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Translation of letter dated: Brussels, 13 November 2005

From: Permanent Representation of Hungary to the EU – Tibor Kiss

To: François Lamoureux

Under Article 4(1) of Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport, the Member States must report to the Commission, before 1 July each year, on:

- the measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes,
- the national resources allocated to the production of biomass for energy uses other than transport, and
- the total sales of transport fuel and the share of biofuels, pure or blended, and other renewable fuels placed on the market for the preceding year. Where appropriate, Member States must report on any exceptional conditions in the supply of crude oil or oil products that have affected the marketing of biofuels and other renewable fuels.

Accordingly, I wish to provide the following information.

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

In Decision 2233/2004. (IX. 22.) on national objectives relating to the use of biofuels and other renewable fuels for transport, the Hungarian Government set forth the national objectives as regards promoting the use of biofuels and other renewable fuels for transport.

Hungary transposed Directive 2003/30/EC into Hungarian law by means of Decree 42/2005 (111.10.) on specific rules on the use of biofuels and other renewable fuels for transport.

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

In 2004, **HUF 63 million** was committed to the National Energy-saving Programme (**NEP**) and **HUF 582 million** to the Environmental and Industrial Infrastructure Operative Programme (**KIOP**) with a view to increasing the use of renewable energy sources and energy efficiency (75% EU, 25% national resources).

3. The total sales of transport fuel and the share of biofuels, pure or blended, and other renewable fuels placed on the market for the preceding year

1 471 kilotonnes of petrol and 2 266 kilotonnes of diesel gas oil were sold in Hungary in 2004. There were no biofuel sales.

Once the appropriate legal background had been created, the building of biofuel manufacturing capacities commenced. In July 2005 the country's biggest refinery converted its MTBE (methyl-tertiary-butyl-ether) factory to produce ETBE and blend it with petrol. An annual 4 050 kilotonnes of bio-ETBE will consequently be produced as of 2006. The percentage of biofuel in the petrol should reach 2% (according to energy content) as of the second half of 2005.

Further bioethanol and ETBE manufacturing capacity must now be built, for which agricultural raw material is available. The design of a new, 50 kilotonne/year-capacity, bioethanol-based factory has begun and will ensure that from mid-2007 some 90-100 kilotonnes of bio-ETBE will be produced in Hungary.

A 3-kilotonne-capacity factory is ready for biodiesel production in 2005. The biggest Hungarian fuel manufacturer is planning a call for tender in early 2006 for the long-term purchase of biodiesel.

Many serious investors with references in the field of biofuel manufacture have come forward, some through the ITDH. Intensive discussions are under way on the creation of biodiesel manufacturing capacity. A new factory or factories will be able to commence production only after 2006 and the entry into use of biodiesel capacities will take at least 24 months.