



**LLP 2021 ER**

OTTAWA, March 11, 2022

## **STATEMENT OF REASONS**

**Concerning an expiry review determination  
under paragraph 76.03(7)(a) of the *Special Import Measures Act* respecting**

**THE DUMPING OF WELDED LARGE DIAMETER CARBON AND ALLOY  
STEEL LINE PIPE FROM CHINA AND JAPAN  
AND THE SUBSIDIZING OF THE GOODS FROM CHINA**

## **DECISION**

On February 24, 2022, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the Canada Border Services Agency determined that the expiry of the finding made by the Canadian International Trade Tribunal on October 20, 2016, in Inquiry No. NQ-2016-001:

- i. is likely to result in the continuation or resumption of dumping of welded large diameter carbon and alloy steel line pipe originating in or exported from China and Japan; and
- ii. is likely to result in the continuation or resumption of subsidizing of welded large diameter carbon and alloy steel line pipe originating in or exported from China.

## **TABLE OF CONTENTS**

<b>EXECUTIVE SUMMARY.....</b>	<b>1</b>
<b>BACKGROUND .....</b>	<b>3</b>
<b>PRODUCT DEFINITION.....</b>	<b>4</b>
PRODUCTS EXCLUDED FROM THE CITT'S FINDING .....	4
ADDITIONAL PRODUCT INFORMATION.....	5
<b>CLASSIFICATION OF IMPORTS .....</b>	<b>6</b>
<b>PERIOD OF REVIEW .....</b>	<b>7</b>
<b>CANADIAN INDUSTRY .....</b>	<b>7</b>
<b>CANADIAN MARKET .....</b>	<b>8</b>
CANADIAN PRODUCTION AND CAPACITY UTILIZATION.....	8
IMPORTS.....	9
<b>ENFORCEMENT DATA .....</b>	<b>9</b>
<b>PARTIES TO THE PROCEEDINGS .....</b>	<b>10</b>
<b>INFORMATION CONSIDERED BY THE CBSA.....</b>	<b>10</b>
<b>POSITION OF THE PARTIES – DUMPING .....</b>	<b>11</b>
PARTIES CONTENDING THAT CONTINUED OR RESUMED DUMPING FROM CHINA AND JAPAN IS LIKELY .....	11
PARTIES CONTENDING THAT CONTINUED OR RESUMED DUMPING FROM CHINA AND JAPAN IS UNLIKELY.....	15
<b>CONSIDERATION AND ANALYSIS – DUMPING .....</b>	<b>17</b>
COMMON FACTORS OF LIKEHOOD OF CONTINUED OR RESUMED DUMPING – CHINA AND JAPAN .....	18
LIKEHOOD OF CONTINUED OR RESUMED DUMPING – CHINA SPECIFIC .....	25
DETERMINATION REGARDING LIKEHOOD OF CONTINUED OR RESUMED DUMPING OF CHINESE GOODS.....	31
LIKEHOOD OF CONTINUED OR RESUMED DUMPING – JAPAN SPECIFIC.....	32
DETERMINATION REGARDING LIKEHOOD OF CONTINUED OR RESUMED DUMPING OF JAPANESE GOODS .....	36
<b>POSITION OF THE PARTIES – SUBSIDIZING .....</b>	<b>37</b>
PARTIES CONTENDING THAT CONTINUED OR RESUMED SUBSIDIZING IS LIKELY .....	37
PARTIES CONTENDING THAT CONTINUED OR RESUMED SUBSIDIZING IS UNLIKELY .....	38
<b>CONSIDERATION AND ANALYSIS – SUBSIDIZING .....</b>	<b>38</b>
LIKEHOOD OF CONTINUED OR RESUMED SUBSIDIZING.....	38
DETERMINATION REGARDING LIKEHOOD OF CONTINUED OR RESUMED SUBSIDIZING .....	42
<b>CONCLUSION .....</b>	<b>42</b>
<b>FUTURE ACTION.....</b>	<b>42</b>
<b>INFORMATION.....</b>	<b>43</b>

## EXECUTIVE SUMMARY

[1] On September 27, 2021, the Canadian International Trade Tribunal (CITT), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its finding made on October 20, 2016, in Inquiry No. NQ-2016-001, concerning the dumping of welded large diameter carbon and alloy steel line pipe (large line pipe) originating in or exported from China and Japan and the subsidizing of large line pipe originating in or exported from China.

[2] As a result of the CITT's notice of expiry review, on September 28, 2021, the Canada Border Services Agency (CBSA) initiated an expiry review investigation to determine, pursuant to paragraph 76.03(7)(a) of SIMA, whether the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods.

[3] The CBSA received a response to its Canadian Producer Expiry Review Questionnaire (ERQ) from Evraz Inc. NA Canada (Evraz)<sup>1</sup>. The submission made by the Canadian producer includes information supporting its position that continued or resumed dumping and/or subsidizing of large line pipe from China and Japan is likely if the CITT's finding is rescinded.

[4] The CBSA received five responses to the Importer ERQ from: Industrial Equipment Manufacturing Ltd.<sup>2</sup>, Cantak Corporation (Cantak)<sup>3</sup>, Marubeni-Itochu Tubulars Canada (Marubeni Canada)<sup>4</sup>, Crane Supply<sup>5</sup> and Suncor Energy Inc., which jointly filed the response with Fort Hills Energy LP and Syncrude Canada Ltd<sup>6</sup>. Cantak and Marubeni Canada expressed their position that resumed injurious dumping of the subject goods from Japan is unlikely, while the other three importers did not express an opinion as to the likelihood of continued or resumed dumping and/or subsidizing of the subject goods if the finding is rescinded.

[5] The CBSA also received responses to the Exporter ERQ from Japanese exporter Marubeni-Itochu Steel Inc. (Marubeni)<sup>7</sup> and Metal One Corporation (Metal One)<sup>8</sup>. Marubeni did not state its position on the likelihood of continued dumping and/subsidizing of the subject goods, while Metal One submitted that there is no basis to assume there would be resumed injurious dumping from Japan.

[6] The CBSA did not receive a response to the Foreign Government ERQ from the Government of China (GOC).

---

<sup>1</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz

<sup>2</sup> Exhibit 10 (NC) – Response to Importer ERQ from Industrial Equipment Manufacturing Ltd.

<sup>3</sup> Exhibits 12 (PRO) & 13 (NC) – Response to Importer ERQ from Cantak Corporation

<sup>4</sup> Exhibits 21 (PRO) & 22 (NC) – Response to Importer ERQ from Marubeni-Itochu Tubulars Canada

<sup>5</sup> Exhibits 24 (PRO) & 25 (NC) – Response to Importer ERQ from Crane Supply

<sup>6</sup> Exhibits 27 (PRO) & 28 (NC) – Joint Response to Importer ERQ from Suncor Energy Inc., Fort Hills Energy LP and Syncrude Canada Ltd.

<sup>7</sup> Exhibits 17 (PRO) & 18 (NC) – Response to Exporter ERQ from Marubeni-Itochu Steel Inc.

<sup>8</sup> Exhibits 19 (PRO) & 20 (NC) – Response to Exporter ERQ from Metal One

[7] In addition to responses to the ERQs, the CBSA received case briefs and reply submissions filed on behalf of Evraz<sup>9</sup>, Trans Canada Pipe Lines Limited (TCPL)<sup>10</sup> and Metal One<sup>11</sup>, which jointly filed the case brief and reply submission with its related importer Cantak. The case brief and reply submission submitted by Evraz includes arguments supporting the position that continued or resumed dumping and/or subsidizing of large line pipe from China and Japan are likely if the CITT's finding is rescinded. On the contrary, TCPL submitted that the expiry of the finding is unlikely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods from China and Japan. Metal One holds the same position as TCPL in relation to the goods from Japan, but takes no position with respect to goods from China in this expiry review.

[8] Analysis of information on the administrative record indicates a likelihood of continued or resumed dumping into Canada of large line pipe originating in or exported from China should the CITT's finding be rescinded. This analysis relied upon the following factors:

- Steel Capacity
- Market Conditions
- Attractiveness of Canadian Market
- Trade Measures in Canada and in Other Jurisdictions
- Dumping of Chinese Large Line Pipe
- Imports of Chinese Large Line Pipe
- Export Orientation of Chinese Large Line Pipe Producers and their Presence in Canada

[9] With respect to Japan, an analysis of the information on the administrative record indicates a likelihood of continued or resumed dumping into Canada, should the CITT's finding be rescinded. This analysis relied upon the following factors:

- Steel Capacity
- Market Conditions
- Attractiveness of Canadian Market
- Trade Measures in Canada and in Other Jurisdictions
- Dumping of Japanese Large Line Pipe
- Imports of Japanese Large Line Pipe
- Export Orientation of Japanese Large Line Pipe Producers/Exporters and their Presence in Canada

---

<sup>9</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz; Exhibits 37 (PRO) & 38 (NC) – Reply Submission filed on Behalf of Evraz

<sup>10</sup> Exhibit 36 (NC) – Case Brief filed on Behalf of TCPL; Exhibit 41 (NC) – Reply Submission filed on Behalf of TCPL

<sup>11</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Behalf of Metal One and Cantak; Exhibits 39 (PRO) & 40 (NC) – Reply Submission filed on Behalf of Metal One and Cantak

[10] In addition, analysis of information on the administrative record indicates a likelihood of continued or resumed subsidizing of large line pipe originating in or exported from China should the CITT's finding be rescinded. This analysis relied upon the following factors:

- Trade Measures in Canada and in Other Jurisdictions
- Continued Availability of Subsidy Programs

[11] For the forgoing reasons, the CBSA, having considered the relevant information on the administrative record, determined on February 24, 2022, pursuant to paragraph 76.03(7)(a) of SIMA, that the expiry of the finding:

- I. is likely to result in the continuation or resumption of dumping of the goods from China and Japan; and
- II. is likely to result in the continuation or resumption of subsidizing of the goods from China.

## **BACKGROUND**

[12] On March 24, 2016, pursuant to subsection 31(1) of SIMA, the CBSA initiated investigations respecting the dumping of large line pipe from China and Japan, and the subsidizing of large line pipe from China. The investigations followed a properly documented complaint received from EVRAZ Inc. NA Canada of Regina, Saskatchewan and Canadian National Steel Corporation of Camrose, Alberta (collectively "Evraz" or "the complainant").

[13] On September 20, 2016, pursuant to subsection 41(1) of SIMA, the CBSA made final determinations<sup>12</sup> of dumping of large line pipe originating in or exported from China and Japan, and subsidizing of the subject goods from China.

[14] On October 20, 2016, pursuant to subsection 43(1) of SIMA, the CITT found that the dumping of large line pipe originating in or exported from China and Japan, and the subsidizing of the subject goods from China have caused injury to the Canadian domestic industry.<sup>13</sup>

[15] On August 6, 2021, pursuant to subsection 76.03(2) of SIMA, the CITT issued a notice concerning the expiry of its finding, which was scheduled to occur on October 19, 2021. Based on the information filed during the expiry process, the CITT decided that a review of the finding was warranted.<sup>14</sup> On September 27, 2021, the CITT initiated an expiry review of its finding pursuant to subsection 76.03(3) of SIMA.

[16] On September 28, 2021, the CBSA commenced an expiry review investigation to determine whether the expiry of the finding is likely to result in continued or resumed dumping and/or subsidizing of the goods from China and Japan.

---

<sup>12</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA – FD SOR – LLP 2016

<sup>13</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CITT Finding & Reasons – LLP 2016

<sup>14</sup> Exhibits 1 (PRO) & 2 (NC) – CITT Administrative Record - Notice of Expiry of Finding

## **PRODUCT DEFINITION**

[17] The goods subject to this expiry review investigation are defined as:

“Welded large diameter carbon and alloy steel line pipe originating in or exported from the People’s Republic of China and Japan with an outside diameter greater than 24 inches (609.6 mm), and less than or equal to 60 inches (1524 mm), regardless of wall thickness, length, surface finish (coated or uncoated), end finish (plain end or beveled end), or stenciling and certification (including multiple-stenciled/multiple-certified line pipe for oil and gas transmission and other applications).”

[18] For greater certainty, the product definition includes:

- line pipe produced to American Petroleum Institute (“API”) specification 5L, in Grades A25, A, B and X grades up to and including X100, or equivalent specifications and grades, including specification CSA Z245.1 up to and including Grade 690;
- unfinished line pipe (including pipe that may or may not already be tested, inspected, and/or certified to line pipe specifications) originating in China and Japan, and imported for use in the production or finishing of line pipe meeting final specifications, including outside diameter, grade, wall-thickness, length, end finish, or surface finish; and
- non-prime and secondary pipes (“limited service products”).

### **Products excluded from the CITT’s finding**

[19] The CITT excluded the following products from its finding:

- ASME SA 672 or ASME SA 691 electric-fusion welded steel pipe as certified under the ASME “Boiler and Pressure Vessel Code” rules (and stenciled with at least one of the aforementioned standards), of a length not to exceed 15 feet (4.572 m), for use other than in a CSA Z-662 pipeline application and imported with authorized inspection certificates and applicable ASME Partial Data Reports;
- line pipe, regardless of grade, outside diameter and wall thickness, single stenciled as “DNV-OS-F101” for exclusive use in offshore applications and marked “For Offshore Applications Only”;
- submerged arc longitudinal welded line pipe, regardless of grade, outside diameter and wall thickness, in lengths of 60 feet (18.288 m) with no girth welds for exclusive use in slurry or tailings piping systems in oil sands projects and marked “For Use as Slurry/Tailings Pipe Only”; for greater certainty, use in a pipeline meeting CSA Z-662 or as pressure piping meeting CSA B51 Code is not permitted under this exclusion; and

- submerged arc longitudinal welded line pipe, regardless of outside diameter, wall thickness and length, for exclusive use in high-temperature steam distribution pipelines and marked “For Steam Distribution Only”, certified to meet the requirements of CSA Z662-15 Clause 14 and/or Annex I and certified to have proven fatigue/creep test properties as provided in sections I.2.3.2 and I.3.2.1 of CSA Z662-15 as established by means of a creep test of no less than 10,000 hours carried out in accordance with ASTM E139.

[20] On April 16, 2021, the CITT amended its finding to exclude the following additional goods:

- Longitudinally submerged arc welded line pipe with a double submerged arc weld, stenciled with grade API 2B whether or not stenciled to any other grade, regardless of outside diameter, with wall thicknesses greater than 1” for exclusive use in production of debarker rotors and marked “For Use in Production of Debarker Rotor Only”

### **Additional Product Information<sup>15</sup>**

[21] Large line pipe is used in the oil and gas sector primarily in pipelines for the transmission of oil and natural gas products over long distances, but also in a variety of mining applications, including as slurry pipe in oil sands operations.

[22] The Canadian market for large line pipe is governed by applicable line pipe specifications including Canadian Standards Association (CSA) specification Z245.1 for line pipe used in pipeline applications. Oil and gas transmission pipelines must, in turn, for example, conform to CSA Z662 (Oil and Gas Pipeline Systems). That said, international trade in line pipe is governed primarily by API specification 5L. For example, CSA Z245.1 Grade 448 pipe is considered to be equivalent to API 5L Grade X65. The API 5L X grade numbers define the minimum yield strength required of the grade in kilopounds per square inch. This equivalency applies to other specifications, including International Organization for Standardization (ISO), which means that a particular line pipe may be certified and stenciled as complying with multiple standards if all the requirements of each standard/grade are met (leading to dual-, triple-, and further multiple-stenciled line pipe). Indeed, it is common practice to certify multiple grades of pipe on a Mill Test Report. It is also common practice to substitute grades other than that initially requested by a customer with an equivalent grade. Mill Test Reports are provided to show that the properties of the supplied pipe meet the requirements of the actual grade ordered.

[23] The complainant manufactures or is capable of manufacturing line pipe to API 5L specifications in grades up to and including X100 and to all equivalent grades under CSA Z245.1, and in all outside diameter sizes covered by the product definition.

---

<sup>15</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA – FD SOR – LLP 2016

[24] The product definition covers all large line pipe meeting or supplied to meet the above specifications and grades, as well as equivalent specifications and grades, regardless of whether the line pipe has been multiple-stenciled to indicate that it meets or is supplied to meet additional end-use specifications. For purposes of greater clarity, all large line pipe stenciled or otherwise marked as meeting or supplied to meet API 5L (or equivalent specifications) for use as oil and gas pipelines are included in the product definition regardless of whether the pipe is marked as meeting any other end-uses or is supplied to meet any other end-uses. Line pipe that is manufactured and tested to meet higher API specifications (or equivalent CSA and ISO specifications) automatically conforms to lower specifications and may therefore have multiple stencils identifying additional end uses, such as American Society for Testing and Materials (“ASTM”), and equivalent specifications for end use as standard pipe (for low-pressure conveyance of steam, water, natural gas, air and other liquids in plumbing and heating applications), piling pipe, and other such end uses.

[25] Large line pipe has notable product characteristics that distinguish it from other pipe products. These include being more resistant to highly corrosive (“sour”) environments, which is accomplished by a secondary refining process in the production of the steel to increase the purity of the steel, thereby making it more resistant to corrosion from sour gas. The grain size of the steel plate used as an input into the production of large line pipe is also more refined, which affects the low-temperature toughness of the steel. Large line pipe also typically is sold in API grades of X70 or greater, which speaks to higher strengths of steel. Finally, large line pipe is characterized by higher deformability and higher pressure-crushing properties.

## **CLASSIFICATION OF IMPORTS**

[26] Prior to January 1, 2019, the subject goods were usually classified under the following tariff classification numbers:

7305.11.00.10	7305.12.00.10	7305.19.00.10
7305.11.00.20	7305.12.00.30	7305.19.00.20

[27] Between January 1, 2019 and February 3, 2021, the subject goods were usually classified under the following tariff classification numbers:

7305.11.00.22	7305.12.00.21	7305.19.00.22
7305.11.00.23	7305.12.00.22	7305.19.00.23
7305.11.00.24	7305.12.00.23	7305.19.00.24
7305.11.00.25	7305.12.00.24	7305.19.00.25



[28] Between February 4, 2021 and December 31, 2021, the subject goods were usually classified under the following tariff classification numbers:

7304.19.00.51	7305.11.00.41	7305.12.00.41	7305.19.00.22
7304.19.00.52	7305.11.00.42	7305.12.00.42	7305.19.00.23
7304.19.00.53	7305.11.00.43	7305.12.00.43	7305.19.00.24
7304.19.00.54	7305.11.00.44	7305.12.00.44	7305.19.00.25
7304.19.00.59	7305.11.00.49	7305.12.00.49	

[29] Beginning January 1, 2022, under the revised customs tariff schedule, the subject goods are normally classified under the following tariff classification numbers:

7304.19.00.81	7305.11.00.41	7305.12.00.41	7305.19.00.41
7304.19.00.82	7305.11.00.42	7305.12.00.42	7305.19.00.42
7304.19.00.83	7305.11.00.43	7305.12.00.43	7305.19.00.43
7304.19.00.84	7305.11.00.44	7305.12.00.44	7305.19.00.44
7304.19.00.89	7305.11.00.49	7305.12.00.49	7305.19.00.49

[30] This listing of tariff classification numbers is for convenience of reference only. The tariff classification numbers provided may include goods that are not subject goods and subject goods may be imported into Canada under tariff classification numbers other than those provided. Refer to the product definition for authoritative details regarding the subject goods.

## **PERIOD OF REVIEW**

[31] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2018 to June 30, 2021.

## **CANADIAN INDUSTRY**

[32] Information on the administrative record of this expiry review investigation indicates that the composition of the Canadian Industry has not changed since the original inquiry and that Evraz is still the only producer of large line pipe in Canada.<sup>16</sup>

[33] As such, based on the information on the administrative record, the CBSA has based its estimates of domestic production on the production of Evraz.

---

<sup>16</sup> Exhibits 1 (PRO) & 2 (NC) – CITT Administrative Record – Case Brief of Evraz, para 12; Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA – FDSOR – LLP 2016

## Evraz Inc. NA Canada

[34] Evraz was incorporated in 1956 under the name of Prairie Pipe Manufacturing Co. Ltd. The company commenced operations in 1957 with the completion of construction of an ERW pipe mill in Regina. In 1959, the assets of Interprovincial Steel Corp. Ltd. were acquired and production of hot rolled steel flat products began in 1960. Manufacturing capabilities were subsequently expanded through a series of acquisitions and plant constructions.<sup>17</sup>

[35] In January 2020, Canadian National Steel Corporation, an entity formerly affiliated with Evraz, became a division of Evraz.<sup>18</sup>

## CANADIAN MARKET

[36] The CBSA cannot release specific quantitative data respecting the value and volume of Canadian production of large line pipe sold for domestic consumption as it would lead to the disclosure of confidential information of Evraz, the only Canadian large line pipe producer. Only the imports of large line pipe during the POR are presented below in Table 1.

**Table 1**  
**Imports of Large Line Pipe during the Period of Review**

Source	2018		2019		2020		Jan 1 – June 30, 2021	
	Volume (MT)	Value (\$)	Volume (MT)	Value (\$)	Volume (MT)	Value (\$)	Volume (MT)	Value (\$)
China	53	144,336	-	-	18	19,411	-	-
Japan	14,776	23,953,487	43,104	69,923,366	24,436	34,666,977	3,637	6,539,705
All Other Countries	87,721	146,681,200	252,177	369,566,658	205,457	383,010,476	59,963	90,886,090
<b>Total Imports</b>	<b>102,550</b>	<b>170,779,023</b>	<b>295,281</b>	<b>439,490,024</b>	<b>229,911</b>	<b>417,696,864</b>	<b>63,600</b>	<b>97,425,795</b>

\*Import and compliance statistics for non-subject countries are estimated based on the *Accelerated Commercial Release Operations Support System* (ACROSS), and information collected during the review.

[37] The total apparent Canadian market increased in volume and value from 2018 to 2020, but the Canadian large line pipe market decreased in 2021<sup>19</sup>, when global economic activities were severely affected by the global outbreak and spread of COVID-19.

## Canadian Production and Capacity Utilization

[38] Similar to the trend of the total apparent Canadian market, the Canadian producer's domestic sales from domestic production increased each year from 2018 to 2020, followed by a rapid decline in 2021.<sup>20</sup>

<sup>17</sup> Exhibits 15 (PRO) & 16 (NC) - Response to ERQ from Evraz, Q8

<sup>18</sup> Exhibits 15 (PRO) & 16 (NC) - Response to ERQ from Evraz, Q8

<sup>19</sup> In the report, whole year data in 2021 are extrapolated from the data in the first half year of 2021

<sup>20</sup> Exhibit 15 (PRO) - Response to ERQ from Evraz, Appendices 1-6

[39] Evraz reported a stable annual large line pipe production capacity from 2018 to 2021. During the period, the producer's capacity utilization rate increased from 2018 to 2020 but decreased in 2021.<sup>21</sup>

## Imports

[40] Total import volumes soared 188% between 2018 and 2019 but decreased in 2020 and 2021, falling back near the previous 2018 level.

[41] Since the dumping period of investigation (POI) of the original investigation (July 2014 to December 2015), subject imports have declined significantly. During the original investigation, imports of large line pipe from China and Japan represented 34.3% and 43.6% of total imports respectively and the combined subject imports accounted for 77.9% of the total imports.<sup>22</sup> In contrast, during the POR, subject imports represented only 12.4% of total large line pipe imports and an even smaller proportion of the total apparent market, thereby demonstrating that the sources of imports for large line pipe have shifted since the original investigation.

[42] The market share of subject imports remained stable in 2018 and 2019, but the subject import volume gradually reduced in 2020 and 2021.

[43] Imports from other countries increased between 2018 and 2019 but decreased in the following two year period of 2020 and 2021. In terms of market share, imports from other countries remained stable in 2018 and 2019, decreased in 2020 and increased in 2021.

## ENFORCEMENT DATA

[44] As shown in Table 2 below, the total amounts of anti-dumping and countervailing duties assessed on imports of subject goods from China and Japan during the POR were \$150,552 and \$48,728,233 respectively. As a percentage of the total value for duty in each subject country, the SIMA duties assessed for goods from China and Japan during the POR were equal to 92% and 36%. The amounts collected on the Chinese goods reflect the very low volume of subject goods imported into Canada during the POR.

**Table 2**  
**Enforcement Data for the Period of Review**<sup>23</sup>

	2018		2019		2020		Jan-June 2021	
	China	Japan	China	Japan	China	Japan	China	Japan
Volume of Subject Goods (MT)	53	14,776	-	43,104	18	24,436	-	3,637
Value for Duty of Subject Goods (\$)	144,336	23,953,487	-	69,923,366	19,411	34,666,977	-	6,539,705
SIMA Duty Assessed (\$)	126,621	9,370,696	-	27,926,705	23,931	11,430,832	-	-

<sup>21</sup> Ibid.

<sup>22</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA SOR FD – LLP 2016

<sup>23</sup> Exhibit 24 (NC) – Compliance statistics – Day 50

## **PARTIES TO THE PROCEEDINGS**

[45] On September 28, 2021, a notice concerning the CBSA's initiation of the expiry review investigation and the ERQs were sent to the Canadian producer and potential importers and exporters of the subject goods. The GOC was also sent an ERQ regarding the subsidizing of the subject goods.

[46] The ERQs requested information relevant to the CBSA's consideration of the expiry review factors, as listed in subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR).

[47] The Canadian producer, Evraz, participated in the expiry review investigation and provided an ERQ response. A case brief and reply submission were also received from counsel on behalf of Evraz.

[48] Five importers: Industrial Equipment Manufacturing Ltd., Cantak, Marubeni Canada, Crane Supply and Suncor Energy Inc., provided responses to the importer ERQ.

[49] Two Japanese exporters, Marubeni and Metal One, responded to the exporter ERQ. Metal One also jointly filed a case brief and reply submission with its related importer Cantak.

[50] The Canadian large line pipe user, TCPL, participated in the final stage of the review by submitting its case brief and reply submission.

[51] The GOC did not provide a response to the CBSA's ERQ nor did it submit a case brief or reply submission.

## **INFORMATION CONSIDERED BY THE CBSA**

[52] The information considered by the CBSA for purposes of this expiry review investigation is contained in the administrative record. The administrative record includes the information on the CBSA's exhibit listing, which is comprised of the CITT's administrative record relating to the initiation of the expiry review, the CBSA's exhibits and information submitted by interested parties, including information which the interested parties feel is relevant to the decision as to whether dumping and subsidizing are likely to continue or resume absent the CITT finding. This information may consist of expert analysts' reports, excerpts from trade magazines and newspapers, news articles, orders and findings issued by authorities of Canada or of a country other than Canada, documents from international trade organizations such as the World Trade Organization (WTO) and responses to the ERQs submitted by the Canadian producer, exporters and importers.

[53] For purposes of an expiry review investigation, the CBSA sets a date after which no new information submitted by interested parties will be placed on the administrative record or considered as part of the CBSA's investigation. This is referred to as the "closing of the record date" and is set to allow participants time to prepare their case briefs and reply submissions based on the information that is on the administrative record as of the closing of the record date. For this investigation, the administrative record closed on November 17, 2021.

## POSITION OF THE PARTIES – DUMPING

### Parties Contending that Continued or Resumed Dumping from China and Japan is Likely

[54] The Canadian producer Evraz made representations as part of its submissions to the CITT in LE-2021-002, in its ERQ responses, in its case brief and in its reply submission supporting its position that the dumping of large line pipe from China and Japan is likely to continue or resume should the CITT's finding expire.

[55] The main arguments made by the Canadian producer can be summarized as follows:

- Declines in Global Demand for Large Line Pipe
- The Global Excess Steel Capacity Crisis Continues
- The Proliferation of Trade Measures Imposed across Jurisdictions
- Import Data Demonstrate Subject Imports Cannot Compete at Non-Dumped Prices
- Producers in China and Japan Are Export Oriented and Maintain Significant Presence in Canada
- Producers in China and Japan Have Significant Excess Production Capacity
- Absent Protection, Subject Producers Will Have to Compete with Non-Subject Imports Making Dumping Even More Likely
- Canada Will Be a Prime Target for Subject Goods in the Absence of SIMA Duties

#### *Declines in Global Demand for Large Line Pipe*

[56] Evraz describes that international market conditions for large line pipe have deteriorated significantly since the CITT's finding. The combined effect of the slowdown in global demand for line pipe and the restrictions to contain the COVID-19 pandemic have led to pipeline delays and cancellations, leading to the lowest number of completed pipeline kilometres in 25 years and restricting the available export markets for Japanese and Chinese large line pipe.<sup>24</sup>

[57] Evraz submits that in addition to pipeline delays and cancellations caused by the COVID-19 pandemic and the oil price crisis, the demand for large line pipe in major export markets such as the United States and the Middle East also remains below pre-pandemic levels, thereby further restricting the availability of export destinations for Chinese and Japanese large line pipe.<sup>25</sup>

[58] Evraz argues that producers in China and Japan will be even more likely to target an attractive market like Canada over the next 12-24 months, in light of the deteriorating market conditions in the post-pandemic era.<sup>26</sup>

---

<sup>24</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 4

<sup>25</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 10-16

<sup>26</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 17-26

### ***The Global Excess Steel Capacity Crisis Continues***

[59] Evraz notes that global steel overcapacity has deteriorated since the time of the CITT's finding evidenced by publications and reports from the Organisation for Economic Co-operation and Development (OECD).<sup>27</sup>

[60] It is submitted that China, as the world's number one steel-producing country, accounting for 57% of the global steel production in 2020, is the biggest driver behind the global steel excess capacity. Evraz discusses that China continues to suffer from massive overcapacity in steel production despite of the lockdowns and temporary stoppages in production due to pandemic containment measures in 2020.<sup>28</sup>

[61] Evraz submits that Japan has the world's third largest steel industry, which is heavily reliant on exports. In 2020, Japan exported 29.8 million MT of steel, representing more than one-third of total steel production in Japan.<sup>29</sup>

### ***The Proliferation of Trade Measures Imposed across Jurisdictions***

[62] Evraz points out that the propensity to dump large line pipe by China and Japan is evidenced by the trade measures imposed on large line pipe and similar goods in jurisdictions around the world, as well as by the safeguard measures and other steel tariffs imposed by major line pipe consuming markets.<sup>30</sup>

[63] Evraz lists the anti-dumping and countervailing measures imposed by other trade remedy authorities against large line pipe from Japan and China and claims that the existence of these trade measures increases the likelihood of continued diversion of subject goods to Canada.<sup>31</sup>

[64] Evraz reports that the producers' ability to export subject goods globally is further restricted due to the proliferation of trade measures imposed against large line pipe in the world's largest markets. For example, the United States imposed Section 232 and Section 301 tariffs on Chinese steel goods including line pipes during the POR. On September 26, 2019, the European Union imposed definitive safeguard measures in the form of a 25% tariff on line pipe (among other steel products) from around the world, including from China and Japan, further limiting the markets in which Chinese and Japanese line pipe can be sold.<sup>32</sup>

---

<sup>27</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 27-28

<sup>28</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 29-31

<sup>29</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 32

<sup>30</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 33

<sup>31</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 35-36

<sup>32</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 37-40

### ***Import Data Demonstrate Subject Imports Cannot Compete at Non-Dumped Prices***

[65] It is submitted that there was a dramatic reduction in the volumes of subject goods competing in Canada since March 2016. Evraz notes that in the original inquiry, the CITT reported a total of 139,496 MT of subject goods imported in 2015. In contrast, the following year in 2016, only 562 MT entered Canada. Although subject import volumes increased in subsequent years, reaching a peak of 43,000 MT in 2019, the volume of subject imports never returned to 2015 levels.<sup>33</sup>

[66] After analyzing country specific imports and duty collections based on the enforcement data released by the CBSA, Evraz finds that the CITT's finding has had the effect of dramatically reducing the volume of subject imports from China to nearly zero over the POR, with the highest volume of imports amounting to only 53 MT in 2018.<sup>34</sup>

[67] Evraz concludes that the near elimination of Chinese subject goods from the Canadian market subsequent to the imposition of SIMA duties demonstrates the complete inability for non-dumped and non-subsidized Chinese subject goods to compete in the Canadian market and underlines the fact that if the finding were allowed to expire, Chinese large line pipe exporters would resort to dumped and subsidized pricing to recapture its market share.<sup>35</sup>

[68] With respect to Japanese large line pipe, Evraz argues that Japanese exporters have demonstrated an ongoing track record of dumping into Canada since the imposition of SIMA duties ranging from 33% to 39% of the value for duty of these subject goods.<sup>36</sup>

[69] Evraz notes that no SIMA duties were assessed in the first half of 2021 but contends that this is not indicative of a change in Japanese behaviour rather than a reflection of the fact that the Japanese normal values issued in 2016 were significantly outdated in this period due to the sharp rise in the cost of steel raw materials in 2020 and 2021.<sup>37</sup>

### ***Producers in China and Japan Are Export Oriented and Maintain Significant Presence in Canada***

[70] Evraz reports that Chinese large line pipe producers are strongly export oriented and continue to operate sales offices in Canada. It further discusses why Chinese producers such as BaoSteel, Panyu Chu Kong Pipe, China National Petroleum Corporation (CNPC) and Sinopec International Petroleum Exploration and Production Corporation (Sinopec) will be turning to export markets with pre-established networks like Canada to increase their sales in the absence of SIMA duties.<sup>38</sup>

---

<sup>33</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 41-42

<sup>34</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 43

<sup>35</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 44

<sup>36</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 45-46

<sup>37</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 47-50

<sup>38</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 51-56

[71] With respect to Japanese large line pipe, Evraz states that nearly all major steel producers in Japan have an overt and stated export orientation with a keen interest in and strong connections to the Canadian market. It discusses how exporters Sumitomo Corporation, Metal One and Marubeni maintain their Canadian presence through their respective subsidiary importers Sumitomo Canada, Cantak and Marubeni Canada. Evraz presents that Japanese producers continue to have sufficient excess capacity capable of overwhelming the Canadian market. It is reported that JFE Steel acquired Canadian company Cogent to advance its supply chain management and that Nippon Steel has formed a joint venture with ArcelorMittal in order to become an “insider” in North America.<sup>39</sup>

### ***Producers in China and Japan Have Significant Excess Production Capacity***

[72] Evraz indicates that there are 142 Chinese manufacturers capable of producing API 5L line pipe and conservatively estimates a minimum aggregated Chinese annual production capacity based on a small subset of Chinese producers, which publicly report their capacity and line pipe production capabilities. Evraz claims that even a small fraction of this excess capacity would completely overwhelm the Canadian market if allowed to enter at dumped and subsidized pricing.<sup>40</sup>

[73] Evraz submits that Japanese producers also have massive excess capacity that is clearly intended to serve export markets. The production capacity of just three Japanese large line pipe producers: JFE Steel, Nippon Steel, and Osaka Tokushu Kokan Mfg. Co., Ltd. (OTK) exceeds 1.5 million MT. It is argued that the incredible size of this large line pipe capacity is stark when compared to Japan’s current and future demand.<sup>41</sup>

### ***Absent Protection, Subject Producers Will Have to Compete with Non-Subject Imports Making Dumping Even More Likely***

[74] Evraz states that prior to the imposition of SIMA duties in 2016, subject producers in both China and Japan regularly competed with the domestic industry for mainline opportunities in the Canadian market. Japanese producers have only been relegated to the “niche” suppliers that they are today as a result of the imposition of SIMA duties.<sup>42</sup>

[75] A comparison of the average import pricing of Japanese large line pipe to average Canadian import prices between 2018 to 2020 shows that Japanese producers have the demonstrated ability to compete at and below the existing low prices from third country imports. In the first half year of 2021, non-subject imports have replaced subject imports as the new low-price leaders in the Canadian market. Evraz argues that Chinese and Japanese large line pipe producers will be forced to beat the low-priced leaders of non-subject goods in the market to regain market share.<sup>43</sup>

---

<sup>39</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 57-66

<sup>40</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 67-71

<sup>41</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 72-75

<sup>42</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 76-77

<sup>43</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 78-81



### ***Canada Will Be a Prime Target for Subject Goods in the Absence of SIMA Duties***

[76] According to Evraz, Canada remains an attractive market relative to global opportunities based on the fact that Canada ranks third worldwide for number of installed pipeline kilometers and seventh globally for planned and announced pipeline length additions expected between 2021 and 2025. Evraz anticipates that five new requests for proposal will be awarded in the next 24 months, worth up to 748,000 MT of large line pipe.<sup>44</sup>

[77] Evraz reiterates that both Chinese and Japanese producers have established sales networks in Canada and have continued to dump subject goods into Canada over the POR. It is submitted that Statistics Canada, IHS Markit, and Japanese Customs data under the tariff classification codes of 7305.11 and 7305.19 all show that Canada remained among the top export destinations for large line pipe from China and Japan throughout the last five years.<sup>45</sup>

### **Parties Contending that Continued or Resumed Dumping from China and Japan is Unlikely**

[78] The following parties contend that continued or resumed dumping from Japan is unlikely:

- Importers Marubeni Canada and Cantak
- Canadian end user TCPL
- Japanese exporter Metal One

[79] Marubeni Canada made representations as part of its submission to the ERQ response, TCPL submitted its case brief and reply submission and Metal One filed jointly with Cantak their ERQ response, case brief and reply submission supporting their position that the dumping of large line pipe from Japan is unlikely to continue or resume should the CITT's finding expire.

[80] TCPL is the only party claiming the position that the expiry of the CITT's finding is unlikely to result in the continuation or resumption of dumping and subsidizing of the subject goods from China; however TCPL did not provide specific arguments and evidence in relation to the Chinese goods.

[81] The main arguments made by the opposing parties can be summarized as follows:

- The onus is on Evraz to submit positive evidence demonstrating the likelihood concerning resumption of dumping and/or subsidization
- There is insufficient evidence to satisfy the necessary evidentiary standard that producers of the subject goods from China and Japan will engage in dumping
- The CBSA enforcement data fails to identify anti-dumping duties offset by remissions on Japanese goods
- Producers' capacity in Japan to produce subject goods has declined

---

<sup>44</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 88-90

<sup>45</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 92-94

### ***The Onus is on Evraz to Submit Positive Evidence***

[82] TCPL raises the issue that the onus is placed squarely on Evraz to demonstrate that the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods. References were made to the CITT's decisions on *Mattress Innerspring Units* and *Waterproof Rubber Footwear* and the decision on *US – Oil Country Tubular Goods Sunset Reviews* by the WTO Appellate Body.<sup>46</sup>

[83] Similarly, Metal One and Cantak submit that the determination of the expiry must be based on an objective examination of positive evidence and not simply on allegation, conjecture or mere speculation. It is argued that the vast majority of the evidence submitted by Evraz to support its assertion that there is a likelihood of resumed injurious dumping does not meet this standard.<sup>47</sup>

### ***Insufficient Evidence to Satisfy the Necessary Evidentiary Standard***

[84] TCPL emphasizes that there is an absence of positive evidence that there will be a resumption of dumping given the very different circumstances that exist now compared to 2016 when CITT made its finding. These new circumstances, which did not exist when the finding was made, include:<sup>48</sup>

One of the two Japanese producers entirely shut down its facilities for the production of subject goods, thereby substantially reducing capacity and the amount of available exports that could be shipped to Canada;

The overall level of exports to Canada has been declining since the finding, and the exports that have continued have been for very specific demands of Canadian users both as to technical specifications and delivery deadlines;

Inability of Evraz to produce the large majority of the subject goods that are exported from Japan for use in low temperature applications and of greater thickness than produced by Evraz;

The number of remission applications approved by the Department of Finance for products imported from Japan based on the inability of Evraz to produce certain types of subject goods;

Limited demand in Canada for the subject goods in the foreseeable future thereby reducing exports of the subject goods from the Japanese mill; and

Inability of Evraz to produce and compete in the Canadian market due to its financially distressed condition caused by the worldwide downturn in demand for the subject goods and limited number of projects in Canada for building pipelines.

---

<sup>46</sup> Exhibit 36 (NC) – Case Brief filed on Behalf of TCPL, paras 8-13

<sup>47</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Metal One and Cantak, paras 6-14

<sup>48</sup> Exhibit 36 (NC) – Case Brief filed on Behalf of TCPL, paras 14-15

### ***The Enforcement Data Fails to Identify the Anti-dumping Duties Offset by Remissions on Japanese Goods***

[85] Metal One and Cantak contend that technically, the only dumping which has occurred has been with respect to products where remission has been granted pursuant to consent by Evraz<sup>49</sup> and the remissions have addressed imports of subject goods which should have been excluded from the initial finding.<sup>50</sup>

[86] According to Metal One and Cantak, there is abundant evidence that JFE has been focusing on products which Evraz cannot make, does not make or can only produce with difficulty.<sup>51</sup> It is submitted that JFE, Metal One and Cantak have no incentive to re-enter the market for more standardized large line pipe which is dominated by lower-priced producers.<sup>52</sup>

### ***Producers' Capacity in Japan to Produce Subject Goods has Declined***

[87] Metal One and Cantak state that producers' capacity in Japan to produce subject goods has declined with the decision of the largest producer, Nippon Steel Corporation, to cease production.<sup>53</sup> They submit that the reduced capacity in Japan which will be dedicated to the range of traditional markets will leave less capacity to export to Canada.<sup>54</sup>

[88] Metal One and Cantak believe that JFE's capacity will struggle to keep up to global customer demands and will likely result in less competitive pricing as mill capacity should remain busy. It is submitted that Japan's supply focus for Canada remains on specialty steel products and small run pipe orders that would be rejected by the domestic supplier.<sup>55</sup>

## **CONSIDERATION AND ANALYSIS – DUMPING**

[89] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the finding is likely to result in the continuation or resumption of dumping of the goods, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

[90] Guided by the aforementioned factors and having considered the information on the administrative record, the following list represents a summary of the factors analyzed by the CBSA in conducting this expiry review investigation with respect to dumping:

---

<sup>49</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Metal One and Cantak, para 20

<sup>50</sup> Exhibits 39 (PRO) & 40 (NC) – Reply submission filed on Metal One and Cantak, para 62

<sup>51</sup> Exhibits 39 (PRO) & 40 (NC) – Reply submission filed on Metal One and Cantak, para 60

<sup>52</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Metal One and Cantak, para 21

<sup>53</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Metal One and Cantak, para 24

<sup>54</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Metal One and Cantak, para 26

<sup>55</sup> Exhibits 19 (PRO) & 20 (NC) – Response to Exporter ERQ from Metal One, Q18

## Likelihood of Continued or Resumed Dumping – Common Factors to China and Japan

- Global Steel Overcapacity
- Global Market Conditions
- Attractiveness of Canadian Market
- Trade Measures in Canada and in Other Jurisdictions

## Likelihood of Continued or Resumed Dumping – China Specific

- Steel Capacity in China
- Market Conditions in China
- Dumping of Chinese Large Line Pipe
- Imports of Chinese Large Line Pipe
- Export Orientation of Chinese Large Line Pipe Producers and their Presence in Canada

## Likelihood of Continued or Resumed Dumping – Japan Specific

- Steel Capacity in Japan
- Market Conditions in Japan
- Dumping of Japanese Large Line Pipe
- Imports of Japanese Large Line Pipe
- Export Orientation of Japanese Large Line Pipe Producers and their Presence in Canada

[91] As mentioned earlier in this report, the CBSA received an ERQ response from Evraz, five ERQ responses from importers and two ERQ responses from Japanese exporters. Evraz, Metal One and TCPL also filed case briefs and reply submissions. The CBSA relied on the ERQ responses and information submitted by these parties, as well as the other information on the administrative record for purposes of this expiry review investigation.

## **Common Factors of Likelihood of Continued or Resumed Dumping – China and Japan**

### ***Global Steel Overcapacity***

[92] As noted in the CBSA's recent OCTG expiry review investigation, steel production is capital-intensive in nature, incurring high fixed costs. As such, in order to maintain high capacity utilization rates to recover fixed expenses, producers may look to export markets to help maintain utilization rates when demand in the home market cannot absorb production.<sup>56</sup> The CBSA continues to find there to be a risk that producers in the steel industry will sell excess production in foreign markets at depressed prices, rather than reduce their production, in situations where there is overcapacity.

---

<sup>56</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA – ER SOR – OCTG 2020, paras 70-71

[93] According to the OECD, global crude steelmaking capacity increased to over 2,453 million MT in 2020. While global steel making capacity decreased from 2015 to 2018, information available suggests that capacity increases in 2020 would mark the second consecutive year of increases, taking into consideration new capacity additions and closures. The OECD states that the gap between global production and capacity narrowed between 2016 and 2019 due to strong increases in production and modest decreases in steelmaking capacity. The gap widened significantly from 569 million MT in 2019 to 625 million MT in 2020.<sup>57</sup>

[94] As steel supply continues to exceed demand, overcapacity is likely to put pressure on prices of various steel products and will further encourage steel producers to pursue export markets.

### ***Global Market Conditions***

#### **Declines in Global Demand for Large Line Pipe**

[95] According to the OECD, global growth prospects have improved since the height of the COVID-19 crisis, which led to plummeting output in the first half of 2020 as strict containment measures aimed at slowing down the spread of the virus were implemented. While economic prospects have improved recently, the economic outlook remains exceptionally uncertain.<sup>58</sup>

[96] International market conditions for large line pipe have deteriorated significantly during the POR. The combined effect of the slowdown in global demand for line pipe and the restrictions to contain the COVID-19 pandemic have led to pipeline delays and cancellations, leading to the lowest number of completed pipeline kilometres in 25 years<sup>59</sup> and restricting the available export markets for Japanese and Chinese large line pipe.<sup>60</sup>

[97] As the chart<sup>61</sup> illustrates below, the Global Energy Monitor reports that the global pipeline construction activity experienced an overall declining trend in pipeline starts since 1996, reaching their lowest point in 2020. It forecasts that global pipeline construction may never recover to pre-pandemic levels and changes in environmental sentiment may have a lasting impact on future pipeline development.<sup>62</sup>

---

<sup>57</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: OECD Steel Market Developments Q2 2021, pages 30-31

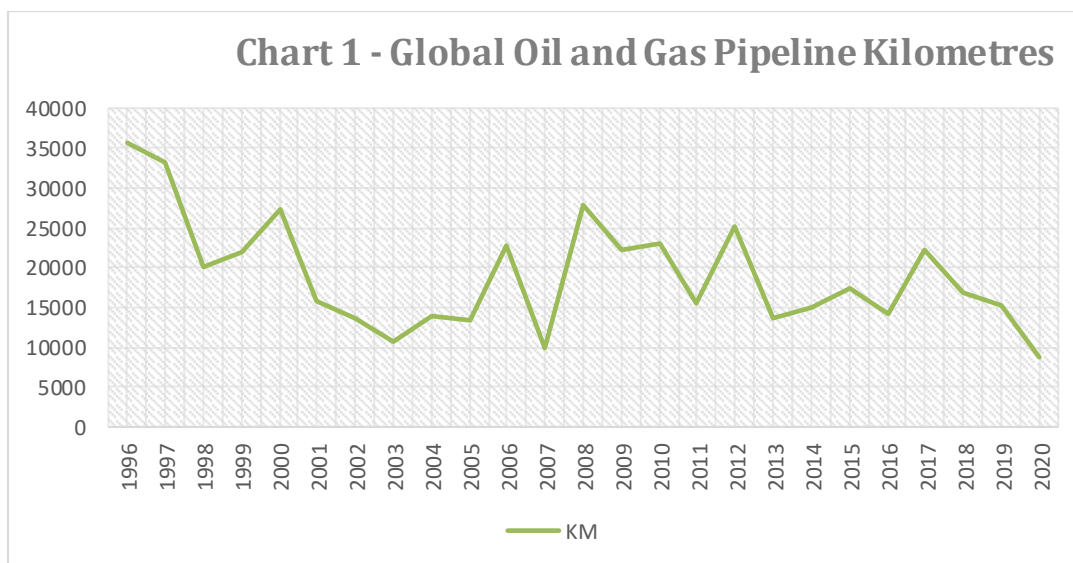
<sup>58</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: OECD Steel Market Developments Q2 2021, page 6

<sup>59</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-1

<sup>60</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 10-16

<sup>61</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-1

<sup>62</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-27



[98] GlobalData Energy forecasts that the total global pipeline completions between 2021 and 2025 are expected to be approximately 85,711 km<sup>63</sup>, which is only 59% of the 145,000 km<sup>64</sup> of pipeline completions globally that were forecasted for construction between 2014 and 2018 at the time of the CITT's original inquiry. Similarly, Rystad Energy reports that global upstream oil and gas exploration investment in 2019 stood at around \$530 billion, before dropping to \$382 billion in 2020, and is expected to grow only marginally to \$390 billion in 2021.<sup>65</sup>

[99] Information available on the administrative record demonstrates that some of the major pipeline projects have been delayed or cancelled<sup>66</sup> driven in part by the collapse in oil prices caused by COVID-19 containment measures and the Russia-OPEC oil price war in 2020. Metal One indicates that demand was quite limited during the POR compared to normal circumstances as many large projects had been put on hold.<sup>67</sup> This resulted in a global contraction of demand for large line pipe which has continued into 2021.<sup>68</sup>

#### Reduced Demand for Large Line Pipe in Major Export Markets

[100] In line with the trends in the overall global demand discussed above, demand for large line pipe in major export markets also remains below pre-pandemic levels, thereby further restricting the availability of export destinations for the subject large line pipe.

<sup>63</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q22-2

<sup>64</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-26

<sup>65</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-28

<sup>66</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-3

<sup>67</sup> Exhibits 19 (PRO) & 20 (NC) – Response to Exporter ERQ from Metal One, Q35

<sup>68</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Q26

[101] According to a report by World Atlas, the United States, the largest market for pipelines in the world, has four times more kilometres of pipeline than the total length of next three largest markets combined, namely; Russia, Canada and China.<sup>69</sup> Thus, a reduction in pipeline demand in the United States further indicates the global slowdown in pipeline construction that would impact producers in China and Japan and force them to compete for the fewer sales opportunities available.

[102] The International Energy Agency's Oil 2020 report indicates that the pace of expansion of oil production in the United States is slowing as independent producers cut spending and scale back drilling activity in response to pressure from investors.<sup>70</sup> The American Metal Market reports that the demand for large diameter line pipe, which has been resilient given the long lead times inherent in pipeline projects, was affected in 2020 and into 2021 with fewer new projects being announced.<sup>71</sup>

[103] The Middle East also suffered its sharpest economic contraction ever in 2020 due to low oil prices and reduced demand.<sup>72</sup> According to the International Monetary Fund's most recent forecast, after contracting by 2.8% in 2020, the Middle Eastern economy is projected to recover only moderately by 4.1% in each of 2021 and 2022.<sup>73</sup>

[104] Several pipeline projects in the Middle East region have been postponed due to the pandemic, which will inevitably have a significant impact in global line pipe demand as the Middle East market accounts for 48% of proven global oil reserves and 38% of proven natural gas reserves, and therefore constitutes a significant market for large line pipe.<sup>74</sup> Information on the record indicates that in May 2020, the construction of the Iraq-Jordan pipeline was postponed indefinitely until after the pandemic.<sup>75</sup> In August 2020, energy company BP announced a 40% cut in its oil and gas output by 2030 from 2019 levels, and Shell similarly reported a 40% planned cut to its oil and gas exploration and development budget.<sup>76</sup>

[105] These negative changes in the largest markets such as the United States and the Middle East exemplify the worldwide condition of decreased demand for large line pipe, which have led to overcapacity of large line pipe and increased pressure on the price of the subject goods. This could potentially lead to resumed dumping of large line pipe should the CITT's finding expire.

---

<sup>69</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q22-1

<sup>70</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: IEA Report – Oil 2020

<sup>71</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-39

<sup>72</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-44

<sup>73</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-45

<sup>74</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-47

<sup>75</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-4

<sup>76</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q26-47

### ***Attractiveness of Canadian Market***

[106] Despite the challenges faced in the global large line pipe market discussed above, Canada remains an attractive market to large line pipe producers in other countries. During the POR, imports from countries other than China and Japan represented approximately half of the total market although the volume of the subject goods dropped significantly.<sup>77</sup>

[107] Demand for large line pipe in Canada increased from 2018 to 2020 during the POR with the exception of the first half year in 2021.<sup>78</sup> Despite the collapse in oil prices and the negative impacts to the Canadian oil and gas industry, Canada remains an attractive market for large line pipe. According to World Atlas, Canada ranks third worldwide for number of installed pipeline kilometers and seventh globally for planned and announced pipeline length additions expected between 2021 and 2025.<sup>79</sup>

[108] With respect to drilling activity, information on the administrative record indicates that Canadian drilling activity began improving following the low in June 2020, while worldwide oil and natural rig counts continued to decrease.<sup>80</sup> Furthermore, information on the record suggests the world market for large line pipe improved in 2021. Metal One reports that the large line pipe market has been improving and prices have been rising rapidly in 2021 as some projects, which were put on hold, are beginning to move forward, and procurement activities are getting active.<sup>81</sup>

[109] Although the Canadian market for large line pipe faced difficult conditions during the POR, forecasts with respect to large line pipe demand and pricing point to a potential recovery in the industry, thereby supporting the attractiveness of the Canadian market. In light of the appeal of the Canadian market, the substantial excess capacity in global and domestic markets and the fact that producers generally compete on the basis of price, there is an ongoing risk that large line pipe would be sold to Canadian customers at dumped prices.

### ***Trade Measures in Canada and in Other Jurisdictions***

[110] China has a history of dumping steel pipe products into the Canadian market. This is evidenced by the number of anti-dumping findings in place with respect to steel pipe products originating in or exported from China. In addition to subject large line pipe, the CBSA has anti-dumping measures in force on carbon and alloy steel line pipe, oil country tubular goods, sucker rods, carbon steel welded pipe, seamless casing, steel piling pipe, and pup joints.<sup>82</sup>

---

<sup>77</sup> Exhibit 51 (PRO) – Expiry Review Report, Table 1

<sup>78</sup> Ibid.

<sup>79</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q22-1& Q22-2

<sup>80</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article - Baker Hughes Announces March 2020 Rig Counts

<sup>81</sup> Exhibits 19 (PRO) & 20 (NC) – Response to Exporter ERQ from Metal One, Q35

<sup>82</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA Dumping and Subsidy Investigations; [www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/menu-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/menu-eng.html)



[111] The United States is China's largest trading partner and Japan's second-largest trading partner for all products<sup>83</sup>. It is also the largest market for large line pipe in the world given its vast pipeline network. The United States has imposed anti-dumping and countervailing duties on Chinese large line pipe and steel pipes and anti-dumping duties against large line pipe from Japan. A list of these measures is provided in Table 3 below.

**Table 3**  
**Foreign Measures against Large Line Pipe and Steel Pipe from China and Japan<sup>84</sup>**

<b>Member Imposing</b>	<b>Subject Country</b>	<b>Measure Type</b>	<b>Subject Goods</b>	<b>Date of Renewal</b>	<b>Duty Rate</b>
United States	China	AD	Circular Welded Carbon Quality Steel Pipe	June 2019	85.55%
United States	China	CV	Circular Welded Carbon Quality Steel Pipe	June 2019	37.22%
United States	China	AD	Circular Welded Carbon Quality Steel Line Pipe	September 2019	101.10%
United States	China	CV	Circular Welded Carbon Quality Steel Line Pipe	September 2019	36.35%
United States	China	AD	Large diameter welded Pipe	January 2019	132.63%
United States	Japan	AD	Welded Large Diameter Line Pipe	October 2019	30.80%

[112] In addition to the measures in force concerning Chinese and Japanese large line pipe and steel pipe, information on the record indicates that there are 11 additional anti-dumping measures against related Chinese steel tubular products, which can be produced on the same or similar equipment by other investigating authorities.<sup>85</sup>

<sup>83</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachments 63 and 64

<sup>84</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachments 169 and 170 and Exhibit 32 (PRO) & 33 (NC) – Case Brief filed on behalf of Evraz, Table 1

<sup>85</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA – ER SOR LP 2021, Table 6

**Table 4**  
**Anti-dumping Measures on Chinese Line Pipe Products by Other Jurisdictions**

<b>Country Imposing Antidumping Action</b>	<b>Description of Subject Goods</b>
Mexico	Seamless steel tubing
Brazil	Line pipe
Brazil	Line Pipe for Oil and Gas Pipelines, of Seamless Iron or Steel
Mexico	Seamless steel tubing
India	Seamless tubes pipes and hollow profiles of Iron
Turkey	Seamless pipes and tubes of iron and steel
European Union	Seamless pipes and tubes of iron or steel of circular cross section, of an external diameter exceeding 406,4 mm
Thailand	Iron steel pipe and tube
Argentina	Steel pipes of the type used in oil and gas pipelines
Mexico	Carbon and alloy steel tubing
Ukraine	Hot-deformed seamless steel pipes

[113] The numerous measures currently in place in Canada and other jurisdictions demonstrate the Chinese and Japanese exporters' propensity to dump large line pipe and other related steel tubular products. The existence of these trade measures increases the likelihood of continued diversion of subject goods to Canada.

[114] The subject producers' ability to export globally is further restricted due to other trade measures, such as tariffs and safeguards imposed against Chinese and Japanese steel products including large line pipe in the world's largest markets.

[115] On March 23, 2018, pursuant to Section 232 of the *Trade Expansion Act of 1962*, the United States imposed 25% tariffs on imports of steel products including large line pipe, from virtually every country in the world, including China and Japan.<sup>86</sup> In addition, on August 20, 2019, pursuant to Section 301 of the Trade Act of 1974, the United States imposed a further (compounding) 15% tariff on Chinese steel goods including large line pipe effective September 1, 2019, which was reduced to 7.5% as of February 14, 2020.<sup>87</sup>

<sup>86</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 65 and 66, pages I-8 to I-10; Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article – Reuters - Tariffs

<sup>87</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 67 & 68

[116] In other words, in addition to the anti-dumping and countervailing duties imposed on Chinese large line pipe discussed in Table 2, Chinese large line pipe exporters face a further 32.5% of combined Section 232 and Section 301 tariffs on sales into the United States. Chinese large line pipe is effectively barred from entry to the United States, the world's largest importer of circular welded pipe products<sup>88</sup>, decreasing the outlets for Chinese production of large line pipe and increasing the likelihood of diversion of these goods to other countries including Canada. Although Japanese line pipe does not face the additional compounding Section 301 tariff, the combination of Section 232 tariffs and antidumping duties discussed above renders the U.S. market similarly difficult to access for Japanese exporters, resulting in an analogous likelihood of diversion.

[117] The presence of these trade measures further limits the markets that Chinese and Japanese large line pipe can access, thereby increasing the risk of diversion of subject goods to Canada. While the anti-dumping and countervailing measures currently in place in Canada have significantly limited subject imports of large line pipe during the POR, the removal of these measures is likely to result in an increase of shipments to Canada at dumped prices.

## **Likelihood of Continued or Resumed Dumping – China Specific**

### ***Steel Capacity in China***

#### **Production and Capacity**

[118] Overcapacity in the Chinese steel industry has been a well-recognized problem over a number of years, including throughout the POR. Although China has the largest steel production capacity accounting for 47.2% of the world capacity, steelmaking capacity in China increased in 2019 and 2020 following a period of decreasing capacity. The steelmaking capacity in China reached 1,157.1 million MT in 2020 with an overall increase of 2.9% from 2018 to 2020.<sup>89</sup>

---

<sup>88</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 66, pages I-8 to I-10

<sup>89</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: OECD Latest Developments in steelmaking capacity 2020, AnnexC, Page 48

[119] In addition to having the largest steelmaking capacity, evidence on the record indicates that China is also the world's largest steel producing country, representing 57.6% of total global production in 2020.<sup>90</sup> Further, seven of the ten largest steel producing companies globally are headquartered in China. For example, China's Baowu Iron and Steel Co. (Baowu Steel), a producer of large line pipe and other steel products, is the largest global steel producer.<sup>91</sup> A list of China's top ten steel producers identifies several companies that produce steel pipe.<sup>92</sup> Although China is already the largest steel producer, crude production data reported by the World Steel Association (WSA) for 2010 to 2020 demonstrates that China's steel production continued to increase.<sup>93</sup>

[120] Included on the administrative record is information concerning certain plans, policies and actions of the GOC which have the stated aim of reducing production and/or capacity of steel. For example, it was reported that the Ministry of Industry and Information Technology had a draft plan aiming to tighten steel capacity through a capacity swap programme in certain regions. China has stated that it reduced its installed steelmaking capacity by 150 million MT between 2016 and 2018, as part of this plan.<sup>94</sup> The OECD also published a list of plant level closures for 2019, in which six of ten companies were located in China.<sup>95</sup>

[121] Despite China's repeated commitments to address steel overcapacity, scepticism remains surrounding China's willingness and ability to meaningfully address steel capacity issues. For example, several sources expressed concern that China's capacity swap initiative will have the impact of increasing overall capacity, as outdated equipment is replaced with more efficient technology.<sup>96</sup>

[122] It is evident that China's steel production has a history of exceeding consumption:

**Table 5**  
**Chinese Steel Production and Consumption (Millions of MT)<sup>97</sup>**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Production	577.1	638.7	702.0	731.0	822.0	822.8	798.8	808.4	831.7	922.8	992.9	1001	1053
Apparent Consumption	576.3	615.2	671.6	691.7	776.5	746.2	701.8	715.2	772.2	870.1	946.2	907.5	980.1

<sup>90</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: World Steel Association – Steel Production 2019- 2020

<sup>91</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: World Steel Association – World Steel Figures 2021

<sup>92</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: ITA Report – Global Steel Trade Monitor – China exports (2020)

<sup>93</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: World Steel Association – Steel Statistical Yearbook 2020 and Steel Production 2019- 2020

<sup>94</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article – Article - China readies revamped steel capacity swap policy, page 28

<sup>95</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: OECD latest developments in steelmaking capacity 2020, annex B

<sup>96</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article – China readies revamped steel capacity swap policy, and United Steelworkers – Global Forum on Steel Excess Capacity

<sup>97</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: ITA Report – Global Steel Trade Monitor – China imports (2020); World Steel Association - Steel Production 2019- 2020 and Steel Demand Outlook 2020-21

[123] In the opinion of the CBSA, the combination of the factors described above will likely result in steel overproduction and continued overcapacity. As steel supply continues to exceed demand, the CBSA is of the opinion that this is likely to put pressure on prices of various steel products and will further encourage steel producers in China to pursue export markets.

### ***Market Conditions in China***

[124] In light of declined demand in the global market and the market condition of overcapacity in China in the post-pandemic era, producers in China will be likely to target an attractive market like Canada to secure every possible sale should the CITT's finding expire.

[125] Although domestic demand in China for large line pipe is expected to increase in the next 24 months, the increase will barely register in terms of consumption of China's total excess capacity for the production of large line pipe over the same period. Between 2021 and 2025, China is forecasted to expand its domestic pipeline network, installing between 17,000 and 32,800 km of new oil and gas pipelines over the five-year period.<sup>98</sup> Annual domestic demand of large line pipe in China between 2021 and 2025 is estimated at approximately 1.85 million MT.<sup>99</sup>

[126] Information on the record indicates that there are 142 Chinese manufacturers capable of producing API 5L line pipe.<sup>100</sup> Large line pipe production capacity in China is estimated to be 70 million MT, a result obtained by extrapolating on the 20.5 million capacity publicly reported by 40 Chinese line pipe producers.<sup>101</sup>

[127] By only using the highly conservatively estimated annual capacity of 20.5 million MT, it is estimated that Chinese large line pipe producers will have at minimum 18.7 million MT in capacity exceeding domestic demand every year between now and 2025. The annual domestic demand for large line pipe as discussed above is far less than the total capacity of the 40 companies which have capacity information available, let alone the capacity of the whole Chinese large line pipe industry.

[128] Considering the market conditions in China where excessive supply of large line pipe exists, the CBSA finds that it is likely that Chinese producers will continue to seek export markets for their product in the absence of the CITT's finding.

### ***Dumping of Chinese Large Line Pipe***

[129] Dumping occurs when export prices of the subject goods are less than the normal values. The SIMA duties collected throughout the POR are presented in the "Enforcement Data" section of this report. The information discloses that during the POR, there was dumping of the subject goods from both China and Japan into the Canadian market.

---

<sup>98</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachments Q26-29, Q26-30

<sup>99</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 25-26

<sup>100</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-20

<sup>101</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 68

[130] As shown below in **Table 6**, an amount of \$150,552 in SIMA duty was assessed on 70MT of Chinese imports of subject goods during the POR. The SIMA duties assessed represent approximately 92.9% of the value for duty, which indicates that the majority of subject goods from China continued to be dumped.

[131] The fact that SIMA duties were assessed on importations of subject good during the POR even though the import volume was extremely low, demonstrates an inability of Chinese exporters to sell at un-dumped prices.

**Table 6**  
**Imports of Subject Goods from China during the POR**

<b>SIMA Duty on Chinese Goods</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Jan-June 2021</b>	<b>Total</b>
Volume of Subject Goods (MT)	53	-	18	-	71
Value for Duty of Subject Goods (\$)	144,336	-	19,411	-	163,747
SIMA Duty Assessed (\$)	126,621	-	23,931	-	150,552

### ***Imports of Chinese Large Line Pipe***

[132] The subject imports from China represented 34.3% of total imports during the dumping POI in the original investigation,<sup>102</sup> while large line pipe from China was drastically reduced to only 0.01% of the total imports and also close to 0% of the total Canadian market during the current POR.<sup>103</sup> As **Table 6** shows, the CITT's finding has had the effect of dramatically reducing the volume of subject imports from China to nearly zero over the POR, with the highest volume of imports amounting to only 53 MT in 2018.

[133] This near elimination of Chinese subject goods from the Canadian market is indicative of the effect of the SIMA measures and the inability or unwillingness for most exporters to compete at non-dumped and non-subsidized prices. Furthermore, the assessment of SIMA duties on subject goods during the POR also serves as evidence that large line pipe from China was dumped and/or subsidized during this period.

### ***Export Orientation of Chinese Large Line Pipe Producers and their Presence in Canada***

[134] Information on the record confirms that large line pipe producers in China continue to be export orientated and interested in the Canadian market, as evidenced by GOC's policies and plans, export volumes and marketing and sales strategies.

<sup>102</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: FD SOR – LLP 2016

<sup>103</sup> Exhibit 51 (PRO) – Expiry Review Report, Table 1

## Policies and Plans in China

[135] Various initiatives of the GOC emphasize the government's focus on exports generally, and with respect to steel in particular. For example, in its 13<sup>th</sup> five year plan (2016-2020), the GOC identifies the steel industry specifically as an industry of focus for which China will encourage more equipment, technology, standard and services to go global.<sup>104</sup> The 13<sup>th</sup> five year plan also aims to upgrade foreign trade by promoting "... a transformation in foreign trade toward better quality exports that command higher prices" while also consolidating and improving traditional export strengths. The GOC states that it will promote diversification in export markets, increasing the proportion of emerging markets while also maintaining the share of traditional markets.<sup>105</sup>

[136] In response to the spread of the COVID-19 pandemic and the impact on national economies, China's Ministry of Finance announced in March 2020 that tax rebates on over 1,000 export goods would be raised.<sup>106</sup> In the case of exports of alloy steel and steel pipes, including oil and gas steel pipe, this meant a tax rebate increase to 13%.<sup>107</sup> Despite rumours of a rollback on export tax rebates, no such confirmation has been made by the Chinese central government as recent as April 2021.<sup>108</sup> With larger rebates applicable on exports of line pipe, it is more likely that exporters of subject goods will be able to lower their export prices to improve their international competitiveness. The initiatives, plans and policies of the GOC, discussed above, encourage export behaviour and underline the importance of steel, including large line pipe, to the Chinese economy.

## Chinese Export Oriented Producers

[137] China exports steel to more than 200 countries and territories and the steel exports represented about 15% of all steel exported globally in 2019, almost double that of the world's second-largest exporter, Japan.<sup>109</sup>

---

<sup>104</sup> <https://en.ndrc.gov.cn/policies/202105/P020210527785800103339.pdf>

<sup>105</sup> Ibid. Chapter 49, section 3

<sup>106</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article – China's steel market welcomes tax rebates increase

<sup>107</sup> Ibid.

<sup>108</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article – Export Taxes

<sup>109</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: ITA Report – Global Steel Trade Monitor – China exports (2020). Data in 2019 is the most recent information available.

[138] China has maintained a trade surplus in steel products for the better part of the last decade, with steel exports increasing consistently between 2009 and 2015.<sup>110</sup> While exports of steel from China have trended down since 2016, China remained the world's largest steel exporter, exporting 47 million MT of steel in 2020 alone.<sup>111</sup> China was also the largest exporter of semi-finished and finished steel products during this period, with pipe and tube products representing 12.6% of total steel exports.<sup>112</sup>

[139] The final determination made by the United States International Trade Commission in January 2019 relating to large line pipe from China indicated that China exported over 1.22 million short tons of large line pipe annually to other countries during the period from 2015 to 2017, with Canada being the largest export destination accounting for 10.1% of all China's large line pipe exports.<sup>113</sup>

[140] Further to the large export volume of steel products, including large line pipe, information on the record suggests that producers of large line pipe in China have maintained interest in the Canadian market.

[141] Panyu Chu Kong Pipe, a major manufacturer and exporter of longitudinal welded steel pipes in China that submitted limited information during the original investigation, highlights North America as one of its export destinations on its website.<sup>114</sup> Further, Panyu Chu Kong Pipe has an established network in Canada, in particular, having sold large line pipe to various Canadian customers and pipeline projects, including to Canadian Natural Resources, Shell Canada, Suncor and Syncrude.<sup>115</sup>

[142] CNPC, China's largest oil producer and supplier and a global supplier of line pipe, has been involved in oil and gas exploration projects in Canada since 1992. CNPC's existing investments include the MacKay River and Dover Oil Sands projects, the LNG Canada Project, the Duvernay Shale Gas Project, the Groundbirch Tight Gas Project, and the Grand Rapids Pipeline.<sup>116</sup> Notably, even during the pandemic, CNPC continued its involvement in oil and gas exploration and pipeline construction projects in Canada, completing one third of the LNG Canada project according to its 2020 Annual Report.<sup>117</sup> With an annual production capacity of 1.3 million MT of HSAW and 150,000 MT of LSAW pipe, CNPC has capacity and connections to enter the Canadian market at increasing volumes should the finding expire.<sup>118</sup>

---

<sup>110</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: ITA Report – Global Steel Trade Monitor – China exports (2020)

<sup>111</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: OECD Steel market Developments Q2 2021

<sup>112</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: World Steel Association – Steel Statistical Yearbook 2020 and ITA Report – Global Steel Trade Monitor – China exports (2020)

<sup>113</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: USITC - China - ER of Injury of Large Line Pipe (2019), Table VII-7

<sup>114</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachments Q28-9 & Q28-10

<sup>115</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-11

<sup>116</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-13

<sup>117</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-14, Page 52

<sup>118</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-15



[143] Similarly, Sinopec, the largest oil and petrochemical products supplier and the second largest oil and gas producer in China, also has existing networks in Canada, including its subsidiary Sinopec Canada. Among oil and gas exploration, Sinopec Canada's business also includes "construction and installation of petroleum projects and downstream services".<sup>119</sup> Based on the parent company Sinopec Group's website, the Group has been involved in several oil and gas discovery missions in Canada and has supplied oil and gas products.<sup>120</sup>

[144] Baosteel, a known producer of large line pipe in China, reported exports of steel products totalling 3.621 million tons in 2019 to more than 70 countries and regions. With respect to 2020 business objectives, plans and priorities, Baosteel states that the overseas market will be "...vigorously expanded to achieve export targets of key products."<sup>121</sup>

[145] The existence of networks connecting producers in China to distributors and/or customers in Canada increases the likelihood that large line pipe producers would sell large line pipe to Canada if the current finding expired.

[146] Further evidence of the export orientation of Chinese large line pipe producers is found in the imposition of anti-dumping measures concerning large line pipe originating in or exported from China. This is discussed above in the section of *Trade Measures in Canada and in Other Jurisdictions*.

[147] While exports of subject goods have decreased dramatically since the POI in the original investigations, China remains one of the top five trading partners from which Canada imports pipe and tube products for the period beginning January 2018 and ending September 2020.<sup>122</sup> In light of the continued exports of large line pipe from China during the POR, it is evident that Chinese large line pipe has the potential to re-enter the Canadian market in a significant way.

[148] The evidence on the administrative record demonstrates that producers of large line pipe in China remain focused on export markets. In light of factors discussed above, the CBSA finds that producers in China are likely to rely, or to continue to rely, on export markets.

### **Determination Regarding Likelihood of Continued or Resumed Dumping of Chinese Goods**

[149] Based on the information on the administrative record in respect of: steel overcapacity, market conditions, attractiveness of Canadian market, trade measures, dumping duty collected, import volume and export orientation of Chinese large line pipe producers, the CBSA has determined that the expiry of the finding is likely to result in the continuation or resumption of dumping into Canada of large line pipe originating in or exported from China.

---

<sup>119</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-17

<sup>120</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-19

<sup>121</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Bao Steel Annual report 2019

<sup>122</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: ITA Global Steel Trade Monitor – Canada Imports 2020

## Likelihood of Continued or Resumed Dumping – Japan Specific

### *Steel Capacity in Japan*

[150] Japan has the world's third largest steel industry. As shown in table 7 below, the 2021 World Steel in Figures reports that Japan produced 99.3 and 83.2 million MT of steel in 2019 and 2020, while the country's steel use stood at 63.2 and 52.6 million MT.<sup>123</sup> Japan exported 29.8 million MT of steel in 2020, which represents more than one-third of its production and nearly all production exceeding home market demand by 30.6 million MT. It is an indication that Japan's steel industry is heavily reliant on exports.<sup>124</sup>

**Table 7**  
**Japan Steel Production and Consumption (Millions of MT)**

	2019	2020
Production	99.3	83.2
Apparent Consumption	63.2	52.6

[151] Although announcing its intention to cease large line pipe production, Nippon Steel remains the large Japanese steel producer and has the ability and capacity to resume its production of large line pipe. Nippon Steel reports that Japan's direct exports account for about 40% of all steel production in Japan and the decline in domestic demand has been offset by an increase on exports of steel products, thereby maintaining steel production at above 100 million tons.<sup>125</sup> Another major large line pipe producer; JFE Steel, adopted a similar strategy to cope with the overcapacity issue. JFE states in its 2020 annual report that expanding into growing markets overseas is one of the main medium-term business plans.<sup>126</sup>

[152] Based on the information on the record, the CBSA finds that the steel overcapacity exists and will continue to exist in Japan. It is likely that Japanese steel producers continue to focus on overseas markets with demand growth potential in order to maximize their production capacity.

### *Market Conditions in Japan*

[153] Japan has very few existing domestic pipelines with limited future plans for expansion of its modest pipeline system. Currently, the country has just 3,851 km of gas pipelines, and 21 km of oil pipelines. In terms of quantity of gas and oil pipelines, these values rank Japan at 29<sup>th</sup> and 77<sup>th</sup> in the world, respectively.<sup>127</sup>

---

<sup>123</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: World Steel Association – World Steel Figures 2021

<sup>124</sup> Ibid.

<sup>125</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Nippon Steel Annual Report 2020, pages 63-64

<sup>126</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: JFE Steel Annual Report 2020, page 7

<sup>127</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachments Q26-29 & Q26-30

[154] Metal One confirms the situation by stating in its ERQ response that there is virtually no domestic market for large line pipe in Japan and this situation is not expected to change in the foreseeable future.<sup>128</sup>

[155] Information on the record indicates that Japan has 646 km of gas pipelines in development but no planned oil pipeline at the end of 2020.<sup>129</sup> It is estimated that the Japanese domestic market would expect demand for large line pipe of at most 182,172 MT in the foreseeable future.<sup>130</sup>

[156] Three Japanese producers JFE Steel, Nippon Steel, and OTK are known to be able to produce large line pipe. The total production capacity of the three producers is estimated by Evraz to exceed 1.5 million MT.<sup>131</sup> However, Marubeni Canada insists that JFE steel is the only large line pipe producer in Japan with a limited capacity.<sup>132</sup>

[157] The CBSA notices that Nippon Steel announced that the company planned to withdraw from longitudinal submerged arc welded pipe business and close Kimitsu UOE pipe mill at East Nippon Works by the end of March in 2022.<sup>133</sup> However, assuming the estimated future demand of 182,172 MT of large line pipe was to be consumed in a single year, the CBSA still finds that large line pipe capacity, estimated only for JFE Steel by Marubeni Canada, already exceeds the future domestic demand in the whole country.

[158] Based on the discussion above, the CBSA is of the opinion that continued overcapacity is likely to motivate producers/exporters of large line pipe in Japan to pursue export markets like Canada.

### ***Dumping of Japanese Large Line Pipe***

[159] Dumping occurs when export prices of the subject goods are less than the normal values. Japanese exports continued to enter the Canadian market at dumped prices since the imposition of dumping duties.

[160] As shown below in **Table 8**, significant amounts of anti-dumping duties have been assessed on importations of subject goods from Japan with a total of approximately \$48.7 million in SIMA duty during the POR.

---

<sup>128</sup> Exhibits 19 (PRO) & 20 (NC) – Response to Exporter ERQ from Metal One, Q34

<sup>129</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachments Q26-29 & Q26-30

<sup>130</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz; Para 19

<sup>131</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz; Paras 72-73

<sup>132</sup> Exhibit 22 (NC) – Response to Importer ERQ from Marubeni-Itochu Tubulars Canada, Q27

<sup>133</sup> Exhibits 19 (PRO) & 20 (NC) – Response to Exporter ERQ from Metal One, exhibit Q18

**Table 8**  
**Imports of Subject Goods from Japan during the POR**

	2018	2019	2020	Jan-June 2021	Total
Volume of Subject Goods (MT)	14,776	43,104	24,436	3,637	85,953
Value for Duty of Subject Goods (\$)	23,953,487	69,923,366	34,666,977	6,539,705	135,083,535
SIMA Duty Assessed (\$)	9,370,696	27,926,705	11,430,832	-	48,728,233

[161] Metal One and Cantak argue that the only “technical” dumping which has occurred has been with respect to products where remission has been granted pursuant to consent by Evraz. It is submitted that there were essentially no net SIMA duties applied to imports of large line pipe into Canada from Japan.<sup>134</sup>

[162] The CBSA acknowledges that Cantak, Sumitomo Canada and Trans Mountain Pipeline L.P. were granted remissions of SIMA duties paid with respect to imports of large diameter line pipe from Japan in response to the temporarily short supply of large line pipe in the Canadian market for certain specific projects. However, the total amount of SIMA duties to be remitted to the three companies is approximately \$8.9 million,<sup>135</sup> which is far less than the total duty of \$48.7 million assessed during the POR.

[163] Remission of SIMA duties is typically only used in extraordinary circumstances and it is not used to override the legislated intent of SIMA, which is to remedy the injury caused by dumped goods to domestic producers of competing goods. The CBSA determines whether goods are dumped in accordance with the provisions of SIMA and the SIMR and notes that the concept of “technical dumping” as a result of remission is not provided for in SIMA. This is consistent with the CITT’s statements in the inquiry involving Gypsum Board in which the CITT noted “There is no “good” or “bad”, “passive” or “aggressive” dumping. There is only dumping as it is defined under SIMA and the underlying international agreement”.<sup>136</sup>

[164] The SIMA duties represent approximately 36.1% of the value for duty, which indicates that a large portion of subject goods from Japan continued to be dumped. The fact that anti-dumping duties were assessed on importations of subject good during the POR demonstrates an inability of Japanese exporters to sell at un-dumped prices.

<sup>134</sup> Exhibits 34 (PRO) & 35 (NC) – Case Brief filed on Metal One and Cantak, paras 20 and 30

<sup>135</sup> <https://gazette.gc.ca/rp-pr/p2/2019/2019-07-10/html/sor-dors261-eng.html>

<sup>136</sup> <https://decisions.citt-tcce.gc.ca/citt-tcce/a/en/item/354629/index.do?q=CITT+NQ-2016-002>, CITT NQ-2016-002, Gypsum Board, para. 131.

### ***Imports of Japanese Large Line Pipe***

[165] Subject imports from Japan represented 43.6% of total imports during the original dumping POI,<sup>137</sup> while large line pipe from Japan was reduced to 12.4% of the total imports and even a smaller portion of the total market during the POR.<sup>138</sup>

[166] This significant reduction in the volume of subject good imported from Japan is indicative of the effect of the SIMA large line pipe measures and the inability or unwillingness for most exporters to maintain sales at normal values. Furthermore, the assessment of SIMA duties on subject goods during the POR also serves as evidence that large line pipe from Japan was dumped during this period.

### ***Export Orientation of Japanese Large Line Pipe Producers/Exporters and their Presence in Canada***

[167] Information on the record confirms that large line pipe producers and exporters in Japan continue to be export orientated and interested in the Canadian market, as evidenced by their sales network, business strategies and initiatives.

[168] Nippon Steel confirms in its 2020 annual report that on a value basis, over 40% of total sales came from export sales during the period from 2017 to 2019. It further explains that the decline in domestic demand has been offset by an increase on exports of steel products. The annual report emphasizes that Nippon steel has made alliances with local partners such as ArcelorMittal in North America to develop local bases for downstream production processes by joint ventures.<sup>139</sup>

[169] Similarly, JFE Steel highlights in its 2020 annual report that an overseas business promotion center was established in April 2020 to help maximize profits in existing overseas businesses and pursue initiatives that grasp opportunities for new overseas businesses. Expanding new revenue bases overseas is identified as one of the three future growth strategies. As a result, JFE's overseas trading networks are being expanded in coordination with JFE Steel's overseas business development.<sup>140</sup>

[170] Japanese exporters of large line pipe are solidifying their presence in the North American market by expanding their sales offices, subsidiaries, and joint venture partnerships in Canada.

---

<sup>137</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA – FD SOR – LLP 2016

<sup>138</sup> Exhibit 51 (PRO) – Expiry Review Report, Table 1

<sup>139</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Nippon Steel Annual Report 2020, pages 33, 40 and 144

<sup>140</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: JFE Steel Annual Report 2020, pages 26, 28 and 38

[171] Sumitomo Corporation, an exporter of large line pipe produced by Nippon Steel, continues to maintain its Canadian subsidiary Sumitomo Canada. Sumitomo Canada continues to market sales of line pipe in Canada and intends to extend its business foundations by capitalizing on the Edgen group network, which has a presence in Canada.<sup>141</sup> Most recently, Sumitomo Corporation attempted to obtain normal values for large line pipe in Canada through a normal value review concluded in February 2020.<sup>142</sup>

[172] Metal One, a Japanese trading company and large line pipe exporter to Canada, owns 100% of Cantak. Cantak, acting as the Canadian representative of a number of global mills and suppliers, imports and supplies oil and gas tubular products for the Canadian oil and gas industry.<sup>143</sup>

[173] On April 14, 2021, Russel Metals Inc. announced that it has entered into a partnership agreement with Marubeni-Itochu Tubulars America Inc. to combine their respective Canadian OCTG/line pipe businesses. Currently, Russel Metals Inc. operates its Canadian OCTG/line pipe business through its wholly owned subsidiary Triumph Tubular & Supply Ltd. and Marubeni-Itochu Tubulars America operates its Canadian OCTG/line pipe business through its wholly owned subsidiary Hallmark Tubulars Ltd. The combined business of Triumph and Hallmark will operate under a newly incorporated company, named TriMark Tubulars Ltd.<sup>144</sup> In addition, Marubeni-Itochu Tubulars America wholly owns Marubeni Canada, another subsidiary with a speciality in importing steel tubular goods including large line pipe to the Canadian market.<sup>145</sup>

[174] The weakening domestic demand in Japan combined with the large production capacity and an export-oriented philosophy suggests that large line pipe producers in Japan would continue their efforts to expand foreign markets.

### **Determination Regarding Likelihood of Continued or Resumed Dumping of Japanese Goods**

[175] Based on the information on the administrative record in respect of: steel overcapacity, market conditions, attractiveness of Canadian market, trade measures, dumping duty assessed, import volume and export orientation of Japanese large line pipe producers, the CBSA has determined that the expiry of the finding is likely to result in the continuation or resumption of dumping into Canada of large line pipe originating in or exported from Japan.

---

<sup>141</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachments Q28-1 & Q28-5, page 79

<sup>142</sup> <https://www.cbsa-asfc.gc.ca/sima-lmsi/up/llp2019/llp201901-nc-eng.html>

<sup>143</sup> Exhibits 12 (PRO) & 13 (NC) – Response to Importer ERQ from Cantak Corporation, Q4

<sup>144</sup> Exhibits 15 (PRO) & 16 (NC) – Response to Canadian Producer ERQ from Evraz, Attachment Q28-4

<sup>145</sup> Exhibits 21 (PRO) & 22 (NC) – Response to Importer ERQ from Marubeni-Itochu Tubulars Canada, Q4

## POSITION OF THE PARTIES – SUBSIDIZING

### Parties Contending that Continued or Resumed Subsidizing is Likely

[176] The Canadian producer Evraz, having made certain representations as part of its submission to the CITT in LE-2021-002, in its ERQ response, and in its case brief, argued that the subsidizing of large line pipe from China is likely to continue or resume should the CITT's finding expire.

[177] The main argument made by the Canadian producer can be summarized as follows:

- Chinese producers of subject goods have been and are likely to remain subsidized
- Trade Measures in Canada and in Other Jurisdictions

#### *Chinese producers of subject goods have been and are likely to remain subsidized*

[178] Evraz notes that in the original investigation of large line pipe, the CBSA identified 160 potential subsidy programs and, due to lack of information provided on specific programs, has assigned a subsidy rate of 30.3% applicable to all exporters from China. It is argued that Chinese producers of subject goods have been and are likely to remain subsidized.<sup>146</sup>

[179] In support of their arguments, references are made to publically available information which indicates that subsidies were granted to listed steel pipe companies. In reviewing the annual reports of Shandong Molong Petroleum Machinery Company Limited (Shandong Molong), Evraz finds the company received 18,234,769.37 RMB in subsidies and grants in 2018. In the Q1 2019 Report, it reports receiving a further 11,166,723 RMB government grant in the first quarter of 2019 alone. Similarly, in 2020, Baowu Steel, a known producer of large line pipe, reports 256 million RMB in subsidies between January 2020 and September 2020 in its Q3 2020 report. Shengli Oil & Gas Pipe Holdings reports in its 2020 Annual Report having received 9.124 million RMB and 7.541 million RMB of government grants in 2019 and 2020 respectively.<sup>147</sup>

[180] According to Evraz, China's subsidy programs have been compounded by COVID-19 stimulus. Evraz references a KPMG publication which discusses various GOC initiatives including the launch of 1.2 trillion CNY of repurchase reposessions and other low interest loans as well as an employment based subsidy program.<sup>148</sup>

---

<sup>146</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 82

<sup>147</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, paras 83-84

<sup>148</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 85

## ***Trade Measures in Canada and in Other Jurisdictions***

[181] Evraz argues that the subsidization of Chinese tubular goods is well established for large line pipe and closely related products. In support of this, Evraz discusses the amounts of subsidy found in the CBSA's investigations into a number of steel tubular goods from China. In one example, relating to the CBSA's recent OCTG re-investigation, it is noted that the all others rate for exporters of Chinese OCTG was determined to be 4,070 RMB per tonne. In the CBSA's investigation of Carbon Steel Welded Pipe, it found that cooperating producers benefitted from nine separate subsidy programs, while non-cooperative producers benefitted from upwards of 31 such programs.<sup>149</sup>

[182] Evraz submits that other jurisdictions have also experienced the injurious subsidizing of Chinese steel tubular products. In this respect, the Canadian producer makes reference to findings made by the United States in 2019, relating to line pipe and other related products.<sup>150</sup>

[183] Based on the information discussed above, Evraz argues that it is likely that the subject goods shipped to Canada would continue to be subsidized.

### **Parties Contending that Continued or Resumed Subsidizing is Unlikely**

[184] TCPL is the only party claiming the position that the expiry of the CITT's finding is unlikely to result in the continuation or resumption of subsidizing of the subject goods from China; however TCPL did not provide specific arguments and evidence in relation to the Chinese goods.

## **CONSIDERATION AND ANALYSIS – SUBSIDIZING**

[185] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the finding in respect of goods from China is likely to result in the continuation or resumption of subsidizing of these goods, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

### **Likelihood of Continued or Resumed Subsidizing**

[186] As mentioned previously, with the exception of the Canadian large line pipe user TCPL, no other exporters or importers offered an opinion on the likelihood of continued or resumed subsidizing of the subject goods from China. Likewise, the GOC did not provide a response to the ERQ, nor did the GOC provide a case brief or reply submission.

---

<sup>149</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 86

<sup>150</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on Behalf of Evraz, para 87



[187] In the absence of participation from Chinese exporters, importers and the GOC, the CBSA relied on other information in assessing the likelihood of continued or resumed subsidization should the CITT's finding be rescinded. This includes the representations made by the Canadian producer<sup>151</sup> and information on the administrative record concerning subsidizing in China.

[188] Guided by the aforementioned factors and having considered the information on the administrative record, the following list represents a summary of the CBSA's analysis conducted in this expiry review investigation with respect to subsidization:

- Trade Measures in Canada and in Other Jurisdictions
- Continued Availability of Subsidy Programs

### ***Trade Measures in Canada and in Other Jurisdictions***

[189] In the original large line pipe subsidy investigation, the CBSA identified 160 subsidy programs. Information concerning these programs is available in the CBSA's *Statement of Reasons* for the original investigation concerning large line pipe.<sup>152</sup>

[190] As noted in the CBSA's *Statement of Reasons* of Final Determinations, neither the GOC nor Chinese exporters provided a response to the CBSA's subsidy RFI, which limited the CBSA's ability to determine the amount of subsidy in the prescribed manner, pursuant to subsection 30.4(1) of SIMA, as the required information relating to financial contribution, benefit and specificity was not provided. It also limited the CBSA's ability to determine whether producers, or other suppliers of goods and services are public bodies.

[191] Due to this lack of information, subsidy amounts for all exporters were determined under a ministerial specification, pursuant to subsection 30.4(2) of SIMA on the basis of the facts available. It was found that 100% of the goods exported from China were subsidized during the original investigation. The amount of subsidy for all exporters was determined to be 30.3%, expressed as a percentage of the export price.

[192] Since the CITT's finding, the CBSA has not conducted any re-investigations to update amounts of subsidy for large line pipe from China.

[193] In addition to the large line pipe finding, the CBSA currently has seven other countervailing measures in place concerning steel tubular products originating in or exported from China: Oil Country Tubular Goods, Seamless Casing, Pup Joints, Sucker Rods, Carbon and Alloy Steel Line Pipe, Carbon Steel Welded Pipe and Piling Pipe.<sup>153</sup> Detailed descriptions and explanations of the programs are contained in the CBSA's *Statement of Reasons* issued at the final determination of each investigation.

---

<sup>151</sup> Exhibits 32 (PRO) & 33 (NC) – Case Brief filed on behalf of Evraz

<sup>152</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA FD SOR LLP 2016

<sup>153</sup> <https://www.cbsa-asfc.gc.ca/sima-lms/mif-mev/menu-eng.html>; Exhibit 29 (NC) – Articles, Reports and CBSA Research: CBSA dumping and subsidy investigations

[194] Furthermore, in recent years the CBSA has conducted expiry reviews with respect to Carbon and Alloy Steel Line Pipe, Seamless Casing, Carbon Steel Welded Pipe and Oil Country Tubular Goods, determining that the expiry of each finding/order was likely to result in the continuation or resumption of subsidizing of the goods exported to Canada.<sup>154</sup>

[195] As shown in the table below, information on the administrative record also indicates that the United States has investigated and found significant subsidization in respect of large line pipe or its closely related goods from China.

**Table 9**  
**Countervailing Measures against Related Chinese Goods by Other Jurisdictions**<sup>155</sup>

Country Imposing Measures	Date of Finding (or most recent review)	Scope of Goods Covered by Finding	Subsidy Rates
United States	September 20, 2019	Circular Welded Carbon Quality Steel Line Pipe from China	36.35%
United States	June 14, 2019	Circular Welded Carbon Quality Steel Pipe from China	37.22%

[196] The existence of these countervailing measures in place in Canada and in other jurisdictions concerning large line pipe and/or similar steel tubular products from China serves as evidence that Chinese exporters of steel tubular products have received countervailable benefits from the GOC. It is the CBSA's opinion that the GOC will likely continue to subsidize its domestic large line pipe producers in the future.

#### *Continued Availability of Subsidy Programs*

[197] Information on the administrative record indicates that government subsidies continue to be available to steel producers, including large line pipe producers, in China. For example, the GOC announced in March 2020 an increase to the export tax rebate rate on certain goods, including steel pipe.<sup>156</sup> With larger rebates, Chinese steel exporters will have more flexibility to cut their export prices further and thus lift the competitiveness of China-origin steel products internationally.

[198] Publicly available information also confirms that Chinese producers of subject goods received government supports from the GOC. According to its 2020 report, Shandong Molong reports having received subsidy supports as follows:

<sup>154</sup> <https://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/menu-eng.html>

<sup>155</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 169

<sup>156</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: Article – China's Steel market welcomes taxrebate increase and Article – Export Taxes

**Table 10**  
**Government Grant Recognised in Profit and Loss – Shangdong Molong<sup>157</sup>**

	2018	2019	2020
Government Grant and Subsidy (CNY)	29,456,919.93	14,032,294.31	17,770,915.00

[199] Similarly, Baowu Steel reports in its Q3 2020 report (the most recently available English version) that 256 million CNY of government subsidy was received between January 2020 and September 2020.<sup>158</sup>

[200] Financial Times reports that China had increased its subsidies to domestically listed companies to a record level in 2018, by 14% year-on-year amounting to CNY 153.8 billion. Notably, the top recipient Sinopec, a state-owned oil company and purchaser of tubular steel goods, received CNY 7.5 billion in subsidies in 2018.<sup>159</sup>

[201] Evidence available also suggests the GOC introduced additional government support in response to the COVID-19 pandemic through tax measures, employment related measures and economic stimulus etc.<sup>160</sup>

[202] In addition, other jurisdictions continue to express concern over subsidization of the steel industry in China. For example, the United States and the European Union reiterated concerns surrounding China's non-notification of possible subsidy programs for steel producers in a 2019 meeting of the WTO's Committee on Subsidies and Countervailing Measures.<sup>161</sup> Members of the Global Forum on Steel Excess Capacity (GFSEC), a forum open to members of the G20 and members of the OECD, also recently cited concerns over market-distorting government subsidies and other support measures in China, in its 2020 Ministerial Report.<sup>162</sup> Members of the GFSEC contend that there is lending by Chinese state owned banks to indebted steel companies, equity infusions to non-financially viable steelmaking companies, grants and awards, preferential tax programs, and the preferential provision of steelmaking materials, among other government measures.<sup>163</sup>

[203] On the basis of the above information and analysis, it is the CBSA's opinion that the GOC places a great deal of importance on its steel industry, including large line pipe, and that there are strong indications that the GOC will likely continue to subsidize its domestic producers of large line pipe in the future.

<sup>157</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: China - Shandong Molong 2020 Annual Report

<sup>158</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 165

<sup>159</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 166

<sup>160</sup> Exhibits 1 (PRO) & 2 (NC) – CITT administrative record LE-2021-002, Attachment 168

<sup>161</sup> Exhibit 29 (NC) – Articles, Reports and CBSA Research: WTO - 2019 News items -Subsidies committee members again cite concerns on lack of transparency

<sup>162</sup> Exhibit 29 (NC) – Ministerial Report - Global Forum on Steel Excess Capacity 2020

<sup>163</sup> Exhibit 29 (NC) – Ministerial Report - Global Forum on Steel Excess Capacity 2020, pages 32-33

## **Determination Regarding Likelihood of Continued or Resumed Subsidizing**

[204] Based on the information on the administrative record in respect of the continued availability of subsidy programs for producers and exporters of large line pipe in China, and the countervailing measures in place relating to Chinese large line pipe in Canada and in other jurisdictions, the CBSA has determined that the expiry of the finding is likely to result in the continuation or resumption of subsidizing of large line pipe originating in or exported from China.

## **CONCLUSION**

[205] For the purpose of making a determination in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors found under subsection 37.2(1) of the SIMR and considering any other factors relevant in the circumstances. Based on the foregoing analysis of pertinent factors and consideration of information on the record, on February 24, 2022 the CBSA made a determination pursuant to paragraph 76.03(7)(a) of SIMA that the expiry of the finding made by the CITT on October 20, 2016, in Inquiry No. NQ-2016-001, in respect of large line pipe originating in or exported from China and Japan:

- i. is likely to result in the continuation or resumption of dumping of the goods from China and Japan; and
- ii. is likely to result in the continuation or resumption of subsidizing of the goods from China.

## **FUTURE ACTION**

[206] The CITT has now initiated its expiry review to determine whether the continued or resumed dumping and subsidizing are likely to result in injury. The CITT's Expiry Review schedule indicates that it will make its decision by August 3, 2022.

[207] If the CITT determines that the expiry of the finding with respect to the goods is likely to result in injury, the finding will be continued in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping and/or countervailing duties on dumped and/or subsidized importations of the subject goods.

[208] If the CITT determines that the expiry of the finding with respect to the goods is not likely to result in injury, the finding will be rescinded in respect of those goods. Anti-dumping and/or countervailing duties would then no longer be levied on importations of the subject goods, and any anti-dumping and/or countervailing duties paid in respect of goods that were released after the date that the finding was scheduled to expire will be returned to the importer.

## INFORMATION

[209] For further information, please contact the officer listed below:

**Mail:** SIMA Registry and Disclosure Unit  
Trade and Anti-dumping Programs Directorate  
Canada Border Services Agency  
100 Metcalfe Street, 11<sup>th</sup> floor  
Ottawa, Ontario K1A 0L8  
Canada

**Telephone:** Wayne Tian 343-553-1583

**E-mail:** [simaregistry@cbsa-asfc.gc.ca](mailto:simaregistry@cbsa-asfc.gc.ca)

**Web site:** [www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/menu-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/menu-eng.html)

Doug Band  
Director General  
Trade and Anti-dumping Programs Directorate