WHITE & CASE

Non-confidential

TD0026 - Transition anti-dumping ("AD") review into imports of hot-rolled flat products of iron, non-alloy or other alloy steel ("HRFS") originating in the Russian Federation, Ukraine, Federative Republic of Brazil & Islamic Republic of Iran - Tata Steel UK ("TSUK")'s comments in favour of extending the AD duties for another five-year period

NON-CONFIDENTIAL VERSION

12 October 2022

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Sensitivity: general

I. Introduction

1. This submission is made on behalf of TSUK, a HRFS producer based in the UK[1] in the context of the above investigation. TSUK welcomes the Trade Remedy Authority ("TRA")'s decision to open the ongoing transition review, and finds it to be well justified and needed.

2. As the TSUK demonstrates below in this submission, all facts on the record support a conclusion that extension of the AD measure is merited in this case. A failure to do so would lead UK HRFS producers, whose situation remains vulnerable despite five years of measures, to once again suffering injury due to dumped HRFS imports from Russia, Ukraine, Brazil, and Iran. The information provided below shows that the applicable legal tests are met, and extension of the AD measures is justified in this case.

3. *First*, the AD measures have been effective. The effectiveness (and need) for the AD measures is demonstrated by the behaviour of the subject imports following imposition of the measures. HFRS import volumes from the four subject countries fell after the measures were imposed in 2017 from 90-100KT in previous years to just over 20KT in POI-3. This provided UK producers with the relief they needed to start their way on the road to recovery (although the industry remains vulnerable due to other factors such as low priced, dumped imports from other countries, and the market turmoil caused by the COVID-19 crisis with the ensuing drop in demand in 2020). Subject imports, however, rose one again starting in POI-2 (even in the context of decreased demand during the market crisis and fairly steady demand thereafter). Their quantities increased by 213 percentage points in absolute terms and they more than trebled their market share in the period POI-2 to the POI.[2] Russia took the lead in the increase, with imports exceeding 45,000 tonnes in POI-1, and over 37,000 tonnes during the POI. The subject imports also continued to undercut UK HRFS producers' prices, while UK HRFS producers' UK sales remained flat and they lost market share. Still, the subject imports remained below their levels prior to the imposition of AD measures. These import trends demonstrate that (a) the measures have disciplined import quantities, which remain below their pre-AD levels; and (b) this discipline is still needed to prevent a flood of low-priced undercutting imports from the four countries as discussed below.

4. *Second*, removal of the AD measures would likely result in recurrence of large-scale dumping. We see continued dumping by imports from Russia, which continued to export significant volumes to the UK after the original AD measures were imposed. And while Brazil, Ukraine and Iran currently have no (or minor) exports to the UK because of the AD measures in place, the data very clearly shows that dumping is bound to recur if the measures are allowed to lapse, based on an analysis of these countries' pricing on other export markets. TSUK has demonstrated that imports from the four countries are still being sold at significantly dumped prices to the UK or other third country markets. Dumping would recur (and worsen) if the discipline of the AD measures were to be removed.

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[1] https://www.tatasteeleurope.com/

[2] The one country showing a different trend was Iran, whose imports decreased since the imposition of measures and largely disappeared from the UK market starting in 2018. This may have been due to the AD measures in place, possibly in combination with geopolitical factors.

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5. *Third*, removal of the AD measures would also lead to a recurrence of injury. Despite the marginal improvement in the most recent period for which data is available, the UK HRFS industry remains vulnerable to injury, notably because its recovery following that the imposition of AD measures on imports from the four countries was affected by other factors such as the COVID-19 pandemic, (which resulted in a drop in demand in 2020, as noted above), and dumped imports from other countries, which did not allow the UK industry to benefit fully from the measures. In addition, the UK HRFS industry faces severe headwinds caused by the high energy prices, themselves the result of Russia's actions following the invasion of Ukraine.

6. While TSUK's profitability rose in the POI, it should be noted that TSUK's performance in 2021 and the POI, in particular as regards to profit margins, is not representative of its vulnerable state, but rather reflects the short-term global supply-demand imbalance driven by the pandemic. The COVID-triggered global supply-demand imbalance resulted in a significant increase of prices, with profits affected accordingly. However, this situation was temporary as the fundamentals of the market remain unchanged. The latest period for which we have data shows that indicators have started to go back to normal levels. And in the very last months (for which data is not yet available) TSUK has had to face further headwinds caused by high energy prices. As such, despite the short-term improvement in performance seen in the data (but no longer reflecting today's picture), the industry remains vulnerable to injurious imports. (See Section 5 below for further explanation of the current market situation.)

7. *Finally*, TSUK demonstrates that the Economic Effects Test ("EET") is met in this case, and extension of the measures would be in the interest of all interested parties involved.

II. TSUK and the structure of the UK market

8. TSUK is one of the two UK HRFS producers together with Liberty Steel, and TSUK represents the major share of UK production. As demonstrated below in this submission, TSUK's HRFS capacity is approximately [2-4] million tonnes per year. While TSUK does not have precise knowledge of Liberty Steel's capacity, the company estimates it to be a maximum of [0.5-2] million tonnes with production significantly below its maximum capacity; TSUK estimates total HRFS capacity in the UK of [3-5] million tonnes, of which TSUK holds the major share.

9. There are multiple importers/distributors and users of HRFS in the UK. Approximately [60-80]% of TSUK's sales are made to independent steel service centres. The key sectors of users are: [confidential]. Users predominantly buy HRFS from steel service centres ("SSCs"), although there are some direct sales to final users as well.

10. TSUK is thus the main HRFS producer in the UK, and its performance can be viewed as representative for the UK industry as a whole. TSUK also has a detailed and unique insight into the UK HRFS market.

III. Dumping is likely to continue in the event that AD duties are no longer applied to HRFS imports from Russia, Ukraine, Brazil and Iran

11. It is clear that dumping by the four countries HRFS exports to the UK will recur in the event that the AD measures are left to expire.

1. The TRA should calculate dumping for Iran's exporters on the basis of Regulation 14(1)(a)

12. TSUK submits that, as Iran is not a member of the WTO, regulation 14(1)(a) is applicable to Iran in this investigation, and the TRA should find that this provision applies and that as a result the TRA should calculate normal value in line with the options available under regulation 14. These include:

- In accordance with regulation 10 (appropriate third country or territory and representative price) or regulations 11 (costs of production) and 12 (the amounts for administrative, selling and general costs and for profits);
- on the basis of the costs of production of the like goods plus a reasonable amount for administrative, selling and general costs and for profits in an appropriate third country;
- on the basis of the price of exports from a third country or territory to other foreign countries or territories provided that price is representative;
- on any other basis the TRA considers is reasonable including the price actually paid or payable for the goods in the United Kingdom adjusted where necessary to include a reasonable profit margin.

13. TSUK submits that it is appropriate for the TRA to apply Regulation 14(1)(a) in constructing a normal value for Iran.

2. The four countries' exports are still being sold at dumped prices

14. Imports from the four countries are indeed still a source of serious concern to TSUK given the prices at which they are sold in the UK or in other, third-country markets.

15. Following imposition of the original AD measures, imports from Russia continued to enter the UK in significant volumes, while imports from Ukraine, Iran and Brazil dropped. Therefore, TSUK has provided evidence showing that imports are still being sold in the UK or to other markets (where UK exports are not representative) at dumped prices. Dumping therefore continues. It should be noted that the largest exporter to the UK at very low prices in recent times was Russia. The reason why Russia was able to continue to export HRFS to the UK in such large volumes was because one Russian exporter, Severstal received a low duty of EUR 17.6 per tonne, which allowed the company to acquire the lion's share of Russian exports to the UK. Prices of Russian exports to the UK remained low, and lower compared to most other countries, which allowed Russia to continue selling large volumes of HRFS on the UK market.

16. For imports from Brazil, Ukraine and Iran, where there were no imports in the POI, TSUK has demonstrated that exports from the three countries are being sold to third country markets at dumped prices. Dumping of exports to the UK will thus clearly recur in the event the AD measures are left to expire as the measures are the only thing preventing injurious dumping.

17. While TSUK has not been able to obtain any actual invoices or offers for sales from the four countries to the UK, or to other markets, they have demonstrated, by other means

as discussed below, that dumping is likely to continue (in the case of Russia), and recur (in the case of Brazil, Iran and Ukraine) in the event that the AD measures are allowed to expire.

Normal value

18. As explained in ANNEX 1, TSUK has compared these export prices with a normal value based on:

- The normal value for Brazil, Ukraine and Russia is based on MEPS Developing Markets Steel Review monthly domestic prices of hot-rolled coil, sold in the respective country, quoted in the country's currency and in USD[3]. The USD values were converted to euro using the average ECB monthly EUR/USD exchange rate[4]. Using hot-rolled coils for normal value calculation is appropriate, since HR flat products are usually exported as coils (not cut to length); it therefore makes sense to compare exports in coils to home market sales, also in coils. In addition, usually coil prices are slightly lower than prices of cut-to-length steel (because of the additional processing, i.e. cutting of the coil into steel plates or sheets). Thus, using HR coil prices as normal value leads to a conservative dumping margin calculation.
- The home market price data for Iran was collected based on specialized reports, called Iran Steel Market Trend, published on weekly or bi-weekly basis, available publicly[5], and quoting prices of common HRFS products. Again, such prices are quoted in USD and converted to EUR using the monthly ECB exchange rate. The prices contained in the weekly reports are the quotations made by the Iranian HRF producer Mobarakeh Steel Company to its home market customers, mostly on EXW basis.
- The transport cost calculations are based on calculations provided by a third party and include inland freight in each country, ocean freight from each country to the EU, as well as port operations.

Export price

19. The export prices are based on FOB export data extracted from:

- Trade Data Monitor showing export prices from Russia to the UK.
- For Brazil, Ukraine and Iran, which had no exports to the UK, TSUK provided separate calculations comparing home market prices against overall export prices and prices to the three largest export destinations.

3 The MEPS Developing Markets extraction, methodology and description can be found in ANNEX 1, folder "MEPS complete extraction."

4 https://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=120.EXR.M.USD.EUR.SP00.A&periodSortOrder=ASC

5 https://www.irsteel.com/en/steelnewsandreports/steelreports/weeklyreport/morereports

Dumping margin

20. As seen in ANNEX 1, the average dumping margin for imports from the four countries was up to [41.2%] in the case of Brazil; [22.1%] for Iran; [14.1%] for Russia; and [12.9%] for Ukraine.

21. It should be noted that these estimates are conservative due to the way the constructed normal value is calculated.

Conclusion on recurrence of dumping

22. These calculations are clear evidence that the AD measures are the only factor preventing the four countries' exporters from the dumping their product on the UK market, and that dumping will resume in the event that the AD measures are left to expire.

23. TSUK's dumping margin calculations are carried out in line with the best practice of other authorities, notably the European Union, where the existence of AD measures has successfully prevented or limited harmful exports from the four countries.

24. The data shows that, should the measures elapse, HRFS from the four countries would enter the UK market at even lower prices. This is supported by HRFS export prices from the four countries to various locations worldwide as well as the numerous trade defence measures in force against imports from the four countries, both of which confirms that they will dump their products in the UK at low prices, and undercut UK producers by significant amounts.

IV. The situation of the UK HRFS industry remains vulnerable. Injury to the UK industry would be likely to recur if the AD duties are left to expire

25. This conclusion becomes obvious if one looks at the current situation on the UK market as well UK producers' economic and financial performance.

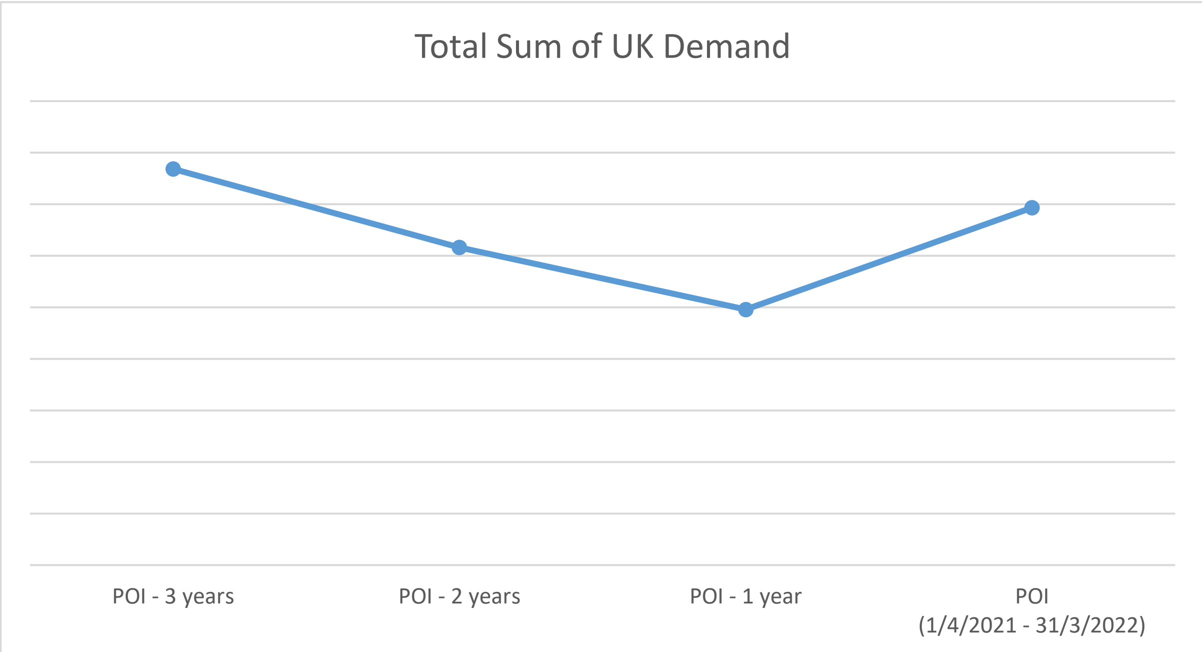
1. UK consumption

26. UK consumption fell in in POI-2 (1 April 2019-31 March 2020) and POI-1 (1 April 2020 -31 March 2021), compared to POI-3 (1 April 2018-31 March 2019), but then increased in the POI (1 April 2021-31 March 2022) by 25 percentage points even if it still remained below POI-3 levels.

UK apparent consumption (tonnes)	POI-3 years	POI-2 years	POI-1 years	POI (1 April 2021 – 31 March 2022)
UK Consumption	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**100**	**80**	**65**	**90**

Source: Trade Data Monitor (ANNEX 2)

27. This is also reflected in the graph below, which shows the change in UK demand over the years:



Source: Trade Data Monitor (ANNEX 2)

28. Thus, even if we have seen a recovery, UK demand is still below its earlier levels; thus, given the existing sufficient supply on the market (from both local and foreign sources), there is no risk of any supply shortages.

2. Imports from the four countries

29. Following the imposition of AD duties in 2017, imports into the UK from the four countries fell significantly.

Imports (tonnes)	POI-3 years	POI-2 years	POI-1 year	POI (1 April 2021 – 31 March 2022)
Ukraine	69	0	801	0
Brazil	25	0	0	0
Iran	0	0	0	0
Russia	20,640	64,828	45,182	37,363
Total	**20,734**	**64,828**	**45,983**	**37,363**

Source: Trade Data Monitor (ANNEX 2)

30. It is important to say however that the only reason why this drop occurred were the AD measures in place, which have been effective. The UK import data (and TDM data showing exports from the four countries to the UK) does confirm that the imposition of definitive measures in 2017 reduced significantly imports from the four countries into the UK as the four countries' exports were diverted to other markets. As demonstrated above (and in ANNEX 2), imports from the four countries dropped to 21KT from 90-100KT in previous 12-month periods. Thus, it is clear that the only reason why imports from the four countries into the UK have decreased are the measures in place, and that imports from the four countries will once again flood the UK market in the event that the AD measures are left to expire.

31. Without the pressure from the four countries' imports, the UK industry was able to improve its performance; this however was only temporary given market conditions, as well as pressure by other imports, and other external factors such as the COVID-19 pandemic, which did not allow the UK industry to fully recover.

32. If measures are allowed to lapse, there will undoubtedly be recurrence of dumping and recurrence of injury, which will be detrimental to the industry, which remains vulnerable. Therefore, the duties should be renewed for a period of five years in order to allow the UK industry to fully recover and maintain healthy levels of performance.

3. The vulnerable financial situation of the UK industry

33. Following the imposition of AD measures in 2017, the situation of the UK industry improved but remained difficult due to other factors such as pressure by low-priced imports from other countries, as well as the COVID-19 pandemic, which hit international markets in 2020. While the situation did improve in the POI mainly driven by improved demand and supply-demand imbalance following COVID, this situation is expected to be temporary in nature. UK producers remain vulnerable to renewed injury should the measures elapse. The future of HRFS production in the UK is dependent on the producers being able to make a profit. While the profitability has improved in recent months due to the high level of steel prices resulting from market disruptions, prices have started to fall back, and are likely to remain in a downward trend. With prices

falling back to normal levels, as the underlying fundamentals of the steel market remain unchanged, the UK industry will find itself in a fragile position to face dumped imports from the four countries. If the industry is forced to face surging dumped imports from the four countries, it will experience a recurrence of material injury.

34. This is also seen in recent economic data for UK HRFS producers, detailed below, which shows overall declining performance from POI-3 to POI-1 for most injury indicators with a modest recovery in the POI. The industry is therefore fragile. The end of the measures will likely result in a very negative impact on UK producers, as imports from the four countries would flood the UK market.

35. It is noteworthy that the industry has been affected by unwelcome headwinds, namely the significant increases in energy costs due to Russia's actions following its invasion of Ukraine. Those headwinds will not be seen in the injury data as they are too recent, but they are an important factor in showing that the industry remains very vulnerable to a resurgence of dumped imports.

36. An overview of the UK industry indicators provided in the section below (further details in ANNEX 3) illustrates its vulnerability to renewed injury should the measures elapse.

37. Production decreased from POI-3 until POI-1, then rose during the POI, to roughly POI-3 levels. As regards capacity, it remained stable over the entire period. Capacity utilisation remained stable (and marginally increased by 2 percentage points) with UK producers putting their production capacity to work to satisfy any current and future increase in UK HRFS demand.

TSUK's production, capacity and utilization rate (tonnes)	POI-3 years	POI-2 years	POI-1 years	POI (1 April 2021 – 31 March 2022)
Total Production	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**100**	**100-110**	**90-100**	**100-110**
Capacity	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**100**	**100-110**	**100-110**	**100-110**
Capacity Utilization	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**100**	**100-110**	**90-100**	**100-110**

Source: TSUK's Injury Data (ANNEX 3).

38. [Confidential information removed]. As a result, TSUK's production capacity decreased from around [6-7] million tonnes per year to [3-4] million tonnes. This is a clear evidence

that TSUK adjusted its production capacity to better adapt to the market circumstances, however, any further decreases in production output will have severe consequences for the domestic industry.

39. The graph below illustrates the marginal drop in production and utilization in POI-1, and the following improvement in the POI.

[Confidential information removed – graph showing TSUK's production, capacity, and utilization. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

40. The improvement in the POI came only after the third year as the measures were not fully effective due to a number of other external factors. The improvement was also driven by the supply-demand imbalance caused by COVID, which is expected to be temporary in nature.

41. In terms of volume of sales, UK producers have again only started to recover during the POI.

TSUK's' UK Sales to unrelated (tonnes)	**POI-3 years**	**POI-2 years**	**POI-1 years**	**POI (1 April 2021 – 31 March 2022)**
Sales	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**100**	**90-100**	**90-100**	**110-120**

Source: TSUK' Injury Data (ANNEX 3).

42. After a deteriorating performance between POI-3 and POI-1, following the downward trend in UK demand, the industry managed to marginally improve its performance in the POI (driven by the temporary rise in demand).

[Confidential information removed – graph showing TSUK's production, capacity, and utilization. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

43. The UK industry's market share increased by [5-10]% from the implementation of the measures to the POI. The UK industry's market share increase during the POI-1 was largely driven by the decreased demand due to the COVID-driven supply/demand imbalance; this situation did not last into the POI as TSUK's market share fell by [0-5] percentage points compared to the year before.

TSUK's market share or UK Sales (%)	**POI-3 years**	**POI-2 years**	**POI-1 years**	**POI (1 April 2021 – 31 March 2022)**
Sales (Indexed)	100	120-130	140-150	120-130

[Confidential information removed – graph showing TSUK's market share. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

44. UK producers' prices dropped dramatically from POI-3 to POI-1, driven by pressure by imports, and the market turmoil caused by the COVID-19 crisis, and then recovered during the IP given the sudden increase in demand and the whipsaw effect, described above in Section (c).

TSUK's prices for sales to unrelated in the UK (GBP/tonne)	**POI-3 years**	**POI-2 years**	**POI-1 years**	**POI (1 April 2021 – 31 March 2022)**
UK prices	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	100	80-90	80-90	140-150

Source: TSUK's Injury Data (ANNEX 3).

45. As explained above, the important price drop from POI-3 to POI-1, despite the measures in place against the four countries, was caused by various market disruptions and pressure from imports. As noted, the later increase of prices after POI-3 can be explained by the rise in demand following the COVID-19 pandemic, as well as the rise in raw materials price, which led to higher steel prices globally. This situation is demonstrated by the following graph.

[Confidential information removed – graph showing TSUK's domestic prices for HRFS. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

46. It is important to note that prices peaked in March 2022, and are now falling as demonstrated by the following graphs.

[Confidential information removed – graph Platts prices for HRFS in Northern and Southern Europe in the period 2019-2022. The data is considered sensitive as it is subject to copyright.]

47. Thus, the price hikes and the resulting high profitability in recent quarters was temporary, and is not expected to last. In addition, the cost of producing steel has increased dramatically in the most recent period, due to inflation and high energy costs.

48. These elements show that the UK industry remains vulnerable to a new surge of dumped imports, which as explained below will inevitably follow if the duties are lifted. Should the measures expire without being renewed, there will undoubtedly be recurrence of dumping and injury. Therefore, the duties should be renewed for a period of five years in order to allow the UK industry to fully recover.

49. However, due to the AD measure being in place, the UK industry is now in a position to regain lost ground – provided that the AD measures on the four countries' imports are continued, this avoiding dumped imports the four countries from again flooding the market.

50. After more than three years in losses, caused by market disruptions and pressure by imports from other countries, profits in the POI improved as prices went up due to the increased demand resulting from the short-term supply-demand imbalance and whipsaw effect. The industry has managed to generate profits during the POI, as demonstrated below:

TSUK's Profitability	POI-3 years	POI-2 years	POI-1 years	POI (1 April 2021 – 31 March 2022)
Total company	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	-100	-60 - -80	20 - 30	40 - 50
HRFS	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**-100**	**-450-550**	**-400-500**	**450-550**

[Confidential information removed – graph showing TSUK's profitability. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

Source: TSUK's Injury Data (ANNEX 3).

51. TSUK's profit margin could not recover in the period POI-3-POI-1 as the industry remained loss making. As explained above, such a trend in profits is clearly linked to the pressure UK producers were facing at the time from dumped imports from other countries including India, South Korea, Turkey, and others, when UK producers had to lower their prices and endure losses to survive. As demonstrated by the graph above, during most of period considered, UK producers continued to generate losses. TSUK showed improved profitability [Confidential information removed] during the POI,

notably due to the COVID-driven supply/demand imbalance; this situation however is not expected to last.

52. Indeed, it is important to note that UK producers' recent profitability is transitory due to the whipsaw effect resulting initially from the supply chain disruption. There is also a short term effect of the initial shock of the Russian invasion of Ukraine, which is already starting to disappear. With prices on a downward trend, as demonstrated by specialized forecasts, market conditions have started to get back to normal and profit margins will develop accordingly. In this regard, after seeing flat profits in Q1 and Q2 2022, profits are likely to fall dramatically during the course of 2022 given the headwinds the industry is currently facing.

53. This forecast takes into consideration all the efforts that the industry has put into its recovery, and since the fundamentals of the market dynamics have not changed, it remains vulnerable to an onslaught of dumped imports from the four countries if the measures are allowed to expire, in which case profits would clearly be at a much lower level.

54. Indeed, the situation on the UK market has not allowed UK producers to fully recover. While signs of recovery can be perceived in the POI as regards employment, it is also the case that in the POI employment remained 18 percentage points lower than in POI-1.

[Confidential information removed – graph showing TSUK's employment. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

Employment	**POI-3 years**	**POI-2 years**	**POI-1 years**	**POI (1 April 2021 – 31 March 2022)**
Employment	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Indexed	**100**	**120 - 130**	**140 - 150**	**120 - 130**

Source: TSUK's Injury Data (ANNEX 3).

55. Even with the UK industry endeavouring to maintain jobs, employment still fell in the POI compared to the preceding 12-month period. Therefore, more job losses will be inevitable if the pressure from dumped imports from the four countries comes back.

56. UK producers' stocks decreased slightly over the last years, which may have been a consequence of the supply chain disruption caused by the COVID crisis.

TSUK's stocks (tonnes)	POI-3 years	POI-2 years	POI-1 years	POI (1 April 2021 – 31 March 2022)
Stocks	[Confidential]	[Confidential]	[Confidential]	[Confidential]
Index	**100**	**100 - 110**	**80 - 90**	**90 - 100**

Source: TSUK's Injury Data (ANNEX 3).

[Confidential information removed – graph showing TSUK's stocks. The data is considered sensitive as its disclosure may give a competitive advantage to competitors.]

4. Conclusion on recurrence of injury

57. TSUK submits that the ongoing Russian invasion of Ukraine, will have a noticeable impact on the production and exports of steel (including HRFS) from Russia and Ukraine, however this does not undermine the need for the extension of the measures for another five-year period. It is likely that imports from the two countries have fallen following the breakout of the ongoing Russian invasion of Ukraine, and the sanctions imposed by the EU on imports of steel (including HRFS) from Russia.

58. In TSUK's view, any such reduction in imports from the two countries would be temporary in nature. By way of an example, Ukraine's HRFS producing plants in Mariupol (Ilyich Iron and Steel Works (Ilyich) and Azovstal) have been damaged, however senior management of Metinvest have indicated a likelihood of these facilities being restored to capacity in the medium term.[6]

59. With respect to Russian imports, it is not clear how long the sanctions will last – this being something that ultimately depends on geopolitical considerations that are difficult to predict. As a result, it is not currently clear what relevance should be given to these factors in the analysis whether or not to extend the AD measures in place.

60. In TSUK's view, it is premature to base any conclusions regarding the future of imports from Ukraine and Russia on the basis of the ongoing Russian invasion of Ukraine. As such, the below conclusions are reached on the basis of the available data from the POI and on the assumption that imports from Ukraine and Russia will return to previously observed volumes following a resolution of the ongoing Russian invasion of Ukraine.

61. If measures are left to expire, imports from the four countries – which had dropped as a result of the AD measures – would rapidly regain their previous volumes, given the four countries' excess capacity (as explained below), and the trade defence measures in most third-country markets. The four countries' export prices to the UK would drop sharply, in line with current prices offered to third markets.

[6] See article '*Metinvest counts on state support in launching economy, reducing taxes, encouraging investment – CEO*', 28 June 2022, available at: https://interfax.com.ua/news/economic/842235.html.

62. In addition, it is clear that the UK industry is still vulnerable, is in a fragile state, as it has not been given full opportunity to recover due to dumped imports from other countries and the COVID-driven market turmoil. The performance in terms of profitability of the UK industry during the POI is not representative, as better results were linked to market disruptions and post-COVID recovery, which led to abnormally high prices. Although the UK industry is sound, and has employed its best efforts to improve performance, it remains vulnerable after the pressure from imports and the supply chain disruption caused by COVID and rising steel and raw materials prices.

63. Considering all the above, the likelihood of recurrence of material injury in this case is clearly established. A resurgence of the four countries' dumped imports would translate into a significant increase of the four countries' imports market share, also because users can relatively easy switch to other suppliers. This means, in turn, that UK producers can easily lose customers, resulting in fewer sales, lower production and capacity utilization. That could leave UK producers with no choice but to lower their prices, leading to a further injurious scenario. In addition, as explained below, the spare capacity in the four countries combined is much bigger than the UK HRFS market, which only aggravates the problem.

V. The state of the four countries' steel market and industry guarantees that injurious dumping will continue if the AD measures are left to expire

64. Producers from Brazil and Iran will without doubt resume large-scale exports to the UK at dumped prices, unless the AD measures are extended. Following the removal of sanctions on Russian steel products, producers from Russia will also continue large-scale exports to the UK. This is due notably to existing overcapacities in these countries, and inability of other main third markets to absorb the exceeding production. Following the resolution of the Russian invasion of Ukraine and a return to spare HRFS capacity, producers from Ukraine will likely resume large-scale exports to the UK at dumped prices as observed in third countries during the POI.

65. The risk of trade diversion is clear and the UK HRFS market, mature and well-developed, is attractive and will be the natural target of these overcapacities should the measures elapse. Finally, the POI data also shows that the four countries dump/overcut prices at other markets, which indicates that, in the absence of the measures, import prices would be much lower.

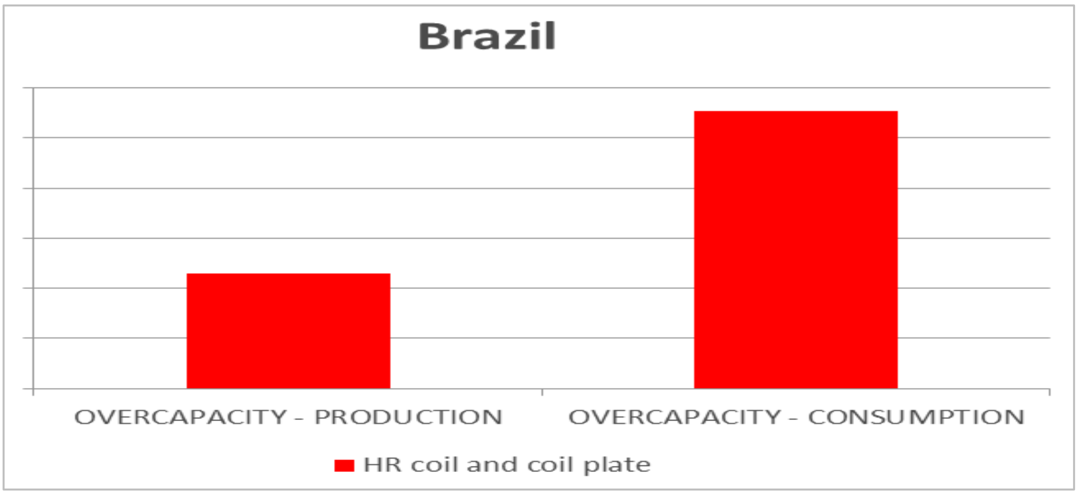
1. HRFS capacity in Russia, Iran and Brazil is significant and new capacity is being added

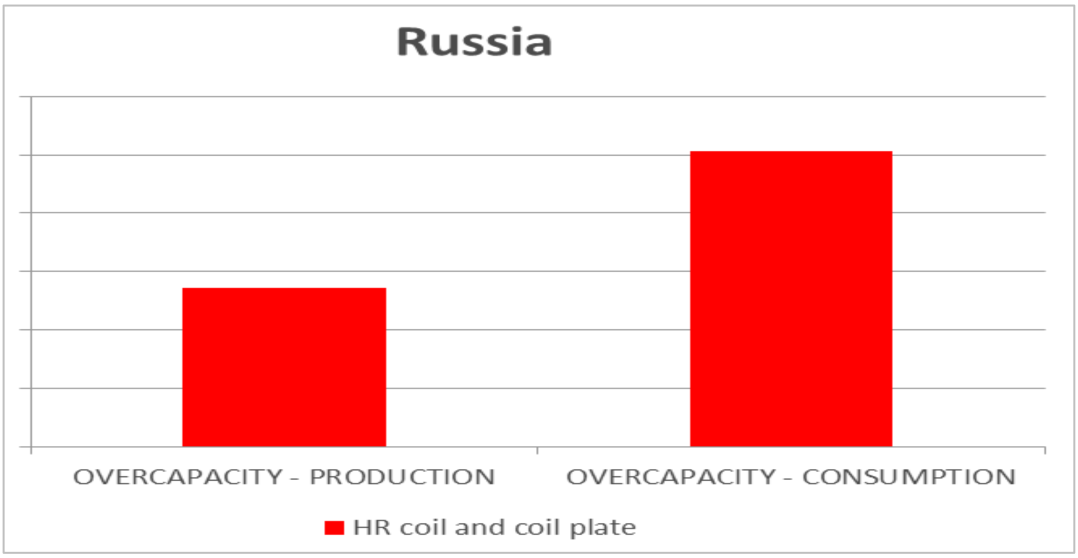
66. Brazil and Iran have significant overcapacity and a shrinking number of options for export markets, which means that they would flood the attractive UK market with cheap dumped imports if the AD measures were removed.

67. Russia also maintains significant overcapacity. Assuming the sanctions on Russian imports were to be lifted (or return to their state prior to the start of the Russian invasion

of Ukraine) in the medium term and the AD measures were removed, they would also flood the attractive UK market with cheap dumped imports.

68. The mechanisms for this are already in place. One only needs to look at the existing HRFS overcapacities in the targeted countries to see that these countries have no choice but to export at low prices in order to deal with existing excess capacities. (See <u>ANNEX 4</u>).





Source: CRU.

69. A different set of available CRU data (which also covers Iran) confirms that there is excess capacity in each of the four countries as they operate at low capacity utilization rates.

[Confidential information removed – data on production and utilisation rates for the four countries in 2020 and 2021. The data is considered sensitive as it is subject to copyright.]

70. That there is significant production in each of the four countries subject to this request is also confirmed by alternative data available by another source, Plantfacts showing nominal capacity in each of the four countries. The Plantfacts data, which is broadly in line with the CRU data above does indicate significant capacity in each of the four subject countries.

[Confidential information removed – data on production facilities and capacities for the four countries in 2020 and 2021. The data is considered sensitive as it is subject to copyright.]

71. Not only do the four countries already have significant HRFS capacities as demonstrated above, they keep expanding capacities across the steel industry. In 2021, the general steel output increased 23.3% in Brazil, 8% in Iran, 8.5% in Russia and 7.4% in Ukraine.[7] While it is expected that there will be a short term reduction in capacity in Ukraine, as discussed at para. 58 above this capacity is likely to be restored in the medium term. (See ANNEX 5) Moreover, the latest steelmaking capacity OECD report, containing mostly data from Metal Expert 2020 (ANNEX 5), indicates the following non-exhaustive list of steelmaking capacities expansion plans announced during the POI for Russia, Brazil and Iran:

- Russia:
  - Russia's Don-Metal has a plan to construct a new EAF with capacity of 0.2 mmt in Rostov state. Operations are expected to start after 2022.
  - United Metallurgical Company (OMK) plans to build an EAF with a capacity of 1.8 mmt, with operations expected by the second half of 2024.
  - Novostal-M plans to install a new EAF plant with a capacity of 1.2 mmt in Balakovo and operations would begin in 2024.
  - Russia's Usolye Metallurgical Plant expected its new steelmaking facility to start operating late 2021.
- Brazil: Grupo Simec plans to upgrade its existing EAF capacity from 0.52 mmt to 0.8 mmt.
- Iran:
  - Sefid Dasht Steel, which is part of Mobarakeh Steel, has a new EAF plant with the capacity to produce 1.0 mmt of crude steel. The facility was expected to start operations by March 2021.
  - Ghaenat Steel's new 0.8 mmt EAF plant was expected to start operations by in 2021.
  - Miyaneh Steel has a new 0.8 mmt EAF plant which was expected to start operations in 2021.

[7] OECD, Steel market developments, Q4 2021, pp. 17-21, available at https://www.oecd.org/industry/ind/steel-market-developments-Q4-2021.pdf. See ANNEX 5.

- Arvand Jahanara Steel has a new 1.2 mmt EAF plant with operations that were scheduled for the first quarter of 2021. In addition, the company plans to build another EAF in 2022 with the same amount of capacity.
- Butia Steel is constructing a new EAF facility with a capacity of 1.5 mmt in Kerman Province, operations were scheduled to start by 2021.
- Zarand Iron & Steel Company (ZISCO) has a new BOF plant with capacity of 1.7 mmt, with operation expected by 2021
- B-MISCO has a new EAF plant with capacity of 0.8 mmt, with operations that were scheduled to start in 2020 or 2021.

72. Other press reports also suggest Russian exporters (e.g. NLMK) are expanding their HRFS capacity notably (See ANNEX 6).

73. As for Iran, the country has seen its steelmaking capacity more than double during 2010-2020. According to the OECD, looking at all the projects currently under way, not limited to those mentioned above, the capacity expansion over the next three years will bring Iran's capacity to 68.7 mmt by 2023 – an increase of 30% when compared to the capacity level of 52.8 mmt at the end of 2020: "*This would mean that Iran could become the seventh largest steelmaking country in the world during this period, surpassing both Germany and Turkey*".[8] (See ANNEX 5).

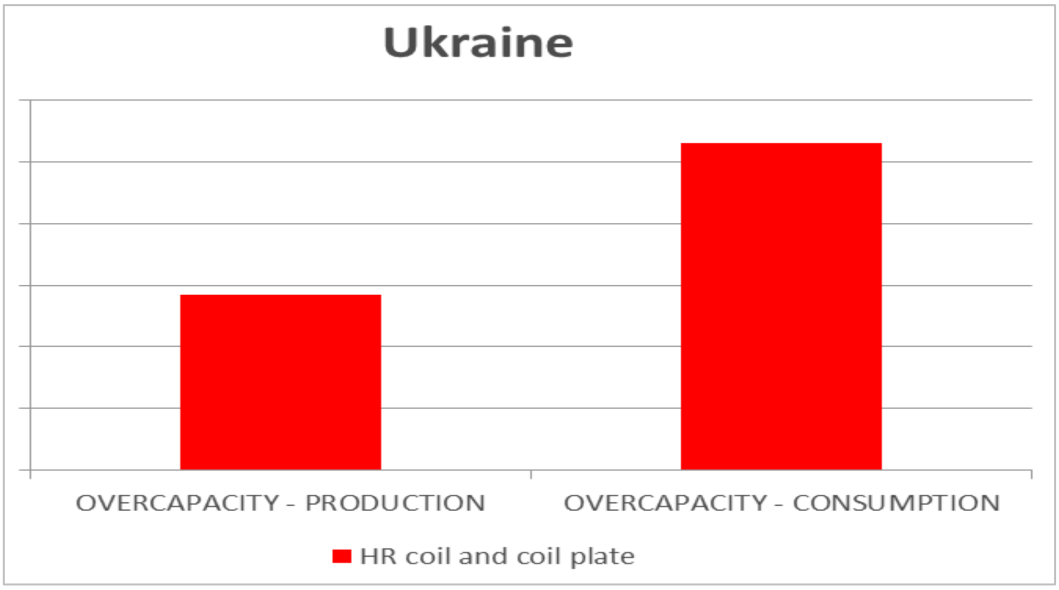
74. With important excess HRFS capacities and plans to expand steelmaking capacities in the near future, these four countries have no alternative but to export the output that cannot be absorbed domestically. This trend is confirmed by a number of press reports showing demand softening and low prices in each of the four countries, which suggests exporters in these countries are looking for ways to dispose of their built-up inventories (ANNEX 6). For instance, SBB Report 20 January 2022 notes that "*the Brazilian steel industry is expected to experience some downward pressures in 2022 caused by economic deceleration, full inventories and falling demand from end-users[…]. (…) prices already fell by double digits in H2 2021*" (ANNEX 6).

75. As further discussed below, the UK is an attractive market for HRFS, and the natural target of the diverted exports should the measures expire.

2. HRFS capacity and potential stockpiles in Ukraine

76. Prior to the start of the Russian invasion of Ukraine, Ukraine also maintained significant overcapacity. In the absence of more recent data TSUK provides below the POI data which reflect the HRFS production capacity in the period prior to the start of the Russian invasion of Ukraine.

[8] OECD, Latest developments in steelmaking capacity, September 2021, p. 5, available at https://www.oecd.org/industry/ind/latest-developments-in-steelmaking-capacity-2021.pdf. See ANNEX 5.



Source: CRU, **note**: these figures reflect the capacity prior to the damage caused to facilities in Mariupol.

77. To the best of TSUK's knowledge, Zaporizhstal Iron and Steel Works, whose capacity is [2-4] million tonnes per year, continues to operate. However, given the blockade of the port at Odesa Ukrainian producers are currently unable to transport their steel products. As the production facilities are required continue production (even if at reduced capacity), there is a likelihood of stockpiles of HRFS building up.

78. Assuming the situation in Ukraine were to return to their state prior to the start of the Russian invasion and the AD measures were resolved, Ukrainian imports would also flood the attractive UK market with cheap dumped imports.

3. <u>Situation in third country markets will result in diversion of export flows from the four countries into the UK</u>

79. The local markets of these four countries cannot absorb the steel capacity, as demonstrated by their large HRFS overcapacities (see Section V.1 above). Most third country markets either already have overcapacity or are closed for their exports. As a result, and because the UK is a very attractive market, the UK is the obvious target for this vastly increased capacity, and will be flooded with diverted HRFS imports should the duties lapse. Clearly, the ongoing Russian invasion of Ukraine, and the respective sanctions imposed by the UK on steel imports from Russia, have temporarily curtailed imports from the two countries, but as explained below, one has no way of knowing how long this would last. So, the temporary drop in imports from the two counties, caused by the ongoing Russian invasion should not be factored in the context of the ongoing review.

80. That the UK is the likely target of exports from the four countries in the event that the AD measures are left to expire is also guaranteed by the fact that major HRFS markets, such as Canada, Egypt, the EU, the Gulf countries, Indonesia, Mexico, Saudi Arabia,

South Africa, Turkey, and the USA have already introduced (or are in the process of introducing) trade defence measurers on HRFS imports from the four countries (See ANNEX 7):

81. These barriers reduce considerably the ability of these four countries to direct their excessive production to other third country markets, and make the UK among the few remaining attractive options in the event that the measures are lifted.

4. Likely evolution of the level of the four countries' prices and likely demand for further imports

82. In light of Brazil, Iran and Russia's significant spare capacity and the need to export to fill that excess capacity, they will continue to export HRFS at dumped prices (assuming lifting of the sanctions on Russian HRFS).

83. As discussed above, Ukraine is also likely to return to an excess capacity situation in the medium term, which will continue to be exported at dumped prices. As such the data below reflects the situation in the four countries during the POI, prior to the Russian invasion of Ukraine.

84. The data shows that, should the measures elapse, HRFS from the four countries would enter the UK market at even lower prices. This is supported by HRFS export prices from the four countries to various locations worldwide (ANNEX 1) as well as the numerous trade defence measures in force against imports from the four countries, both of which confirms that they will dump their products in the UK at low prices, and undercut UK producers by significant amounts.

85. In fact, as demonstrated in TSUK's undercutting calculations included in ANNEX 1, HRFS prices of exports from the four countries sold in various locations worldwide also undercut the prices of TSUK by large amounts.

86. For all the above, absent the AD measures in place, foreign exporters, constrained by their overcapacities and traditional export destinations that are closed, will have a large incentive to redirect their excess capacities in large quantities of low priced imports to the UK market, and will continue (for Russia) or restart (for Brazil, Iran and Ukraine) large-scale injurious dumping.[9]

87. The situation described in this section is supported by all available data.

VI. The four countries' exporters are likely to target the UK market in the event that the measures are left to expire

88. *First*, the UK is one of the likely targets of the four countries' exports in the event that the AD measures are permitted to end because other major HRFS markets, such as Canada, Egypt, the EU[10], the Gulf countries, Indonesia, Mexico, Saudi Arabia, South Africa, Turkey, and the USA have already introduced (or are in the process of

[9] See further discussion at Section VI below.

[10] The EU is currently considering the opening of an expiry review into measures from the four countries, and is expected to do so in early October.

introducing) trade defence measurers on HRFS imports from the four countries (See ANNEX 7).

89. These barriers reduce considerably the ability of the four countries to direct their excessive production to other third country markets, and make the UK among the few remaining attractive options in the event that the measures are lifted.

90. *Second*, the UK market, due to its size and open/competitive nature, with a stable and strong currency, is clearly an attractive target for the four countries' HRFS exporters. Imports will therefore undoubtedly focus on the UK market if the AD measures expire.

91. Another important reason why also imports from the four countries are likely to flood the UK market if measures are removed, is the expected recovery of steel demand going forward. As TSUK explained, the COVID crisis severely impacted apparent HRFS consumption in the UK, which took a dive in POI-2 and POI-1, but recovered in the POI. Available data shows that UK steel market is expected to remain stable in the following years.

92. Clearly, the existing (and forecasted) demand in the UK will attract HRFS exports from the four countries in the event that the measures are repealed.

VII. The Economic Interest Test ("EET") is clearly met in this case

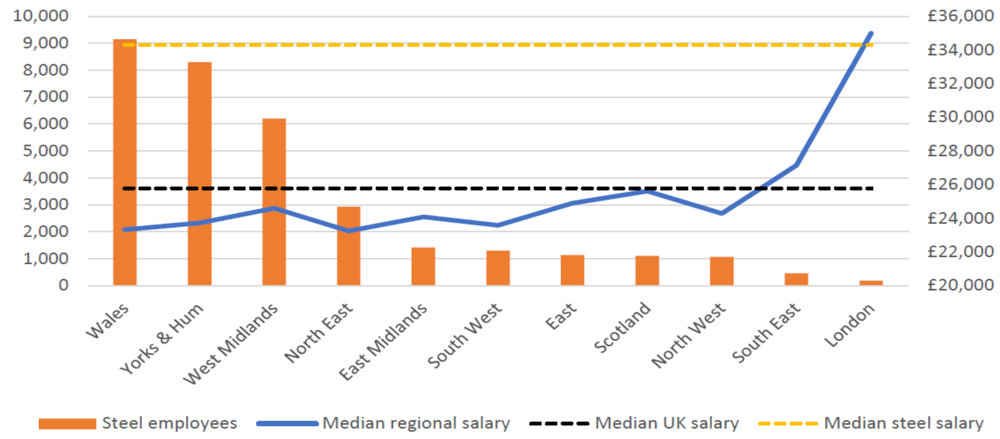
93. There is indeed a strong economic interest in the continuation of the measures to prevent recurrence of dumping causing injury to the UK industry. To fail to extend the AD measures in place in these circumstances would open the door to a surge of dumped HRFS products into the UK market and to put the future of the UK industry and its workforce at grave risk.

94. The EET is clearly met in this case as continuing of the measures will preserve fair market conditions on the UK market, as explained in further detail below. Besides ensuring a future for the UK HRFS industry, the measures will ensure that end users have long-term and reliable sources of supply of HRFS, since there is no risk of shortage, because (a) imports could continue to enter the UK (on a fairly-traded basis) and (b) there is sufficient spare capacity in the UK and in third countries to cover any shortfall. In addition, measures would not result in any adverse effect on users nor on employment in end user industries.

1. Importance of the UK HRFS industry

95. *First*, the UK steel industry directly employs 33,700 people across the UK – jobs that would be at risk if the health of domestic steel companies is compromised. The UK steel industry also supports a further 42,000 in its high-value supplies chains. The steel industry is predominantly based in the regions of the country the Government is seeking to level-up.

Chart: UK Steel Employment and Pay



Source: ONS Various and UK Steel Analysis

96. The UK HRFS industry provides significant employment opportunities in parts of the country where operations are currently located and offering wages considerably higher than the local average.

97. _Second_, the UK steel industry provides the high-quality materials vital to an array of challenges. From delivering the Government's infrastructure revolution to creating a low carbon economy, steel is an essential ingredient. The UK directly consumes 10-11 million tonnes of steel each and every year – in infrastructure, construction, and a vast array of manufactured products. The increasing need for steel in high speed rail, energy efficient buildings, low-carbon and electric vehicles, wind-turbines and much more besides means this demand will grow 10% this decade creating a huge £6 billion annual market. It is vital that the steel industry in the UK retains a strong and resilient steel industry in the UK to supply this.

98. _Third_, the domestic UK steel industry is also important to decarbonisation. Increased reliance on steel imports could lead to higher emissions if imported steel is produced in a more carbon-intensive steel plant. Additionally, increased imports of finished steel products will also increase transport-related emissions. Given this picture of lower production and transport-related emissions from domestically produced steel, it is clear that replacing domestic production with greater imports of steel would not be in the economic or public interest.

99. _Lastly_, the interconnectivity of steel products means that product categories assessed independently from each other will not provide an accurate assessment of injury and economic impact to the UK. HRFS products alone represent a significant portion of overall UK steel production, but the segment's real economic impact is even wider when considering steel production economics as well as the broader supply chain. Most plants will produce more than one type of steel product and the profitability of each will have an effect on wider production decisions, with implications for employment and future investment.

2. <u>The continuation of the measures will not be against the interests of various market operators</u>

100. *<u>First</u>*, the continuation of measures does not entail a risk of shortage of supply. There is sufficient capacity both within the UK and in other third countries to supply the UK market. UK HRFS producers do have sufficient capacity to address any increase in demand. As far as the UK is concerned, under pressure by imports, TSUK had had no other option but to [Confidential information removed.] Currently, TSUK is running on only one mill located in Port Talbot, which TSUK attempts to keep fully utilised (hence the current high capacity utilisation), as otherwise production becomes uneconomic. If there were a significant long-term increase in demand that could not be satisfied through current local production plus imports, TSUK could restart its second hot mill in Llanwern with around [2-4] million tonnes of extra capacity. In addition, Liberty Steel also appears to have lots of spare capacity. Finally, TSUK could easily opt to sacrifice some of its downstream products that use HRFC as a raw material, and sell more HRFC in the event that the HRFC market is strong. Thus, it is clear that there is sufficient local capacity to satisfy any increase in demand.

101. In addition, there is sufficient capacity in third countries to cover any shortfall. Indeed, there are significant volumes of HRFS products available on the global market, amounting to some 20-30 million MT (See <u>ANNEX 4</u>), that could be shipped to the UK to satisfy any unmet demand.

102. TSUK further recalls that the application of anti-dumping measures is not intended to exclude imports from the four countries from the market, but only to ensure that those imports are not sold at dumped prices, which would result in recurrence of injury. The level of duties that are likely to be imposed will not exclude such imports from the UK market, but merely ensure they are sold at fair prices.

103. *<u>Second</u>*, the continuation of measures will not have an impact on users. It is in the interest of end users as well as the UK HRFS industry that the market functions in a fair way, with a healthy UK HRFS industry to ensure continuity of supply for the future. It should be noted that the UK industry is capable of serving the UK market and that there are many other producers of HRFS around the world who could also supply the UK market. Moreover, HRFS products represent only a very small percentage of the cost of a typical consumer product that uses HRFS. As an example, TSUK has provided in <u>ANNEX 8</u> estimates of costs for production where they demonstrate HRFS represents only a negligible part of the cost of typical consumer product that uses HRFS. Hence, the price of HRFS would have no real effect on decisions whether or not to purchase such a product.

104. *<u>Third</u>*, the non-continuation of measures would result in loss of UK HRFS industry jobs, whereas continuation of measures would not impact jobs in end user industries. An independent analysis by Oxford Economics on the impact of job losses in the steel sector on industries depending on it (See <u>ANNEX 9</u>) shows that each job lost in the steel sector means a further 7.7 direct and indirect jobs lost in industries dependent upon it for business.[11] The indirect economic impact on the broader community around steel

[11] See Oxford Economics, The Impact of the European Steel Industry on the EU Economy (<u>ANNEX 9</u>) at page 4.

production sites is therefore even bigger. The negative impact of the dumped imports from the four countries far outweighs any potential impact on end users absent anti-dumping measures, situation under which UK producers will be forced to continue to curtail production and lay off workers.

105. More broadly, given the actions by other countries such as Canada, Egypt, the EU, the Gulf countries, Indonesia, Mexico, Saudi Arabia, South Africa, Turkey, and the USA to limit access by imports to their markets via trade defence instruments, it is clearly not in the UK's interests to leave its market open to unfairly traded imports, with the consequent impact on UK jobs.

106. *Lastly*, all information on the record demonstrates that the years of measures have not compromised supply or had a negative impact on users or any other sector of the UK economy. This was mainly because UK producers have sufficient capacity to satisfy local demand and there are also sufficient alternate sources. Thanks to the measures in place, and despite COVID, the UK industry has managed to improve its performance, but has not yet fully recovered. At the same time, the measures have not had any negative impact on users in the UK as supplies have been readily available at competitive prices coming from UK producers and from other countries. Measures should therefore not be allowed to lapse; otherwise, industry's efforts to improve performance will be undermined.

107. TSUK also strongly believes that long-term competitiveness and stability of the UK HRFS industry is in the best interests of the UK users. Should dumped imports from the four countries once again flood the UK market, it may lead to eventual disappearance of the UK HRFS industry. Users would then lose out in terms of having less choice, less flexibility and availability of supply, less R&D and technical innovation (including action to combat climate change) and lower quality service. Clearly, this cannot be in the UK users' best interest.

VIII. Conclusion

108. While the UK measures in place current protects UK HRFS producers, Brazil, Iran and Russia's exporters are continuing to dump their products in third countries. The existence of vast spare capacity in Brazil, Iran and Russia, and the likely return to spare capacity in Ukraine in the medium term, plus the fact that other third-country markets – major destinations for the four countries' HRFS – have imposed measures on imports of HRFS from the four countries, make it certain that the four countries' imports would once again surge on the UK market if the existing AD measures were not continued, leading to a recurrence of dumping and injury to UK producers. TSUK therefore calls on the TRA to ensure that the AD measures are extended for a further period of time.

List of Annexes

ANNEX 1: Dumping calculations.

ANNEX 2: HRFS import and consumption data.

ANNEX 3: TSUK economic performance data.

ANNEX 4: Data on the four countries' HRFS capacity and production.

ANNEX 5: OECD reports on capacity expansion.

ANNEX 6: Press reports on capacity expansion.

ANNEX 7: List of TDI measures applicable to the four countries' HRFS.

ANNEX 8: Economic test simulation.

ANNEX 9: Oxford Economics on the impact of job losses.