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REPORT COVERING THE YEAR 2005

PURSUANT TO ARTICLE 4(1) OF DIRECTIVE 2003/30/EC

on the promotion of the use of biofuels or other renewable fuels for transport

Introduction

The purpose of this report is to fulfil the reporting requirement under Article 4(1) of Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport in respect of 2005. The 2003 and 2004 reports generally outlined the Netherlands views as regards the role of biofuels in road transport. The 2006 Tax Plan adopted by the House of Representatives included Government proposals for the Netherlands policy on biofuels from 2006. This policy will comprise two components: a “general” and an “innovative” component.

The general component constitutes the market-wide introduction of the present generation of biofuels, which are suitable for all road traffic. In 2007, all suppliers of petrol and diesel for road transport will be obliged to ensure that biofuels account for a certain percentage of their sales in the Netherlands. This obligation cannot be introduced earlier because the necessary legislation cannot be prepared before 1 January 2007. Tax incentives will be paid in 2006, however, to encourage suppliers to start providing fuels with a 2% biofuel component in 2006.

The innovative component will involve stimulating the development and market launch of innovative biofuels. A total of EUR 60 million has been made available for this purpose. It is expected that the subsidy scheme for biofuels will come into effect in September 2006.

In 2007 the mandatory percentage for biofuels is to be maintained at 2%. The target figure for 2010 is 5.75%, as laid down in the Directive. It is assumed that the Directive which specifies the fuel quality will be adapted in such a way that it will be possible to achieve the 5.75% target without this having any adverse effects on the environment or safety. In 2008 and 2009, the mandatory percentage will be increased gradually each year in order to ensure a smooth transition in the run-up to 2010.

For additional information on the future Dutch biofuels policy, please refer to the Policy Letter on Biofuels (*Beleidsbrief Biobrandstoffen*) (Annex 2a), which the Government submitted to the House of Representatives on 15 March 2006. This document, an English translation of which is also attached to this report (Annex 2b), indicates what the obligation will be in 2007 and how it will evolve in the following years. It also looks briefly at the state of play as regards the development of the innovative component.

This report addresses the following issues specified in Article 4 of Directive 2003/30/EC:

1. the measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes;
2. the national resources allocated to the production of biomass for energy uses other than transport, and

3. 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.

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

From 2006, the Netherlands is adopting a target percentage of 2% of the energy content of petrol and diesel. A start was made on this policy in 2006 by providing fiscal incentives to provide fuels with a 2% biofuel (bioethanol, bio-ETBE or biodiesel) component. This policy is to be continued in 2007 by requiring all suppliers of petrol and diesel for road transport to ensure that biofuels account for 2% (in terms of energy content) of their sales in the Netherlands. This obligation cannot be introduced earlier because the necessary legislation cannot be prepared before 1 January 2007. In 2010, the mandatory percentage will rise to 5.75% (in terms of energy content). In 2005, no measures were yet in force in the Netherlands to promote the use of biofuels or other renewable fuels to replace 2% of the petrol and diesel marketed. This was due to the time needed to reach a decision on the biofuels policy announced in September 2005 (Tax Plan 2006). However, exemption from excise duty was granted in 2005, to a limited extent and subject to conditions, in the case of three projects relating to pure plant oil (PPO). In the context of these programmes, it was permitted to place a total of 7 million litres of rapeseed oil on the market exempt from excise duty of EUR 0.365 per litre.

- 2. National resources allocated to the production of biomass for energy uses other than transport**

In the Netherlands no national resources are allocated for the production of biomass. The production of biomass takes place if the basic economic conditions for such production exist. With a view to improving the basic economic conditions for the production of electricity and heat from biomass, resources are being deployed within the general body of instruments for sustainable (renewable) energy. These instruments consist of:

- => a tax bonus on investment in renewable energy and energy saving (EIA);
- => a production subsidy for renewable electricity (MEP);
- => incentive programmes for research and development and application of renewable energy and energy saving. The production of energy from biomass is an integral component of these instruments.

- 3. 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**

According to the Netherlands Petroleum Industry Association (VNPI), the trade federation of Dutch oil companies, the total amount of transport fuels placed on the market in 2005 was as follows:

petrol: 5466 million litres
diesel: 7481 million litres
LPG: 679 million litres

The possibility of applying the exemption from excise duties for rapeseed oil in 2005 under the three projects for which conditional exemption for pure plant oil (PPO) was

permitted was not fully exploited. Data on the precise amount of PPO placed on the market in 2005 is not yet available. However, it is estimated that between 2 and 4 million litres of PPO were placed on the transport fuel market in 2005.

Calculation of the share of biofuels in the total amount of transport fuels placed on the Dutch market is based on the energy content values and the tonne of oil equivalent (toe) conversion factors specified in Annex 1.

On the basis of this data, the total sales of transport fuel and the share of biofuels, pure or unblended, and other renewable fuels placed on the market in 2005 (as specified in Article 4 of Directive 2003/30/EC) were as follows:

Total sales of transport fuel in 2005:

petrol: 5466 million litres
diesel: 7481 million litres
LPG: 679 million litres
PPO: 3 million litres

Expressed in tonne of oil equivalent (toe), the total sales of transport fuel are as follows:

petrol: $5466 \times 0.78 \times 1000 = 4\,263\,000$ toe
diesel: $7481 \times 0.78 \times 1000 = 6\,434\,000$ toe
LPG: $679 \times 0.78 \times 1000 = 401\,000$ toe
PPO: $3 \times 0.78 \times 1000 = 2\,000$ toe

The biofuel share of total sales of transport fuels in 2005 is:

energy content of biofuels / energy content of all transport fuels =

$$3 \text{ million} \times 33.6 / (5466 \text{ million} \times 32.5 + 7481 \times 35.9 + 679 \times 24.7 + 3 \text{ million} \times 33.6) = 0.022\%$$

Calculated on the basis of the energy content of the total amount of petrol and diesel placed on the Dutch market in 2005, the share of biofuels and other renewable fuels (as specified in Article 3 of Directive 2003/30/EC) was as follows:

The proportion of biofuels in petrol and diesel is:

Energy content of biofuels / energy content of petrol and diesel =

$$3 \text{ million} \times 33.6 / (5466 \text{ million} \times 32.5 + 7481 \times 35.9) = 0.023\%$$

There were no exceptional conditions in the supply of crude oil or oil products in the Netherlands in 2005 which affected the marketing of biofuels and other renewable fuels.

Annex 1

Calorific values and toe conversion factors

1 tonne of oil equivalent = 41 868 000 000 joule = 41.868 GJ

Fuel:	energy content	conversion factor
Petrol	32.5 MJ per litre	0.78 toe/m ³
Diesel	35.9 MJ per litre	0.86 toe/m ³
LPG	24.7 MJ per litre	0.59 toe/m ³
PPO	33.6 MJ per litre	0.80 toe/m ³
Biodiesel	33.6 MJ per litre	0.80 toe/m ³
Ethanol	21.3 MJ per litre	0.51 toe/m ³
ETBE	26.9 MJ per litre	0.64 toe/m ³