

2004 (1 January to 31 December)

(1) National measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes

Article 21(5) of Legislative Decree No 504 of 26 October 1995 (consolidated text on excise duties) lays down, in accordance with the Community rules on indirect taxes on energy products, the general taxation of all products (including, therefore, biofuels) used for transport as fuel, as fuel additives or to increase the final volume of fuel.

Against this background and in view of the high cost of producing fuels from biomass, Italian legislation laid down for the year under examination a number of provisions intended to reduce the final cost of the products concerned by cutting the tax imposed on them, in order to make certain biofuels competitive with the corresponding fossil fuels.

In particular, the fiscal measures concerned were targeted on biodiesel and bioethanol as substitution products for diesel oil and petrol respectively.

As regards **biodiesel**, Article 21(6) of the consolidated text on excise duties, as amended by Article 21 of Law No 388 of 23 December 2000, provides for exemption from excise duty for an annual quota of 300 000 tonnes of biodiesel under a three-year programme running from 1 July 2001 to 30 June 2004. This programme was based on “agricultural years” running from 1 July to 30 June of the following year.

The three-year programme applied therefore only to the first six months of 2004.

Concerning **bioethanol**, Italian law (see Article 21(6a) of the consolidated text on excise duties) provides for reduced rates of excise duty on bioethanol and products derived therefrom used as fuel or fuel additives, as part of an experimental multiannual programme to encourage the use of this biofuel.

In 2004, the reduced-rate programme covered the following products, for which the reduced rates indicated were applied:

- (a) bioethanol produced from agricultural products: €289.22 per 1 000 litres;
- (b) ethyl-tertio-butyl-ether (ETBE) produced from agricultural alcohol: €289.22 per 1 000 litres;
- (c) additives and reformulates produced from biomass:
 - 1. for unleaded petrol: €289.22 per 1 000 litres;
 - 2. for diesel oil, excluding biodiesel: €245.32 per 1 000 litres.

The programme provided for the application of the above reduced rates, with a ceiling on total expenditure of approximately €12.9 million. It should be pointed out that, owing to procedural problems relating to the mandatory Community authorisation, the programme could not enter into force in the planned year.

For comparison purposes, please note that, during the period concerned, the rate of excise duties applied on national territory to diesel oil and petrol used as fuel were €403.21 and €558.64 per 1 000 litres of product respectively.

(2004)

(2) Fuels used for transport and share of biofuel, pure or blended, and other renewable fuels placed on the market for the preceding year

Approximately 14 559 000 tonnes of petrol used as fuel were sold in Italy in 2004, while about 23 979 000 tonnes of diesel oil used as fuel were sold over the same period.

In the same year, about 300 000 tonnes of biodiesel were marketed for consumption. Apparently no fuels obtained from bioethanol were marketed in that year.

Therefore, over the same period, the share of biofuels blended with fossil fuels (only diesel oil) was about 0.78% by weight of the amount of petrol and diesel oil taken as a whole.

In the reference period and in terms of energy content, the share of biofuels blended with fossil fuels was about 0.688% of the amount of petrol and diesel oil taken together.

2003 (1 January to 31 December)

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Against this background and in view of the high cost of producing fuels from biomass, Italian legislation laid down for the year under examination a number of provisions intended to reduce the final cost of the products concerned by cutting the tax imposed on them, in order to make certain fuels produced from biomass competitive with the fossil fuels they can replace.

In particular, the fiscal measures concerned were targeted on biodiesel and bioethanol as substitution products for diesel oil and petrol respectively.

As regards **biodiesel**, Article 21(6) of the consolidated text on excise duties, as amended by Article 21 of Law No 388 of 23 December 2000, provides for exemption from excise duty for an annual quota of 300 000 tonnes of biodiesel under a three-year programme running from 1 July 2001 to 30 June 2004. This programme was based on “agricultural years” running from 1 July to 31 (*sic*) June of the following year.

Concerning **bioethanol**, Italian law (see Article 21(6a) of the consolidated text on excise duties) provides for reduced rates of excise duty on bioethanol and products derived therefrom used as fuel or fuel additives as part of an experimental multiannual programme to encourage the use of this biofuel.

In 2003, the reduced-rate programme covered the following products, for which the reduced rates indicated were applied:

- (a) bioethanol produced from agricultural products: €289.22 per 1 000 litres;
- (b) ethyl-tertio-butyl-ether (ETBE) produced from agricultural alcohol: €289.22 per 1 000 litres;
- (c) additives and reformulates produced from biomass:
 - 1. for unleaded petrol: €289.22 per 1 000 litres;
 - 2. for diesel oil, excluding biodiesel: €245.32 per 1 000 litres.

The programme provided for the application of the above reduced rates, with a ceiling on total expenditure of approximately €12.9 million. It should be pointed out that, owing to problems relating both to the decree implementing the above-mentioned legislation and to the slow procedure of the mandatory Community authorisation, the programme could not enter into force in the planned year.

For comparison purposes, please note that, during the period concerned, the rate of excise duties applied on national territory to diesel oil used as fuel was €403.21 per 1 000 litres of product. The rate of excise duty established in that year for petrol used as fuel, was €541.84 per 1 000 litres of product.

(2003)

2) Fuels used for transport and share of biofuel, pure or blended, and other renewable fuels placed on the market

Approximately 15 438 000 tonnes of petrol used as fuel were sold in Italy in 2004 (*sic*), while about 22 283 000 tonnes of diesel oil used as fuel were sold over the same period.

With regard to the quantities of biofuels marketed for consumption in the same period for the above-mentioned regions, reference should be made exclusively to biodiesel, of which about 300 000 tonnes were marketed for consumption in the year under examination.

Therefore, over the same period, the share of biofuels blended with fossil fuels was approximately 0.79% by weight of the amount of petrol and diesel oil taken as a whole.

In the reference period and in terms of energy content, the share of biofuels blended with fossil fuels was about 0.704% of the amount of petrol and diesel fuel taken together.

(3) National targets

With regard to the national indicative target for Italy concerning the quantity of biofuels marketed for consumption, please note that Directive 2003/30/EC was transposed into Italian legislation only in 2005 (Legislative Decree No 128 of 30 May 2005).

Article 3 of the said Legislative Decree provides, as a national indicative target to be achieved by 31 December 2005 (calculated on the basis of energy content), that 1% of fuels marketed for consumption should be biofuels and other renewable fuels.

The discrepancy between the national target and the reference value set out in Article 3(1)(b) of Directive 2003/30/EC is justified in part by the limited capacity of the national biodiesel production sector, which may be indicatively estimated at 300 000 tonnes per year.

It should be emphasised that in 2006, in order to align national targets with Community targets, further provisions on the promotion of biofuel were adopted (Decree Law No 2 of 10 January 2006, converted, with amendments, into Law No 81 of 11 March 2006).

In particular, Article 2c of that Law provides that biofuel producers must market for consumption a share of biofuel blended with fossil fuels equal to 1%, as calculated on the basis of the quantities marketed for consumption in the previous year.

It further provides that this percentage must be increased by one percentage point every year until 2010.