

## EU probes U.S. biodiesel subsidies in new trade row

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(Adds background on biofuels)

By David Brunnstrom

BRUSSELS, June 13 (Reuters) - The European Union, opening up a new transatlantic trade spat, will investigate whether soaring imports of U.S. biodiesel break global trade rules because of subsidies, the EU's executive Commission said on Friday.

"We have always said that the EU will not tolerate unfair trade practices and will pursue vigorously any well-founded complaint," said Peter Power, a spokesman for EU Trade Commissioner Peter Mandelson.

"The Commission will leave no stone unturned in this investigation and will act in accordance with its findings." In April, EU biodiesel producers requested the Commission impose duties on imports from the United States and on Friday it said there was enough evidence to warrant anti-subsidy and anti-dumping investigations.

European producers say their U.S. rivals benefit from generous subsidies when they blend biodiesel with small amounts of mineral diesel in the United States, creating unfair competition that has put much of EU industry out of business.

U.S. imports into the EU, which are larger than from any other country, increased from about 7,000 tonnes in 2005 to about 1 million tonnes in 2007, the Commission said.

U.S. producers deny that their exports are the main reason behind the problems of European producers which have also been caused by new biodiesel taxes in Germany.

The American industry has suggested it might hit back with action of its own, saying EU biodiesel fuel specifications are discriminatory against imports.

Brussels now has up to nine months, until March 13 2009, to decide whether U.S. imports need to be hit with duties on a provisional, six-month basis, and after a further six months it could extend them definitively, usually meaning for five years.

Any decision by the Commission to impose duties would have to be backed by EU member states.

The European Biodiesel Board, representing EU producers, pointed to U.S. federal excise and income tax credits and a programme of grants to finance increased capacity, plus state-level subsidy programmes, as evidence in the anti-subsidy case, the Commission said.

The Commission is trying to encourage the use of biofuels as part of its strategy to fight climate change. But it said in its statement on Friday that the decision to launch the investigations was not linked to that policy. Biofuels have come under attack by many scientists and environmental groups that contend their production has contributed to food price inflation, depleted rainforests and failed to save substantial greenhouse gas emissions.

Biodiesel is the second most important biofuel and is mainly produced from vegetable oils such as soybean oil, rapeseed oil and palm oil. Other feedstocks such as tallow and used cooking oil are also used. (Reporting by David Brunnstrom; writing by William Schomberg and David Brunnstrom, edited by Dominic Evans)

## EU probes U.S. biodiesel subsidies in new trade row

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BRUSSELS (Reuters) - European Union trade officials have launched an investigation into whether imports of U.S. biodiesel break international trade rules because of subsidies, the EU's executive Commission said on Friday.

A European Commission statement said examination of complaints lodged by European industry found an investigation was warranted.

"Sufficient evidence was provided of subsidies to the U.S. biodiesel sector, as well as dumping of biodiesel in the European market," the statement said.

"The complainant has argued that this has had an adverse effect on the European biodiesel industry. A detailed investigation by the Commission will now determine whether measures are justified."

It said the Commission would make its provisional findings by March 13, 2009 and present them to EU member states.

"We have always said that the EU will not tolerate unfair trade practices and will pursue vigorously any well-founded complaint," said a spokesman for EU Trade Commissioner Peter Mandelson.

The statement said that if measures were considered justified in the case of subsidies, these would be in the form of "countervailing duties" -- or specific duties on the product in question -- and "anti-dumping duties" in the case of dumping.

The statement said the complaints concerning imports of biodiesel from the United States were lodged with the Commission on April 29.

It said the evidence provided of subsidies included federal excise and income tax credits as well as a federal program of grants to finance increased production capacity. It said various subsidy programs would also exist at state level.

"The effect of the subsidization and dumping is, according to the complainant, a deterioration in the prices charged and market share held by the Community industry which has led to substantial adverse effects on the overall performance and the financial situation of the industry."

In April, EU biodiesel producers asked the Commission to impose duties on biodiesel imports from the United States on the grounds they broke international trade rules.

European producers say their U.S. rivals benefit from generous subsidies when they blend biodiesel with small amounts of mineral diesel in the United States, creating unfair competition that has put much of EU industry out of business.

The European Biodiesel Board, which represents EU producers, complains that U.S. subsidies for "B99" biodiesel -- blended with mineral diesel -- breach World Trade Organization rules and also threatens the growing international trade in biodiesel.

But U.S. producers deny that their exports are the main reason behind the problems of European producers which has also been caused by new biodiesel taxes in Germany.

(Reporting by David Brunnstrom; writing by William Schomberg and David Brunnstrom, edited by Richard Meares)

