

EU fuels Indonesia trade tensions with 5-year biodiesel tariffs



BRUSSELS: The European Union imposed five-year tariffs on biodiesel from Indonesia to counter alleged subsidies to producers in the country, a move that could prompt the Indonesian government to retaliate.

The EU duties on Indonesian exporters of this type of biofuel, which is made from vegetable oils and animal fats for use in diesel engines, range from 8% to 18%, the European Commission, the bloc's executive arm, said on Monday.

The levies mark the definitive outcome of an EU probe into claims by the European biodiesel industry that the Indonesian government gives trade-distorting aid to the likes of PT Ciliandra Perkasa, PT Wilmar Bioenergi Indonesia and PT Musim Mas.

Subsidised exports of Indonesian biodiesel to the EU are causing “a threat of material injury to the union industry,” the Brussels-based commission said in the bloc’s Official Journal. The definitive anti-subsidy duties will take effect on Tuesday and follow provisional levies introduced in August at the same levels.

The five-year import taxes are the latest twist in a long-running EU trade dispute with Indonesia over biodiesel and mirror a fight the bloc has had with Argentina.

The duties restore a degree of protection that European biodiesel producers such as Verbio Vereinigte BioEnergie AG lost in 2018 when the EU scrapped tariffs aimed at countering alleged below-cost – or “dumped” – sales in the bloc by Indonesian exporters.

That move followed successful Indonesian challenges against the anti-dumping duties, which had been introduced in 2013, at the World Trade Organization and in the EU courts.

Indonesian retaliation

The EU opened the subsidy inquiry in December 2018 and the Indonesian trade minister said in August this year that, should the bloc decide to apply new biodiesel levies of 8% to 18%, Indonesia would raise its tariffs on European dairy goods to the same levels (from 5% to 10%).

The EU duty rates vary depending on the Indonesian producer. The levels are 8% for Ciliandra Perkasa, 15.7% for the Wilmar Group, 16.3% for the Musim Mas Group and 18% for the Permata Group and all other Indonesian biodiesel exporters.

Indonesian exporters’ combined share of the EU biodiesel market rose to 3.3% – or 516,088 metric tons – in the 12 months through September 2018 from 0.2% in 2017 and 0.3% in 2016, according to the commission.

Renewable-energy trade tensions between Europe and Indonesia have also grown as a result of a separate EU decision this year restricting the types of biofuels from palm oil that may be counted toward the bloc's renewable-energy goals. In Indonesia, palm oil is the main raw material for making biodiesel.

Both sides are fighting over steel as well. The EU has complained to the WTO about Indonesian export curbs on raw materials including nickel that are used to make stainless steel and is threatening to hit flat-rolled stainless steel from Indonesia with duties to counter alleged subsidies and below-cost sales. – Bloomberg