

Trade war brewing over US biofuel subsidies

EU producers demand duties on 'splash and dash' imports

David Gow in Brussels

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European biodiesel producers triggered a fresh transatlantic trade war yesterday by urging the EU to impose punitive duties on cheap imports from the US.

Low-priced imports of biofuels, as part of the so-called "splash and dash" trade, are putting many European producers out of business, the industry group claims.

Their American rivals immediately hit back by urging the federal government to take action against any protective measures for the European industry.

The row comes as oil prices have risen to new highs this week, close to \$120 (£60) a barrel, and world food prices have surged partly as a result of pressure on land from biofuel production.

The European Biodiesel Board (EBB) said it had lodged a complaint with the European commission over competition from the US that was putting EU producers out of business. It wants duties on "B99" biodiesel exports (biodiesel with 1% petroleum diesel), claiming they are unfairly subsidised and then dumped in the EU, where they can win new subsidies.

US biodiesel exports are subsidised by up to \$300 a tonne. Some trading firms have also been shipping biofuels to the US, where they add a "splash" of mineral diesel to qualify for the subsidy and then send the fuel back to the EU. These exports have risen dramatically since last year, causing what the EBB calls "severe injury" to European producers.

This month D1 Oils, a leading but loss-making UK producer, said it would shut all its British refining operations as a direct result of cheap imports. D1 said the economics of the business were now so poor that it would be lucky to make much on the disposal of its sites.

Elliott Mannis, D1 Oils' chief executive, said it was "extremely frustrating" that the company had been forced to bow out of refining because nothing had been done to stop the deluge of B99 biodiesel from the US. "It's an unbelievable situation and there is no end in sight," he added.

Brussels sources indicated the EBB had a strong case on the face of it. It is understood that Peter Mandelson, the EU trade commissioner, and Susan Schwab, the US federal trade envoy, have held talks on the issue, but failed to reach a deal.

Mandelson's spokesman said: "We've had extensive contacts with the EBB over several months. We're glad that they have finally submitted their request and will examine it thoroughly ... We will not tolerate unfair trade."

But Manning Feraci, vice-president of federal affairs at the National Biodiesel Board in the US, said: "It is hypocritical for the EBB to cry foul while they benefit from a blatant trade barrier." EU biodiesel fuel specifications were discriminatory and breached World Trade Organisation rules, he said, threatening to lodge a counter-complaint with Schwab.

The EU and US are embroiled in several high-profile and long-standing trade wars, including over beef and poultry imports from the US, genetically modified seeds and foods and, above all, subsidies for the rival plane-makers Airbus and Boeing.

This latest row comes as the US is stepping up biodiesel production as an antidote to dependence on imported crude, while the EU is having second thoughts about its target of using biofuels for 10% of transport fuels by 2020 because of the impact on food prices and land use.

The commission has 45 days to examine the EBB complaint and a further nine months to impose provisional duties - unless Mandelson and Schwab, desperately but forlornly trying to revive the stalled Doha round of WTO talks on trade liberalisation, can cut a deal.

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