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Zhejiang Jiaao Enprotech Stock Co., Ltd and

its related companies ("Jiaao Group")

Anti-dumping Investigation Case

Goods concerned exported from

the People's Republic of China

(AD0058)

Comments on the Scope

June 28, 2024

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I. Introduction

On June 5, 2024, the Trade Remedies Authority (TRA) made the notice of initiation into the alleged dumping of Biodiesel imported into the United Kingdom from the People's Republic of China. On June 5, 2024， TRA invited interested parties to provide their assessment on whether Sustainable Aviation Fuel (SAF) should be included within the scope of this investigation.

Zhejiang Jiaao Enprotech Stock Co., Ltd and its related companies (hereinafter "Jiaao Group") express significant surprise at the TRA's current discussion regarding whether SAF should be included within the scope of the investigated products. Judging from the Application and the Initiation Notice, it is clear that at the current stages, the SAF is not the goods concerned. Based on Jiaao Group's understanding of the UK market and the differences between biodiesel products and SAF products, we believe that at this stage, it is neither necessary nor appropriate for the TRA to discuss whether to include SAF within the scope of the goods concerned. Jiaao Group's grounds is based on the following recognized facts:

- From a procedural point of view, the scope of the investigation should be established during the application stage through communication between the investigating authority and the complainant. In the initiation notice, the investigating authority should substantively determine the scope of the investigation. After formally initiating the anti-dumping investigation, the investigating authority may discuss excluding certain specifications of products from the scope based on the claim from interested parties and make determinations accordingly. However, neither the complainant nor the investigating authority should substantially alter the pre-established scope of the goods subject to investigation after the formal initiation, thereby including certain categories of products not originally within the scope of the investigation.

- Judging from the differences in basic physical characteristics and end-use, SAF

is not like goods of biodiesel.

- During the investigation period, the UK's domestic industry had a limited capacity and production of FAME and HVO, with no SAF production. Additionally, China's export volume of SAF to the UK was negligible. Including SAF in the scope of the investigation would make injury analysis difficult.

- There is no SAF production or production capacity in the entire UK. Conversely, there is an urgent demand for SAF in the UK market. Imposing anti-dumping duties on imported SAF would not be in the public interest of the UK.

II. No dispute regarding the Scope in the current proceeding

Jiaao Group has noted that, in this Application, the UK domestic industry has clearly focused on biodiesel, namely, FAME and HVO in both section A.1 "The Imported Goods" and section A.2 "The like goods." There is no data or information related to SAF. For example:

3. *Provide the tariff classification(s) for the imported goods.*

1. The goods are commonly classified under the following commodity codes:

1516 20 98 21, 1516 20 98 29, 1516 20 98 30, 1518 00 91 21, 1518 00 91 29, 1518 00 91 30, 1518 00 95 10, 1518 00 99 21, 1518 00 99 29, 1518 00 99 30, 2710 19 43 21, 2710 19 43 29, 2710 19 43 30, 2710 19 46 21, 2710 19 46 29, 2710 19 46 30, 2710 19 47 21, 2710 19 47 29, 2710 19 47 30, 2710 20 11 21, 2710 20 11 29, 2710 20 11 30, 2710 20 16 21, 2710 20 16 29, 2710 20 16 30, 2710 20 16 90, 3824 99 92 10, 3824 99 92 12, 3824 99 92 20, 3826 00 10 20, 3826 00 10 29, 3826 00 10 50, 3826 00 10 59, 3826 00 10 89, 3826 00 10 99, 3826 00 90 11, 3826 00 90 19 and 3826 00 90 30.

The customs code exclusively dedicated to FAME biodiesel is 38260010. However, biodiesel can be imported under several codes as described above. There is not customs code dedicated to HVO biodiesel.

Appendix reference: n/a

6. FAME and HVO belong to the same market and compete with each other. They are substitutes as bus and truck operators can easily switch from one fuel to the other. "HVO does not impinge on the operational performance of heavy-duty vehicles nor require any alternations to fuel storage infrastructure. Furthermore, the major heavy-duty vehicle manufacturers approve the use of HVO, covering this fuel in their vehicle warranty."[3] Vehicles can also operate using various blends of biodiesel and HVO. HVO can be used interchangeably by the same consumers with other biodiesel and even mixed together with pure biodiesel without changing its intended use and purpose.

10. End consumers do not perceive the differences between several types of biodiesels, including HVO. In fact, biodiesel is mixed with diesel at the pump without separate labelling. The final customer is not aware of the feedstock used in the production of biodiesel but merely requires a product that meets the UK standard. Commercial users, including bus fleets and trucks, use FAME and HVO interchangeably, switching one to the other or mixing them. Differences in price might inform which type of fuel to use but not the intrinsic characteristics of FAME or HVO.

11. In addition, biodiesel produced in the UK and biodiesel imported from China are sold to customers in the UK market via similar or identical sales channels.

2. There are two main markets that renewable fuel is sold into:

- B7 market – fuel with up to 7% biodiesel blended into diesel by volume, which meets the requirements of the European diesel standard EN590. B7 is the blend that is sold into the market to be sold to the public at forecourts.

- Higher blend markets – B20, B30, B100, HVO, etc. Blends of higher percentages of biodiesel (or indeed pure 100% biodiesel) which are typically sold to commercial fleets.

3. Biodiesel produced in the UK and biodiesel imported from China and sold in the UK supply both markets and are used for the same purpose: as standalone fuel or blended with mineral diesel and mainly used in transportation.

3. *Give the tariff classification of the goods (customs commodity code) – if there are multiple models, provide the customs commodity code for each model:*

Category 1 goods : FAME biodiesel

The main customs code is 38260010. However all customs codes provided in Section A.1 above can be used to import biodiesel.

Category 2 goods : HVO biodiesel

There are no customs code dedicated to HVO biodiesel. To the best of the Applicant's knowledge, HVO biodiesel is mainly imported under customs code 27101943, although many other customs codes can be used.

In summary, the entire Application revolves around FAME and HVO by the UK domestic industry. Therefore, at least during the initiation stage, SAF is not a product that the UK domestic industry intends to target, and TRA agrees with it in its notice of initiation. There is no dispute regarding the scope of goods subject to investigation in the current anti-dumping investigation.

III. TRA cannot make substantive changes to the scope after the initiation of the anti-dumping investigation

Jiaao Group believes that discussing the expansion of the scope of the goods subject to investigation two weeks after the initiation by including SAF—a product that the UK domestic industry does not produce and is fundamentally different from biodiesel—lacks basic procedural legality. The substantive discussion on the scope of the goods subject to investigation should occur during the application stage. The UK domestic industry should fully assess the impact of imported goods on the domestic industry and clearly define the scope of goods that require trade remedies from the investigating authority before submitting the application. The investigating authority is also obligated to fully communicate with the domestic industry about the scope of the goods subject to the investigation during the application review and then issue a

notice of initiation with a clear definition and scope of the investigated products.

In practice, after the initiation, it is reasonable and normal practice for interested parties to claim product exclusion for certain specific types of products already within the scope of the investigated products, triggering discussions among all interested parties. The investigating authority may then modify the scope of products in the preliminary or final determination. However, after initiation, proposing to include a certain category of products that were outside the scope of the investigated products lacks basic procedural legality. In other words, the investigating authority has the right to exclude some types of products from the scope of products as specified in the initiation notice after the formal initiation of the anti-dumping investigation. After sufficient investigation and discussion, certain products can be excluded from the original scope. However, the investigating authority does not have the right to make substantive modifications to the scope of products specified in the initiation notice by including a certain category of non-goods concerned after the formal initiation of the anti-dumping investigation.

If the IRA intends to include SAF in the scope of the goods concerned, the UK domestic industry should need to substantially modify its application first. The application must be improved in almost all issues, such as the standing, to prove the complainant's qualification to represent the UK SAF industry, the prima facie evidence on alleged dumping of SAF imports, the existence of material injury to the UK SAF domestic industry, and the causal. This work can be supplied as a supplement before the IRA initiates the investigation. However, suppose the IRA allows the UK domestic industry to substantively modify the application to include a new category of products within the original investigation scope after the IRA initiates the investigation. In that case, it will undermine the basic procedural rules of the anti-dumping investigation.

In case the UK domestic industry has prima facie evidence of SAF dumping, injury, and causation, they can first withdraw the current anti-dumping application, then resubmit a new anti-dumping application with the corresponding data and evidence, clearly including SAF along with FAME and HVO within the investigation scope.

Alternatively, the UK domestic industry can file a separate application specifically targeting the anti-dumping investigation of imported SAF. However, in the current investigation, neither the UK domestic industry nor the IRA has the right to include SAF—a highly new and non-like goods—within the original scope of the investigated products at this stage.

IV. SAF is Not the Like Goods of biodiesel

According to the UK's anti-dumping rules and IRA's practice, the IRA's definition of like goods is consistent with ADA's provisions on like products:

Like goods are defined as goods which are similar to the goods under investigation in all respects or have characteristics which closely resemble them. When we decide what are like goods, we will consider the following non-exhaustive list of criteria:

- *physical likeness, such as physical characteristics*
- *commercial likeness, including competition and distribution channels*
- *functional likeness, such as end-use or if the goods can be substituted for each other*
- *similarities in production, such as method and inputs*
- *other relevant characteristics*

Based on the above standards, we can conclude that SAF and the goods concerned in this case, namely biodiesel, are not like goods in the context of anti-dumping. The substantial differences in the end uses of SAF and biodiesel require significant differences in their physical properties, leading to considerable differences in production methods.

It is well known that the primary application of biodiesel is for diesel transport vehicles on land, whereas SAF is specifically used as fuel for aircraft engines. The standard temperature in aviation is measured at the mean sea level (msl) pressure

of 29.92 inches of mercury (inHg) and is 15 degrees Celsius (C) or 59 degrees Fahrenheit (F). The standard temperature decreases 2 C or 3.5 F for every 1,000 feet gained, and this is reasonably accurate up to 36,000 feet msl. From 36,000 feet to 80,000 feet msl, the temperature zone is considered constant around minus–55 C or minus –65 F. [1]When temperatures reach such low levels, normal fuels, including biodiesel, will freeze. SAF, however, according to ASTM D7566 standards, can have a freezing point as low as -47 degrees Celsius.

D7566 – 22a

TABLE 1 Detailed Requirements of Aviation Turbine Fuels Containing Synthesized Hydrocarbons[A]

Part 1—Basic Requirements

Property		Jet A or Jet A-1	Test Method[B]
COMPOSITION			
Acidity, total mg KOH/g	Max	0.10	D3242/IP 354
Aromatics: One of the following requirements shall be met:			
1. Aromatics, volume percent	Max	25	*D1319* or IP 156[C] or D8305[X]
2. Aromatics, volume percent	Max	26.5	D6379/IP 436
Sulfur, mercaptan,[D] mass percent	Max	0.003	*D3227/IP 342*
Sulfur, total mass percent	Max	0.30	D1266, D2622, D4294, D5453, or IP 336
VOLATILITY			
Distillation			
Distillation temperature, °C:			*D86*,[F] D2887/IP 406,[E] D7344,[G] D7345,[G] IP 123[E]
10 % recovered, temperature (T10)	Max	205	
50 % recovered, temperature (T50)		report	
90 % recovered, temperature (T90)		report	
Final boiling point, temperature	Max	300	
Distillation residue, percent	Max	1.5	
Distillation loss, percent	Max	1.5	
Flash point, °C	Min	38[H]	*D56* or D3828[J], D7236[J], IP 170[J], IP 523[J] or IP 534[J]
Density at 15 °C, kg/m^3		775 to 840	D1298/IP 160 or D4052 or IP 365
FLUIDITY			
Freezing point, °C	Max	–40 Jet A[I]	D5972/IP 435, D7153/IP 529, D7154/IP 528, or *D2386/IP 16*
		–47 Jet A-1[I]	
Viscosity –20 °C, mm^2/s^	Max	8.0	*D445/IP 71, Section 1*, D7042[L] or D7945

In contrast, biodiesel used in land-based diesel engines does not need to function at such low temperatures. Therefore, neither the EN14214 standard for FAME nor the EN15940 standard for HVO includes freezing point requirements.

Of course, if we analyze the physical properties of the three products individually, we can find many other differences between SAF and biodiesel. However, Jiaao Group believes that the differences in application scenarios, requiring SAF to have a freezing point between -40 to -47 degrees Celsius to prevent freezing at high altitudes, create a fundamental distinction between the two products, making

[1] https://www.flyingmag.com/guides/what-is-standard-temperature-aviation/

them non-interchangeable. Thus, from the perspective of anti-dumping rules on like goods, SAF and biodiesel are not like goods—they have different physical properties, production methods, competitive and distribution channels, end uses, and they cannot substitute each other.

V. Any measures on imported SAF against the UK's Public Interest

According to the information in the application, the two UK biodiesel producers involved in this investigation account for 100% of the UK's biodiesel participation.

" There are three significant biodiesel producers in the UK: Argent Energy, Olleco, and Greenergy. We estimate that the three major producers account for virtually the totality of the biodiesel production in the UK. Even though there might be some other very small producers, which might produce for their own consumption, the TRA should begin its analysis by concluding that Argent Energy, Olleco, and Greenergy are the only relevant UK producers for the purpose of a trade defence investigation....

Because Greeneegy is a major importer of biodiesel originating in China, the TRA should exclude them from the definition of "UK biodiesel industry" for the present Application. Thus, the TRA should recognize that Argent and Olleco represent 100% of the UK's biodiesel industry.." (Application Section 3.1, pages 28-31).

Additionally, according to the application, Argent and Olleco produced less than 200,000 tons of biodiesel (FAME and HVO) during the investigation period.

Therefore, the entire UK currently has no SAF production or production capacity. In contrast, there is an urgent demand for SAF in the UK market. The UK Government's October 2021 Net Zero Strategy laid out a commitment to:

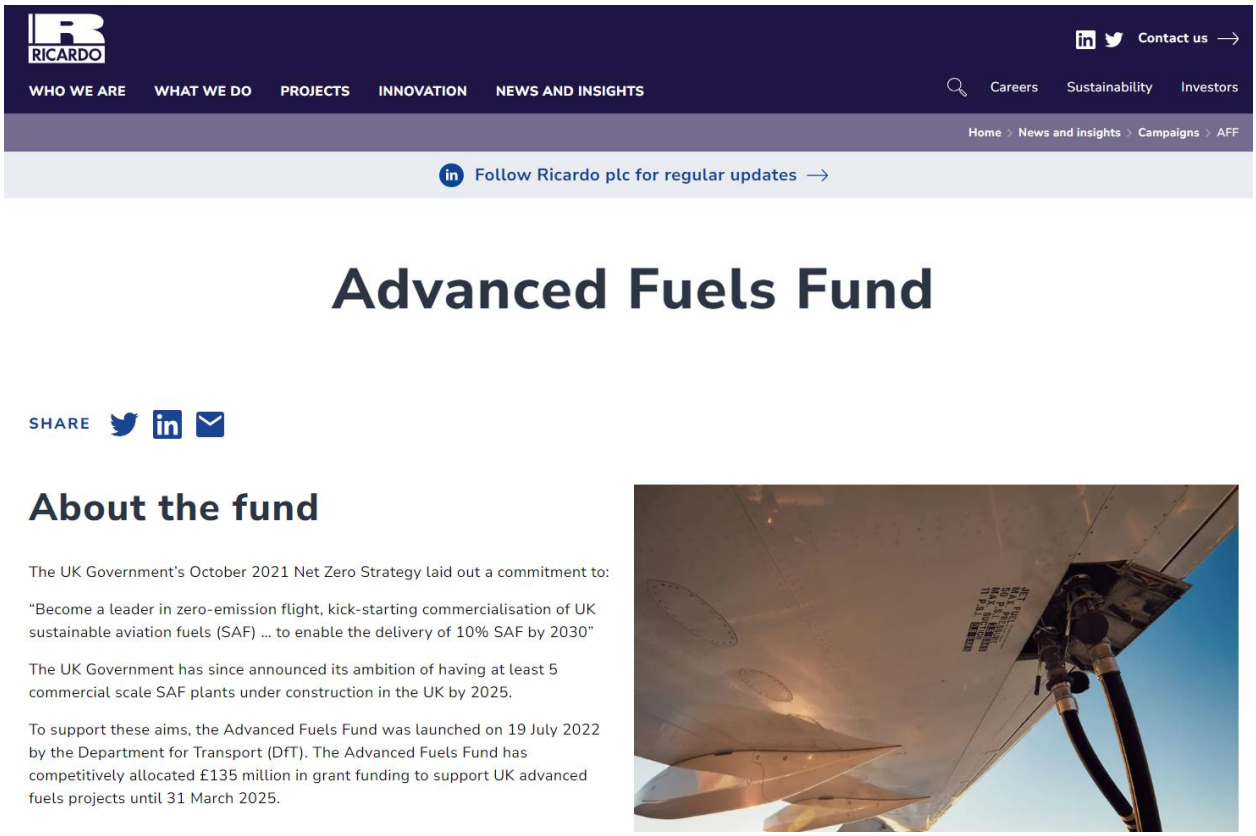
"Become a leader in zero-emission flight, kick-starting commercialization of UK

sustainable aviation fuels (SAF) … to enable the delivery of 10% SAF by 2030"

The UK Government has since announced its ambition of having at least 5 commercial scale SAF plants under construction in the UK by 2025.

To support these aims, the Advanced Fuels Fund was launched on 19 July 2022 by the Department for Transport (DfT). The Advanced Fuels Fund has competitively allocated £135 million in grant funding to support UK advanced fuels projects until 31 March 2025. [2]

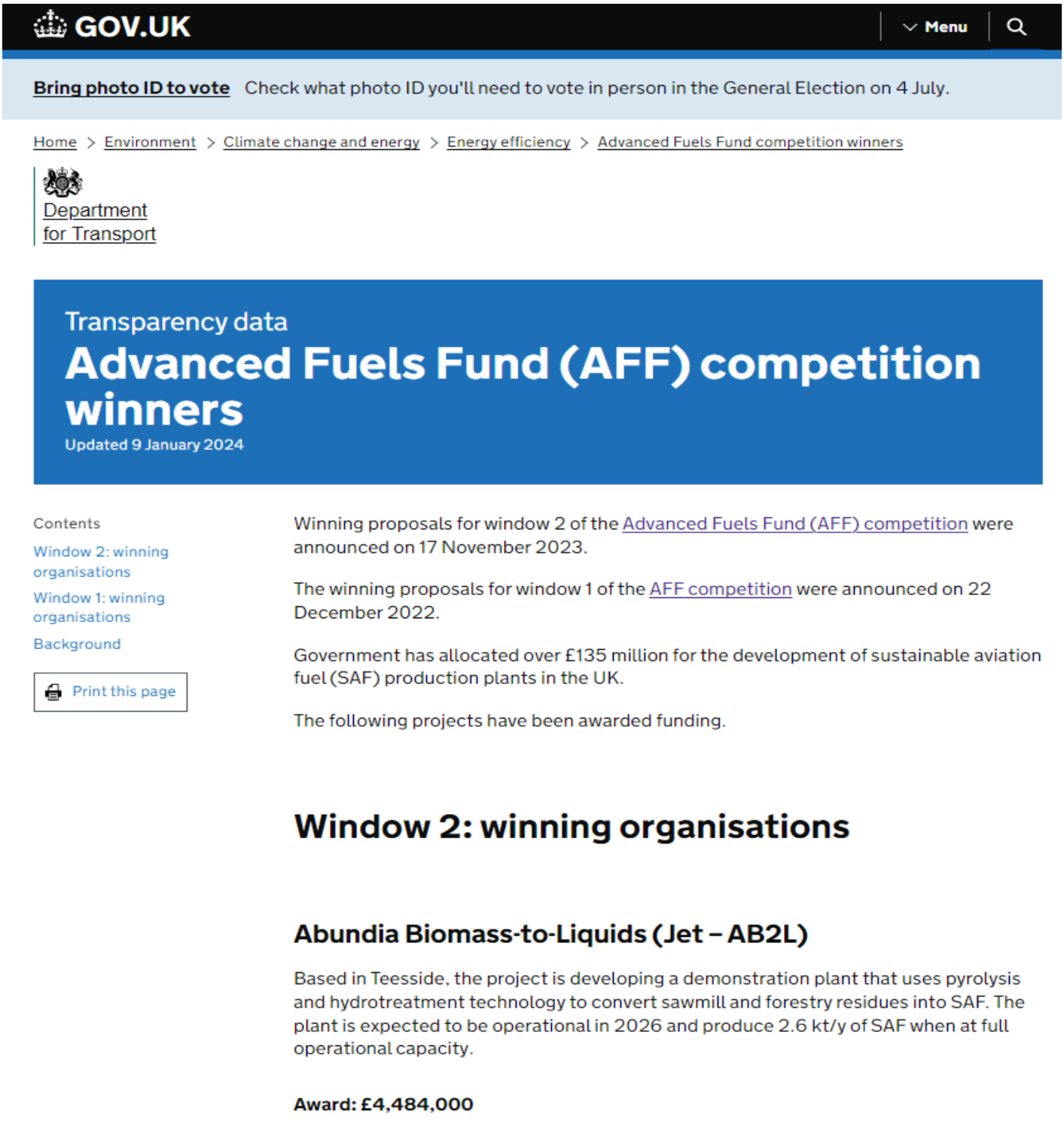
Therefore, current UK SAF projects are still in the investment preparation stage.



According to information disclosed by the UK government's AFF fund projects, the earliest UK enterprises subsidized by the AFF fund will not produce SAF until 2025. Even if the UK SAF industry can be successfully put into production as planned,

[2] https://www.ricardo.com/en/news-and-insights/campaigns/aff

the full capacity SAF production in 2025 will only be 2,700 tons, with newly added full capacity production reaching 109,100 tons in 2026, 95,700 tons in 2027, and 315,900 tons in 2028. By 2030, the planned full capacity SAF production in the UK will only be 179,000 tons. By 2030, the UK's planned SAF production capacity will reach 702,200 tons.[3]



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Advanced Fuels Fund (AFF) competition winners

Updated 9 January 2024

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Background

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Winning proposals for window 2 of the Advanced Fuels Fund (AFF) competition were announced on 17 November 2023.

The winning proposals for window 1 of the AFF competition were announced on 22 December 2022.

Government has allocated over £135 million for the development of sustainable aviation fuel (SAF) production plants in the UK.

The following projects have been awarded funding.

Window 2: winning organisations

Abundia Biomass-to-Liquids (Jet – AB2L)

Based in Teesside, the project is developing a demonstration plant that uses pyrolysis and hydrotreatment technology to convert sawmill and forestry residues into SAF. The plant is expected to be operational in 2026 and produce 2.6 kt/y of SAF when at full operational capacity.

Award: £4,484,000

[3] https://www.gov.uk/government/publications/advanced-fuels-fund-competition-winners/advanced-fuels-fund-aff-competition-winners

Winning organizations	Year to be operational	Full operational capacity（KT/Y）	Awards
Abundia Biomass-to-Liquids (Jet – AB2L) -Window 2	2026	2.6	£4,484,000
Alfanar Energy (Lighthouse Green Fuels) -Window 2	2028	124.2	£8,664,000
Arcadia e-Fuels (NABOO) -Window 2	2028	67.7	£12,341,000
Carbon Neutral Fuels (ASAP-DAC) -Window 2	2027	12	£1,376,000
Esso Petroleum Company (Solent SAF) -Window 2	2030	179	£6,065,000
Nova Pangaea Technologies (Project Speedbird) -Window 2	**2025**	**2.7**	**£9,063,015**
OXCCU Tech (OXEFUEL BIOGENIC) -Window 2	2026	7.4	£2,814,000
Willis Sustainable Fuels (Carbonshift PtL) -Window 2	2026	14	£4,721,000
Zero Petroleum (PMZ.2) -Window 2	2026	6.1	£3,492,100
Alfanar Energy Ltd (Lighthouse Green Fuels)-Window 1	2028	86.6	£11,001,000
Fulcrum BioEnergy Ltd (NorthPoint) -Window 1	2027	83.7	£16,764,000
Lanzatech UK Ltd (DRAGON) -Window 1	2026	79	£24,960,843
Velocys plc (Altalto) Velocys -Window 1	2028	37.4	£27,000,000
Velocys plc (e-Alto) -Window 1	N/A	N/A	£2,523,094
Total		**702.4**	**£135,269,052**

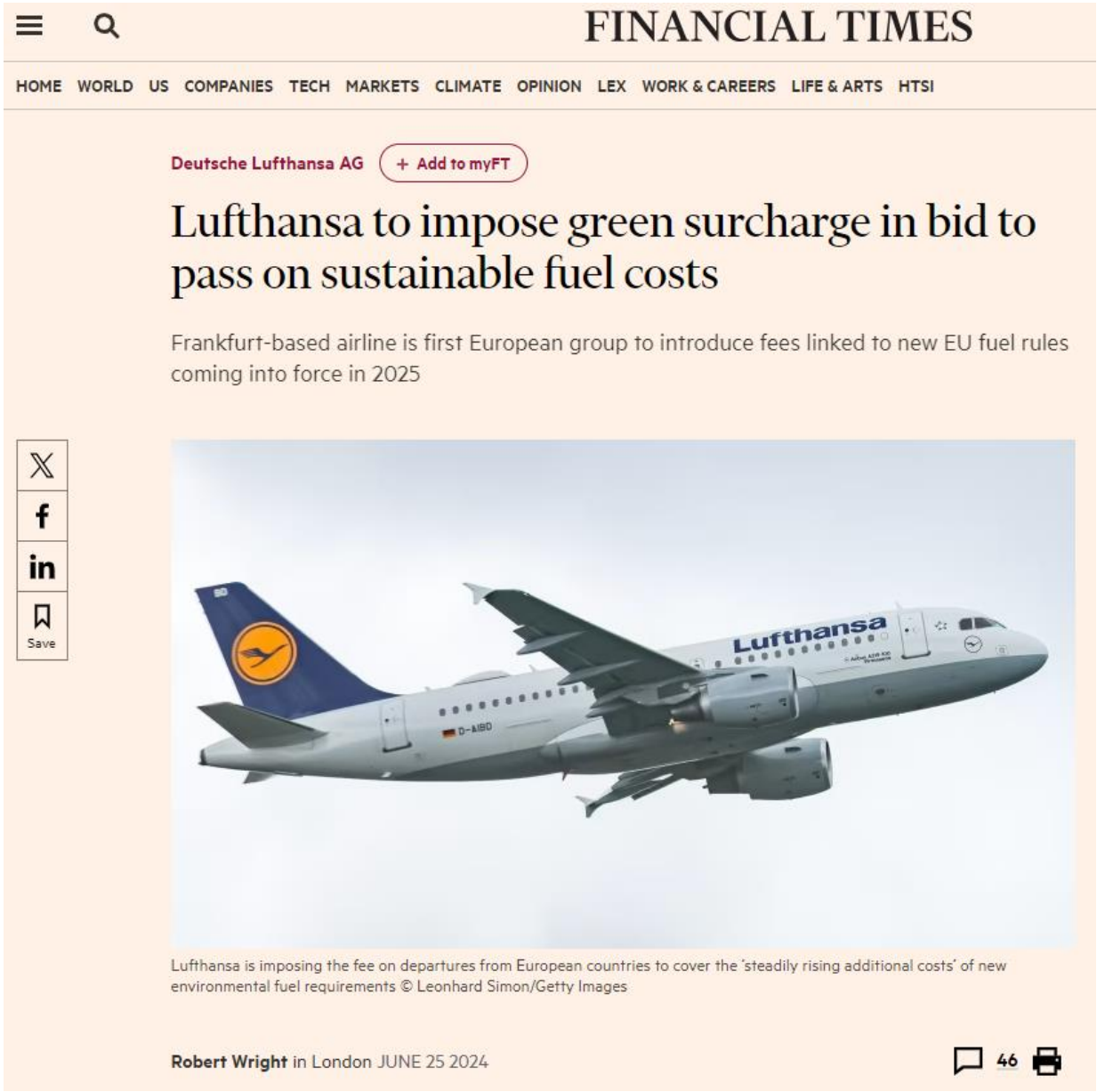
In fact, not only is the UK's current SAF supply far behind demand but there is also a global shortage of SAF supply. On June 2, 2024, the International Air Transport Association (IATA) announced that it expects sustainable aviation fuel (SAF) production to double in 2024 to 1.9 billion liters (1.5 million tons). However, this will only account for 0.53% of the aviation fuel demand in 2024. To accelerate the use of SAF, IATA has called on governments worldwide to take various policy measures.[4]

Due to the severe global lag in SAF production relative to market demand, SAF prices remain high. Airlines, facing both mandatory blending and high SAF costs, are starting to pass the costs of mandatory SAF blending onto consumers through ticket prices. According to a report by the Financial Times on June 26, 2024[5], Lufthansa will impose a green surcharge to offset the cost of sustainable fuel. As SAF currently costs at least twice as much per ton as conventional aviation fuel,

[4] https://www.iata.org/en/pressroom/2024-releases/2024-06-02-03/

[5] https://www.ft.com/content/0e646727-c470-478d-95f1-56f638d1bde3

Lufthansa has become the first airline group to pass on the costs of new European emissions regulations to passengers. The company announced that from next year, a surcharge of €1 to €72 will be added to each ticket.



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Lufthansa is imposing the fee on departures from European countries to cover the 'steadily rising additional costs' of new environmental fuel requirements © Leonhard Simon/Getty Images

Robert Wright in London JUNE 25 2024

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Clearly, even if the UK does not impose anti-dumping duties on Chinese-imported SAF in the foreseeable future, the supply of SAF in the UK will remain insufficient to meet the enormous demand for both domestic and international flights, leading to persistently high SAF costs. For competitive airlines, the only option will be to significantly increase ticket prices to offset operating costs. Under these circumstances, imposing anti-dumping duties on Chinese-imported SAF would significantly violate the public interest of the UK.