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EU Hits U.S. Biodiesel Makers With Five-Year Tariffs (Update1)

By Jonathan Stearns and Rachel Graham

July 7 (Bloomberg) -- The European Union imposed five-year tariffs on U.S. biodiesel to help EU producers counter American subsidies and price undercutting, a step that may stoke trans- Atlantic trade tensions.

The duties punish U.S. manufacturers of biodiesel, a type of biofuel made from vegetable oils and animal fats for use in diesel engines, for receiving government aid and selling in the EU below cost. The companies targeted include **Archer Daniels Midland Co.**, the world's largest grain processor, and Cargill Inc., the biggest U.S. agricultural company.

"This is all about protecting vested agricultural interests on both sides," said **Christian Egenhofer**, a researcher at the Centre for European Policy Studies in Brussels. "Governments are not in control."

The EU decision to tax imports worth almost $1 billion a year comes a day before the Group of Eight leading industrial powers seeks to revive stalled global trade talks at a summit in Italy. The EU and U.S. are already embroiled in disputes over aid for planemakers Airbus SAS and Boeing Co. and European market barriers to biotech-food companies such as Monsanto Co.

European biodiesel producers suffered "material injury" because of a "surge of low-priced subsidized imports" from the U.S., the EU said in a decision today. The duties are as high as 237 euros ($333) a metric ton (2,205 pounds) -- the same maximum rate as provisional levies imposed in March -- and will take effect after EU **Official Journal** publication by July 13.

'Buy American'

The import taxes follow criticism in Europe of a "buy- American" clause in U.S. economic-stimulus legislation, **World Trade Organization** pledges to guard against a resurgence in protectionism and warnings from experts that such a trend would deepen the worst crisis since World War II.

EU imports of biodiesel from the U.S. were worth 700 million euros in the 12 months through March 2008. The trade protection comes as the EU industry faces a demand slump and overcapacity.

The **European Biodiesel Board**, which represents about 60 companies including Biopetrol Industries AG in Germany and Diester Industrie in France, demanded the protection last year after U.S. competitors grabbed over 17 percent of the EU market compared with almost nothing four years earlier. In March, the lobby group hailed the preliminary duties as "robust" measures that would re-establish a "level playing field."

Problems Remain

Another member of the group is Germany's Rheinische Bio Ester GmbH, which is cautious about the relief the EU industry can expect from the tariffs.

"You can't say that solves all our problems," Ralf Schmidt, managing director of

Rheinische Bio Ester, based in the western German city of Neuss, said on July 1. “We have the problem of overcapacity at a time of weak demand.”

Imports of biodiesel from the U.S. accounted for 17.2 percent of the EU market in the 12 months through March 2008 compared with 0.1 percent in 2004, according to the bloc. The European market share of imports from the U.S. was 0.4 percent in 2005, 1 percent in 2006 and 11 percent in 2007, the EU said.

The five-year duties to counter subsidies will be as much as 237 euros a ton and the levies to fight below-cost, or “dumped,” imports will be up to 198 euros a ton. These translate into rates as high as 41.1 percent.

Decatur, Illinois-based ADM will face a five-year anti- subsidy duty of 237 euros a ton -- unchanged from the provisional rate on the company -- and an anti-dumping duty of 68.60 euros a ton, up from a temporary levy of 23.60 euros. Cargill, based in Minnetonka, Minnesota, will face an unchanged anti-subsidy levy of 213.80 euros a ton and an anti-dumping levy of zero, down from a provisional rate of 60.50 euros a ton.

‘Picking Up’

Brian White, a director at **Bioener G Ltd.**, a U.K.-based biofuels supplier, said the provisional tariffs have failed to help the European industry because of demand weakness. He said the five-year duties may provide some relief as consumption rebounds.

“It is picking up,” White said. “But it remains slow.”

The **subsidy** and **dumping** cases highlight tensions accompanying EU and U.S. efforts to expand global trade in biofuels. Biofuels, which also include ethanol, are a renewable energy from crops such as rapeseed, corn, wheat and sugar.

The EU decided last year to require at least 10 percent of land-transport energy in each member country to come from renewable sources led by biofuels beginning in 2020. This is part of a broader goal of more than doubling the overall share of renewable energy in the EU to an average 20 percent.

Impact of Policies

“This kind of dispute is going to be more common in the future because of the climate policies including on biofuels being drawn up in the industrialized world,” said **Paul Hofheinz**, president of the Lisbon Council, a Brussels research group. “Governments haven’t fully thought through the impact of these policies.”

When the 27-nation EU introduced the provisional duties in March, the National Biodiesel Board representing U.S. producers dismissed the notion that they had harmed the European industry, whose profitability has fallen since 2004 while domestic sales and market share have risen.

“This sets a dangerous precedent for global commerce,” Manning Feraci, vice president of federal affairs at the **NBB** in Washington, said at the time. It “is nothing more than a politically expedient effort to appease the protectionist whims of the European biodiesel industry.”

The EU countered that unfair U.S. competition deprived European producers of a larger share of a growing market and meant their gains came at the expense of other manufacturers in the bloc that stopped or scaled back output. EU consumption of biodiesel more than tripled between 2004 and 2007 to 6.64 million tons, according to the bloc.

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