

# Brussels trade war with US looms over biofuel

- European commissioners back dumping allegations
- American firms threaten counter-complaint to WTO

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Peter Mandelson, the European commissioner, has fired the first salvo in a potential transatlantic trade war by agreeing to challenge the US over its biofuel subsidies, which are chasing British and continental firms out of business.

Confidential documents seen by the Guardian show that Mandelson and the European commission have put their signatures to anti-dumping complaints lodged by the European Biodiesel Board.

Washington will be asked this week to answer allegations that subsidies amounting to 11p a litre on B99 exports from the US, plus "splash-and-dash" operations being conducted through the US, represent unfair competition.

Industry figures who asked not to be named said they were "delighted" that their allegations that US biodiesel was being dumped on the European market were being taken up by Brussels. "This is a huge step forward for us," said a producer. "It opens the way for us to finally put to an end practices that are contrary to the rules of the World Trade Organisation."

The European Biodiesel Board lodged a formal complaint against the US with Mandelson at the end of last month after a disastrous period for British, German and other biodiesel producers.

D1, one of the leading UK firms, announced in April that it would be closing its newly built refineries and laying off all its staff there because it could not compete against cheap US imports. Elliott Mannis, D1's chief executive, said it was an "unbelievable situation" that Europe had sat on its hands so long and let B99 cause turmoil in a market that has opened up to huge new demand.

The British government had mandated that from mid-April 2.5% of all petrol and diesel sold on the forecourt must be made of crop-based fuel in a bid to reduce carbon pollution and slow global warming. A huge row has since broken out with environmentalists who say that many biofuels are not sustainable and are adding to soaring food prices and deforestation.

Last week Linda McAvan, the Labour MEP for Yorkshire and the Humber, called in the European parliament for an investigation of the "outrageous" practices highlighted in the Guardian over "splash and dash".

This is the loophole that allows traders to export biodiesel to the US just to pick up a subsidy by adding a tiny amount of ordinary petroleum diesel and then

ship it back. She noted that the practice not only put the European biodiesel industry further at risk but "involves unnecessary shipping across the Atlantic, which increases emissions of greenhouse gases".

In an official reply, Mariann Fischer Boel, the European agriculture commissioner, said: "While the commission cannot comment on the extent of the alleged practice referred to in the question, it shares the concerns about the impact on the European industry of the United States tax subsidy."

The European Biodiesel Board claims that US exports of B99 - biodiesel with up to 1% petroleum added - to the European Union rose from 100,000 tonnes in 2006 to 1m tonnes in 2007, which is equal to about 15% of the entire European market.

The case against the US will not be one-sided. Manning Feraci, of the US National Biodiesel Board, has said: "It is hypocritical for the EBB to cry foul while they benefit from a blatant trade barrier."

He believes that EU biodiesel specifications are discriminatory and also breach WTO rules. He has been threatening to lodge a counter-complaint with the US trade representative, Susan Schwab.

McAvan said she was pleased that the EC was finally taking the issue seriously but added: "My fear is that by the time we get something done, the European industry will be out of business."

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