

CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

# ANNUAL REPORT

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**2011**

PRAGUE

June 2012

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## *Council Chairman's Message*

*In 2011, the Czech Association of Petroleum Industry and Trade (ČAPPO) focused its activities on addressing issues connected with the preparation of a new organizational structure after the year 2011. The aim of the new organizational structure is to strengthen its bargaining position in advocating justified interests of the member companies as well as increasing its media activities. To attain this goal the Council established the Working Groups to address financial matters and develop a new organizational model. The General Meeting held in December discussed the results achieved so far by both Working Groups and approved the changes in concept, as well as an implementation schedule.*

*The Council, Working Groups, and Secretariat continued to address the current legislative and technical issues concerning blending of biofuels with motor fuels for transport, and specifically on the development of programs to reduce greenhouse gas emissions originating from fuel combustion. The Working Groups analyzed the impact of these programs on the Czech petroleum industry. Similarly, ČAPPO initiated the preparation of the National Action Plan for the development of energy from renewable resources until 2020 in the section regarding the use of second generation biofuels. On its own initiative, ČAPPO prepared its estimate of energy consumption in transport until 2030 and presented it to the public.*

*Based on its own analysis, the Council published its refusal on the need to increase emergency oil and oil products reserves to 120 days of an average daily consumption in the form of specific stock created and managed based on special fees set by law. The fees should be returned to the state budget by the petroleum companies. The Council does not see the need for the increase in view of the development of motor fuels consumption and the introduction of alternative sources that substitute for crude-oil-based fuels. Another reason is diversification of crude oil transport routes to the CR using two pipelines and fully liberalized business environment concerning trading with crude oil products.*

*In spite of our objections (in particular, as they relate to the economic and technical matters) concerning the necessity to substitute fossil fuel components in motor fuels in accordance 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, and in accordance to the Air Protection Act, in the period 2007 to 2011 our members fulfilled the volumes of fossil component substitution in motor fuels prescribed by the Directive.*

*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 government, legislature and expert public. The Association repeatedly presented its position concerning the use of biofuels in transport, through its Chairman, members of the Council, its technical spokesman and its Secretariat, at a number of professional events and in the media where it highlighted*

*not only the shortcomings in legislation but also breaches in fair free market conditions and problems connected with the use of first generation biofuels. It also submitted amended proposals to Act No. 86/2002 Coll., the Air Protection Act, in the section regarding Biofuels. At the same time, ČAPPO engaged in the development of source materials with suggestions concerning the amendment to the Act on Motor Fuels, and the implementation of regulations to this Act.*

*Over course of 2011, 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 totalled only 0.9% from collected samples, while the rest of the market achieved a rate of defects of 4.4%. The detected deviation in fuel quality from standard values did not influence the usage value of motor fuels. ČAPPO succeeded in persuading the government to permit Czech Trade Inspection to publish the significant deviations from quality standards observed at service stations. The association regards this publication of the deviations, in particular, as a tool to detect tax evasions based on blending motor fuels with the non-standard fuels, and to protect the motorists. However, when it comes to publishing, the major deviations should be distinguished from small ones which cannot harm the engine and the car.*

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

*ČAPPO cooperated closely with the government, legislature, and foreign associations, along with the EUROPIA, the association of petrochemical industry, as well as with domestic organizations and institutions, and universities concerning technical issues related to the range of motor fuels and alternative fuels and the development of quality parameters, waste oils collection and management, tax policy related to the mineral oils, reasonable dates and methods for checking large capacity storage tanks for oil and oil products and amendments to technical standards and legislations. All these issues were addressed on the level of the Council, Working Groups, and Secretariat.*

*ČAPPO contributed significantly to the legislative process, in particular to the development and approval of additional amendments of several Acts, including: the amendment of Act on Motor Fuels, the amendment of Act on Value Added Tax, the amendment of Act on Air Protection, and implementing regulations to these Acts.*

*The Association has contributed to the development of new Czech technical standards in the areas of petroleum, lubricants and bitumen, analytical procedures and the operation of facilities for oil substances handling. On its own initiative, it developed and*

*published a statement on Czech technical standards for warehousing and determining the shelf-life of gasoline containing biofuels.*

*The Association significantly contributed to the implementation of some of the programmes of the EU. In particular, with those concerning problems connected with Alternative Fuels programmes and new legislation for the chemical industry field (REACH).*

*In the course of the year 2011, there was a further increase in exchange of information and cooperation between ČAPPO and state authorities, the legislature and the expert public. Interest from the expert public and business entities in the opinions and documents of ČAPPO had also grown considerably. At the same time, the educational activities of the Association increased in the areas of the media, the Internet and in members' publications. Members of the Association took an active part in a number of conferences, seminars and workshops in the area of fuels, alternative motor fuels, and safety. ČAPPO has continued to update its website on an on-going basis.*

*The Association cooperated with the Association of Chemical Industry of the Czech Republic as its collaborative member; for the purpose of providing an intensive exchange of technical information, strengthening synergy in advocating justified legislative requirements and the improvement of public relations. However, at the General Meeting held at the end of the year, it was decided to end the membership due to economic reasons.*

*Again, the Association encouraged the administration and in particular the inspection entities to require stricter legal standards and regulations from all competitors on the market. Here, it initiated, the development of a set of legislative and organizational measures to reduce tax evasions in relation to motor fuel trading via the amendments of the Act on Value Added Tax and the Act on Motor Fuels. Additionally, it actively participated through its members in the activities of the Interministerial Group for Trade with Motor Fuels. Its activities aided the government in detecting tax evasions.*

*In 2011 ČAPPO member companies helped to strengthen business stability in the markets of fuels and lubricants, in particular by influencing sound and ethical economic competition and provision of services on a standard European level.*

*The Association joined the activities of the Technological Platform Road Transport where it pursued the problems of power for transport focusing on fossil fuels from petroleum and first and second generation biofuels. Further, in the second half of the year, the Association became a partner with the project Development of Application Potential within the Operational Program Education for Competitiveness which is managed by the Ministry for Education, Youth and Sports. ČAPPO helps with the topics related to motor fuels.*

*ČAPPO members again achieved excellent results in the 5<sup>th</sup> year of the PETROLawards 11 Competition.*

*In the course of 19 years of its activities, ČAPPO demonstrated its effectiveness in acting as a representative of its members in 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, served the members from both social and economic point of view and creates fair business environment.*

*In the year 2011, the Association's position as the entity esteemed by the state administration, the legislature, the expert public, and the media was stabilized. In a 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.*

*Legislative issues concerning the petroleum industry will remain the priority in 2012 (twentieth anniversary of establishing the Association). In particular, it will continue to work on amendments to the Act on Emergency Oil Reserves, the Act on Motor Fuels, tax laws and the use of biofuels in transport as well as selected projects of the EU focused at the petroleum industry, protection of the environment, and alternative motor fuels. ČAPPO shall continue to address issues of oil safety, exchange of information concerning safe transport and specialized technical information.*

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

*June 2012*

## CHARACTERISTICS OF DEVELOPMENT OF PETROLEUM INDUSTRY IN THE CZECH REPUBLIC

The situation in the Czech refinery industry and trade developed effectively under given conditions on the world petroleum and petroleum products market, however influenced by high price of crude oil. In particular, the situation resulted in the decrease of motor fuels deliveries to the market and, in combination with the increase of biocomponents content in motor fuels prescribed by the applicable law, in lower use of refineries. Another unfavourable factor was the negative or low margin for the refineries with a negative impact on economic results.

In 2011, oil imports to the CR were effectuated according to the needs of the refineries as well as sales opportunities for oil products. Total oil imports to the CR in 2011 reached 6,925.5 thousand tons, which is by 10.4% less than in 2010. Pipeline Družba delivered 56.5% of oil from the total imports to the CR, while the remaining quantity came to the CR through the IKL pipeline.

Oil processing in the refineries of the joint-stock companies ČESKÁ RAFINÉRSKÁ, a.s., and PARAMO, a.s., for the year 2011 totalled 7,097.6 thousand tons, which is by 10.2% lower than in the year 2010. Total volume of processed petroleum also includes 145.6 thousand tons of local petroleum, i.e. 2.1% from total volume.

Expressed in the units of mass, in 2011 the petroleum products imports amounted to 2,590.6 thousand tons, which is an 11.6% increase against the year 2010.

The mass imports of motor fuels, i.e. petrol and diesel, represented 67.9% of all refinery products imports.

In 2011, refineries products exports indicated in the units of mass reached 1,696.5 thousand tons and were lower by 3.4% as compared with 2010. Exports of motor fuels in the units of mass represented 55% of all refinery products exports. Considering the competition, exports to the surrounding markets must be seen as a success.

Total deliveries of selected petroleum products onto the market in the CR in 2011 are shown in Table 1. Data show stock movement.

**Table 1**

Product	Thousand tons	Index 2011/2010
Unleaded petrol <sup>1</sup>	1781	95.9
Jet fuel	340	103.0
Diesel fuel <sup>1</sup>	4013	100.8
Heating and other gas oils	238	75.6
Heating oils up to 1% sulphur m/m	113	95.0
Heating oils with more than 1% sulphur m/m	44	176.0
Total LPG	188	101.1
Lubricating oils and other oils in total	146	112.2
Bitumen and bitumen products	425	96.4
Biocomponents for transport <sup>2</sup>	365	127.6

<sup>1</sup> incl. bio-components

<sup>2</sup> bio-ethanol, rape seed oil methyl ester

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

**Table 2**

Product	Share (%)
Petrol with octane number 91 (NORMAL and SPECIAL)	1.2
Petrol with octane number 95 (SUPER)	96.8
Petrol with octane number min. 98 and more (SUPER PLUS)	2.0

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 <sup>3</sup>	76.9
Jet fuel	39.4
Diesel fuel <sup>3</sup>	76.4
Heating oils in total	100.0
Total LPG	100.0
Lubricating oils in total	19.7
Bitumen and bitumen products	100.0

<sup>3</sup> incl. bio-components

The deliveries to the market were affected by consistently high level of world prices of petroleum and petroleum products, economic stagnation and falling purchasing power of people. In consequence of the tightening of the duty to use biofuels in transport, production of pure fossil component for motor fuels production decreased. In 2011, 365 thousand tons of fossil component were replaced by first generation biofuels, which represents a 6.3% share in total sales.

Based on the result of the statistical check of service stations carried out by the Ministry of Industry and Trade, the total of 6,690 service stations and outlets (delivery points) were registered at December 31, 2011 on the territory of the Czech Republic, including 3,717 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 33.4%.

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. 133/2010 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 ČSN standards	%	Number of samples collected from service stations of CAPPO member firms that did not comply with ČSN standards (%) <sup>4</sup>
Petrol	991	21	2.1	0.6
Diesel fuel	1016	61	6.0	0.8
Diesel blend and bio-diesel	85	15	17.6	18.2
LPG	170	0	0.0	0.0
Total	2262	97	4.3	0.9

<sup>4</sup> 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 Plus* (Seal of Quality Plus) Project as well as to the implementation of the company culture and ethics. Only 0.9% from the samples collected at the facilities of the member companies did not meet the requirements, while the same indicator achieved 4.4% in the total samples collected on the market. The deviations of fuels quality from standard values in the samples from the member companies did not influence the use value of motor fuels. The highest rate of defects was recorded for diesel blend (B30) and biodiesel (B100).

The following major changes were recorded in the area of petroleum industry and trade:

- In both refineries of the company ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., as well as in the distribution company ČEPRO, a.s., motor fuels (petrol and diesel oil) were blended with the first generation biofuels (bioethanol and fatty acids methyl esters, mainly rape seed oil methyl esters, and imported bioethyl tertiary butylether). The companies complied with the law and the market did not record any major problems.
- With some unimportant exceptions, Petrol "Speciál" was gradually taken from the market. For older vehicles without hardened valve seats, the appropriate additive is available at the majority of service stations in a small quantity to be added individually.
- The range of motor fuels stabilized – petrol at type E5 and diesel oil at type B7. Further, fuel E85, diesel blend B30 and B100 (pure FAME/RME), LPG and CNG (its consumption increases due to the tax support) are available on the market.
- Diesel blend was available from 111 public service stations. The total of 148.6 thousand tons was delivered to the market.
- Biodiesel was available from 43 public service stations. The total of 245.2 thousand tons was delivered to the market, including biodiesel blends.
- LPG motor fuel was available from 819 service stations and filling points.
- The consumption of LPG motor fuel for transport achieved 74 thousand tons.
- Fuel E85 was available from 53 public service stations. The total of 7.1 thousand tons was delivered to the market.
- Some of the premium petrols and diesel oil for "arctic" environment have been delivered to the market without biocomponents.



- 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). They have been offered under individual trade names. Their sales achieved more than 10% from total sales of motor fuels.
- The integration of the service stations market continued also within the segment of non-brand companies.
- In spite of certain partial success, the motor fuels market has been negatively affected by the new types of tax frauds. Recently, these frauds included, in particular, the misuse of some lubricating oils.
- On the basis of an analysis of new EU legislation related to the use of biofuels with minimum sustainability criteria and the duty to reduce greenhouse gases emissions from motor fuels combustion until 2020, the petroleum industry companies came to the conclusion that it would be necessary to start using products based on the second generation biofuels around 2016 and to make use of new, up-to-date components with a high emissions saving in comparison with contemporary products. This will require, in particular, amendment of the applicable Acts on Air Protection and on Motor Fuels, as well as of their implementing rules. Later, the new technologies should obtain state subsidies.
- In consequence of the regulating measures (increase in the consumption tax rates, increased duty to use biofuels), high price of oil and unfavourable refinery margins, the petroleum industry had to make efforts to mitigate the impact on economy.
- The costs of oil imports, in financial terms, increased by more than 17%.

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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, 2012. 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 28, 2011. At the Annual General Meeting, the member firms approved the activities and economic results of the Association in the year 2010 and the Annual Report for the year 2010. In the course of the General Meeting, ČAPPO Council held a presentation concerning the preparation of the new organization structure of the Association after the year 2011 and the use of biofuels in transport in the CR. The regular General Meeting was held on December 1, 2011 and approved the Report of the Council about the Activities of the Association, the amendment of the Programme of Activities for the year 2012, the budget of the Association and the membership fees for the year 2012. Further, it approved the proposal of a new organization structure of ČAPPO and the draft of new Statutes. After a long debate, the General Meeting decided to terminate the collective membership of ČAPPO in the Association of Chemical Industry of the CR (SCHP ČR). In a three-round secret ballot, the General Meeting voted the new Council for the period 2012 to 2013 consisting of the companies BENZINA, ČEPRO, ČESKÁ RAFINÉRSKÁ, Eni Česká republika, OMV Česká republika, Shell Czech Republic, and UNIPETROL RPA.

### The Council

In the year 2011, the Council held 7 regular meetings. 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. As priority matter, the Council was preparing the new organizational structure of ČAPPO after the year 2011. To this end, the Council established two working groups and involved all of the ČAPPO members in their activities. 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 as well as environmental standards. Further, the Council discussed in detail the issues connected with the regulations and standards concerning the use of biofuels in transport. 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.

The Council debated again the position and comments of the Association to the amendment of the Act on Emergency oil Reserves. It rejected the creation of specific reserves of petroleum and petroleum products with the view of current situation of economy, diversified oil deliveries from two directions and continuous decrease in crude oil-based fossil fuels consumption due to their replacement by alternative fuels and drives.

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 industry seminars, including one international seminar, focused on this theme. In late 2011, the Council asked the chairman of the Interministerial Working Group BIOFUELS to draft the appropriate regulations concerning the use of second generation biofuels in transport according to the agreed National Action Plan for Energy from Renewable Resources.

With the aim of drafting the amendments of the regulations concerning value added tax and other laws and to prevent tax frauds related to the motor fuels handling and misuse of some lubricating oils in motor fuels blends, the Council initiated the activity of the

Interministerial Working Group for Motor Fuels Trading. To this end, the Association prepared analyses and presented examples of tax frauds. On the basis of this initiative, it was possible to implement several regulatory and organizational measures to limit the tax and customs frauds. The companies BENZINA, ČEPRO and UNIPETROL RPA, and newly also Shell Czech Republic, continued active involvement in this working group.

The Council again asked 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. To this end, it prepared the analyses and added the examples of tax frauds.

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, the technical spokesman of the Association and the Secretary General gave several interviews to the media 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 2011, the permanent Working Groups had 8 regular meetings. 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 from the year 2011 till the year 2030, 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 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 industry conference focused on motor fuels, organized within PETROLsummit 2011, and industry conference PRO-ENERGY CON 2011 organized by the PRO-ENERGY MAGAZINE, in Section VI, Fuels in Transport. Further, ČAPPO Working Groups obtained regularly information about the new EU legislation for chemical industry (REACH), current legislation of the EU and the CR connected with the use of biofuels in transport and about the amendment of the technical standards for motor fuels. The Secretariat, in cooperation with the company REACH Spektrum, organized a workshop focused on the checks of observance of the provisions of the new legislation for chemical industry. In addition, the Working Group for the development of the petroleum industry, in cooperation with the companies BENZINA and PETROTRANS prepared a presentation of the development of future consumption of motor fuels for the conference APROCHEM 2011.

ČAPPO Working Group for petroleum industry and trade safety held three meetings, including one outside meeting at the terminal of the company Shell Czech Republic at the Brno-Tuřany Airport and at the Czech Metrology Institute in Brno, where its members studied the progress in the motor fuels metrology. The group focused its activities on the issues connected with criminal activities at service stations and committed in the course of motor fuels transportation.

ČAPPO Working Group for biofuels met at two meetings and debated various issues connected with the amendment of the Air Protection Act. 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 (SGS Czech Republic, s.r.o., the Research Institute for Agricultural Machinery) took part in the activities of the Group. The Working Group, together with the Working Group for petroleum industry development, prepared its positions concerning selected documents discussed within the framework of activities of the Interdepartmental Group for Biofuels (BIOPALIVA) and of the biofuels control 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 held two meetings. It debated current issues of legislation and provided regular support in the area of legislation to other Working Groups. It discussed the attitude to the new organization of ČAPPO after the year 2011 and prepared the draft of new Statutes.

The Working Group for finances and taxes prepared comments to the amendment of the Excise Tax Act (biofuels), to the Value Added Tax Act and to the decree on motor fuels trade monitoring. In cooperation with the Ministry of Finance, it organized a seminar related to the assessment of the impact of the regulation from the upcoming amendment of the Excise Tax.

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 legislative 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, the new Act on Air Protection and to the Excise Tax Act, draft of governmental decree on sustainability criteria for biofuels, diesel / FAME blends stability, review of the Act on Waters, range of motor fuels after the year 2011 and the preparation of industry events in the years 2011 and 2012. The Secretariat and the appropriate ad hoc Working Group suggested amendment of Czech technical standard 75 3415 *Premises for Petroleum Substances Storage and Distribution*. The standard was published. Further, ČAPPO ad hoc Working Groups debated the storage and transport of biofuels and their blends with fossil fuels, guarantee period for the use of blend fuels, the definition of the limit deviations in the quality of sold motor fuels in relation to potential engine damage, notification of foreign regulations concerning mineral oils, source documents for the answers to the questions of the European Commission related to the request of the ČR for exception from the standard concerning the pressure of petrol vapours in blend with bioethanol, the composition of denaturation agents for bioethanol denaturation, and a number of other issues. The Association prepared Czech technical standard ČSN 65 6500 Motor Fuels - Storage and Usable Life. Ad hoc Working Groups met at 18 meetings.

### **The Auditor**

The Annual General Meeting selected Ing. Věra Skalská to become the auditor of the Association for the year 2011. The auditor performs an audit once a year. The audit opinion concerning ČAPPO economy for the year 2011 is without objections.

In 2011, ČAPPO replaced its accounting provider – due to economic reasons.

## **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 specialists' 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 upgraded and its web site was updated on an on-going basis. 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, a member of working group for biofuels checks 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 National Emergency Sharing Organization (NESO) Committee. He represents ČAPPO in the Czech Technological Platform for the Use of Biocomponents in the Chemical Industry and Transport and in the Technological Platform "Silniční doprava" (Road Transport). In the second half of the year 2011, the Secretary General was approved as the responsible person for professional aspects of the project Development of Application Potentials within the framework of operational programme Education for Competitiveness, controlled by the Ministry of Education, Youth and Sports, in the part Motor Fuels for Transport. The Secretary General published his articles in the periodicals Dopravní noviny and Prosperita, and a series of articles in the PETROLMagazín.

The Secretary General represented ČAPPO at a seminar organized by the Chamber of Commerce with the theme protection of the excise tax yield and at the third Czech environmental forum Biomass and Biogas for Power Industry in the CR and Central Europe.

## **Membership**

There were no changes in the year 2011. At December 31, 2010 as well as at December 31, 2011, the membership was 12.

The MAZIVA (Lubricants) Section consists of the existing member firms active in lubricants production, imports and sale, and of the company NOCC, a.s. It has on new member - the company PARAMO, a.s. At December 31, 2011, the MAZIVA Section had 10 members, including two paying members.

The directories, including contact addresses, are annexed.

## **Programme of ČAPPO Activities**

At the regular General Meeting on November 25, 2010, the member companies approved the "Programme of ČAPPO Activities for the Years 2011 and 2012". It mainly focused on handling specific technical, economic and legislative issues common to the member companies; on the promotion of ČAPPO prestige with state bodies, institutions and the specialists' public, and on active participation in resolving any issues connected with the Czech Republic's membership in the European Union, and on cooperation with the International Energy Agency (IEA) and the European Standards Commission. Part of the programme also concerned strengthening cooperation 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 biofuels in transport in compliance with Directive 2003/30/EC, waste oil management in the practice, improvement of the legislative initiatives of the Association, presentation of ČAPPO's

position concerning the use of biofuels in transport, as well as participation in industry events 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 fuel quality is monitored according to the Decree of the Ministry of Industry and Trade No. 133/2010 Coll. Again, the results of the member firms for the year 2011 are very good; the frequency of defects is 0.9% of all collected samples. Thus, the result is several-fold better than the results of the rest of the market (4.4%).
- 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 2010 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 2010. A part of the members of the Association made use of the opportunity determined by the appropriate regulation and transferred the excess volumes to the next year. The Working Group and the Secretariat prepared a summary of the use of biofuels in transport in the neighbouring countries. No problems have been reported in relation to biofuels blending. ČAPPO provided for the preparation and approval of ČSN Standard 65 6500 Motor Fuels – Warehousing and Usable Life.
- 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 ensured deepening of cooperation at counselling of legislative regulations and provided for the complete review and amendment of ČAPPO internal regulations. Further, the Association cooperated closely with the Czech Confederation of Commerce and Tourism and with the Association of Chemical Industry of the CR. Recently cooperation in the area of legislation was started with the Confederation of Industry and Transport of the Czech Republic. 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 2011, the Working Groups and the Secretariat submitted their comments to 18 legislative regulations, 8 technical standards and 11 notifications of the regulations from EU member countries. At the same time, the Association reviewed the 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 preparation of the draft 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 "Gestoři EU" (EU Controllers) organized presentations related to the new legislation

for chemical industry REACH for the Working Groups and cooperated 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 three industry seminars on its own and contributed to additional 6 conferences, workshops and seminars, one of them international.
- The Association developed its cooperation with the Association of Chemical Industry of the Czech Republic within the framework of a collective membership, focused on exchange of information, cooperation in the area of legislation and programme Responsible Care.
- The Association cooperated 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 to the activities of the Czech Technological Platform for the Use of Biocomponents in Chemical Industry and Transport, and to the activity of the Technological Platform Road Transport and prepared the vision "Energy and Alternative Resources for Transport till the Year 2030". To this end, it prepared the theses for the Implementation Action Plan, part Energy and Alternative Resources. The theses were accepted.
- Starting from September, ČAPPO has been involved as partner in the project Development of Application Potentials within the framework of operational programme Education for Competitiveness, financed by the European Social Fund and by the Ministry of Education, Youth and Sports, in the part Motor Fuels for Transport.

## **PRINCIPAL ISSUES DEBATED IN 2011**

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" (a public format) and the "Lubricants Deliveries to the Market in the CR" (internal format). With a monthly frequency, simplified statements related to the deliveries of fuels, lubricants and bitumens to the market were prepared. 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.

In 2011, 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 mineral oils in compliance with regulation No 1006/2011 of EU Commission, to amend Schedule I of Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff. In cooperation with the member companies (BENZINA, ČEPRO, ČESKÁ RAFINÉRSKÁ and UNIPETROL RPA) ČAPPO initiated the verification of the data related to the imports of motor fuels from Austria. The check detected the shortcomings of the EXTRASTAT and INTRASTAT systems. On the basis of the results of the check of

imports, the appropriate internal statements of the deliveries of selected petroleum products to the market were adjusted.

Based on order, the Secretariat prepared additional information about the historical development of mass deliveries of fuels to the market, or their prognosis, divided based on their range and quality.

In addition, the Secretariat collects and distributes to the members and the Working Groups various technical and legislative information as published by international organizations CONCAWE, EUROPIA, and EU working commissions. It works in the same way also with information obtained from the domestic sources, for example from the Association of Industry and Transport of the CR and from the Association of Czech Chemical Industry of the CR.

### Legislation and Czech Technical Standards

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

- Act No. 86/2002 Coll. on Air protection, as amended;
- Act No. 353/2003 Coll. on Excise Taxes, as amended;
- Act No. 235/2005 Coll. on Value Added Tax, as amended;
- Act No. 311/2006 Coll. on Motor Fuels, as amended;
- Act No. 189/1999 Coll. on Emergency Oil Reserves;
- Act No. 350/2011 Coll. on Chemical Substances and Chemical Preparations;
- new Act on Air Protection to replace the existing act;
- Decree No. 133/2010 Coll. on the requirements for motor fuels, the method of monitoring the composition and quality of motor fuels and their records (Decree on Motor Fuels Quality and Recording);
- Decree No. 103/2011 Coll. on the registration of motor fuels distributors;
- Decree No. 146/2011 Coll. to determine the height of technically justifiable loss incurred in the course of mineral oils transport and warehousing;
- Decree No. 402/2011 Coll. on evaluation of dangerous properties of chemical substances and chemical mixtures and packaging and labelling of dangerous mixtures;
- Statutory Order No. 294/2011 Coll. on emission limits and other conditions for stationary resources of air pollution;
- Statutory Order No. 450/2011 Coll. to determine the list of polluting substances, threshold values and data to be reported to the integrated registry of environment pollution;
- Statutory Order No. 446/2011 Coll. on biofuels sustainability criteria;
- Review of ČSN 75 3415 Standard Premises for Oil Substances Storage and Handling;
- Review of ČSN 75 3418 Standard Protection of Surface and Groundwater Resources against Contamination Caused by Road Vehicles Transporting Oil Substances;
- ČSN 65 6500 Motor Fuels – Warehousing and Usable Life;
- 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, Act on Packages and the new Act on Used Products Collection and other general regulations. The members of expert Working Groups



amended technical and methodological explanations to the Motor Fuels Act and the Air Protection Act, and the Secretariat distributed the explanation among the member companies. The Secretariat has regularly elaborated 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.

Legislative activities ranked with the most important activities of the Association in the year 2011.

### **Economic Benefits from ČAPPO Activities**

Within its organizational activities in the area of legislation, the Council and ČAPPO members succeeded in 2011, among other, in pushing the following changes with economic effect through the appropriate authorities:

- Initiation of a change in the Methodological Instruction related to the transfer of the excess quantity of marketed biofuels. With the General Customs Administration, amendment of the Methodological Instruction for reporting obligatory quantities of marketed biofuels according to the Act on Air Protection. The change consists in the opportunity to transfer the excessive volumes of biofuels to the next year in relation to the whole range of motor fuels that contain a biocomponent. The estimated benefit achieves approximately CZK 30 million a year.
- Initiation of a change in the Statutory Order concerning sustainability criteria. Simpler reporting of greenhouse gases emissions and better specification of the definitions. The benefit consists in simplified administration and easier checks.
- Enforcement of a set of partial measures to prevent/reduce tax evasions in relation to the motor fuels trading. Amendment of the VAT Act and balance checks of the movements of goods at a service station. Enhanced cooperation with the state authorities in the field of tax frauds discovering. For now, the benefit cannot be enumerated. Estimated at several hundreds of millions Czech crowns.
- Implementation of the registry of motor fuels traders. With the aim of improvement of the knowledge of the market, the Act on Motor Fuels provides for the establishment of the registry of motor fuels traders. Further, it is allowed to publish the directory of service stations owners and to check the mass balance of fuels at a service station.
- The analysis of the results of creation of so called specific reserves of petroleum and petroleum product. Through the Confederation of Industry and Transport of the CR, a set of binding comments related to the draft of amendment of the Act on Emergency Reserves of Petroleum and Petroleum Products was submitted. In its position, ČAPPO rejected the increase in the petroleum reserves to 120-day quantity. The same position was expressed by the Ministry of Finance; based on this, the debate related to the amendment was postponed till March 31, 2012.

### **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). With the Deputy Minister of Industry and Trade and the Director of the Gas Industry and Liquid Fuels Division, it debated the deepening of communication and more intensive support to ČAPPO's proposals. 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 2011, the improvement of quality of statistical surveys, adjustment to the conditions of doing business in the EU, the substitution of oil fuels by their alternatives by the year 2020 till 2030, as well as the programme for further use of biofuels in transport in compliance with Directives

2009/28/EC and 2009/30/EC, denaturation of bioethanol intended for transportation, and the exclusion from the pressure of ethanol/petrol blends were discussed. Several members of the Association (UNIPETROL, ČESKÁ RAFINÉRSKÁ, BENZINA, ČEPRO and PARAMO) regularly attended the meetings of the Interministerial Working Group BIOPALIVA (BIOFUELS) as guests. The Secretariat regularly attended the meetings of working groups and commissions of experts of the Ministry of Industry and Trade related to the area of fuels, checks of biofuels, second generation biofuels production, the amendment of the Act on Motor Fuels, and information surveys concerning the deliveries of fuels. The Association contributed to the counselling process and the preparation of the documents The Best Available Technology in Petroleum Industry and the Energy a Raw Materials Safety of the Czech Republic.

With the Ministry of Finance, the Association and its Working Group for finances and taxes mainly cooperated in addressing current technical and legislative issues of the Excise Tax Act and the Value Added 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 Interministerial 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 (GŘC) with technical advice. At the meetings held in the course of the year, problems of recording and reporting the transfer of excess volume of biofuels and the methodology for the records of their use in motor fuels, checks of imports of motor fuels from some neighbouring countries as well as the measures aimed at the limiting of tax evasions in connection with trading in motor fuels were debated. For the consumption taxes division of the General Customs Administration, the analysis of misuse of certain lubricating oils in diesel fuel was prepared.

The Association cooperated 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. The main attention was focused on the legislation related to the use and reporting of biofuels that comply with the sustainability criteria. 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, and attend regular seminars. Nevertheless, the main activity was cooperation 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 preparation 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 cooperated in the area of the use of bioethanol and rape seed oil methyl ester (RME) as fuel components in compliance with Directive 2003/30/EC, and of bioethanol denaturation.

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 petroleum and petroleum products markets, and information from the Energy Sector of the European Commission. 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 prepared and submitted through the Confederation of Industry and Transport its comments to the amendment of Act No. 189/1999 Coll. on Emergency Oil Reserves.

The Czech Statistical Office obtained from ČAPPO basic methodological explanations to statistical data on petroleum and petroleum products. At the same time, the

Association participated in the preparation of the yearly report Petroleum and Petroleum Products in compliance with the methodology of the International Energy Agency, 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. ČAPPO contributed to the transposition of Commission Regulation No. 1006/2011 into Czech legislation (INTRASTAT manual) and organized a seminar to explain the principles.

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 Petroleum and Petroleum Products.

In agreement with the Czech Office for Standards, Metrology and Testing, the Association prepared Czech Standard ČSN 65 6500 Motor Fuel - Storage and Useful Life. The standard was enacted.

Further, the Association cooperated with the Czech Trade Inspection (ČOI) 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 General Director of ČOI and his counsellor, the Association repeatedly discussed the publishing of significant deviations of the quality of sold motor fuels, as detected by the checks carried out by ČOI, from the quality requirements.

With the Czech Metrology Institute, the Association cooperated 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 and the Air Protection Act). The representatives of the Association attended a seminar focused on the fuels quality checks and publishing of the deviations of motor fuels quality within the preparation of the amendment of the Motor Fuels Act.

### **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 the dailies and economic periodicals, 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*, the *Prosperita Magazine* 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 six technical articles on the development of motor fuels till the year 2050. 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.

The representatives of some member companies and the technical spokesman repeatedly explained the problems with the use of biofuels in transport and the situation of the petroleum industry 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 *Use of New Motor Fuels in Transport* organized within the industry conference at

PETROLsummit 2011 and at industry events APROCHEM 2011 and REOTRIB 2011. The Secretary General held a lecture at PRO-ENERGY CON 2011 and at international seminar *Sustainable Oil Processing vs. Renewable Energy Resources* (Bratislava).

The Secretariat, with the support of external professionals, updated the Association's web pages.

## ČAPPO MAIN EVENTS

### 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 (the Air Protection Act, Statutory Order on biofuels sustainability criteria, Act on Motor Fuels and the related Decree) and to their implementation in practice
- Explanation of the method of checks of implementation of the new legislation for chemical industry (REACH)
- Debate concerning the impact of regulations from the amendment of the Excise Tax Act
- Debate concerning EU Regulation No. 1006/2011 to implement new tariffs codes
- The development of the range of products, quality and consumption of motor fuels and alternative drives till 2030.

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 supported the campaign organized by the EUROPIA organization *Drive Environment-Friendly and Economically* in the form of media and professional activities.

### Other Events

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

- Seminar of the Technological Platform Road Transport with the theme strategic research agenda and the proposal of the concept for the implementation action plan for road transport
- Power industry conference PRO-ENERGY CON 2011, Section VI, Fuels for Transport
- International seminar *Sustainable Oil Processing vs. Renewable Energy Resources* (Bratislava)
- Industry conference within PETROLsummit 11
- 17<sup>th</sup> year of the conference REOTRIB 2011 - Fuels and Lubricants Quality
- APROCHEM 2011 industry conference.

## ČAPPO INTERNATIONAL CONTACTS

In 2011, the Association continued specialist cooperation 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.

ČAPPO cooperated with the Slovak Association of Petroleum Industry and Trade in the areas of legislation, mineral oils statistics, coordinating important events and implementation of EU regulations in national laws. Regular exchange of information concerning the use of biofuels in transport continues. The Slovak association provided ČAPPO with the legislation related to the financing of the creation and protection of emergency oil reserves.

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, and the implementation of the tax laws and regulations.

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. Cooperation with the Czech Confederation of Commerce and Tourism continued according to the *Memorandum on Cooperation*. In 2011, ČAPPO continued in particular its cooperation in the area of counselling legislative regulations with the Czech Confederation of Commerce and Tourism and the Association of Chemical Industry of the CR. In this connection, the Association also started direct cooperation with the Confederation of Industry and Trade of the CR. It developed its cooperation 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 has discussed the issue of current and future development of the cars market in the CR, the types of drive and the use of biofuels in transport. With the Association of Bio-diesel Producers, ČAPPO discussed the experience with the blending of biofuels with diesel oil, the use bio-diesel mix and pure FAME on the market. A representative of the Car Importers Union took part, as necessary, in the meetings of the Working Groups related to the use of biofuels. 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.

### **The Association of Chemical Industry of the CR**

A representative of ČAPPO regularly attended the meetings of the board of the Association of Chemical Industry of the CR (SČHP) and contributed to the activities of SČHP, while pushing through the interests of ČAPPO in the area of legislation (REACH, NAP, legislation for the environment, etc.), in the area of cooperation with the state bodies (cooperation with the working group of the Ministry of Industry and Trade focused on the mitigation of the impact of economic crisis), and other. Based on the collective membership of ČAPPO in the Association of Chemical Industry of the CR, ČAPPO Secretariat obtained, in particular, the materials from the European Commission and the European Parliament and distributed them among ČAPPO members. In December, the General Meeting of the members decided to terminate the collective membership at December 31, 2011.

### **The Institute of Petroleum Technology and Alternative Fuels of the Institute of Chemical Technology Prague**

The Association cooperated 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.

### **SGS Czech Republic, s.r.o.**

The Association cooperates with the Institute on material issues concerning quality parameters checks of motor fuels at service stations, the selection of denaturation blends for bioethanol, definition of the significant deviations of petrol and diesel oil from the applicable technical standards and certifications, criteria of biofuels sustainability. ČAPPO has its representative in the *Committee for Certification of Fuels and Lubricants*. The employees of the company 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, cooperation related to the use of biofuels in transport and the implementation of own systems of checks of the Seal of Quality PLUS (Pečeť jakosti PLUS) type were important.

### **Contribution to the project Development of the Application Potential, in part Motor Fuels for Transport**

ČAPPO cooperated as partner with CDV v.v.i. Brno within the implementation of the project Development of Application Potential, supported from the European Social Fund and by the Ministry of Education, Youth and Sports of the CR within the framework of Operational Programme Education for Competitiveness. See [www.cappo.cz](http://www.cappo.cz) for additional information.

### **Technological Platform Road Transport**

ČAPPO and ČESKÁ RAFINÉRSKÁ contributed to the activity of the Technological Platform Road Transport. So far, the second and third phases were successfully concluded by the discussion of the Strategic Research Agenda and the draft of the Implementation Action Plan Energy and Alternative Resources.

### **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 the development of the range of products, quality and consumption of motor and alternative fuels till 2050. The Association and some of the member companies took active part in the industry conference within the event PETROLsummit 2011 (presentation by ČAPPO focused on motor fuels vision) and in the PETROLawards 2011 contest.

## Other Contacts

The Association cooperates, through its Working Groups and the Secretariat, with specialists from the division of technical research at ŠKODA AUTO, a.s., Mladá Boleslav, the Research Institute for Agricultural Machinery, 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.

## Data and Information Base

In 2011, in cooperation 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 2011, the Association updated its web site. ČAPPO web pages include ČAPPO Annual Reports, some of the lectures from the industry seminars and other events, information concerning the deliveries of fuels to the market, professional articles and information from the members of ČAPPO Working Groups.

In 2011, 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 at [www.petroleum.cz](http://www.petroleum.cz). ČAPPO is a partner of the project and prepares answers to some of the questions.

## MAIN ACTIVITIES OF THE ASSOCIATION IN THE YEAR 2012

The Association considers the following activities its priorities:

- Implementation of the new organizational structure and bodies of ČAPPO with the aim to strengthen the bargaining position of the Association in relation to the government
- Implementation of selected EU projects in the Czech petroleum industry with the focus on crude oil based fuels, alternative motor fuels, in particular second generation biofuels, in compliance with Directives No. 2009/28/EC and 2009/30/EC, and new, advanced motor fuels
- Implementation of the appropriate measures to reduce greenhouse gases emissions resulting from petroleum processing and the observance of the criteria for biofuels sustainability
- Analysis of the possibility to meet the obligation to reduce greenhouse gases emissions till the year 2020 in compliance with Directive 2009/28/EC
- Elaboration of the vision of the development of Czech petroleum industry till 2020 with the focus on fossil fuels and the definition of the position of Czech refineries
- Analysis of energy security of the CR in the oil products supply for transport
- Enhancement of cooperation with working groups of the European Parliament and Council, industry association EUROPIA, permanent mission of the CR in the EU, Europarliamentarians, and experts from the state administration concerning selected projects from the area of petroleum industry
- Improvement of cooperation with petroleum industry and trade associations abroad with the focus on Slovakia, Poland and Austria
- Cooperation with the state administration bodies and legislature concerning legislative rules in the area of petroleum industry, alternative motor fuels, tax and customs policy and environment
- Cooperation with the appropriate bodies of state administration in the field of the fight against corruption and tax frauds in connection with motor fuels trading
- 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 and taxes collection; the Association will continue its support to the activity of the interdepartmental group for fuels trading
- 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;
- Education aimed at professional public;
- Permanent presentation of the Association as an interest association whose members do ethical and fair business in the spirit 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, June 2012

### **ANNEXES:**

Independent Auditor's Statement for the members of the Czech Association of Petroleum Industry and Trade from March 5, 2012

The ČAPPO Council at December 31, 2011

List of member companies at December 31, 2011

Working Groups, the MAZIVA (Lubricants) Section, and the Secretariat of the ČAPPO at December 31, 2011

Abbreviations



**INDEPENDENT AUDITOR'S STATEMENT**  
**for the members of the Czech Association**  
**of Petroleum Industry and Trade**

I have audited annexed financial statement of the Czech Association of Petroleum Industry and Trade, with its official seat at U trati 1226/42, Praha 10, company identification No. 48137570, consisting of the balance sheet at December 31, 2011, profit and loss statement for the year ending at December 31, 2011, and the annex to the financial statement, including the description of the main accounting methods used for the preparation of these documents and other explanations. 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 of the financial statement, giving a true and fair picture in compliance with Czech accounting regulations, and for the appropriate internal check system that it considers necessary for the preparation of the financial statements so that they do not contain significant shortcomings caused by frauds or errors.

**Responsibility of the auditor**

My task is to issue, based on audit, my 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 regulations, I am obliged to observe the ethical standards and to plan and execute the audit so that I gain reasonable security that the financial statement does not include significant shortcomings.

The audit includes selective checks aimed at the gaining of evidential information about the amounts and data published in the financial statement. The selection of the procedures 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 is to propose appropriate auditor's procedures, not to express my opinion concerning the effectiveness of internal controls system of the accounting unit. 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.

I am persuaded that the evidential information I have provided adequate and reasonable basis for the issue of my statement.

**In my opinion, the financial statement gives a true and fair picture of assets and liabilities of the Czech Association of Petroleum Industry and Trade at December 31, 2011 and of the costs, revenues and economic result of its economy in the year ending at December 31, 2011 in compliance with Czech accounting regulations.**

Prague, March 5, 2012

/seal/

Auditor: / signature/  
Ing. Věra Skalská  
KAČR certificate No. 1440  
149 00 Praha 4, Plickova 551

## **COUNCIL OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE (ČAPPO) AT DECEMBER 31, 2011**

### **Chairman:**

#### **Ing. Ivan Ottis**

Executive Officer for the area of refineries  
UNIPETROL RPA, s.r.o.  
Záluží 1  
436 70 Litvínov

Phone: 476 161 111  
Fax: 476 709 553

### **Vice-chairmen:**

#### **Ing. Pavel Šenych<sup>5</sup>**

#### **Ing. Petr Pražský, CSc.<sup>6</sup>**

Chairman of the Board of Directors and Country Chair  
Shell Czech Republic a.s.  
Antala Staška 2027/79  
140 00 Praha 4

Phone: 244 025 900  
Fax: 244 025 898

#### **Ing. Martin Durčák**

BENZINA, s.r.o.  
Na Pankráci 127  
140 00 Praha 4

Phone: 284 012 598  
Fax: 220 874 056

### **Members:**

#### **Ing. Jiří Borovec, MBA**

Chairman of the Board of Directors and Managing Director  
ČEPRO, a.s.  
Dělnická 213/12  
170 04 Praha 7

Phone: 221 968 111  
Fax: 221 968 300

#### **Ing. Ivan Souček, Ph.D.<sup>7</sup>**

#### **Marek Świtajewski<sup>8</sup>**

Chairman of the Board of Directors and Managing Director  
ČESKÁ RAFINÉRSKÁ, a.s.  
O. Wichterleho 809  
278 52 Kralupy nad Vltavou

Phone: 315 718 521  
Fax: 315 718 645

#### **Dr. Massimo Bechi**

Executive Director  
Eni Česká republika, s.r.o.  
Sokolovská 394/17  
186 00 Praha 8

Phone: 224 495 111  
Fax: 224 495 226

#### **DI. Milan Zigo<sup>9</sup>**

Chief Clerk  
OMV Česká republika, s.r.o.  
Na Vítězné pláni 1719/4  
140 00 Praha 4

Phone: 261 392 111  
Fax: 261 392 511

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<sup>5</sup> till June 30, 2011

<sup>6</sup> from July 1, 2011

<sup>7</sup> till April 27, 2011

<sup>8</sup> from April 27, 2011

<sup>9</sup> from December 1, 2011

**MEMBERS OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE  
(ČAPPO) AT DECEMBER 31, 2011**

Company	Address	Phone	Fax
1. <b>BENZINA, s.r.o.</b>	Na Pankráci 127 140 00 Praha 4	284 012 350 284 012 111	220 874 056
2. <b>ČEPRO, a.s.</b>	Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300
3. <b>ČESKÁ RAFINÉRSKÁ, a.s.</b>	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
4. <b>Eni Česká republika, s.r.o.</b>	Sokolovská 394/17 186 00 Praha 8	224 495 111 224 495 210	224 495 226
5. <b>LUKOIL Czech Republic s.r.o.</b>	Kutvirtova 339/5 150 00 Praha 5 - Radlice	257 414 444 257 414 445	257 414 953
6. <b>MND a.s.</b>	Úprkova 807/6 695 01 Hodonín	518 315 111	518 315 250
7. <b>OMV Česká republika, s.r.o.</b>	Na Vítězné pláni 1719/4 140 00 Praha 4	261 392 120	261 212 107
8. <b>Shell Czech Republic a.s.</b>	Antala Staška 2027/79 140 00 Praha 4	244 025 900	244 025 898
9. <b>Slovnaft Česká republika, spol. s r.o.</b>	Olbrachtova 9 140 21 Praha 4	241 080 811	241 080 877
10. <b>Tesco Stores ČR a.s.</b>	Vršovická 1527/68b 100 00 Praha 10	272 087 548	272 087 334
11. <b>TOTAL ČESKÁ REPUBLIKA s.r.o.</b>	IBC, budova C Pobřežní 3 186 00 Praha 8	224 890 511	224 890 560
12. <b>UNIPETROL RPA, s.r.o.</b>	Záluží 1 436 70 Litvínov	476 163 178	476 164 716

**WORKING GROUPS OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE (ČAPPO) AT DECEMBER 31, 2011**

	Address	Phone	Fax
<b>No. 1 for the Development of Petroleum Industry</b> Head: Ing. Václav Loula	BENZINA, s.r.o. Na Pankráci 127 140 00 Praha 4	284 012 555	284 012 204
<b>No. 2 for Legislation</b> Head: JUDr. Martin Vlášek	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 878	244 025 896
<b>No. 3 for Finance and Taxes</b> Head: Ing. Zdeňka Novická	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 859	244 025 851
<b>No. 4 for the Rules of Ethics</b> Head: Ing. Miloš Podrazil	ČAPPO U trati 1226/42 100 00 Praha 10	274 817 509	274 815 709
<b>No. 5 for International Relationships and Strategic Technical Issues</b> Head: Ing. Milan Vitvar	ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2 436 70 Litvínov	476 164 477	476 164 858
<b>No. 6 for Safety of Petroleum Industry and Trade</b> Head: Ing. Zdeněk Stejskal	ČEPRO, a.s. Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300
<b>No. 7 for Biofuels</b> Head: Ing. Ivan Ottis	UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4	225 001 671	225 001 447
<b>No. 8 for Selected EU Projects</b> Head: Ing. Ivan Ottis	UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4	225 001 671	225 001 447



## 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)
LPG.....	zkapalněné ropné plyny (Liquified Petroleum Gas)
MD .....	Ministerstvo dopravy (Ministry of Transport)
MF.....	Ministerstvo financí (Ministry of Finance)
MPO.....	Ministerstvo průmyslu a obchodu (Ministry of Industry and Trade)
MŠMT .....	Ministerstvo školství, mládeže a tělovýchovy (Ministry of Education, Youth and Sports)
MZe.....	Ministerstvo zemědělství (Ministry of Agriculture)
MŽP .....	Ministerstvo životního prostředí (Ministry of Environment)
NAP .....	Národní akční plán (National Action Plan)
NESO.....	Národní organizace pro společný postup ve stavu ropné nouze (National Emergency Sharing Organization)
PHM.....	pohonné hmoty (Motor Fuels)
PSP ČR .....	Poslanecká sněmovna Parlamentu ČR (Chamber of Deputies of the Parliament of the CR)
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)