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REPORT ON MEASURES PROMOTING THE USE OF BIOFUELS AND OTHER RENEWABLE RESOURCES

(Implementation of the provisions of the 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)

Country – LITHUANIA

Introduction

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 (hereinafter referred to as “Directive 2003/30/EC”) came into force on 8 May 2003, and Member States have to transpose the provisions of this Directive into their national laws. According to the requirements of Article 4 of the Directive 2003/30/EC, Member States have to submit reports to the Commission before 1 July of each year on the implementation of the provisions of the Directive in each country.

This report presents information on how Lithuania is implementing the provisions of Directive 2003/30/EC of the European Parliament and of the Council, which seek to promote the production and use of biofuels and other renewable fuels for transport in the country.

National legal basis

On 5 February 2004, the Parliament of the Republic of Lithuania adopted the Law on Biofuel, Biofuels for Transport and Bio-oils (Official Gazette, 2004, No. 28-870), which, in line with the requirements of the Directive 2003/30/EC, sets forth the legal conditions for the production, use and promotion of biofuel, biofuels for transport and bio-oils. The main objectives of the Law are to create favourable conditions for the production and use of biofuel, to reduce the Lithuanian energy sector’s dependence on petroleum-based fuels and transport fuels and to increase the use of local energy resources. Article 8.3 of the law introduces the national planned targets for biofuel for 2005 and 2010, which conform to the targets of Article 3 of Directive 2003/30/EC (by 31 December 2005, the proportion of biofuels for transport should amount to at least 2%, calculated on the basis of energy content, of all petrol and diesel for transport purposes placed on the national market, and by 31 December 2010 – at least 5.75%).

Order No. 4-307 of the Minister of Economy of the Republic of Lithuania of 12 August 2004 approved the rules on the collection of information about biofuels and its submission to the European Commission, under which the Ministry of Economy shall submit a report before 1 July of each year in accordance with to the requirements of Article 4 of the Directive 2003/30/EC.

Resolution No. 1056 of the Government of the Republic of Lithuania of 26 August 2004 (Official Gazette, 2004, No. 133-4786) approved the Programme for the Promotion of the Production and Use of Biofuel for 2004-2010. The aim of the Programme is to ensure the development of the production and use of biofuel by implementing the organizational, economic and legal measures provided for in the Programme. Some of the main aims are to increase the

production of electricity from biogas, timber and straw up to 0.204 TWh per year and increase the production of total energy up to 10.31 TWh per year by 2010; promote the cultivation and preparation of raw materials for the production of biofuel; promote the use of biofuel; promote research into the production and use of biofuel; and implement training, information and consultation measures on the issues related to biofuel.

Under the Procedure for the Promotion of the Production and Purchase of Electricity from Renewable and Waste Energy Resources, approved by the Resolution No. 1474 of the Government of the Republic of Lithuania of 5 December 2001 (Official Gazette, 2001, No. 104-3713; 2004, No. 9-228) with the latest amendments made by the Resolution No. 627 of the Government of the Republic of Lithuania of 8 June 2005 (Official Gazette, 2005, No. 73-2651), it is provided that in 2009, the installed total capacity of biomass power plants will make up 56.4 MW and energy generation in these plants will reach 219.5 GWh. This Procedure also provides for the promotion of electricity production in wind, biomass and solar power plants and hydropower plants with the capacity under 10 MW. Cultivation of biomass designated for power plants (including heat and power cogeneration plants) is promoted by granting a concession under the procedure provided for in the Law on Concessions of the Republic of Lithuania (Official Gazette, 1996, No. 92-2141; 2003, No. 70-3163) by allocating free land of the State Land Fund to this end.

In 2005, the Ministry of Economy adopted two legal acts on the mandatory use of biofuel for transport. The Order No. 4-106 of the Minister of the Economy of 14 March 2005 approved the Amendments to the Trade in Oil Products, Biofuel, Bio-oils and Other Combustible Liquid Products in the Republic of Lithuania and the Order No. 4-96/D1-139/3-77 of the Minister of Economy, Minister of Environment and Minister of Transport of 9 March 2005 amended the Order No. 4-105/131/3-172 of the Minister of Economy, Minister of Environment and Minister of Transport of 21 March 2003 'On the Approval of Mandatory Quality Targets for Oil Products and Liquid Fuel Used in the Republic of Lithuania'.

Under the above legal acts, as of 31 December 2005, oil products sold and used in the country must conform to the following requirements:

- petrol for 95 octane engines shall be blended with ethyl-tertio-butyl-ether (ETBE) to a minimum of 7 % and a maximum of 15% of ETBE in the blend (bioethanol shall make up at least 3.29% but no more than 7.05% in the blend). In all cases bioethanol shall make up 47% of ETBE;
- imported and sold or used petrol for 95 octane engines produced without ETBE shall contain at least 3 % or 5% of bioethanol;
- diesel fuel shall contain 3% or 5% of roussin red methyl ester (RRME) produced from plant origin oils or animal origin fats.

With regard to the above legal acts, it can be concluded that the legal basis for the implementation of the Biofuel Directive has been prepared.

Financial measures

With regard to the Council Directive 2003/96/EC of 27 October 2003 amending the provisions of the Community framework for the taxation of energy products and electricity, Lithuania

plans to introduce state aid by reducing excise duties on energy products containing substances of biological origin. Article 38.4 of the Law on Excise Duties of the Republic of Lithuania (Official Gazette, 2001, No. 98-3482, 2004, No. 26-802) provides for an excise duty relief for energy products from materials of biological origin, i.e. rate of excise duty to be applied to such products is reduced in proportion to the percentage of substances of biological origin in a tonne of the product concerned.

According to the European legal acts, the excise relief is regarded as a state aid and has to be reported to the European Commission which must grant a permit to introduce such relief. On 3 January 2005, the European Commission was notified of this state aid scheme. The aim of the aid is to promote the production and the use of biofuel, biofuels for transport and bio-oils with regard to the requirements of the EU legal acts (Directive 2003/30/EC of the European Parliament and of the Council).

The Law Amending the Law on Pollution Tax No. IX-720 (Official Gazette, 2002, No. 13-474) and the Law Amending the Law on Pollution Tax No. X-152 (Official Gazette, 2005, No. 47-1560) provide for pollution tax exemptions for natural and legal persons for environment pollution from mobile pollution sources; for natural and legal persons who pollute atmosphere from vehicles using transport biofuel conforming to set standards and who submit valid documents of transport biofuel use as well as for pollution of atmosphere from stationary pollution sources which use biofuel.

The Order No. 3 D-132 of the Agriculture Minister of 30 March 2004 approved the rules for funding the development of transport biofuel production, which provide for the promotion of the development of transport biofuel production and create a possibility to use agricultural produce for non-food purposes. Point 5 of these rules provides for payments to farmers for grains which are used for biofuel production: compensations of LTL160/t (EUR 46.34/t) of oilseed rape and LTL 60/t (EUR 17.38/t) of cereal grains.

Projects under development

One of the main projects in the country related to the production of biofuel is the restructuring of the Lithuanian oil refinery AB Mazeikiu Nafta. Lithuania is considering the use of ethanol in the production of ethyl-tertio-butyl-ether (ETBE). It is planned to blend ETBE with petrol to a maximum of 15% of ETBE in the blend (where ethanol makes up 47% of ETBE). To this end, AB Mazeikiu Nafta needs to perform certain technical and technological restructuring by installing ETBE production equipment next to the existing MTBE production equipment. The restructuring of AB Mazeikiu Nafta should be completed in 2005.

Another planned restructuring in this refinery is intended for blending diesel fuel with roussin red methyl ester (RRME) where RRME makes up 3% or 5% in the blend. One of the disadvantages of this method is that when RRME is blended with diesel fuel, it is not possible to produce high quality arctic winter diesel fuel. Thus, diesel fuel blended with biodiesel will be used only 9 months a year (average consumption in 9 months is 500,000 tonnes).

Local renewable and waste energy resources used for the production of biofuel (for energy generation and transport needs)

The climatic conditions in Lithuania are favourable to the cultivation of grains. The country has long traditions in growing crops (wheat, rye) and boasts developed processing technologies. Every year, 300,000-500,000 ha of arable land remains idle. Approx. 10-15 % of the country's agricultural land could be used for the cultivation of crops for energy needs. The current amounts of crops are fully sufficient for the development of bioethanol production by 2010. In the first stage, bioethanol production will require 21.6 thousand tonnes (6.75 thousand ha) and in 2010, approx. 60 thousand tonnes (16.22 thousand ha) of crops. The amount of oilseed rape currently cultivated is fully sufficient for the development of biodiesel production in the first stage, i.e. in 2005 (55.2 thousand tonnes, approx. 29 thousand ha), and by 2010, rape cultivation should be expanded nearly threefold (to approx. 160 thousand tonnes, and 66.7 thousand ha).

Currently, there is one bioethanol plant and one methyl-ester plant which produces methyl ester from rape seeds in Lithuania. Their processing capacity is 8 thousand tonnes of bioethanol and 10 thousand tonnes of methyl ester respectively. The plants are currently involved in pilot production.

Lithuania has six biogas plants: 2 plants process city wastewater sludge, 2 plants process food industry waste and 2 plants process animal waste and food industry waste. Total capacity of these biogas plants is approx. 16.1 MW (heat capacity is approx. 14.7 MW and electricity capacity is approx. 1.4 MW). There is also one cogeneration power plant using timber with an installed electricity capacity of 1.5 MW and a heat capacity of 28 MW.

The table below presents data of 2004 for the local resources of biomass (for energy production).

Local resources of biomass (for energy production)

Biomass	Unit of measurement	Local resources
Peat for fuel	Thousand tonnes	46.8
Peat briquettes	Thousand tonnes	18.8
Wood and wood waste	Thousand sq m	3520.4
Straw	Thousand tonnes	11.3

In 2004, Lithuanian road transport used 1154 thousand tonnes of mineral fuels, of which nearly 341 thousand tonnes of petrol, 622.5 thousand tonnes of diesel fuel and 190.6 thousand tonnes of liquefied petroleum gas.

The production of transport biofuel is at its initial stage in Lithuania. As mentioned above, two companies in Lithuania produce transport biofuel. Part of their output is exported, part of it is stored in the company's tankers and only small amounts of transport biofuel are used in the production of mineral fuel and transport biofuel blends. In 2004, Lithuania produced 1.9 thousand tonnes of bioethanol for engine fuel production and 2.2 thousand tonnes of biodiesel.

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