Trade Remedies Authority

Recommendation to the Secretary of State

Case TD0017

Transition review of an anti-dumping measure applying to certain hot-rolled flat and coil products originating in the People's Republic of China (PRC)

29 August 2023

Contents

SECTION A: Introduction

1. This section summarises the legal framework for this recommendation and the Trade Remedies Authority (TRA)'s findings. The background to the review along with further details regarding our transition review process can be found in Section C: Background.

2. This document sets out our recommendation and the essential facts on which we have based our recommendation. It should be read in conjunction with other public documents available for this case on the public file. Its purpose is to set out our recommendation to the Secretary of State.

3. For further guidance and information regarding transition reviews, please see our public guidance.

A1 Legal framework

4. This recommendation is made pursuant to regulation 100(1), 100(2)(a)(i), and 100A of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 as amended (the Regulations). In accordance with regulation 100(2)(b) of the Regulations, this recommendation includes:

- a description of the goods to which the recommendation relates;
- the name of overseas exporters;
- a summary of the review; and
- the reasons for the recommendation.

5. In addition, in accordance with regulation 100A(2) of the Regulations, when making a recommendation to vary the measure, we must:

- show that we are satisfied that the Economic Interest Test (EIT) is met;
- have had regard to the current and prospective impact of the anti-dumping amount;
- include the following information:
    - the anti-dumping amount;
    - the goods to which the anti-dumping amount applies; and
    - the period for which the anti-dumping amount is to apply.

A2 About this review

6. This recommendation is in respect of a transition review of a United Kingdom (UK) trade remedies measure under regulation 97 of the Regulations. The Taxation Notice 2020/13[1] gives effect to the European Union (EU) Trade Remedies measure specified in the Notice of

[1] Taxation Notice 2020/13: anti-dumping duty on certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China.

Determination 2020/13[2]. The relevant EU measure was the European Commission (EC) Implementing Regulation (EU) 2017/649 of 05 April 2017[3].

7. This review concerns an anti-dumping measure applying to certain hot-rolled flat and coil products (HRFC) originating in the People's Republic of China (PRC). The Notice of Initiation (NOI) was published on 5 April 2022.

8. The Period of Investigation (POI) for the review was 1 April 2021 to 31 March 2022. To assess injury, we examined the period 1 April 2018 to 31 March 2022 as the Injury Period (IP).

9. On 08 March 2023 pursuant to regulation 62 of the Regulations, we published our Statement of Essential Facts (SEF). We did not receive any submissions in response to the SEF.

[2] Notice of Determination 2020/13: anti-dumping duty on certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China.

[3] Commission Implementing Regulation (EU) 2017/649 of 5 April 2017 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain hot-rolled flat products or iron, non-alloy or other alloy steel originating in the People's Republic of China.

SECTION B: Summary and Findings

B1 Interested parties and contributors

10. The following interested parties and contributors registered to the transition review:

Table 1: Interested parties and contributors.

Name	Abbreviation	Country	Category
TATA Steel UK	TSUK	UK	Producer of the like goods in the UK
Ministry of Commerce Peoples Republic of China	MOFCOM	PRC	Foreign Government
EEF Limited	UK Steel	UK	Trade Body
Community	Community	UK	Trade Union
Liberty Steel	Liberty	UK	Producer of the like goods in the UK

11. Relevant non-confidential submissions made to this review are available on the public file, and are listed in Annex 3.

B2 Scope

12. Regulation 99A(2)(a)(ii) of the Regulations makes provision for the TRA to consider, within the conduct of a transition review, whether the goods or the description of the goods to which an anti-dumping amount is applicable should be varied.

13. The NOI describes the goods subject to review and sets out the scope of the measure under review as:

Certain flat-rolled products of iron, non-alloy steel or other alloy steel whether or not in coils (including 'cut-to-length' and 'narrow strip' products), not further worked than hot-rolled, not clad, plated or coated.

The following product types are excluded:

- products of stainless steel and grain-oriented silicon electrical steel; products of tool steel and high-speed steel
- products, not in coils, without patterns in relief, of a thickness exceeding 10mm and of a width of 600mm or more
- products, not in coils, without patterns in relief, of a thickness of 4.75mm or more but not exceeding 10mm and of a width of 2.05m or more

These hot-rolled flat products are classifiable within the following commodity code(s):

72 08 10 00 00	72 08 40 00 00	72 11 19 00 10
72 08 26 00 00	72 08 52 99 00	72 25 30 90 00
72 08 27 00 00	72 08 53 10 00	72 25 40 60 90
72 08 36 00 00	72 08 53 90 00	72 25 40 90 00
72 08 37 00 10	72 08 37 00 90	72 08 54 00 00
72 26 19 10 90	72 08 38 00 10	72 08 38 00 90
72 08 39 00 10	72 08 39 00 90	72 08 40 00 10
72 08 40 00 90	72 11 13 00 00	72 26 91 91 00
72 11 14 00 10	72 11 14 00 90	72 26 91 99 00
72 11 19 00 90	72 08 25 00 00	72 08 52 10 00
72 25 19 10 90		

The commodity code 72 26 19 10 90 was replaced by commodity codes 72 26 19 10 91 and 72 26 19 10 95 on 9 July 2021.

14. We have not received any application for a review of the description of the goods or the scope of the measure. However, the TRA assessed the scope to ensure that it remained appropriate for the UK-specific context. Having conducted that assessment, we decided not to vary the description of the Goods Subject to Review or the scope of this transition review.

15. To assist with the implementation of the anti-dumping measure on HRFC by His Majesty's Revenue and Customs (HMRC) following the conclusion of this transition review, the commodity codes that are in scope of the anti-dumping measure on HRFC will now be reported as the following 35 10-digit commodity code(s):

1) 72 08 10 00 00	13) 72 08 40 00 90	25) 72 11 19 00 91
2) 72 08 25 00 00	14) 72 08 52 10 00	26) 72 11 19 00 95
3) 72 08 26 00 00	15) 72 08 52 99 00	27) 72 25 19 10 90
4) 72 08 27 00 00	16) 72 08 53 10 00	28) 72 25 30 90 00
5) 72 08 36 00 00	17) 72 08 53 90 00	29) 72 25 40 60 90
6) 72 08 37 00 10	18) 72 08 54 00 00	30) 72 25 40 90 00
7) 72 08 37 00 90	19) 72 11 13 00 11	31) 72 26 19 10 91

8) 72 08 38 00 10	20) 72 11 13 00 19	32) 72 26 19 10 95
9) 72 08 38 00 90	21) 72 11 14 00 10	33) 72 26 91 91 11
10) 72 08 39 00 10	22) 72 11 14 00 91	34) 72 26 91 91 19
11) 72 08 39 00 90	23) 72 11 14 00 95	35) 72 26 91 99 00
12) 72 08 40 00 10	24) 72 11 19 00 10	

16. We published a note to the public file on 05 April 2023 outlining the updated commodity codes. The updated reporting of 10-digit commodity codes in scope of the anti-dumping measure on HRFC does not impact on the description of the goods subject to review nor does it impact on any previous findings and conclusions of this transition review.

B3 Applicability

17. The transitioned UK measure applies to all PRC exporters of the goods subject to review, but the rate of duty is not constant across exporters. The applicable rates for each exporter are detailed in Annex 1.

B4 Likelihood of dumping assessment[4]

18. In accordance with regulation 99A(1)(a) of the Regulations we assessed whether dumping of the goods subject to review would be likely to continue or recur if an anti-dumping amount was no longer applied (the likelihood of dumping assessment).

19. We determined that it is likely, on the balance of probabilities, that dumping of HRFC would recur if the measure was no longer applied.

B5 Likelihood of injury assessment[5]

20. In accordance with regulations 99A(1)(b) of the Regulations, we considered whether injury to a UK industry in the relevant goods would be likely to continue or recur if the measure were no longer applied (the likelihood of injury assessment).

21. We determined that it is likely, on the balance of probabilities, that injury would recur if the measure were no longer applied.

B6 Economic Interest Test (EIT)[6]

22. Having considered all evidence gathered, including that presented by interested parties and contributors, and all factors listed in the Taxation

[4] See also Section F: Likelihood of dumping assessment.
[5] See also Section G: Likelihood of injury assessment.
[6] See also Section H: Economic Interest Test.

(Cross-border Trade) Act 2018[7] (the Act), we have concluded that the EIT is met for the proposed measure.

B7 Recommendation to the Secretary of State

23. In accordance with regulation 100(1) of the Regulations, the TRA must make a recommendation following a transition review to vary or revoke the application of the anti-dumping amount to the relevant goods.

24. Our recommendation is to vary the application of the anti-dumping amount under regulation 100A of the Regulations so that it applies to the goods subject to review imported to the UK until 7 April 2027 – that is, five years subsequent to the date when the measure would have expired (7 April 2022) had no transition review been initiated. As it has not been possible to recalculate the anti-dumping amount, we recommend that the rates of the measure remain unchanged, under regulation 100A(4)(b) of the Regulations.

25. The description of the goods to which the measure applies is set out in section D. We have not varied the description of goods to which the measure applies. We recommend that the duties specified in Annex 1 shall be maintained and applied to the goods described or imported under the UK tariff codes listed.

26. We make this recommendation on the grounds that we have assessed that it is likely that dumping would recur if the measure were no longer applied; that injury would recur to UK industry if the measure were no longer applied; and that the application of the varied measure meets the EIT.

27. In reaching this recommendation, we considered the current and prospective impact of the measure.

[7] See paragraph 25 of schedule 4 of the Taxation (Cross-border Trade) Act 2018 (the Taxation Act).

SECTION C: Background

C1 Initiation of the transition review

28. The UK chose to maintain some trade remedy measures once it was outside the EU's common external tariff. The Department for International Trade (DIT) identified which measures were of interest to the UK following a call for evidence.

29. For each of these measures, the Secretary of State for International Trade (the Secretary of State) published a Notice of Determination, under regulation 96(1) of the Regulations, setting out the decision to transition the corresponding EU trade remedies measure, and a Taxation Notice, on replacement of the EU trade duty. The TRA conducts transition reviews to determine if the measures in the Taxation Notice should be varied or revoked in the UK.

30. On 31 December 2020, the Secretary of State published a Notice of Determination[8] regarding the anti-dumping duty on certain hot-rolled flat and coil products originating in the PRC, noting the decision to transition the EU anti-dumping measure so it continued to apply in the UK once the UK ceased to apply the EU's Common External Tariff. Taxation Notice 2020/13[9] gave effect to the transition of the EU anti-dumping duty on HRFC originating in the PRC to become an additional amount of UK import duty.

31. On 05 April 2022, the TRA published a Notice of Initiation[10] to initiate a transition review of the UK measure relating to certain hot-rolled flat and coil products originating in the PRC. This NOI had the effect of initiating the transition review.

C2 Previous measure in place

32. The European Commission (the Commission) imposed anti-dumping duties on imports of certain hot-rolled flat and coil products originating in the PRC by Commission Implementing Regulation (EU) 2017/649 of 05 April 2017[11]. Annex 2 lists the duty rates that were applied. This measure was transitioned under Taxation Notice 2020/13 to become the UK trade

[8] Notice of Determination 2020/13: anti-dumping duty on certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China.

[9] Taxation Notice 2020/13: anti-dumping duty on certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China (www.gov.uk).

[10] Trade remedies (trade-remedies.service.gov.uk).

[11] Commission Implementing Regulation (EU) 2017/649 of 5 April 2017 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain hot-rolled flat products or iron, non-alloy or other alloy steel originating in the People's Republic of China.

remedies measure that is subject to this transition review. The Commission is conducting an expiry review of the EU measure. [12]

C3 Our transition review process

C3.1 The transitioned measure

33. The EU measure transitioned into UK law and set out in the Taxation Notice took effect as a UK measure on replacement of EU trade duties. Under regulation 97C of the Regulations[13], this measure will continue until the Secretary of State publishes a notice accepting or rejecting a recommendation following a transition review.

34. The transitioned measure applies to certain hot-rolled flat products of iron, non-alloy or other alloy steel originating from the PRC. The rate of anti-dumping duty which applies to the goods subject to review exported by the relevant companies is detailed in Annex 2.

C3.2 Information from participants in the review

35. Non-confidential versions of information received can be accessed on our public file.

UK producers

36. We received submissions from two UK producers:

- TSUK[14]; and
- Liberty Steel[15].

37. Liberty Steel provided a deficient non-confidential version of their questionnaire response, and so the information provided has not been considered in our analysis, with the exception of their sales data which provided us with additional assurance on market shares of domestic producers. A note concerning the deficient questionnaire submission is available on the public file[16].

[12] Notice of initiation of an expiry review of the anti-dumping measures applicable to imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People's Republic of China.

[13] The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (legislation.gov.uk).

[14] Trade remedies (trade-remedies.service.gov.uk) TSUK registration of interest.

[15] Trade remedies (trade-remedies.service.gov.uk) Liberty Steel registration of interest.

[16] Trade remedies (trade-remedies.service.gov.uk) Liberty incomplete questionnaire

38. It was not necessary to use the sampling provision as contained in the Regulations. The information submitted by TSUK and Liberty is listed in Annex 3.

Foreign governments

39. We received submissions from The Ministry of Commerce of the People's Republic of China (MOFCOM)[17].

40. The information submitted by the foreign government is listed in Annex 3.

Contributors and further interested parties

41. We received submissions from the following contributors and further interested parties:

- EEF Limited (UK Steel)[18]; and
- Community Trade Union[19].

42. The information submitted by contributors and further interested parties is listed in Annex 3.

C3.3 How we have used submitted data

43. Throughout this transition review, we have used submitted data as part of our evidence base upon which we have made our assessments and formed our conclusions. We have compared submitted evidence against the totality of relevant evidence available to us – whether this is evidence submitted by other interested parties; evidence taken from TRA data subscriptions or publicly available data from governmental, industry and other sources.

44. We have also used submitted data to corroborate or gain a level of assurance as to that data itself, or other evidence either submitted to us or gathered by us.

45. In addition to information submitted, secondary source information was used in accordance with the Regulations. This secondary information was treated with special circumspection and, where practicable, verified using independent sources. This included, but was not limited to, official import statistics and data pertaining to relevant markets.

C3.4 Verification of data

46. The TRA conducted both on-site and remote verification during this review.

[17] Trade remedies (trade-remedies.service.gov.uk) MOFCOM registration of interest.
[18] Trade remedies (trade-remedies.service.gov.uk) UK Steel registration of interest.
[19] Trade remedies (trade-remedies.service.gov.uk) Community registration of interest.

47. We checked TSUK's submissions for consistency and completeness. During these checks, we identified deficiencies relating to inadequate responses and non-confidential submissions. All deficiencies were resolved where necessary before verification work commenced.

48. We visited TSUK's manufacturing facility in Port Talbot from 22 to 23 August 2022 to carry out an initial walkthrough of their manufacturing facility to gain knowledge of their products, business, and accounting systems. We then conducted a verification visit at the Port Talbot facility from 12 to 14 September 2022. Further verification activity took place around this visit via email and video conferencing. Details of the verification work completed can be found in our verification report on the public file[20]. As a result, we have obtained sufficient assurance to conclude that the information provided by TSUK is verifiable and that it is reasonable for us to treat the information as complete, relevant, and accurate for the purpose of this review.

49. Subsequent to the verification visit conducted at TSUK's Port Talbot facility and the publication of the verification report, we also conducted verification of a confidential market data source specialising in commodity analysis which was submitted by interested parties, which we found the be complete, relevant and accurate for the purpose of this review. We did not verify Liberty Steel's data as their non-confidential questionnaire response was deficient. We did use their sales data to gain assurance on our understanding of the market shares of the domestic producers.

[20] Trade remedies (trade-remedies.service.gov.uk) Verification report TSUK.

SECTION D: The Goods and Like Goods

D1 Description of the goods

50. “Goods subject to review” are defined in regulation 2 of the Regulations as “the goods described in the notice of initiation of a review under paragraph 1 of Schedule 3”.

51. The goods subject to review in this transition review are defined in the NOI and set out in section B2, above.

D2 Like Goods

52. ‘Like goods’ in this transition review are defined in relation to ‘goods’ under Schedule 4, Part 1, Paragraph 7 of the Taxation (Cross-border Trade) Act 2018 as: (a) goods which are like those goods in all respects, or (b) if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling those of the goods in question.

53. To assess whether, in this transition review, the goods manufactured in the UK have sufficiently similar characteristics to constitute like goods, we considered:

- Physical likeness, such as physical characteristics; and
- Commercial likeness, including competition and distribution channels.

D3 Assessment of the Goods

54. We did not receive any submissions that the goods manufactured in the UK were not like the goods subject to review. Further, our own analysis of questionnaire responses and sales data demonstrated that the like goods have characteristics closely resembling or identical to the goods subject to review.

55. Having considered the goods manufactured in the UK compared to the goods subject to review, we are satisfied that the goods manufactured in the UK are like goods for the purposes of this transition review.

SECTION E: The current UK industry and market

E1 Overview

56. TSUK and Liberty Steel are the only known UK producers of HRFC for the UK market. TSUK has the largest share of the UK production of HRFC.

57. Both UK produced HRFC and imported HRFC are important as sources of supply in UK consumption of HRFC.

E2 Market size and structure

58. Over the IP, Gross Value Added (GVA) from the production of HRFC was circa £174 million per year.

59. TSUK are the UK's largest integrated iron and steel manufacturer with sites in south Wales and the Midlands, with an average workforce of around 8,188 over the IP.

60. In addition to two UK producers of HRFC, we identified 45 businesses that imported HRFC in 2021. Imported HRFC is an important source of supply.

61. HRFC is most frequently used as an input in the production of other steel products.

62. More than 50% of HRFC produced by TSUK is used in the TSUK's own production of other steel products, including tubular products, tin plate and products requiring cold reduction.

63. A significant proportion of the downstream businesses that TSUK sell HRFC to are intermediaries. These intermediaries include distribution centres, which are owned by TSUK, and independent Steel Service Centres (SSCs).

64. These intermediaries, which sell to downstream buyers, largely act as storage facilities and traders but they may also make minor adjustments to the HRFC such as slitting, decoiling and blanking to specific requirements.[21]

65. Of TSUK's sales of HRFC which it does not use to produce other steel products, between 60 and 80% are to the SSCs. This, however, could vary depending on market demand.

[21] See Tata Steel (Service Centres) and Chainbridge Steel (Processing Capabilities).

66. We identified 42 SSCs and we analysed the financial accounts of 13 SSCs published during the IP. We found that over the IP these 13 SSCs employed a total of 1,029 employees and had a combined GVA of circa £93m.

67. The downstream businesses, which purchased HRFC directly from TSUK, include those in the automobile, engineering, and tubes and pipes industries.

68. We identified 13 downstream direct buyers and analysed the financial accounts of 4 businesses published during the IP. We found that over the IP these 4 businesses employed a total of 2,519 employees and had a combined GVA of circa £93m.

69. There are other downstream industries that use HRFC as inputs into production, which normally purchase HRFC from intermediaries or import. For example, HRFC is also purchased and used by the construction industry.

E3 Market trends

70. TSUK's share of the HRFC market and their UK sales of HRFC remained relatively stable over the IP. Conversely, TSUK's export sales of HRFC more than doubled between 2018/19 and 2021/22.

71. Total UK imports of HRFC have fluctuated considerably over the IP with the quantity and the value of imports falling between 2018/19 to 2020/21 before rising during 2021/22.

Table 2: UK imports of HRFC over the IP.

	2018/19	2019/20	2020/21	2021/22
Quantity of total UK imports of HRFC (tonnes)	967,275	660,737	500,388	724,097
Quantity of total UK imports of HRFC (2018/19=100)	100	68	52	75
Value of total UK imports of HRFC (£ '000s)	537,829	331,775	241,738	574,884
Value of total UK imports of HRFC (2018/19=100)	100	62	45	107

Source: HMRC, Overseas Trade in Goods Statistics, 2022.
Notes: 2018/19 corresponds to a twelve-month period, from 1 April 2018 to 31 March 2019. 2019/20 = 1 April 2019 to 31 March 2020. 2020/21 = 1 April 2020 to 31 March 2021. 2021/22 = 1 April 2021 to 31 March 2022 (POI).

E4 Competition in the market

72. UK produced HRFC competes with HRFC imported from other countries.

73. UK import data shows that the value of UK imports of HRFC during the POI amounted to circa £575m.

74. Over the IP, the main source countries of imported HRFC included the Netherlands, Belgium, Sweden, Germany and Türkiye. Together these countries accounted for 63% of total UK imports of HRFC by volume.

75. There were minimal imports of HRFC from the PRC, and the PRC's share of UK imports of HRFC over the IP was equal to 0.004%.

E5 Conclusion

76. We have concluded that the UK industry is comprised of two producers of HRFC: TSUK and Liberty Steel. TSUK is a considerably larger UK producer of HRFC than Liberty Steel.

77. The UK market for HRFC also consists of importing businesses, which are important as a source of supply in UK consumption of HRFC.

78. HRFC is used as an input in the production of other steel products, with numerous downstream businesses.

SECTION F: Likelihood of Dumping Assessment

F1 Introduction

79. In accordance with regulation 99A(1)(a) of the Regulations, we have assessed the likelihood that the dumping of the goods subject to review would be likely to continue or recur if the anti-dumping amount were no longer applied to those goods. In doing so, and in conjunction with our consideration of the EIT, we have also had regard to the current and prospective impact of the anti-dumping amount, as required under regulation 100A(2)(b) of the Regulations.

80. We have considered the likelihood of dumping on a countrywide basis, rather than an exporter-by-exporter basis, because there were no cooperating PRC exporters. This meant that no suitable data was available to the TRA on individual companies. Information obtained from secondary sources was used in accordance with the Regulations where primary data was not available. The assessment considered at country level:

- whether there was continued dumping;
- production capacity (current and future);
- production levels;
- inventory levels;
- ability to shift production to the goods subject to review;
- conditions in the exporters domestic market and market prices in the UK compared to the exporters domestic market;
- exports to third markets;
- how attractive the UK is to exporters;
- whether exporters have previously circumvented or absorbed measures; and
- any other relevant factors.

81. We conducted this assessment for the PRC to inform our determination as to whether the measure should be varied or revoked. We conducted the assessment of the likelihood of dumping of the goods subject to review continuing or recuring on the balance of probabilities.

F2 Continued dumping

82. 14 tonnes of HRFC were imported from the PRC during the POI, corresponding to less than 0.002% of total imports. This amount is insignificant considering total UK consumption[22].

[22] We are unable to disclose consumption values owing to confidentiality considerations.

Table 3: UK imports of HRFC from the PRC between 2015 and 2022.

	2015	2016	2017	2018	2019	2020	2021	POI
UK imports of HRFC from the PRC (tonnes)	66,507	21,483	55	57	21	1	41	14
Index 2015=100	100	32	0	0	0	0	0	0
PRC's share of UK imports of HRFC	7.589%	2.823%	0.007%	0.007%	0.003%	0.000%	0.006%	0.002%

Source: HMRC, Overseas Trade in Goods statistics, 2022.

83. Table 3 suggests the anti-dumping measure imposed by the European Commission has been effective due to the sudden and dramatic decrease in UK imports of HRFC from the PRC in 2017. We therefore conclude that there has not been continued dumping from the PRC during the IP.

F3 Production capacity

84. S&P Global Commodity Insights states that PRC has approximately 350 million tonnes per year of HRFC production capacity[23]. S&P Global also estimate PRC's HRFC production capacity will increase by around 11.8% in 2022 and 6.8% in 2023[24]. This is based on calculations made by Platts who have based their findings on official reports and market sources.

85. S&P Global and our confidential sources suggest that production capacity in the PRC is significant and other sources (including the Centre for Research on Energy and Clean Air (CREA) report)[25] agree they are likely to increase. The publicly available figures on capacity are consistent with submissions made by interested parties referencing other data sources[26].

86. We find that the production capacity in the PRC is high, for example significantly higher than UK demand.

[23] See page 1 of article "China's steel industry eyes major HRC capacity expansion in 2022-2023". S&P Global refers to the PRC's HRFC production capacity being 350 million tonnes in 2022.

[24] See page 1 of article "China's steel industry eyes major HRC capacity expansion in 2022-2023".

[25] See page 1 of CREA report; this refers to the wider steel category, including but not exclusive to HRFC

[26] We are unable to disclose figures from other data sources due to confidentiality requirements.

F4 Production levels

87. We assessed the production volumes of HRFC in the PRC using publicly available data. Table 4 shows the production of hot rolled products (inclusive of HRFC) in the UK and PRC. It also shows the percentage of UK production relative to PRC's production for the purposes of scale.

Table 4: Production of hot rolled products in the PRC and the UK.

	2015	2016	2017	2018	2019	2020
PRC production ('000s tonnes)	849,485	813,956	796,157	877,314	951,549	1,037,827
UK production ('000s tonnes)	7,988	6,680	6,330	6,529	6,496	6,233
UK production % of PRC production	1%	1%	1%	1%	1%	1%

Source: World Steel, 2022.

88. The data we have assessed with regard to UK consumption is confidential, but PRC's production in absolute terms surpasses UK demand[27] by a significant amount. A small proportion of PRC's production would be able to meet UK's demand requirements.

89. In summary, the data demonstrates that PRC has significantly large production levels of HRFC, particularly when compared to UK consumption figures.

F5 Inventories

90. We have assessed the data source CEIC which cites the China Iron and Steel Association (CISA) regarding PRC inventories. We observe that across the IP, inventories of HRFC rose from 1,600,000 tonnes to 4,250,000 tonnes[28].

91. In the absence of submissions from interested parties and stakeholders regarding inventories in the PRC, our assessment was conducted using secondary sources. The data obtained from CISA indicates there has been a substantial increase in HRFC inventories since the start of the IP.

F6 Ability to switch production to the goods subject to review

92. HRFC is a raw material for a range of downstream products including, but not limited to; cold rolled products; galvanised products; tubes; pipes; and tin plates. Therefore, if the UK HRFC market were to become more open through the removal of the anti-dumping measure and be attractive to Chinese producers/exporters, it could be argued that more of this product

[27] We are unable to disclose UK demand due to confidentiality requirements.

[28] Graphical data generated inserting IP (01/04/2018 to 31/03/2022) from CEIC (reported in thousand tonnes).

could be kept as HRFC and less manufactured into the downstream product lines.

93. As a result, Chinese producers may have the ability to shift production to the goods subject to review, by virtue of not producing the downstream products, and could potentially dump if the incentives were in place for them to do so.

94. However, due to a lack of submissions made or data available regarding this factor, it does not contribute to our assessment.

F7 Market prices in the UK and the overseas exporters' market

95. We were unable to calculate an accurate and representative Normal Value in the PRC for comparison with UK prices as we did not receive verifiable transactional data from a Chinese exporter.

F7.1 Whether a Particular Market Situation exists in the PRC

96. We have received submissions from TSUK and UK Steel that allege a Particular Market Situation (PMS) exists in the PRC HRFC industry. MOFCOM objected to this allegation and outlined in a submission why they believe no PMS exists in PRC's HRFC market.

97. Due to the lack of data and evidence available to calculate market prices and ascertain an indicative domestic price of HRFC in this review, we have not drawn any conclusions as regards PMS and it is not necessary to investigate it further.

98. As prices have not been compared between the UK and PRC, alongside the inability to calculate normal values, this factor does not contribute to our assessment.

F8 Exports to third markets

Due to a lack of participation from PRC producers in this transition review, we did not have any transaction level data to investigate potential ongoing dumping to third countries.

99. We have evidence that anti-dumping measures are in place in Canada[29], the EU[30] (expiry review initiated), Indonesia[31], Mexico[32] and the US[33]. This

[29] See Canada Border Services Agency: Expiry review determination.

[30] See the EU's notice of initiation.

[31] See Global Trade Alert Indonesia: Definitive AD duties on imports from China.

[32] See Global Trade Alert Mexico: Extension of definitive AD duties.

[33] See USA Federal Register for HRFC from China.

constitutes 31 countries in total[34] that have measures in place for HRFC originating from PRC. This suggests that imports may be diverted from third markets to the UK were the measure removed.

100. The evidence in relation to this factor demonstrates that Chinese producers' access to some third-country markets is limited by anti-dumping measures.

Table 5: Top five HRFC buyers (without measures) from the PRC during the IP.[35]

Country	Exports Volume (million tonnes)	Exports Value (million £)	Unit Price (£/tonne)
Vietnam	11.885	5,297	446
South Korea	6.320	2,960	468
Saudi Arabia	2.984	1,420	476
Pakistan	2.721	1,199	440
Bangladesh	1.553	745	480

Source: UN Comtrade, 2022.

101. In light of the data assessed from both confidential sources and UN Comtrade in Table 5, we found that in markets where anti-dumping measures are not in place, Chinese HRFC exports were in higher quantities and at lower prices than that available in the UK market[36].

102. The evidence in this section would therefore contribute to an assessment that PRC exporters may dump to the UK should the measure no longer apply.

F9 Conditions in exporters' home market

103. TSUK submitted that "Chinese domestic demand is going to follow a downward trend in the coming years"[37]. This was consistent with other secondary sources such as S&P Global[38] who published that domestic demand for steel in the PRC is falling, driven by reduced demand from the property and construction sectors.

104. As suggested in Section F3 and F5, HRFC capacity in the PRC is likely to increase every year, with inventories remaining significant. Combined with the decline in domestic demand in PRC, this is likely to result in excess capacity and Chinese exporters incentivised to seek new markets.

[34] Considering the EU is comprised of 27 countries as per gov.uk. At least 31 countries have a measure on HRFC in place against the PRC.

[35] Refers to the most significant buyers of HRFC from the PRC when ranked by volume. Excludes countries that had a measure in place during the IP against HRFC from the PRC, namely India. UN Comtrade reports values in USD therefore we converted this to GBP using the BoE exchange rate database. UN Comtrade provides data at the level of 6-digit HS codes and this includes codes which are not within the scope of our investigation.

[36] We cannot disclose UK prices of HRFC due to confidentiality requirements.

[37] See page 19 TSUK written comments.

[38] See article: 6 key drivers shaping China's steel sector in 2022.

105. We found PRC to be the world's largest steel exporter[39]. In 2019, 15% of all steel exported globally came from the PRC, representing 62 million tonnes, almost double the volume exported by the world's second-largest exporter, Japan[40].

106. These conditions in the PRC's domestic market could lead to excess supply of the goods subject to review, which may incentivise producers to export their stock at dumped prices.

107. In summary, we found that the conditions in PRC's domestic market were not favourable, with reduced demand for HRFC and a trend of increasing capacity, alongside already being the largest steel exporter.

F10 Attractiveness of the UK market

108. TSUK[41] and UK Steel[42] highlight in their submissions that the existence of trade defence measures in third countries may lead to the UK becoming an attractive destination for exports should the UK remove its equivalent measures. Our findings in section F8, that there are currently trade defence measures in place against PRC HRFC imports amongst third countries, support this.

109. In section F8 above, we found that when countries do not have a measure in place against PRC, PRC exports have been in higher quantities and at lower prices than that available in the UK. It is also the case that prices of PRC exports to third countries are lower than UK domestic prices. We therefore assess that PRC exporters to the UK would, if the measure were removed, have latitude to choose a price that may be lower than the UK domestic price but higher than their exports into third countries. Whether this is likely to be a dumped price or not is not something we can assess in the absence of data on PRC domestic prices, but our assessment does suggest that were the measure removed, the UK market may give PRC exporters the opportunity to sell more profitably than third countries do, thus making the UK an attractive market.

110. TSUK noted in their written submission that "the UK market, due to its size and open/competitive nature, with a stable and strong currency, is clearly an attractive target for Chinese HRFC exporters"[43]. Whilst the UK market is not particularly large in comparison to the EU and US, the majority of the UK's domestic consumption is met by imports. Therefore, it is reasonable to suggest that the UK market is relatively open and competitive.

[39] See page 1 Global Steel Trade monitor.
[40] See page 15 TSUK written comments.
[41] See page 20 TSUK written comments.
[42] See page 8 UK Steel Appendix to Response.
[43] See page 20 TSUK written comments.

111. TSUK submitted that UK consumption has begun to recover following the impacts of the COVID-19 pandemic on the economy. They add that the existing and forecasted demand for HRFC would likely attract exporters from PRC should the current anti-dumping measure be revoked by the UK. We found evidence that domestic demand for steel was significantly subdued during the first COVID lockdown in early 2020[44]. However, there is uncertainty surrounding UK steel demand and consumption post-COVID. UK Steel advised that demand is likely to reduce further in 2023 following a 6% reduction in demand between 2021-2022[45]. This is supported by further reports that subdued UK demand is likely to have knock-on effects on consumers' confidence and spending[46].

112. Based on the evidence and facts available, we conclude that the prevalence of anti-dumping measures in third countries has reduced Chinese exporters' access to export markets. An absence of any measure in the UK, in addition to the UK's relatively open and competitive market, suggests that the UK may be an attractive market for Chinese exporters should the measure no longer apply.

F11 Have exporters previously circumvented or absorbed measures

113. We have not received any information regarding this factor and were unable to find any evidence that the PRC has been the subject of a circumvention or absorption review. Therefore, this factor does not contribute to our assessment.

F12 Other factors

114. The TRA has not identified any other factors that can contribute to this likelihood assessment.

F13 Conclusion

115. Our assessments for several of the factors (i.e. ability to switch production, normal value in comparison to UK prices, circumvention/absorption and any other relevant factors) did not direct us toward a conclusion as to whether dumping was more likely than not, largely due to there being limited evidence available on these factors. However, all factors on which we were able to assess evidence suggested that dumping would be likely if the measures were removed. This is included evidence that PRC levels of production, production capacity and inventories were high, and PRC was therefore able to dump. It also included evidence that PRC had dumped

[44] House of Commons (UK Steel industry: statistics and policy).

[45] GMK Center (Challenges for the UK Steel sector today).

[46] S&P Global (UK steel output to hit 'record low' this year; 2023 prospects uncertain: UK Steel Forum).

previously and may currently be dumping in countries without measures in place, as well as evidence that the UK may be an attractive destination for dumped PRC HRFC were the measure removed. Among the factors we assessed, none suggested evidence to the contrary.

116. We conclude that, on the balance of probabilities, both conditions and incentives for dumping exist. We therefore assess that, should the measure be revoked, dumping is likely to recur.

SECTION G: Likelihood of Injury Assessment

G1 Introduction

117. We are required under regulation 99A(1)(b) of the Regulations to consider whether injury to the UK industry in the relevant goods would be likely to continue or recur if the measure were no longer applied (the injury likelihood assessment).

118. Information obtained from secondary sources was used in accordance with Regulations where primary data was not available. Due to Liberty not returning a full completed submission, we will only be using their sales data for market share.

119. To conduct the injury likelihood assessment, we considered:

- The current state of the UK industry;
- Potential other causes of injury;
- Undercutting of the UK industry;
- Domestic and international market conditions; and
- Historic injury.

120. We conducted this assessment to inform our determination as to whether the measure should be varied or revoked. The assessment of the likelihood of injury was concluded on the balance of probabilities.

121. It is important to note that there were low levels of imports during the IP, when the measures were in place. We will therefore conduct the following analysis in the context of a UK market that was being protected by the measure across the IP. We will analyse what has happened with the injury factors during this time and consider what would happen if the measures were to be removed.

G2 Current state of UK Industry

122. In assessing the current state of the UK industry, we considered changes to the following injury indicators:

- actual and potential decline in:
    - sales;
    - profits;
    - output;
    - market share;
    - productivity;
    - return on investment;
    - utilisation of capacity;
- factors affecting domestic prices

- actual and potential negative effects on:
  - cash flow;
  - inventories;
  - employment;
  - wages;
  - growth;
  - ability to raise capital or investments.

123. We have considered each factor individually to get an understanding of the current UK industry but our overall conclusion is based on a holistic assessment of all relevant economic factors.

G2.1 The impact of the COVID-19 pandemic and the rise and fall of steel prices

124. In conducting our injury assessment, we found that the COVID-19 pandemic had a considerable impact on the steel industry and thus on the data we have received, particularly in the POI.

125. The impact of the COVID-19 pandemic on 2020 consumption within the EU is summarised within an OECD report[47], with the European Steel Association (EUROFER) quoted as citing an 11.1% reduction, the decline due to the lockdowns in the second quarter of 2020. The EU automotive sector, which is a major user of steel products suffered even worse, with EU car sales dropping by 23.7% compared to the previous year.

126. In 2020, the effects of the COVID-19 pandemic on steel demand and production led to an apparent drop in finished steel use of around 12.5% in the UK, down to just under nine million metric tons[48].

127. On the basis of this contextual evidence regarding the effect of the COVID-19 pandemic on the EU and UK steel industry, we have in some areas of our injury assessment, noted figures for 2020/21 that we consider have been negatively impacted by the COVID-19 pandemic. Where this is the case, we reference this section and consider what effects those impacts of the COVID-19 pandemic have on the state of the UK HRFC industry.

128. In addition to the negative impacts of the COVID-19 pandemic in 2020/21, we also found a number of factors showed figures for 2021/22 that were outliers, and much more positive than any of the previous years. TSUK's explanation was that this was a result of a temporary effect of COVID recovery, and since this pattern arose in a number of factors examined, we

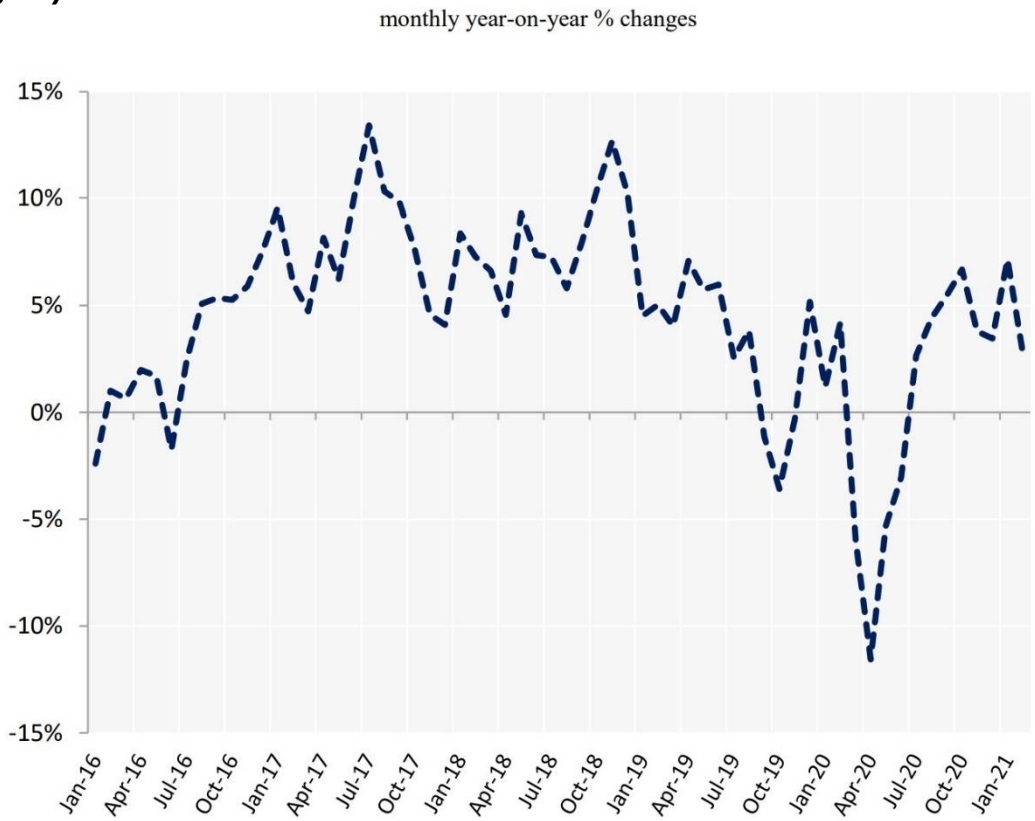
[47] OECD (Steel Market Developments Q4 2021).

[48] Statista (Apparent use of finished steel products in the United Kingdom (UK) from 2009 to 2020).

have considered at the outset whether this explanation is supported by the wider evidence.

129. The chart below, taken from OECD's steel market developments 2021-Q4[49], shows how the COVID-19 pandemic had a considerable negative impact on hot-rolled steel consumption in the spring of 2020. The chart presents the percentage change of a given month compared to the same month one year earlier taking the combined consumption of HRFC products for 10 of the world's largest steel consuming economies, that taken together account for approximately 75% of global steel demand.

Figure 1: Consumption of hot-rolled steel products in major economies (aggregate).



Note: Total represents the combined consumption of hot-rolled steel products of the following economies: Brazil, China, Germany, India, Italy, Japan, Korea, Mexico, Russia and the United States. The consumption of hot-rolled products is defined as the sum of production and net imports.
Source: OECD calculations based on data from ISSB (International Steel Statistics Bureau) (ISSB, World Steel Statistics May 2021) in OECD, Steel Market Developments Q4 2021.

130. During the second half of 2020, however, consumption started to pick up: according to World Steel data cited by OECD[50], global steel production increased by 13.7% during the first half of 2021, with steel production in the UK increasing by 10.3%.

[49] OECD (Steel Market Developments Q4 2021).
[50] OECD (Steel Market Developments Q4 2021).

131. In addition, gobal steel prices have increased significantly and suddenly since July 2020. As of July 2021, flat steel prices stood at 134% higher than one year earlier.

132. Given the evidence set out in this section, we assess that where we see very high figures in 2021/22 that are anomalous, it is likely that these indeed result from the unusual situation of COVID recovery explained above and as set out by TSUK in their submission. In order to understand the current state of the UK industry, it is important for us to consider whether that situation is temporary or continuing.

133. TSUK set out that the favourable market conditions that existed in the 2021/22 financial year would be unlikely to continue. We considered the most recent OECD report: Steel Market developments (Q4 2022) [51], which states that "*The outlook for global steel markets has deteriorated sharply"* and lists factors such as global economic slowdown, high energy prices, accelerating inflation, the Russian invasion of Ukraine and supply chain disruptions. It also directly addressed the pattern of strong performance in 2021/22 and indicates that this is temporary. The price fall in HRFC products can be seen on Page 29 of the report. Although this highlights the NYMEX US Midwest HRC Steel Index, it reflects the steep decline seen globally in HRFC steel prices. We therefore agree that these effects appear to be temporary.

134. In conclusion, we therefore assess that where we see very high, anomalous figures for 2021/22 in the data, these may result from COVID recovery and may also be temporary, and as such that these should not necessarily indicate a trend that will continue or be taken alone as the sole indicator of the current state of the UK industry.

[51] Steel Market developments Q4 2022 (oecd.org)

G2.2 The level of UK industry's domestic sales

Table 6: TSUK domestic sales of HRFC over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Domestic sales by volume Index	100	98	91	113
Domestic sales by value Index	100	86	79	169
Unit price Index	100	87	87	149
Domestic sales as % of total sales by value Index	100	83	73	94

Source: TSUK questionnaire responses.

Table 7: TSUK export sales of HRFC over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Export sales by volume Index	100	159	210	136
Export sales by value Index	100	137	163	201
Unit price Index	100	86	78	148
Export sales as % of total sales by value Index	100	132	152	112

Source: TSUK questionnaire responses.

Table 8: TSUK total sales of HRFC over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Total sales by volume Index	100	120	133	121
Total sales by value Index	100	104	108	180
Unit price Index	100	86	81	148

Source: TSUK questionnaire responses.

135. From the start of the IP until 2020/2021, domestic sales decreased in both total volume and value. However, export sales increased at a higher rate than the domestic sales decreased during this period, so sales volumes and values increased overall during the first three years of the IP. In the final year we see a significant increase in domestic sales but a decrease in export and overall sales versus the previous year.

136. Meanwhile, the unit price shows a clear decline over the first three years of the IP, then a large and sudden increase in the POI. The data suggests that TSUK losing domestic market share drove them toward the export market, but this affected prices as export prices were lower than domestic prices. The data seems to support an assessment that neither the domestic nor export market offered TSUK sufficient demand or pricing during the first three years of the IP to allow them to maintain their prices.

137. We consider TSUK's explanation of the increase in both domestic sales and prices in 2021/22 to be reasonable, i.e. that it is the effect of COVID recovery evidenced in section G2.1. We therefore think it unlikely that these very high prices, in particular, are evidence of a continuing trend, but rather an anomaly, and that prices will return at least to levels seen in the years before COVID.

138. Taken together, the data across the IP therefore indicates that the UK HRFC industry may be vulnerable to losing domestic sales should dumped imports recur at prices lower than TSUK's, since domestic sales have already generally been in decline during the IP. Should TSUK seek to offset this by increasing export sales, this is likely to result in decreased average prices since export prices appear to be lower than domestic prices. While sales volumes, values, and average prices look very positive for 2021/22, we conclude as per section G2.1 that this is likely to be a temporary effect, and does not therefore discount the vulnerability to injury seen in the price decreases and loss of domestic sales trends prior to this in the IP.

G2.3 Profits

139. TSUK's financial accounts for 2019/20[52], show a particularly negative financial year in terms of profitability for the like goods, when compared to wider company trends.

140. TSUK's financial accounts state that this was due to lower demand in Europe resulting in lower prices and less profit margin for TSUK. Secondary sources[53] corroborated this. It also accords with the decrease in average sales price in 2019/20 in the data considered in the section G2.2 above.

141. However, the sales data in section G.2.2 shows a further decrease in average price in 2020/21, whereas profit data for the like goods shows some improvement in that year compared to 2019/20, albeit still showing significant losses. TSUK attribute this to stronger market conditions in the second half of the year compared to the weak market conditions, and low profitability, experienced throughout 2019/20, but this does not entirely explain why profit increased while prices decreased.

142. In 2021/22, we again see the very positive trend which we have attributed to COVID recovery and evidenced in section G2.1. While we have concluded that this effect is likely temporary, it is nonetheless likely to have

[52] Companies House (TATA Steel UK).

[53] EUROFER (Steel market struggled in 2019, early data for 2020 shows dramatic impact of COVID).

decreased TSUK's vulnerability by offsetting some of the losses experienced in the preceding three years.

143. Overall, while we have not been able to find evidence to explain some of the fluctuations in profitability during this period, we assess that the evidence shows a trend of low profit margins. Should dumped imports recur and undercut the UK industry, it is unlikely that the UK industry could reduce its profit margins in order to remain competitive on price, as profit margins already appear to be low.

G2.4 Output

Table 9: TSUK HRFC production output over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Output by volume Index	100	102	97	102
Output by value Index	100	102	91	136

Source: TSUK questionnaire responses.

144. Production output has remained stable throughout the IP. There was a slight rise in output in 2019-2020 and towards the end of the IP before dropping in 2020.

145. TSUK claim in their questionnaire response that they aim to keep their mill at Port Talbot fully utilised otherwise it becomes uneconomic While TSUK's explanation is in line with descriptions of steel production in secondary sources generally, we have been unable to verify TSUK's claims specifically, although this would explain why production volumes have remained fairly constant throughout the IP[54].

146. As we are unable to verify specific evidence on this point in relation to TSUK, it will not contribute to our assessment.

G2.5 Market share

Table 10: UK domestic sales and imports over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Domestic sales (volume) Index	100	98	86	114
UK imports (volume) Index	100	68	51	75

Source: TSUK questionnaire responses.

147. The table above shows imports into the UK decreased in 2019/2020 and remained below the 2018/2019 level for the remainder of the IP. Our

[54] Live mint- Steel industry struggles as blast furnaces begin shutting down.

confidential data also shows that domestic market share increased throughout the IP while imports market share decreased.

148. Although market share appears relatively strong given it has been increasing throughout most of the IP, Table 10 shows this is a result of imports declining faster than domestic sales suggesting that changes to UK's industry's market share appear to be mainly driven by greater volatility in the imports market.

149. In their submission, TSUK explain that the UK's market share increase in 2020 was driven by COVID lockdowns shutting down factories causing global imports to fall, resulting in a relative higher demand for domestic sales. Secondary sources[55] concur with this.

150. In the sales section (G2.2) above, we noted TSUK's data suggests that they had turned to the export market, despite its lower prices, because they were losing domestic market share to lower priced imports. This explanation does not appear to be supported by the market share data above, which shows that the domestic industry was not losing market share to imports during the IP. However, we have already seen that TSUK was losing sales during this period.

151. We have concluded that market share data alone does not appear to indicate that the domestic industry is vulnerable to injury should dumped imports recur and undercut UK industry. However, data reviewed in this paper (sections G2.2 and G2.3) thus far suggests that domestic industry has managed to maintain its market share during this period at the expense of price and profit, which does indicate that should dumped imports recur and undercut UK industry, there may be limited opportunity to further reduce prices and profits, at which point the UK industry may have no choice other than to start losing market share.

G2.6 Employment and productivity

Table 11: TSUK employment over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Total number of employees (FTE) Index	100	99	94	93
Number of employees for like goods (FTE) Index	100	123	142	124

Source: TSUK questionnaire responses.

[55] OECD- International trade during the COVID-19 pandemic: Big shifts and uncertainty.

Table 12: TSUK productivity over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Average output in volume per employee for the like goods (FTE) Index	100	83	69	82

Source: TSUK questionnaire responses.

152. TSUK have calculated employment numbers for HRFC by weighting the total employees by sales volume. As this data has been weighed by sales this might not accurately reflect employees for like goods, particularly as total number of employees has decreased suggesting this would also be the case for like goods.

153. Productivity per employee has been calculated by dividing the total output by volume by the total number of employees for the like goods. In addition, in apportioning employee numbers, TSUK put a weighting on sales volumes.

154. Although HRFC is sold as an end-product, it is primarily "re-used" as a raw material for other products, such as cold rolled steel. Given the interconnectivity of TSUK's steel products, the assessment of injury needs to look at all factors beyond the productivity, employment, and wages in isolation.

155. Due to the above methodology, and the interconnectivity of steel products involving HRFC, we are unable to make a finding on productivity and employment in our assessment of injury.

G2.7 Wages

Table 13: TSUK wages over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Median wage for FTE engaged in activities related to the like goods Index	100	101	97	115

Source: TSUK questionnaire responses.

156. Median wage remained fairly constant in the first two years of the IP and then decreased in 2020 before increasing substantially in the end of the IP. This could be partially a result of inflation driving up wages as well as a result of the government helping with employment cost[56].

[56] According to TSUK accounts on Companies House, during 2021/2022, TSUK put a number of employees on furlough, receiving £25 million from the UK Government to assist in the financing.

157. Although there are potential economic reasons to why wages increased in the POI, there is no clear trend, and as TSUK have made no argument surrounding wages this factor does not contribute to our assessment.

G2.8 Return on investments

158. Return on investments decreased significantly from 2018/2019 to 2019/2020 before increasing in 2020/2021, and significantly improving in 2021/2022. The reason behind the 2019/20 significant decline appears to be related to TSUK's revaluation of fixed assets in accordance with their financial accounts.

159. 2021/22 shows a healthy ROI figure and a considerable improvement on the rest of the IP. In TSUK's 2022 financial accounts strategic report, they highlight that the price of HRFC was at a very high level by March 2022 as a result of the conflict with Russia and Ukraine, as well as the increase in demand post-COVID. This is in line with the evidence we have found in section G2.1.

160. In summary, the ROI throughout the first 3 years of the IP suggests the industry may be experiencing financial vulnerability as a result of persistently making losses on investments. Although 2021/22 was positive, this appears transitory for the reasons above. Should the measure be revoked and the dumped imports recur, our assessment elsewhere in this paper suggests that this may affect prices and/or market share, which may further impact ROI.

G2.9 Utilisation of capacity

Table 14: TSUK utilisation of capacity over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Production capacity for like goods (volume) Index	100	100	100	100
Production capacity utilisation for like goods (%) Index	100	101	97	101

Source: TSUK questionnaire responses.

161. Production capacity for like goods has remained constant throughout the IP. Production capacity utilisation has remained relatively stable apart from in 2020, in which it reduced.

162. TSUK stated in their 2020/21 annual report that the COVID-19 pandemic caused a 'significant drop in demand for the company's steel products'. This is also supported by secondary sources[57].

[57] UK House of Commons Library (UK Steel Industry: Statistics and Policy).

163. Although lockdowns and decreased demand as a result of the COVID-19 pandemic may both be expected to have a significant impact on capacity utilisation, TSUK have claimed in their submission they aim to keep their Mill at Port Talbot fully utilised otherwise it becomes uneconomic. This would suggest that TSUK are limited in their ability to respond to such events as they cannot substantially reduce their capacity utilisation without incurring significant cost, which may explain why the impact on capacity utilisation was relatively limited in comparison to that seen elsewhere, for example in the sales data.

164. This would suggest that the figures on capacity utilisation may not indicate as secure a position for the UK industry as they appear to, if a) any reduction would cause significant closures and b) stable capacity utilisation is, for this reason, being prioritised above other factors such as profit.

165. However, while this explanation is in line with descriptions of steel production in secondary sources generally, we have been unable to verify these claims specifically. This factor does not, therefore, contribute to our injury assessment.

G2.10 Factors affecting domestic prices of the like goods

Table 15: TSUK independent sales prices over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
TSUK's prices for sales to unrelated in the UK (£/tonne) Index	100	87	87	149

Source: TSUK questionnaire responses.

166. TSUK's price decreases from 2018 to 2021 are discussed in section G2.2 above, where reduced demand from Europe is cited for 2019/20 and the impact of the COVID-19 pandemic in 2020/21.

167. TSUK's figures for 2021/22 were considerably more positive, with their strategic report noting "a combination of strong seaborne demand from India, Japan, South Korea and Europe… and due to a loss of supply from Russia as a result of the war in Ukraine"[58]. This has been evidenced by secondary sources which highlight that domestic ex works hot rolled coil price index for Northern Europe almost doubled year-on-year due to the Russian war against Ukraine and its impact on demand as a result of "panic buying"[59].

[58] TATA STEEL UK LIMITED filing history.

[59] Fastmarkets - Six months of war: How has it changed the global steel market?.

168. As discussed in section G2.1, we accept that prices are unlikely to remain at this level.

169. In their submission, TSUK have also stated that their prices have dropped throughout the IP in part because they were facing cheaper imports which forced them to lower their prices in order to survive. However, it is hard to determine a direct link between prices and imports in the data, rather imports appear to be priced higher than the UK goods during the IP. Nonetheless, as we found in section G2.2 data on TSUK's domestic prices indicates that the market has not offered TSUK sufficient demand during the first three years of the IP to allow them to maintain their prices, and TSUK being forced to reduce their prices is supported by TSUK's profit data indicating a loss from 2018 to 2021.

170. Overall, we assess that prices have been under pressure during the IP as a result of a range of factors, but most prominently fluctuating demand. Should dumped imports recur and undercut domestic prices, the UK industry would be likely to suffer injury if they lowered their prices further to compete. Otherwise they may risk losing market share. We therefore conclude that this factor contributes to an assessment that injury would be likely to recur should the measure be revoked.

G2.11 Cash Flow

171. TSUK's cash flow fluctuates over the IP, with a significant and sudden decline in 2019/20, and a return to positive cash flow in 2020/21 in part as a result of government support during the pandemic. Cash flow then returned to negative in 2021/22, which we have found was in part due to the cost of raw materials and energy[60].

172. In summary, the evidence on cash flow indicates that it has been volatile and largely negative throughout the IP, indicating a position of financial vulnerability for the UK industry. Therefore, if the measure were to be revoked and dumped imports to recur, the UK industry would have limited financial flexibility to adapt to the impacts on prices, sales and market share discussed throughout this assessment.

[60] OECD (Steel market developments Q4 2022).

G2.12 Inventories

Table 16: TSUK inventories over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Stocks at year end, volume manufactured by TSUK in UK Index	100	102	88	93
Stocks at year end, total value manufactured by TSUK in UK Index	100	91	90	130

Source: TSUK questionnaire responses.

173. Stock volume follows the same trend as output volume. While stock levels may alter due to market conditions, total volume held has reduced by 7% over the IP. The significant increase in stock value in 2021/22 is in line with our findings in previous sections suggesting that this is a temporary effect related to COVID recovery.

174. TSUK noted that the decrease in stock levels is a consequence of the supply chain disruption caused by the COVID-19 pandemic, which would align with production decreasing to respond to demand during the pandemic[61].

175. Stock levels as a percentage of production remains constant, indicate that TSUK are managing their stock consistently.

G2.13 Growth

Table 17: TSUK turnover over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
Total turnover of like goods Index	100	104	108	180

Source: TSUK questionnaire responses.

176. As outlined in Section G2.4, TSUK's production output of HRFC has been relatively constant throughout the injury period, whereas sales volume (Section G2.2 Table 8) has grown by just over 20% when comparing the 2021/22 POI to the year 2018/2019.

177. Even though the volume of sales dropped by about 10% in the POI from the previous year of 2020/2021, TSUK's turnover, as shown in Table 17, increased throughout the IP and significantly in the POI. This mirrors sales by value indicating potential growth. However, this may be temporary, as discussed in section G2.1, as steel prices have risen significantly resulting in higher turnover.

[61] UK House of Commons Library (UK Steel Industry: statistics and policy).

178. In their submission, TSUK highlight the importance of the steel industry for the UK. This has been shown in recent government plans[62] outlining investment in the steel and in the HRFC industry. Therefore, TSUK may benefit from an increase in domestic demand and growth of the industry.

179. Additionally, between 2018-2021 an average of 7%[63] of the UK imports of HRFC came from Russia. Given the current sanctions regime, prohibition of commerce with Russian entities and exclusion of Russian banks for the international financial system (SWIFT), it is unlikely that imports levels will reach this average whilst sanctions are in place. Therefore, there is further scope for growth of the UK industry to fill this gap in supply.

180. To conclude, there is some indication of potential growth of UK industry.

G2.14 The ability to raise capital or investments

181. We do not have any information from the domestic industry on their ability to raise capital or investments. We therefore do not have evidence on this factor to contribute to our assessment.

G2.15 Conclusion on the current state of the UK industry

182. TSUK and UK Steel reported that the UK industry is currently in a vulnerable state, and that as a consequence any dumped imports would be likely to cause material injury.

183. Evidence of these claims about the state of the UK industry can be observed through TSUK's annex data: sales, profit, return on investments and cash flow indicate the industry is in a financially vulnerable position.

184. While significant decreases in these indicators were observed over the 2019/2020 period, we have noted this period was impacted by the COVID-19 pandemic resulting in short-term reduction in production and consumption. We would not directly attribute the downturn to imports as they remained relatively low from most countries in the investigation.

185. The sudden improvements in the injury indicators in the POI is representative of the rebound in the economy. In the POI, consumption recovered resulting in large and sudden steel price increases. However, since the end of the POI, steel prices have fallen more than steel raw material costs. We therefore found some of the data in the POI to be anomalous and not indicative of a trend likely to continue.

[62] BEIS (Steel Public Procurement 2021).

[63] HMRC, Overseas Trade in Goods Statistics, 2022.

186. Looking beyond the fluctuations associated with COVID impact and recovery, we assess that the UK HRFC industry has seen prices decrease, costs increase, and has struggled to make a profit. While market share and output appear to have been broadly maintained, the explanations given and the context provided by the broader evidence suggests that this is not indicative of a strong position, as it appears that market share has been maintained by lowering prices and reducing profits. Taken together, these factors indicate that not only has the UK industry already been experiencing challenges in these areas, but that they have reduced opportunity to respond to further challenges such as dumped imports. While we found some evidence of potential growth, we found that this was not sufficiently certain or stable to change our assessment.

187. We therefore conclude that the current state of the UK industry contributes to an assessment that injury to the UK industry would be likely should the anti-dumping amount no longer be applied and dumped imports recur.

G3 Other causes of injury

G3.1 Global and UK market conditions

188. The UK steel industry is and has continued to deal with economic difficulties. Numerous headlines[64] in 2019 reference the difficulties that TSUK have faced in becoming a sustainable and profitable business.

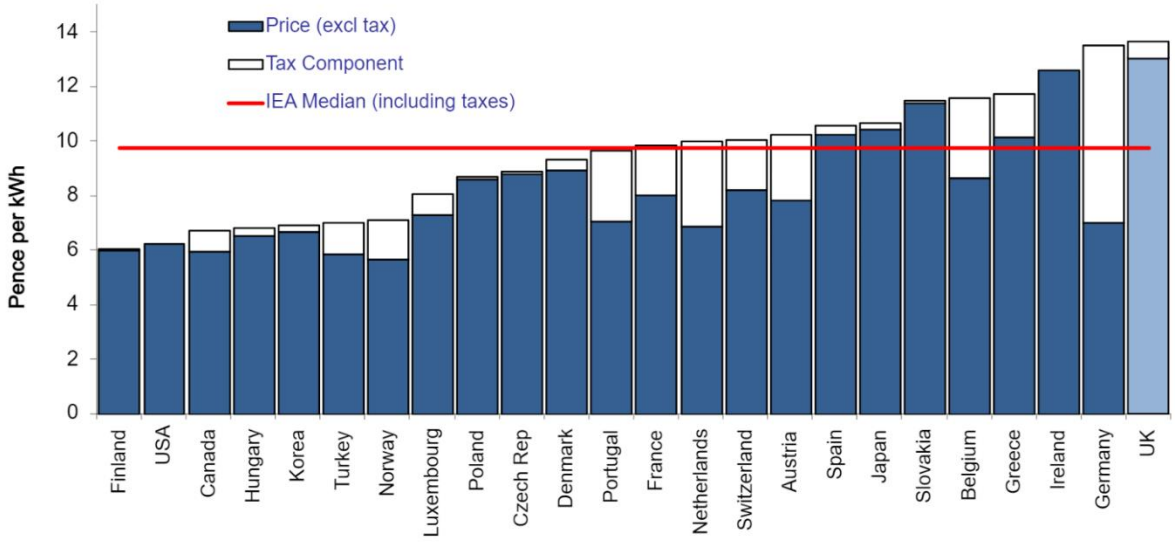
189. These economic problems don't appear to have continued into the POI as seen throughout section G2.

190. In their submission, TSUK referred to inflation in raw material and energy prices and supply chain disruption caused by the COVID-19 pandemic as affecting the profitability of the HRFC industry. The UK has higher energy costs than other countries, suggesting that the UK might be in a unique position with regards to energy, as shown in the graph below:

[64] BT Buzz: Debt, losses spike; how long can Tata Steel survive in Europe? - BusinessToday.

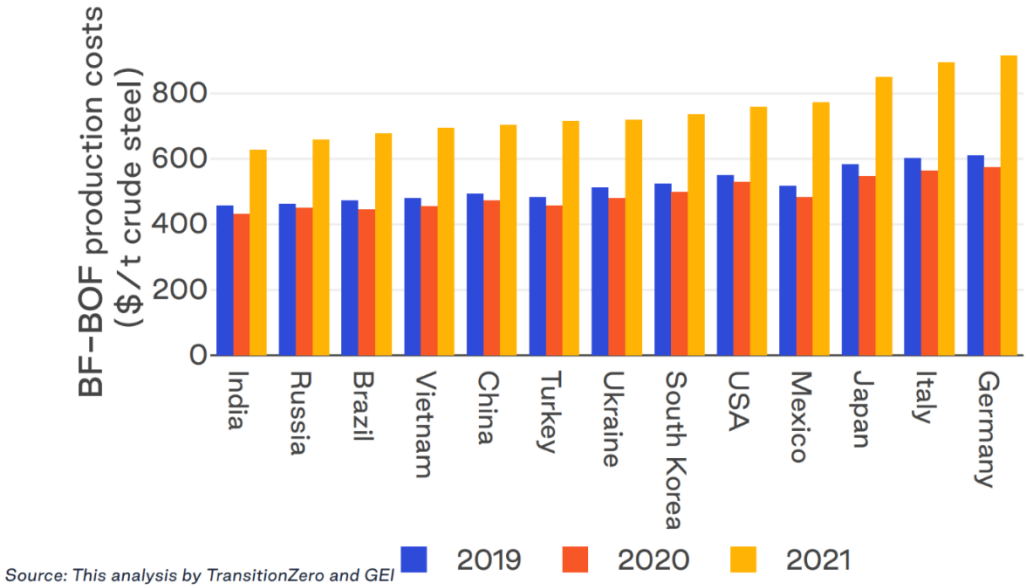
Figure 2: International industrial energy prices in 2021.[65]

Chart 5.3.1 Industrial electricity prices in the IEA - 2021



191. There is also evidence that high production costs are not limited to the UK alone and are instead a global issue. As Figure 3 shows, the operational costs of a Blast Furnace/Basic Oxygen Furnace have increased in many countries by around 50% in 2021:

Figure 3: Blast Furnace / Basic Oxygen furnace cost.[66]



192. Since Russia's invasion of Ukraine on 24 February 2022, there has been a significant increase in global energy prices[67]. As Figure 2 above

[65] table_531.xlsx (live.com).

[66] Global Steel Production Costs- A country and plant-level cost analysis Jan 2022.

[67] The impact of the Ukraine war on global energy markets | Centre for European Reform (cer.eu).

demonstrates, the UK industry already faces some of the world's highest energy costs, meaning the impact of the Russian war against Ukraine may be more acutely felt by the UK industry.

193. While these high production costs may have increased the financial vulnerability of the UK industry, leaving it more susceptible to further challenges such as dumped imports, so far the UK industry has managed to continue in the market. We would note that during the POI, as energy prices have reached the very high levels noted above, the UK industry has also experienced conditions allowing it to sell at particularly high prices. While rising energy costs may continue to make the UK industry vulnerable to downward pressure on prices in the future, e.g. from dumped imports, we do not expect the global conditions contributing to current energy costs, particularly those associated with the Russian war against Ukraine, to worsen in the future[68] such that they would mean injury caused by dumped imports would not recur.

G3.2 Imports of HRFC from third countries

194. Table 18 shows import volumes and values from third countries. The Netherlands, Belgium, Sweden, Germany, and Türkiye have been the largest exporters of HRFC into the UK throughout the IP.

[68] European gas prices fall to pre-Ukraine war level | Gas | The Guardian.

Table 18: Volumes and values of the UK's top five importing countries.

Country		2018	2019	2020	2021	2022 (Jan-May)
Netherlands	Volume (tonnes)	185,553	165,548	65,759	79,019	35,587
	Share of imports (%)	22	20	13	12	11
	Unit price (£/tonne)	560	515	465	670	985
Belgium	Volume (tonnes)	146,376	168,721	91,329	91,380	80,460
	Share of imports (%)	17	21	18	13	25
	Unit price (£/tonne)	528	528	444	415	871
Sweden	Volume (tonnes)	104,330	98,311	76,475	83,945	25,774
	Share of imports (%)	12	12	15	12	8
	Unit price (£/tonne)	599	528	495	690	1014
Germany	Volume (tonnes)	95,613	84,355	68,777	91,666	49,605
	Share of imports (%)	11	10	14	13	16
	Unit price (£/tonne)	539	523	476	734	862
Turkey	Volume (tonnes)	65,955	75,453	10,432	48,288	20,702
	Share of imports (%)	8	9	2	7	7
	Unit price (£/tonne)	508	483	395	673	831
Total imports	Volume (tonnes)	843,825	815,698	494,129	681,089	316,795
	Unit price (£/tonne)	556	523	461	708	871

Source: HMRC, Overseas Trade in Goods Statistics, 2022.

195. The Netherlands, Belgium and Sweden have been the largest exporters, although all three have decreased volumes in the POI compared to their initial level. Total imports of HRFC have also decreased over the IP.

196. Average unit import values vary between the five importing countries. Over the POI we observe a range of £831 to £1,014 per tonne from Turkey and Sweden. All countries follow the same trend, increasing throughout the IP significantly when compared to the initial price.

197. As these prices are higher than TSUK's sales price it is unlikely that injury has been caused by these imports, and there is no evidence that this would occur in future.

G3.3 The COVID-19 pandemic

198. We have assessed the positive and negative impacts of the COVID-19 pandemic on UK industry in section G.2.

199. Whilst we have found the positive effects of COVID recovery are temporary, the issues caused by the COVID-19 pandemic are unlikely to affect the industry in the future.

G3.4 Conclusion

200. During the IP, the TRA have found that cost of production and the COVID-19 pandemic contributed to the vulnerability of the UK industry to injury. However, we do not consider that either of these impacts were so large as to mean that the impact of a further challenge to the industry by dumped imports would not be likely: so far the UK industry has managed to continue in the market; we would not expect the COVID-19 pandemic to have a continued negative effect on the industry in future as UK restrictions are now lifted; and we would not expect the impact of the Russian war on Ukraine with regard to energy costs to worsen. We therefore conclude that other causes of injury will not negate any finding of injury likelihood we may reach in this assessment.

G4 Undercutting analysis

201. In the event of undercutting, the UK industry may be forced to reduce its prices to compete against the lower priced goods or risk losing market share. This may also prevent prices of like goods in the UK from rising to a level that the UK industry would otherwise achieve.

202. The import volume for the PRC during the IP was negligible (0.01%) and therefore an accurate unit price and undercutting amount could not be calculated.

G5 Domestic and international market conditions

G5.1 Downstream demand

Table 19: UK demand for HRFC over the IP.

	2018/2019	2019/2020	2020/2021	2021/2022
UK demand (tonnes) Index	100	80	65	90

Source: HMRC, Overseas Trade in Goods Statistics, 2022; TSUK questionnaire responses.

203. UK demand for HRFC has fallen throughout the IP, particularly in 2020/2021, possibly as a result of the COVID-19 pandemic, with signs of recovery in 2021/2022.

204. Any further reduction in demand for HRFC would likely result in a reduction in consumption and sales. This is shown in TSUK's sales volume and value which follow the same trend as demand.

205. A decrease in demand has a negative effect on UK industry which is likely to increase vulnerability to injury of the UK industry. We have some evidence in section G2.13 to suggest there may be an increase in domestic demand and growth of the industry, but did not have sufficient evidence of this to contribute to our assessment.

G5.2 Production

206. Table 20 below shows HRFC production data from world steel from the PRC.

Table 20: Production of HRFC in the UK and the PRC.

	2017	2018	2019	2020
UK production (million metric tonnes)	7.1	7.2	3.4	3.4
Index (2018/2019 = 100)	100	99	52	51
% of world production	1	1	0.3	0.3
PRC production (million metric tonnes)	438.3	464.5	503.5	553.3
Index (2018/2019 = 100)	100	106	115	126
% of world production	36	39	41	46
World production (million metric tonnes)	1,202.8	1,192.0	1,223.2	1,212.2
Index (2018/2019 = 100)	100	99	102	101

Source: World Steel, 2022. (Production data is only available until 2020.)

207. World production data shows a slight decline in 2018 following an increase in 2019 and 2020 when compared to 2017, indicating an upward trend. However, when you exclude PRC from world production this decreased year on year from 2017 to 2019. Therefore, the continuing increase in world production in HRFC is mainly from PRC.

208. UK demand fell throughout the IP while market share increased, suggesting that the UK industry wasn't being significantly affected by imports during that period. However, if the trend continues from PRC, this

could result in an overall increase of supply which could lead to a decrease in prices.

209. Given that the UK's overall production has decreased while world production has increased, the UK industry may be in a vulnerable position if the measure were to be revoked.

G5.3 Supply

210. Confidential data from a market source specialising in commodity analysis shows global consumption of HRFC between 2018 and 2020[69].

211. Global consumption has increased slightly from 2018 to 2020 while UK demand fell. This might be as a result of demand being driven by developing economies. This could lead to a greater production of HRFC abroad to meet the increasing demand, potentially suppressing or depressing global HRFC prices.

212. Prior to the conflict, Russia and Ukraine supplied 10.3% of global exports of flat products in 2020[70]. However, since the Russian invasion of Ukraine and the subsequent sanctions a decrease in Russian exports is expected. Additionally, Ukrainian production and export capabilities have been severely hindered, therefore, the evidence suggests the global export share of Russia and Ukraine (10.3%) is unlikely to return in the short to medium term resulting in a global supply contraction.

213. However, without additional data it is difficult to determine the exact impact this will have on the UK industry.

G5.4 Prices

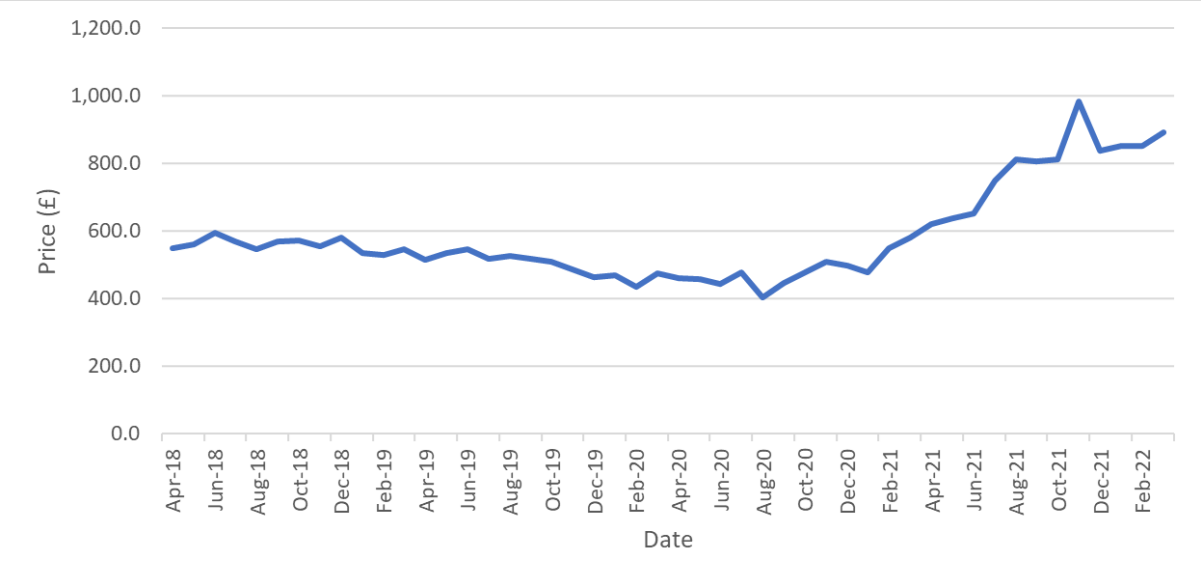
214. The graph in Annex 4 shows the FOB and Ex-Works prices from the major economies of HRFC from each quarter in the last 20 years. At the beginning of the POI, April – July 2021, US prices were almost double their historic value over the last 20 years. At the start of 2022, prices started to fall, however, the Western European, US and global prices rise sharply at the end of the first quarter of 2022.This is likely a result of the impact of the Russian invasion of Ukraine in February 2022 – particularly as Russia and Ukraine were significant global suppliers of HRFC. Since Ukrainian production capacity and levels have been severely hindered and Russia has been sanctioned, global supply has contracted. Noticeably, the Chinese Ex-Works price does not reflect this development in the market. This is likely due to subdued domestic demand in the PRC as a result of

[69] We are unable to disclose figures from paid data sources due to access requirements.
[70] OEC (Exporters of Hot-Rolled Iron 2020).

the ‘zero COVID-19 policy’ which is having an impact on Chinese economic growth and consumption, as reported by Peterson Institute for International Economics[71].

215. In the POI Western European Ex-Works prices range from $450 per tonne to $1550 per tonne, which is a more than threefold price fluctuation possibly due to the impact of the COVID-19 pandemic.

Figure 4: UK import prices of HRFC over the IP.



Source: HMRC, Overseas Trade in Goods Statistics, 2022.

216. From the beginning of the IP, prices gradually fell until August 2020 where they were at their lowest level. Prices started to recover thereafter possibly as a result of domestic consumption resuming following the initial UK lockdown. UK prices follow a similar trend as global prices, increasing from 2021. This increase in prices has largely been driven by latent supply side effects of COVID, including a rise in the cost of transport, energy and raw materials. Additionally, while the UK price dynamic of HRFC is observably less dramatic than that observed in Annex 4, it is likely to remain relatively high due to geopolitical developments and global market pressures.

G5.6 Consumer preference

217. As UK Steel told us that HRFC is a ‘highly commoditised, homogenous’ product it is more likely to be driven by price. Therefore, UK producers could easily lose customers who would be likely to switch to the cheapest supplier, leading to potential further injury. However, we do not have any evidence to support this argument.

[71] Price History (steelbenchmarker.com).

G6 Historic injury data

218. TSUK state in their submission that the UK industry is still vulnerable, and injury would be likely to recur if the anti-dumping measures were revoked. Before the original EU anti-dumping and countervailing measures were put into place in 2017, TSUK decommissioned their Llanwern hot mill in 2016.

219. Even with the current measure in place from Commission Implementing Regulation (EU) 2017/1795[72], we cannot determine what portion of the injury identified by the EC was suffered by the UK industry as the EC did not seek to identify injury in individual member states.

G7 Other factors

220. The TRA has considered whether there are any other factors relevant to this case. We have not identified any other factors that can contribute to this likelihood assessment.

G8 Conclusion

221. We assessed that the UK HRFC industry has seen prices decrease, costs increase, and has struggled to make a profit during the IP. Taken together, these factors indicate that not only has the UK industry already been experiencing challenges in these areas, but that they have limited opportunity to respond to further challenges such as dumped imports. While we found some evidence of potential growth, we found that this was not sufficiently certain or stable to change our assessment. We therefore found that the current state of the UK industry indicated a vulnerability to injury were dumped imports to recur as a result of revoking measures against the PRC.

222. Other potential causes of injury were analysed to establish if a different factor could cause such injury to the UK industry that injury from dumped imports would not recur. Cost of production and the COVID-19 pandemic contributed to the vulnerability of the UK industry to injury, but so far the UK industry has managed to continue in the market, and we do not expect the effect of either to worsen. We therefore conclude that other causes of injury will not negate any finding of injury likelihood we reach in this assessment.

223. We considered whether imports from the PRC would be likely to undercut domestic producers. It has not been possible to assess whether undercutting occurred for the PRC as import volumes were limited.

[72] Commission implementing regulation (EU) 2017/1795.

224. The analysis of the domestic and international market found that although there were limitations in data meaning we could not determine the exact impact our analysis, it did support our conclusion that the UK is in a vulnerable position.

225. While we were unable to assess historic injury data for HRFC, we reviewed the previous EU investigation proceedings that showed that imports from the countries subject to review had caused injury to the EU industry.

226. Overall, our assessment is that dumped imports from the PRC would be likely to cause downward pressure on prices, sales and market share, and therefore also profit for UK industry. Given the vulnerability already presented by a holistic assessment of these indicators as they are currently, our assessment is that UK industry would have few viable options available to respond so such downward pressure and avoid suffering injury as a consequence. We therefore assess that injury to the UK industry by dumped imports of HRFC originating from the PRC would be likely if the measures were no longer applied.

SECTION H: Economic Interest Test (EIT)

H1 Introduction

227. Under Regulation 100A(2)(a) of the Regulations, if we make a recommendation to vary the application of the anti-dumping amount, we must be satisfied that this variation meets the EIT.

228. The aim of the EIT is to determine whether our recommendation to vary the measure and apply an anti-dumping remedy on the goods subject to review imported from the PRC is in the economic interest of the UK.

229. In accordance with paragraph 25 of Schedule 4 to the Act, the EIT is met in relation to the application of an anti-dumping remedy if the application of the remedy is in the economic interest of the United Kingdom.

230. In line with paragraph 25(4) of Schedule 4 to the Act, we have taken account of the following factors in conducting the EIT:

- the injury caused by the dumping of goods to the UK industry of the goods and the benefits to that UK industry in removing that injury;
- the economic significance of affected industries and consumers in the UK;
- the likely impact on affected industries and consumers in the UK;
- the likely impact on particular geographic areas, or particular groups, in the UK;
- the likely consequences for the competitive environment, and for the structure of markets for goods, in the UK; and
- such other matters as the TRA considers relevant.

H2 UK supply chain overview

231. As shown in Figure 5, HRFC is produced using coal, coke, limestone and scrap metal.

232. The majority of HRFC produced in the UK is manufactured by TSUK, the largest domestic integrated iron and steel manufacturer.

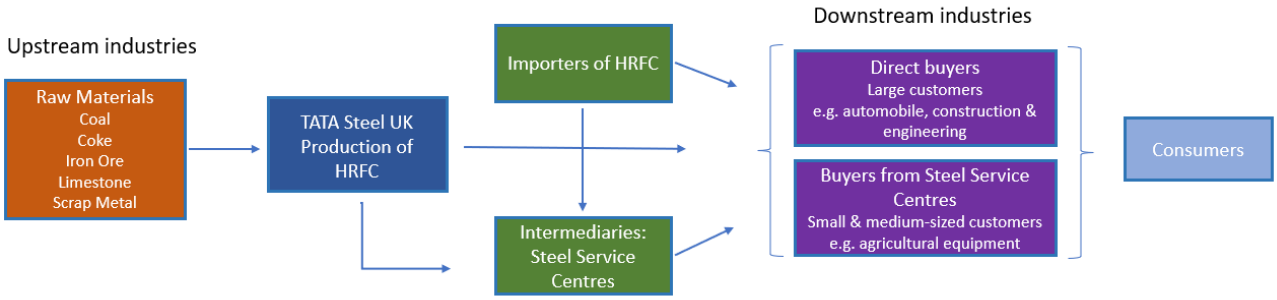
233. HRFC is most frequently used as an input in the production of other steel products, including tubular products, tin plate and products requiring cold reduction.

234. Between 60% and 80% (this could vary depending on the market demand) of the TSUK's sales of HRFC are to the intermediary facilities called Steel Service Centres (SSCs) before being sold onto downstream industries. The SSCs act as storage facilities and traders of steel; however, they also

make minor adjustments and modifications to the HRFC such as cutting and thinning.

235. The downstream businesses uses of HRFC are varied and include those in the automotive, construction and engineering industries.

Figure 5: Supply chain for HRFC.



H3 Evidence base

236. We received questionnaire responses from:

- two producers of HRFC in the UK, Tata Steel UK Limited (TSUK) and Liberty Steel;
- one trade association representing the UK steel industry, EEF Limited (UK Steel); and
- one trade union representing the UK steel industry, Community.

237. We used questionnaire responses along with trade data from HMRC to identify other affected businesses but we did not receive further submissions.

238. We furthered our evidence base with publicly available data including:

- Companies House;
- ONS: Nomis;
- HMRC: Overseas Trade in Goods Statistics data; and
- HMRC: Find UK Traders tool.

H4 Injury caused by dumping and benefits to UK industry in removing injury

239. The injury likelihood assessment concluded that if the existing measure was revoked injury to the UK industry would be likely to recur because of increased competition from lower-priced imports of HRFC from the PRC.

240. TSUK maintain that any further reduction in sales would likely lead them to switch off one of their two blast furnaces currently functioning. As the UK

industry is comprised of two producers only, of which TSUK is the considerably larger producer, this is likely to cause material injury to the UK industry.

241. The measure will prevent this material injury to UK industry.

H5 Economic significance of affected industries and consumers in the UK

242. This section sets out the relative size and economic significance of the relevant industries and consumers within the HRFC supply chain.

243. We have identified the following groups as potentially being affected by the proposed measure:

- **Upstream industries**: this group includes suppliers of coal, coke, electricity and gas, and iron ore.
- **UK producers** of HRFC, TSUK and Liberty Steel.[73]
- **Importers** of HRFC.
- **Steel service centres (SSCs)**: these are the intermediary service centres, who stock and tailor steel products, including HRFC.
- **Downstream industries**: this group encompasses a broad range of industries including automotive, construction and engineering.
- **Consumers**: consumers purchase final products made using HRFC such as cars.

244. For each group we selected businesses for analysis. For the upstream industries and SSCs, we derived a sample of businesses based on the value of total transactions with TSUK.

245. For the selected businesses we used publicly available financial accounts data from the Companies House to estimate employment, Gross Value Added (GVA), turnover, Earnings Before Interest, Depreciation and Amortisation (EBITDA), and the EBITDA margin.

246. Using available evidence, we assessed the significance of HRFC to each group.

H5.1 Upstream industries

247. We identified seven upstream businesses that supply raw materials and inputs (including coal, coke, scrap metal, electricity and gas) to TSUK. Based on the value of transactions, we sampled three upstream

[73] As noted previously Liberty Steel did not submit a full completed questionnaire leading to a lack of evidence. As such, the pursuant analysis only considers TSUK as a UK producer of HRFC.

businesses and estimated that these businesses employed 1,663 workers, had a total GVA of circa £162m and an average EBITDA of £31m per year.

248. For selected upstream businesses, more than 10% of their turnover was linked to sales to TSUK.

H5.2 UK producer of HRFC

249. HRFC produced in the UK is largely produced by TSUK. TSUK are the UK's largest integrated iron and steel manufacturer with sites in south Wales and the Midlands.

250. Using financial accounts, we estimated that over the IP, TSUK employed 8,188 workers, had a GVA of circa £174m and an average EBITDA of £-191m per year.

H5.3 Importers of HRFC

251. Across the IP the share of imports in total UK consumption of HRFC never fell below 50%.

252. Using trader data, we identified 199 businesses that imported HRFC during the POI.[74] Trader data also shows that there were 45 importers of HRFC in 2021. The difference in number of importing businesses between 2021 and the POI is possibly driven by import data collection changes due to the UK exit from the EU.

253. Trader data tracks the number of monthly imports by a business but provides neither the number of transactions made by a business within a month nor the value or volume of these imports.

254. We took the total value of UK imports of HRFC during the POI and divided this value by 199, the number of UK importers of HRFC in the POI, to find the average expenditure on imports of HRFC per business.

255. We selected the ten most frequent UK importers of HRFC in the POI. We sampled six UK importers, for which we could find financial data, and we estimated that these businesses employed 661 workers, had a total GVA of circa £57m and an average EDITDA of £5m.

256. Using published financial data and the average expenditure on imports of HRFC per business, as described above, we also found that the average cost of HRFC purchases for selected UK importers ranged from 1 to 6% of these businesses' total cost of sales.

[74] Many of these are thought to be Non-Established Taxable Persons (NETPs), who do not have a footprint in the UK.

257. However, the distribution of trade is likely to be skewed with some importers accounting for a larger than average share of imports. Businesses that frequently import HRFC are likely to spend on average more on purchases of HRFC than other businesses. Consequently, for these businesses the average cost of HRFC purchases is likely to exceed 6% of these businesses' total cost of sales. Therefore we conclude that importers are a significant group for this investigation.

H5.4 Intermediaries: Steel Service Centres

258. Between 60% and 80% of the TSUK's sales of HRFC are to the SSCs. This, however, could vary depending on market demand. These intermediaries act as traders of HRFC but may also make adjustments and modifications to steel products.

259. We identified 42 SSCs and we sampled 13 based on the value of transactions. Using public financial accounts, we estimated that over the IP, the selected SSCs employed 1,029 workers, had a total GVA of circa £61m and an EBITDA of £3 per year.

260. We compared the value of domestic purchases of HRFC by the SSCs to their total purchases and we concluded that HRFC was a significant product for the SSCs.

261. Our analysis is based on domestic purchases of HRFC from TSUK by the SSCs. This estimation is conservative, however, because it does not account for purchases of imported HRFC by the SSCs. Hence, we are likely to underestimate the significance of HRFC to the SSCs.

H5.5 Downstream industries

262. Submissions made by TSUK and UK Steel indicate that the main end-users of HRFC and its derivative steel products include the automotive, construction and engineering sectors.

263. A Department for Business, Energy and Industrial Strategy (BEIS) report states that total UK demand for HRFC in 2015 was £528m, 19% of total UK steel demand.[75] As HRFC is most frequently used as an input into other steel products, total UK steel demand for HRFC and its derivative steel products is likely to be considerably higher than 19% of total UK steel demand.

[75] Department for Business, Energy and Industrial Strategy (2017) Future Capacities and Capabilities of the UK Steel Industry, BEIS Research Paper Number 26.

264. The ONS estimates that in 2021 the Gross Value Added (GVA) of the automotive industry was £14,150m and of the construction industry was £123,870m.[76] This represents 0.67% and 5.88% of total UK GVA in 2021 respectively.

265. We conclude that the downstream industries are a significant part of the UK economy.

H5.5.1 Downstream: direct buyers

266. The downstream buyers purchasing HRFC directly from TSUK have the processing capability to handle large quantities of HRFC. Consequently, they tend to be larger businesses within downstream industries in the HRFC supply chain.

267. We selected four downstream direct buyers and estimated that their combined employment was 2,519, their combined GVA was £93m and average EBITDA was £5m.

268. Purchases of HRFC generally account for a small share of costs of downstream direct buyers, although there is likely to be variation between individual businesses.

H5.6 Consumers

269. HRFC is used as input in the production of a variety of goods, often other steel products. However, not many of these are consumer goods and often final consumers are several steps removed from the manufacturing of HRFC.

270. As such, it was not possible to assess the significance of HRFC for final consumers.

H5.7 Summary table

271. Table 21 presents data on the economic significance of different industries, which could be impacted by the measure on HRFC.

272. Based on data, as discussed and as set out in the table, we find that HRFC is a significant product for the upstream industries, UK producer of HRFC, importers of HRFC and the SSCs.

273. Financial data published over the IP by businesses that we sampled for our analysis suggest that the UK producer is in greater economic vulnerability,

[76] Office for National Statistics (2022) Dataset: GDP output approach – low level aggregates.

downstream direct buyers have varying levels of vulnerability, and both the upstream industries and the SCCs are in stable financial positions.

Table 21: Significance metrics for the UK stakeholders potentially affected by the proposed measure.

	Upstream industries	UK producers of HRFC	Importers of HRFC	Steel Service Centres	Downstream industries: direct buyers
Sample details					
Total known business	7	2	199	42	13
Number of businesses selected	3	1	6	13	4
Sample statistics*					
Total employment	1,663	8,188	661	1,029	2,519
Total GVA (£m)	162	174	57	57	93
Total turnover (£m)	3,095	2,413	667	573	531
Average EBITDA for selected businesses (£m)	31	-191	5	3	5
Average EBITDA margin for selected businesses (%)	31	-8	5	12	5
Conclusions					
Economic vulnerability (financial data)	Low	High	N/A**	Low	Mixed
Estimated significance of HRFC to this group	Significant - revenue of sales to TSUK vs business turnover	Significant - revenue from HRFC sales vs business turnover	Significant - average value of imports vs total cost of sales	Significant - cost of HRFC purchases from TSUK vs business costs	Insignificant - HRFC costs as a percentage of total costs of sales

Source: Companies House, 2022.

Notes: GVA (Gross Value Added) was estimated with the formula, GVA = operating profits + employment costs + depreciation + amortisation. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) was estimated with the formula, EBITDA = (operating profit + depreciation + amortisation) / turnover. The assessment of economic vulnerability and estimated significance of HRFC were made by analysing financial metrics of the sampled businesses.

* These metrics were derived by taking annual averages of all available financial data of the selected businesses from their financial accounts published between 2017 and 2021. The significance of HRFC to each of the groups was estimated using the comparison metrics, including turnover, revenue and costs.

** We marked economic vulnerability of importers of HRFC as ‘N/A’ because we were only able to analyse financial data for six out of 199 importing businesses and because the financial data of our sample of importers of HRFC may not be representative of importing businesses as a whole.

H6 Likely impact on affected industries and consumers

274. In this section we assess the overall impact that the proposed variation of the measure might have on the affected groups identified. We do this by looking at how prices and quantities of goods in the HRFC supply chain might change under two scenarios: (i) if the measure was to be varied as proposed, and (ii) if the measure was to be revoked. The possible impacts for affected industries and consumers are then considered and compared across the two scenarios.

H6.1 Impact on prices and quantities if the measure was varied as proposed

275. If the measure was varied as proposed, imports of HRFC from the PRC would continue to face the same duty rates. If the existing duty rates are unchanged, prices of HRFC are unlikely to be directly impacted.

276. TSUK would be able to continue their current investment plans. TSUK submitted that investment is crucial to maintaining a competitive environment and that investment in Research and Development (R&D) benefits end-users through new or improved products.

277. The economic environment, however, has changed and this will impact the UK HRFC industry. This is because there has been an increase in energy prices, which has resulted in an economic slowdown in the UK.

278. An increase in energy prices is evidenced by the World Bank's energy price index, which increased by 50% between January 2020 and December 2021, and by a further 26.3% between January and April 2022.[77] The factors driving this increase in energy prices include supply chain disruption due to the COVID-19 pandemic, the Russian invasion of Ukraine and the sanctions preventing imports from Russia.

279. The Bank of England (BOE) forecasts that the UK economy will be in recession in 2023 and in the first half of 2024.[78] This is a result of still-high energy prices, domestic inflationary pressures and the path of market interest rates weigh on spending.

280. TSUK note that GDP is a key driver of HRFC demand: as consumers reduce spending, downstream users reduce production and buy less HRFC.

[77] Justin-Damien Guénette and Jeetendra Khadan (2022) The energy shock could sap global growth for years, World bank Blogs.

[78] Bank of England Monetary Policy Report February 2023.

281. TSUK also state that the economic forecasts themselves are important. This is because a large proportion of the downstream users are served by SSCs whose business model relies heavily on profiting from fluctuating prices. This means that a forecast of a recession, implying a reduction in demand and fall in price, will encourage SSCs to reduce stocks and buy less HRFC.

Table 22: Expected impacts on prices and quantities of affected products if the measure was varied.

Products	Prices	Quantities
Upstream products	No change.	No change.
Domestically produced HRFC	No change.	No change.
Imported HRFC	No change.	No change.
Downstream products	No change.	No change.

H6.2 Impact on prices and quantities if the measure was revoked

282. A 2016 study for EUROFER[79] found that steel is usually among the commodities with the highest readiness of buyers to switch between domestically produced goods and imported goods. TSUK submitted evidence that HRFC is a product with high substitutability, where the benefit of accessibility and lower transport costs is unlikely to be a defining feature in purchasing decisions of the UK market. This means that revocation of the measure could lead to a decrease in demand for domestically produced HRFC, and cause a fall in prices and quantities of domestically produced HRFC.

283. If the measure was revoked, imports of HRFC from the PRC would no longer be subject to the ad valorem duty.

284. The measure applicable to the imports of HRFC from the PRC is the ad valorem duty that ranges from 0 to 31.3%.[80]

285. The likely direct impact of revoking the measure would be a reduction in HRFC import prices from the PRC. A revocation of an ad valorem duty rate of up to 31.3% corresponds to a price cut of up to 23.8%. It is also likely that the quantity of HRFC imports from the PRC would also increase.

286. The UK has a safeguard measure, which levies a Tariff Rate Quota (TRQ) of 25% on certain steel products when their total imports exceed the quota allocated for that financial quarter.[81] The steel safeguard measure covers all of the commodity codes in scope of the HRFC measure.

[79] NERA Economic Consulting (2016) Can the steel industry pass through carbon costs without losing market shares? Literature review and qualitative analysis, For EUROFER, January 2016.

[80] These ad valorem duty rates are detailed in Annex 1.

[81] The original Safeguards investigation and the Safeguard mid-term review.

287. The PRC is currently exempt from the safeguard measure due to its developing country status and low level of exports to the UK. Consequently, should the measure on HRFC be revoked, there will be no trade remedy measure on imports of HRFC from the PRC. However, this exemption could be revoked via a TRQ review if imports of HRFC from the PRC increased to significant levels.

288. Safeguard measures are designed to address surges in imports but are set at levels intended to preserve traditional trading patterns. To the extent that dumped imports continue to arrive from developing countries or within quotas, no safeguard duty is payable so some risk of injury from dumped imports remains. However, the impact of the revocation of the measure on prices and quantities of imports of HRFC from the PRC would be affected by the steel safeguard measure to some extent.

289. Prices of HRFC imported from other third countries would not be directly impacted because the measure does not apply to them. Nevertheless, if UK users of HRFC switch to lower-priced imports from the PRC, exporters of HRFC in third countries may be forced to reduce prices of their own exports to the UK.

290. Revocation of the measure is expected to benefit downstream industries that use HRFC and in particular those, who import or who wish to import HRFC from the PRC. Lower costs of HRFC could lead to lower prices of downstream products.

Table 23: Expected impacts on prices and quantities of affected products if the measure was revoked.

Products	Prices	Quantities
Upstream products	No changes are expected.	No changes are expected.
Domestically produced HRFC	Decrease in prices of domestic supply.	Decrease in quantity of domestic supply.
Imported HRFC	Decrease in prices of foreign supply from the PRC. No direct impact on prices of foreign supply from third countries but possible downward pressure on these prices.	Increase in quantity of foreign supply from the PRC as it becomes more price competitive.
Downstream products	Possible decrease in prices because of lower cost of inputs, however, this is likely to be relatively insignificant.	No changes are expected.

H6.3 Likely impacts on affected industries and consumers

H6.3.1 Upstream industries

291. We have no evidence to suggest that upstream businesses will be impacted by varying the measure as proposed.

292. Some upstream businesses may be negatively impacted by the revocation of the measure if the reduction in demand for domestically produced HRFC leads to TSUK reducing their demand for raw materials and inputs to production.

293. Data submitted by TSUK shows that a large proportion of their purchases from upstream businesses during the POI involved electricity and gas. Although the revocation of the measure could lead to a loss of sales, the domestic energy industry is large and supplies energy to a broad range of industries apart from HRFC.

294. We expect there to be a positive impact of the measure on upstream industries because of continued demand for raw materials and inputs used in production of HRFC.

H6.3.2 UK producer of HRFC

295. If the measure is varied as proposed, TSUK may be able to maintain their current level of investment. This may make TSUK more competitive and increase their market share of UK demand. TSUK submitted evidence that investment was crucial to maintaining a competitive environment and that investment in Research and Development (R&D) benefitted end-users through new or improved products.

296. If the measure was revoked, the availability of lower-priced imports of HRFC from the PRC could reduce demand for domestically produced HRFC. If buyers can readily switch between domestically produced goods and imported goods, TSUK are unlikely to be able to maintain high levels of demand for domestically produced HRFC unless they reduce their prices. However, their negative EBITDA margin suggests that TSUK's ability to reduce the price of HRFC is limited.

297. TSUK stated that a significant drop in demand for HRFC may lead them to stop using one of their two blast furnaces at the Port Talbot site, leading to redundancies. While we cannot verify this claim, we note that one of the two TSUK sites with the capacity to produce HRFC located in Newport in south Wales has already been decommissioned.

298. Consequently, the measure is likely to have a positive impact on UK producer of HRFC. In particular, the measure is likely to help UK producer of HRFC avoid suffering injury.

H6.3.3 Importers of HRFC

299. We have no evidence to suggest that importers of HRFC will be impacted by varying the measure as proposed.

300. Importers of HRFC from the PRC would be likely to benefit from the revocation of the measure as it would reduce cost of importing HRFC from the PRC.

301. This means that if the measure was varied as proposed rather than revoked, this will have a negative impact on importers of HRFC from the PRC, who will not benefit from being able to source lower-priced HRFC from the PRC.

302. Impact of the revocation of the measure on importers of HRFC from third countries could be positive or negative.

303. Some importers could benefit if a possible decrease in demand for domestically produced HRFC and a possible decrease in domestic supply of HRFC leads to an increase in demand for imported HRFC, including imports from third countries. Some importers, however, could lose if competition from lower-priced imports of HRFC from the PRC forces them to reduce their prices.

H6.3.4 Intermediaries: Steel Service Centres

304. We have no evidence to suggest that varying the measure as proposed will directly affect SSCs.

305. If the measure was revoked we would expect a reduction in demand for domestically produced HRFC. Consequently, SSCs would be likely to reduce their domestic demand in favour of lower-priced imports of HRFC.

306. The SSC business model relies on relatively minor adjustments to steel products and exploiting price changes. While SSCs will have access to lower-priced imports of HRFC so will downstream businesses and therefore, the impact on SSCs profit margins is unclear.

307. The overall impact of the measure on SSCs is unclear, although there is a potential positive impact on SSCs from increased price volatility.

H6.3.5 Downstream industries

308. We have no evidence to suggest that varying the measure as proposed will directly affect the downstream industries.

309. We expect downstream businesses to benefit from the revocation of the measure and access to lower-priced imports of HRFC from the PRC.

310. The extensive range of uses of HRFC and its derivative steel products, makes HRFC an important product for the UK economy as a whole. Consequently, the measure is likely to impose the cost on downstream industries as a whole.

311. We previously concluded that purchases of HRFC generally account for a small share of costs of downstream direct buyers. However, the cost that the measure is likely to impose on individual downstream businesses is likely to vary.

312. The impact of varying the measure (as compared to revoking it) on individual downstream businesses is unclear and it will depend on how significant purchases of HRFC are in total costs, although there is a potential negative impact on downstream industries from higher cost of HRFC.

H6.3.6 Consumers

313. We have no evidence to suggest that varying the measure as proposed will directly affect consumers.

314. TSUK submitted that any reduction in price would likely be passed on to final consumers in the form of lower prices of end-products, including consumer goods. However, for most end-products, including consumer goods, the cost of HRFC is likely to be a small proportion of total cost. This means that any reduction in prices of HRFC resulting from the revocation of the measure is likely to be minimal and the impacts on consumers also likely to be minimal.

315. Overall, the measure could have a small negative impact on consumers, who will not benefit from lower-priced consumer goods that use HRFC as inputs.

Table 24: Expected impacts on affected groups if the measure was varied as proposed rather than revoked.

Group	Expected impacts
Upstream industries	Positive impact on upstream industries because of continued demand for raw materials and inputs used in production of HRFC.
UK producer of HRFC	Positive impact on UK producer of HRFC, who will avoid suffering injury and be able to maintain their level of investment and their UK operations.
Importers of HRFC	Negative impact on importers of HRFC, who will not benefit from being able to source lower-priced HRFC from the PRC.
Steel service centres	Potential positive impact on SSCs from increased price volatility but this is uncertain.
Downstream industries	Negative impact on downstream industries, who will not benefit from lower-priced HRFC. These costs to downstream businesses are likely to vary.
Consumers	Small negative impact on consumers, who will not benefit from lower-priced consumer goods that use HRFC as inputs. Costs imposed on consumers are likely to be small because the cost of HRFC is likely to be a small proportion of total cost of consumer goods.

H7 Likely impact on particular geographic areas or particular groups in the UK

316. This section explores how impacts of the proposed measure are likely to be geographically distributed and whether any particular groups might be disproportionately impacted.

H7.1 Likely impact on particular areas

317. Our geographical analysis considers the four groups for whom HRFC was deemed to be a significant product: upstream industries, the UK producer of HRFC, importers of HRFC and SSCs.

318. Firstly, we determine if there are any clusters of employment that are part of the UK supply chain for HRFC. Secondly, we determine if the UK supply chain for HRFC is a significant source of employment in any area of the UK. To do this, for individual local authority districts we compare size of employment in the supply chain for HRFC in a local area to the total working-age population in that local area. If employment in the supply chain for HRFC is less than 1% of the total working-age population, we usually consider this to indicate that no disproportionately negative geographic impact is likely.

H7.1.1 Upstream industries

319. There is a cluster of upstream businesses, including those who sell raw materials and energy to TSUK, that is located along the M4 corridor and in the Midlands. Hence, any negative impact on upstream industries is likely to be concentrated in this area.

320. Due to limited participation of upstream industries we are unable to quantify any impacts on particular geographic areas where they are located.

H7.1.2 UK producer of HRFC

321. Figure 6 shows the location of TSUK's two HRFC manufacturing sites. Both are in south Wales: one in Neath Port Talbot and one in Newport. The HRFC production facility in Newport has been decommissioned and it does not currently produce HRFC.

322. Using data from TSUK's 2020 Fact Sheet and NOMIS, we determined that TSUK employs a significant proportion of the working-age population in Neath Port Talbot (4.5%) and less in Newport (0.8%).[82]

323. The manufacturing sector employs 19% of the working-age population in Port Talbot.[83] This suggests that any redundancies made by TSUK may have significant negative spillover effects in the area, such as redundancies among suppliers of machinery.

324. We are also aware that TSUK owns distribution centres and SSCs across the UK with a cluster in the Midlands. This cluster includes TSUK's largest centre at Wednesfield, which employs approximately 525 workers.[84]

[82] Office of National Statistics, NOMIS, Population estimates, (2020 figures) and TATA 2020 Fact Sheet page 4.
[83] Office of National Statistics, NOMIS, Business Register and Employment Survey.
[84] TATA Steel Wednesfield factsheet.

Figure 6: UK locations of UK producers of HRFC.

Source: Questionnaire responses submitted by interested parties to TRA; Companies House, 2022; Dun and Bradstreet Hoovers, 2022.
Notes: Contains National Statistics data © Crown copyright and database right 2022 and OS data © Crown copyright and database right 2022.

325. Table 25 shows socio-economic data for Neath Port Talbot covering income, employment opportunities and levels of education. Data are presented alongside the UK average figures and the deciles.

Table 25: Socio-economic indicators for Neath Port Talbot.

Local authority district	Median earnings (£) (2020)	Job density (2020)	Economic inactivity rate (%) (2020)	Percentage of working-age population with no formal qualifications (%) (2020)
Neath Port Talbot	£23,543	0.63	28.8	11.0
UK	£25,780	0.84	21.2	6.6
Decile of UK local authority districts	5	2	1	1

Source: ONS, 2022; NOMIS, 2022; NISRA, 2022; DWP Stat Xplore, 2022; and NI Department for Communities, 2022.
Notes: Deciles are calculated by ranking the local authority districts from most deprived to least deprived and dividing them into 10 equal groups. These range from the most deprived 10% (Decile 1) of local authority districts nationally, to the least deprived 10% (Decile 10) of local authority districts nationally.

326. Median earnings in Neath Port Talbot are similar to the UK average. This is in part driven by wages in the steel industry were approximately 31% higher than the median wage in Wales. Since TSUK is a significant employer in Neath Port Talbot, a decrease in steel production could substantially reduce median earnings in Neath Port Talbot.

327. Data on job density, economic inactivity and the level of education all indicate relative economic vulnerability. As such, Neath Port Talbot may be vulnerable to any negative economic shocks caused by the revocation of the measure.

H7.1.3 Importers of HRFC

328. Figure 7 shows the locations of the selected importers of HRFC.

329. The importing business with the highest employment (over 400) is located in Cheshire East. There is also a cluster of the importing businesses located in the West Midlands.

330. Accounting for less than 1% of the working-age population, none of the importing businesses are significant employers in their respective local areas. This means that any change in the measure is unlikely to have a significant effect in these areas.

Figure 7: UK locations of importers of HRFC.

Source: HMRC UK trader search, 2022; Dun and Bradstreet Hoovers, 2022.
Notes: Contains National Statistics data © Crown copyright and database right 2022 and OS data © Crown copyright and database right 2022.

H7.1.4 Intermediaries: Steel Service Centres

331. A significant proportion of SSCs employment is in the North West and in the West Midlands.

332. Accounting for less than 1% of the working-age population, none of the SSCs are significant employers in their respective local areas. This means that any change in the measure is unlikely to have a significant effect in these areas.

H7.2 Likely impact on particular groups

333. We considered the likely impact on particular groups including those with protected characteristics as defined by the Equality Act 2010.

334. No party provided any evidence with respect to potential impacts on any particular groups, either as workers or consumers.

335. Therefore, there are no obvious impacts on groups with protected characteristics or other groups, which might result from varying the measure as proposed or revoking the measure.

H8 Likely consequences for the competitive environment and for the structure of markets for goods in the UK

336. The assessment of likely consequences for the competitive environment and structure of the UK market considers four areas:

- The impact on the number or range of suppliers;
- The impact on the ability of suppliers to compete;
- The impact on incentives of compete vigorously; and
- The impact on the choices and information available to consumers.

H8.1 Impact on the number and range of suppliers

337. If the measure was varied as proposed, TSUK would likely continue producing HRFC and supplying the UK market.

338. If the measure was revoked, it is likely that TSUK will lose some of its UK market share in favour of HRFC suppliers from the PRC. This increased number of suppliers indicates an increase in competition in the UK market.

339. However, a loss of the UK market share may force TSUK to reduce production of HRFC. This would not immediately reduce the range of suppliers in the UK market but it would mean a reduction in the availability of domestic supply of HRFC.

340. In addition to domestic supply of HRFC, revocation of the measure may impact on imports of HRFC from third countries. TSUK note that after the measures were first implemented, new exporters from third countries – in particular, the South Korea and Taiwan – filled the initial supply shortage.

341. The extent to which new exporters from third countries could become established sources of supply of HRFC in the UK market remains unclear.

H8.2 Impact on the ability of suppliers to compete

342. We do not expect there to be any impact on the ability of suppliers to compete if the measure was varied as proposed.

343. Revoking the measure would improve the ability of suppliers from the PRC to compete in the UK market. TSUK stated that they would be forced to lower prices of HRFC to compete with lower-priced imported HRFC from the PRC or increase their exports to third countries if the measure was revoked.

H8.3 Impact on incentives to compete vigorously

344. There is no evidence to suggest that varying the measure as proposed would impact on incentives to compete vigorously.

345. Similarly, there is no evidence to suggest that revoking the measure will impact on these incentives.

H8.4 Impact on the choices and information available to consumers

346. As noted previously, HRFC is not directly supplied to final consumers.

347. We do not have any evidence to suggest that varying the measure as proposed or revoking the measure would reduce the choices and information available to consumers.

H9 Such other matters as the TRA considers relevant

348. As part of the EIT, we consider any other factors additional to those set out in the legislation, which could have implications in concluding whether the proposed trade remedy measure is in the economic interest of the UK.

349. We consider evidence submitted by UK Steel in respect of environmental data.

350. UK Steel stated that UK production of HRFC is less harmful for the environment than that in other countries. Evidence from UK Steel showed that in 2018 the UK steel industry on average produced 1.6 tonnes of CO_2 per tonne of crude steel, while the world weighted average was 1.85 tonnes of CO_2 per tonne of crude steel.

351. UK Steel also noted that increased imports of HRFC required increased shipping, which would increase transport-related emissions of CO_2. UK Steel estimated that shipping from the PRC to the UK produces 0.3 tonnes of CO_2 per tonne shipped. If PRC steel production is as energy-intensive as the international average and, in a worst-case scenario, if imports of HRFC from the PRC entirely replaced domestic production of HRFC, global carbon emissions could increase by approximately 403,000 tonnes.

352. Using BEIS carbon values[85], which monetise changes in greenhouse gas emissions, we estimate that maintaining the measure could result in an international benefit of £51m-£152m.

353. It is important to note that the EIT only considers the impacts on the UK economy so only a portion of these environment-related benefits and costs are in scope of the EIT.

[85] BEIS Carbon Values.

H10 Forms of measure

354. In the EIT we consider the most appropriate form of measure to recommend, in particular, whether any changes to the length or coverage of the measure would minimise the negative impacts of the measure on some parties while retaining the overall benefits.

355. The measure applicable to the imports of HRFC from the PRC is the ad valorem duty that ranges from 0 to 31.3%.[86]

356. We have neither received nor found evidence suggesting that a change to the form of the measure would benefit the UK economy.

H11 Conclusion on Economic Interest Test

357. In accordance with paragraph 25 of the Schedule 4 to the Act, we consider whether the application of a remedy would be in the interest of the UK. The Economic Interest Test is presumed to be met unless we are satisfied that the application of the remedy is not in the economic interest of the UK.

358. Following the dumping and injury likelihood assessments, in sections F and G respectively, we have considered whether maintaining the existing measure would be in the economic interests of the UK.

359. In the section setting out factors in relation to injury, we concluded that the revocation of the measure for the PRC was likely to lead to recurrence of injury to UK industry because of increased competition from lower-priced imports of HRFC from the PRC. The measure is likely to prevent this injury.

360. In the section regarding economic significance, we found that there are four groups for whom HRFC is a significant product: upstream industries, UK producer of HRFC, importers of HRFC and SSCs. The breadth of the downstream industries makes this group significant to the UK economy; however, HRFC is an insignificant cost for most individual downstream businesses.

361. In the impacts on affected industries and consumers section, we found that varying the measure as proposed was likely to have a positive impact on UK producer of HRFC, upstream industries and possibly SSCs, but negative impact on importers of HRFC, downstream industries and consumers. UK producer of HRFC was likely to be able to maintain their level of investment and their UK operations. Importers of HRFC, downstream industries that use HRFC, and consumers will not be able to benefit from lower-priced imports of HRFC.

[86] These ad valorem duty rates are detailed in Annex 1.

362. In the section assessing the likely impacts on particular geographic areas and particular groups, we found evidence of cluster of employment linked to supply chain for HRFC located in south Wales. In particular, TSUK is a significant employer in Neath Port Talbot, which is considered to be an economically vulnerable geographic area.

363. In the section on competition, we concluded that if the measure was varied as proposed, this was not likely to impact the competitive environment and the structure of the UK market for HRFC. Revoking the measure, however, would increase competition in the UK market as it would improve the ability of suppliers from the PRC to compete.

364. In the other factors section, we considered the environmental impacts of revoking the measure and found that the revocation of the measure may lead to an increase in CO_2 emissions.

365. We have identified the following key positive impacts of varying the measure as proposed:

- The UK producer, TSUK, is likely to avoid suffering injury and continue their UK operations, which means a continued supply of domestically produced HRFC.
- Continued domestic supply of HRFC at its current level will maintain the significant positive impact on the wider UK economy.
- The measure is likely to support continued employment in the wider supply chain for HRFC in the UK, including in parts of south Wales, some of which are considered to be economically vulnerable parts of the UK.

366. The contrasting key negative impacts are:

- Importers and downstream businesses will not benefit from lower-priced HRFC. While HRFC is often insignificant cost to individual downstream businesses, when considered in aggregate, there may be considerably larger costs from the measure on downstream industries and the UK economy.
- The UK market for HRFC industry is likely to be less competitive than it would be without the measure.

367. Based on the evidence provided, we conclude that varying the measure as proposed is unlikely to cause any disproportionate negative effects to the UK economy and, therefore, that the EIT is met for the proposed measure.

SECTION I: Findings and Final Recommendation

I1 Findings

368. The TRA has found that it is likely, on the balance of probabilities, that dumping of the goods subject to review from the PRC would recur if the measure were no longer applied.

369. It is likely, on the balance of probabilities, that injury to UK industry would recur if the measure were no longer applied.

370. The application of this measure meets the EIT.

I2 Final Recommendation

371. Our recommendation is to vary the application of the anti-dumping amount under regulation 100A of the Regulations. As it has not been possible to recalculate the anti-dumping amount, we recommend maintaining the anti-dumping amount under regulation 100A(4)(b) of the Regulations and maintaining the description of the goods to which the measure applies under regulation 99A(2)(a)(ii) of the Regulations for a period of five years from 7 April 2022.

372. Annex 1 specifies the duties to be maintained and applied to the goods described or imported under the above UK tariff codes. In the absence of any data, we have maintained the form and levels of the original EU measure that are the subject of this review.

Annex 1: UK anti-dumping duties

Foreign country	Overseas exporter	Anti-dumping duty	Additional TAP code[87]
The PRC	Handan Iron & Steel Group Han-Bao Co., Ltd	10.3%	**C158**
The PRC	Hesteel Co., Ltd (Chengde Branch)	10.3%	**C160**
The PRC	Hesteel Co., Ltd (Tangshan Branch)	10.3%	**C159**
The PRC	Zhanjiagang GTA Plate Co., Ltd	31.3%	**C162**
The PRC	Zhanjiagang Hongchang Plate Co., Ltd	31.3%	**C161**
The PRC	Beijing Shougang Co. Ltd (Qian'an Iron & Steel Branch)	Nil	**C208**
The PRC	Bengang Steel Plates Co., Ltd	Nil	**C157**
The PRC	Inner Mongolia Baotou Steel Union Co., Ltd	Nil	**C151**
The PRC	Jiangyin Xingcheng Special Steel Works Co., Ltd	Nil	**C147**
The PRC	Shanxi Taigang Stainless Steel Co., Ltd	Nil	**C163**
The PRC	Shougang Jingtang United Iron and Steel Co., Ltd	Nil	**C164**
The PRC	Tangshan Yanshan Iron and Steel Co., Ltd	Nil	**C168**
The PRC	Angang Steel Company Limited	10.8%	**C150**

[87] From 1 January 2021, the UK initiated a new tariff regime called the UK Global Tariff (UKGT) that replaced the EU Common External Tariff (EU CET) and the EU TARIC codes. The codes listed relate to the transitioned measure.

The PRC	Maansgan Iron & Steel Co., Ltd	10.8%	**C165**
The PRC	Rizhao Baohua New Material Co., Ltd	10.8%	**C167**
The PRC	Rizhao Steel Wire Co., Ltd	10.8%	**C166**
The PRC	Wuhan Iron & Steel Co., Ltd	10.8%	**C156**
The PRC	All other overseas exporters (residual amount)	Nil	**C999**

Annex 2: EU anti-dumping duties

Foreign country	Overseas exporter	Anti-dumping duty	Additional TAP code[88]
The PRC	Handan Iron & Steel Group Han-Bao Co., Ltd	10,3%	**C158**
The PRC	Hesteel Co., Ltd (Chengde Branch)	10,3%	**C160**
The PRC	Hesteel Co., Ltd (Tangshan Branch)	10,3%	**C159**
The PRC	Zhanjiagang GTA Plate Co., Ltd	31,3%	**C162**
The PRC	Zhanjiagang Hongchang Plate Co., Ltd	31,3%	**C161**
The PRC	Beijing Shougang Co. Ltd (Qian'an Iron & Steel Branch)	Nil	**C208**
The PRC	Bengang Steel Plates Co., Ltd	Nil	**C157**
The PRC	Inner Mongolia Baotou Steel Union Co., Ltd	Nil	**C151**
The PRC	Jiangyin Xingcheng Special Steel Works Co., Ltd	Nil	**C147**
The PRC	Shanxi Taigang Stainless Steel Co., Ltd	Nil	**C163**
The PRC	Shougang Jingtang United Iron and Steel Co., Ltd	Nil	**C164**
The PRC	Tangshan Yanshan Iron and Steel Co., Ltd	Nil	**C168**
The PRC	Angang Steel Company Limited	10,8%	**C150**

[88] On 1 January 2021 the UK initiated a new tariff regime called the UK Global Tariff (UKGT) that replaced the EU Common External Tariff (EU CET) and the EU TARIC codes. The codes listed relate to the transitioned measure.

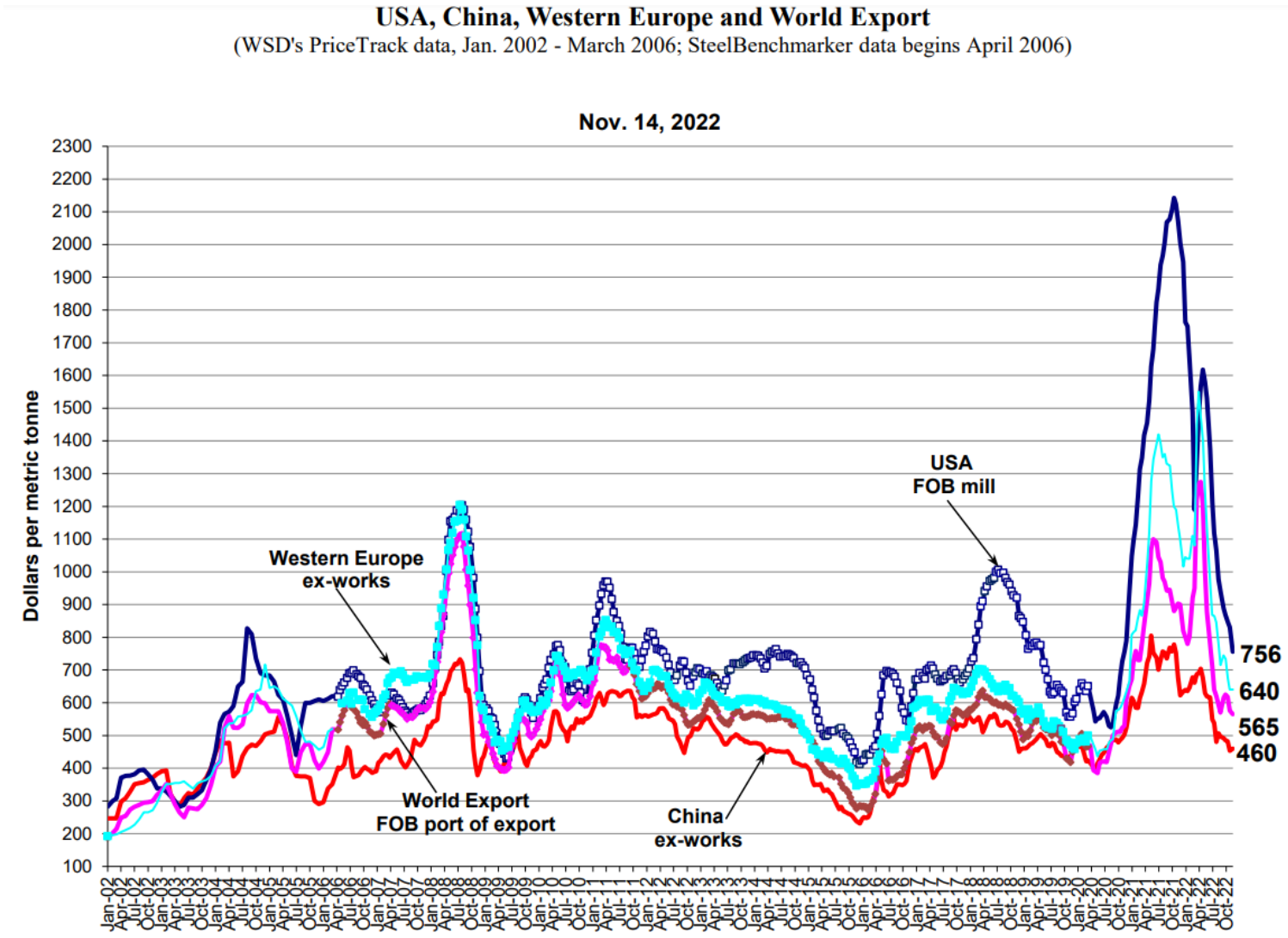
The PRC	Maansgan Iron & Steel Co., Ltd	10,8%	**C165**
The PRC	Rizhao Baohua New Material Co., Ltd	10,8%	**C167**
The PRC	Rizhao Steel Wire Co., Ltd	10,8%	**C166**
The PRC	Wuhan Iron & Steel Co., Ltd	10,8%	**C156**
The PRC	All other overseas exporters	35,90%	**C999**

Source: Commission Implementing Regulation (EU) 2019/1382.

Annex 3: Information from participants in the review

Name (abbreviation)	Submission(s)
TATA Steel UK Limited (TSUK)	Registration of interest Questionnaire response Written comments
Liberty Steel	Registration of interest Questionnaire response Note to the public file
EEF Limited (UK Steel)	Registration of interest Questionnaire response
Community Trade Union	Registration of interest Questionnaire response
Ministry of Commerce, Peoples Republic of China (MOFCOM)	Registration of interest Response to PMS allegations

Annex 4: Global, Western Europe, US and Chinese FOB/EX-Works



prices (USD/tonne).[89]

[89] http://steelbenchmarker.com/history.pdf, page 4.