

July 8, 2009

European Union extends duty on U.S. biodiesel

Register staff and wire reports

The European Union extended import fees on U.S. biodiesel Tuesday, saying it had to protect European producers from unfair American subsidies and below-cost selling.

The move was another blow to the biodiesel industry. Production has fallen to 2006 levels as producers struggle to cope with low oil prices. About half of the production last year was shipped to Europe.

The EU fees will affect biodiesel sold by Archer Daniels Midland Co., Cargill Inc. and several others to Europe, the world's biggest user and producer of crop-based fuels.

The EU's 27 nations said in a joint statement that they were extending for five years temporary fees they imposed in March.

That came after a trade investigation said that U.S. producers sold biodiesel to Europe far below the real costs of production and received federal tax credits and state subsidies.

EU officials said this helped U.S. exporters increase their share of the EU market for biodiesel from 0.4 percent in 2005 to more than 17 percent from April 2007 to March 2008.

The United States is the EU's biggest foreign supplier of biodiesel, providing 700 million euros (\$976 million) worth of fuel to a total market worth 5 billion euros.

Manning Feraci, vice president of federal affairs for the National Biodiesel Board, called the European move an "unfortunate" and "flawed."

"Throughout this case, we have constantly put data on the record that clearly shows the European biodiesel industry was not being harmed by U.S. competition," Feraci said.

The European Biodiesel Board said the new import fees would help re-establish a level playing field for European producers, claiming unfair U.S. competition has already caused some companies to go bankrupt or to quit biodiesel production.

"For more than two years, U.S. biodiesel has been sold in the European market at a substantial discount, at an even lower price than the vegetable oil raw materials purchased by the EU industry for producing biodiesel," it said.

Biodiesel is usually mixed with mineral fuel to power diesel cars, trucks, buses and trains. It can also be used as a heating fuel.

The EU plans to use far more biofuels in the coming years, setting a target to replace 10 percent of transport oil with biofuel by 2020 - or 33 million metric tons of oil.

EU biofuel output in 2006 was 6 million metric tons and it will likely have to increase output rapidly and import far more to meet its goals, part of a strategy to cut back on the greenhouse gas emissions that cause climate change.

This biofuel target has come under fire from environmentalists and others who claim that it will see land taken away from food production and put pressure on natural reserves - especially in developing countries.

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20090708/BUSINESS/907080352&template=printart>