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⁽¹⁾ Text with EEA relevance.

EN

Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

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II

(Non-legislative acts)

REGULATIONS

COMMISSION IMPLEMENTING REGULATION (EU) 2021/937

of 4 June 2021

approving amendments to the product specification for a spirit drink whose name is registered as a geographical indication [Hamburger Kümmel]

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/787 of the European Parliament and of the Council of 17 April 2019 on the definition, description, presentation and labelling of spirit drinks, the use of the names of spirit drinks in the presentation and labelling of other foodstuffs, the protection of geographical indications for spirit drinks, the use of ethyl alcohol and distillates of agricultural origin in alcoholic beverages, and repealing Regulation (EC) No 110/2008 ⁽¹⁾, and in particular Article 30(2) thereof,

Whereas:

- (1) Pursuant to Article 21 in conjunction with Article 17(5) of Regulation (EC) No 110/2008 of the European Parliament and of the Council ⁽²⁾, the Commission has examined Germany's application of 28 September 2017 for the approval of amendments to the technical file for the geographical indication 'Hamburger Kümmel', protected under Regulation (EC) No 110/2008. The amendments include changing the name 'Hamburger Kümmel' to 'Hamburger Kümmel'/'Hamburg's Kümmel'.
- (2) Regulation (EU) 2019/787, which replaces Regulation (EC) No 110/2008, entered into force on 25 May 2019. Under Article 49(1) thereof, Chapter III of Regulation (EC) No 110/2008 on geographical indications is repealed with effect from 8 June 2019. Under Article 22(2) of Regulation (EU) 2019/787, technical files submitted as part of any application before 8 June 2019 under Regulation (EC) No 110/2008 shall be deemed to be product specifications.
- (3) After concluding that the application complied with Regulation (EC) No 110/2008, the Commission published the amendment application in the *Official Journal of the European Union* ⁽³⁾ as required by Article 17(6) of that Regulation, in accordance with the first subparagraph of Article 50(4) of Regulation (EU) 2019/787.
- (4) As no notice of opposition under Article 27(1) of Regulation (EU) 2019/787 has been received by the Commission, the amendments to the specification should be approved pursuant to Article 30(2) of that Regulation, which applies *mutatis mutandis* to product specification amendments,

HAS ADOPTED THIS REGULATION:

Article 1

The amendments to the specification for the name 'Hamburger Kümmel', published in the *Official Journal of the European Union*, are hereby approved.

⁽¹⁾ OJ L 130, 17.5.2019, p. 1.

⁽²⁾ Regulation (EC) No 110/2008 of the European Parliament and of the Council of 15 January 2008 on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks and repealing Council Regulation (EEC) No 1576/89 (OJ L 39, 13.2.2008, p. 16).

⁽³⁾ OJ C 46, 9.2.2021, p. 14.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 4 June 2021.

*For the Commission,
On behalf of the President,
Janusz WOJCIECHOWSKI
Member of the Commission*

COMMISSION IMPLEMENTING REGULATION (EU) 2021/938**of 4 June 2021****entering a name in the register of protected designations of origin and protected geographical indications ('Cerise des coteaux du Ventoux' (PGI))**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs ⁽¹⁾, and in particular Article 52(2) thereof,

Whereas:

- (1) Pursuant to Article 50(2)(a) of Regulation (EU) No 1151/2012, France's application to register the name 'Cerise des coteaux du Ventoux' was published in the *Official Journal of the European Union* ⁽²⁾.
- (2) As no statement of opposition under Article 51 of Regulation (EU) No 1151/2012 has been received by the Commission, the name 'Cerise des coteaux du Ventoux' should therefore be entered in the register,

HAS ADOPTED THIS REGULATION:

Article 1

The name 'Cerise des coteaux du Ventoux' (PGI) is hereby entered in the register.

The name specified in the first paragraph denotes a product in Class 1.6 – Fruit, vegetables and cereals, fresh or processed, as listed in Annex XI to Commission Implementing Regulation (EU) No 668/2014 ⁽³⁾.*Article 2*This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 4 June 2021.

For the Commission,
On behalf of the President,
Janusz WOJCIECHOWSKI
Member of the Commission

⁽¹⁾ OJ L 343, 14.12.2012, p. 1.

⁽²⁾ OJ C 61, 22.2.2021, p. 27.

⁽³⁾ Commission Implementing Regulation (EU) No 668/2014 of 13 June 2014 laying down rules for the application of Regulation (EU) No 1151/2012 of the European Parliament and of the Council on quality schemes for agricultural products and foodstuffs (OJ L 179, 19.6.2014, p. 36).

COMMISSION IMPLEMENTING REGULATION (EU) 2021/939**of 10 June 2021****imposing a provisional anti-dumping duty on imports of mono ethylene glycol originating in the United States of America and the Kingdom of Saudi Arabia**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union ⁽¹⁾, and in particular Article 7 thereof,

Whereas:

1. PROCEDURE**1.1. Initiation**

- (1) On 14 October 2020, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of mono ethylene glycol ('MEG') originating in the United States of America ('US') and the Kingdom of Saudi Arabia ('KSA') ('the countries concerned') on the basis of Article 5 of Regulation (EU) 2016/1036 of the European Parliament and of the Council ('the basic Regulation'). It published a Notice of Initiation in the Official Journal of the European Union ⁽²⁾ ('the Notice of Initiation').
- (2) The Commission initiated the investigation following a complaint lodged on 31 August 2020 by the Defence Committee of European MEG Producers ('the complainant'). The complaint was made on behalf of the Union industry of MEG in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.
- (3) Pursuant to Article 14(5a) of the basic Regulation, the Commission should register imports subject to an anti-dumping investigation during the period of pre-disclosure unless it has sufficient evidence within the meaning of Article 5 that the requirements either under point (c) or (d) of Article 10(4) are not met.
- (4) In the case at hand, the complainant did not request registration and the Commission found that the requirements under point (d) were not met, as there was not, in addition to the level of imports which caused injury during the investigation period, a further substantial rise in imports thereafter. According to Eurostat data, the average monthly volume of imports of MEG from the countries concerned in the first five months following the initiation of the investigation (i.e. from November 2020 to March 2021) decreased by 15 % when compared to the average monthly volume of imports during the investigation period. Individually on the same basis, imports from the US decreased by 30 % and imports from KSA by 4 %. This was linked to the temporary disruptions (1) in US companies caused by extreme weather events; and (2) in the Union due to slowing demand due to COVID. Therefore, the Commission did not register imports during the period of pre-disclosure.

1.2. Interested parties

- (5) In the Notice of Initiation, the Commission invited interested parties to contact it in order to participate in the investigation. In addition, the Commission specifically informed the complainant, other known Union producers, the known exporting producers, the authorities in the countries concerned, known importers, traders and users, and invited them to participate.

⁽¹⁾ OJ L 176, 30.6.2016, p. 21.

⁽²⁾ Notice of initiation of an anti-dumping proceeding concerning imports of mono ethylene glycol originating in the United States of America and the Kingdom of Saudi Arabia (OJ C 342, 14.10.2020, p. 12).

- (6) Interested parties had an opportunity to comment on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.
- (7) A hearing took place with Saudi Basic Industries Corporation ('SABIC'), which took part in the hearing together with Arabian Petrochemical Company ('Petrokemya'), Eastern Petrochemical Company ('SHARQ'), Jubail United Petrochemical Company ('United'), SABIC Italia S.r.l, SABIC Petrochemicals B.V., Saudi Kayan Petrochemical Company ('Saudi Kayan'), Saudi Yanbu Petrochemical Company ('Yanpet') and Yanbu National Petrochemical Company ('Yansab').
- (8) Hearings also took place with Arteco NV ('Arteco'), Indorama group, Oxyde Belgium BV ('Oxyde'), Mitsubishi Corporation ('Mitsubishi'), the Committee of PET Manufacturers in Europe ('CPME') and HELM AG ('Helm').

1.3. Comments on initiation

- (9) The Commission received comments on initiation from:
 - the Mission of the KSA,
 - the complainant,
 - ExxonMobil Petroleum & Chemical BV ('ExxonMobil'),
 - SABIC, which submitted its comments together with Petrokemya, SHARQ, United, SABIC Italia S.r.l, SABIC Petrochemicals B.V., Saudi Kayan, Yanpet and Yansab,
 - CPME,
 - the European Man-Made Fiber Association ('CIRFS'),
 - Mitsubishi,
 - HELM,
 - Oxyde,
 - Proviron Industries nv ('Proviron'), and
 - Arteco.

1.3.1. Comments on dumping

- (10) As regards the assessment of dumping, Mitsubishi submitted that, given that price indexes play a significant role in how MEG is sold in the Union, the Commission should investigate whether the alleged dumping could not be attributable to a conscious commercial policy, but it could rather be simply caused by the differences in trends in the Union and non-Union indexes over time. Contract prices are agreed by negotiating discounts against various indexes and contracts are typically of 1 or 2 years duration. Producers agreeing prices in a 1- or 2-year contract will not know whether there will ultimately be a price difference between their Union and non-Union contracts until after the moment when the contract is settled and prices are determined and paid.
- (11) The complainant replied that the role of the Union price indicator employed is overstated and misinterpreted. This index is the indication of a price in the Union at a given time, which is the result of the equilibrium between supply and demand based on multiple buyers and sellers. The complaining Union producers, since they are on the sales side only, cannot control or manipulate this index.
- (12) The complainant replied recalling that a finding of dumping is a purely objective comparison between the normal value and the export price. The concept of intent is alien to the rules to determine dumping.
- (13) The analysis of the evidence provided by the complainants, in accordance with the principles of Article 2 of the Basic Regulation, has yielded the result that the complaint contained sufficient evidence of dumping in the EU market.

- (14) In particular, the complainant has provided sufficient evidence on export price and normal value showing that the dumping margins are significant. The figures on which the normal value was based were supported by sufficient evidence as confirmed by the Commission services' analysis. The necessary adjustments were taken into account in the Commission's analysis of dumping. In conclusion, it was found that, based on a fair comparison of normal value and export price, dumping margins were significant.
- (15) In this sense, the Commission agrees with the complainant that the issue of intent is alien to the statutory analysis just described.
- (16) The KSA submitted that the complainant incorrectly constructed the normal value for MEG produced in Saudi Arabia based on cost elements that do not relate to Saudi Arabia and failed to establish a fair comparison between the normal value and the export price.
- (17) The KSA also submitted that, in constructing the normal value, the complainant erred in its assessment of the facts, as (i) SABIC does not produce MEG – the MEG producers are listed in the Complaint; (ii) SABIC and Saudi Aramco were not related during the period considered in the Complaint; and (iii) Saudi producers of MEG do not purchase ethylene from Saudi Aramco.
- (18) Moreover, the complainant made no attempt to adapt the surrogate value for ethylene used to construct normal value such that it relates to the actual cost of production in Saudi Arabia.
- (19) Furthermore, the complainant reported an average electricity of 0,067 EUR/kWh, whereas the published electricity tariff corresponds to 0,043 EUR/kWh.
- (20) All this first set of remarks has been reiterated in SABIC's comments.
- (21) It is recalled that, according to Article 5(2) of the Basic Regulation, a complaint shall contain such information as is reasonably available to the complainant. In this respect, it must be recalled that the legal standard of evidence required for a complaint ('sufficient prima facie' evidence) makes it clear that the quantity and quality of information in the complaint is not the same as the one available at the end of an investigation. At the stage of the complaint, it is not necessary that the investigating authority (in this case, the Commission) has before it the same evidence of dumping and injury (within the meaning of Articles 2 and 3) that would be necessary to support the imposition of provisional or definitive anti-dumping (hereinafter: 'AD') duties. An AD investigation is a process where certainty on the existence of the elements necessary to adopt a measure or to terminate a proceeding is reached gradually as the investigation moves forward. It is not excluded that changes will occur between the stage of the complaint and the conclusion of the investigation. However, it is not considered that such changes have an impact on the overall conclusion that the file merits investigation since there is sufficient evidence of injurious dumping.
- (22) In this sense, the information provided on costs was considered to be sufficiently adequate and accurate to establish normal value, in the prima facie context applicable at initiation, against the backdrop of the evidence available to the applicant.
- (23) As for the claims by KSA on the factual elements of the complaint, the Commission underlines that ethylene is the main feedstock for the production of MEG and that the complainant correctly pointed out that the ethylene supply chain in Saudi Arabia was vertically integrated, even before the acquisition of SABIC by Saudi Aramco.
- (24) Secondly, concerning the comparison between the normal value and the export price in the complaint, according to the KSA and SABIC this was not fair because the complainant did not make it at ex-works level. In fact, according to Saudi Arabia, it compared the FOB export price, because it only deducted estimated freight charges from the CIF statistical value, with a constructed normal value, which certainly included direct selling costs.
- (25) Regarding the comparison between the normal value and the export price, the Commission recalls that the dumping margin calculated in the complaint does not necessarily reflect the exact degree of dumping which will be calculated in the investigation on a transaction by transaction and type per type basis.

- (26) However, in light of the information available, the complainant has provided sufficient evidence on export price and normal value showing the existence of dumping. The figures on which the normal value was based were supported by sufficient evidence, as confirmed by the Commission services' analysis and the necessary adjustments were taken into account in the Commission's analysis of dumping.
- (27) On the same line as Saudi Arabia and SABIC, ExxonMobil objected to the calculation of the cost of production of mono ethylene glycol in Saudi Arabia, in particular for the raw material ethylene, described in the complaint.
- (28) It underlined that the cost to produce ethylene is primarily determined by the type of feedstock used in the steam cracker, and the costs of such feedstocks can differ significantly.
- (29) ExxonMobil's joint venture with SABIC, called Saudi Yanbu Petrochemical Company ('Yanpet'), purchases the feedstock from Saudi Aramco. Instead, the complainant referred to the ethylene price in the Asian market, which is not suitable to determine the ethylene price in Saudi Arabia, where ethylene production costs are much lower than in Asia.
- (30) Indeed, Yanpet's steam cracker uses ethane as a primary feedstock to produce ethylene, whereas steam crackers in Asia and the Union generally use naphtha.
- (31) Therefore, the assertion by the complainant that production processes are similar in all countries is misleading according to ExxonMobil.
- (32) In particular, ethylene production from naphtha is generally more expensive than that from ethane, thus the Union cost of production is higher compared to Saudi Arabia and the United States of America, as both are primarily based on ethane feedstock.
- (33) Moreover, the use of the Asian price does not take into account the different situation of an integrated producer which produces both the ethylene and the mono ethylene glycol, such as Yanpet.
- (34) The Commission acknowledged the existence of differences in the production of ethylene but it did not consider that such difference in costs of raw materials made the situation of Union and KSA's industry radically different and incomparable.
- (35) Therefore, the Commission considered that the complainant, given the information available to it, brought sufficient evidence of the existence of dumping justifying the initiation of an investigation.

1.3.2. *Comments on injury*

- (36) SABIC and the Mission of the Kingdom of Saudi Arabia submitted that the requests for confidential treatment in the complaint were unwarranted such as the total consumption of MEG in the Union and the macroeconomic indicators which was based on the data of 12 Union MEG producers. Furthermore, SABIC and the Mission of the Kingdom of Saudi Arabia claimed that the complainant failed to provide non-confidential summaries of the information provided on a confidential basis such as for captive market. It was further argued that the limited disclosure of information by the complainant and the absence of enforcement by the Commission of clear rules regarding the treatment of confidential information impairs the rights of defence of the KSA.
- (37) The Commission considered that the version open for inspection by interested parties of the complaint contained all the essential evidence and meaningful non-confidential summaries of data provided under confidential cover in order for interested parties to exercise their right of defence throughout the proceeding. Article 19 of the basic Regulation and Article 6(5) of the WTO ADA allow for the safeguarding of confidential information in circumstances where disclosure would be of significant competitive advantage to a competitor or would have a significantly adverse effect upon a person supplying the information or upon a person from whom that person has acquired the information. The information provided under confidential cover and in the limited annexes to the complaint falls under these categories. At any rate, the complainant disclosed additional information in this regard.
- (38) The Mission of the Kingdom of Saudi Arabia contested the inclusion of imports into the United Kingdom in the complaint and in the scope of investigation.

- (39) On 31 January 2020 the United Kingdom withdrew from the Union. The Union and the United Kingdom jointly agreed on a transition period during which the UK remained subject to Union law, which ended on 31 December 2020 ⁽³⁾. The complaint was based on EU-28 data as it was lodged before the end of the transition period. As of 1 January 2021, companies and associations from the United Kingdom no longer qualified as interested parties in trade defence proceedings. Therefore, the investigation was carried out on an EU-27 basis.
- (40) SABIC believed that there were a number of open questions concerning the reliability of the standing calculation and the overall representativeness of the complainants. In this regard, SABIC claimed that one of the complainants consistently imported MEG from the KSA and therefore it should not have been part of the complaint. Furthermore, a related company to a supporting Union producer also imported MEG from the KSA and, therefore, if these companies were suffering injury then it was self-inflicted injury. SABIC also claimed that another MEG producer approached SABIC to market MEG from the KSA into the Union. Furthermore, SABIC claimed that BASF SE and Ineos Lavera are not complainants and that the limited number of Union producers that were part of the Complainant raised questions as to their representativeness. SABIC also claimed that the Commission should investigate the reason that led to the non-inclusion of IQOXE in the complaint so as to ensure that the exclusion of IQOXE was not made on grounds other than the incident that took place in January 2020. Oxyde also raised the question of the non-cooperation of the other Union producers.
- (41) The Commission recalls that all Union producers mentioned in the complaint and otherwise known to the Commission before initiation have been contacted in the framework of the examination as to the degree of support for, or opposition to, the complaint. This calculation was based on the quantities of MEG produced as outlined by individual declarations by such producers and associations of producers and on information contained in the complaint which also includes information on the total Union production. Therefore, at initiation stage, it was concluded that the conditions of Article 5(4) of the basic Regulation were met.
- (42) In line with Article 4(1) and 4(2) of the basic Regulation, producers which are related to exporters or importers and/or are themselves importers of the allegedly dumped product may be excluded from the Union industry if their relationship with the exporters or importers of the dumped product and/or their imports is such as to cause them to behave differently from non-related producers. In the pre-initiation analysis no reason to exclude any of the complainant producers from the definition of the Union industry was found. Furthermore, the Commission assessed this aspect during the investigation as stated in recitals (135) to (140). Regarding the claim that BASF SE and Ineos Lavera were not part of the complaint, this claim is factually wrong. These two producers are part of the complaint as indicated in Annex A-1 of the non-confidential version of the complaint.
- (43) SABIC and the Mission of the Kingdom of Saudi Arabia claimed that there were no factual or legal grounds for cumulating the imports from the KSA and the US and these imports were influenced by different dynamics, had different trends in the Union and the import price from the KSA did not undercut the Union prices while the imports from the US did.
- (44) After performing the relevant analysis, the Commission found that the conditions for cumulation of the countries concerned at the stage of the complaint were met on the basis of the available information and statistics. The dumping margins were found to be above *de minimis*. As shown by available official import statistics, dumped imports were not negligible (above *de minimis*) in terms of volumes for all countries concerned. Furthermore, MEG is a commodity and the competition between products imported from the KSA and the US and the Union industry products is identical and strictly based on price, irrespective of sales channels. The absence of price undercutting in the complaint for the imports from the KSA does not mean that there is no effect on prices. Therefore, at initiation stage, it was concluded that the conditions of Article 3(4) of the basic Regulation were met.
- (45) SABIC and the Mission of the Kingdom of Saudi Arabia claimed that the complainant did not assess injury objectively under Article 3(2) of the basic Regulation and the existence of material injury was not supported by factual information. The assessment of injury and causal link based on a comparison of data for different periods, i. e., January – December 2017, 2018 and 2019 and April 2019 – March 2020 did not provide an accurate and

⁽³⁾ Council Decision (EU) 2020/135 of 30 January 2020 on the conclusion of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (OJ L 29, 31.1.2020, p. 1).

unbiased picture of the situation as the year 2019 and the IP largely overlap but instead it should have examined the data for the periods April – March 2016/2017, 2017/2018, 2018/2019 and 2019/2020 to assess injury and causal link. In addition, it was argued that the comparison was distorted by the seasonal and cyclical nature of MEG sales. It was further claimed that the macroeconomic data provided by the complainant for the domestic industry as a whole showed that it performed well over the period considered, while the microindicators, which only related to the complainant, underperformed when compared to the other Union MEG producers, which also raised concerns regarding the representativeness of the complainant. Moreover, it was argued that the complainant did not provide any evidence that its profitability fell because of pressure from imports that caused prices to fall at a faster pace as compared to raw material costs. SABIC also claimed that the complainant failed to provide an accurate picture of the situation as it calculated only the profitability on sales to unrelated customers and that the complainant did not provide a proper justification for the exclusion of the captive market from the Union consumption. Furthermore, SABIC claimed, without evidence, that the high profitability margins registered by the Union industry in 2017 and 2018 on domestic sales to unrelated customers might have been a consequence of the cartel that was in place until 2017 and therefore it would not be appropriate to use a profit margin of 18 % for the underselling analysis, given that this profitability is based on 2016 numbers when the cartel was in full stream. Also the Mission of the Kingdom of Saudi Arabia claimed that the calculation of the underselling margin based on a profit that does not appear to be based on a reasonable profitability raises questions.

- (46) As a preliminary comment, it is recalled that a *prima facie* finding of material injury requires an examination, *inter alia*, of the relevant factors as described in Article 5(2) (d) of the basic Regulation. Indeed, the wording of Article 5(2) of the basic Regulation states that the complaint shall contain the information on changes in the volume of the allegedly dumped imports, the effect of those imports on prices of the like product on the Union market and the consequent impact of the imports on the Union industry, as demonstrated by relevant (not necessarily all) factors and indices having a bearing on the state of the Union industry, such as those listed in Articles 3(3) and 3(5). Article 3(5) of the basic Regulation states that the list is not exhaustive, nor can any one or more of these factors necessarily give decisive guidance. Therefore, not all factors must show deterioration in order for a *prima facie* finding of material injury to be established. Furthermore, the existence of other factors which may have an impact on the situation of the Union industry does not necessarily imply that the effect of dumped imports on this industry is not material.
- (47) The specific injury analysis of the complaint performed by the Commission showed that there was sufficient evidence pointing to increased penetration of the Union market (both in absolute and relative terms) by imports from the KSA and the US at prices which undercut (in the case of the US imports) and substantially undersell the Union industry's own prices. This appears to have had a materially injurious impact upon the state of the Union industry, shown for example by decrease in production, sales and market share, by a deterioration of financial results or by the level of prices charged by the Union industry. Regarding the claim for the period considered and the investigation period, it is the Commission practice to select an investigation period of one year and previous three calendar years, also at complaint stage. In respect of SABIC's comment on captive sales, the complainant provided evidence regarding captive sales. As a consequence, there was an examination of the totality of the market and, for certain aspects of the injury analysis, a focus on the free market. The subsequent analysis by the Commission of the information at its disposal found *inter alia* a separation between free and captive markets. Regarding the claim that the profitability calculation of underselling was not accurate as it was based on an unreasonable profit margin, it is noted that the Commission was satisfied with the evidence of the underselling brought forward by the complainant and considered it sufficient *prima facie* evidence.
- (48) Mitsubishi claimed that year 2017 could have been an exceptional year for the Union industry and therefore 2017 could not be an appropriate reference year for the injury assessment and the period considered in the complaint should have been extended to earlier years. Furthermore, it was argued that the use of one to two years duration contracts in the industry could also require an assessment over a longer period. Mitsubishi claimed that the complaint showed that there was no price undercutting at the overall level by the US and the KSA imports during the investigation period and that the requirement of evidence of material price undercutting was particularly important in the current case given that the majority of sales are made under contracts which are typically of one or two years duration. The Commission considered that none of Mitsubishi's allegations disproved the conclusion that there was sufficient evidence for the initiation of an anti-dumping proceeding. There was no exceptional event that justified the extension of the period considered prior to 1 January 2017. The period considered allows to take into account the peculiarity of one or two years contracts. Indeed, the complaint contained sufficient evidence that dumped imports had a materially injurious impact on the state of the Union industry and the Commission was satisfied with the evidence of the undercutting brought forward by the applicant—as well as the evidence of price depression and sales below Union industry costs.

- (49) SABIC and the Mission of the Kingdom of Saudi Arabia claimed that the complainant did not demonstrate the existence of a causal link under Article 3(6) of the basic Regulation as the complainant only examined the prices effects, and not the correlation between the volume of imports from the KSA and the US. It further argued that the volume of imports of MEG from the KSA decreased over the period considered and that the prices of imports from the KSA could not have negatively affected the complainant as there was no undercutting.
- (50) The complainant analysed the effect of volumes on a cumulated basis as the conditions of Article 3(4) of the basic Regulation were met at that stage. The simultaneity of the deterioration of the situation of the Union industry and of the increased penetration of dumped imports strongly indicates the existence of a causal link. The absence of undercutting does not mean that export prices could not have caused injury when Union industry prices were the result of the strong price pressure exerted by the low-priced dumped imports. The crucial factor for the determination of injury and causation is that Union producers had no option but to decrease their sales prices in order to defend their market share and maintain reasonable levels of production. Furthermore, the situation of the Union industry was aggravated by the fact that the dumped imports were sold in an open and transparent market where prices were well known, forcing the Union industry to decrease its sales prices to limit its loss of market share.
- (51) SABIC and the Mission of the Kingdom of Saudi Arabia claimed that the complainant did not examine other causes of injury such as the effects of the ethylene purchasers' cartel that ran up until at least March 2017 and likely had effects after that too. SABIC highlighted other factors such as (i) the non-competitiveness of the Union industry as the average cost of production in the Union was higher than in the Middle East and North America; (ii) the declining share of ethylene oxide used for MEG production to favour other ethylene oxide derivatives; (iii) the increase in imports of polyethylene terephthalate (PET) which had a direct impact on the consumption of MEG; (iv) self-inflicted injury caused by imports of MEG from the KSA. It, therefore, claimed that by failing to even disclose the above listed other known causes of injury and not undertaking a non-attribution analysis, the Complainant did not observe the requirements set forth in Article 3(7) of the basic Regulation. Mitsubishi also claimed that the alleged injury was attributable to (i) the global depression in MEG prices, (ii) Union industry's lack of competitiveness rather than any alleged dumping. It also claimed that the non-complainant Union producers performed better than the complainant Union producers and are recovering.
- (52) The Commission's analysis confirmed that none of the elements mentioned, whether factually correct or not, disprove the conclusion that there was sufficient evidence for the initiation of an anti-dumping proceeding with regard to the point that dumped imports had a materially injurious impact on the state of the Union industry.
- (53) CIRFS claimed that the complaints should have included the negative consequences of the COVID-19 pandemic as a factor causing injury for 2020 by wrongly stating that the investigation period in the complaint covered the period from 1 July 2019 to 30 June 2020.
- (54) In fact the investigation period of the complaint started from 1 April 2019 and ended 31 March 2020 and therefore any the impact of COVID-19 pandemic would have been felt by the Union industry after the investigation period.
- (55) On the basis of the above, the Commission confirmed that the complainant provided sufficient evidence of dumping, injury and a causal link, thereby satisfying the requirements set out in Article 5.2 of the ADA and Article 5(2) of the basic Regulation. Therefore, the complaint met the requirements for initiation.
- (56) The Commission considered and addressed all the other relevant comments in the sections below.

1.4. Sampling

- (57) In the Notice of Initiation, the Commission stated that it might sample the interested parties in accordance with Article 17 of the basic Regulation.

1.4.1. Sampling of Union producers

- (58) In its Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. The Commission selected the sample on the basis of the volume of production and sales of the like product in the Union reported by the Union producers in the context of the pre-initiation standing analysis. This sample consisted of three Union producers, out of which two were related. The sampled Union producers accounted for 64,1 % of total Union production and 65 % of total Union sales. The sample was considered representative of the Union industry. The Commission invited interested parties to comment on the provisional sample. No comments were received and therefore the sample was confirmed.

1.4.2. *Sampling of importers*

- (59) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked unrelated importers to provide the information specified in the Notice of Initiation.
- (60) Two unrelated importers provided the requested information and agreed to be included in the sample. In view of the low number of replies, the Commission decided that sampling was not necessary.

1.4.3. *Sampling of exporting producers in the United States of America*

- (61) To decide whether sampling was necessary and, if so, to select a sample, the Commission asked all exporting producers in the United States of America to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the United States of America to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.
- (62) Five exporting producers in the United States of America provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of two groups of exporting producers on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. The sampled groups of exporting producers represented approximately 55 % of imports from the United States of America to the Union-EU27 during the investigation period. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned and the authorities of the United States of America were consulted on the selection of the sample. No comments were received and the sample was confirmed.

1.4.4. *Sampling of exporting producers in the KSA*

- (63) To decide whether sampling was necessary and, if so, to select a sample, the Commission asked all exporting producers in the KSA to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the KSA to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.
- (64) Four producers in the KSA provided the requested information and agreed to be included in the sample. However, one of them declared no exports during the investigation period, whereas the other three are related because two of these produce in the KSA via joint venture agreement with the third producer. In view of the above, the Commission decided not to resort to sampling of exporting producers in the KSA.

1.5. **Questionnaire replies and remote cross-checks**

- (65) The questionnaires for Union producers, unrelated importers, users and exporting producers were made available online ⁽⁴⁾ on the day of initiation.
- (66) The Commission received questionnaire replies from the three sampled Union producers, two unrelated importers (Helm and Oxyde), seven users (Arteco, Indorama Group, Neo Group, Novapet, PlastiVerd, Selenis, SIR Industriale) and eight exporting producers (Lotte Chemical Louisiana LLC, MEGlobal Americas Inc, Saudi Kayan petrochemical company, Yanbu National Petrochemical Company, Eastern Petrochemical Company, Saudi Yanbu Petrochemical Company, Arabian Petrochemical Company, Jubail United Petrochemical Company).
- (67) The Commission sought and cross-checked all the information deemed necessary for a provisional determination of dumping, resulting injury and Union interest. Due to the outbreak of the COVID-19 pandemic and the consequent measures taken to deal with the outbreak ('the COVID-19 Notice') ⁽⁵⁾, the Commission was unable to carry out verification visits at the premises of the sampled companies and cooperating users. Instead, the Commission performed remote cross-checks ('RCCs') of the information provided by the following companies via videoconference:

Union producers:

— BASF Antwerpen N.V., Belgium (and its related sales company BASF SE)

⁽⁴⁾ http://trade.ec.europa.eu/tdi/case_details.cfm?ref=ong&id=2485

⁽⁵⁾ Notice on the consequences of the COVID-19 outbreak on anti-dumping and anti-subsidy investigations (OJ C 86, 16.3.2020, p. 6).

- INEOS NV, Belgium (and its related sales company INEOS Europe AG)
- INEOS Manufacturing Deutschland GmbH, Germany (and its related sales company INEOS Europe AG)

Exporting producers in the United States of America:

- Lotte Chemical Louisiana LLC
- MEGlobal Americas Inc

Related traders, importers and processors:

- MEGlobal International FZE, United Arab Emirates
- MEGlobal Europe GmbH, Switzerland
- Equipolymers GmbH, Germany

Exporting producers in the KSA:

- Saudi Kayan petrochemical company (Saudi Kayan)
- Yanbu National Petrochemical Company (Yansab)
- Eastern Petrochemical Company (Sharq)
- Saudi Yanbu Petrochemical Company (Yanpet)
- Arabian Petrochemical Company (Petrokemya)
- Jubail United Petrochemical Company (United)

Related traders to the exporting producers in the KSA

- Saudi Basic Industries Corporation (SABIC), KSA

Related traders, importers and processors:

- SABIC Petrochemicals B.V., The Netherlands
- SABIC Italia Srl, Italy
- Exxon Mobil Petroleum & Chemical BV, The Netherlands

1.6. Investigation period and period considered

- (68) The investigation of dumping and injury covered the period from 1 July 2019 to 30 June 2020 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2017 to the end of the investigation period ('the period considered').
- (69) CPME claimed that the investigation period chosen by the Commission did not include the period immediately prior to the initiation of the investigation as required under Article 6(1) of the basic Regulation. CPME argued that as the investigation was opened on 14 October 2020, the period July – September 2020 should have been included in the investigation period. CPME claimed that the period January 2020 to June 2020 included in the investigation period was distorted by the effects of the COVID-19 pandemic. Therefore, CPME believed that the Commission should collect post-IP data for the purpose of the injury and the Union interest assessment.
- (70) The Commission has discretion in selecting the investigation period. In this case, the period selected has the twin advantage of immediacy to the date of initiation and of being based on half-year period which facilitates cooperation by companies and thus accuracy and adequacy of the findings. The effects of the COVID-19 pandemic are analysed under causality, as may be relevant for factors which may attenuate the causal link. The claim was thus rejected.

2. PRODUCT CONCERNED AND LIKE PRODUCT

2.1. Product concerned

- (71) The product concerned is mono ethylene glycol (current EC-number 203-473-3), originating in the United States of America and the Kingdom of Saudi Arabia, currently falling under CN code ex 2905 31 00 (TARIC code 2905 31 00 10) ('the product concerned').
- (72) MEG is also designated with the names ethylene glycol, ethanediol and ethane-1,2-diol.
- (73) MEG is produced starting from various feedstocks (ethane, propane, NGL, butane) to make ethylene. Ethylene is then mixed with oxygen to form ethylene oxide and then with water to produce mono ethylene glycol.
- (74) MEG is a commodity commercially available in two different grades: fibre grade and technical grade. The fibre grade is characterised by high purity (99,9 %), whereas the technical grade has lower purity levels.
- (75) Fibre grade MEG is predominantly used in the production of PET, polyester fibres, resins and films. Technical grade MEG is mainly used in the automotive sector as anti-freezing. Additional MEG applications include heat transfer agent, de-icing fluids, surface coatings, unsaturated polyester resins, polyester polyols, and natural gas dehydrogenation.

2.2. Like product

- (76) The investigation showed that the following products have the same basic physical, chemical and technical characteristics as well as the same basic uses:
- the product concerned,
 - the product produced and sold on the domestic market of countries concerned, and
 - the product produced and sold in the Union by the Union industry.
- (77) The Commission decided at this stage that those products are therefore like products within the meaning of Article 1(4) of the basic Regulation.

2.3. Claims regarding product scope

- (78) SABIC claimed that the product scope was overly broad and requested the exclusion from the investigation of 'off-spec MEG', arguing that this product was not comparable to and did not compete with prime grade ('on-spec') MEG. Furthermore, SABIC argued that in case the Commission decided not to exclude off-spec MEG from the scope of the investigation, it should amend the product control number ('PCN') construction to cover off-spec MEG as well.
- (79) The off-spec MEG is not a different product type, but a deteriorated MEG as a result of oxygenation that occurred by mistake during transportation. The MEG producers do not manufacture such product on purpose. Depending on the level of deterioration, off-spec MEG can be either discarded, or can be mixed with prime grade MEG and used in certain applications such as engine coolant for the automotive industry. Therefore, the claim was rejected and the PCN did not need to be amended.

3. DUMPING

3.1. KSA

- (80) Sampling was not applied for exporting producers in the KSA. The sole company group, SABIC, has six production entities, each of them was checked separately for their costs of manufacturing. Only one of the six production entities produced for the domestic market, and therefore its cost of manufacturing was used in the calculation of normal value. However, both domestic sales and exports to the Union were examined at the company group level.

3.1.1. Normal value

- (81) The Commission first examined whether the total volume of domestic sales for the exporting producer group was representative, in accordance with Article 2(2) of the basic Regulation. The domestic sales are representative if the total domestic sales volume of the like product to independent customers on the domestic market per exporting producer represented at least 5 % of its total export sales volume of the product concerned to the Union during the investigation period. On this basis, the total sales of the like product on the domestic market were representative.
- (82) Given that there was only one product type sold on the domestic market, and also exported to the Union, the Commission did not need to check the representativeness at product type level.
- (83) The Commission next defined the proportion of profitable sales to independent customers on the domestic market during the investigation period in order to decide whether to use actual domestic sales for the calculation of the normal value, in accordance with Article 2(4) of the basic Regulation.
- (84) The normal value is based on the actual domestic price, irrespective of whether those sales are profitable or not, if:
- (a) the sales volume, sold at a net sales price equal to or above the calculated cost of production, represented more than 80 % of the total sales volume; and
 - (b) the weighted average sales price is equal to or higher than the unit cost of production.
- (85) In this case, the normal value is the weighted average of the prices of all domestic sales during the IP.
- (86) The normal value is the actual domestic price of only the profitable domestic sales during the IP, if:
- (a) the volume of profitable sales represents 80 % or less of the total sales volume; or
 - (b) the weighted average price is below the unit cost of production.

3.1.2. Adjustments to the cost of manufacturing

- (87) The cooperating exporting producers purchase the feedstock, and in particular propane, for the production of MEG from a related company, state-owned Saudi Aramco, the monopoly supplier in the country.
- (88) SABIC was owned by the KSA Public Investment Fund ('PIF'), a government entity, until the end of June 2020, when their 70 % shareholding was bought by Saudi Aramco. The KSA government owns 95,8 % of Saudi Aramco and the Chairman of Aramco since 2016, H.E. Yasir O. Al-Rumayyan, is also the Governor and Director of the PIF since 2015. Therefore, the two companies are considered to be related, as the government is a common shareholder of the company, and as H.E. Yasir O. AL Rumayyan is an officer/director in both companies.
- (89) Due to the relationship, the feedstock purchases cannot be considered in the ordinary course of trade and cannot therefore be used to establish the normal value. In the specific case of propane (the feedstock used to produce ethylene and subsequently, MEG), prices are set by the government in view of the activity of its related companies. Prices are therefore directly affected by the relationship, as per art. 2(1) of the basic Regulation.
- (90) Therefore, the Commission examined in detail the feedstock purchases and used the method described below to calculate the normal value. SABIC purchases propane from Saudi Aramco at the government fixed price of 20 % below Japanese propane price ⁽⁹⁾.

⁽⁹⁾ <http://www.jadwa.com/en/download/petrochemicals-and-the-vision-2030/research-13-1-1-1-1-1-1> (accessed on 11 May 2021).

- (91) Under Article 2(5) paragraph 2 of the basic Regulation, if costs associated with the production and sale of the product concerned are not reasonably reflected in the records of the party concerned, they shall be adjusted or established on the basis of other producers or exporters in the same country or, where such information is not available or cannot be used, on any other reasonable basis, including information from other representative markets.
- (92) The Commission established that cost of the propane feedstock was not reasonably reflected in the records of SABIC because of its relationship with the supplier. Therefore, the Commission resorted to adjust the cost of propane by increasing the price paid by SABIC to Saudi Aramco so as to remove the 20 % discount and bring it to the level of the benchmark used by the government of KSA.
- (93) On the basis of the adjustments made to the costs of propane, the Commission adjusted the cost of ethylene used by SABIC in the cost of production of MEG.
- (94) Based on the adjusted cost of manufacturing, the analysis of domestic sales showed that less than 80 % of all domestic sales were profitable and that the weighted average sales price was lower than the cost of production. Accordingly, the normal value was calculated as a weighted average of the profitable sales only.

3.1.3. *Export price*

- (95) The MEG exported to the Union from the KSA was manufactured by six exporting producers, two of which are joint ventures with ExxonMobil and SPDC (a company related to Mitsubishi Corporation). The MEG is then exported through three different networks of related traders and importers in the Union: one for SABIC, one for ExxonMobil and one for SPDC.
- (96) The export price was established on the basis of the price at which the imported product was first resold to independent customers in the Union, in accordance with Article 2(9) of the basic Regulation. In this case, adjustments to the price were made for all costs incurred between importation and resale, including SG&A expenses, and for profits accruing.
- (97) As to the profit margin, due to confidentiality reasons regarding the data of the cooperating unrelated importers, the Commission provisionally decided to resort to the profit margin used in a previous proceeding concerning another chemical product manufactured by a similar industry and imported under similar circumstances, namely a profit margin of 6,89 % ⁽⁷⁾ established in the recent PVA investigation. At this stage, this profit margin is the most objective basis available for the purpose of arriving at a satisfactory estimate of an arm's length export price.
- (98) During the investigation, the complainant submitted documentation whereby it had reasons to believe that Lotte and Mitsubishi had entered into a form of association or compensatory arrangement regarding the distribution and sales of MEG, including in the Union. The complainant noted, as a consequence, that in cases where it appears that the export price is unreliable because of an association or a compensatory arrangement between the exporter and the importer or a third party, the export price may be constructed on the basis of the price at which the imported products are first resold to an independent buyer.
- (99) Lotte firmly denied that it is in association with Mitsubishi regarding the distribution and sales of MEG, including in the Union. The information reported by the complainant was outdated and referred to 2015, when discussions between Lotte and Mitsubishi regarding the possibility of starting a joint venture were ongoing but did not materialise. Lotte and Mitsubishi are thus not related.
- (100) Mitsubishi stated that the information referred to by the complainant is outdated and that it is not associated to Lotte for the purposes of the basic Regulation. It clarified that there are no compensatory arrangements between Mitsubishi Corporation and Lotte which could render Lotte's export sales prices of MEG to Mitsubishi as not being in the ordinary course of trade.

⁽⁷⁾ Recital (352) of Commission Implementing Regulation (EU) 2020/1336, of 25 September 2020 imposing definitive anti-dumping duties on imports of certain polyvinyl alcohols originating in the People's Republic of China (OJ L 315, 29.9.2020, p. 1).

- (101) Due to the timeframe of the investigation, the Commission could not examine these comments fully at this stage, and will further look into this matter for the purposes of the definitive determination, including on its admissibility.

3.1.4. Comparison

- (102) The Commission compared the normal value and the export price on an ex-works basis.
- (103) Where justified by the need to ensure a fair comparison, the Commission adjusted the normal value and the export price for differences affecting prices and price comparability, in accordance with Article 2(10) of the basic Regulation. Adjustments were made for domestic insurance, freight in the KSA, commission, handling and loading and ancillary expenses in the KSA, ocean freight, ocean insurance, customs duties in the EU, credit cost, technical assistance, bank charges, year-end rebates and other allowances.

3.1.5. Dumping margin

- (104) The Commission compared the weighted average normal value of the like product with the weighted average export price of the product concerned, in accordance with Article 2(11) and (12) of the basic Regulation.
- (105) For all other exporting producers in the KSA, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation. To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers to the Union expressed as proportion of the total imports from the KSA during the IP, that were established on the basis of Eurostat data.
- (106) The level of cooperation in this case is high because the exports of the cooperating exporting producers constituted around 100 % of the total imports during the IP. On this basis, the Commission decided to establish the dumping margin for all other companies at the level of the company with the highest dumping margin.
- (107) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Saudi Kayan petrochemical company (Saudi Kayan)	11,1 %
Yanbu National Petrochemical Company (Yansab)	11,1 %
Eastern Petrochemical Company (Sharq)	11,1 %
Saudi Yanbu Petrochemical Company (Yanpet)	11,1 %
Arabian Petrochemical Company (Petrokemya)	11,1 %
Jubail United Petrochemical Company (United)	11,1 %
All other companies	11,1 %

3.2. United States of America

3.2.1. Normal value

- (108) The Commission first examined whether the total volume of domestic sales for each sampled exporting producer was representative, in accordance with Article 2(2) of the basic Regulation. The domestic sales are representative if the total domestic sales volume of the like product to independent customers on the domestic market per exporting producer represented at least 5 % of its total export sales volume of the product concerned to the Union during the investigation period. On this basis, the total sales by each sampled exporting producer of the like product on the domestic market were representative.

- (109) Given that there was only one product type sold on the domestic market, and also exported to the Union, the Commission did not need to check the representativeness at product type level.
- (110) The Commission next defined the proportion of profitable sales to independent customers on the domestic market during the investigation period in order to decide whether to use actual domestic sales for the calculation of the normal value, in accordance with Article 2(4) of the basic Regulation.
- (111) The normal value is based on the actual domestic price, irrespective of whether those sales are profitable or not, if:
- (a) the sales volume, sold at a net sales price equal to or above the calculated cost of production, represented more than 80 % of the total sales volume; and
 - (b) the weighted average sales price is equal to or higher than the unit cost of production.
- (112) In this case, the normal value is the weighted average of the prices of all domestic sales during the IP.
- (113) The normal value is the actual domestic price of only the profitable domestic sales of the product types during the IP, if:
- (a) the volume of profitable sales represents 80 % or less of the total sales volume of this type; or
 - (b) the weighted average price is below the unit cost of production.

3.2.2. *Allocation of costs to the product concerned*

- (114) On the basis of the cost allocation historically applied by the company, the analysis of domestic sales showed that for Lotte Chemicals Louisiana LLC less than 80 % of all domestic sales were profitable and that the weighted average sales price was lower than the cost of production. Accordingly, the normal value was calculated as a weighted average of the profitable sales only.
- (115) For MEGlobal Americas Inc, less than 80 % of all domestic sales were profitable and the weighted average sales price was higher than the cost of production. Accordingly, the normal value was calculated as a weighted average of the profitable sales only.

3.2.3. *Export price*

- (116) The sampled exporting producers exported to the Union either directly to independent customers or through related companies.
- (117) For the exporting producer that exported the product concerned directly to independent customers in the Union, the export price was the price actually paid or payable for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.
- (118) For the exporting producer that exported the product concerned to the Union through a related company acting as an importer in Switzerland, the export price was established on the basis of the price at which the imported product was first resold to independent customers in the Union, in accordance with Article 2(9) of the basic Regulation. In this case, adjustments to the price were made for all costs incurred between importation and resale, including SG&A expenses, and for profits accruing. As to the latter, the same profit margin as described in the Export price section of KSA was applied.

3.2.4. *Construction of the export price when sold to a related processor in the Union*

- (119) For MEGlobal Americas, some of their sales from their related importer in the Union were to unrelated customers, and therefore the methodology in Section 3.2.3 above was used.

- (120) However, some of their sales from their related importer in the Union were to a related processor of MEG, who then produced a different product (PET) for sale to other parties. The related processor cooperated with the investigation and provided data as requested.
- (121) Given that there was no resale price under Article 2(9) of the basic Regulation the Commission established an export price under 'any reasonable basis', i.e. the cost structure of PET.
- (122) The price of MEG so established was then used to calculate the export price using the methodology in Section 3.2.3 above, given the presence of the related importer.

3.2.5. Comparison

- (123) The Commission compared the normal value and the export price of the sampled exporting producers on an ex-works basis.
- (124) Where justified by the need to ensure a fair comparison, the Commission adjusted the normal value and the export price for differences affecting prices and price comparability, in accordance with Article 2(10) of the basic Regulation. Adjustments were made for handling and loading, freight in the exporting country, ocean freight, ocean insurance, customs duty and other import charges, freight in the Union, credit cost, domestic insurance.

3.2.6. Dumping margins

- (125) For the sampled exporting producers, the Commission compared the weighted average normal value of the like product with the weighted average export price of the product concerned, in accordance with Article 2(11) of the basic Regulation.
- (126) On this basis, the provisional weighted average dumping margins pursuant to Article 2(12) expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Lotte Chemical Louisiana LLC	8,5 %
MEGlobal Americas Inc	38,3 %

- (127) For the cooperating exporting producers outside the sample, the Commission calculated the weighted average dumping margin in accordance with Article 9(6) of the basic Regulation. That margin was established on the basis of the margins of the sampled exporting producers.
- (128) On this basis, the provisional dumping margin of the cooperating exporting producers outside the sample is 13,5 %.
- (129) For all other exporting producers in the US, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation. To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers to the Union expressed as proportion of the total imports from the US during the IP, that were established on the basis of Eurostat data.
- (130) In this case, the exports of the cooperating exporting producers constituted around 59 % of the total imports during the IP. On this basis, the Commission decided to establish the residual dumping margin at the level of the margin established for the largest representative group of transactions per customer by the cooperating exporting producer with the highest dumping margin.

- (131) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Lotte Chemical Louisiana LLC	8,5 %
MEGlobal Americas Inc	38,3 %
Other cooperating companies	13,5 %
All other companies	52,0 %

4. INJURY

4.1. Definition of the Union industry and Union production

- (132) The like product was manufactured by 12 producers or nine groups of producers in the Union during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (133) The total Union production during the investigation period was established at 942 911 tonnes. The Commission established the figure on the basis of all the available information concerning the Union industry, such as the data of the complainant which was cross-checked for reliability and completeness with information supplied by sampled Union producers. The data of the non-cooperating Union producers was estimated by the complainant based on market intelligence. As indicated in recital (58) the three sampled Union producers represented 64,1 % of the total Union production of the like product.
- (134) According to Article 4(1) of the basic Regulation, producers which are related to Saudi and/or American exporters or importers and/or are themselves importers of the allegedly dumped product may be excluded from the Union industry. Article 4(2) defines when producers are to be considered related to exporter or importers.
- (135) SABIC claimed that one of the complainants has consistently imported MEG from the KSA and therefore it should not be considered a Union producer.
- (136) The investigation revealed that it was not the MEG producer as such who was importing MEG from the KSA but two related companies. These related companies imported very marginal volumes of MEG from the KSA during the investigation period, to punctually complement their supplies. These related companies are users of MEG. Therefore, the Commission concluded there was no reason to exclude this producer from the Union industry.
- (137) Mitsubishi claimed that one of the complainants imported MEG from the countries concerned and therefore it should not be considered a Union producer.
- (138) The investigation revealed that the company did not import the product concerned from the countries concerned during the IP. Previous imports were very marginal to punctually complement their production. Therefore, the Commission concluded there was no reason to exclude this producer from the Union industry.
- (139) SABIC also claimed that a related company to a supporting producer also imported MEG from the KSA. The company did not cooperate and there was no other evidence at hand allowing the Commission to conclude that it should be excluded from the definition of Union industry. At any rate, should this company be excluded, it would not have had a material impact on the determination of injury and causal link, given its limited size.
- (140) The Commission also investigated the existing relationships of the Union industry with exporters or importers of the product concerned. The investigation showed that one of the main shareholders of a non-cooperating Union producer is the Saudi MEG producer and two more non-cooperating Union producers are owned by US MEG producers. Given the lack of cooperation of these companies and the lack of other evidence at hand in this regard, Commission could not conclude that they should be excluded from the definition of Union industry.

4.2. Determination of the relevant Union market

- (141) To establish whether the Union industry suffered injury and to determine consumption and the various economic indicators related to the situation of the Union industry, the Commission examined whether and to what extent the subsequent use of the Union industry's production of the like product had to be taken into account in the analysis.
- (142) To provide a picture of the Union industry that was as complete as possible, the Commission obtained data for the entire MEG activity and determined whether the production was destined for captive use or for the free market.
- (143) The Commission found that around 7 % of the total Union consumption was captive during the investigation period as shown in Table 1 below. The captive market decreased by 28 % over the period considered.
- (144) The distinction between captive and free market is relevant for the injury analysis because products destined for captive use are not exposed to direct competition from imports. By contrast, production destined for free market sale is in direct competition with imports of the product concerned.
- (145) One of the sampled MEG producers is swapping part of its MEG production in exchange for an equivalent volume of ethylene oxide under a long-term swap agreement which includes also a conversion fee set up at the time of signing the swap agreement. The volume of MEG part of this contract is included in the assessment of the macroeconomic indicators, but are excluded from the microeconomic indicators as the conversion fee received by the sampled Union producer is not based on market conditions. Nevertheless, the inclusion of the sales under this swap agreement in the assessment of the microeconomic indicators would not have affected the profitability trend nor the conclusion that Union industry suffered material injury as stated in recital (197) and (206).
- (146) The Commission examined certain economic indicators relating to the Union industry on the basis of data for the free market. These indicators are: sales volume and sales prices on the Union market, market share, growth, export volume and prices, profitability, return on investment, and cash flow. Where possible and justified, the findings of the examination were compared with the data for the captive market in order to provide a complete picture of the situation of the Union industry.
- (147) However, other economic indicators could meaningfully be examined only by referring to the whole activity, including the captive use of the Union industry. These are: production, production capacity, capacity utilisation, investments, stocks, employment, productivity, wages, and ability to raise capital. They depend on the whole activity, whether the production is captive or sold on the free market.

4.3. Union consumption

- (148) The Commission established the Union consumption on the basis of total Union sales as determined by the complainant plus imports from all third countries as recorded in Eurostat.
- (149) Union consumption developed as follows:

	2017	2018	2019	Investigation period
Total Union consumption	1 687 120	1 765 864	1 755 524	1 624 170
<i>Index</i>	100	105	104	96
Captive market	164 452	163 791	140 637	119 102
<i>Index</i>	100	100	86	72
Free market	1 522 668	1 602 073	1 614 888	1 505 068
<i>Index</i>	100	105	106	99

Source: Eurostat, the complainant

(150) Overall the free market consumption in the Union was fairly stable, decreasing by 1 %. From 2017 to 2019 the Union market increased by 6 % from 1 522 668 tonnes to 1 614 888 tonnes before decreasing in the investigation period by 6,8 % reaching 1 505 068 tonnes, almost at the same level as in 2017.

4.4. Imports from the countries concerned

4.4.1. Cumulative assessment of the effects of imports from the countries concerned

(151) The Commission examined whether imports of MEG originating in the countries concerned should be assessed cumulatively, in accordance with Article 3(4) of the basic Regulation.

(152) That provision stipulates that the effects of imports from more than one country shall be cumulatively assessed only if it is determined that:

(a) the margin of dumping established in relation to the imports from each country is more than *de minimis* as defined in Article 9(3) and the volume of imports from each country is not negligible; and

(b) a cumulative assessment of the effects of the imports is appropriate in light of the conditions of competition between imported products and the like Union product.

(153) The margins of dumping established in relation to the imports from the US and the KSA were above the *de minimis* threshold laid down in Article 9(3) of the basic Regulation. The volume of imports from each of the countries concerned was not negligible within the meaning of Article 5(7) of the basic Regulation. Indeed, market shares in the investigation period were 16,7 % for imports from the US and 24,2 % from the KSA.

(154) The conditions of competition between the dumped imports from the US and the KSA and between the dumped imports from the countries concerned and the like product were similar. More specifically, the imported products compete fiercely with each other and with the MEG produced in the Union because MEG is a very price sensitive homogenous commodity, which is sold to similar categories of customers. While there might be some differences regarding sales channels (the Union industry sells directly to the unrelated customers, the US exporting producers sell either directly or via related importers/traders and the Saudi exporting producers sell mostly via related importers/traders) the competition is primarily based on lowest price and not on those sales channels.

(155) In addition, imports from both countries were sold at prices well below Union industry costs as stated in recital (211), thus contributing in a similar fashion to the price depression suffered by the Union industry as described in recitals (188) to (190).

(156) Therefore, all the criteria set out in Article 3(4) of the basic Regulation were met and imports from the US and the KSA were examined cumulatively for the purposes of the injury determination.

(157) SABIC claimed that the imports from the KSA should not be cumulated with the imports from the US as (i) imports from the KSA and the US followed different trends; (ii) 'the average unit value of imports' from the KSA was 5 % higher than from the US; (iii) Saudi and US producers sell MEG to the EU through different channels and at different prices.

(158) The Commission rejected those claims. The decision as to whether or not imports should be assessed cumulatively must be based on the criteria set out in Article 3(4) of the basic Regulation, which were met in this case as highlighted in recitals (153) to (155). None of the aspects raised by SABIC could question the appropriateness of examining imports from the KSA together with those from the US.

4.4.2. Volume and market share of the imports from the countries concerned

(159) The Commission established the volume of imports on the basis of Eurostat data. The market share of the imports was established by comparing the volume of imports with the Union consumption.

(160) Imports into the Union from the countries concerned developed as follows:

	2017	2018	2019	Investigation period
Volume of imports from the countries concerned (tonnes)	481 466	574 965	703 348	663 835
<i>Index</i>	100	119	146	138
Market share (%)	31,6	35,9	43,6	44,1
<i>Index</i>	100	114	138	139
Volume of imports from the United States of America (tonnes)	57 919	73 681	209 013	270 508
<i>Index</i>	100	127	361	467
Market share (%)	3,8	4,6	12,9	18,0
<i>Index</i>	100	121	340	473
Volume of imports from the Kingdom of Saudi Arabia (tonnes)	423 547	501 284	494 335	393 327
<i>Index</i>	100	118	117	93
Market share (%)	27,8	31,3	30,6	26,1
<i>Index</i>	100	112	110	94

Source: Eurostat

(161) Imports from the countries concerned increased by 38 % during the period considered. The increase in market share was even more pronounced as the market share of the imports concerned increased by 12,5 percentage points, from 31,6 % in 2017 to 44,1 % in the investigation period. As consumption was rather stable in the investigation period as compared to 2017, the sharp increase in market share by the countries concerned was clearly to the detriment of other market participants, especially the Union industry.

4.4.3. Prices of the imports from the countries concerned and price undercutting

(162) The Commission established the prices of imports on the basis of Eurostat data. It is important to clarify that the level of these statistical prices might differ from verified prices for co-operating exporting producers as such, as most of the imports from the countries concerned, in particular for the KSA, are made through related importers/traders. Information on the latter confirm the trends and general levels mentioned below.

(163) The weighted average price of imports into the Union from the countries concerned developed as follows:

	2017	2018	2019	Investigation period
United States of America	747	775	508	441
<i>Index</i>	100	104	68	59
Kingdom of Saudi Arabia	704	746	545	470
<i>Index</i>	100	106	77	67
Countries concerned	709	749	534	458
<i>Index</i>	100	106	75	65

Source: Eurostat

- (164) The average import price from the countries concerned fell by 35 % during the period considered. In fact, the prices of imports from both countries concerned fell, i.e. by 41 % from the US and by 33 % from the KSA during the period considered. This fall was particularly evident from 2018 to 2019 when the US exporting producers increased their market share by 8,3 percentage points to the detriment of the Union industry while the Saudi exporting producers maintained their market share by decreasing the prices as well, also in a very significant fashion.
- (165) The Commission determined price undercutting during the investigation period by comparing:
- the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level, and
 - the corresponding weighted average prices per product type of the imports from the sampled Saudi and US producers to the first independent customer on the Union market, established on a cost, insurance, freight (CIF) basis, with appropriate adjustments for customs duties and post-importation costs.
- (166) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' theoretical turnover during the investigation period. It showed a weighted average undercutting margin of [10,7 – 13,0] % for the imports from the KSA, while on a weighted average basis of all transactions of the two American companies concerned there was no undercutting by the US imports.
- (167) In the investigation period, comparing the sales prices on a type-by-type basis for transactions at the same level of trade, imports from the countries concerned undercut the prices of the Union industry by [7,6 – 9,3] % on average.
- (168) Bearing in mind that the product concerned is a commodity and that competition is largely based on price alone and that its prices are very transparent (i.e. known in the market), such margins are considered significant. A low price difference will make the buyer switch suppliers. This was also confirmed by the replies of the users. Furthermore, as shown in Tables 3 and 7, the import price from both countries concerned was below the cost of production of the Union industry during the investigation period.

4.5. Economic situation of the Union industry

4.5.1. General remarks

- (169) In accordance with Article 3(5) of the basic Regulation, the examination of the impact of the dumped imports on the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.
- (170) As mentioned in recital (58), sampling was used for the determination of possible injury suffered by the Union industry.
- (171) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in the response to the questionnaire submitted by the complainant. The data related to all Union producers. The Commission evaluated the microeconomic indicators on the basis of data contained in the questionnaire replies from the sampled Union producers. Both sets of data were found to be representative of the economic situation of the Union industry.
- (172) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the dumping margin, and recovery from past dumping.
- (173) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital.

4.5.2. Macroeconomic indicators

4.5.2.1. Production, production capacity and capacity utilisation

- (174) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 4
Production, production capacity and capacity utilisation

	2017	2018	2019	Investigation period
Production volume (tonnes)	1 165 543	1 171 349	997 626	942 911
<i>Index</i>	100	100	86	81
Production capacity (tonnes)	1 521 000	1 521 000	1 521 000	1 478 500
<i>Index</i>	100	100	100	97
Capacity utilisation (%)	76,6	77,0	65,6	63,8
<i>Index</i>	100	100	86	83

Source: verified questionnaire reply of the complainant

- (175) The Union industry's production volume was rather stable until 2018, then decreased by 14,4 % in 2019 as compared to 2018, and by 5,4 % in the investigation period as compared to 2019. This decrease in production volume coincided with the sharp increase in import volume and decrease of import prices observed in 2019, as shown in Tables 2 and 3 above. Overall, the production volume decreased by 19 % during the period considered.
- (176) The production capacity was almost constant during the period considered. It slightly decreased in the investigation period, also due to an accident in the plant of one of the Union producers in January 2020 ⁽⁸⁾.
- (177) The capacity utilisation reflected the trend of production volume and decreased by 13 percentage points over the period considered.

4.5.2.2. Sales volume and market share

- (178) The Union industry's sales volume and market share developed over the period considered as follows:

Table 5
Sales volume and market share

	2017	2018	2019	Investigation period
Total sales volume on the Union market – both free and captive sales (tonnes)	1 106 652	1 105 241	972 515	889 779
<i>Index</i>	100	100	88	80
Market share (%)	65,6	62,6	55,4	54,8
<i>Index</i>	100	95	84	84
Captive market sales (tonnes)	164 452	163 791	140 637	119 102

⁽⁸⁾ <https://www.icis.com/explore/resources/news/2020/01/16/10459681/explosion-at-reactor-caused-iqoxe-s-blast-death-toll-rises-to-three>

<i>Index</i>	100	100	86	72
Market share of captive market sales (%)	9,7	9,3	8,0	7,3
<i>Index</i>	100	95	82	75
Free market sales (tonnes)	942 200	941 449	831 878	770 677
<i>Index</i>	100	100	88	82
Market share of free market sales (%)	61,9	58,8	51,5	51,2
<i>Index</i>			83	83

Source: Eurostat, verified questionnaire reply of the complainant

- (179) Total sales in the Union decreased by 20 % during the period considered. This decrease, which began in 2019, occurred against a background of the concurrent significant increase in import volume from the countries concerned.
- (180) The sales for the captive market decreased by 28 % as well during the period considered.
- (181) Throughout the period considered the total sales on the free market by the Union industry decreased by 18 %. The trend in total Union industry's sales translated into a loss in market share of the Union industry of 8,3 percentage points, from 55,8 % in 2017 to 47,5 % in the investigation period. During the same period, the countries concerned increased their market share from 31,6 % in 2017 to 44,1 % in the investigation period, namely an increase by more than 12,5 percentage points as stated in recital (161).

4.5.2.3. Growth

- (182) The above figures in respect of production, sales volume and market share demonstrate that the Union industry was not able to grow, either in absolute terms or in relation to the consumption, over the period considered.

4.5.2.4. Employment and productivity

- (183) Employment and productivity developed over the period considered as follows:

	2017	2018	2019	Investigation period
Number of employees	91	91	88	84
<i>Index</i>	100	100	97	92
Productivity (tonnes/employee)	12 868	12 907	11 372	11 159
<i>Index</i>	100	100	88	87

Source: verified questionnaire reply of the complainant

- (184) In view of the deteriorating market circumstances, the number of employees of the Union industry fell by 8 % over the period considered. Furthermore, as production decreased even more, the productivity fell by 13 % over the period considered.

4.5.2.5. Magnitude of the dumping margin and recovery from past dumping

- (185) All dumping margins were above the *de minimis* level. The impact of the magnitude of the actual margins of dumping on the Union industry was substantial, given the volume and prices of imports from the countries concerned and high price sensitivity of the product concerned.
- (186) This is the first anti-dumping investigation regarding the product concerned. Therefore, no data were available to assess the effects of possible past dumping.

4.5.3. Microeconomic indicators ⁽⁹⁾

4.5.3.1. Prices and factors affecting prices

- (187) The weighted average unit sales prices of the sampled Union producers to unrelated customers in the Union developed over the period considered as follows:

Table 7
Sales prices in the Union

	2017	2018	2019	Investigation period
Average unit sales price in the Union on the total market (EUR/tonne)	[688 - 841]	[722 - 882]	[509 - 622]	[418 - 511]
<i>Index</i>	100	105	74	61
Average unit sales price on the captive market (EUR/tonne)	[652 - 796]	[706 - 862]	[509 - 623]	[446 - 545]
<i>Index</i>	100	108	78	68
Average unit sales price on the free market (EUR/tonne)	[688 - 841]	[722 - 883]	[508 - 620]	[415 - 507]
<i>Index</i>	100	105	74	60
Unit cost of production (EUR/tonne)	[552 - 675]	[568 - 694]	[557 - 681]	[478 - 584]
<i>Index</i>	100	103	101	87

Source: Sampled Union producers

- (188) The Union producers' average unit sales prices to unrelated parties on the free market decreased by 40 % over the period considered. The largest fall in prices year-on-year was in 2019, when the low-priced imports from the countries concerned increased by 38 % and the consumption was rather constant.
- (189) The unit cost of production of the sampled producers was fairly stable in the period 2017-2019, and then decreased in the investigation period, albeit at a lower rate than the sales price, mainly due to lower cost of ethylene, the main raw material to manufacture MEG.
- (190) This demonstrates the significant price pressure caused by the sharp increase in volume of imports at dumped prices from the countries concerned.

⁽⁹⁾ The data from the sampled Union companies in this regulation is presented in ranges because of the risk that any sampled company reverse-engineers its competitors' data, especially given that two of the three sampled companies are related.

4.5.3.2. Labour costs

(191) The average labour costs of the sampled Union producers developed over the period considered as follows:

Table 8				
Average labour costs per employee				
	2017	2018	2019	Investigation period
Average labour costs per employee (EUR)	[94 277 - 115 227]	[95 581 - 116 821]	[100 232 - 122 506]	[98 732 - 120 672]
<i>Index</i>	100	101	106	105

Source: Sampled Union producers

(192) The average labour costs per employee of the sampled Union producers increased by 5 % over the period considered. This increase is mainly due to inflation and a small yearly increase in salaries of employees working in the chemical industry.

4.5.3.3. Inventories

(193) Stock levels of the sampled Union producers developed over the period considered as follows:

<i>Table 9</i>				
Inventories				
	2017	2018	2019	Investigation period
Closing stocks (tonnes)	[12 167 - 14 871]	[29 408 - 35 944]	[16 833 - 20 573]	[17 231 - 21 060]
<i>Index</i>	100	242	138	142
Closing stocks as a percentage of production (%)	[1,7 - 2,0]	[4,0 - 4,9]	[2,6 - 3,2]	[2,7 - 3,3]
<i>Index</i>	100	239	155	162

Source: Sampled Union producers

(194) The closing stocks of the sampled Union producers increased by 42 % over the period considered.

(195) The stocks as a percentage of production increased as well over the period considered by 62 %.

4.5.3.4. Profitability, cash flow, investments, return on investments and ability to raise capital

(196) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

<i>Table 10</i>				
Profitability, cash flow, investments and return on investments				
	2017	2018	2019	Investigation period
Profitability of sales in the Union to unrelated customers (% of sales turnover)	[16,7 - 20,5]	[18,6 - 22,7]	[- 8,3 - -10,2]	[-10,8 - -13,2]

<i>Index</i>	100	111	-50	-64
Cash flow (thousand EUR)	[60 866 – 74 392]	[60 197 – 73 574]	[- 7 005 – - 8 562]	[- 16 409 – - 20 056]
<i>Index</i>	100	99	-12	-27
Investments (thousand EUR)	[5 613 – 6 860]	[1 316 – 1 609]	[1 926 – 2 354]	[2 055 – 2 512]
<i>Index</i>	100	23	34	37
Return on investments (%)	[177 – 216]	[194 – 237]	[-34 – -41]	[-27 – -34]
<i>Index</i>	100	110	-19	-16

Source: Sampled Union producers

- (197) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales. Profitability deteriorated dramatically during the period considered starting as of 2019 because of the development in the average sales prices and cost of production described in recitals (188) and (189). Under the pressure of the significant volumes of imports from the countries concerned, the Union industry had to decrease the sales prices significantly below the cost of production, thus registering major losses of between 10,8 % and 13,2 % during the investigation period.
- (198) The net cash flow is the ability of the Union producers to self-finance their activities. The trend in net cash flow developed broadly in line with the trend in profitability. Until 2018, the sampled Union producers generated positive cash flow, while from 2019 onwards they reported increasingly negative cash balance. Overall, the cash flow decreased by 127 % during the period considered. This seriously jeopardises the Union industry's ability to finance its operations.
- (199) Investments decreased as well by 67 % during the period considered. Almost all investments were made to replace obsolete fixed assets. Investments aimed at increasing capacity or increasing efficiency were marginal, reflecting deteriorating market prospects in view of the decreasing market share and profitability.
- (200) The return on investments is the profit in percentage of the net book value of investments. It increased slightly in 2018 and then fell sharply to negative values over the remaining period considered, reflecting the trend in profitability.
- (201) The three sampled Union producers' are part of large groups of companies, hence their ability to raise capital is better than stand-alone companies in a similar financial situation. However, with their financial situation deteriorating so significantly, their ability to raise capital in the future is clearly in jeopardy.

4.5.4. Conclusion on injury

- (202) The volume of imports from the countries concerned grew by 38 % over the period considered. Given a fairly stable Union consumption, the imports from the countries concerned increased their market share from 31,6 % in 2017 to 44,1 % in the investigation period. This increase in market share came at the detriment of the Union industry who lost 10,7 percentage points of their market share on the free market.
- (203) The increase in market share of the countries concerned on the Union market was possible through significant price pressure, as in the investigation period, imports from the countries concerned were on average [12-15] % lower than Union industry costs. Thus, the import price from the countries concerned decreased by 35 % during the period considered. In order to maintain a reasonable market share and production volumes at economical levels, the Union industry had no choice but to decrease the prices as well. Although the cost of production decreased as well due to the decrease in the price of ethylene, the price pressure exerted by the imports was of such magnitude that it forced the Union industry to decrease prices below the cost of production, thus registering significant losses by the end of the investigation period.

- (204) Due to this situation of the market, all main macroeconomic injury indicators showed a negative trend during the period considered. Production volume and sales volume on the free market decreased by 19 % and 18 % respectively. Employment and productivity decreased by 7 % and 13 % respectively.
- (205) Similarly, the main microeconomic indicators deteriorated as well. The Union producers' average unit sales prices to unrelated parties on the free market decreased by 40 % over the period considered while their costs only decreased by 13 %, leading to a pronounced deterioration of their profitability, from profits between 16,7 and 20,5 % in 2017 to losses between 10,8 % and 13,2 % during the investigation period. The closing stocks increased by 42 %. Cash flow and the investments decreased by 127 % and 63 % respectively.
- (206) On the basis of the above, the Commission concluded at this stage that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.
- (207) CPME claimed that the post-IP data showed that the Union industry was recovering from the alleged injury suffered in the first half of 2020 as the prices of MEG increased in the period July – November 2020.
- (208) Such information falls outside the investigation period and is in any event too fragmentary to draw any conclusions regarding injurious dumping. Therefore, it was rejected.

5. CAUSATION

- (209) In accordance with Article 3(6) of the basic Regulation, the Commission examined whether the dumped imports from the countries concerned caused material injury to the Union industry. In accordance with Article 3(7) of the basic Regulation, the Commission also examined whether other known factors could at the same time have injured the Union industry. The Commission ensured that any possible injury caused by factors other than the dumped imports from the countries concerned was not attributed to the dumped imports. These factors are: imports from third countries, export performance of the Union industry, captive sales, other more profitable products than MEG, depreciation expenses, cost of raw materials/lack of competitiveness, COVID-19 pandemic, MEG as a globally traded commodity, price of oil, US-China 'trade war', global depression in prices during the period considered, self-inflicted injury, and imports of PET into the Union.

5.1. Effects of the dumped imports

- (210) The volume of imports from the countries concerned grew by 38 % over the period considered, increasing their market share from 31,6 % in 2017 to 44,1 % by the investigation period. This development took place despite a rather stable consumption during the period considered.
- (211) Import prices from the countries concerned fell on average by 35 % during the period considered, by 41 % from the US and by 33 % from the KSA. This fall in sales prices was particularly apparent in 2019 when, at the same time, the volume of imports from the countries concerned increased by 46 % as compared to 2017. In the investigation period, imports from the countries concerned undercut the prices of the Union industry by [7,6 – 9,3] % on average, and were on average [12-15] % lower than Union industry costs.
- (212) It is clear that the large increase in imports at falling prices played a substantial role in the rapid deterioration of the Union industry's economic indicators. MEG is a homogenous commodity sold to customers based almost exclusively on price. Therefore, only a small difference in price has significant consequences.
- (213) In any event, regardless of any price undercutting, the Commission found that the dumped imports depressed the prices of the Union producers to a level where Union producers incurred significant losses. Although the Union industry's average unit costs decreased by 13 % over the period considered, this was not enough to counterbalance the effects of severe price depression caused by the dumped imports. Indeed, the Union producers' average unit sales prices to unrelated parties on the free market decreased by 40 % over the period considered, a much more pronounced decrease than that of their costs. As a result, the Union industry, which registered profits before the influx of dumped imports, turned heavily unprofitable from 2019 onwards, recording losses between 8,3 % and 10,2 % in 2019 and between 10,8 % and 13,2 % in the investigation period. These significant losses question the business case for continuation of Union industry activity altogether.

5.2. Effects of other factors

5.2.1. Imports from third countries

(214) The volume of imports from other third countries developed over the period considered as follows:

Country		2017	2018	2019	Investigation period
Russia	Volume (tonnes)	20 295	10 113	14 494	20 126
	<i>Index</i>	100	50	71	99
	Market share (%)	1,3	0,6	0,9	1,3
	Average price (EUR/tonne)	727	810	527	394
	<i>Index</i>	100	111	72	54
Kuwait	Volume (tonnes)	0	11 820	15 767	9 319
	<i>Index</i>		100	133	79
	Market share (%)	0,0	0,7	1,0	0,6
	Average price (EUR/tonne)		492	358	320
	<i>Index</i>		100	73	65
Other third countries	Volume (tonnes)	78 707	63 725	49 400	41 110
	<i>Index</i>	100	81	63	52
	Market share (%)	5,2	4,0	3,1	2,7
	Average price (EUR/tonne)	778	878	670	571
	<i>Index</i>	100	113	86	73
Total of all third countries except the countries concerned	Volume (tonnes)	99 002	85 658	79 661	70 556
	<i>Index</i>	100	87	80	71
	Market share (%)	6,5	5,3	4,9	4,7
	Average price (EUR/tonne)	768	817	582	487
	<i>Index</i>	100	106	76	63

Source: Eurostat

(215) Imports from the countries concerned accounted for around 90 % of total imports in the Union in 2019 and in the investigation period. The imports from Russia and Kuwait represented 2,7 % and 1,3 % respectively of total Union imports in the investigation period.

- (216) Imports from Russia decreased by 1 % over the period considered and its market share declined in 2018 and 2019 before increasing in the investigation period to the same level as in 2017, namely 1,2 %. The average import price from Russia was higher in 2017 and 2018 and lower in 2019 and in the investigation period than import prices from the countries concerned.
- (217) Imports from Kuwait decreased by 21 % between 2018 and the investigation period (there were no imports from Kuwait in 2017) and its market share declined from 0,7 % to 0,6 % during the same period. The average import prices from Kuwait were lower than import prices from the countries concerned.
- (218) Imports from other third countries and their market share decreased by almost half during the period considered reaching a market share of 2,7 % in the investigation period. The import prices from other third countries were higher than the import prices from the countries concerned throughout the whole period considered.
- (219) On this basis, the Commission provisionally concluded that the evolution of imports from other countries could only have a marginal impact on the situation of the Union industry, if any.

5.2.2. Export performance of the Union industry

- (220) The volume of exports of the Union producers developed over the period considered as follows:

	2017	2018	2019	Investigation period
Total export volume (tonnes)	46 427	29 730	23 329	23 743
<i>Index</i>	100	66	48	53
Average price of the sampled Union producers (EUR/tonne)	[681 - 833]	[734 - 898]	[483 - 590]	[343 - 419]
<i>Index</i>	100	108	71	50

Source: Sampled Union producers and verified questionnaire reply of the complainant

- (221) Their exports represented on average around 3 % of total production during the period considered as well as in the investigation period.
- (222) Overall, the exports of the Union industry and their prices decreased by 47 % and 50 % respectively.
- (223) Given the limited and decreasing share of the export sales in the total production of the Union industry, the Commission provisionally concluded that the export performance did not contribute to the material injury suffered by the Union industry.
- (224) Mitsubishi Corporation claimed that the Union industry poor export performance was the cause of injury for the Union industry.
- (225) The Commission disagrees with this claim. The Union industry is not export-oriented as the demand on the Union market is higher than the production capacity of the Union industry. The Union industry was also not export-oriented in 2017 and 2018 when it registered positive profits.

5.2.3. Captive sales

- (226) As shown at Table 1, during the period considered the Union industry's sales to the captive market fell by 28 %. However, it represented a relatively small part of total Union industry production, i.e. 12,6 %.

- (227) Bearing in mind the limited size of the captive market, its developments do not contribute in any significant manner to nor explain the deterioration of the Union industry.

5.2.4. *Other more profitable products than MEG*

- (228) Several interested parties (CPME, Artec, HELM, Oxyde) claimed that the injury suffered by the Union industry was due to its decision to focus on more profitable products other than MEG as the MEG producers could switch their production from MEG to other ethylene oxide derivatives. It was further argued that this decision led to an increase of fixed costs per unit for the MEG production. In addition, Artec claimed that the MEG production capacity and capacity utilization cannot be seen separately from the increase in production of ethylene oxide derivatives on the same production lines. Furthermore, it argued that MEG profitability can also not be seen separately from the profitability of ethylene oxide derivatives.
- (229) The investigation did not confirm these allegations. The Union industry remains committed to manufacturing MEG in the Union. In fact, the sampled Union producers are manufacturing ethylene within the group and, in addition to using it internally for the production of MEG and other products, they also sell it to other parties. Thus, the MEG producers have access to enough ethylene oxide to manufacture enough MEG as well as other ethylene oxide derivatives in line with their production capacity. The Union industry is also planning to increase the production capacity of ethylene oxide as was also highlighted by several interested parties such as HELM. The Union industry was forced to reduce the production of MEG as its selling price was significant below the cost of production due to the price pressure exercised by the imports from the countries concerned. Once the level playing field is re-established on the Union market, the Union industry will continue to manufacture MEG in higher volumes as it did before the surge of imports from the countries concerned.
- (230) As a result, any impact on fixed costs emanates directly from the negative impact of dumped imports, not ethylene oxide derivatives production.

- (231) In addition, the Union industry is not manufacturing other products such as ethylene oxide derivatives on the same production line as MEG. The injury indicators assessed in recitals (174) to (201) are limited to the production and sales of MEG only. Therefore, the profitability of MEG cannot be linked to the profitability of other products such as ethylene oxide derivatives as these products are not covered by the investigation. Therefore, these claims were rejected.

5.2.5. *Depreciation expenses*

- (232) Several interested parties (Artec, HELM, Oxyde) argued that the performance of the Union industry deteriorated because of the high levels of depreciation expenses.
- (233) The investigation found that depreciation expenses are not high, representing between 1 % and 3 % in the cost of production. They thus did not have a noteworthy impact on the financial performance of the Union industry. Therefore, the claim was rejected.

5.2.6. *Cost of raw materials/lack of competitiveness*

- (234) Several interested parties, (Mitsubishi Corporation, Artec, Oxyde), claimed that Union industry's deteriorated performance was due to higher cost of production compared to producers in the countries concerned as Union producers use more expensive raw materials (naphtha) than their US and Saudi competitors (shale gas and ethane) to manufacture ethylene and therefore they lacked competitiveness. Artec also claimed that the production process in the US and the KSA was producing less by-products making the plants cheaper to construct and less complicated to operate. Furthermore, it argued that the profitability of the Union industry was depressed because of the high energy costs.
- (235) The Commission disagreed with this allegation. While it is true that the US and Saudi producers may have had some cost advantage in certain raw materials, it did not prevent the Union industry from registering high profit margins in 2017 and 2018 as showed in Table 10, that is to say before the high increase in imports at sharply decreasing prices from the countries concerned. It is thus the dumped imports, and not the different raw materials used, that contributed to the dire financial situation of the Union industry.

(236) Regarding the claim concerning by-products, Arteco did not substantiate its claim with any evidence and did not specify exactly to which by-products it referred. The Commission can only assume that Arteco was referring to the other glycols that are generated in the manufacturing process of MEG such as Diethylene Glycol (DEG) and triethylene glycol (TEG). However, these products are generated in the manufacturing process of MEG irrespective of the feedstock used to manufacture ethylene. While there might be some variations in volume terms for TEG and DEG from one producer to the other, these variations are narrow and therefore cannot have a major impact on the performance of a producer. Nevertheless, there is a market for DEG and TEG and therefore these products generate revenues for the companies. Regarding the construction and the operation of these plants, Arteco again does not substantiate its claim. MEG plants are fully automated in the Union, requiring minimum involvement of labour as the manufacturing process of MEG is fairly simple. Finally, regarding energy costs, the investigation revealed that they represent about 3 % in the cost of production of the Union industry and therefore it could not have a major impact on the competitiveness of the Union industry. Therefore, these claims were rejected.

5.2.7. COVID-19 pandemic

(237) Several interested parties (CPME, Arteco, HELM, Oxyde) claimed that the COVID-19 pandemic had an impact of the Union MEG industry in the first quarter of 2020 and even more so in the second quarter of 2020. CPME claimed that the decrease in the MEG production and sales in the Union followed a drop in the Union demand for MEG due to the COVID-19 pandemic. In particular, it argued that the stop to car sales (and car manufacture) and to flights during the lockdown led to a drop in the EU demand for MEG used to produce anti-freezing and de-icing fluids.

(238) The investigation revealed that the situation of the Union industry started to deteriorate significantly already in 2019, well before the COVID-19 pandemic started in the Union in early 2020. None of the Union producers closed their production sites during the pandemic, except for maintenance operations. Furthermore, the effects of the pandemic on Union consumption were mixed, with less demand for car engine coolants being compensated by increasing demand for PET for essential protective packaging for water, food and hand sanitizer during the outbreak, which was also highlighted by SABIC.

(239) While consumption thus dropped by a moderate 1 % during the investigation period as compared to 2017, production by the Union industry dropped by 19 %, capacity utilisation by almost 14 percentage points, free market sales by 20 %, and market share by 10,7 percentage points.

(240) In sum, while it is not excluded that the COVID-19 pandemic had a certain impact on the situation of the Union industry at the end of the investigation period, it was not the major cause of material injury suffered by the Union industry.

5.2.8. MEG as a globally traded commodity

(241) Arteco and Oxyde claimed that the imports from the US and the KSA into the Union did not influence the price-setting mechanism for MEG, as it was a globally traded product and that the complainant set the European Contract Price ('ECP'). Furthermore, it was argued that (i) these prices reflect the prices on the Asian market, as China is the largest MEG market globally; and (ii) the prices for MEG closely follow the trend of the prices for its essential feedstock, i.e., ethylene. Furthermore, it was claimed that the gap between the ethylene prices and MEG prices widened from March 2019 through March 2020, allegedly following the impact of the China-driven global supply/demand situation for MEG, and that the profitability of the Union producers was negatively affected as a result of the increasing spread.

(242) This claim is factually incorrect. The Union MEG producers do not set the European Contract Price ('ECP'). The ECP is an indication of a price in the EU at a given time, an index. In a market with multiple buyers and sellers, a price is the equilibrium between supply and demand on the market, and can therefore not be set by one or several parties independently from the others. A seller alone cannot set the price of a transaction. As the complainant is on the sales side only, it cannot manipulate this index. In practice, several data providers report the ECP. These reports are established and published by independent market consultants. We count four main providers: ICIS ⁽¹⁰⁾, IHS ⁽¹¹⁾,

⁽¹⁰⁾ <https://www.icis.com/explore/>

⁽¹¹⁾ <https://ihsmarkit.com/index.html>

Wood Mackenzie Chemicals ⁽¹²⁾ and Tecnon ⁽¹³⁾. These market consultants rely on anonymous surveys collecting prices agreed between buyers and sellers. Broadly speaking, the ECPs reported by these firms are generally aligned. Participation in the ECP surveys is also open to any party selling or buying MEG in a material way in the marketplace including the importers. Indeed, the ECP follows to a certain extent the MEG price in Asia and the evolution of the price of ethylene, as the main raw material, has an influence on the selling price of MEG.

- (243) On the Union market, MEG is sold under a long-term contract or one-time delivery sales ('spot sales'). It is estimated that the sales made under contractual terms represent around 80 % of total sales in the Union and the spot sales account for the remaining 20 %. In the contract sales, the price formula is based on the ECP minus a discount. While ECP is a monthly index published by market intelligence as explained in recital (242), the discount is confidential. The competition between sellers is on the discount. The contractual price is negotiated on a monthly basis and it is influenced by the spot prices as MEG is a commodity traded in a very transparent market where market players quickly adapt to the situation created by the dumped imports. The US and the Saudi exporters, even if they link their selling price on the Union market to ECP, depressed the selling price of MEG by increasing the discount offered to the buyers. Therefore, the injurious effects on the Union market cannot be attributable to the ECP index as such. Injury was caused by the influx of low priced imports on the Union market which depressed spot and contract prices to the benefit of buyers. Therefore, these claims were rejected.

5.2.9. Price of oil

- (244) CPME and CIRFS claimed that the drop in the price of oil which occurred in the second part of the investigation period was the cause for a decrease in the price for MEG in the Union and not the dumped imports from the countries concerned.
- (245) As stated in recital (234), in the Union, the ethylene production is based on naphtha, a product obtained through the refining of crude oil. Therefore, the evolution of the price of oil influences the cost and price of ethylene as well as the cost and price of MEG. As explained in recital (205), the cost of production of the Union industry decreased by 13 % during the period considered, while the selling price of MEG decreased much more, i.e. by 40 %. Therefore, the claim was rejected.

5.2.10. US-China 'trade war'

- (246) In August 2018, China imposed additional import duties of 25 % on US MEG, which allegedly led the US producers to divert exports from China to the Union. Thus, several interested parties (Mitsubishi Corporation, Arteco, Oxyde) claimed that the deterioration of the trade relations between China and the US was the main cause of injury. The parties argued that, after the 2020 introduction of temporary waivers of these tariffs, the situation on the Union market would return to the *status quo ante*.
- (247) These considerations are irrelevant, as the legal standard set by basic Regulation and the WTO ADA is the existence of injury caused by dumped imports—not the political or other extraneous considerations which may be linked to such practices. In any event, the Commission observes that although the restrictions were indeed relaxed, the additional tariffs continue to apply as a rule and it is unclear how the situation will evolve. Furthermore, the US MEG industry is export-oriented with an increasing production capacity. Moreover, the Chinese MEG industry is also increasing production capacity with the aim of becoming self-sufficient. Therefore, US producers are likely to continue their keen interest in the Union market, irrespective of any dispute between the US and China.

⁽¹²⁾ <https://www.woodmac.com/research/products/chemicals-polymers-fibres/>

⁽¹³⁾ <https://www.orbichem.com/chemical-data-portfolio/ethylene-glycol-ethylene-oxide>

5.2.11. Global depression in prices during the period considered

- (248) Several interested parties (Mitsubishi, CIRFS) claimed that the injury suffered by the Union industry coincided with one of the deepest depressions in global prices of MEG over the past ten years, which was not exclusive to the Union market but was in line with prices in the global market. It was claimed that the significant increase in global MEG capacity and lack of corresponding global demand – in late 2018 alone, an additional [1,5-2,5] million tonnes per year capacity was added in China. As of November 2019, total global MEG capacity was around [37,5-38,5] million tonnes per year representing an excess in supply of around [10-20] %, while significant additional capacity was added during 2020. Therefore, the injury was allegedly being caused by the historic low prices on the global markets rather than any dumping.
- (249) These considerations may well provide an ultimate explanation why imports were sold at dumped prices in the Union. But the fact remains that those dumped imports generated via the aforementioned price and volume effects material injury to the Union industry – the applicable legal standard set by basic Regulation and the WTO ADA, which do not foresee an analysis of the reasons underlying the decision to dump. The investigation revealed that indeed there is a global overcapacity of MEG production. The Saudi and the US producers have significantly increased their production capacity and it is estimated that the US exporters are going to increase the production capacity to reach around 6 million tonnes per year. Because of this overcapacity the US and the Saudi exporting producers were in search for markets and therefore they sold significant volumes of MEG on the Union market at dumped prices during the investigation period. Therefore, the claim was rejected.

5.2.12. Self-inflicted injury

- (250) SABIC claimed that one Union producer contacted SABIC to market MEG on the Union market and that several companies related to Union producers (as stated in recital (40)) imported MEG from the KSA causing self-inflicted injury.
- (251) Regarding the claim that one Union producer contacted SABIC to market Saudi MEG on the Union market, the investigation revealed that the contract had not been finalised between SABIC and the Union producer concerned. Furthermore, the Union producer itself contacted SABIC in this regard, as due to the price depression on the Union market causing significant losses, this producer was looking for other options to continue operations in the MEG Union market. This is another indication of the difficult situation on the Union industry. Therefore, the claim was rejected.

5.2.13. Imports of PET into the Union

- (252) Several interested parties, Artec, HELM, and Oxyde claimed, without any supporting evidence, that the increase in imports of PET into the Union affected the MEG consumption.
- (253) This claim is factually wrong. The imports of PET in the Union fluctuated over the period considered. Furthermore, as stated in recital (150), the consumption on free market was fairly stable by the end of the investigation period. The claim is thus rejected.

Table 13
Total PET imports

	2017	2018	2019	Investigation period
Volume	706 254 645	704 017 403	877 616 849	797 676 108
Index	100	100	124	113

Source: Eurostat

5.3. Conclusion on causation

- (254) There was a clear coincidence in time between the substantial increase of imports at dumped prices and market share of the countries concerned and the significant decrease in sales and market share of the Union producers, coupled with the price depression, and the deteriorated financial situation of the Union industry.
- (255) The Commission distinguished and separated the effects of all known factors on the situation of the Union industry from the injurious effects of the dumped imports. The effect of all other factors, on the Union industry's negative developments in terms of declining production and sales, loss of market share, price depression, negative profitability, return on investment and cash flow was only limited.
- (256) On the basis of the above, the Commission concluded at this stage that the dumped imports from the countries concerned caused material injury to the Union industry and that the other factors, considered individually or collectively, did not attenuate the causal link between the dumped imports and the material injury. The injury consists of declining production and sales, loss of market share, price depression, negative profitability, return on investment and cash flow.

6. LEVEL OF MEASURES

- (257) To determine the level of the measures, the Commission examined whether a duty lower than the margin of dumping would be sufficient to remove the injury caused by dumped imports to the Union industry.

6.1. Injury margin

- (258) The injury would be removed if the Union industry were able to obtain a target profit by selling at a target price in the sense of Articles 7(2c) and 7(2d) of the basic regulation.
- (259) In accordance with Article 7(2c) of the basic Regulation, for establishing the target profit, the Commission took into account the following factors: the level of profitability before the increase in imports from the countries concerned, the level of profitability needed to cover full costs and investments, research and development (R&D) and innovation, and the level of profitability to be expected under normal conditions of competition. Such profit margin should not be lower than 6 %.
- (260) Import volume from the countries concerned increased significantly and import prices fell abruptly from 2019 onwards (as shown in Tables 2 and 3) turning the Union producers unprofitable. Given that, the Commission established a basic profit covering full costs under normal conditions of competition on the basis of the profitability of the Union producers before the surge of dumped imports, namely as a weighted average of profit margins recorded by the Union producers for years 2017 and 2018. The basic profit thus calculated amounts to [17,5 – 19,5] %.
- (261) None of the sampled producers made a claim under Article 7(2c) of the basic Regulation for investments foregone or R&D and innovation costs.
- (262) On this basis, the non-injurious price is [610 - 746] EUR/tonne, resulting from applying the above-mentioned profit margin of [17,5 – 19,5] % to the cost of production during the IP of the sampled Union producers
- (263) In accordance with article 7(2d) of the basic Regulation, the Commission assessed the future costs resulting from Multilateral Environmental Agreements, and protocols thereunder, to which the Union is a party, and of ILO Conventions listed in Annex Ia that the Union industry will incur during the period of the application of the measure pursuant to Article 11(2).
- (264) These costs comprised the additional future costs (i.e. after deduction of actual costs incurred in the IP) to ensure compliance with the EU Emissions Trading System ('EU ETS') and the EU Industrial Emissions Directive ('IED'). The EU ETS is a cornerstone of the EU's policy to comply with Multilateral Environmental Agreements. Likewise, the IED is the main EU instrument regulating pollutant emissions from industrial installations and, as such, also ensures compliance with Multilateral Environmental Agreements.

- (265) The costs of compliance with the EU ETS were calculated on the basis of the average estimated additional EU Allowances ('EUA') which will have to be purchased during the period of the application of the measures (2021 to 2025). The EUAs used in the calculation were net of free allowances receivable and related solely to the product concerned. The costs of the EUAs were established based on data from Bloomberg New Energy Finance (extraction dated 7 February 2021). The average projected price for EUAs for the period 2021-2025 is 36,24 EUR/tonne of CO₂ emitted. The costs of compliance with the IED were calculated based on data reported by the sampled Union producers and cross-checked by the Commission. A note to the file on how the Commission established these additional future compliance costs is available in the file for inspection by interested parties.
- (266) The Commission established that these future compliance costs amounted to [0,7 – 0,9] % of the cost of production in the investigation period and added them to the non-injurious price mentioned in recital (262) to obtain a total non-injurious price of the like product for the Union industry, that is to say [616 - 752] EUR/tonne.
- (267) The Commission then determined the underselling margin level on the basis of a comparison of the weighted average import price of the sampled cooperating exporting producers in the countries concerned, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the sampled Union producers on the Union market during the investigation period. Any difference resulting from this comparison was expressed as a percentage of the weighted average import CIF value.
- (268) The injury elimination level for 'other cooperating companies' and for 'all other companies' is defined in the same manner as the dumping margin for these companies (see recitals (127) to (130)).

Country	Company	Provisional dumping margin (%)	Provisional injury margin (%)
United States of America	Lotte Chemical Louisiana LLC	8,5 %	38,5 %
	MEGlobal Americas Inc	38,3 %	84,9 %
	Other cooperating companies	13,5 %	46,9 %
	All other companies	52,0 %	115,0 %
Kingdom of Saudi Arabia	Saudi Kayan petrochemical company (Saudi Kayan)	11,1 %	61,4 %
	Yanbu National Petrochemical Company (Yansab)	11,1 %	61,4 %
	Eastern Petrochemical Company (Sharq)	11,1 %	61,4 %
	Saudi Yanbu Petrochemical Company (Yanpet)	11,1 %	61,4 %
	Arabian Petrochemical Company (Petrokemya)	11,1 %	61,4 %
	Jubail United Petrochemical Company (United)	11,1 %	61,4 %
	All other companies	11,1 %	61,4 %

6.2. Conclusion on the level of measures

- (269) Following the above assessment, provisional anti-dumping duties should be set as below in accordance with Article 7(2) of the basic Regulation:

Country	Company	Provisional anti-dumping duty
United States of America	Lotte Chemical Louisiana LLC	8,5 %
	MEGlobal Americas Inc	38,3 %
	Other cooperating companies	13,5 %
	All other companies	52,0 %
Kingdom of Saudi Arabia	Saudi Kayan petrochemical company (Saudi Kayan)	11,1 %
	Yanbu National Petrochemical Company (Yansab)	11,1 %
	Eastern Petrochemical Company (Sharq)	11,1 %
	Saudi Yanbu Petrochemical Company (Yanpet)	11,1 %
	Arabian Petrochemical Company (Petrokemya)	11,1 %
	Jubail United Petrochemical Company (United)	11,1 %
	All other companies	11,1 %

7. UNION INTEREST

- (270) The Commission examined whether it could clearly conclude that it was not in the Union interest to adopt measures in this case, despite the determination of injurious dumping, in accordance with Article 21 of the basic Regulation. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers/traders, users and suppliers.
- (271) The Commission sent questionnaires to known interested parties. It received questionnaire replies from two unrelated importers (Helm and Oxyde) and seven users (Arteco, Indorama Group, Neo Group, Novapet, PlastiVerd, Selenis, SIR Industriale).

7.1. Interest of the Union industry

- (272) There are 12 producers in nine groups of producers of MEG in the Union. The imposition of measures would allow the Union industry to recover lost market share, while improving their profitability towards levels considered sustainable.
- (273) The magnitude of the injury suffered by the Union industry renders its situation untenable, given the high level of losses (-10,8 % – -13,2 % in the IP), resulting from the simultaneous effect of abnormally low prices (a decrease by 40 % on the free market) and dropping sales (-18 % on the free market) and production (-19 %), which put pressure on costs.
- (274) The imposition of measures is essential to keep the massive impact of dumped imports in check and maintain MEG production in the Union. Indeed, without measures, the twin pressure of depressed prices and the erosion of sales and production would prevent the Union industry from making any profits, leaving it little choice but to discontinue production for the open market—with the virtual disappearance of Union industry producers not linked to Saudi or US interests.

- (275) This pressure is due to increase, as global excess capacity rises, according to specialised consultants following closely the market such as Wood Mackenzie and ISIC. Driven by China and the US, capacity increases will outstrip demand by several million tonnes in 2021-2022. Important Chinese increases in capacity will progressively reduce opportunities for US exports there, enhancing incentives for the latter to find outlets elsewhere. This will be mainly in the export front, including the Union, as US demand is slated to increase only marginally. Coupled with Saudi Arabia's approach to follow prices downwards (the key manner to secure presence in this price-driven market), constant price pressure appears likely. The combined US and Saudi presence is thus likely to cause further injury to the already deteriorated Union industry.
- (276) Measures would release a good part of the twin pressure caused by dumped imports, allowing industry to increase both prices and volumes (sales, production, and capacity utilisation). The level of measures would allow for the elimination of the financial losses which jeopardise the Union industry's immediate future.
- (277) It is therefore concluded that the imposition of provisional measures would be in the interest of the Union industry.

7.2. Interest of unrelated importers/traders, users and suppliers

7.2.1. General

- (278) The investigation has found that around 55 % of Union consumption of organic chemical MEG serves as input for polyethylene terephthalate ('PET' for plastic bottle manufacture); just under 25 % of MEG is used to produce automotive engine coolants; and the remaining quarter is a raw material in other industrial products.
- (279) Three points are important for the analysis of the interests of Union importers/traders and users.
- (280) First, non-imposition of measures would lead complainants to discontinue production for the open market, thus reducing the available sources of supply on the Union market. The Union would be dependent on imports from third countries – primarily from the KSA and the US. This would be undesirable for users not only in terms of competition, but of security of supply of importers/traders and users.
- (281) Second, Taiwan, Singapore and Korea are available sources of alternative supply, whose unused capacity can, according to specialised consultants, fully cover the volume of imports from the KSA and US, in the unlikely case that these should disappear. Nevertheless, it is recalled that the purpose of the imposition of the anti-dumping measures is not to stop the imports but to restore the level playing field on the Union market.
- (282) Third, proposed measures are mostly in the 8,5 % to 13,5 % range – a level which is significant yet not prohibitive.

7.3. Interest of unrelated importers/traders

- (283) The level of cooperation of unrelated importers/traders was high, with the two main companies in this highly concentrated sector participating. They account for the large majority of imports from the US. These companies also import from the KSA, even though much less as at is the related SABIC importers that channel most of the volume from the KSA on the Union market.
- (284) While both unrelated importers/traders are against measures, the impact thereof would not be disproportionate. Part of these duties can be passed on to users (particularly in the coolant and other industrial use segments – see below). In the case of one importer, its Union MEG activity does not represent a significant part of its turnover, so even full duties would have a marginal impact on its business. For the other, the MEG activity on the Union market is more significant, so a larger impact may occur. This will depend on the ability to target the segment where price increases can be passed on more readily, in part or in full. At any rate, the investigation revealed that the financial situation of the company is not necessarily determined by reasons linked to MEG.
- (285) In any event, other sources of supply are available for all importers/traders, mitigating the impact of measures.

(286) For these reasons, it is determined that the impact of measures would not be disproportionate for importers/traders.

7.4. Interest of users

(287) Replies were received from users covering all three segments of downstream production using MEG, expressing their opposition to measures.

(288) The coolant business, where MEG is a key input, is split in two main sub-segments. Automobile companies (up to half of the coolant business) require specific, certified product formulas as well as a guaranteed, stable stream of supply. As explained above in recital (274), measures would, by maintaining domestic production, contribute to guarantee a stable stream of supply. Also, given the marginal impact of coolants on automobile costs, duties in this sub-segment can in all likelihood be largely passed on. Therefore, the impact on users in this segment would not be disproportionate in case of measures.

(289) On the other hand, the aftermarket sub-segment entails basic products where it is more difficult to pass prices on. The situation of the cooperating user in this segment does not indicate that the impact of measures would be disproportionate. At any rate, other sources of supply are available for all importers/traders, mitigating the impact of measures.

(290) Three users from the other industrial products segment (fibres, films, resins) cooperated. There is no clear pattern for the impact of measures, ranging from the marginal to the significant. This mixed picture points to the existence of company-specific situations that are not related to the level of MEG prices, but to other factors. Measures would thus not be decisive on the future activity of these companies. This would not point to a disproportionate impact on such users, particularly when balanced against the longer-term benefits of the diversity and stability of supply that the Union industry brings, and that would not exist in the absence of measures.

(291) The PET segment accounts for almost 55 % of total MEG use. MEG contributes around one fifth of full costs of PET, a product under large price pressure where profits are typically slim. Therefore, the impact of between one to two percentage points in terms of profitability can be significant.

(292) Seven companies belonging to four groups have participated in the investigation. The situation varies on a company-by-company basis. For some companies, profits would decrease but still be positive; others with low profitability would be brought to breakeven levels; for worst performers already heavy losses would be increased, even though by proportionally moderate amounts.

(293) The situation of the worst performers is structurally determined by other factors, and its activity and the hundreds of jobs it supports are thus not ultimately determined by the proposed measures, the impact of which would thus not be disproportionate.

(294) As regards the companies whose profits would oscillate around breakeven, measures would not lead to a fundamental variation in their situation. This could well call for exogenous actions (e.g. trade defence measures in case of injurious unfair trade) or endogenous adjustments of their business model to cement competitiveness. While the impact of measures may not be decisive, a few hundred jobs may be at stake.

(295) Companies with continuing profits could be somewhat affected by measures, but not disproportionately so.

(296) At any rate, the aforementioned possible impacts in the short term would have to be balanced against three risks in the medium term associated with non-imposition of measures (and the likely discontinuation of Union industry activity as the current situation is not sustainable): less sources of supply, lower stability of supply, and higher MEG prices. The latter can easily reach the moderate level of proposed measures—with negative impacts which may well equal, if not exceed, those generated by the proposed measures themselves.

(297) On balance, the potential negative impacts that could unfortunately occur in the short term for PET producers are not considered overall as sufficient to halt the imposition of measures.

- (298) The aggregated picture of all user segments shows some negative impacts, but not disproportionate to the benefits the measure would bring. This matter will be the subject of continuing attention by the investigation for definitive stage.

7.5. Interest of suppliers

- (299) ExxonMobil, as a manufacturer of paraxylene (raw material to manufacture PTA which is then used to manufacture PET), was the sole supplier to make comments. It claimed that the adverse impact of the anti-dumping measures on PET producers will also have an adverse effect on the Union paraxylene suppliers which would lose sales on the Union market as the Union PET producers would not be able to compete with PET imports from other regions. It was further claimed that the Union paraxylene producers already faced challenges due to excess global capacity and increased imports. Furthermore, it was argued that paraxylene producers were integrated with refineries and therefore any adverse impact on paraxylene would impact the Union refinery industries as well, which already face challenges due to excess global capacity, shifting fuel demand patterns and high costs.
- (300) These claims were unsubstantiated and cannot be accepted at this stage. In addition, reference is made to the analysis regarding users making PET, whose outcome indicates that potential negative impacts may affect only some producers whose situation does not fundamentally depend on the absence of measures on MEG. As a result, it cannot be concluded that the impacts of such measures would be disproportionate for suppliers.

7.6. Comments received

- (301) Several interested parties (CPME, CIFRS, Mitsubishi, Arteco, Proviron, Oxyde, HELM, NEO Group) claimed that the imposition of anti-dumping measures would not be in the interest of the Union as the Union producers cannot meet the demand of MEG users in the Union and therefore imports are needed. In addition, it was claimed that the seasonality of MEG market made it impossible to always use the full production capacity. It was further argued that the imports of MEG from the US and Saudi Arabia cannot be replaced by imports from other third countries, such as Canada, China, Kuwait, India, Mexico, Russia and Turkey, in view of insufficient production capacity, high transportation costs and growing internal demand characterising other exporting countries. Arteco claimed that to ensure the viability of its engine coolants activity in the Union, it needs a secure supply of MEG as guaranteed by the ability to source from multiple sources. HELM argued that although the MEG Union producers are planning to increase the production capacity of ethylene oxide, there have no plans to increase the production capacity of MEG.
- (302) As stated in recital (274), the imposition of measures is essential to keep the massive impact of dumped imports in check and maintain MEG production in the Union. Without a Union industry, the users of MEG will be dependent on imports and therefore they will not have a secure supply of MEG from multiple sources. Furthermore, the purpose of the imposition of the anti-dumping measures is not to stop the imports but to restore the level playing field on the Union market. Notwithstanding this, as stated in recital (281), there are other sources of supply available, apart from the KSA and the US, such as Taiwan, Singapore and Korea. Furthermore, whereas the investigation revealed that the sampled Union producers indeed do not have plans to increase production capacity in the Union in the near future, it is recalled that, as stated in recital (249), there is an overcapacity of MEG in the world. Therefore, these claims were rejected.
- (303) CPME claimed that the imposition of anti-dumping duties is not in the Union interest and it would severely affect the PET industry, driving the PET producers out of the market.
- (304) As explained in recitals (290) to (297), the potential negative impact that could unfortunately occur in the short term for PET producers is not considered overall as sufficient to justify the non-imposition of measures. Therefore, the claim was rejected.
- (305) Mitsubishi claimed that it is not in the Union interest to impose anti-dumping measures as the trade relations between the US and China may be expected to improve under a new US administration and therefore the cause of dumping and injury will no longer be relevant.

- (306) As stated in recital (247), although the restrictions were indeed relaxed, the additional tariffs continue to apply as a rule and it is unclear how the situation will evolve. Furthermore, despite the evolution of trade relations between the US and China, the US MEG industry is export-oriented with an increasing production capacity and therefore US producers are likely to continue their keen interest in the Union market, especially given that China is expanding its own MEG capacity. Therefore, this claim was rejected.
- (307) Artec claimed that the imposition of measures would only serve the interests of two major companies, one of whom is Artec's main competitor on the downstream coolants market. Similarly, Oxyde claimed that, as BASF was a very large antifreeze producer using its own MEG, it would have competitive advantage over its competitors, Artec, HVL and Solventis, who would need to pay anti-dumping duties on imports of MEG.
- (308) The Commission disagrees with these claims. The imposition of measures will benefit the entire Union industry not only two producers. Indeed, one of the entities within BASF group manufactures coolants. However, the investigation revealed that this company buys MEG from its related company at market prices, the same as Artec and other users.
- (309) Artec claimed that, as MEG is a commodity that is traded and transported globally, after the imposition of measures, there will be a significant shift in trade flows and increased transportation, leading to higher emissions of global shipping, which is detrimental to the on-going efforts to mitigate climate change.
- (310) The Commission disagrees with this claim as well. The shift in trade has already happened in the period considered when imports from the countries concerned replaced a significant part of domestic production. The non-imposition of measures will completely replace domestic production with imports and therefore the shift in trade will increase even more.

7.7. Conclusion on Union interest

- (311) On the basis of the above, the Commission concluded that there were no compelling reasons that it was not in the Union interest to impose measures on imports of MEG originating in countries concerned at this stage of the investigation.

8. PROVISIONAL ANTI-DUMPING MEASURES

- (312) On the basis of the conclusions reached by the Commission on dumping, injury, causation and Union interest, provisional measures should be imposed to prevent further injury being caused to the Union industry by the dumped imports.
- (313) Provisional anti-dumping measures should be imposed on imports of mono ethylene glycol originating in the United States of America and in the Kingdom of Saudi Arabia, in accordance with the lesser duty rule in Article 7(2) of the basic Regulation. The Commission compared the underselling margins and the dumping margins. The amount of the duties was set at the level of the lower of the dumping and the injury margins.
- (314) On the basis of the above, the provisional anti-dumping duty rates, expressed on the CIF Union border price, customs duty unpaid, should be as follows:

Country	Company	Provisional anti-dumping duty
Kingdom of Saudi Arabia	Saudi Kayan petrochemical company (Saudi Kayan)	11,1 %
	Yanbu National Petrochemical Company (Yansab)	11,1 %
	Eastern Petrochemical Company (Sharq)	11,1 %

	Saudi Yanbu Petrochemical Company (Yanpet)	11,1 %
	Arabian Petrochemical Company (Petrokemya)	11,1 %
	Jubail United Petrochemical Company (United)	11,1 %
	All other companies	11,1 %
United States of America	Lotte Chemical Louisiana LLC	8,5 %
	MEGlobal Americas Inc	38,3 %
	Other cooperating companies	13,5 %
	All other companies	52,0 %

- (315) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the provisional findings of this investigation. Therefore, they reflect the situation found during this investigation with respect to these companies. These duty rates are exclusively applicable to imports of the product concerned originating in the countries concerned and produced by the named legal entities. Imports of the product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other companies'. They should not be subject to any of the individual anti-dumping duty rates.
- (316) To ensure a proper enforcement of the anti-dumping duties, the anti-dumping duty for all other US companies should apply not only to the non-cooperating US exporting producers in this investigation, but also to the US producers which did not have exports to the Union during the investigation period.

9. INFORMATION AT PROVISIONAL STAGE

- (317) In accordance with Article 19a of the basic Regulation, the Commission informed interested parties about the planned imposition of provisional duties. This information was also made available to the general public via DG TRADE's website. Interested parties were given three working days to provide comments on the accuracy of the calculations specifically disclosed to them.
- (318) No comments on the accuracy of the calculations were received.

10. FINAL PROVISIONS

- (319) In the interests of sound administration, the Commission will invite the interested parties to submit written comments and/or to request a hearing with the Commission and/or the Hearing Officer in trade proceedings within a fixed deadline.
- (320) The findings concerning the imposition of provisional duties are provisional and may be amended at the definitive stage of the investigation,

HAS ADOPTED THIS REGULATION:

Article 1

1. A provisional anti-dumping duty is imposed on imports of mono ethylene glycol (current EC-number 203-473-3), currently falling under CN code ex 2905 31 00 (TARIC code 2905 31 00 10), originating in the United States of America and in the Kingdom of Saudi Arabia.

2. The rates of the provisional anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the product described in paragraph 1 and produced by the companies listed below, shall be as follows:

Country	Company	Provisional anti-dumping duty	TARIC additional code
Kingdom of Saudi Arabia	Saudi Kayan petrochemical company (Saudi Kayan)	11,1 %	C674
Kingdom of Saudi Arabia	Yanbu National Petrochemical Company (Yansab)	11,1 %	C675
Kingdom of Saudi Arabia	Eastern Petrochemical Company (Sharq)	11,1 %	C676
Kingdom of Saudi Arabia	Saudi Yanbu Petrochemical Company (Yanpet)	11,1 %	C677
Kingdom of Saudi Arabia	Arabian Petrochemical Company (Petrokemya)	11,1 %	C678
Kingdom of Saudi Arabia	Jubail United Petrochemical Company (United)	11,1 %	C679
Kingdom of Saudi Arabia	All other companies	11,1 %	C999
United States of America	Lotte Chemical Louisiana LLC	8,5 %	C684
United States of America	MEGlobal Americas Inc	38,3 %	C680
United States of America	Other cooperating companies listed in Annex I	13,5 %	
United States of America	All other companies	52,0 %	C999

3. The application of the individual duty rates specified for the companies mentioned in paragraph 2 shall be conditional upon presentation to the Member States' customs authorities of a valid commercial invoice, on which shall appear a declaration dated and signed by an official of the entity issuing such invoice, identified by his/her name and function, drafted as follows: 'I, the undersigned, certify that the (volume) of (product concerned) sold for export to the European Union covered by this invoice was manufactured by (company name and address) (TARIC additional code) in [country concerned]. I declare that the information provided in this invoice is complete and correct.' If no such invoice is presented, the duty applicable to all other companies shall apply.

4. The release for free circulation in the Union of the product referred to in paragraph 1 shall be subject to the provision of a security deposit equivalent to the amount of the provisional duty.

5. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

Article 2

1. Interested parties shall submit their written comments on this regulation to the Commission within 15 calendar days of the date of entry into force of this Regulation.

2. Interested parties wishing to request a hearing with the Commission shall do so within 5 calendar days of the date of entry into force of this Regulation.

3. Interested parties wishing to request a hearing with the Hearing Officer in trade proceedings are invited to do so within 5 calendar days of the date of entry into force of this Regulation. The Hearing Officer shall examine requests submitted outside this time limit and may decide whether to accept such requests if appropriate.

Article 3

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Article 1 shall apply for a period of six months.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 10 June 2021.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

United States cooperating exporting producers not sampled

Country	Name	TARIC additional code
United States of America	Indorama Ventures Oxides LLC	C681
United States of America	Equistar Chemicals, LP	C682
United States of America	Sasol Chemicals North America LLC	C683

COMMISSION IMPLEMENTING REGULATION (EU) 2021/940
of 10 June 2021
imposing a provisional anti-dumping duty on imports of birch plywood originating in Russia

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union ⁽¹⁾, and in particular Article 7 thereof,

After consulting the Member States,

Whereas:

1. PROCEDURE

1.1. Initiation

- (1) On 14 October 2020, the European Commission ('the Commission') initiated an anti-dumping investigation with regard to imports of birch plywood originating in Russia ('the country concerned') on the basis of Article 5 of Regulation (EU) 2016/1036 of the European Parliament and of the Council ('the basic Regulation'). It published a Notice of Initiation in the *Official Journal of the European Union* ⁽²⁾ ('the Notice of Initiation').
- (2) The Commission initiated the investigation following a complaint lodged on 31 August 2020 by the Woodstock Consortium ('the complainant'). The complaint was made by the Union industry of birch plywood in the sense of Article 5(4) of the basic Regulation. The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

1.2. Amendment to the Notice of initiation

- (3) The Notice of Initiation inadvertently omitted a section concerning the procedure for the assessment of Union interest. While this omission did not affect interested parties' right to make submissions regarding the Union interest, it was considered appropriate to address this omission as a matter of procedural transparency. It was therefore amended on 11 December 2020. ⁽³⁾

1.3. Registration

- (4) Pursuant to Article 14(5a) of the basic Regulation, the Commission should register imports subject to an anti-dumping investigation during the period of pre-disclosure unless it has sufficient evidence within the meaning of Article 5 that the requirements either under point (c) or (d) of Article 10(4) are not met. One of these requirements, as indicated in Article 10(4)(d) of the basic Regulation, is that there is a further substantial rise in imports in addition to the level of imports which caused injury during the investigation period. The Commission analysed the evolution of the imports and found no further substantial rise in imports.
- (5) Consequently, the Commission did not make imports of birch plywood from Russia as defined in section 2 subject to registration under Article 14(5a) of the basic Regulation.

⁽¹⁾ OJ L 176, 30.6.2016, p. 21.

⁽²⁾ OJ C 342, 14.10.2020, p. 2.

⁽³⁾ OJ C 428, 11.12.2020, p. 27.

1.4. Interested parties

- (6) In the Notice of Initiation, as amended, the Commission invited interested parties to contact it in order to participate in the investigation. In addition, the Commission specifically informed the complainant, other known Union producers, the known exporting producers and the Russian authorities, known importers, suppliers and users, traders, as well as associations known to be concerned about the initiation of the investigation and invited them to participate.
- (7) Interested parties had an opportunity to comment on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings. Several parties requested a hearing with the Commission. The Commission held hearings with the Woodstock consortium, UPM Plywood Oy, UPM Kymmene Otepää OÜ, and the Russian producer UPM Kymmene Chudovo LLC.

1.5. Comments on initiation

1.5.1. *Inadequate open version*

- (8) Several parties claimed that the complaint failed to provide sufficient information on its open version.
- (9) The Commission considered that the version open for inspection by interested parties of the complaint contained sufficient essential evidence and non-confidential summaries of otherwise confidential information to allow interested parties to exercise their right of defence throughout the proceeding.

1.5.2. *No evidence of injury*

- (10) Several parties claimed that certain injury indicators, such as production capacity, Union prices and Union consumption, contained in the complaint did not support a finding of injury during the investigation period.
- (11) The Commission recalls that a prima facie finding of material injury necessary for the initiation of an investigation requires an examination, inter alia, of the relevant factors as described in the basic Regulation. However, it is not specifically required by Article 5 of the basic Regulation that all injury factors mentioned in Article 3(5) show deterioration in order for material injury to be sufficiently substantiated for the purpose of the initiation of an investigation. Indeed, the wording of Article 5(2) of the basic Regulation states that the complaint shall contain the information on changes in the volume of the allegedly dumped imports, the effect of those imports on prices of the like product on the Union market and the consequent impact of the imports on the Union industry, as demonstrated by relevant (not necessarily all) factors. The complaint contained this information, which pointed to the existence of injury. Accordingly, the Commission considered that the complaint contained sufficient evidence of injury.

1.6. Sampling

- (12) In the Notice of Initiation, the Commission stated that it might sample the interested parties in accordance with Article 17 of the basic Regulation.

1.6.1. *Sampling of Union producers*

- (13) In the Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. This provisional sample consisted of three Union producers located in three different Member States accounting for almost 40 % of the estimated total production and 35 % of estimated total Union sales volume of the like product in the Union. The selection of those three companies was based on the largest volume of production and sales of the like product in the EU between July 2019 – June 2020 that could reasonably be investigated, whilst geographical spread was also considered. The Commission invited interested parties to comment on the provisional sample.

- (14) The Commission received comments from a group of related Union producers, UPM, which requested to be included in the sample. However, after carefully analysing the information supplied, the Commission found no compelling reason to change the provisionally selected sample. First, given the group's corporate structure and sales channels, the addition or inclusion of either of the two companies in the sample would jeopardize the Commission's ability to carry out its investigation within the legal deadlines due to the substantially increased workload. In addition, the inclusion of either company in the sample would change the representativity of the provisionally selected sample in terms of production or sales volumes in the Union or the geographical spread only to a marginal extent. The Commission therefore decided to retain the provisionally selected companies as the final sample.
- (15) Following the notification of the selection the definitive sample, one of the companies, UPM, argued that other sampled producers have equally or more complex corporate structures and sales channels. It similarly argued that the inclusion in the sample and verification of one of its entities UPM-Kymmene Otepää Oü would not be burdensome, and since the verification visit would take place from distance, it would not interfere the ability of the Commission to carry out the investigation.
- (16) The Commission noted that since the sample already included companies with complex structures, incorporating another company with a complex structure would substantially increase the workload and therefore endanger the Commission's ability to carry out its investigation within the legal deadlines. In this sense the inclusion of UPM-Kymmene Otepää Oü would, due to its sales organisation, have required the verification of several other legal entities of the UPM group, involving sales and producing units. These entities could not reasonably be investigated within the time available.
- (17) The Commission therefore retained its decision not to include UPM in the finally selected sample. The provisional sample was confirmed as the final sample and is representative of the Union Industry.

1.6.2. *Sampling of unrelated importers*

- (18) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked unrelated importers to provide the information specified in the Notice of Initiation.
- (19) Thirteen unrelated importers provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of three importers on the basis of the largest sales volume of the product under investigation in the Union. In accordance with Article 17(2) of the basic Regulation, all known importers concerned were informed on the selection of the sample but no comments were made.

1.6.3. *Sampling of exporting producers in Russia*

- (20) To decide whether sampling is necessary and, if so, to select a sample, the Commission asked all exporting producers in Russia to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the Russian Federation to the European Union to identify and/or contact other exporting producers, if any, that could be interested in participating in the investigation.
- (21) Fifteen exporting producers/group of exporting producers in the country concerned provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of three groups of companies, one of which consisting of seven related exporting producers, on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned and the authorities of the country concerned were consulted on the selection of the sample. The sample represented approximately 47 % of the total exports to the Union during the investigation period.

- (22) Two non-sampled cooperating exporting producers argued that they should also be included in the sample. The first one claimed that it should be included in the sample as its sales volume to the Union was close to the third sampled exporting producer. The second one claimed that the Commission investigated in the past a significantly larger number of exporting producers and thus its addition will not unreasonably strain the Commission's capacity and resources. Moreover, the same exporting producer claimed that the fact it is related to a group of Union producers differentiates it from the other exporting producers. In particular, it claimed that its management, sales structure and the logistics organization distinguish it from some or all of the sampled exporting producers ⁽⁴⁾.
- (23) As mentioned in recital 21 above, the Commission sampled three companies/groups of companies. However, the number of entities to be investigated was much larger as one of the groups consisted of seven exporting producers. In addition, the companies/groups also had related traders and a related importer involved in the sales of the product concerned. The claim of the first exporting producer on sales volume was based on the open version of the sampling reply available to all cooperating exporting producers while the decision on sampling was based on the actual volume reported by all exporting producers. When considering the volume of sales reported by the two exporting producers in question, the third exporting producer reported [5 % – 10 %] more in terms of sales volumes compared with the fourth one. Moreover, the arguments put forward by the second exporting producer are not a relevant criterion for the selection of the sample under Article 17(1) of the basic Regulation. Consequently, the Commission concluded that the selected sample is representative on the basis of the criteria indicated in Article 17(1) and no relevant data had been provided by the two parties in question that would challenge this conclusion. Therefore, the requests were rejected.

1.7. Individual examination

- (24) Ten exporting producers in Russia requested individual examination under Article 17(3) of the basic Regulation. However, only three exporting producers submitted complete questionnaires within the deadline. The examination of these requests during the provisional stage of the investigation would have been unduly burdensome. Therefore, the Commission will decide whether to grant individual examination at the definitive stage of the investigation.

1.8. Questionnaire replies and verification visits

- (25) The Commission sent questionnaires to the three sampled Russian exporting producers/group of exporting producers, the sampled Union producers and the sampled unrelated importers. The questionnaires had also been made available online ⁽⁵⁾ on the day of initiation.
- (26) Questionnaire replies were received from the three sampled Russian exporting producers/group of exporting producers, from three cooperating Russian exporting producers, the sampled Union producers, the sampled unrelated importers and nine users.
- (27) In view of the outbreak of COVID-19 and the confinement measures put in place by various Member States as well as by various third countries, the Commission could not carry out verification visits pursuant to Article 16 of the basic Regulation at provisional stage. The Commission instead crosschecked remotely all the information deemed necessary for its provisional determinations in line with its Notice on the consequences of the COVID-19 outbreak on anti-dumping and anti-subsidy investigations ⁽⁶⁾. The Commission carried out remote crosschecks ('RCC's') of the following companies/parties:

Union producers

- Latvijas Finieris AS, Latvia and related sales companies.
- Paged Pisz sp. z o.o., Poland and related sales companies.
- Metsä Wood, Finland and related sales companies.

⁽⁴⁾ Tron documents t20.006971 and t20.006972 both dated on 2 November 2020.

⁽⁵⁾ The respective questionnaires, as well as the users' questionnaire, were available online on the day of initiation at https://trade.ec.europa.eu/tdi/case_details.cfm?id=2486

⁽⁶⁾ Notice on the consequences of the COVID-19 outbreak on anti-dumping and anti-subsidy investigations (OJ C 86, 16.3.2020, p. 6).

Importers

- Orlimex CZ s.r.o., Osik, Czech Republic
- Robert Neudeck GmbH & Co KG, Germersheim, Germany
- Groupe ISB, Pacé, France

Exporting producers in Russia

- Sveza Group composed of seven exporting producers: JSC «SVEZA Manturovo»; JSC «SVEZA Novator»; Tyumen Plywood Plant Limited; JSC «SVEZA Ust-Izhora»; JSC «SVEZA Uralskiy»; JSC «SVEZA Kostroma»; JSC «SVEZA Verhnaya Sinyachiha» ('Sveza group');
- Zheshartsky LPK LLC ('UPG');
- Syktyvkar Plywood Mill Ltd.

1.9. Investigation period and period considered

- (28) The investigation of dumping and injury covered the period from 1 July 2019 to 30 June 2020 ('the investigation period'). The examination of trends relevant for the assessment of injury covered the period from 1 January 2017 to the end of the investigation period ('the period considered').

1.10. Withdrawal of the United Kingdom from the EU

- (29) This case was initiated on 14 October 2020, i.e. during the transition period agreed between the United Kingdom ('UK') and the EU in which the UK remained subject to the Union law. This period ended on 31 December 2020. Consequently, as of 1 January 2021, companies and associations from the UK no longer qualified as interested parties in this proceeding.
- (30) By a note to the case file on 19 January 2021, the Commission invited UK operators that considered that they still qualified as interested parties to contact it (?). No company came forward.
- (31) In order to align the data set collected from interested parties with the fact that the transition period had ended and that the UK was no longer subject to Union law, interested parties concerned were invited to provide a revised questionnaire reply on an EU-27 basis.

2. PRODUCT CONCERNED AND LIKE PRODUCT

2.1. Product concerned

- (32) The product concerned is plywood consisting solely of sheets of wood, each ply not exceeding 6 mm thickness, with outer plies of wood specified under subheading 4412 33, with at least one outer ply of birch wood, whether or not coated ('birch plywood' or the 'product under investigation'), originating in Russia, currently falling under CN code ex 4412 33 00 (TARIC code 4412 33 00 10) ('the product concerned').
- (33) Birch plywood is a wood sheet material consisting of layers or strands of wood veneers pressed together with glue into large, flat sheets. It is used in a wide range of applications, for example in the construction, packaging and furniture sectors.

2.2. Like product

- (34) The investigation showed that the following products have the same basic physical, chemical and technical characteristics as well as the same basic uses:
- the product concerned;
 - the product produced and sold on the domestic market of Russia; and
 - the product produced and sold in the Union by the Union industry.

(?) Tron document t21.000594.

- (35) The Commission decided at this stage that those products are therefore like products within the meaning of Article 1(4) of the basic Regulation.

2.3. Claims regarding product scope

2.3.1. Product exclusion

- (36) One user, Emiliana Imballaggi S.p.A., and two Russian exporting producers, Sveza and Vlas Truda, requested that square-shaped birch plywood with the length and width of five feet (1 525x1 525mm) should be excluded from the investigation due to differences in terms of: (i) physical, technical and chemical properties, and geometrical characteristics; (ii) end-use and interchangeability; (iii) quality of the product and (iv) consumer perception and prices; and (v) lack of competition between rectangular and square-shaped birch plywood.
- (37) The Commission analysed the requests and concluded that square-shaped plywood could not be excluded from the product scope for the following reasons: it shares the same basic physical, technical and chemical characteristics with the rectangular shaped plywood. Likewise, square-shaped birch plywood exercises competitive pressure on rectangular-shaped birch plywood as there is a degree of substitutability, and it is possible for the square-shaped birch plywood to be further processed into rectangular-shaped birch plywood once it has been imported, with the subsequent risk of circumvention. In addition, Union industry produces and have the necessary equipment to adapt to specific customers' needs. The Commission, therefore, rejected the exclusion requests.

2.3.2. Product Scope

- (38) A Russian producer, Segezha, claimed that the product scope should be extended to include not only birch plywood but also pine, poplar, okoumé and beech plywood. It was argued that there is direct competition and interchangeability between the said woods plywood and birch plywood, constituting together one single product.
- (39) The Commission rejected this claim given that pine, poplar, okoumé and beech plywood do not share the same basic physical, technical and chemical characteristics with birch plywood. The fact that in some applications, which were not developed or identified in the claim, alternative products and materials could be used, with an undetermined degree of substitution capacity, does not change the nature of the physical, technical and chemical differences between the product concerned and the said products.

3. DUMPING

3.1. Preliminary remarks

- (40) Three groups of exporting producers were sampled.
- (41) The Sveza group consisted of seven producers and one trader, all directly involved in the production and sales of the product concerned. The seven producers sold via a related trader on the domestic market and exported directly to the Union.
- (42) Zheshartsky LPK LLC is part of a group of companies named UPG. This producer exported both directly and through a related company established in Latvia.
- (43) Syktyvkar Plywood Mill Ltd. is part of a group of companies directly involved in the production and sales of the product concerned. This group included four related traders acting on the domestic market.

3.2. Normal value

- (44) For establishing the normal value, the Commission requested a questionnaire reply from all sampled producers producing the product concerned.

- (45) The Commission first examined whether the total volume of domestic sales for each sampled cooperating exporting producer was representative, in accordance with Article 2(2) of the basic Regulation. The domestic sales are representative if the total domestic sales volume of the like product to independent customers on the domestic market per exporting producer represented at least 5 % of its total export sales volume of the product concerned to the Union during the investigation period.
- (46) On this basis, the total sales by each sampled exporting producer of the like product on the domestic market were representative.
- (47) The Commission subsequently identified the product types sold domestically that were identical or comparable with the product types sold for export to the Union for the exporting producers with representative domestic sales.
- (48) The Commission then examined whether the domestic sales by each sampled exporting producer on its domestic market for each product type that is identical or comparable with a product type sold for export to the Union were representative, in accordance with Article 2(2) of the basic Regulation. The domestic sales of a product type are representative if the total volume of domestic sales of that product type to independent customers during the investigation period represents at least 5 % of the total volume of export sales of the identical or comparable product type to the Union.
- (49) For the three exporting producers/group of exporting producers, for some product types that were exported to the Union during the investigation period, there were either no domestic sales at all, or the domestic sales of that product type were below 5 % in volume and thus not representative.
- (50) The Commission next defined the proportion of profitable sales to independent customers on the domestic market for each product type during the investigation period in order to decide whether to use actual domestic sales for the calculation of the normal value, in accordance with Article 2(4) of the basic Regulation.
- (51) The normal value is based on the actual domestic price per product type, irrespective of whether those sales are profitable or not, if:
- (a) the sales volume of the product type, sold at a net sales price equal to or above the calculated cost of production, represented more than 80 % of the total sales volume of this product type; and
 - (b) the weighted average sales price of that product type is equal to or higher than the unit cost of production.
- (52) In this case, the normal value is the weighted average of the prices of all domestic sales of that product type during the investigation period.
- (53) On the other hand, the normal value is the actual domestic price per product type of only the profitable domestic sales of the product types during the investigation period, if:
- (a) the volume of profitable sales of the product type represents 80 % or less of the total sales volume of this type: or
 - (b) the weighted average price of this product type is below the unit cost of production.
- (54) The analysis of domestic sales showed that between 28 % and 93 % of all domestic sales were profitable and that the weighted average sales price was higher than the cost of production. Accordingly, depending on the product type, the normal value was calculated as a weighted average of the prices of all domestic sales during the investigation period in the situation described in recital 51, or as a weighted average of the profitable sales only in the situation described in the above recital.
- (55) When there were no or insufficient sales of a product type of the like product in the ordinary course of trade or where a product type was not sold in representative quantities on the domestic market, the Commission constructed the normal value in accordance with Article 2(3) and (6) of the basic Regulation.

- (56) Normal value was constructed by adding the following to the average cost of production of the like product of the cooperating sampled exporting producers during the investigation period:
- (a) the weighted average selling, general and administrative ('SG&A') expenses incurred by the cooperating sampled exporting producers on domestic sales of the like product, in the ordinary course of trade, during the investigation period; and
 - (b) the weighted average profit realised by the cooperating sampled exporting producers on domestic sales of the like product, in the ordinary course of trade, during the investigation period.
- (57) For the product types not sold in representative quantities on the domestic market, the average SG&A expenses and profit of transactions made in the ordinary course of trade on the domestic market for those types were added. For the product types not sold at all on the domestic market, the weighted average SG&A expenses and profit of all transactions made in the ordinary course of trade on the domestic market were added.

3.2.1. *Export price*

- (58) The sampled exporting producers exported to the Union either directly to independent customers or through a related company, as described in recitals 40 and 43 above.
- (59) For the exporting producers that exported the product concerned directly to independent customers in the Union, the export price was the price actually paid or payable for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.
- (60) For the exporting producers that exported the product concerned to the Union through a related company acting as an importer, the export price was established based on the price at which the imported product was first resold to independent customers in the Union, in accordance with Article 2(9) of the basic Regulation. In this case, adjustments to the price were made for all costs incurred between importation and resale, including SG&A expenses, and for profits accruing.

3.2.2. *Comparison*

- (61) The Commission compared the normal value and the export price of the sampled exporting producers on an ex-works basis.
- (62) Where justified by the need to ensure a fair comparison, the Commission adjusted the normal value and/or the export price for differences affecting prices and price comparability, in accordance with Article 2(10) of the basic Regulation. Adjustments were made for transport, insurance, handling and loading, packaging, credit costs, bank charges, EU customs duty, other import charges and commissions.
- (63) The exporting producer UPG claimed that the Government of the Russian Federation reimbursed up to 80 % of the transportation costs incurred by manufacturers when transporting their products to foreign markets. This exporting producer claimed that an upward adjustment to the export price should be made in accordance to Article 2(10)(e) and (k) of the basic Regulation as a similar reimbursement was not granted on domestic sales.
- (64) Article 2(10)(k) of the basic Regulation provides that an adjustment may also be made for differences in other factors not provided for under points (a) to (j), if it is demonstrated that they affect price comparability as required under this paragraph, in particular if customers consistently pay different prices on the domestic market because of the difference in such factors. The exporting producer did, however, not submit any evidence demonstrating that the prices were impacted by this subsidy scheme. In particular, the exporting producer claiming the adjustment did not provide any evidence showing that its customers consistently paid different prices on the domestic market because of the alleged difference in reimbursement of transport costs by the Government of the Russian Federation between domestic and export sales. Without prejudice to the above, the Commission also noted that the reimbursement of transportation costs for sales to foreign markets to the exclusion of domestic sales in all likelihood constitutes an export subsidy within the meaning of Article 4(4)(a) of Regulation (EU) 2016/1037. Such schemes improve the exporters' ability to compete unfairly on foreign markets and, in particular, to financially sustain dumping practices. As such, they do not constitute a factor that qualifies for an adjustment under Article 2(10) of the basic Regulation. Indeed, allowing an adjustment for factors making it easier for an exporter to engage in dumping practices would result in hiding the magnitude of the dumping actually practised. Therefore, the Commission rejected the claim.

- (65) The same exporting producer also requested that an adjustment should be made in accordance with the Article 2(10)(i) of the basic Regulation for commissions paid to a related trader for the sales on the domestic market. However, the exporting producer also provided information that the commissions paid concerned both the domestic sales and the export sales to the Union. Consequently, the Commission allocated the amount of the commissions paid to the related trader to both domestic and export sales based on the volume of those sales.
- (66) All the exporting producers of the sampled Sveza group exported the product concerned to the Union through a related domestic company, namely Sveza-Les LLC ('Sveza-Les') located in Saint Petersburg. All the exporting producers of the Sveza group have signed a commission agent agreement with the related trader in question. All the exporting producers within the group are either directly or indirectly related to that company. They claimed that the commissions paid to the trader should not be deducted from the export price as they do not affect price comparability, because the related trader performed exactly the same functions in the export sales and the domestic sales. The only difference allegedly relates to the remuneration of the related trader activities: The domestic sales are covered by a mark-up, while the export sales are subject to a commission, based on commission agreements. The exporting producers further claimed to constitute a single economic entity with the trader, which affects both domestic and export sales.
- (67) In response, the Commission recalled that all seven producing companies of the group had signed a contract providing for a clearly defined commission on each export sales which was actually paid. This was not the case on the domestic market. This gives rise to a price comparability issue under Article 2(10) between the export price and the normal value, and the Commission therefore deducted the commission paid pursuant to Article 2(10)(i).
- (68) In addition, concerning the existence of a single economic entity, the Commission recalled that under Union case law the existence of a written commission agreement only on the export sales is an important element tending to show that the trader is not an internal sales department of the exporting producers as far as export sales are concerned ⁽⁸⁾. The contract also contains numerous clauses, such as an arbitration clause, showing a lack of solidarity between the companies. These clauses were difficult to reconcile with the claim that the exporting producers and the related trader should be treated as a single economic entity despite being legally distinct companies. It also appeared that some sales functions were retained by the exporting producers in view of their SG&A expenses to that effect. Finally, the Commission noted that the related trader issued the invoices in the name of the exporting produces to the first independent customers in the Union. In view of the above considerations, the Commission provisionally rejected the claim that the trader and the exporting producers constitute a single economic entity as far as export sales are concerned..
- (69) The investigation further revealed that unrelated agents located in the Union were also involved in some export sales of the Sveza group. These agents received a commission, which was recorded in the accounts of Sveza-Les as a part of its SG&A expenses. Therefore, the Commission adjusted the export price in accordance with article 2(10)(i) of the basic Regulation for the commission paid to the unrelated agents for export sales. The adjustment amounted to the commission comprising of agent's fees as recorded in Sveza-Les accounts.
- (70) Finally, the same group claimed that in case the Commission were to adjust the export price, this would imply that the Commission considered that the exporting producers and the related trader did not form a single economic entity, Consequently, deductions should then also be made for the SG&A and profit associated with the re-sales of the like product sold on the domestic market.
- (71) The Commission recalled that, contrary to the situation for export sales, where the mills directly invoice the first independent customers in the Union, domestic sales are made to the first independent customers via Sveza-Les. In other words, Sveza-Les resells the product concerned it has purchased from the various mills of the group. Pursuant to Article 2(1) of the basic Regulation, it is on that domestic sales' price to the first independent customer that the normal value needs to be established. An adjustment for mark-up pursuant to Article 2(10)(i) would assume that the relevant sale for the establishment of the normal value would rather be the sale between the mills and Sveza-Les

⁽⁸⁾ Judgment of the General Court of 25 June 2015 in case T-26/12, PT Musim Mas, para 50, confirmed by the Court of Justice when deciding about the appeal in case C-468/15 P of 26 October 2016, paragraphs 43-44.

for which a price would be determined after deduction of the alleged mark-up charged by Sveza-Les when reselling the product. Yet, the sale by the mills to Sveza-Les are not sales to a first independent customer. In those circumstances, a deduction of the mark-up charged by Sveza-Les would not be consistent with Article 2(1) of the basic Regulation. Moreover, in accordance with the text of Article 2(10)(i), an adjustment for the mark-up received by a trader would also require evidence that Sveza-Les performs functions similar to those an agent acting on a commission basis for domestic sales. There is no such evidence on file. Based on the above considerations, the Commission provisionally rejected the claim that an adjustment for mark-up for domestic sales was warranted.

3.2.3. Dumping margins

- (72) For the sampled cooperating exporting producers, the Commission compared the weighted average normal value of each type of the like product with the weighted average export price of the corresponding type of the product concerned, in accordance with Article 2(11) and (12) of the basic Regulation.
- (73) For the exporting producers within the Sveza Group, the Commission first calculated an individual dumping margin for each exporting producer and as a second step, it calculated a weighted dumping margin for the entire Sveza Group.
- (74) On this basis, the provisional weighted average dumping margins expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Sveza Group	15,9 %
Syktyvkar Plywood Mill Ltd.	15,0 %
Zheshartsky LPK LLC	15,3 %

- (75) For the cooperating exporting producers outside the sample, the Commission calculated the weighted average dumping margin, in accordance with Article 9(6) of the basic Regulation. Therefore, that margin was established on the basis of the margins of the sampled exporting producers.
- (76) On this basis, the provisional dumping margin of the cooperating exporting producers outside the sample is 15,7 %.
- (77) For all other exporting producers in Russia, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation. To this end, the Commission determined the level of cooperation of the exporting producers. The level of cooperation is the volume of exports of the cooperating exporting producers to the Union expressed as proportion of the total imports from the country concerned to the Union in the investigation period, that were established on the basis of Eurostat.
- (78) The level of cooperation in this case is high because the exports of the cooperating exporting producers constituted around 81 % of the total imports during the investigation period. On this basis, the Commission decided to establish the dumping margin for non-cooperating exporting producers at the level of the cooperating sampled individually examined company with the highest dumping margin.
- (79) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Company	Provisional dumping margin
Sveza Group	15,9 %
Syktyvkar Plywood Mill Ltd.	15,0 %
Zheshartsky LPK LLC	15,3 %
Other cooperating companies	15,7 %
All other companies	15,9 %

4. INJURY

4.1. Definition of the Union industry and Union production

- (80) Fifteen known producers in the Union manufactured the like product during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (81) The total Union production during the investigation period was estimated at around 849 000 cubic meters. The Commission established the figure on the basis of all the available information concerning the Union industry, such as the questionnaire replies received from the sampled Union producers. As indicated in section 1.6, the three sampled Union producers represented 39 % of the total Union production of the like product.
- (82) The Union production destined to captive consumption was estimated to be lower than 0,5 %. Due to its immateriality, captive consumption is not considered relevant for the injury analysis in this case.

4.2. Union consumption

- (83) The Commission established the Union consumption on the basis of (a) data submitted by the complainant concerning the Union industry's sales of the like product to unrelated customers in the Union, as cross-checked with the sales volumes reported by the sampled Union producers; (b) imports of the product under investigation from all third countries as reported in Eurostat ⁽⁹⁾.
- (84) Union consumption developed as follows:

Table 1

Union consumption cubic meters (m³)

	2017	2018	2019	Investigation period
Total Union consumption	1 874 725	2 000 293	2 080 786	2 130 325
<i>Index</i>	100	107	111	114

Source: Complainant, sampled Union producers and Eurostat

- (85) The consumption in the Union increased by 14 % during the period considered. A detailed analysis shows a steadily increase year by year, with the biggest increase from 2017 to 2018 of 7 %, attenuating the rate in the following years but with a constant growth.

4.3. Imports from the country concerned*4.3.1. Methodology for the identification of imports of the product concerned*

- (86) Prior to the initiation of the proceeding and the subsequent creation of a specific TARIC code ⁽¹⁰⁾, imports of the product concerned were recorded at CN level ⁽¹¹⁾ including also products other than the product concerned. In order to estimate the volume of imports of the product concerned during the period considered, the Commission applied the same ratio (TARIC/CN) observed after initiation between the import volumes of the full CN code and the imports for the product concerned based on TARIC data. For imports from the country concerned, the ratio was established at 78 %.
- (87) The results of this methodology confirm the import trend provided in the complaint.

⁽⁹⁾ Source of data Eurostat, adjusted by applying the methodology explained in section 4.3.1.

⁽¹⁰⁾ TARIC code: 4412 33 00 10

⁽¹¹⁾ CN code: 4412 33 00

4.3.2. Volume and market share of the imports from the country concerned

- (88) Based on the above mentioned methodology the Commission established the volume of imports on the basis of Eurostat data. The market share of the imports was established by comparing the volume of imports with the Union consumption.
- (89) Imports from the country concerned developed as follows:

Table 2

Import volume (m³) and market share

	2017	2018	2019	Investigation period
Volume of imports from Russia (m ³)	871 050	933 329	1 081 937	1 192 712
<i>Index</i>	100	107	124	137
Market share	46 %	47 %	52 %	56 %
<i>Index</i>	100	100	112	120

Source: Eurostat

- (90) Imports from the country concerned increased from around 871 050 cubic meters to around 1 192 712 cubic meters over the period considered, an increase of 37 %. The market share of those imports increased from 46 % to 56 % over the period considered, an increase of 20 %.

4.3.3. Prices of the imports from the country concerned and price undercutting

- (91) The Commission established the prices of imports based on EUR/tonne Eurostat statistics at CN level. While, as explained in section 4.3.1 above, the imports of the product concerned were recorded together with a bigger basket of products, this methodology provides a reliable estimation of prices and its evolution over time as the large majority of imports under this CN code were product concerned, and enables comparison of price development between different exporting countries.
- (92) The average price of imports from the country concerned developed as follows:

Table 3

Import prices (EUR/tonne)

	2017	2018	2019	Investigation period
Russia	646	681	608	584
<i>Index</i>	100	105	94	90

Source: Eurostat

- (93) The average prices of the imports from Russia decreased from 646 EUR/tonne in 2017 to 584 EUR/tonne during the investigation period, a decrease by 10 %. The average price of the imports went up in 2018 by 5 % and decreased in the subsequent periods by 15 %.
- (94) The same trend can be observed when using the weighted average export prices as reported by the sampled exporting producers, showing a price of 434 euro/m³ in the IP for the product under investigation. Thus import prices were consistently below the sales prices of the Union producers (see table 7), showing a price difference of 38 % during the IP.

- (95) Birch plywood is sold in a large variety of dimensions, quality and according to specific customer specifications. Due to the wide variety of product types sold by the Union industry and the Russian exporting producers, the detailed PCN system, which was set up at initiation, made a high degree of matching of identical products difficult. For the purpose of the price comparison, the Commission therefore carried out a reasonable and technically robust approximation by grouping closely some resembling product types, thus allowing for a proper comparison of the products sold by the Union industry with the equivalent product types sold by the Russian exporting producers. On this basis, the level of matching between various product types sold by the Union industry and the product types sold by the Russian exporting producers was over 68 % of the imported volumes by the sampled Russian exporting producers.
- (96) The Commission determined the price undercutting during the investigation period by comparing:
- (97) the weighted average sales prices per product type of the sampled Union producers charged to unrelated customers on the Union market. Given that the Union producers sold the product concerned directly, as well as via related sales companies, the sales price was adjusted, as appropriate, for transport, insurance and handling cost to an ex-works level; and
- (98) the corresponding weighted average prices per product type of the imports from the sampled Russian producers to the first independent customer on the Union market adjusted to the Union customs border level. For the sales made via a related importer a further adjustment under Article 2(9) of the basic Regulation was made. An amount for post importations costs and customs duty was then added to the established price at Union customs border level. These sales represented less than 5 % of the total sales of the sampled Russian producers.
- (99) The price comparison was made on a type-by-type basis for transactions, duly adjusted where necessary for rebates and discounts. The result of the comparison was expressed as a percentage of the sampled Union producers' theoretical turnover during the investigation period.
- (100) On the basis of the above, the dumped imports of the sampled exporting producers showed a weighted average undercutting margin of 12,6 % (ranging between 9,5 % and 18,5 %). The undercutting margins are considered significant.

4.4. Economic situation of the Union industry

4.4.1. General remarks

- (101) In accordance with Article 3(5) of the basic Regulation, the examination of the impact of the dumped imports on the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.
- (102) As mentioned in section 1.6.1, sampling was used for the determination of possible injury suffered by the Union industry.
- (103) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators. The Commission evaluated the macroeconomic indicators on the basis of data contained in the questionnaire reply of the complainant relating to all Union producers, cross-checked where necessary with the questionnaire replies of the sampled Union producers. The Commission examined the microeconomic indicators on the basis of data contained in the questionnaire replies from the sampled Union producers, which were cross checked remotely. Both sets of data were found to be representative of the economic situation of the Union industry.
- (104) The macroeconomic indicators are: production, production capacity, capacity utilisation, sales volume, market share, growth, employment, productivity, magnitude of the dumping margin, and recovery from past dumping.
- (105) The microeconomic indicators are: average unit prices, unit cost, labour costs, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital.

4.4.2. Macroeconomic indicators

4.4.2.1. Production, production capacity and capacity utilisation

- (106) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 4

Production, production capacity and capacity utilisation

	2017	2018	2019	Investigation period
Production volume (m ³)	982 658	1 009 772	879 540	848 900
<i>Index</i>	100	103	90	86
Production capacity (m ³)	1 244 310	1 296 650	1 328 000	1 203 000
<i>Index</i>	100	104	107	97
Capacity utilisation	79 %	78 %	66 %	71 %
<i>Index</i>	100	99	84	89

Source: Complainant and sampled Union producers

- (107) During the period considered, the Union industry's production volume decreased by 14 %, or approximately 140 000 cubic meters. There was a slight increase from 2017 to 2018, followed by a significant reduction in the following periods.
- (108) The Union production capacity was reduced by overall 3 % in the period considered. The Union production capacity increased slightly in 2018 and 2019, which is explained by the time lag between the decision to increase capacities and its effect. However, during the IP the Union industry was scaled back by 10 % compared to 2019.
- (109) During the period considered, the Union industry's capacity utilisation fell by 11 % since Union producers were unable to increase production in line with market growth. From 2017 to 2019 the utilization decrease was 16 %, followed by an increase in the IP by 5 % due to the disinvestment and the closure of production sites.

4.4.2.2. Sales volume and market share

- (110) The Union industry's sales volume and market share developed over the period considered as follows:

Table 5

Sales volume and market share

	2017	2018	2019	Investigation period
Total Sales volume on the Union market (m ³)	821 341	818 621	757 103	680 243
<i>Index</i>	100	100	92	83
Market share	44 %	41 %	36 %	32 %
<i>Index</i>	100	93	83	73

Source: Complainant, sampled Union producers and Eurostat

- (111) Throughout the period considered the total Union industry's sales volume decreased significantly by 17 %. Union sales volume remained at the same level from 2017 to 2018, but showed in 2019 a decrease of 8 % and a further decrease of 9 % from 2019 to the IP.
- (112) Coupled with the decrease of sales, Union industry's market share was reduced by 27 %, during an invariable declining trend that reduced the presence of Union industry in the market from 44 % of market share in 2017 to 32 % in the IP.

4.4.2.3. Growth

- (113) In a context of market expansion, with increased Union consumption, the above figures show that the Union industry experienced substantial decreases in respect of production, sales volume and market share.

4.4.2.4. Employment and productivity

- (114) Employment and productivity developed over the period considered as follows:

Table 6

Employment and productivity

	2017	2018	2019	Investigation period
Number of employees	6 039	5 960	5 325	5 308
<i>Index</i>	100	99	88	88
Productivity (m ³ /employee)	163	169	165	160
<i>Index</i>	100	104	102	98

Source: Complainant and sampled Union producers

- (115) The level of Union industry employment experienced a decrease of 12 % over the period considered. Employment remained relatively stable from 2017 to 2018 albeit even during that relatively stable period the number of employees decreased by 79. Employment was further significantly reduced in 2019 and did not pick up in the IP but continued decreasing to a lesser extent.
- (116) In view of the decrease in production and employment the productivity of the Union industry's workforce, measured as tonnes per employee produced per year, decreased by 2 % over the period considered. It increased from 2017 to 2018 by 4 %, followed by a decrease in the subsequent periods.

4.4.2.5. Magnitude of the dumping margin and recovery from past dumping

- (117) All dumping margins were significantly above the *de minimis* level. The impact of the magnitude of the actual margins of dumping on the Union industry was substantial, given the volume and prices of imports from the country concerned.
- (118) This is the first anti-dumping investigation regarding the product concerned. Therefore, no data were available to assess the effects of possible past dumping.

4.4.3. Microeconomic indicators

4.4.3.1. Prices and factors affecting prices

- (119) The weighted average unit sales prices of the sampled Union producers to unrelated customers in the Union developed over the period considered as follows:

Table 7

Sales prices in the Union

	2017	2018	2019	Investigation period
Average unit sales price in the Union on the total market (EUR/m ³)	717	746	732	694
<i>Index</i>	100	104	102	97
Unit cost of production (EUR/m ³)	629	670	713	692
<i>Index</i>	100	107	113	110

Source: Sampled Union producers

- (120) Sales prices on the Union market to unrelated parties decreased from 717 EUR/m³ to 694 EUR/m³ over the period considered, a decrease of 3 %. In 2018, the price level experienced a slight but temporary increase of 4 %, which was attenuated in the following periods.
- (121) Over the same period, the unit cost of production of sampled union producers increased by 10 %. Cost of production was impacted by the development of the main raw material prices, birch wood logs veneers, and the difficulties to fully benefit from economies of scale because of the reduction in sales and production.

4.4.3.2. Labour costs

- (122) The average labour costs of the sampled Union producers developed over the period considered as follows:

Table 8

Average labour costs per employee

	2017	2018	2019	Investigation period
Average labour costs per employee (EUR)	23 474	23 542	23 733	23 690
<i>Index</i>	100	100	101	101

Source: Sampled Union producers

- (123) The average labour costs per employee increased by 1 % over the period considered.

4.4.3.3. Inventories

- (124) Stock levels of the sampled Union producers developed over the period considered as follows:

Table 9

Inventories

	2017	2018	2019	Investigation period
Closing stocks (m ³)	30 894	43 550	35 706	37 685
<i>Index</i>	100	141	116	122

Closing stocks as a percentage of production	3,1 %	4,3 %	4,1 %	4,4 %
<i>Index</i>	100	137	129	141

Source: Sampled Union producers

- (125) The stocks of the sampled Union producers increased by 22 % over the period. The major increase of 41 % took place between 2017 and 2018 with stocks reaching their maximum level in 2018. Thereafter the Union industry succeeded to decrease stocks by 25 % in 2019 by adjusting its production, however the stocks increased again from 2019 to the IP by 6 % due to the continued decrease of Union sales. The closing stocks as a percentage of production increased from 3,1 % in 2017 to 4,4 % in the IP.

4.4.3.4. Profitability, cash flow, investments, return on investments and ability to raise capital

- (126) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

Table 10

Profitability, cash flow, investments and return on investments

	2017	2018	2019	Investigation period
Profitability of sales in the Union to unrelated customers (% of sales turnover)	9,7 %	7,4 %	0,2 %	-2,8 %
<i>Index</i>	100	76	2	-28
Cash flow (EUR)	191 991 172	187 065 363	175 135 121	165 108 224
<i>Index</i>	100	97	91	86
Investments (EUR)	14 326 493	12 473 095	11 169 293	14 237 597
<i>Index</i>	100	87	78	99
Return on investments	20 %	11 %	0 %	-2 %
<i>Index</i>	100	55	2	-10

Source: Sampled Union producers

- (127) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net profit of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales. The profitability of the sampled producers collapsed throughout the period considered and declined from almost 10 % in 2017 to close to -3 % in the investigation period.
- (128) As explained in section 4.4.3.1, the costs of the Union producers increased noticeably more than their prices. The Union industry was unable to raise prices at the same extent as costs were increasing because of the downward pressure caused by dumped imports from Russia, both in terms of volumes and low prices. Indeed, throughout the period considered, Russian imports came in at high and steadily increasing volumes at prices which were consistently low and following a clear decreasing trend over the period considered. The average price of Russian imports was significantly below Union industry prices, thus limiting the possibility of price increases, which would have been expected in a context of increasing raw material costs, and growing demand. This resulted in depressed and decreasing profitability to the extent that the Union industry was loss-making during the investigation period.

- (129) The net cash flow is the ability of the Union producers to self-finance their activities. The trend in net cash flow developed negatively during the period investigated, with yearly decreases, which lead to an overall drop of 14 % from 2017 to the IP. The ability to raise capital was negatively affected by the drop in profits.
- (130) The level of yearly investments decreased over the period considered by 1 %, but shrank between 2018 and 2019 by 22 %, barely recovering to the level of 2017 in the IP. While the initial decreases are explained by the development of the market and the impact on sales and profitability, the recent increase in the IP aimed at retaining the existing capacities and making due replacements of necessary production assets.
- (131) The return on investments is the profit in percentage of the net book value of investments. It developed negatively over the period considered and vanished from 20 % in 2017 to -2 % in the IP. The negative development shows that, although investments have continued in order to maintain competitiveness, the returns on those investments have fallen substantially over the period considered.

4.4.4. Conclusion on injury

- (132) In a context of a substantial increase of the Union consumption (+ 14 %), imports from Russia increased even stronger during the period considered (+ 37 %), at prices which significantly undercut those of the Union industry. This allowed Russian exporting producers to reach a market share of 56 % in the IP (up from 46 % in 2017).
- (133) In these circumstances, the Union industry was not only prevented from benefiting from an expanding market, but its economic situation worsened as shown by all major macro-indicators presenting a negative trend: production (-14 %), EU sales (-17 %) and a significant reduction of its market share (from 44 % to 32 %) in the period considered.
- (134) In reaction to the pressure of low Russian prices, the Union industry tried to reduce cost and adjustments in employment (-12 %) were undertaken. However, as a result of the pressure exerted by dumped Russian imports in terms of increased volumes and low prices, EU sales dropped and stocks increased rapidly (+ 22 %) in the period considered, reaching their maximum level (+ 41 %) in 2018.
- (135) The cost of production of the Union industry went up significantly during the period considered (+ 10 %), mainly because of a strong increase in the raw material prices.
- (136) The Union industry's cost increased more than sales prices, consequently, profitability collapsed in the period considered, from a healthy situation (+ 10 %) in 2017 to an unsustainable loss making scenario (-3 %) in the IP.
- (137) On the basis of the above, the Commission concluded at this stage that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.

5. CAUSATION

5.1. In accordance with Article 3(6) of the basic Regulation, the Commission examined whether the dumped imports from the country concerned caused material injury to the Union industry. In accordance with Article 3(7) of the basic Regulation, the Commission also examined whether other known factors could at the same time have injured the Union industry. The Commission ensured that any possible injury caused by factors other than the dumped imports from the country concerned was not attributed to the dumped imports. These factors are: Imports from third countries, export performance of the Union industry, consumption, competitive disadvantage in access to the main raw material, self-inflicted injury, strikes in Finland, COVID-19 effects, product comparability.

5.2. Effects of the dumped imports

- (138) The deterioration of the economic situation of the Union industry coincided with significant and increasing market penetration of increased imports from Russia, which consistently undercut the Union industry's prices and in any event led to price suppression. In this respect, the evolution of import volumes and prices as reflected in tables 2 and 3 suppressed price levels of the Union industry, establishing a causal nexus between the two.

- (139) Imports from Russia increased by 37 % during the period considered, from ca. 870 050 m³ in 2017, representing a market share of 46 %, to 1 192 712 m³ in the IP, representing a market share of 56 %. These increasing imports were made at prices lower than those of the Union industry throughout the period considered and in any event at a price levels leading to price suppression, in light of the fact that the Union industry could not increase its prices in line with the increase in the cost of production.
- (140) This had a strong negative impact on the Union industry in the IP. In a situation of increasing costs and the price pressure exerted by the Russian dumped imports, the Union industry was precluded from setting sustainable prices, which resulted in a very strong drop in profitability from 10 % to losses (-3 %), and the consequent deterioration of its financial indicators.
- (141) It was, therefore, provisionally concluded that dumped imports from Russia caused material injury to the Union industry in terms of price and volume.

5.3. Effects of other factors

5.3.1. Imports from third countries

- (142) To determine the volume of imports from third countries, the Commission, as explained in section 4.3.1 above, applied the same ratio (TARIC/CN) observed after initiation between the import volumes of the full CN code and the imports for the product concerned based on TARIC data. The only third countries which imported significant volumes to the Union were Belarus and the Ukraine. In the case of Belarus, the ratio has been established at 43 %.
- (143) In the case of Ukraine, the Commission found distorted data in the reported statistics at the level of the supplementary unit (cubic meter in this case). For comparison purposes, the Commission therefore decided to convert the reported weight (tonnes), a more reliable and stable set of data, into cubic meters.
- (144) To convert tonnes into cubic meters, the Commission used a conversion key, namely the 'mode' of Russia and Belarus on volume and weight at TARIC level after initiation (mode defined as the value that appears most often in a set of data value). The conversion key, to convert imported tonnes from Ukraine into cubic meters was established at 0,69.
- (145) The Commission established the prices of imports based on EUR/tonne at CN level, as explained in section 4.3.3 above.
- (146) The volume of imports from other third countries developed over the period considered as follows:

Table 11

Imports from third countries

Country		2017	2018	2019	Investigation period
Ukraine	Volume (m ³)	82 029	100 935	104 962	106 785
	<i>Index</i>	100	123	128	130
	Market share	4 %	5 %	5 %	5 %
	Average price (EUR/tonne)	651	725	641	616
	<i>Index</i>	100	111	98	95
Belarus	Volume (m ³)	81 638	112 922	75 961	93 231
	<i>Index</i>	100	138	93	114

	Market share	4 %	6 %	4 %	4 %
	Average price (EUR/tonne)	403	481	387	363
	<i>Index</i>	100	119	96	90
Other third countries ⁽¹²⁾	Volume (m ³)	18 668	34 486	60 822	57 354
	<i>Index</i>	100	185	326	307
	Market share	1 %	2 %	3 %	3 %
	Average price (EUR/tonne)	566	576	565	561
	<i>Index</i>	100	102	100	99
Total of all third countries except Russia	Volume (m ³)	182 335	248 344	241 746	257 371
	<i>Index</i>	100	136	133	141
	Market share	10 %	12 %	12 %	12 %
	Average price (EUR/tonne)	537	574	535	520
	<i>Index</i>	100	107	100	97

Source: Eurostat

- (147) Compared to Russia, Belarus and the Ukraine have a limited presence in the Union market. In the period considered their market shares remained stable, with minimal or none variations, at a level of 4 % and 5 % respectively. All the other third countries slightly increased their presence from a market share of 1 % to a still very low market share of 3 %. The combined market share of imports from all third countries except Russia increased by 2 % from 2017 to 2018, and afterwards remained stable at a level of 12 %.
- (148) In terms of prices during the period considered, Ukraine sold at prices slightly higher than Russia, and Belarus at lower prices. The lower prices from Belarus are explained by its limited technology that only allows producing a very specific and cheaper quality product in the market. In contrast to Belarus, imports from Russia concern higher quality birch plywood, thus showing higher average prices.
- (149) On that basis, the Commission provisionally concluded that the impact of imports from other countries does not attenuate the causal link between dumped Russian imports and the material injury suffered by Union producers.

5.3.2. Export performance of the Union industry

- (150) The volume of exports of the sampled Union producers developed over the period considered as follows:

⁽¹²⁾ The ratio (TARIC/CN) after initiation between the import volumes of the full CN code and the imports for the product concerned based on TARIC data, for 'Other third countries' has been established at 3 %.

Table 12

Export performance of the sampled Union producers

	2017	2018	2019	Investigation period
Export volume (m ³)	98 324	96 327	93 892	101 866
<i>Index</i>	100	98	95	104
Average price (EUR/m ³)	689	755	752	705
<i>Index</i>	100	110	109	102

Source: Sampled Union producers

- (151) Exports volumes from the sampled Union producers increased by 4 % during the period considered. From 2017 to 2019, exports decreased by 5 %, followed by an increase of 9 % in the IP. Average prices of exports increased by 2 % during the period considered. From 2017 to 2018 average prices increased by 10 %, with decreases in the following periods.
- (152) Given the positive evolution in both export volume and average prices over the period considered the Commission provisionally concluded that the impact of export performance could not have contributed to the injury suffered by the Union industry.

5.3.3. *Competitive disadvantage in access to the main raw material*

- (153) Some parties claimed that the Union industry suffers from a limited availability of the main raw material, birch wood logs, compared to Russia. This limited availability of raw materials would be the origin of lower production volumes, costs increases and therefore be the cause of injury.
- (154) Access to raw main material, birch wood logs, does not explain the injury, since Union producers have sufficient access to supplies of birch logs. The increase in stocks evidences that the problem does not reside in the production, but rather in its commercialization. Therefore, the decrease in production during the period considered is not explained by the availability of wood.
- (155) Concerning the alleged disadvantage in cost, the investigation has determined that an important factor affecting the increase of the cost of production on the Union industry is the price of birch wood logs. However, the cost of raw materials and its effect on the overall increase of cost of production on the Union industry does not attenuate the causal link. Specifically, this can be observed by the fact that between 2019 and the IP the cost of production of the Union industry decreased, whereas this did not result in an improvement of the profitability.

5.3.4. *Self-inflected injury*

- (156) Some parties claimed that the Union industry made unwarranted investments into capacity expansion when sales were slowing down, and that this was a source of the injury.
- (157) The Union production capacity was, however, reduced by overall 3 % in the period considered. The Union production capacity increased slightly in 2018 and 2019, but over the whole period considered the Union industry scaled back. The claim that expansion capacity investments were a source of injury is thus unfounded.

5.3.5. *Strikes in Finland*

- (158) Some parties claimed that a number of strikes at Finnish mills that took place in December 2019 and early 2020 would be the cause of the decrease in production.
- (159) The Commission provisionally concluded that the strikes of the mills in Finland do not attenuate the causal link since their impact was limited geographically (Finland) and limited in time (strikes occurred between December 2019 and January 2020).

5.3.6. COVID-19 effects

- (160) Some parties claimed that the Commission should consider the data covering the end of 2019 and the first half of 2020 with special caution, in order to distinguish the effects of the COVID-19 in the economy from those of the allegedly dumped imports.
- (161) The investigations established that the demand for birch plywood remained relatively stable in the second quarter of 2020. In addition, there were no major disruptions in the supply chain and export sales also continued in this period. The Commission, thus, concluded that effects of the COVID-19 do not attenuate the causal link.

5.3.7. Product comparability

- (162) Some parties claimed that the birch plywood produced by the Russian industry does not compete with the plywood produced by the EU industry, since they allegedly produce different qualities destined to different segments, and therefore, Russian imports are not the cause of injury.
- (163) However, the comparison of the various product types sold by the Union industry and the product types sold by the Russian exporting producers shows that product types closely resemble, and quite often are even identical, as well as a substantial level of interchangeability. In addition, the investigation established that the Union industry and Russian producers both supply the main sectors using birch plywood. In any event as explained in section 2, the investigation showed that the products sold by the Union industry and Russian exporting producer are like products as they have the same basic physical, chemical and technical characteristics as well as the same basic uses. Thus, the claim is considered to be unfounded.

5.4. Conclusion on causation

- (164) In light of the above considerations, the Commission provisionally established a causal link between the injury suffered by the Union industry and the dumped imports from Russia. As a result of the significant increase of dumped imports from Russia the Union industry was precluded from setting sustainable prices, which resulted in strong deterioration of its economic situation.
- (165) The Commission distinguished and separated the effects of all known factors on the situation of the Union industry from the injurious effects of the dumped imports.
- (166) On the basis of the above, the Commission concluded at this stage that the dumped imports from the country concerned caused material injury to the Union industry and that the other factors, considered individually or collectively, did not attenuate the causal link between the dumped imports and the material injury.

6. LEVEL OF MEASURES

- (167) To determine the level of the measures, the Commission examined whether a duty lower than the margin of dumping would be sufficient to remove the injury caused by dumped imports to the Union industry.

6.1. Injury margin

- (168) The injury would be removed if the Union Industry were able to obtain a target profit by selling at a target price in the sense of Articles 7(2c) and 7(2d) of the basic Regulation.
- (169) In accordance with Article 7(2c) of the basic Regulation, for establishing the target profit, the Commission took into account the following factors: the level of profitability before the increase of imports from the country concerned, the level of profitability needed to cover full costs and investments, research and development (R&D) and innovation, and the level of profitability to be expected under normal conditions of competition. Such profit margin should not be lower than 6 %.
- (170) As a first step, the Commission established a basic profit covering full costs under normal conditions of competition. The Commission took the profits achieved by the sampled Union producers before unfair imports from Russia accelerated and started injuring the Union industry. Such profit margin was established at 9,7 %, which corresponds to the level of profit achieved by the Union industry in 2017.

- (171) Some Union producers claimed that its level of investments, research and development (R&D) and innovation during the period considered would have been higher under normal conditions of competition.
- (172) The Commission assessed this claim, but observed that despite a decreasing turnover, the level of investments during the IP was higher than in the two precedent years and very close to the level of investments in 2017 when the Union industry reached an average profit of 9,7 %. On this basis, also considering that investments in research and development (R&D) and innovation are prospective forecasts based on investment plans, the Commission provisionally did not accept these claims.
- (173) On this basis, the non-injurious price is 766,33 euro/cubic meter resulting from applying the above-mentioned profit margin of 9,7 % to the cost of production during the IP of the sampled Union producers
- (174) In accordance with article 7(2d) of the basic Regulation, as a final step, the Commission assessed the future costs resulting from Multilateral Environmental Agreements, and protocols thereunder, to which the Union is a party, and of ILO Conventions listed in Annex Ia that the Union industry will incur during the period of the application of the measure pursuant to Article 11(2). Based on the remote crosschecked questionnaire replies and evidence available provided by some of the sampled Union producers, the Commission established an additional cost of 6,68 euro/cubic meter, from which it deducted the actual cost of compliance with such conventions during the IP, namely 5,28 euro per unit of measurement, leading to a result of 1,40 euro/cubic meter. This difference was added to the non-injurious price.
- (175) On this basis, the Commission calculated a non-injurious price of 767,73 euro/cubic meter for the like product of the Union industry by applying the above-mentioned target profit margin to the cost of production of the sampled Union producers during the investigation period and then adding the adjustments under Article 7(2d) on a type-by-type basis..
- (176) The Commission then determined the underselling margin level on the basis of a comparison of the weighted average import price of the sampled cooperating exporting producers in the country concerned, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the sampled Union producers on the Union market during the investigation period. Any difference resulting from this comparison was expressed as a percentage of the weighted average import CIF value.
- (177) The injury elimination level for 'other cooperating companies' and for 'all other companies' is defined in the same manner as the dumping margin for these companies.

Company	Dumping margin (%)	Injury margin (%)
Sveza Group	15,9 %	30,9 %
Syktyvkar Plywood Mill Ltd.	15,0 %	43,8 %
Zheshartsky LPK LLC	15,3 %	54,0 %
Other cooperating companies	15,7 %	38,1 %
All other companies	15,9 %	54,0 %

7. UNION INTEREST

- (178) The Commission examined whether it could clearly conclude that it was not in the Union interest to adopt measures in this case, despite the determination of injurious dumping, in accordance with Article 21 of the basic Regulation. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers and users.

7.1. Interest of the Union industry

- (179) The Union industry is composed of around fifteen companies. They are mostly geographically located close to the birch forest regions in North East Europe (Finland, Baltic countries and Poland) and employs over 5 000 workers directly. The majority of Union producers supported the complaint, two expressed a neutral position and none opposed the initiation of the investigation.
- (180) Current levels of profitability are unsustainable. The imposition of measures is expected to allow the Union industry to recover parts of the lost market share, and to set prices at levels that at least cover the cost.
- (181) The absence of measures is likely to have a significant negative effect on the Union industry in terms of further price suppression and a further reduction of sales, thus translating into more losses and likely closure of production facilities and dismissals.
- (182) The Commission therefore concluded that the imposition of provisional measures is in the interest of the Union industry.

7.2. Interest of unrelated importers and traders

- (183) Twenty-nine importers made themselves known, and a number of submissions and comments were received. As mentioned in section 1.6.2, the Commission selected a sample of three importers, which submitted questionnaires replies.
- (184) Several importers argued that the imposition of anti-dumping duties would increase material costs for them and for their customers. These additional costs would be difficult to cover and therefore threaten their profitability and competitiveness. Further claims were made concerning the lack of capacity of the Union industry to meet demand in the Union, estimated to be around 2,1 million m³, hence alleging that measures would create a shortage in the market. In addition claims were raised concerning the lack of interest of Union producers in supplying small enterprises, as well as the refusal to provide certain materials.
- (185) Concerning the economic consequences on importers, the investigation has established that sampled importers have a weighted profit of 4,7 %, with different shares of birch plywood in their portfolio of products. Furthermore, while the share of Russian plywood distributed by importers might reduce if the measures are imposed, the level of measures is not expected to cause a complete cessation of Russian imports. Given that there are also alternative sources of supply in neighbouring countries, such as Ukraine and Belarus, the impact of measures on the profitability and competitiveness of importers is expected to be limited. The interest of users, is addressed in section 7.3 below.
- (186) Concerning the supply risk, the level of the measures will likely not bring Russian imports to a halt, but rather allow the continued sourcing of birch plywood from Russia at fair prices. In addition, birch plywood can still be imported from other third countries, like Ukraine and Belarus.
- (187) Concerning the supply to consumers of small quantities, the investigation has established that the Union industry has developed an extensive network of retailers, related and unrelated, allowing the Union industry to reach small customers which do not have the capacity to buy entire containers. Furthermore, as mentioned above, any consumer can continue sourcing from Russian producers.
- (188) The investigation also established that the Union industry has the necessary equipment and capacity to adapt to specific customers product requirements, hence is capable to produce all required product types.
- (189) In conclusion, the anti-dumping measures at the level established might negatively affect some unrelated importers. However such impact should not be significant overall and will highly depend on the importers' business model, the variety of their sources of supplies and the extent to which increased costs are passed on to their customers.

- (190) In the basis of the above, the Commission provisionally established that any negative impact of measures on unrelated importers as a whole is expected to be limited and not to outweigh the positive effect of measures on Union producers.

7.3. Interest of users

- (191) Thirteen users made themselves known. Nine users submitted comments and/or questionnaire replies.
- (192) The Commission is engaged in a deficiency process with most of the users that provided a questionnaire reply due to the lack of versions available for consultation of interested parties. At this stage, only one questionnaire response, from Emiliana Imballaggi S.p.A., which purchases birch plywood for the packaging business, has provided an open version.
- (193) Claims were raised arguing that the imposition of anti-dumping duties would increase costs for users that would be difficult to pass on to customers and therefore threaten their profitability and competitiveness.
- (194) Birch plywood is used in different type of sectors. Imposition of measures are likely to have a different impact across users, depending on the share of birch plywood costs in the total costs for that sector and the ability to pass on costs to downstream consumers. Detailed information from users along with an open version was provided by only one company using plywood for the packaging sector. In addition, the complainant submitted an independent study analysing the expected impact of measures on users, based on theoretical duties of 20 % to 30 %.
- (195) The main sectors using birch plywood in the EU are by consumption: construction (39 %), transport (27 %), furniture (10 %) and packaging (8 %). Based on the available information, for the sectors capturing the majority of the birch plywood consumption, the impact of the measures was provisionally assessed to be limited or negligible. The sectors where the duties may have the largest impact are packaging and parquet producers. However, even in these sectors the impact of measures is limited. For the packaging sector, the estimated impact is around 2 % to 4 % in the cost structure, which can be expected to be passed on to customers. As far as the parquet and flooring sector is concerned, birch plywood has various substitutes, like other types of wood and alternative materials, which is another reason why the impact of possibly slightly higher cost of birch plywood is expected to be limited.
- (196) On the basis of the above, the Commission provisionally established that any negative impact of measures on users is expected to be limited and not to outweigh the positive effect of measures on Union producers.

7.4. Interest of Suppliers

- (197) Three suppliers came forward as interested parties.
- (198) All three companies are suppliers of machinery, woodworking equipment or materials used in the production of birch plywood to Russian exporting producers. The companies claimed that the imposition of measures would imply a decrease of Russian imports, which would lead to a decrease of investments on equipment by Russians exporting producers and, accordingly, would have a negative impact on their business.
- (199) The Commission expects that Russian investments on equipment would not be significantly affected since the level of the measures is not expected to bring a halt to Russian imports. On the other hand, measures are likely to allow the Union industry engaging in equipment investments, thus affect positively the Union suppliers of woodworking equipment.
- (200) On the basis of the above, the Commission provisionally established that any negative impact of measures on supplier as a whole is expected to be limited and not to outweigh the positive effect of measures on Union producers

7.5. Other interested parties: other wood plywood producers, environmental interest and COVID-19.

- (201) Three national associations (of France, Italy and Spain) representing plywood producers of poplar, pine and other types of wood came forward as interested parties. They claimed that while the product concerned and their products are different products, a certain level of substitution might take place. They argued that while traditionally birch plywood prices were at higher levels, the dumped prices of birch plywood from Russia attracted demand that traditionally was for other type of woods, such as poplar, pine and okoume, and threatened the value chain established in other types of wood industries. Therefore, they support the imposition of measures.
- (202) Several parties claimed that the imposition of duties might cause carbon leakage due to a substitution of Russian birch plywood with Chinese poplar plywood or plywood from other countries farther away from Europe, raising transport emission and the risk that substitute products are less sustainable than Russian birch plywood. The Commission noted that the level at which the measures are to be imposed is not expected to bring a halt to Russian imports. Moreover, it was not demonstrated that should a substitution of imports from Russia by imports from another third country take place it would be from China, nor that other type of wood production would be less sustainable than production of Russian birch. The claim was therefore rejected.
- (203) Parties have claimed that duties would exacerbate the effect of COVID-19 pandemic on users. However, as explained above, the impact of the measures of the main sectors using birch plywood is expected to be limited. In addition, at this point in time, the Commission has no evidence at its disposal showing the impact of the pandemic on the different sectors of users, or that the impact on producers would be different than the impact on users. In the absence of such evidence, the COVID-19 pandemic is considered a neutral factor in the assessment of the Union interest.

7.6. Conclusion on Union interest

- (204) On the basis of the above, the Commission concluded that there were no compelling reasons that it was not in the Union interest to impose measures on imports of birch plywood originating in Russia at this stage of the investigation.

8. PROVISIONAL ANTI-DUMPING MEASURES

- (205) On the basis of the conclusions reached by the Commission on dumping, injury, causation and Union interest, provisional measures should be imposed to prevent further injury being caused to the Union industry by the dumped imports.
- (206) Provisional anti-dumping measures should be imposed on imports of birch plywood originating in Russia, in accordance with the lesser duty rule in Article 7(2) of the basic Regulation. The Commission compared the underselling margins and the dumping margins. The amount of the duties was set at the level of the lower of the dumping and the underselling margins.
- (207) On the basis of the above, the provisional anti-dumping duty rates, expressed on the CIF Union border price, customs duty unpaid, should be as follows:

Company	Provisional anti-dumping duty
Sveza Group	15,9 %
Syktyvkar Plywood Mill Ltd.	15,0 %
Zheshartsky LPK LLC	15,3 %
Other cooperating companies	15,7 %
All other companies	15,9 %

- (208) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the findings of this investigation. Therefore, they reflect the situation found during this investigation with respect to these companies. These duty rates are exclusively applicable to imports of the product concerned originating in the country concerned and produced by the named legal entities. Imports of the product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other companies'. They should not be subject to any of the individual anti-dumping duty rates.
- (209) To ensure a proper enforcement of the anti-dumping duties, the anti-dumping duty for all other companies should apply not only to the non-cooperating exporting producers in this investigation, but to the producers which did not have exports to the Union during the investigation period.
- (210) To minimise the risks of circumvention due to the difference in duty rates, special measures are needed to ensure the application of the individual anti-dumping duties. The companies with individual anti-dumping duties must present a valid commercial invoice to the customs authorities of the Member States. The invoice must conform to the requirements set out in Article 1(3) of this Regulation. Imports not accompanied by that invoice should be subject to the anti-dumping duty applicable to 'all other companies'.
- (211) While presentation of the invoice is necessary for the customs authorities of the Member States to apply the individual rates of anti-dumping duty to imports, it is not the only element to be taken into account by the customs authorities. Indeed, even if presented with an invoice meeting all the requirements set out in Article 1(3) of this Regulation, the customs authorities of Member States must carry out their usual checks and may, like in all other cases, require additional documents (shipping documents, etc.) for the purpose of verifying the accuracy of the particulars contained in the declaration and ensure that the subsequent application of the lower rate of duty is justified, in compliance with customs law.

9. INFORMATION AT PROVISIONAL STAGE

- (212) In accordance with Article 19a of the basic Regulation, the Commission informed interested parties about the planned imposition of provisional duties. This information was also made available to the general public via DG TRADE's website. Interested parties were given three working days to provide comments on the accuracy of the calculations specifically disclosed to them.
- (213) Comments on the accuracy of the calculations were received. UPG provided valid comments which were taken into consideration while the comments made by Sveza Group and Syktyvkar Plywood Mill Ltd. did not affect the accuracy of the calculations. The Russian authorities submitted comments against the imposition of provisional measures without however providing any specific details regarding the accuracy of the calculations.

10. FINAL PROVISIONS

- (214) In the interests of sound administration, the Commission will invite the interested parties to submit written comments and/or to request a hearing with the Commission and/or the Hearing Officer in trade proceedings within a fixed deadline.
- (215) The findings concerning the imposition of provisional duties are provisional and may be amended at the definitive stage of the investigation,

HAS ADOPTED THIS REGULATION:

Article 1

1. A provisional anti-dumping duty is imposed on imports of plywood consisting solely of sheets of wood, each ply not exceeding 6 mm thickness, with outer plies of wood specified under subheading 4412 33, with at least one outer ply of birch wood, whether or not coated, originating in Russia, currently falling under CN code ex 4412 33 00 (TARIC code 4412 33 00 10).

2. The rates of the provisional anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the product described in paragraph 1 and produced by the companies listed below, shall be as follows:

Company	Provisional anti-dumping duty	TARIC additional code
Sveza Group composed of seven exporting producers: JSC «SVEZA Manturovo»; JSC «SVEZA Novator»; Tyumen Plywood Plant Limited; JSC «SVEZA Ust-Izhora»; JSC «SVEZA Uralskiy»; JSC «SVEZA Kostroma»; JSC «SVEZA Verhnaya Sinyachiha»	15,9 %	C659
Syktyvkar Plywood Mill Ltd.	15,0 %	C660
Zheshartsky LPK LLC	15,3 %	C661
Other cooperating companies listed in Annex	15,7 %	
All other companies	15,9 %	C999

3. The application of the individual duty rates specified for the companies mentioned in paragraph 2 shall be conditional upon presentation to the Member States' customs authorities of a valid commercial invoice, on which shall appear a declaration dated and signed by an official of the entity issuing such invoice, identified by his/her name and function, drafted as follows: *'I, the undersigned, certify that the (volume) of birch plywood sold for export to the European Union covered by this invoice was manufactured by (company name and address) (TARIC additional code) in Russia. I declare that the information provided in this invoice is complete and correct.'* If no such invoice is presented, the duty applicable to all other companies shall apply.

4. The release for free circulation in the Union of the product referred to in paragraph 1 shall be subject to the provision of a security deposit equivalent to the amount of the provisional duty.

5. Unless otherwise specified, the provisions in force concerning customs duties shall apply.

Article 2

1. Interested parties shall submit their written comments on this Regulation to the Commission within 15 calendar days of the date of entry into force of this Regulation.

2. Interested parties wishing to request a hearing with the Commission shall do so within 5 calendar days of the date of entry into force of this Regulation.

3. Interested parties wishing to request a hearing with the Hearing Officer in trade proceedings are invited to do so within 5 calendar days of the date of entry into force of this Regulation. The Hearing Officer shall examine requests submitted outside this time limit and may decide whether to accept such requests if appropriate.

Article 3

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Article 1 shall apply for a period of six months.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 10 June 2021.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

Cooperating exporting producers not sampled

Name	TARIC additional code
Arkhangelsk Plywood Plant JSC	C662
CJSC Murom	C663
LLC InvestForest	C664
Joint Stock Company Bryansk Plywood Mill	C665
Joint-Stock Company Krasnyi Yakor	C666
Limited Liability Company Fanerniy Zavod	C667
Limited Liability Company UPM-Kymmene Chudovo	C668
Murashi Plywood Factory	C669
Parfino Plywood Factori	C670
ZAO Plyterra	C671
Plywood Plant Vlast Truda JSC	C672
Limited Liability Company Vyatsky Plywood Mill	C673

COMMISSION IMPLEMENTING REGULATION (EU) 2021/941**of 10 June 2021****laying down a specific procedure for identifying heavy-duty vehicles certified as vocational vehicles but not registered as such and applying corrections to the annual average specific CO₂ emissions of a manufacturer to take those vehicles into account****(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/1242 of the European Parliament and of the Council of 20 June 2019 setting CO₂ emission performance standards for new heavy-duty vehicles and amending Regulations (EC) No 595/2009 and (EU) 2018/956 of the European Parliament and of the Council and Council Directive 96/53/EC ⁽¹⁾, and in particular Article 2(3) thereof,

Whereas:

- (1) In order to identify heavy-duty vehicles that are certified as vocational vehicles but not registered as such, it is appropriate to use the data reported by the manufacturers and Member States in accordance with Regulation (EU) 2018/956 of the European Parliament and of the Council ⁽²⁾.
- (2) In order to resolve the discrepancies in the data reported on certifications and registrations in accordance with Regulation (EU) 2018/956, the Member States and the manufacturers should be allowed to comment on and, if the case may be, report new information to correct the information reported previously.
- (3) It is necessary that the corrections, resulting from heavy-duty vehicles that are certified as vocational vehicles but not registered as such, and applied to the annual average specific CO₂ emissions of manufacturers, be proportionate and dissuasive, in order to incentivise a correct and careful processing of data and to avoid a wrong attribution of CO₂ emissions of such vehicles, either by intention or due to negligence.
- (4) Should the Commission consider that a vehicle should have been registered as a vocational vehicle, it should correct the data reported by Member States accordingly and consider the vehicle as vocational vehicle for the purposes of Article 2(3) of Regulation (EU) 2019/1242.
- (5) Therefore, for the calculation of the average specific CO₂ emissions of a manufacturer, wrongly attributed heavy-duty vehicles are considered with their CO₂ emissions determined on vocational mission profiles, which are higher than CO₂ emissions determined on delivery-type mission profiles and thereby less favourable for the manufacturer as if the vehicle had been correctly certified as a delivery vehicle from the beginning.
- (6) The measures provided for in this Regulation are in accordance with the opinion of the Climate Change Committee,

⁽¹⁾ OJ L 198, 25.7.2019, p. 202.

⁽²⁾ Regulation (EU) 2018/956 of the European Parliament and of the Council of 28 June 2018 on the monitoring and reporting of CO₂ emissions from and fuel consumption of new heavy-duty vehicles (OJ L 173, 9.7.2018, p. 1).

HAS ADOPTED THIS REGULATION:

Article 1

Identification of heavy-duty vehicles certified as vocational vehicles but not registered as such

1. The Commission shall establish a list with heavy-duty vehicles that have been certified in the meaning of Article 2(3) of Regulation (EU) 2019/1242 as vocational vehicles based on the data reported by the manufacturer in accordance with Article 5 of Regulation (EU) 2018/956 but which were not registered as vocational vehicles based on the data reported by the Member States in accordance with Article 4 of Regulation (EU) 2018/956.
2. The Commission shall provide the competent authorities referred to in Article 4(2) of Regulation (EU) 2018/956 and the contact points appointed by the manufacturer pursuant to Article 5(2) of Regulation (EU) 2018/956 with the relevant parts of the list referred to in paragraph 1.
3. Competent authorities and manufacturers may provide the Commission within one month after receipt of the list pursuant to paragraph 2 with clarifications on the correctness of the data reported pursuant to Articles 4 and 5 of Regulation (EU) 2018/956.
4. After receiving the clarifications or after the expiry of the one month period provided to in paragraph 3, the Commission shall assess the list with heavy-duty vehicles referred to in paragraph 1 on the basis of the reported clarification provided pursuant to paragraph 3, arguments of the parties and possibly some further investigations.
5. If, based on the outcome of the assessment referred to in paragraph 4, the Commission concludes that heavy-duty vehicles identified pursuant to paragraph 1 were correctly registered as vehicles other than vocational, it shall apply corrections to the annual average specific CO₂ emissions of a manufacturer in accordance with Article 2 to take those vehicles into account.
6. The Commission may, based on the technical characteristics of the vehicles concerned, replace the initially reported vocational vehicle certification by a certification of the same heavy-duty vehicle, which shall be re-calculated by the manufacturer, according to its technical characteristics, in vehicle group 4, 5, 9 or 10 of Annex I, Table 1 to Commission Regulation (EU) 2017/2400 ^(¹). In such a case, the Commission shall not apply corrections to the annual average specific CO₂ emissions of a manufacturer in accordance with Article 2 to take those vehicles into account but the vehicles shall be included in the determination of the specific CO₂ emissions of a manufacturer according to the provisions of Regulation (EU) 2019/1242, in particular when the manufacturer has taken the measures reasonably to be expected based on the information available at the time of the declaration to support a correct declaration as vocational.
7. If, based on the outcome of the assessment referred to in paragraph 4, the Commission concludes that heavy-duty vehicles identified pursuant to paragraph 1 should have been registered as vocational vehicles, it shall correct the data reported by the Member State in accordance with Article 4 of Regulation (EU) 2018/956 and inform the Member State where those heavy-duty vehicles were registered of that correction.

Article 2

Application of corrections to average specific CO₂ emissions

If heavy-duty vehicles corresponding to the provisions of Article 1(5) exist, the annual average specific CO₂ emissions of the manufacturer shall be corrected as follows:

$$(\text{avgCO}_{2\text{sg}})_{\text{corr}} = (V_{\text{sg}} \times \text{avgCO}_{2\text{sg}} + \sum_v \text{CO}_{2V_v}) / (V_{\text{sg}} + V_{0c_{\text{sg}}}),$$

where:

$\text{avgCO}_{2\text{sg}}$ are the average specific CO₂ emissions of the manufacturer defined in Annex I, point 2.2. to Regulation (EU) 2019/1242;

⁽¹⁾ Commission Regulation (EU) 2017/2400 of 12 December 2017 implementing Regulation (EC) No 595/2009 of the European Parliament and of the Council as regards the determination of the CO₂ emissions and fuel consumption of heavy-duty vehicles and amending Directive 2007/46/EC of the European Parliament and of the Council and Commission Regulation (EU) No 582/2011 (OJ L 349, 29.12.2017, p. 1).

V_{sg} is the number of new heavy-duty vehicles of the manufacturer in the vehicle sub-group sg , excluding vocational vehicles, in accordance with Article 4, point (a) of Regulation (EU) 2019/1242;

Σ_v is the sum over all heavy-duty vehicles of the manufacturer in the vehicle sub-group sg , in accordance with the provisions of Article 1(5);

$CO2V_v$ is the average of the CO_2 emissions in g/tkm of the vocational vehicle v for all different combinations of mission profiles, load conditions and fuel types, reported in accordance with Regulation (EU) 2018/956;

V_{ocsg} is the number of heavy-duty vehicles of the manufacturer in the vehicle sub-group sg , in accordance with Article 1(5).

The corrected average specific CO_2 emissions of the manufacturer ($avgCO2_{sg/corr}$) shall replace the average specific CO_2 emissions of the manufacturer $avgCO2_{sg}$ for the purposes of Regulation (EU) 2019/1242.

Article 3

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 10 June 2021.

For the Commission
The President
Ursula VON DER LEYEN

DECISIONS

COMMISSION IMPLEMENTING DECISION (EU) 2021/942

of 10 June 2021

laying down rules for the application of Council Directive 2006/112/EC as regards the establishment of the list of third countries with which the Union has concluded an agreement on mutual assistance similar in scope to Council Directive 2010/24/EU and Council Regulation (EU) No 904/2010

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax ⁽¹⁾, and in particular Article 369m(3) thereof,

Whereas:

- (1) The functioning of the internal market, globalisation, and technological change have resulted in an explosive growth of electronic commerce and, hence, of distant supplies of goods and services in the Member States from suppliers established either in another Member State or from third territories or third countries.
- (2) Directive 2006/112/EC was amended by Directives (EU) 2017/2455 ⁽²⁾ and (EU) 2019/1995 ⁽³⁾ to make the value added tax (VAT) system fit to the electronic commerce by ensuring effective and efficient collection of VAT by minimising the administrative burden for both taxable persons and tax administrations and to modernise the legal framework for VAT for cross-border business-to-consumer e-commerce.
- (3) Pursuant to Article 369m(1)(c), Member States are to permit any taxable person established in a third country with which the Union has concluded an agreement on mutual assistance similar in scope to Council Directive 2010/24/EU ⁽⁴⁾ and Council Regulation (EU) No 904/2010 ⁽⁵⁾ to use the special scheme when carrying out distance sales of goods from that third country, without the need to be represented by an intermediary established in the Union.
- (4) An Agreement between the European Union and the Kingdom of Norway on administrative cooperation, combating fraud and recovery of claims in the field of value added tax ⁽⁶⁾ entered into force on 1 September 2018.
- (5) That agreement is similar in scope to Directive 2010/24/EU and Regulation (EU) No 904/2010 since it establishes a common system for cooperation, in particular as regards the exchange of information in order to enable the authorities responsible for the application of VAT legislation to assist each other in ensuring compliance with that legislation and in protecting VAT revenue. It also provides assistance for ensuring the correct assessment of VAT, for combatting VAT fraud and for recovery of claims relating to VAT. The agreement contains rules and procedures for administrative cooperation and recovery assistance that are similar to the rules and procedures laid down in Directive 2010/24/EU and Regulation (EU) No 904/2010 and establishes obligations for competent authorities to assist each other that are of a level equivalent to that of Directive 2010/24/EU and of Regulation (EU) No 904/2010.

⁽¹⁾ OJ L 347, 11.12.2006, p. 1.

⁽²⁾ Council Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods (OJ L 348, 29.12.2017, p. 7).

⁽³⁾ Council Directive (EU) 2019/1995 of 21 November 2019 amending Directive 2006/112/EC as regards provisions relating to distance sales of goods and certain domestic supplies of goods (OJ L 310, 2.12.2019, p. 1).

⁽⁴⁾ Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures (OJ L 84, 31.3.2010, p. 1).

⁽⁵⁾ Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (OJ L 268, 12.10.2010, p. 1).

⁽⁶⁾ OJ L 195, 1.8.2018, p. 3.

- (6) The Kingdom of Norway should therefore be listed as a third country with which the Union has concluded an agreement on mutual assistance referred to in Article 369m(1)(c) of Directive 2006/112/EC.
- (7) As the relevant substantive provisions of Directive 2006/112/EC apply from 1 July 2021, it is appropriate for this Decision to apply from that date.
- (8) The measures provided for in this Decision are in accordance with the opinion of the Standing Committee on Administrative Cooperation,

HAS ADOPTED THIS DECISION:

Article 1

The third country with which the Union has concluded an agreement on mutual assistance similar in scope to Directive 2010/24/EU and Regulation (EU) No 904/2010 is the Kingdom of Norway.

Article 2

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 July 2021.

Done at Brussels, 10 June 2021.

For the Commission
The President
Ursula VON DER LEYEN

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