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Annex to 22631/2006–12000

**Report for 2005 by the Czech Republic 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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I. Introductory comments

Under 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, Member States are required to report to the European Commission each year on the measures taken to promote the use of biofuels for transport purposes and on the market situation for fuels.

II. Compliance with obligations under Article 4(1) of Directive 2003/30/EC

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

1.1. With a view to implementing the aforementioned Directive, in 2005 the Czech Government adopted the following legislation on the use of biofuels on the Czech market:

- (a) Government Resolution No 782/2005 amending Government Resolution No 825/2004 providing for a minimum quantity of biofuels or other fuels from renewable sources in the range of motor-vehicle fuels in connection with the scheme to promote the production of bioethanol for admixture to petrol, for the replacement of methanol in the production of rapeseed methyl ester and methyl tertiary butyl ester, and as an alternative fuel with promotion of its use on the domestic market, and repealing the related Resolution.

Under Resolution No 782/2005 the government gave the relevant ministries until 31 August 2005 to submit their suggestions on how to carry forward

the scheme to promote the production of bioethanol for admixture to petrol, for the replacement of methanol in the production of rapeseed methyl ester and methyl tertiary butyl ester, and as an alternative fuel with promotion of its use on the domestic market.

- (b) Government Resolution No 1307 of 12 October 2005 approving a biofuel production support scheme in connection with the implementation of Directive 2003/30/EC of the European Parliament and of the Council.

This scheme should put in place the legislation and conditions under which biofuels can be used for transport purposes in the Czech Republic as of 1 January 2007. The resolution required the government, inter alia, to ensure that the European Commission was notified of the state aid for biofuels under the terms approved in the resolution.

- (c) Government Resolution No 1308 of 12 October 2005 approving the document entitled "Long-term strategy for the use of biofuels in the Czech Republic".

The document in question sets out the particular steps that the Czech Republic must take towards implementing Directive 2003/30/EC of the European Parliament and of the Council.

- (d) Government Decree 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 rapeseed methyl ester, as amended.

This decree regulates, for 2005 and 2006, the granting of subsidies for the non-food use of rapeseed for the production of rapeseed methyl ester for blended fuels containing a minimum of 31 % rapeseed methyl ester by volume in order to power diesel combustion engines. It expires on 31 December 2006.

- (e) Government Decree No 66/2005 Coll. of 2 February 2005 on the minimum amount of biofuels or other fuels produced from renewable sources in the range of motor-vehicle petrol and diesel fuels on the Czech market.

This decree incorporates the relevant instructions in 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, and lays down the minimum amount of biofuels or other fuels produced from renewable sources in the range of motor-vehicle petrol and diesel fuels on the Czech market.

1.2. Modification of state aid N 206/2004 – biodiesel promotion scheme:

By letter of 10 May 2005 the Czech Republic notified the European Commission of its intention to amend its biodiesel promotion scheme, registered as N 206/2004 and approved by a Commission decision of 30 June 2004. Additional information was submitted in a letter dated 8 June.

The amendment of the biodiesel promotion scheme has been registered as

The modification mainly involves increasing the overall budget for direct support and reducing the amounts of direct support provided.

The overall budget for direct support has risen from the CZK 700 million originally quoted to CZK 821 million. The newly quoted amount of direct support has been set at CZK 7 000 per tonne of rapeseed methyl ester (RME), compared with the initial CZK 9 500 per tonne. This amount will be reviewed in mid-2006 and, should the 15 % margin of tolerance have been exceeded, it will be recalculated and adjusted for the second half of 2006 to a new amount calculated under the existing formula, with average decisive variables (i.e. the prices of motor-vehicle diesel, rapeseed and oil cake) for the six months of 2006 that have already elapsed factored into the calculation. The newly proposed system is simpler, insofar as it performs direct support calculations on a half-yearly basis rather than monthly, as was the case under the previous system, whilst at the same time continuing to observe the Commission requirement that no potentially excessive support payments are made. Furthermore, the system has become simpler for direct support applicants as well, since support is paid out to the RME producer on the basis of documents providing evidence of RME production over the previous month. In contrast to the previous system, proof of RME production for a set purpose (i.e. mixing RME into blended fuel – biodiesel and putting it into circulation in the Czech Republic) no longer has to be furnished. Such proof can now be provided retrospectively by a given deadline.

In its response to the notification, by letter of 5 July 2005, the Commission stated that the declared modification to the previously approved support scheme (N 206/2004), under which subsidies would be granted to biodiesel producers, was compatible with common market principles. Accordingly, the Commission decided not to raise objections thereto.

2. State resources for biomass production for non-transport energy purposes in the Czech Republic

- (a) **Beneficiary: Planting of fast-growing wood species for use in energy generation under Government Decree No 308/2004 Coll.** laying down certain conditions for granting subsidies for the afforestation of agricultural land and for planting fast-growing wood species on agricultural land for use in energy generation, under the programming document entitled "Horizontal Rural Development Plan of the Czech Republic 2004-2006".
As a result of this support scheme, 15 022 ha of fast-growing wood species were planted in 2005. The financial aid granted amounted to CZK 950 520.
- (b) **Beneficiary: Upkeep of fast-growing wood species for use in energy generation** (support scheme established prior to the Czech Republic's accession to the EU and due to expire shortly) **under Article 15a of Government Decree No 505/2000 Coll.** establishing aid schemes aimed at supporting non-production functions of agriculture, activities contributing to landscape preservation and less-favoured areas, and laying down the criteria for their assessment, as amended by Government Decrees Nos 500/2001

Coll. and 203/2004 Coll. In 2005 a total of CZK 19 256 in aid of this kind was paid out for an area of 4,69 ha of fast-growing wood species.

Larger areas of fast-growing wood species depend directly on support and on the development of biomass heating plant construction.

- (c) **Beneficiary: Cultivation of plants for use in energy generation (aid for crop planting and maintenance) in line with the Principles of the Ministry of Agriculture laying down the conditions for granting subsidies in 2006 in compliance with Articles 2 and 2d of Act No 252/1997 Coll. on agriculture.**

Support granted for the planting and upkeep of plant crops for use in energy generation has amounted to CZK 2 000 per hectare of arable land earmarked for cultivation. An unbroken area of arable land of at least 1 ha must have been used to grow these crops. In any given year the crop for use in energy generation must be grown as the main crop. A total of CZK 2 000 420 was paid out over the year in the form of aid for the cultivation of plants for use in energy generation, which cover an area of 1 004,71 ha.

3. Overall amount of fuels sold for transport purposes and the share of biofuels, both pure and blended, and of other renewable fuels placed on the market for the previous year

Figure 1 – Annual gross consumption of motor-vehicle fuels in 2005 (in thousands of tonnes)

Fuel	Unit of measurement	Quantity (thousands of tonnes)
Gross petrol consumption	t	2 054
Gross diesel consumption	t	3 706
Gross petrol and diesel consumption combined	t	5 760
Gross petrol consumption	ktoe	2 157
Gross diesel consumption	ktoe	3 743
Gross petrol and diesel consumption combined	ktoe	5 900
RME usage on the Czech market	t	3,169
Bioethanol usage on the Czech market	t	0
RME usage on the Czech market	ktoe	2,725
Bioethanol usage on the Czech market	ktoe	0
Overall biofuels usage on the Czech market	ktoe	2,725
Blended fuel production	t	10,223
Blended fuel production (Diesel blend containing 31 % RME)	ktoe	8,792

Percentage share of biofuels in overall consumption of all fuels used on the market in 2005	%	0,046

Figure 2 – Recommended Commission weightings for conversion purposes

1 t diesel = 1,01 toe
1 m ³ diesel = 0,98 toe
1 t petrol = 1,05 toe
1 m ³ petrol = 0,86 toe
1 t biodiesel = 0,86 toe
1 m ³ biodiesel = 0,78 toe
1 t bioethanol = 0,64 toe
1m ³ bioethanol = 0,51 toe

Source: Review of EU biofuels directive, public consultation exercise April – July 2006, Energy and Transport Directorate-General, European Commission, April 2006

III. Conclusion

In 2005 the Czech Republic adopted a number of important legislative measures with a view to implementing 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. The implementation of the requisite legislation at national level will, in accordance with Community legislation, help promote the development of biofuels and other fuels from renewable sources, together with biomass production in the Czech Republic. Additional measures are planned for 2006 to attain a level of support for biofuel development at which, as a priority, the reference values in Directive 2003/30/EC as regards replacing fossil fuels with biofuels can be achieved.