AUSTRALIAN NITROGEN MANAGEMENT PTY LTD

ABN 63 134 782 871

The Director, Operations 1

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Mailing address:
The Director
Operations 1
Anti-Dumping Commission
GPO Box 1632
MELBOURNE VIC 3001

Date: 18th November 2015

Dear Sir;

RE: AUSTRALIAN CUSTOMS DUMPING NOTICE NO. 2015/119
Ammonium Nitrate (AN) Exported from the Russian Federation
Initiation of a continuation inquiry and Initiation of a review of measures

FOR PUBLIC RELEASE

Further to your Notice that you will inquire into whether the continuation of antidumping Measures in respect of AN, exported from the Russian Federation (Russia) is justified,

Australian Nitrogen Management Pty Ltd (ANM) welcomes the opportunity to make this submission regarding the above mentioned review.

ANM has followed with interest the flow of documents relating to this inquiry.

Whilst ANM has limited expertise in the detailed understanding of the legal framework necessary to make a valid contribution to the process and review being undertaken, it none the less has knowledge related to agricultural as well as industrial uses of AN.

ANM is of the opinion that the additional comments raised below are worthy of additional review prior to a final recommendation.

It is an accepted fact that historically the control over Russian natural gas pricing was used by Russia as a whole to “dump” goods that were based upon such controlled gas pricing into many foreign markets including Australia. More than a decade of time has passed since the first determination of “dumping” activities and this submission is intended to provide additional data before Customs and Border Protection that since that first determination both Russian AN producers and the Australian market place for nitrogen based products has changed significantly. The extent of those changes has in the opinion of the author, been sufficient to demonstrate that Russian natural gas pricing is no longer the significant factor determining international or Russian market pricing and that the Australian AN industry no

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longer services the full market requirements in all uses of Ammonium Nitrate for various requirements.
ANM has no comments on the methodology to determine the dumping margin used but does believe that some assumptions on what constitutes a price advantage for Russian producers and how AN is priced by Russian suppliers have not been fully presented by either the Australian industry or documented in any visit report (if conducted) and therefore may not have been appropriately considered. This point is further addressed at points
1, 2 and 3 below to support the authors submission that Russian AN producers do have a competitive advantage but that it is not based upon low cost gas prices that cannot be achieved in other countries.

ANM understands that you must form an opinion on either the intent or the result of actions resulting in anti dumping measures imposed by other countries on Russian suppliers. ANM Offers an alternative view being that the Russian AN has been and remains a supplier of fertiliser grade AN not a producer of industrial grade AN and that the Russian suppliers have priced AN at the value of nitrogen (N) in markets in which they compete. The nitrogen value (N) of fertilisers such as ammonia, urea, AN and urea ammonium nitrate (UAN) is universally accepted as the best way farmers seeking to fertiliser their ground with N can compare the cost effectiveness of differing offers. Whilst acknowledging that other governments may have correctly assessed that Russian AN suppliers may have caused injury to local producers in their home country I have not found in my reading that such reviews specifically acknowledged any injury to industrial grade AN producers. The Australian market as described by industry is not an end use for agricultural grade AN and more specifically is an end use market for industrial use and even more specifically that the industrial grade AN is not used as AN (as is done in agriculture) but is consumed as a raw material in the production of explosives. The author acknowledges that industrial grade AN has other uses most notably by converting the AN into nitrous gas. This point is further addressed at points 1, 2 and 3 below to support the authors submission that there are differing end use markets for AN and that some of these markets are not serviced by the Australian industry and therefore cannot cause any injury to local suppliers of AN. Additionally the author submits that Russian prices of AN to international buyers are very similar on an FOB basis to offers that can be secured from Iranian, Chinese and other sellers of HDAN.

From private correspondence with a producer of explosives in Russia the author is informed that there are no price controls on AN selling or buying prices and that buyers of AN can and do freely secure supply offers from several sellers to evaluate not only pricing but also payment terms and guarantees of supply. The author understands that these points are hearsay and that you will need to verify these points. The author is aware that Orica and Dyno Nobel (Incitec Pivot) as global suppliers and producers explosives will have facts that will support or refute what has been reported to the author.

The local industry has always asserted that
"• high density ammonium nitrate and ammonium nitrate solution are directly competitive and substitutable;
• dumped prices for high density ammonium nitrate would undercut industry's ammonium nitrate solution prices;"

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The author believes that this statement is a generalisation which may not be true dependent upon the end use markets under consideration. Within the agriculture sector fertiliser grade AN has certain physical properties that are not found in other forms of N based fertilisers such as but not limited to ammonia, urea,UAN. Additionally in the manufacture of water-gel explosives where nitric acid is used to react with other ingredients such as Hexamine the use of AN in solution form cannot be used for safety considerations .
Given the Australian industry does not manufacture high density AN (HDAN) why are Importers of HDAN for these applications penalised as no injury to local industry can occur This point is further addressed at points
1, 2 and 3 below.

The author is firmly of the view that the AN Industry is not transparent. Only a small amount of AN is sold directly to end-users with the vast majority being either sold to Orica , Dyno Nobel or other explosive manufacturers or used in house by such AN producers to convert the AN (in whatsoever form) into a new product nominally being a Class 1 explosive of ANFO, ANFO blended with emulsions or sensitised emulsion). This point is further addressed at points 1, 2 and 3 below.

The local industry has always argued that

"• there is evidence that import prices of high density ammonium nitrate are used to extract competitive prices for locally produced ammonium nitrate solution."

The author is of the opinion that since AN solution cannot be used in that form by end users in the mining sector such end users are not buyers of AN solution (but rather buy or manufacture explosives) and as such there is no price pressure on AN solution. The author acknowledges that there is a great deal of competition on explosive pricing but not on low density AN nor on AN solution from import prices of HDAN.
To support his point it is further addressed at points 1, 2 and 3 below. The manufacture of most forms of bulk explosives requires AN (in whatsoever form) between 70 and 94 percent as the raw materials forming such bulk explosives. The author believes the evidence is that explosive producers who are not vertically integrated back into AN manufacture cannot purchase AN solution at prices that allow them to compete in the supply of explosives to the final end users (mining companies or mining contractors). It is authors
opinion that due to the pricing and lack of guarantees in the supply of AN solution to explosive manufacturers (who do not control AN manufacture within Australia)are therefore required to secure reliable supplies of HDAN from overseas even at a cost impost to available AN solution offerings.

A simple test is to determine if any non integrated local explosive manufacturer such as EDI Downer , LDE explosives, Johhnex or Australia Explosive Technologies Group Pty Ltd can purchase AN solution from Orica or Dyno Nobel on long term contracts similar to the same ex works bulk price as LDAN after deducting the added costs of energy of conversion to LDAN, chemical internal additives, external coatings and capital investment charges associated with AN solution conversion to LDAN.

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Whilst it may be determined that it is appropriate to maintain sections of the measures the author is also of the opinion that the information presented should at least allow Customs and Border Protection to consider that where no injury can occur to a local producer that importers of HDAN are not burdened with additional costs and that Russia is not unfairly treated because of legitimate cost advantages.

Point 1

Ammonium Nitrate Differing Applications and Markets

As stated the description of AN is “the goods subject to anti-dumping measures, in the form of a dumping duty notice, are ammonium nitrate, prilled, granular or in other solid form, with or without additives or coatings, in packages exceeding 10 kg.”

AN (NH_4NO_3) is commonly described as a hygroscopic (water absorbing), colourless, crystalline solid that is very soluble in water. It is classed as an oxidising agent but has explosive properties.

Under normal storage and transport conditions, pure ammonium nitrate (AN) is not liable to explode.

However, it can explode if subjected to a significant stimulus. An explosion is more likely if the AN is contaminated with organic substances, confined or subjected to extreme heat.

Molten AN is very sensitive to shock and may explode. It is these characteristics that make it most suitable as the oxidiser source in most forms of commercial explosives. Similarly in agriculture most fertiliser is described according to the Nitrogen (N), Phosphorous (P) and Potassium (K) ratio. It is always expressed as N-P-K . For example, a fertiliser labelled as 24-6-6 has 24% nitrogen 6% phosphorous and 6% potassium whereas AN is (34-0-0) and contains nitrogen in both the ammonium and nitrate form, is less subject to volatilisation losses than urea when surface applied without incorporation but is generally more subject to leaching losses on sandy soils.

In June 2004 the Council of Australian Governments (COAG) agreed to a national licensing system to control access to security sensitive ammonium nitrates (SSAN). In Australia, SSAN is defined as ammonium nitrate, ammonium nitrate emulsions and ammonium nitrate mixtures containing more than 45 per cent ammonium nitrate (by mass), excluding solutions.

These substances (including fertilisers) are also categorised as dangerous goods under the Australian Dangerous Goods Code (United Nations numbers 1942, 2067, 2068, 2069, 2070, 2071, 2072, 3375 and 3139), where applicable.

As noted SSAN does not distinguish between applications nor end use markets albeit the physical characteristics required for differing applications and by end users are significant.

Globally AN is generally classified into three broad markets being;

1. Fertiliser use in agriculture.
2. Raw Material for explosive manufacture. (Industrial)
3. Nitrous gas production. (Industrial)

The largest use in almost all global markets is as a fertiliser except areas where mineral and energy extraction (mining) is greater than agricultural production such as Australia. It is generally acknowledged that AN used as a fertiliser represents at least ninety (90%) percent of global produced AN.

Within Australia SSAN substances are subject to strict controls on the importation, exportation, storage and handling of ammonium nitrate within Australia with significant different cost structures to normal chemical and fertiliser “add on” costs. These “add on” costs are not

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necessarily applicable in all other countries and therefore consideration of these additional costs should be made when determining normal sales costs within Australia as well as internationally. As AN solutions are exempt from SSAN regulations such costs do not arise to those manufacturers who have access to AN solution.

AN solution is typically produced from the reaction of ammonia and nitric acid. As noted by industrial users it is produced and available typically in the concentrations of 80-90 percent to users that are producing emulsion and or explosives and more typically at 70% for the manufacture of UAN from solid urea and AN solution.

For AN solution sales no additional investment is required (other than storage) unlike LDAN and HDAN sales that require to convert the AN solution into a solid form. I assume you are familiar with Australian investment costs for the production of a LDAN solid. It is also widely acknowledged in the AN manufacturing industry that the capital costs to produce HDAN are significantly lower than for LDAN and in many countries is less than 50 percent of typical costs for LDAN manufacture. Additionally AN solution sales do not require additional operating costs such as energy, labour, internal additives, external coating material nor packaging materials unless sold as a bulk solid. It is generally accepted that excluding the return on any capital LDAN and or HDAN sales have additional costs of between AUD$40 and $50 per tonne. Whilst costs are not always reflective of selling prices it is a reasonable assumption that AN solution should have a cost lower than LDAN/ HDAN by no less than this amount if no consideration is given to capital recovery.

For emulsion manufacture most emulsion in Australia is manufactured by “mixing” a liquid stream of oxidiser phase (mainly AN) and a liquid fuel phase. Emulsions are manufactured at the lowest cost and with the highest purity when the oxidising phase is pure AN solution without any other chemical additives than can cause manufacturing or safety considerations. It is a generally accepted that within the explosive industry that emulsions made from HDAN are less preferred on both a cost and potential quality basis.

Manufacturers of emulsion from HDAN must first convert the HDAN into a liquid form at the right concentration and remove chemicals that have been added by the AN manufacturer to convert the AN solution into a solid form. It is generally acknowledged that the total cost of melting and cleaning HDAN adds between AUD$40 and $50 per tonne of emulsion produced. The suggested price range of costs can be verified by reference to the many Australian manufacturers of emulsions

Given that overseas manufacturers of HDAN must first convert AN solution into a solid form, then package and freight such HDAN to Australia where the importer must then comply with SSAN guidelines in the importation, storage, transportation before melting and cleaning the HDAN for use in emulsion manufacture the author believes that HDAN cannot be “*used to extract competitive prices for locally produced ammonium nitrate solution.”* unless the selling prices of AN solution within Australia are significantly above generally accepted global rates of return on capital or input costs.

Point 2

Public Interest Provision

Whilst it is clear that you are not obligated and cannot rely upon a Public Interest Provision to finalise their recommendation it is nonetheless in the authors opinion that a preference for the inclusion of a public interest provision in the Anti-Dumping investigation process has merit.

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Any public interest provision would in the writers opinion allow you to seek the input of those that may be most affected by the outcome of the review such as but not limited to the potential impact on the end users of the goods under review.

Note (a)

The author finds It is surprising that the interest of the Australian Mining and Construction industries are not sought. Again whilst the writer is not in a position to comment for those industries it is felt that the Australian Minerals Industry Council could you of such views. From the writers personal experience the industry has consistently stated that AN supply is not one of a simple commodity supply but rather one of a strategic supply to maintain mining activities. Put simply in almost all mining operations without AN there is no explosive supply and without explosive supply there is no broken ground to extract the mineral or energy wealth.

Whilst safety is always the most important aspect in determining whether any industry is meeting its obligations to society, price is also a very important consideration in securing an internationally competitive mining service sector and within the mining service sector explosive supply is for many companies considered the priority. As such any potential for loss of sales by the local AN manufacturing industry will be limited to the level of service and overall competitiveness that they offer via the conversion of AN into an explosive and deliver such explosive into the borehole..

As stated the author has formed an opinion (supported by end user purchase data) that the end users of AN have a strong preference for locally produced goods provided that the terms of sale including any necessary guarantees of supply to support mining and its growth are preferred over imports.

Additionally it can be shown that under SSAN guidelines and current restrictions that apply in most Australian ports a fair and reasonable assessment of the level of imports that can be achieved on a sustainable basis is most likely to be that only three ports (one in each of Queensland, NSW and WA) could meet the requirements to achieve import levels of a nominal 3000 to 6000 tonnes per shipment. Whilst it could be argued that every port could potentially allow larger volumes and that container quantities of a nominal 200 tonnes can be imported the author suggests that any reasonable assessment of the volume of imports that could be achieved would be each of the three ports importing 3000 tonne in each month plus an additional quantity via container or a nominal 120,000 tonnes per annum (tpa) which is less than 7.5% of demand in the mining sector.

It is a fact that the time frame to bring new AN manufacturing capacities on stream in Australia varies from a nominal 24 months to over 36 months. It is a well documented fact that very few plants are budgeted to operate at 100% of nameplate capacity and that the growth of Australia's mining industry (and in turn the linkage to required growth in AN local production) means that the local AN manufacturers can only meet year on year demand growth by having some spare capacity in some years. Again it is acknowledged that the local AN industry also exports significant volumes to New Zealand, Papua New Guinea and other markets.

None of those countries have anti dumping measures imposed on any AN supplier so it is reasonable to assume that the Australian AN suppliers can compete with Russia and many other countries of supply without any protection. As is known to many AN buyers the freight of Russian AN to Indonesia is at a lower cost than the freight rates from Australia to Indonesia.

The author has looked at the volume of Russian AN imported into Indonesia and only one importer is sourcing Russian AN for use in Indonesia and that is via imports of Russian AN into Malaysia which is then shipped after storage and packaging to Indonesia.

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Note (b)
In the writers opinion there can be shown a clear linkage between the control of locally manufactured AN in the form of LDAN and AN solution and the ability to create a dominant market position in the explosive supply sub sector within the broader mining services sector. This competitive advantage (in cost as well as end user preference) ensures that no injury occurs to local AN manufacturers if the review considers all costs and control of those costs from gas supply to explosive consumption in the borehole.
Furthermore the author believes that many supply contracts between local AN manufacturers who also provide explosives and end users of explosives has either a linkage to import parity of ammonia or import parity pricing of AN. Anti dumping measures should have the intent of protecting Australian manufacturers and should not have the unintended result of acting as a barrier to entry to manufacturers of explosives another important local industry sector.

Note (c)
Additionally the author has formed the view that the agriculture sector would want to ensure all fertiliser inputs were at internationally acceptable choices and cost. Today the local nitrogen (N) industry (ammonia and all ammonia based derivatives) is dominated by Orica, CSBP and IPL. These companies have chosen not to manufacture HDAN thereby denying farmers the choice of how they wish to source a supply of “N” to their crops. If they want to utilise the advantages of HDAN to achieve this the only supply source is from overseas suppliers.
As no HDAN is produced within Australia and LDAN and AN solution are not practical substitutes due to their physical characteristics affecting the release of N into the soil there appears to be clear reason to exclude any imports of high density AN where the end use is for fertiliser. (UN 2067)
The current form of anti dumping measures are not protecting the local AN industry in the agricultural sector and are in fact causing injuring to many in the agricultural sector on either a cost basis or restricting their preferred source of N.

Note (d)
Whilst the author acknowledges that if emulsion prices were sufficiently low enough emulsions explosives could be used as a substitute for low density ammonium nitrate based explosives there are other considerations that prevent this. The two main reasons are that LDAN is easily handled and the know how to do this is widely known within the mining and construction industry whereas emulsions are typically pumped at significantly higher densities and the know how to do so is held only within the explosive supply industry. This point can be verified by most mining companies or mining contractor companies.

Note (e)
Certain explosive types commonly referred to as water gel or slurry explosives use the reaction of nitric acid with such products as Hexamine along with other chemicals to make an explosive composition. These explosives form a small part of the total Australian supply of explosives. It is a generally accepted safety consideration that solid AN be used to control the rate of reaction. Therefore whilst water gel or slurry explosives can be replaced by emulsion based explosives in certain rock formations it is incorrect to state that AN solution is a an alternate to solid AN in this application.

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Note (f)
It is noted that;
(a) for the purpose of considering whether there is an Australian industry producing like goods, your commission made its previous determination by considering the description of the goods as a whole.
(b) In assessing like goods, your commission previously examined key factors such as physical likeness, commercial likeness, functional likeness and production likeness.
(c) Your commission previously found that LDAN and AN solution produced by the Australian industry are like goods to the exported goods because:
"• The goods are physically similar, being ammonium nitrate with minor technical variations in density;"

The author believes that this is partially true in the production of emulsion explosives whereas it can be shown that HDAN from Russia (or elsewhere) cannot substitute for LDAN in the manufacture of ANFO the most common explosive used in Australia. Equally it is known that the Australian AN industry do not produce a HDAN for agriculture use and that AN solution cannot substitute solid AN in the manufacture of certain types of explosives commonly referred to as water gel or slurry explosives.
Again industry will argue that
"• There is a commercial likeness between the goods as they compete in the same market;"
Again the author believes this is partially true in the manufacture of emulsion and only then if the price of HDAN was significantly lower in cost than AN solution. It is stated in the public record that Orica produces a special grade of AN called "Opal". It is believed that Opal is used and promoted by Orica to end users as a preferred source of AN in the manufacture of emulsion explosives especially within Indonesia to avoid the potential safety and quality risks associated with the use of LDAN or HDAN in the manufacture of emulsions. Given this can be confirmed by you by reference to Orica and Indonesian end users of Opal there can be little argument that HDAN is a "like good" for emulsion manufacture.

Similarly the local industry will argue that
"• The goods are produced using similar production methods."
Whilst it is acknowledged that AN solution manufacture uses similar equipment it can be shown that Russian producers of HDAN do not have the equipment to manufacture LDAN and that HDAN and LDAN equipment is significantly different.
The author submits that there are three distinct markets being;
- agriculture use of HDAN
- raw material input into explosive manufacture of which there are four sub categories
- ANFO
- Emulsion
- ANFO emulsion blends
- Water gel or slurry explosives
- production of industrial gases

and that each group and sub category should have individual measures

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Point 3

The linkage between controlled pricing of natural gas and the fair market price of AN (in any form) has not been made by the local industry request for continuation in the authors opinion in any available public report.

As is known natural gas is used for the production of ammonia which in turn is used in the manufacture of nitric acid and in turn AN. It is also known that ammonia is used in the production of urea, UAN and many other fertiliser products.

Whilst gas prices are significant in the “cash cost” to produce ammonia they are important but not significant in the total cost to produce ammonia and therefore AN solution, HDAN and LDAN.

Natural or coal seam gas is typically used at rates between 34 and 50 gigajoules (Gj) per tonne of ammonia produced.

The rate varies according to the age of plants and the technology used. It is a well known fact that Russian ammonia and HDAN plants are in general over 30 years old and typically twice to three times the size of Australian based ammonia plants with many using 50 Gj per tonne of ammonia. New modern plants such as Burrup Fertiliser Limited (BFL) in Western Australia (WA) would use a nominal 34 Gj per tonne of ammonia produced.

The price of both natural gas and coal seam gas varies significantly from country to country and within many countries. Russian gas was once the lowest priced gas available but today it can be shown that gas prices in many other locations are lower than Russian gas prices. The Middle East and northern Africa as examples have gas prices lower than Russia and are considered the low cost producers of ammonia.

It is suggested that global gas prices range between USD $1.00 per Gj and USD$12 per Gj. Typical gas prices in Australia range from USD$2.50 to USD$6 per Gj and an average global gas price used in the manufacture of sea borne traded ammonia reflects a tighter price range between USD$1.00 per Gj and USD$3.00 per Gj. It is also well documented that BFL has secured a very low gas contract that allows it to be rated as one of the world’s lowest cost ammonia producers. It is also reported that both Orica and CSBP have purchased ammonia produced at BFL for the purpose of manufacturing AN in their Australian operations. The question can be asked “ What if Orica or CSBP purchase low cost ammonia from Russia to produce AN in Australia?” Would that constitute dumping as no injury would be incurred by the local AN industry but arguably the end users would not see any benefit.

To produce 1000 kilograms of AN solution requires 450 kilograms of ammonia and hence the gas consumption of AN solution is typically 15.5 Gj per tonne of AN solution for world best practices to 22 Gj for older less efficient plants such as those used in Russia.

As can be easily determined AN solution produced with gas costing USD 3.00 per Gj (the high end of ammonia gas range) would incur a total gas cost per tonne of AN solution of between USD$47 and $66.

This cost whilst important is not significant in the overall selling price or the cost to produce AN (in any form). It can be further shown that for each one USD price variation the cost movement of AN solution only varies by USD$16 to 22 per tonne which again given the range of gas prices used for sea borne traded ammonia is important but in the authors opinion not significant..

Whilst the total cost to produce AN solution varies from company to company it is typically made up of the following components;

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Total Cost= Cash Cost plus Non cash costs
Cash Costs typically include;
 gas
 catalyst
 direct labour
 government or third party payments necessary to produce or sell
 distribution charges to available markets
Non cash costs typically include;
 depreciation & return on capital
 interest
 annual maintenance charges
 general marketing costs
 administrative and overhead charges
 profit
the additional cost to produce HDAN and LDAN require both additional capital, labour, energy as well as a loss of some process efficiency.
It is also a matter of public record that CSBP, Orica and IPL all have stated that they require at least 18% Return on Net Assets (RONA) or equivalent financial measurements whereas other global producers of AN have investment decision at levels approximating one third of these values. This return on capital and distribution costs are the largest costs in the price of AN not the gas price.
As stated Russian plants are typically fully depreciated, have significantly lower labour and maintenance costs, have an advantage in the economy of size combined with a gas price that is competitive to many other countries producing AN.

As stated the author has no reason to doubt the accuracy of the findings in relation to natural gas pricing but believes that gas pricing in Russia whilst important is not a significant factor in the total cost of AN. This submission to Customs and Border Protection puts the alternate view that whilst natural gas may be a controlled input it has not resulted in any suppression of AN prices in Russia. Furthermore the Russian market for total AN can be broken into HDAN used for agricultural purposes and AN solution used for the manufacture of explosives and a smaller volume of LDAN for use as ANFO. Whilst the author has relied upon private correspondence with a Russian explosive manufacturer to ascertain that there are no price controls on AN the author sought but could not find on the public record any reference to the purchase price of AN solution (if any) by the world's largest explosive manufacturers which could have been compared to other AN prices for Russian AN to determine a relationship between Russian AN pricing and export AN.

Point 4
Price Determination and Suggested Measures
The author believes there is sufficient data to demonstrate that whilst natural gas pricing is important it is not significant in determining the final price of AN in Russia or internationally. The most significant items are freight to available markets and return on capital investments. It can be further demonstrated that Russian producers also have significant economies of scale in production costs as well as lower operating costs when compared to many other producers.

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It can be shown that the Russian market for AN is dominated by agricultural use with a small but important market for use in explosives. The agricultural market is seasonal whereas the use in explosives is generally a consistent demand month by month. Within Russia it can shown that there is a price differential associated with large seasonal purchases of HDAN to the significantly smaller demand for explosive manufacture. It is also noted that volume/ price relationships exist in the supply contracts for explosives.
As noted Russia producers of HDAN have larger capacities than the current Russian market demand requires hence Russian HDAN FOB export prices are typically determined by the value of N in the markets that the producers consider will provide the highest net back to the producer. In markets where HDAN (34% N) must compete with either ammonia (82%N) , Urea (46%N) or UAN (28 -32% N) the export FOB price of HDAN can be shown to be determined as a function of distribution costs and the products they compete against and rarely are determined by producer cost . The exporter has the option to meet market prices and participate in that market or look for other markets. Whilst it may have been possible for Russian producers to match any global market price of N a decade ago the increases in gas price within Russia as well as the increase in transportation costs within and from Russia have seen Russian HDAN producers lose market share in what was considered their traditional markets.
As noted CSBP has a dominant market share in the supply of LDAN which is mainly sold in WA. There is little or no competition from other local manufacturers hence the use of CSBP as a price determinant also has a factor for market dominance built into the price. It can also be verified in public records that the Australian producers of AN all achieved or exceeded their stated financial objectives therefore it is a fair assessment that the non injurious price has at least 18% return on capital or greater built into the result..
Many global producers seek a return equal to one to two percent above the prevailing bank lending rate and whilst 18% RONA or equivalent may be seen as the Australian standard rate of return for the AN industry it is not a global standard.

It is understood that

“Dumping duties may be applied where it is established that dumped imports have caused or threaten to cause injury to the Australian industry producing like goods. The level of dumping duty cannot exceed the margin of dumping, but a lesser duty may be applied if it is sufficient to remove the injury.”

It appears to the author that it is an important part of the non injurious price determination that you establish a fair and reasonable price differential at which end users would stop buying AN solution and go to the higher cost HDAN meltdown option to manufacture emulsions. The author believes this range would be between AUD$40 and $65 per tonne based upon volume of emulsion produced and reliability of supply of AN solution.

Previously the local industry has argued that

“The Australian industry has claimed that Russian manufacturers continue to have a cost advantage over other suppliers of ammonium nitrate due to the government control over natural gas and this advantage (highlighted in the form of dumping) is likely to continue into the future.“

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The author's research suggests that HDAN can be purchased from China as example at prices equivalent or lower than Russian HDAN on an equivalent FOB basis.
Similarly it is suggested that Russian AN producers have a good knowledge of the Australian nitrogen market as a result of the decade long anti dumping measures that have been in place. From discussions that the author has had with an AN producer and AN traders in Russian AN products they have discounted Australia as a potential agricultural market but recognised that Australia is an important explosive market and treat any potential sale as “opportunistic but at significantly higher prices than can be achieved in the agricultural sector”. The comparison of selling prices to other countries does not reflect the volume and purchase price relationship nor the competing value of N that drives market prices in most countries.

As stated elsewhere it is important that this price differential to switch from AN solution to HDAN be understood before a final determination of injury be fully understood. Equally important in the writers opinion is the determination of the availability or guarantee of supply of AN solution to all emulsion manufacturers to confirm that they can access such supplies at fair market prices.

Again the local industry has previously argued that;

“The Australian industry claimed that historically, low density ammonium nitrate has been imported by large mining companies and these imports have displaced locally produced product.”

The author cannot comment on the intent of “large mining houses” in relation to imports of LDAN but it is the authors experience that such mining houses that import LDAN, do so as a last resort if they cannot be guaranteed supply by local AN manufacturers. Such guarantees of supply are very important to mining contractors when bidding directly to mining companies in competition to Orica or Dyno Nobel. It is hoped that the larger end users of LDAN such as but not limited to BHP Billiton, Rio Tinto, Glencore and Anglo can inform you of the facts surrounding their purchases of overseas LDAN.

The author notes that it has been established that Australia is a LDAN market not a HDAN market. Russia produces little LDAN and it has been argued that Russian imports are of low quality. Whilst there is a potential of substituting HDAN for AN solution that will only occur if pricing of AN solution significantly differs from HDAN and even then a total conversion to HDAN would represent less than 12% of total AN sales in Australia.

The author believes that there is sufficient information contained within this submission (that can be verified by independent sources) that may allow you to reassess the previous review findings such that;
 No anti- dumping measures should be applied where Russian HDAN is used for;
 agriculture use
 manufacture of water-gel explosives and
as LDAN and AN solution do not compete in these markets and no injury to local producers would occur.
 Whilst HDAN can and does from time to time substitute AN solution that substitution is a factor of not only price but ability to purchase on long term supply contracts AN solution. It can be

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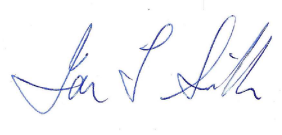
shown that any substitution would have a small and potentially non injurious consequence to Australian AN manufacturers who have demonstrated that they can compete and sell LDAN into neighbouring country explosive markets against all other global suppliers.

 Russian ammonia, nitric acid, urea, ammonium nitrate and urea ammonium nitrate are not low cost goods as a result of low natural gas prices that cannot be obtained in other countries including Australia. It is generally acknowledged that gas pricing is no longer controlled in Russia but it is controlled in Egypt, Iran and Indonesia as examples. Furthermore even though natural gas pricing is controlled it can be shown that gas pricing is important but it is not significant when determining the total cost build up to produce and sell any of these products. The basis of determining that Russia continues to “dump” based upon sales prices to other countries does not take into effect that Russian goods need to compete on an “N” basis with other goods. It is accepted that in doing so Russian producers of nitrogen based fertilisers may in some countries cause injury to local producers and hence be dealt with appropriately. Given that Australia is a LDAN and AN solution market with very limited opportunities for HDAN to impact more than an estimated 12 % total market it seems to the author that a continuation of anti dumping measures would act as a “barrier to competitiveness” for many smaller explosive manufacturers rather than as a protection to local industry.

Australian Nitrogen Management Pty Ltd is a wholly owned subsidiary of Cape Byron Energy Media & Consultancy Pty Ltd. The company was established by the author to develop opportunities in the Australian nitrogen sector including local manufacture and importing of nitrogen products most notably low density ammonium nitrate.

The author again thanks your commission for the opportunity to present the views of Australian Nitrogen Management Pty Ltd.

Yours faithfully



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