CANADA BORDER SERVICES AGENCY

The Dumping of Polyethylene Terephthalate Resin Originating in or Exported from China, India, Oman, Pakistan and Turkey and the Subsidization of Polyethylene Terephthalate Resin Originating in or Exported from China, India, Oman and Pakistan

Public
Statement of Evidence of
Richard A. Lane, Jr. of
DAK Americas LLC

June 29, 2017

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Richard Lane, Jr.

I. Introduction

1. My name is Richard (Ricky) A. Lane, Jr. I am the Sr. Manager - Public Affairs, Trade Relations and Global Communications at DAK Americas LLC. I have been in this role since 2001.

2. Below, I have laid out the key milestones in Compagnie Selenis Canada's ("**Selenis Canada**") history:

2004: Shell International, B.V. and Société générale de financement (now Investissement Québec) build a poly trimethylene terephthalate (PTT) plant in Montreal, Canada. The company, named PTT Poly Canada, was a joint venture of these two entities.

2009: Control PET, S.A., a subsidiary of IMG Group acquires PTT Poly Canada assets and establishes Selenis Canada Inc.

2010: Control PET converts operations from PTT production to Polyethylene Terephthalate (PET)production.

2011: In May, the facility starts production, becoming the only virgin PET production facility in Canada.

2012: Selenis Canada completes the first full year of production, reaching a sales volume of 77% of the total installed capacity.

2014: Selenis Canada starts plans to increase its annual PET installed capacity and initiates a process to sell a majority or 100% of its shareholding.

2016: DAK Americas LLC ("DAK") completes a transaction on August 1, 2016 with Control PET to acquire controlling interest of Selenis Canada Inc. operations in Montreal. The operations have a capacity to produce 144 ktons/yr of PET Resin.

With DAK's acquisition of controlling interest, the company officially changes its name to Compagnie Selenis Canada and DAK begins the direction of all manufacturing operations and sales.

3. DAK holds 50% plus one share of Selenis Canada, with Control PET holding the other 50% minus one share. Control PET supports this complaint.[1]

4. With DAK's acquisition of controlling interest of Selenis Canada, DAK looks to use its experience, technology and knowledge of the global PET market and especially the Americas market to enhance production and expand operations in Canada.

5. [ ]. Following DAK's purchase of Selenis Canada, [

].

6. All of DAK's functional groups review Selenis Canada's operations and processes and define opportunities for improvement. DAK Americas intends to continue to invest in Selenis Canada's production facility, although the case for supporting such investment becomes more difficult when dumped and subsidized PET Resin are depressing pricing in the market.

[1] Public Attachment 1: Control PET Letter of Support.

II. The Product

7. PET is a clear, strong and lightweight plastic belonging to the polyester family. PET is typically called polyester when used for fibers or fabrics and "PET" or "PET Resin" when used for bottles, jars, containers and packaging applications. PET Resin meeting the product definition in this complaint is typically used in the production of plastic beverage bottles, in packaging for food and manufactured products, in containers for household and automotive products, and in industrial strapping. The most common use for PET Resin containers is to package carbonated soft drinks and bottled water.

8. PET Resin is primarily sold in bulk form as chips or pellets to downstream users/converters. Typically, PET Resin is spherical or cylindrical in size. PET Resin is a thermoplastic, which softens upon heating and can be made to flow under stress repeatedly. When cooled it regains its solid nature.

9. Consumers identify containers produced with PET Resin by the triangular recycle symbol with the #1 resin identification code and either PET or PETE written underneath:

Figure 1

10. The product definition in the complaint includes parameters defined by Intrinsic Viscosity (IV). IV is a measure of the polymer's molecular weight, it reflects the material's melting point, crystallinity and tensile strength. The IV is used as part of the specification to select

the right grade of PET for a particular application, and is measured at various points of the supply chain.

11. The end use application of the PET Resin dictates the IV that is required. Packaging grade PET Resin generally has an IV greater than 0.70. Polyester used in fiber as fill and in the textile industries is generally less than 0.70 IV. Carbonated soft drink bottles require a minimum PET Resin IV of 0.84.

12. PET Resin may contain some recycled material, although PET Resin for packaging end uses (i.e. meeting the product definition parameters of 0.70 to 0.88 IV) is generally limited to a recycled content of 20%, and in any case would not exceed a recycled content of 50%, which is a threshold included in our product definition.

13. PET Resin containing recycled content is sometimes referred to as RPET. There is no generally accepted threshold of recycled content to be considered RPET. It is important to note that some material that is referred to as RPET may actually be 100% recycled material, which does not meet our product definition. 100% recycled resin is often referred to as PCR (post-consumer resin). When I use the term PCR in this witness statement, I am referring to 100% recycled material.

14. PCR and PET Resin production processes differ materially. The production of PCR involves mechanical operations, including waste/scrap separation, washing, grinding and cutting functions. In contrast, the production of PET Resin meeting the product definition in our complaint involves primarily chemical reaction processes. PCR, in contrast to the PET Resin meeting our product definition, is produced without any chemical conversion. PCR is significantly more expensive to produce compared to PET Resin. Producers of PCR do not have the necessary equipment to produce PET Resin with virgin content.

15. While customers of PET Resin may blend PCR and virgin PET Resin in producing food and beverage packaging, they will generally not use more than 20% PCR content. Using a higher PCR content is impractical, as the resulting impurities affect production cost, quality

(including color) and throughput of many commercial operations for packaging and bottle production. However, there are limited cases where 100% PCR is used for bottling applications, but this is more the exception versus the norm. For example, PepsiCo Canada is producing a bottle for its 7UP product from 100% PCR. This is a very high cost and niche area of the market.

16. Most PCR is used for polyester fiber applications, such as fiberfill or less quality sensitive applications.

17. PCR used in bottling and packaging for food and beverage use applications requires food contact certification for use in these applications. Selenis Canada's commercial PET Resins, including PET Resins containing recycled material, have received "no objection letters" for food contact from Health Canada's Health Protection Branch.

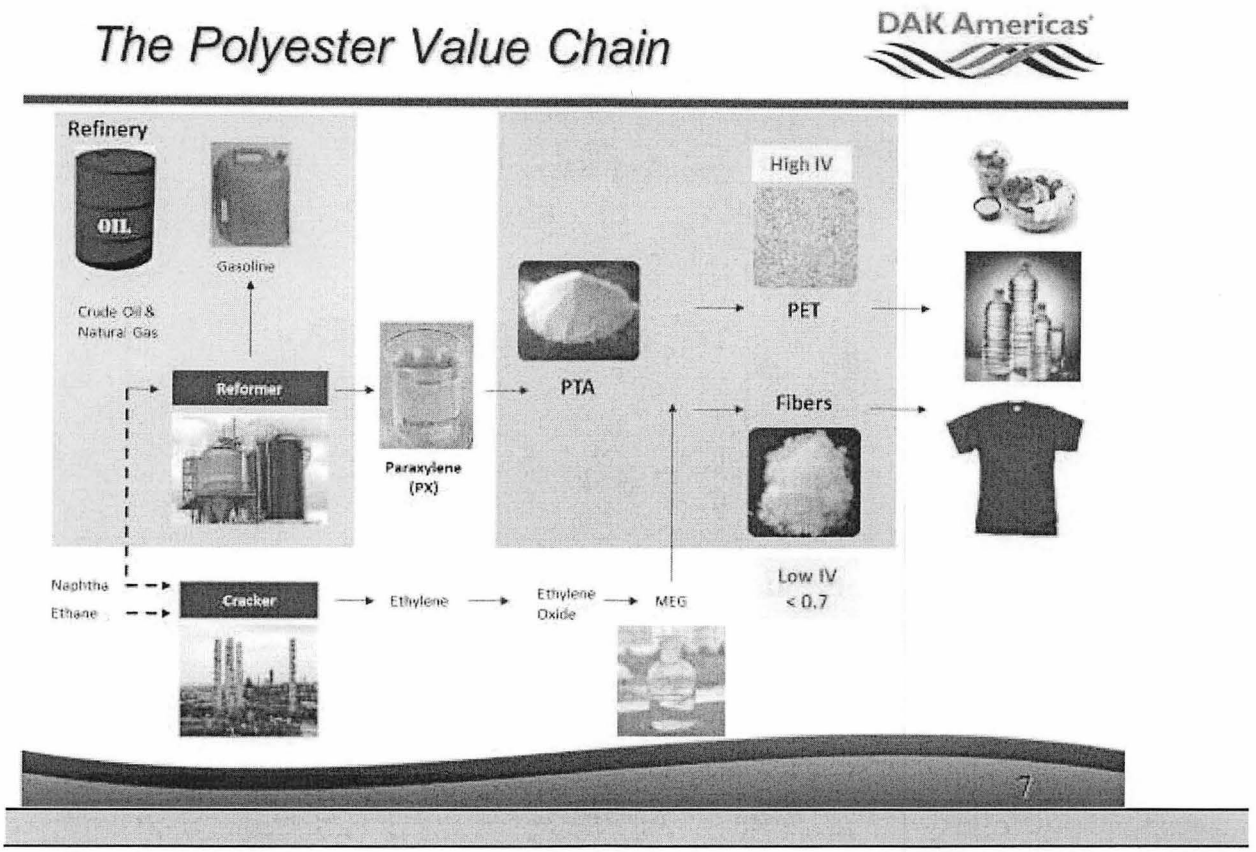
III. Production Process

18. The production of PET begins by mixing Monoethylene Glycol ("**MEG**") and Purified Terephthalic Acid ("**PTA**") at ambient temperatures to form a slurry. PTA is the preferred feedstock for production but dimethyl terephthalate (DMT) can be used in some facilities that use older production technologies. However, it is more economical to produce most grades of PET polymer from PTA than from DMT. For that reason, DMT is generally not used for production of commodity PET Resin. Selenis Canada [

] using DMT.

19. The following graphic provides a high-level overview of the inputs and production process for PET Resin and Polyester:

Figure 2



20. There are varying qualities of terephthalic acid (TPA) but the preferred one is PTA, which is the one marketed to PET Resin producers. PET Resin lines can use other qualities of TPA other than PTA, but if non-purified forms of TPA are used in PET Resin manufacturing then the producers must do additional in line chemical processing to accommodate the lower quality raw material.

21. PTA, TPA and DMT are all produced using paraxylene, a petrochemical. MEG is produced from ethylene, which is also a petrochemical.

22. PET Resin is roughly 65% PTA or TPA, 25% MEG and 10% co-monomers, basic additives and functional additives.

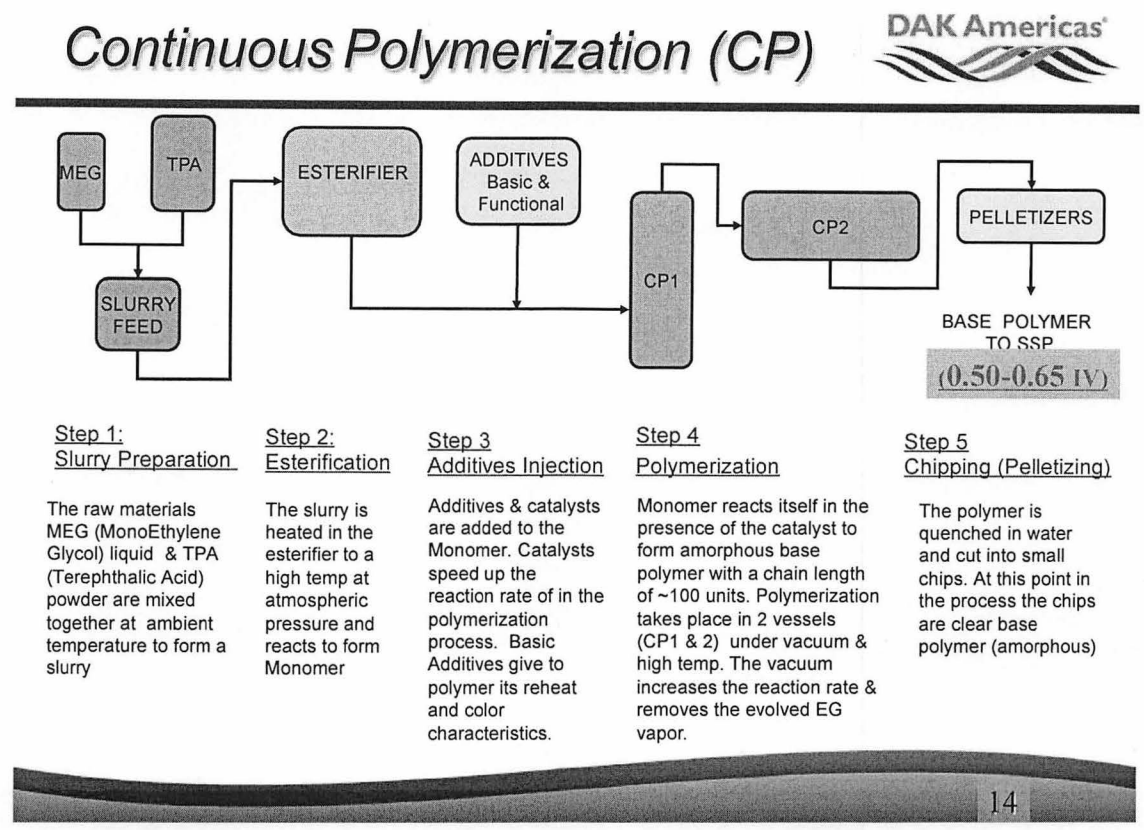
23. Typical co-monomers are Diethylene Glycol ("DEG"), which is a by-product of the MEG monomer during polymerization; Purified Isophthalic Acid ("**PIA**" or "**IPA**") and CycloHexaneDiMethanol ("**CHDM**").

24. Basic additives include catalysts for chemical reaction (Sb, Co, Ti, Ge). Organic toners and/or Cobalt are added to improve color. Thermal stabilizers (phosphoric/phosphorous acide) minimize yellowing during polymerization and re-melting into containers.

25. Functional additives include infared ("**IR**") absorbers (carbon black or graphite, sequestered Antimony), molecular chain extenders and slip and anti blocking agents for friction reduction on preform and bottle surfaces.

26. The slurry is heated through an esterification process to [ ] and reacts to form a monomer. Additives and catalysts are added to the monomer to provide reheat and color characteristics for the final product. The monomer is then heated under vacuum in a polymerization process, and certain gases are exhausted. The resulting polymer is quenched in water and cut into chips, known as amorphous PET ("**AMPET**"). AMPET has a short polymer chain length and a low IV, generally 0.50 to 0.65. The AMPET also contains a high Acetaldehyde level. The process up to this point is shown in the flow chart below:

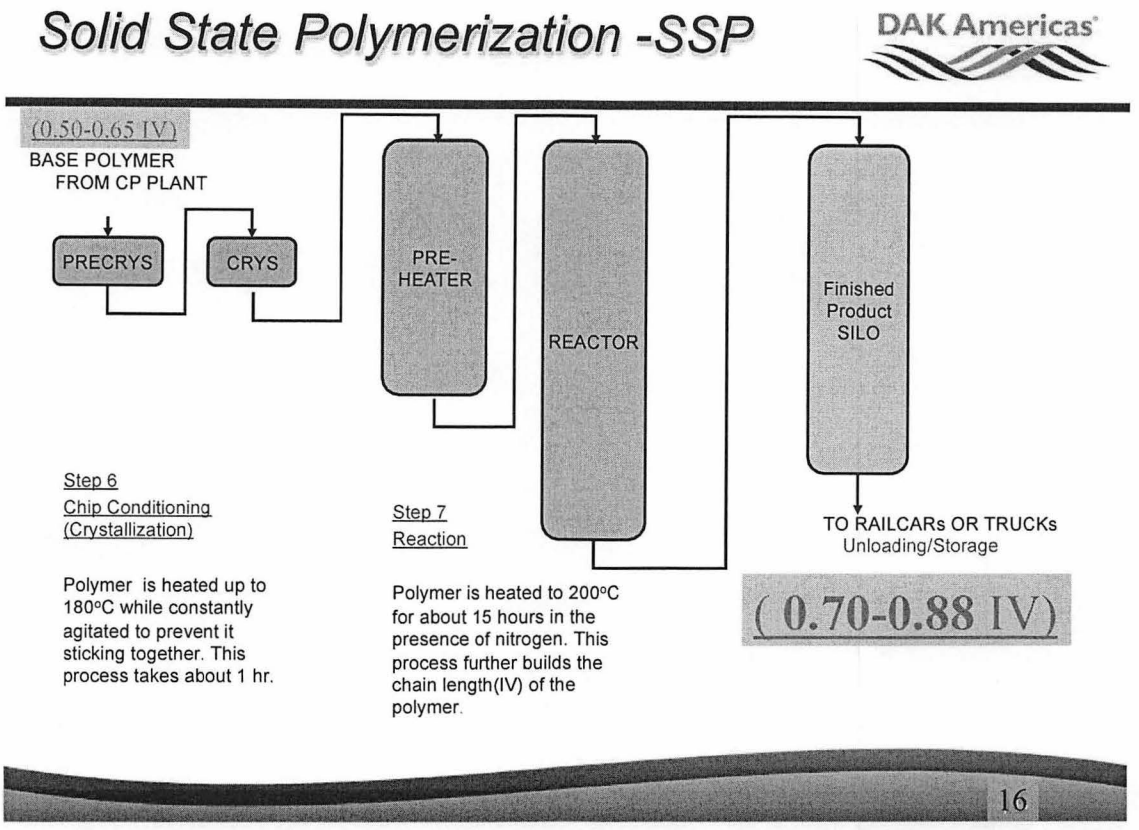
Figure 3



27. The AMPET chips are then subjected to a solid-state polymerization ("SSP") treatment. To make PET Resin, the AMPET chips are baked during the SSP treatment in large cylindrical reaction towers. In the towers, the AMPET chips flow through an oxygen-free, nitrogen-gas atmosphere, typically at above 200°C temperatures for a period of 18-24 hours, known as the crystallization and annealing process. After the baking is completed, the PET Resin pellets exit the bottom of the reaction tower and undergo air cooling in a closed circuit heat exchanger prior to storage for transport by rail or truck. The SSP treatment increases the intrinsic viscosity of the AMPET pellet to the level as defined by

the scope of this complaint. This process also removes Acetaldehyde. The SSP process is shown in the flow chart below:

Figure 4



28. PET Resin must be protected from moisture and contamination during transport. Both imported and exported products are typically shipped offshore in sealed one metric ton poly bags (super sacks) within large metal shipping containers. Imported products may be removed from the containers and temporarily stored in order to have some local inventory and save on demurrage. Both imported and domestically-produced PET Resin may be shipped bulk inland on truck beds or in specially lined railcars in lots of 50,000 or 200,000 pounds.

I, Richard (Ricky) A. Lane, Jr., Senior Manager - Public Affairs, Trade Relations and Global Communications at DAK Americas LLC, certify that the information in the Witness Statement is true, accurate and complete.

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Richard (Ricky) A. Lane, Jr.

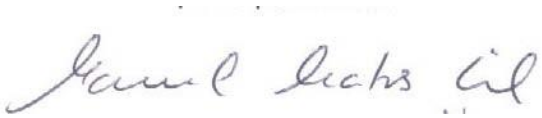
June 9, 2017

To whom it may concern:

Control PET, S.A. ("Control PET"), headquartered in Portugal, is 50% owner of Compagnie Selenis Canada. Control PET fully supports Selenis Canada's complaint to the Canada Border Services Agency regarding injury caused by the dumping and subsidization of PET Resin in the Canadian market.
If you have any questions, please contact Mr. Emanuel Lopez at emanuel.lopes@imgsgps.com.

Sincerely,

Control PET. S.A.



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Name: Manuel Matos Gil
Its Authorized Representative