources from producers connected to its network. The principles have also been laid down for the pricing of the electricity purchased.

Under the national Special Action Programme for Energy Saving, one of the criteria for selecting projects to be financed is the use of renewable fuels (including biomass) for heating.

Pursuant to the Value Added Tax Act, until 1 July 2007 the rate of VAT on thermal energy sold for their own use to natural persons, housing associations or apartment cooperatives, churches or parishes, hospital operators or legal persons or institutions financed from state, district or municipal funds and on peat, briquettes, coal or firewood sold to natural persons is 5%.

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### 3. Fuel consumption in Estonia in 2003

Light fuel oil and diesel oil	592 000 t
Petrol	306 000 t

The consumption of diesel oil and light fuel oil is broken down in *Energiabilanss 2003*, published by the Statistical Office of Estonia.

No pure or blended biofuel has been sold or consumed for transport purposes in Estonia.

### 4. Targets for the use of biofuels and other renewable fuels in the transport sector

In setting targets for promoting the use of biofuels and other renewable fuels for transport purposes, various aspects have to be taken into account: the security of fuel supplies, reducing the environmental impact, rural development, existing resources and whether vehicles are ready for the introduction of fuels.

The fuel and energy sector is a part of the country's strategic infrastructure that has to ensure that Estonia receives a steady supply of high-quality fuels, electricity and heat at optimum prices. At the same time the fuel and energy sector must be as efficient as possible and meet safety and environmental requirements.

The basic objective of Estonia's fuel and energy sector is to guarantee a high-quality supply of fuel and energy at optimum prices to meet demand. As one way of realising this basic objective, the intention is also to work out the necessary measures to enable the use of renewable liquid fuels in the transport sector.

It is intended to incorporate the use of biofuels in transport as one objective in the transport development plan.

In turn, Estonia's environment policy is based on the main objective of guaranteeing a healthy environment to people's satisfaction and the necessary resources for economic development without significantly damaging nature, while preserving the diversity of landscapes and ecosystems and taking into account the level of economic development.

There is no production of fuel for transport purposes in Estonia, and all fuel is imported.

Under Estonian conditions we can talk about producing biofuel for transport purposes mainly with regard to bio-diesel and ethanol.

Rapeseed is a basic arable crop in Estonia that can be used to produce high-quality bio-diesel.

The production of bio-diesel from rapeseed has been tried, but the fuel obtained does not meet European standards.

The optimum crop area for rapeseed in Estonia has been calculated to be in the region of 50 000 ha.

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Production of rapeseed:

Year	Crop area, '000 ha	Yield, kg/ha	Total harvest, '000 t
1990	0.6	1780	1.1
2000	28.8	1339	38.6
2001	27.5	1499	41.3
2002	32.9	1944	63.9
2003	46.3	1494	69.2

Until now all rapeseed has been used for the production of cooking oil. Starting production of bio-diesel in Estonia requires an extension of the area under rape or imports of rapeseed from abroad.

It is true that industrialists have expressed interest in the possibility of producing bio-diesel, but up to now there are no concrete plans for starting production. Car importers do not rate the technical readiness of vehicles in Estonia for the use of biofuels very highly. Reference has been made to the loss of the manufacturer's guarantee if biofuel is used in a vehicle. Vehicles' technical user manuals (e.g. Scania, Volvo) likewise contain restrictions on the use of biofuels. We have launched a dialogue with the manufacturers of diesel vehicles for delivery to Estonia to clarify the possibility of using biofuel and bring manuals up to date.

In view of the above it is unlikely that biofuel produced in Estonia will come onto the market in 2005. The importation of biofuel into Estonia is also unlikely. In the course of 2005 it will be possible to assess the impact of the measures taken and in cooperation with various authorities plan supplementary measures. The planning of measures will be based on the objectives set in Directive 2003/30/EC.