

The biodiesel market in Poland

In 2005 Poland produced 100.000 tonnes of biodiesel which slightly rose to 116.000 tonnes during the following year, in 2006. Current biodiesel production capacity is quite limited, but number of large-scale projects should be realised in the next year 2008. Capacities increased from 100.000 tonnes per year in 2005 to 150.000 tonnes in 2006. Currently there are three plants operating totalling a capacity of 250.000 tonnes. By the beginning of next year such capacities expected to double at least.

Legislative framework

Transposition of Directive 2003/30 and national indicative targets

Before the entry into force of the *Biocomponents and Liquid Biofuels Act*, the national indicative targets, based on the energy content of transports fuels were as follows:

- 2005: 0,5%
- 2006: 1,5%
- 2007: 2,3%

The level of the targets will be increased each year so that Poland can meet the 5,75% in 2010. In June 2007, the Polish Government announced the adoption of mandatory targets for the next six years (see mandates).

Taxation

On January 1st, 2007 a new decree from the Ministry of Finance amending the 2004 Regulation on Exemptions from Excise Duty, entered into force. The previous taxation scheme was revised because exemptions granted were larger than allowed under EU legislation. The Parliament approved additional incentives for biofuel production on May 11, 2007. Under the new legislation, the excise tax exemption for biofuel producers has been increased by about 5% for each litre of esters added to biodiesel while the excise tax for 100% biodiesel fuels has been reduced to almost zero:

- ✓ regular excise on diesel = 1 048 PLN/m³ (279,61€/m³)
- ✓ tax exemption for biodiesel blends (minimum 2% biocomponents) = 1,048 PLN per litre of added biodiesel (instead of 1,00 PLN/liter)
- ✓ final excise tax on B100 has been reduced to 10 PLN/m³ (approx. €2,6/m³), instead of PLN 212/m³. B100 is also exempted from the additional road tax that is imposed on regular diesel, which was not the case in the previous version of the tax law.

The new taxation shall be implemented as from the date of publication of a European Commission decision confirming compliance of the state aid envisaged with the rules of the common market (this should be the case in the fall 2007.)

Direct subsidies

On September 24th, 2007 a new Act introducing an additional concession for producers of bio-components was adopted. The aim is to partly compensate the increased production costs of biodiesel. Producers would be able to subtract 19% of the difference between biofuel production costs and the costs involved in the manufacturing process of fuels with similar characteristics. The allowance will cover income gained from the beginning of 2007 and will be in force until 2014. This new provision, which still needs to receive EC Commission DG Competition approval, should cut state budget revenue for 2007 by some 31 Million €. In July, the Polish Ministry of Finance calculated that producing biodiesel is about PLN 1.5 (€0.40) more expensive than regular diesel. The aim of the new law is precisely to reduce this difference.

An additional support for farmers of 176 PLN per hectare is to be granted for those signing the long term contracts to supply feedstock to biofuel producers.

Mandates (if applicable)

As from 2008, yearly mandatory targets should apply for biofuels subject to fines in case of non-compliance.

Table 1. Amounts of biofuel used in fuels between 2000 2006* (* preliminary data)

Year	Gasoline (thousands of tonnes)	Diesel fuel (thousands of tonnes)	Bioethanol (thousands of tonnes)	Esters (thousands of tonnes)	Share based on energy content
2000	4,841	2,343	40.6	0	0.35%
2001	4,484	2,562	52.4	0	0.46%
2002	4,109	2,940	65.3	0	0.57%
2003	3,941	3,606	60.1	0	0.49%
2004	4,011	4,303	38.3	0	0.29%
2005	3,915	5,075	42.8	17.1	0.47%
2006*	4,048	6,042	84.3	44.9	0.92%

* estimated values Source: PME 2007a

SWOT analysis

Strengths

✓ Biomass is largely available locally employing traditional crops (sunflower, rape seed and even some cotton seed) and using conventional growing methods and equipment.

The supply chain of biodiesel can be characterised by relatively short transport distances (biofuels and biodiesel locally produced and locally used).

Biodiesel quality is regulated by a European norm, EN14214 and its corresponding Polish standard.

Weaknesses

✓ There is lack of legal guarantees that the tax reductions and exemptions in Poland will be maintained in the long term, even though they have already been in place for more than a decade. Only since January of 2007 three different draft legislations have been presented.

✓ The lack of clear legislation prevents trade in biofuels and rules out investment decisions in Poland. A proper information campaigns for farmers and consumers is missing.

Opportunities

✓ In Poland individual groups of farmers are allowed and even encouraged to produce biodiesel for their own purposes, which constitutes a good opportunity, at same time representing a kind of threat.

✓ There is an opportunity to develop a National Biomass Action Plan that would co-ordinate biomass policy to promote heating, electricity and transport. EU Directives and Polish national fuel strategies would represent a good opportunity for promoting biofuels, especially if their text was defined in a permanent way.

✓ Additional area payment for energy cops would also be required in Poland to further exploit its agricultural potential for non-food. A mandatory blending of fossil fuels with biofuels if adopted quickly with the necessary fines in case of non-compliance could also have a very important positive impact. Tax exemptions and mandatory blending obligations could largely increase the use of pure plant oil and biodiesel.

Threats

✓ One of the major threats is represented by the difficulty to keep a high quality level especially in biodiesel produced at the farm, the situation is worsened by the lack of normalisation for high biodiesel blends. The fact that individual groups of farmers are allowed and even encouraged to produce biodiesel for their own purposes could represent a risk if low quality product (which is normally the one produced in a farm) is then distributed for normal engines. The variety of feedstock with different physical-chemical properties may also affect quality.

✓ Biofuels had a market share below 1% (2006) in Poland. Most of the Polish national production of biofuels is exported, confirming sofar the absence of real internal market condition for biodiesel, which, if they are not established may represent a threat for the future development of the industry.