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REPORT
on the promotion of the use of biofuels or other renewable fuels for transport
ESTONIA, 2006

Article 4 of DIRECTIVE 2003/30/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, on the promotion of the use of biofuels or other renewable fuels for transport lays down that Member States are to report to the Commission by 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 are to 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.

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

Under the **Alcohol, Tobacco and Fuel Excise Duty Act**, now that a permit has been issued by the European Commission, biofuel is exempt from excise duty until that permit expires. Biofuel for which the first four digits of the CN code are 4401 or 4402 is exempt from excise duty without any conditions. Permission to exempt biofuel from excise duty was received from the European Commission in a letter dated 27 July 2005. The number of the permit for the exemption from excise duty is 314/2005 and it is valid for 6 years.

Fuel to be used for transport purposes must fulfil the requirements of standards EVS-EN 228:2004, EVS-EN 590:2004 and EVS-EN 14214:2004.

In addition to the measures set out in the 2005 report, the following actions are envisaged for the promotion of the use of biofuels.

In the light of the European Commission's communications on the "Biomass Action Plan" and the "EU Strategy for Biofuels", the government decided to draw up a development plan for the promotion of biomass and bioenergy. The plan links up with development plans in other fields and all promotional support measures and further measures are envisaged.

The new draft Public Procurement Act currently before Parliament lays down the bases for use of environmental indicators and criteria in public procurement.

Expansion of the area under energy crops is supported by the direct aid provided for in Articles 88-92 and Article 107(3) of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers supports the increase in the area sown under energy crops. Article 107(3) will be implemented in Estonia after the switch to the single payment scheme.

Support for the production of biofuel may be applied for under the Estonian National Development Plan (RAK) for the use of EU structural funds – single programming document 2004–2006, approved by the government on 15 January 2004. The RAK sets out national priorities to be attained through implementing various measures.

The Ministry of Finance fulfils the tasks of the RAK managing authority, paying authority and auditing authority in cooperation with the priority intermediate body, the measure intermediate body and the final beneficiary.

The intermediate body for **RAK measure 2.1 "Business development"** is the Ministry of Economic Affairs and Communications and the final beneficiary is the Enterprise Estonia Foundation (Ettevõtluse Arendamise Sihtasutus) (EAS).

The overall objective of the measure is to strengthen the competitiveness of existing firms and stimulate the formation of new firms.

In 2005, under this measure, 57 600 Estonian crowns was granted as support for drawing up business plans for the production of liquid biofuel.

For another RAK measure: "Measure 4.2: Development of Environmental Infrastructure", the intermediate body is the Ministry of the Environment and the final beneficiary the Environmental Investment Centre (Keskkonnainvesteeringute Keskus) (KIK).

The measure aims to promote increased use of renewable energy sources. In 2004-2005 the increased use of biofuel was supported under the measure by a grant of 14.13 million Estonian crowns for increasing the use of biofuel in heat generation, 3.17 Estonian crowns for the use of hydropower and 10 million Estonian crowns for the use of wind power.

2. Renewable energy resources available for energy generation in Estonia

Estonia's renewable energy potential, which lies primarily in co-generation of heat and electricity biofuel and in wind energy, is described in the 2005 report.

The figures for the share of renewables in primary energy for 2005 are currently unavailable; they will be published in September.

3. Fuel consumption in Estonia in 2005

According to provisional data, no pure or blended biofuel was sold for transport purposes in 2005. The following fuel was used in transport:

Light fuel and diesel fuel	- 578 000 tonnes
Petrol	- 290 000 tonnes
Liquefied gas (LPG for transport)	- 200 tonnes

Precise figures will be published in Statistics Estonia's September publication.

As at 1 January 2006, 4 biofuel permits have been issued, 3 of which are for the production of liquid biofuel and 1 for the production of solid biofuel. Information on the permits is available on the Tax and Customs Board's website: <http://www.emta.ee>.

According to the statements provided by biofuel permit-holders, in 2005 785 937 kg (889 073 litres) of biofuel (CN 1514 19 10) was produced and 169 879 kg (192 173 litres) released for consumption.

Producers indicated the energy value of their biofuel as 38.25 MJ/kg.

The biofuel produced and released for consumption was not sold in Estonia but dispatched to undertakings in another Member State.

4. Other factors influencing the placing on the market of liquid biofuels

In accordance with Directive 2003/30/EC, blends with a low biofuel content can be used without any problems in vehicles presently in use in Europe, so that the sale of fuel meeting the standards in question does not require the addition of any special marking. At the same time it should be noted that many motor vehicle manufacturers continue to take a very cautious view of the use of biodiesel.

Disparities introduced by manufacturers are reflected in the guarantee conditions set by manufacturers and buyers, and do not allow fuels containing biocomponents to be used on a unified basis in the transport sector as a whole.