

THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

ANNUAL REPORT

2009

PRAGUE

April 2010

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Council Chairman's Message

In 2009, the Czech Association of Petroleum Industry and Trade (ČAPPO) activities focused, as its priority, on addressing legislative issues connected with the blending of biofuels with motor fuels for transport, and specifically to the transposition of Directive No. 2009/30/EC of the European Parliament and of the Council amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions originating from the fuels used in road transport, and of Directive No. 2009/28/EC on the promotion of the use of energy from renewable sources. For the petroleum industry and persons obliged to comply with the regulations, the application of both Directives is very important due to the fact that they define a binding target for the substitution of the fossil component by biofuels, the obligation of reducing greenhouse gases emissions originating from fuels production, and the increase in the contents of biofuel in petrol and diesel oil.

In spite of our objections (in particular, they relate to the economic and technical matters) concerning the obligation to substitute fossil components in motor fuels according to the Directive of the European Parliament and of the Council No. 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport, our members observed in the period 2007 to 2009 the volumes of fossil component substitution in motor fuels prescribed by the Directive.

The Association expressed in public, on the level of governmental bodies, legislature and the media, its opinion concerning the rate of increasing the biofuels contents in motor fuels – low-concentration blends. In particular, it advocated temporary suspension and deceleration of further increase in the biofuels contents. The reasons are, in particular, global economic crisis that also causes significant fall in the refinery margins of motor fuels manufacturers and distributors and influences their economic results. With regard to the air protection, the association connects further development with the measures focused on the greenhouse gases emissions reduction that address this issue in its complexity.

In relation to the use of biofuels, the Council and the Working Group for biofuels organized a number of meetings with the representatives of the governmental bodies, legislature and specialists community. The Association repeatedly presented its position concerning the use of biofuels in transport, through its Chairman, members of the Council, its technical spokesman and the Secretariat, at a number of professional events and in the media where it highlighted not only the shortcomings in the legislation but also the breaches of fair free market conditions and problems connected with the use of first generation biofuels. It also submitted its amending proposals to Act No. 86/2002 Coll., the Air Protection Act, in the part Biofuels. At the same time, ČAPPO engaged in the preparation of the source

materials for the suggestions concerning the amendment of Act No. 311/2006 Coll. on Motor Fuels, and the implementing regulation to this Act (Decree of the Ministry of Industry and Trade No. 229/2004 Coll.).

In the course of the whole year 2009, the member firms, who are distributors of petroleum and petroleum products, achieved very good results concerning the quality of motor fuels sold at service stations: the rate of defects made only 1.5% from collected samples, while the rest of the market achieved the rate of defects of 7.3%. The detected deviations of fuels quality from standard values did not influence the use value of motor fuels.

In the course of the year, the member companies were able to maintain the high share of the domestic producers and dealers on the motor fuels market in consequence of the activities of petroleum processing firms of ČESKÁ RAFINÉRSKÁ, a.s. (a joint-stock company) and other ČAPPO members.

Technical issues connected with the range of motor fuels and alternative motor fuels and the development of their quality parameters, waste oils collecting and management, the tax policy related to the mineral oils, reasonable dates and methods of large-capacity tanks for oil and oil products checks as well as amendments of technical standards and legislation were addressed on the level of the Council, Working Groups, and Secretariat. In this area, ČAPPO co-operated closely with the bodies of state administration, legislature, foreign associations, with the association of petrochemical industry EUROPIA, with the domestic organizations and institutions, as well as universities. The representatives of the Association, together with the experts from the state administration, attended the meetings of professional working groups of the European Union and the European Standards Commission focused on selected technical problems of the petroleum industry and on technical standards.

Once again ČAPPO contributed significantly to the legislative process, in particular to the preparation and approval processes of additional amendments of several Acts, e.g. amendment of Act No. 254/2001 Coll. on Waters, Act. No. 185/2001 Coll. on Wastes, Act on the Budget of the CR for the year 2010, and a number of other regulations.

The Association has contributed to the preparation of new Czech technical standards in the areas of petroleum, lubricants and bitumen, analytical procedures and facilities for oil substances handling.

The Association significantly contributed to the implementation of some of the programmes of the EU. In particular, it was engaged in the handling of problems connected with the Alternative Fuels programmes and new legislation for the field of chemical industry (REACH).

In the course of the year 2009, there was further increase in exchange of information and co-operation between ČAPPO and state authorities, the legislature and the specialist public. Interest from the expert public and business entities in the opinions and documents of ČAPPO has also grown considerably. At the same time, the educational activities of the Association, in particular in the area of the media, of Internet and of own publication activities of the members, also grew. Members of the Association took active part in 10 conferences, seminars and workshops from the area of fuels, alternative motor fuels and safety.

The Association cooperated with the Association of Chemical Industry of the Czech Republic as its collective member; the purpose of the membership is more intensive exchange of technical information, strengthening of synergy in advocating legislative justified requirements and improvement of education.

Again, the Association encouraged the administration and especially the inspection bodies to require much more strictly the performance of legal standards and regulations from all competitors on the market. In this area of activities, it initiated, in the first place, the preparation of a set of legislation and organization measures to reduce tax evasions in relation to the motor fuels trading. We are prepared to approach the inspection bodies with this matter regularly and energetically in the future.

In the year 2009 ČAPPO member companies contributed to the strengthening of business stability on the market of fuels and lubricants, in particular by their active influence resulting in sound and ethical economic competition and provision of services at a standard, advanced European level.

Legislation issues and application of business conditions in the European Union countries will remain our priorities also in the year 2010. In particular, this will relate to the use of biofuels in transportation, and selected EU projects focused on petroleum industry, environment and alternative motor fuels, as well as the implementation of the new legislation for the area of chemical industry, REACH. Further, the Association will focus on the issues connected with petroleum security, exchange of information concerning accidents prevention and safety of operation, as well as technical information from the field.

In the course of 17 years of its activities, ČAPPO has demonstrated the effectiveness of its acting as a representative of its members in the negotiations with state administration and legislature. The activities of ČAPPO, especially within the framework of the process of preparation of amendments to the national legislation, serves the members from both social and economic point of view and creates fair business environment.

In the year 2009, the position of the Association as the entity esteemed by to the state administration, the legislature, the professional community, and the media further improved. In the majority of cases, the Association succeeded when it advocated equitable requirements and suggestions from the member companies from which a part affected

positively economic results of the member companies. The activities of the Association contributed to the cultivation of the business environment and maintenance of standard conditions of doing business in the industrially developed countries. All of the branded companies associated in the Czech Association of Petroleum Industry and Trade contributed to this.

*Ing. Ivan Ottis
Council Chairman
Czech Association of Petroleum
Industry and Trade*

April 2010

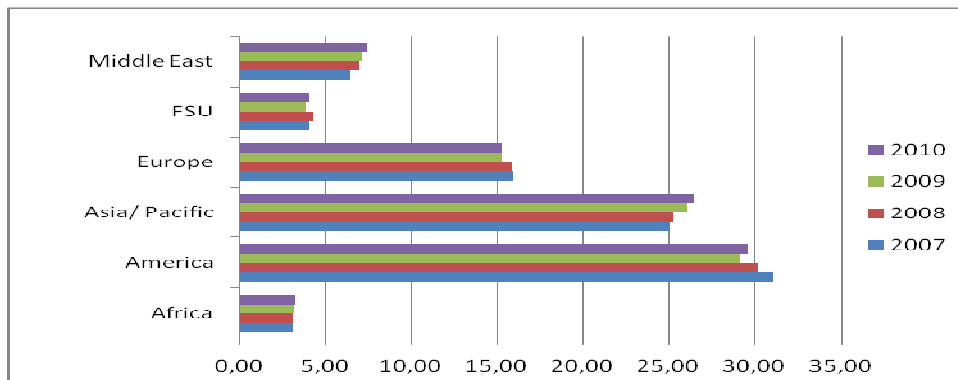
CHARACTERISTIC OF DEVELOPMENT IN THE PETROLEUM INDUSTRY ABROAD AND IN THE CZECH REPUBLIC

Petroleum Industry in the World

According to latest statistical summaries 2009 global oil demand slumped by 1.5 %, or -1.3 mb/d, on a year on year basis, totalling 84.9 mb/d. Growth of 1.7 %, or +1.4 mb/d, is predicted for 2010. The cold wave that hit the northern hemisphere in winter 2009/2010 may increase demand predictions, however heating and power generation oil requirements are being gradually replaced by natural gas, renewables and rising nuclear power. Oil based heating and power generation remains significant in a few OECD countries, such as the U.S., Germany and France; residual fuel oil is used in Italy and kerosene in Pacific.

The OECD oil demand is estimated at 45.5 mb/d for 2009, or a fall of 4.4 % in comparison with 2008 year, and shall remain the same in 2010. The non-OECD demand is expected to reach 40.9 mb/d in 2010, growth of 3.7 % after 2 % increase in 2009. Middle East's, China's and India's demand has been on a constant rise.

Graph No. 1: Global Oil Demand 2007 – 2010 in mb/d



Source: IEA

2009 total oil supplies of 84.9 mb/d were covered by OPEC supplies of 33.6 mb/d, OECD supplies of 19.3 mb/d and non-OECD 31.6 mb/d and biofuels 0.4 mb/d.

OPEC did not change production quotas in 2009. Its production was some 2.5 mb/d below 2008 data. Saudi Arabia, Kuwait and UAE bore the majority of cutbacks.

After dropping to the lowest levels in more than twenty years Nigerian crude oil production started to rise in summer, as a result of the success of the government's amnesty programme for militants. The ceasefire has already enabled international oil companies to resume repair work to damaged oil infrastructure.

Global upstream spending is expected to rise by 11 % in 2010 based on an average expected crude oil price of USD 70 per barrel. National oil companies plan to raise upstream investment by 15 %, while international oil companies are going to increase exploration spending by 1 % only because of a limited access to major new sources of reserves.

December data on FSU oil exports suggest a slight increase. In December, Russia's new terminal of Kozmino, the end point of the East Siberia – Pacific pipeline (ESPO) leading eastwards, was put on export stream. Loading programmes for 1st quarter 2010 give away rescheduling of seaborne liftings to ESPO; volumes scheduled to be pumped via Druzhba pipeline shall remain unchanged.

Ukrainian authorities are said to consider coming back to plans to reverse the Odessa-Brody pipeline flow, which would boost volumes of Caspian crude to Central Europe, partly compensating for the lower Druzhba flow because of new lines of ESPO and Baltic Pipeline System 2.

The Rosneft huge Vankor field in Eastern Siberia was put on stream in November; it required the building of a 550 km pipeline southwards to connect to existing crude oil

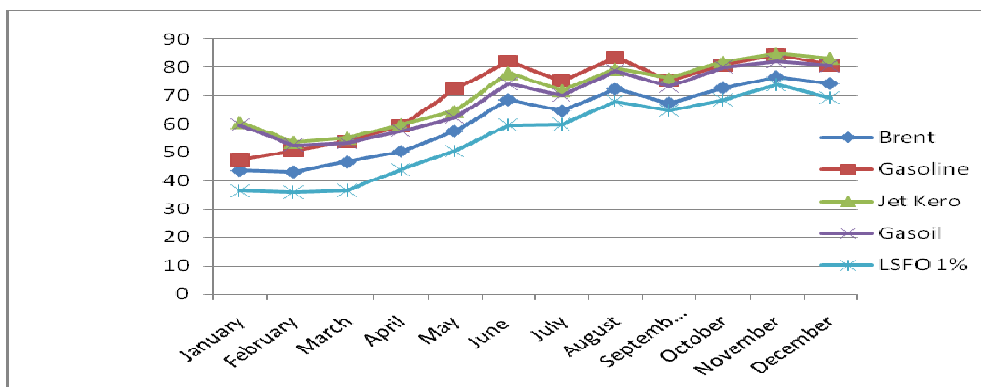
infrastructure. Ultimately, Vankor should contribute as much as 500 kb/d in the middle of the next decade, thus providing most of the volume to be fed into the ESPO.

Argentinean Government decided on compulsory blending of 3 % ethanol into gasoline from January 1, 2010. The blending level shall have been raised to 5 % by October 2010. On the other hand, in December, the Brazilian Government ordered to decrease minimum ethanol blending from 25 % to 20 % during 90 days as from 1st February 2010 to prevent from further increasing of sugar prices.

OECD industry stocks rose to 2747 mil. barrels, 2 % above 2008 level. Early December forward demand cover reached 59.1 days, almost 2 days higher than in 2008. EU-22 countries compulsory emergency oil stocks covered 122 days consumption of automotive fuels and fuel oils.

Saudi Oil Minister Naimi commenting a price range of USD 70-80 / barrel as a “perfect price of crude oil for the world” was often quoted by experts; this price level became a basis of price predictions in many analyses and projects.

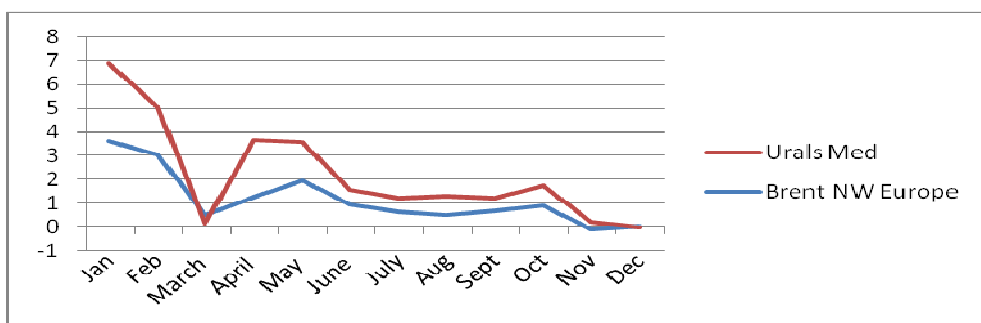
Graph No. 2: Crude Oil Fob Sullom Voe and Petroleum Products Prices Fob Rotterdam Barges 2009 in USD/barrel



Source: IEA

Throughout 2009 Brent prices gradually climbed from January USD 43.59 to November USD 76.66 per barrel, with moderate ups and downs between July and September and weakening in December to USD 74.28 per barrel.

Graph No. 3: Refining Margins in Western Europe 2009 in USD/barrel



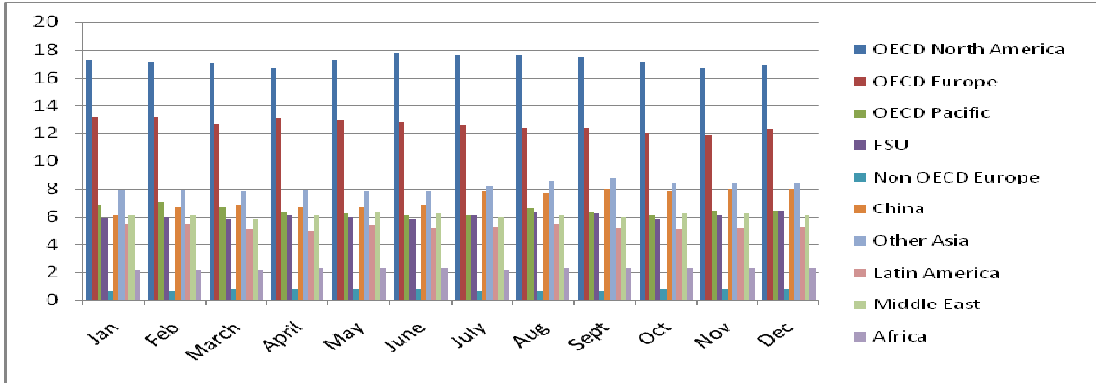
Source: IEA

After a strong start at the beginning of the year refinery margins slumped in March, started to restore in April and May and stagnated throughout the rest of the year. Margins in the U.S. and Asia were showing a decreasing trend, while European margins were more balanced. Weak margins may keep refiners reducing crude runs and shutting down production capacity until market conditions improve, particularly for simple configurations.

Global recession led to a decrease of some 5 % in seaborne oil transportation while demand reduction was 1.5 % only. The cut in oil transportation resulted from reduced westbound exports out of the Middle East, while eastbound exports increased due to Asian refining capacity enlargement. Estimated 7 mil. DWT were scrapped in 2009 (including some 10 VLCCs and 5 Suezmaxes). Decreased OECD imports put freight rates under pressure, while long-haul trips to India and China supported rates for vessels sailing in that direction. Tonnage availability is expected to outpace demand growth depending on the inquiries after the floating storage mostly in Mediterranean and North West Europe and a speed of scrapping of old tankers.

Restraint OECD refinery utilization rates around 80 % reflect the redundant global refining capacity, low demand growth prospects and weak margins.

Graph No. 4: Global Refinery Throughput in mb/d



Source: IEA

OECD refineries announced projected capacity rationalization and sales of unprofitable facilities. Total suspended processing in Dunkirk, France in September. Shell reported intention to cut 600 kb/d of refining capacity in the next two years; on the other hand, an Indian company declared an interest to buy Shell UK Stanlow, Heide and Hamburg-Harburg refineries. Petroplus reduced crude runs to around 80% of capacity on average at its European refineries, in addition to already closing its UK Teesside refinery ahead of a potential sale or conversion into an import storage depot. New refineries came on stream in China; state-owned Sinopec estimated that the Chinese demand would be lagging behind Chinese new processing capacities.

Saudi Arabia reported its plan to use crude oil from production coming on stream in 2010 year for direct burn at power and desalination plants. The decision partly reflected the need to meet stricter environmental regulation on fuel quality used in electricity generation as well as to help absorb new crude. It may also reduce high sulphur fuel oil imports.

mb/d = million barrels per day; kb/d = thousand barrels per day
Urals = Russian Export Blend Crude

Petroleum Industry in the Czech Republic

The situation in the Czech refinery industry and trade developed effectively and without significant swings under given conditions on the world oil and oil products market. In consequence of global crisis, there was a decrease in the deliveries of oil products in comparison with the year 2008 which also affected the economic results of business entities. Nevertheless, the deliveries of petroleum products to the market were not disturbed.

Throughout the whole year of 2009 oil imports to the CR were effected according to the needs of the refineries as well as sales opportunities for oil products. Total oil imports to the CR in 2009 reached 7,189.7 thousand tons, which is by 11.3% less than in 2008. Pipeline Družba delivered 69.7% of oil from the total imports to the CR, while the remaining quantity came to the CR through MERO-IKL pipeline.

Oil processing in the refineries of the joint-stock companies ČESKÁ RAFINÉRSKÁ, a.s., and PARAMO, a.s., for the year 2009 totalled 7,376.1 thousand tons, which is by 10.5% lower than in the year 2008. Total volume of processed petroleum also includes 119.7 thousand tons of local petroleum, i.e. approximately 1.6% from total volume.

Expressed in the units of mass, in 2009 the petroleum products imports amounted to 2,948.5 thousand tons, which is 8.5% increase against the year 2008.

The mass imports of motor fuels, i.e. petrol and diesel, represented 67.4% of all refinery products imports.

In 2008, refineries products exports indicated in the units of mass reached 1,229.5 thousand tons and were lower by 16.1% as compared with 2008. Exports of motor fuels in the units of mass represented approximately 45.1% of all refinery products exports.

Total deliveries of selected petroleum products onto the market in the CR in 2009 are shown in Table 1. Data show stock movement.

Table 1

Product	Thousand tons	Index 2009/2008
Unleaded petrol ¹	2040	101.2
of which: Unleaded petrol Special	13	59.1
Jet fuel	358	92.5
Diesel fuel ¹	4098	101.5
Heating and other gas oils	78	91.8
Heating oils up to 1% sulphur m/m	224	87.8
Heating oils with more than 1% sulphur m/m	66	97.1
Total LPG	193	88.1
Lubricating oils and other oils in total	117	80.6
Bitumen and bitumen products	462	82.9
Bio-components for transport ²	260	187.1

¹ incl. bio-components

² bio-ethanol, rape seed oil methyl ester

The octane structure of the range of petrol sold in the year 2008 is shown in Table 2.

Table 2

Product	Share (%)
Petrol with octane number 91 (NORMAL and SPECIAL)	1.3
from which SPECIAL	0.6
Petrol with octane number 95 (SUPER)	96.6
Petrol with octane number 98 (SUPER PLUS)	2.1

The share of selected domestic petroleum products in total gross deliveries for the Czech market is given in Table 3.

Table 3

Product	Share (%)
Unleaded petrol ³	66.2
Unleaded petrol Special	92.3
Jet fuel	22.7
Diesel fuel ³	67.7
Heating oils in total	63.4
Total LPG	58.0
Lubricating oils in total	22.6
Bitumen and bitumen products	41.7

³ incl. bio-components

The results of deliveries of fuels to the market indicate the impairment of the position of the domestic processors of oil.

Based on the result of the statistical check of service stations carried out by the Ministry of Industry and Trade, the total of 6,499 service stations and outlets (delivery points) were registered at December 31, 2009 on the territory of the Czech Republic, including 3,615 public and the remaining number of service stations selling to specified entities and non-public facilities. The share of ČAPPO member companies in the total number of public service stations achieved 30.6%.

In the course of the whole year, the Czech Trade Inspection (ČOI) performed general checks of the quality of motor fuels sold at public service stations in compliance with the Decree of the Ministry of Industry and Trade No. 229/2004 Coll. The results of the checks are shown in Table 4.

Table 4

Product	Total of samples collected	Number of samples that did not comply with CSN standards	%	Number of samples collected from service stations of ČAPPO member firms that did not comply with CSN standards (%) ⁴
Petrol	769	19	2.5	0.0
Diesel fuel	866	68	7.9	2.4
Diesel blend and bio-diesel	5	2	40.0	100.0
LPG	201	3	1.5	0.0
Total	1841	92	5.0	1.5

⁴ from all samples collected at service stations of member companies

ČAPPO member companies achieve very good results in the area of quality of sold motor fuels thanks to the application of their own quality checks system, consistent care for quality and use value of motor fuels, certification of manufacturers, distributors and carriers, involvement in the *Pečeť jakosti* (Seal of Quality) Project as well as to the implementation of the company culture and ethics. Only 1.5% from the samples collected at the facilities of the member companies did not meet the requirements, while the same indicator achieved 7.3% in the rest of the market. The deviations of fuels quality from standard values did not influence the use value of motor fuels.

The following major changes were recorded in the area of petroleum industry and trade in the Czech Republic in the year 2009:

- In both refineries of the company ČESKÁ RAFINÉRSKÁ, a.s. (ČeR), as well as in the distribution company ČEPRO, a.s., the percentage of bioethanol in petrol was increased from 2% to 3.5% vol. in compliance with the Air Protection Act. The companies and the market did not record any problems. The average contents of bioethanol in petrol was 3.51% vol.
- Blending of fatty acids methyl esters (FAME) with diesel oil continued. The percentage of bio-component increased from 3.5% to 4.5% vol. and came near the maximum limit of 5% vol. according to CSN EN 590 standard. This measure demanded maximum care from the companies in the terms of blending organization. The companies and the market did not record any significant problems. The average contents of FAME in diesel oil achieved 4.52% vol.
- Diesel blend SMN 30 was available from 27 service stations of ČAPPO members. The sales were on the minimum level. Tests of SMN 30 in operation were carried out in a part of the motor vehicle fleet of the company AGROFERT.
- Fuel E85 produced by the company Cukrovary a lihovary TTD (Sugar Factory and Distillery), Dobruška was launched. It was available from several service stations.
- Some of the premium petrols and diesel oils for “arctic” environment have been delivered to the market without bio-components.
- The construction of new public service stations and non-public service stations and outlets continued.
- The brand distributor companies developed at their service stations the sale of motor fuels with improved usable qualities (premium motor fuels).
- The integration of the service stations market continued also in the segment of non-branded firms.
- The impact of the economic crisis on the companies manifested itself as the drop in the sales and decrease in the margin of the refineries.
- Tax frauds started to appear more often on the market in connection with trading in motor fuels.

Data concerning oil deliveries and processing, refinery products and service stations market, and the quality of sold motor fuels at the service stations have been taken from the statistical compilations of the Czech Statistical Office, the Ministry of Industry and Trade, the Czech Trade Inspection, and of the Czech Association of Petroleum Industry and Trade at 31 March, 2010. The abovementioned data in Table 1 were processed by the methodology of the Czech Statistical Office, data in other tables by our own methodology.

ACTIVITIES OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

The General Meeting

The Council convoked the Annual General Meeting on April 16, 2009. At the Annual General Meeting, the member firms approved the activities and economic results of the Association in the year 2008 and the Annual Report for the year 2008. In the course of the General Meeting, ČAPPO Council held a presentation concerning the use of biofuels in transport in the CR. A representative of the Ministry of Industry and Trade informed the General Meeting about the activities of the Interdepartmental Group for Biofuels (BIOPALIVA). Further, the General Meeting discussed the information concerning the participation of the business entities in the area of the extension of oil emergency reserves.

The Council

In the year 2009, the Council held 6 regular meetings and one extraordinary meeting. It discussed the ordinary ČAPPO agenda. It regularly discussed the activities of ČAPPO Working Groups and of the Secretariat of the Association, cooperation with governmental bodies and institutions – in particular with the Ministry of Industry and Trade (MPO), the Ministry of Finance (MF), the Ministry of Environment (MŽP), the Ministry of Agriculture (MZe) and related professional unions and associations, in particular the Association of Chemical Industry of the CR (SCHP ČR; within the framework of a collective membership) and the automobile professional associations. The Council regularly debated legislative issues concerning the petroleum industry and trade, paying particular attention to Acts on consumption taxes for mineral oils, air protection and environmental standards. Further, the Council discussed in detail the issues connected with the regulations and standards concerning the use of biofuels in transportation. In this connection, the Council submitted repeatedly its modifying proposals related to the Air Protection Act, part Biofuels, to the Excise Tax Act and to the Decree on technologically acceptable losses in the course of transportation of blends of biofuels and fossil fuels in the regime of contingent exemption from taxation. It drafted wordings that were acceptable for the member companies. Together with the Working Group for biofuels, the Council monitored in detail the application of biofuels by the member companies and supported it with technological solutions.

At its extraordinary meeting, the Council debated the position of the Association to the document prepared by the Administration of State Material Reserves (SSHR) *Analysis of Possible Participation of Businesses in the Warehousing of Emergency Reserves of Petroleum and Petroleum Products with the Aim to Implement the Requested Increase in Emergency Reserves of Petroleum and Petroleum Products in the CR to the Level of Covering for 120 Days*. It expressed its critical opinion and recommended, in particular, the postponement of the deadline for the creation of the reserves from the sources of businesses taking into account the economic crisis.

The Council debated in detail the issue of the transposition of two EU directives, namely Directive 2009/28/EC and Directive 2009/30/EC in Czech legislation. In this connection, it organized, together with the Working Group for biofuels and Working Group for petroleum industry development, an open meeting concerning the use of biofuels in transport and the members of the Council and Working Groups, the technical spokesman of the Association, members of the Working Groups as well as the Secretary General attended five industry seminars, including one international seminar, focused on this theme.

In addition, the Council organized a meeting of the ad hoc Working Group *Vision of Motor Fuels till 2020*. At the meeting, the Council listened to the presentation related to the legislation for the use of biofuels in the neighbouring countries and to the second generation biofuels. At the meeting, the attendants formulated the idea about further development of alternative fuels.

The Council again appealed to the appropriate ministries and governmental bodies to facilitate a quick resolution to the problem of service stations (in particular non-public / home

service stations) that do not comply with law regulations and Czech technical standards. In this connection, it was possible to suggest a fair solution for all competitors – service stations operators – and, at the same time, to develop a standard based on the Czech technical Standard that significantly reduces the risks of service stations operation. Further, the Council initiated suggestions for the amendment of *Waste Management Implementation Programme* concerning waste oil in the CR to provide for the assessment of actual collection of waste oils according to the theoretical rate of return of lubricating oils and according to the method of use and the explanation of the issues related to the material reprocessing of waste oils to heating oils. Together with the member companies ČEPRO, BENZINA, and UNIPETROL RPA, the Council asked the Ministry of Finance to develop a measure to reduce tax evasions in the area of trading in motor fuels.

With a regular frequency, the Council debated the membership of the Association and the observance of the budget.

The Chairman of the Council, other members of the Council and the technical spokesman of the Association gave several interviews concerning the use of biofuels in transport and other principal issues of the petroleum industry.

The Council did not handle any problem of violation of ethical relationships among the member companies.

The Working Groups

In the year 2009, the permanent Working Groups had 12 regular meetings. They organized one workshop focused on biofuels and motor fuels range under the presence of the representatives of the member firms and guests from the state administration as well as from industry organizations and universities and one seminar related to the interpretation of the amendment of the Excise Tax Act.

The agenda of the Working Groups included a whole range of issues from the preparation and realisation of industry and presentation events, the development of the range and quality of motor fuels in the years 2009 and 2010, the transformation of EU countries' legislation into Czech law in the area of indirect taxes on mineral oils and the use of biofuels in transport, the application of the Rules of Ethics, the regular assessment of the situation of fuels and lubricants deliveries to the domestic market and of the situation on the service stations market, to the results of checks of motor fuels quality at service stations performed generally by the Czech Trade Inspection. The appropriate Working Groups discussed in detail technical and organizational arrangements for the conference *Contemporary Motor Fuels and Lubricants for Motor Vehicles* within the framework of the accompanying programme of the international fair AUTOSALON BRNO 2009. Further, ČAPPO Working Groups obtained regularly information about the new EU legislation for chemical industry (*REACH*), current legislation connected with the use of biofuels in transport and about the amendment of the technical standards for motor fuels.

ČAPPO Working Group for petroleum industry and trade safety held three meetings. With a half-year frequency, the Group continued the monitoring of emergency situations within the framework of the member companies. The results are used for exchange of experience and for prevention. The group focused its activities on the issues connected with criminal activities at service stations and committed in the course of motor fuels transportation. In relation to this theme, it also held a meeting with the Director of the Traffic Police Service. It also listened to a presentation of new processes connected with the safety at work and emergency situations prevention, and made itself acquainted with the new measuring technologies presented by the Czech Metrology Institute.

ČAPPO Working Group for biofuels met at three meetings and debated the regulations that transpose the Directives 2009/28/EC and 2009/30/EC into Czech law. Further, it discussed the technical problems of production, transport, storage and use of biofuels and their blends. It debated the experience from blending rape seed oil methyl esters with diesel fuel and bio-ethanol with petrol. Representatives of the state administration (of the Ministries of Industry and Trade, Agriculture, Environment, Finance and Transport),

universities and industry institutions (the Institute for Fuels and Lubricants from the SGS Group, the Research Institute for Agricultural Machinery) took part in the activities of the Group. The Working Group prepared its positions concerning selected documents discussed within the framework of activities of the Interdepartmental Group for Biofuels (BIOPALIVA) and of the biofuels control and quality sectional working group. This group has been used as co-ordination point of the state administration for the issue of application of biofuels in the CR and its activity has been organized by the Ministry of Industry and Trade.

The Working Group for legislation completed the review and amendment of ČAPPO internal regulations. It held two meetings. It regularly debated the issues of legislation and provided support in the area of legislation to other Working Groups.

The Working Group for finances and taxes prepared comments to the amendment of the Excise Tax Act (biofuels), to the Public Budget Stabilization Act, Act on Accounting and implementation regulations for the area of accounting. In cooperation with the Ministry of Finance, it organized a seminar related to the amendment of the Excise Tax Act.

The MAZIVA (Lubricants) Section debated the situation in the area of deliveries of the lubricants to the market, waste oil collection, current information concerning REACH, and the legislation for the area of wastes.

In the course of the year, ad hoc Working Groups were also convened to deal with various technical, economic and legislation issues. The Working Groups dealt with a whole range of professional issues. In particular, they discussed the problems related to the interpretation of Directives 2009/28/EC and 2009/30/EC and their transposition into Czech law, the legislation concerning the use of biofuels in the neighbouring countries, the drafts of amendment to the Act on Air Protection and to the Excise Tax Act, diesel / FAME blends stability, review of the Act on Waters, range of motor fuels after the year 2009 and the preparation of industry events in the years 2009 and 2010. The Secretariat and the appropriate ad hoc Working Group suggested amendment of Czech technical standard 75 3415 *Premises For Petroleum Substances Storage and Distribution*. Further, ČAPPO ad hoc Working Groups debated the filling of AdBlue fluid, storage and transport of biofuels and their blends with fossil fuels, guarantee period for the use of blend fuels and a number of other issues. Ad hoc Working Groups met at 25 meetings.

The Auditor

The General Meeting selected HZ Praha, spol. s r. o. (a limited liability company) for the auditor of the Association in the period 2009–2010. The auditor performs an audit once a year. The audit opinion for the year 2009 is without objections. The result for the year 2009 is annexed.

The Secretariat

The Secretariat properly dealt with daily clerical work and organized all the Association's events. It enhanced data and information base on petroleum industry and trade, which is used by the member companies, governmental bodies and the specialist public. The Secretariat supplied information and data to the member companies, state bodies, institutions and specialists' community, and students. The computer system of the Association was updated and its web site was completely re-worked. The Secretariat participated in many negotiations with governmental bodies and other institutions and was active in the specialised working groups of the Ministry of Industry and Trade, the Ministry of Finance, the Ministry of Environment, the Ministry of Agriculture, the Ministry of Transport, the Administration of State Material Reserves, the Czech Customs Administration, and the Czech Statistical Office.

The Secretary General is Chairman of the Committee for Products Certification of the Institute of Fuels and Lubricants from SGS Group, a member of working group of the Ministry of Industry and Trade for the amendment of the Motor Fuels Act and biofuels control, and a member of the Board of the Minister of Environment for Waste Management of the CR representing the petroleum industry. In addition, he attended the meetings of the

Exhibition Committee of the company Veletrhy Brno, a.s., for the AUTOSALON and AUTOTEC Fairs. The Secretary General is also a member of the Technical Standards Commission *Petroleum and Petroleum Products*, as well as of the NESO Committee. He represents ČAPPO in the Czech Technological Platform for the Use of Bio-components in the Chemical Industry and Transport and in the Preparatory Committee of the technological platform *Silniční doprava (Road Transport)*. The Secretary General published his articles in *Dopravní noviny* and *Euronoviny*, and a series of articles in the *PETROLmagazín*.

Membership

In the year 2009, there were no changes in the membership of the Association. At December 31, 2008, the membership was 14.

The MAZIVA (Lubricants) Section consists of the existing member firms active in lubricants production, imports and sale, and of the company NOCC, a.s. At December 31, 2009, the MAZIVA Section had 10 members, including one paying member.

The directories, including contact addresses, are annexed.

Programme of ČAPPO Activities

At the regular General Meeting on November 27, 2008, the member companies approved the "Programme of ČAPPO Activities for the Years 2009 and 2010". It mainly focused on handling specific technical, economic and legislation issues common to the member companies; on the promotion of ČAPPO prestige with state bodies, institutions and the specialist public; on active participation in resolving any issues connected with the Czech Republic's membership in the EU; and on cooperation with the International Energy Agency (IEA) and the European Standards Commission. Part of the programme also concerned strengthening co-operation with governmental bodies and institutions, the Parliamentary House of Deputies, the Senate, and non-governmental bodies and institutions as well as further development of ČAPPO's international contacts. Assurance of the technical service for the production and distribution of low-sulphur and sulphur-free fuels in compliance with Directive 2003/17/EC, use of biofuels in transport in compliance with Directive 2003/30/EC, waste oil management in the practice, improvement of the legislation initiatives of the Association, presentation of ČAPPO's position concerning the use of biofuels in transport, as well as participation in the accompanying programme of AUTOSALON BRNO 2009 Fair were among ČAPPO's priorities. A whole range of meetings was held in connection with these issues, and the priorities were defined in detail within the activities of ČAPPO Council, Working Groups, and Secretariat.

Priorities of the programme have been met as follows:

- Motor fuels quality is monitored according to the Decree of the Ministry of Industry and Trade No. 229/2004. Again, the results of the member firms for the year 2009 are very good; the frequency of defects is 1.5% of all collected samples. Thus, the result is several-fold better than the results of the rest of the market.
- From January 1, 2009 petrol and diesel fuel are marketed containing at most 10 mg/kg of sulphur. Thus, they comply with the quality parameters of ČSN EN 228 and ČSN EN 590 standards with a reserve.
- Application of Directive 2003/30/EC on the use of biofuels in transport and the Air Protection Act, part Biofuels. Concentrated activities of the Working Group Biopaliva (Biofuels) that proposed a number of legislative amendments and addressed the technical problems of production, transport and warehousing of fuels containing bio-components continued. The Working Group and the Secretariat prepared the report on the fulfilment of the obligation of substituting fossil component of motor fuels by biofuels, their implementation in the period 2007 to 2009 in compliance with the Act on Air Protection and the position of the Association concerning the transposition of Directives 2009/28/EC and 2009/30/EC into Czech law. The persons obliged to

substitute the fossil component in motor fuels by biofuels (ČESKÁ RAFINÉRSKÁ, ČEPRO and PARAMO) achieved the required volume for the year 2009. The Working Group and the Secretariat prepared a summary of the use of biofuels in transport in the neighbouring countries. The operation continues and no problems have been reported.

- Improvement of ČAPPO's activities in the area of legislation - The Association was included in the interdepartmental counselling procedures of the Ministries of Industry and Trade, of Finance, Agriculture and of Environment. The Working Group for legislation deepened co-operation at counselling of legislative regulations and provided for the complete review and amendment of ČAPPO internal regulations. Further, the Association co-operated closely with the Czech Confederation of Commerce and Tourism and with the Association of Chemical Industry of the CR. The Association ensures its own annotation of the legislative provisions and standards of the CR and the EU from the field of petroleum industry. The Working Group for legislation prepared new internal rules for ČAPPO's legal activities. In the year 2009, the Working Groups and the Secretariat submitted their comments to 17 legislative regulations and 16 technical standards. At the same time, the Association reviewed 10 regulations of EU countries within their notification.
- Waste oil handling. Debate concerning practical experience from the area of waste oil handling. The Association contributed to the execution of the Implementation Programme of Waste Management for the area of the waste oil management. It also submitted its comments to the theses of the new Act on Wastes.
- Adjustment to the conditions of doing business in the EU. The Working Group "Gestori EU" (EU Controllers) organized presentations related to the new legislation for chemical industry REACH for the Working Groups and co-operated with the experts from the state administration and with the association of European petroleum firms - EUROPIA in the implementation of selected EU programmes.
- The Association intensified its educational activities. It organized four industry seminars and contributed to additional six conferences and seminars, two of them international.
- The Association developed its co-operation with the Association of Chemical Industry of the Czech Republic within the framework of a collective membership, focused on exchange of information, co-operation in the area of legislation and programme Responsible Care.
- The Association co-operated intensively with the bodies of the state administration, in particular with the Ministries of Industry and Trade, Finance, Environment, Transport, with the Administration of State Material Reserves, the Czech Customs Administration, the Czech Trade Inspection, Czech Office for Standards, Metrology, and Testing, Czech Metrology Institute, and the Czech Statistical Office.
- The Association contributed in the role of a co-investigator to the implementation of the Project SPII4il/33/07 Analysis of the Life Cycle of Fossil Motor Fuels and Biofuels for the Preparation of Conceptual Documents Concerning the Introduction of the Carbon Dioxide Tax in the Area of Mobile Pollution Sources.
- The Association contributed to the activities of the Czech Technological Platform for the Use of Bio-components in Chemical Industry and Transport, and to the activity of the Preparatory committee for the technological platform Road Transport proposed by the Transport Research Knowledge Centre (CDV), Brno.

PRINCIPAL ISSUES DEBATED IN 2009

The Council, Working Groups and Secretariat handled a wide range of specialised issues.

Provision of information

In the course of the whole year, the Secretariat prepared its own innovated quarterly information formats on the “Deliveries of Main Petroleum Products to the Market in the CR” and the “Lubricants Deliveries to the Market in the CR”. The preparation of simplified monthly reports related to the deliveries to the market was started. The source of data for the reports are historical aggregated data about domestic deliveries obtained from the Czech Statistical Office, the aggregated information about imports and exports from the Ministry of Industry and Trade, and the aggregated data about the change in the stock level in warehouses of the state and business entities from the Czech Statistical Office.

Further, ČAPPO received and distributed with a monthly frequency among the member companies the statistical report *Oil and Oil Products* prepared by the Czech Statistical Office according to the methodology of the International Energy Agency (IEA).

In 2009 the Association continued its participation in the activities of the Working Groups of the Czech Statistical Office and the Ministry of Industry and Trade that deal with the statistical reports in the area of petroleum and petroleum products according to EU and IEA requirements, and the introduction of new customs codes for certain biofuels.

Biannually since 1997, the Ministry of Industry and Trade has prepared – with technical support from ČAPPO – information entitled *Oil and Oil Products* (RAFIS), concerning the petroleum industry and trade. The information includes data from related areas (petrochemistry), new developments in legislation, etc. In co-operation with the Ministry, the Secretariat makes RAFIS available to the member companies.

In addition, the Secretariat collects and distributes to the members and the Working Groups various technical and legislative information as published by CONCAWE, EUROPIA, and EU working commissions. It works in the same way also with information obtained from the domestic sources.

Legislation and Czech Technical Standards

The Association, through its Council, Working Groups and Secretariat, prepared and drafted several legislation initiatives and counselled the bills and Decrees submitted by governmental bodies, of which the most important are as follows:

- Regulations and Czech Technical Standards related to the use of biofuels in transport in compliance with the Directives 2009/28/EC and 2009/30/EC, in particular in relation to the Air Protection Act, Excise Tax Act, Ethanol Fuel Act and implementation regulations concerning Decrees on ethanol management; the Association submitted the draft of amendment of Section 3a of the Air Protection Act (180/2007 Coll.) and its comments concerning the new Air Protection Act (biofuels and emissions);
- Act No. 353/2003 Coll. on Excise Taxes (electronic communication);
- Act No. 356/2003 Coll., on Chemical Substances and Chemical Preparations implementing the new legislation for the area of chemical industry (REACH);
- Act No. 254/2001 Coll., on Waters in the part related to the inspections of the tanks for the hazardous substances warehousing;
- Act No. 311/2006 Coll., on Motor Fuels;
- Decree No. 229/2004 Coll., to define the requirements for motor fuels, the method of monitoring the composition and quality of motor fuels and their records;
- review of ČSN 73 6060 Standard *Service stations*;
- review of ČSN 75 3415 Standard *Premises for Oil Substances Storage and Handling*;
- Amendments of Czech technical standards for fossil fuels, biofuels and their blends.

In addition, ČAPPO contributed through its Secretariat and Working Groups to the debates concerning the amendment of the Accounting Act, amendment of the Act on Wastes, implementation rules related to this Act, draft state budget for the year 2010, and other 17 general regulations. The members of expert Working Groups amended technical and methodological explanations to the Act on Chemical Substances and Chemical Preparations, and the Secretariat distributed the explanation among the member companies. The Secretariat regularly elaborates a quarterly survey on newly adopted Czech legislation, which relates to the activities in the petroleum industry and trade. Similarly, it elaborated semi-annual summaries of the regulations (Decisions, Regulations, and Directives) of the EU. The summaries are distributed among the member companies and members of the Working Group for legislation and of other Working Groups of the Association.

Legislation activities ranked with the most important activities of the Association in the year 2009.

The Association prepared the annotation of Czech technical standards from the area of oil and oil products, and bitumens.

State Authorities

Through its Council, Secretariat, and Working Groups, the Association extended its professional contacts with the Ministry of Industry and Trade (division of gas industry and liquid fuels and department of power industry statistics). In particular, fuel quality monitoring in compliance with EU Directives No. 2003/17/EC and No. 2003/30/EC, the development of an alternative fuel range after the year 2009, the improvement of quality of statistical surveys, adjustment to the conditions of doing business in the EU, and the substitution of oil fuels by their alternatives by the year 2020, as well as the programme for further use of biofuels in transport in compliance with Directives 2009/28/EC and 2009/30/EC were discussed. The Secretariat regularly attended meetings of the working groups and commissions of experts of the Ministry related to the area of fuels, and information surveys concerning the deliveries of fuels. The Association contributed to the counselling process and the preparation of the document concerning the best available technology in the petroleum industry.

With the Ministry of Finance, the Association and its Working Group for finances and taxes mainly co-operated in addressing current technical and legislative issues of the Excise Tax Act in practice. Further, it contributed to the preparation of further measures to limit tax evasions using the substitution of petroleum and petrochemical products. It initiated the activity of the working group focused on the implementation of legislative and organizational measures to reduce tax evasions in connection with the trading in motor fuels in tax warehouses. ČAPPO Working Groups and Secretariat provided the Czech Customs Administration / the General Customs Directorate (GŘC) with technical advice. The cooperation complied with the *Memorandum on Co-operation* as agreed with the Czech Customs Administration. At the meetings held in the course of the year, problems of recording and reporting of the use of biofuels and the methodology for the records of their use in motor fuels, as well as the measures aimed at the limiting of tax evasions in connection with trading in motor fuels were debated. The Association contributed to the preparation of the amendment of the Excise Tax Act in relation to the *Programme of Further Use of Biofuels in Transport* and the amendment of the Excise Tax Act – electronic communication.

The Association co-operated with the Ministry of Environment regarding dangerous substance and greenhouse gases emissions into the air and dealing with wastes and packagings, and the amendments of related binding regulations. Some of the member companies and the Secretariat participate in the activities of the Working Group for the implementation of the conditions of Act No. 76/2002 Coll. on Integrated Protection and Pollution Reduction and on Integrated Pollution Registry and Amendment of Some Acts in the Area of Oil and Natural Gas Processing, attend regular seminars. Nevertheless, the main activity was co-operation in the field of the use of biofuels in transport in compliance with the

new legislation of the European Union. Members of the MAZIVA (Lubricants) Section and the Secretariat attended the meetings of the working group focused on the use of the *Implementation Programme for Wastes Management – Waste Oil* and the draft amendment of the part of the Act on Wastes related to waste oil and the implementation regulation to this Act. The Association submitted to the Ministry the actual draft amendment of part Biofuels of the Air Protection Act.

With the Ministry of Agriculture, ČAPPO co-operated in the area of the use of bio-ethanol and rape seed oil methyl ester (RME) as fuel components in compliance with Directive 2003/30/EC. The Association engaged in the preparation of the amendment implementing some of the provisions of the Ethanol Fuel Act.

The representatives of some of the member companies and the Secretariat participated in the activities of the working subgroups of the Interdepartmental Group for Biofuels (BIOPALIVA). The Association took part in the preparation of the legislation concerning the use of biofuels in transport.

The Association regularly exchanged information with the Administration of State Material Reserves on activities of the International Energy Agency and EU expert commissions and committees. The Association regularly provided the Administration with statistical data and received in return basic information concerning the situation in the area of world and European oil and oil products markets, and information from the Energy Sector of the European Commission. In 2009, the representatives of the Administration regularly attended the meetings of ČAPPO Working Groups. The Secretariat and some of the member companies are members of the committee of the National Emergency Sharing Organization (NESO) for dealing with the crisis caused by oil shortages. The Association engaged itself in the review of a draft Directive of the Council that requires maintenance of minimum reserves of oil and/or oil products from the member countries, and prepared critical opinion concerning the material *Analysis of Possible Participation of Businesses in the Warehousing of Emergency Reserves of Petroleum and Petroleum Products with the Aim to Implement the Requested Increase in Emergency Reserves of Petroleum and Petroleum Products in the CR to the Level of Covering for 120 Days*.

The Czech Statistical Office obtained from ČAPPO basic methodological explanations to statistical data on oil and oil products. At the same time, the Association participated in the preparation of the yearly report *Oil and Oil Products* in compliance with IEA methodology, conversion codes for motor fuels, and classification of biofuels in the TARIC system. The Association discussed with the Czech Statistical Office the new format for reporting imports and exports of mineral oils within EU countries.

In cooperation with the related member companies, the Association contributed to the preparation of the amendment of Czech technical standard *Premises for Oil Substances Storage and Handling*. The Secretariat, as well as the representatives of some of the member companies, took part in the meetings of technical standard commission named *Oil and Oil Products*.

Further, the Association co-operated with the Czech Trade Inspection on the methodology of checks of quality parameters of motor fuels, and accepted summary results on the quality of motor fuels sold at service stations.

With the Czech Metrology Institute, the Association co-operated on elaboration of a methodological instruction concerning the performance of metrological activities at service stations from the point of view of safety. It also made itself acquainted with the new measuring devices for metrology.

Committees of the Czech Parliament's Chamber of Deputies

The Association provided the Economic and Budget Committee of the Parliament's Chamber of Deputies with basic data and information from the petroleum industry and trade and, on demand, with consultation. Through the Deputies of the Parliament of the CR, it informed about the suggestions for amendments of some acts (the Excise Tax Act, the Air

Protection Act and the Act on Waters). The representatives of the Association attended a seminar focused on the use of biofuels in transport.

Media and Presentations

The Chairman and the members of the Council, technical spokesman and the Secretariat presented ČAPPO activities in several articles and information in specialist motoring and petroleum industry magazines. The Chairman, the technical spokesman and other members of the Council gave significant interviews to the daily *Hospodářské noviny* and other media about the use of first generation biofuels in transport and other issues connected with the petroleum industry. The Secretariat and experts from the Working Groups prepared several articles on new fuels and biofuels. The Secretary General and the members of ČAPPO Working Groups prepared a series of articles for magazines, bulletins and the media of the member companies. These were mainly information on ČAPPO activities. Members of the Working Groups and the Secretariat prepared six articles for professionals to be published by *PETROLmagazín*.

The representatives of some member companies repeatedly explained the problems with the use of biofuels in transport on ČT1, ČT24, TV Nova and TV Prima stations.

Some of the members of the Council, members of ČAPPO Working Group for biofuels and the Secretary General presented ČAPPO's position concerning the use of alternative fuels in transport at a number of industry events, among other at the seminar *Contemporary Motor Fuels and Lubricants for Motor Vehicles* organized within the accompanying programme of the AUTOSALON BRNO 2009 Fair, at *PETROLsummit 2009* and at the seminar focused on the theme *Biofuels in Transport*, organized by *Slovnaft VÚRUP, a.s.*, prior to the 44th International Conference on Oil in Bratislava.

The Secretariat, with the support of external professionals, regularly updated the Association's web pages and started their complete review late in the year.

ČAPPO MAIN EVENTS

AUTOSALON BRNO 2009

Within the framework of the international fair AUTOSALON BRNO 2009, ČAPPO organized industry seminar *Contemporary Motor Fuels and Lubricants*.

Press Conference

ČAPPO Secretary General took part in the opening Press Conference of international exhibition AUTOSALON BRNO 2009 and in the Press Conference organized by the company UNIPETROL, a.s.

Other conferences and Seminars (Workshops)

The Council of the Association organized industry workshops and meetings concentrated on:

- Explanation of current legislation related to the use of biofuels in transport and practical experience from their use, as well as to the transposition of Directives No. 2009/28/EC and 2009/30/EC into Czech law and their implementation in practice;
- Explanation of the amendment of Act No. 262/2009 Coll. on Excise Taxes and Act No. 362/2009 Coll. amending certain Acts in connection with the draft of the Act on State Budget of the CR for the year 2010;
- motor fuels vision till 2020.

All of the events were assessed as very successful and attended by many professionals.

Educational event *Drive Environment-Friendly and Economically*

The Association and some of the member companies joined the campaign organized by the EUROPIA organization *Drive Environment-Friendly and Economically* in the form of media and other activities.

Other Events

Representatives of the member companies and the Secretariat took part in industry events organized by the Government, legislature, scientific and educational institutions and business entities. Among other, these were the following conferences, seminars and workshops:

- Seminars on new legislation for the chemical industry (REACH), organized by the Association of Chemical Industry of the Czech Republic;
- Public debates focused on the results of the first and second phase Project SPII4il/33/07 Analysis of the life cycle of fossil motor fuels and biofuels for the preparation of conceptual documents concerning the introduction of the carbon dioxide tax in the area of mobile pollution sources,
- Information campaign concerning Safe Energy for Europe Programme,
- APROCHEM 2009 industry conference.

ČAPPO INTERNATIONAL CONTACTS

In 2009, the Association continued specialist co-operation with the organizations CONCAWE and EUROPIA regarding petroleum industry and environment protection. Working Groups, member companies, ČAPPO external collaborators, and other professional organizations and state bodies use the materials.

The Secretary General discussed further extending of co-operation with the Slovak Association of Petroleum Industry and Trade in the areas of legislation, statistics, coordinating important events and implementation of EU regulations in national laws. Regular exchange of information concerning the use of biofuels in transportation continues.

The Secretariat continued working contacts with the division for energy statistics of the International Energy Agency in Paris.

Members of ČAPPO Working Group for international relationships and strategic technical issues regularly attended, according to the programme content, the meetings organized by the EUROPIA Association. Foreign associations provided ČAPPO with important information concerning service stations market, standards related to natural gas for drive and the use of biofuels in transport and their economic support.

On request, the Secretariat provided information and consultations to foreign scholars with the member companies, to foreign associations and other persons from among international expert public, in particular students of the Universities with specialisations in the technical fields and economics.

ČAPPO DOMESTIC CONTACTS

The Association of Chemical Industry of the CR, the Association of Service Stations of Motor fuels of the CR, the Union of Car Importers, the Association of Automotive Industry, the Association of Importers and Producers of Automotive Parts and Service Equipment, the Czech Association LPG, the Bio-Diesel Producers Association, the Czech Confederation of Commerce and Tourism

The Association maintains regular contacts with the above mentioned related professional unions and associations based on exchange of information, statistical data, and mutual attendance at specialised events. Co-operation with the Czech Confederation of

Commerce and Tourism continued according to the *Memorandum on Co-operation*. In 2009, ČAPPO continued in particular its co-operation in the area of counselling legislative regulations with the Czech Confederation of Commerce and Tourism and the Association of Chemical Industry of the CR. It developed its co-operation with the Association of Service Stations of Motor Fuels of the CR, in particular in the area of legislation and measures to limit tax evasions in relation to trading in motor fuels. The Automotive Industry Association provided ČAPPO with the materials concerning motor vehicles market in Europe. With the Union of Car Importers, ČAPPO discussed the issue of using AdBlue fluid in the vehicles that meet the emission limits according to EURO IV and V Directives and the use of biofuels in transport. With the Association of Bio-diesel Producers, the Association discussed quality parameters for rape seed oil methyl esters for drive. A representative of the Car Importers Union took part in the meetings of the Working Groups related to the use of biofuels in transport and filling of AdBlue liquid. The Association of Importers and Producers of Automotive Parts and Service Technology provided ČAPPO with its information about lubricants, use of biofuels in transport and REACH.

Within the framework of its collective membership of the Association of Chemical Industry of the CR, the Association took over information materials, in particular from the European Commission and the European Parliament.

The Institute of Petroleum Technology and Petrochemistry of the Institute of Chemical Technology Prague

The Association co-operated with experts from the Institute on harmonizing Czech regulations with the ISO standards on petroleum industry nomenclature, improvement of quality parameters of fuels and lubricants, and handling operation problems. The staff of the Institute participated in ČAPPO's professional events. The co-operation related to the material contents of www.petroleum.cz continued.

TÜV UUVN s.r.o. (the Institute for Motor Vehicles Research, Ústav pro výzkum motorových vozidel)

ČAPPO co-operates with the Institute on fuel range perspective after the year 2009 in compliance with the Directives 2003/17/EC and 2003/30/EC and on the definition of quality characteristics of fuels and lubricants for future constructions engines.

The Institute for Fuels and Lubricants, a.s. (Ústav paliv a maziv), a member of the SGS Group

The Association co-operates with the Institute on material issues concerning quality parameters checks of motor fuels at service stations. ČAPPO has its representative in the *Committee for Certification of Fuels and Lubricants*. The employees of the Institute attended the events organized by ČAPPO and held a presentation focused on analyses of quality of motor fuels in the CR and annotations of standards from the field of quality characteristics of petroleum industry products and testing and certification of fuels and lubricants. In particular, co-operation related to the use of biofuels in transport and the introduction of own systems of checks of the "Seal of Quality" (Pečeť jakosti) type were important.

The Transport Research Knowledge Centre, v.v.i., Brno (Centrum dopravního výzkumu)

In the year 2009, the ad hoc Working Group and the Secretariat of the Association prepared the source materials for the second phase of Project SPII4il/33/07 *Analysis of the life cycle of fossil motor fuels and biofuels for the preparation of conceptual documents concerning the introduction of the carbon dioxide tax in the area of mobile pollution sources*. The final report from the second phase was subject to a discussion with opponents with success. The results were presented to the specialists community.

The Secretary General represents ČAPPO in the preparatory committee for the establishment of the technological platform Road Transport.

PETROLmedia

In compliance with the agreement with the company PETROLmedia, the Association prepared six PR articles for PETROLmagazin. The articles focused on the issues connected with motor fuels, lubricants, testing and certification and alternative energies. The Association and some of the member companies took active part in the industry conference within the event PETROLsummit 2009 and in the PETROLawards contest. The PETROLawards contest was organized for the third time. Mr. Miloš Podrazil won the first prize in the category *Personage of the Year* and the company ČESKÁ RAFINÉRSKÁ, a.s., was assessed best in the category *Products and Technologies* thanks to its modernization of the part of the refinery used for LPG production. In the category *Expert and Publication Activities*, the book *Benzina v proměnách času* (Transformations of the Benzina Company) of the company BENZINA, s.r.o., obtained the first prize.

The EUROKEY Project

ČAPPO and distribution companies Eni Česká republika, BENZINA, ČEPRO and OMV Česká republika joined the project organized by the National Board for Handicapped People. At the selected service stations, locks with universal keys used in the whole network of facilities for handicapped people will be installed at the lavatories for disabled persons. The implementation has been prepared in Karlovarský Region as priority issue.

Other Contacts

The Association co-operates, through its Working Groups and the Secretariat, with specialists from the division of technical research and development at ŠKODA AUTO, a.s., Mladá Boleslav, the Research Institute for Agricultural Machinery, Prague, the Central Customs Laboratories of the Czech Customs Administration and relevant customs administration offices. The range of issues discussed includes technical, legislation, and economic area. Members of the Working Group for the development of petroleum industry, in co-operation with the company ChemPlant, s.r.o., amended and published the *Programme for conversion of densities and other parameters of fossil fuels and bio-components depending on temperature*.

Data and Information Base

In 2009, in co-operation with ČAPPO member companies, the Secretariat enhanced its data and information base. The documents are available to the member companies, governmental bodies and the specialists public. In 2009, the Association enhanced its web site that is regularly updated using outsourced experts. ČAPPO web pages include ČAPPO Annual Reports, the lectures from the industry seminars held within the fairs AUTOTEC Brno, AUTOSALON Brno and other events, information concerning the deliveries of fuels to the market, professional articles and information from the members of ČAPPO Working Groups. In 2009, an amended text concerning biofuels and their use in practice was added.

In 2009, the Association continued, together with the company ČESKÁ RAFINÉRSKÁ, a.s., and the Institute of Chemical Technology, the administration of internet site focused on petroleum and petroleum industry (www.petroleum.cz). ČAPPO is a partner of the projects and prepares answers to some of the questions.

MAIN ACTIVITIES OF THE ASSOCIATION IN THE YEAR 2010

The Association considers the following activities its priorities:

- Implementation of selected EU projects in the Czech petroleum industry with the focus on alternative motor fuels, in particular on biofuels, in compliance with Directives No. 2009/28/EC and 2009/30/EC, and new, advanced motor fuels;
- Enhancement of co-operation with working groups of the European Parliament and Council, industry association EUROPIA, permanent mission of the CR in the EU,

Europarlliamentarians, and experts from the state administration concerning selected projects from the area of petroleum industry;

- Improvement of co-operation with petroleum industry and trade associations abroad;
- Co-operation with the state administration bodies and legislature concerning legislative rules in the area of petroleum industry, alternative motor fuels, tax policy and environment;
- Use of biofuels with concentration on second generation biofuels in transport in compliance with the rules, regulations and standards of the EU;
- Appeal to the state administration to take measures to provide for better enforceability of the effective laws and regulations, in particular on the service stations market;
- Appeal to the state administration and legislature to amend the legislation in compliance with EU regulations and time-tested standards with the aim of achieving equal conditions on the market;
- Advocacy of equitable claims of the member firms in the area of doing business and of legislation;
- Permanent presentation of the Association as an interest association whose members do ethical and fair business in the fuel of regulations and standards, and that acts as an expert guarantor in the petroleum industry sector.

On behalf of the ČAPPO Council
Ing. Ivan Ottis

Prague, April 2010

ANNEXES:

Auditor's Statement for the members of the Czech Association of Petroleum Industry and Trade.

Council of the Association at December 31, 2009.

Directory of member companies at December 31, 2009.

Working Groups, the MAZIVA Section, and the ČAPPO Secretariat at December 31, 2009.

Abbreviations.

AUDITOR'S STATEMENT

for the members of the Czech Association of Petroleum Industry and Trade

We have audited annexed financial statement of the Czech Association of Petroleum Industry and Trade, i.e. balance sheet at December 31, 2009, profit and loss statement for the period from January 1, 2009 to December 31, 2009, and the annex to the financial statement, including the description of the main accounting methods used for the preparation of these documents. The data about the Czech Association of Petroleum Industry and Trade are stated in the Annex to this financial statement.

Responsibility of the statutory body of the accounting unit for the financial statement

The statutory body of the Czech Association of Petroleum Industry and Trade is responsible for the preparation and true representation of the financial statement in compliance with Czech accounting regulations. This responsibility also includes the suggestion, implementation and execution of internal checks of the preparation and true representation of the financial statement so that it does not contain significant shortcomings caused by frauds or errors, select and apply the appropriate accounting methods and perform accounting estimations adequate to the situation.

Responsibility of the auditor

Our task is to issue, based on audit, our statement concerning the financial statement. The audit was executed in compliance with the Act on Auditors and the International Auditors' Standards as well as the related application provisions of the Chamber of Auditors of the Czech Republic. According to these standards, we are obliged to observe the ethical standards and to plan and execute the audit so that the auditor gains reasonable security that the financial statement does not include significant shortcomings.

The audit includes selective checks of completeness and conclusiveness of the amounts and information in the financial statement. The selection of the procedures of the auditors depends on the judgement of the auditor and also includes the assessment of the risks that the financial statement contains significant shortcomings caused by fraud or error. In the assessment of these risks, the auditor takes into account internal controls that are relevant for the preparation and true representation of the financial statement. The aim of the assessment of the internal controls is to propose appropriate auditor's procedures, not to express our opinion concerning the effectiveness of internal controls. The audit also includes the assessment of the appropriateness of used accounting methods, adequacy of accounting estimations supplied by the management, as well as the assessment of the general presentation of the financial statement.

We are persuaded that the audit provides adequate and reasonable basis for the issue of our opinion related to the financial statement of the Association.

In our opinion, the financial statement gives a true and fair picture of assets, liabilities and financial situation of the Czech Association of Petroleum Industry and Trade at December 31, 2009 and of the costs, revenues and economic result of the year 2009 in compliance with Czech accounting regulations.

The planned deficit of the budget of the Association for the year 2009 amounting to CZK - 1,110,000 was actually reduced to CZK -328,921.61 by savings of the planned expenses.

Prague, March 4, 2010

Ing. Hana Filipcová
Auditor - KAČR certificate No. 0649

HZ Praha, spol. s r.o.
PKF Czech Republic
Auditor - KAČR certificate No. 31
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COUNCIL OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

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DIRECTORY OF ČAPPO MEMBER COMPANIES

(at 31. 12. 2009)

Company	Address	Phone	Fax
1. ENI ČESKÁ REPUBLIKA, s.r.o.	Sokolovská 394/17 186 00 Praha 8	224 495 111 224 495 210	224 495 226
2. BENZINA, s.r.o.	Na Pankráci 127 140 00 Praha 4	284 012 350 284 012 111	220 874 056
3. ČEPRO, a.s.	Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300
4. ČESKÁ RAFINÉRSKÁ, a.s.	a) Záluží 2 436 70 Litvínov b) Wichterleho 809 278 52 Kralupy n. Vlt.	476 165 782 315 718 521	476 165 086 315 718 645
5. LUKOIL CZECH REPUBLIC s.r.o.	Kutvirtova 339/5 150 00 Praha 5 - Radlice	257 414 444 257 414 445	257 414 953
6. MERO ČR, a. s.	Veltruská 748 278 01 Kralupy n. Vlt.	315 701 111	315 720 111
7. MND a.s.	Úprkova 807/6 695 01 Hodonín	518 315 111	518 315 250
8. OMV ČESKÁ REPUBLIKA, s.r.o.	Na Vítězné pláni 1719/4 140 00 Praha 4	261 392 120	261 212 107
9. PARAMO, a.s.	Přerovská 560 530 06 Pardubice	466 810 339	466 335 019
10. SHELL CZECH REPUBLIC a.s.	Antala Staška 2027/79 140 00 Praha 4	244 025 900	244 025 898
11. SLOVNAFT ČESKÁ REPUBLIKA, spol. s r.o.	Olbrachtova 9 140 21 Praha 4	241 080 811	241 080 877
12. TESCO STORES ČR a.s.	Vršovická 1527/68b 100 00 Praha 10	272 087 548	272 087 334
13. TOTAL ČESKÁ REPUBLIKA, s.r.o.	Kolbenova 5a/882 186 21 Praha 8	224 890 511-13	224 890 560
14. UNIPETROL RPA, s.r.o.	Záluží 1 436 70 Litvínov	476 163 178	476 164 716

ČAPPO WORKING GROUPS

	Address	Phone	Fax
No. 1 for Development of Petroleum Industry Head: Ing. Václav Loula	BENZINA, s.r.o. Dělnická 12 170 04 Praha 7	284 012 555	284 012 204
No. 2 for Legislation Head: JUDr. Martin Vlášek	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 878	244 025 896
No. 3 for Finance and Taxes Head: Ing. Zdeňka Novická	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 859	244 025 851
No. 4 for Ethical Rules Head: Ing. Miloš Podrazil	ČAPPO U traťi 1226/42 100 00 Praha 10	274 817 509	274 815 709
No. 5 for International Relations and Strategic Technical Issues Head: Ing. Milan Vitvar	ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2 436 70 Litvínov	476 164 477	476 164 858
No. 6 for Safety of Petroleum Industry and Trade Head: Ing. Zdeněk Stejskal	ČEPRO, a.s. středisko 06 – Cerekvice 507 77 Cerekvice	493 655 226	493 655 161
No. 7 for Biofuels Head: Ing. Ivan Ottis	UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4	225 001 671	225 001 447
No. 8 for Selected EU projects Head: Ing. Ivan Ottis	UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4	225 001 671	225 001 447

Section MAZIVA (LUBRICANTS) at 31. 12. 2009:

Head: Ing. Vilém Gruml, PARAMO

PARAMO, a.s.
středisko Kolín
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530 06 Pardubice

phone: 321 750 379
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Members of the Section:

ENI ČESKÁ REPUBLIKA, s.r.o.

BENZINA, s.r.o.

ČEPRO, a.s.

NOCC, a.s., Dopraváků 3, 184 00 Praha 8⁵

OMV ČESKÁ REPUBLIKA, s.r.o.

PARAMO, a.s.

SHELL CZECH REPUBLIC, a.s.

SLOVNAFT ČESKÁ REPUBLIKA, spol. s r.o.

TESCO STORES ČR a.s.

TOTAL ČESKÁ REPUBLIKA, spol. s r.o.

⁵ only member in the LUBRICANTS Section

ČAPPO SECRETARIAT

	Address	Phone	Fax
Secretary General Ing. Miloš Podrazil	U trati 1226/42 100 00 Praha 10	274 817 509	274 815 709
Assistant Ing. Milada Šmahová	U trati 1226/42 100 00 Praha 10	274 817 404	274 815 709

ABBREVIATIONS

ČAPPO	Česká asociace petrolejářského průmyslu a obchodu (Czech Association of Petroleum Industry and Trade)
ČMI	Český metrologický institut (Czech Metrological Institute)
ČOI	Česká obchodní inspekce (Czech Trade Inspection)
ČSN	Česká technická norma (Czech Technical Standard)
ČSÚ	Český statistický úřad (Czech Statistical Office)
GŘC.....	Generální ředitelství cel (General Customs Directorate)
MF.....	Ministerstvo financí (Ministry of Finance)
MPO.....	Ministerstvo průmyslu a obchodu (Ministry of Industry and Trade)
MZe.....	Ministerstvo zemědělství (Ministry of Agriculture)
MŽP	Ministerstvo životního prostředí (Ministry of Environment)
PHM.....	motor fuels
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SCHP ČR.....	Svaz chemického průmyslu ČR (Association of Chemical Industry of the Czech Republic)
SOČR	Svaz obchodu a cestovního ruchu ČR (Czech Confederation of Commerce and Tourism)
SSHR.....	Správa státních hmotných rezerv (Administration of State Material Reserves)
ÚNMZ	Úřad pro technickou normalizaci, metrologii a státní zkušebnictví (Czech Office for Standards, Metrology, and Testing)