2009 report under Article 4(1) of Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport

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

- measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes,
- national resources allocated to the production of biomass for energy uses other than transport, and
- 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 informs the Commission in accordance with the aspects set out in Article 4(1) of Directive 2003/30/EC in the following three points in respect of the measures existing and taken to promote the use of biofuels for transport in 2009.

1. Measures existing and taken in 2009 to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes

- The Hungarian Government took further steps in accordance with the objectives of Government Decision 2058/2006 of 27 March 2006 on developing biofuel production and promoting its use in transport to further increase the biofuel share for 2010.
- The tax differentiation adopted from mid 2007 on the basis of Article 52(1)(a) of Act CXXVII of 2003 on excise duties and special rules governing the distribution of excise goods (hereinafter "the Jöt.") was in force until 30 June 2009. The provision granted more favourable tax treatment to fuels containing biocomponents, with the given customs heading and under the Hungarian standard in force.

a) Pursuant to Article 52(1)(a) of the Jöt. the tax for unleaded petrol was HUF 108.30 per litre, or if it contained at least 4.4 vol % bioethanol – either by direct blending and/or as ETBE – HUF 103.50 per litre.
b) From 1 January 2008 as a second step in introducing tax differentiation, two tax levels were established for diesel under the Hungarian standard in force for transport purposes: HUF 88.90 per litre or, if it contained at least 4.4 vol % biodiesel, HUF 85 per litre (Article 52(1)(d) of the Jöt.)

- In the case of the product E85 for fuel use containing bioethanol (minimum 70 % -maximum 85 %), under heading 3824 90 99 pursuant to the Hungarian standard in force (MSZ CWA 15293) no excise duty had to be paid on the bioethanol component even in 2009.

  Tax differentiation for bio fuels ended as of 1 July 2009. The intention behind the tax increase on fuels of 1 July 2009 was to eliminate tax differentiation based on biocontent for petrol and diesel in order to avoid the prior approval by the European Commission which is necessary if changing tax while applying tax differentiation. At the same time, a different incentive had to be introduced to promote the use of biofuels for transport. The relevant regulation was passed in the framework of the same legislative packet that eliminated tax differentiation, thus ensuring the entry into force of the new regulation on 1 July 2009.

  This is, in fact, what is technically accomplished by the amendment by adding Chapter XIII provisions on promoting the use of biofuels and other renewable fuels in transport of Act XXIX of 2004 on certain amending provisions, on repealing legal provisions and establishing certain legal provisions in relation to accession to the European Union (hereinafter 'EUtv.').

  The core of the legislation introduced is to specify the mandatory proportion of biofuels – which is applied in several EU Member States – and to lay down sanctions for compliance with the necessary incentives.

  The regulation obliged fuel distributors and, under the provisions of the Jöt., persons releasing fuels for free circulation to place on the market biofuels and other fuels containing renewable fuels amounting to a certain proportion of the fuels they place on the market, The mandatory biofuel share must be achieved every month. On the basis of authorisation by law this proportion is regulated by Government Decree 138/2009 of 30 June 2009 concerning the implementing rules for certain provisions promoting the use of biofuels in transport (hereinafter 'Government Decree 138/2009'). The minimum biofuel shares specified in energy content are already adjusted to the 4.8 % vol. adopted on the occasion of the previous amendment of Jöt. The mandatory biofuel share required in Article 143/A(1) of EUtv. is the sum of the amounts specified divided by the energy content of the fuels released for circulation, quoted as percentages to one decimal place, thus:

  (a) in the case of petrol 3.1 % of the amount placed on the market expressed in energy content

  (a) in the case of diesel 4.4% of the amount placed on the market expressed in energy content

  When calculating biofuel shares those biofuels for which the duty has been partly reduced or fully repaid because of their bio content or fuels which were released for free circulation from security stocks specified in Act XLIX of 1993 on the security stocking of imported petroleum and petroleum products may not be taken into account.

  An appropriate registration and reporting obligation has been laid down to monitor compliance with the mandatory biofuel share, and this is verified by the customs authorities in accordance with the Government Decree. If the required blending ratio is not respected and the registration and reporting

obligations are not complied with the authority imposes a fine. The fine (based on the energy content of the missing biofuel and on the purchase price of biofuel) will be an appropriate incentive for distributors to comply with their obligations. A penalty of maximum HUF 1 million shall be payable for failing to submit a report or submitting a report with unsuitable content.

Pursuant to Article 55(4)(a) of the Jöt. for mining activities in mining sites and to Article 55(4)(b) of the Jöt., HUF 79 per litre may be refunded on tax paid on biodiesel produced in biofuel tax warehouses authorised by the customs authorities and actually used for operating machinery and mechanical equipment for public service tasks under Act LVII of 1995 on Water Management and not used in public road transport.

- Government Decision 2058/2006 of 27 March 2006 on the development of biofuel production and promotion of its use in transport set the development of raw material production and processing of biofuels as an objective, so the Ministry for Agriculture and Rural Development is currently investigating the possibilities for providing the necessary agricultural aid, which is in line with the support rules of the EU. In April 2009 FVM Decree 44/2009 of 11 April 2009 of the Minister for Agriculture and Rural Development on the detailed rules for providing support from the European Agricultural Fund for Rural Development for low-capacity plants producing plant-based raw alcohol and crude oil for non-food use was published. The scheme provides support for low-capacity plants producing plant-based raw alcohol and crude oil: the establishment of primary processing plants with a nominal capacity between 1 000 BS 10 000 tonnes a year, including the establishment of the production block (oil mill, fermentation area), the preparation block (mechanical digestion), the energy block (provision of renewable energy resources for production) and the by-product block. The scheme puts particular emphasis on sustainability, especially in order to guarantee the EU sustainability requirements. The closing date for tenders was 16 November 2009. Approximately 40 applications were submitted in response to the tender published on the basis of the Decree with the aim of setting up plants. In view of the fact that there were no such small capacity plants producing raw alcohol in Hungary before this scheme was published, it represented a major step ahead in promoting biofuel use.

- Of the applications receiving support from the tendering system Jedlik Ányos of the National Research and Technology Office (NKTH), the small experimental plant established for the development of new generation biofuels (mainly biodiesel) started operations in 2008. Evaluating and using the favourable experience gained, a new application was submitted for further expanding the raw materials and increasing the size of the plant in 2009. According to NKTH information the evaluation process is currently suspended.

As a result of the above measures, significant progress was made in respect of raw material production, processing and placing on the market.

- MOL Nyrt., Hungary's largest fuel producer and an important supplier, is marketing fuels containing biocomponents. Other suppliers did not have to pay additional excise duty for not blending biocomponents.

- The biodiesel plant of Rossi Biofuel Zrt. - in which the MOL group possesses 25% plus one shares – has capacity of 150 kilotonnes and is running

continuously in Komárom. The plant employing 39 employees and producing the biodiesel component (fatty acid methyl ester) was built with investment of approximately EUR 30 million. (The plant may be extended further.) The basic activity of the Zrt. is production and marketing of refined oil on MOL sites, where Rossi owns the equipment. Since trial production ended in February 2008 the undertaking has been operating continuously. Equipped with the most up-to-date technology, the plant produces biodiesel in compliance with the most stringent environmental requirements using rape seed oil, sunflower oil and used cooking oil. Glycerol, a by-product of the production process, is transferred to biogas plants or for other industrial use. Compared to 2008 domestic net revenue decreased in 2009, while exports increased, but the total balance showed a decrease of one million.

- Hungrana's bioethanol plant was opened in mid-2008 and has been operational ever since. Europe's largest maize-processing plant was opened in Szabadegyháza in Fejér County and, in addition to raw materials for the food industry, produces large amounts of bioethanol that has earned favourable environmental protection rating in the EU. Hungrana Kft.'s communication showed that the company spent around 100 million Euros on capacity building and is currently able to process 3 000 tons of raw materials a day, making it the largest maize-processing plant in Europe. Hungrana, which was created from the former spirit company, produces mainly starch, isosugar and alcohol from maize in its plant in Szabadegyháza, 25 kilometres from Székesfehérvár. The technological level of the company, which is 50-50 jointly owned by British-American Eaststarch and the Austrian AGRANA group, is in the forefront in Europe, but the capacity increase has made this Hungarian plant the most up to date in the sector in the EU. The company processes more than one million tonnes of maize a year and the plant which employs 285 employees made HUF 70 billion in revenue in 2009. Increasing the use of renewable energy resources and thereby decreasing greenhouse gas emissions is an EU target. Bioethanol produced from maize **may be used as an additive** to petrol and also as **fuel (E85)** with a high bioethanol content. **GreenPower E85 renewable fuel** is composed of almost 85 % of maize produced from bioethanol and 15 % of petrol. This product is standard fuel for Flexi Fuel Vehicles. One of the advantages of its use is the reduction of fossil origin carbon-dioxide and pollutant emission. The fuel burns more completely than petrol due to the high oxygen content of ethanol. The octane number of GreenPower E85 reaches 105, which is above the RON of **premium grade petrol**. Cooperating partners: Agip, Avia, Oil.

  Gy• ri Szeszgyár distillery in Gy• r also has bioethanol production capacity (production of potable spirits), but the undertaking is still not present on the Hungarian biofuel market although, according to the plans of the Ministry of Rural Development, if small holdings producing raw alcohol are set up using aid there is a possibility of investment to expand capacity.

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

In the framework of the tendering procedure of the National Energy Saving Programme (NEP) 107 applications using renewable energy resources were granted support in the amount of HUF 108.7 billion in 2008.

Description	number	HUF
Biomass	3	3 372 167
Wood gasification	65	48 165 074
Pellet	56	35 045 881
Wood-burning stove, fireplace and furnace	46	22 148 437
	170	**108 731 559**

In the framework of the Environment and Energy Operative Programme (KEOP) the aid granted to applications using renewable biomass and biogases amounted to almost HUF 6.07 billion with a total investment cost of HUF 15.6 billion.

KEOP 4.6 was launched in 2009, providing support for setting up medium- and large-capacity bioethanol plants. The approved action plan proposed a support framework of HUF 5 billion for 2009-2010. The maximum amount of aid may be HUF 1.5 billion (bioethanol production plant) which may be increased by another HUF 1 billion for setting up a renewable energy block providing energy for bioethanol production. No applications have been received for the scheme yet, although three clients have already stated their intention of submission. With two clients we have started the JASPERS (Joint Assistance to Support Projects in European Regions) consultations.

Energy saving and using biomass for energy purposes one top priority in the New Hungary Rural Development Programme (hereinafter 'ÚMVP') which is separately mentioned in the New Hungary Rural Development Strategic Plan.

The following sections of the European Agriculture Fund for Rural Development (EAFRD) supported the production and use of biomass for energy purposes within the ÚMVP:

1. Modernisation of livestock holdings:

The primary aim of the scheme is to modernise livestock holdings (development of animal husbandry facilities, manure storage and feeding), which, in the case of manure storage, may include construction of a biogas plant. The scheme was opened once in 2009. The applications submitted in 2009 are currently being processed and require financial resources of HUF 140 billion.

2. Support for ligneous and herbaceous energy crops

Support under the relevant headings may be requested for the planting of perennial herbaceous energy crops and propagated ligneous energy crops. 136 applications were received in response to the calls published so far for planting energy crops on almost 4 300 hectares, 3 400 hectares of which were for ligneous energy crops. The applications submitted in 2010 are currently being processed.

3. Support for acquisition of biomass furnaces

The installation of biomass furnaces and related primary and secondary development may receive support under the scheme. Only 12 applications were received under this scheme. Although the developments provide important references for future investment. Several sub-section schemes provide a possibility (e.g. acquisition of crop dryers combined with biomass

incineration systems) for the acquisition of biomass furnaces as part of complex developments.

4. Energy support for crop production facilities

The primary aim of the scheme is to modernise facilities built for crop production (refurbishing existing facilities and constructing new ones): weighbridges, receiving hoppers, control buildings, seed cleaners, crop dryers, crop storage rooms and transit tanks.

The scheme provides for constructing a crop dryer combined with a biomass incineration system. According to the current data 5 applicants received support for constructing a crop dryer combined with a biomass incineration system, and HUF 61.7 million was granted for biomass heat production equipment.

5. Support for horticultural energy use

The scheme supports the construction and refurbishing of horticultural facilities (polyethylene tunnels, glass houses, mushroom growing rooms, cold stores, potato stores etc.) It provides support under Objective 3 for developing the energy supply of the above facilities (e.g.: heating polyethylene tunnels with geothermal energy or with biomass systems). The scheme was published again at the end of 2009 and the applications are currently being processed.

Starting from 2005 - using the possibility provided for in Article 88 of Regulation (EC) No 1782/2003 - Hungary introduced the scheme for additional area payments for energy crop production, the detailed conditions for which in coming years are contained in the following Hungarian legislation:

FVM Decree 63/2008 of 6 May 2008 of the Minister for Agriculture and Rural Development;

FVM Decree 52/2009 of 16 April 2009 of the Minister for Agriculture and Rural Development;

In light of the above and in line with Regulation (EC) No 1973/2004 an additional EUR 45 per hectare (maximum) may be requested for producing energy crops. The detailed figures are to be found in the table.

2009:

Decree(s)/Regulation(s)	FVM Decree 52/2009 of 16 April 2009 of the Minister for Agriculture and Rural Development; Regulation (EC) 1973/2004
Communication(s)	-
Type of aid	Supplementary coupled with area aid (EU)
Number of applications	1 071
Area concerned (ha)	48 745.81
Applications receiving payment (number)	N/A
Area receiving payment (ha)	N/A
Amount paid (in HUF)	N/A

In 2009 renewable energy resources covered 7.4% of the energy consumption of the country. In the same period the proportion of renewables amounted to 8.00% of domestic electricity production.

3. Total sales of transport fuel and the share of biofuels, pure or blended, placed on the market for 2009

According to the data from the Ministry of National Economy, Hungarian fuel consumption amounted to 193 894 TJ in 2009. Details are given in the table below:

(The calculation used the following values: petrol and diesel: 43 TJ/kt; bioethanol: 27.0 TJ/kt, biodiesel: 37.00 TJ/kt)

Total sales of transport fuel and the share of biofuels, pure or blended, placed on the market for 2009						
	Litres	Density (kg/m3)	000 tonnes	TJ	e% (within fuels)	e% (proportion of biocomponents within the given fuel)
Petrol	2 025 618 195	785	1 590.11	68 375	35.26	
Diesel	3 454 498 935	845	2 919.05	125 519	64.74	
Total fuels	5 480 117 130		4 509.16	193 894	100	
Biocomponents						
Bioethanol	98 741 630	794	78.40	2 117	1.09	3.10
Biodiesel	157 813 204	883	139.35	5 156	2.66	4.11
Share of biofuels in the total amount of fossil fuels placed on the market 3.75%						

Calculated on the basis of energy content (TJ) the share of biofuels in annual fuel consumption for transport was 3.75 e%; the share of bioethanol in petrol was 3.10 e% and the share of biodiesel in diesel was 4.11 e% in 2009.