CNG in the Czech Republic: A Look behind the Growth

The CNG market in the Czech Republic has been growing continuously. Drivers enjoy the benefits of CNG in transport, while the positive impact on the environment is undeniable. Meanwhile, the industry celebrates an increasing number of filling stations and sales volumes (see Table 1).

However, despite the positive momentum there are questions looming over the industry as investment costs, expected retail price, cost and margin dynamics, and the profitability of investments, their period over the industry as investment costs, expected retail price, cost and margin dynamics, and the profitability of investments, their period of return come under increased scrutiny. The values of these differ by company, their scale, costs and pricing politics. A special issue here is a discount rate that reflects the cost structure.

According to current forecasts, a further 97 filling stations will be built in 2016 (see Table 2). To remain at the average level of 23,000kg CNG sold per station, a 90% growth in overall CNG consumption would be needed in 2016 compared to 2015.

The CNG market as a whole approaches the theoretical “perfect competition” model, even if single stations could act as monopolists in their locations. In the long term, this model can lead to a fall in prices down to average cost levels. The speed of such a fall might vary between highway stations and remote locations.

Another issue is the higher purchase price of CNG-fueled vehicles compared to petrol and diesel ones. For instance, a petrol-fueled Fiat Ducato is by some 5,000 Euro cheaper than its gas-fueled edition. Another issue is the higher purchase price of CNG-fueled vehicles compared to petrol and diesel ones. For instance, a petrol-fueled Fiat Ducato is by some 5,000 Euro cheaper than its gas-fueled edition.

The current situation, represented by higher growth in station numbers than in demand is most probably a temporary state, resulting from industry players willingness to cope with infrastructure risks in advance, but betting on the success of this type of fuel in the country in the long-term.

To further promote the success of the CNG market alongside their infrastructure development, suppliers of CNG may want to look at options to also enhance demand by supporting CNG vehicle fleet expansions, for example.

The users can easily find new stations via their smartphones, and new fueling technology is also there: a new easy CNG fueling process was introduced in Pilsen and České Budějovice – among the first ever of such kind in Europe.

While petrol prices increased to 30 Kč/l and diesel up to 28,50 Kč/l in the last months, drivers can still enjoy CNG prices of 17-18 Kč/m³ (equivalent to one litre of petrol).

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The Czech Republic also boasts the two biggest CNG stations in Central Europe, located in Brno and Ostrava. “Compared to other central and eastern European countries we have the best dynamics of CNG development. And the growth will continue. By the end of 2020 we expect to have 200 fuelling stations in the Czech Republic. This growth also expands the leasing potential for CNG vehicles. Although just 3% of Czech companies now enjoy leasing of non-traditionally fueled vehicles, a further 8% have plans to employ these. CNG consumption has grown every year, and reached 43,6 mcm in 2015, with average year-on-year growth reaching over 40% in the last three years. On the alternative fuels market, CNG is unbeatable thanks to its environmental, economical and safety benefits” – commented Jan Ruml, Executive Director of the Czech Gas Union.

Every month between 400 and 500 new CNG vehicles are registered in the country, with the overall fleet currently comprising over 14,000 vehicles. This is 30 times more than 10 years ago.

New CNG vehicles in the Czech Republic in 2015:
• 1,19% of all passenger cars;
• 2,86% of all light duty trucks
• 26% of all buses

Source: Alexander Kazlov, Financial specialist, Vemex s.r.o. for “BlueFuel” and Czech Gas Union

The sales volume grew much quicker than the market itself. This station is already the sixth unit commissioned in cooperation with MOL Group and Gascontrol. Vemex currently operates a network of 15 natural gas filling stations all across the Czech Republic.

Czech Gas Union: CNG is unbeatable

In late November last year, the number of CNG stations in the Czech Republic had reached 100. In the first six months of 2016, a further 20 stations were opened, and the number continues to grow. The slow growth of the fuel price in 2016 is beneficial for those who sell CNG and invest into it.

Vemex: Three years of steady success

March 2016 marked 10 years since the Czech government and gas companies agreed to support using natural gas in transport. Let’s look at the figures to see how Vemex has done since.

Vemex’ share of the CNG market has grown more than sixfold over three years, from 0.7% to 4.4% in 2015.

Average CNG sales at a single station grew from 2012 to 2015 from 6,000 to 9,000 kg CNG, and continue to grow in 2016. On 12 July 2016, Vemex put its latest natural gas filling station into operation. The station is located in Mohelnice-Třebovská in the Olomouc Region of the Czech Republic.

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Vemex entered the CNG market in the second half of 2013 by starting a joint project with Lukoil (today the partner is MOL). By the end of 2013, the company was already operating four CNG stations, and the number continued to grow to 11 in the following years.

Is the figure realistic? We should keep in mind that expected state support (under the “low – and zero emission cars” regional programme) comprises public transport only. What is more, in such cases it is local consumption that can often be satisfied by the transport company itself by building in-house filling station. Although this increases overall CNG sales, it would only be the transport company that benefits.

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