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## EU to Probe Biodiesel Shipments From U.S.

By **MATTHEW DALTON**

BRUSSELS—The European Union is preparing to investigate whether U.S. biodiesel producers are routing their product to Europe through third countries in order to avoid tariffs imposed on U.S. shipments last year, according to documents reviewed Friday.

Such a probe, if it goes ahead, would embroil other countries in the European biodiesel industry's long-running fight against a tax subsidy that the U.S. government gives to its biodiesel producers.

European biodiesel producers sought the tariffs in 2008, arguing that the subsidy was causing a flood of U.S. shipments to the EU that depressed prices and forced numerous European biodiesel plants to shut production. But low-price imports continue to reach Europe, the industry says, and much of its capacity is still shut.

The probe will also examine whether U.S. producers are purposely blending their product with large amounts of mineral oil or other substances to avoid the duties, which only apply to fuel blends that contain at least 20% pure biodiesel.

The investigation could lead to the EU tariffs being expanded to include biodiesel shipments from Canada and Singapore and fuel blends that contain less than 20% biodiesel, according to the documents.

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The European Commission, the EU's executive arm, said in a note to national governments in July that biodiesel shipments from the U.S. to the EU have plummeted since the tariff went into force in March 2009. But the direct shipments have apparently been replaced partly by large amounts of U.S. biodiesel exported to Canada and Singapore that is then re-exported to the EU, the note said.

"The above practices appear to have no justification other than avoiding the duty," the note said. "Certainly, there appears to be no added value in shipping goods through Canada and Singapore, or exporting low biodiesel-content blends to the EU."

EU diplomats say it's still uncertain whether the commission will open the investigation because the Canadian government has been lobbying against the move. The European Commission didn't immediately respond to requests for comment.

The likely investigation results from a confidential complaint sent to the commission at the end of June

by the European Biodiesel Board, the industry's lobby group. It was the biodiesel board's 2008 complaint to the commission claiming the tax credit was an unfair trade subsidy that led the commission to slap duties for five years of up to €409 (\$530) a ton on U.S. biodiesel shipments.

A spokesman for the National Biodiesel Board, which represents U.S. producers, would say only that it is reviewing the complaint lodged by the European Biodiesel Board.

The EU industry says the subsidy—a \$1 per gallon tax credit for blending biodiesel with normal diesel—encourages U.S. producers such as [Archer Daniels Midland Co.](#) to flood the EU with cheap biodiesel, cratering prices and threatening the viability of European producers. An ADM spokesman had no comment.

The U.S. hasn't yet extended the credit for 2010, though the U.S. Congress is expected to do so later this year and make it retroactive from the beginning of 2010.

The June complaint alleges that U.S. producers are moving their product into Europe through other countries, mainly Canada and Singapore, to avoid the tariffs. The group wants the commission to extend the duties on U.S. producers to shipments of Canadian and Singaporean biodiesel entering Europe. There is also some evidence that Malaysia and India have become transshipments points of U.S. biodiesel bound for the EU, the complaint says.

After the duties came into force last year, U.S. shipments to the EU dropped sharply, the complaint says. But U.S. shipments to Canada soared to 128,003 metric tons from March through December 2009, compared with just 352 tons in the same period a year earlier.

Canadian biodiesel shipments to the EU, meanwhile, spiked to 133,777 metric tons in March-December 2009, from 1,662 tons a year earlier.

Trade between the U.S., Singapore and the EU follows a similar pattern, the complaint notes: U.S. exports to Singapore rose to nearly 27,000 tons in the last nine months of 2009, compared with just 286 tons a year earlier, while EU imports of Singaporean biodiesel rose to 15,000 tons from just 144 tons a year ago.

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