

UK farmers urge tax break for biofuel in budget

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LONDON, March 16 (Reuters) - Britain's farmers stepped up calls for more tax cuts on biofuels made from plants such as rapeseed, sugar beet and wheat on Tuesday in a fresh attempt to unlock a potentially lucrative market for greener fuels.

Growers want Chancellor of the Exchequer Gordon Brown to help boost demand in his budget statement on Wednesday by raising the current duty rate reduction from 20 pence (\$0.36) per litre to 28 pence.

The fuel tax duty for unleaded petrol and diesel currently stands at 45.8 pence a litre.

"At a time of increasing environmental and energy supply concerns, biofuels derived from natural green crops such as oilseed rape, sugar beet and wheat offer a workable green solution," Britain's National Farmers' Union (NFU) said in a statement.

Farmers also want the government to bring the tax break on biofuels closer to the 40 pence-per-litre reduction afforded to liquefied petroleum gas (LPG), a fuel they claim is more harmful to the environment.

"With recent concerns about dwindling oil and gas reserves, as well as the UK's ageing power stations and reliance on electricity purchased abroad, biofuels are perfectly placed to fill the fuel gap, with the added bonus of being carbon neutral," NFU deputy president Peter Kendall said.

Biofuels, produced using vegetable- or animal-based oils, are seen as not being cost competitive with petroleum-based fuels unless they are given some level of fiscal support.

Ethanol produced from wheat or sugar beet is widely used as a biofuel in the European Union.

"(UK) Farmers are ready and willing to supply biofuels. All that is needed is encouragement from the government," NFU spokesman Rad Thomas said.

Britain is also under pressure to respond to a proposed EU directive on biofuel use and farmers hope this might encourage the government to give the sector a boost.

The EU wants member states to set an initial usage target of two percent, rising to 5.75 percent by 2010.

Greenenergy, a UK company keen to develop biodiesel as a viable green alternative to petroleum-based products, has already launched a contract aimed at growers.

Since its launch in June 2003, it has issued almost 600 rapeseed contracts, covering 20,000 hectares (49,420 acres) of rapeseed -- enough it says to produce over 25 million litres of pure biodiesel.

The first batch of rapeseed grown under its "Field to Forecourt" scheme will be harvested this summer.

(\$1=55.0388 pence)