

MINISTRY OF ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION
Department for Foreign Economic Activity Development and Regulation
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March 24, 2021

№ Д12и-8265

The Director, Investigations 2
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601
investigations2@adcommission.gov.au

Dear Sirs,

Comments of MED of Russia in respect of the statement of essential facts (ammonium nitrate from Russia)

We are writing in connection with the statement of essential facts concerning an inquiry into whether the continuation of the anti-dumping measures applying to ammonium nitrate exported to Australia from the Russian Federation is justified.

Please find enclosed herewith comments of the Ministry of Economic Development of the Russian Federation in respect of the statement of essential facts (non-confidential version) to be considered by the Anti-Dumping Commission.

Yours faithfully,



Andrey Nakhabin
Deputy Director

Enc.

**Comments of the Ministry of Economic Development of the Russian Federation
in respect of the statement of essential facts concerning the continuation inquiry
into ammonium nitrate exported to Australia from the Russian Federation
(NON-CONFIDENTIAL VERSION)**

The Ministry of Economic Development of the Russian Federation would like to present its views in relation to the statement of essential facts concerning the continuation inquiry into ammonium nitrate exported to Australia from the Russian Federation (hereinafter – SEF).

Overall, we welcome the general conclusion of the SEF where the Commissioner is not satisfied that the expiration of the anti-dumping measures applicable to ammonium nitrate (hereinafter – AN) exported to Australia from Russia would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent. The consequence of this is that the Commission would recommend to the Minister that the dumping notice in respect of AN exported to Australia from Russia expire on the specified expiry day (being 24 May 2021), which is also welcomed (p. 62 of the SEF).

We take the opportunity to comment on several of the findings and inferences expressed in the SEF.

1. We have noticed that in its determination of the normal value of AN of Russian origin, in particular in “assessment of whether a particular market situation exists in the Russian market for ammonium nitrate” (p. 13 of the SEF), the Commission relies on the determinations of the WTO Panel in *Australia – Anti-dumping measures on A4 Copy Paper*. References to the panel report in that case can be found on pages 13, 37 and 67 of the SEF.

We would like to draw the attention of the Commission to the serious concerns raised by the Russian Federation at the meeting of the WTO Dispute Settlement Body (DSB) when the said panel report was adopted. The Russian Federation explained that “the Panel had deviated from customary rules of interpretation of public international law and, therefore, its interpretations and reasoning were legally flawed”¹, which consequently led to tainted findings. In light of the explanations provided at the said DSB meeting, we would like to

¹ Minutes of the meeting of the WTO Dispute Settlement Body on 27 January 2020, paras. 4.4-4.7. URL: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/DSB/M440.pdf&Open=True>.

reiterate to the Commission the warnings against systemic consideration of that panel report. We urge the Commission not to make determinations regarding the existence of alleged “particular market situations” based on flawed interpretations, in particular, in the current inquiry.

2. Further to our comments on efforts of the Russian industry to upgrade old production facilities and respond to an increase in demand for fertilizers on the domestic market (p. 46 of the SEF) by the example of Acron Group and KAO Azot we would like to provide the references in support of the corresponding statements:

- a press release of Acron Group “Acron Doubles Mineral Fertiliser Supplies to Domestic Market” (<https://www.acron.ru/en/press-center/press-releases/200793/>), enclosed herewith;

- a letter of KAO Azot provided by the Russian Fertilisers Producers Association, enclosed herewith.

3. With regard to the claim of the Australian industry that Russia’s spare capacity to produce high density ammonium nitrate (hereinafter – HDAN) is greater than its spare capacity to produce low density ammonium nitrate (hereinafter – LDAN), and Russian producers possess the versatility to convert their plants from producing HDAN to LDAN if required (p. 46 of the SEF), please note the following.

- The only LDAN producer in Russia is NAK Azot JSC, which capacities were set in operation in 2015. In accordance with the technological regulations, the department can sequentially produce either LDAN or HDAN. Switching production from one product to another requires stopping all equipment, cleaning, flushing and restarting it according to new parameters. Thus, it takes a long time to switch processes. Meanwhile the production capacity in accordance with the technological regulations is 600 tons / day of LDAN or HDAN.

- At the same time, two types of HDAN are produced in Russia: grade A, which is used for industrial works, and grade B, which is used in agriculture. Grade A AN is produced at the same capacities as grade B AN, therefore, the capacities for both products are considered to be common.

4. As for the capacity utilization of AN production facilities in Russia, it should be noted that the production of both AN fertilizers and products that require AN melting (such as UAN and CAN), should be taken into account. Additional data on capacity utilization from Fertecon, Nitrates Outlook Data, is provided below.

- In 2018-2020 the Russian AN demand as well as utilization rate of Russian AN capacities continued increasing. This trend is set to continue going forward. Namely, Russia's AN production capacity is fully utilized.²

| Indicator | Unit | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------|------|------|
| Production capacity ALL AN | MT | | | | | |
| Production – Fertilizer-grade solid AN | MT | | | | | |
| Production – Fertilizer-grade liquid AN | MT | | | | | |
| Production – Explosive-grade solid AN | MT | | | | | |
| Production – CAN | MT | | | | | |
| Production – UAN | MT | | | | | |
| Capacity utilization rate | % | | | | | |

- As compared to the period reviewed by the Anti-Dumping Commission, trends are that Russian AN production capacities are fully utilized. In 2020 the Russian AN demand has further increased and is forecasted to increase further during 2021.³

| Apparent consumption | Unit | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------|------|------|------|------|------|------|------|
| Fertilizer-grade solid AN | MT | | | | | | |
| Fertilizer-grade liquid AN | MT | | | | | | |
| Explosive-grade solid AN | MT | | | | | | |
| CAN | MT | | | | | | |
| UAN | MT | | | | | | |
| Total | MT | | | | | | |
| Trend | % | | | | | | |

² Source: Fertecon, Nitrates Outlook Data, January 2021. The volume of production of CAN and UAN reflects only the volume of AN in these products, based on the standard AN content.

³ Source: Fertecon, Nitrates Outlook Data, January 2021. Apparent consumption of CAN and UAN reflects only the volume of AN in these products, based on the standard AN content.

In conclusion, we confirm our previous appeals that the criteria for the continuation of the anti-dumping measure provided by the Anti-Dumping Agreement are not fulfilled in the current continuation inquiry. We look forward to implementation of the current recommendation proposed to the Minister that the dumping notice in respect of AN exported to Australia from Russia expire on the specified expiry day (being 24 May 2021).

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Acron Doubles Mineral Fertiliser Supplies to Domestic Market

27 January 2021

In 2020, Acron Group, a leading mineral fertiliser producer in Russia and globally, shipped 1.4 million tonnes of mineral fertilisers to domestic growers, up 93% year-on-year. This was made possible despite the pandemic by coordinated action on the part of the Group's distribution network to ensure sufficient supplies of mineral fertilisers to Russian agricultural producers.

Acron Group's sales of ammonium nitrate more than doubled in 2020, while NPK supplies were up 70%. Veliky Novgorod-based Acron saw its urea supplies up 36% and UAN supplies up 52%.

Growers in Russia's central and southern federal districts remain major consumers of Acron Group's products.

Chairman of Acron's Board of Directors Alexander Popov noted the continued steady growth in recent years of Russia's agro-industrial complex, which has driven the demand for high-quality mineral fertilisers. 'The Group's companies make it a priority to supply Russian growers with fertilisers. In 2020, we sold over a million tonnes of our products domestically for the first time, and we see further growth potential', Popov said.

Agronova, Acron's distribution network in the Russian market, was established in 2005 and comprises ten specialised agrochemical facilities that ensure direct access to products in Russia's major agricultural regions. Agronova's units

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handle transportation, sales, and storage of mineral fertilisers, with total warehouse capacity of 189,000 tonnes.

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15.03.2021 № 55

Executive Director of the Russian Association
of Fertilizer Producers

Mr M.V. Kuznetsov

На № _____ от _____

Dear Maxim Vladimirovich!

To your request dated 12.03.2021 ref. No. 2-01 / 116 KAO "Azot" reports the following:

Due to its geographical location - Kemerovo Region, Kuzbass, KAO "Azot" is a leading supplier of ammonium nitrate (for industrial use) to mining enterprises in Siberia and the Far East. The company annually supplies about 90% of the produced ammonium nitrate to the Russian market for the needs of agricultural producers and to the industrial sector (which accounts for about 80% of supplies).

Over the past few years, the company's regional markets in Siberian and the Far Eastern regions have been going through a high demand for ammonium nitrate, which KAO "Azot" can no longer satisfy with its current capacities. Growth in demand from the agricultural sector is due to an increase in fertilizer consumption throughout the Russian Federation¹. The growth in demand in the industrial sector occurs, in particular, due to an increase in coal production. For example, according to the approved energy strategy of the Russian Federation² by 2035 the share of coal production in the Far Eastern and Siberian Federal Districts should grow from its 2018 indicators of 17 and 18% of the all-Russian production respectively up to 21 and 27%. The increase in coal production, as well as the conduct of other mining operations, leads to an increase in the production of industrial explosives (IE), and the main IEs are based on ammonium nitrate.

To meet the region's demand for ammonium nitrate, KAO "Azot" is implementing an investment project to increase the production capacity by 250 thousand TPA, which should be launched by the end of 2021.

In the event of a surplus in the region, KAO "Azot" also allocates other geographically advantageous markets (in terms of logistics) - Mongolia and Kazakhstan, where the demand for this product is also growing as in the Russian Federation. According to Mongolian statistics³, coal production in the country in 2019 increased by 57% compared to 2016. The country has also announced a number of projects⁴ in the mining industry, which leads to an increase in the consumption of industrial ammonium nitrate (the country does not have its own production; therefore Mongolia imports the product from Russia and China). Official statistics of Kazakhstan⁵ also confirm the growth of imports of Russian-made ammonium nitrate to the country. This is facilitated by agricultural programs⁶ and the development of the country's coal industry⁷.

Director of Trading House "Azot" -
Branch of KAO "Azot" in Moscow



G.N. Lyashko

¹ Presentation PowerPoint (mcx.gov.ru)

² The Energy Strategy of the Russian Federation until 2035 approved | Ministry of Energy (minenergo.gov.ru)

³ BALANCE OF COAL, by national level, by year (1212.mn)

⁴ ОЭСР based on EBRD, IJGlobal (2019), Thomson One (2019)

⁵ 2017-2020 жылдағы жедел деректер (stat.gov.kz)

⁶ State program for the development of the agricultural sector of the Republic of Kazakhstan for 2017-2021 - Official information resource of the Prime Minister of the Republic of Kazakhstan (primeminister.kz)

⁷ The coal industry plans to introduce a number of innovative projects (www.gov.kz)