

PRESS RELEASE

Fraudulent biodiesel imports: Italian authorities confirm Venice seizure

Action against fraudulent biodiesel imports is gaining momentum, as Italian judicial authorities just confirmed the seizure of a large quantity of biodiesel illegally imported in Venice last month.

Today, the provisional seizure of the cargo blocked in Venice has been extended as a definitive one by an Italian judge (*GIP – Giudice per le Indagini Preliminari*). EBB highly welcomes this crucial decision, which legally confirms the fraudulent nature of number of existing illegal traffics of biodiesel, directly or indirectly imported from the US. The official customs inquiry is set to carry on and to be extended, both spatially and temporally, paving the way for definitive penal sentences.

As announced by EBB last March 31st, Italian customs authorities provisionally seized a large quantity of biodiesel in the port of Venice out of an import of 10 000 tonnes of biodiesel entered in the ports of Venice and Trieste. The product was declared as Canadian origin, but strong evidences indicate that it instead originates from the Unites States of America where it benefited from the \$1/gallon US subsidy. The product was namely offered with a \$150-180/ton discount compared to EU biodiesel of comparable quality, and at a lower price than the most common biodiesel raw materials (soybean oil and rapeseed oil). A number of material evidences converge to indicate that the cargo is part of wider trans-shipment traffic aimed at evading existing EU anti-dumping and anti-subsidy measures on US biodiesel.

Customs duties can be claimed back and collected with a retroactive effect of 3 years and, if infractions are established, are then to be paid within few days. *"Market players need to be aware that fraudulent practices will not remain unpunished and that EBB will do its utmost in assisting EU and national authorities to track and oppose these practices. Retroactive, financial penalties as well as penal terms will be involved"*, said EBB President Bernard Nicol.

Background:

Since late 2006, the European market had been severely affected by imports of highly subsidized and dumped biodiesel from the United States of America. In July 2009, following a complaint lodged by the European Biodiesel Board (EBB) and an investigation conducted by the European Commission services, robust anti-dumping and countervailing duties were imposed on imports of biodiesel from the US. Despite the undeniable positive effects of the EU duties, circumvention practices have started emerging soon after July 2009. US subsidized and dumped biodiesel continues to enter the EU market, either in blends lower than 20% such as B19 or, like in this case, when it is exported via third countries to artificially conceal its origin, including by using false certificates of origin.

EBB has repeatedly raised the attention of EU authorities and EU Customs on an increasing number of circumvention cases, either via triangular trade through various countries (including Canada), or via artificial blends such as B19 or lower biodiesel blends which are imported in Europe. All of these practices are of illegal or fraudulent nature. Recently the EBB has taken strong steps towards the European Anti-Fraud Office (OLAF), the EC Commission DG TRADE and EU national customs in order to put an end to these unacceptable traffics which may represent a global fraud of more than Euros 100 million of unpaid import duties to EU customs.

In the US, each gallon¹ of biodiesel blended with regular diesel is eligible to a subsidy of \$1. This applies without limitation in terms of biodiesel content. In other words, US biodiesel producers can receive up to \$300 per ton only by adding a "drop" of mineral diesel to biodiesel when releasing a "B99,9" blend for consumption. The benefit of the subsidy is not limited to biodiesel produced in the US for domestic consumption but is also available upon export. As a result, before the imposition of EU anti-dumping and countervailing duties in July 2009, a B99 "blend" performed in the US could be exported to Europe where it was sold with a substantial price discount, therefore disrupting EU producers' margins.

¹ 1 US gallon = 3,78 litres