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To: DG TREN

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Subject: Directive 2003/30/EC of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport – Fulfilment of information obligations pursuant to Article 4 (2007)

Please note the following in regard to the reporting obligations applicable under Article 4 of Directive 2003/30/EC of 8 May 2003.

(1) **National measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes**

National legislation (Article 2c of Decree-Law No 2 of 10 January 2006, later - with amendments – Law No 81 of 11 March 2006) makes it binding on producers of diesel fuel or petrol to place on the market a quantity of biofuel which is set in advance in relation to the total quantity of fuel – diesel and petrol combined – placed on the market in the course of the preceding calendar year. The minimum percentages increase after the first year of application of the instrument concerned.

The percentage set for 2007 was 1% (based on the energy content) of the diesel fuel and petrol placed on the market in Italy.

Article 21 of Legislative Decree No 504 of 26 October 1995 (the sole instrument in regard to excise duty) provides, in accordance with the Community rules on indirect taxes on energy products, that all products – including biofuels – used as fuel, fuel additives or which serve to increase the final volume of fuel used by self-propelled vehicles are to be subject to excise duty.

Accordingly, in view of the high cost of producing fuel from biomass, national legislation included, in respect of 2007 too, a number of provisions intended to reduce the final cost of the products concerned by adjusting the tax component and making certain biofuels more competitive in relation to the fossil fuels which they may be intended to replace.

More specifically, the above-mentioned tax measures focused on the replacement of diesel fuel and petrol by biodiesel and fuel obtained from vegetable-based ethanol respectively.

Accordingly, the following provisions applied in 2007:

- Article 22a (1) to (4) of Legislative Decree No 504 of 26 October 1995 (the sole instrument in regard to excise duty) introduced by Article 1(371) of Law No 296 of 27 December 2006 providing, over a four-year period (1 January 2007 to 31 December 2010) for the application of a reduced 20% rate of duty on biofuel within an annual quota of 250 000 tonnes (the relief may be recalculated on the basis of the ratio between the costs of diesel fuel and biodiesel respectively);
- Article 22a (5) of the sole instrument governing excise duty, which provides, as part of a three-year programme of incentives, for reduced rates of excise duty on certain fuels and additives (••• E) obtained from vegetable-based ethanol.

During the reporting period the rate of excise duty on diesel fuel in Italy was set at €416.00 per 1 000 litres (€423.00 per 1 000 litres from 1 June 2007). In the case of petrol used for the same purpose the duty for 2007 was set at €564.00 per 1 000 litres.

(2) **Total sales of transport fuel and the share of biofuels, pure or blended, and other renewable fuels placed on the market**

In 2007 about 11 886 000 tonnes of petrol was sold for use as fuel, while for diesel fuel the figure was about 26 118 000 tonnes.

During the same period around 200 000 tonnes of biodiesel was placed on the market.

No biofuel obtained from vegetable-based ethanol (ETBE and others) was, however, placed on the market that year, since the three-year programme to promote their use had not been launched – it was not approved by the Commission until the end of the year.

The ratio of biofuel to fossil fuel (petrol and diesel) in 2007 was accordingly 0.53% by weight. In terms of energy value the biofuel placed on the market in Italy during the reporting period was equivalent to about 0.46% of the total for petrol and diesel fuel combined.

(3) **National resources allocated to the production of biomass for energy uses other than transport**

None

(4) **Exceptional conditions in the supply of crude oil or oil products that have affected the marketing of biofuels and other renewable fuels**

The marketing of biofuels and other renewable fuels was not affected by exceptional conditions regarding the supply of crude oil or oil products as referred to in the second sentence of the third indent of Article 4(1) of Directive 2003/30/EC.

(5) **National indicative targets as referred to in Article 3 of Directive 2003/30/EC**

Article 3 of the instrument transposing Directive 2003/30/EC, i.e. Legislative Decree No 128 of 12 July 2005, which implements Directive 2003/30/EC, sets, as a national indicative target (to be met overall by 31 December 2010), that 2.5% (in terms of energy value) of the diesel fuel and petrol should be replaced by biofuel and other renewable fuels in 2007.

Moreover, regarding the national indicative targets for the second phase (second subparagraph of Article 4(1) of Directive 2003/30/EC), please note that, with effect from 1 January 2007, Legislative Decree No 128/2005 has been substantially amended, in particular as regards the national indicative targets for replacing fuel by biofuel. Article 3 of the Legislative Decree sets the following national indicative targets in terms of replacement:

- (a) 2.50% by 31 December 2008;
- (b) 5.75 % by 31 December 2010.