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## I

(Acts adopted under the EC Treaty/Euratom Treaty whose publication is obligatory)

## REGULATIONS

## COUNCIL REGULATION (EC) No 320/2008

of 7 April 2008

**repealing the countervailing duty imposed on imports of certain electronic microcircuits known as DRAMs (Dynamic Random Access Memories) originating in the Republic of Korea and terminating the proceeding**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2026/97 of 6 October 1997 on protection against subsidised imports from countries not members of the European Community<sup>(1)</sup> (the basic Regulation) and in particular Article 19 thereof,

Having regard to the proposal submitted by the Commission after consulting the Advisory Committee,

Whereas:

- (2) Following a report adopted by the Dispute Settlement Body of the World Trade Organisation<sup>(4)</sup> (the EC-Korea DRAMs Panel Report), the Council adopted Regulation (EC) No 584/2006<sup>(5)</sup>, implementing the recommendations made by the Panel Report and lowering the definitive countervailing duty to 32,9 % (the implementing Regulation).

## II. Ex officio initiation of a partial interim review

- (3) The Community producers Micron Europe Ltd and Qimonda AG (formerly, Infineon Technologies AG) provided prima facie evidence to the Commission indicating that Hynix Semiconductor Inc. (Hynix) was in receipt of additional subsidies in the period following the investigation period of the original investigation. Additionally, Hynix submitted a request for a partial interim review alleging that the subsidies found to be countervailable in the original investigation had ceased to exist.

- (4) In view of the submissions above, the Commission decided to proceed ex officio.

## III. Investigation

- (5) Having determined that sufficient evidence existed to justify the initiation of a partial interim review and having consulted the Advisory Committee, the Commission announced on 18 March 2006, by a Notice of Initiation published in the *Official Journal of the European Union*<sup>(6)</sup>, the ex officio initiation of a partial interim review, in accordance with Article 19 of the basic Regulation.

### A. PROCEDURE

#### I. Existing measures

- (1) By Council Regulation (EC) No 1480/2003<sup>(2)</sup> (the definitive duty Regulation), the Council imposed a definitive countervailing duty of 34,8 % on imports of certain electronic microcircuits known as Dynamic Random Access Memories (DRAMs) originating in the Republic of Korea and manufactured by all companies other than Samsung Electronics Co., Ltd (Samsung), for which a 0 % duty rate was established. The definitive duty Regulation was preceded by Commission Regulation (EC) No 708/2003 of 23 April 2003 imposing a provisional countervailing duty on imports of certain electronic microcircuits known as DRAMs (dynamic random access memories) originating in the Republic of Korea<sup>(3)</sup> (the provisional duty Regulation).

<sup>(1)</sup> OJ L 288, 21.10.1997, p. 1. Regulation as last amended by Regulation (EC) No 461/2004 (OJ L 77, 13.3.2004, p. 12).

<sup>(2)</sup> OJ L 212, 22.8.2003, p. 1. Regulation as amended by Regulation (EC) No 2116/2005 (OJ L 340, 23.12.2005, p. 7).

<sup>(3)</sup> OJ L 102, 24.4.2003, p. 7.

<sup>(4)</sup> WT/DS299/R European Communities — Countervailing Measures on Dynamic Random Access Memory Chips from Korea, adopted on 3 August 2005.

<sup>(5)</sup> OJ L 103, 12.4.2006, p. 1.

<sup>(6)</sup> OJ C 67, 18.3.2006, p. 16.

- (6) The review was limited in scope to the examination of subsidisation of one exporting producer, Hynix, in order to assess the need for the continuation, removal or amendment of the existing measures. The investigation period ran from 1 January 2005 to 31 December 2005 (IP).
- (7) The Commission officially advised the exporting producer concerned (Hynix), the Government of the Republic of Korea (the GOK) and the Community producers of the initiation of the partial interim review. Interested parties were given the opportunity to make their views known in writing and to request a hearing within the time limits set out in the Notice of Initiation.
- (8) In order to obtain the information necessary for its investigation, the Commission sent questionnaires to all parties known to be concerned and received replies from the company, the GOK and a number of Korean banks, as well as Deutsche Bank AG.
- (9) The Commission sought to verify the information received and carried out verification visits at the premises of the GOK (Ministry of Finance and Economy — MOFE and the Financial Supervisory Commission — FSC) and the following companies and institutions in Seoul:

— Hynix Semiconductor Inc.,

— Korea Exchange Bank (KEB),

— Korea Development Bank (KDB),

— Woori Bank,

— Shinhan Bank,

— Deutsche Bank AG,

— National Agricultural Cooperative Federation (NACF),

— Hyundai Marine & Fire Insurance.

#### **B. PRODUCT UNDER CONSIDERATION AND LIKE PRODUCT**

- (10) The product under consideration and the like product are the same as that covered in the original investigation, i.e. certain electronic microcircuits known as Dynamic

Random Access Memories (DRAMs) of all types, densities and variations, whether assembled, in processed wafer or chips (dies), manufactured using variations of Metal Oxide-Semiconductors (MOS) process technology, including complementary MOS types (CMOS), of all densities (including future densities), irrespective of access speed, configuration, package or frame etc. originating in the Republic of Korea. The product concerned also includes DRAMs presented in (non-customised) memory modules or (non-customised) memory boards or in some other kind of aggregate form provided the main purpose of which is to provide memory.

- (11) The product concerned is currently classifiable within CN codes ex 8473 30 20, ex 8473 50 20, ex 8542 32 10, ex 8542 32 31, ex 8542 32 39 and ex 8548 90 20.

### **C. SUBSIDIES**

#### **I. Introduction**

- (12) On the basis of the information available to the Commission at initiation and the replies given to the Commission's questionnaires, the following measures were investigated:
- (a) a rescue package approved by the Hynix Creditors' and Financial Institutions Council (CFIC) on 30 December 2002 (the new restructuring), comprising a debt-to-equity swap, a debt rollover and changes in the interest payment conditions;
- (b) alleged preferential financing provided by Korean banks to Beijing Orient Electronics (BOE) to facilitate the purchase of Hydis, a Hynix operation;
- (c) alleged preferential financing provided by Korean banks to CVC to facilitate the purchase of System IC, a Hynix operation, including the transfer of Hynix debt to another entity at a discount;
- (d) a discounted cash buyout of the Hynix debt;
- (e) preferential tax treatment allegedly given to Hynix by GOK;
- (f) the July 2005 refinancing of Hynix debt.

- (13) All the measures listed above were ad hoc measures. With the exception of (e) above, all investigated measures were taken by the creditor banks/institutions of Hynix, allegedly under direction by the GOK. The issue of 'financial contribution by a government', within the meaning of Article 2 of the basic Regulation, is, as in the original investigation, central to this proceeding and recitals 9 to 15 of the definitive duty Regulation are hereby recalled.

## II. The financial situation of Hynix after the original investigation

- (14) Despite the large bail-out packages received by Hynix in 2001, its financial situation did not improve and in 2002 it was still rated Selective Default by Standard & Poor. It reported a loss of KRW 1,03 trillion for the first nine months of 2002; it was obvious that it was in no position to pay any maturing debt. Its ratios, based on its 2002 financial statement, show that it could not cover its current liabilities with current assets, could not cover its interest expense with its earnings, was financed with significantly more debt than equity and had large net losses. Although the October 2001 bail out had helped matters to some degree, the company was still in considerable distress. Morgan Stanley Dean Witter, one of Hynix's external advisors, in a report produced in September 2002, stated that Hynix would be very unlikely to 'accumulate enough cash in the next two years to meet maturing debt obligations' or 'expand capacity and fund the technological upgrades and R&D necessary for it to remain a competitive DRAM producer.' Morgan Stanley Dean Witter went on to say that 'Hynix is technically bankrupt, kept alive only through debt restructuring programmes' and that 'The financial commitment required to bring the company back to a competitive level looks too great. Creditors cannot afford to nurse the company back to health. Whatever the outcome, the message is clear to investors: Hynix is not an investment grade company.'

- (15) Merrill Lynch, again in September 2002, stated, 'We are increasingly concerned about Hynix's dismal earnings prospects. We are cutting 02-03 estimates into deficit territory as cost improvements and supply growth is constrained by lack of investment in the process technology upgrade'. Another one of Hynix's advisors, Deutsche Bank Korea, admitted that their equities department, although it followed the semiconductor industry, did not follow Hynix, as 'there was a lack of investor appetite'. The company itself does not dispute the severity of its financial difficulties at the relevant time.

## III. The New Restructuring

- (16) In October 2001, a business normalisation plan was adopted by the CFIC to pursue the reconstruction of

the company. The CFIC was made up of banks and other institutions which were Hynix's creditors. The decisions of the CFIC were taken by a 75 % majority. The voting rights of each institution were determined in accordance with its exposure to Hynix.

- (17) Hynix was under the Corporate Restructuring Promotion Act (the CRPA) and, as such, was effectively under the control of its creditors. The CFIC decided to sell the business or part of the business to a third party. In December 2002, the Restructuring Committee, which is a sub-committee of the CFIC, initiated negotiations with Micron Technology Inc. These lasted for five months; a Memorandum of Understanding was signed between the parties, but the terms of the sale were eventually rejected by the Hynix Board of Directors.

- (18) In May 2002, as a follow-up measure given the continuing deterioration of Hynix's finances, the CFIC hired a number of external advisors, including Deutsche Bank (DB), Morgan Stanley Dean Witter, Deloitte & Touche and A. D. Little, to analyse Hynix and come up with a plan to rescue the company. Together with these external advisors, KEB, which was the head of the CFIC as lead creditor, performed due diligence on Hynix until November 2002. The resulting report, prepared by Deutsche Bank and KEB (the DB Report), was submitted to the CFIC.

- (19) On 30 December 2002, the CFIC decided to implement a corporate turnaround and sell-off of the business, as outlined in the DB Report. The corporate turnaround involved a restructuring, comprising:

— a debt-to-equity swap of KRW 1 861,5 bn,

— a capital write-down on a ratio of 21:1,

— a rollover of debt amounting to KRW 3 293 bn, and

— changes to the interest payment conditions of the rolled-over debt.

## IV. Description of the Measures

### (i) Debt-to-equity swap

- (20) The CFIC decided to swap debt amounting to KRW 1 861,5 bn for Hynix shares; this amounted to approximately 50 % of Hynix's unsecured loans. The swap share price was fixed to KRW 435 at the time the decision was taken in December 2002, by taking the one-month average market price. Although there is an obligation under the CRPA on the CFIC to use a reasonable method in calculating the swap price, no specific method is provided.

- (21) The restructuring plan involved a capital write-down prior to the swap taking place, which required shareholder approval; hence the swap could not take place immediately. Once the capital write-down was implemented, at a ratio of 21:1, the share swap price became KRW 9 135 ( $21 \times \text{KRW } 435$ ) and the swap went ahead. As the shares pursuant to the swap were not to be issued until April 2003, this price was to serve as a floor, but no ceiling was set. The actual share price at the time of the decision was in fact KRW 280; it fell to KRW 167 in April 2003.

(ii) *Debt rollover*

- (22) The maturity of the Hynix debt which was not converted to equity was extended to December 2006. This rolled-over debt amounted, in total, to KRW 3 293 bn.

(iii) *Changes in the terms of interest payments*

- (23) The interest rate on the rolled-over debt was reduced to 3,5 % from 6,5 %. The 3 % difference was treated as additional principal and was added on to the outstanding debt, with a maturity date of December 2006, as well. Interest on this additional principal was set at 6 %, to be paid quarterly.

## V. The Policy of the GOK as regards Hynix

- (24) As described in the provisional and the definitive duty Regulations, the GOK had a keen interest in the fact of Hynix. The GOK admitted that, due to Hynix's situation, foreign investors were not willing to invest in Korea, because the Korean banks' exposure to Hynix was so high. It need the Hynix problem to be solved, in order to remove the uncertainty; in fact, Hynix's 'structural adjustment' was cited as a main policy issue for the second half of 2002 in a report by the Ministry of Finance and Economy. A report submitted to the National Assembly by Korea's Grand National Party (GNP), in opposition, criticised the GOK's insistence on rescuing the Hyundai Group, in which Hynix was a subsidiary, stating that the GOK, by saving Hynix, was 'injecting money into bottomless pits'. Hynix claims that, as the report was submitted in November 2002, it should not be considered as evidence of the GOK's involvement in the new restructuring. However, the new restructuring was approved by the creditors only a month following the submission of the GNP report and deliberations on the best way to rescue Hynix had

been ongoing for months before that. The GNP report, therefore, is not irrelevant to the question of whether the GOK had a policy to save Hynix.

- (25) During the first half of the year, the Vice Minister for Finance stated that 'creditors will have to find a solution to Hynix as soon as possible to minimise the adverse impact on the economy'. To that end, a meeting between the GOK and Hynix's creditors had taken place to express the GOK's views with regard to the then ongoing negotiations with Micron. The MOFE could neither confirm nor deny whether other meetings had taken place and claimed that records of meetings were not always kept. The FSC, on the other hand, said that no other meetings had taken place, although it was kept abreast of what was happening by informal telephone calls. However, evidence on the record suggests that the GOK, mindful of the previous investigations in its involvement in Hynix by the European Communities and the United States, directed that any communication relating to Hynix should be made orally to avoid being traceable<sup>(1)</sup>. The FSC stated that it had no power to intervene in the restructuring efforts of each company, but that it did conduct partial monitoring of the process, for example, where they thought there could be a potential shock to the markets. The FSC conducts such monitoring by contacts with 'work-level' persons, but not records are kept of such contacts. Although the FSC admitted that Hynix was restructured because it was so big, it insisted that the manner and mode of such restructuring was determined solely by the creditors. The Hynix creditor banks confirmed that the FSC kept a close eye on the restructuring by telephone calls and requests for information.

- (26) The GOK, in the meetings of April 2002, communicated its official position to Hynix's creditors, which was either to sell Hynix or to rescue it to buffer the shock. Although the GOK insisted that the decision of whether liquidation was on the table or not was left to the creditors, its statements regarding the importance of rescuing Hynix (by a restructuring or a sale) in order to restore confidence in the Korean markets belies such insistence. The GOK's belief that Hynix was too big to fail is corroborated by a statement by one of the creditor banks that Hynix was such a big company, employing such a large number of people and contracts you can imagine what would happen if it went bankrupt or insolvent. Further, one of Hynix's external advisors, in its engagement letter wrote that it would assist ... in (the) effort to find a realistic and viable restructuring solution for Hynix that would *minimise social damage* ... (emphasis added). It was plain that the liquidation of Hynix was not an option.

<sup>(1)</sup> Kangwon Lee, CEO of KEB 'I will not tell', *Maeil Business Newspaper*, 23 August 2002.

## VI. GOK involvement in Hynix creditor banks

- (27) The GOK is a major shareholder in a large number of Hynix creditor banks. The information on the record provided by the banks, Hynix and the GOK shows that the GOK has at least a significant shareholding (> 20 %) in creditor banks/financial institutions holding at least 75 % of the voting rights in the CFIC. It is recalled that the required majority in the CFIC was 75 %; therefore, the GOK's involvement in the decisions taken by the Creditors' Council cannot be doubted.
- (28) As in the original investigation, KDB and NACF are wholly-owned government entities and are thus considered public bodies within the meaning of Article 1(3) of the basic Regulation.
- (29) There is no evidence on the record to suggest that the situation as regards Woori Bank changed from the one described in recitals 80 to 82 of the provisional duty Regulation. Further, as stated in the provisional duty Regulation, Chohung Bank, now called Shinhan Bank since its merged with Shinhan Bank on 1 April 2006, entered into a Memorandum of Understanding with the Korean Deposit Insurance Corporation (KDIC) in January 2002, giving KDIC, a public body, a decisive influence over Chohung Bank's decision-making.
- (30) Prime Minister's Decree 408 is further evidence that there is legal scope for GOK intervention in the financial sector for policy reasons. The GOK cites the Decree as evidence that the Korean government officially stated that it would not intervene in banks and financial institutions. However, Article 5(1) of Prime Minister's Decree 408 stipulates that 'In case a financial supervisory organisation makes a request for a financial institution's cooperation or support in necessity for the stabilisation of the financial market ... it shall be done in a document or by meeting.' Therefore, not only does the Decree not preclude government intervention in financial institutions, it expressly sets out the ways in which such intervention may be carried out.
- (31) Hynix claimed that KEB was not controlled by the GOK and presented Commerzbank's shareholding as evidence of its independence from GOK intervention. It also submitted documents which refer to Commerzbank's veto right over some issues, including risk management. However, KEB could not confirm that Commerzbank, although it had sent a person to become a member of the credit team, actually exercised any control over credit decisions and, in fact, stated that they were unaware of the existence of such veto rights. Further, the recent investigation into the GOK's involvement in Lone Star's purchase of shares in KEB in 2003 demonstrates further that KEB is controlled by the GOK. Therefore, it is considered that there is no reason to depart from the conclusions of the original investigation regarding the GOK's influence on the decisions of KEB.
- (32) Another example of GOK involvement in the Hynix creditor banks was the appointment of a former Minister of Industry and Commerce as Chairman of the Restructuring Committee of Hynix's CFIC, by the Steering Committee of that body, only for him to be re-appointed Minister a few months later.
- (33) Kookmin and Woori Bank have also indicated that GOK interference might lead them to make policy-based decisions in their prospectuses to the Securities Exchange Commission in 2002. Hynix has submitted evidence that the wording in question did not refer specifically to Hynix and should not be taken as intending to imply that the GOK exercised control over the Korean banking sector. However, the evidence submitted by Hynix does not dispute other parts of the prospectus warning, for example, that GOK shareholding 'could cause us to take actions or pursue policy objectives that may be against (creditors') interests'.
- (34) The Commission asked to see the internal documentation relating to creditors institutions' decision to approve the restructuring plan. These confidential documents show that, although the creditors each went through their standard internal procedures in deciding to participate in the restructuring, they did not act in accordance with the credit rating they had each ascribed to Hynix for the period in question. Although all creditors had given Hynix a rating equivalent to Standard & Poor's Selective Default, they nevertheless proceeded to approve the restructuring plan. For example, at the time the restructuring was approved, one bank's credit rating for Hynix indicated that the company was highly vulnerable and that the possibility of the business being restored was very unlikely. The rating given to Hynix by another of the banks involved indicated that the possibility of default was very high and that there was no possibility of future recovery. Instead, these banks went ahead and approved the restructuring proposal, even though the evidence suggests that this was not consistent with a market-oriented approach and the DB report does not indicate otherwise.
- (35) This was demonstrated by the creditors' treatment of both the debt they rolled over and the equity they received under the debt-to-equity swap: around 80-90 % of the Hynix debt had been written off as a loss — in one case, even 100 % — and the equity was booked at around 20 % of the price the creditors paid.

- (36) The company claims that subsequent events demonstrate that the creditors' decision was the correct one; Hynix has been profitable since 2005 and the creditors sold their shares in the company for a considerable profit. However, first of all this is an *ex post facto* analysis, which does not at all justify the conclusion that at the time the creditors approved the restructuring plan, this was consistent with a market oriented approach. Moreover, the fact that Hynix survived was due to the enormous subsidies it received. One cannot argue that, because Hynix survived, subsidies were not subsidies, if that survival was only possible because of those subsidies. Finally, the creditors were in the position they were in at the end of 2002 because they had participated in the 2001 restructuring, which constituted a subsidy. Therefore, they cannot argue that they should be compared to private creditors who have taken all the steps leading to their position at a certain point in time entirely of their own volition. Thus, Hynix's argument does not affect the conclusion that the creditors were not acting conformity with a market-oriented approach.

## VII. Conclusion on financial contribution

- (37) In view of the evidence on the record regarding the GOK's policy as regards Hynix and its involvement in the decision-making process of Hynix's creditors, as well as the evidence relating to the dire state of Hynix and the market's unwillingness to advance capital, as well as the lack of evidence that the existing creditors acted in accordance with a market benchmark, itself undistorted by subsidies, it is concluded that the GOK entrusted and directed Hynix's creditors to rescue Hynix by approving the restructuring described in recital 19 above. This constituted a financial contribution within the meaning of Article 2(1) of the basic Regulation.
- (38) Hynix claimed that the GOK had nothing to do with the new restructuring, which was devised by the creditors with the help of the external advisors. Further, it claimed that the evidence on record only showed that the GOK was concerned about Hynix's future, but that it fell short of the requirement for a demonstrable link between the GOK and the banks' actions. Although GOK shareholding is not conclusive proof of direction or entrustment, it is strong evidence of the extent to which the GOK can influence the banks' decision-making process. As was the case in the original investigation, evidence on the record shows that, as major shareholder, the GOK can appoint directors and is thus able to influence the outcome of voting at board meetings. Further, the various press articles and reports on record demonstrate clearly that the GOK would not allow Hynix to fail; this is also demonstrated by the fact that one of the wholly-owned GOK banks purchased Hynix debt from the other creditors to ease the financial burden on the banks that had been entrusted

to save Hynix. It is not disputed that the new restructuring plan was devised by Hynix's external advisors in conjunction with its creditors; however, the evidence on the record suggests that the GOK had entrusted and directed Hynix's creditors to restructure Hynix and not let it fail.

- (39) The behaviour of the banks also clearly demonstrates that they were not acting in accordance with normal commercial considerations. None of the banks rated Hynix as an investment grade company; in fact, all the rating ascribed to Hynix by its creditors show that they considered it a substantial risk and doubted that it would be able to survive. The company claimed that the creditors' behaviour should be examined from the point of view of an 'existing creditor'. However, as is discussed in more detail in recital 36 and recitals 41 to 44, certainly in this case, which is affected by very large and similar subsidies having been granted only around a year earlier, the correct test to be applied with regard to the commercial reasonableness of the creditors is the private investor test. Therefore, the question of whether an existing creditor would have behaved in a manner similar to that of the Hynix creditors need not be addressed.

## VIII. Benefit

- (40) With regard to any benefit conferred to Hynix, KEB, Woori Bank, Shinhan Bank, KDB and NACF all argued that they had participated in the new restructuring because they wanted to maximise the recovery rate for the loans already granted to Hynix. They considered that the value of Hynix as a going concern was higher than its immediate liquidation value. Nevertheless, this comparison, whatever its merits are as a standard for analysis of the existence of a benefit, would in any case not be applicable in the present case for the reasons explained in recital 36 and 41 to 44 below. Furthermore, the existence of a potential benefit to the heavily exposed creditors does not demonstrate that there was no benefit to Hynix.
- (41) Hynix claims that the new restructuring was market-based, as it was devised by external advisors, such as DB and Deloitte, after months of due diligence and was based on the DB report which recommended the course of action which was eventually followed. However, the DB report was addressed to Hynix's creditors. Its aim was to maximise debt recovery for such creditors while keeping the company from failing. Hynix argued that the test to be applied to ascertain the benefit received by the company from the new restructuring should be the 'private creditor' test and not the 'private investor' test. The position of the creditors is a factor which could be considered in an analysis; however, as explained in recital 36 and following, it cannot play a role in this case.

(42) In general terms, the relevant standard is whether or not a market-oriented investor with or without an existing exposure to Hynix, would have assessed the proposed investment in Hynix as one worth making. The DB report does not provide a reliable response to that question, because, being addressed to the existing creditors, it is premised on using what are in general terms the existing Hynix debt and equity structures as a vehicle for the proposed investment, thus reducing to vanishing point any possibility for hypothetical outside investment on the same terms. The DB report contains no evidence that outside private investors would have had any interest in putting money into Hynix. Indeed, DB's advice to private investors was, in fact, not to invest in Hynix, as shown by the fact that its research department did not follow Hynix equity.

(43) In any event, the financial situation of Hynix at the time of the new restructuring, as described in recital 14, was dire and it was evident that Hynix was not in a position to service its liabilities; hence, no funding was forthcoming from the market, as is evident from the statements of financial advisors cited in recitals 14 and 15. While the DB report points the way for Hynix's creditors to minimise their losses, it gives no indication as to why the market would have continued to lend or invest money in Hynix, a company in selective default. Therefore, such other data as are available concerning the position of Hynix and the market situation confirm that the DB report does not provide any reliable response to the question of whether or not a market-oriented investor would have assessed the proposed investment in Hynix as one worth making.

(44) In addition, leaving aside the question of what course of action might or might not have been open to the parties in 2002 given the situation as it then existed, the fact remains that Hynix had been put in this situation by economically irrational investment and lending decisions taken by or on behalf of the GOK in 2001, the effects of which continued into 2002 and beyond. The express purpose of the new restructuring was to re-finance Hynix and it cannot be divorced from the initial 2001 bail-out. The two are inextricably linked. In other words, it is only because of the irrational nature and the subsequent failure of the earlier restructuring that it became necessary to rollover the exposure of the existing creditors in the 2002 measure. Therefore, the solution proposed in the DB report was only possible on the back of the 2001 measures. It is not possible to treat a certain proposed course of action as a market benchmark if that course of action is itself a continuation of a previous unreasonable government investment decision. For this reason also, the DB report does not provide a reliable answer to the question of whether or not a market-oriented investor would have assessed the proposed investment in Hynix as one worth making.

(45) It is therefore considered that the new restructuring conferred a benefit to the company, within the meaning of Article 2(2) of the basic Regulation.

#### IX. Specificity

(46) As the measures comprising the new restructuring were taken exclusively for Hynix, the debt rollover, the principalisation of interest and the debt-to-equity swap are considered to be specific within the meaning of Article 3 of the basic Regulation.

#### X. Calculation of the amount of benefit

##### (i) Timing of the benefit

(47) According to Article 5 of the basic Regulation, the amount of countervailable subsidies shall be calculated in terms of the benefit to the recipient which is found to exist during the investigation period of subsidisation. The amount of debt equivalent to the amount to be swapped into equity was moved away from loans and booked as a capital adjustment when the decision for the restructuring was taken on 30 December 2002 (Note 14 to Hynix's Financial Statements 2002). Similarly, Hynix was released from its interest payment obligations with regard to this debt on the same date.

(48) The Community industry argued that the benefit from the new restructuring did not accrue to Hynix until 13 April 2003, when shares were in fact issued to the creditors. On the other hand, the company argued that the effective date of the benefit is, in fact, December 2002, as that was the date when the decision to approve the restructuring was taken by the creditors and the date on which Hynix was released from its obligations as regards its debt.

(49) As the DSB Panel on DRAMs stated that the benefit of a subsidy must be viewed from the point of view of the recipient and the company was no longer under any obligation vis-à-vis its debt exposure to its creditors from the date the decision to proceed with the new restructuring was taken, it is considered that the effective date for the accrual of the benefit to Hynix was 30 December 2002.

##### (ii) Basis for calculation

#### **Debt rollover and changes to the interest rate and payment conditions**

(50) In accordance with the methodology adopted in the original investigation, a debt rollover is taken to be a loan for the purposes of the benefit calculation. The principalised interest will also be treated as a loan for these purposes. In the original investigation, the subsidy was considered to be the face amount of the principal of the loan, allocated over the normal five-year depreciation period of assets. Each annual amount so allocated was increased by adding the standard commercial interest rate

in Korea (7 %). The EC-Korea DRAMs Panel criticised this as being a 'grant methodology' which did not reflect the fact that loans, unlike grants, are repayable and that 'it is thus obviously less beneficial for a company to be given a loan than it is to be given a grant' <sup>(1)</sup>. The Panel considered that the EC should base its calculation on benchmarks reflecting normal investment practices.

(51) Following the WTO Panel's comments with regard to the grant methodology employed in the original investigation, it was considered appropriate in this review to find a loan-based benchmark against which the benefit could be calculated.

(52) The financial situation of Hynix at the time of the new restructuring, as described in recitals 14 and 15 above, was dire and it was evident that Hynix was not in a position to service its liabilities; hence, no funding was forthcoming from the market. No commercially comparable lending had been provided to Hynix at the time of the new restructuring, nor was there any verified evidence on record regarding the cost and terms of a comparable commercial loan that Hynix or another firm in a situation comparable to Hynix had been provided at the relevant time. The fact that private entities had also participated in the new restructuring does not provide a reliable benchmark; the entities involved were small and held insignificant amounts of debt in Hynix, compared to the GOK-directed entities. Further, in accordance with the findings of the WTO Panel in the *Japan DRAMs* case, which considered the same facts as the current investigation, the presence of contemporaneous government involvement in the decision-making process regarding the new restructuring acts to distort the market and thus private, non-directed entities cannot be taken as a reliable benchmark <sup>(2)</sup>.

(53) The Commission has therefore constructed a proxy benchmark, based on a commercial interest rate, with the addition of a risk premium reflecting the default rates of companies exhibiting comparable risk. Such a benchmark takes into account the term of the loan, a benchmark interest rate that would be paid by a creditworthy company, the probability of default by an uncreditworthy company within a specified period of time and the probability of default by a creditworthy company within the same period of time.

(54) The Commission has used the following formula to calculate an appropriate uncreditworthy benchmark interest rate:

$$i_b = [(1 - q_n)(1 + i_f)^{n/(1 - p_n)}]^{(1/n)} - 1$$

Where:

$n$  = the term of the loan

$i_b$  = the benchmark interest rate for an uncreditworthy borrower

$i_f$  = the long-term interest rate that would be paid by a creditworthy company

$p_n$  = the probability of default by an uncreditworthy company within  $n$  years

$q_n$  = the probability of default by a creditworthy company within  $n$  years.

(55) For the purposes of this calculation, the Commission has used as the creditworthy rate for KRW loans the average Bank of Korea interest rate on investment grade corporate bonds in 2003, which was 10,43 %. The default rates for both creditworthy and uncreditworthy companies for the term of the measures in question were taken from Moody's Investor Services. The rate of default of an uncreditworthy company in 2003 within three years (the term of the rollover) was 54,86 %, whereas the rate of default of a creditworthy company within three years in 2003 was 0,33 %. This led to a total interest rate of 43,8 %. In contrast, the interest rate payable by Hynix on the rolled-over debt was 3,5 %, i.e. an interest rate differential of 40,3 %, which leads to a countervailing duty rate of 23,7 %.

### Debt-to-equity swap

(56) As described in recital 21, the CFIC calculated a swap price for the debt-to-equity swap of KRW 435 on 30 December 2002, based on the one-month average market price. The company claims that this was a commercially valid method to determine the share price and that it reflected market reality. In fact, this price reflected a ceiling; if the share price went up between 30 December 2002 and the day the shares were actually issued, the price would have changed accordingly. The actual price on the day the decision to proceed with the new restructuring was taken was KRW 280. When the debt was eventually converted into equity, following the capital reduction, at a price of KRW 9 135 (KRW 435 × 21), the share price was, in fact, KRW 3 500. If the effect of the capital writedown is ignored, the shares issued were trading well below par, at KRW 167. It is not disputed that the CFIC had a discretion as to the method by which it could set the swap price. Notwithstanding such a discretion, however, as the swap price was not a fixed price, but a guarantee that the company would receive a minimum amount for its shares, it cannot be considered to be a price which corresponds to commercial reality, especially given the actual price at the time the swap price was set and the unsurprising downward trend between the time of the CFIC meetings until the swap date in April 2003.

<sup>(1)</sup> EC-Korea DRAMs Panel Report, Para 7.212.

<sup>(2)</sup> Japan-Korea DRAMs WT/DS336/R Panel Report Para 7.283-7.298.

- (57) In order to calculate the benefit received by Hynix from the debt-to-equity swap, the cost of issuing equity to Hynix must be considered. The Commission noted that, in order to examine the cost, if any, of the swap from the point of view of the recipient, the obligations imposed on a company when issuing new equity would have to be considered. The Commission noted in this respect, that injections of ordinary share capital do not generally impose particular obligations on a company, as there is neither a fixed rate of return which the company must achieve nor, in fact, do any payments need to be made. However, the company has at least a theoretical obligation to distribute its profits, or part thereof, to its shareholders; the return on equity ratio (ROE) could provide some indication of the level of return the company is expected to provide to its shareholders and could be used in the calculation of the amount of the benefit to Hynix. However, the ROE of Hynix in 2003 was a negative percentage, as calculated by reference to its financial statements for the year. Therefore, on the basis of an objective evaluation of Hynix's financial standing at the time of the debt-to-equity swap, it is unreasonable to expect that Hynix would be in a position to distribute any sort of return to its shareholders for the relevant year. Hence, using the ROE as a benchmark, it would still be concluded that the entire amount of the debt-to-equity swap is a countervailable subsidy.
- (58) The Commission has also examined whether there are costs to Hynix associated with having to surrender ownership shares as a result of the swap or the cost to Hynix from a potential dilution of the share price resulting from the issuance of new shares. Based on its review of the record evidence, the Commission does not believe that the net benefit to Hynix of the full debt-to-equity swap is diminished as a result of the issuance of new shares. In this regard, the Commission believes it is essential to recognise the impact that the debt-to-equity swap had on Hynix's financial situation.
- (59) As a threshold matter, it is key to recognise that this was not a straight equity infusion. The fundamental benefit to Hynix resulted from the massive amount of debt that was extinguished as a result of the swap, namely KRW 1 861,5 billion. This absolved Hynix from having to repay any of this principal amount and from having to pay interest. Instead, this massive amount of debt was replaced with shares issued to the creditor banks. However, there was no real quantifiable cost to Hynix of issuing the new shares. While the existing share value was diluted as a result of the issuance, this had absolutely no balance sheet impact for Hynix. It did not result in any cash outlays (apart from the expense associated with the issuance of the new shares) and did not obligate Hynix to make any kind of cash payments in the future, as would have been the case with debt instruments.
- (60) The company claimed that the market value of the shares has to be deducted from any finding of benefit and cited the Commission's Guidelines for the Calculation of Subsidy in Countervailing Duty Investigations, which provide, in paragraph E(f)(iii), that 'if the government buys shares in a company and pays above the market price for these shares (*taking into account of any other factors which may have influenced a private investor*), the amount of subsidy is the difference between the two prices (emphasis added)'. However, a private investor would not have purchased Hynix shares in the relevant period at all. In fact, evidence on the record shows that Hynix's shares were trading at such a low level that they should have been suspended, but for an exception to the Korean Listing Regulations which appeared to have been carved out for Hynix alone. Further, the fact that there was a market value attached to the shares does not impact on the company, which does not have to pay it. This would only be a relevant consideration if there was an element in the debt-to-equity swap which obliged Hynix to enter into a share buy-back.
- (61) Consequently, in light of the above considerations and since Hynix did not report any costs associated with the issuance of equity, it is considered that the appropriate approach to measuring the benefit from the debt-to-equity swap is to take the full amount of the swap.
- (iii) *Final calculation of benefit*
- (62) As explained in recital 61, the full amount of the debt-to-equity swap has been taken as the benefit accruing to Hynix from that measure. This subsidy confers a large, non-recurring benefit as, as described above, the allocation method over a period of five years was considered appropriate. The amount of subsidy so allocated was expressed as a percentage of the total sales of Hynix in 2005. With interest, using the average commercial interest rates applicable in Korea for the review investigation period, the countervailable subsidy is 6,8 %. However, as the debt-to-equity swap is a one-off, non-recurring subsidy, allocated over a set period of time and as such allocation period is deemed to begin at the time the benefit was actually received, it is considered it expired on 31 December 2007.
- (63) As mentioned in recital 50, the debt-rollover and the principalised interest were treated as loans and are considered to be a recurring subsidy. The company argued that it has repaid the subsidy received in the

December 2002 restructuring when it refinanced its debt in July 2005 to a consortium of Korean and non-Korean banks (see recitals 75 and 76). Hynix claims that the refinancing, by which it assumed new debt in order to pay the debt under the new restructuring and graduate from the CRPA, extinguished the subsidy. When the refinancing took place in 2005, Hynix had returned to profit and had a credit rating of BBB+ according to the Korea Investors Service Inc. The refinancing of its debt on commercial terms by Hynix effectively stopped the subsidy from recurring, thus the benefit ceased to exist. As a result, it is considered that from 13 July 2005 the debt-rollover and the principalised interest ceased to confer a benefit to Hynix.

## **XI. Other alleged subsidy schemes**

### ***The BOE-Hydis sale***

- (64) In January 2003, Hynix sold its liquid crystal display business (Hydis) to Beijing Orient Electronics Technology Group Co. Limited (BOE), a Chinese company, for approximately USD 380 million. The purchase price was funded to a large degree by loans provided by Hynix creditor banks, namely, KEB, KDB, Woori Bank and Hyundai Marine and Fire Insurance (HMF), which collectively lent USD 188 million to the new company formed to buy the assets, BOE-Hydis.
- (65) The Community industry alleged that the GOK entrusted and directed the Korean banks to provide funding on preferential terms in order to enable BOE to purchase the assets, thus providing a much-needed cash injection to Hynix.
- (66) Although there was some evidence that pressure was exerted on to some of the other lenders by KEB and Hynix and that BOE was not able to attract financing from independent creditors, there was no evidence that the funding provided was, in fact, a countervailable subsidy. A finding of entrustment and/or direction of the Korean banks by the GOK is not enough; in order to find a countervailable subsidy in the circumstances described by the Community industry, it must be shown that BOE was itself entrusted and directed by the GOK to purchase Hydis. Even though the terms of the funding provided by the Korean banks were generous, BOE still assumed a debt of USD 188 million and paid the remainder of the purchase price in cash; there is no evidence of entrustment/direction by the GOK of BOE. In any event, the funding was given to BOE-Hydis, and no evidence has been presented that a benefit passed through to Hynix. Therefore, the loans of USD 188 million given to BOE-Hydis by Korean banks are not considered to constitute a subsidy within the meaning of Article 2 of the basic Regulation.

### ***The System IC Sale***

- (67) As envisaged by the terms of the new restructuring, in October 2004 Hynix sold its System IC assets to a consortium led by CVC Partners, a private equity fund managed by Citigroup Venture Capital for KRW 954,3 billion. Acquisition financing made up KRW 481,3 billion of the purchase price and it mostly took the form of a debt transfer from Hynix to MagnaChip, the company formed to buy the System IC assets. Hynix creditors transferred their unsecured Hynix debts to MagnaChip at a 21 % discount rate, but secured debts were assumed by the new company without any concession.
- (68) The Community industry alleged that the discounted debt transfer amounted to a countervailable subsidy. However, given that MagnaChip assumed debt of KRW 481,3 billion and paid KRW 481,3 billion in cash, in order to find that the transaction involved a financial contribution there should first be evidence of entrustment or direction of MagnaChip/CVC Partners and none was provided or found. Participation in the discounted debt transfer by the creditors was voluntary. Similarly to the BOE-Hydis sale, the funding was given to a third party and not Hynix, thus there is no evidence of a benefit having passed through to Hynix. Therefore, the discounted debt transfer to MagnaChip is not considered to constitute a subsidy within the meaning of Article 2 of the basic Regulation.
- ### ***Cash Buyout***
- (69) In October 2004, Hynix used the proceeds from the sale of the System IC assets to implement a Cash Buyout plan, approved by the CFIC, according to which Hynix 'bought back' the debt it owed to its creditors at a discount. In effect, Hynix offered to repay its debt early, albeit at a reduced rate. A second cash buyout (CBO) took place in December 2004. The Community industry alleged that these discounted cash CBOs were a countervailable subsidy.
- (70) The creditors who wished to participate in the October CBO agreed that Hynix would repay 70 % of the unsecured debt owed to them and 96 % of any secured debt. The discount rate for unsecured debt was reduced to 21,84 % in for the December CBO.
- (71) Evidence on the record shows that participation in the CBOs was voluntary. Further, there is no evidence suggesting that the participating creditors' behaviour was commercially unreasonable as the discount on the unsecured debt was compensated by the fact of early repayment and, hence, the time value of money. Therefore, the CBOs are not considered to constitute a subsidy within the meaning of Article 2 of the basic Regulation.

### ***Preferential tax treatment***

(72) The Community industry alleged that the GOK gave preferential tax treatment to Hynix by not requiring it to recognise the gains from the debt-to-equity swap in the new restructuring as income. Although Hynix's losses were such in 2003 that it would not have been required to pay corporation tax even if it had recognised the gain from the swap as income, the Community industry claimed that Hynix received a benefit because, by not recognising the gain, it did not reduce its loss carry-forwards, which it was then able to set off against taxable gains in 2005, when it became profitable.

(73) The alleged preferential tax treatment stems from a postponement of a change in the law which would require companies under voluntary restructurings, such as Hynix, to recognise gains from debt-to-equity swaps as taxable income. The Community industry has alleged that the GOK originally intended the change in legislation to come into force in March 2003, thus making the gains from Hynix's debt-to-equity swap pursuant to the new restructuring taxable. The Community industry claimed that following complaints from at least one of three companies directly affected by this change in the law, of which Hynix was one, the GOK postponed the coming into force of this new provision to 1 January 2004. Hynix claimed that the postponement of the effective date of the new provision was made when the GOK realised that the ruling's immediate effect would have been contrary to the principles of non-retroactivity and to the established practice of tax provisions coming into force at the beginning of the tax year.

(74) The Community industry reiterated its claims in its comments submitted following the disclosure of the essential facts and findings of the investigation. However, there is insufficient evidence on the record of the GOK's intention to ensure that Hynix's gain from its debt-to-equity swap was not taxed or that the alleged preferential treatment was, in fact, specific, within the meaning of Article 3 of the basic Regulation. Further, it is doubtful whether Hynix received any benefit from this tax exemption given the size of its net operating losses and the fact that these could be carried forward only for five years. Hynix eventually made a profit in 2005, but its losses were such that, even if the gain from the debt-to-equity swap was recognised as taxable income, its remaining loss carry-forward was still more than enough to absorb the profit made in 2005, thus, no benefit would have accrued to Hynix during (or before) the IP. Moreover, as the benefit from the debt-to-equity swap was countervailed 'gross', i.e. without taking any potential taxation impact into account, any benefit from such preferential tax treatment, has already been

taken into account and to countervail it again would be double counting. Therefore, the tax treatment of Hynix's debt-to-equity by the GOK is not considered to be a subsidy within the meaning of Article 2 of the basic Regulation.

### ***July 2005 refinancing***

(75) In July 2005, Hynix refinanced KRW 1,2 trillion of its debt and graduated early from the CRPA. The refinancing involved a term loan of USD 500 million, raised by a bond issue on the New York Stock Exchange, and KRW 250 billion and a USD 550 million revolving credit agreement with the participation of both Korean and foreign banks (the July 2005 refinancing). The Community industry claimed that the July 2005 refinancing involves a further subsidy, as Hynix was still a heavily indebted company to which no funding was available on the market.

(76) By July 2005, Hynix was a much healthier company, although a highly indebted one. It had returned to profitability and its credit rating was BBB+. Evidence on the record show that the terms of the financing provided by the Korean banks were not inconsistent with its credit rating. Further, the degree of participation of foreign banks supports Hynix's claim that the refinancing was made on commercial terms. In addition, there was no evidence of entrustment or direction of the Korean banks in relation to the loans extended to Hynix pursuant to this refinancing. Therefore, the July 2005 refinancing is not considered to be a subsidy within Article 2 of the basic Regulation.

## **XII. Conclusion on measures**

(77) The benefit from the subsidies countervailed in the original investigation was deemed to have been received on 1 January 2001 and was allocated over a period of five years, which corresponded to the normal depreciation period of the assets in the semiconductor industry.

(78) The measures imposed in the original investigation related to one-off, non-recurring subsidies, allocated over a set period of time and as such allocation period is deemed to begin at the time the benefit was actually received, it is considered that the measures imposed by the definitive duty Regulation expired on 1 January 2006. As the debt rollover and the principalised interest of December 2002 ceased to confer a benefit on Hynix on 13 July 2005 and as the debt-to-equity swap of December 2002 expired on 31 December 2007, the measures should be repealed with effect from 31 December 2007 and the proceeding terminated.

- (79) Consequently, the definitive countervailing duties paid or entered in the accounts pursuant to Council Regulation (EC) No 1480/2003 on imports of certain electronic integrated circuits known as Dynamic Random Access Memories (DRAMs) manufactured using variations of metal oxide-semiconductors (MOS) process technology, including complementary MOS types (CMOS), of all types, densities, variations, access speed, configuration, package or frame etc., originating in the Republic of Korea and released for free circulation as from 31 December 2007 should be repaid or remitted.
- (80) Hynix, the GOK, the Community industry and all other interested parties were informed of the essential facts and considerations on the basis of which it is intended to recommend the repeal of the measures in force and the termination of the proceeding and had the opportunity to comment. Where appropriate, such comments were addressed in the sections of this Regulation specifically dealing with the issues raised.
- (81) Repayment or remission must be requested from national customs authorities in accordance with applicable customs legislation.
- (82) In its comments, the Community industry also claimed that measures should remain in force until they expire in August 2008, five years after the imposition of the definitive measures in order to offset countervailable subsidisation and cite Article 19 of the basic Regulation in support of such claim. However, Article 19 provides, inter alia, the possibility to repeal measures if they are no longer necessary to countervail subsidisation. Furthermore, Article 15 of the basic Regulation, which provides the basis for the imposition of measures, states that measures can be imposed — and by analogy, maintained — ‘unless the subsidy or subsidies are withdrawn

or it has been demonstrated that the subsidies no longer confer any benefit on the exporters involved.’ As the result of the investigation indicates that the subsidies given to Hynix have ceased to confer a benefit, the measures cannot be kept in force and the claim of the Community industry has to be rejected,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

The countervailing duty imposed on imports of certain electronic integrated circuits known as Dynamic Random Access Memories (DRAMs) manufactured using variations of metal oxide-semiconductors (MOS) process technology, including complementary MOS types (CMOS), of all types, densities, variations, access speed, configuration, package or frame etc. originating in the Republic of Korea imposed by Regulation (EC) No 1480/2003 is repealed as of 31 December 2007 and the proceeding is terminated.

#### *Article 2*

The definitive countervailing duties paid or entered into account pursuant to Article 1 of Regulation (EC) No 1480/2003 as from 31 December 2007 shall be repaid or remitted, pursuant to Article 236 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code<sup>(1)</sup>. Repayment or remission shall be requested from national customs authorities in accordance with applicable customs legislation.

#### *Article 3*

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Luxembourg, 7 April 2008.

*For the Council*  
*The President*  
R. ŽERJAV

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<sup>(1)</sup> OJ L 302, 19.10.1992, p. 1. Regulation as last amended by Regulation (EC) No 1791/2006 (OJ L 363, 20.12.2006, p. 1).

**COMMISSION REGULATION (EC) No 321/2008****of 8 April 2008****establishing the standard import values for determining the entry price of certain fruit and vegetables**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Commission Regulation (EC) No 1580/2007 of 21 December 2007 laying down implementing rules of Council Regulations (EC) No 2200/96, (EC) No 2201/96 and (EC) No 1182/2007 in the fruit and vegetable sector <sup>(1)</sup>, and in particular Article 138(1) thereof,

Whereas:

- (1) Regulation (EC) No 1580/2007 lays down, pursuant to the outcome of the Uruguay Round multilateral trade negotiations, the criteria whereby the Commission fixes

the standard values for imports from third countries, in respect of the products and periods stipulated in the Annex thereto.

- (2) In compliance with the above criteria, the standard import values must be fixed at the levels set out in the Annex to this Regulation,

HAS ADOPTED THIS REGULATION:

*Article 1*

The standard import values referred to in Article 138 of Regulation (EC) No 1580/2007 shall be fixed as indicated in the Annex hereto.

*Article 2*

This Regulation shall enter into force on 9 April 2008.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 8 April 2008.

*For the Commission*

Jean-Luc DEMARTY

*Director-General for Agriculture and  
Rural Development*

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<sup>(1)</sup> OJ L 350, 31.12.2007, p. 1.

## ANNEX

**to Commission Regulation of 8 April 2008 establishing the standard import values for determining the entry price of certain fruit and vegetables**

(EUR/100 kg)

| CN code    | Third country code <sup>(1)</sup> | Standard import value |
|------------|-----------------------------------|-----------------------|
| 0702 00 00 | JO                                | 74,4                  |
|            | MA                                | 52,4                  |
|            | TN                                | 115,9                 |
|            | TR                                | 98,1                  |
|            | ZZ                                | 85,2                  |
| 0707 00 05 | EG                                | 178,8                 |
|            | MA                                | 101,8                 |
|            | TR                                | 132,4                 |
|            | ZZ                                | 137,7                 |
| 0709 90 70 | MA                                | 80,5                  |
|            | TR                                | 98,4                  |
|            | ZZ                                | 89,5                  |
| 0805 10 20 | EG                                | 55,5                  |
|            | IL                                | 56,2                  |
|            | MA                                | 55,1                  |
|            | TN                                | 53,2                  |
|            | TR                                | 64,5                  |
|            | US                                | 54,1                  |
|            | ZZ                                | 56,4                  |
| 0805 50 10 | AR                                | 117,4                 |
|            | TR                                | 132,8                 |
|            | ZA                                | 125,5                 |
|            | ZZ                                | 125,2                 |
| 0808 10 80 | AR                                | 91,8                  |
|            | BR                                | 85,2                  |
|            | CA                                | 97,5                  |
|            | CL                                | 83,8                  |
|            | CN                                | 90,7                  |
|            | MK                                | 50,7                  |
|            | US                                | 117,7                 |
|            | UY                                | 45,1                  |
|            | ZA                                | 73,1                  |
| 0808 20 50 | ZZ                                | 81,7                  |
|            | AR                                | 83,5                  |
|            | CL                                | 95,4                  |
|            | CN                                | 57,9                  |
|            | UY                                | 89,6                  |
|            | ZA                                | 103,7                 |
|            | ZZ                                | 86,0                  |

<sup>(1)</sup> Country nomenclature as fixed by Commission Regulation (EC) No 1833/2006 (OJ L 354, 14.12.2006, p. 19). Code 'ZZ' stands for 'of other origin'.

## DIRECTIVES

## COMMISSION DIRECTIVE 2008/47/EC

of 8 April 2008

**amending, for the purposes of adapting to technical progress, Council Directive 75/324/EEC on the approximation of the laws of the Member States relating to aerosol dispensers**

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Directive 75/324/EEC of 20 May 1975 on the approximation of the laws of the Member States relating to aerosol dispensers <sup>(1)</sup>, and in particular Articles 5 and 10(3) thereof,

Whereas:

- (1) Technical progress and innovation have made possible the placing on the market of an increasing number of aerosol dispensers with a complex technical design and characteristics different from the traditional ones. However, the provisions of Directive 75/324/EEC are not sufficient to guarantee a high level of safety for such non-traditional aerosol dispensers. The individual design of non-traditional aerosols may create safety hazards that are not addressed by the safety provisions of the Directive, which are adapted to the known design of traditional aerosols. Therefore, a hazard analysis is necessary to be performed by the manufacturer in order to cover all safety aspects adequately.
- (2) Where appropriate the hazard analysis must address the risk resulting from the inhalation of the spray ejected by the aerosol dispenser under normal or reasonably foreseeable conditions of use, taking into account droplet size and size distribution in conjunction with physical and chemical properties of the contents, as the inhalation of small aerosol droplets may give rise to adverse health effects for the user under such conditions of use, even if the aerosol dispenser is properly classified and labelled according to the provisions of Directive 1999/45/EC of the European Parliament and of the Council of 31 May 1999 concerning the approximation of the laws, regulations and administrative provisions of the Member States relating to the classification, packaging and labelling of dangerous preparations <sup>(2)</sup>.

- (3) The safeguard clause provided for in Article 10 of Directive 75/324/EEC has been applied by one Member State. The safeguard measure adopted is justified in view of the risk of flammability raised, under normal or reasonably foreseeable conditions of use, by the substances contained in the aerosol dispenser.
- (4) The current definition of flammable contents is not sufficient to guarantee a high level of safety in all cases. In particular, although some contents dispersed by aerosol dispensers are not defined as 'flammable' according to the criteria listed in Annex VI to Council Directive 67/548/EEC of 27 June 1967 on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances <sup>(3)</sup>, they may lead to ignition under normal or reasonably foreseeable conditions of use of the aerosol dispenser. Furthermore, the current criteria for flammability only address chemical substances and preparations and do not take properly into account special physical conditions of an aerosol spray or specific conditions of use.
- (5) In order to achieve the optimal level of safety and considering the specificities of aerosol dispensers, the new criteria for the classification of the flammability of aerosol dispensers should also address the hazards relating to the dispersion of the contents of aerosol dispensers and the specific conditions of use of the aerosol dispensers rather than only the physical and chemical properties of the contents themselves.
- (6) The provisions of Directive 75/324/EEC currently in force require that each filled aerosol dispenser be immersed in a bath of hot water in order to assess its leak tightness and burst resistance. However, heat sensitive aerosol dispensers cannot withstand this test. Technological progress has made possible alternative test methods for the final assessment of aerosol dispensers for burst resistance and leak tightness, which guarantee the same level of safety.

<sup>(1)</sup> OJ L 147, 9.6.1975, p. 40. Directive as last amended by Regulation (EC) No 807/2003 (OJ L 122, 16.5.2003, p. 36).

<sup>(2)</sup> OJ L 200, 30.7.1999, p. 1. Directive as last amended by Regulation (EC) No 1907/2006 (OJ L 396, 30.12.2006, p. 1; corrected by OJ L 136, 29.5.2007, p. 3).

<sup>(3)</sup> OJ 196, 16.8.1967, p. 1. Directive as last amended by Directive 2006/121/EC of the European Parliament and of the Council (OJ L 396, 30.12.2006, p. 850, corrected by OJ L 136, 29.5.2007, p. 281).

- (7) The provisions of Directive 75/324/EEC currently in force provide for the possibility to use a test system enabling a result equivalent to that of the water bath method, subject to the agreement of the Committee referred to in Article 6. However, this procedure appears to be extremely heavy to be implemented in practice, and therefore, it has never been used. Therefore, in order to enable economic operators to benefit from technological progress without compromising the current level of safety by guaranteeing the appropriate technical expertise, it is necessary that the alternative test methods are approved, instead of the Committee referred to in Article 6 of the Directive, by the relevant competent authorities designated by Member States under Council Directive 94/55/EC of 21 November 1994 on the approximation of the laws of the Member States with regard to the transport of dangerous goods by road <sup>(1)</sup>.
- (8) Safety concerns have been raised following the burst and leak of metal aerosol dispensers heated to high temperatures, as is the case in cars exposed to solar radiation. It is therefore necessary to limit the maximum filling level to the same value for all types of aerosol dispensers.
- (9) Most environmentally friendly and non-flammable propellants are compressed gases. However, the loss of pressure of aerosol dispensers using compressed gas propellants at the end of their life-time typically leads to a less efficient yield of contents. Consequently, the use of compressed gases as propellants should be encouraged by increasing the maximum internal pressure of aerosol dispensers, to the extent that it is safe for the consumer.
- (10) Directive 75/324/EEC should therefore be amended accordingly.
- (11) The measures provided for in this Directive are in accordance with the opinion of the Committee on the adaptation to Technical Progress of the Directive on aerosol dispensers,

HAS ADOPTED THIS DIRECTIVE:

*Article 1*

Directive 75/324/EEC is amended as set out in the Annex to this Directive.

*Article 2*

1. Member States shall adopt and publish by 29 October 2009 the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.

Member States shall apply those provisions as from 29 April 2010.

When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such a reference is to be made.

2. Member States shall communicate to the Commission the texts of the main provisions of national law which they adopt in the field covered by this Directive.

*Article 3*

This Directive shall enter into force on the 20th day following its publication in the *Official Journal of the European Union*.

*Article 4*

This Directive is addressed to the Member States.

Done at Brussels, 8 April 2008.

*For the Commission*  
Günter VERHEUGEN  
Vice-President

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<sup>(1)</sup> OJ L 319, 12.12.1994, p. 7. Directive as last amended by Commission Directive 2006/89/EC (OJ L 305, 4.11.2006, p. 4).

## ANNEX

Directive 75/324/EEC is hereby amended as follows:

(1) in Article 8 the following paragraph 1a is added:

‘1a. Where an aerosol dispenser contains flammable components as defined in point 1.8 of the Annex but the aerosol dispenser is not considered as “flammable” or “extremely flammable” according to the criteria set out in point 1.9 of the Annex, the quantity of flammable material contained in the aerosol dispenser must be stated clearly on the label, in the form of the following legible and indelible wording: “X % by mass of the contents are flammable”.’;

(2) Article 9a is repealed;

(3) the Annex is amended as follows:

(a) point 1.8. is replaced by the following:

‘1.8. Flammable contents

Contents of aerosols shall be considered as flammable if they contain any component which is classified as flammable:

(a) flammable liquid means a liquid having a flashpoint of not more than 93 °C.

(b) flammable solid means a solid substance or mixture which is readily combustible, or may cause or contribute to fire as a result of friction. Readily combustible solids are powdered, granular, or pasty substances or mixtures which are dangerous if they can be easily ignited by brief contact with an ignition source, such as a burning match, and if the flame spreads rapidly.

(c) flammable gas means a gas or gas mixture having a flammable range with air at 20 °C and a standard pressure of 1,013 bar.

This definition does not cover pyrophoric, self-heating or water-reactive substances and mixtures, which shall never be components of aerosol contents.’;

(b) the following point 1.9. is inserted:

‘1.9. Flammable aerosols

For the purpose of this Directive, an aerosol is considered as “non-flammable”, “flammable” or “extremely flammable” according to its chemical heat of combustion and mass content of flammable components, as follows:

(a) The aerosol is classified as “extremely flammable” if it contains 85 % or more flammable components and the chemical heat of combustion exceeds or is equal to 30 kJ/g;

(b) The aerosol is classified as “non-flammable” if it contains 1 % or less flammable components and the chemical heat of combustion is less than 20 kJ/g.

(c) All other aerosols will be submitted to the following flammability classification procedures or shall be classified as “extremely flammable”. The ignition distance test, the enclosed space test and the foam flammability test shall comply with point 6.3.

## 1.9.1. Flammable spray aerosols

In the case of spray aerosols the classification shall be made taking into account the chemical heat of combustion and on the basis of the results of the ignition distance test, as follows:

- (a) If the chemical heat of combustion is less than 20 kJ/g:
  - (i) The aerosol is classified as “flammable” if ignition occurs at a distance equal or greater than 15 cm but less than 75 cm;
  - (ii) The aerosol is classified as “extremely flammable” if ignition occurs at a distance of 75 cm or more;
  - (iii) If no ignition occurs in the ignition distance test, the enclosed space test shall be performed and in this case, the aerosol is classified as “flammable” if the time equivalent is less than or equal to 300 s/m<sup>3</sup> or the deflagration density is less than or equal to 300 g/m<sup>3</sup>; otherwise the aerosol is classified as “non-flammable”;
- (b) If the chemical heat of combustion is equal to or more than 20 kJ/g, the aerosol is classified as “extremely flammable” if ignition occurs at a distance of 75 cm or more; otherwise the aerosol is classified as “flammable”.

## 1.9.2. Flammable foam aerosols

In the case of foam aerosols, the classification shall be made on the basis of the results of the foam flammability test.

- (a) The aerosol product shall be classified as “extremely flammable” if:
  - (i) the flame height is 20 cm or more and the flame duration is two seconds or more;

or

  - (ii) the flame height is 4 cm or more and the flame duration is seven seconds or more.
- (b) The aerosol product which does not meet the criteria in (a) is classified as “flammable” if the flame height is 4 cm or more and the flame duration is two seconds or more.;

- (c) the following point 1.10. is inserted:

## ‘1.10. Chemical Heat of Combustion

The chemical heat of combustion  $\Delta H_c$  shall be either determined by:

- (a) acknowledged rules of technology, described e.g. in standards such as ASTM D 240, ISO 13943 86.1 to 86.3 and NFPA 30B, or found in the scientifically established literature;

or

- (b) applying the following calculation method:

The chemical heat of combustion ( $\Delta H_c$ ), in kilojoules per gram (kJ/g), can be calculated as the product of the theoretical heat of combustion ( $\Delta H_{comb}$ ), and a combustion efficiency, usually less than 1,0 (a typical combustion efficiency is 0,95 or 95 %).

For a composite aerosol formulation, the chemical heat of combustion is the summation of the weighted heats of combustion for the individual components, as follows:

$$\Delta H_c = \sum_i^n \left[ w_i \% \times \Delta H_{c(i)} \right]$$

where:

$\Delta H_c$  = chemical heat of combustion (kJ/g) of the product;

$w_i\%$  = mass fraction of component i in the product;

$\Delta H_{c(i)}$  = specific heat of combustion (kJ/g) of component i in the product.

The person responsible for the marketing of the aerosol dispenser has to describe the method used for determining the chemical heat of combustion in a document to be made readily available in an official Community language at the address specified on the label in accordance with point (a) of Article 8(1), if the chemical heat of combustion is used as a parameter for assessing the flammability of aerosols according to the provisions of this Directive.'

(d) The following provision is inserted after point 2. 'General provisions' and before point 2.1.

'Without prejudice to specific provisions of the Annex on requirements related to the flammability and pressure hazard, the person responsible for the marketing of aerosol dispensers is under an obligation to analyse the hazards in order to identify those which apply to his aerosol dispensers. Where appropriate, this analysis shall include a consideration of the risks resulting from the inhalation of the spray ejected by the aerosol dispenser under normal and reasonably foreseeable conditions of use, taking into account droplet size distribution in conjunction with physical and chemical properties of the contents. He must then design, construct and test it and, if applicable, draft special statements concerning its use, taking account of his analysis.'

(e) Point 2.2(b) is replaced by the following:

'(b) Where the aerosol is classified as "flammable" or "extremely flammable" according to the criteria of point 1.9:

- the flame symbol, in accordance with the model in Annex II to Directive 67/548/EEC;
- the indication "flammable" or "extremely flammable", depending on the classification of the aerosol as "flammable" or "extremely flammable".;

(f) points 2.3(a) and 2.3(b) are replaced by the following:

'(a) Whatever its contents, any additional operating precautions which alert consumers to the specific dangers of the product; if the aerosol dispenser is accompanied by separate instructions for use, the latter must also reflect such operating precautions;

(b) Where the aerosol is classified as "flammable" or "extremely flammable" according to the criteria of point 1.9, the following warnings:

- the safety phrases S2 and S16 laid down in Annex IV to Directive 67/548/EEC;
- "Do not spray on a naked flame or any incandescent material".;

(g) the following point 2.4. is inserted:

'2.4. Volume of the liquid phase

The volume of the liquid phase at 50 °C must not exceed 90 % of the net capacity.'

(h) Point 3.1.2. is replaced by the following:

'3.1.2. Filling

At 50 °C, the pressure in the aerosol dispenser must not exceed 12 bar.

However, if the aerosol does not contain a gas or mixture of gases having a flammable range with air at 20 °C and a standard pressure of 1,013 bar, the maximum allowable pressure at 50 °C is 13,2 bar.'

(i) points 3.1.3., 4.1.5. and 4.2.4. are deleted.

(j) point 6.1.4. is replaced by the following:

‘6.1.4. Final inspection of filled aerosol dispensers

6.1.4.1. Aerosol dispensers shall be subject to one of the following final test methods.

(a) Hot water bath test

Each filled aerosol dispenser shall be immersed in a hot water bath.

(i) The temperature of the water bath and the duration of the test shall be such that the internal pressure reaches that which would be exerted by its contents at a uniform temperature of 50 °C.

(ii) Any aerosol dispenser showing visible permanent distortion or a leak must be rejected.

(b) Hot final test methods

Other methods for heating the contents of aerosol dispensers may be used if they guarantee that the pressure and temperature in each filled aerosol dispenser reach the values required for the hot water bath test and distortions and leaks are detected with same precision as in the case of the hot water bath test.

(c) Cold final test methods

An alternative cold final test method may be used if it is in accordance with the provisions of an alternative method to the hot water bath test for aerosol dispensers specified in point 6.2.4.3.2.2 of Annex A to Directive 94/55/EC.

6.1.4.2. For aerosol dispensers the contents of which undergo a physical or chemical transformation changing their pressure characteristics after filling and before first use, cold final test methods according to point 6.1.4.1(c) should be applied.

6.1.4.3. In case of test methods according to points 6.1.4.1(b) and 6.1.4.1(c):

(a) The test method must be approved by a competent authority.

(b) The person responsible for the marketing of aerosol dispensers must submit an application for approval to a competent authority. The application must be accompanied by the technical file describing the method.

(c) The person responsible for the marketing of aerosol dispensers must, for surveillance purposes, keep the approval of the competent authority, the technical file describing the method and, if applicable, control reports readily available at the address specified on the label in accordance with point (a) of Article 8(1).

(d) The technical file must be established in an official Community language or a certified copy thereof must be available.

(e) “competent authority” means the authority designated in each Member State under Directive 94/55/EC.;

(k) The following point 6.3. is inserted:

‘6.3. Tests on the flammability of aerosols

6.3.1. Ignition distance test for spray aerosols

6.3.1.1. Introduction

6.3.1.1.1. This test standard describes the method to determine the ignition distance of an aerosol spray in order to assess the associated flame risk. The aerosol is sprayed in the direction of an ignition source at intervals of 15 cm to observe if ignition and sustained combustion of the spray takes place. Ignition and sustained combustion is defined as when a stable flame is maintained for at least five seconds. The ignition source is defined as a gas burner with a blue, non-luminous flame 4-5 cm in height.

6.3.1.1.2. This test is applicable to aerosol products with a spray distance of 15 cm or more. Aerosol products with a spray distance of less than 15 cm such as dispensing foams, mousses, gels and pastes or fitted with a metering valve, are excluded from this test. Aerosol products that dispense foams, mousses, gels or pastes are subject to testing under the aerosol foam flammability test.

6.3.1.2. Apparatus and material

6.3.1.2.1. The following apparatus is required:

|                                        |                           |
|----------------------------------------|---------------------------|
| Water bath maintained at 20 °C         | accurate to $\pm 1$ °C    |
| Calibrated laboratory scales (balance) | accurate to $\pm 0,1$ g   |
| Chronometer (stopwatch)                | accurate to $\pm 0,2$ s   |
| Graduated scale, support and clamp     | graduations in cm         |
| Gas burner with support and clamp      |                           |
| Thermometer                            | accurate to $\pm 1$ °C    |
| Hygrometer                             | accurate to $\pm 5$ %     |
| Pressure gauge                         | accurate to $\pm 0,1$ bar |

6.3.1.3. Procedure

6.3.1.3.1. General requirements

6.3.1.3.1.1. Before testing, each aerosol dispenser shall be conditioned and then primed by discharging for approximately one second. The purpose of this action is to remove non-homogeneous material from the diptube.

6.3.1.3.1.2. The instructions of use shall be strictly followed, including whether the dispenser is intended to be used in the upright or inverted position. When shaking is required, shake immediately before testing.

6.3.1.3.1.3. The test shall be carried out in a draught-free environment capable of ventilation, with the temperature controlled at  $20\text{ °C} \pm 5\text{ °C}$  and relative humidity in the range 30-80 %.

6.3.1.3.1.4. Each aerosol dispenser is to be tested:

(a) when full according to the complete procedure, with the gas burner in the range of 15-90 cm distance from the actuator of the aerosol can;

(b) when 10-12 % full nominal (% by mass) only one test, either at 15 cm distance from the actuator when the spray from a full can did not ignite at all, or at the flame ignition distance of the spray of a full can plus 15 cm.

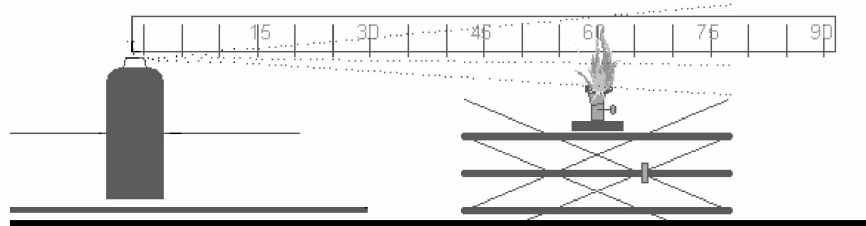
6.3.1.3.1.5. During the test, the can shall be positioned as indicated by label instructions. The ignition source shall be positioned accordingly.

6.3.1.3.1.6. The following procedure requires testing the spray at intervals of 15 cm between the burner flame and the aerosol actuator, in the range of 15-90 cm. It is efficient to start at 60 cm distance between burner flame and aerosol actuator. The distance between burner flame and aerosol actuator shall be increased by 15 cm in the case of an ignition of the spray at 60 cm distance. The distance shall be decreased by 15 cm in the case of no ignition at 60 cm distance between burner flame and aerosol actuator. The aim of the procedure is to determine the maximum distance between aerosol actuator and burner flame that leads to sustained combustion of the spray or to determine that ignition could not be obtained at 15 cm distance between the burner flame and the aerosol's actuator.

## 6.3.1.3.2. Test procedure

- (a) A minimum of 3 full aerosol dispensers per product shall be conditioned to  $20\text{ }^{\circ}\text{C} \pm 1\text{ }^{\circ}\text{C}$  with at least 95 % of the dispenser immersed in the water for at least 30 min before each test (if the aerosol is fully immersed, 30 min conditioning is sufficient);
- (b) Comply with general requirements. Record the temperature and relative humidity of the environment;
- (c) Weigh an aerosol dispenser and note its mass;
- (d) Determine the internal pressure and initial discharge rate at  $20\text{ }^{\circ}\text{C} \pm 1\text{ }^{\circ}\text{C}$  (to eliminate faulty or partly filled aerosol dispensers);
- (e) Support the gas burner on a flat horizontal surface or fix the burner to a support by means of a clamp;
- (f) Ignite the gas burner; the flame shall be non-luminous and approximately 4-5 cm high;
- (g) Place the actuator's exit orifice at the required distance from the flame. The aerosol shall be tested in the position it is designed to be used, e.g. upright or inverted;
- (h) Level the actuator's orifice and burner flame, ensuring that the orifice is properly directed towards and aligned with the flame (see Figure 6.3.1.1). The spray shall be expelled through the top half of the flame;

Figure 6.3.1.1



- (i) Comply with the general requirements regarding shaking of the dispenser;
- (j) Actuate the valve of the aerosol dispenser, to discharge its contents for five seconds, unless ignition occurs. If ignition occurs, continue discharging and time the duration of the flame for five seconds, from the start of ignition;
- (k) Note the ignition results for the distance between the gas burner and the aerosol dispenser in the table provided;
- (l) If no ignition occurs during step (j), the aerosol shall be tested in alternative orientations, e.g. inverted for upright use products, to check if ignition is obtained;
- (m) Repeat steps (g) to (l) twice more (a total of 3) for the same can at the same distance between the gas burner and the aerosol actuator;
- (n) Repeat the test procedure for another two aerosol cans of the same product at the same distance between gas burner and aerosol actuator;
- (o) Repeat steps (g) to (n) of the test procedure at a distance between 15 and 90 cm between the actuator of the aerosol can and the burner flame depending on the outcome of each test (see also 6.3.1.3.1.4 and 6.3.1.3.1.5);
- (p) If no ignition occurs at 15 cm, the procedure is finished for initially full cans. The procedure is also finished when ignition and sustained combustion is obtained at a distance of 90 cm. If ignition could not be obtained at 15 cm distance, record that ignition did not occur. The maximum distance between burner flame and the aerosol's actuator for which an ignition and sustained combustion was observed is noted as the "ignition distance", in all other circumstances;

- (q) One test shall also be conducted on three cans of 10-12 % nominal fill level. These cans shall be tested at a distance between the aerosol's actuator and the burner flame of the 'flame ignition distance of full cans + 15 cm';
- (r) Discharge an aerosol can to a 10-12 % nominal fill level (by mass) in bursts of 30 seconds maximum. Observe a 300 seconds minimum time period between bursts. During this interim period dispensers shall be placed in the water bath for conditioning;
- (s) Repeat steps (g) to (n) for 10-12 % nominal fill aerosol cans, omitting steps (l) and (m). This test shall only be performed with the aerosol in one position, e.g. upright or inverted, corresponding with that which produced the ignition (if any) for filled cans;
- (t) Record all results in the Table 6.3.1.1 as shown below.

6.3.1.3.2.1. All experiments shall be performed in a fume hood in a room that may be well ventilated. Ventilation of the fume hood and room can be applied for at least three minutes after each test. Take all necessary safety precautions to prevent the inhalation of combustion products.

6.3.1.3.2.2. The cans with a 10-12 % nominal fill level shall be tested only once. The result tables need only one result per can indicated.

6.3.1.3.2.3. When the test in the position in which the dispenser is designed to be used gives a negative result, the test shall be repeated in the position of the dispenser most likely to result in a positive result.

6.3.1.4. Method of assessing results

6.3.1.4.1. All the results shall be recorded. Table 6.3.1.1 below shows the model of 'result table' to be used.

Table 6.3.1.1

| Date                                        |                     | Temperature ... °C<br>Relative humidity ... % |   |       |   |       |   |
|---------------------------------------------|---------------------|-----------------------------------------------|---|-------|---|-------|---|
| Name of product                             |                     |                                               |   |       |   |       |   |
| Net volume                                  |                     | Can 1                                         |   | Can 2 |   | Can 3 |   |
| Initial level of filling                    |                     | %                                             |   | %     |   | %     |   |
| Dispenser distance                          | Test                | 1                                             | 2 | 3     | 1 | 2     | 3 |
| 15 cm                                       | Ignition?<br>Y or N |                                               |   |       |   |       |   |
| 30 cm                                       | Ignition?<br>Y or N |                                               |   |       |   |       |   |
| 45 cm                                       | Ignition?<br>Y or N |                                               |   |       |   |       |   |
| 60 cm                                       | Ignition?<br>Y or N |                                               |   |       |   |       |   |
| 75 cm                                       | Ignition?<br>Y or N |                                               |   |       |   |       |   |
| 90 cm                                       | Ignition?<br>Y or N |                                               |   |       |   |       |   |
| Observations —<br>including can<br>position |                     |                                               |   |       |   |       |   |

6.3.2. Enclosed space ignition test

6.3.2.1. Introduction

This test standard describes the method to assess the flammability of products emerging from aerosol dispensers due to their propensity to ignite in an enclosed or confined space. The contents of an aerosol dispenser are sprayed into a cylindrical test vessel containing a burning candle. If an observable ignition occurs, the elapsed time and amount discharged is noted.

6.3.2.2. Apparatus and material

6.3.2.2.1. The following apparatus is required:

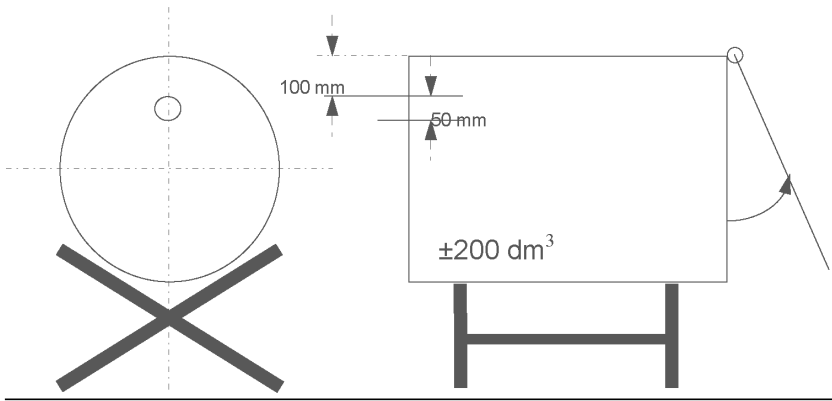
|                                        |                           |
|----------------------------------------|---------------------------|
| Chronometer (stopwatch)                | accurate to $\pm 0,2$ s   |
| Water bath maintained at 20 °C         | accurate to $\pm 1$ °C    |
| Calibrated laboratory scales (balance) | accurate to $\pm 0,1$ g   |
| Thermometer                            | accurate to $\pm 1$ °C    |
| Hygrometer                             | accurate to $\pm 5$ %     |
| Pressure gauge                         | accurate to $\pm 0,1$ bar |
| Cylindrical test vessel                | as detailed below         |

6.3.2.2.2. Preparation of test apparatus

6.3.2.2.2.1. A cylindrical vessel approximately 200 dm<sup>3</sup> volume, approximately 600 mm in diameter and approximately 720 mm long and open at one end shall be modified as follows:

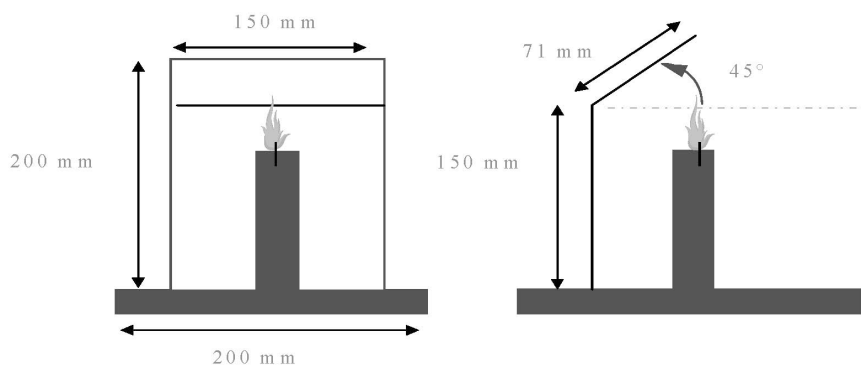
- (a) A closure system consisting of a hinged cover shall be matched to the open end of the receptacle; or
- (b) A plastic film 0,01 to 0,02 mm thick may be used as a closure system. If the test is carried out with a plastic film this must be used as described below: Stretch the film over the open end of the drum and hold it in place with an elastic band. The strength of the band shall be such that when placed around the drum resting on its side, it stretches by only 25 mm when a mass of 0,45 kg is attached to its lowest point. Cut a 25 mm slit in the film, starting 50 mm from the edge of the drum. Ensure that the film is taut;
- (c) At the other end of the drum drill a 50 mm diameter hole 100 mm from the edge in such a way that the orifice is uppermost when the receptacle is laid down and ready for the test (Figure 6.3.2.1.)

Figure 6.3.2.1



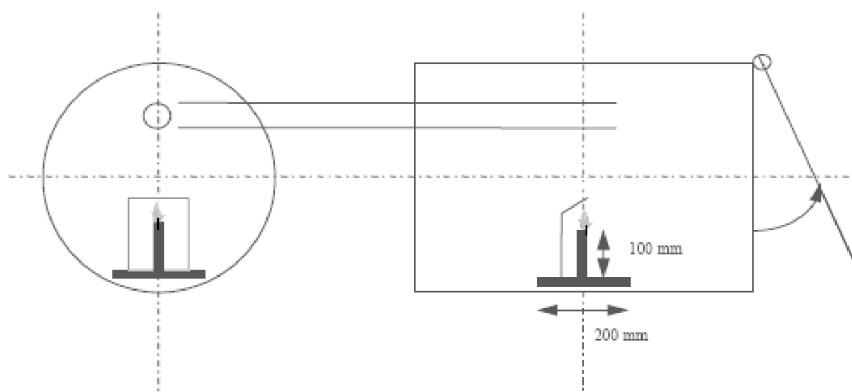
- (d) On a  $200 \times 200$  mm metal support place a paraffin wax candle 20 to 40 mm in diameter and 100 mm high. The candle shall be replaced when having a height of less than 80 mm. The candle's flame is protected from the action of the spray by a 150 mm wide, 200 mm high deflector. This includes the plane inclined at  $45^\circ$  produced 150 mm from the base of the deflector (Figure 6.3.2.2);

Figure 6.3.2.2



- (e) The candle placed on the metal support shall be positioned midway between the two ends of the drum (Figure 6.3.2.3);

Figure 6.3.2.3



- (f) The drum is laid on the ground or on a support at a spot where the temperature is between  $15^\circ\text{C}$  and  $25^\circ\text{C}$ . The product to be tested will be sprayed within the drum of roughly  $200\text{ dm}^3$  in which there will be a source of ignition.

6.3.2.2.2. Usually, the product leaves the aerosol can at an angle of  $90^\circ$  relevant to the vertical axis of the can. The layout and procedure described refers to this kind of aerosol product. In the case of unusually operating aerosols (e.g. vertical-spray aerosol dispensers) it will be necessary to record changes to equipment and procedures in accordance with good laboratory practice, such as ISO/IEC 17025:1999 General requirements for the competence of testing and calibration laboratories.

#### 6.3.2.3. Procedure

##### 6.3.2.3.1. General requirements

6.3.2.3.1.1. Before testing, each aerosol dispenser shall be conditioned and then primed by discharging for approximately 1 second. The purpose of this action is to remove non-homogeneous material from the diptube.

6.3.2.3.1.2. The instructions of use shall be strictly followed, including whether the dispenser is intended to be used in the upright or inverted position. When shaking is required, shake immediately before testing.

6.3.2.3.1.3. The tests shall be carried out in a draught-free environment capable of ventilation, with the temperature controlled at  $20\text{ }^{\circ}\text{C} \pm 5\text{ }^{\circ}\text{C}$  and relative humidity in the range 30-80 %.

6.3.2.3.2. Test procedure

- (a) A minimum of 3 full aerosol dispensers per product shall be conditioned to  $20\text{ }^{\circ}\text{C} \pm 1\text{ }^{\circ}\text{C}$  in a water bath with at least 95 % of the dispenser immersed in the water for at least 30 min (if the aerosol is fully immersed, 30 min conditioning is sufficient);
- (b) Measure or calculate the actual volume of the drum in  $\text{dm}^3$ ;
- (c) Comply with general requirements. Record the temperature and relative humidity of the environment;
- (d) Determine the internal pressure and initial discharge rate at  $20\text{ }^{\circ}\text{C} \pm 1\text{ }^{\circ}\text{C}$  (to eliminate faulty or partly filled aerosol dispensers);
- (e) Weigh one of the aerosol dispensers and note its mass;
- (f) Light the candle and apply the closure system (cover or plastic film);
- (g) Place the aerosol dispenser actuator orifice 35 mm or closer for a wide spray product, from the centre of the entrance hole in the drum. Start the chronometer (stopwatch) and following the instructions for use of the product; direct the spray towards the centre of the opposite extremity (cover or plastic film). The aerosol shall be tested in the position it is designed to be used, e.g. upright or inverted;
- (h) Spray until ignition occurs. Stop the chronometer and note the time elapsed. Re-weigh the aerosol dispenser and note its mass;
- (i) Ventilate and clean the drum removing any residue likely to affect subsequent tests. Allow the drum to cool if necessary;
- (j) Repeat the test procedure steps (d) to (i) for another two aerosol dispensers of the same product (three in total, note: each dispenser is only tested once);

6.3.2.4. Method of assessing results

6.3.2.4.1. A test report containing the following information shall be drawn up:

- (a) The product tested and its references;
- (b) The internal pressure and discharge rate of the aerosol dispenser;
- (c) The temperature and relative air humidity of the room;
- (d) For each test, the discharge time (s) needed to achieve ignition (if the product does not ignite, state this);
- (e) The mass of the product sprayed during each test (in g);
- (f) The actual volume of the drum (in  $\text{dm}^3$ ).

6.3.2.4.2. The time equivalent ( $t_{\text{eq}}$ ) needed to achieve ignition in one cubic metre can be calculated as follows:

$$t_{\text{eq}} = \frac{1\,000 \times \text{discharge time (s)}}{\text{Actual volume of drum (dm}^3\text{)}}$$

- 6.3.2.4.3. The deflagration density ( $D_{\text{def}}$ ) needed to achieve ignition during the test may also be calculated as follows:

$$D_{\text{def}} = \frac{1\,000 \times \text{Amount of product dispensed (g)}}{\text{Actual volume of drum (dm}^3\text{)}}$$

### 6.3.3. Aerosol foam flammability test

#### 6.3.3.1. Introduction

- 6.3.3.1.1. This test standard describes the method to determine the flammability of an aerosol spray emitted in the form of a foam, mousse, gel or paste. An aerosol, which emits a foam, mousse, gel or paste is sprayed (approximately 5 g) on a watchglass and an ignition source (candle, wax taper, match or lighter) is placed at the base of the watchglass to observe if ignition and sustained combustion of the foam, mousse, gel or paste occurs. Ignition is defined as a stable flame maintained for at least two seconds and a minimum 4 cm in height.

#### 6.3.3.2. Apparatus and material

- 6.3.3.2.1. The following apparatus is required:

|                                                      |                           |
|------------------------------------------------------|---------------------------|
| Graduated scale, support and clamp                   | gradations in cm          |
| Fire-resistant watchglass roughly 150 mm in diameter |                           |
| Chronometer (stopwatch)                              | accurate to $\pm 0,2$ s   |
| Candle, wax taper, match or lighter                  |                           |
| Calibrated laboratory scales (balance)               | accurate to $\pm 0,1$ g   |
| Water bath maintained at 20 °C                       | accurate to $\pm 1$ °C    |
| Thermometer                                          | accurate to $\pm 1$ °C    |
| Hygrometer                                           | accurate to $\pm 5$ %     |
| Pressure gauge                                       | accurate to $\pm 0,1$ bar |

- 6.3.3.2.2. The watchglass is placed on a fire-resistant surface within a draught-free area that may be ventilated after each test. The graduated scale is positioned exactly behind the watchglass and held vertically by means of a support and clamp.

- 6.3.3.2.3. The scale is positioned in such a way that its origin is on a level with the watchglass base in a horizontal plane.

#### 6.3.3.3. Procedure

##### 6.3.3.3.1. General requirements

- 6.3.3.3.1.1. Before testing, each aerosol dispenser shall be conditioned and then primed by discharging for approximately 1 second. The purpose of this action is to remove non-homogeneous material from the diptube.

- 6.3.3.3.1.2. The instructions of use shall be strictly followed, including whether the dispenser is intended to be used in the upright or inverted position. When shaking is required, shake immediately before testing.

- 6.3.3.3.1.3. The tests shall be carried out in a draught-free environment capable of ventilation, with the temperature controlled at 20 °C  $\pm$  5 °C and relative humidity in the range of 30-80 %.

##### 6.3.3.3.2. Test procedure

- (a) A minimum of four full aerosol dispensers per product shall be conditioned to 20 °C  $\pm$  1 °C with at least 95 % of the dispenser immersed in the water for at least 30 min before each test (if the aerosol is fully immersed, 30 min conditioning is sufficient);

- (b) Comply with general requirements. Record the temperature and relative humidity of the environment;
- (c) Determine the internal pressure at  $20^{\circ}\text{C} \pm 1^{\circ}\text{C}$  (to eliminate faulty or partly filled aerosol dispensers);
- (d) Measure the discharge or flow rate of the aerosol product to be examined, so that the amount of test product dispensed can be more accurately gauged;
- (e) Weigh one of the aerosol dispensers and note its mass;
- (f) On the basis of the measured discharge or flow rate and following the manufacturer's instructions, release approximately 5 g of the product onto the centre of the clean watchglass with the aim of producing a mound no higher than 25 mm;
- (g) Within five seconds of completion of discharge, apply the source of ignition to the edge of the sample at its base and at the same time start the chronometer (stopwatch). If necessary, the ignition source shall be removed from the edge of the sample after approximately two seconds, in order to clearly observe if ignition has occurred. If no ignition of the sample is apparent, the ignition source shall be reapplied to the edge of the sample;
- (h) If ignition occurs note the following points:
  - (i) The maximum height of the flame in cm above the base of the watchglass;
  - (ii) The flame duration in s;
  - (iii) Dry and re-weigh the aerosol dispenser and calculate the mass of the released product;
- (i) Ventilate the test area immediately after each test;
- (j) If ignition is not obtained and the released product remains in the form of a foam or paste throughout its period of use, steps (e) to (i) shall be repeated. Allow the product to stand for 30 sec, 1 min, 2 min or 4 min before applying the ignition source;
- (k) Repeat the test procedure steps (e) to (j) twice more (a total of 3) for the same can;
- (l) Repeat the test procedure steps (e) to (k) for another two aerosol cans (3 cans in total) of the same product.

6.3.3.4. Method of assessing results

6.3.3.4.1. A test report containing the following information shall be drawn up:

- (a) whether the product ignites;
  - (b) maximum flame height in cm;
  - (c) duration of flame in s;
  - (d) the mass of the product tested.'
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## II

(Acts adopted under the EC Treaty/Euratom Treaty whose publication is not obligatory)

## DECISIONS

## COMMISSION

## COMMISSION DECISION

of 3 April 2008

**on emergency measures regarding the unauthorised genetically modified organism 'Bt 63' in rice products**

(notified under document number C(2008) 1208)

(Text with EEA relevance)

(2008/289/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety<sup>(1)</sup>, and in particular Article 53(1), thereof,

Whereas:

(1) Articles 4(2) and 16(2) of Regulation (EC) No 1829/2003 of the European Parliament and of the Council of 22 September 2003 on genetically modified food and feed<sup>(2)</sup> provide that no genetically modified food or feed is to be placed on the Community market unless it is covered by an authorisation granted in accordance with that Regulation. Articles 4(3) and 16(3) of the same Regulation lay down that no genetically modified food and feed may be authorised unless it has been adequately and sufficiently demonstrated that it does not have adverse effects on human health, animal health or the environment, that it does not mislead the consumer or the user, and that it does not differ from the food or feed it is intended to replace to such an extent that its normal consumption would be nutritionally disadvantageous for humans or animals.

(2) In September 2006 rice products originating from China contaminated with the unauthorised genetically modified rice 'Bt 63' were discovered in the United Kingdom, France and Germany and notified to the Rapid Alert System for Food and Feed (RASFF).

(3) The Chinese competent authorities were immediately requested to provide detailed information concerning the genetic constructs of the unauthorised genetically modified rice 'Bt 63'. Explanations were also requested as regards the origin of the presence on the Chinese market of genetically modified rice and the way the Chinese competent authorities intended to ensure that exported products complied with Community requirements. In response, the Chinese authorities conducted checks on the cases notified in the RASFF and suspended exports by the enterprises concerned. They also decided to carry out testing on exported rice and rice products and required exporting enterprises to strengthen controls over raw material purchasing. Furthermore, information was provided to the Commission concerning the overall situation of GM rice in the Chinese market and the Bt genetic construct concerned, confirming that the genetically modified rice 'Bt 63' is not authorised on the Chinese market.

(4) The Member States were immediately informed of the situation during the meetings of the Standing Committee on the Food Chain and Animal Health held on 11 September and 23 October 2006. Member States and operators were also reminded in writing of their obligations to ensure that no unauthorised GMO is placed on the EU market.

<sup>(1)</sup> OJ L 31, 1.2.2002, p. 1. Regulation as last amended by Commission Regulation (EC) No 202/2008 (OJ L 60, 5.3.2008, p. 17).

<sup>(2)</sup> OJ L 268, 18.10.2003, p. 1. Regulation as amended by Commission Regulation (EC) No 1981/2006 (OJ L 368, 23.12.2006, p. 99).

- (5) After several findings of the unauthorised genetically modified rice 'Bt 63' were notified through the RASFF in the period between September and October 2006, the flow of rapid alerts stopped, supporting the presumption that the measures taken by the Chinese authorities were effective.
- (6) In February 2007, a new finding of the unauthorised genetically modified rice 'Bt 63' was once again notified through the RASFF. This new alert concerned a shipment of rice protein concentrate for feed use which reached Greece via the Netherlands. The shipment in question left China on 20 December 2006, thus after the implementation of the control measures by the Chinese authorities. Informed by the Commission of this new alert and requested by it to provide additional guarantees, the Chinese authorities decided to strengthen the sampling and testing of rice products and required rice products to be accompanied by an official Chinese Inspection and Quarantine Certificate. The Standing Committee on the Food Chain and Animal Health was informed on 2 March 2007.
- (7) Notwithstanding the measures announced by the Chinese authorities, several other alerts concerning the presence of the unauthorised genetically modified rice 'Bt 63' were subsequently reported.
- (8) Despite reiterated requests by the Commission, the Chinese authorities were unable to provide the Commission's Joint Research Centre (JRC) with control samples and a protocol of a detection method that were qualitatively and quantitatively appropriate for the JRC to validate the detection method used by the Chinese control authorities.
- (9) Considering the failure of the Chinese competent authorities to provide sufficient guarantees of the absence of the unauthorised genetically modified rice 'Bt 63' in rice products originating from China and without prejudice to the control obligations of the Member States, measures should be adopted to ensure a comprehensive and common approach allowing rapid and effective action to be taken and avoiding disparities between the treatment of the situation by the various Member States.
- (10) Article 53 of Regulation (EC) No 178/2002 provides for the possibility to adopt appropriate Community emergency measures for food and feed imported from a third country in order to protect human health, animal health or the environment, where the risk cannot be contained satisfactorily by means of measures taken by the Member States concerned.
- (11) Since the genetically modified rice 'Bt 63' is not authorised under Community legislation and in view of the presumption of risk attached to products not authorised according to Regulation (EC) No 1829/2003, which takes into account the precautionary principle laid down in Article 7 of Regulation (EC) No 178/2002, emergency measures should be taken to prevent the contaminated products being placed on the Community market.
- (12) According to the general requirements laid down in Regulation (EC) No 178/2002, food and feed business operators have primary legal responsibility for ensuring that foods or feeds within the businesses under their control satisfy the requirements of food law and for verifying that such requirements are met. It is, therefore, the operator responsible for first placing food and feed on the market who should be under the duty to prove that they do not contain the contaminated products. To that end, the measures provided for in this Decision should require that consignments of specific products originating from China may be placed on the market only if an analytical report is provided demonstrating that the products are not contaminated with the unauthorised genetically modified rice 'Bt 63'. The analytical report should be issued by an accredited or official laboratory conforming to internationally recognised standards. In the case of an analytical report issued by an accredited laboratory it seems appropriate to foresee that this report is endorsed by the relevant competent authority.
- (13) Due to the lack of a validated detection method and control samples of adequate quality and quantity — and in order to facilitate controls — the analytical report should be issued using the construct-specific method developed by D. Mäde et al. (2006) <sup>(1)</sup>. The Community Reference Laboratory for Genetically Modified Food and Feed (CRL-GMFF) within the Joint Research Centre (JRC) judged this method to be currently the most appropriate one.
- (14) For the purpose of the sampling and detecting activities required in order to prevent that products contaminated with the unauthorised genetically modified rice 'Bt 63' are placed on the market, account should be taken of the Commission Recommendation 2004/787/EC of 4 October 2004 on technical guidance for sampling and detection of genetically modified organisms and material produced from genetically modified organisms as or in products in the context of Regulation (EC) No 1830/2003 <sup>(2)</sup>.

<sup>(1)</sup> European Food Research and Technology, 224:271-278 (2006).

<sup>(2)</sup> OJ L 348, 24.11.2004, p. 18.

- (15) The measures provided for in this Decision must be proportionate and no more restrictive of trade than is required and should therefore cover only products originating in or consigned from China into the Community and considered likely to be contaminated with the unauthorised genetically modified rice 'Bt 63'. Given the huge variety of products that could be contaminated with the unauthorised genetically modified rice 'Bt 63', it seems appropriate to target a long list of products which could contain, consist or be produced from rice. Some of the identified products, however, may or may not be containing, consisting or produced from rice. It seems therefore proportionate to allow the operators to issue a simple declaration when the product is not containing, consisting or produced from rice, thus avoiding the compulsory analysis and certification.
- (16) The situation concerning the possible contamination of rice product with the unauthorised GM rice 'Bt63' should be reviewed within six months in order to assess whether the measures provided for in this Decision are still necessary.
- (17) It is appropriate to foresee a reasonable period of time between the entry into force and the date of applicability of this Decision, in order to allow the Member States take the practical arrangements for its implementation.
- (18) The measures provided for in this Decision are in accordance with the opinion of the Standing Committee on the Food Chain and Animal Health,

HAS ADOPTED THIS DECISION:

#### *Article 1*

##### **Scope**

This Decision applies to the food and feed products listed in the Annex, originating in or consigned from China.

#### *Article 2*

##### **Conditions for first placing on the market**

1. Member States shall allow the first placing on the market of the products referred to in Article 1 only where an original analytical report based on the construct-specific method developed by D. Mäde et al., for detection of the genetically modified rice 'Bt 63', issued by an official or accredited laboratory and accompanying the consignment demonstrates that the product does not contain, consist or is not produced from the genetically modified rice 'Bt 63'. In the case of an

analytical report issued by a Chinese accredited laboratory, the analytical report shall be endorsed by the relevant competent authority <sup>(1)</sup>.

2. If a consignment of products referred to in Article 1 is split, a copy of the analytical report shall accompany each part of the split consignment. In the absence of an analytical report as referred to in paragraph 1, the operator established in the Community who is responsible for the first placing on the market of the product shall have the products referred to in Article 1 tested to demonstrate that they do not contain the genetically modified rice 'Bt 63'. Pending availability of the analytical report, the consignment shall not be placed on the Community market.

3. Where a product referred to in the Annex is not containing, consisting or produced from rice, the original analytical report may be replaced by a statement <sup>(2)</sup> from the operator responsible for the consignment indicating that the food is not containing, consisting or produced from rice.

#### *Article 3*

##### **Control measures**

Member States shall take appropriate measures, including random sampling and analysis carried out using the method referred to in Article 2, concerning the products referred to in Article 1 presented for importation or already on the market in order to ensure compliance with the requirements of this Decision. They shall inform the Commission of positive (unfavourable) results through the Rapid Alert System for Food and Feed. Negative (favourable) results shall be reported to the Commission on a three-monthly basis.

#### *Article 4*

##### **Contaminated consignments**

Member States shall take the necessary measures to ensure that products referred to in Article 1 that are found to contain, to consist or to be produced from the genetically modified rice 'Bt 63' are not placed on the market.

#### *Article 5*

##### **Recovery of costs**

Member States shall ensure that the costs incurred in the implementation of Articles 2 and 4 are borne by the operators responsible for the first placing on the market.

<sup>(1)</sup> The analytical report shall be drawn up in a language understood by the certifying officer, enabling the certifying officer to be fully aware of the significance of the contents of each analytical report he signs and in a language understood by the control official of the country of import.

<sup>(2)</sup> The statement shall be drawn up in a language understood by the operator, enabling the operator to be fully aware of the significance of the contents of the statement he signs and in a language understood by the control official of the country of import.

*Article 6***Re-assessment of the measures**

The situation shall be reassessed by 15 October 2008 at the latest.

*Article 7***Applicability**

This Decision is applicable from 15 April 2008.

*Article 8***Addressees**

This Decision is addressed to the Member States.

Done at Brussels, 3 April 2008.

*For the Commission*

Androulla VASSILIOU

*Member of the Commission*

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## ANNEX

| Product                                                                                                                                                                                                                                                                                     | CN code       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Rice in the husk ('paddy' or rough)                                                                                                                                                                                                                                                         | 1006 10       |
| Husked (brown) rice                                                                                                                                                                                                                                                                         | 1006 20       |
| Semi-milled or wholly milled rice, whether or not polished or glazed                                                                                                                                                                                                                        | 1006 30       |
| Broken rice                                                                                                                                                                                                                                                                                 | 1006 40 00    |
| Rice flour                                                                                                                                                                                                                                                                                  | 1102 90 50    |
| Rice groats and meal                                                                                                                                                                                                                                                                        | 1103 19 50    |
| Rice pellets                                                                                                                                                                                                                                                                                | 1103 20 50    |
| Flaked rice grains                                                                                                                                                                                                                                                                          | 1104 19 91    |
| Rolled or flaked cereal grains (excluding grains of oats, wheat, rye, maize and barley, and flaked rice)                                                                                                                                                                                    | 1104 19 99    |
| Rice starch                                                                                                                                                                                                                                                                                 | 1108 19 10    |
| Preparations for infant use, put up for retail sale                                                                                                                                                                                                                                         | 1901 10 00    |
| Uncooked pasta, not stuffed or otherwise prepared, containing eggs                                                                                                                                                                                                                          | 1902 11 00    |
| Uncooked pasta, not stuffed or otherwise prepared, not containing eggs                                                                                                                                                                                                                      | 1902 19       |
| Stuffed pasta, whether or not cooked or otherwise prepared                                                                                                                                                                                                                                  | 1902 20       |
| Other pasta (other than uncooked pasta, not stuffed or otherwise prepared, and other than stuffed pasta, whether or not cooked or otherwise prepared)                                                                                                                                       | 1902 30       |
| Prepared foods obtained by swelling or roasting cereals or cereal products, obtained from rice                                                                                                                                                                                              | 1904 10 30    |
| Preparations of the muesli-type based on unroasted cereal flakes                                                                                                                                                                                                                            | 1904 20 10    |
| Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes or swelled cereals, obtained from rice (excluding preparations of the muesli-type on the basis of unroasted cereal flakes)                                                                 | 1904 20 95    |
| Rice, pre-cooked or otherwise prepared, not elsewhere specified or included (excluding flour, groats and meal, food preparations obtained by swelling or roasting or from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted cereal flakes or swelled cereals) | 1904 90 10    |
| Ricepaper                                                                                                                                                                                                                                                                                   | ex 1905 90 20 |
| Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of rice with a starch content not exceeding 35 % by weight                                                                                                       | 2302 40 02    |

| Product                                                                                                                                                                                          | CN code    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of rice other than with a starch content not exceeding 35 % by weight | 2302 40 08 |
| Peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included; hide powder, whether or not chromed                                         | 3504 00 00 |

**COMMISSION DECISION**  
**of 4 April 2008**  
**amending Decision 2007/716/EC as regards certain establishments in the meat and milk sectors in Bulgaria**

*(notified under document number C(2008) 1230)*

**(Text with EEA relevance)**

(2008/290/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Act of Accession of Bulgaria and Romania, and in particular Article 42 thereof,

Having regard to Council Directive 89/662/EEC of 11 December 1989 concerning veterinary checks in intra-Community trade with a view to the completion of the internal market <sup>(1)</sup>, and in particular Article 9(4) thereof,

Whereas:

- (1) Commission Decision 2007/716/EC of 30 October 2007 lays down transitional measures for structural requirements of certain establishments in the meat and milk sectors in Bulgaria provided for in Regulations (EC) No 852/2004 and (EC) No 853/2004 of the European Parliament and of the Council <sup>(2)</sup>. As long as those establishments are in transition, products originating from those establishments should only be placed on the domestic market or used for further processing in Bulgarian establishments in transition.
- (2) According to an official declaration from the Bulgarian competent authority certain establishments in the meat and milk sectors have completed their upgrading process

and are now in full compliance with Community legislation. Those establishments should therefore be deleted from the list of establishments in transition.

- (3) The Annex to Decision 2007/716/EC should therefore be amended accordingly.
- (4) The measures provided for in this Decision are in accordance with the opinion of the Standing Committee on the Food Chain and Animal Health,

HAS ADOPTED THIS DECISION:

*Article 1*

The establishments listed in the Annex to this Decision are deleted from the Annex to Decision 2007/716/EC.

*Article 2*

This Decision is addressed to the Member States.

Done at Brussels, 4 April 2008.

*For the Commission*  
Androulla VASSILIOU  
*Member of the Commission*

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<sup>(1)</sup> OJ L 395, 30.12.1989, p. 13. Directive as last amended by Directive 2004/41/EC of the European Parliament and of the Council (OJ L 157, 30.4.2004, p. 33, as corrected by OJ L 195, 2.6.2004, p. 12).

<sup>(2)</sup> OJ L 289, 7.11.2007, p. 14.

## ANNEX

## LIST OF ESTABLISHMENTS TO BE DELETED FROM THE ANNEX TO DECISION 2007/716/EC

## Meat processing establishments

| No   | Veterinary No | Name of establishment    | Town/street or village/region                     |
|------|---------------|--------------------------|---------------------------------------------------|
| 26.  | BG 0801003    | 'PE-EM' OOD              | s. Senokos<br>obl. Dobrich                        |
| 46.  | BG 1501008    | 'Evrones' OOD            | gr. Levski                                        |
| 79.  | BG 2501014    | 'Mesni produkti' OOD     | s. Zdravets<br>obsht. Targovishte                 |
| 84.  | BG 2701013    | 'Rodopa Shumen 1884' AD  | gr. Shumen,<br>ul. 'Industrialna'                 |
| 85.  | BG 2701013    | 'Rodopa miyt' EOOD       | gr. Shumen,<br>ul. 'Industrialna'                 |
| 86.  | BG 2701013    | 'Rodopa konserv' EOOD    | gr. Shumen,<br>ul. 'Industrialna'                 |
| 93.  | BG 0302007    | ET 'Edi-Valya Ivanova'   | gr. Varna<br>ul. 'Mladezhka' 38                   |
| 114. | BG 1202004    | 'Agentsiya Bulsay' EOOD  | gr. Berkovitsa<br>ul. 'Kazanite' 1                |
| 118. | BG 1602002    | 'Ter-M' EOOD             | gr. Parvomay<br>kv. Debar                         |
| 119. | BG 1702001    | 'Pilko' EOOD             | gr. Razgrad<br>Industrialna zona                  |
| 131. | BG 2302004    | 'Galus Treid' OOD        | gr. Kostinbrod                                    |
| 136. | BG 0105002    | 'Primo Treyd' EOOD       | gr. Sandanski<br>Glaven pat E79, Mestnost 'Druma' |
| 195. | BG 2205087    | AD 'Evrofrigo'           | gr. Sofia<br>ul. 'Malashevskia' 1                 |
| 196. | BG 2205088    | 'Maksimum-69' OOD        | gr. Sofia<br>ul. 'Obikolna'                       |
| 223. | BG 0304034    | 'Pikant' OOD             | gr. Varna<br>ul. 'Hristo Smirnenki' 33            |
| 224. | BG 0304035    | 'Emil Iliev' EOOD        | s. Topoli<br>obl. Varna                           |
| 238. | BG 0604001    | 'Lalov i Vachev' EOOD    | gr. Vratza<br>Hranitelnovkusova zona, partsel 14  |
| 248. | BG 0804022    | 'Orehite G' OOD          | gr. Dobrich                                       |
| 263. | BG 120415     | 'Gala' EOOD              | gr. Montana<br>ul. '21 vek' 10                    |
| 292. | BG 1604037    | 'Dil TUR' AD             | gr. Plovdiv kv. Proslav<br>ul. 'Elena' 3          |
| 299. | BG 1604047    | EOOD 'Dimitar Madzharov' | gr. Plovdiv<br>ul. 'Golyamo Konarsko shoes'       |

**Milk processing establishments**

| No  | Veterinary No | Name of establishment  | Town/street or village/region            |
|-----|---------------|------------------------|------------------------------------------|
| 7.  | BG 0812009    | 'Serdika-90' AD        | gr. Dobrich<br>ul. '25 septemvri' 100    |
| 8.  | BG 0812019    | 'Filipopolis-RK' OOD   | s. Zheglartsi                            |
| 14. | BG 1312011    | 'Eko-F' EAD            | s. Karabunar                             |
| 17. | BG 1612009    | 'D. Madzharov-2' EOOD  | gr. Stamboliyski<br>ul. 'Grobarska' 3    |
| 51. | BG 1612040    | 'Mlechni produkti' OOD | s. Manole                                |
| 56. | BG 2112001    | 'Rodopeya-Belev' EOOD  | gr. Smolyan<br>ul. 'Trakya' 15           |
| 59. | BG 2512017    | 'YUES-Komers' OOD      | s. Golyamo Gradishte<br>ul. 'Radetski' 2 |
| 61. | BG 2812025    | 'Sakarela' OOD         | gr. Yambol<br>ul. 'Preslav' 269          |
| 70. | BG 212047     | 'Komplektstroy' EOOD   | s. Veselie                               |