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**BEFORE THE  
UNITED STATES DEPARTMENT OF COMMERCE  
AND THE  
UNITED STATES INTERNATIONAL TRADE COMMISSION**

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**PHOSPHATE FERTILIZERS FROM MOROCCO AND RUSSIA**

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**PETITIONS FOR THE IMPOSITION OF  
COUNTERVAILING DUTIES PURSUANT TO  
SECTION 701 OF THE TARIFF ACT OF 1930, AS AMENDED  
ON BEHALF OF THE MOSAIC COMPANY**

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**VOLUME III: RUSSIA COUNTERVAILING DUTY**

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**PETITIONS REGARDING  
PHOSPHATE FERTILIZERS FROM MOROCCO AND RUSSIA**

**I. INTRODUCTION**

This volume presents information reasonably available to Petitioner, The Mosaic Company (“Mosaic” or “Petitioner”), demonstrating that the Government of Russia (“GOR”) is providing countervailable subsidies, within the meaning of section 771(5) of the Tariff Act of 1930, as amended (the “Act”), 19 USC § 1677(5), to Russian producers of phosphate fertilizers. Pursuant to section 701(a) of the Act, 19 USC § 1671(a), the U.S. Department of Commerce (the “Department”) shall impose a countervailing duty on merchandise imported from a “Subsidies Agreement” country where: (1) the government or any public entity in the country at issue is providing, directly or indirectly, a countervailable subsidy with respect to the manufacture, production, or export of subject merchandise; and (2) an industry in the United States is materially injured or threatened with material injury by reason of subject imports. As discussed in detail below, Russian producers of phosphate fertilizers benefit from numerous countervailable subsidies provided by the GOR and other public entities in Russia. Moreover, as demonstrated in Volume I of this Petition, subject imports from Russia are causing material injury to the domestic phosphate fertilizer industry.<sup>1</sup> Accordingly, the Department should initiate a countervailing duty (“CVD”) investigation of imports of phosphate fertilizers from Russia.

**II. BACKGROUND ON RUSSIAN PHOSPHATE FERTILIZER PRODUCERS**

The Russian phosphate fertilizer industry is reportedly dominated by two producers: PJSC PhosAgro (“PhosAgro,” also sometimes referred to in Russian press as “FosAgro”) and

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<sup>1</sup> Volume I of this Petition also provides the general information required under section 351.202 of the Department’s regulations, 19 C.F.R. § 351.202, and section 207.11 of the U.S. International Trade Commission’s (the “Commission”) regulations, 19 C.F.R. § 207.11, and a description of the subject merchandise.

EuroChem Group AG (“EuroChem”).<sup>2</sup> Petitioner believes the vast majority of Russian exports of phosphate fertilizers to the United States in 2019, the proposed period of investigation, are manufactured by PhosAgro and EuroChem. These and other Russian producers of phosphate fertilizers receive numerous countervailable subsidies from the GOR, as detailed below.

#### A. PHOSAGRO

PhosAgro is the largest phosphate fertilizer supplier in Russia and the largest producer of high-grade phosphate rock in the world.<sup>3</sup> A vertically-integrated company, PhosAgro produces both phosphate fertilizers and phosphate rock, as well as feed phosphates, nitrogen fertilizers, and ammonia.<sup>4</sup> Phosphate-based products account for about 90% of its revenues.<sup>5</sup> PhosAgro is structured as a holding company with more than twenty subsidiaries in the upstream and downstream mining, processing, distribution, logistics, and research and development segments.<sup>6</sup> PhosAgro reportedly controls 80% of the Russian market for phosphate-based fertilizers.<sup>7</sup> The company also has its own sales network in Russia and key export markets.<sup>8</sup>

PhosAgro’s ownership is dominated by three shareholders: the family of Andrei Guryev (60.1%); Board of Directors Chairman Vladimir Litvinenko (14.5%); and Board of Directors member Igor Antoshin (4.8%).<sup>9</sup> Guryev is the company’s CEO and Chairman of the Management Board.<sup>10</sup> Litvinenko, who is both a minority shareholder and board Chairman, was Vladimir Putin’s former campaign manager and supervised Putin’s PhD thesis at Russia’s

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<sup>2</sup> The names and addresses of known Russian phosphate fertilizer producers are provided in Exhibit I-19 to Volume I of this Petition.

<sup>3</sup> PhosAgro, Integrated Report 2018, at 7 (2019) (“PhosAgro 2018 Annual Report”), attached as Exhibit III-1.

<sup>4</sup> Gazprombank, Russian Fertilizers Report at 19 (Oct. 29, 2014), attached as Exhibit III-2.

<sup>5</sup> *Id.* at 29.

<sup>6</sup> PhosAgro, Economic Contribution and Payments to Governments Report for the Year Ended 31 Dec. 2018, at 3, attached as Exhibit III-3.

<sup>7</sup> PhosAgro 2018 Annual Report at 11, attached as Exhibit III-1.

<sup>8</sup> PhosAgro 2018 Annual Report at 7, attached as Exhibit III-1.

<sup>9</sup> Gazprombank, Russian Fertilizers Report at 19 (Oct. 29, 2014), attached as Exhibit III-2.

<sup>10</sup> PhosAgro 2018 Annual Report at 25, attached as Exhibit III-1.

Mining Institute.<sup>11</sup> Litvinenko was reportedly paid in PhosAgro shares for consulting work performed in 2004; his shares were worth \$260 million as of 2012.<sup>12</sup> The remaining 20.6% of PhosAgro is publicly traded on the London Stock Exchange and Moscow Exchange.<sup>13</sup> The company held an IPO in July 2011 and a SPO in April 2013.<sup>14</sup> The IPO reportedly raised \$538 million for its largest shareholder, Andrei Guryev.<sup>15</sup>

PhosAgro's main subsidiaries involved in the production of phosphate products are JSC Apatit ("Apatit") and JSC Metachem ("Metachem").

### 1. Apatit

Apatit's mining operations are located in Apatity and Kirovsk, Russia, in the Murmansk region.<sup>16</sup> Apatit is the largest producer of high-grade phosphate rock in the world,<sup>17</sup> and it reportedly controls more than 80% of phosphate rock production in Russia.<sup>18</sup> Apatit holds five mining licenses and two licenses for geological survey, exploration, and production, which allow it to conduct exploration and mining activities at six mines and to conduct exploration activities at two deposits.<sup>19</sup> Apatit's active open-pit and underground mines extract phosphate (apatite-nepheline) ore, which is then transferred to its beneficiation plants for processing into phosphate rock and nepheline concentrate.<sup>20</sup> In 2018, Apatit extracted around 35.4 million tons of

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<sup>11</sup> Giulia Paravicini, *Fertilizer Hits the Fan*, Politico (Sept. 16, 2016), attached as Exhibit III-4; Olga Popova, *IPO Yields \$538m for Guryev*, The Independent (July 13, 2011), attached as Exhibit III-5.

<sup>12</sup> Andrew Kramer & David Herszenhorn, *Midas Touch in St. Petersburg: Friends of Putin Glow Brightly*, N.Y. Times (Mar. 1, 2012), attached as Exhibit III-6.

<sup>13</sup> Gazprombank, Russian Fertilizers Report at 31 (Oct. 29, 2014), attached as Exhibit III-2.

<sup>14</sup> *Id.*

<sup>15</sup> Olga Popova, *IPO Yields \$538m for Guryev*, The Independent (July 13, 2011), attached as Exhibit III-5.

<sup>16</sup> Gazprombank, Russian Fertilizers Report at 25 (Oct. 29, 2014), attached as Exhibit III-2.

<sup>17</sup> *Id.* High-grade phosphate rock is characterized by phosphorous pentoxide (P<sub>2</sub>O<sub>5</sub>) content greater than 35.7% and low radioactivity and hazardous metals/cadmium.

<sup>18</sup> Press Release, URALCHEM, *Joint Announcement by United Chemical Company URALCHEM and ACRON*, (Sept. 15, 2008), attached as Exhibit III-7.

<sup>19</sup> PhosAgro 2018 Annual Report at 54-55, attached as Exhibit III-1.

<sup>20</sup> PhosAgro, Economic Contribution and Payments to Governments Report for the Year Ended 31 Dec. 2018, at 3, attached as Exhibit III-3.

phosphate rock ore (also referred to as apatite-nepheline ore) and produced 10.1 million tons of phosphate rock.<sup>21</sup> Approximately 71% of Apatit's phosphate rock is used by Apatit or related companies (*i.e.*, Metachem) to produce phosphate fertilizers; 11% is sold domestically, and the remaining 18% is exported,<sup>22</sup> primarily to Europe and Latin America.<sup>23</sup>

Apatit produces phosphate fertilizers at multiple facilities in Cherepovets, Russia<sup>24</sup> (located in the Vologda region) and Balakovo<sup>25</sup> (located in the Saratov region), with total capacity of approximately 6.2 million tons.<sup>26</sup> Apatit's facilities in Cherepovets produce MAP, DAP, NPS, and NPK, and its facility in Balakovo produces MAP, DAP, and NPS.<sup>27</sup> Apatit also produces ammonia at Cherepovets and Balakovo, which it consumes internally to make urea derivatives, fertilizers, and aluminum fluoride, which is used for aluminum production.<sup>28</sup> The Balakovo branch of Apatit also produces feed phosphate.<sup>29</sup>

Apatit was formerly owned partly by Mikhail Khodorkovsky.<sup>30</sup> Khodorkovsky was a Russian oligarch who owned the Menatep Group, a holding company whose assets included Yukos, a Siberian oil and gas company, and a 50% interest in Apatit.<sup>31</sup> In 2003, Khodorkovsky was arrested and charged with fraud related to the partial privatization of Apatit in 1994, tax evasion, and embezzlement of Apatit's profits through a transfer pricing scheme; he was later

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<sup>21</sup> PhosAgro 2018 Annual Report at 17, 54, attached as Exhibit III-1.

<sup>22</sup> PhosAgro 2018 Annual Report at 54, attached as Exhibit III-1.

<sup>23</sup> Gazprombank, Russian Fertilizers Report at 26 (Oct. 29, 2014), attached as Exhibit III-2; PhosAgro 2018 Annual Report at 7, 8, attached as Exhibit III-1.

<sup>24</sup> These facilities were formerly operated by PhosAgro subsidiary PhosAgro-Cherepovets. *See* PhosAgro 2018 Annual Report at 54, attached as Exhibit III-1.

<sup>25</sup> These facilities were formerly operated by PhosAgro subsidiary Balakovo Mineral Fertilizers. *See* PhosAgro 2018 Annual Report at 54, attached as Exhibit III-1.

<sup>26</sup> PhosAgro 2018 Annual Report at 17-19, attached as Exhibit III-1.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*; Gazprombank, Russian Fertilizers Report at 26 (Oct. 29, 2014), attached as Exhibit III-2.

<sup>29</sup> PhosAgro 2018 Annual Report at 54, attached as Exhibit III-1.

<sup>30</sup> Andrew Kramer & David Herszenhorn, *Midas Touch in St. Petersburg: Friends of Putin Glow Brightly*, N.Y. Times (Mar. 1, 2012), attached as Exhibit III-6.

<sup>31</sup> *Phosagro Buys Stake to Secure Fertiliser Component Supplier*, Reuters (Sept. 5, 2012), attached as Exhibit III-8.

also charged with money laundering.<sup>32</sup> After Khodorkovsky was convicted in 2005, the Russian government seized the Menatep Group's assets, including its share in Apatit.<sup>33</sup> Andrei Guryev, who was a manager in the Menatep Group at the time and had become chairman of Apatit in 2001, led a management buyout of Apatit, which resulted in PhosAgro's ownership of the 50% stake.<sup>34</sup> PhosAgro purchased the remaining 50% of Apatit shares from the GOR in 2012.<sup>35</sup>

## 2. Metachem

Metachem produces phosphate-based fertilizers, technical phosphate, and sulfuric and phosphoric acid at its facility in Volkhov.<sup>36</sup> It has capacity to produce 200,000 tons of PKS/NPK and 100,000 tons of phosphoric acid.<sup>37</sup>

### B. EUROCHEM

EuroChem was co-founded in 2001 by Russian oligarch Andrey Melnichenko,<sup>38</sup> who now majority owns and controls the company.<sup>39</sup> EuroChem, which operates a vertically integrated business model,<sup>40</sup> has since then expanded to become an international agrochemical

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<sup>32</sup> *The Tycoon and the President: The Khodorkovsky Case*, The Economist (May 19, 2005), attached as Exhibit III-9.

<sup>33</sup> *Phosagro Buys Stake to Secure Fertiliser Component Supplier*, Reuters (Sept. 5, 2012), attached as Exhibit III-8.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*; Investor Relations Release, PhosAgro, *PhosAgro Board Recommends Participating in Apatit Privatisation*, (Mar. 5, 2012), attached as Exhibit III-10; Press Release, PhosAgro, *PhosAgro Gets FAS Approval for Up to 100% of Apatit* (Apr. 10, 2012), attached as Exhibit III-11.

<sup>36</sup> PhosAgro 2018 Annual Report at 17-19, attached as Exhibit III-1.

<sup>37</sup> *Id.*

<sup>38</sup> Under section 241 of the Countering America's Adversaries Through Sanctions Act, the U.S. Congress required the U.S. Department of the Treasury, in consultation with the Department of State and the Director of National Intelligence, to provide a report regarding senior political figures and "oligarchs" in the Russian Federation. Andrey Melnichenko was identified as one such oligarch in an unclassified version of the report. Dep't of the Treasury, Office of Foreign Assets Control, Report to Congress Pursuant to Section 241 of the Countering America's Adversaries Through Sanctions Act of 2017 Regarding Senior Foreign Political Figures and Oligarchs in the Russian Federation and Parastatal Entities, App. B at 2 (Jan. 29, 2018), <http://prod-upp-image-read.ft.com/40911a30-057c-11e8-9650-9c0ad2d7c5b5>, attached as Exhibit III-12.

<sup>39</sup> See EuroChem, Andrey Melnichenko, <https://www.eurochemgroup.com/board-management/andrey-melnichenko/> (last visited May 20, 2020), attached as Exhibit III-13; #95 *Andrey Melnichenko*, Forbes, <https://www.forbes.com/profile/andrey-melnichenko/#2411e94a3086> (last visited May 20, 2020), attached as Exhibit III-14.

<sup>40</sup> EuroChem, 2018 Annual Report and Accounts at 30, <https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf>, attached as Exhibit III-15.

company that, through its subsidiaries, operates its own mining assets, fertilizer production facilities, logistics, and distribution networks.<sup>41</sup> In 2014, it moved its headquarters to Zug, Switzerland and established EuroChem Group AG, a holding company for the group of EuroChem companies.<sup>42</sup> The company has dozens of subsidiaries,<sup>43</sup> ten of which it identifies as “Key Group Companies.”<sup>44</sup> Of these ten, seven are based in Russia: MCC EuroChem, JSC; Kovdorsky GOK, JSC; Nevinnomyssky Azot, JSC; EuroChem-Usolskiy Potash Complex, LLC; Azot, JSC; EuroChem-Belorechenskie Minudobrenua, LLC; and EuroChem-Volgakaliy, LLC.

EuroChem runs major phosphate fertilizer operations in Russia. It is the second-largest mineral fertilizer producer in Russia in terms of product tonnes sold.<sup>45</sup> By 2019, EuroChem accounted for around 20 percent of the Russian fertilizer market.<sup>46</sup> EuroChem’s main subsidiaries involved in the production of phosphate fertilizer in Russia are Phosphorit and EuroChem-BMU. The company describes Phosphorit, which is located in the Kingisepp industrial zone, as “the leading producer of phosphate fertilizers and feed phosphates in northwest Russia.”<sup>47</sup> EuroChem-BMU is located in southern Russia and specializes in phosphate

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<sup>41</sup> EuroChem, Our Operations, [https://web.archive.org/web/20140212214553/http://www.eurochem.ru/what-we-do/our-operations/#.Unjk\\_fm9k-M](https://web.archive.org/web/20140212214553/http://www.eurochem.ru/what-we-do/our-operations/#.Unjk_fm9k-M) (last visited May 20, 2020), attached as Exhibit III-16.

<sup>42</sup> EuroChem, Annual Report and Accounts 2014, at 10, <https://www.eurochemgroup.com/wp-content/uploads/2019/04/EuroChem-Group-AG-2014-Annual-Report3.pdf>, attached as Exhibit III-17.

<sup>43</sup> EuroChem, Corporate Governance: Legal Structure, <https://www.eurochemgroup.com/about-us/corporate-governance/> (last visited May 20, 2020), attached as Exhibit III-18; EuroChem, 2018 Annual Report and Accounts at 108, <https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf>, attached as Exhibit III-15.

<sup>44</sup> EuroChem, List of Key Group Companies, <https://eurochem-corporate.azureedge.net/wp-content/uploads/2019/06/List-of-Key-Group-Companies.pdf> (last visited May 20, 2020), attached as Exhibit III-19.

<sup>45</sup> EuroChem, 2018 Annual Report and Accounts at 21, <https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf>, attached as Exhibit III-15.

<sup>46</sup> EuroChem, 2018 Annual Report and Accounts at 42, <https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf>, attached as Exhibit III-15.

<sup>47</sup> EuroChem, Global Operations: Production, <https://www.eurochemgroup.com/about-us/global-operations/> (last visited May 20, 2020), attached as Exhibit III-20.

and compound fertilizer production.<sup>48</sup> According to EuroChem, EuroChem-BMU’s production output has recently been “boosted.”<sup>49</sup>

EuroChem also mines phosphate rock in Russia. The company reportedly produces around 69 percent of its phosphate rock requirements through its Kovdorskiy GOK apatite mine in Russia’s Murmansk Region—in which EuroChem acquired a controlling stake in 2002<sup>50</sup>—and EuroChem-Fertilizers mining operations in Kazakhstan.<sup>51</sup> The Kovdorskiy GOK mine, according to the company, is an “integrated mining and processing facility in northern Russia” that “underpins our phosphate production chain, and is the only phosphate mine in the world with iron ore and baddeleyite embedded in the same deposit.”<sup>52</sup> EuroChem reportedly purchases its remaining phosphate rock requirements from third-party suppliers.<sup>53</sup>

### III. PERIOD OF INVESTIGATION AND ALLOCATION PERIOD FOR NON-RECURRING SUBSIDIES

The period of investigation (“POI”) in a countervailing duty case is normally the most recently-completed fiscal year for the governments and producers or exporters in question.<sup>54</sup> The Department has clarified that it will normally “set the POI according to the fiscal year of the individual exporters or producers.”<sup>55</sup> The fiscal year for both PhosAgro and EuroChem is

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<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> EuroChem, Progress to Date, <https://web.archive.org/web/20140213054741/http://www.eurochem.ru/who-we-are/history/> (last visited May 20, 2020), attached as Exhibit III-21.

<sup>51</sup> EuroChem, Prospectus at 151 (Mar. 11, 2019), <https://centralbank.ie/docs/default-source/regulation/prospectus-regulation/2019/prospectusdoc-2019-03/job20001811-prospectus.pdf?sfvrsn=2>, attached as Exhibit III-22; see EuroChem, 2018 Annual Report and Accounts at 36, <https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf>, attached as Exhibit III-15.

<sup>52</sup> EuroChem, Global Operations: Mining, <https://www.eurochemgroup.com/about-us/global-operations/> (last visited May 20, 2020), attached as Exhibit III-20.

<sup>53</sup> EuroChem, Prospectus at 151 (Mar. 11, 2019), attached as Exhibit III-22.

<sup>54</sup> 19 C.F.R. § 351.204(b)(2).

<sup>55</sup> *Final Rule: Antidumping Duties; Countervailing Duties*, 62 Fed. Reg. 27,296, 27,309 (Int’l Trade Admin. May 19, 1997).

January 1 through December 31.<sup>56</sup> Accordingly, the Department should establish the POI in this case as January 1 to December 31, 2019.

Petitioner's allegations relate to benefits received during calendar year 2019 as well as non-recurring benefits received prior to January 1, 2019. Consistent with the Department's practice of normally allocating non-recurring subsidies over time,<sup>57</sup> these subsidies received prior to 2019 benefited the subject merchandise during the POI. The subsidy allegations in this Petition presume a 10-year allocation period in accordance with the Internal Revenue Service ("IRS") guidelines for depreciating productive assets used in mining of metallic and non-metallic minerals and the milling, beneficiation, and other primary preparation of such materials.<sup>58</sup>

#### IV. ESTIMATION OF SUBSIDY BENEFITS

As discussed below, Petitioner estimates subsidy rates of 23.8% and 4.5% *ad valorem* for PhosAgro and EuroChem, respectively, for the Provision of Phosphate Mining Rights for Less than Adequate Remuneration program. In addition, for the Provision of Natural Gas for Less Than Adequate Remuneration program, Petitioner estimates a subsidy benefit \$24.41 to \$32.24 per megawatt-hour for PhosAgro and EuroChem. The Department calculated an *ad valorem* subsidy rate of 6.92% for this program in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*.<sup>59</sup> Petitioner does not have access to business proprietary information from the respondent to calculate the total subsidy benefit resulting from all of the programs alleged in

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<sup>56</sup> See PhosAgro 2018 Annual Report at 58-59, attached as Exhibit III-1; EuroChem, 2018 Annual Report and Accounts at 32, attached as Exhibit III-15.

<sup>57</sup> See 19 C.F.R. § 351.524(b)(1) ("The Secretary will normally allocate a non-recurring benefit to a firm over the number of years corresponding to the average useful life ("AUL") of renewable physical assets as defined in paragraph (d)(2) of this section.").

<sup>58</sup> U.S. IRS, Pub. 946, How to Depreciate Property, App. B tbl.B-2 (2019), attached as Exhibit III-23.

<sup>59</sup> See *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products From the Russian Federation: Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination*, 81 Fed. Reg. 49,935 (Int'l Trade Admin. July 29, 2016), and accompanying Issues and Decision Memorandum at 19 ("*Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo").

this petition. Petitioner has used the best information that is publicly available, where possible, to estimate subsidy benefits for the programs alleged in this petition, as discussed below. As is evident, the subsidy allegations included in this petition will result in a total *ad valorem* subsidy rate that is well above the Department’s *de minimus* threshold.

**V. SUBSIDY ALLEGATIONS**

Russian producers of phosphate fertilizers benefit from a wide range of countervailable subsidies, including the provision of mining rights and natural gas for less than adequate remuneration (“LTAR”); tax deductions and incentives; and Eximbank financing. As discussed below, the information that is reasonably available to Petitioner indicates that each of these programs constitutes a countervailable subsidy within the meaning of section 771(5) of the Act.<sup>60</sup> Petitioner reserves the right to supplement these subsidy allegations, or make new subsidy allegations, as information becomes available during the course of the investigation, as provided for under the Department’s regulations.<sup>61</sup>

**A. PROGRAMS INVOLVING THE PROVISION OF GOODS AND SERVICES FOR LTAR**

The GOR provides countervailable subsidies to Russian phosphate fertilizer producers through the provision of critical inputs—including phosphate mining rights and natural gas—for less than adequate remuneration, as detailed below.

**1. Provision of Phosphate Mining Rights for LTAR**

The Department investigated Russia’s provision of mining rights for LTAR in its investigation of *Certain Cold-Rolled Steel Flat Products from the Russian Federation* and found it provided countervailable subsidies. Pursuant to Article 1.2 of the Law of the Russian

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<sup>60</sup> 19 U.S.C. § 1677(5).

<sup>61</sup> 19 C.F.R. §§ 351.301(c)(2)(iv), .311.

Federation N. 2395-1 of February 21, 1992 “On Subsoil Resources,” subsoil resources within the territory of the Russian Federation are the property of the State, and the Russian Federation exercises its sovereign rights over subsoil resources.<sup>62</sup> As the GOR reported in that investigation, “the issues of ownership, use and disposal of subsoil resources are in joint competence of the Russian Federation and sub-federal regions of the Russian Federation.”<sup>63</sup> Accordingly, the GOR has sovereign rights over subsoil resources in Russia, including phosphate reserves.

The GOR grants licenses to non-government entities for mining rights of subsoil resources such as phosphate reserves. Such licenses can be granted upon (i) decision of the Federal Subsoil Management Agency or its territorial agencies based on the results of public tender auctions (*e.g.*, auctions where no counter-bids are permitted); and (ii) decision of the GOR and relevant regional executive authorities of the GOR based on the results of public auctions (*e.g.*, auctions where counter-bids are permitted); or (iii) the results of consideration of certain applications (for subsoil areas of regional importance).<sup>64</sup>

Publicly available information indicates that the GOR provides phosphate mining rights to Russian phosphate fertilizer producers. PhosAgro’s subsidiary Apatit holds five mining licenses and two licenses for geological survey, exploration, and production, which allow it to conduct exploration and mining activities at six phosphate ore (also referred to as apatite) mines and to conduct exploration activities at two phosphate ore deposits.<sup>65</sup> EuroChem also conducts

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<sup>62</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 23; *Certain Cold-Rolled Steel Flat Products from the Russian Federation: Response of the GOR to the Questionnaire*, Inv. No. C-821-823, at 61 (Oct. 26, 2015) (“GOR QR”), attached as Exhibit III-24; GOR QR Exhibit IV-1, attached as Exhibit III-25.

<sup>63</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 23; GOR QR at 61, attached as Exhibit III-24; GOR QR Exhibit IV-1, attached as Exhibit III-25.

<sup>64</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 23. GOR QR at 62, attached as Exhibit III-24.

<sup>65</sup> PhosAgro 2018 Annual Report at 54-55, attached as Exhibit III-1.

mining and exploration activities at its Kovdorskiy GOK apatite mine.<sup>66</sup> Petitioners have not been able to obtain any information regarding how these companies obtained their mining licenses and what, if any, price was paid for these licenses.

Accordingly, Petitioner requests that the Department investigate the GOR's provision of phosphate mining rights to subject producers for LTAR.

**a. Financial Contribution**

In *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, the Department found that the GOR has sovereign rights over subsoil resources in Russia and that it provides non-governmental entities the mining rights to access these resources.<sup>67</sup> The Department also found that the provision of these mining rights constitutes a financial contribution in the form of the provision of a good within the meaning of section 771(5)(D)(iii) of the Act.<sup>68</sup> Accordingly, the GOR's granting of licenses for phosphate mining rights to Russian phosphate fertilizer producers PhosAgro and Eurochem constitutes a financial contribution for the same reasons.<sup>69</sup>

**b. Benefit**

The GOR's provision of phosphate mining rights accords a benefit to subject Russian phosphate fertilizer producers because those rights are licensed for less than adequate remuneration.<sup>70</sup> Section 351.511(a)(2) of the Department's regulations provide a hierarchy for identifying a suitable benchmark for measuring the adequacy of remuneration for government-

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<sup>66</sup> EuroChem, Global Operations: Mining, <https://www.eurochemgroup.com/about-us/global-operations/> (last visited May 20, 2020), attached as Exhibit III-20.

<sup>67</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 24.

<sup>68</sup> See *id.*; 19 U.S.C. § 1677(5)(D)(iii). See also *Certain Hot-Rolled Carbon Steel Flat Products from India: Final Results of Countervailing Duty Administrative Review*, 73 Fed. Reg. 40,295 (July 14, 2008), and accompanying Issues and Decision Memorandum at 18, 20; *Countervailing Duty Investigation of 1,1,1,2 Tetrafluoroethane from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 79 Fed. Reg. 62,594 (Oct. 20, 2014), and accompanying Issues and Decision Memorandum at 25.

<sup>69</sup> See *id.*

<sup>70</sup> 19 U.S.C. § 1677(5)(E)(iv); 19 C.F.R. § 351.511(a)(1).

provided goods and services in order of preference: (1) market prices from actual transactions within the country under investigation (tier one); (2) world market prices that would be available to purchasers in the country under investigation (tier two); or (3) an assessment of whether the government price is consistent with market principles (tier three).<sup>71</sup> The Department's first preference is to use a tier one benchmark, in this case meaning market-determined prices for mining licenses resulting from actual transactions in Russia.<sup>72</sup> In this case, however, because the GOR is the sole issuer of licenses for subsoil mining rights, there are no private, market-determined prices for phosphate mining rights in Russia.<sup>73</sup>

The Department's second preference is to use a tier two, world market price benchmark.<sup>74</sup> However, as the Department found in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, mining licenses are goods that do not lend themselves to a comparison to world market prices, because it is not reasonable to conclude that such prices for mining licenses would be available to purchasers in Russia.<sup>75</sup>

Accordingly, the Department should rely on a tier three benchmark and examine whether the value of the resource acquired with the mining rights—in this case phosphate ore—is market-based under section 351.511(a)(2)(iii) of its regulations.<sup>76</sup> This is consistent with the approach the Department took in *Certain Cold-Rolled Steel Flat Products from the Russian Federation* and *Hot Rolled Steel from India*.

Under a tier three methodology, the Department finds it “appropriate to conduct a benefit analysis based not on mining rights *per se*, but on the value of the underlying good conveyed via

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<sup>71</sup> 19 C.F.R. § 351.511(a)(2).

<sup>72</sup> 19 C.F.R. § 351.511(a)(2)(i).

<sup>73</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 28.

<sup>74</sup> 19 C.F.R. § 351.511(a)(2)(ii).

<sup>75</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 29.

<sup>76</sup> 19 C.F.R. § 351.511(a)(2)(iii).

the mining rights.”<sup>77</sup> Because there are no market prices for “the underlying good,” *i.e.*, phosphate ore, in Russia, Petitioner has obtained market prices for phosphate rock that are comparable to prices based on market principles, in accordance with Department practice.<sup>78</sup> Based on Petitioner’s experience, phosphate ore is not a traded commodity, because it typically contains high levels of impurities and would be prohibitively expensive to transport in an unrefined state. The process of removing impurities from phosphate ore and converting it to phosphate rock is called beneficiation.<sup>79</sup> Beneficiation of phosphate rock removes impurities in the ore such as sand, clay, carbonates, organics, and iron oxide. Beneficiation typically involves one or more of the following processes: washing and screening (wet or dry) to separate oversize material and remove sand and clays; flotation of fine ore to remove silica; and calcination to remove organic matter.<sup>80</sup> After beneficiation, the phosphate rock can be used to produce phosphate fertilizer or sold on the market. Accordingly, phosphate rock is an appropriate proxy to use for the price of phosphate ore.

Petitioner obtained pricing information for phosphate rock from *Argus Reports* and CRU, reputable sources that the Department has used in the past.<sup>81</sup> *Argus Reports* and CRU collect pricing information from a variety of countries with varying qualities of phosphate rock.<sup>82</sup> The phosphate content or grade of phosphate rock can be measured by its Bone Phosphate of Lime (“BPL”).<sup>83</sup> *Argus Reports* has price data points for Jordan, India, north Africa, and Algeria.<sup>84</sup>

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<sup>77</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 30.

<sup>78</sup> See, e.g., *Silicon Metal from Australia: Final Affirmative Countervailing Duty Determination*, 83 Fed. Reg. 9834 (Mar. 8, 2018), and accompanying Issues and Decision Memorandum at 31.

<sup>79</sup> IPNI, Phosphorous Fertilizer Production and Technology at 9, attached as Exhibit III-26.

<sup>80</sup> See *id.* at 9-12.

<sup>81</sup> See, e.g., *Silicon Metal from Australia: Final Affirmative Countervailing Duty Determination*, 83 Fed. Reg. 9834 (Mar. 8, 2018), and accompanying Issues and Decision Memorandum at 31.

<sup>82</sup> See *Argus Phosphate Prices*, attached as Exhibit III-27; *CRU Phosphate Rock Prices*, attached as Exhibit III-28.

<sup>83</sup> Michael R Rahm Consulting LLC, *A Comparison of Peru’s Bayóvar Phosphate Rock with Alternatives* at 3, attached as Exhibit III-29.

<sup>84</sup> See *Argus Phosphate Prices*, attached as Exhibit III-27.

CRU has pricing points from Morocco, India, Egypt, Jordan, Peru, and Algeria.<sup>85</sup> Phosphate rock prices from Jordan and India are for phosphate rock with a BPL quality most comparable to phosphate rock from Russia.<sup>86</sup> Accordingly, Petitioner used phosphate rock prices from Jordan and India to calculate a benchmark.<sup>87</sup>

The terms of the Jordanian prices are f.o.b., whereas the terms of the Indian prices include freight.<sup>88</sup> Using *Argus Reports*, Petitioner added freight to the Jordanian price to calculate the price that PhosAgro and EuroChem would have had to pay according to market principles in Russia (*i.e.*, the good must be shipped to Russia).<sup>89</sup> The average benchmark price is \$124.67 per ton.<sup>90</sup> Petitioner is unable to obtain the actual prices that the companies pay for phosphate rock. Accordingly, Petitioner estimated the price PhosAgro and EuroChem paid based on their financial statements and other public information.<sup>91</sup> The estimated price paid is \$37.93 and \$17.91 per ton, respectively.<sup>92</sup> Using PhosAgro's and EuroChem's global financial statements, which is conservative because it includes offshore revenue, Petitioner calculates subsidy rates of 23.8% and 4.5% *ad valorem* for PhosAgro and EuroChem, respectively.<sup>93</sup>

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<sup>85</sup> See CRU Phosphate Rock Prices, attached as Exhibit III-28.

<sup>86</sup> See Argus Media, Argus Phosphates: Methodology and Specifications Guide at 9-10 (Apr. 2020), attached as Exhibit III-30; Michael R Rahm Consulting LLC, A Comparison of Peru's Bayóvar Phosphate Rock with Alternatives at 4, attached as Exhibit III-29 (stating that phosphate rock from Russia and Jordan are of a comparable grade).

<sup>87</sup> Petitioner excluded Morocco because that export number is subsidized as described elsewhere in this Petition.

<sup>88</sup> See Argus Phosphate Prices, attached as Exhibit III-27; CRU Phosphate Rock Prices, attached as Exhibit III-28.

<sup>89</sup> See 19 U.S.C. § 1677(5)(E)(iv) (providing that the adequacy of remuneration must take into account prevailing market conditions, including transportation costs). Petitioner used average world shipping rates as reported in *Argus Reports* to calculate a per-ton shipping rate from Jordan to Russia. See Phosphate Rock Freight Rates, attached as Exhibit III-31; Estimated Subsidy Rates for PhosAgro and EuroChem, attached as Exhibit III-32.

<sup>90</sup> See Estimated Subsidy Rates for PhosAgro and Eurochem, attached as Exhibit III-32.

<sup>91</sup> See Estimated Price for PhosAgro, attached as Exhibit III-33; Estimated Price for EuroChem, attached as Exhibit III-34; Revenue and Production Data for PhosAgro and EuroChem, attached as Exhibit III-35 (underlying revenue data).

<sup>92</sup> See Estimated Price for PhosAgro, attached as Exhibit III-33; Estimated Price for EuroChem, attached as Exhibit III-34.

<sup>93</sup> See Estimated Subsidy Rates for PhosAgro and EuroChem, attached as Exhibit III-32.

Thus, the GOR's provision of mining rights for less than adequate remuneration accords a benefit to the recipient Russian phosphate fertilizer producers.

**c. Specificity**

The GOR's provision of phosphate ore mining rights licenses to subsoil users in the phosphate fertilizer industry is *de facto* specific, within the meaning of section 771(5A)(D)(iii) of the Act.<sup>94</sup> As the Department has determined in prior investigations, mining rights are, as a matter of fact, provided to a limited number of industries or enterprises, and are thus specific under section 771(5A)(D)(iii)(I) of the Act.<sup>95</sup>

**2. Provision of Natural Gas for LTAR**

The Department investigated Russia's provision of natural gas for LTAR in its investigation of *Certain Cold-Rolled Steel Flat Products from the Russian Federation* and found it provided countervailable subsidies. Natural gas production in Russia is dominated by Public Joint Stock Company Gazprom ("Gazprom"). Gazprom is majority-owned by the GOR, with the Federal Agency for State Property Management holding 50.23 percent of Gazprom's shares in accordance with the Decree of the President of the Russian Federation N 1009 of August 4, 2004.<sup>96</sup>

On approval of the list of strategic enterprises and strategic joint companies, the PJSC Gazprom is included in the list of the joint stock companies, the shares of which are in federal ownership and the participation of the Russian Federation in the management of which

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<sup>94</sup> 19 U.S.C. § 1677(5A)(D)(iii).

<sup>95</sup> See, e.g., *Certain Hot-Rolled Carbon Steel Flat Products from India: Final Results of Countervailing Duty Administrative Review*, 73 Fed. Reg. 40,295 (July 14, 2008), and accompanying Issues and Decision Memorandum at 18; *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 28.

<sup>96</sup> *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products From the Russian Federation: Preliminary Affirmative Countervailing Duty Determination, Preliminary Negative Critical Circumstances Determination, and Alignment of Final Determination With Final Antidumping Duty Determination*, 80 Fed. Reg. 79,564 (Int'l Trade Admin. Dec. 22, 2015), and accompanying Issues and Decision Memorandum at 13 ("*Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo"); GOR QR at 30, attached as Exhibit III-24; GOR QR Exhibit III-18, attached as Exhibit III-36.

guarantees the strategic interest of the state and protection of the lawful interest of its citizens.

Gazprom is also controlled by the GOR. As the Department found in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, as a result of its majority-ownership, the GOR is able to control decisions at the meetings of Gazprom's general shareholders, which elects the company's board of directors.<sup>97</sup> Moreover, the GOR explained that, pursuant to Resolution of the Government of the Russian Federation N 738 of December 3, 2004:<sup>98</sup>

{T}he persons elected to the Board of Directors from the candidates nominated by the Russian Federation being the shareholder, represents the interests of the Russian Federation. . . . Representatives of the interest of the Russian Federation in the Board of Directors shall vote on the agenda of the meeting of the Board of Directors in accordance with the written directives issued by the Federal Agency for State Property Management.

Gazprom's Chairman of the board of directors is a former Prime Minister and a former First Deputy Prime Minister, and three other directors are current GOR officials.<sup>99</sup>

In addition to the GOR's ownership and control of Gazprom, the GOR, through the Federal Tariff Service, sets the prices for natural gas produced and supplied by Gazprom and its affiliates for all consumers in the Russian domestic market, including industrial consumers.<sup>100</sup> Accordingly, Gazprom is a government authority within the meaning of section 771(5)(B) of the Act.<sup>101</sup>

Petitioner believes that Gazprom provides natural gas to certain Russian customers at subsidized prices, including major Russian phosphate fertilizer producers such as PhosAgro and

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<sup>97</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 13.

<sup>98</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 13-14; GOR QR at 53, attached as Exhibit III-24; *see also id.* at 30-31.

<sup>99</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 14; Gazprom, 2018 Annual Report at 59-61, attached as Exhibit III-37.

<sup>100</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 14; GOR QR at 27, 34-35, attached as Exhibit III-24.

<sup>101</sup> 19 U.S.C. § 1677(5)(B).

Eurochem. EuroChem has reported purchasing natural gas from PJSC Rosneft Oil Company (a supplier to Novomoskovskiy Azot) and PJSC Gazprom subsidiaries, including PJSC Novatek.<sup>102</sup> EuroChem also recently opened the largest ammonia plant in Europe, with plans to open plants producing other fertilizer inputs nearby, using Gazprom for its natural gas feedstock.<sup>103</sup> Gazprom committed 800 million cubic meters of natural gas to a new PhosAgro ammonia plant, the development of which was led by the National Mineral Resources University, St. Petersburg and which began production in 2017.<sup>104</sup> Gazprom also provides other raw materials to PhosAgro and its subsidiaries, including Apatit.<sup>105</sup> Accordingly, Petitioner requests that the Department investigate Gazprom's provision of natural gas to Russian producers of phosphate fertilizers for LTAR.

**a. Financial Contribution**

The Department has previously found that Gazprom is a government authority within the meaning of section 771(5)(B) of the Act. It has also found that Gazprom's provision of natural gas constitutes a financial contribution in the form of the provision of goods under section 771(5)(D)(iii) of the Act.<sup>106</sup> Consistent with these findings, Gazprom's provision of natural gas to Russian producers of phosphate fertilizers constitutes a financial contribution, for the same reasons.

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<sup>102</sup> EuroChem, Prospectus at 17 (Mar. 11, 2019), attached as Exhibit III-22.

<sup>103</sup> Press Release, EuroChem, *EuroChem Opens New \$1bn Ammonia Plant in Kingisepp, Russia* (June 7, 2019), <https://www.eurochemgroup.com/media-announcements/eurochem-opens-new-1bn-ammonia-plant-in-kingisepp-russia/>, attached as Exhibit III-38; Richard Ewing, *Fertz Major EuroChem Nears Decision on New Ammonia, Urea, and Methanol Plants*, Independent Commodity Intelligence Services (July 31, 2019), <https://www.icis.com/explore/resources/news/2019/07/31/10398313/fertz-major-eurochem-nears-decision-on-new-ammonia-urea-and-methanol-plants>, attached as Exhibit III-39.

<sup>104</sup> See *PhosAgro Ammonia Production Facility, Cherepovets*, Chemicals Technology, <https://www.chemicals-technology.com/projects/phosagro-ammonia-production-facility-cherepovets/> (last visited May 18, 2020), attached as Exhibit III-40.

<sup>105</sup> Press Release, PhosAgro, *Gazprom Sulphur and PhosAgro Sign Contract for Supply of Liquid Sulphur through 2021* (Dec. 15, 2015), <https://www.phosagro.com/press/company/gazprom-sulphur-and-phosagro-sign-contract-for-supply-of-liquid-sulphur-through-2021/>, attached as Exhibit III-41.

<sup>106</sup> 19 U.S.C. § 1677(5)(B), (D)(iii).

**b. Benefit**

Gazprom's provision of natural gas accords a benefit to subject Russian phosphate fertilizer producers because Gazprom provides it to these recipients for less than adequate remuneration.<sup>107</sup> The Department identifies a benchmark for the adequacy of remuneration by applying the methodology described in section 351.511(a)(2) of its regulations. In this case, there are no viable tier one benchmarks because of the predominant role that Gazprom plays as a supplier of natural gas in the Russian market. Where the Department finds that the government provides the majority, or a substantial portion, of the market for a good or service, it will find prices for such goods and services in the subject country to be significantly distorted and not usable as a potential benchmark.<sup>108</sup> According to its annual report, Gazprom accounts for approximately 69% of natural gas production in Russia,<sup>109</sup> which is "a substantial portion of the market."<sup>110</sup>

In *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, the Department found that Russia's natural gas market is divided into a "regulated" market and an "unregulated" market, and the "regulated" market (in which Gazprom operates) accounts for 65% of the total domestic natural gas market.<sup>111</sup> In addition, there are no imports of natural gas into Russia for the domestic natural gas market, and the GOR maintains export restrictions on natural gas, including: an export customs duty of 30%; export licensing requirements; and Gazprom's exclusive right to export natural gas via pipeline.<sup>112</sup> Accordingly, as the Department previously

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<sup>107</sup> 19 U.S.C. § 1677(5)(E)(iv); 19 C.F.R. § 351.511(a)(1).

<sup>108</sup> See *Countervailing Duties; Final Rule*, 63 Fed. Reg. 65,348, 65,377 (Int'l Trade Admin. Nov. 25, 1998) ("CVD Preamble"); *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 16.

<sup>109</sup> Gazprom, 2018 Annual Report at 46, attached as Exhibit III-37.

<sup>110</sup> See *CVD Preamble*, 63 Fed. Reg. at 65,377; *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 16.

<sup>111</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 16; GOR QR at 23, attached as Exhibit III-24.

<sup>112</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 16.

found, Russia’s domestic market for natural gas is distorted through the GOR’s predominant role in the market—via Gazprom and other interventions in the market—such that there are no usable tier one benchmarks for natural gas in Russia.<sup>113</sup> In addition, because it is not feasible for Russia to import natural gas, there are no tier two benchmarks available to purchasers in Russia. As a result, the Department must utilize a tier three benchmark as it did in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*.<sup>114</sup>

If there are no viable tier one or tier two benchmarks, the Department examines whether the government prices are set in accordance with market principles.<sup>115</sup> As the Department previously determined in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Gazprom’s prices are “administratively set,” and the Department could not “conclude that the government natural gas prices are reflective of market principles.”<sup>116</sup> As a tier three benchmark, the Department concluded that Russia is part of the European gas market and therefore used an average of European gas prices as the benchmark.<sup>117</sup> In that case, the Department used GTIS European exports,<sup>118</sup> but it abandoned that source in *Rebar II from Turkey* in favor of more accurate data collected by the International Energy Agency (“IEA”).<sup>119</sup> Therefore, consistent with the methodology from *Rebar II from Turkey*, Petitioner used IEA data to construct benchmark prices.<sup>120</sup> Petitioner is unable to obtain the actual prices that EuroChem and PhosAgro pay for natural gas. Accordingly, Petitioner estimated the price EuroChem and

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<sup>113</sup> *Id.*

<sup>114</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 66-72.

<sup>115</sup> *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 66-72.

<sup>116</sup> *Id.* at 69.

<sup>117</sup> *Id.* at 70.

<sup>118</sup> *Id.*

<sup>119</sup> *Steel Concrete Reinforcing Bar from the Republic of Turkey: Final Affirmative Countervailing Duty Determination*, 82 Fed. Reg. 23,188 (May 22, 2017), and accompanying Issues and Decision Memorandum at 21-26.

<sup>120</sup> See Natural Gas Subsidy Estimates for PhosAgro and EuroChem, attached as Exhibit III-42.

PhosAgro paid for their natural gas based on their financial statements and other public information.<sup>121,122</sup> A comparison of the benchmark to the prices paid yields subsidy benefits of \$24.41 to \$32.24 per megawatt-hour.<sup>123,124</sup>

Thus, Gazprom's provision of natural gas for less than adequate remuneration accords a benefit to the recipient Russian phosphate fertilizer producers.

### c. Specificity

Gazprom's provision of natural gas to phosphate fertilizer producers is *de facto* specific, within the meaning of section 771(5A)(D)(iii) of the Act.<sup>125</sup> According to a Gazprom report, the agro-chemistry sector is one of the top consumers of its natural gas, accounting for 7-8 percent of Gazprom's total domestic sales.<sup>126</sup> Excluding power generation, households, and utilities, the agro-chemistry sector accounts for approximately 19 percent of total industrial consumption.<sup>127</sup> Accordingly, the agro-chemistry sector (which includes phosphate fertilizer producers) is a predominant user of natural gas.<sup>128</sup> Thus, as the Department determined in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Gazprom's provision of natural gas for LTAR is *de facto* specific under section 771(5A)(D)(iii)(II) of the Act.<sup>129</sup>

<sup>121</sup> Data available in company annual reports indicate that prices paid for natural gas were several times lower than benchmark prices. However, data availability is constrained to 2017 for EuroChem since no relevant figures appear in its 2018 Annual Report. We used PhosAgro's 2018 annual report. Annual reports for 2019 are not available for either company, and 2019 financial statements do not include relevant data.

<sup>122</sup> Petitioner also identified a Gazprom Tariff Rate Schedule for 2019, which appears to reflect minimum and maximum price bands published by the Russian Federal Antimonopoly Service for Gazprom's sales of natural gas to industrial customers in 2019. See Federal Antimonopoly Service Order, Gazprom Tariff Schedule 2019 (May 13, 2019), attached as Exhibit III-43. Petitioner did not rely on this schedule in calculating a subsidy rate for this program because we were unable to identify company-specific information in it regarding the rates actually paid for natural gas.

<sup>123</sup> See Natural Gas Subsidy Estimates for PhosAgro and EuroChem, attached as Exhibit III-42.

<sup>124</sup> Petitioner was unable to estimate a subsidy rate for this program because of the lack of publicly available information regarding the proportion of natural gas PhosAgro and Eurochem source from Gazprom. Nonetheless, connections between the companies and Gazprom are well-documented. See discussion *supra* at III-16-III-17.

<sup>125</sup> 19 U.S.C. § 1677(5A)(D)(iii).

<sup>126</sup> Gazprom, Factbook "Gazprom in Figures 2011-2015," at 83, attached as Exhibit III-44.

<sup>127</sup> Gazprom, Factbook "Gazprom in Figures 2011-2015," at 83, attached as Exhibit III-44; *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 15.

<sup>128</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 15.

<sup>129</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Final I&D Memo at 15-16.

## B. TAX PROGRAMS

Russian phosphate fertilizer producers appear to benefit from several tax subsidy programs relating to their mining operations, including reduced extraction taxes and income tax deductions for exploration and research and development (“R&D”).

### 1. Tax Incentives for Mining Operations – Reduction in Extraction Tax

The Department previously investigated Russia’s tax deduction for exploration expenses program in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*. As the GOR explained in *Certain Cold-Rolled Steel Flat Products*, under the mineral extraction tax program, a taxpayer who incurs expenses for research and exploration of mineral resources or reimburses the government for such costs incurred is allowed to pay the mineral extraction tax at a reduced rate of 70 percent (coefficient of 0.7) with respect to minerals extracted on the corresponding plot.<sup>130</sup> Under the Tax Code of the Russian Federation (“TCRF”), the extraction tax for phosphate minerals is fixed at 4 percent of the extracted value.<sup>131</sup>

Russian phosphate fertilizer producers such as PhosAgro and Eurochem are vertically integrated and operate phosphate mining and exploration operations. Indeed, PhosAgro’s subsidiary Apatit has undertaken substantial modernizations and capacity expansions at its phosphate mining operations in recent years that likely included significant capital expenditures for exploration.<sup>132</sup> Its construction costs reported in FY2018 include:<sup>133</sup>

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<sup>130</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 20-21.

<sup>131</sup> TCRF, art. 342.2(2), attached as Exhibit III-45.

<sup>132</sup> PhosAgro 2018 Annual Report at 17, attached as Exhibit III-1 (stating that phosphate ore extraction from underground mines increased 14% year-over-year); *id.* at 24 (“After finishing our major expansion projects under our Strategy to 2020, we continue to invest in our operations, from upgrades and expansions of our mining and beneficiation capabilities to new, efficient feedstock production . . .”); *id.* at 54 (“PhosAgro’s upstream subsidiary, the Kirovsk branch of Apatit, holds five mining licences and two licences for geological exploration, exploration and production, which allow it to conduct exploration and mining activities at six apatite-nepheline ore mines and to conduct exploration activities at two deposits.”).

<sup>133</sup> PhosAgro 2018 Annual Report at 194, attached as Exhibit III-1.

- Kirovsk mine extension and modernization in the amount of RUB 10,962 million (\$156 million);
- The development of Rasvumchorrskiy mine in the amount of RUB 7,067 million (\$101 million);
- The construction of a phosphate ore beneficiation plant in the amount of RUB 5,329 million (\$76 million); and
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 2,821 million (\$40 million).

EuroChem also conducts significant mining and exploration activities at its Kovdorskiy GOK apatite mine in the Murmansk Region.<sup>134</sup> Thus, Russian phosphate fertilizer producers likely benefit from this tax program.

**a. Financial Contribution**

The reduction in extraction tax constitutes a financial contribution under section 771(5)(D)(ii) of the Act in the form of foregone revenue that is otherwise due to the GOR.<sup>135</sup>

**b. Benefit**

The provision of tax reductions confers a benefit in the amount of government revenue foregone, within the meaning of section 771(5)(E) of the Act.<sup>136</sup> The benefit conferred under this program is the difference between the amount of extraction tax the recipient actually pays and the amount that it would have paid under the TCRF in the absence of this program, as described in section 351.509(a) of the Department's regulations, effectively, the amount of extraction tax reduction claimed.<sup>137</sup>

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<sup>134</sup> EuroChem, Global Operations: Mining, <https://www.eurochemgroup.com/about-us/global-operations/> (last visited May 20, 2020), attached as Exhibit III-20.

<sup>135</sup> 19 U.S.C. § 1677(5)(D)(ii).

<sup>136</sup> 19 U.S.C. § 1677(5)(E).

<sup>137</sup> See 19 C.F.R. § 351.509(a); *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

**c. Specificity**

The reduction of the extraction tax is *de facto* specific within the meaning of section 771(5A)(D)(iii) of the Act.<sup>138</sup> In *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, the GOR provided usage data on the reduced mineral extraction tax program, for which the Federal Tax Service of the Russian Federation maintains statistics on an aggregate basis.<sup>139</sup> Based on this data, the Department found that the recipients of the reduced mineral extraction tax are limited in number.<sup>140</sup> Petitioner believes that the recipients of the reduced extraction tax continue to be limited in number, such that the program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act.<sup>141</sup>

**2. Tax Incentives for Mining Operations – Income Tax Deduction for Exploration Expenses**

The Department investigated Russia's income tax deduction for exploration expenses in its investigation of *Certain Cold-Rolled Steel Flat Products from the Russian Federation* and found it provided countervailable subsidies. Article 253 of the TCRF provides that expenses for the development of natural resources are considered expenses associated with production and sales and are deductible from taxable income.<sup>142</sup> Article 261 of the TCRF provides for income tax deductions for expenses related to the development of natural resources, including outlays for geological studies of subsoil resources, prospecting for commercial minerals, and the performance of work preparatory in nature.<sup>143</sup>

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<sup>138</sup> 19 U.S.C. § 1677(5A)(D)(iii).

<sup>139</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 20.

<sup>140</sup> See 19 U.S.C. § 1677(5A)(D)(iii); *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

<sup>141</sup> 19 U.S.C. § 1677(5A)(D)(iii)(I).

<sup>142</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 20.

<sup>143</sup> See *id.*; GOR QR at 12, attached as Exhibit III-24; GOR QR Exhibit II-1, art. 261, attached as Exhibit III-46.

As previously discussed, Russian phosphate fertilizer producers such as PhosAgro and Eurochem are vertically integrated and operate phosphate mining and exploration operations. PhosAgro’s subsidiary Apatit has undertaken substantial modernizations and capacity expansions at its phosphate mining operations in recent years that likely included significant capital expenditures for exploration.<sup>144</sup> EuroChem also conducts significant mining and exploration activities at its Kovdorskiy GOK apatite mine in the Murmansk Region.<sup>145</sup> Thus, Russian phosphate fertilizer producers likely benefit from this tax program.

**a. Financial Contribution**

The income tax deduction for exploration expenses constitutes a financial contribution under section 771(5)(D)(ii) of the Act in the form of foregone revenue that is otherwise due to the GOR,<sup>146</sup> as the Department found in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*.<sup>147</sup>

**b. Benefit**

The provision of tax deductions confers a benefit in the amount of government revenue foregone, within the meaning of section 771(5)(E) of the Act.<sup>148</sup> The benefit conferred under this program is the difference between the amount of income tax the recipient actually pays and the amount that it would have paid under the TCRF in the absence of this program, as described

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<sup>144</sup> PhosAgro 2018 Annual Report at 17, attached as Exhibit III-1 (stating that phosphate ore extraction from underground mines increased 14% year-over-year); *id.* at 24 (“After finishing our major expansion projects under our Strategy to 2020, we continue to invest in our operations, from upgrades and expansions of our mining and beneficiation capabilities to new, efficient feedstock production . . . .”); *id.* at 54 (“PhosAgro’s upstream subsidiary, the Kirovsk branch of Apatit, holds five mining licences and two licences for geological exploration, exploration and production, which allow it to conduct exploration and mining activities at six apatite-nepheline ore mines and to conduct exploration activities at two deposits.”).

<sup>145</sup> EuroChem, Global Operations: Mining, <https://www.eurochemgroup.com/about-us/global-operations/> (last visited May 20, 2020), attached as Exhibit III-20.

<sup>146</sup> 19 U.S.C. § 1677(5)(D)(ii).

<sup>147</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

<sup>148</sup> 19 U.S.C. § 1677(5)(E).

in section 351.509(a) of the Department's regulations, effectively, the amount of the income tax deduction claimed.<sup>149</sup>

**c. Specificity**

The income tax deduction for exploration expenses is *de facto* specific within the meaning of section 771(5A)(D)(iii) of the Act.<sup>150</sup> In *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, the Department relied on extraction tax data provided by the GOR as proxy usage data for the income tax deduction for exploration expenses and found the recipients to be limited in number.<sup>151</sup> Petitioner believes that the recipients of the income tax deduction for exploration expenses continue to be limited in number, such that the program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act.<sup>152</sup>

**3. Income Tax Deduction for R&D Expenses**

The Department also previously investigated Russia's tax deduction for R&D expenses program in *Certain Cold-Rolled Steel Flat Products from the Russian Federation*. Article 253 of the TCRF provides that expenses for R&D are considered expenses associated with production and sales and are deductible from taxable income.<sup>153</sup> Article 262 of the TCRF provides for income tax deductions for research and/or development expenses, including amortization of assets used for the performance of R&D, expenses associated with the payment of employees

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<sup>149</sup> See 19 C.F.R. § 351.509(a); *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

<sup>150</sup> 19 U.S.C. § 1677(5A)(D)(iii).

<sup>151</sup> See 19 U.S.C. § 1677(5A)(D)(iii); *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

<sup>152</sup> 19 U.S.C. § 1677(5A)(D)(iii)(I).

<sup>153</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 20; TCRF, art. 253, attached as Exhibit III-45.

who perform R&D projects, and other expenses directly connected with the performance of R&D.<sup>154</sup>

As previously discussed, Russian phosphate fertilizer producers such as PhosAgro and Eurochem are vertically integrated and operate phosphate mining and exploration operations, which likely entail significant expenditures in R&D. Indeed, PhosAgro’s reported intangible assets include “{e}xpense on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding” and “{e}xpense on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes.”<sup>155</sup> Thus, Russian phosphate fertilizer producers likely benefit from this tax program.

**a. Financial Contribution**

The income tax deduction for R&D expenses constitutes a financial contribution under section 771(5)(D)(ii) of the Act in the form of foregone revenue that is otherwise due to the GOR.<sup>156</sup>

**b. Benefit**

The provision of tax deductions confers a benefit in the amount of government revenue foregone, within the meaning of section 771(5)(E) of the Act.<sup>157</sup> The benefit conferred under this program is the difference between the amount of income tax the recipient actually pays and the amount that it would have paid under the TCRF in the absence of this program, as described

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<sup>154</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 22; TCRF, art. 262, attached as Exhibit III-45.

<sup>155</sup> PhosAgro 2018 Annual Report at 184, attached as Exhibit III-1.

<sup>156</sup> 19 U.S.C. § 1677(5)(D)(ii).

<sup>157</sup> 19 U.S.C. § 1677(5)(E).

in section 351.509(a) of the Department’s regulations, effectively, the amount of the income tax savings.<sup>158</sup>

### c. Specificity

Petitioner believes the income tax deduction for R&D expenses is *de facto* specific, within the meaning of section 771(5A)(D)(iii) of the Act,<sup>159</sup> either because the recipients of the subsidy are limited in number or because the agro-chemistry industry (which includes phosphate fertilizer producers) is a predominant user of the subsidy, given its significant expenditures in R&D activities.<sup>160</sup> Information regarding the total number of enterprises or industries that use this subsidy program is not publicly available. However, the Department previously found this program to be *de facto* specific in *Certain Cold-Rolled Steel Flat Products from the Russian Federation* because the number of actual subsidy recipients were limited, relying on the number of Russian taxpayers that used the reduction in extraction tax program as a proxy.<sup>161</sup>

## C. PREFERENTIAL EXPORT FINANCING

The GOR provides countervailable subsidies to Russian phosphate fertilizer producers through export financing provided by the State Specialized Russian Export-Import Bank (“Eximbank”), as detailed below.

### 1. Eximbank Financing

The GOR founded the Eximbank in 1994 to “realize the Russian State’s objectives and policy to stimulate and support the export of Russian manufacturing products.”<sup>162</sup> As stated on its website, the Eximbank “functions as an agent of the Russian Government in providing state

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<sup>158</sup> See 19 C.F.R. § 351.509(a); *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

<sup>159</sup> 19 U.S.C. § 1677(5A)(D)(iii).

<sup>160</sup> See 19 U.S.C. § 1677(5A)(D)(iii)(I), (II).

<sup>161</sup> See *Certain Cold-Rolled Steel Flat Products from the Russian Federation*, Prelim. I&D Memo at 21.

<sup>162</sup> Eximbank, Bank Profile, [www.eximbank.ru/eng/about/](http://www.eximbank.ru/eng/about/) (last visited May 22, 2020), attached as Exhibit III-47.

support of export by issuing loans and providing other types of guarantees backed by the Bank.”<sup>163</sup> Eximbank’s 2019 financial statements also stated that it “provides assistance in implementing the state foreign economic policy and increasing the competitiveness of Russian enterprises on world markets by creating comprehensive tools to support export through guarantee and credit assistance . . . .”<sup>164</sup> In particular, to accomplish its goals of promoting exports, Eximbank provides loans and loan guarantees to Russian exporters at the pre-export stage, new export stage, and current export stage.<sup>165</sup> Its loan programs include:<sup>166</sup>

- Financing Expenditure on Export Contracts, which is credit financing for Russian exporters or producers of non-commodity goods to cover up to 85 percent of the value of an export contract for up to five years;
- Financing Current Expenditure on Export Deliveries, which is credit financing to replenish exporters’ current assets and allow them to fulfill obligations on export contracts to cover up to 85 percent of the value of one or several export contracts for up to one year;
- Financing Exporter’s Commercial Credit, which is another form of credit financing to replenish exporters’ current assets and meet obligations on regular export deals to cover up to 85 percent of the amount provided for payment on shipping documents for up to five years;
- Financing of Trade with Foreign Buyers, which is credit financing to replenish current assets for exporters that regularly supply similar goods or services abroad to cover up to 85 percent of the value of one or several export contracts for up to five years;
- Direct Credit to Foreign Buyer, which is credit to help foreign buyers purchase Russian goods or services to cover up to 85 percent of the value of an export contract for up to ten years;
- Financing through Confirmed Letter of Credit, which is credit to allow foreign buyers to finance payment obligations on export contracts to cover up to 100

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<sup>163</sup> *See id.*

<sup>164</sup> Eximbank of Russia, Consolidated Financial Statements for the Year Ended 31 Dec. 2019 at 15 (Mar. 2020), attached as Exhibit III-48.

<sup>165</sup> *See id.*

<sup>166</sup> *See* Eximbank, Financial and Guarantee Exports Support: Credits to Support Export, [www.eximbank.ru/eng/credits/](http://www.eximbank.ru/eng/credits/) (last visited May 22, 2020), attached as Exhibit III-49.

percent of the value specified in the confirmed letter of credit for up to five years;  
and

- Direct Credit to Bank of Foreign Buyer, which is financing credit for foreign banks of the buyer or purchaser of Russian non-commodity goods or services to cover up to 100 percent of the value of a contract (minus the downpayment of insurance commission) for up to ten years.

Eximbank also provides a variety of loan guarantees to Russian exporters.<sup>167</sup>

Russian phosphate fertilizer producers are heavily export-oriented, making them eligible to receive loans and loan guarantees from the Eximbank. Indeed, in January 2016, PhosAgro received a RUB 3 billion loan from the Eximbank.<sup>168</sup> Accordingly, the Department should investigate whether Russian phosphate fertilizer producers benefited from Eximbank financing during the POI.

**a. Financial Contribution**

The Eximbank, which is an agent of the GOR, provides financial contributions in the form of direct transfers of funds, *i.e.*, loans, and potential direct transfers of funds, *i.e.*, loan guarantees, within the meaning of section 771(5)(D)(i) of the Act.<sup>169</sup>

**b. Benefit**

Under section 771(5)(E) of the Act, the benefit of a loan to its recipient is the difference between the amount the recipient pays on the loan and the amount the recipient would pay for a comparable commercial loan that the recipient could actually obtain on the market.<sup>170</sup> The benefit of a loan guarantee to its recipient is the difference between the amount the recipient pays for the guaranteed loan and the amount the recipient would pay for a comparable commercial

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<sup>167</sup> See Eximbank, Financial and Guarantee Exports Support: Guarantees for Export Support, [www.eximbank.ru/eng/credits/garant.php](http://www.eximbank.ru/eng/credits/garant.php) (last visited May 22, 2020), attached as Exhibit III-50.

<sup>168</sup> *PhosAgro and Eximbank of Russia Sign RUB 3 Billion Loan*, Euroinvestor (Jan. 25, 2016), attached as Exhibit III-51.

<sup>169</sup> 19 U.S.C. § 1677(5)(D)(i).

<sup>170</sup> 19 U.S.C. § 1677(5)(E)(ii).

loan, absent the government guarantee.<sup>171</sup> Petitioner believes Eximbank provides financing on terms that are more favorable than the recipients would obtain for comparable commercial financing.

**c. Specificity**

Eximbank financing is specific within the meaning of section 771(5A)(B) of the Act, because it is a subsidy that is contingent, in law or in fact, upon export performance.<sup>172</sup>

**D. REGIONAL GOVERNMENT SUBSIDIES**

Several Russian regional governments provide countervailable subsidies to promote the development of or investment in select geographic areas. As detailed below, the Department should investigate Russian phosphate fertilizer producers' receipt of countervailable subsidies under these programs.

**1. Murmansk Region's Support of Industrial Development**

The regional government of Murmansk provides tax incentives to stimulate investment activity in the region. Specifically, pursuant to the Law of Murmansk Region of 9 November 2001 No. 304-01-ZMO, “{o}rganizations engaged in different investment projects in {the} Murmansk Region as well as residents of the territory of advanced socio-economic development are subject to tax incentives.”<sup>173</sup> According to publicly available information, these tax incentives include a reduction in profit tax from 20 percent to 2 percent; exemption from property tax; and accelerated depreciation.<sup>174</sup> The regional government of Murmansk has also identified certain “priority segments” of the economy to attract investors including: (1)

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<sup>171</sup> 19 U.S.C. § 1677(5)(E)(iii).

<sup>172</sup> 19 U.S.C. § 1677(5A)(B).

<sup>173</sup> WTO, New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures, Russian Federation, WTO Doc. G/SCM/N/343/RUS, at 25 (Jan. 14, 2020) (“WTO Notification”), attached as Exhibit III-52.

<sup>174</sup> See Deloitte, Tax Incentives in Russia at 6 (2016), attached as Exhibit III-53.

transport; (2) fisheries/aquaculture; (3) mining (including apatite-nepheline ores); and (4) tourism.<sup>175</sup> The regional government of Murmansk provided RUB 277 million in subsidies under this program in 2017-2018.<sup>176</sup>

PhosAgro's subsidiary Apatit has undertaken substantial investments in recent years at its phosphate mining operations in Kirovsk (located in the Murmansk region).<sup>177</sup> EuroChem also has significant phosphate mining operations located in the Murmansk Region.<sup>178</sup> Moreover, mining is one of the "priority segments" targeted under this program. Thus, Russian phosphate fertilizer producers are eligible for and likely benefit from this incentive program.

**a. Financial Contribution**

Tax incentives provide a financial contribution in the form of revenue foregone by the regional government of Murmansk, within the meaning of section 771(5)(D)(ii) of the Act.<sup>179</sup>

**b. Benefit**

The benefit to the recipient conferred by these tax incentives equals the amount of revenue foregone, within the meaning of section 771(5)(E) of the Act.<sup>180</sup>

**c. Specificity**

The regional government of Murmansk targets certain "priority segments" of the economy to provide investment incentives, including the mining sector. Accordingly, this program is specific within the meaning of section 771(5A)(D)(i) of the Act.<sup>181</sup>

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<sup>175</sup> Gov't of the Murmansk Region, Investment Portal, About the Region, [http://invest.gov-murman.ru/en/about/prichiny\\_investirovat/](http://invest.gov-murman.ru/en/about/prichiny_investirovat/) (last visited May 22, 2020), attached as Exhibit III-54.

<sup>176</sup> WTO Notification, at 25, attached as Exhibit III-52.

<sup>177</sup> PhosAgro 2018 Annual Report at 194, attached as Exhibit III-1.

<sup>178</sup> EuroChem, Global Operations: Mining, <https://www.eurochemgroup.com/about-us/global-operations/> (last visited May 20, 2020), attached as Exhibit III-20.

<sup>179</sup> 19 U.S.C. § 1677(5)(D)(ii).

<sup>180</sup> 19 U.S.C. § 1677(5)(E); 19 C.F.R. § 351.510(a)(2).

<sup>181</sup> 19 U.S.C. § 1677(5A)(D)(i).

## 2. Saratov Region's Support of Industrial Development

The regional government of Saratov also provides tax incentives to stimulate investment activity in the region. Pursuant to the Law of Saratov Region of 24 November 2003 No. 73-ZSO, Law of Saratov Region of 1 August 2007 No. 131-ZSO, and the Law of Saratov Region of 25 November 2002 No. 109-ZSO, “{o}rganizations implementing investment projects are subject to reduction of property tax and income tax as well as transport tax exemption.”<sup>182</sup> Specifically, investors receive a transportation tax exemption for five years; a reduction in regional income tax from 18 percent to 13.5 percent for five years; and a reduction in property tax from 2.2 percent to 0.1 percent for five years.<sup>183</sup> There are minimum thresholds for investment in order to qualify for each of these tax incentives. In certain industries, including the extraction of mineral resources, the threshold for receiving the income tax reduction and transport tax exemption is RUB 50 million.<sup>184</sup> The regional government of Saratov provided RUB 1.026 billion in subsidies under this program in 2018.<sup>185</sup>

PhosAgro's subsidiary Apatit has a branch located in Balakovo, in the Saratov region.<sup>186</sup> Moreover, mineral extraction/mining is one of the industries identified under this program.<sup>187</sup> Thus, Russian phosphate fertilizer producers are eligible for and likely benefit from this incentive program.

### a. Financial Contribution

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<sup>182</sup> WTO Notification at 31, attached as Exhibit III-52.

<sup>183</sup> Investment Portal of the Saratov Region, Guarantees and Support, <http://investinsaratov.ru/en/investor/support> (last visited May 22, 2020), attached as Exhibit III-55.

<sup>184</sup> Investment Portal of the Saratov Region, Guarantees and Support, More About Tax Exemptions, [http://investinsaratov.ru/en/investor/support/?SECTION\\_ID=47](http://investinsaratov.ru/en/investor/support/?SECTION_ID=47) (last visited May 22, 2020), attached as Exhibit III-56.

<sup>185</sup> WTO Notification at 31, attached as Exhibit III-52.

<sup>186</sup> PhosAgro 2018 Annual Report at 54, attached as Exhibit III-1.

<sup>187</sup> Investment Portal of the Saratov Region, Guarantees and Support, More About Tax Exemptions, [http://investinsaratov.ru/en/investor/support/?SECTION\\_ID=47](http://investinsaratov.ru/en/investor/support/?SECTION_ID=47) (last visited May 22, 2020), attached as Exhibit III-56.

Tax incentives provide a financial contribution in the form of revenue foregone by the regional government of Saratov, within the meaning of section 771(5)(D)(ii) of the Act.<sup>188</sup>

**b. Benefit**

The benefit to the recipient conferred by these tax incentives equals the amount of revenue foregone, within the meaning of section 771(5)(E) of the Act.<sup>189</sup>

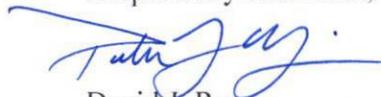
**c. Specificity**

The regional government of Saratov expressly limits the program to investors in certain industries that meet a minimum threshold for investment, including in the mineral extraction/mining sector. Accordingly, this program is specific within the meaning of section 771(5A)(D)(i) of the Act.<sup>190</sup>

**VI. CONCLUSION**

As set forth in this Petition, the GOR is providing substantial countervailable subsidies to Russian producers of phosphate fertilizers. Accordingly, the Department should initiate a countervailing duty investigation of subject imports from Russia and make an affirmative determination of countervailable subsidies.

Respectfully submitted,



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<sup>188</sup> 19 U.S.C. § 1677(5)(D)(ii).

<sup>189</sup> 19 U.S.C. § 1677(5)(E); 19 C.F.R. § 351.510(a)(2).

<sup>190</sup> 19 U.S.C. § 1677(5A)(D)(i).

## EXHIBIT LIST

Exhibit No.	Description
III-1	PhosAgro, Integrated Report 2018 (2019)
III-2	Gazprombank, Russian Fertilizers Report (Oct. 29, 2014)
III-3	PhosAgro, Economic Contribution and Payments to Governments Report for the Year Ended 31 Dec. 2018
III-4	Giulia Paravicini, <i>Fertilizer Hits the Fan</i> , Politico (Sept. 16, 2016)
III-5	Olga Popova, <i>IPO Yields \$538m for Guryev</i> , The Independent (July 13, 2011)
III-6	Andrew Kramer & David Herszenhorn, <i>Midas Touch in St. Petersburg: Friends of Putin Glow Brightly</i> , N.Y. Times (Mar. 1, 2012)
III-7	Press Release, URALCHEM, <i>Joint Announcement by United Chemical Company URALCHEM and ACRON</i> , (Sept. 15, 2008)
III-8	Phosagro Buys Stake to Secure Fertiliser Component Supplier, Reuters (Sept. 5, 2012)
III-9	<i>The Tycoon and the President: The Khodorkovsky Case</i> , The Economist (May 19, 2005)
III-10	Investor Relations Release, PhosAgro, <i>PhosAgro Board Recommends Participating in Apatit Privatisation</i> (Mar. 5, 2012)
III-11	Press Release, PhosAgro, <i>PhosAgro Gets FAS Approval for Up to 100% of Apatit</i> (April 10, 2012)
III-12	Dep't of the Treasury, Office of Foreign Assets Control, Report to Congress Pursuant to Section 241 of the Countering America's Adversaries Through Sanctions Act of 2017 Regarding Senior Foreign Political Figures and Oligarchs in the Russian Federation and Parastatal Entities (Jan. 29, 2018), <a href="http://prod-upp-image-read.ft.com/40911a30-057c-11e8-9650-9c0ad2d7c5b5">http://prod-upp-image-read.ft.com/40911a30-057c-11e8-9650-9c0ad2d7c5b5</a>
III-13	EuroChem, Andrey Melnichenko, <a href="https://www.eurochemgroup.com/board-management/andrey-melnichenko/">https://www.eurochemgroup.com/board-management/andrey-melnichenko/</a> (last visited May 20, 2020)
III-14	#95 Andrey Melnichenko, Forbes, <a href="https://www.forbes.com/profile/andrey-melnichenko/#2411e94a3086">https://www.forbes.com/profile/andrey-melnichenko/#2411e94a3086</a> (last visited May 20, 2020)
III-15	EuroChem, 2018 Annual Report and Accounts, <a href="https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf">https://eurochem-corporate.azurewebsites.net/wp-content/uploads/2019/04/EuroChem-AR-2018-EN-1.pdf</a>
III-16	EuroChem, Our Operations, <a href="https://web.archive.org/web/20140212214553/http://www.eurochem.ru/what-we-do/our-operations/#.Unjk_fm9k-M">https://web.archive.org/web/20140212214553/http://www.eurochem.ru/what-we-do/our-operations/#.Unjk_fm9k-M</a> (last visited May 20, 2020)
III-17	EuroChem, Annual Report and Accounts 2014, <a href="https://www.eurochemgroup.com/wp-content/uploads/2019/04/EuroChem-Group-AG-2014-Annual-Report3.pdf">https://www.eurochemgroup.com/wp-content/uploads/2019/04/EuroChem-Group-AG-2014-Annual-Report3.pdf</a> .
III-18	EuroChem, Corporate Governance: Legal Structure, <a href="https://www.eurochemgroup.com/about-us/corporate-governance/">https://www.eurochemgroup.com/about-us/corporate-governance/</a> (last visited May 20, 2020)

Exhibit No.	Description
III-19	EuroChem, List of Key Group Companies, <a href="https://eurochem-corporate.azureedge.net/wp-content/uploads/2019/06/List-of-Key-Group-Companies.pdf">https://eurochem-corporate.azureedge.net/wp-content/uploads/2019/06/List-of-Key-Group-Companies.pdf</a> (last visited May 20, 2020)
III-20	EuroChem, Global Operations, <a href="https://www.eurochemgroup.com/about-us/global-operations/">https://www.eurochemgroup.com/about-us/global-operations/</a> (last visited May 20, 2020)
III-21	EuroChem, Progress to Date, <a href="https://web.archive.org/web/20140213054741/http://www.eurochem.ru/who-we-are/history/">https://web.archive.org/web/20140213054741/http://www.eurochem.ru/who-we-are/history/</a> (last visited May 20, 2020)
III-22	EuroChem, Prospectus (Mar. 11, 2019), <a href="https://centralbank.ie/docs/default-source/regulation/prospectus-regulation/2019/prospectusdoc-2019-03/job20001811-prospectus.pdf?sfvrsn=2">https://centralbank.ie/docs/default-source/regulation/prospectus-regulation/2019/prospectusdoc-2019-03/job20001811-prospectus.pdf?sfvrsn=2</a>
III-23	U.S. IRS, Pub. 946, How to Depreciate Property (2019)
III-24	<i>Certain Cold-Rolled Steel Flat Products from the Russian Federation: Response of the GOR to the Questionnaire, Inv. No. C-821-823 (Oct. 26, 2015) (“GOR QR”)</i>
III-25	<i>Certain Cold-Rolled Steel Flat Products from the Russian Federation: GOR QR Exhibit IV-1</i>
III-26	IPNI, Phosphorous Fertilizer Production and Technology
III-27	Argus Phosphate Prices
III-28	CRU Phosphate Rock Prices
III-29	Michael R Rahm Consulting LLC, A Comparison of Peru’s Bayóvar Phosphate Rock with Alternatives
III-30	Argus Media, Argus Phosphates: Methodology and Specifications Guide (Apr. 2020)
III-31	Phosphate Rock Freight Rates
III-32	Estimated Subsidy Rates for PhosAgro and EuroChem
III-33	Estimated Price for PhosAgro
III-34	Estimated Price for EuroChem
III-35	Revenue and Production Data for PhosAgro and EuroChem
III-36	<i>Certain Cold-Rolled Steel Flat Products from the Russian Federation: GOR QR Exhibit III-18</i>
III-37	Gazprom, 2018 Annual Report
III-38	Press Release, EuroChem, <i>EuroChem Opens New \$1bn Ammonia Plant in Kingisepp, Russia</i> (June 7, 2019), <a href="https://www.eurochemgroup.com/media-announcements/eurochem-opens-new-1bn-ammonia-plant-in-kingisepp-russia/">https://www.eurochemgroup.com/media-announcements/eurochem-opens-new-1bn-ammonia-plant-in-kingisepp-russia/</a>
III-39	Richard Ewing, <i>Fertz Major EuroChem Nears Decision on New Ammonia, Urea, and Methanol Plants</i> , Independent Commodity Intelligence Services (July 31, 2019), <a href="https://www.icis.com/explore/resources/news/2019/07/31/10398313/fertz-major-eurochem-nears-decision-on-new-ammonia-urea-and-methanol-plants">https://www.icis.com/explore/resources/news/2019/07/31/10398313/fertz-major-eurochem-nears-decision-on-new-ammonia-urea-and-methanol-plants</a>
III-40	<i>PhosAgro Ammonia Production Facility, Cherepovets</i> , Chemicals Technology, <a href="https://www.chemicals-technology.com/projects/phosagro-ammonia-production-facility-cherepovets/">https://www.chemicals-technology.com/projects/phosagro-ammonia-production-facility-cherepovets/</a> (last visited May 18, 2020)

Exhibit No.	Description
III-41	Press Release, PhosAgro, <i>Gazprom Sulphur and PhosAgro Sign Contract for Supply of Liquid Sulphur Through 2021</i> (Dec. 15, 2015), <a href="https://www.phosagro.com/press/company/gazprom-sulphur-and-phosagro-sign-contract-for-supply-of-liquid-sulphur-through-2021/">https://www.phosagro.com/press/company/gazprom-sulphur-and-phosagro-sign-contract-for-supply-of-liquid-sulphur-through-2021/</a>
III-42	Natural Gas Subsidy Estimates for PhosAgro and EuroChem
III-43	Federal Antimonopoly Service Order, Gazprom Tariff Schedule 2019 (may 13, 2019)
III-44	Gazprom, Factbook “Gazprom in Figures 2011-2015”
III-45	Tax Code of the Russian Federation, Articles 253, 262, 342.2(2)
III-46	<i>Certain Cold-Rolled Steel Flat Products from the Russian Federation</i> : GOR QR Exhibit II-1
III-47	Eximbank, Bank Profile, <a href="http://www.eximbank.ru/eng/about/">www.eximbank.ru/eng/about/</a> (last visited May 22, 2020)
III-48	Eximbank of Russia, Consolidated Financial Statements for the Year Ended 31 Dec. 2019 (Mar. 2020)
III-49	Eximbank, Financial and Guarantee Exports Support: Credits to Support Export, <a href="http://www.eximbank.ru/eng/credits/">www.eximbank.ru/eng/credits/</a> (last visited May 22, 2020)
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