U.S. biodiesel makers say EU fees will kill exports

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By Timothy Gardner

NEW YORK (Reuters) - U.S. biofuel producers said the EU's anti-dumping tariffs will kill their exports of the alternative motor fuel into Europe and force them to seek

domestic and other global customers.

"It's going to make sending our product largely uneconomical into the European Union," said John Fox, the president of New York-based Innovation Fuels, Inc, which exported its first cargo of biodiesel to Europe last August.

Starting Friday U.S. exporters will have to pay additional anti-dumping tariffs of up to 29 percent, and anti-subsidy duties of up to 41 percent for an initial six months, the EU said on Thursday. It will consider whether to impose longer term duties for at least five years. Please click.

The EU is imposing the fees onto its biggest supplier of biodiesel. U.S. producers increased their exports to more than 1.5 million tons last year from about 7,000 tons in 2005.

At issue is a $1.00 credit that U.S. blenders get for mixing every gallon of the alternative fuel into conventional diesel. European biodiesel producers say the subsidy has crippled their production by making U.S. fuel unfairly cheap.

Biofuels Corp, owned by Barclays Ventures, Britain's largest biodiesel plant, has been forced to run at well below capacity, the company has said.

U.S. producers, who mostly make the fuel from soy, said the duties will hurt European customers because European producers make biodiesel from more expensive rapeseed oil.

In addition, John Plaza, founder and CEO of Washington-state based Imperium Renewables, said the lack of cargoes from the U.S. would simply make the EU import more expensive biodiesel from Argentina and Southeast Asia.

"This act of protectionism does nothing to help and only transfers the issues," Plaza said.

Manning Feraci, a vice president at the Washington D.C.-based National Biodiesel Board, said the imposition of duties was "nothing more than a politically expedient effort to appease the protectionist whims of the European biodiesel industry."

Nefeterius McPherson, a spokeswoman for the U.S. Trade Representative's office, said if the EU's investigation into whether it should impose longer term duties raises concerns under World Trade Organization rules, it will consider further action "at the appropriate time."

The EU duties are the latest hurdle for the U.S. industry that has been hit by record costs for inputs like soybean oil greater competition from conventional diesel as crude oil prices tumbled.

Innovation's Fox said new markets developing in the United States, the world's largest consumer of fuel, have been helping his company as it has slowed exports to Europe since late last year. The federal Renewable Fuels Standard requires the blending of 500 million gallons of biomass based diesel into conventional diesel by the end of this year. The number doubles by 2012.

In addition, biodiesel has been blended at increasing rates into heating oil, which has provided some producers with new customers, Fox said. Markets are also building in Southeast Asia, U.S. producers said.

Still, many U.S. biodiesel producers suffer as lower-cost producers turn back to domestic markets rather than European markets, Fox said.

(Reporting by Timothy Gardner; Editing by David Gregorio)

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