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Europe to Investigate U.S. Exports of Biodiesel Fuel

By JAMES KANTER

BRUSSELS — The European Union on Thursday accused United States producers of biodiesel fuel of benefiting from subsidies that threaten to put European producers out of business.

Biofuels are contested because of accusations that they raise food prices and do little to fight global warming.

But they are also a big business, with sales of about 8 billion euros (\$12.3 billion) annually in Europe. European Union trade officials say producers in Europe are at risk because of a tax credit that is granted to American exporters.

The commission said it would begin a formal antidumping investigation on Friday that could lead to the imposition of punitive tariffs.

The commission “will leave no stone unturned in this investigation and will act in accordance with its findings,” said Peter Power, a spokesman for Peter Mandelson, the European Union trade commissioner.

The European Union said the suspect subsidies consisted of federal excise and income tax credits along with a federal program of grants for increases in production.

The European Union said it also was concerned by various subsidies from state governments. Initial findings are expected by mid-March.

Europe makes large amounts of biodiesel from plant oils like canola and sunflowers. But the Continent, where diesel-powered cars and trucks are widespread, is also a net importer of diesel, including biodiesel made from crops like soy in the United States.

Both the European Union and the United States generously subsidize their biodiesel industries. But European producers complain that producers in the United States benefit twice — from subsidies by the federal government to produce the biodiesel, and then again from subsidies granted by individual European governments when it is sold in Europe.

“The result is that American producers are selling at a lower price than we can buy raw materials,” said Raffaello Garofalo, the secretary general of the European Biodiesel Board, whose complaint to Mr. Mandelson in April led to the investigation. “It’s as if they are selling bread cheaper than we can buy flour.”

Mr. Garofalo said the biggest producer in Europe is a French company, Diester. He said all the biodiesel produced in Europe was consumed there rather than exported.

According to the European Union, imports of biodiesel from the United States have increased to about a million tons in 2007 from 7,000 tons in 2005.

A spokeswoman for the National Biodiesel Board, which represents the biodiesel industry in the United States, declined to comment.

The commission said its investigation was not linked with broader European Union policies in the area of biofuels. Even so, those policies are a potential boon for biodiesel producers.

Under current proposals, the European Union would sharply raise the amount of biofuels blended into diesel and gasoline as part of the bloc's efforts to fight climate change and bolster energy security. Those ambitions have prompted a separate battle over the environmental credentials of biofuels, which are among the most controversial forms of renewable energy because many take up farmland that otherwise would be used to grow food at a time when food prices have shot up.

Influential academics like Jeffrey Sachs of Columbia have called on the union to review its goals for biofuels, while many environmental and antipoverty groups say crop fuels that compete with food should be abandoned entirely.