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The seizure by Italian customs officials of a shipload of Canadian biodiesel highlights the global battle for a slice of the growing renewable energy market.

A regional judge in Italy on Wednesday approved the seizure of 10,000 tonnes of biodiesel labelled as coming from Quebec and bound for the ports of Venice and Trieste. Italian customs officials blocked the cargo last month after receiving a tip that the material originally came from the United States.

Last May, the European Commission imposed duties on U.S. biodiesel for a five-year period, in response to what it said were illegal U.S. subsidies and export pricing practices. The duties have sent U.S. exports to Europe plummeting, to less than 400,000 tonnes in 2009 from 1.5 million tonnes in 2008.

The European Biodiesel Board (EBB), which represents European producers, believes the duties are being circumvented by the shipment of U.S. biodiesel through other countries, including Canada. The European producers claim the U.S. fuel is being labelled as coming from Canada, or that it is being mixed into Canadian biodiesel, for sale at a lower price than EU biodiesel of comparable quality.

They want the European Union's anti-fraud office and trade department to investigate, and levy hefty import duties if needed on Canadian exporters.

"This sort of fraudulent activity is something we cannot accept. If we let this happen, biodiesel will continue to be sold into Europe at a very substantial and illegal price discount," said Amandine Lacourt, EU project manager at the EBB.

Canadian officials in Brussels declined to comment on the issue.

If the allegations were substantiated, an EU investigation could cause tension amid fledgling talks between Canada and the EU for a free trade agreement that both parties hope will open commercial opportunities from agricultural products to cars, investment and telecommunications.

"To the extent that this creates a risk of Europe opening an anti-circumvention case, this could put a chill on Canadian exports of biodiesel to the EU, which otherwise would be flourishing," said Laurent Ruessmann, a partner at international trade firm Sidley Austin LLP in Brussels.

Canadian biodiesel exports to the EU have mushroomed, to more than 140,000 tonnes in 2009 from about 1,700 tonnes in 2008. Canadian officials say the boom was caused by the drop in U.S. exports, as well as growing European demand.

"At a time at which Canada and Europe are negotiating a free trade agreement, I would think Canadian and European officials will not want to interrupt trade volumes by adding a new issue that isn't even an issue, based on the data we have," said Gordon Quaiattini, president of the Toronto-based Canadian Renewable Fuels Association.

"It's a global market and we want to be in it, that's absolutely critical," said Mr. Quaiattini, whose group represents most of Canada's biodiesel producers.

The EU executive commission has been weighing an "anti-circumvention" probe against Canada for several months; speculation that a probe may be imminent has risen since last month, when the U.S. Senate approved the extension of biodiesel subsidies.

If Canada were found guilty of providing transshipment ports for U.S. exporters its producers could face the same EU duties. The duties are worth up to €409 (\$560) per tonne, adding about half as much again to the going market price for biodiesel.

<http://www.theglobeandmail.com/report-on-business/europes-biodiesel-producers-seek-eu-anti-fraud-probe-of-canadian-shipments/article1521163/>