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**Report from the Netherlands for 2006 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 2006.

As from 2007 suppliers of petrol and diesel for road transport purposes are required to ensure that biofuels account for a certain percentage of their sales in the Netherlands. For 2007 the proportion is 2%, calculated on the basis of energy content, and for 2010 it is 5.75%, as laid down in the European Directive. The percentage for 2010 is based on the assumption that the Directive, which specifies fuel quality, is adapted in such a way as to make it possible to achieve the 5.75% target without adversely affecting the environment or safety. In 2008 and 2009 the percentage will be gradually increased to 3.25% and 4.5% respectively. This will ensure a smooth transition towards the target for 2010. In order to already make a start with the marketing of biofuels in 2006, tax incentives were granted so as to encourage the blending of a 2% biofuel component in fossil fuels. In this report an analysis will be made of the following points listed 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. The measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes

In 2006 a start was made on biofuel policy in the Netherlands by providing tax incentives, in the form of a reduction in excise duty, to encourage the blending of a 2% biofuel component (bio-ethanol, bio-ETBE or biodiesel). The target percentage for the blending of biofuels was

2% of the petrol and diesel placed on the market. In the case of the displaced quantity of unleaded light oil (petrol) to which at least 2% of ethyl alcohol had been added, the reduction in excise duty amounted to €10.10 per 1000 litres. If less ethyl alcohol was added the reduction was lowered proportionately. In the case of the displaced quantity of gas oil (diesel) to which at least 2% of biodiesel had been added, the reduction in excise duty amounted to €10.10 per 1000 litres. If less biodiesel was added the reduction was lowered proportionately. The rules relating to this excise duty incentive scheme are set out in Annex 1. In addition to the general reduction in excise duty for ethyl alcohol and biodiesel, relief from excise duty (€0.365 per litre) was granted, on a more limited scale and subject to certain conditions, for a small number of projects involving pure vegetable oil in 2006.

In 2007, the biofuel policy was continued by requiring suppliers of petrol and diesel for road transport purposes to ensure that biofuels account for 2% of their sales in the Netherlands, calculated on the basis of energy content. In 2010 the target they must aim for is 5.75%.

In addition to the tax incentive scheme, at the end of 2006 the Dutch cabinet allocated a total of 60 million euros of subsidies for projects relating to innovative biofuels which can bring about a significant reduction in CO₂ emissions. This scheme will run until the end of 2010.

Companies intending to invest in projects aimed at improving the production of innovative biofuels for transport purposes and which incur additional costs in order to reduce CO₂ emissions may be eligible for a subsidy. In addition to investment projects, the programme also supports application or exploitation projects aimed at reducing CO₂ emissions in the transport sector. Projects could be submitted to SenterNovem between 21 December 2006 and 2 April 2007.

2. The 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 for energy uses other than transport. 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 the application of renewable energy and energy saving. The production of energy from biomass is an integral component of these instruments.

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

When this report was drawn up no figures were available for the total amount of transport fuels placed on the market in 2006. For the time being, therefore, the sales of petrol, diesel and LPG for 2005 have been taken as the basis for the analysis:

Petrol: 5 466 million litres

Diesel: 7 481 million litres

LPG: 679 million litres

According to the Dutch tax Authority, the quantity of ethyl alcohol and biodiesel placed on the market in the Netherlands in 2006 under the general excise duty incentive scheme amounted to 30 096 378 and 18 451 574 litres respectively. In addition, 2 261 969 litres of pure vegetable oil (PVO) were placed on the market in 2006 in the context of the projects benefiting from excise duty relief.

The energy content values and tonnes of oil equivalent (toe) conversion factors indicated in Annex 2 were used as the basis for calculating the share of biofuels in the total quantities of transport fuels placed on the market in the Netherlands.

On the basis of these figures, the total sales of transport fuels and the market share of biofuels, whether pure or blended, and other renewable fuels placed on the market in 2005 (cf. Article 4 of Directive 2003/30/EC) were as follows:

Total sales of transport fuels:

Petrol: 5 466 million litres

Diesel: 7 481 million litres

LPG: 679 million litres

Pure vegetable oil: 2.3 million litres

Total sales of biofuels:

Bio-ethanol: 30 096 378 litres

Biodiesel: 18 451 574 litres

PVO: 2 261 969 litres

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

Quantity of fuel in millions of litres x conversion factor in MJ per m³ x 1000 m³ per million litres =

Petrol: $5\,466 \times 0.78 \times 1\,000 = 4\,263\,80$ toe

Diesel: $7\,481 \times 0.86 \times 1\,000 = 6\,433\,60$ toe

LPG: $679 \times 0.59 \times 1\,000 = 400\,610$ toe

PVO $2.26 \times 0.80 \times 1\,000 = 1\,810$ toe

Total: 11 099 60 toe

The quantity of biofuels expressed in terms of tonnes of oil equivalent is as follows:

Quantity of fuel in litres x conversion factor in MJ per m³/1000 litre per m³ per =

Bio-ethanol: $30\,096\,378 \times 0.51/1\,000 = 15\,349$ toe

Biodiesel: $18\,451\,574 \times 0.80/1\,000 = 14\,761$ toe

PVO: $2\,261\,969 \times 0.80/1\,000 = 11\,810$ toe

Total: 31 920 toe

The share of biofuels in total sales of transport fuels:

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

$(30\,096\,378 \times 21.3 + 18\,451\,574 \times 33.6 + 2\,261\,969 \times 33.6)$

$/(5\,466 \text{ million} \times 32.5 + 7\,481 \text{ million} \times 35.9 + 679 \text{ million} \times 24.7 + 2\,26 \text{ million} \times 33.6)$

= 0.289 %

Calculated on the basis of the energy content of the total amount of petrol and diesel placed on the Dutch market in 2006, the share of biofuels and other renewable fuels (cf. Article 3 of Directive 2003/30/EC) was as follows:

The proportion of biofuels in the petrol and diesel marketed is:

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

$(30\,096\,378 \times 21.3 + 18\,451\,574 \times 33.6 + 2\,261\,969 \times 33.6) / (5.466 \text{ million} \times 32.5 + 7.481 \text{ million} \times 35.9) = 0.300 \%$

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
Amendment of tax legislation (2006 Tax Plan)

CHAPTER VA: SPECIAL ARRANGEMENTS FOR BIOFUELS

Article 72a

1. In keeping with the conditions and restrictions to be laid down by general administrative order, the displacement tax owable within the meaning of Article 2(1) in respect of unleaded light oil and gas oil shall be eligible for a reduction provided that biofuels have been added to these mineral oils.
2. For the purposes of implementing this reduction, the following definitions shall apply:
 - a. “unleaded light oil”: as defined in accordance with Article 26(2);
 - b. “gas oil”: as defined in accordance with Article 26(4) other than gas oil taxed at the rate specified in Article 27(3).
3. For the purposes of implementing this reduction, the following definitions shall apply:
 - a. ethyl alcohol within the meaning of CN code 2207 10 00, other than ethyl alcohol produced synthetically with an alcoholic strength of 99% vol;
 - b. biodiesel, i.e. a mixture of methyl-esters of fatty acids of vegetable oils or animal fats, within the meaning of CN code 3824 90 99.
4. The reduction amounts to €10.10 per 1000 litres of unleaded light oil to the extent that at least 2% of ethyl alcohol has been added to the displaced quantity of unleaded light oil. If less ethyl alcohol has been added the reduction will be lowered proportionately.
5. The reduction amounts to €10.10 per 1000 litres of gas oil to the extent that at least 2% of biodiesel has been added to the displaced quantity of gas oil. If less biodiesel has been added the reduction will be lowered proportionately.
6. The additives referred to in the fourth and fifth subparagraphs are evident from the records. Included in the records are the quantities of ethyl alcohol and biodiesel stored or produced in

the excise warehouse and added to the quantities of unleaded light oil and gas oil displaced from that warehouse. Also included in the records are the quantities of biofuels added to unleaded light oil and gas oil which, pursuant to Article 2(3)(a), have been transferred to another excise warehouse.

7. More detailed rules can be laid down for the implementation of this Article by ministerial order.

Annex 2

Calorific values and toe conversion factors

1 tonne of oil equivalent = 41 868 000 000 joules = 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
PVO	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