

10 June 2026

Trade Remedies Authority  
North Gate House  
21-23 Valpy Street  
Reading  
Berkshire  
RG1 1AF

*via UK Trade Remedies Services*

**OPEN**

Dear Mesdames,  
Dear Sirs,

**Re: AD0086 – Response to LB Group’s comments on particular market situation**

**Our client: Tronox Pigment UK Limited ("Applicant")**

We refer to Lomon Billions Group’s (“**LB Group**”) comments (“**Comments**”) of 27 May 2026 on the choice of representative country and the particular market situation (“**PMS**”) in China in the captioned investigation (“**Investigation**”) on UK imports of rutile titanium dioxide (“**Rutile TiO<sub>2</sub>**”) originating from China.

The Applicant has already explained why Brazil is the most appropriate representative country for constructing the normal value of Chinese Rutile TiO<sub>2</sub>.<sup>1</sup> The sole Mexican Rutile TiO<sub>2</sub> producer agrees that Brazil – not Mexico – is the most appropriate representative country.<sup>2</sup>

As to the PMS, the Applicant disagrees with LB Group’s claims. Specifically, the Applicant considers that:

- The PMS does not permit a proper comparison between domestic and export sales prices (Section 1).
- The TRA should adjust the cost of inputs because of the PMS (Section 2).
- The TRA should ensure that LB Group reports all costs (Section 3).

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<sup>1</sup> Applicant, Comments on pre-sampling questionnaires, 17 April 2026, paras. 49-67; Applicant, Comments on note to the public file regarding proposed representative third countries, 19 May 2026.

<sup>2</sup> The Chemours Company México, S. de R.L. de C.V., Registration form for third country producers, resubmitted on 29 May 2026, p. 13.

## 1. The PMS does not permit a proper comparison between domestic and export sales prices

1. In the Comments, LB Group claims that even if there is a PMS, the distortions underpinning the PMS do not impede a proper comparison between domestic and export sales prices,<sup>3</sup> so that the TRA should not adjust LB Group's costs when constructing the normal value of Rutile TiO<sub>2</sub>.
2. LB Group ignores that the Applicant already explained that the PMS has a different effect on domestic and export prices.<sup>4</sup> As a result, because of the PMS, a proper comparison between normal value and the export price is not possible and the TRA should adjust LB Group's costs to negate the distortions.<sup>5</sup> This is in line with consistent TRA practice.<sup>6</sup>
3. It follows that the TRA should find that the PMS does not permit a proper comparison between domestic and export sales prices and, accordingly, adjust LB Group's costs.

## 2. The TRA should adjust the cost of inputs because of the PMS

4. In the Comments, LB Group claims that the TRA should "take into account" certain "aspects" when considering cost adjustments because of the PMS.<sup>7</sup> Essentially, LB Group claims that the TRA should not adjust LB Group's costs when establishing the normal value of Rutile TiO<sub>2</sub>. LB Group's claims fail.

### 2.1 LB Group's input costs are distorted and should be adjusted

5. The first "aspect" that LB Group claims the TRA should take into account is that LB Group's purchase price of "certain feedstocks" is "higher" than "average prices based on international markets."<sup>8</sup> On that basis, LB Group claims that the TRA should "not ... apply an adjustment to the cost of feedstocks."<sup>9</sup> Relatedly, LB Group claims that the TRA should not adjust the cost of captively produced inputs,<sup>10</sup> which includes most feedstocks consumed by LB Group.
6. As the Applicant explained in the Application,<sup>11</sup> feedstock costs in China are distorted. This is corroborated by LB Group, as it reports importing titanium feedstocks<sup>12</sup> at a price more than 20% above the price of domestically sourced titanium feedstocks.<sup>13</sup> The

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<sup>3</sup> LB Group, Comments, p. 4.

<sup>4</sup> Application, Annex E.2.1, Section 3.2.

<sup>5</sup> Application, Annex E.2.1, Section 3.2.

<sup>6</sup> See, e.g., TRA, *Aluminium extrusions from China*, AD0012, Final determination; TRA, *Optical fibre cable from China*, AD0021, Statement of essential facts; TRA, Final Determination, *Tin mill products from China*, AD0062.

<sup>7</sup> LB Group, Comments, p. 4.

<sup>8</sup> LB Group, Comments, p. 4, point 1.

<sup>9</sup> LB Group, Comments, p. 5, point 1.

<sup>10</sup> LB Group, Comments, p. 5, point 5.

<sup>11</sup> Application, Annex E.2.1, Section 3.1.2.2.A.

<sup>12</sup> Imported feedstock is not necessarily purchased at an undistorted price. See Section 2.2 below.

<sup>13</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, p. 19.

reason domestically sourced – i.e., Chinese – feedstocks are cheaper is that feedstock costs in China are distorted because ilmenite is cross-subsidized via Chinese state-supported iron ore mining.<sup>14</sup> These distortions are not incidental; they are systemic and driven by Chinese industrial policy, subsidization, and cross-sector integration.

7. LB Group structurally internalizes the distorted cost of feedstocks through ever-increasing<sup>15</sup> vertical integration and upstream ownership. LB Group reported that imported feedstocks account for 6.6% of its total procurement spend and domestic feedstock purchases account for 6.1% of its total procurement spend.<sup>16</sup> As feedstock costs are the largest cost item, this confirms that the remaining feedstock consumed by LB Group is captively produced. Indeed, in 2025, LB Group reported producing 1.45 million metric tons (“**MT**”) of titanium concentrate, 100% of which was captively used.<sup>17</sup>
8. This, in view of the distortions that permeate the Chinese economy as a whole and the sector of which Rutile TiO<sub>2</sub> forms part specifically, means that LB Group’s accounts do not reflect full, undistorted costs of producing Rutile TiO<sub>2</sub>:
  - First, in determining cost of goods sold, LB Group’s financial statements reflect internal transfer costs for most raw materials, including feedstocks. These transfer prices are not arm’s length and are likely optimized for group tax, regulatory, or competitive reasons. They almost certainly do not reflect the full cost to the LB Group, as profit margins will not be allocated appropriately to each step in the production process (as would be the case absent vertical integration). In line with a general principle in anti-dumping law, these transfer prices should thus be rejected.<sup>18</sup>
  - Second, in any event, the cost of inputs that are captively produced is *also* distorted because the markets for raw materials and their upstream markets in China are distorted by government intervention throughout the economy.<sup>19</sup>

This is aggravated by the fact that the production of inputs – such as feedstocks – and of Rutile TiO<sub>2</sub> itself creates multiple valuable intermediate products and co-products (which cannot be avoided when producing Rutile TiO<sub>2</sub>).<sup>20</sup> For example, LB Group’s Jiaozuo (Henan) complex produces titanium tetrachloride (“**TiCl<sub>4</sub>**”) – a key intermediate in the production of Rutile TiO<sub>2</sub> via the chloride route – and several final products, such as Rutile TiO<sub>2</sub> and titanium sponge.

<sup>14</sup> Application, Annex E.2.1, Section 3.1.2.2.A.

<sup>15</sup> On a 6 May 2026 investor relations call, LB Group stated that chloride feedstock self-sufficiency is now over 60%; this will increase as additional Panxi plant’s high-titanium slag lines come online in phase two of LB Group’s Panxi plant project.

<sup>16</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, p. 19.

<sup>17</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, p. 41.

<sup>18</sup> This principle is engrained in anti-dumping law. See, by analogy, Regulations 9(1)(b) and 15(2) of the Dumping & Subsidies Regulations (“**D&S Regulations**”).

<sup>19</sup> See Application, Annex E.2.1.

<sup>20</sup> The co-products are not optional; the production of Rutile TiO<sub>2</sub> is essentially joint-product chemistry.

As LB Group itself put it with regard to the high-value production of lithium iron phosphate (“LFP”):

“Using by-products from the titanium dioxide production process, such as ferrous sulfate, as raw materials for LFP production can ... reduce production costs.”<sup>21</sup>

“By-products such as ferrous sulfate, along with surplus capacity in caustic soda, sulfuric acid, steam, and hydrogen, can be directly or indirectly utilized in the production of lithium battery cathode and anode materials, thereby reducing production costs.”<sup>22</sup>

Under applicable cost allocation rules, intermediate and co-product costs can be allocated between the different products on various bases, giving LB Group significant flexibility to artificially (even if, potentially, defensible under accounting rules) reduce costs for feedstocks used to produce Rutile TiO<sub>2</sub>. Specifically, LB Group could over-allocate cost absorption to other products. This flexibility is particularly significant when the co-products are sold to related parties at transfer prices, which, as noted, do not reflect real costs.

9. Crucially, because of the way in which the Chinese economy operates, the markets for intermediates and co-products are *equally* subject to distortions in the Chinese economy and thus require utmost caution when considering and comparing costs and prices. The LFP mentioned by LB Group in the quote above is a main raw material to produce batteries. As the European Commission established, the Chinese LFP battery industry is rife with distortions.<sup>23</sup>
10. Similarly, the production cost of energy-intensive upstream inputs benefits from distortions in the Chinese energy market. For example, the production cost of chlorine – a key raw material for Rutile TiO<sub>2</sub> produced via the chloride process – is driven by energy costs. A cost difference of USD 0.10 per kWh of coal-fired power in China as compared to Europe – which is a cost delta in line with the Applicant’s expectations – translates to a difference in production cost of 220 USD/MT of chlorine and 150 USD/MT of Rutile TiO<sub>2</sub>.
11. In this regard, LB Group refers to the TRA’s findings in *Aluminium extrusions from China* (“**Extrusions**”) that the cost of two inputs (unwrought aluminium and electricity) produced captively by an exporter were not affected by the distortions in the market for those inputs.<sup>24</sup> These findings were fact specific to *Extrusions* and do not apply to the Investigation:
  - As to unwrought aluminium, the applicant in *Extrusions* omitted to claim that there were cost distortions further upstream from unwrought aluminium that

<sup>21</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, p. 33.

<sup>22</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, pp. 17-18.

<sup>23</sup> Commission Implementing Regulation (EU) 2024/1866 of 3 July 2024 imposing a provisional countervailing duty on imports of new battery electric vehicles designed for the transport of persons originating in the People’s Republic of China, OJ L 4.7.2024, Section 3.7.2.

<sup>24</sup> TRA, AD0012, Final Determination, *Aluminium extrusions from China*, para. 210.

affected the captive production of unwrought aluminium. In contrast, in the Investigation, the Applicant has demonstrated that there are cost distortions also further upstream – for instance because the Chinese government cross-subsidizes titanium feedstock production in China via subsidies to iron ore mining.<sup>25</sup>

- As to electricity, the applicant in *Extrusions* did claim that the cost of coal used to produce electricity was distorted. On that basis, the TRA compared the cost paid by the exporter with a benchmark and concluded that the cost was not distorted because it was in line with the benchmark.<sup>26</sup>

12. It follows that the TRA should find that all LB Group's input costs are distorted by the distortions permeating the Chinese economy and, where costs are below the representative country benchmark, adjust the costs to negate the distortion and calculate an undistorted normal value of Rutile TiO<sub>2</sub>.

## 2.2 The cost of LB Group's imported inputs may also be distorted

13. The second "aspect" that LB Group claims the TRA should take into account is that LB Group imported certain raw materials. LB Group claims these imports are not at distorted prices and should thus "not be adjusted."<sup>27</sup>
14. As an initial point, it appears that LB Group's imports account for a limited part of its total procurement spend.<sup>28</sup> In any event, the mere fact that goods are imported does not mean their cost is not distorted. Imports from non-market economies such as Russia,<sup>29</sup> imports from related parties made at transfer prices, and imports of goods produced by Chinese-owned companies outside of China are all examples of imports for which the costs are distorted.
15. In this regard, LB Group refers to *Tin mill products from China*, where the TRA found that the cost of an input imported by the exporter was not distorted and did not have to be adjusted.<sup>30</sup> In that case, however, the exporter imported the input "from international markets."<sup>31</sup> The Applicant presumes that the shorthand "international markets" means that the exporter purchased the input from unrelated parties in market economies that are not, for instance through ownership, linked to the Chinese government.
16. In sum, the TRA should verify that the cost of any imported inputs are, in effect, not distorted. If they are distorted, the TRA should adjust the costs.

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<sup>25</sup> See, e.g., Application, Annex E.2.1, Section 3.1.2.2.

<sup>26</sup> TRA, Final Determination, *Aluminium extrusions from China*, AD0012, paras. 213-217.

<sup>27</sup> LB Group, Comments, p. 5, point 2.

<sup>28</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, p. 19.

<sup>29</sup> See Commission Staff Working Document on significant distortions in the economy of the Russian Federation for the purposes of trade defence investigations, SWD(2020)242.

<sup>30</sup> TRA, Final Determination, *Tin mill products from China*, AD0062, para. 101.

<sup>31</sup> TRA, Final Determination, *Tin mill products from China*, AD0062, para. 101.

### 2.3 When assessing the significance of costs, the TRA should look at an undistorted cost stack

17. The third “aspect” that LB Group claims the TRA should take into account is that distorted costs that are not significant to the production of Rutile TiO<sub>2</sub> should not be adjusted.<sup>32</sup>
18. The Statutory Guidance of the Secretary of State to the TRA on how to conduct its PMS assessment (“**Guidance**”) requires the TRA to adjust costs that are significant.<sup>33</sup>
19. Crucially, assessing what is significant requires the TRA to consider, as a whole, the evidence of vast government intervention in China, both horizontal across the economy and sector-specific for the Rutile TiO<sub>2</sub> sector.<sup>34</sup> As per the Guidance, the Applicant demonstrated the existence of distortions on essentially all inputs of Rutile TiO<sub>2</sub>.<sup>35</sup> Given the cross-cutting, pervasive distortions in the Chinese economy and the Rutile TiO<sub>2</sub> sector, the TRA should use its discretion to consider that all costs are significant to ensure that the constructed normal value computed by the TRA is fully – and not just partially – undistorted.
20. At the very least, before deciding that a distorted cost is not significant (and that, therefore, an adjustment is not warranted), the TRA should consider the significance of the equivalent undistorted cost in an undistorted cost stack. Without assessing the significance of a cost in an undistorted cost stack, the TRA cannot conclude whether a cost is significant, as the baseline is a distorted cost stack. For example, waste treatment is a very significant cost to the UK industry, but – precisely because of pervasive distortions – perhaps is not a significant cost for Chinese exporters. The TRA should thus, in the Applicant’s view, revisit its initial practice – which is dictated by neither the D&S Regulations nor the Guidance – on this point,<sup>36</sup> taking into account the specificities of the Rutile TiO<sub>2</sub> industry.
21. Finally, the TRA should ensure that, by splitting out costs into smaller ‘buckets’ that are seemingly not material by themselves, exporters essentially circumvent the PMS cost adjustments. The TRA should thus group costs to ensure its significance analysis is not skewed. For instance, all process chemicals should be considered together to assess if the cost of process chemicals is significant (which it is).

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<sup>32</sup> LB Group, Comments, p. 5, point 4.

<sup>33</sup> See Department for Business and Trade, Trade Remedies Authority (TRA) dumping, subsidisation and safeguarding investigations guidance, “Adjustments when constructing a normal value,” available [here](#).

<sup>34</sup> See Application, Annex E.2.1. This is in accordance with Regulations 7 and 13 of the D&S Regulations, and the Statutory Guidance of the Secretary of State to the TRA on how to conduct its PMS assessment. See Department for Business and Trade, Trade Remedies Authority (TRA) dumping, subsidisation and safeguarding investigations guidance, “Government interventions,” available [here](#).

<sup>35</sup> See Department for Business and Trade, Trade Remedies Authority (TRA) dumping, subsidisation and safeguarding investigations guidance, “Government interventions,” available [here](#).

<sup>36</sup> See, e.g., TRA, Final Determination, *Excavators for China*, AD0047, para. 343; Final Determination, *Tin Mill Products from China*, AD0062, para. 174; TRA, Final Determination, *Biodiesel from China*, AD0058, paras. 398, 409.

22. In sum, the TRA should consider that all input costs for Rutile TiO<sub>2</sub> are significant and thus adjust costs for all distorted inputs.

### 3. The TRA should ensure that LB Group reports all costs

23. Finally, the Applicant takes this opportunity to recall that LB Group benefits from structural advantages caused by Chinese government intervention in the Rutile TiO<sub>2</sub> industrial ecosystem.

24. The undistorted costs related to all of these advantages may not show up in LB Group's financial statements but should be accounted for when constructing an undistorted normal value. Specifically:

- Chlorine cost: Chlorine is a co-product of caustic-soda manufacture;<sup>37</sup> when the chlor-alkali plant is operated to satisfy caustic demand, the marginal cost of surplus chlorine to a co-located chloride TiO<sub>2</sub> plant is near zero and occasionally negative. The imbalance in caustic demand *versus* chlorine demand reflects China's economic and national strategic priorities: aluminium production, energy transition, and advanced manufacturing, to name just a few. The TRA should ensure that chloride consumption is fully captured and that chloride is assigned an undistorted cost.
- Capex amortization differential: LB Group has publicly disclosed capex amortization of 850-1,425 USD/MT for the Jiaozuo chloride plant,<sup>38</sup> versus what analysts use as an OECD greenfield rule-of-thumb of 3,500-5,000 USD/MT. This translates into a gap of ~100-200 USD/MT of Rutile TiO<sub>2</sub> over the plant life from depreciation alone. The TRA should ensure that it uses undistorted capex amortization when constructing the normal value.
- Park-level service displacement: Several LB Group facilities are located in industrial parks,<sup>39</sup> typically set up by the Chinese government. Producers in industrial parks pay a cost to the park operator (often a local state-owned enterprise) for shared wastewater, hazardous waste, captive power, steam, rail, and emergency services. This results in structural, recurring, and likely significant cost advantages that do not show up in LB Group's financial statements.

25. In sum, the TRA should verify that it captures all costs when constructing the normal value of Rutile TiO<sub>2</sub>, including costs that may not show up (directly) in LB Group's financials.

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<sup>37</sup> Application, Annex E.2.1, para. 81.

<sup>38</sup> See LB Group, Lomon Billions invests \$millions in additional chloride titanium dioxide pigment production capacity at its chloride production site in Jiaozuo, Henan Province, China, **Annex 2**. The Applicant divided 285 million USD by 200,000 MT to arrive at 1,425 USD/MT.

<sup>39</sup> LB Group, Annual Report 2025 (English machine translation), **Annex 1**, p. 20.