

US turns up the heat in biofuels dispute

By Alan Beattie in London - Financial Times
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A transatlantic trade dispute over biofuels has escalated, with the US biodiesel industry accusing European companies of hypocrisy for protesting against subsidised fuel that they are themselves importing.

The European Commission launched an "anti-dumping" investigation earlier this year after European Union producers complained that they were being undercut by imports subsidised by the US government and priced unfairly low.

But the US National Biodiesel Board rejects the allegations. In a submission to the Commission, seen by the Financial Times, the board says that, rather than unfair competition, the European industry suffers from over-investment in capacity, rising prices of feedstocks such as rapeseed oil and the removal of a tax exemption for biodiesel in Germany, a key market.

The board also says several signatories to the complaint are importing fuel from the US. Manning Feraci, vice-president of federal affairs for the US National Biodiesel Board, said: "Not only does the European Biodiesel Board's case lack merit, it is disingenuous and hypocritical that several of the European companies involved in filing the complaints are the very entities actively involved in the trade of US biodiesel."

The **European Biodiesel Board** did not return calls, but Xavier Beulin, president of Sofiproteol, the financial wing of the French oil-seed industry, rejected the accusations of hypocrisy. "That European companies may be benefiting from the subsidy has no legal bearing at all," he said. "The US biodiesel industry, under the cover of policies for energy security and independence, is creating an export industry dependent on subsidies."

Europe is the world's largest biodiesel market, consuming nearly 7m tonnes a year. But some European biodiesel companies have shown poor returns recently.

Yesterday the European parliament's industry committee further threatened the industry by voting to modify the EU's target that 10 per cent of road transport fuel should come from renewable sources by 2010. The committee said 4 per cent of the total should come from electricity or hydrogen from renewable sources, or from newer biofuels produced from low-value crops or waste, rather than from biofuels that might compete with food production.

The European industry says the US's \$1 (€0.72, £0.57) a gallon subsidy to biodiesel producers is abused by a procedure known as "splash-and-dash", where biodiesel from Latin America and elsewhere is shipped to the US, blended with a tiny amount of mineral oil and re-exported to the EU. The US biodiesel board says it is working to eliminate the practice.

The US industry is also pressing the country's trade representative's office to file a case at the World Trade Organisation against the EU for writing its technical specifications for biodiesel to favour its own producers. The EU rejects this.

"Let them file a case," Mr Beulin said. "The [technical] standards were not written in a vacuum; they were produced in consultation with the industry. There is no single global standard for biodiesel."