

2nd UPDATE: EU Imposes Duties On Biodiesel Imported From US

March 12, 2009: 12:13 PM ET

BRUSSELS -(Dow Jones)- The European Union Thursday announced steep duties on biodiesel imported from the U.S., saying a subsidy the U.S. government gives to its biodiesel companies is bringing financial ruin to producers in the E.U.

Starting Friday, the 27-member bloc will impose two types of duties, one to counter the government subsidy and one for dumping the product at unfairly low prices onto the E.U. market, according to announcements in the Official Journal of the E.U.

The duties will last four months while the European Commission, the E.U.'s executive arm, determines if multiyear duties are necessary, the Commission said.

"Anti-dumping and anti-subsidy measures aren't about protectionism, they are about fighting unfair trade," E.U. trade spokesman Lutz Guellner said in a statement. "This decision was taken on the basis of clear evidence that unfair subsidization and dumping of U.S. biodiesel has taken place."

The U.S. Congress and the administration of former president George W. Bush in 2004 passed the controversial subsidy, which is a tax credit of \$1 for each gallon of biodiesel produced. Since then, biodiesel shipments from the U.S. to the E.U. soared from 2,634 metric tons in 2004 to 1.14 million metric tons in the year between April 2007 to March 2008.

Many biodiesel producers in the E.U. have shut down over the past two years or have cut production, as biodiesel prices have fallen too much for them to operate profitably. The industry blames the surge of government-subsidized biodiesel from the U.S. for depressing prices.

"I'm being outcompeted not by U.S. plants but by the deep pockets of the U.S. government," said Richard Nickels, chief executive Biofuels Corp., a large U.K. biodiesel producer that has been running far below full capacity. "If these duties give us that level playing field, then I expect to be back up to capacity."

But U.S. biodiesel producers said their product isn't the cause of the European biodiesel industry's financial problems.

"It is factors unrelated to U.S. competition - bad business models; high feedstock costs; and detrimental E.U. member state policy - that are to blame," said Manning Feraci of the National Biodiesel Board, which represents U.S. producers.

The anti-dumping duties range from EUR23.6 to EUR208 a metric ton, and the anti-subsidy duties range from EUR211 to EUR237/ton, depending on the company that produces the biodiesel. Companies importing biodiesel from the U.S. will have to pay both of these duties.

Archer Daniels Midland Co. (ADM), the giant U.S. agriculture company, will have to pay combined duties of EUR261/ton. ADM rival Cargill will have to pay EUR275/ton.

Imperium Renewables will have to pay EUR293/ton, Green Earth Fuels EUR284/ton, and World Energy Alternatives EUR294/ton, according to the proposal.

Fifty-three companies that cooperated with the E.U.'s investigation will have to pay EUR342/ton, including Louis Dreyfus Agricultural Industries, Vitol Inc., and U.S. Biofuels Inc.

Peter Cremer North America LP and all other companies will have to pay EUR419/ ton.

The surge of U.S. biodiesel imports into the E.U. caused the financial condition of the E.U. biodiesel industry to deteriorate drastically between 2005 and early 2008, according to the Commission's investigation. Profit margins dropped from 18% to below 6%.

Return on investments in the E.U. industry fell by 80%, as the industry's margins were squeezed between higher costs and low biodiesel prices, the commission said.

The duties were set based on the premise that E.U. biodiesel producers deserve profit margins of at least 15%, according to the announcement in the Journal. The commission will decide in mid-July whether to impose long-term duties.

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03-12-09 1213ET

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