

PRESS RELEASE

Restoring a level-playing field with Argentine biodiesel producers

The EU biodiesel industry is highly concerned by the sharp increase in biodiesel exports from Argentina that the EU is facing since January and stands ready to take any appropriate step to restore balanced market conditions.

Argentine exports to EU increased dramatically from less than 5 000 tons in July 2008 to almost 100,000 tons per month in July 2009, featuring a twenty-fold increase. For the whole of 2009, Argentine exports are expected to overstep the 1 million metric tons threshold, as compared to only 70 000 tons the previous year.

An annual 1300% increase in exports cannot be achieved only through normal industry practices. This surge in Argentine biodiesel exports to EU is in fact driven by a regime of differentiated export taxes (known as DETs). This system creates a clear distortion, as it creates an artificial incentive for the production and export of the finished product biodiesel rather than its raw material (soybean oil).

The differential between the 32% export tax on soybean oil and the 20% export tax on biodiesel creates a clear financial incentive to process soybean oil into biodiesel rather than exporting it. This incentive is already substantial on paper, but is even higher in practice. EBB received indications that the tax differential between soybean oil and biodiesel is in reality in the range of 20% due to a number of ad hoc implementing rules. This information proved difficult to obtain despite EBB repeated contacts with Argentinean authorities and stakeholders.

EBB reviewed all the possible legal and political options to address the growing imports from Argentina under the distorting DETs export regime. Such options include in particular investigating possible dumping practices, as well as the compatibility of Argentine DETs with WTO rules.

EBB has always been in favour of an open EU biodiesel market considering the EU's objective of 10% renewable energy in transport by 2020. In this context, it is not useless to remind that Argentine biodiesel continues to enjoy a duty-free access to the EU biodiesel market as a developing country, whereas Argentina levies a 14% customs duty on biodiesel from Europe and other countries.

While biodiesel imports respecting WTO rules are legitimate, EBB has to oppose any trade practices distorting competition between European and foreign producers. *"EBB takes very seriously the challenge of Argentine biodiesel exports to EU. We stand ready to defend our interests, as we already did successfully against subsidised imports from the United States"*, said Raffaello Garofalo, EBB Secretary-General.

In the view of EBB, it would be appropriate for Argentinean authorities to withdraw at the earliest opportunity the DETs regime currently applied on soybean products and biodiesel. The continuation of this trade distorting measure would call for an appropriate reaction from EU biodiesel producers.