

9 September 2022

UK STEEL

Powered by **MAKE**_{uk}

HFP rebar anti-dumping review TD0010 - Response to SEF

UK Steel
Celsa Steel

makeuk.org/uksteel



A presumption that EIT is met

- UK legislation establishes a presumption in favour of the EIT having been met for AD/AS reviews:

*“That test is **presumed to be met** unless the TRAis satisfied that the application of the remedy is not in the economic interest of the United Kingdom.” (emphasis added)*

- The Secretary of State guidance further elaborates on this:

*“A measure is not in the economic interest of the UK if the negative impacts are **disproportionate** to the positive impacts. The burden of proof is on TRID to demonstrate that this is the case. **It is not enough to simply show that the costs of a measure outweigh the benefits.**” (emphasis added)*

- The Trade Act (2021) stipulates that this guidance must be considered:

“In performing its functions, the TRA must have regard to guidance published by the Secretary of State.”

Summary of EIT Findings

The TRA states the following arguments as evidence that negative impacts are disproportionate to positive ones:

- There is only one UK producer
- The one producer has significant market share
- Safeguards provide protection
- Additional protection the measure would provide would likely be low
- The verified producer **may** not be able to meet demand
- Foreseeable supply chain issues **could** lead to negative impacts downstream

Single producer with high market share

- Conclusions around single UK producer & competition set worrying precedent and misunderstand the steel sector & conditions for new participants to enter the UK market
- Several steel products are only produced by a single producer in the UK – this is not the result of any antidumping measure but the UK market simply is not large enough to sustain multiple players
- TRA find evidence of Celsa reacting to market prices and a healthy competitive industry (although later contradicts itself)

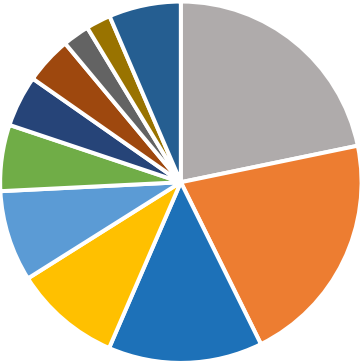
Examples of products with single UK producer	
Cold rolled coil	Tata Steel
Coated/Galvanised	Tata Steel
Tinplate	Tata Steel
Heavy Sections	British Steel
Rail	British Steel
Stainless	Outokumpu

Competitive environment: inconsistency in TRA conclusions

- Para 204: *“Observing the same trend in the rise and fall of average price per tonne throughout the IP is a possible indication of UK industry responding to market forces that dictate competitive selling prices. The adjustment of UK producers to market forces suggests competition and flexibility, both indicative of a healthy industry.”*
- Para 365: *“There is no evidence to suggest that maintaining the measure would directly impact incentives to compete vigorously”*
- Para 385: *“The market is very uncompetitive and varying the measure is likely to protect a producer with significant market power.”*

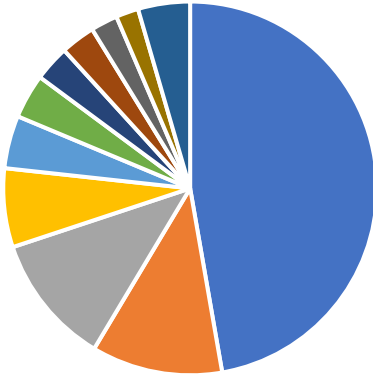
Competitive environment: Chinese imports reduce diversity of supply

2013



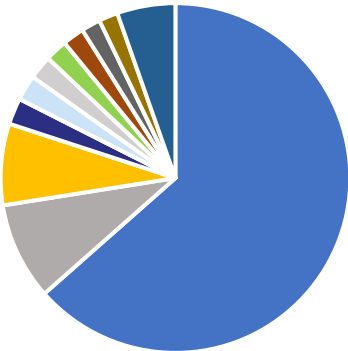
- SPAIN
- TURKEY
- CHINA
- PORTUGAL
- NETHERLANDS
- FRANCE
- GERMANY

2014



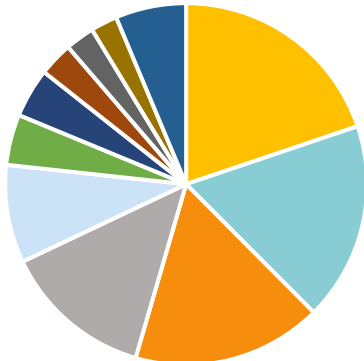
- CHINA
- TURKEY
- SPAIN
- PORTUGAL
- NETHERLANDS
- IRISH REPUBLIC
- GERMANY

2015



- CHINA
- SPAIN
- PORTUGAL
- GERMANY
- FRANCE
- BELARUS
- SWEDEN

2016



- PORTUGAL
- UKRAINE
- TURKEY
- SPAIN
- BELARUS
- SWEDEN
- IRISH REPUBLIC

Protection of safeguards

- Safeguards offer inadequate protection given expiry in 2024
- China is currently exempt, likely one year for review and removal of exemption – quota of 107K/18% of market would still allow significant impact
- Imports from exempt developing countries have already increased sharply and if Chinese imports were added to this the impact would be significant
- TRA agrees with this assessment in its final determination for TD0011 – quoting from section G3.2.6 point 162:
 - *safeguard measures are intended to address surges in imports rather than dumping;*
 - *the safeguard measure does not apply to imports within the tariff rate quota, with these quotas liberalising year-on-year; and*
 - *the safeguard measure currently in place on CRFS are set to expire on 30 July 2024, which is before the end of the five-year term of the measure included in our recommendation.*

Maintaining the measure would only provide “small benefit”

- TRA massively underestimated the likely injury by not adequately accounting for Chinese production and capacity & weak Chinese domestic demand
- Safeguards offer inadequate protection
- Captive sales offer limited protection from injury – Celsa suffered injury in 2015 as found by EU investigation
- TRA has not accounted for different degree of competition for different segments of the supply chain – underestimates vulnerability and impact for producer
 - Importers and prefabricators competitiveness not impacted by tariffs – all those competing in UK market face same constraints
 - Importers have flexibility to source from elsewhere, also will not necessarily benefit from removal of the measure
 - TRA assesses cost implications and impact on profits but does not fully consider implications for the viability of the business – ultimately dumped imports will undermine the position in the market for the producer but not for the importer and prefabricator

SEF Table 16: Significance metric for affected industries

	Upstream businesses	UK producers	Importers	Prefabricators	Construction
Estimated significance of HFP Rebar to this group	Not significant (UK producer raw material costs vs upstream business turnover)	Highly significant (HFP Rebar sales revenue vs whole business turnover)	Highly significant (value of imports of HFP Rebar vs importer turnover)	Significant (UK producer HFP Rebar sales revenue vs Prefabricator turnover)	Significant (not significant in cost terms but HFP Rebar is an essential input with potential for supply shortages)
Total employment of selected businesses	N/A	667	1,778	998	N/A
Total GVA of selected businesses (£ million)	N/A	£41m	£81m	£45m	N/A
Total turnover of selected businesses (£ million)	N/A	£417m	£549m	£486m	N/A
Average EBITDA margin for selected businesses (%)	N/A	4%	3%	2%	N/A
Vulnerability to negative economic impacts	N/A	Medium – Company is profitable but HFP Rebar production is vulnerable due to negative profits across the IP	Low - Due to positive profits and profit margins across the IP	Low – unless unable to source sufficient HFP Rebar	Low – unless unable to source sufficient HFP Rebar

No evidence of supply shortages

The TRA has presented no evidence of current or recent supply shortages & neither the supply or demand side point to expectation of future shortages:

- The impact of the war in Ukraine on supply should already have been felt as it is in the gas and grain markets
- EU prices have dropped by 25% after their peak 4 months ago and would have dropped even further had it not been for high energy costs, confirming that there is no shortage or even perceived shortage
- UK demand was higher in 2021 than it will be in the foreseeable future – expectation of recession
- August UK Construction PMI at 49.2 showing construction activity contracting for second month in a row
- Lack of shortage is further confirmed by low safeguard quota utilisation
- Globally steel production is falling in response to weak demand – in Europe including UK down 9.2% on year in July, the lowest monthly volume since September 2020 (Worldsteel)

Multiple options for HFP rebar supply available

UK import share	2017	2018	2019	2020	2021	2022 (Jan-May)
FRANCE	4%	5%	3%	5%	5%	4%
PORTUGAL	26%	22%	22%	27%	29%	31%
SPAIN	9%	6%	9%	17%	13%	3%
TURKEY	20%	21%	17%	3%	8%	28%
UKRAINE	8%	12%	5%	0%	2%	0%
BELARUS	9%	12%	23%	28%	1%	10%
RUSSIA	5%	3%	4%	3%	11%	1%
ALGERIA	0%	0%	0%	1%	9%	3%
INDIA	0%	0%	0%	0%	3%	4%

UK market share of imports from Russia, Ukraine, Belarus	
2017	15%
2018	20%
2019	21%
2020	21%
2021	9%
2022 (H1)	4%

- Russia, Ukraine and Belarus imports only accounted for 19% of the UK market over 2017-2020 and have not supplied the UK consistently
- Trends in imports from developing countries demonstrate availability of other origins – imports from India, UAE, Egypt and Oman now account for 18% of imports into the UK (H1 2022) from 4% in 2021 and none before that
- UK producers could also increase supply to the market if that was needed
- Even if there was future evidence of shortages, there are options available e.g. suspension review

makeuk.org/uksteel

Environmental considerations

The TRA dismisses this as a global benefit, but there is clearly UK specific economic and public interest considerations that are not limited to the calculation of emissions from imports versus domestically produced steel as allowed by safeguards for the next two years.

The TRA's assessment here considers the issue extremely narrowly and does not take into account:

- Economic benefit to the UK from investment in net-zero steel
- Implications for competitiveness given cost differential of producing net-zero steel versus producers in countries who do not adhere to the same standards
- Trade implications in a world where carbon border adjustments are adopted by key trading partners