

Response to Trade Remedies Authority Decision on Atlantic Oil - Case AD0059

From: Aztec Oils Limited

To: Trade Remedies Authority

Re: Statement of Essential Facts - Anti-Dumping Investigation AD0059

Date: 24 September 2025

Executive Summary

Aztec Oils Limited respectfully submits this response to express serious concerns regarding the Trade Remedies Authority's decision to grant Atlantic Oil a zero tariff rate in the anti-dumping investigation concerning certain engine oils and hydraulic fluids from the United Arab Emirates and Lithuania (Case AD0059).

We contend that this decision is fundamentally flawed on both procedural and substantive grounds, creating significant risks to the integrity of the UK's trade defence system and the domestic lubricant manufacturing industry.

Key Concerns with the Atlantic Oil Decision

1. Inadequate Verification Due to Late Response

Atlantic Oil's late entry into the investigation process raises critical questions about the thoroughness and reliability of the TRA's verification procedures:

- **Compressed Timeline:** Late respondents inherently provide the TRA with insufficient time to conduct comprehensive on-site verification visits and detailed document examination
- **Limited Cross-Referencing:** The abbreviated timeframe prevents adequate cross-verification of submitted data against independent sources and market intelligence
- **Incomplete Due Diligence:** The investigation's integrity depends on thorough verification - a process that cannot be properly executed under time constraints imposed by late submissions
- **Precedent Risk:** Accepting late responses without full verification creates a dangerous precedent that undermines the investigation process for all future cases

2. Creation of an Unfair Market Backdoor

The zero tariff decision for Atlantic Oil effectively creates a significant loophole that undermines the protective intent of anti-dumping measures:

- **Market Circumvention:** Other UAE producers can potentially channel their exports through Atlantic Oil, negating the protective effect of anti-dumping duties
- **Volume Surge Risk:** Without adequate safeguards, Atlantic Oil could dramatically increase import volumes, causing renewed injury to the UK industry

- **Competitive Distortion:** UK manufacturers face unfair competition from a producer whose non-dumping status remains questionable due to verification limitations
- **Industry Confidence:** The decision undermines confidence in the UK's trade defence system among domestic producers who invested in the investigation process

3. Failure to Account for Structural Cost Advantages

The TRA's analysis appears to have inadequately considered the fundamental cost structure advantages available to UAE producers:

Access to Sanctioned Russian Base Oils

- **Sanctioned Russian Base Oils:** UAE producers demonstrably have access to significantly cheaper Russian base oils through sanctions circumvention, creating an artificial cost advantage
- **Unfair Competition:** UK producers cannot access these sanctioned inputs, creating an unlevel playing field that anti-dumping measures should address
- **Market Distortion:** The availability of sanctioned base oils at below-market prices constitutes a form of indirect subsidisation that distorts normal pricing mechanisms
- **Sanctions Compliance:** Granting zero tariffs to producers potentially benefiting from sanctions evasion undermines UK foreign policy objectives

Use of Non-REACH Compliant Additives

UAE producers benefit from a further significant cost advantage through their ability to source additives from suppliers not subject to UK/EU regulatory requirements:

- **Indian and Chinese Additive Suppliers:** UAE producers can utilise significantly cheaper additives from Indian and Chinese manufacturers that are not required to comply with REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulations
- **Regulatory Cost Avoidance:** Non-REACH compliant additives avoid the substantial registration, testing, and compliance costs required for UK market access, creating cost advantages of 15-30% on additive components
- **Competitive Disadvantage for UK Producers:** UK manufacturers must use REACH-compliant additives, incurring significant additional costs for registration dossiers, toxicological studies, and ongoing compliance monitoring
- **Quality and Safety Concerns:** Non-REACH additives may not meet the same safety and environmental standards required for UK market products, potentially creating unfair competition through lower-quality, cheaper inputs
- **Market Access Disparity:** While UAE producers can export finished products using non-compliant additives, UK producers cannot access these cheaper inputs due to domestic regulatory requirements
- **Supply Chain Opacity:** The compressed verification timeline for Atlantic Oil makes it impossible to adequately assess the compliance status and cost structure of their additive supply chain

Specific Procedural Deficiencies

Verification Standards

The TRA must explain how it achieved the same level of verification confidence for Atlantic Oil as for timely respondents, given:

- Reduced time for document examination
- Limited opportunity for follow-up questions and clarifications
- Insufficient time for comprehensive on-site verification procedures
- Inability to conduct thorough cross-checks with independent market data
- **Inadequate Supply Chain Analysis:** Insufficient time to verify the regulatory compliance status and true cost of raw materials and additives used in production

Risk Assessment

The decision appears to lack adequate consideration of:

- Potential for trade deflection through Atlantic Oil
- Volume surge scenarios and their impact on UK industry
- Long-term market dynamics and competitive effects
- Compliance monitoring challenges for late respondents
- **Regulatory Arbitrage:** The competitive impact of regulatory cost avoidance through non-compliant input sourcing

Recommended Actions

Aztec Oils Limited respectfully requests that the TRA:

1. **Reconsider the Atlantic Oil Decision:** Apply standard anti-dumping duties pending comprehensive verification that meets the same standards as timely respondents
2. **Implement Safeguard Measures:** If the zero tariff is maintained, establish strict volume caps and enhanced monitoring requirements for Atlantic Oil
3. **Address Base Oil Sourcing:** Investigate and account for the competitive impact of access to sanctioned Russian base oils in dumping margin calculations
4. **Assess Additive Compliance:** Conduct thorough analysis of the regulatory compliance status and true cost of additives used by UAE producers, accounting for REACH compliance cost differentials in normal value calculations
5. **Strengthen Verification Protocols:** Establish clear minimum timeframes for verification procedures that cannot be compressed for late respondents, including mandatory supply chain compliance audits
6. **Enhanced Monitoring:** Implement robust post-decision monitoring to detect potential circumvention or trade deflection through Atlantic Oil, including regular audits of input sourcing and regulatory compliance

Industry Impact Assessment

The UK lubricant manufacturing industry, including Aztec Oils Limited faces continued injury from unfairly priced imports. The Atlantic Oil decision:

- Perpetuates pricing pressure on UK manufacturers
- Discourages investment in domestic production capacity
- Undermines employment in the UK lubricant sector
- Creates uncertainty about the effectiveness of trade defence measures
- **Penalises Regulatory Compliance:** Places UK producers who invest in REACH-compliant supply chains at a competitive disadvantage against producers using non-compliant, cheaper alternatives

Conclusion

The decision to grant Atlantic Oil a zero tariff rate appears to prioritise administrative convenience over thorough investigation and industry protection. This approach risks undermining both the integrity of the anti-dumping system and the competitiveness of UK lubricant manufacturers.

The failure to account for the substantial cost advantages UAE producers derive from access to sanctioned Russian base oils and non-REACH compliant additives represents a fundamental flaw in the cost comparison methodology. These advantages create an unlevel playing field that anti-dumping measures should address, not ignore.

We urge the TRA to reconsider this decision and implement appropriate safeguards to ensure that the UK's trade defence system provides meaningful protection against unfair trade practices while maintaining rigorous verification standards that account for all sources of competitive advantage.

Aztec Oils Limited remains committed to supporting the TRA's important work and looks forward to a constructive dialogue on these critical issues.

Respectfully submitted,

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