

REQUESTS FOR AUTONOMOUS TARIFF QUOTAS FOR POLYETHYLENE AND POLYPROPYLENE

January 2017 Round

*Meeting of the Economic Tariff Questions Group
Brussels, 16-17 June 2016*

Introduction

- The quota requests concerning polyethylene (PE) and polypropylene (PP), accepted by the Ministry of Economy of Turkey in the framework of the January 2017 Round, are all supported by evidence, unlike the objections filed against them.
- The quota requests for PE and PP are exclusively made for Turkey. However, objecting producers have failed to even refer to the supply situation on the Turkish market. These quota requests differ from the tariff waiver requests made in previous rounds.
- The recommendations of the ETQG must be supported by facts. Objections not supported by any evidence and that fail to address valid claims cannot be accepted. EU Member States must ensure a proper balance between the interests of industrial users and producers, in line with the purpose of the tariff waiver instrument.
- Objecting EU producers should be strongly encouraged to enter into serious negotiations with requesting industrial users as a compromise solution would be in their mutual interest.

The quota requests have been revised ahead of the first meeting of the ETQG and are all factually supported

- The objections filed by Ineos and LyondellBasell concern the original quota requests filed by Turkey.
- These quota requests have been revised ahead of the first meeting of the ETQG based on the most recent ICIS data available.
 - The quota request for PE has been broken up into three quota requests for low-density polyethylene (LDPE), linear low-density polyethylene (LLDPE) and high-density polyethylene (HDPE).

- The quota requests were revised based on independent market data sourced from ICIS, a trusted chemical industry news and chemical market intelligence company, and from Turkstat and Eurostat, the official statistical agencies in Turkey and the EU:
 - PE – original request: 838,000 MT
revised requests: LDPE: 134,000 MT
LLDPE: 399,000 MT
HDPE: 453,000 MT
 - PP – original request: 973,000 MT
revised request: 980,000 MT
- The requested quota volumes were determined based on a comparison between Turkish production (sourced from ICIS), to which EU production (sourced from ICIS) and preferential imports into Turkey (sourced from Turkstat) were added, and consumption in Turkey (sourced from ICIS) and exports from Turkey (sourced from Turkstat). Alternate calculations were also made using available capacity in Turkey and the EU (sourced from ICIS). In all cases there is a clear supply deficit in Turkey, which is satisfied by non-preferential imports.

Objecting producers fail to provide any evidence of their ability to supply the Turkish market

- The objections to the tariff quotas requests do not refer to the situation prevailing in Turkey.
 - The objections filed by LyondellBasell regarding LDPE, HDPE and PP only refer to capacity and consumption for 2015 in Western Europe -- and not in Turkey and/or the EU.
 - Any quota volume assessment should be based on production and not capacity. As evidenced by ICIS production and consumption data and the great number of *force majeure* cases in 2014 and 2015, the EU industry has not and will not be in a position to fully utilize its capacity.
 - No source is given for the data regarding LDPE and HDPE referred to in the objection filed by LyondellBasell.

▪	LDPE – 5,500,000 MT	capacity	LyondellBasell
		ICIS	5,495,000 MT
	Consumption	LyondellBasell	3,700,000 MT
		ICIS	4,340,000 MT
▪	HDPE – 4,900,000 MT	capacity	LyondellBasell
		ICIS	6,530,000 MT
	Consumption	LyondellBasell	4,900,000 MT
		ICIS	5,785,000 MT
▪	PP – 9,200,000 MT	capacity	LyondellBasell
		ICIS	10,832,000 MT
	Consumption	LyondellBasell	8,000,000 MT
		ICIS	9,117,000 MT

- LyondellBasell fails to take into account the actual production of the Turkish and EU LDPE and HDPE industries and their exports.
- Ineos fails to provide any evidence in support of its objections. It does not even provide an assessment of PE and PP production and consumption in the EU.
- Ineos reports the total capacity of its plants in its objections (as evidenced by the December 2015 Polyglobe Report) and not the capacity available for potential supply of Turkish converters.
- Given the absence of evidence supporting the objections of Ineos and LyondellBasell, these objections should not be accepted. Objections are only valid if supported by facts, not by mere speculation. As for the requests filed by industrial users, EU Member States should only take into account objections that include sufficient evidence. If such a requirement is not enforced, producers will be able to continue to block warranted quota requests even when they are not in a position to fully satisfy domestic demand.

Objecting producers reject a compromise despite not being able to fully satisfy Turkish demand.

- Ineos does not suggest any compromise in its objections. This is in line with the approach it and other objecting producers followed in previous rounds. In spite of clear evidence that the Turkish LDPE, LLDPE, HDPE and PP demand cannot be satisfied by Turkish and EU producers as well as preferential imports and that the objecting producers have failed to provide any support for their objections, they are even opposed to negotiating a compromise with Turkish converters.
- In the July 2014 and January 2015 Rounds, Ineos and Borealis failed to enter into serious discussions with the European converting industry. EU Member States should request objecting producers to enter into serious negotiations with the industrial users supporting the quota requests with a view to reaching a compromise solution.

The quota requests filed by Turkey differ from tariff waiver requests filed in previous rounds

- Unlike tariff waiver requests concerning PE and PP filed in previous rounds, the quota requests supported by the Ministry of Economy in the January 2017 Round only concern Turkey -- and not the EU and Turkey as a whole or only the EU.
- Previous suspension and tariff quota requests were grade-specific. Some of these requests could not be accepted because of the absence of grade-specific data regarding production and consumption. The quota requests made for LDPE, LLDPE and HDPE are broader in scope and are all supported by independently-sourced data.