Deputy permanent representative
of the republic of Hungary to the
European Union

Under Article 4(1) of Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport, Member States must report to the Commission before 1 July every 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 must 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.

The Government of the Republic of Hungary hereby informs the Commission of the measures it has taken to promote the use of biofuels in transport in 2006, in accordance with the points set out in Article 4(1) of Directive 2003/30/EC, in three sections as follows:

1. Measures taken to promote the use of biofuels to replace diesel or petrol for transport purposes in 2006

In accordance with the goals of Government Decision No **2058/2006 (III.27.) Korm.** concerning development of the production of biofuels and promotion of their use for transport, the Government of the Republic of Hungary implemented new measures to achieve a proportion of biofuels of 5.75% by 2010.

As of mid-2007, pursuant to **Act CXXVII of 2003** on excise duty and laying down specific rules on the sale of products subject to excise duty, differentiated taxation will come into force, as allowed under **Directive 2003/96/EC** restructuring the Community framework for the taxation of energy products and electricity, whereby standardised fuels containing biocomponents will enjoy a more favourable tax situation:

a) As of 1 July 2007, two tax levels became effective: a lower one (HUF 103.5/litre) for petrol with a sulphur content not higher than 10 ppm, containing at least 4.4% v/v of bioethanol and/or a corresponding amount of ETBE, and a higher one (HUF 111.8/litre) for petrol with a sulphur content above 10 ppm and/or a concentration of biocomponents lower than 4.4% v/v.

b) From 1 January 2008, diesel fuel will also be subject to two tax levels: the lower one (HUF 85/litre) for diesel with a sulphur content not higher than 10 ppm, containing at least 4.4% v/v of biodiesel, and a higher one (93 HUF/litre) for diesel with a sulphur content above 10 ppm and/or a concentration of biodiesel lower than 4.4% v/v.

The acceptance of the tax differentiation by the Commission is currently in progress, as reported by the Ministry of Finance.
A national standard was introduced: MSZ CWA 15293, entitled Motor Vehicle Fuels E85 Ethanol, Requirements and Test Methods. **Article 7(37)(B) of Act CXXVII of 2003** on excise duty and laying down specific rules on the sale of products subject to excise duty introduced fuel E85 as a product containing at least 70% bioethanol, prepared for fuel material under customs tariff number 3824 90 99, effective as of 1 January 2007. The bioethanol part of fuel E85 is exempted from excise duty[1]. The first petrol station trading E85 opened in Hungary at the beginning of July.

A tax concession has been introduced, in accordance with EU legislation, for domestically produced biodiesel when used in engines operated in mines, in communal water management (e.g. pumps, dredgers), or in machines and facilities not intended for use on public roads.

With a view to allowing the use of biodiesel made from sunflower oil, an examination is under way of whether partial use of sunflower oil as a base material (blended with rapeseed oil) can meet the requirements of standard EN 14 214:2003. As stated by a potential investor, with application of appropriate sunflower hybrids the requirements of the above standard can be met. Without the proper hybrids, however, it is suggested that consideration be given to some alteration in the iodine number requirements of the EN standard.

In the frame of the Operational Programme KEOP, a technical, economic and environmental examination is under way of whether the use of biofuels produced from used cooking oil and subject to exemption from or reduction of excise duty can be extended to motorised vehicles providing local bus transport services.

The abovementioned Government Decision aims at developing production and processing capacity for the base materials for biofuels. For this reason, the Ministry of Agriculture and Rural Development is looking into the possibility of providing the necessary agricultural subsidies in accordance with the EU legislation on state aid. An action plan is being drawn up to harmonise developments in small regions. The Minister for Agriculture and Rural Development has issued and submitted to the public administration for conciliation the planned Decree (…)/2007. (…) FVM on the detailed conditions of value-added subsidising for agricultural products made for the preparation of alcohol for the manufacturing of biofuels from the European Agricultural and Rural Development Fund.

To make good the lack of information and provide the necessary professional knowledge concerning the activities associated with the production and processing of

[1] Approved by the Commission.

biofuels, a comprehensive study has been undertaken by the Institute of Transport Science.

Under the subsidy system of the National Research and Technology Office, priority support has been assigned to technical and scientific studies on research & development of biofuel production and application technologies since the middle of 2006.

As a result of the above-listed measures, significant progress is expected in the production of base materials and in the preparation and distribution of biofuels in Hungary as of mid-2007.

Exact data are not yet available but the sown area has considerably extended due to the increasing subsidies from the European Union and the expected increase in demand created by the regulations.

Several investments have commenced. Operation of biodiesel plants is planned to start by the end of the year on five sites with a total capacity of about 200 ktons/year. Bioethanol plant investments are also promising. Two plants, 150 ktons/year each, already have IPPC approval and building permission. Two further plants with the same capacities of 150 ktons/year are due to start by 2010. According to press reports, several similar investments are also planned.

The domestic fuel producer and dominant seller, MOL Inc., is ready to distribute fuels containing biocomponents.

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

As part of a subsidy system (KIOP: Environmental and Infrastructure Operative Programme, NEP: National Energy Saving Programme), about HUF 2.5 billion was assigned to renewable energy investments in 2006.

Renewable energy sources reached 5% of national energy consumption in 2006. In the domestic production of electric energy, the renewable-based proportion was 4.4% during the same period.

3. The total sales of transport fuel and the share of biofuels, pure or blended, placed on the market in 2006

Based on data from the Energy Centre Public Utility Company, fuel consumption in Hungary was 178.92 PJ in 2006. The detailed figures are listed in the table below (calculated using the following values: automotive petrol and diesel: 42 MJ/kg; ETBE: 34.9 MJ/kg):

Fuel consumption in 2006	kton	PJ
Automotive petrol	1550	65.100
Automotive diesel	2710	113.820
Total	4260	178.920

Of which 47% ETBE	14	0.488
Biodiesel	0.4	0.014

As for annual fuel consumption for transport, the proportion of biofuels in terms of energy content was 0.28% in 2006. The biocomponent of automotive petrol expressed as a percentage of energy content was nearly 1% during the same period. From mid-2007 on, due to the aforementioned measures and to putting built-up biofuel manufacturing capacity into operation, a significant increase in the proportion of biofuel can be expected.

National targets for 2010

Through the abovementioned Government Decision of 2006, the Hungarian Government set the objective of achieving a biofuel proportion of 5.75% in the fuel market in terms of the energy content of total fuel consumption for transport by 2010, as indicated in the relevant Directive. However, this target will not be met simply by implementing the Hungarian Government's measures. To meet the target, the changes currently being made to the quality requirements for fuels will also need to be made at EU level for admixing biofuels to standardised fuels. Another problem to be solved at EU level is to permit the introduction of biofuels into the national market in the future, taking into consideration multinational interests as well, which is necessary to meet the domestic target.