

ANNUAL REPORT

2013



CZECH ASSOCIATION
OF PETROLEUM
INDUSTRY AND TRADE

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PRAGUE

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U Trati 42
100 00 Praha 10
Phone: 274 817 404, 274 817 509
Fax: 274 815 709
E-mail: cappo@cappo.cz
<http://www.cappo.cz>

CHAIRMAN'S MESSAGE

In 2013, the Czech Association of Petroleum Industry and Trade (ČAPPO) focused its activities, as its priority, on implementation of its new organisation structure and preparation and pushing through of the legislative measures to fight the tax frauds in motor fuels trading.

The new organisational structure was implemented based on ČAPPO Statutes adopted at the General Meeting in June 2012. The aim of the new organisation is to strengthen the bargaining position of the Association in advocating justified interests of the member companies as well as increasing its media activities. For the newly established office of the Executive Director, the Council selected from three candidates Mr. Ing. Jan Mikulec, CSc., who acceded to his office on April 1, 2013.

The new organisation also included the restructuring of ČAPPO's permanent Working Groups. Their number was reduced from seven to four: the Fuels and Lubricants WG, the Legislation and Ethics WG, the Taxes WG and the Safety WG.

At its first regular meeting in the new term of office, the Council elected Mr. Ing. Ivan Ottis (UNIPETROL RPA) for its Chairman, and Mr. Ing. Petr Pražský, CSc. (Shell Czech Republic) for its Vice-Chairman.

In effective collaboration with the state authorities (the Ministry of Industry and Trade, the Finance Ministry, the General Finance Directorate and the General Customs Directorate, the deputies and senators of the Chamber of Deputies and of the Senate of the Parliament of the Czech Republic), the Council and the members of ČAPPO succeeded in their efforts to push through the enactment of the amendment of the Act on Fuels (Act No. 234/2013 Coll.). The Act contributed significantly to the reduction of tax frauds related to motor fuels trading. The enactment of the Act in its proposed form can be assessed as the most important success of activities of ČAPPO in the field of legislation in 2013.

Another success was the enactment of the amendment of the Act on Emergency Oil Reserves.

The Council, the Working Groups, and the Secretariat continued to address the current legislative and technical issues concerning blending of biofuels with motor fuels for transport, and specifically on the analysis of programmes to reduce greenhouse gases emissions originating from the fuels combustion and the preparation of amendments of Directives 2009/28/EC and 2009/30/EC to limit the use of the first generation biofuels and to prescribe the preference of the advanced second and third generation biofuels. The Working Groups analysed the impact of these programs on the Czech petroleum industry. The Association presented the analysis to the public at the industry workshop Biofuels in Transport. Within the workshop, it issued its memorandum concerning the use of biofuels in transport.

In spite of our objections (in particular, as they relate to the economic and technical matters) concerning the duty to substitute fossil fuel components in motor fuels by first generation biofuels in accordance with Directive No. 2003/30/EC of the European Parliament and of the Council on the promotion of the use of biofuels or other renewable motor fuels for transport, and in accordance with the Act on Air Protection, in the period 2007 to 2013 ČAPPO members fulfilled the volumes of fossil component substitution by biofuels in motor fuels prescribed by the Directive.

Over the course of 2013, the member firms, who are distributors of petroleum and petroleum products, achieved very good results concerning the quality of gasoline sold at service stations: the rate of defects totalled only 0.2% from collected samples, while the whole market achieved a rate of defects of 2.9%. The detected deviations in fuel quality from standard values did not influence the usage value of motor fuels. ČAPPO developed pressure on the state authorities to permit the Czech Trade Inspection to publish the significant deviations from quality standards observed at service stations, and finally succeeded. The association regards this publication of the deviations, in particular, as a tool to detect tax frauds 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 damage the engine, vehicle and the environment. To this end, it prepared the appropriate draft legislation to be included in the amendment of the Act on Motor fuels which is being prepared.

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, of the company ČEPRO and other ČAPPO members. The suppliers also succeeded in maintaining flawless deliveries of motor fuels to the market in the time of the shutdowns in the refineries.

On the level of the Council, Working Groups, and Secretariat, the Association addressed technical issues related to the range of motor fuels and alternative fuels and the development of their 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 petroleum and petroleum products and amendments to technical standards and legislations. ČAPPO cooperated closely with the state administration bodies, the Office for Standards, Metrology, and Testing, legislature, foreign associations, the association of petrochemical industry (EUROPIA), as well as with domestic organisations, institutions, and universities

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.

The Association significantly contributed to the implementation of some of the programmes of the EU. In particular, it focused on alternative fuels.

In the course of the year 2013, there was 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 grew considerably, too. 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 updated its website on an on-going basis.

Again, the Association encouraged the administration and in particular the inspection entities to require more strictly the observance of legal standards and regulations from all competitors on the market. Here, it initiated, in particular, the development of a set of legislative and organisational measures to reduce tax evasions in relation to motor fuels trading via the amendments of the Excise Tax Act and the Act on Motor fuels. Additionally, it actively participated, also through its members, in the activities of the Interministerial Group for Trade with Motor fuels. Its activity helped the state authorities to detect tax frauds.

In 2013, ČAPPO member companies contributed to the strengthening of business stability on the markets of fuels and lubricants, in particular by influencing sound and ethical economic competition and provision of services on a standard advanced European level.

The Association joined the activities of the Technological Platform Road Transport where it pursued the problems of motor fuels for road transport focusing on fossil fuels from petroleum and advanced second and third generation biofuels. Late in the year, ČAPPO and the Technological Platform Road Transport organised industry workshop Biofuels in Transport. Further, the Association contributed as partner to the project Development of Application Potential within the Operational Program Education for Competitiveness which is managed by the Ministry for Education, Youth and Sports, in the section Motor fuels for Transport, in the form of short-term attachments in the bitumens production in the PARAMO, a.s., Company, and to the organisation of the round table discussions on the theme motor fuels for road transport.

ČAPPO members again achieved excellent results in the 7th year of the PETROLawards 2013.

In the year 2013, the Association's position as the entity respected by the state administration, the legislature, the expert public, and the media was stabilised. 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.

In 2014, legislative issues concerning the petroleum industry will remain the priority. In particular, the Association will continue addressing the measures to fight the tax frauds, the tax laws, rates and excise tax, the use of advanced biofuels in transport as well as selected projects of the EU focused on the petroleum industry, protection of the environment, and alternative motor fuels. In the field of technologies, the activities of ČAPPO will focus on the measures to reduce the greenhouse gas emissions resulting from motor fuels combustion. Further, ČAPPO will continue to address issues aimed at better petroleum safety, exchange of information concerning safe operation and preparation of technical standards and specialised technical information.

*Ing. Martin Durčák
Council Chairman*

Praha, June 2014

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 and its fluctuations, further decrease in the petrol consumption and the extraordinary interruption in the processing of crude oil in the refineries of ČESKÁ RAFINÉRSKÁ a.s. due to a breakdown. 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 2013, petroleum 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 2013 reached 6,551.9 thousand tons, which is by 7.4% less than in 2012. Pipeline Družba delivered 60% of oil from the total imports to the CR, while the remaining quantity came to the CR through the IKL pipeline. The deliveries of oil through the IKL pipeline in 2013 were the highest from its commissioning.

Thanks to the efforts of the petroleum industry companies, there were no problems with the deliveries of the motor fuels to the market.

Oil processing in the refineries of the company ČESKÁ RAFINÉRSKÁ for the year 2013 totalled 6,664.4 thousand tons, which is by 8% lower than in the year 2012. Total volume of processed petroleum also includes 120.3 thousand tons of local petroleum. The processing of oil was influenced by planned and unplanned shutdowns of the refineries.

Expressed in the units of mass, in 2013 the petroleum products imports amounted to 2,736 thousand tons, which is an 18.7% increase against the year 2012.

In 2013, refineries products exports indicated in the units of mass reached 1,775.2 thousand tons and were higher by 3.1% as compared with 2012. Considering the competition, exports to the surrounding markets must be seen as a success. Export of local petroleum amounted to 24,673 tons, i.e. it was higher than in the previous year by 14.9%.

Total deliveries of selected petroleum products onto the market in the CR in 2013 are shown in Table 1. Data show stock movement.

Table 1

Product	Thousand tons	Index 2013/2012
Unleaded petrol ¹	1,570	94.1
Jet fuel	291	96.0
Diesel fuel ¹	4,144	101.4
Heating and other gas oils	25	75.8
Heating oils up to 1% sulphur m/m	62	71.3
Heating oils with more than 1% sulphur m/m	14	56.0
Total LPG	234	112.5
Lubricating oils and other oils in total	140	98.6
Bitumen and bitumen products	395	95.9
Biocomponents for transport ²	336	100.6

¹ incl. biocomponent

² bioethanol, 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)	0.4
Petrol with octane number 95 (SUPER)	97.9
Petrol with octane number min. 98 and more (SUPER PLUS)	1.7

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

Table 3

Product	Share (%)
Unleaded petrol ³	82.2
Jet fuel	38.1
Diesel fuel ³	71.2
Heating oils in total	100.0
Total LPG	76.9
Lubricating oils in total	19.2
Bitumen and bitumen products	100.0

³ including biocomponents

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 2013, 336 thousand tons of fossil component were replaced by first generation biofuels, which represents a 5.9% share in total deliveries of motor fuels.

Based on the result of the statistical check carried out by the Ministry of Industry and Trade, the total of 6,918 service stations and outlets (delivery points) were registered at December 31, 2013 on the territory of the Czech Republic, including 3,745 public and the remaining number of service stations selling to specified entities and non-public facilities. The share of ČAPPO member companies in the total number of public service stations achieved 30.1%. At the end of 2013, the total of 1,650 owners and 1,451 operators of service stations were listed in the Service Stations Register in the public service stations sector.

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 (%) ⁴
Petrol	917	23	2.5	0.04/1
Diesel fuel	1,142	37	3.2	0.12/3
Diesel blend, biodiesel, and E85 fuel	110	6	5.5	0.04/1
LPG and CNG	326	7	2.1	0.00/0
Total	2,495	73	2.9	0.20/5

⁴ from all samples collected at service stations of member companies; the number behind stroke is number of the inconvenient samples

In 2013, ČAPPO member companies achieved significant improvement in the area of quality of sold motor fuels in comparison with the year 2012 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 *Seal of Quality Plus* Project as well as to the implementation of the company culture and ethics. Only 0.2% from the samples collected at the facilities of the member companies did not meet the requirements, while the same indicator achieved 2.9% 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 fuel.

Gross consumption of bioethanol for the drive achieved 86.4 thousand tons and fell by 3.5% in comparison with the year 2012. The gross consumption of fatty acids methyl esters achieved 228.1 thousand tons and was by 5.1% lower than in the previous year.

The following major changes were recorded in the area of petroleum industry and trade in 2013:

- 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) in compliance with the Act on Air Protection. The companies complied with the law and the market did not record significant problems.
- In the last years, the sales of petrol decrease from year to year by approximately 4 to 6%. The sales of diesel oil are stagnating.
- 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 small quantity packages to be added individually.
- The range of motor fuels stabilised – petrol at type E5 and diesel oil at type B7. Further, fuel E85, diesel blend B30 and B100 (pure FAME/RME), LPG and CNG are available on the market. Due to the tax support, LPG and CNG consumption increases.
- Diesel blend was available from 217 public service stations. The total of 138.5 thousand tons was delivered to the market.

- Biodiesel was available from 74 public service stations.
- LPG motor fuel was available from 847 service stations and filling points.
- CNG motor fuel was available from 50 filling points.
- The consumption of LPG motor fuel for transport achieved 69 thousand tons.
- Fuel E85 was available from 147 public service stations. The total of 22.6 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 within the segment of both brand and 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. ČAPPO contributed by its initiative to the amendment of the appropriate regulations to prevent the frauds with VAT evasions.
- 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 advanced 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 temporary state subsidies.
- In consequence of the regulating measures (increase in the consumption tax rates, increased duty to use biofuels), high price of oil, increased competition and unfavourable refinery margins, the petroleum industry had to make efforts to mitigate the impact on economy.
- The negative influences of the regulation measures focused on environment in the area of the petroleum products market are more and more significant; thus, the competitiveness of the market decreases.
- The costs of oil imports, in financial terms, decreased by 9% in comparison with the year 2012.
- In comparison with the year 2012, total balance (petroleum and petroleum products) exports-imports decreased by 1.9% expressed in mass units and by 2% in financial terms.
- On November 7, 2013, the company UNIPETROL, a.s., executed a contract on purchase of a share of ČESKÁ RAFRINÉRSKÁ with the company Shell Overseas Investments B.V.

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 as at 31 March, 2014. The abovementioned data in Table 1 were processed by the methodology of the Czech Statistical Office, data in other tables by our methodology.

ACTIVITIES OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

The General Meeting

The Annual General Meeting was held on June 27, 2013. At the Annual General Meeting, the member firms approved the activities and economic results of the Association in the year 2012 and the Annual Report for the year 2012. In the course of the General Meeting, ČAPPO Council held a presentation concerning the launch of the new organisation structure of the Association after the year 2012 and the use of biofuels in transport in the CR. The regular General Meeting was held on December 5, 2013 and approved the Report of the Council about the Activities of the Association, the Programme of Activities for the year 2014, the budget of the Association and the membership fees for the year 2014, noted the preliminary information about the implementation of new organisation structure of ČAPPO and admitted the company W.A.G. payment solutions, a.s., as a new member.

The Council

In the year 2013, the Council held seven regular meetings and one irregular meeting. It discussed the ordinary ČAPPO agenda with the focus on the advocacy of an amendment of the Act on Motor fuels that includes a provision concerning the prevention of and fighting against the tax frauds in motor fuels trading. The Council regularly discussed the preparation and implementation of the new organisation structure. The Council selected Mr. Ing. Jan Mikulec, CSc., for the newly instituted position of the executive director; he acceded to his office on April 1, 2013.

The Council 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, such as the Association of Chemical Industry of the CR (SCHP ČR) and the Association of Service Stations (SČS ČR), as well as with the automobile professional associations.

The Council actively supported the activities of the Interministerial Group for fuels trading with the aim of initiating the amendments in the legislation concerning VAT and other laws to restrict tax frauds in connection with fuels handling and the misuse of certain lubricating oils in blends with motor fuels. To this end, the Association prepared analyses and presented examples of the tax frauds. Based on this initiative, several regulatory and organisational measures to reduce tax and customs frauds were successfully implemented. The companies BENZINA, ČEPRO, OMV Česká republika, Shell Czech Republic, Slovnaft Česká republika, and UNIPETROL RPA continued active involvement in this working group.

During the whole year, the Council organised the activities of the Working Group focused on the restriction of tax frauds in relation to the fuels trading and biofuels. To restrict the tax frauds, the Council prepared a number of analyses of the market situation and draft legislations, in addition to an intense, extensive media campaign.

The Council and the MAZIVA (Lubricants) Section regularly debated legislative issues concerning the marking and colouring of certain mineral oils and marking of certain other mineral oils. In relation to the issue of colouring and marking, the Secretariat prepared in professional cooperation with some of the members a report about the technologies and products that cannot be coloured and marked due to their use. In the area of petroleum industry and trade, the Council paid particular attention to acts related to the 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. Late in the year, it concentrated on the preparation of an analysis of the impact of the review of directives 2009/28/EC and 2009/30/EC proposed by the European Commission in connection with the new approach to the use of biofuels of higher generation. In its abridged form, the analysis was issued in the form of a memorandum.

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 in detail the issue of the observance of two EU directives, namely Directive 2009/28/EC and Directive 2009/30/EC in practice. In this connection, it organised, together with the Working Group for biofuels and Working Group for petroleum industry development, a meeting concerning the use of biofuels in transport and the members of the Council, the technical spokesman of the Association, and the members of the Working Groups attended industry seminars and conferences focused on this theme. The Council repeatedly 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. The Association engaged in its amendment.

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. Based on its own decision, ČAPPO started the review of CSN Standard 73 6060 Service Stations. Further, the Council initiated suggestions for the amendment of the 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 draft measures.

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

The Council regularly debated the activities of ČAPPO as partner of CDV v.v.i. in the project called the Development of Application Potential financed by the European Social Fund and the Ministry of Education, Youth and Sports within the framework of the operational programme Education for Competitiveness. Within the project, ČAPPO organised the preparation of a short-term attachment focused on the production and use of bitumen, and a round table conference of specialists concerning motor fuels for road transport.

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

The Working Groups

In the year 2013, the permanent Working Groups with the new, reduced structure had ten regular meetings. The agenda of the Working Groups meetings 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 2013 through 2025, 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. They debated the experience with fatty acids methylesters blending with diesel oil and bioethanol blending with petrol. Representatives of the state administration (of the Ministries of Industry and Trade, Agriculture, Environment, Finance and Transport), universities and professional institutions (SGS Czech Republic, the Research Institute for Agricultural Machinery) took part in the activities of the individual Working Groups. The permanent working groups prepared technical source documents and analyses concerning the drafts of legislative regulations and technical standards.

The appropriate Working Groups discussed in detail technical and organisational arrangements for the industry conference organised within PETROLsummit 13, and industry conference PRO-ENERGY CON 2013. ČAPPO Working Groups obtained regularly

information about the new EU legislation for chemical industry (REACH), current legislation of the EU and the CR, about the use of biofuels in transport and about the amendments of the technical standards for motor fuels.

The Working Group Fuels and Lubricants met twice and focused, above all, on the analysis of the deliveries of fuels to the market, on the development of the range of motor fuels, the results of checks of motor fuels quality sold at service stations, the new regulatory measures and technical standards. It also debated in detail the assessment of the biofuels market and other alternative fuels market. It contributed to the preparation of analytical material concerning the reduction of greenhouse gases emissions from motor fuels combustion within the meaning of the Act on Air Protection.

The Working Group Legislation and Ethics held two meetings. It debated current issues of legislation and prepared the general source materials for the support and advocacy of Act No. 234/2013 Coll., on Motor fuels (legislation measures to eliminate tax frauds). It provided regular support in the area of legislation to other Working Groups.

The Working Group Taxes met twice. It prepared materials related to the amendments of the Act on Motor fuels, the Excise Tax Act and to the decree on colouring and marking of certain mineral oils.

ČAPPO Working Group Safety held four meetings. The group focused its activities on the issues connected with criminal activities at service stations and committed in the course of motor fuels transportation. The Working Group organized the activities of the ad hoc Working Group Criminality Connected with Motor fuels Distribution that prepared principal documents to suppress the thefts during their filling and transport in tank trucks. For the members, the Working Group organised an international workshop Safety at Service Stations. The workshop was assessed as very successful from the professional point of view.

In the area of lubricants, the Fuels and Lubricants Group debated the situation in the area of deliveries of the lubricants to the market and of waste oil collection. Under the presence of the representatives of the governmental bodies it repeatedly debated the position of the Association concerning the contents of Schedules No. 3, the List of Mineral Oils that must not be marked and coloured due to the fact that marking and colouring could cause defects in their use, and No. 4, the List of Mineral Oils that must not be marked and coloured due to the fact that marking and colouring could cause defects in their use according to the Decree of the Ministry of Industry and Trade No. 61/2007 Coll. to determine the details for the marking and colouring of certain mineral oils and marking of certain other mineral oils. Further, it prepared the drafts of new Schedules No. 5, the List of Technologies, for which the marking and colouring causes the defects in their use, and No. 6, the List of Technologies, for which the marking and colouring causes the defects in their use for the amended Decree.

Ad hoc Working Groups

In the course of the year 2013, 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 debated the effects of amendments of Directives 2009/28/EC and 2009/30/EC in the petroleum industry, the legislation concerning the use of biofuels in the neighbouring countries, the amendment of the Excise Tax Act, draft of governmental decree on sustainability criteria for biofuels, regulations concerning the colouring and marking of certain mineral oils and technical conditions of the stability of diesel fuel with fatty acids methylesters, conditions for the storage of fuels with biocomponents, characteristics of diesel fuel for winter conditions, range of motor fuels after the year 2013 and the preparation of industry events in 2013. The Secretariat and the appropriate ad hoc Working Group, on the basis of a contract with the Czech Office for Standards, Metrology, and Testing (UNMZ), prepare the amendment of Czech technical standard (ČSN) 65 6691 Petroleum Products – Waste Oil Based Heating Oils – Technical requirements and testing methods and introductions to the CEN technical reports on motor fuels with higher

biocomponent contents of the petrol 10 Plus and diesel B11 to B30 type. Further, ČAPPO ad hoc Working Groups debated the storage and transport of biofuels and their blends with fossil fuels, usable life 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, processing of the comments and positions concerning the amendments and reviews of the Czech technical standards from the field of motor fuels, and a number of other issues. The newly established ad hoc Working Group for the amendment of ČSN Standard 73 6060 Service Stations commenced the preparation of the amendment of the above-mentioned technical standard in cooperation with outside experts.

The ad hoc Working Group for the preparation of the international workshop Safety at Service Stations prepared in cooperation with outside experts the organisation and contents of the workshop. The workshop was organized in cooperation with SAPPO on November 6, 2013.

Other ad hoc Working Groups prepared, in cooperation with outside experts, the source materials for the defence of the contents and effectiveness of Act No. 234/2013 Coll. on Motor fuels in the media and related legislation issues.

In total, ad hoc Working Groups held 24 meetings.

The Secretariat

With the new organisation structure, the Secretariat properly dealt with daily clerical work and organised 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 authorities, institutions, foreign petroleum industry associations, and specialists' community, as well as interns and students. The 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 assistant of the Executive Director is Chairman of the Committee for Products Certification, a member of working group of the Ministry of Industry and Trade for biofuels checks and a member of the Board of the Minister of Environment for Waste Management of the CR representing the petroleum industry. The assistant of the Executive Director is also a member of the Technical Standards Commission Petroleum and Petroleum Products, as well as of the National Emergency Sharing Organisation (NESO) Committee. He also represents ČAPPO in the Czech Technological Platform for the Use of Bio-components in the Chemical Industry and Transport and in the Technological Platform for the Road Transport, where he holds the position of the administrative board vice-chairman. In addition, he was appointed the responsible person (guarantee) 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 articles prepared by the assistant of the Executive Director were published in the periodicals Dopravní noviny and Prosperita Magazine, and six articles were published in the PETROLmagazín.

In addition, the assistant of the Executive Director attended industry conferences PRO ENERGY CON 2013 and PETROLsummit 13.

Membership

In the year 2013, the company W.A.G. payment solutions, a.s. was admitted as a new member of ČAPPO. The membership of the company MND a.s. was suspended based on its request. At December 31, 2013, the membership was 13.

The MAZIVA (Lubricants) Section consists of the existing member firms active in lubricants production, imports and sale, and of the companies NOCC, a.s. and PARAMO,

a.s. A new member of the MAZIVA Section is the company Walmsley enterprises international, s.r.o. (AutoMax). At December 31, 2013, the MAZIVA Section had 10 members, including three paying members.

The directories, including contact addresses, are annexed.

Programme of ČAPPO Activities

At their regular General Meeting on December 6, 2012, the member companies approved the "Programme of ČAPPO Activities for the Year 2013". The programme focused on the implementation of the new organisation structure of the Association and handling specific technical, economic and legislative issues common to the member companies; on the promotion of ČAPPO prestige with state authorities, 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 of the Parliament of the CR, the non-governmental bodies and institutions as well as further development of ČAPPO's international contacts. Further, the Programme focused on cooperation with the universities, research and development institutes and specialists' public. Assurance of the expert service for the production and distribution of biofuels in transport in compliance with Directives 2009/28/EC and 2009/30/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 technical priorities. The assertion of legislative measures to eliminate tax frauds in motor fuels trading ranked among the main 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 by the Czech Trade Inspection 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 2013 are very good; the frequency of defects is 0.2% of all collected samples. Thus, the result is several-fold better than the results of the rest of the market (2.9%).
- 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 2009/28/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 2013 in compliance with the Act on Air Protection, and the position of the Association concerning the transposition of amendments of Directives 2009/28/EC and 2009/30/EC, that are in preparation, into Czech law. The persons obliged to substitute the fossil component in motor fuels by biofuels (ČESKÁ RAFINÉRSKÁ, ČEPRO and importers) achieved the required volume for the year 2013. The quality of delivered motor fuels was very good and did not cause any breakdowns or defects. 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 and presented the analytical material concerning the reduction of greenhouse gases

emissions from motor fuels combustion by 6% by the year 2020. Technical problems have not been reported in relation to biofuels blending and use.

- 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. Cooperation in the area of legislation was with the Confederation of Industry and Transport of the Czech Republic continues successfully. 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 2013, the Working Groups and the Secretariat submitted their comments to 11 legislative regulations, 20 technical standards and 2 notifications of the regulations from EU member countries. At the same time, the Association reviewed the regulations of EU countries within their notification. In cooperation with the members, the Secretariat prepared source materials for the audit of the 2013 legislation from the environmental point of view (EKOAUDIT).
- The Council and the Working Group for finance and tax fraud elimination succeeded, in effective cooperation with the state authorities (the Ministry of Industry and Trade, Finance Ministry, the General Financial Directorate and the General Customs Directorate), in the assertion of the debating and adoption of the amendment of the Act on Motor fuels (No. 234/2013 Coll.) that determines fair conditions for the activity of motor fuels distributors. The conditions determine the rules focused on elimination of the tax frauds connected with motor fuels trading.
- 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 and the Programme for the Waste Management till the Year 2020. At the same time, it also prepares the amendment of CSN Standard 65 6691 Petroleum Products – Waste Oils Based Heating Oils – technical requirements and testing methods.
- Adjustment to the conditions of doing business in the EU. The Working Groups 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 organised 3 industry seminars on its own and contributed to additional 4 conferences, workshops and seminars, one of them international.
- Cooperation between ČAPPO and the Association of Chemical Industry of the Czech Republic, focused on exchange of information, cooperation in the area of legislation and programme Responsible Care, continued.
- 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.
- Within the framework of cooperation of ČAPPO with the company PETROLmedia, six PR articles were published: they focused on the problems of petroleum industry and alternative fuels and on service stations safety. Further, the Executive Director gave interview to the Hospodářské noviny Daily, the magazines Prosperita,

PETROLmagazine, and PRO-ENERGY, and to the Studio 6 (ČT24) TV related to the problems of petroleum industry and the effectiveness of Act No. 234/2013 Coll.

- The Association contributed to the activities of the Czech Technological Platform for the Use of Bio-components in Chemical Industry and Transport, and to the activity of the Technological Platform Road Transport and prepared the study concerning the measures aimed at the reduction of greenhouse gases emissions from motor fuels combustion till the year 2020.
- ČAPPO has been involved as partner in the project Development of Application Potential 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. It organised a round table debate with the theme motor fuels for road transport.
- ČAPPO and some of the member companies take part in the project of the National Council of Handicapped People "We help people with handicaps. Join us".

PRINCIPAL ISSUES DEBATED IN 2013

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 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. Late in the year, the processing of the Association's own information system related to the sales of motor fuels and revenues at service stations was started with the agreement from the Office for the Protection of Competition (ÚOHS).

In 2013, 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 the requirements of the European Union and the International Energy Agency, 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 the neighbouring countries. 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 corrected

Based on order, the Secretariat prepared additional information about the historical development of mass deliveries of fuels to the market, or their prognosis, classified 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 the international organisation 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. 234/2013 Coll., on Motor fuels (problems related to the motor fuels distributors);
- Amendment of Act No. 353/2003 Coll., on Excise Taxes, as amended;
- Act No. 161/2013 Coll., on Emergency Oil Reserves;
- Decree No. 165/2013 Coll. on the types of petroleum and petroleum products range to be stored in the emergency oil reserves, about the calculation of the level of oil emergency reserves, warehousing facilities and the release of oil emergency reserves;
- 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), as amended;
- Amendment of Decree No. 450/2005 Coll. on the particulars of handling harmful substances and particulars of the emergency plan;
- Amendment of Decree No. 61/2007 Coll., determining the details of the marking and colouring of selected mineral oils and marking of certain other mineral oils, in the wording effective as at July 1, 2012;
- Review of CSN Standard 65 6691 Petroleum Products – Waste Oils Based Heating Oils – Technical Requirements and Testing Methods;
- ČSN 65 6516 Fuel from rapeseed oil for vegetable oil compatible combustion engines – Technical Requirements and Testing Methods;
- Review of ČSN Standard 73 6060 Service Stations;
- Amendments of Czech technical standards for fossil fuels, biofuels and their blends (ČSN 15721, ČSN 65 6508, 65 6512).

In addition, ČAPPO contributed through its Secretariat and Working Groups to the debates concerning three general regulations. 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 focused on the abatement of tax frauds connected with motor fuels trading ranked with the most important activities of the Association in the year 2013.

Economic Benefits from ČAPPO Activities

Within its activities in the area of legislation and its organisational activities, the Council and ČAPPO members succeeded in 2013, among other, in pushing the following changes with economic effect through the appropriate authorities:

- Suggestions of the legislative measures to reduce the tax evasions related to the motor fuels trading through the Act on Motor fuels (the establishment of bails, restricted access to the registry of distributors, establishment of trading certificates for the fuels traders).

- Act No. 161/2013 on Emergency Reserves of Petroleum and Petroleum Products. Cancellation of the suggestion of additional taxes for Petroleum and Petroleum products imports with the aim to create a fund for the creation, maintenance and replenishment of emergency reserves. The benefit (estimated by an expert at approximately CZK 1 milliard a year).

State Authorities

Through its Council, Secretariat, and Working Groups, the Association maintained 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, it debated the deepening of communication and more intensive support to ČAPPO's suggestions. 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 2013, 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, 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 transport, and the amendment of Decree No. 61/2007 Coll. were discussed. The Executive Director and 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, amendment of Decree No. 61/2007 Coll., information surveys concerning the deliveries of fuels. The Association contributed to the counselling process related to the documents of the Ministry of Industry and Trade, to the amendment of the National Action Plan for Energy from Renewable Sources and the Energy Security of the CR. The Association prepared a number of comments concerning the audit of the legislation for the area of water management, air protection and administrative requirements. In cooperation with some of the members, the Secretariat prepared source materials for the review of legislative regulations related to the environment (EKOAUDIT 2013).

With the Ministry of Finance, the Association and its Working Group 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 additional measures to reduce tax evasions using the substitution of petroleum and petrochemical products and value added tax evasions in connection with fuels trading. It initiated the activity of the Interministerial Working Group focused on the implementation of legislative and organisational 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 the measures aimed at the limiting of tax evasions using the substitution of petroleum and petrochemical products in connection with trading in motor fuels were debated.

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. In cooperation with the Ministry, the Association organized for its members a workshop focused on the preparation and check of the report related to the greenhouse gases emissions from motor fuels combustion within the meaning of the Act on Air Protection. 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 prepared its position concerning the draft of the Waste Management Programme till the Year 2020.

With the Ministry of Agriculture, ČAPPO cooperated 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, and the list of biofuels producers.

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 Chairman and some of the member companies are members of the committee of the National Emergency Sharing Organisation (NESO) for dealing with the crisis caused by oil shortages.

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 debated 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 prepared amendments and reviews of Czech technical standards and 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 (TNK 118).

In agreement with the Czech Office for Standards, Metrology and Testing, the Association prepares a review of ČSN Standard 65 6691 Petroleum Products – Waste Oils Based Heating Oils – Technical Requirements and the testing methods and introductions to the CEN technical reports about motor fuels with higher biocomponent contents of the petrol 10 Plus and diesel B11 to B30 type.

Further, the Association cooperated with the Czech Trade Inspection on the methodology of checks of quality parameters of motor fuels, and accepted summary results on the quality of motor fuels sold at service stations. The appropriate Working Group prepared legislative proposals concerning the Act on Motor fuels and Decree No. 133/2010 Coll. on categories of deviations in the area of motor fuels according to their magnitude.

With the Czech Metrology Institute, the Association cooperated on elaboration and review of the binding regulations in the area of metrology and safety. Members of the Working Groups for safety acquainted themselves with the new measuring devices for metrology.

With the Czech Environment Inspection, ČAPPO debated the methodology of the checks of observance of the measures provided in the Act on Chemical Substances and Chemical Mixtures (Act No. 350/2011 Coll.).

Committees of the Czech Parliament's Chamber of Deputies and the Senate

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 (Act on Excise Tax and the Air Protection Act). ČAPPO prepared source materials for a seminar with the theme tax frauds in the area of motor fuels trading. The Council and the Executive Director debated with the deputies and senators from various political parties their support in the voting about

the amendment of the Act on Motor fuels. The Chairman of the Council debated the support with the presidential office.

Media and Presentations

The Chairman and the members of the Council, the Executive Director, the 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 Executive Director, the technical spokesman and other members of the Council gave significant interviews to the dailies Hospodářské noviny, MF Dnes, Právo, E 15, as well as to the EURO weekly, the Prosperita Magazine and other media (PETROLMagazín, PRO ENERGY magazine) 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 technical articles on the theme safety at service stations and motor fuels quality. The articles were published in PETROLMagazín. The Secretariat 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 activities within petroleum industry and the activities of ČAPPO.

The representatives of some member companies and the technical spokesman repeatedly explained the problems of tax evasions, the effectiveness of the Act on Motor fuels, the use of biofuels in transport, range of motor fuels in winter, 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 Fuels and Lubricants and the Executive Director presented ČAPPO's position concerning the use of alternative fuels in transport at a number of industry events, among other at the industry conference PETROLsummit 13 and at industry events ICCT 2013, PRO ENERGY CON 2013 and REOTRIB 2013.

The Secretariat updated regularly the Association's web pages.

ČAPPO MAIN EVENTS

Conferences and Seminars (Workshops)

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

- Safety at Service Stations (international);
- Explanation of the methodology for the preparation of the check report on greenhouse gases emissions from motor fuels combustion within the meaning of the Act on Air Protection;
- Explanation of the new legislation concerning the Dangerous substances transport according to ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road);
- 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 organised by the EUROPIA organisation Drive Environment-Friendly and Economically in the form of media and professional activities.

International Association of Oil & Gas Producers (OGP)

The Association and some of the members accepted the safety rules of the OGP Association.

Other events

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

- Industry conference ICCT 2013
- Power industry conference PRO-ENERGY CON 2013
- Industry conference within PETROLsummit 2013
- The 19th year of the conference REOTRIB 2013 Fuels and Lubricants Quality.

ČAPPO INTERNATIONAL CONTACTS

In 2013, the Association continued specialist cooperation with the EUROPIA organisation regarding petroleum industry and environment protection. Working Groups, member companies, ČAPPO external collaborators, and other professional organisations and state authorities use the materials. In professional relationships, contacts concerning the use of biofuels prevailed.

Members of ČAPPO Working Group for international relationships and strategic technical issues regularly attended, according to the programme content, the meetings organised 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 Confederation of Industry and Transport 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 2013, ČAPPO continued in particular its cooperation in the area of counselling legislative regulations with the Czech Confederation of Commerce and Tourism, the Association of Chemical Industry of the CR, and the Confederation of Industry and Transport of the CR. The cooperation with the Association of Service Stations of the CR continued, in particular in the area of legislation and measures to limit tax evasions in relation to trading in motor fuels and the review of some of the technical standards from the area of service stations. 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, as well as the issue of the characteristics of diesel fuel for winter conditions. The Union of Car Importers provided ČAPPO with its analysis of the cars fleet in the CR classified according to the age of the cars and the type of drive. With the

Association of Bio-diesel Producers, ČAPPO debated the experience with the blending of biofuels with diesel fuel, the use bio-diesel mix and pure FAME on the market, as well as RME quality parameters. A representative of the Car Importers Union took part, as necessary, in the meetings of the Working Group Fuels and Lubricants. 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 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. Further, the problems with the definition of food and non-food biomass were addressed. The staff of the Institute participated in ČAPPO's professional events.

SGS Czech Republic, s.r.o.

The Association cooperates with the company SGS on material issues concerning quality parameters checks of motor fuels at service stations, the definition of the significant deviations of petrol and diesel fuel from the applicable technical standards and certifications, criteria of biofuels sustainability. ČAPPO supported the project "Identification of Deviations in Motor fuels Quality from the Standards, their Causes and Sources and the Development of Processes Leading to Minimization of the Negative Impacts on Environment Cars Operation Reliability and National Fiscal Politics". ČAPPO has its representative in the Committee for Certification of Fuels and Lubricants. The employees of the company attended the events organised 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 and comparison of quality parameters of alternative fuels. 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.

Project Development of the Application Potential, in part Motor fuels for Transport

ČAPPO cooperated as partner with the Transport Research Centre, v.v.i., 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. Within the project, two short-term attachments for the undergraduates and PhD students from the Faculty of Transport of Jan Perner of the Pardubice University and scientist from the Transport Research Centre were organized in the company ČEPRO with the theme logistics and in ČAPPO with the theme service stations legislation. Within the project, industry workshop and round-table debate with the theme motor fuels for road transport were held.

Technological Platform Road Transport

ČAPPO and ČESKÁ RAFINÉRSKÁ contributed to the activity of the Technological Platform Road Transport. Within the framework of the second phase (project sustainability), the study named Measures to Reduce Greenhouse Gases Emissions from Motor fuels Combustion until 2020 was prepared.

PETROLmedia

In compliance with the agreement with the company PETROLmedia, the Association prepared six articles for PETROLmagazin. The articles focused on the issues connected with the petroleum industry, safety at service stations, economic benefits of ČAPPO's activities and the vision for its future activity. The Association and some of the member

companies took active part in the industry conference within the event PETROLsummit 13 and in the PETROLawards 13 contest. The Chairman of the Councils gave interview with the theme biofuels problems in practice in Europe in issue No. 6. The Executive Director gave interviews with the themes new activities of ČAPPO and the contents and effectiveness of Act No. 234/2013 Coll. on motor fuels.

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 debated issues includes technical, legislation, and economic themes from the area of liquid and alternative fuels.

Data and Information Base

In 2013, 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 2013, the Association updated its web site. ČAPPO web pages include ČAPPO Annual Reports, 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.

PRIORITY ACTIVITIES OF ČAPPO IN THE YEAR 2014

- Assessment of the effectiveness of Act No. 234/2013 Coll. on Motor fuels;
- Preparation and advocacy of draft legislation concerning the fight against all types of tax frauds in motor fuels trading and in biofuels;
- Implementation of the appropriate measures to reduce greenhouse gases emissions resulting from motor fuels combustion and the observance of the criteria for biofuels sustainability within the meaning of the Act on Air Protection;
- Cooperation with the appropriate bodies of state administration in the field of the fight against corruption and unfair competition.

On behalf of the ČAPPO Council
Ing. Martin Durčák

Praha, June 2014

LIST OF ANNEXES

Independent Auditor's Statement for the members of the Czech Association of Petroleum Industry and Trade from March 10, 2014

Council of the Association at December 31, 2013

List of member companies at December 31, 2013

ČAPPO Working Groups, the MAZIVA (Lubricants) Section, and the Secretariat at December 31, 2013

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, 2013, profit and loss statement for the year ending at December 31, 2013, 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.

Auditor's 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, 2013 and of the costs, revenues and economic result of its economy in the year ending at December 31, 2013 in compliance with Czech accounting regulations.

Praha, March 10, 2014

/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, 2013

Chairman:

Ing. Ivan Ottis⁵

Ing. Martin Durčák⁶

UNIPETROL RPA, s.r.o.
Záluží 1
436 70 Litvínov

tel.: +420 476 161 111
fax: +420 476 709 553

Vice-Chairmen:

Ing. Petr Pražský, CSc.

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

tel.: +420 244 025 900
fax: +420 244 025 898

Ing. Václav Loula

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

tel.: +420 284 012 555
fax: +420 284 012 204

Members:

Mgr. Jan Duspěva

Chairman of the Council and Executive Director
ČEPRO, a.s.
Dělnická 213/12
170 04 Praha 7

tel.: +420 221 968 111
fax: +420 221 968 300

Ing. Tomáš Novotný

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

tel.: +420 224 495 221
fax: +420 224 495 217

⁵ till March 31, 2014

⁶ from April 1, 2014

**MEMBERS OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE
(ČAPPO) AT DECEMBER 31, 2013**

Company	Address	Phone +420	Fax +420
1. BENZINA, s.r.o.	Na Pankráci 127 140 00 Praha 4	284 012 350 284 012 111	220 874 056
2. ČEPRO, a.s.	Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300
3. ČESKÁ RAFINÉRSKÁ, a.s.	a) Záluží 2 436 01 Litvínov b) Wichterleho 809 278 52 Kralupy n. Vlt.	476 165 782 315 718 521	476 165 086 315 718 645
4. Eni Česká republika, s.r.o.	Sokolovská 394/17 186 00 Praha 8	224 495 111 224 495 210	224 495 226
5. LUKOIL Czech Republic s.r.o.	Kutvirtova 339/5 150 00 Praha 5 - Radlice	257 414 444 257 414 445	257 414 953
6. MND a.s. ⁷	Úprkova 807/6 695 01 Hodonín	518 315 111	518 315 250
7. OMV Česká republika, s.r.o.	Na Vítězné pláni 1719/4 140 00 Praha 4	261 392 120	261 212 107
8. Shell Czech Republic a.s.	Antala Staška 2027/79 140 00 Praha 4	244 025 900	244 025 898
9. Slovnaft Česká republika, spol. s r.o.	Olbrachtova 9 140 21 Praha 4	241 080 811	241 080 877
10. Tesco Stores ČR a.s.	Vršovická 1527/68b 100 00 Praha 10	272 087 548	272 087 334
11. TOTAL ČESKÁ REPUBLIKA s.r.o.	IBC, budova C Pobřežní 3 186 00 Praha 8	224 890 511	224 890 560
12. UNIPETROL RPA, s.r.o.	Záluží 1 436 70 Litvínov	476 163 178	476 164 716
13. W.A.G. payment solutions, a.s. ⁸	Na Vítězné pláni 1719/4 140 00 Praha 4	236 089 919	261 214 008

⁷ membership ended at December 31, 2013

⁸ member from December 5, 2013

PERMANENT WORKING GROUPS OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE (ČAPPO) AT DECEMBER 31, 2013

	Address	Phone +420	Fax +420
Fuels and Lubricants			
Head: Ing. Václav Loula	BENZINA, s.r.o. Na Pankráci 127 140 00 Praha 4	284 012 555	284 012 204
Legislation and Ethics			
Head: JUDr. Martin Vlášek	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 878	244 025 896
Taxes			
Head: Ing. Miloslav Hlaváček	BENZINA, s.r.o. Na Pankráci 127 140 00 Praha 4	284 012 111	220 874 058
Safety			
Head: Ing. Zdeněk Stejskal	ČEPRO, a.s. Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300

THE MAZIVA (LUBRICANTS) SECTION AT DECEMBER 31, 2013

Head: Ing. Jan Lukavský	NOCC, a.s. Dopraváků 3 184 00 Praha 8	320 990 723	284 689 626
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Members:

BENZINA, s.r.o.

ČEPRO, a.s.

Eni Česká republika, s.r.o.

NOCC, a.s., Dopraváků 3, 184 00 Praha 8⁹

OMV Česká republika, s.r.o.

PARAMO, a.s.⁹

Shell Czech Republic, a.s.

Slovnaft Česká republika, spol. s r.o.

Tesco Stores ČR a.s.

TOTAL ČESKÁ REPUBLIKA s.r.o.

W.A.G. payment solutions, a.s.

Walmsley enterprises international, s.r.o. (AutoMax)⁹

⁹ member only in the MAZIVA (Lubricants) Section

**SECRETARIAT OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND
TRADE (ČAPPO)**

Executive Director

Phone:

Ing. Jan Mikulec, CSc.

+420 274 817 509

Assistant of the Executive Director

Phone:

Ing. Miloš Podrazil

+420 602 656 683

Assistant

Phone

Ing. Milada Šmahová

+420 274 817 404

Fax

+420 274 815 709

E-mail

cappo@cappo.cz

Internet

<http://www.cappo.cz/>

Address

U Trati 42, 100 00 Praha 10 - Strašnice

ABBREVIATIONS

ČAPPO	Česká asociace petrolejářského průmyslu a obchodu (Czech Association of Petroleum Industry and Trade)
ČOI	Česká obchodní inspekce (Czech Trade Inspection)
ČSN	Česká technická norma (Czech Technical Standard)
VAT.....	Value Added Tax
GŘC.....	Generální ředitelství cel (General Customs Directorate)
LPG.....	Liquefied Petroleum Gas
MEŘO (RME)...	Rape Seed Oil Methyl Esters
MF.....	Ministerstvo financí (Ministry of Finance)
MPO.....	Ministerstvo průmyslu a obchodu (Ministry of Industry and Trade)
MZe.....	Ministerstvo zemědělství (Ministry of Agriculture)
MŽP	Ministerstvo životního prostředí (Ministry of Environment)
NESO.....	Národní organizace pro společný postup ve stavu ropné nouze (National Emergency Sharing Organisation)
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SCHP ČR.....	Svaz chemického průmyslu ČR (Association of Chemical Industry of the Czech Republic)
ÚNMZ	Úřad pro technickou normalizaci, metrologii a státní zkušebnictví (Czech Office for Standards, Metrology, and Testing)