

THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

# ANNUAL REPORT

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**2008**

PRAGUE

April 2009

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Dear Friends,

*In 2008, the Czech Association of Petroleum Industry and Trade (ČAPPO) activities focused, as its priority, on addressing technical and legislative issues connected with the blending of biofuels with motor fuels for transport. In particular, the Association continued adding fatty acids methyl esters to diesel fuel, started blending bioethanol with petrol, and focused on the problems of co-ordination of the production and distribution of sulphur-free motor fuels. The member firms coped with both changes without problems.*

*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 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 proposal to the Air Protection Act in the part Biofuels. At the same time, ČAPPO engaged in the preparation of the source materials for the Programme for Further Use of Biofuels in Transport and of the resulting proposal for the tax support for high-concentration blends of biofuels with fossil fuels.*

*In the course of the whole year 2008, the member firms, who are distributors of petroleum and petroleum products, achieved excellent results concerning the quality of motor fuels sold at service stations: the rate of defects made only 0.8% from collected samples. On top of this, the rate was even 0% in two months of the year 2008. In the course of the year, the member companies were able to maintain and strengthen 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 and the tax policy related to the mineral oils 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, and 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 the amendments of the Excise Tax Act, the regulations connected with the implementation of the use of biofuels, Motor Fuels Act, the amendment of the Act on Chemical Substances and Chemical Preparations, the new Act on Wastes, 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 addressing of problems connected with the programmes Alternative Fuels, Clean Air for Europe and Smart Energy for Europe II.*

*In the course of the year 2008, there was an 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 products 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 increased. Members of the Association took active part in 26 conferences, seminars and workshops from the area of fuels, alternative motor fuels and safety.*

*The member companies adopted a new wording of ČAPPO Statutes, Rules of Ethics and Rules of Procedure in the cases of their breach.*

*Early in 2008, the Association was admitted in the Association of Chemical Industry of the Czech Republic; the purpose of the membership is more intensive exchange of technical information, strengthening of synergy in advocating legislative justified requirements and improvement of education. The assessment of effectiveness of the collective membership will be prepared in the year 2009.*

*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. We are of the opinion that it is impossible in an advanced society to tolerate a situation when regulations are just empty words, and certain companies do not respect them, either knowingly or unknowingly, exploiting this to give themselves a competitive edge.*

*We are prepared to approach the inspection bodies with this matter regularly and energetically in the future.*

*In the year 2008 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 European Union countries will remain our priorities also in the year 2009. 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.*

*In the year 2008, 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 2009*

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

### **Petroleum Industry in the World**

World oil demand in 2008 is estimated at 85.8 mb/d, which is lower by 0.3% compared to final figures for 2007 86.0 mb/d. OECD demand totalled 47.5 mb/d, while non-OECD 38.2 mb/d. OECD demand fell by about 4% (North America minus 5%, the Pacific minus 4%, Europe almost on par with the previous year). Middle East demand rose by 8% and the Chinese one by 5% only. The demand decreased for the first time from the early 1980s. On the supply side, only OPEC increased its supplies (by 1 mb/d), while statistical figures for non OPEC sources were slightly lower in comparison with 2007. The share of biofuels reached 0.46 mb/d, however there must be taken into account that statistical data for biofuels might not be flawless.

World oil production totalled 86.6 mb/d of which 37.06 mb/d were produced by OPEC countries (including Angola and Ecuador, including NGL 4.96 mb/d), 19.30 mb/d by OECD countries, by non-OPEC non-OECD 27.53 mb/d; The biggest supplier was Russia with 9.99 mb/d followed by Saudi Arabia (8.91) and the U.S. (7.52).

Crude oil and petroleum products supplies from Russia were highest in the 2<sup>nd</sup> Quarter surpassing averages of 2007. Russian net exports fell to its lowest in November as high Russian export duties lagging behind the fall in oil prices were the main reason behind this slump. The duty was cut as from December 1<sup>st</sup> resulting in an increase of 18% of crude oil exports scheduled for December.

Russian crude oil deliveries via Druzhba pipeline to the Czech Republic were below Czech refineries requirements from end June and continuing till November. On the other hand deliveries to Germany and Slovakia as well as to China (via Kazakhstan's Atasu-Alashankou pipeline) were increased in the same period.

Between August and September Azeri crude oil production was plagued by a BTC pipeline explosion in Turkey and war conflict in Georgia followed by an oil field platform gas leaks. Full Azeri oil production of 0.9 mb/d shall be resumed early 2009. Incidents cut 2008 crude oil supply by over 55 mb, extent of which was similar to losses as a result of Hurricanes Gustav and Ike in the U.S.

Caspian Pipeline Consortium shareholders signed an agreement on the expansion of the CPS pipeline. BP, who opposed the scheme, sold its stake. The project should raise the capacity of the pipeline, which runs from Tengiz oil field in Kazakhstan across Russia to Novorossiysk on the Black Sea from around 750 kb/d to over 1.30 mb/d by 2013.

October OPEC "emergency" meeting decreased a production target by 1.5 mb/d (OPEC production excluding Iraq and Indonesia, departing from OPEC at its own request) to 27.31 mb/d) starting November. However, a December OPEC meeting agreed a new lower collective target of 24.8 mb/d. November and December supplies surpassed 27 mb/d; proposed cut is over 3 mb/d as OPEC would like to see OECD stocks decreased.

OECD industry stocks reflected rising oil prices during the 1<sup>st</sup> half of the year and stood well below five-year average covering around 53 days of forward demand. With the falling prices stocks went up and despite occasional stock draw they surpassed the top of the five-year range covering 56.4 days of OECD forward demand.

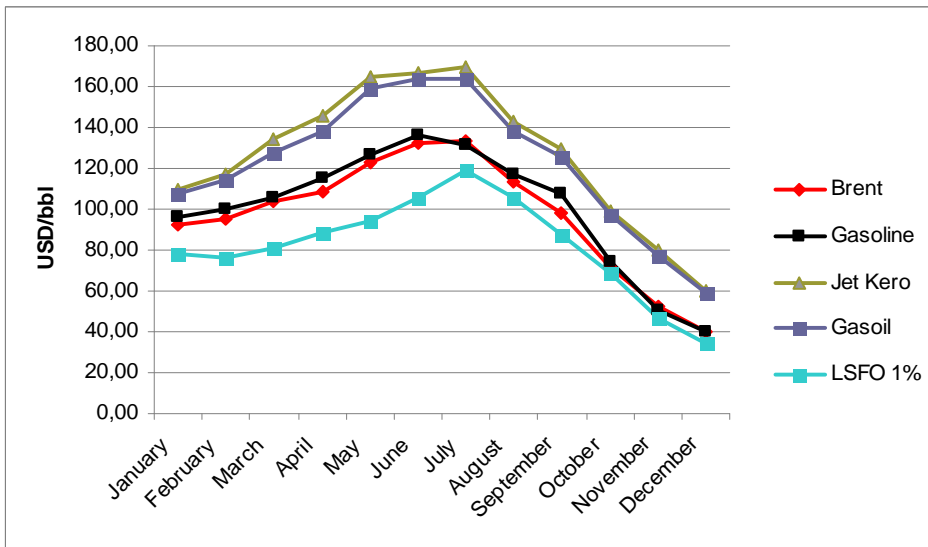
The US and China announced their intention to resume stockpiling of their strategic stocks in 2009 following the drop in oil prices. The US will proceed with the planned increase of strategic reserves to 1 bn barrels.

Despite prudent projections for global economic growth oil prices were steadily rising from January till July to historical highs of USD 147.-/bbl, supported by weakening dollar, tight distillate market and OPEC decision to rollover targets until the end of summer. August brought a decrease which turned into an unprecedented downward slide. The highest monthly average

Brent price in 2008 reached in July (USD 133.18/bbl) was more than a threefold of the lowest monthly average in December (USD 40.35).

Petroleum products prices moved alongside with crude oil and formed three groups: jet fuel together with gasoil/diesel reaching positive spread to Brent of over USD 30.- in July and USD 20.- in December. Brent and gasoline were almost on par during the whole year. Fuel oil negative spread to Brent of USD 20.- between February and July was diminishing starting August and from October fuel oil was relatively very close to Brent and gasoline for the rest of the year.

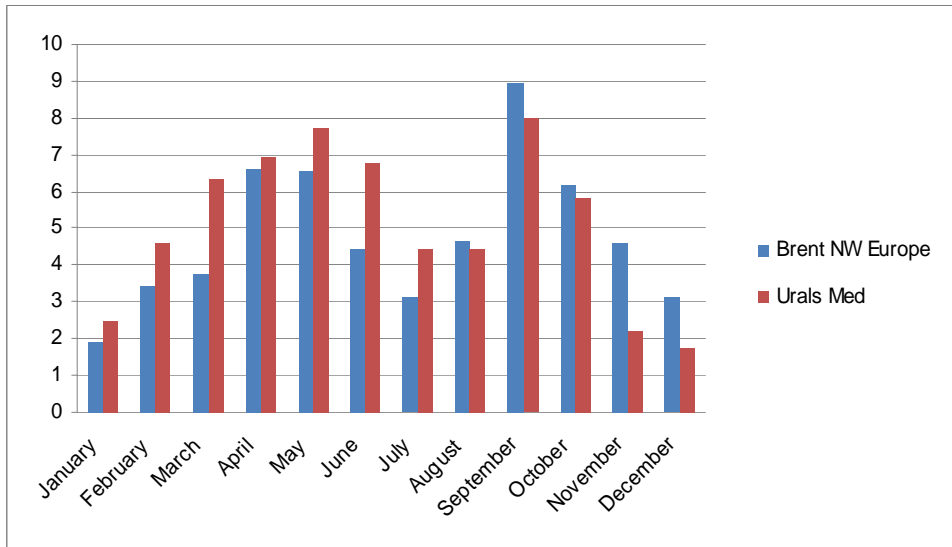
Graph No. 1: Brent Crude Oil FOB Sullom Voe and Petroleum Products Prices FOB Rotterdam barges 2008 in USD/bbl



Source: IEA

European refining margins for Brent were at their strongest in September with positive hydroskimming margins for the first time since May 2007 (for monthly averages). July margins fell in comparison with June as refineries paid record premiums for light distillate rich crude oils in an effort to bolster yields; however weak gasoline prices kept refining margins low. Urals Med margins were very poor in November and December as the discount from Brent was at its lowest (-0.32 USD/bbl) in the anticipation of a higher fuel oil demand in colder temperatures to come.

Graph No. 2: Refining Margins Cracking 2008 in USD/bbl

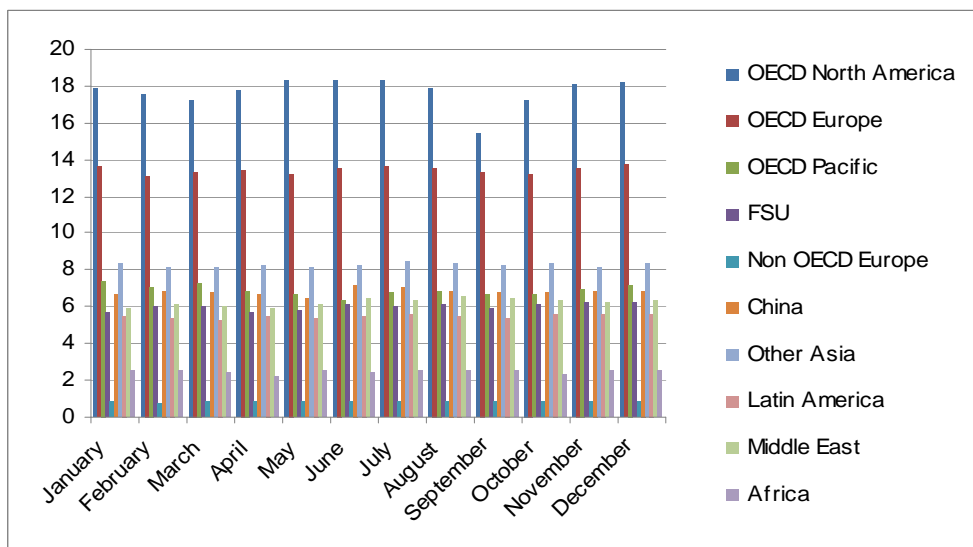


Source: IEA

US Gulf Coast refining was disrupted in September as an impact of Hurricanes Gustav and Ike; refineries restored their operations during October. From August up to October industry inventories drawdown was massive as refineries were closed before and after hurricanes.

During the second half of the year refineries tried to offset weakening demand by cutting processing and increasing yields of gasoil/diesel and jet fuel. Financial market turmoil, falling profitability and slowing demand growth led refinery operators to reduce capital expenditure plans for 2009. Bankruptcies, closure of refineries or mergers seem to be inevitable in the future.

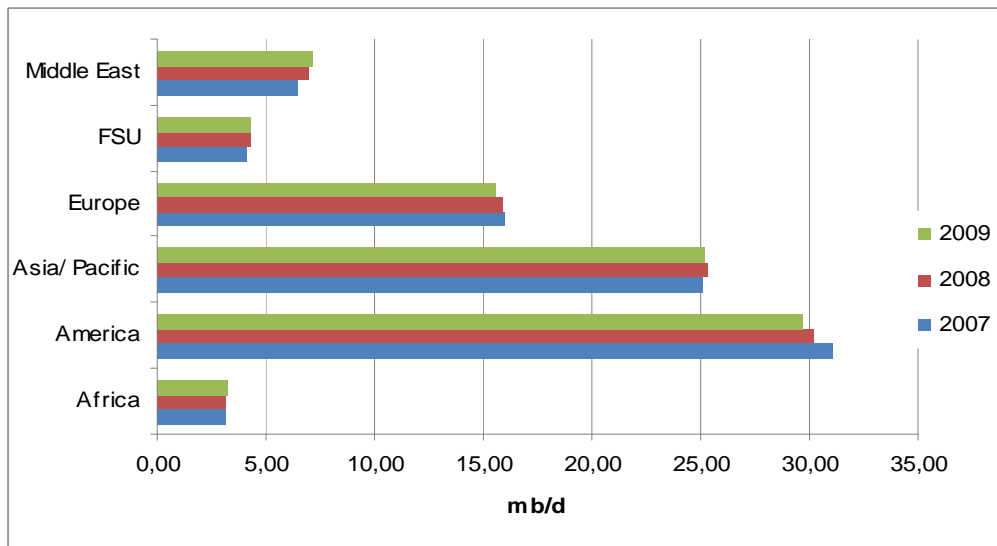
Graph No. 3: Crude Oil Processing 2008 mb/d



Source: IEA

On the basis of January 2009 predictions of IMF and OECD for GDP the oil demand shall go down to 85.3 mb/d, an annual change of 0.6% Only the FSU demand is estimated to remain the same and for the Middle East the demand shall rise by 2 m/bd. The share of biofuels is assessed at 0.6 mb/d.

Graph No. 4: World Oil Demand 2007 - 2009



Source: IEA

There is a need for sustained investment in research and development of new fields in order to avoid a renewed supply squeeze when demand growth recovers. In 2008 IEA crude oil price predictions for 2009 were gradually corrected from USD 110.-/bbl to USD 80.-/bbl and finally in January to USD 60.-/bbl. A lower price however will have a limited offsetting effect on oil demand. Such a price may seem too low for costly investments with a view to the uncertain world economic outlook and limited access to credits. There is still a hope that Middle East producers will not curb their projects as their costs are generally lower because of an easier accessibility of their new finds and they accumulated revenues enough during five years of rising prices.

Note:

mb/d = million barrels per day; kb/d = thousand barrels per days

Urals = Russian Export Blend Crude Oil



## 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 the second half of the year, there was a decrease in the deliveries of oil through Družba pipeline. Nevertheless, the deliveries of petroleum products to the market were not disturbed.

Throughout the whole year of 2008 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 2008 reached 8,108.5 thousand tons, which is by 12.8% more than in 2007. Pipeline Družba delivered 59.3% 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 2008 totalled 8,248 thousand tons, which is by 11.5% higher than in the year 2007. Total volume of processed petroleum also includes 219.2 thousand tons of local petroleum, i.e. approximately 2.7% from total volume.

Expressed in the units of mass, in 2008 the petroleum products imports amounted to 2,717.5 thousand tons, which is a 16.2% drop against the year 2007.

The mass imports of motor fuels, i.e. petrol and diesel, represented 66.3% of all refinery products imports.

In 2008, refineries products exports indicated in the units of mass reached 1,465.0 thousand tons and were higher by 32.2% as compared with 2007. Exports of motor fuels in the units of mass represented approximately 61.2% of all refinery products exports.

Total deliveries of selected petroleum products onto the market in the CR in 2008 are shown in Table 1. Data show stock movement.

**Table 1**

Product	Thousand tons	Index 2007/2006
Unleaded petrol <sup>1</sup>	2015	96.0
of which: Unleaded petrol Special	22	51.2
Jet fuel	387	105.2
Diesel fuel <sup>1</sup>	4030	99.0
Heating and other gas oils	84	106.3
Heating oils up to 1% sulphur m/m	255	92.7
Heating oils with more than 1% sulphur m/m	68	69.4
Total LPG	219	102.8
Lubricating oils and other oils in total	209	124.1
Bitumen and bitumen products	557	102.6
Bio-components for transport <sup>2</sup>	134	n.a.

<sup>1</sup> incl. biocomponents

<sup>2</sup> bioethanol, rape seed oil methyl esters

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)	2.6
from which SPECIAL	1.1
Petrol with octane number 95 (SUPER)	95.8
Petrol with octane number 98 (SUPER PLUS)	1.8

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>	70.6
Unleaded petrol Special	91.0
Jet fuel	38.5
Diesel fuel <sup>3</sup>	68.6
Heating oils in total	78.6
Total LPG	62.6
Lubricating oils in total	47.0
Bitumen and bitumen products	58.0

<sup>3</sup> including biocomponents

The results of deliveries of fuels to the market indicate stable position of the domestic processors of oil. In addition to the refineries, the processors of ČESKÁ RAFINÉRSKÁ a.s. as well the largest distributor, ČEPRO, a.s., play the decisive role in it.

Based on the result of the statistical check of service stations carried out by the Ministry of Industry and Trade, the total of 6,424 service stations and outlets (delivery points) were registered at December 31, 2008 on the territory of the Czech Republic, including 3,577 public and the remaining number of non-public facilities. The share of ČAPPO member companies in the total number of public service stations achieved 30.8%.

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 (as drawn from the files of the Czech Trade Inspection).

**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 CAPPO member firms that did not comply with CSN standards (%) <sup>4</sup>
Petrol	1010	18	1.8	0.7
Diesel fuel	1216	108	8.9	1.0
Diesel blend	3	2	66.7	0.0
LPG	200	8	4.0	0.0
Total	2429	136	5.6	0.8

<sup>4</sup> from all samples collected at service stations of member companies

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, ČAPPO member companies achieve very good results in the area of quality of sold motor fuels. Only 0.8% from the samples collected at the facilities of the member companies did not meet the requirements, while the same indicator achieved 8.8% in the rest of the market.

The following major changes were recorded in the area of petroleum industry and trade in the Czech Republic in the year 2008:

- In both refineries of the company ČESKÁ RAFINÉRSKÁ, a.s., in the refinery of the company PARAMO, a.s., as well as in the distribution company ČEPRO, a.s., blending of bioethanol with petrol was launched in January in compliance with CSN EN 228. The average contents of bioethanol in petrol was 2.1% vol. (range 0 to 4.2%).
- In the fourth quarter of the year, the general delivery of sulphur-free motor fuels to the market was launched.
- Blending of fatty acids methyl esters (FAME) with diesel oil continued. The companies and the market did not record any problems. The average contents of FAME in diesel oil achieved 2.2% vol. (range 0 to 4.8%).
- Some of the premium petrols and diesel oils have been delivered to the market without bio-components.
- 83.7 thousand tons of FAME, 50.7 thousand tons of bio-ethanol, and 362 tons ETBE were added to motor fuels.
- 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 delivery of bio-diesel mix was renewed on a smaller scale.

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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 Customs Administration, the Czech Trade Inspection, and of the Czech Association of Petroleum Industry and Trade at 31 March, 2008. 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 Meetings

The Council convoked the Annual General Meeting on April 24, 2008, and the regular General Meeting on November 27, 2008.

At the Annual General Meeting, the member firms approved the activities and economic results of the Association in the year 2007 and the Annual Report for the year 2007. In the course of the General Meeting, ČAPPO Council presented the position of the Association concerning the use of biofuels in transport in the CR. This part of the Annual Meeting was attended, among other persons, by the representatives of Ministries of Industry and Trade, Environment, Agriculture and Finance. The representative of the Ministry of Industry and Trade informed the General Meeting about the activities of the Interdepartmental Group for Biofuels. In relation to the issues connected with biofuels, the General Meeting adopted unanimously the following resolution:

#### **Resolution No. 04/04/2008/VH**

*The General Meeting of ČAPPO member companies takes note of the presented report on current situation in the use of biofuels and agrees to it. The General Meeting notes that the member companies of ČAPPO commenced, in compliance with the applicable legislation, using biofuels in blends with fossil fuels. ČAPPO members do not consider the first generation biofuels and further increase in the part of bio-components over 5% vol. a prospective solution and ethical use of biomass used for their production, due to their possible impact on increase in foodstuff prices and possible impacts in social area. ČAPPO members prefer the use of second generation biofuels. In their opinion, the launch of second generation biofuels requires a support from state.*

*The General Meeting authorizes the Council to continue the negotiations with the authorities and legislature in compliance with this position.*

At the same time, the General Meeting adopted the initiative amendment proposal related to the Air Protection Act (Section 3a - Biofuels) and asked the Council to enforce it.

At the regular General Meeting, ČAPPO member firms approved the "Report about the Activities of the Association in the Period after the General Meeting in April 2008", "Changes in organization of the activities of ČAPPO" (change in the cycle of organization of the General Meetings and financial arrangements related to the activities of the Association in the years 2009 and 2010), "Programme of ČAPPO Activities for the Year 2009 and 2010" and the "Check of Observance of the Budget at September 30, 2008", as well as the budget and membership fees for the years 2009 and 2010. The General Meeting also adopted new Statutes and new Rules of Ethics of the Association and Rules of Procedure for the cases of their breach. Further, the General Meeting elected in a secret ballot the new Council of the Association for the period 2009 and 2010, consisting of the following companies, members of ČAPPO: Agip Česká republika, s.r.o., BENZINA, s.r.o., ČEPRO, a.s., ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., Shell Czech Republic a.s., and UNIPETROL RPA, s.r.o.

### The Council

In the year 2008, the Council held 7 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, the Ministry of Finance, the Ministry of Environment, the Ministry of Agriculture and related professional unions and associations, in particular the Association of Chemical Industry of the CR (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 its modifying proposal 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 elected in a secret ballot the officers of the Council for the years 2009 and 2010.

The Council debated in detail the issue of the implementation of two EU directives, namely Directive 2003/17/EC and Directive 2003/30/EC in practice. 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 as well as the Secretary General attended four industry seminars and an international conference focused on this theme.

The Council again appealed to the Ministry of Environment, the Ministry of Industry and Trade, and the appropriate governmental bodies to facilitate a quick resolution to the problem of service stations (in particular 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 Programmes* 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.

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

The Council debated repeatedly the proposal for a review of the Statutes focused on the nature of the Association, its Rules of Ethics and Rules of Procedure in the cases of its breach. To this end, it initiated an amendment process.

The Chairman of the Council, other members of the Council and the 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 2008, the permanent Working Groups had 12 regular meetings. They organized two workshops 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.

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 2008 and 2009, the transformation of EU countries' legislation into Czech law in the area of indirect taxes on mineral oils, 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 *Alternative Fuels and Drives* and a presentation concerning the safety of service stations operation within the framework of the accompanying programme of the international fair AUTOTEC BRNO 2008. Further, ČAPPO Working Groups obtained regularly information about the new EU legislation for chemical industry (*REACH*), on the Public Budget Stabilization Act with the focus on natural

gas, electricity and solid fuels taxation, about 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 an outside meeting connected with the presentation of metrological activities of the Czech Metrology Institute at a ČEPRO, a.s., service station in Brno. 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 in the course of motor fuels transportation. In co-operation with the Czech Metrology Institute, the Working Group prepared a methodological instruction related to the execution of metrological activities at service stations. It met at four meetings.

ČAPPO Working Group for biofuels met at two meetings and debated the regulations that transpose the Directive 2003/30/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 Agriculture, Industry and Trade, Environment, Finance and Transport), universities and industry institutions (the Institute for Fuels and Lubricants, 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 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 Statutes, Rules of Ethics and the Rules of Procedure in the cases of their breach. It held three 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 (the part concerning taxes for natural gas, electricity and solid fuels) and to the Act on Income Taxes.

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 amendments of codes and names of the fuels and lubricants in the Customs Tariffs, the new system of fuels and lubricants imports and exports registration after the date of EU accession (INTRASTAT), amendment of commodity nomenclature of biofuels in TARIC, the co-ordination of technical processes for the filling of fuels to the tanks at service stations, petrol-ethanol blends stability, amendment of the programme for the conversion based on physical characteristics of fossil fuels, biofuels and their blends depending on temperature (with the exception of fermented ethanol, in particular of denaturated fermented ethanol) and the preparation of industry events in the year 2008 and 2009. The Secretariat and the appropriate ad hoc Working Group suggested amendment of Czech technical standard *Premises For Petroleum Substances Storage And Distribution*. Further, ČAPPO ad hoc Working Groups debated the filling of AdBlue liquid, 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 17 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 2007–2008. The auditor performs an audit once a year. The result for the year 2008 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 completed. 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, 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 and member of working group of the Ministry of Industry and Trade of the CR for the amendment of the Motor Fuels Act and member of the Board of Waste Management of the CR representing the petroleum industry. In addition, he attended the meetings of the voluntary Fair Business (Korektní podnikání) Association organized by the Czech Confederation of Commerce and Tourism and the Exhibition Committee of the company Veletrhy Brno, a.s., for the AUTOSALON and AUTOTEC Fairs. The Secretary General is also member of the Technical Standards Commission *Petroleum and Petroleum Products* of NESO Committee. The Secretary General published his articles in two technical magazines (Technický týdeník, Prosperita) and a series of articles in the PETROLmagazín.

## Membership

At January 1, 2008, the Association had 15 members. At December 31, 2008, the membership reduced to 14.

The MAZIVA (Lubricants) Section consists of the existing member firms active in lubricants production, imports and sale, and of the companies BAUFELD - ekologické služby, s. r. o., and NOCC, a.s. At December 31, 2008, the MAZIVA Section had 11 members, including two paying members.

The directories, including contact addresses, are annexed.

## Programme of ČAPPO Activities

At the regular General Meeting on November 27, 2007, the member companies approved the "Programme of ČAPPO Activities for the year 2008". 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 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 AUTOTEC BRNO 2008 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 2008 are very



good; the frequency of defects is 0.8% of all collected samples. Thus, the result is several-fold better than the results of the rest of the market.

- Programme for the production and distribution of sulphur-free fuels was discussed by ČAPPO Working Groups and it has been arranged. From January 1, 2009 petrol and diesel fuel are marketed containing at most 10 mg/kg of sulphur.
- 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 presentations *Position of Petroleum Industry Concerning the Use of Biofuels in Transport; Experience with the Use of Biofuels;* and *Biofuels Legislation in the CR and in the Neighbouring Countries* and performed them at four seminars and at one international conference.
- At September 1, 2007, blending of RME with diesel fuel was launched at the refineries of ČESKÁ RAFINÉRSKÁ, a.s., at 11 terminals of the distribution company ČEPRO, a.s., and blending of FAME with diesel fuel was launched at the refinery of the company PARAMO, a.s. The operation continues and no problems were reported.
- From January 2008, blending bioethanol with petrol was launched in the refineries of ČESKÁ RAFINÉRSKÁ, a.s., and at 9 terminals of the distribution company ČEPRO, a.s. So far, no operational 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, provided for the complete review and amendment of ČAPPO Statutes, Rules of Ethics and Rules of Procedure in the case of breaches of these and other internal documents of ČAPPO. 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 2008, the Working Groups and the Secretariat submitted their comments to 18 legislative regulations and 21 technical standards.
- 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 waste oil management.
- Adjustment to the conditions of doing business in the EU – the Working Group “Gestovní 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 and co-operation in the area of legislation.
- 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 Standards Institute, Czech Metrology Institute, and the Czech Statistical Office.

- The Association contributed in the role of a co-investigator to the implementation of the Project SP1141/33/07 *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.*

## PRINCIPAL ISSUES DEBATED IN 2008

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 “Gross Deliveries of Main Petroleum Products to the Market in the CR” and “Lubricants Deliveries to the Market in the CR”. The source of data for the report 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 2008 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 oil and oil 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 Directive 2003/30/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;
- Act No. 261/2007 Coll. on Public Budget Stabilization in the part concerning taxes for natural gas, electricity and solid fuels;
- Act on Chemical Substances and Chemical Preparations applying the new chemical legislation (REACH);
- Draft amendment of the Waters Act (Act on Waters) in the part concerning the checks of the tanks for dangerous materials;
- Draft Motor Fuels Act and implementation rules;
- Amendment of the technical standard for petroleum substances storage and handling;

- Amendment of Czech technical standards for fossil fuels, bio-components 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 2009, and other 10 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 2008.

ČAPPO Working Group for safety in the petroleum industry and trade prepared a methodological instruction for the metrological activities at service stations.

Using outsourcing, the Association prepared the annotation of Czech technical standards from the area of oil and oil products, and bitumen.

Outsourcing was also used to prepare amended programme for conversion of density and other characteristics of refinery products and bio-components depending on temperature.

### 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 2008, 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 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 related to the Directive on renewable sources and to the amendment of Directive No. 98/70/EC.

With the Ministry of Finance, the Association and its Working Group for finances and taxes mainly co-operated in addressing current technical 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. ČAPPO Working Groups and Secretariat provided the Czech Customs Administration (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 receipts and deliveries of biofuels and the methodology for the records of their use in motor fuels were debated. The Association contributed to the preparation of the Excise Tax Act in relation to the *Programme of Further Use of Biofuels in Transport*.

The Association co-operated with the Ministry of Environment regarding dangerous substance and greenhouse gases emissions into the air and dealing with wastes and packages, 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. 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* 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 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. 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 Strategic 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 2008, 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 National Emergency Sharing Organization (NESO) for dealing with the crisis caused by oil shortages. Late in the year, 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.

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 Petroleum Products 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 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.

### **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. It used its contacts with the Deputies of the Parliament of the CR to push through some of the amendments of the Excise Tax Act, and use of biofuels in transportation. The representatives of the Association attended a seminar focused on the use of biofuels in transport.

### **Media and Presentations**

The Council, technical spokesman and the Secretariat presented ČAPPO activities in several articles and information in specialist motoring and petroleum industry magazines (PRO-ENERGY, PETROLmagazin, Technický týdeník, Prosperita and Dopravní noviny), daily newspapers Hospodářské noviny (HN), Lidové noviny, Právo and Mladá fronta Dnes,

and business magazines Ekonom and EURO. The Chairman 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 oil 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 the industry conference *Alternative Drives and Fuels* within the framework of the accompanying programme of the AUTOTEC BRNO 2008 Fair.

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

## ČAPPO MAIN EVENTS

### AUTOTEC BRNO 2008

Within the framework of the international fair AUTOTEC BRNO 2008, ČAPPO contributed to the organization and took an active part in the international conference *BRNOSAFETY 2008* and industry seminar *Contemporary Motor Fuels and Lubricants*.

### Press Conference

ČAPPO Secretary General took part in the opening Press Conference of international exhibition AUTOTEC BRNO 2008.

The Secretary General and the representatives of some of the member companies attended the Press Conference organized by the company UNIPETROL, a.s., and focused on clean fuels.

### Industry Workshops

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

- Explanation of current legislation related to the use of biofuels in transportation and practical experience from their use,
- Explanation of the new legislation for the chemical industry (REACH) within the framework of the Working Groups for petroleum industry and trade safety and for the development of petroleum industry, and the MAZIVA (Lubricants) Section.

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,
- Round-table discussion focused on the use of biofuels within 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,
- Information campaign concerning Safe Energy for Europe Programme,
- APROCHEM 2008 industry conference.

## ČAPPO INTERNATIONAL CONTACTS

In 2008, 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 the possibility of extending 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 2008, 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. 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 liquid 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.

### **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 2008 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 representatives of the Institute participated in ČAPPO's professional events.

### **The Institute for Fuels and Lubricants, a.s. (Ústav paliv a maziv)**

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 2008, the ad hoc Working Group and the Secretariat of the Association prepared the source materials for the first 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 first phase was subject to a discussion with opponents with success. The results were presented to the professional community.

### **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 2008 and in the PETROLawards contest. The PETROLawards contest was organized for the second time. Mr. Václav Loula 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*. In the category *Service Stations*, promotional DVD campaign of the company BENZINA, s.r.o., obtained the first prize.

### **The EUROKEY Project**

ČAPPO and distribution companies Agip 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.

### 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 2008, 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 specialist public. In 2008, the Association enhanced its web site that is regularly updated using outsourced experts. ČAPPO web pages also include 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 2008, a text concerning biofuels and their use in practice was added.

In 2008, 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](http://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 2009

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 and new 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, Europarliamentarians, and experts from the state administration concerning selected projects from the area of petroleum industry,
- 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 spirit of regulations and standards, and that act as an expert guarantor in the petroleum industry sector.

On behalf of the ČAPPO Council  
Ing. Ivan Ottis

Prague, April 2009

## **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, 2008, profit and loss statement for the period from January 1, 2008 to December 31, 2008, 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, 2008 and of the costs, revenues and economic result of the year 2008 in compliance with Czech accounting regulations.**

The planned deficit of the budget of the Association for the year 2008 amounting to CZK - 1,410,000 was actually reduced to CZK -355,806.90 by savings of the planned expenses.

Ing. Hana Filipcová  
Auditor -  
KAČR certificate No. 0649

HZ Praha, spol. s r.o.  
PKF Czech Republic  
Auditor - KAČR certificate No. 31  
Karlova 48  
110 00 Praha 1

Prague, March 11, 2008

#### **APPENDICES:**

The Council of the Czech Association of Petroleum Industry and Trade at December 31, 2008.

Directory of ČAPPO Member Companies at December 31, 2008.

ČAPPO Working Groups, the MAZIVA (Lubricants) Section and the Secretariat at December 31, 2008.

## COUNCIL OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

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436 70 Litvínov – Záluží 2

phone: 476 165 782  
fax: 476 165 086

#### Ing. Stanislav Bruna

Director of Business Unit BU I - Refinery  
UNIPETROL RPA, s.r.o.  
Záluží 1  
436 70 Litvínov

phone: 476 161 111  
fax: 476 709 553

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<sup>5</sup> till 31 December 2008

<sup>6</sup> from 1 January 2009

**DIRECTORY OF ČAPPO MEMBER COMPANIES**

(as per 31. 12. 2008)

Company	Address	Phone	Fax
1. <b>AGIP ČESKÁ REPUBLIKA, s.r.o.</b>	Sokolovská 394/17 186 00 Praha 8	224 495 111 224 495 210	224 495 226
2. <b>BENZINA, s.r.o.</b>	Na Pankráci 127 140 00 Praha 4	284 012 350 284 012 111	220 874 056
3. <b>ČEPRO, a.s.</b>	Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300
4. <b>ČESKÁ RAFINÉRSKÁ, a.s.</b>	a) DS 264 436 70 Litvínov - Záluží 2 b) Wichterleho 809 278 52 Kralupy n. Vlt.	476 165 782 315 718 521	476 165 086 315 718 645
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>MERO ČR, a. s.</b>	Veltruská 748 278 01 Kralupy n. Vlt.	315 701 111	315 720 111
7. <b>MND a.s.</b>	Úprkova 807/6 695 01 Hodonín	518 315 111	518 315 250
8. <b>OMV ČESKÁ REPUBLIKA, s.r.o.</b>	Na Vítězné pláni 1719/4 140 00 Praha 4	261 392 120	261 212 107
9. <b>PARAMO, a.s.</b>	Přerovská 560 530 06 Pardubice	466 810 339	466 335 019
10. <b>POPILKA, spol. s r.o.</b> <sup>7</sup>	Bratřínov 51 252 05 Praha - západ	257 771 160 257 771 170 603 221 350	257 771 150
11. <b>SHELL CZECH REPUBLIC a.s.</b>	Antala Staška 2027/79 140 00 Praha 4	244 025 900	244 025 898
12. <b>SLOVNAFT ČESKÁ REPUBLIKA, spol. s r.o.</b>	Olbrachtova 9 140 21 Praha 4	241 080 811	241 080 877
13. <b>TESCO STORES ČR a.s.</b>	Vršovická 1527/68b 100 00 Praha 10	272 087 548	272 087 334
14. <b>TOTAL ČESKÁ REPUBLIKA, s.r.o.</b>	Kolbenova 5a/882 186 21 Praha 8	224 890 511-13	224 890 560
15. <b>UNIPETROL RPA, s.r.o.</b>	Záluží 1 436 70 Litvínov	476 163 178	476 164 716

<sup>7</sup> till 31 December 2008

## SEZNAM PRACOVNÍCH SKUPIN ČAPPO

	adresa	telefon	fax
<b>č. 1 pro rozvoj petrolejářského průmyslu</b> vedoucí: Ing. Václav Loula	BENZINA, s.r.o. Na Pankráci 127 140 00 Praha 4	284 012 555	284 012 204
<b>č. 2 pro legislativu</b> vedoucí: JUDr. Martin Vlášek	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 878	244 025 896
<b>č. 3 pro finance a daně</b> vedoucí: Ing. Zdeňka Novická	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 859	244 025 851
<b>č. 4 pro etická pravidla</b> vedoucí: Ing. Miloš Podrazil	ČAPPO U trati 1226/42 100 00 Praha 10	274 817 509	274 815 709
<b>č. 5 pro mezinárodní vztahy a strategické technické problémy</b> vedoucí: Ing. Milan Vítvar	ČESKÁ RAFINÉRSKÁ, a.s. DS 264 436 70 Litvínov - Záluží 2	476 164 477	476 164 858
<b>č. 6 pro bezpečnost petrolejářského průmyslu a obchodu</b> vedoucí: Ing. Zdeněk Stejskal	ČEPRO, a.s. středisko 06 – Cerekvice 507 77 Cerekvice	493 655 226	493 655 161
<b>č. 7 pro biopaliva</b> vedoucí: Ing. Ivan Ottis	PARAMO, a.s. Přerovská 560 530 06 Pardubice	466 810 339	466 335 019
<b>č. 8 pro vybrané projekty EU</b> vedoucí: Ing. Ivan Ottis	PARAMO, a.s. Přerovská 560 530 06 Pardubice	466 810 339	466 335 019

## **Sekce MAZIVA:**

**Vedoucí:** Ing. Vilém Gruml, PARAMO, a.s., Přerovská 560, 530 06 Pardubice

### **Členové sekce:**

AGIP ČESKÁ REPUBLIKA, s.r.o.

BAUFELD - EKOLOGICKÉ SLUŽBY, spol. s r.o., Na Petynce 716/48, 169 00 Praha 6<sup>8</sup>

BENZINA, s.r.o.

ČEPRO, a.s.

NOCC, a.s., Dopraváků 3, 184 00 Praha 8<sup>8</sup>

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.

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<sup>8</sup> only member in the LUBRICANTS Section

## SEKRETARIÁT ČAPPO

	adresa	telefon	fax
<b>Generální sekretář</b> Ing. Miloš Podrazil	U trati 1226/42 100 00 Praha 10	274 817 509	274 815 709
<b>Asistentka</b> Ing. Milada Šmahová	U trati 1226/42 100 00 Praha 10	274 817 404	274 815 709