

2005 (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 (single text on excise duties) lays down, in accordance with Community rules on indirect taxes on energy products, the general taxation on 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 has laid down (including for the year in question) a number of provisions intended to reduce the final cost of the products concerned by cutting the tax imposed on them, thus rendering certain fuels produced from biomass competitive with the fossil fuels they can replace.

In particular, the fiscal measures concerned have been targeted on biodiesel and vegetable-based ethanol, substitution products for diesel oil and petrol respectively.

As regards **biodiesel**, Article 21(6) of the single text on excise duties, as amended by Article 1(521) of Law No 311 of 30 December 2004 (2005 Tax Law), provides for exemption from excise duty for an annual quota of 200 000 tonnes of biodiesel under a six-year programme running from 1 January 2005 to 31 December 2010.

The following subparagraph 6.1 of Article 21 lays down that the size of the reduction may be amended, by means of a decree issued by the Minister for Economic Affairs and Finance, in order to prevent overcompensation of the additional costs involved in the production of biodiesel (compared with the cost of diesel oil). It is planned to monitor the average industrial production cost of biodiesel to provide a basis for assessing whether or not there is any overcompensation.

As regards vegetable-based **ethanol**, Italian law (see Article 21(6a) of the single text on excise duties) provides for reduced rates of excise duty on vegetable-based ethanol and products derived therefrom used as fuel or fuel additives as part of an experimental programme to encourage the use of this biofuel.

In 2005, 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 lead-free 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 €73 million (see Article 21(6b) of the single text on excise duties, as amended by Article 1(520) of Law No 311 of 30 December 2004 (2005 Tax Law)).

Please note, for the purposes of comparison, that the rate of excise duty applied on national territory during the period concerned to diesel oil used as fuel was €403.21 per 1 000 litres until 21 February 2005 and subsequently €413.00 per 1 000 litres of product. The rate of excise duty on petrol used for the same purpose was €558.64 per 1 000 litres until 21 February 2005 and subsequently €564.00 per 1 000 litres of product.

2. **Transport fuel and the share of biofuels pure or blended, and other renewable fuels placed on the market**

In 2005 around 13 461 000 tonnes of petrol were sold in Italy as fuel and around 24 408 000 tonnes of diesel oil were sold for the same purpose.

As regards biofuels, during the same period around 200 000 tonnes of biodiesel were released for consumption, as were 22 187 122 litres of ETBE mixed with petrol for use as fuel (equal to around 16 860 tonnes).

Therefore, during the period concerned biofuels mixed with fossil fuels represented approximately 0.57% by weight of the total quantity of petrol and diesel oil.

In terms of energy content, during the period concerned the share of biofuels mixed with fossil fuels represented approximately 0.505% of the total quantity of petrol and diesel oil.