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US biofuel imports ignite EU inquiry

David Charter, Brussels

The massive increase in biofuel imports to Europe from the United States will become the subject of formal anti-subsidy and anti-dumping investigations tomorrow by the European Commission, *The Times* has learnt.

Some producers of biodiesel are said to be nearing breaking point trying to compete with cheap imports flooding in from the US and have implored Brussels to carry out their inquiries as quickly as possible to save the European industry.

Part of the problem is said to be controversial "splash and dash" imports originating mainly in Argentina or Malaysia which have a small amount of biological material added in a US port to win subsidies and are then sent over to the EU. But the main issue is said to be the mainstream American production which has seen biodiesel imports leap from 7,000 tonnes in 2005 to 1 million tonnes last year.

If the investigations prove unfair subsidies or dumping is taking place as EU producers allege, then US imports will face a steep rise in duties beyond the 6.5 per cent currently levied at European borders. Consumers will be concerned that this could add to fuel inflation but industry representatives rejected this suggestion.

A spokesman for Peter Mandelson, the EU trade commissioner, said: "We have always said that the EU will not tolerate unfair trade practices, and will pursue vigorously any well founded complaint. The Commission will leave no stone unturned in this investigation and will act in accordance with its findings."

Officials insist that the investigation has nothing to do with complaints about production techniques for US biofuels which have attracted criticism for allegations of unsustainability. EU producers point out that the "splash and dash" biofuels contribute to greenhouse gases when they are shipped around the world to US ports to pick up subsidies and then shipped on to Europe.

Anti-subsidy and anti-dumping complaints concerning imports of biodiesel from the US were lodged with the European Commission on April 29 April by the European Biodiesel Board, which represents most of the European producers of biodiesel.

Rafaello Garofalo, general secretary of the EBB, said: "We think this is a good step in the right direction but what the industry needs is for the investigation to be as rapid as possible because the industry is suffering."

Mr Garofalo insisted that an increase in duties for US imports would not necessarily lead to a rise in diesel prices at the pumps for consumers already in despair at spiralling fuel costs. "In reality European taxpayers are subsidising US biodiesel at the moment. Countervailing duty would only have a good impact on the European economy because we now have an industry that is suffering."

Officials said that the US subsidies being investigated included federal excise and income tax credits as well as a federal programme of grants to finance increased production capacity. There are also various subsidy programmes at state level.