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## **Seventh report to the European Commission**

under Article 4(1) of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport

Presented by:

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## **Introduction**

This report is presented pursuant to Article 4(1) of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport, which is worded as follows:

‘Member States shall report to the Commission, before 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 shall 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 taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes

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## 1.1 Legislative framework for the marketing of biofuels in 2009

- > In 2009, the placing of biofuels on the motor fuels market was governed by Act No 98/2004 on excise duty on mineral oil, as amended. The version of this Act currently in force contains the following provisions:
- Under Section 19(6), the operator of a tax warehouse which is an undertaking for the production of mineral oil as specified in Section 6(1)(a) and (d) may, on the basis of a licence to produce blends and in the presence of a person authorised by a customs office, produce mineral oil which is a blend of:
    - a) mineral oil of CN codes 2710 11 41, 2710 11 45 or 2710 11 49 and the biogenous substance (ETBE) specified in Section 4(7)(c) in an amount not exceeding 15%;
    - b) mineral oil of CN codes 2710 19 41, 2710 19 45 or 2710 19 49 and a biogenous substance specified in Section 4(7)(a).
  - Under Section 6(5), the mineral oil referred to:
    - a) in Section 19(6)(a) attracts duty at the rate specified in paragraph 1(a), reduced by 47/100 of the percentage of the biogenous substance (ETBE) specified in Section 4(7)(c) that is contained in the blend, subject to a ceiling of 7.05 %;
    - b) in Section 19(6)(b) attracts duty at the rate specified in paragraph 1(d), reduced by the percentage share of a biogenous substance referred to in Section 4(7)(a), subject to a ceiling of 5 %.

Under Section 6(1), the rates of tax are set as follows:

- a) petrol of CN codes 2710 11 41, 2710 11 45 and 2710 11 49: EUR 514.50 per 1 000 litres;
- b) gas oil of CN codes 2710 19 41, 2710 19 45 and 2710 19 49, except as provided for in Section 7(1): EUR 368.00 per 1 000 litres.

Under Section 4(7), biogenous substances are:

- a) vegetable fats and oils, including those which have been chemically modified, listed in Chapter 15 of the Customs Nomenclature, and esters produced therefrom, provided that the proportion of hydrocarbons they contain does not exceed 5 % by volume;
- b) ethyl tertiary butyl ether produced from ethanol of CN Code 2207 20 00 which is not of synthetic origin.

> Government Regulation No 246/2006 requires producers and vendors to include in petrol and diesel fuels for transport minimum amounts of biofuels (or other renewable fuels) expressed as follows:

- for the period to 31 December 2006 as a reference value of 2 %, calculated on the basis of energy content, of the total amount of petrol and diesel fuel placed on the market,

- from 1 January 2007 to 31 December 2008 as a reference value of 2%, calculated on the basis of energy content, of the total amount of petrol and diesel fuel placed on the market,
- from 1 January 2009 to 31 January 2009 as a reference value of 3.4%, calculated on the basis of energy content, of the total amount of petrol and diesel fuel placed on the market,
- from 1 January 2010 to 31 December 2010 as a reference value of 5.75%, calculated on the basis of energy content, of the total amount of petrol and diesel fuel placed on the market.

## **1.2. Notification of state aid for implementation of the biofuels programme in 2009**

State aid scheme N 360/2006 - Slovak Republic - Advantageous tax treatment for utilisation of fuels from renewables pursuant to Directive 2003/96/EC (biofuels) was approved by a decision of the European Commission as part of a notification procedure (written notification of 19 July 2007).

The key elements of the approved scheme are as follows:

- exemption from excise duty applies to fuel blends of petrol with ETBE and diesel with esters, and the reduction in excise duty for these fuel blends is laid down for biofuel proportions of up to 7.05% and 5% by volume, respectively;
- only companies which operate as tax warehouses are eligible for reduced rates of excise duty;
- this measure is to be applied for a period of six years (from the date of entry into force of the Act on excise duty on mineral oil) under the specified conditions, the reduction in excise duty is funded from State resources, and the measure is designed to support companies which produce and market biofuels in Slovakia.

## **1.3. Overview of implementation of Government Regulation No 246/2006 in 2009**

### **a) Information on placing biofuels on the Slovak domestic market for motor fuels**

(Sections 3, 5 and 5a of the Government Regulation on biofuels)

Implementation of the biofuels programme continued in 2009 via the “grower/breeder – processor - biocomponent and motor fuels manufacturer - distributor - consumer/customer” chain of economic operators, in the form of:

- the blending of esters with diesel fuel in conformity with standard STN EN 590, and the placing on the Slovak market of imported diesel fuel with added esters in conformity with standard EN 590;
- the blending of ETBE (ethyl tertiary butyl ether) with petrol in conformity with standard STN EN 228 and the subsequent placing of the product on the domestic market.

Implementation of the biofuels programme is quantified in terms of achieving the reference value set for biofuels, namely 3.4%. The actual value achieved in 2009 was 3.4% in relation to the energy content of the total quantity of petrol and diesel fuel.

The reference value for 2009 was achieved as a result of putting the 'obligatory placing' of biofuels on the market into practice in accordance with Directive 98/70/EC relating to the quality of petrol and diesel fuels and the amendments thereto (Directive 2003/17/EC). The table in point 1 of this report presents information on this in quantitative terms and in terms of energy content.

## **b) Information on compliance with information system provisions for 2009**

(Section 4 of the Government Regulation on biofuels)

The sixth annual report, for 2008, was submitted to the European Commission's DG TREN (Directorate-General for Transport and Energy) on 25 June 2009 (annual reports submitted by EU Member States are published on the following website: [http://europa.eu.int/comm/energy/res/legislation/biofuels\\_en.htm](http://europa.eu.int/comm/energy/res/legislation/biofuels_en.htm)).

The Slovak Ministry of the Economy's report on the use of biocomponents in motor fuels for 2009 is based on returns submitted by motor fuel vendors and producers for 2009 pursuant to Section 4(4) of Regulation No 246/2006.

### **1.4. Other aspects of the implementation of the biofuels programme**

Practical implementation of the biofuels programme in the Slovak Republic began in the second half of 2006. Biocomponent production capacities in the 2004-08 period rose in line with biocomponent consumption.

Experts have recently published findings indicating that higher use of biofuels (in particular MERO) results in more nitrogen oxides being emitted than the combustion of fossil fuels. Nitrogen oxides are 269 times more potent as greenhouse gases than carbon dioxide, which is emitted only in the same quantities as are consumed during the growing of the vegetable matter that is processed into the relevant biofuel.

Act No 53/2009 amending Act No 98/2004 on excise duty on mineral oil, as amended, entered into force on 1 March 2009. Act No 493/2009 amending Act No 98/2004 on excise duty on mineral oil, as amended, entered into force on 1 December 2009.

## **2. Total sales of transport fuel and the share of biofuels, pure or blended, and other renewable fuels placed on the market during the preceding year**

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### **2.1 The Slovak domestic market for motor fuels since the entry into force of the Government Regulation on biofuels**

Government Regulation No 246/2006 on the minimum quantity of fuels produced from renewable sources in the petrol and diesel fuels placed on the market in the Slovak Republic, as amended by Government Regulation No 304/2008 (hereinafter the 'Government Regulation on biofuels'), which has been in force since 1 May 2006, transposed Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport.

In 2009, 86.725 PJ of motor fuels was released for consumption, of which biocomponents accounted for 3.4%.

The biofuels programme was implemented in the following ways in 2009:

- the blending of esters with diesel fuel in conformity with standard STN EN 590 (2004 version), and the placing on the Slovak market of imported diesel with added esters in conformity with standard EN 590 (2004 version),
- the blending of ETBE (ethyl tertiary butyl ether) with petrol conforming to STN EN 228 (2004 version) and the subsequent placing of this product on the domestic market.

Provisional Slovak technical standard STN P 65 6535 – Blended fuel for compression-ignition engines with a 30% fatty acid methyl ester (FAME) content – entered into force on 1 January 2009. This fuel, known as B30, is designed to power specially adapted compression-ignition engines, for instance in closed vehicle fleets, stationary machinery or non-road vehicles. The provisional technical standard is intended to cover practical testing of requirements for fuel with a high bio-component content until July 2011. The fuel in question is expected to help boost the use of biofuels for transport in the Slovak Republic.

First-generation biofuels have been placed on the Slovak motor fuels market as low-percentage blends of biocomponents and hydrocarbon fuels and have been distributed via existing infrastructure (distribution system and points of sale). Replacing part of the fossil fuel with biofuel is the simplest method, mainly because it can be used for all types of motor vehicle (customers do not need to be informed that the resulting motor fuels contain biofuel).

The obligation to place biofuels on the domestic market (in the form of 'obligatory placing') was established for 2009 in Section 5a of Government Regulation No 304/2008 amending Government Regulation No 246/2006, the reference value being 3.4%. Economic operators were therefore obliged to place biofuels on the market in a quantity corresponding to the reference value, calculated on the basis of the energy content of the total quantity of motor fuels covered by their business activities in 2009.

Implementation of the biofuels programme is shown in the following table:

Commodity	2007		2008		2009	
petrol, (t; m <sup>3</sup> )	<b>637 000</b>	<b>849 333</b>	<b>737 517</b>	<b>987 065</b>	<b>700 665</b>	<b>934 038</b>
ETBE, (t; m <sup>3</sup> )	37 000	50 000	23 232	31241	45 531	56 155
ETBE content of blend (% vol.)	-	<b>5.89</b>	-	<b>3.16</b>	-	<b>6.01</b>
Reference values (ETBE as % of energy content of petrol)	1.53	-	0.83	-	1.71	-
diesel, (t; m <sup>3</sup> )	<b>1 303 000</b>	<b>1 551 190</b>	<b>1 411 751</b>	<b>1 687 576.603</b>	<b>1 248 690</b>	<b>1 482 989</b>
esters, (t; m <sup>3</sup> )	52 000	59 091	65 357	<b>74 199</b>	62 048	70 433
ester content of blend (% vol.)	-	<b>3.81</b>	-	<b>4.396</b>	-	<b>4.75</b>
Reference values (esters as % of energy content of diesel)	3.13	-	3.63	-	3.8	-
Total reference values (biocomponents as % of energy content of motor fuels)	<b>2.59</b>		<b>2.65</b>		<b>3.40</b>	

Source:

**Administration of State Material Reserves of the Slovak Republic (SŠHR SR)** – petrol and diesel statistics (for 2007), ester and ETBE statistics (for 2007).

**Information provided by vendors and producers to the Slovak Ministry of Economic Affairs in accordance with Government Regulation No 246/2006** – petrol and diesel statistics and ester and ETBE statistics for 2008 and 2009.

**The energy share of biocomponents** in 2009 has been calculated on the basis of the figures presented in Annex II[*sic*] to Directive 2009/28/EC.

Adjustments to data for 2009 in line with Directive 2009/28/EC:

Motor fuel/biofuel	quantity (tonnes)	expressed in PJ	expressed in toe
petrol	700 665	30.129	719 608
diesel	1 248 690	53.694	1 282 459
ETBE	45 531	0.606	14 485
MERO	62 048	2.296	54 884

1 toe = 41.868 GJ (The IEA/OECD define one toe to be equal to 41.868 GJ<sup>[1]</sup> or 11.63 MWh)

## **Conclusion**

Directive 2009/28/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC was adopted by the European Parliament on 23 April 2009. It establishes a common framework for the promotion of energy from renewable sources. It sets mandatory national targets for the overall share of energy from renewable sources in gross final consumption of energy and for the share of energy from renewable sources in transport (10%). It establishes sustainability criteria for biofuels and bioliquids. In response to this Directive, the Slovak Republic will adopt, in the first half of 2010, an RES energy action plan setting national targets for the RES share of energy consumption in transport during the 2011-2020 period.