

**Voluntary Report** – Voluntary - Public Distribution

**Date:** July 15,2020

**Report Number:** CO2020-0027

**Report Name:** Colombia Imposes 2 Year Duty on US Ethanol After CVD Investigation

**Country:** Colombia

**Post:** Bogota

**Report Category:** Biofuels

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**Report Highlights:**

On May 7, 2020, the Colombian Ministry of Trade, Industry and Tourism (MinCIT) issued a final ruling in its countervailing duty (CVD) investigation into U.S. ethanol, placing a \$0.066/kg duty on imported U.S. ethanol for the next two years as compensation. This report summarizes the Colombian ethanol market and the CVD case on U.S. ethanol.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

SENSITIVE BUT UNCLASSIFIED

## **Ethanol Production in Colombia**

Sugarcane is the primary feedstock used for the production of ethanol in Colombia. Of the 13 sugar mills in Colombia, 6 own ethanol refineries as well in the Valle de Cauca region near the city of Cali. One additional ethanol refinery, independent of any sugar mill, is in the Llanos or Colombian plains region of the country. The price a company will pay to buy local ethanol for blending with gasoline is set through a complex formula. This formula includes the domestic price of sugar, which is normally higher than the international price due to government price supports. Imported ethanol is not subject to fixed prices. Corn-based ethanol from the United States has been price competitive despite transportation costs.

For more information in the Colombian biofuels industry and market see FAS GAIN Report CO1907 “Colombia Biofuels Annual 2019” published on July 11, 2019.

## **Countervailing Duty Investigation**

On January 28, 2019, the Ministry of Trade, Industry and Tourism (MINCIT) announced it accepted a petition by the Colombian Biofuels Association (Fedebiocombustibles) to launch an investigation into alleged subsidies on U.S. fuel ethanol imports. The MINCIT issued an initial questionnaire to all the interested parties including the United States Government, the U.S. industry, and the Colombian industry. The U.S. Government (USG), led by the United States Trade Representative’s Office (USTR) and supported by the U.S. Department of Agriculture’s Foreign Agricultural Service (FAS), responded to this questionnaire on April 9, 2019.

Below is a link to MINCIT’s resolution initiating the CVD case:

<https://www.mincit.gov.co/mincomercioexterior/defensa-comercial/investigaciones-por-subvenciones/investigaciones-por-subvenciones-en-curso/alcohol-carburante-etanol/resolucion-006-del-24-de-enero-de-2019-apertura-su.aspx>

## **Provisional Duty, Public Hearings, and Essential Facts Report**

On May 8, 2019, after receiving the questionnaires from the USG, local industry, and the U.S. industry, the MINCIT announced the imposition of an initial 4-month provisional duty of 9.36% on U.S. ethanol imports. Imports of U.S. ethanol still reached a record \$114 million in 2019.

Below is a link to the provisional report:

<https://www.mincit.gov.co/mincomercioexterior/defensa-comercial/investigaciones-por-subvenciones/investigaciones-por-subvenciones-en-curso/alcohol-carburante-etanol/resolucion-085-de-2019.aspx>

MINCIT held a hearing in Bogota where all sides presented their arguments on June 26, 2019. The USG was represented by USTR. USTR and FAS submitted in writing the USG response to the initial duty on September 3, 2019.

On February 3, 2020, MINCIT issued its Essential Facts report that concluded that U.S. ethanol is subsidized and that the local industry was harmed, but not to the extent that the local industry alleged. While the report did not recommend a set tariff, it did contemplate two scenarios depending on how much subsidy was determined to be passed from corn to ethanol. Depending on the scenario, Colombia would apply a CVD rate of 11-16%. On March 2, 2020, USTR and FAS submitted comments on the Essential Facts report.

Finally, on May 7, 2020, MINCIT issued a final ruling in its CVD investigation into U.S. ethanol, which reconfirmed the findings in the essential facts report. The ruling placed a \$0.066/kg duty on imports of ethanol from the United States for the next two years as a compensation. FAS Bogota estimates this \$0.066/kg duty represents an ad valorem tariff between 10 and 12 percent assessed on the declared CIF value when compared to the prices of the last year and year to date declared importations of U.S. ethanol.

Below is the link to the CVD final determination on the MINCIT website:

<https://www.mincit.gov.co/mincomercioexterior/defensa-comercial/investigaciones-por-subsenciones/investigaciones-por-subsenciones-en-curso/alcohol-carburante-etanol/resolucion-069-del-30-de-abr-de-2020.aspx>

**Attachments:**

No Attachments.