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Report for the European Commission on the implementation of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003

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1. Introductory comments

Article 4(1) of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport requires the Member States to report to the European Commission each year on the measures taken to promote the use of biofuels for transport purposes and to provide information on the market situation for fuels.

The Czech Republic sees the Biofuels Directive as a very important document by means of which the EU seeks to effectively deal with problems such as growing dependence on energy imports and rising greenhouse gas production. At the same time the Czech Republic also seeks to take advantage of the production and use of biofuels to tackle agricultural surpluses.

The benefits of biofuels for the transport sector and other sectors can be summarised as follows:

- (a) biofuels contribute to solving structural problems,
- (b) they help reduce dependence on imports of mineral fuels, which is very significant at a time of rising crude oil prices,
- (c) new opportunities for agriculture are created,
- (d) new job opportunities are created,
- (e) biofuels help reduce emissions and contribute to compliance with the Kyoto Protocol.

It is therefore obvious why the Czech Republic endorses the biofuels programme and considers it conducive to the non-food use of agricultural land.

The Czech Republic's objective is to develop the capacity needed to produce biofuels and full logistical support for their use in fuel distribution systems by 2007.

2. Transposition of Directive 2003/30/EC

In order to transpose fully the above Directive, the Czech Republic has adopted a number of rules on the marketing of biofuels. The basic rules transposing Directive 2003/30/EC are the following:

- Decree No 229/2004 Coll. laying down requirements concerning fuels for the operation of vehicles on roads and the method used for the monitoring and surveillance of their quality.

This specifies which biofuels may be supplied to the Czech market and the forms and quality in which they are to be supplied.

- Act No 86/2002 Coll. on protection of the air

This lays down an obligation to place on the fuel market a minimum amount of biofuels or other fuels produced from renewable resources.

- Government Order No 66/2005 Coll. on the minimum amount of biofuels or other fuels produced from renewable resources in the assortment of motor-vehicle petrol and diesel fuel on the Czech market.

This establishes the system for placing biofuels into free circulation on the market in the Czech Republic.

3. Marketing of biofuels in the Czech Republic

RME – biodiesel

In 2004 authorised producers, i.e. producers which, on request, were granted aid by the State Agricultural Intervention Fund (Státní zemědělský intervenční fond - SZIF) pursuant to their applications, produced 46 628 tonnes of rapeseed oil methyl ester (RME).

From this product about 145 000 tonnes of a diesel blend (SMN 30) containing a minimum of 31% m/m of RME were made. Owing to low oilseed rape production in the 2003/2004 marketing year, approximately 27 600 tonnes of oilseed rape had to be imported from abroad for the production of this amount of biofuel.

In accordance with Government Order No 148/2005 Coll. of 6 April 2005 laying down the conditions for granting subsidies for the non-food use of rapeseed for the production of RME, and notification EC DGC N206/2004 of 30 June 2004 and further renotification (April – May 2005), it is expected that in 2005 the production of RME will amount to 50 000 tonnes and the subsequent production of SMN 30 to be offered to the fuel market in the Czech Republic will amount to approximately 156 000 tonnes. Similarly, in accordance with technical measures and amendments made to legislation currently in force, conditions for placing pure RME on the motor fuel market have been created. As this product has been on the market for less than a year, it is difficult to gauge consumers' interest.

Bioethanol

The use of bioethanol in fuels was negligible in previous years; it was mostly used in trial runs to test its possible market opportunities. Wider use of bioethanol is planned from 2007, when new bioethanol production capacities should come on stream. The development of the logistical support required for the distribution of bioethanol in fuel systems should also be completed in 2007.

Bioethanol is likely to be marketed both in a direct form, i.e. up to 5% v/v incorporated directly into motor-vehicle petrol, and also in an indirect form, i.e. up to 15% v/v ETBE, containing 47% v/v bioethanol, incorporated into motor-vehicle petrol. In addition to the above market opportunities for bioethanol, it is expected that fuels with a high bioethanol content will also be used. The commercial names of these fuels are E 85 (for fuel containing 85% bioethanol, 10% motor-vehicle petrol and 5% additives) and E 95 (for fuel containing 95% bioethanol and 5% additives). However, the extent to which such fuels are used depends on the number of vehicles adapted to run on them and on the network for distributing these fuels.

Tables 1 and 2 show gross supply of fuels to the Czech market in the period 2000-2004, including the prospects until 2010, and total supply of biofuels (RME and bioethanol) to the Czech market, again including the prospects until 2010. The share of biofuels on the fuel market is indicated in terms both of volume and energy content.

	Year							
	2001	2002	2003	2004	2005	2006	2007	2010
	<i>in 1000 tonnes</i>							
Unleaded petrol	1 974.40	2 033.63	2 094.64	2 267.50	2 335.01	2 393.85	2 441.85	2 627.31
Diesel	2 668.40	2 837.80	3 211.12	3 487.26	3 661.90	3 807.05	3 883.71	4 040.95
LPG	207.40	211.20	244.80	242.35	244.75	242.3	239.88	250.00
Total	4 850.20	5 082.63	5 550.56	5 997.11	6 241.66	6 443.20	6 565.44	6 918.26

	Year							
	2001	2002	2003	2004	2005	2006	2007	2010
<i>Production</i>	<i>in 1000 tonnes</i>							
Biodiesel - RME	62.20	39.60	68.80	47.00	50.00	100.00	200.00	250.00
Bioethanol						20.00	175.00	220.00
<i>Share</i>	<i>Percentage – volume / energy content (indicated as “e”)</i>							
Share of biodiesel on the diesel market	2.33	1.40	2.14	1.35	1.37	2.63	5.15	6.19
	2.06 e	1.23 e	1.89 e	1.19 e	1.21 e	2.32 e	4.55 e	5.47 e
Share of bioethanol on the motor-vehicle petrol market						0.84	7.17	8.37
						0.58 e	4.95 e	5.78 e

4. Promotion of the production and use of biofuels in the Czech Republic

RME – biodiesel

To place biodiesel or RME successfully on the fuel market, it is necessary to compensate for the higher production costs and lower energy efficiency of this fuel. To this end the Czech Republic on 6 April 2005 approved Government Order No 148/2005 Coll. determining the conditions for granting subsidies for the non-food use of rapeseed for the production of RME. This subsidy was authorised by the European Commission under number N206/2004 of 30 June 2004. Given the slight modification made this year to the subsidy for the non-food use of rapeseed for the production of RME, it was re-notified (April – May), and according to the re-notification it is expected that in 2005 the production of RME will amount to 50 000 tonnes and the subsequent production of SMN 30 to be offered to the fuel market in the Czech Republic will amount to approximately 156 000 tonnes.

The compensation for the higher production costs and lower energy efficiency of biodiesel comprises a subsidy and a reduced rate of excise duty. Under Act No 353/2003 Coll. on excise duties, the excise duty on a blended fuel/biodiesel containing 31% RME by volume is CZK 6 866 per thousand litres. Compared with the excise duty of CZK 9 950 per thousand litres on conventional diesel, this means that RME incorporated in a fuel blend carries zero excise duty.

Bioethanol

Similarly, the placing on the market of bioethanol cannot be successful without compensation for its higher production costs and lower energy efficiency. For this purpose a compensatory system complying with the framework laid down by Directive 2003/96/EC has been created. At present, this system is being notified by the European Commission.

Several research projects have received support with a view to promoting wider use of fuels containing bioethanol. One of those projects involved testing the production of ETBE at a MTBE production unit in Kralupy nad Vltavou. The pilot operation showed that ETBE production was feasible without substantial, costly conversion of the production unit. Another significant project involved exploring the scope for using blends of petrol and bioethanol. In total, 15 different blends were tested, the monitored bioethanol content being gradually increased from 5% v/v to 30% v/v.

At present, a grant project entitled “Research into diesel fuels with a high biomass content, focusing on testing their properties and opportunities for use in powering vehicles” is being carried out with the aim of promoting the use of fuels with a higher bioethanol content (E 95). The purpose of this project is to select the most promising fuel with a high biomass (bioethanol) content to be used in diesel engines, to propose its composition and test its usability and performance, including an economic analysis of running vehicles on this fuel.