

REUTERS

EU biodiesel capacity seen rising 55 pct in 2008

Wed Jun 25, 2008 9:39am EDT

BRUSSELS (Reuters) - The European Union should see its installed biodiesel production capacity increase by 55 percent this year to reach 16 million tons, the European Biodiesel Board (EBB) said in a statement on Wednesday.

But there was also idle capacity due to limited market interest in Europe, it said, adding that the EU had not yet matched the industry's investment in biodiesel by creating an effective legislative and regulatory environment.

"EBB statistics for 2008 ... show that 3 million tons of installed capacity remains idle due to the lack of a viable market for biodiesel in member states," it said.

Although EU production rose by some 17 percent to 5.71 million tons this year, that rate lagged far behind the growth increases seen in previous years, it said.

"Production increased from 4.9 million tons in 2006 to 5.7 million in 2007. This represents a yearly growth of only 16.8 percent compared to 54 percent last year and 65 percent in 2005," the EBB statement said.

Biodiesel production had fallen in six of the EU's 27 member countries since 2006 and stagnated in many others, it said.

"This highlights the negative change in market conditions in 2007, showing the difficulty for EU producers to compete with unfair B99 imports from the U.S.," the EBB said.

Earlier this month, EU trade officials launched an investigation into whether imports of U.S. biodiesel break international trade rules because of subsidies.

That followed repeated complaints by European producers that U.S. subsidies for "B99" biodiesel -- blended with mineral diesel -- were in breach of World Trade Organization rules and also threatened the growing international trade in biodiesel.

Last year, biodiesel accounted for 76 percent of the biofuels consumed in the EU and was likely to remain the leading biofuel in meeting the EU's target for including 10 percent of biofuels in transport fuels by 2020, the EBB said.

(Reporting by Jeremy Smith, Editing by Peter Blackburn)

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