

Transatlantic trade dispute looms over biodiesel

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By William Schomberg and Missy Ryan

BRUSSELS/WASHINGTON (Reuters) - European biodiesel producers kicked off a new transatlantic trade dispute on Friday when they asked Brussels to impose punitive duties on U.S. biodiesel, and their U.S. rivals said they would hit back.

With demand for plant-based fuels starting to soar as the world seeks ways to fight climate change, the European Biodiesel Board (EBB) said companies in the European Union were going out of business because of unfair U.S. subsidies.

"Since 2007, as a result of these measures, there has been a dramatic surge in U.S. biodiesel exports to the EU, thus creating a severe injury to the EU biodiesel industry," the EBB said in a statement.

The EBB said it was formally requesting the EU's executive commission to hit U.S. imports with anti-dumping and anti-subsidy duties.

The EU has set itself a target of using biofuel for 10 percent of its transport fuel by 2020, something that will require large amounts of imports, EU officials say.

The European industry has long complained that U.S. subsidies for "B99" biodiesel, blended with small amounts of mineral diesel, break World Trade Organization rules.

The U.S. exports are also eligible for EU subsidies.

The head of a U.S. biodiesel group accused the EU sector of trying to use litigation for protectionist ends and said his group would "aggressively challenge" EU trade obstacles.

"It is hypocritical for the European Biodiesel Board to cry foul while they benefit from a blatant trade barrier," said Manning Feraci, vice president of federal affairs at the National Biodiesel Board.

He called EU biodiesel fuel specifications discriminatory.

'COOPERATIVE APPROACHES'

"Our industry will aggressively challenge existing EU trade barriers -- such as the EU's discriminatory biodiesel fuel specification -- and other EU biofuel policies that are inconsistent with WTO rules and provide preferential treatment to European fuel producers," Feraci said in a statement.

Gretchen Hamel, a spokeswoman for U.S. Trade Representative Susan Schwab, said trade officials had not yet seen details of the complaint, but sounded a somewhat conciliatory note.

"It is beyond dispute that the U.S., the EU, and many others share an interest in ensuring a dynamic global market for biofuels ... We would therefore hope that cooperative approaches could continue to be used to address issues relating to biofuels," Hamel said.

The U.S. industry is expected to meet soon with trade officials.

An official at Germany's biodiesel association rejected the idea that the European specifications were a trade barrier, saying they aimed to protect fuel from freezing.

Friday's complaint starts the clock on the EU procedure for handling such cases.

The European Commission has 45 days from receipt of a complaint to decide whether to launch investigations. It would then have up to nine months to impose duties provisionally if it finds evidence that trade rules were broken. Those duties may eventually be made definitive, usually lasting five years.

"We will look at it very carefully," said Peter Power, a spokesman for EU Trade Commissioner Peter Mandelson, referring to the European industry's complaint on Friday. "We will not under any circumstances tolerate unfair trade."

(Additional reporting by Nigel Hunt in London, editing by Matthew Lewis)

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