



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 6/4/2007

GAIN Report Number: E47051

EU-27

Bio-Fuels

Annual

2007

Approved by:

David Leishman
U.S Mission to the EU

Prepared by:

Karin Bendz in close collaboration with the FAS offices in the EU

Report Highlights:

In January 2007 the European Commission proposed to introduce a 10 percent binding target for biofuels in transport by 2020. Under the earlier EU Biofuels directive, the indicative targets for 2006 have not yet been reached.

The EU biofuel industry has been developing very rapidly. Production of biodiesel in 2005 was 2,879,700 MT, and is expected to reach 8,100,000 MT in 2007. The production of bioethanol has also been increasing, from 830,976 MT in 2005 to reach an expected level of 3,690,150 MT in 2008.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Brussels USEU [BE2]
[E4]

This report was only possible through the assistance, input and knowledge of:

Dietmar Achilles, FAS Bonn
Mila Boshnakova, FAS Sophia
Bettina Dahlbacka, FAS Stockholm
Monica Dobrescu, FAS Bucarest
Bob Flach, FAS The Hague
Stephen Hammond, FAS Madrid
Marie-Cecile Henard, FAS Paris
Petra Hrdlickova, FAS Prague
Roswitha Krautgartner, FAS Vienna
Sabine Lieberz, FAS Berlin
Wlodek Makowski, FAS Warsaw
Andreja Misir, FAS Zagreb
Ferenc Nemes, FAS Budapest
Sandro Perini, FAS Rome
Stamatis Sekliziotis, FAS Athens
Jennifer Wilson, FAS London

Data in this report is based on FAS analysts in the EU and is not official USDA data.

Benelux = Belgium, the Netherlands and Luxembourg

BtL = Biomass to liquid

CEN= European Committee for Standardization (Comité Européen de Normalisation)

HA = Hectares

MS = Member State

MT = Metric ton

Mtoe = Million tons of oil equivalence

MS = Member State

MY = Marketing Year

RME = Rapeseed Methyl Ester

Toe= Tons of oil equivalence

Executive Summary

On January 10, 2007, the European Commission proposed to introduce a binding 10 percent target for biofuels in transport fuel by 2020. This is part of a long term energy package which includes an overall binding 20 percent target for renewable energy. The proposed package includes legally binding targets, however allowing each Member State (MS) the freedom to determine the best renewable energy mix for its circumstances. Each MS will have to establish National Action Plans for their specific objectives and sectoral targets.

The European Union is the world's largest producer of biodiesel, which accounts for about 80 percent of the total EU biofuel market. As a result of the resilient market, especially in Germany, there are numerous actual and projected investments to increase production capacity. In some EU member states, the anticipation of new incentives or the desire to create jobs in rural areas has further added to the investment boom. At the end of 2006, biodiesel production capacity in the EU-27 was estimated at around 8.7 million MT.

Bioethanol is the second largest biofuel in the European Union, representing the remaining 20 percent of biofuel production. Bioethanol production and production capacity are also anticipated to increase. Bioethanol production, estimated at 1,355,200 MT for 2006 is projected to increase to 3,690,150 MT in 2008.

EU Biofuel Policy

On January 10, 2007, the European Commission proposed to introduce a binding 10 percent target for biofuels in transport fuel by 2020. This is part of a long term energy package which includes an overall binding 20 percent renewable energy target, a 10 percent binding minimum target for transport fuels, and a pathway to bring renewable energies in the fields of electricity heating and cooling and transport to the economic and political mainstream.

The proposed package will include legally binding targets, allowing each Member State the freedom to determine the best renewable energy mix for its circumstances. Each MS will have to establish National Action Plans, outlining their specific objectives and sectoral targets for each of the renewable energy sectors – electricity, biofuels and heating and cooling.

The proposal emphasizes the need for coordinated development of biofuels throughout the EU and states that it is important to define these targets now, as manufacturers will soon be designing the future vehicles that will need to run on these fuels. The Commission states that even though biofuels are more expensive than other forms of renewable energy, they are the only way to significantly reduce oil dependence in the transport sector over the next 15 years.

Commissioner Fischer Boel said she is delighted with the proposal and thinks energy production could be a strong card for the future of European agriculture and create around 300,000 new jobs around the EU, mainly in the rural areas. The Commissioner believes the 10 percent target is ambitious but realistic, and that there is room for both productions of food and of biomass for energy. Some of the bioenergy would have to be imported.

However, some food industries have urged the EU to abolish the mandatory targets, and to seriously assess the situation to reduce the pressure on the food industry. The food industry has said that the plan could provoke a serious shortage of raw materials, and unsustainable price increases.

EU renewable energy objectives		
	Renewable energy	Biofuels
2005 (achieved)	6.5 percent	1 percent
2010(indicative objective)	12 percent	5.75 percent
2020 (Proposed binding objective)	20 percent	10 percent

Source: European Commission

Biodiesel production and production capacity

The European Union is the biggest producer of biodiesel in the world, and biodiesel is the most important biofuel in the EU representing about 80 percent of the total biofuels market.

Biodiesel estimated production and production capacity in MT and 000' liters

EU-27 Estimated Biodiesel Situation (MT)				
	2005	2006	2007	2008
Production	2,879,700	5,155,000	8,100,000	12,397,000
Imports (extra EU) (MT)	22,673	104,000	430,000	458,000
Consumption (MT)	3,033,714	5,442,000	6,901,000	11,539,000
Exports (extra EU) (MT)	67,059	5,000	33,000	150,000

EU-27 Estimated Biodiesel Production Capacity (MT)					
Production Capacity	2005	2006	2007	2008	2010
	3,889,500	8,717,000	14,657,000	24,706,000	30,449,000

EU-27 Estimated Biodiesel Situation (000' liters)				
	2005	2006	2007	2008
Production	3,360,610	6,015,885	9,452,700	14,467,299
Imports (extra EU) (MT)	26,459	121,368	501,810	534,486
Consumption (MT)	3,540,344	6,350,814	8,053,467	13,466,013
Exports (extra EU) (MT)	78,258	5,835	38,511	175,050

EU-27 Estimated Biodiesel Production Capacity 000' (liters)					
	2005	2006	2007	2008	2010
Ptroduction Capacity	4,539,047	10,172,739	17,104,719	28,831,902	35,533,983

Source: FAS

Estimates presented in the table above are partly based on announced industry intentions to expand biodiesel production capacity in the EU. In 2007, EU biodiesel production is expected to exceed EU demand. This may suggest that current plans to further expand biodiesel production capacity may be potentially overestimating actual demand. Given the traditional shortage of biodiesel in the EU, good profit margins have encouraged many companies to produce not only for domestic demand in their own member state, but also for consumers in other EU member states.

In 2005 and in 2006, EU biodiesel companies and traders were very profitable. The German market in particular benefited from not only high mineral oil prices, but also from large tax benefits. These conditions generally encouraged an expansion of production capacity throughout the EU. In some EU member states the anticipation of new incentives (for instance in Bulgaria) or the desire to create jobs in rural areas (Greece) added to the investment boom. At the end of 2006, production capacity in the EU-27 was estimated to be around 8.7 million MT. Assuming that all the currently projected capacity actually comes to fruition, biodiesel production capacity could reach 15 million MT by the end of 2007, and 25

million MT at the end of 2008. However, as the profitability of all this planned expansion remains an open question, these upper limits may never be reached.

Lower oil prices, and recent changes in the German tax, have reduced demand for biodiesel in Germany in 2007. This development has also had a dampening effect on other MS, as it has reduced the opportunity to export biodiesel to Germany. In addition, cheaper imports from outside the EU and higher feedstock prices have added some pressure on overall profit margins. Currently, Germany has the highest production capacity in the EU. However, reportedly, a number of biodiesel plants in Germany operate are currently operating well below capacity. While a number of member states have put in place new mandates and incentives to increase biodiesel use in their respective countries, these new instruments have not yet offset the diminished opportunities of the German market.

EU-27 biodiesel production amounted to 5.1 million MT in 2006. The largest producers were Germany, Italy, France, and the U.K. accounting for 46, 14, 10, and 10 percent of EU-27 production, respectively. Despite lower profit margins, for 2007, production is projected to increase to 8.1 million MT. Rapeseed oil is the major feedstock for biodiesel production in the EU, followed by soybean oil, and sunflower oil. Palm oil, recycled cooking oils, and animal fat are also being used. In addition, Greece experiments with cottonseed oil.

Iodine numbers for some vegetable oils

	Iodine Number (g/100g)	Melting Point (°C)
Soybean oil	125-140	-12
Sunflower oil	125-135	-18
Rapeseed oil	97-115	5
Palm oil	44-58	30-38

In the Netherlands, feedstock will have to comply with sustainability standards in the future, which are difficult to meet, even for domestically produced oils. At any rate, in the EU-27 domestic vegetable oil production is not sufficient to meet demand for biodiesel production and a large share is made from imported oils. With the increase in production capacity, the import demand for oils is expected to further increase. However it is expected that once biomass-to-liquid (BtL) has reached large scale commercial feasibility, it will replace biodiesel as most important biofuel in the long run.

Imports of biodiesel from non-EU countries are expected to increase four fold from 104,000 MT in 2006 to 430,000 MT in 2007. One of the cited reasons for the increase in biodiesel imports has been the so-called "B99 issue", which started in January 2007. (see section on "B99").

Biodiesel consumption in 2006 amounted to 5.4 million MT and is expected to increase to 6.9 million MT in 2007. In 2006, the largest consumers were Germany, the U.K., France, and Austria accounting for 53, 18, 10, and 6 percent of EU-27 consumption, respectively. For 2007, the German consumption share is expected to drop to 29 percent, while the U.K. and France are expected to increase their share to 26 and 19 percent. Spain is expected to overtake Austria as the fourth largest market with 11 percent.

Exports to non-EU countries (mainly to Switzerland, Macedonia and Serbia) are expected to increase from 5,000 MT to 33,000 MT. As supply is likely to exceed demand, a built up of stocks is expected.

The development of European biodiesel production not only impacts plantings and crop production, but also the market for animal feed. In the past few years, rapeseed meal, as a

by-product of rapeseed oil production, has increasingly replaced soybean meal in cattle and swine feed rations, mainly in Germany and France. This trend is expected to further continue for the foreseeable future. Also, the increased availability and use of rapeseed meal for animal feed has resulted in lower consumption of corn gluten feed, mainly in the Netherlands.

B99

B99 is biodiesel that has been mixed with a small amount of conventional diesel. This fuel mixing is also known as "splashing." During the first months of 2007, 30,000-50,000 tons of B99 entered the EU monthly. Reportedly, there were biodiesel and feedstock shipments that were imported to the U.S., "splashed" or transformed into B99 to take advantage of the current 1\$/gallon blenders credit, and then subsequently exported to the EU.

The European Biodiesel and oilseed industries criticized the practice, and asked EU Trade Commissioner Peter Mandelson to look into the issue. On the U.S. side, there has been widespread recognition that "splashing" was an unintended consequence of the blenders credit. The U.S. Senate Finance Committee has already acted to introduce legislation that will deny blenders' credits for biodiesel blends exported from the U.S.

Bioethanol

Bioethanol is the second largest biofuel in the European Union, representing almost 20 percent of the biofuel production. It is mainly produced from crops rich in starch and sugar such as cereals and sugar beets. Bioethanol is normally used as a blend with normal gasoline in any proportion up to 5 percent. This blend can be used in modern spark-ignition engines without modification. Modified engines, such as flexi-fuel vehicles can run on E85 as well as on pure bioethanol and conventional petrol.

Bioethanol estimated production and production capacity in MT and 000' liters

EU-27 Estimated Bioethanol Situation (MT)			
	2006	2007	2008
Production	1,355,200	2,323,800	3,690,150
Imports (extra EU)	459,000	660,000	920,000
Consumption	1,245,520	1,963,300	4,291,000
Exports (extra EU)	101,174	185,300	215,600

EU-27 Estimated Bioethanol Production Capacity (MT)				
	2006	2007	2008	2010
Production Capacity	1,625,620	2,519,800	3,847,409	7,260,809

EU-27 Estimated Bioethanol Situation (000' liters)			
	2006	2007	2008
Production	1,707,552	2,927,988	4,649,589
Imports (extra EU)	578,340	831,600	1,159,200
Consumption	1,569,355	2,473,758	5,406,660
Exports (extra EU)	127,479	233,478	271,656

EU-27 Estimated Bioethanol Production Capacity (000 'liters)				
	2006	2007	2008	2010
Production Capacity	2,048,281	3,174,948	4,847,735	9,148,619

Source: FAS

Current estimates for production and production capacity indicate that the EU bioethanol industry is growing. While much of the focus and investment has traditionally been on biodiesel (a majority of EU vehicles run on diesel), bioethanol offers many opportunities for using a large variety of different feedstock.

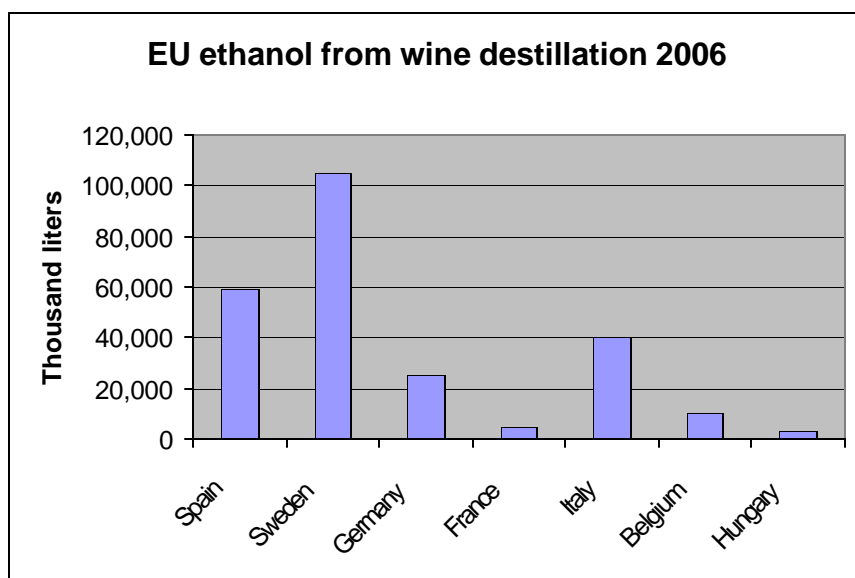
Import competition remains a very important concern for the EU bioethanol industry. It is often argued that cheap imports will make it very difficult for the industry to grow and manage without subsidies. Prior to 2006, there was a loophole which allowed a large amount of bioethanol to come in to Sweden. The loophole was closed in January 2006. Nevertheless, imports of bioethanol to the EU continue to increase, and are expected to double between 2006 and 2008. A large part of these imports will come through the Benelux, but also Sweden, France and the U.K, will see increasing imports.

Currently the most important EU bioethanol producer is Germany with an annual production of 450,000 MT in 2006. It is estimated that Spain had an annual production of 420,000 MT, which could reach 800,000 MT in 2008. France is also expected to significantly increase production from around about 200,000 MT in 2006 to an estimated 800,000 MT in 2008.

The most important feedstock for the production of bioethanol in the EU are cereals, mainly wheat and rye, and sugar beets. There is also one plant that is reportedly using corn. In 2006, an estimated 39 percent of bioethanol was made from wheat, followed by 17 percent from rye and 6 percent from barley. A considerable amount, roughly 16 percent, was produced from wine alcohol sold at the Commission's auctions. According to some analysts, wheat alcohol production will benefit from the EU's structural production surplus, while corn, rye and barley will remain minor elements in the feedstock mix. There continues to be a lot of speculation over the future use of straw and waste to develop cellulosic ethanol.

Wine Alcohol

In the framework of the Community Wine Management, the European Commission buys and sells wine alcohol on the European market to be transformed into bioethanol. Wine alcohol can be sold in one of the MS, transformed into bioethanol and then sold again on the market to a third MS. The method of dealing with the EU wine surplus that is called "crisis distillation." As crisis distillation has become "too commonplace," the new EU wine regime proposal is expected to substantially change the economic of feasibility of transforming wine into bioethanol. However, the reform proposal has not yet been finalized.



Source: The European Commission

Biogas

Production and use of biogas is also growing in the EU. The biggest producers of biogas are the U.K and Germany. Feedstocks varies from country to country and include landfill gas, sewage sludge gas, corn silage, liquid manure and cereals.

EU Biogas production (thousands of toe)		
	2004	2005
The U.K	1491.7	1,782.6
Germany	1294.7	1,294.4
Italy	335.5	376.5
Spain	295.1	316.9
France	207.0	209.0
The Netherlands	126.2	126.2
Sweden	105.1	105.1
EU Total	4,277.2	4,959.1

Source: EurObserver 06

The biogas is a mixture of 40-80 percent methane and the rest is mainly carbon dioxide. The gas has to be purified until it is 96-98 percent before it can be used as fuel in transportation. Biogas can be used in motors that can use natural gas. Currently only a very small proportion of the biogas production is used in transport. Most of the biogasis used in the production of electricity and heating.

Biofuel incentives

One of the major tools to increase the use of biofuels has been a reduction in taxes for biofuels at the consumer level. The EU directive on the taxation of energy products gives the MS a legal framework to differentiate taxation between biofuels and conventional fuels. Given that biofuel production costs are higher than the costs for conventional petroleum fuels, many argue that biofuel production requires some assistance to be competitive.

Currently, if a MS applies a tax break over its territory, this tax incentive has to be reported to the Commission every year. This is done to make sure there is no overcompensation.

Some suggest that compliance with the EU biofuels goals is perhaps easier for countries with a larger agricultural base, where biofuel development can contribute to new opportunities. Other countries may be reluctant to offer too many tax incentives, particularly as fuel taxes can have a very significant contribution to State revenues. This could potentially be a limiting in MS ability to reach the objectives of the European Biofuel Directive.

Germany has been a pioneer in using tax incentives to promote the use of biofuels. In Germany, pure biodiesel has traditionally been exempted from the 47 cents per liter mineral oil tax. Since 2004 this applied to all biofuels, and also to the biofuel portion of a particular blend. Given the high prices for petroleum based products, the tax break contributed to a very significant increase in the consumption and import of biodiesel from other EU member states. However, in June 2006, the German government decided to reduce the tax benefit for biofuels. There is now partial tax on pure biodiesel and pure vegetable oil, combined with some mandatory blending. Biodiesel in blends will no longer enjoy a tax reduction. This was done to avoid overcompensation and address concerns German budgetary concerns. The tax change has effectively dampened the momentum of the German biodiesel market significantly.

Mandates for biodiesel exist in the following countries:

Czech Republic: 2 percent volume starting in September 2007 (bioethanol 2008)

France: The French Government has set the following target rates of incorporation of biofuels into fossil fuels (percentage, in energy content):

Year	Incorporation rate
2005	1.2
2006	1.75
2007	3.5
2008	5.75
2009	7
2010	10

Fuel distributors blending biofuels at lower rates than these objectives have been penalized since 2005 by a tax called general tax on polluting activities (TGAP).

Germany: Mandates stated below refer to percent based on energy content not on volume, the difference between the specific and the overall mandates can be filled with any approved biofuel to the liking of the trader. Mandates apply to everybody who sells fuels, not just gas stations.

Year	Overall mandate	Biodiesel specific	Ethanol specific
2007		4.4	1.2
2008		4.4	2.0
2009	6.25	4.4	2.8
2010	6.75	4.4	3.6
2011	7.00	4.4	3.6
2012	7.25	4.4	3.6
2013	7.50	4.4	3.6
2014	7.75	4.4	3.6
2015	8.00	4.4	3.6

- Hungary:** 4.4 percent volume
- Netherlands:** 2 percent
- Romania:** 2 percent, started January 2007
- UK:** Increasing mandate starting in April 2008. Levels will be:
2.5 percent for 2008/09
3.75 percent for 2009/10
5 percent for 2010 and onwards
- Poland:** Poland is considering obligatory use of biocomponent in fuels, possibly since middle of 2007 or beginning of 2008, however time and limits are not determined yet.

Tax incentives:

- Belgium:** Tax benefits for certain quota for blending max. 3.75 percent
- France:** Reduced energy tax for certain volume (quota), marketed in France, distributed via bidding system for companies on a yearly basis. Bidding is also open for non-French companies. In the current cycle companies from France, Italy and Germany hold quotas entitlements.
- Germany:** Energy tax reduction for B100. Until August 2006, tax was set at zero. Currently tax amounts to 9 cents per liter versus 47 cents for diesel. The tax reduction is phased out over the next years. By 2012, taxes for diesel and biodiesel will be at the same level.
- Greece:** exemption for fuel tax for pre-fixed volume, by application, first come first served basis.
- Poland:** New tax exemptions, which were approved by parliament but not finally published yet, are slightly increasing current excise tax exemptions per liter of biocomponents added to biofuels: for diesel tax exemption to PLN 1.048 (Euro 0.28) from current PLN 1.0, and for ethanol excise tax exemptions to PLN 1.565 (Euro 0.41) from current PLN 1.5; for 100 percent biocomponent fuel excise tax will be reduced down to PLN 0.01 (Euro 0.003) from current PLN 0.20; The industry opinion is that tax exemptions are not sufficient to be attractive
- Hungary** excise tax repayment system, started January 2007
- Poland:** excise tax set to zero, went into effect January 2007, not enough to be attractive.
- UK:** 20 pence per liter fuel duty abatement since 2002, not enough to be attractive.

Direct subsidies:

Greece: for plant construction, objective: provide jobs in rural areas

Netherlands: for plant construction or research

Poland: Top-up on energy premium for farmers: additional PLN 176 (about 46 Euro) per ha has been approved by parliament for rapeseed producers contracting rapeseed for biofuel production; That addition together with energy premium will benefit rapeseed produced for biodiesel about total Euro 90 per hectare over the rapeseed for vegetable oil production.

In Poland and Bulgaria, proposals for additional measures are being discussed in the Parliament.

Energy Premium

The CAP Reform of 2003 introduced the so-called Energy Premium, which grants a payment of €45/ha to growers of energy crops, including crops grown for the production of biodiesel and bioethanol. The Energy Premium is available for all agricultural crops except hemp, as long as they are used for approved energy uses, and have a contract for this. EU farmers cannot get the energy premium for energy crops on set-aside land. In the beginning, the Energy Premium was only available for 1.5 million ha in EU-15, but as of Jan. 1, 2007, the Energy Premium is available for farmers in all MS and for 2.0 million ha.

Commissioner Fischer Boel has recently noted that there perhaps in the future CAP, Energy Premium could be abandoned; however no formal decisions have been taken.

Trade

Data on imports of biofuels into the European Union are difficult to obtain since there is no strictly defined HS code on either bioethanol or biodiesel. Moreover, the EU not only imports biofuels but it also imports feedstock to produce the biofuels.

Biodiesel trade

Biodiesel imports into the EU are subject to an *ad valorem* duty of 6.5 percent. However, there is no significant external trade, since the EU is by far the world's biggest producer. As earlier mentioned, imports of biodiesel from non-EU countries are expected to increase four fold from 104,000 MT in 2006, to 430,000 MT in 2007, largely due to the existing B99 issue.

Bioethanol trade

Bioethanol is traded under several different tariff codes. Most external trade of bioethanol is in the form of denatured and undenatured alcohol. Such alcohols, if imported from developing countries, enjoy, in most cases, preferential treatment – imports totaled on average more than 2.5 million hectoliters per year from 2002 to 2004. From trade data, it is difficult to establish whether or not imported alcohol is used for fuel in the EU. Increasing quantities of bioethanol are imported as “bioethanol blended with petrol”. Bioethanol is also imported blended in ETBE. The main countries exporting bioethanol to the EU are Brazil, Egypt, Guatemala, Pakistan, Ukraine and the United States. Some enjoy reduced tariffs on these exports; others have duty-free access. Over the 2002–2004 period approximately 70

percent of imports were traded under preferential conditions. Almost 61 percent were duty free, while 9 percent benefited from some type of duty reduction. Those preferential trade terms are granted mainly to poorer developing countries, under two regimes, the Generalized System of Preferences (GSP), including, inter alia, the Everything But Arms (EBA) initiative, and the Cotonou Agreement.

Export possibilities for the U.S

With a significant demand for vegetable oil to produce biodiesel, there is a clear trend of increasing imports into the EU. One of the limiting factors is the iodine number of particular vegetable oil; this number is an indication of the content of unsaturated fatty acids. Palm oil, for example, has a low iodine number. The low content of unsaturated fatty acids and a high melting point, make it unsuitable for most European climates. However, there is some discussion to revise the current CEN standard that could open markets for oils with a higher iodine value. Soybeans and soyoil could become an attractive option for EU biodiesel producers.

For bioethanol, there is currently no feedstock deficit in the EU. There is an availability of grain, and with the recent sugar reform there is expectation that some of the area under production for sugar will turn to producing feedstock for the ethanol industry.

Visit our website: our website <http://useu.usmission.gov/agri/> provides a broad range of useful information on EU import rules and food laws and allows easy access to USEU reports, trade information and other practical information.

E-mail: AgUSEU.Brussels@usda.gov

Related reports from USEU Brussels:

12/14/2006

Report Number	Title	Date Released
FI7002	Finnish Companies Join Forces in Biofuel Development	03/26/07
FR7001	French biofuel production plans	05/01/07
FR7009	Impacts on oilseed industry following biofuel boom	02/16/07
GM6049	German EU presidency: Congress on the Role of Biofuels for RD	12/14/06
GM6051	Read-out from Fuels of the Future Congress in Berlin	12/19/06
GM7005	Green-Week and East-West Forum Summary	02/07/07
GM7011	German Biodiesel Market Faces Severe Threats	03/16/07

GM7021	Bioenergy Village – a concept for Energy Self-Sufficiency in Rural Areas	05/29/07
NL7010	Anticipated Impact on EU Commodity Imports	05/07/2007
PL7003	New Tax Regulation for Biofuels	01/18/07
PL7028	New Tax Incentives Are Not Enough For Polish Biofuel Producers	05/30/07
SW7007	Bio-Fuels Annual	
These reports can be accessed through our website http://useu.usmission.gov/agri/ or through the FAS website http://www.fas.usda.gov/scriptsw/attacherep/default.asp .		

SUMMARY TABLE IMPLEMENTATION OF DIRECTIVE 2003/30

	Total fuel cons. Mln tonnes	Biofuels Volume		BioDiesel Ktons	EtOH Ktons	Tax incentive €/hl + (%)		Time frame detaxation	Outlook
		Ktonnes	%			Biodiesel	EtoH		
Germany (2005) (source German report to the Commission)	53.5	2222	3.75	1800 plus 196,000 MT vegetable oil for fuel use	222008: 5.75% 2010: 7% 2015: 10% ⁶	47.04 (100%)	65.45 (100%)	2004 – 2011 Gradual phase out of tax benefits started in August 2006	Mandates (based on energy content) Biodiesel 2007 onwards: 4.4 % Bioethanol 2007: 1.2 % 2008: 2.0 % 2009: 2.8 % 2010 onwards: 3.6 % Overall biofuel mandate: 2009: 6.25 % gradually increasing to 8.00 % by 2015
France(1)	42	481 (2005) 805.4 (2006)	0.93 (2005) 1.6 (2006)	2005: 370 (1.01%) 2006: 570 (1.5%)	2005: 111 (0.82 %) 2006: 235.3 (1.9%)	2005: 33 (79%) 2006: 25	2005: 38 (64.5%) for ETBE, 37 (62.7%) for Ethanol 2006: 33	1991-2015	Objectives: 2005: 1.2% 2006: 1.75% 2007: 3.5% 2008: 5.75% 2010: 7% 2015: 10%
UK* (2)	48.0	10.8	0.03	10.8	0	29 (42%) (3)	33 (42%)	2005 - 2008	2005: 0.3% UK gov sets target for 2010 in 2005
Spain*	28.7	267	0.92	65	202	100%	100%	Until 31/12/2012	2005: 2%
Netherlands(2006)	10.9	60	0.6	10	50	0	0	2007-2010	2% as of 2007 - 2010: 5.75%
Sweden*	6.60	310	3	57	253	37.3 (100%)	55.9 (100%)	2004 - 2008	2010: 5.75%
Austria** (3)	7.9	55	0.07	55	0	29 (100%) Up to 2% blends	Not yet decided	?	1/4/2005: 2.5%, 1/4/2007: 4.3% 1/4/2008: 5.75%
Poland*	12.2 (2006)	103 (2006)	0.1 (2006)	10 (2006)	93 (2006)	28.00 (almost 100% of excise tax)	41.00 (almost 100% of excise tex)	To be reviewed yearly	2010: 5.75%
Greece***	5.4	0	0	0	0	Not yet decided	Not yet decided	?	?
Portugal**	5.1	0	0	0	0	1% of fuel market 100% exempted	1% of fuel market 100% exempted	?	2005: 1.15%
Czech Republic* (4)	6.0	47	1.35	47	0	31.7 (100%)	Not yet decided	2006-2013	2006: 8% 2010: 9.7%
Belgium* (2006)	8.6	0	0	0	0	Up to 3.37% blends (2007)	Up to 3.37% blends (2007)	2007-2010	2010: 5.75%

Denmark*** (5)	4.8	45	0	45	0	No CO2-tax	No CO2-tax	?	0
Hungary(2005) (8)	4.5	6	0.13	2	4	36 (100%)	42.7 (100%)	2004-2010	2008: 4.4%
Finland**	3.7	0	0	0	0	0	0	?	2005: 0.1%
Ireland*(6)	3.6	0	0	0	0	100%	100%	?	2005: 0.06% 2006: 0.13%
Slovakia**	1.8	3.0	0.29	3.0	0	Not yet decided	Not yet decided	?	2005: 2%
Lithuania*	1.15	4.1	0.35	2.2	1.9	100%	100%	2004-2010	2006: 2% 2011: 5.75%
Estonia**	0.89	0	0	0	0	100%	100%	?	?
Latvia**	0.97	2.5	0.3	2.5	0	Unclear	Unclear	2003-2010	2005: 2%, 2010: 5.75%
Cyprus**	0.6	0	0	0	0	Not yet decided	Not yet decided	?	?
Malta*	0.18	0.18	0.1	0.18	0	100%	100%	?	2005: 0.3%
Bulgaria**	1.7	40 (7)	0.02	20	20	unclear	unclear	?	2008-2%, 2010-5.75%

Source: e-bio, updated by FAS.

Year of data: * 2004; ** 2003; *** 2002,

- (1) The volume for direct blending is capped to 20 mln litres/yr; France has introduced beginning 2005 a penalty system in case biofuels are not used by oil companies.
- (2) The UK duty reduction is 20 pence a litre.
- (3) Austria produced in 2003 around 55 Ktons biodiesel 90% of which was sold to Germany and Italy.
- (4) In the CZ the law doesn't allow more than 31% RME to be blended into diesel.
- (5) All for export to Germany.
- (6) For biodiesel the maximum volume is 7 million litres yearly, for bioethanol 1 million litres (for both E85 and 5% blending). These are pilot projects.
- (7) Data for biofuel production is FAS estimates for 2007. Out of 40 Ktons of biofuels, 21 Ktons are consumed.
- (8) In 2005, eligible fuel distributors could claim back maximum 2 percent of the excise tax of fuels they sold.