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German biodiesel output under 60 pct of capacity

Thu Apr 23, 2009 5:03pm BST

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HANOVER, April 23 (Reuters) - Germany's biodiesel industry is currently working at below 60 percent capacity because of higher taxes on green fuels and reduced blending levels with fossil fuels, an industry executive said on Thursday.

Germany was likely to consume about 2.5 million tonnes of biodiesel in 2009, down from 2.7 million tonnes in 2008 and 3.3 million tonnes in 2007, said Johannes Daum, political director of German biofuels industry association VDB.

Biodiesel sales have also suffered because of falling crude oil prices which have dropped \$100 dollars a barrel from record highs last July, eroding the green fuel's price attraction.

"We are certainly in a crisis and the government's decision to raise taxes and reduce blending levels will create more hardship," Daum said at the Clean Moves renewable energy conference in Hanover.

A series of biodiesel plants closed last year as Germany's once-booming biodiesel industry, Europe's largest, suffered a drop in sales.

Germany's biodiesel industry has capacity to produce about 4.8 million tonnes annually, Daum said.

The German parliament was on Thursday due to debate a government proposal put forward in 2008 to cut compulsory biofuel blending levels in fossil fuels in 2009 to 5.25 percent from 6.25 percent previously planned.

Germany also increased taxes on biodiesel on Jan 1 this year, part of a rolling programme to raise taxes to the same level as fossil fuels.

The rise in biofuel blending with fossil fuels at oil refineries had been planned as part of Germany's programme to reduce pollution and combat global warming. Last year, several European countries scaled back plans to blend biofuels in fossil fuels on fears the policy contributed to rising food prices.

Germany had about 1,900 petrol stations which sold biodiesel in early 2008 but this had now fallen to about 250, he said.

About 1.1 million tonnes of biodiesel was sold at German petrol stations in 2008, down by about 700,000 tonnes on 2007 largely because of biofuels taxes. Petrol station sales would almost disappear in 2009, he said.

The European Union's decision in March to impose anti-dumping duties on imports of U.S. biodiesel had not yet had a major impact on German biodiesel producers, he added.

The duties were aimed at stopping a scheme dubbed "splash and dash" in which biodiesel was imported into the U.S., mixed with a one percent content of U.S. fossil diesel to qualify for U.S. subsidies and then re-exported to Europe. The EU said the subsidies enabled the biodiesel to be sold at unfairly low prices in Europe.

(Reporting by Michael Hogan; Editing by Keiron Henderson)

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