

## EU to curtail Indonesian palm oil-based biodiesel

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EU governments are likely to limit their imports of Indonesian palm oil-based biofuel, which has become cheaper due to a tax cut, to protect their own domestic plants, a top analyst said on Wednesday.

"The EU has supported the build of local production capacity that is heavily underutilised and will not be able to survive if foreign competitors to rapeseed biodiesel cannot be kept out of the market," Fredrik Erixon, director of the European Centre for International Political Economy told Reuters.

Biodiesel producers in Southeast Asia and the Americas are making headway in Europe's lucrative renewable energy market, where demand has expanded thanks to official targets designed to slow global warming and limit dependence on fossil fuels.

Mr Erixon, who advises several European governments, said market access conditions for palm-based biodiesel should not ideally change given it is about 22% cheaper than European rapeseed-based biofuel priced at \$1,490 per tonne.

But the EU is certainly trying to change this, he said in an interview ahead of the Indonesian Palm Oil Conference and Price Outlook next week.

"I am pretty sure it is only a matter of time before Malaysia and Indonesia will find themselves discriminated upon access to the EU market."

Three years ago, Jakarta first set an export tax for palm-based biofuel at a lower rate than crude palm oil, spurring Indonesian firms to turn palm oil into the renewable fuel and cornering the European market.

In the most recent tax structure change in August, the tax-free threshold for a tonne of biodiesel was raised to \$950 a tonne from the \$800 range. The tax was capped at 7.5%.

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