



ORLEN

IMPLEMENTATION OF THE NATIONAL INDICATIVE TARGET

What is the National Indicative Target?

**NIT = the requirement to market transport fuels from renewable sources
(biocomponents / biofuels)**

Legal basis:

Directive 2009/28/EC of the European Parliament and of the Council of April 23rd 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

Art. 3.4:

“Each Member State shall ensure that the share of energy from renewable sources in all forms of transport in 2020 is at least 10% of the final consumption of energy in transport in that Member State.”

Polish law:

Act on Biocomponents and Liquid Biofuels of August 25th 2006
(Dz.U. of 2014, item 1643, as amended)

Definition of the National Indicative Target in Polish law (Art. 2.1.24):

“minimum share of biocomponents and other renewable fuels consumed in all forms of transport in the total amount of liquid fuels and liquid biofuels consumed during a calendar year for road and railway transport purposes, to be calculated according to the calorific value of the fuels”

Definition of an **entity implementing** the National Indicative Target in Polish law (Art. 2.1.25):

“any entity, including an entity with a registered office or domicile outside the territory of the Republic of Poland, whose business includes the production, import or intra-community acquisition of liquid fuels or liquid biofuels and which sells or otherwise disposes of such fuels, or consumes such fuels for its own needs, in the territory of the Republic of Poland”

Breakdown of the definition of an entity implementing the NIT:

- ◆ An entrepreneur that is engaged in the production or import of liquid fuels or biofuels, and
- ◆ is the first to dispose of (any form of disposal: sale, gift or abandonment) those liquid fuels or biofuels within the territory of Poland, or consumes those fuels for its own needs.

Construction of first sale – any fuels produced in, or imported to, the territory of Poland by an entrepreneur and then sold directly by such entrepreneur give rise to the obligation of the entrepreneur to implement the NIT.

Disposal or consumption within the territory of Poland of fuels purchased from another entity within that territory does not give rise to the obligation to implement the NIT.

Substantive-law basis for the obligation to implement the NIT (Art. 23.1):

“An entity implementing the National Indicative Target is required to ensure at least the minimum share of biocomponents and other renewable fuels sold, or otherwise disposed of, or consumed for own needs, by such entity in all forms of transport in the total amount of liquid fuels and liquid biofuels sold, otherwise disposed of, or consumed by such entity during a calendar year for road and railway transport purposes.”

Many elements of the definition (e.g. **biocomponents, liquid fuels, liquid biofuels, other renewable fuels**) are also defined in the Act.

Levels of the National Indicative Target (obligation levels):

Regulation of the Polish Council of Ministers on National Indicative Targets in 2013–2018, dated July 23rd 2013:

- 1) 7.10% - for 2013;**
- 2) 7.10% - for 2014;**
- 3) 7.10% - for 2015;**
- 4) 7.10% - for 2016;**
- 5) 7.80% - for 2017;**
- 6) 8.50% - for 2018.**

“... calculated according to the calorific value ...”

Actual NIT implementation methods (provided for in law) in Poland:

1. Blending (biodegradable) biocomponents into (petroleum-based) liquid fuels:
 - ◆ Up to 7% v/v of fatty acid methyl esters (FAME) in diesel oil (end product: B7)
 - ◆ Up to 5% v/v of bioethanol in gasolines (end product: E5)

The above limitations for the blending of biocomponents into petroleum-based fuels (7% and 5%) are specified in units of volume (v/v).

The National Indicative Target is set in calorific values!

B7 7% v/v = 6.557% in calorific value

E5 5% v/v = 3.381% in calorific value

Actual NIT implementation methods (provided for in law) in Poland:

2. Sale of liquid biofuel – an ester that can be used as fuel (B100).

NIT set above 6.557% cannot be achieved using ‘typical’ engine fuels (B7 diesel oil, E5 gasoline – so called ‘normative fuels’).

The gap in calorific value is to be ‘filled in’ with biofuels. For market and legal reasons, only the **B100** biofuel can be used.

Obligation to implement the National Indicative Target (Art. 33.1):

“Any entity that does not comply with the obligation referred in Art. 23.1 despite being an entity implementing the National Indicative Target shall be liable to a financial penalty.”

The penalty is calculated using the following formula:

$$K = 5 \times W \times (M - R)/100\%$$

where:

K – penalty in PLN

W – total value of liquid fuels and liquid biofuels sold, otherwise disposed of, or consumed for own needs by the entity subject to the penalty in the year in which the entity failed to comply with the obligation under Art. 23.1, expressed in PLN

M – the National Indicative Target that the entity subject to the penalty was required to achieve, expressed as a percentage

R – actual share of biocomponents and other renewable fuels consumed in all forms of transport in the total amount of fuels and liquid biofuels sold, otherwise disposed of, or consumed by the entity subject to the penalty for road and railway transport purposes in the year in which the entity failed to comply with the obligation referred to in Art. 23.1, expressed as a percentage