

**Date** 18.02.2022

Trade Remedies Authority  
North Gate House  
21-23 Valpy Street  
Reading  
Berkshire

United Kingdom

**VIA ELECTRONIC FILING**

**PUBLIC**

Dear sir/madam

**Case TD0011: Certain cold rolled flat steel products exported from the People’s Republic of China and the Russian Federation**

**Severstal submits comments with respect to the transition review of anti-dumping measures in “Case TD0011: Certain cold rolled flat steel products exported from the People’s Republic of China and the Russian Federation.” This submission rebuts the excogitations made on behalf of Tata Steel UK Ltd (Tata) with regard to the questionnaire response filed by Severstal and provides some general issues to the review.**

**1. Comments to Tata’s submission “briefly rebuts the questionnaire response filed by Severstal”**

1. Notwithstanding its own claim that it “does not in any way doubt the ability of the TRA to carry out rigorous verification of an exporting producer”, Tata obviously challenges this ability. After a presentation of three disputable factors which should from the Tata’s point of view prove the unreliability of Severstal’s response to the questionnaire, Tata raises ‘seriously questions’ (whatever it means) to the TRA’s verification report. Severstal comments these Tata’s groundless factors below and believe that Tata’s position will have the proper evaluation from the investigation authority.
2. Tata expressed the concerns with regard to the timing of the verification. It “wishes to emphasize that investigating authorities worldwide (e.g., the European Commission and the U.S. Department of Commerce) tend to spend at least several weeks on an on-site verification of Severstal”. With regard to this, Severstal notices that last remote verification of Severstal’s data made by the European Commission took 2 (two) days only.

The TRA had a schedule for each of the verification days. This schedule exhaustively covered all the crucial spots of company's activities, which were necessary for verifying the Severstal's data. The TRA also took the opportunity to ask any questions regarding the investigation after verification. Severstal has always been open to after-verification questions/requests and this case is not an exclusion.

3. *“Severstal’s evidence applies only to itself and thus cannot be used to infer anything about the production levels, production capacity, domestic pricing and demand for products, inventories etc. for any other companies or Russia more broadly.”*

Severstal as an interested party cannot be considered as a non-cooperating party, as it provided all the information requested and confirmed its relevance during the verification visit as it was proved by TRA in its in verification report: *“We have a reasonable level of assurance that the information that we have been provided by the interested party is verifiable and verified. It can therefore be treated as is complete, relevant and accurate and can be used for the purposes of this transition review.”*<sup>1</sup> Severstal represented its own interests, not the entire industry.

4. *Tata’s claim about Severstal’s plans for UK market*

Severstal spoke about itself and the company's plans. However, Tata starts judging Severstal's statements and then shifts to Russia's whole export of CRS to UK. The statement that transport costs are an issue and play a major role in pricing is not a “pseudo reason”. Given the risen freight costs due to the COVID-19 situation it has become even more crucial for pricing.

Also, Severstal participated in case TD0001 “Certain welded tubes and pipes of iron or non-alloy steel” and stated there that it would not sell significant amounts of goods to the UK. According to the Federal Customs Service of Russia<sup>2</sup>, Severstal exported zero volumes of that merchandize to the UK in 2020 (and according to Severstal's own sales data – it is also zero in 2021). This illustrates that Severstal sticks to its commercial strategy and clearly responds to the questions about it.

5. *Tata’s claim about various trade remedy orders*

In its submission Tata tries to argue with Severstal's claim that the goods presently subject to review in the UK are not affected by the trade remedy orders, including anti-dumping orders in the third countries. It simply states that the Severstal's claim is “not true” and “outright wrong” without any further evidences and arguments except poor comparison of the customs code (which are always given in the scope of products for information purposes only) from one case with the customs code in the current transition review.

It is surely true that Pakistan has an anti-dumping order against CRS from Russia, which includes customs code 7209.1790 (Flat-rolled products of iron non-alloy steel in coils, not further worked than cold-rolled (cold-reduced), of a thickness of 0.5 mm or more but not exceeding 1 mm, other). However, it must be pointed that Severstal has not had any CRS imports into Pakistan since 2018, so imposition of this measure did not influence on any Severstal's shipments. Thus, it can be stated that the sales of the goods subject to review or the like goods to third countries are not affected by these measures.

6. *Tata’s claim about the capacity figures proffered by Severstal*

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<sup>1</sup> Please see the TRA Verification Report for Severstal uploaded to the public file on 16 December 2021.

<sup>2</sup> Can be seen at <https://www.trademapp.org/>, the resource is using the data provided by the Federal Customs Service of Russia



The capacity figures proffered by Severstal are accurate and their calculation was demonstrated during a remote verification meeting on 22 October 2021. It was stated in TRA's verification report that: "*the company demonstrated how it calculated its production capacity for the goods subject to review and/or like goods by using standard processing times for different products (based on actuals from previous periods) to reach a theoretical maximum production volume for each facility, then subtracting provisions for downtime (also based on actuals from previous periods).*"<sup>3</sup> This explains the difference in the capacity figures of Severstal and the industry journal Metal Expert, and there is no reason to claim that Severstal's figures are self-serving.

#### 7. *Tata's claim about Actual production level*

The actual production of CRS provided by Severstal remained at the same level from 2017/2018 to the POI.<sup>4</sup> Therefore, it is unreasonable to conclude that Severstal's production dwarfs the UK market.

#### 8. *Tata's claim about Capacity utilisation*

Severstal does not agree with the statement that there is the possibility of increasing the likelihood of dumping. The calculations of total and spare capacity are confidential in Tata non-cooperation submission, therefore it is not possible to assess them. It should be noted that Severstal has calculated the production capacity based on the given product mix and the available working time for the POI and Severstal does not have any plans to begin new products chains or increase current production capacity of goods in the UK market, domestic market or any other third country markets. Therefore, it is unreasonable to conclude that there is the spare capacity that could increase the likelihood of dumping.

#### 9. *Tata's claim about Conditions in the Overseas Exporter's Home Market*

The price of the product under investigation in Russia and the prices of raw materials for the product under investigation are set according to supply and demand. Companies of Russian metallurgical industry are 100% private. Their functioning takes place without interference from the state. The government does not exercise control and does not determine economic decisions of private enterprises. There is a plenty of producers, sellers and resellers, which makes the market competitive. This, in turn, makes it impossible for certain market participants to manipulate prices. According to the Federal Customs Service of Russia, the imports of CRS to Russia is small and not rising. It does not threaten the Severstal's positions on home market at all.

#### 10. *Tata's claim about Investment*

All investment measures are aimed at expanding the quality characteristics of CRS, so there is no reason to say that the rise of Severstal's investment figures could cause the increasing of the likelihood of dumping.

#### 11. *Tata's claim about Other factors*

The Russian Export tax has been stated by Tata as the reason for the increase in the likelihood of dumping. Severstal does not agree with this statement because the export duty has been instituted due to expire on 31 December 2021 without further extension accordance with the Decree of the Government of the Russian Federation No. 9 dated June 25, 2021. Due to the expiration of this

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<sup>3</sup> Please see the TRA Verification Report for Severstal uploaded to the public file on 16 December 2021.

<sup>4</sup> Please see Severstal's Questionnaire uploaded to the public file on 22 September 2021 (in particular Annex D5).



export duty, it cannot be argued that the Export tax could affect Severstal and increase the likelihood of dumping.

#### *12. Tata's claim about Inventory*

The tendency for stock to rise is not justified, because the provided falling volume of opening stock in the POI (to 85) indicates a decrease in stocks. Therefore, it is unreasonable to state that there is a tendency for stock to rise which increases the likelihood of dumping and injury.

#### *13. Tata's claim about Exports to Third Markets*

Tata overstates the importance of the third markets. Tata completely ignores the fact that home market has been the main source of revenue for the subject merchandise for Severstal since 2017/2018. This also follows from Annex D1, which Tata uses as a reference in this claim, but fails to infer it from there.

#### *14. Conclusion*

Hence, Tata's allegations cannot be used as a reason to consider Severstal's information as flawed. Tata's "concerns about the correctness of information" are baseless. Instead of appealing to facts, Tata groundlessly accuses Severstal and questions the competence of the TRA, which is inconceivable.

## **2. General issues**

### *1. No imports of goods subject to review from Russia*

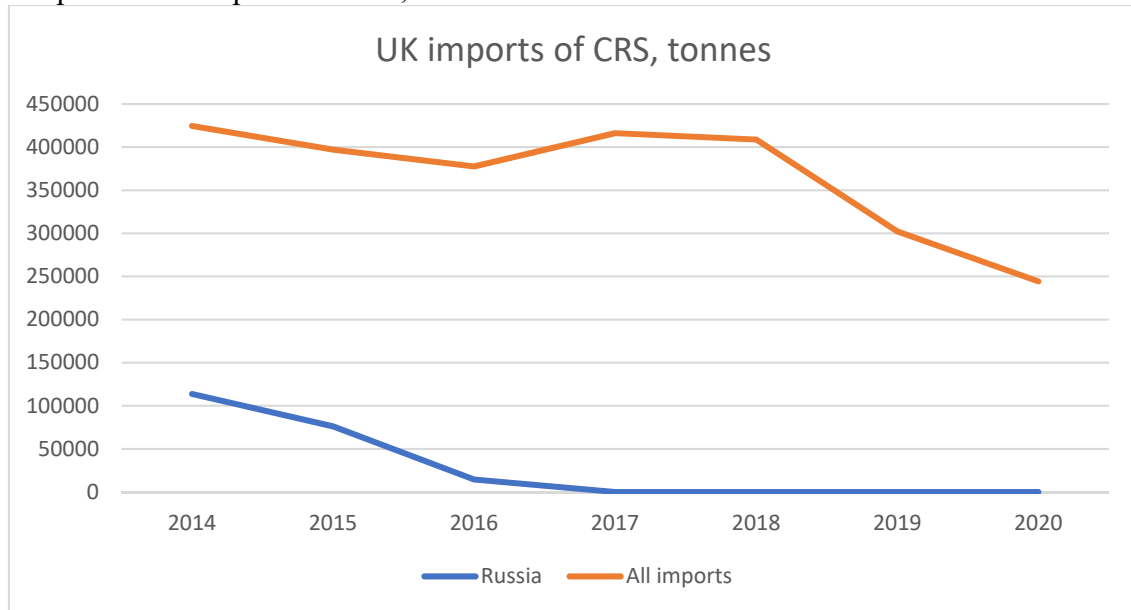
From the WTO perspective, UK transition review of the EU measures constitute a unique combination of expiry review with new investigation or full interim review. In broad sense, the purpose of a transition review is to determine whether the continued imposition of an anti-dumping measure remains necessary and, if so, at what level of duty.

In this context, it is essential to analyse the import volumes and prices from the targeted country in order to establish whether the dumping and injury had place in the past and whether there is probability for them to continue or recur. Import trends analysis shall take into account the special scope of the transition review as outlined by Articles 97-101C of the Trade Remedies Regulations 2019. UK trade data from HM Revenue & Customs confirms that Russian exporters, including Severstal, have fully ceased supplies of the product concerned to the UK as of 2017, i.e. since the introduction of the original EU anti-dumping measure under transition.

Since 2014, there was clear steep downward trend for CRS imports from Russia that dropped from 113.688 tonnes in 2014 down to 76.076 tonnes in 2015 and 14.406 tonnes in 2016. Russian imports have fully ceased since 2017 and up to now. Graph 1 below provides the overview of the UK import statistics:



Graph 1 – UK imports of CRS, tonnes



Source: UK trade data from HM Revenue & Customs, <https://www.uktradeinfo.com/>

The above volumes fall within the definition of “negligible” under Article 4 of the Trade Remedies Regulations providing that “the volume of dumped goods is negligible where the exporting country or territory accounts for less than 3 per cent of imports of the like goods imported into the UK, except where the exporting countries or territories individually account for less than 3 per cent. of imports of the like goods imported into the UK but collectively account for more than 7 per cent of imports of the like goods into the UK.”

Therefore, statistical data confirms no dumping and injury to the UK industry from Russian import, since the share of Russian imports has been constantly at 0% level over the entire period under consideration.

## 2. *CRS shortages in the UK*

Severstal notes that the CRS market in the UK is characterised by a trend towards trade dependence resulting from a negative trade balance. As shown in the graph below, since 2015, the UK has been importing a greater volume of CRS than it sells for export.

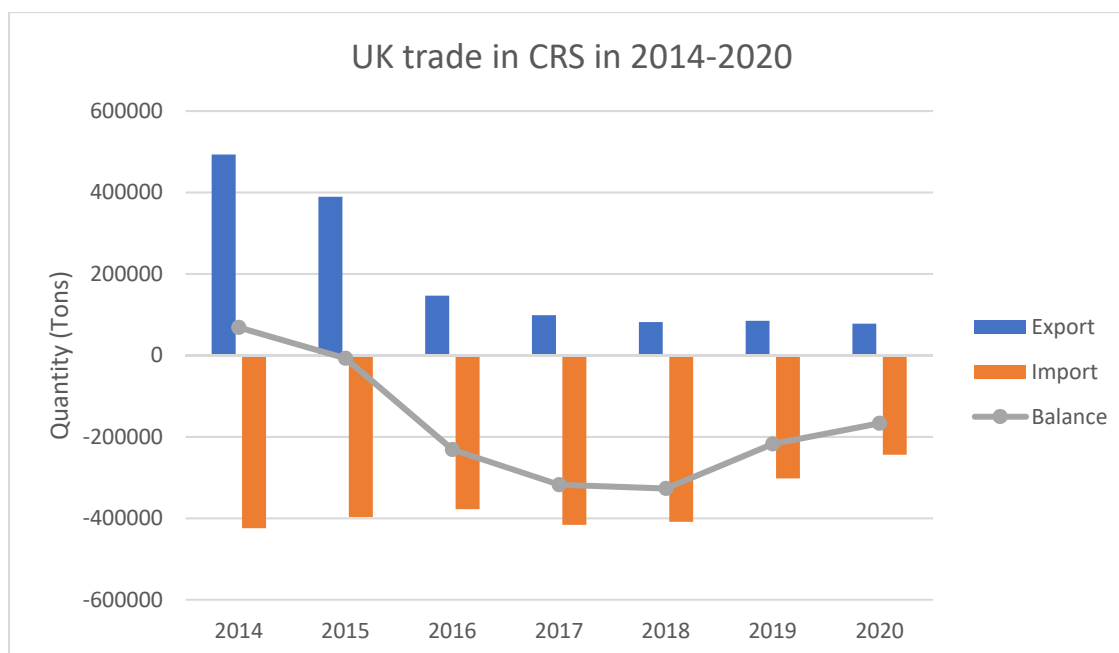
While the reasons are complex, it is the closure of the large steel production facilities in the UK since 2015 that strongly contributed to it. Specifically, it was caused by halt of the Sahaviriya Steel Industries (SSI) plant in Redcar, Teeside in September 2015<sup>5</sup>, which included the second largest blast furnace in Europe and reduction in capacity at the Port Talbot plant in South Wales by Tata through late 2015 and early 2016.<sup>6</sup>

<sup>5</sup> SSI UK mothballs operations at Redcar slab plant, <https://www.metalbulletin.com/Article/3489753/SSI-UK-mothballs-operations-at-Redcar-slab-plant.html>.

<sup>6</sup> <https://www.walesonline.co.uk/business/business-news/more-1000-jobs-cut-tata-10749111>.



Graph 2. - UK trade in CRS, 2014–2020



Source: HM Revenue & Customs, UK Trade Info

Global market trends, as well as the UK market development indicate a deterioration in the UK CRS market for several reasons:

- the UK is unable to cover the demand for CRS on its own, due to the domestic market being reoriented towards other types of products.

In 2020, Tata Steel UK, the largest producer of the goods subject to review, commenced a group-wide transformation programme to improve the performance of the business. According to Tata Steel UK, improvements in performance will be achieved by, among other things, increasing sales of higher value-added steel.<sup>7</sup>

In fact, the transformation programme of Tata Steel UK results in the Llanwern hot rolling mill, cold rolling mill and pickling line being closed and mothballed. The Llanwern hot coil finishing line and the line, specialising in automotive sheet production, will be retained.<sup>8</sup>

Thus, the facts outlined above demonstrate that domestic producers are not intending to cover the existing shortage of demand for CRS and compete for a better market share. Instead, they currently seek for more lucrative alternatives that are subject to a limited competition. Indeed, the largest producer is closing existing production capacity focusing on a higher value-added steel, such as automotive sheet, which itself requires captive consumption of and further limiting “free-market” offers.

- the UK's main source of imports is itself facing a shortage of CRS.

<sup>7</sup> See page 3 of *Tata steel UK Limited Report and Accounts 2020*, available at <https://www.tatasteeleurope.com/ts/sites/default/files/Tata%20Steel%20UK%20Limited%20Annual%20Report%202019-20.pdf>

<sup>8</sup> *Tata Steel mothballs part of Llanwern, contractor jobs to go*, available at <https://www.kallanish.com/en/steel-news/market-reports/article-details/Tata-Steel-mothballs-part-of-0815/>



For many years, the EU Member states established themselves as a key source of UK CRS imports. Table 1 below demonstrates the EU's share in total UK CRS imports in 2014-2020:

Table 1. – *EU's share in total UK CRS imports in 2014-2020.*

Source:	2014	2015	2016	2017	2018	2019	2020
<i>HM Revenue &amp; Customs,</i> <i>UK Trade Info</i>	54%	57%	67%	61%	70%	59%	42%

However, this balance has been severely altered in 2020 due to the COVID-19 pandemic. In March-June 2020, many steel-processing/consuming businesses in the EU faced unplanned shutdowns. Responding to such closures, steel mills in the EU, alike in the UK, idled many furnaces and curtail production instead of risking uncertainty and overproduction.<sup>9</sup>

The year of 2021 brought much quicker recovery of demand and business activity than expected while local supply and inventory of basic steel remained low. The surge in demand for steel products, together with the lack of stock on the market and the trade defence measures in place, has resulted in a large shortage in supply of CRS on the EU internal market.

Due to above developments, the EU – being traditionally UK's main trading partner for the product concerned – is itself facing a shortage of CRS. Therefore, EU share at UK market of CRS is bound to decline in upcoming years, having inevitable impact on shortages within the UK.

- unprecedented price increase on alternative markets.

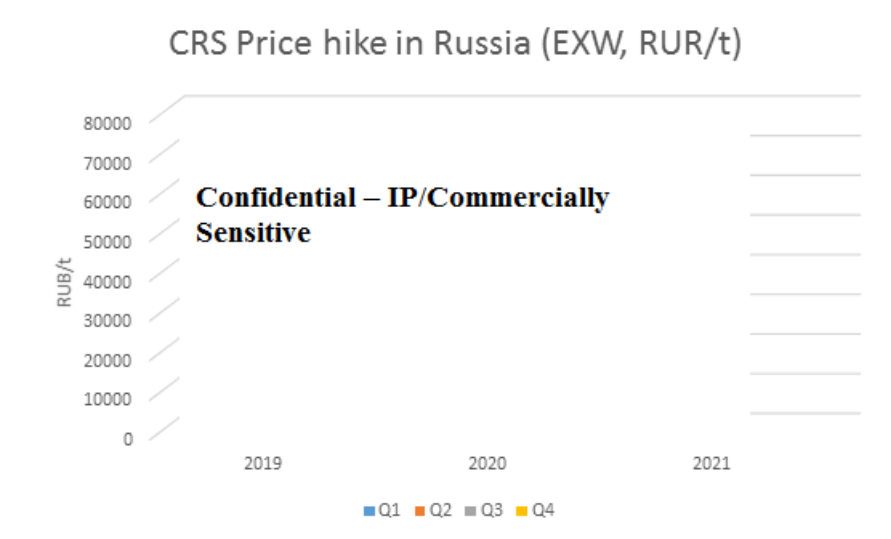
Since the beginning of 2021, the worldwide steel market, including CRS, follows an unprecedented price increase, among other, due to steel products shortages.

A dramatic price increase has been observed at the Chinese and Russian markets targeted by the EU anti-dumping measures, as well as other major markets, such as the US.

<sup>9</sup> S&P Global Platts: MORE EUROPEAN STEEL MILLS CUT OUTPUT, AM BREMEN IDLES A BLAST FURNACE, <https://eurometal.net/more-european-steel-mills-cut-output-am-bremen-idles-a-blast-furnace/>.

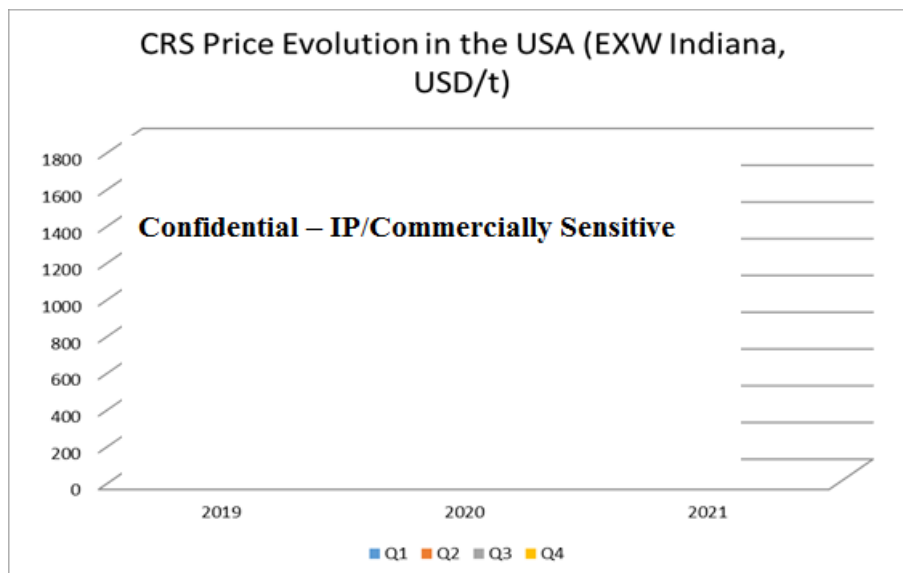


Graph 3. – CRS prices in Russia (EXW, RUR/t)



Source: Metal Bulletin

Graph 4. – CRS prices in the US (EXW, USD/t)



Source: Metal Bulletin

The most recent research proves that the above abnormally high prices are likely to continue to dominate on main markets such as the EU, US and Asian markets throughout 2021 and beyond.<sup>10</sup>

As was elaborated above, the UK has a negative trade balance for CRS and the EU, its main trading partner, is itself experiencing a shortage of CRS. Moreover, the UK domestic producers are reducing existing capacity of production of the goods subject to review. Considering unprecedented price increase for CRS, the transition of the anti-dumping measures applicable to imports of CRS from

<sup>10</sup> Metal Bulletin: Bullish run in global flat steel prices continues, <https://www.metalbulletin.com/Article/3987671/RESEARCH-Bullish-run-in-global-flat-steel-prices-continues.html>.





China and Russia will only aggravate the current situation and will not help the UK to cover shortages in CRS. Therefore, overall UK market conditions necessitates the repeal of the present measures following this transition review, at least as far as Russia is concerned.

### **3. Conclusion**

1. Severstal respectfully submits that the transition review shall be terminated with repeal of the current measures on CRS, insofar as it concerns imports from Russia.
2. Non-existing (or “negligible” under legal definition)) share of the CRS imports from Russia could not be an injury to the UK industry or establish a likelihood of such injury. The UK market can not become a sole priority for Russian producers, including Severstal, because of stable consumption in Russia and diversified portfolio of export destinations. A wider UK interest, including CRS shortages, favours the termination of the anti-dumping measures.
3. Severstal remains at disposal of the TRID for any additional information or clarifications, do not hesitate to contact us.

