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European Union Threatens Tariffs on U.S. Biodiesel (Update1)

By Jonathan Stearns

June 13 (Bloomberg) -- The European Union threatened to impose tariffs on biodiesel from the U.S., saying EU producers may be victims of American subsidies and price undercutting.

The EU opened a probe into whether U.S. manufacturers of biodiesel, a type of biofuel made from vegetable and animal fats for use in diesel engines, receive trade-distorting government aid. The bloc also started an inquiry into alleged below-cost -- or "dumped" -- imports from the U.S.

"The EU will not tolerate unfair trade practices," [Peter Power](#), a spokesman at the [European Commission](#), the 27-nation bloc's regulatory arm in Brussels, said in a statement today. "We will leave no stone unturned in the investigations and will act in accordance with their findings."

The two cases highlight tensions accompanying EU and U.S. efforts to expand global trade in biofuels by establishing common standards. Biofuels, which also include ethanol, are a renewable energy from crops such as rapeseed, corn, wheat and sugar.

The probes also follow food-price increases that revived concerns in Europe and elsewhere about an expansion of trade in biofuels, which threaten to displace food production and worsen hunger in poor countries.

Renewable Energy

The commission aims to require at least 10 percent of transport fuel in each EU nation to come from biofuels beginning in 2020, part of a broader plan to raise the overall share of energy from renewable sources in the bloc to an average 20 percent. EU governments and the [European Parliament](#) must approve the measures, which seek to reduce reliance on fossil fuels blamed for climate change.

The trade probes will determine whether EU biodiesel producers have suffered "injury" as a result of any unfair U.S. competition, the commission said in the [Official Journal](#).

Alleged subsidies include federal excise and income tax credits, federal grants to finance increased production capacity and "various" programs in states such as Illinois, Florida, Iowa and Texas, according to the commission.

Coupled with alleged dumping, the aid may have caused "substantial adverse effects" on EU producers by lowering their prices and market share, said the commission.

'Surge' in Exports

The investigations follow a complaint to the commission in late April by the [European Biodiesel Board](#), which alleged that a "dramatic surge" in U.S. biodiesel exports to the EU had taken place.

The Brussels-based lobby group, which represents about 60 companies including European units of [Archer Daniels Midland Co.](#) and [Cargill Inc.](#), drew attention to a blend of diesel and biodiesel called B99.

U.S. measures dating to 2004 allow subsidies of as much as \$300 a metric ton by adding "a drop" of mineral diesel to biodiesel, according to the European group, which said subsidized B99 exports breach World Trade Organization rules and threaten international biodiesel trade.

The commission can impose provisional anti-subsidy duties for four months and provisional anti-dumping levies for six months. The EU's national governments -- acting on a commission proposal -- can turn those measures into ``definitive" five- year duties at the same or different rates.

The commission has nine months from the start of an investigation to decide on provisional measures. EU governments have 13 months from the beginning of a probe to impose five-year anti-subsidy -- or ``countervailing" -- duties and 15 months to impose definitive anti-dumping measures.

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