

ANNUAL REPORT

2012



CZECH ASSOCIATION
OF PETROLEUM
INDUSTRY AND TRADE

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PRAGUE

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Chairman's Message

In 2012, the Czech Association of Petroleum Industry and Trade (ČAPPO) focused its activities, as its priority, on addressing issues connected with the preparation of its new organisational structure after the year 2012, and preparation and pushing through of the legislative measures to fight the tax frauds in motor fuels trading.

The aim of the new organisational structure is to strengthen the bargaining position of the Association in advocating justified interests of the member companies as well as increasing its media activities. To attain this goal the General Meeting held in June 2012 approved the amendment of the Statutes consisting in the reduction of the number of the members of the Council from seven to five and the establishment of a new position of the Executive Director. The Council approved the amendment of the internal documents of the Association and started the implementation of the organisational measures.

In order to push through effectively and quickly the legislative measures to fight the tax frauds in motor fuels trading, ČAPPO established its Working Group headed by Mr. Jan Duspěva (ČEPRO, a.s.). In collaboration with outsourced experts, the Working Group prepared the suggestions for the Act on VAT and Act on Motor Fuels amendments. Further, it organised a number of meetings with the representatives of the Ministry of Finance, Ministry of Industry and Trade, the General Finance Directorate, and the General Customs Directorate. In May, it organised a seminar on tax frauds for the deputies of the Chamber of Deputies of the Parliament of the Czech Republic and selected civil servants. At the seminar, it presented the analysis of tax frauds in the CR and the suggestions of legislation amendments to fight them.

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 development 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 change the position 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. Similarly, ČAPPO initiated the preparation of the National Action Plan for the use of energy from renewable sources until 2020 in the section regarding the use of second generation biofuels. On its own initiative, ČAPPO prepared the update of estimates of energy consumption in transport until 2030 and presented it to the public.

Based on its own analyses, the Council published its refusal of the need to increase emergency petroleum and petroleum products reserves to 120 days of an average daily consumption in the form of specific stock created and managed based on special fees set by law. The fees should be returned to the state budget by the petroleum companies. The Council does not see the need for the increase in view of the development of petrol

consumption and the introduction of alternative sources that substitute for crude-oil-based fuels. Another reason is diversification of crude oil transport routes to the CR using two pipelines and fully liberalised business environment as far as trade with petroleum products is concerned. The Government of the CR accepted the arguments of the Association and abandoned the plan to introduce the above-mentioned special fee.

In spite of our objections (in particular, as they relate to the economic and technical matters) concerning the necessity to substitute fossil fuel components in motor fuels in accordance 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 2012 our members fulfilled the volumes of fossil component substitution in motor fuels prescribed by the Directive.

In relation to the use of biofuels, the Council and the Working Group for biofuels organised a number of meetings with the representatives of the state authorities, legislature and expert public. Through its Chairman, members of the Council, its technical spokesman and its Secretariat, 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 legislation but also breaches in fair free market conditions and problems connected with the use of first generation biofuels. In this connection, it also submitted proposals for the amendment of Act No. 86/2002 Coll., the Act on Air Protection, in the section regarding biofuels. ČAPPO also engaged in the development of the Governmental Decree on biofuels sustainability criteria.

Over the course of 2012, 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 0.9% from collected samples, while the rest of the market achieved a rate of defects of 3.1%. 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 and the vehicle.

In the course of the year, the member companies were able to maintain a high share of the domestic producers and dealers in the motor fuels market as a result of the activities of petroleum processing firms of ČESKÁ RAFINÉRSKÁ, a.s., and other ČAPPO members. The suppliers also succeeded in maintaining flawless deliveries of motor fuels to the market in the time of the outage of crude-oil deliveries.

On the level of the Council, Working Groups, and Secretariat, the Association addressed technical issues related to the range of motor fuels and alternative motor 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, 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 2012, 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 Act on Value Added Tax and the Act on Motor Spirits. 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 2012, 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. 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 transport of hazardous objects

according to ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road).

ČAPPO members again achieved excellent results in the 6th year of the PETROLawards 2012 Competition. Mr. Jan Duspěva, Head of the Working Group for the fight against the tax frauds in relation to motor fuels trading, obtained prestigious award Personality of the Year.

In 2012, ČAPPO celebrated twenty years of its successful activities. To this end, it organised a members' meeting connected with presentations of the contributions of ČAPPO in the area of environment and economics, and with presentations focused on new biofuels. Further, it published a series of PR articles concerning the history and contributions of ČAPPO's activities in the area of environment and economics, and published the presentations on its website.

In the year 2012, 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.

The Council expects that the implementation of the new organisational structure will be completed in 2013.

In 2013, legislative issues concerning the petroleum industry will remain the priority. In particular, the Association will continue to work on amendments to the Act on Motor Fuels, addressing the measures to fight the tax frauds, the tax laws and 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. ČAPPO will continue to address issues of petroleum safety, exchange of information concerning safe operation and specialised technical information.

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

June 2013

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 interruption in the deliveries of crude oil through the Družba pipeline. In particular, the situation resulted in the decrease of motor spirits 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 2012, 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 2012 reached 7,074.6 thousand tons, which is by 2.2% more than in 2011. Pipeline Družba delivered 42.3% 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 2012 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 spirits to the market.

Oil processing in the refineries of the joint-stock companies ČESKÁ RAFINÉRSKÁ, a.s., and PARAMO, a.s., for the year 2012 totalled 7,246.5 thousand tons, which is by 2.1% higher than in the year 2011. Total volume of processed petroleum also includes 180 thousand tons of local petroleum, i.e. 2.5% from total volume. In the first quarter, oil processing in the PARAMO Company was put down.

Expressed in the units of mass, in 2012 the petroleum products imports amounted to 2,305.1 thousand tons, which is an 11% decrease against the year 2011.

The mass imports of motor fuels, i.e. petrol and diesel, represented 62.3% of all refinery products imports.

In 2012, refineries products exports indicated in the units of mass reached 1,721.8 thousand tons and were higher by 1.5% as compared with 2011. Exports of motor fuels in the units of mass represented 59.2% of all refinery products exports. Considering the competition, exports to the surrounding markets must be seen as a success.

Total deliveries of selected petroleum products onto the market in the CR in 2012 are shown in Table 1. Data show stock movement.

Table 1

Product	Thousand tons	Index 2012/2011
Unleaded petrol ¹	1697	93.7
Jet fuel	303	88.6
Diesel fuel ¹	4073	100.0
Heating and other gas oils	146	61.3
Heating oils up to 1% sulphur m/m	89	75.4
Heating oils with more than 1% sulphur m/m	24	54.5
Total LPG	208	110.6
Lubricating oils and other oils in total	152	85.9
Bitumen and bitumen products	411	99.3
Biocomponents for transport ²	334	91.5

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)	0.5
Petrol with octane number 95 (SUPER)	97.7
Petrol with octane number min. 98 and more (SUPER PLUS)	1.8

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	88.1
Jet fuel	47.2
Diesel fuel ³	78.1
Heating oils in total	77.9
Total LPG	96.2
Lubricating oils in total	
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 2012, 365 thousand tons of fossil component were replaced by first generation biofuels, which represents a 6.3% share in total sales.

Based on the result of the statistical check carried out by the Ministry of Industry and Trade, the total of 6,849 service stations and outlets (delivery points) were registered at December 31, 2012 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 30.2%.

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	1,297	23	1.8	0.2
Diesel fuel	1,442	59	4.1	1.6
Diesel blend, biodiesel, and E85 fuel	95	13	13.7	0.0
LPG and CNG	338	3	0.9	0.0
Total	3,172	98	3.1	0.9

⁴ from all samples collected at service stations of member companies

ČAPPO member companies achieve very good results in the area of quality of sold motor fuels thanks to the application of their own quality checks system, consistent care for quality and use value of motor fuels, certification of manufacturers, distributors and carriers, involvement in the *Seal of Quality Plus* Project as well as to the implementation of the company culture and ethics,. Only 0.9% from the samples collected at the facilities of the member companies did not meet the requirements, while the same indicator achieved 3.1% in the total samples collected on the market. The deviations of fuels quality from standard values in the samples from the member companies did not influence the use value of motor fuels. The highest rate of defects was recorded for diesel blend (B30) and biodiesel (B100).

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

- In both refineries of the company ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., as well as in the distribution company ČEPRO, a.s., motor fuels (petrol and diesel oil) were blended with the first generation biofuels (bioethanol and fatty acids methyl esters, mainly rape seed oil methyl esters, and imported bioethyl tertiary butylether) in compliance with the Act on Air Protection. The companies complied with the law and the market did not record significant problems.
- For economic reasons, oil processing was put down in the PARAMO, a.s., Pardubice refinery.
- In the last three years, the sales of petrol decreased by 10% in total. 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 213 public service stations. The total of 100.9 thousand tons was delivered to the market.
- Biodiesel was available from 63 public service stations.
- LPG motor fuel was available from 833 service stations and filling points.
- The consumption of LPG motor fuel for transport achieved 71 thousand tons.

- Fuel E85 was available from 124 public service stations. The total of 15.5 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 15% from total sales of motor fuels.
- The integration of the service stations market continued also within the segment of non-brand companies.
- In spite of certain partial success, the motor fuels market has been negatively affected by the new types of tax frauds. Recently, these frauds included, in particular, the misuse of some lubricating oils. 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 and third generation biofuels around 2016 and to make use of new, up-to-date components with a high emissions saving in comparison with contemporary products. This will require, in particular, amendment of the applicable Acts on Air Protection and on Motor Fuels, as well as of their implementing rules. Later, the new technologies should obtain state subsidies.
- In consequence of the regulating measures (increase in the consumption tax rates, increased duty to use biofuels), high price of oil and unfavourable refinery margins, the petroleum industry had to make efforts to mitigate the impact on economy.
- The 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, increased by 12.8%.

ACTIVITIES OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE

The General Meeting

The Annual General Meeting was held on June 21, 2012. At the Annual General Meeting, the member firms approved the activities and economic results of the Association in the year 2011 and the Annual Report for the year 2011. In the course of the General Meeting, ČAPPO Council held a presentation concerning the preparation of the new organisation structure of the Association after the year 2012 and the use of biofuels in transport in the CR. The General Meeting approved the new Statutes reflecting the changes in the organisation structure of ČAPPO, such as the reduction of the members of the Council from seven to five and the establishment of a new position – the Executive Director – to replace the position of the Secretary General. The regular General Meeting was held on December 6, 2012 and approved the Report of the Council about the Activities of the Association, the Programme of Activities for the year 2013, the budget of the Association and the membership fees for the year 2013. In a one-round secret ballot, it elected the new Council for the period 2013 to 2014 consisting of the companies BENZINA, ČEPRO, Eni Česká republika, Shell Czech Republic, and UNIPETROL RPA.

Twenty Years of ČAPPO's Activities

The Council organised a members' meeting to celebrate the 20th anniversary of establishment of the Czech Association of Petroleum Industry and Trade. The meeting was held on November 8 and 9 at Lázně Bělohrad. The agenda included the speech of the Chairman of the Council about the history and benefits of the activities of the Association and two presentations with the themes of ČAPPO's contribution in the area of environment and economics, and the analysis of the impact of the draft of the amendment of two directives of the European Parliament and of the Council – No. 98/70/EC and No. 2009/28/EC. The representatives of the member companies and of the MAZIVA Section were present at the meeting. Further, the 20th anniversary of the Association was commemorated by the articles in the professional periodicals and on the website of the Association (speech by the Chairman of the Council and both presentations from the meeting).

The Council

In the year 2012, the Council held 7 regular meetings. It discussed the ordinary ČAPPO agenda. It regularly discussed the activities of ČAPPO Working Groups and of the Secretariat of the Association, cooperation with governmental bodies and institutions – in particular with the Ministry of Industry and Trade (MPO), the Ministry of Finance (MF), the Ministry of Environment (MŽP), the Ministry of Agriculture (MZe) and related professional unions and associations, 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. As priority matter, the Council was preparing the new organisational structure of ČAPPO after the year 2012. In particular, it debated the definition of the criteria for the position of the Executive Director, selection of the candidates for this position, the activities of ČAPPO permanent Working Groups and the review and approval of internal organisation documents.

The Council actively supported the activity 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, Shell Czech Republic, Slovnaft Česká republika, and UNIPETROL RPA continued active involvement in this working group.

To improve the effectiveness of the legislative and organisation activities aimed at the restriction of tax frauds in relation to the fuels trading, the Council established a new internal working group. Mr. Jan Duspěva (ČEPRO) was appointed its head. In this connection, the group prepared its proposals for the amendment of the Act on VAT, and, in particular, the amendment of the Act on Motor Spirits.

The Council regularly debated legislative issues concerning the petroleum industry and trade, paying particular attention to Acts on consumption taxes for mineral oils, air protection as well as environmental standards. Further, the Council discussed in detail the issues connected with the regulations and standards concerning the use of biofuels in transport. 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.

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 explained to the Prime Minister, to the Minister of Industry and Trade and to the Minister of Finance the position and comments of the Association to the draft of the amendment of the Act on Emergency oil Reserves. It rejected the creation of specific reserves of petroleum and petroleum products with the view of current situation of economy, diversified oil deliveries from two directions and continuous decrease in crude oil-based fossil fuels consumption due to their replacement by alternative fuels and drives. The government accepted the position and decided to solve the creation, maintenance and replenishment of emergency reserves through the state budget.

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, an open meeting concerning the use of biofuels in transport and the members of the Council, the technical spokesman of the Association, members of the Working Groups as well as the Secretary General 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 government of the CR approved the National Action Plan in November.

The Council again asked the appropriate ministries and governmental bodies to facilitate a quick resolution to the problem of service stations (in particular non-public / home service stations) that do not comply with law regulations and Czech technical standards. In this connection, it was possible to suggest a fair solution for all competitors – service stations operators – and, at the same time, to develop a standard determined by the new Czech technical Standard that significantly reduces the risks of service stations operation. 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. Regularly, it also debated the activity of ČAPPO permanent Working Groups, of the Secretariat, and the results of collaboration with the governmental bodies.

The Council regularly debated the activities of ČAPPO as partner of CDV v.v.i., Brno, 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 two short-term attachments and a round table conference of specialists concerning transport of dangerous objects.

The Chairman of the Council, other members of the Council, the technical spokesman of the Association and the Secretary General gave several interviews to the media concerning the issue of measures to reduce tax frauds, 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 2012, the permanent Working Groups had 11 regular meetings. The agenda of the Working Groups included a whole range of issues from the preparation and realisation of industry and presentation events, the development of the range and quality of motor fuels from the year 2012 till the year 2020, 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 spirits quality at service stations performed generally by the Czech Trade Inspection. The appropriate Working Groups discussed in detail technical and organisational arrangements for the industry conference organised within PETROLsummit 12, and industry conference PRO-ENERGY CON 2012 in Section V. 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 amendment of the technical standards for motor fuels.

The Working Group for the development of petroleum industry 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.

The Working Group for legislation held three meetings. It debated current issues of legislation and prepared the draft of new Statutes to reflect the agreed principles of the new organisational structure. It provided regular support in the area of legislation to other Working Groups. It debated the drafts of internal documents related to the new organisation of ČAPPO.

The Working Group for finances and taxes met once. It prepared comments to the amendment of the Excise Tax Act and economic assessment of its impact in the industry.

ČAPPO Working Group for petroleum industry and trade safety held three meetings, including one outside meeting at the terminal of the company ČEPRO at Střelice near Brno. The group focused its activities on the issues connected with criminal activities at service stations and committed in the course of motor fuels transportation. It invoked the establishment of the ad hoc Working Group for criminality connected with fuels distribution that prepared two principal documents to suppress the thefts during their transport in tank trucks. For the members, the Working Group organised a lecture of an outsourced expert from the Academy for Education in Transport, DEKRA Automobil, with the theme of the transport of dangerous objects in compliance with ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road), and the new legislation. The Working Group prepared the amendment of the internal form used for recording emergency events.

ČAPPO Working Group for biofuels met at two meetings and debated various issues connected with the new Air Protection Act, the decree of the Government concerning the criteria of biofuels sustainability and the methodological instruction concerning the preparation of the report from the checks of emissions from fuels combustion. Further, it debated the technical problems of production, transport, storage and use of biofuels and their blends. It debated the experience from blending rape seed oil methyl esters with diesel

fuel and bio-ethanol with petrol. Representatives of the state administration (of the Ministries of Industry and Trade, Agriculture, Environment, Finance and Transport), universities and industry institutions (SGS Czech Republic, the Research Institute for Agricultural Machinery) took part in the activities of the Group. The Working Group, together with the Working Group for petroleum industry development, prepared its positions concerning selected documents discussed within the framework of activities of the Interdepartmental Group for Biofuels (BIOPALIVA). 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 organised by the Ministry of Industry and Trade. The Working Group debated all of the amendments of the technical standards of biofuels and their blends.

The MAZIVA (Lubricants) Section debated the situation in the area of deliveries of the lubricants to the market, 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 Schedule 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 Schedule 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, 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 analysis of amendments of Directives 2009/28/EC and 2009/30/EC, the legislation concerning the use of biofuels in the neighbouring countries, the new Act on Air Protection and the Excise Tax Act, draft of governmental decree on sustainability criteria for biofuels, Methodological Instruction related to the Report on Greenhouse Gases Emissions from motor fuels combustion, diesel / FAME blends stability, conditions for the storage of fuels with biocomponents, characteristics of diesel fuel for winter conditions, range of motor fuels after the year 2012 and the preparation of industry events in the years 2012 and 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 (ÚNMZ), suggested amendment of Czech technical standard (ČSN) 656500 Motor Fuels – Storage and Usable Life. Amendment 1 (Storage conditions in the whole distribution chain, including customer) to the Czech technical standard (ČSN EN) 228 Motor Fuels – Unleaded petrol – Technical requirements and testing methods. Amendment 2 (Blending of petrol with variable bioethanol contents). 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, source documents for the answers to the questions of the European Commission related to the request of the ČR for exception from the standard concerning the pressure of petrol vapours in blend with bioethanol, the composition of denaturation agents for bioethanol denaturation, 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. In the second half of the year, a new ad hoc Working Group for criminality connected with fuels distribution. The Working Group focuses on the tank trucks sealing (lead seals), qualification and reliability of tank trucks drivers, fuel transport routes, and terminals and service stations.

The activities connected with the 20th anniversary of ČAPPO establishment were organised by the Working Group for ethics.

In total, ad hoc Working Groups held 22 meetings.

The Secretariat

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 computer system of the Association was upgraded and its web site was updated on an on-going basis. The Secretariat participated in many negotiations with governmental bodies and other institutions and was active in the specialised working groups of the Ministry of Industry and Trade, the Ministry of Finance, the Ministry of Environment, the Ministry of Agriculture, the Ministry of Transport, the Administration of State Material Reserves, the Czech Customs Administration, and the Czech Statistical Office.

The Secretary General is Chairman of the Committee for Products Certification, a member of working group for biofuels checks and a member of the Board of the Minister of Environment for Waste Management of the CR representing the petroleum industry. The Secretary General 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 Secretary General were published in the periodicals Dopravní noviny and Prosperita Magazine, and a series of articles was published in the PETROLMagazín.

In addition, the Secretary General represented ČAPPO at the industry conference PRO ENERGY CON 2012 with the theme Legislative Issues in Transport.

Membership

There were no changes in the year 2012. At December 31, 2011 as well as at December 31, 2012, the membership was 12.

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. At December 31, 2012, the MAZIVA Section had 10 members, including two paying members.

The directories, including contact addresses, are annexed.

Programme of ČAPPO Activities

At their regular General Meeting on December 1, 2011, the member companies approved the "Complement to the Programme of ČAPPO Activities for the Years 2012". The programme mainly focused on 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. Assurance of the expert service for the production and distribution of biofuels in transport in compliance with Directive 2003/30/EC, waste oil management in the practice, improvement of the legislative initiatives of the Association, presentation of ČAPPO's position concerning the use of biofuels in transport, as

well as participation in industry events were among ČAPPO's technical 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 2012 are very good; the frequency of defects is 0.9% of all collected samples. Thus, the result is several-fold better than the results of the rest of the market (3.1%).
- From January 1, 2009 petrol and diesel fuel are marketed containing at most 10 mg/kg of sulphur. Thus, they comply with the quality parameters of ČSN EN 228 and ČSN EN 590 standards with a reserve.
- Application of Directive 2003/30/EC on the use of biofuels in transport and the Air Protection Act, part Biofuels. Concentrated activities of the Working Group Biopaliva (Biofuels) that proposed a number of legislative amendments and addressed the technical problems of production, transport and warehousing of fuels containing bio-components continued. The Working Group and the Secretariat prepared the report on the fulfilment of the obligation of substituting fossil component of motor spirits by biofuels, their implementation in the period 2007 to 2011 in compliance with the Act on Air Protection, and the position of the Association concerning the transposition of Directives 2009/28/EC and 2009/30/EC into Czech law. The persons obliged to substitute the fossil component in motor spirits by biofuels (ČESKÁ RAFINÉRSKÁ, ČEPRO and PARAMO) achieved the required volume for the year 2012. A part of the members of the Association made use of the opportunity determined by the appropriate regulation and transferred the excess volumes to the next year. The Working Group and the Secretariat prepared a summary of the use of biofuels in transport in the neighbouring countries. Technical problems have not been reported in relation to biofuels blending.
- 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 2012, the Working Groups and the Secretariat submitted their comments to 12 legislative regulations, 22 technical standards and notifications of the regulations from EU member countries. At the same time, the Association reviewed the regulations of EU countries within their notification.
- Waste oil handling. Debate concerning practical experience from the area of waste oil handling. The Association contributed to the preparation of the draft of the Implementation Programme of Waste Management for the area of the waste oil management. It also submitted its comments to the theses of the new Act on Wastes and the Programme for the Waste Management till the Year 2020.
- Adjustment to the conditions of doing business in the EU. The Working Group EU Controllers organised presentations related to the new legislation for chemical industry REACH for the Working Groups and cooperated with the experts from the

state administration and with the association of European petroleum firms - EUROPIA in the implementation of selected EU programmes.

- The Association intensified its educational activities. It organised 3 industry seminars on its own and contributed to additional 5 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: three of them focused on the 20th anniversary of ČAPPO establishment and three on the problems of petroleum industry and alternative fuels.
- 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 vision Energy and Alternative Resources for Transport till the Year 2030. To this end, its Working Group for new fuels for the road transport prepared the document called Final Draft of the Implementation Action Plan.
- 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 two short-term attachments for the specialists in the field at the PARAMO Company at Pardubice, and a workshop focused on the transport of dangerous objects according to ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road).

PRINCIPAL ISSUES DEBATED IN 2012

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. From the year 2013, a new format will be used to provide information about the deliveries of lubricants.

In 2012, 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 international organisations CONCAWE, EUROPIA, and EU working commissions. It works in the same way also with information obtained from the domestic sources, for example from the Association of Industry and Transport of the CR and from the Association of Czech Chemical Industry of the CR. With a weekly frequency, it regularly delivers to the members electronic Bulletin of the Association of Industry and Transport of the CR.

Legislation and Czech Technical Standards

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

- Act No. 86/2002 Coll., on Air Protection, as amended (Act No. 201/2012 Coll.);
- Act No. 353/2003 Coll., on Excise Taxes, as amended (Act No. 407/2012 Coll.);
- Act No. 235/2005 Coll., on Value Added Tax, as amended (Act No. 502/2012 Coll.);
- Amendment of Act No. 311/2006 Coll., on Motor Fuels, as amended (problems of tax frauds);
- Amendment of Act No. 189/1999 Coll., on Emergency Oil 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 Spirits Quality and Recording), as amended
- Decree No. 330/2012 Coll., on the method of checks and assessment of the level of pollution, extent of public information about the level of pollution in the situations with smog occurrence;
- Decree No. 415/2012 Coll., on permissible pollution and its detection and on the implementation of certain other measures under the Act on Air Protection;
- Governmental Decree No. 294/2011 Coll. on emission limits and other conditions for the operation of stationary resources of air pollution;
- Governmental Decree No. 351/2012 Coll., on the criteria for biofuels sustainability;
- ČSN 656500 Amendment 1 Motor Fuels – Storage and Recommended Usable Life;
- ČSN EN 228 Motor Fuels – Unleaded Petrol – Technical Requirements and Testing Methods;
- ČSN EN 14214 Liquid Petroleum products – Fatty Acid Methyl Esters (FAME) for Compression Ignition Engines and Heating Oils;
- Amendments of Czech technical standards for fossil fuels, biofuels and their blends (ČSN 656508, 656512 and 656516).

In addition, ČAPPO contributed through its Secretariat and Working Groups to the debates concerning the amendment of the Act on Value Added Tax and Excise Tax Act, amendment of the Act on Wastes, implementation rules related to this Act, Act on Packages and the new Act on Used Products Collection and other general regulations. The members of expert Working Groups amended technical and methodological explanations to the Motor

Fuels Act and the Air Protection Act, as well as the Governmental Decree No. 351/2012 Coll., and the Secretariat distributed the explanations among the member companies. The Secretariat has regularly elaborated a quarterly survey on newly adopted Czech legislation, which relates to the activities in the petroleum industry and trade. Similarly, it elaborated semi-annual summaries of the regulations (Decisions, Regulations, and Directives) of the EU. The summaries are distributed among the member companies and members of the Working Group for legislation and of other Working Groups of the Association.

Legislative activities focused on the abatement of tax frauds connected with motor fuels handling ranked with the most important activities of the Association in the year 2012.

Economic Benefits from ČAPPO Activities

Within its activities in the area of legislation and its organisational activities, the Council and ČAPPO members succeeded in 2012, among other, in pushing the following changes with economic effect through the appropriate authorities:

- Initiation of a change in the methodology of the Check Report concerning the greenhouse gases emissions from fuels combustion. Simplified reporting of biofuels deliveries.
- 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). For now, the benefit cannot be enumerated.
- Enforcement of a set of partial measures to reduce tax evasions in relation to the motor fuels trading. Amendment of the Act on VAT and balance checks of the movements of goods at a service station. Enhanced cooperation with the state authorities in the field of tax frauds discovering. For now, the benefit cannot be enumerated.
- Amendment of the Act 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 2012, 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. Several members of the Association (BENZINA, ČEPRO, ČESKÁ RAFINÉRSKÁ, PARAMO, and UNIPETROL RPA) regularly attended the meetings of the Interministerial Working Group BIOPALIVA (BIOFUELS) as guests. The Secretariat regularly attended the meetings of working groups and commissions of experts of the Ministry of Industry and Trade related to the area of fuels, checks of biofuels, second generation biofuels production, the amendment of the Act on Motor Fuels, 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.

With the Ministry of Finance, the Association and its Working Group for finances and taxes mainly cooperated in addressing current technical and legislative issues of the Excise Tax Act and the Value Added Tax Act in practice. Further, it contributed to the preparation of 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. For the consumption taxes division of the General Customs Administration, the analysis of misuse of certain lubricating oils in diesel oil was prepared.

The Association cooperated with the Ministry of Environment regarding dangerous substance and greenhouse gases emissions into the air and dealing with wastes and packagings, and the amendments of related binding regulations. The main attention was focused on the legislation related to the use and reporting of biofuels that comply with the sustainability criteria. Some of the member companies and the Secretariat participate in the activities of the Working Group for the implementation of the conditions of Act No. 76/2002 Coll. on Integrated Protection and Pollution Reduction and on Integrated Pollution Registry and Amendment of Some Acts in the Area of Oil and Natural Gas Processing, and attend regular seminars. Nevertheless, the main activity was cooperation in the field of the use of biofuels in transport in compliance with the new legislation of the European Union. Members of the MAZIVA (Lubricants) Section and the Secretariat attended the meetings of the working group focused on the preparation of the Implementation Programme for Wastes Management – Waste Oil and the draft amendment of the part of the Act on Wastes related to waste oil and the implementation regulation to this Act. The Association 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 in the area of the types of bioethanol denaturation.

The Association regularly exchanged information with the Administration of State Material Reserves on activities of the International Energy Agency and EU expert commissions and committees. The Association regularly provided the Administration with statistical data and received in return basic information concerning the situation in the area of world and European petroleum and petroleum products markets, and information from the Energy Sector of the European Commission. The Secretary General 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 Association prepared and submitted through the Confederation of Industry and Transport its comments to the amendment of Act No. 189/1999 Coll. on Emergency Oil Reserves. The Association supplied its comments and position to the Prime Minister as well as to the Minister of Industry and Trade and to the Minister of Finance.

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. ČAPPO contributed to the transposition of Commission Regulation No. 1006/2011 into Czech legislation (INTRASTAT manual).

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 prepared Amendment No. 1 for Czech Standard ČSN 65 6500 and Amendment No. 2 for Czech Standard ČSN EN 228.

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 spirits sold at service stations.

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

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). For the Deputies, ČAPPO prepared a seminar with the theme tax evasions in relation to the collection of excise tax and value added tax for mineral fuels trading.

Media and Presentations

The Chairman and the members of the Council, technical spokesman and the Secretariat presented ČAPPO activities in several articles and information in the dailies and economic periodicals, in specialist motoring and petroleum industry magazines. The Chairman, the technical spokesman and other members of the Council gave significant interviews to the dailies *Hospodářské noviny*, *MF DNES*, *Právo*, *E 15*, as well as to the *EURO* weekly, the *Prosperita* Magazine and other media (*PETROLmagazín*, *PRO ENERGY*) 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 three technical articles on the theme motor fuels additives. The articles were published in *PETROLmagazín*. 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 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 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 Family stations.

Some of the members of the Council, members of ČAPPO Working Group for biofuels and the Secretary General presented ČAPPO's position concerning the use of alternative fuels in transport at a number of industry events, among other at the industry conference at *PETROLsummit 2012* and at industry events *APROCHEM 2012*, *PRO ENERGY CON 2012* and *REOTRIB 2012*. The Secretary General held a lecture at *PRO-ENERGY CON 2012* with the theme *Legislation Issues in Transport*.

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:

- Explanation of current legislation related to the use of biofuels in transport and practical experience from their use, as well as to the transposition of Directives No. 2009/28/EC and 2009/30/EC into Czech law (the new Air Protection Act, Governmental Decree on biofuels sustainability criteria, Act on Motor Fuels and the related Decree) and to their implementation in practice;
- Explanation of the Governmental Decree on biofuels sustainability criteria;
- 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:

- Seminar of the Technological Platform Proposal of the Concept for the Implementation Action Plan for Road Transport;
- Power industry conference PRO-ENERGY CON 2012;
- Industry conference within PETROLsummit 2012;
- The 18th year of the conference REOTRIB 2012 Fuels and Lubricants Quality;
- APROCHEM 2012 industry conference.

ČAPPO INTERNATIONAL CONTACTS

In 2012, the Association continued specialist cooperation with the organisations CONCAWE and EUROPIA 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 Spirits 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 2012, 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 Motor Spirits of the CR continued, in particular in the area of legislation and measures to limit tax evasions in relation to trading in motor fuels. The Automotive Industry Association provided ČAPPO with the materials concerning motor vehicles market in Europe. With the Union of Car Importers, ČAPPO has discussed the issue of current and future development of the cars market in the CR, the types of drive and the use of biofuels in transport, as well as the issue of the characteristics of diesel fuel for winter conditions. 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 Groups related to the use of biofuels. The Association of Importers and Producers of Automotive Parts and Service Technology provided ČAPPO with its information about lubricants, use of biofuels in transport and REACH.

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

The Association cooperated with experts from the Institute on harmonizing Czech regulations with the ISO standards on petroleum industry nomenclature, improvement of quality parameters of fuels and lubricants, and handling operation problems. The staff of the Institute participated in ČAPPO's professional events.

SGS Czech Republic, s.r.o.

The Association cooperates with the Institute on material issues concerning quality parameters checks of motor spirits at service stations, the selection of denaturation blends for bioethanol, 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. In particular, cooperation related to the use of biofuels in transport and the implementation of own systems of checks of the Seal of Quality PLUS (Pečeť jakosti PLUS) type were important.

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

ČAPPO cooperated as partner with CDV v.v.i. Brno within the implementation of the project Development of Application Potential, supported from the European Social Fund and by the Ministry of Education, Youth and Sports of the CR within the framework of Operational Programme Education for Competitiveness. 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 CDV, and a workshop and round-table debate with the theme Dangerous Objects Transport according to ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road) were organised.

Technological Platform Road Transport

ČAPPO and ČESKÁ RAFINÉRSKÁ contributed to the activity of the Technological Platform Road Transport. Within the framework of the sixth phase, final draft of the Implementation Action Plan was prepared by the Working Group New Fuels for Road Transport.

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 history, economic benefits of ČAPPO's activities from its establishment twenty years ago and the vision for its future activities. The Association and some of the member companies took active part in the industry conference within the event PETROLsummit 2012 and in the PETROLawards 2012 contest. Mr. Jan Duspěva from the ČEPRO Company achieved the biggest success in the contest Personality of the Year 2012.

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 fuels.

Data and Information Base

In 2012, 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 2012, the Association updated its web site. ČAPPO web pages include ČAPPO Annual Reports, some of the lectures from the industry seminars and other events, information concerning the deliveries of fuels to the market, professional articles and information from the members of ČAPPO Working Groups.

MAIN ACTIVITIES OF ČAPPO IN THE YEAR 2013

ČAPPO considers the following activities its priorities:

- Implementation of the new organisational structure and bodies of ČAPPO with the aim to strengthen the bargaining position of the Association in relation to the state administration, legislature, and the improvement of the image of the Association in the media;
- Preparation of draft legislation concerning the fight against all types of tax frauds in motor fuels trading;
- Implementation of selected EU projects in the Czech petroleum industry with the focus on crude oil based fuels, alternative motor fuels, in particular advanced higher generation biofuels, in compliance with Directives No. 2009/28/EC and 2009/30/EC, and new, advanced motor fuels;
- Implementation of the appropriate measures to reduce greenhouse gases emissions resulting from petroleum processing and the observance of the criteria for biofuels sustainability;
- Analysis of the possibility to meet the obligation to reduce greenhouse gases emissions till the year 2020 in compliance with Directive 2009/28/EC;
- Elaboration of the vision of the development of Czech petroleum industry till 2020 with the focus on fossil fuels and the definition of the position of Czech refineries;
- Analysis of energy security of the CR in the oil products supply for transport;
- Enhancement of cooperation with working groups of the European Parliament and Council, industry association EUROPIA, permanent mission of the CR in the EU, Europarliamentarians, and experts from the state administration concerning selected projects from the area of petroleum industry;
- Improvement of cooperation with petroleum industry and trade associations abroad with the focus on Slovakia, Poland, Germany and Austria;
- Cooperation with the state administration bodies and legislature concerning legislative rules in the area of petroleum industry, alternative motor fuels, tax and customs policy and environment;
- Cooperation with the appropriate bodies of state administration in the field of the fight against corruption;
- Use of biofuels with concentration on advanced biofuels in transport in compliance with the rules, regulations and standards of the EU;
- Appeal to the state administration to take measures to provide for better enforceability of the effective laws and regulations, in particular on the service stations market and taxes collection; the Association will continue its support to the activity of the interministerial group for fuels trading and the interministerial group Biofuels;
- Appeal to the state administration and legislature to amend the legislation in compliance with EU regulations and time-tested standards with the aim of achieving equal conditions on the market;
- Advocacy of equitable claims of the member firms in the area of doing business and of legislation;
- Education aimed at professional public;

- Permanent presentation of the Association as an interest association whose members do ethical and fair business in the spirit of regulations and standards, and that acts as an expert guarantor in the petroleum industry sector.

On behalf of the ČAPPO Council
Ing. Ivan Ottis

Praha, June 2013

LIST OF ANNEXES

Independent Auditor's Statement for the members of the Czech Association of Petroleum Industry and Trade from February 25, 2013

Council of the Association at December 5, 2012

List of member companies at December 31, 2012

ČAPPO Working Groups, the MAZIVA (Lubricants) Section, and the Secretariat at December 31, 2012

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, 2012, profit and loss statement for the year ending at December 31, 2012, 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 provide 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, 2012 and of the costs, revenues and economic result of its economy in the year ending at December 31, 2012 in compliance with Czech accounting regulations.

Praha, February 25, 2013

/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, 2012

Chairman:

Ing. Ivan Ottis

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

Phone: +420 476 161 111
Fax: +420 476 709 553

Vice-chairmen:

Ing. Petr Pražský, CSc.

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

Phone: 244 025 900
Fax: 244 025 898

Ing. Jan Mikulec, CSc.

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

Phone: 284 012 111
Fax: 220 874 058

Members:

Ing. Jiří Borovec, MBA

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

Phone: 221 968 111
Fax: 221 968 300

Marek Świtajewski⁵

Leszek J. Stoklosa⁶

Chairman of the Board of Directors and Managing Director
ČESKÁ RAFINÉRSKÁ, a.s.⁷
O. Wichterleho 809
278 52 Kralupy nad Vltavou

Phone: 315 718 521
Fax: 315 718 645

Dr. Massimo Bechi

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

Phone: 224 495 111
Fax: 224 495 226

DI. Milan Zigo

Chief Clerk
OMV Česká republika, s.r.o.⁸
Na Vítězné pláni 1719/4
140 00 Praha 4

Phone: 261 392 111
Fax: 261 392 511

⁵ till June 24, 2012

⁶ from June 25, 2012

⁷ till December 5, 2012

⁸ till December 5, 2012

**MEMBERS OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE
(ČAPPO) AT DECEMBER 31, 2012**

Company	Address	Phone	Fax
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.	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

WORKING GROUPS OF THE CZECH ASSOCIATION OF PETROLEUM INDUSTRY AND TRADE (ČAPPO) AT DECEMBER 31, 2012

	Address	Phone	Fax
No. 1 for the Development of Petroleum Industry Head: Ing. Václav Loula	BENZINA, s.r.o. Na Pankráci 127 140 00 Praha 4	284 012 555	284 012 204
No. 2 for Legislation Head: JUDr. Martin Vlášek	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 878	244 025 896
No. 3 for Finance and Taxes Head: Ing. Zdeňka Novická	Shell Czech Republic a.s. Antala Staška 2027/79 140 00 Praha 4	244 025 859	244 025 851
No. 4 for the Rules of Ethics Head: Ing. Miloš Podrazil	ČAPPO U trati 1226/42 100 00 Praha 10	274 817 509	274 815 709
No. 5 for International Relationships and Strategic Technical Issues Head: Ing. Milan Vitvar	ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2 436 01 Litvínov	476 164 477	476 164 858
No. 6 for Safety of Petroleum Industry and Trade Head: Ing. Zdeněk Stejskal	ČEPRO, a.s. Dělnická 213/12 170 04 Praha 7	221 968 111	221 968 300
No. 7 for Biofuels Head: Ing. Ivan Ottis	UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4	225 001 671	225 001 447
No. 8 for Selected EU Projects Head: Ing. Ivan Ottis	UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4	225 001 671	225 001 447

ABBREVIATIONS

ČAPPO	Česká asociace petrolejářského průmyslu a obchodu (Czech Association of Petroleum Industry and Trade)
ČMI	Český metrologický institut (Czech Metrological Institute)
ČOI	Česká obchodní inspekce (Czech Trade Inspection)
ČSN	Česká technická norma (Czech Technical Standard)
ČSÚ	Český statistický úřad (Czech Statistical Office)
VAT	Value Added Tax
GŘC.....	Generální ředitelství cel (General Customs Directorate)
LPG.....	Liquefied Petroleum Gas
MD	Ministerstvo dopravy (Ministry of Transport)
MEŘO (RME)...	Rape Seed Oil Methyl Esters
MF.....	Ministerstvo financí (Ministry of Finance)
MPO.....	Ministerstvo průmyslu a obchodu (Ministry of Industry and Trade)
MŠMT	Ministerstvo školství, mládeže a tělovýchovy (Ministry of Education, Youth and Sports)
MZe.....	Ministerstvo zemědělství (Ministry of Agriculture)
MŽP	Ministerstvo životního prostředí (Ministry of Environment)
NAP	Národní akční plán (National Action Plan)
NESO.....	Národní organizace pro společný postup ve stavu ropné nouze (National Emergency Sharing Organisation)
PHM.....	Motor Fuels
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SCHP ČR.....	Svaz chemického průmyslu ČR (Association of Chemical Industry of the Czech Republic)
SSHR.....	Správa státních hmotných rezerv (Administration of State Material Reserves)
ÚNMZ	Úřad pro technickou normalizaci, metrologii a státní zkušebnictví (Czech Office for Standards, Metrology, and Testing)