

AD0086 – Rutile TiO2 originating in China

Comments on the SEF

THE LB GROUP

Non-confidential | 5 November 2026

Issues to be discussed

1. Construction of the normal value
2. Calculation of the export price
3. The injury assessment
4. End-use authorisation procedure for ink-grade rutile TiO2

1. Construction of the normal value

1 Establishment of the normal value

The LB Group's concerns:

- The choice of Brazil is not justified (and Mexico is a better choice)
- There are some clerical errors regarding administrative, selling and general ("ASG" costs)
- Some of the adjustments to the COP are incorrect

1.a The choice of Brazil is not justified; Mexico is more appropriate

There is no justification (anymore) for selecting Brazil:

- Benchmarks were derived from international and national statistics (the LB Group agrees with this approach)
- The TRA did not use Tronox Brazil's data – so the reason for choosing Brazil falls away

Mexico is a better choice:

- It is more similar to China (than Brazil) regarding economic parameters
- It has a significantly larger production (than Brazil), and more similar to China

1.b The same SG&A costs are included twice

[Name of company]

[Screenshot – company calculation sheet]

[Name of company]

[Screenshot – company calculation sheet]

- These seem to be clerical errors
- Impact – they inflate the constructed normal value per unit and consequently the dumping margin

1.c Adjustments to the COP should be reconsidered – feedstocks (general) (1)

TRA's methodology:

a) First, adjusted for the difference between the PRC average and the benchmark cost; &

b) Second, secondary adjustment to the figure in (a) to "represent the company's costs in relation to the PRC average costs for the same input" based on "a comparison between the exporter's unit purchase costs and the PRC average unit costs."

The LB Group:

- Regulations 11, 12 & 13: focus of the assessment is the cost of production of *individual exporters:*
  - *"costs of production of the like goods in the exporting country or territory must normally be calculated by the TRA on the basis of records kept by the overseas exporter of the goods concerned" (11(2))*
  - *"reasonable amounts for the administrative, selling and general costs and for profits on the basis of the actual data pertaining to the production and sales by the overseas exporter of the like goods" (12(2))*
  - *"the purpose of the adjustments made in accordance with this regulation is to calculate what the overseas exporter's costs and profits would be" (13(2))*
- A direct comparison between the producer's costs and profit to the benchmark achieves the objectives of the adjustment

1.c Adjustments to the COP should be reconsidered – feedstocks (general) (2)

Issue #1: The TRA's methodology [redacted – confidential commercial information]

[Name of company and product]

[Screenshot – LB Group feedstock adjustments]

- Difference between China-wide average price and benchmark: [%]
- [Commercially sensitive information]

[Name of company and product]

[Screenshot – LB Group feedstock adjustments]

- [Commercially sensitive information]

1.c Adjustments to the COP should be reconsidered– feedstocks (general) (3)

Issue #2: The TRA's methodology adjusts costs which are *higher* than the benchmark price

[Name of company and product]

[Screenshot – LB Group feedstock adjustments]

- [Commercially sensitive information]

Issue #3: The [Commercially sensitive information]

- [Commercially sensitive information]

1.c Adjustments to the COP should be reconsidered – feedstocks (general) (4)

Issue #4: The TRA's methodology inflates the effective benchmark price

- But, the effective benchmark is not based on [copyright-protected information]; it is a result of the adjustment methodology

Producer	Input	TRA's calculated benchmark (a)	Purchase cost (b)	Uplift (c)	Effective benchmark (c applied to b)
[Company name]	[product]	[amount]	[amount]	[%]	[amount]
[Company name]	[product]	[amount]	[amount]	[%]	[amount]

Issue #5: The comparison between China-wide prices and LB Group producers' costs are not at the same terms of trade

- China-wide prices are FOB prices
- [commercially sensitive information]

1.c The LB Group requests a reconsideration of adjustments to the COP – feedstocks (general) (5)

The LB Group's requests:

- Compare the LB Group's costs to the benchmark directly
- Where the LB Group's costs are *higher* than the benchmark: no adjustment is necessary
- Where the LB Group's costs are *higher* than the China average but lower than the benchmark, only adjust to the benchmark

1.c Adjustments to the COP should be reconsidered – feedstocks (sulphate ilmenite)

Issue #1: The LB Group's purchase costs are not distorted

- The TRA's adjustment: [%]
- But, purchase costs of [names of companies] are all higher *than* the benchmark

[Screenshot – LB Group feedstock adjustments]

The LB Group's request:

- No adjustment to sulphate ilmenite purchases

Issue #2: there is no China-wide distortion to warrant an adjustment

- On a CIF level (which is more appropriate) the distortion is minimal [%]
- Too slight to indicate the price is not reasonable or is artificially low

	FOB	CIF
China average price	[Amount]	[Amount]
Benchmark price	[Amount]	[Amount]
Difference	[%]	[%]

1.c Adjustments to the COP should be reconsidered – feedstocks (titanium slag)

[Screenshot – LB Group feedstock adjustments]

[commercially sensitive information]

[Screenshot – LB Group feedstock adjustments]

- The LB Group's requests:
  - No adjustment to the imported titanium slag; or
  - No adjustment at all [commercially sensitive information]

1.c Adjustments to the COP should be reconsidered – feedstocks (synthetic rutile) (1)

[commercially sensitive information] (Annex 1)

→ [Screenshot – Annex 1 to the LB Group's comments on the SEF]

- [commercially sensitive information]
- The LB Group submits additional Certificates of Analysis [commercially sensitive information] (**Annex A**)

→ [Screenshot – Annex 2 to the LB Group's comments on the SEF]

1.c Adjustments to the COP should be reconsidered – feedstocks (synthetic rutile) (2)

[commercially sensitive information]

TiO2 content (Annex 3)

↓

[Screenshot – Annex 3 to the LB Group's comments on the SEF]

Purchase price

↓

[Screenshot – LB Group feedstock adjustments]

The LB Group's request:

[commercially sensitive information]

1.c Adjustments to the COP should be reconsidered – electricity

The TRA should deduct from the benchmark taxes which can be claimed by producers in full

- TRA's benchmark: 1.299 CNY/kWh based on Intratec
- Intratec data includes taxes:

  *"including generation, transmission, and distribution costs, **plus taxes**"*
- One of the taxes is the 'Imposto sobre Circulação de Mercadorias e Serviços' ("ICMS"):
  - State tax on circulation of goods and provision of services (including electricity)
  - The ICMS in Bahia (Tronox Brazil's location): 20.5%
  - The ICMS can be claimed & recovered in full

- Effective cost of electricity paid by producers:
  - Deduct 20.5% from the 1.299 CNY/kWh
  - Effective benchmark: 1.0327 CNY/kWh
- Also, the LB Group's producers' electricity costs do not include VAT or indirect taxes
  - Hence the export price does not include taxes

1.c Adjustments to the COP should be reconsidered – natural gas

There is an arithmetic error in the calculation of the uplift (Annex 4)

- TRA's methodology for calculating the unit cost: KG/CNY (in yellow)
- Correct methodology: value/quantity (in red)
- China's cost is higher than Brazil's (by [%])
- **So, no uplift should be applied to the LB Group's costs of natural gas**

[Screenshot – Annex 4 to the LB Group's comments on the SEF]

1.c Adjustments to the COP should be reconsidered – steam

- The steam adjustment is based on adjustments to electricity and natural gas
- The adjustments to the electricity & natural gas benchmarks should consequently apply to the steam uplift

1.c Adjustments to the COP should be reconsidered – labour

There is an arithmetic error in the calculation of the benchmark (Annex 5)

- TRA's methodology:
  - Adjusted the 2024 figures for inflation to construct the 2025 figure (the LB Group agrees with this adjustment)
  - Converted the 2025 figure from BRL to CNY – this is where the error occurs
    - TRA's calculation: (2025 figure in BRL * exchange rate) + 2025 figure in BRL (in yellow)
- Correct calculation: 2025 figure in BRL * exchange rate (in red)

Impact on the benchmark:

[Screenshot – Annex 5 to the LB Group's comments on the SEF]

[Screenshot – Annex 5 to the LB Group's comments on the SEF]

1.c Adjustments to the COP should be reconsidered – finance costs

The benchmark is distorted by countries with (extremely) high finance costs (Annex 6)

- TRA's benchmark on interest rate - the average rate of *peer* countries in the G20 (9%)
- This rate is not representative
  - Median rate for G20 countries: 4.23% as a whole; 4.53% excluding China
  - Four countries pull the average up:
    - ❑ Türkiye, Argentina and Russia: with extremely high inflation rates
    - ❑ Brazil: with a restrictive monetary policy

Economy	2025 average interest rate	2025 inflation rate
Türkiye	42.83%	34.9%
Argentina	29%	41.90%
Russia	18.92%	8.70%
Brazil	14.56%	5.0%
Median (ex China)	**4.53%**	**2.8%**

The LB Group's request for the interest rate benchmark

- Option 1: Average of countries with inflation rates of 2.8% and below: 3.61%
- Option 2: Exclude Türkiye, Brazil, Argentina and Russia from the benchmark: 4.06%

Impact on the finance costs adjustment

	TRA	Option 1	Option 2
Benchmark rate	9.00%	3.61%	4.06%
Distortion	197%	19%	34%
Credit reference	12%	12%	12%
Combined	**221%**	**21.2%**	**37.9%**

2. Calculation of the export price

2 The export price should start at BEL's resale price

TRA's methodology:

- Started at sales price of Billions Hong Kong and the exporting producers to BEL
- Reason provided: differences between prices to independent customers and BEL were immaterial

The LB Group's position:

[commercially sensitive information]

[commercially sensitive information]

The LB Group's request:

The starting point for constructing the export price should be the selling prices to independent UK buyers (Regulation 15(4))

[commercially sensitive information]

3. The injury calculation

3 The export price should start at BEL's resale price

- The comparison between the LB Group's selling prices and UK industry's selling prices are not at the same level of trade
- The TRA compared:
  - The LB Group's – selling prices to BEL; and
  - UK industry – selling prices to industrial customers (one level lower in the supply chain)
- The comparison doesn't allow an establishment of an accurate level of undercutting/ injury margin
- Competition occurs at the point of selling to the industrial customers
  - … and BEL's prices at that level are higher than its purchase prices
- **The LB Group's request: use BEL's resales to the first independent customer**

4. End-use authorisation procedure for ink-grade rutile TiO2

4 The TRA should exempt TiO2 for use in white graphic ink production from the measures

The TRA's own findings justify an exemption:

- No UK production of a dedicated ink-grade rutile TiO2
- Sulphate grades (not produced in the UK) are preferred due to their technical characteristics
- Outside China, only a few European facilities produce it … and even they have supply issues
- A measure would weaken UK ink manufacturing & make UK less attractive for white-ink production
- Excluding ink grade TiO2 would:
  - reduce downstream loss
  - Have limited direct effect on the UK TiO2 producer

The missing piece: the TRA has "not yet identified a practical mechanism" for separate treatment
The LB Group's position: the existing authorized use procedure is that mechanism

4 The TRA should exempt TiO2 for use in white graphic ink production from the measures

The authorised use procedure addresses each of the TRA's concerns

TRA's concern	The mechanism
No observable characteristics distinguish ink grade TiO2	• Relief relies on the use of their goods, not physical characteristics • Use is verified through the authorisation holder's records • Goods stay under customs supervision until discharge (based on use) • Duty is payable if use is diverted
Complex supply chain: end users are often not importers	• Ink manufacturers can hold the authorisation themselves • Where they buy from distributors, rights and obligations can be transferred only with HMRC approval • The transferee must be authorised
Circumvention: goods declared for ink exceed ink demand	• Only goods used for ink production are relieved • All others (the declaration notwithstanding) bear the duty
So, there is end-use traceability & low risk of circumvention	

The LB Group's request:

- Recommend a nil duty for TiO2 declared and used in the production of white graphic ink

Conclusion

- Revisit the adjustments to the normal value
- Use BEL's resale prices to:
  - Establish the export price; and
  - Calculate the undercutting and injury margin
- Recommend the exclusion of ink-grade TiO2 from the measures through an authorised use procedure

[NAMES REDACTED]

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THANK YOU

