

EU producers threaten action against US biodiesel subsidies

The European Biodiesel Board (EBB) was due to file a formal complaint against US biodiesel subsidies as *Environmental Finance* went to press in late March. The move is an attempt to stem the flow into Europe of cheap biodiesel imports from the US.

EBB secretary general, Raffaello Garofalo, told the recent Bioenergy Europe 2008 conference in London that the subsidy – equivalent to about \$300/tonne – made imports cheaper than biodiesel raw materials bought by EU companies. “We are fed up with the situation,” he warned. “This is an unfair trade practice and I hope that we can stop it.”

The EBB, a non-profit grouping of major EU biodiesel producers, plans to submit a formal anti-subsidy and anti-dumping complaint to the European Commission, the EU’s executive arm, for countervailing duties on biodiesel imports from the US. A parallel complaint to the World Trade Organisation is a possibility, Garofalo added.

The subsidy stems from a \$1/gallon tax credit for biodiesel to which mineral oil is added in the US. It led to EU imports of biodiesel reaching around 1 million tonnes in 2007, Garofalo said. Some of this is in the form of “splash and dash” biodiesel imported into the US from countries such as Indonesia

or Malaysia, mixed with a “splash” of petroleum diesel and shipped to Europe.

The pain being caused to EU producers was strikingly illustrated in early March, when UK-based DI Oils announced that it may need to tap the market for additional funding and that it was in talks with its employees regarding possible job cuts.

“Imports of heavily-subsidised biodiesel from the US ... have eroded margins to the point where we have no choice but to consider how to reduce operating costs,” said CEO Elliott Mannis.

DI shares – listed on London’s Alternative Investment Market – had plunged to £0.365 (\$0.79) by 18 March



Elliott Mannis, DI Oils: Imports eroding margins

from £1.05 on 3 March. In July last year, after the company announced a joint venture with BP to plant one million hectares of jatropha over the next four years, the shares touched a high of £2.84. Commenting on the price drop and staff cuts, DI spokesman Graham Prince said “this is not about a backlash against biofuels but [about] the flood of subsidised US imports”.

Vic Wyman