

Additional information request by the UK Trade Remedies Investigations Directorate in the context of the transition reviews on the current anti-dumping and anti-subsidy measures with regard to biodiesel from the United States and Canada (TD0004 & TS0005)

The UK's Trade Remedies Investigations Directorate is contacting you in order to request information regarding Valero's biodiesel imports from the US and Canada, alongside questions regarding economic factors and other areas.

1. IMPORTATION

Please tell us about how biodiesel importation.

1.1 Under which commodity codes does Valero import? 2710 19 43 29

1.2 Where does Valero currently import from? Valero Energy Ltd ("VEL") currently imports FAME biodiesel [CONFIDENTIAL: sensitive information relating to the company's import strategy]. VEL provided UK TRID with an overview of its imports of biodiesel between 2016 – 2020 as Annex 11 to the Importer Questionnaire, as submitted on 20 November 2011.

1.3 We understand that Valero [CONFIDENTIAL: this question contains sensitive information relating to the company's import strategy]. Under what conditions might Valero start importing directly from the USA e.g. price falls to x/unit?

[CONFIDENTIAL: sensitive information relating to the company's import strategy].

In this regard, we refer to the price data that was provided by Diamond Green Diesel ("DGD") as part of its submission on products scope on 5 January 2021. For easy reference, we provide below the average price of UCOME and renewable diesel / HVO during September – October 2020 published by Argus.

[CONFIDENTIAL: this information is only available upon payment of a subscription fee]

1.4 If a trade remedy were no longer in place, at what price would Valero expect to be able to import biodiesel from the USA?

At 'normal' market prices. In this regard, please refer to the price data provided by DGD in its product scope submission of 5 January 2021. We included a summary in our reply to question 1.3 above. If the measures were no longer in place it would offer a real opportunity to develop inland market/sales to satisfy the renewable diesel demand.

We are especially keen on any data that Valero can provide on economic factors regarding its UK import operations.

1.5 Total remuneration of employment.

Across the period of investigation, UK employees [CONFIDENTIAL: sensitive information relating to the company's employment strategy]. "Other benefits" are calculated at [CONFIDENTIAL: sensitive information relating to the company's employment strategy].

1.6 **Total GVA (Gross Value Added). GVA comprises:**

- (a) **Number of units sold**
- (b) **Price per unit**
- (c) **Costs to bring to market those units (both direct and indirect).**

[CONFIDENTIAL: sensitive information relating to the company's GVA]

1.7 **Annual exports (if any).**

[CONFIDENTIAL: sensitive information relating to the company's exports]

2. **COMPETITION AND PRICING QUESTIONS**

2.1 **Numerically, to what extent might price changes be passed along the supply chain? For example, if the imported biodiesel price changed by x% how much might your price change?**

Prices for FAME biodiesel and renewable diesel reflect the natural valuation variables that affect what a buyer will pay for the product in the marketplace. Essentially any FAME or renewable diesel producer is selling two things: the physical petroleum diesel substitute and the related compliance credits. So any producer will have a pricing method which will either explicitly or implicitly reflect these components since they reflect what value renewable diesel represents to a buyer.

In addition, the value of FAME or renewable diesel would depend on supply / demand of the product on the market, as well as quality and properties of the product (renewable diesel is simply a better quality product than FAME biodiesel and therefore more expensive (superior cold flow performance, higher cetane values, and an overall better GHG emissions profile)).

Any price reduction as reflected in reported market trades (i.e. Platts, Argus) will quickly be passed down the supply chain as a result of pricing mechanisms (Platts/Argus formula based). At the pump, for the sale between the retailer and the motorist, normal competitive market pressure will apply as with fossil.

3. **SIMILAR ENTITIES**

If you are aware of any other entities that work within the biodiesel importation sector, then we would be grateful if you could provide us with contact information for them.

VEL does not have information on which UK companies import biodiesel.

4. **OTHER**

If you have any other evidence about possible economic effects on the supply chain or UK economy if the existing measures on biodiesel imports from the US were no longer applied, we welcome it.

The traditional biodiesel market (and supply chain in the UK) would not be affected by the removal of duties: there is a blend wall of 7% for traditional biodiesels (FAME), which means that no more than 7% of biodiesel can be used in a blend with fossil diesel. Even with current measures in place, the blending is at maximum capacity in the UK.

There would however be a significant impact on the renewable diesel market. Renewable diesel is not subject to the same blending limitations as it is considered an advanced biofuel and due to its different physical, technical and chemical characteristics from traditional biodiesel. There is no domestic renewable diesel production so the UK is dependent on imports. If the current measures would be lifted, imports of renewable diesel would increase significantly (thereby creating employment in the importing business), which would support the UK's ambitious goals on the reduction of greenhouse gas emissions and allow for a more competitive market.

Specifically, removal of the existing measures could provide a major opportunity for the marked gasoil market for off-road users (Non-Road Mobile Machinery) to transition to low-carbon alternative in anticipation of tax changes to fuel duty from April 2022. This coming change to 'red diesel' duty rates will increase the tax element for most sectors, including construction, from 11.14 pence per litre to 57.95 pence per litre.

[CONFIDENTIAL: sensitive information relating to stakeholders consultations organized by the UK government.]