

EU seen dumping duty on U.S. biodiesel to raise demand

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By Michael Hogan

HAMBURG (Reuters) - A European Union decision last week to impose import duties on low-priced U.S. biodiesel will help struggling EU biodiesel producers to sell more in their home market, a German biofuel industry leader said on Tuesday.

The EU decision followed claims by European green fuel producers that U.S. supplies are sold cheaply because of subsidies. The decision has not yet been officially confirmed but this was expected in coming days.

"The decision by the EU to end this unfair competition from the U.S. will generate new physical demand for biodiesel in Europe for European producers," said Claus Sauter, the new president of German biofuels industry association VDB.

But he warned that it did not solve producers' problems.

"Many small German biofuels producers have gone into liquidation and more are facing liquidation," Sauter said.

He said cheap U.S. biodiesel imports have been widely used by oil companies to meet the compulsory biofuel blending targets set by European governments as part of programs to protect the environment.

The planned EU duty would help but would not in itself cause a major turnaround as Europe's biodiesel sector is suffering from serious over-capacity, said Sauter, who is also CEO of leading German bioenergy company Verbio.

Germany's biodiesel industry had current capacity of 4.8 million tons annually, he said.

The German government's planned 2009 biofuel blending level of 5.25 percent in fossil fuels would probably create demand for around 2 million tons of biodiesel, he added.

This was not enough to absorb supplies as German petrol station sales were collapsing, Sauter said.

Almost two million tons of biodiesel was sold annually at German petrol stations in past years but petrol station demand for biodiesel was now "completely dead" in Germany, he said.

The government's taxes on green fuels had made biodiesel more expensive than fossil diesel.

A capacity usage of under 50 percent generated by blending meant Sauter expected more German biodiesel producers to stop work in 2009, especially smaller companies, following many closures in 2008.

He criticized Germany's ruling government coalition for making grand statements about reducing greenhouse gases but then taxing biofuels and scaling back biofuel blending targets.

Germany's biofuels bill regulating 2009 blending is still going through parliament. Clauses on use of palm and soysoy oiloil from non-sustainable output had to be changed due to EU objections.

"We just have total chaos at the moment," he said. "We as an industry are suffering massively."

Germany's biodiesel industry association still did not know what blending levels applied from Jan 1, 2009.

He criticized German Environment Minister Sigmar Gabriel's hostile attitude to biofuels, especially a decision to cut blending levels to 5.25 percent this year from a planned 6.25.

"Gabriel is the grave digger of Germany's biodiesel industry, he has no interest in the sector," Sauter said.

(Reporting by Michael Hogan; Editing by Peter Blackburn)