

# Biofuels in Austria

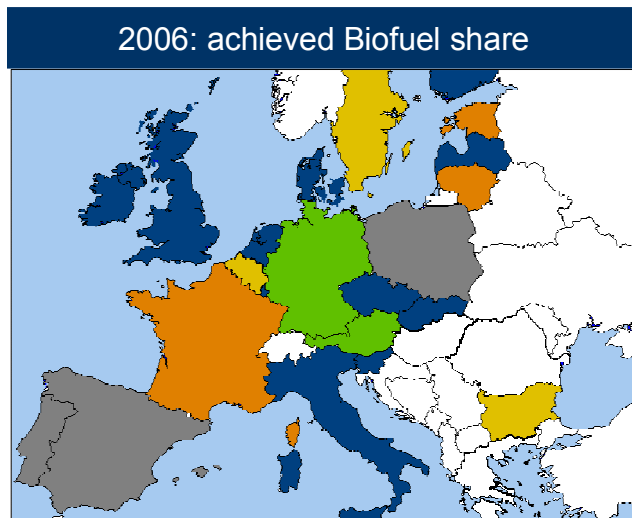
## An effective implementation model within EU context

Dubrovnik, November 12<sup>th</sup> 2007

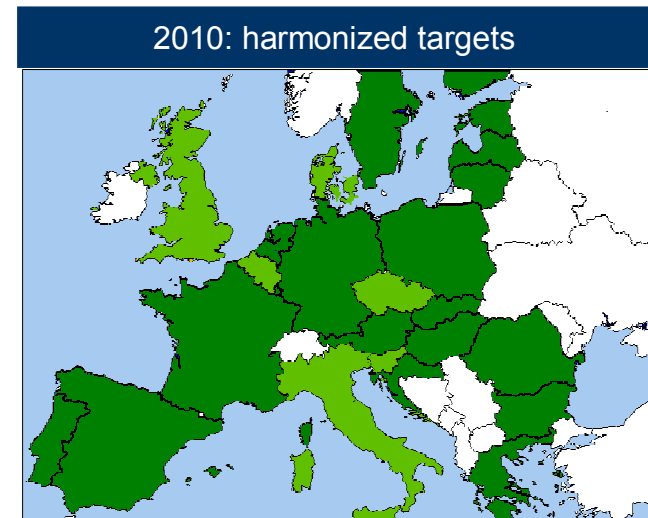
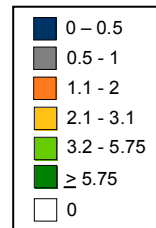
# Biofuels: The European Background:

## Highly fragmented Biofuels shares in 2006, harmonized targets in 2010

- ▶ Bio fuels directive 2003/30/EC
  - ▶ 2005: 2,5% (energ.) transport bio fuels (indicative targets)
  - ▶ 2010: 5.75% (energ.) transport bio fuels (indicative targets)
  - ▶ 2020: 10% (energ.) transport bio fuels (binding targets)



0	0-1%	> 1%	> 3%
Romania	CZ, SK	Belgium	Germany
Luxembourg	Denmark	Bulgaria	Austria
Hungary	Ireland	Estonia	Schweden
Greece	Italy	France	
Finnland	Latvia	Lithuania	
	Malta	Portugal	
	Netherlands		
	Poland		
	UK		



< 5,75%	≥ 5,75%
Belgium	Germany 6.75%
Czech Rep.	France 7.0%
Italy	Austria 10%
Slovenia	
UK	

Source: PVM 2007, FO Licht 2007, EU Commission: Member States Reports in the frame of Directive 2003/30EC

# Which Biofuels are used?

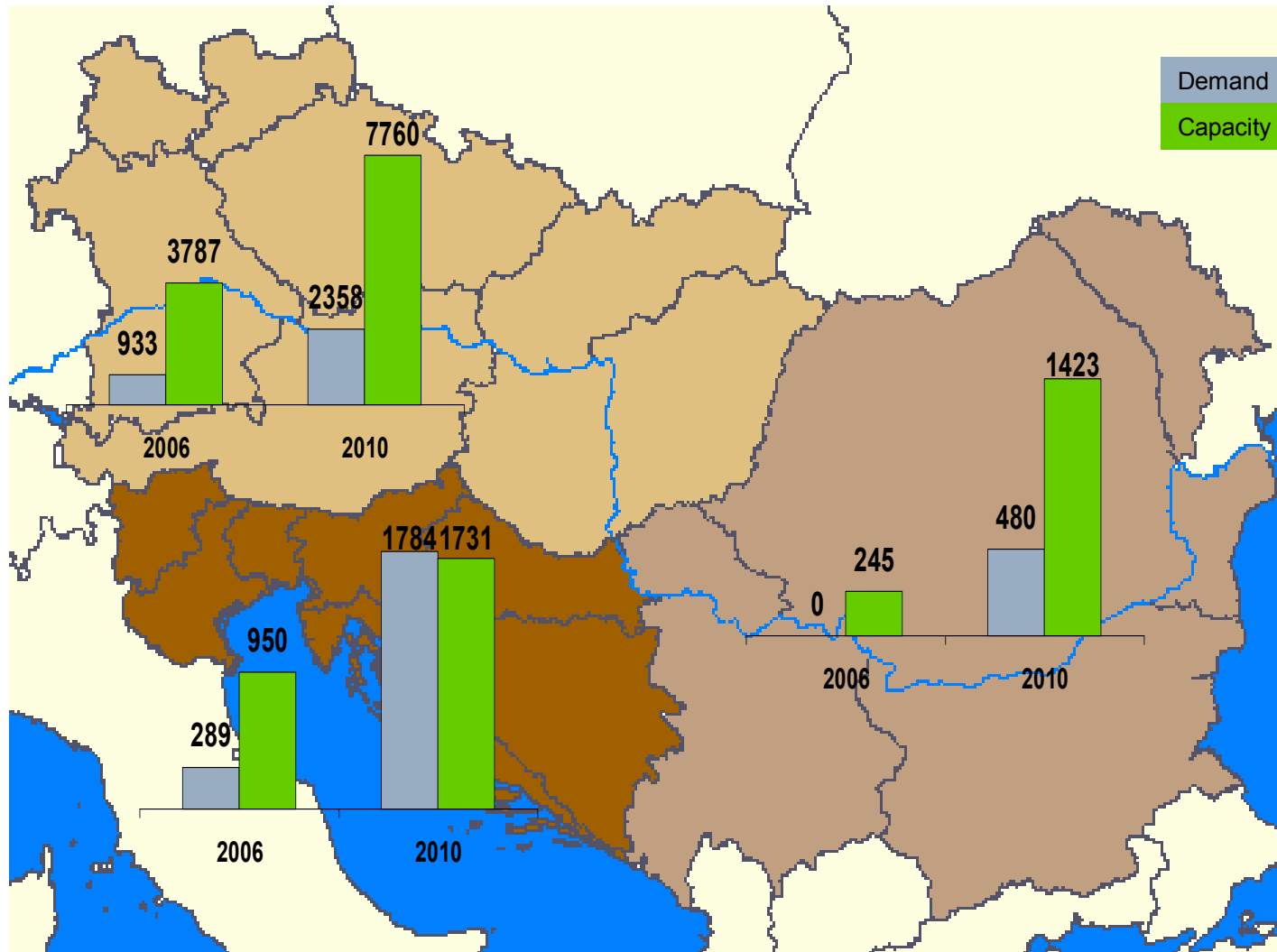
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► §2 Biofuels are

1. **Bioethanol** is an ethanol (with a minimum content of alcohol 99%vol) produced from biomass and/or biodegradable fractions of waste.
2. **Fatty acid methyl ester** produced from vegetable or animal oil or fat
3. **Biogas** is purified gas produced from biomass or waste
4. **Biomethanol**
5. **Biodimethylether**
6. **Bio-ETBE** (47%vol is calculated as biofuel)
7. **Bio-MTBE** (36%vol is calculated as biofuel)
8. **Synthetic biofuels** produced from biomass
9. **Biohydrogen** produced from biomass or waste
10. **Pure vegetable oil** produced from oil plants through pressing, extraction or comparable procedures but chemically unmodified

# FAME Capacities in OMV Countries

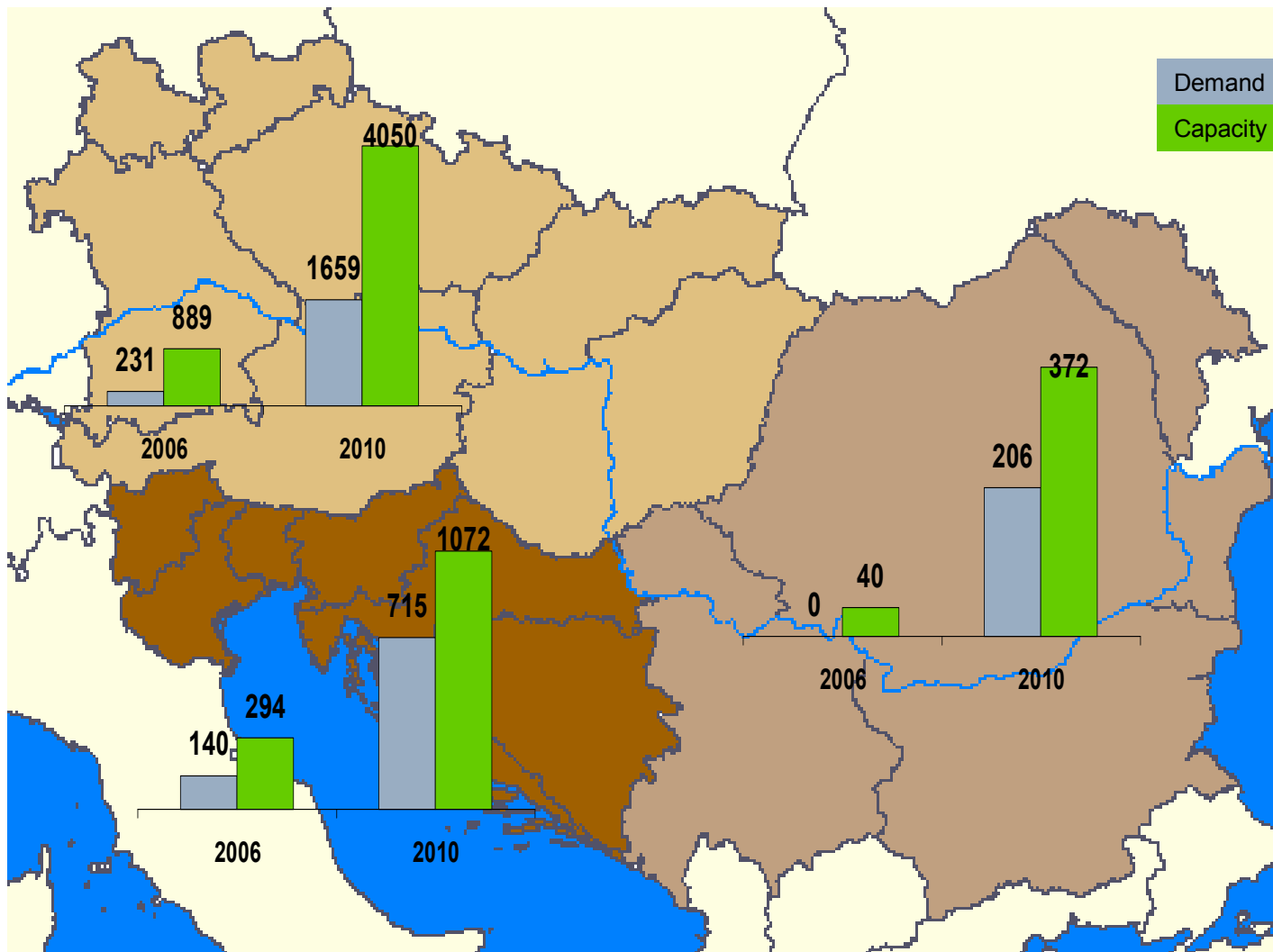
## Imbalance as risk for Industry



Source: FO Licht, IFQC, own sources

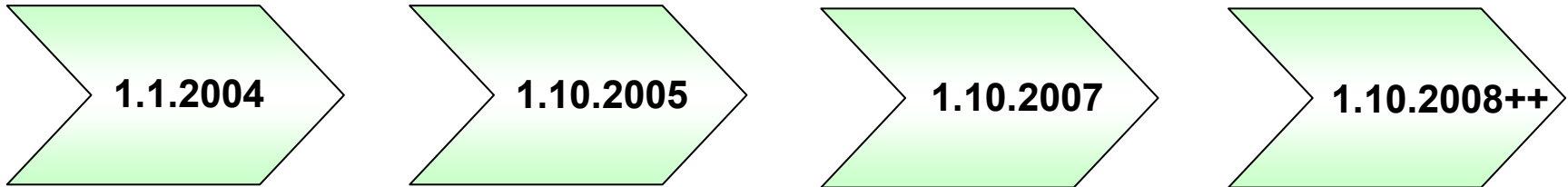
# Ethanol Capacities in OMV Countries

## Oversupply and Competition with Imports



Source: FO Licht, IFQC, own sources

# Biofuels – Road of Implementation in Austria



non-harmonized development in other EU

- ▶ Implementation of EU Directive(s)
- ▶ Biofuels are tax free
- ▶ No economics for biofuels (too low level of excise tax)
- ▶ Niche use of FAME
- ▶ FAME production plants since early 1990s

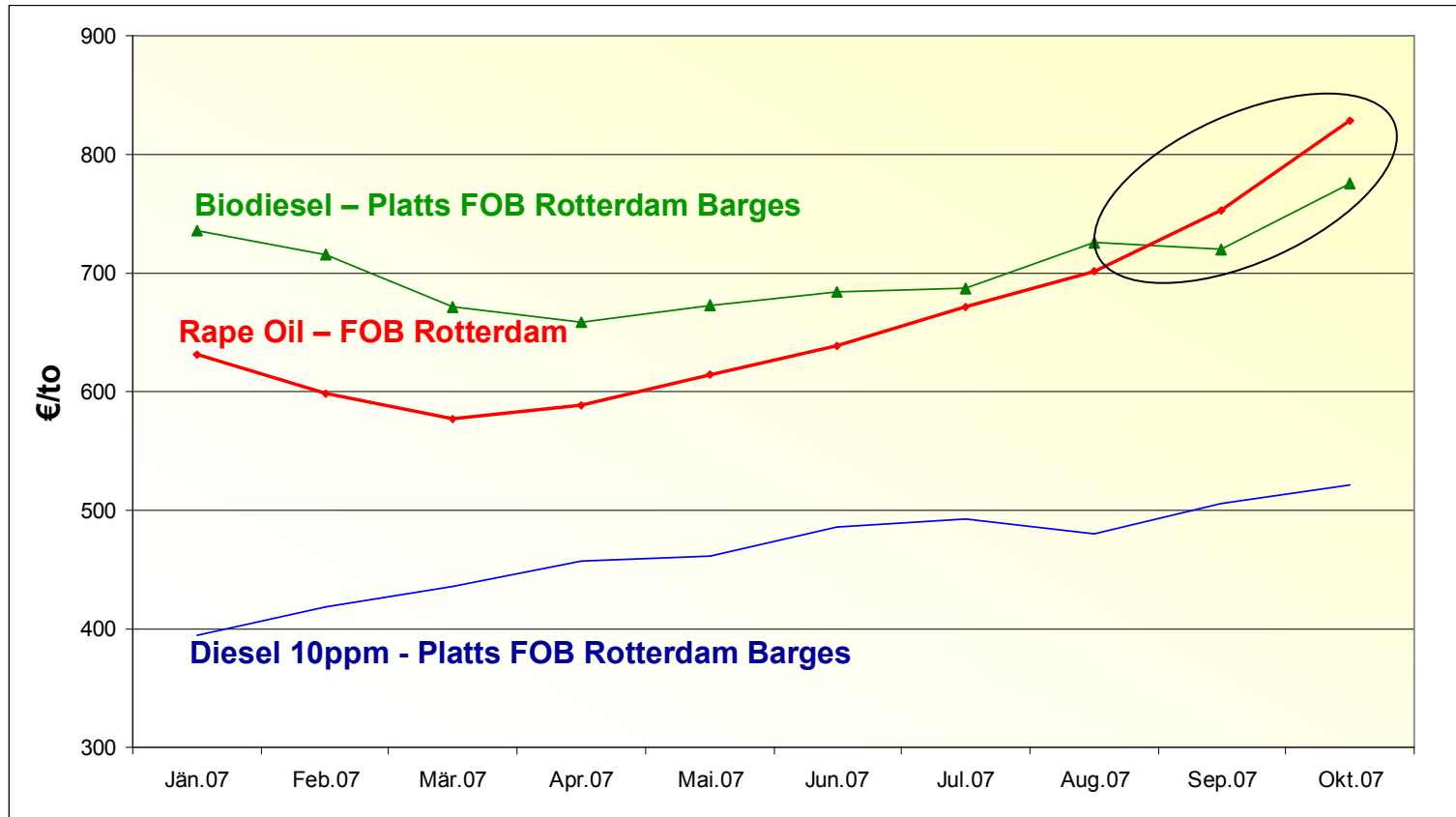
- ▶ Mandatory substitution target of 2,5% energ.
- ▶ Implementation of new excise tax regulation for Diesel
- ▶ Min.4,4% vol. bio (FAME) needs to be guaranteed in each liter of Diesel to achieve lower tax level
- ▶ ~300.000 tons of FAME consumption per year as B5

- ▶ Mandatory substitution target of 4,3% energ.
- ▶ Implementation of new excise tax regulation for gasoline
- ▶ Min.4,4% vol. bio (ETBE or Ethanol) needs to be guaranteed in each liter of gasoline to achieve lower tax level
- ▶ ~100.000 tons of Ethanol consumption per year as E5
- ▶ Implementation of E85 regulation

- ▶ Development of Mandatory substitution targets  
1.10.2008: 5,75%  
Draft 2010: 10%  
Draft 2020: 20%
- ▶ Political action needed to achieve these targets

# Biofuels must be economic!

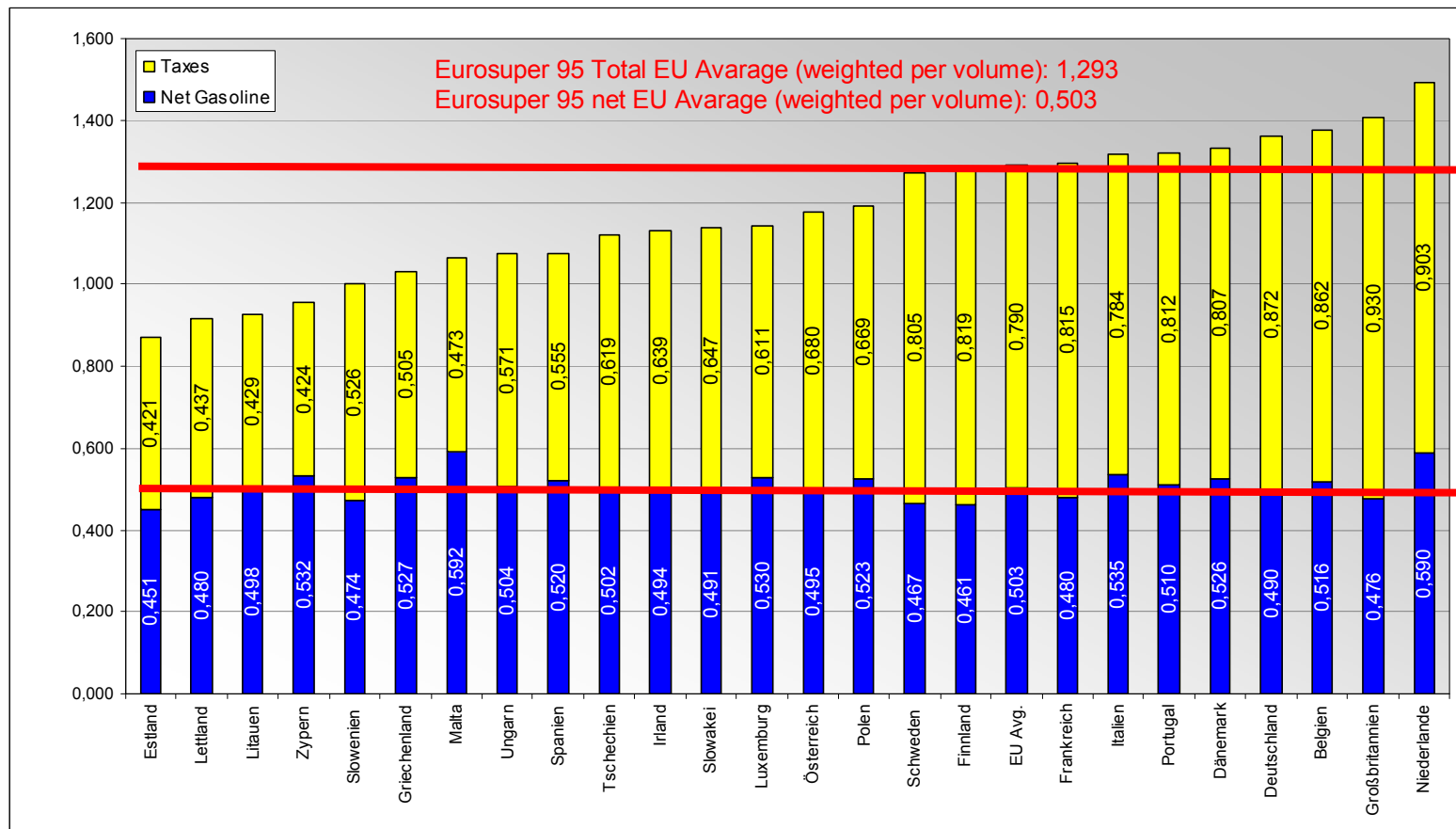
## Example on Biodiesel



- ▶ Europe: Biofuels are twice times more than fossils
- ▶ Biofuels prices in Europe under pressure:
  - ▶ cheap (subsidized) imports from overseas
  - ▶ High feedstock price levels

# Excise Taxes are used to subsidize Biofuels

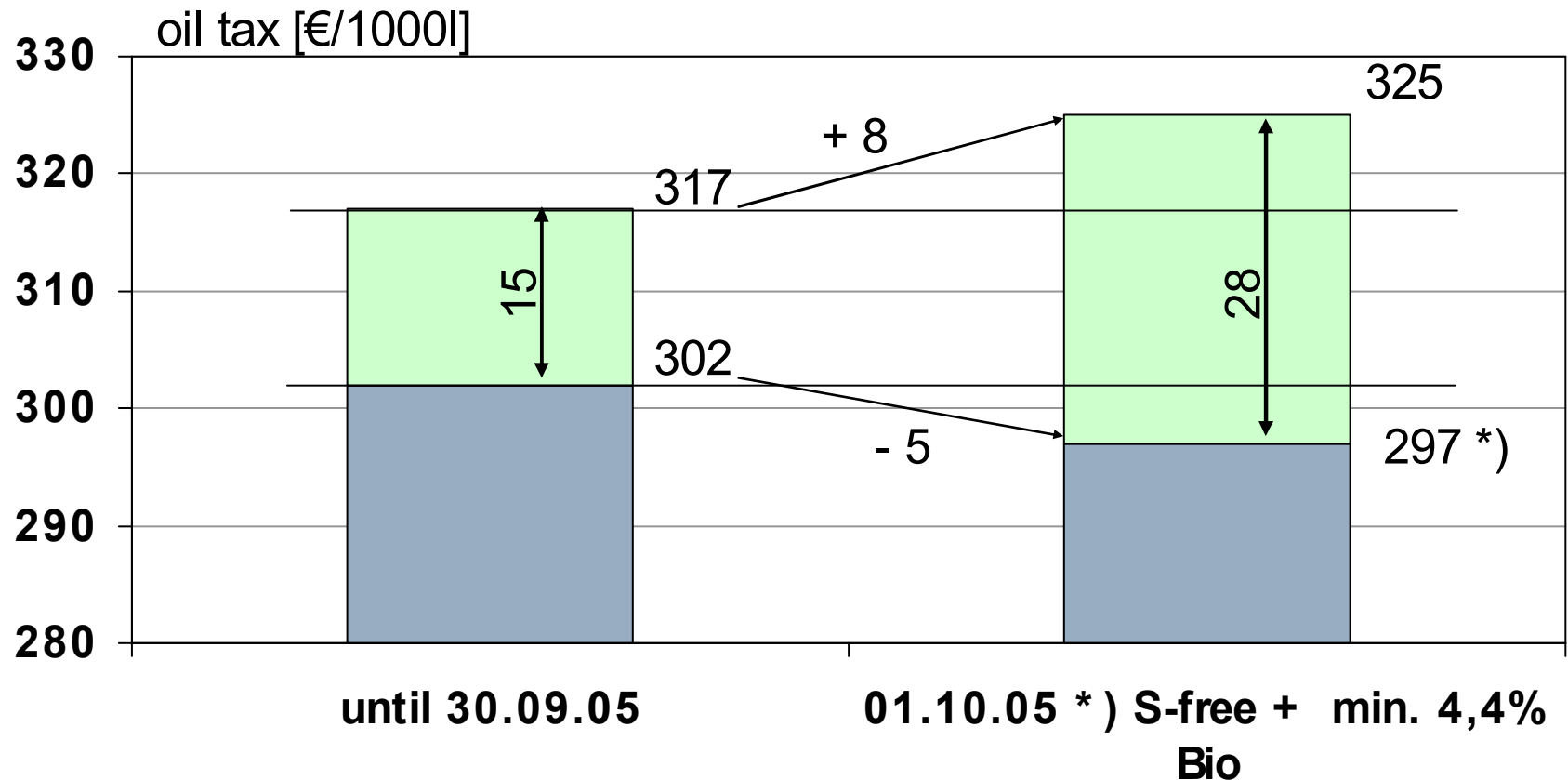
## Tax-Differences in EU



Source: European Oil Bulletin, 29<sup>th</sup> of October 2007

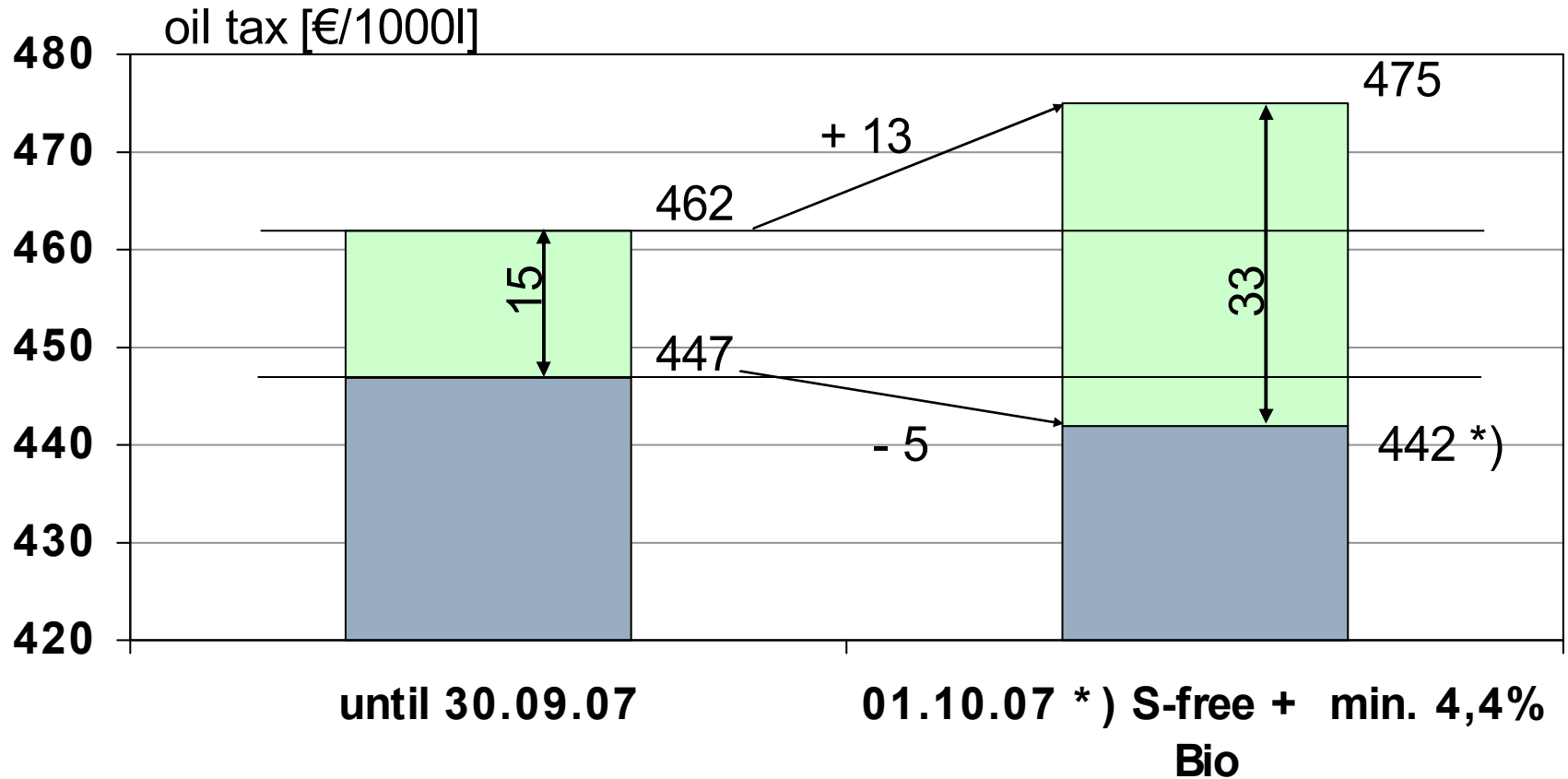
- ▶ Common way: Biofuels are tax free
- ▶ If tax exemption does not cover additional cost, no satisfying use of Biofuels

# Excise Taxes in Austria (diesel): How to make Biofuels use interesting?



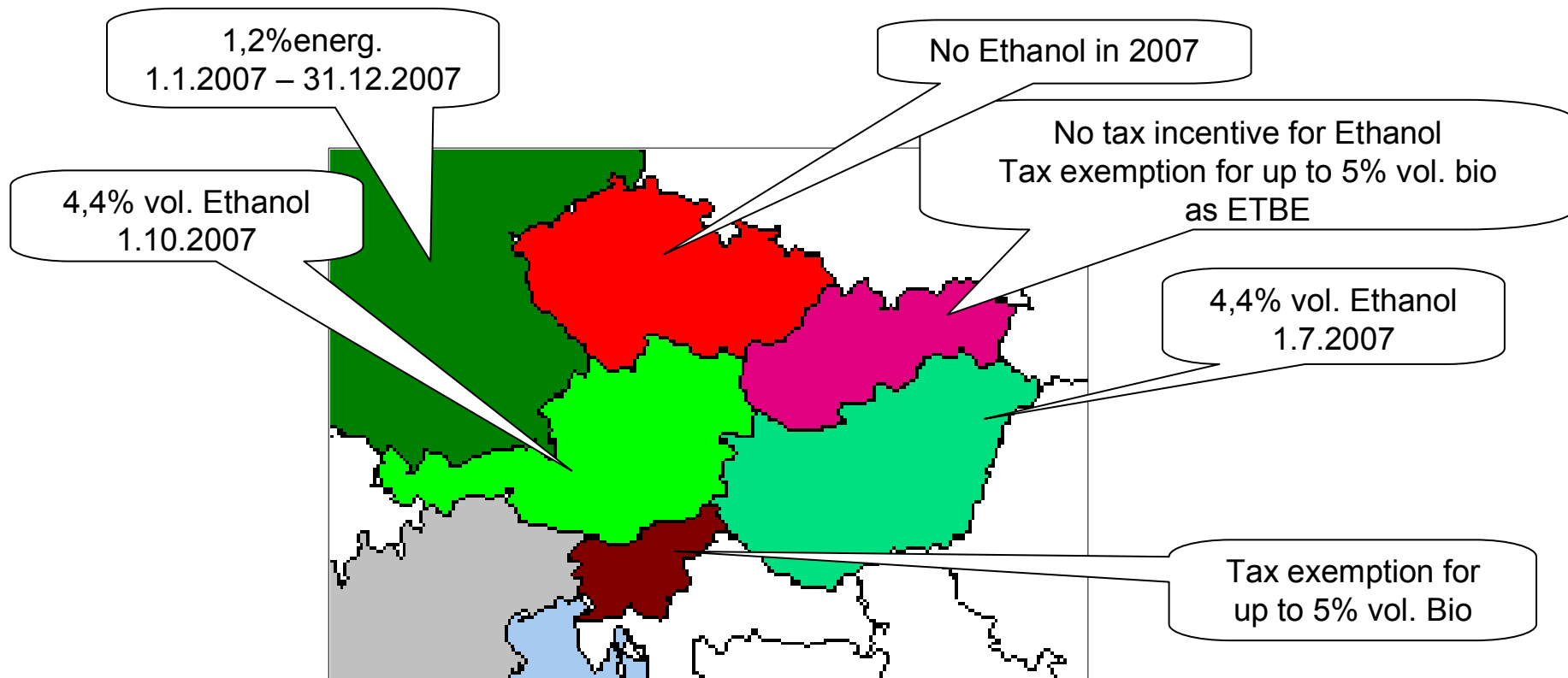
- ▶ Higher Biofuels costs were not covered by the excise tax exemption
- ▶ Tax spread is much higher than biofuels costs
- ▶ Market regulates itself: who does not use biofuels loses margin

# Excise Taxes in Austria (gasoline): How to make Biofuels use interesting?



- ▶ Taxation and/or penalty systems are regulating the level biofuels used
- ▶ Biofuels are still more expensive as fossils
- ▶ If Biofuels, who bears the costs?

# Implementation of Bio-ethanol in 2007: Complexity given by EU Member State Diversification



## OMV needs to manage:

- ▶ non-harmonized Excise Tax- and Bio legislations
- ▶ Different legislations on Ethanol handling (undenaturated vs. denaturated, EU origin,...)
- ▶ Different market approaches: Refinery- vs. Terminal blending, Ethanol vs. ETBE,....
- ▶ Complexity increases costs for consumers on top of bio

# Questions ?

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