

2 April 2019

Mr Justin Wickes
Director
Investigations 2
Anti-Dumping Commission
Level 35
55 Collins Street
Melbourne Victoria 3000

Email: investigations2@adcommission.gov.au

Public File

Dear Mr Wickes

Investigation No. 473 – Ammonium nitrate exported from P R China, Sweden and Thailand – Forecast increases in coal/gas prices

We refer to Orica's Australia Pty Ltd's ("Orica") submission dated 15 March 2019 where it was recommended that the appropriate form of measures for the Minister for Industry, Science and Technology ("the Minister") to apply to dumped and injurious exports to Australia of ammonium nitrate ("AN") from the People's Republic of China ("China"), Sweden and Thailand, are those based upon the "combination" methodology.

Statement of Essential Facts No. 473 ("SEF 473") indicates that the Anti-Dumping Commission has calculated a non-injurious price ("NIP") and that when contrasted with normal values determined for exporters in China, Sweden and Thailand, the NIP is lower than each of the normal values. The recommended measures to be applied based upon a floor price methodology would therefore reflect input costs for the period of the industry's selling prices (i.e. 1 April 2015 to 31 March 2017) which reflect lower raw material input costs.

Orica's submission refers to measures based upon a *floor price* methodology being ineffective in a rising market. This concern is based upon forecasts that gas (and coal) prices are projected to increase during the periods to which the measures will apply. Gas prices in most global markets are linked to prevailing oil prices, even though there is a more recent price trend for gas prices to be linked to LNG prices (now that LNG prices are becoming more observable in global markets). The costs for ammonia (input to AN manufacture) track gas costs and oil prices fairly closely over the longer term. The China coal price also tracks the oil price (refer Confidential Attachment 1 – Fertecon Ammonia Outlook – September 2018 P 16, 161 and Fertecon Nitrates Outlook – October 2018, P 88, 94).

The immediate outlook is for increasing ammonia prices that reflect increases in energy costs (gas, oil), confirming that the cost to produce AN will escalate.

We consider it appropriate to comment on China specifically where a large number of ammonia plants are based upon coal gasification technology. Export AN prices are reasonably correlated between AN FOB costs and the price of export coal over the longer term (refer Confidential Attachment 2 – Boston Consulting Group March 2016 – *Analysis for Orica - gas v ammonium correlation*). Chinese coal prices are anticipated to rise on the back of the upward trend in the oil price (refer Confidential Attachment 1). It is therefore

expected that coal prices in the manufacture of AN will also increase with a consequential rise on AN FOB export prices.

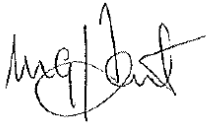
Chinese costs will also rise due to other factors: rising labour costs, reduction in financial incentives and export rebates for AN, increasing costs to meet regulatory requirements for transport and storage.

We note that ammonia is made also from gas in [*Chinese AN producer*] AN facility. Gas costs in China are rising in response to the massive deficit in energy supply to China. It is further noted that [*trend in gas costs v coal input costs in AN in China*] are higher than at other export AN producers based on coal. Costs of gas for fertiliser are no different to that used for power generation. China is importing increasingly larger amounts of LNG to meet the energy deficit which is raising the average gas cost in China.

Orica submits that the forecasts for higher input costs for gas and coal are relevant considerations for the Commissioner in recommending the appropriate form of measures to be applied to future exports of AN from China, Sweden and Thailand. Orica considers that given this rising trend and volatility, anti-dumping measures based upon the combination form are the most effective measure to address injurious dumping (in a rising market).

If you have any questions concerning this submission, please do not hesitate to contact me on (03) 9665 7309 or Orica's representative Mr John O'Connor on (07) 3342 1921.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm Hart', written in a cursive style.

Malcolm Hart
Senior Market Manager AN – APA