

US subsidies killing off EU biodiesel producers, trade group complains

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While the pressure on biofuels increases globally over concerns that the alternative energy source contributes to global warming and the food crisis, European and American biodiesel producers are caught in their own internecine dispute over subsidies.

Over the weekend, the European Biodiesel Board – the European biodiesel producers trade association, whose members manufacture some 80 percent of the union's biofuels – registered a complaint with the European Commission over "unfairly subsidised" US biodiesel exports.

American subsidies since last year have led to: "a dramatic surge in US biodiesel exports to the EU, thus creating a severe injury to the EU biodiesel industry," the group said in a statement.

The EBB is concerned that American 'B99' blended biodiesel can be subsidised up to €200 a tonne after adding only a "drop" of mineral diesel to the mix – a ratio of 99.9 percent pure biodiesel to 0.1 percent mineral diesel.

This biofuel cocktail can then be exported to Europe as 'pure' biodiesel, where it is also eligible to European subsidy schemes, the group complains, undercutting European producers.

Around the world, the 'B' measurement is used to state the amount of biodiesel in any fuel mix. So fuel containing 20 percent biodiesel is labelled 'B20', while pure biodiesel will be labelled 'B100'. 'B99' is very common, as just one percent mineral diesel in the mix is toxic enough to prevent mould growing in the fuel.

The B99 rule has progressively disrupted the margins of European biodiesel producers, putting most of them out of business, says the EBB.

This meant that EU biodiesel production capacity went largely unused in 2007, and production has increased at a much lower rate than in the previous years.

As a result, the EBB on Friday presented a joint anti-subsidy and anti-dumping complaint to the European Commission services, urging the commission to initiate an investigation.

The group wants countervailing measures imposed against US B99 exports to the EU imposed "as soon as possible."

"Subsidised B99 exports are a trade practice that is not only breaching WTO rules but also threatening the very concept of international trade in biodiesel," said the group.

For its part, the US biodiesel industry has threatened to challenge "discriminatory" EU biodiesel specifications in retaliation.

"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," said the US National Biodiesel Board (NBB).

Manning Feraci, a vice-president with the NBB said the EBB was "playing politics and engaging in heated rhetoric."

"The supposed woes facing the European biodiesel industry have nothing to do with US exports," she said. "The EBB's membership produce fuel from a more expensive feedstock than American producers and the cost of that feedstock has significantly increased."

Ms Feraci also blamed "changes in EU member state policies unfavourable to the biofuels industry [that]

have impacted European producers."

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