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EU raises stakes in biodiesel battle with US

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Published: February 21 2009 01:43 | Last updated: February 21 2009 01:43

The European Union is gearing up to slap duties on imported US biodiesel in the latest sign of rising trade tensions as world economies slump into recession.

The so-called “anti-dumping” and “countervailing” duties, levied against imports deemed to be priced unfairly low and receiving government subsidy, will be proposed by the European Commission at a meeting early next month.

The Commission’s preliminary findings suggest that the subsidies are pushing down prices by between 89-99 US cents per gallon and that US companies are underpricing by 10-82 cents a gallon, according to people involved in the case. Biodiesel is currently about \$2 per gallon. Duties to offset these margins would initially be imposed for a four-month period before the Commission made a final ruling on whether the subsidies contravened WTO rules.

The Commission launched an investigation in June after a complaint was lodged by the European Biodiesel Board, a trade group. It declined to comment on the matter on Friday, beyond saying that its deadline to render a judgment was March 13.

But the US National Biodiesel Board, which is trying to get the US administration to launch a case against the EU at the WTO, said the only European biodiesel companies suffering were those that had made bad business decisions.

“The European biodiesel industry is not being hurt by US competition,” said Manning Feraci, the board’s vice-president for federal affairs. “There are European companies doing quite well, and the data on record in front of the Commission bear that out. We hope the true facts will be reflected in the final determination in this case.”

The complaint centres on a US law that grants domestic producers a \$1 per gallon tax credit. European producers claim that results in a \$250 per tonne cost advantage for US biodiesel – an advantage that was further increased last year by the weak dollar.

They have also complained about the so-called “splash-and-dash” trade – producers from Malaysia and elsewhere claiming the credit by adding a minimal amount of US biodiesel on the way to Europe.

US biodiesel exports to Europe have surged to more than 1m tonnes over the past year, up from just 50,000 tonnes in 2006. They account for about €600m (\$770m) of the €5bn European market.

The US biodiesel industry says that small European producers far from ports are suffering because of high costs and inefficiencies, while some larger companies are thriving.