REPORT
on the promotion of the use of biofuels and other renewable fuels in transport
ESTONIA
2007

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 in place of diesel or petrol for transport purposes.

Under the Alcohol, Tobacco and Fuel Excise Duty Act, biofuel is exempt from excise duty once the European Commission has authorised it and until that authorisation expires. Biofuel, for which the first four digits of the CN code are 4401 or 4402, is unconditionally exempt from excise duty. Authorisation to exempt biofuel from excise duty was received from the European Commission in a letter dated 27 July 2005. The authorisation number for the exemption of biofuel from excise duty is 314/2005 and it is valid for 6 years.

On the basis of Order No 429 of 3 August 2006 and taking account of the European Commission's communications on the "Biomass Action Plan" and the "EU Strategy for Biofuels", the Government of the Republic drew up the **Development plan to promote the use of biomass and bio energy 2007-2013**. The main objective of this plan is to create suitable conditions for the development of domestic biofuel and bio energy production, reduce Estonia's dependence on imported resources and fossil fuels, reduce pressure on the natural environment, make efficient and sustainable use of land resources and promote full employment in rural areas.

The plan links up with development plans in other sectors and all existing promotional support measures. Further measures are also envisaged.
The development plan to promote the use of biomass and bio energy is sector-specific, and proposals to change related development plans can be made on the basis of its analyses in order to regulate sector markets more effectively.

The intention is to implement the development plan in two phases:
Phase I (2007-2008) will begin with studies to analyse the market, resources, technologies, market measures and other factors affecting biomass use. At the same time information activities will be launched and international cooperation continued.
In the first phase a strategic assessment of the environmental impact of the implementing measures in phase II will also be carried out.
In phase II (2009-2013) all the sound, well-justified market organisation measures to promote the use of biomass (subsidies, taxes, standards, knowledge acquisition, etc.) will be applied on the basis of the analyses and studies carried out in phase I.

The main objective of the **Estonian Environmental Strategy to 2010**, which was approved by a decision of the Parliament on 26 October 2005, is to ensure a healthy environment to people's satisfaction and the resources necessary for economic development, without causing any significant damage to nature and while maintaining the diversity of landscapes and ecosystems and taking account of the level of economic development.
One objective of this strategy is to reduce the negative impact of energy on the environment, make energy saving more effective, extend the use of renewable energy sources and increase public transport usage and mobility, with particular emphasis on electric and rail transport.
One of the tasks in meeting these objectives is to increase the proportion of biofuel in petrol and diesel consumption to 2% by 2006 and to 5.75% by 2011.

One of the priorities of the **Strategy for the use of national structural instruments 2007-2013** is to develop the energy sector. One objective of the priority is to increase the use of alternative transport fuels. To achieve this objective, support is being provided for the widespread dissemination of information concerning the use of alternative fuels and for investments linked to the reconstruction of means of transport.

On 8 February 2007 the Government approved the **Estonian Rural Development Plan 2007-2013.**
Within the framework of measure 1.4.3 of the rural development plan "Stimulating investment in bio energy", support is provided for investments aimed at the production of biomass and biofuels in agricultural holdings.
Within the framework of measure 1.5 "Improving the economic value of forests and adding value to forestry products", support is offered to micro-companies producing forestry products to invest in tangible and intangible assets in order to procure and introduce new products, production methods and technologies (including investments for the production of bio energy), so as to ensure a more extensive supply and broader use of forestry products, produce innovative forestry products of high quality with greater added

value (including bio energy products), and promote energy saving and environmentally sustainable management.
Within the framework of measure 1.6 of the rural development plan (adding value to agricultural products and non-wood forestry products), support is given to the production of biofuels from non-wood agricultural products and from the production waste from the manufacture of agricultural and non-wood forestry products.
Within the framework of measure 1.7.1 of the rural development programme "Developing new products, production methods and technologies in the farming and food sector and the forestry sector", support is provided for applied research and product innovation with regard to bio energy crops and biofuels.

The new **Public Procurement Act**, which entered into force on 1 May 2007, lays down the bases for the use of environmental indicators and criteria in public procurement. Section 3(6) of the Act states that, where possible, the contractor must favour environmentally sustainable solutions.

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. Article 107(3) will be implemented in Estonia from 2007.
In 2007 around EEK 700/ha will be paid in subsidies for energy crops, EEK 863.9/ha for growing agricultural crops and EEK 945/ha in standard agricultural subsidies.
In 2006 applications for energy crop subsidies totalled 11 565.49 ha. The number of applicants totalled 124.
Crops grown: rape (colza) – 11 374.14 ha; oats – 76.84 ha; reed canary grass – 113.41 ha; willow (energy brushwood) – 1.10 ha.

2. Renewable energy resources available for energy generation in Estonia

Estonia's renewable energy potential, which lies primarily in the co-generation of heat and electricity based on biofuel and in wind energy, is described in the 2005 report. The figures for the share of renewables in primary energy for 2006 are currently unavailable; they will be published in September.

Primary energy provision in 2005 was 216 PJ, of which approximately 60% was from oil shale and 12% from wood and peat combined.
In 2005 there was a considerable increase in the amount of renewable energy used to produce electricity. In 2005 there were 22 hydro and 7 wind turbines producing electricity for the Estonian grid, accounting for around 0.7% of total electricity production. The amount of electricity produced by wind power increased sevenfold compared with 2004. At the end of the year the total power output of the hydro and wind turbines reached 36.2 MW; as a result of the development projects the total power capacity by the end of 2006 could reach 60 MW or more.

The use of renewable fuels did not change significantly between 1999 and 2005. In 2005 around 12% of primary energy provision was generated from renewable energy sources, of which most continues to be accounted for by wood fuels.

3. Fuel consumption in transport in 2006

On the basis of preliminary data from the Statistics Estonia the following fuel was used for transport in 2006:

Diesel	525 000 tonnes
Petrol	308 000 tonnes
Liquefied gas (LPG for transport)	6 000 tonnes

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

On 1 January 2007 eleven biofuel production permits had been issued. According to information from manufacturers, 4 908 tonnes of biodiesel were produced in 2006, of which 85% was exported.
Information on the permits is available on the Tax and Customs Board's website: http://www.emta.ee.

According to the submitted report there were four biofuel operators in Estonia in 2006 and they released a total of 1 298 801 litres of biofuel (CN 38249098) for consumption. The total consumption of petrol and diesel in 2006 was 833 000 tonnes, of which biofuels accounted for 0.12%.
These calculations are based on the following data:

diesel – density 845 kg/m^3, energy value 43 MJ/kg;
petrol – density 775 kg/m^3, energy value 44 MJ/kg;
biofuel – density 900 kg/m^3, energy value 37 MJ/kg.

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.

The main problems concerning biofuel production and use in Estonia are:
• lack of knowledge of the effectiveness and impact of using biofuel;
• vehicle manufacturers take a cautious view of the use of biofuels;

• biofuels or fuels blended with biofuel are less competitive;
• selling biofuels requires the retailer to make extra investments;
• more statistics on biofuels must be obtained;
• there are no European standards for biofuels in many areas.

5. Objectives

It is noted in the chapter giving an overview of the fuel and energy sector in the "**Long-term national development plan for the fuel and energy sector until 2015**" adopted through a decision of the Parliament on 15 December 2004 that, under Directive 2003/30/EC, Estonia's objective is to ensure that the indicative amount of biofuel and other renewable fuels in the diesel and petrol on the market for use in transport is 2% by 2006 and 5.75% by 2011, calculated on the basis of energy value.
One objective of the **Estonian Environmental Strategy to 2010,** which was approved by Parliament on 26 October 2005, is to reduce the negative impact of energy on the environment, make energy saving more effective, extend the use of renewable energy sources and increase public transport usage and mobility, with particular emphasis on electric and rail transport.
One of the tasks in meeting these objectives is to increase the proportion of biofuel in petrol and diesel consumption to 2% by 2006, and to 5.75% by 2011.
The **Transport Development Plan 2006-2013** drawn up by the Ministry of Economic Affairs and Communications envisages that the use of green technologies will be stimulated and that, as a result of the measures taken, the use of alternative fuels will have risen to 5.75% by 2010.