

Focus: US biodiesel industry in fear of possible EU tariff

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HOUSTON (ICIS news)--Speculation that the European Commission (EC) may levy tariffs on US biodiesel has frozen the export market in the US, with many buyers and sellers wondering if such a move would benefit the industry on either side of the Atlantic, sources said on Thursday.

Rumours were rife that the EU, which has been investigating **anti-dumping allegations** by the European Biodiesel Board (**EBB**), would levy a countervailing duty (CVD) of at least \$300/tonne (€240/tonne) on US material to offset the \$1/gal credit the US government offers to blenders.

On Thursday, *Dow Jones* newswire said it had obtained an EC document describing possible temporary duties of €280-290/tonne on biodiesel imports from US producers ADM, Cargill, Green Earth **Fuels**, Imperium Renewable and World Energy Alternatives. Distributor Peter Cremer North America and most other US biodiesel companies would have to pay €410/tonne, according to the report.

The temporary duties would go into effect on 12 March, after which EU member nations must vote whether to make them permanent, according to the report.

The EC and EBB did not immediately respond to questions about a potential tariff. In January, **the EBB said** it "hope[d] for the rapid conclusion of the proceedings with the final imposition of countervailing and anti-dumping duties".

"Everyone is waiting for the EU's decision on a CVD tax on US product. Until this is done, no one's moving," a European trader said.

As late as last summer, the US had sold up to 70% of its biodiesel to the EU, where countries have to meet renewable fuel mandates. The EBB estimated the region bought 1.5m tonnes of subsidised US B99 (99% biodiesel, 1% mineral diesel) in 2008, a 40% gain on the year before.

Frustrated with the prevalence of US biodiesel, the EBB in June filed complaints alleging unfair trade practices with the European Commission. In October, Germany, the region's largest biodiesel consumer, proposed legislation that would have blocked imports of most SME and palm-based biodiesel (PME) on environmental concerns. That bill was **still pending**.

Demand plummeted for US material after the complaints as buyers worried about potential retroactive duties refused to touch it.

One major US producer described the export market since January as "dead, dead, dead". Another called the situation "very serious".

"We have to have the dollar tax credit to survive," the second producer said. "The EU doesn't understand that, apparently."

If the EU shuts the tap on US biodiesel imports, it would have to draw on other markets to complement its home-grown supply at least in the short term.

A few sources said that even if EU countries pulled more from Argentina, another major biodiesel producing country, they would still need some material from the US to meet their mandates.

"I've heard tariff, but I haven't heard numbers," a US trader said. "I don't think it would kill US exports, but it would definitely slow it down."

(\$1 = €0.80)

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