



OCTG1 2020 ER

OTTAWA, July 17, 2020

STATEMENT OF REASONS

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

THE DUMPING AND SUBSIDIZING OF CERTAIN OIL COUNTRY TUBULAR GOODS ORIGINATING IN OR EXPORTED FROM CHINA

DECISION

On July 3, 2020, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the Canada Border Services Agency determined that the expiry of the order made by the Canadian International Trade Tribunal on March 2, 2015, in Expiry Review No. RR-2014-003:

- i. is likely to result in the continuation or resumption of dumping of certain oil country tubular goods originating in or exported from China; and
- ii. is likely to result in the continuation or resumption of subsidizing of certain oil country tubular goods originating in or exported from China.

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EXECUTIVE SUMMARY

[1] On February 5, 2020, 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 order made on March 2, 2015 in Expiry Review No. RR-2014-003, continuing, without amendment, its finding made on March 23, 2010, in Inquiry No. NQ-2009-004, concerning the dumping and subsidizing of certain oil country tubular goods (OCTG) originating in or exported from China.

[2] As a result of the CITT's notice, the Canada Border Services Agency (CBSA) initiated an expiry review investigation on February 6, 2020, to determine, pursuant to paragraph 76.03(7)(a) of SIMA, whether the expiry of the order is likely to result in the continuation or resumption of dumping and/or subsidizing of the goods to Canada. The period of review for the CBSA's expiry review investigation is from January 1, 2017 to December 31, 2019.

[3] The CBSA received a response to its Canadian Producer Expiry Review Questionnaire (ERQ) from Welded Tube Canada (WTC)¹, Tenaris Canada (Tenaris)² and Evraz Inc. NA Canada (Evraz)³. These companies may also collectively be referred to as "the Canadian producers" in this Statement of Reasons. Evraz and WTC⁴, and Tenaris⁵ also submitted supplementary information prior to the close of record. Case briefs were also submitted by counsel on behalf of Evraz and WTC⁶, and Tenaris⁷. No reply submissions were submitted by any party to the expiry review investigation. The submissions made by the Canadian producers also included information supporting their position that continued or resumed dumping and subsidizing of OCTG from China is likely if the CITT's order is rescinded.

[4] The CBSA received responses to its Importer ERQ from two Canadian importers of OCTG: Imex Canada⁸ and Hallmark Tubulars⁹. Imex Canada also expressed an opinion on the likelihood of continued or resumed dumping of the goods subject to this expiry review. Hallmark Tubes did not express an opinion on the likelihood of continued or resumed dumping.

[5] The CBSA did not receive a response to the exporter ERQ from the exporters in China nor did they provide a case brief or reply submission. Similarly, the CBSA did not receive a response to the Foreign Government ERQ from the Government of China (GOC) nor did the GOC provide a case brief or reply submission.

¹ Exhibits 20 (PRO) & 21 (NC) - Response to ERQ from WTC

² Exhibits 22 (PRO) & 23 (NC) - Response to ERQ from Tenaris Canada

³ Exhibits 24 (PRO) & 25 (NC) - Response to ERQ from Evraz

⁴ Exhibits 32 (PRO) & 33 (NC) - Additional Information from Evraz and WTC

⁵ Exhibits 29 (PRO) & 30 (NC) - Additional Information from Tenaris Canada

⁶ Exhibits 43 (PRO) & 44 (NC) - Case briefs by Evraz and WTC.

⁷ Exhibits 41 (PRO) & 42 (NC) - Case brief by Tenaris Canada

⁸ Exhibits 16 (PRO) & 17 (NC) - Response to ERQ from Imex Canada

⁹ Exhibits 18 (PRO) & 19 (NC) - Response to ERQ from Hallmark Tubulars

[6] With respect to China, analysis of information on the record indicates that: China has substantial excess production capacity for OCTG; steel producers are significantly reliant upon exports; exporters have demonstrated continued interest in the Canadian market; recent safeguard measures by China's largest export markets could significantly increase the volume of subject goods exported to other markets including Canada; Chinese exporters are unable to compete in Canadian market at non-dumped prices; Chinese exporters dumped subject goods into Canada during the POR; have a history of dumping steel pipe products including OCTG and are subject to numerous current anti-dumping measures concerning Chinese steel pipe products in Canada and in other jurisdictions.

[7] In addition, analysis of information on the record indicates that exporters in China: have continued availability of subsidy programs and are subject to countervailing measures against Chinese steel pipe products, including OCTG, in both Canada and the United States (US).

[8] For the forgoing reasons, the CBSA, having considered the relevant information on the record, determined on July 3, 2020, pursuant to paragraph 76.03(7)(a) of SIMA that the expiry of the order in respect of certain OCTG originating in or exported from China is likely to result in:

- i. the continuation or resumption of dumping of the goods into Canada, and
- ii. the continuation or resumption of subsidizing of the goods exported to Canada.

BACKGROUND

[9] On August 24, 2009, following a complaint filed by Canadian producers: Tenaris Canada of Calgary, Alberta; Evraz Inc. NA Canada of Regina, Saskatchewan; and Energex Tube¹⁰ of Welland, Ontario, the CBSA initiated investigations pursuant to subsection 31(1) of SIMA, respecting the alleged dumping and subsidizing of certain OCTG originating in or exported from China.

[10] On February 22, 2010, pursuant to subsection 41(1) of SIMA, the CBSA made final determinations of dumping and subsidizing, concerning the subject goods originating in or exported from China.

[11] On March 23, 2010, pursuant to subsection 43(1) of SIMA, the CITT found that the dumping and subsidizing of subject casing and tubing originating in or exported from China caused injury to the Canadian industry. The CITT also found that the dumping and subsidizing of the subject coupling stock had not caused injury or retardation and were not threatening to cause injury to the domestic industry. As well, the CITT excluded pup joints, seamless or welded, heat-treated or not heat-treated, in lengths of up to 3.66 m (12 feet), from its injury finding.

¹⁰ Formerly known as Lakeside Steel Corporation prior to acquisition by Energex in 2012, the plant was idled in 2014 by Energex.

[12] On March 2, 2015, in Expiry Review No. RR-2014-003, the CITT issued an order to continue its finding, without amendments, in respect of certain OCTG originating in or exported from China.

[13] On December 17, 2019, pursuant to subsection 76.03(2) of SIMA, the CITT issued a notice of expiry of its order regarding certain OCTG, which was scheduled to expire on March 1, 2020. Based on the information received by the CITT following the notice of the expiry of the order, the CITT decided that a review of the order was warranted. On February 5, 2020, the CITT initiated an expiry review of its order, pursuant to subsection 76.03(3) of SIMA.¹¹

[14] On February 6, 2020, the CBSA initiated an expiry review investigation to determine whether the expiry of the order is likely to result in the continuation or resumption of dumping and/or subsidizing of certain OCTG from China.

PRODUCT DEFINITION

[15] The goods subject to the finding under review are defined as:

OCTG including, in particular, casing and tubing, made of carbon or alloy steel, welded or seamless, heat-treated or not heat-treated, regardless of end finish, having an outside diameter from 2 3/8 inches to 13 3/8 inches (60.3 mm to 339.7 mm), meeting or supplied to meet API specification 5CT or equivalent standard, in all grades, excluding drill pipe, seamless casing up to 11 3/4 inches (298.5 mm) in outside diameter, pup joints, welded or seamless, heat-treated or not heat-treated, in lengths of up to 3.66 m (12 feet), and coupling stock originating in or exported from China.

Additional Product Information

[16] The Oil country tubular goods (OCTG) are carbon or alloy steel pipes used for the exploration and exploitation of oil and natural gas. The product definition includes certain casing, tubing, tubular products for use in the production of OCTG (“green tubes”) and non-prime and secondary pipes (“limited service products”). The product definition does not include seamless casing originating in or exported from China in sizes with an outside diameter not exceeding 11 3/4 inches (298.5 mm) since these products are already subject to a finding by the CITT in NQ-2007-001. The product definition also does not include coupling stock or pup-joints (excluded by CITT), unattached couplings and stainless steel products.

¹¹ Exhibit 1 (NC) – Notice of Expiry Review of Order- CITT

[17] Casing is used to prevent the walls of an oil or gas well from collapsing, both during drilling and after the well has been completed. Tubing is used within the casing to convey oil and gas to the surface.

[18] Both OCTG casing and tubing must be able to withstand outside pressure and internal yield pressures within an oil or gas well. They must also have sufficient joint strength to hold their own weight and must be equipped with threads sufficiently tight to contain the well pressure where lengths are joined. Threading may be performed by the manufacturer or a third party threading operation.

[19] OCTG tubing and casing include both heat-treated and not heat-treated grades. Heat treated grades are more sophisticated grades of pipes and are used in deeper wells and more severe environments such as low temperature services, sour service, heavy oil recovery, etc. These grades are made beginning with the use of a specific chemistry in the steel, either as billets for the seamless process or the steel coil in the Electric Resistance Welded (ERW) process and are transformed in the heat-treatment process to attain certain combinations of mechanical properties and/or resistance to corrosion and environmental cracking.

[20] For example, heat-treatment is used to confer maximum strength (N80, P110, Q125), high-strength with low ductility (normally proprietary enhancements of API grades), or high strength combined with resistance to corrosion and environmental cracking (L80, CR13, C90, C95, C110, T95 and proprietary enhancements).

[21] Typical casing and tubing end finishes include: plain end, beveled, external upset ends (EUE), non-upset ends, threaded, short threaded and coupled (STC) or long threaded and coupled (LTC). As previously stated, unattached couplings are not subject to these investigations.

[22] OCTG subject to these investigations meet or are supplied to meet American Petroleum Institute (API) specification 5CT, in all grades including and not limited to, H40, J55, K55, M65, N80, L80, L80 HC, L80 Chrome 13, L80 LT, L80 SS, C90, C95, C110, P110, P110 HC, P110 LT, T95, T95 HC, and Q125, or proprietary grades manufactured as substitutes for these specifications.

[23] Common low yield strength OCTG grades are J55, K55 and H40. The number associated with the grade (i.e. 55, 40) represents thousands of pounds per square inch (ksi) of yield strength. As an example, K55 has a yield strength of 55,000 pounds per square inch. Yield strength is the stress required to produce permanent elongation of a steel tube

[24] Common grades of high strength OCTG are N80, L80 and P110.

[25] Subject goods also include green tubes. A tube for which the API 5CT specification requires additional processing such as heat-treatment and/or testing is referred to in the industry as a “green tube”. A green tube for a higher strength grade can have a chemistry that meets a lower grade like H40 or J55 that does not require heat-treatment, and could just be tested and threaded to meet the lower grade.

CLASSIFICATION OF IMPORTS

[26] The subject goods are usually classified under the following 10-digit tariff classification numbers

7304.29.00.31	7304.29.00.79	7304.59.00.50
7304.29.00.39	7304.39.00.60	7306.29.00.11
7304.29.00.41	7304.59.00.50	7306.29.00.19
7304.29.00.49	7306.29.00.11	7306.29.00.21
7304.29.00.51	7306.29.00.19	7306.29.00.29
7304.29.00.59	7306.29.00.21	7306.29.00.31
7304.29.00.61	7306.29.00.29	7306.29.00.39
7304.29.00.69	7306.29.00.31	7306.29.00.61
7304.29.00.71	7306.29.00.39	7306.29.00.69

[27] 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

[28] The period of review (POR) for the CBSA’s expiry review investigation is from January 1, 2017 to December 31, 2019.

CANADIAN INDUSTRY

[29] The Canadian industry for certain OCTG is comprised of the following companies:

- Tenaris Canada;
- Evraz Inc. NA Canada; and
- Welded Tube of Canada Corporation.

Tenaris Canada

[30] Tenaris Canada and its affiliates, including Algoma Tubes Inc., Prudential Steel ULC, Tenaris Globe Service (Canada) Inc. and Hydril Canadian Company LP (collectively referred to as “Tenaris”), are involved in the production and sales of both seamless and ERW OCTG. Algoma Tubes Inc. is the only Canadian producer of seamless casing. Tenaris Global Services (Canada) Inc. is a distributor of domestically produced and imported seamless casing.

Evraz Inc. NA Canada

[31] Evraz has three tubular production facilities located in Red Deer, Alberta, Calgary, Alberta and Regina, Saskatchewan, respectively. In addition, Evraz produces other tubular products, including tubing, line pipe, drill pipe and coupling stock.¹²

[32] The Evraz Group also owns Canadian National Steel Corporation, which they refer to as Evraz Camrose. Evraz Camrose is a manufacturing facility in Camrose, Alberta capable of producing ERW OCTG.¹³ On January 1, 2020, it became a division of Evraz Inc. NA Canada.

Welded Tube of Canada Corporation

[33] Welded Tube of Concord, Ontario produces ERW casing in outside diameters ranging from 4.5 inches to 9.625 inches. Welded Tube has three facilities that produce and process OCTG goods, located in Concord, Welland, and Port Colborne, Ontario.¹⁴

¹² Exhibit 25 (NC) - Response to ERQ from Evraz, Q7

¹³ Exhibit 25 (NC) - Response to ERQ from Evraz, Q7

¹⁴ Exhibit 21 (NC) - Response to ERQ from WTC, Q6 and Q7

CANADIAN MARKET

[34] The apparent Canadian market for certain OCTG over the POR is indicated in **Table 1** and **Table 2** below. Table 1 reports the sales volume of the apparent Canadian market, while Table 2 reports the corresponding sales value in Canadian Dollars (CAD):

Table 1
Imports of certain OCTG for the POR ¹⁵
(Quantity in Metric Tonnes (MT))

Source	2017		2018		2019	
	Quantity (MT)	%	Quantity (MT)	%	Quantity (MT)	%
Total Canadian Domestic Sales	261,591	31%	263,292	33%	197,428	35%
China	20,175	2%	25,678	3%	11,409	2%
Chinese Taipei	-	0%	1,137	0%	1,662	0%
India	189	0%	-	0%	7,161	0%
Indonesia	8	0%	410	0%	-	0%
Philippines	7,951	1%	6,953	1%	7,837	1%
South Korea	84	0%	-	0%	-	0%
Thailand	-	0%	-	0%	-	0%
Turkey	1,970	0%	1,074	0%	76	0%
Ukraine	-	0%	-	0%	-	0%
Vietnam	159	0%	82	0%	-	0%
United States	326,278	39%	260,266	33%	173,535	31%
Mexico	119,394	14%	98,637	12%	42,108	7%
Austria	44,598	5%	60,647	8%	44,599	8%
Japan	15,194	2%	5,133	1%	12,882	2%
All Other Countries	46,796	6%	73,003	9%	69,262	12%
Total Imports	582,796	69%	533,019	67%	370,531	65%
Total Canadian Market	844,387	100%	796,311	100%	567,959	100%

* Totals may vary from row-by-row addition due to rounding.

¹⁵ Exhibit 35 (NC) – CBSA Import Statistics and Market Table – Day 50

Table 2
Imports of certain OCTG for the POR ¹⁶
(Value in CAD)

Source	2017		2018		2019	
	Value (\$)	%	Value (\$)	%	Value (\$)	%
Total Canadian Domestic Sales	409,956,673	29%	476,512,539	32%	342,436,543	34%
China	40,470,813	3%	30,520,250	2%	19,958,182	2%
Chinese Taipei	-	0%	2,195,766	0%	1,672,575	0%
India	780,394	0%	-	0%	10,365,344	0%
Indonesia	4,759	0%	1,085,602	0%	-	0%
Philippines	10,359,421	1%	10,134,559	1%	14,614,813	1%
South Korea	109,208	0%	-	0%	-	0%
Thailand	-	0%	-	0%	-	0%
Turkey	3,461,592	0%	3,020,167	0%	306,944	0%
Ukraine	-	0%	-	0%	-	0%
Vietnam	277,196	0%	124,000	0%	-	0%
United States	506,388,468	36%	471,274,510	32%	285,120,986	28%
Mexico	244,742,578	18%	224,061,780	15%	102,838,459	10%
Austria	68,178,014	5%	102,297,006	7%	87,366,347	9%
Japan	28,613,227	2%	12,668,301	1%	33,449,053	3%
All Other Countries	83,366,301	6%	135,626,959	9%	110,927,538	11%
Total Imports*	986,751,971	71%	993,008,898	68%	666,620,241	66%
Total Canadian Market	1,396,708,644	100%	1,469,521,437	100%	1,009,056,783	100%

* Totals may vary from row-by-row addition due to rounding.

Canadian Production

[35] As shown in **Table 1** and **Table 2** above, the Canadian producers' share of the market both in terms of volume and value increased steadily over the course of the POR when expressed as a percentage of the apparent Canadian market. However, in absolute terms, both volume and value of Canadian production showed a significant decrease in 2019 when compared to 2017 and 2018.

Imports

[36] The volume of subject goods imported from China remained relatively steady from 2017 to 2019 when measured as a percentage of the apparent Canadian market; its share of the apparent Canadian market for OCTG was around 2% in 2017, 3% in 2018 and 2% in 2019.

¹⁶ Exhibit 35 (NC) – CBSA Import Statistics and Market Table – Day 50

[37] In 2017, volume of subject goods imported from US and Mexico accounted for 53% of the apparent Canadian market, but their market share declined to 45% and 38% in 2018 and 2019 respectively. This indicates that the sources of imports for OCTG shifted during the POR.

[38] When imports from China and the other countries are measured by value, the market share percentages are comparable to those reported based on volume.

ENFORCEMENT DATA

[39] In the enforcement of the CITT’s order during the POR, as detailed in **Table 3** below, the total amount of anti-dumping and countervailing duty collected on subject imports from China was around CAD \$30 million. By comparison, the value for duty on all subject imports from China during the POR was just over CAD \$90 million.¹⁷

Table 3
Enforcement data for the period of review¹⁸
(Quantity in MT and SIMA duties in CAD)

	2017		2018		2019	
Country Name	Quantity (MT)	SIMA Duties (CAD)	Quantity (MT)	SIMA Duties (CAD)	Quantity (MT)	SIMA Duties (CAD)
China	20,175	24,956,664	25,678	4,385,880	11,409	379,964

PARTIES TO THE PROCEEDINGS

[40] On February 6, 2020, a notice concerning the CBSA’s initiation of the expiry review investigation and the ERQs were sent to all known Canadian producers, potential importers, and exporters of the subject goods. The Government of China (GOC) was also sent an ERQ regarding the subsidizing of the subject goods. The CBSA also offered the opportunity to participate in the expiry review investigation to any other interested parties.

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

[42] All Canadian producers of OCTG: Tenaris Canada, Evraz and Welded Tube, provided timely responses to the ERQ. Two importers, Hallmark Tubulars and Imex Canada also participated in the expiry review investigation and provided timely ERQ responses. No responses were received from the OCTG exporters in China.

[43] Case briefs were received from counsel on behalf of Evraz and WTC, and Tenaris. No interested parties submitted reply submissions.

¹⁷ Exhibit 35 (NC) – CBSA Import Statistics and Market Table – Day 50

¹⁸ Exhibit 35 (NC) – CBSA Import Statistics and Market Table – Day 50

[44] 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

Administrative Record

[45] 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, if the CITT's order is allowed to expire. This information may consist of expert analysts' reports, excerpts from trade magazines and newspapers, 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 and responses to the ERQs submitted by the Canadian producers, exporters and importers.

[46] 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." This allows 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 March 25, 2020.

POSITION OF THE PARTIES – DUMPING

Parties Contending that Continued or Resumed Dumping is Likely

[47] The Canadian producers made representations in their ERQ responses and in their case briefs supporting their position that dumping of certain OCTG from China is likely to continue or resume should the CITT's order expire. Therefore, they argued that the anti-dumping measures should remain in place.

[48] The main factors identified by the Canadian producers can be summarized as follows:

- Chinese exporters were unable to sell OCTG in Canada at non-dumped prices;
- Chinese OCTG industry has massive excess capacity and weakening demand;
- Chinese OCTG producers are export-oriented;
- The collapse in global oil markets makes dumping more likely;
- Anti-dumping measures in place in Canada and other jurisdictions on steel tubular goods against China; and
- The proliferation of global trade measures increases Chinese reliance on the Canadian market.

Chinese Exporters were Unable to Sell OCTG at Non-dumped Prices

[49] Evraz and WTC note that Chinese OCTG exporters have paid significant amounts of SIMA duties in both 2017 and 2018 amounting to \$24,956,664 and \$4,385,880, respectively.¹⁹ Tenaris notes that an additional \$136 million of SIMA duties were assessed against Chinese OCTG as a result of a redetermination and imposition of Detailed Adjustment Statements issued by the CBSA.²⁰ The Canadian producers contend that Chinese OCTG imports cannot compete at non-dumped prices in the Canadian market.

Chinese OCTG Industry has Massive Excess Capacity and Weakening Demand

[50] The Canadian producers contend that significant excess steelmaking capacity has been a longstanding serious problem in China, and Chinese steel producers will continue to rely heavily on export markets to maintain their production.

[51] Evraz and WTC note that Chinese tubular steel producers have massive excess capacity. The Chinese seamless OCTG capacity is approximately double the size of the Chinese domestic market, and China continues to add further capacity. Evraz and WTC state that it is not plausible that China will manage to dramatically reduce its significant overcapacity issues in the coming 18 – 24 months. Evraz and WTC submit that reduction in domestic GDP growth will further reduce OCTG demand in China, leaving its steel producers with an increased incentive to export.²¹

[52] Tenaris argues that significant Chinese overcapacity for the production of steel tubular goods, and OCTG in particular, is a root factor underlying the dumping and subsidizing of the subject goods, and that since Canada is the fourth largest OCTG market in the world, the export to Canada of dumped and subsidized goods is likely if the order was rescinded.²² Furthermore, China's finished steel exports reached a nine-month high at 6.33 million MT in March 2019, up 40.2% on month and up 12% year-on-year, according to the Chinese General Administration of Customs.²³ As of September 2019, China has exported 3.9 million MT of pipes to export markets and that this number is expected to increase as China faces a weak domestic economy combined with overcapacity.²⁴

[53] The Canadian producers note that the Chinese economy, and therefore likely domestic Chinese demand for OCTG, is projected to fall in 2020 and 2021. According to the Platts China Steel Sentiment Index of June 2019, the outlook for China's steel market is the bleakest it has been for 4 years with strong steel production. The decrease in new orders and rising inventories put intense pressure on domestic steel companies.²⁵ The producers note a downward trend in OCTG pricing and demand in 2019 and early 2020 and indicate that the COVID-19 outbreak has adversely impacted steel demand more than it has impacted supply.

¹⁹ Exhibit 44 (NC) - Case briefs by Evraz and WTC, pages 7-9

²⁰ Exhibit 42 (NC) - Case brief by Tenaris Canada, page 5

²¹ Exhibit 44 (NC) - Case briefs by Evraz and WTC, pages 15-19

²² Exhibit 42 (NC) - Case brief by Tenaris Canada, pages 10-14

²³ Exhibit 42 (NC) - Case brief by Tenaris Canada, page 26

²⁴ Exhibit 42 (NC) - Case brief by Tenaris Canada, pages 27

²⁵ Exhibit 42 (NC) - Case brief by Tenaris Canada, pages 10-14

Chinese OCTG Producers are Export-oriented

[54] The Canadian producers contend that Chinese producers have a proven export focus and demonstrate a continued interest in the Canadian market. Evraz and WTC note that the Chinese government encourages global steel sales and that China's global exports of OCTG increased from 1.05 million MT in 2017 to more than 1.3 million MT in 2019.²⁶ Tenaris submits that China's weak domestic demand for OCTG has led China to aggressively seek export markets as the only outlet for its steel overcapacity. Tenaris also contends that if the orders were rescinded, the excess capacity in pipe generally would quickly lead to the conversion of pipe mills to the production of OCTG, thus increasing the risk of dumped/subsidized OCTG from China into the Canadian market.²⁷

The Collapse in Global Oil Markets Makes Dumping More Likely

[55] Evraz and WTC note that, during the POR, the significant decline in oil and gas markets around the world had a direct impact on oil and gas producers who are seeking the lowest possible price for OCTG. Evraz and WTC also describe that declining prices for oil and gas weakened global and Canadian demand for OCTG as oil and gas producers cut spending and reduce production. Evraz and WTC contend that the reductions in global demand will make Chinese exporters more desperate to win sales at any price.²⁸

[56] Tenaris notes that the uncertainty over energy demand and difference of opinions between Saudi Arabia and Russia has resulted in an oil price war. A significant reduction in OCTG demand will be caused due to the \$6.25 billion capital expenditure ("Capex") decline in March alone out of the roughly USD \$23 billion onshore Capex forecast. Tenaris submits that the reduced oil revenues and Capex cuts will result in increased price sensitivity amid Canadian producers of OCTG. In these difficult market conditions, the Canadian oil industry will show a propensity to purchase dumped OCTG from China if the finding was permitted to expire.²⁹

Anti-Dumping Measures in Place in Canada and Other Jurisdictions on Steel Tubular Goods Against China

[57] Both Evraz and WTC, and Tenaris provide a list of anti-dumping measures in place by countries other than Canada with respect to OCTG and other steel tubular products from China. The countries currently imposing trade restrictive measures against Chinese OCTG goods include the European Union (EU), Colombia, Ukraine, US, Turkey, Thailand, Russia, India, and Mexico.³⁰

²⁶ Exhibit 44 (NC) - Case briefs by Evraz and WTC, pages 9-14

²⁷ Exhibit 42 (NC) - Case brief by Tenaris Canada, page 31

²⁸ Exhibit 44 (NC) - Case briefs by Evraz and WTC, pages 2-7

²⁹ Exhibit 42 (NC) - Case brief by Tenaris Canada, pages 7-9

³⁰ Exhibit 44 (NC) - Case brief by Evraz and WTC, Table 1

[58] Tenaris emphasizes that the US, Russia and Canada, which are the largest OCTG markets in the world, all have anti-dumping and/or subsidy findings in place against Chinese OCTG. Tenaris submits that if the order was rescinded, Canada would be the largest remaining OCTG market in the world accessible to Chinese OCTG producers and that this would inevitably lead to a surge of imports of dumped and subsidized OCTG from China into the Canadian market.³¹

The Proliferation of Global Trade Measures Increases Chinese Reliance on the Canadian Market

[59] Evraz and WTC note that, in the US, in addition to the 99% anti-dumping duties imposed on Chinese OCTG, Chinese OCTG faces a further 40% of combined Section 232 and Section 301 tariffs. The trade measures in the US and the EU serve to limit the markets in which Chinese OCTG can compete and increase the reliance of Chinese OCTG on other unprotected markets, which would include Canada if the order is allowed to expire.³² Tenaris notes that these global trade measures gives rise to a significant risk of diversion of OCTG to Canada.³³ The Canadian producers contend that despite these various orders, Chinese producers and exporters continue to resort to dumping to capture export market share.

Parties Contending That Continued or Resumed Dumping is Unlikely

[60] Imex Canada Inc. (Imex), a Canadian importer, made representations in its ERQ response supporting their position that dumping of certain OCTG from China is unlikely to continue or resume should the CITT's order expire.³⁴ Imex contends that the current CITT order opened the door to imports from OCTG producing countries which are not subject to anti-dumping measures.³⁵

[61] Imex contends that exporters have little interest in the Canadian market. Furthermore, Imex submits that export mills do not have a lot of over-capacity. Imex indicates that of the few inquiries it bids for any OCTG opportunities, it never gets a quick delivery and that the export mills that it works with are almost fully booked to fill in orders for other countries.³⁶

CONSIDERATION AND ANALYSIS - DUMPING

[62] 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.

³¹ Exhibit 42 (NC) - Case brief by Tenaris Canada pages 32-33

³² Exhibit 44 (NC) - Case briefs by Evraz and WTC, paragraph 28

³³ Exhibit 42 (NC) - Case brief by Tenaris Canada pages 32-33

³⁴ Exhibit 17 (NC) - Response to ERQ from Imex Canada

³⁵ Exhibit 17 (NC) - Response to ERQ from Imex Canada, Q21

³⁶ Exhibit 17 (NC) - Response to ERQ from Imex Canada, Q26

[63] The CBSA did not receive any ERQ responses, case briefs, or reply submissions from exporters in China. The CBSA, therefore, relied on information submitted by the participating parties, as well as other information on the administrative record, in considering whether the dumping of subject goods from China is likely to resume or continue if the order were to expire.

[64] Before presenting the analysis of China specifically concerning the likelihood of continued or resumed dumping in absence of the CITT's order, there are certain issues that relate to the goods on a broader scale, which are addressed as follows:

- Interchangeability of OCTG;
- Capital-intensive nature of steel production;
- Steel market developments and trends; and
- OCTG developments.

Interchangeability of OCTG

[65] The significant number of anti-dumping measures involving steel products, both in Canada and several other jurisdictions, can be related, in large part, to the very nature of the product and the industry.

[66] The factors that relate to the nature of the product include the substitutability of OCTG made to API 5CT specifications, as well as the capital-intensive nature of steel production. The combined effects of these characteristics can have a significant impact on pricing.

[67] Generally speaking, OCTG produced to the API 5CT specification (or equivalent proprietary standard) by a producer in a given country is physically interchangeable with OCTG produced to the same specification in any other country. This view was also expressed by the CITT in the 2012 expiry review with respect to certain seamless casing where it stated:

"In Inquiry No. NQ-2007-001, the Tribunal determined, on the basis of the above factors, that domestically produced ERW oil and gas well casing and seamless oil and gas well casing were like goods to one another and to the subject goods. It also determined that oil and gas well casing of different grades or strengths fell at various points along a continuum within a single class of goods.

In the current expiry review, the Tribunal was presented with no evidence or argument that warrants departing from these determinations. Accordingly, the Tribunal continues to be of the view that there is one class of goods in this expiry review and that domestically produced ERW oil and gas well casing and seamless oil and gas well casing are "like goods" in relation to the subject goods."³⁷

³⁷ CITT Order & Reasons - Seamless Carbon or Alloy Steel Oil and Gas Well Casing, RR-2012-002, paragraphs 56-57, March 26, 2013.

[68] Given their interchangeability, the goods compete amongst themselves regardless of origin and share the same channels of distribution and the same potential customers. This characteristic means that competition for sales of OCTG is based significantly on price. Furthermore, because of this high degree of price sensitivity, prices in a given market may tend to converge over time towards the lowest available price offerings.

[69] It has also been shown that the interchangeability of the goods means that despite the imposition of trade measures against one or more countries, other sources of OCTG can emerge. This is evident from the measures in place in Canada with respect to Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India, Indonesia, the Philippines, South Korea, Thailand, Turkey, Ukraine and Vietnam.

Capital-intensive Nature of Steel Production

[70] A second characteristic of OCTG, as is the case with all steel production, is the capital-intensive nature of its production. Steel mills have high fixed costs and in order to recover fixed expenses, mills will aim to maintain high capacity utilization rates. When the demand in the home market is insufficient to absorb production, the producers will look to export markets to help maintain these capacity utilization rates.

[71] This is often referred to as the “economics of steel production.” This characteristic is particularly important when there are conditions of overcapacity, as a producer may find it more feasible to sell excess production in foreign markets at depressed prices rather than reduce production, as long as the producer’s variable costs are covered.

Steel Market Developments and Trends

Declining GDP Growth Rate and Weakening Global Steel Demand

[72] According to the Organisation for Economic Co-operation and Development (OECD), the world GDP growth rate in 2017 was 3.7% and decreased to 3.5% in 2018. The OECD projected GDP growth in 2019 to fall further to 3.2% before increasing slightly to 3.4% in 2020. While the OECD notes that growth in many countries has been supported by easing financial conditions, it notes that its forecast reflects the continued and significant deceleration in worldwide manufacturing activity and the marked slowdown in global industrial production growth. In addition, the OECD also notes that potential increases in trade frictions and financial vulnerabilities could pose downside risks to future GDP growth.³⁸

³⁸ Exhibit 26 (NC) - CBSA Research Articles – Day 50- OECD Q4 2019 Steel Market Developments, pages 6-7.

[73] Based on data from the World Steel Association, the OECD reports that global steel demand moderately increased in the second year of the POR. According to the data, the apparent use of finished steel products worldwide reached 1,712 million MT in 2018, representing an increase of 4.9% over global consumption in 2017 of 1,632 million MT. However, demand growth in 2019 and 2020 is projected to be weak. The World Steel Association expects finished steel demand to amount to 1,735 million MT in 2019, an increase of 1.3% over 2018, and is only forecasting finished steel demand to increase by 1% in 2020.³⁹

Increases in Global Steel Production and Growing Steelmaking Capacity

[74] Global crude steel production reached just over 1,789 million MT in 2018, representing a 5% increase over the previous year. According to the OECD, world crude steel production increased 5.1% in the first half of 2019 when compared to the same January-June period of 2018. When annualized, global crude steel production in 2019 is equal to 1,850 million MT based on the production figures for the first half of 2019, which would represent an annual increase of 3.4% over 2018.⁴⁰

[75] Global crude steelmaking capacity declined from 2016 to 2018 but is expected to increase in 2019 based on data available from the first half of the year. Taking into accounts new capacity additions and closures, the data from the first half of 2019 suggests that global steelmaking capacity will reach 2,290 million MT in 2019. This represents an increase of 3.1% over the 2018 global crude steelmaking capacity of 2,221 million MT.⁴¹

[76] The OECD states that the gap between global production and capacity narrowed between 2015 and 2018 as capacity decreased 4.3% over that period while production increased 11.6%. However, based on data from the first half of 2019, the OECD expects the gap to widen as global excess capacity is projected to reach 440 million MT in 2019, an increase of 27 million MT over 2018.⁴²

Stagnant Global Steel Prices

[77] Following the lows experienced in 2015, global steel prices began improving in 2016 as a result of increased demand. In general, steel prices continued to improve well into 2018 until prices for a number of steel products, particularly hot-rolled coil and rebar, started to decline in May 2018. Following the decline in the latter part of 2018, global steel prices remained flat though the first half of 2019. Global prices for flat products followed a similar trend, although the OECD noted that prices for flat products in the US increased at a more rapid rate in the first half of 2018 as compared to other regions.

³⁹ Exhibit 26 (NC) - CBSA Research Articles – Day 50- OECD Q4 2019 Steel Market Developments, pages 12 and 20.

⁴⁰ Exhibit 26 (NC) - CBSA Research Articles – Day 50- OECD Q4 2019 Steel Market Developments, pages 16 and 38.

⁴¹ Exhibit 26 (NC) - CBSA Research Articles – Day 50- OECD Q4 2019 Steel Market Developments, page 38.

⁴² Exhibit 26 (NC) - CBSA Research Articles – Day 50- OECD Q4 2019 Steel Market Developments, page 38.

[78] However, in the second half of 2018, prices for flat products in the US fell significantly, wiping out all of the gains achieved in the first half of the year. Global prices for flat products in the first half of 2019 have remained stable and the OECD has noted that the gap in pricing between regions, particularly for flat products, has narrowed. The OECD indicates that the decrease in price dispersion suggests that global prices will remain stable moving forward and notes that Markit also forecasted steel prices to remain flat in its May 2019 outlook.⁴³

OCTG Developments

[79] The oil and gas industry is heavily impacted by global oil prices. The downward trend in oil prices has severely impacted the OCTG market. US Energy Information Administration expects crude oil prices to be lower on average in 2020 due to rising global inventories.⁴⁴ From late 2018 through the end of 2019, the West Texas Intermediate (WTI) prices, a benchmark in oil pricing, dropped below US\$60 per barrel. In March 2020, oil prices dropped to about US\$20 in a matter of days.⁴⁵

[80] OCTG demand is driven by drilling activity (wells and metres rig released) that is itself based on the health of the oil and gas sector. Drilling activity measured by wells rig released and meters drilled declined over the POR. In late 2018, decrease in oil prices caused the Province of Alberta to impose a mandatory production cut of 8.7% which continues in effect today. These low prices and the government-mandated production cuts caused significantly lower oil and gas drilling activities in 2019 and resulted in lower 2019 demand for OCTG.⁴⁶ According to the Fastmarkets MB OCTG Market Intelligence Report, the Canadian market has declined significantly over the period from 2017 to 2019.⁴⁷

[81] The Daily Oil Bulletin reports that with this decline in oil price, \$2.8 billion of Capex has been reduced by oil and gas companies in Canada.⁴⁸ A global decline in oil and gas drilling is anticipated. The situation will be exacerbated by global OCTG overcapacity.

Substantial Excess Capacity in China

[82] The excess production capacity for OCTG in China is not a new issue, but rather a problem that has continued to plague the industry over a number of years, including throughout the POR. As the world's largest steel producing country and the largest producer of OCTG, China is a major contributor with respect to the problem of excess capacity.

⁴³ Exhibit 26 (NC) - CBSA Research Articles – Day 50- OECD Q4 2019 Steel Market Developments, pages 6 and 20-21.

⁴⁴ Exhibit 25 (NC) - Response to ERQ from Evraz Q 24-1

⁴⁵ Exhibits 44 (NC) - Case brief by Evraz and WTC, paragraph 13

⁴⁶ Exhibit 25 (NC) - Response to ERQ from Evraz, Q22

⁴⁷ Exhibits 23 (NC) - Response to ERQ from Tenaris Canada, Q22

⁴⁸ Exhibits 23 (NC) - Response to ERQ from Tenaris Canada, Q24

[83] The issue concerning excess capacity of steel in China has also been documented in the CITT safeguard inquiry report in 2019, and in recently concluded CBSA expiry review investigations concerning Chinese steel goods, such as Seamless Casing⁴⁹ and Concrete Reinforcing Bar.⁵⁰ In its safeguard report GC-2018-001, the CITT noted that China is responsible for 75 percent of new steel capacity since 2000, with its crude steelmaking capacity increasing sevenfold from 150 million tonnes in 2000 to an estimated 1,048 million tonnes in 2018.⁵¹ Currently, China accounts for more than half of the global crude steel production.

[84] The CITT's aforementioned safeguard report also states that "with respect to excess capacity for energy tubular products specifically, according to Metal Bulletin Research (MBR) OCTG Intelligence Service Data, in 2017, the global production capacity for OCTG was roughly twice the global demand. This excess capacity was equivalent to almost 20 times the total Canadian OCTG consumption as reported by MBR. Given that MBR also establishes that North American consumption exceeds North American capacity, the global overcapacity for OCTG can be attributed to non-NAFTA countries—and, therefore, largely to subject countries—particularly China."⁵² Specifically, TPCO, the largest seamless pipe and OCTG producer in China, reported a total capacity of 3.5 million MT of seamless OCTG. Hengyang Valin Steel Tube Co. Ltd., one of the top ten Chinese seamless OCTG producers, reported a total seamless pipe capacity of 1.5 million MT and heat treatment capacity for 830,000 MT.⁵³

[85] Taken together, the combined excess production capacity of Chinese seamless and welded OCTG producers represents nearly ten times the size of the total annualized Canadian market for OCTG in 2019.⁵⁴ The dedicated production capacity does not take production of mechanical pipe into account, which can be "transferred fairly smoothly to the manufacture of green pipe for OCTG consumption".⁵⁵

[86] Despite the existing excess capacity, new steel facilities are being approved for production in China.⁵⁶ The following table demonstrates that during the POR, the crude steel production in China is steadily increasing year to year.⁵⁷

⁴⁹ CBSA expiry review determination - Statements of Reasons for seamless casing from China; <https://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/sc2018/sc2018-de-eng.html>

⁵⁰ CBSA expiry review determination - Statements of Reasons for concrete reinforcing bar from China; <https://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/rb12019/rb12019-de-eng.html#toc12-1>

⁵¹ Exhibit 28 (NC)- CITT safeguard report

⁵² Exhibit 28 (NC)- CITT safeguard report

⁵³ Exhibits 25 (NC) - Response to ERQ from Evraz, Q28-2A

⁵⁴ Exhibits 44 (NC) - Case brief by Evraz and WTC, paragraph 34

⁵⁵ CBSA expiry review determination - Statements of Reasons for OCTG from China

⁵⁶ Exhibits 25 (NC) - Response to ERQ from Evraz, Q28-7

⁵⁷ Exhibit 26 (NC) - CBSA Research Articles – Day 50- Steel Statistical year book, page 2

Table 4
Yearly crude steel production in China⁵⁸
(Based on Volume (MT))

Crude steel production	2011	2012	2013	2014	2015	2016	2017	2018
China	701,968	731,040	822,000	822,306	803,825	807,609	870,855	928,264
World	1,538,021	1,560,444	1,650,423	1,671,128	1,621,537	1,629,096	1,732,171	1,816,611
China's share	46%	47%	50%	49%	50%	50%	50%	51%

[87] There was a significant net increase in capacity in 2019, and the new facilities will add 34.9 million MT of new capacity. According to S&P Global Platts, which provides independent energy news and benchmark prices for commodity markets, China's net crude steel capacity increases will total 37.6 million MT per year over 2019-2023.⁵⁹

[88] In its 13th five year plan, (2016-2020), China admits that it must “move quickly to address overcapacity in industries such as steel”.⁶⁰ China's response has been to acknowledge the problem and to make repeated commitments to reduce steel production capacity. While Chinese crude steel making capacity has declined by about 100 million tonnes since 2015, this is just a small step considering the exponential growth seen in the previous years. The net result is that China has added nearly 500 million tonnes of new capacity since 2007.⁶¹ The Chinese steel industry has been experiencing an excess capacity crisis for many years, and without a major overhaul of the industry in China, excess capacity will continue.

Chinese Steel Producers' Dependency on Exports

[89] With regards to exports, China was the world's largest steel exporter in 2019 and exported 62.0 million metric tons of steel. The volume of China's 2019 steel exports was almost double that of the world's second-largest exporter, Japan.⁶² Between the second quarter of 2009 and 2019, Chinese exports grew by 344%. In 2019, the trade surplus was 26.0 million MT.⁶³ Information on the administrative record indicates that Chinese seamless OCTG producers are heavily dependent on export markets.

[90] Information on the administrative record also demonstrates that China's exports have consistently increased whereas Chinese imports have declined. Pipe and tube products accounted for 12% i.e. 3.9 million MT of China's steel exports.⁶⁴

⁵⁸ Exhibit 26 (NC) - CBSA Research Articles – Day 50- Steel Statistical year book, page 2

⁵⁹ Exhibit 42 (NC) - Case brief by Tenaris Canada, paragraphs 76-78

⁶⁰ Exhibit 25 (NC) - Response to ERQ from Evraz, Q28-3

⁶¹ Exhibit 28 (NC) - CITT safeguard report

⁶² Exhibit 26 (NC) - CBSA Research Articles – Day 50- 2019 ITA Report China, page 1

⁶³ Exhibit 26 (NC) - CBSA Research Articles – Day 50- 2019 ITA Report China, page 1

⁶⁴ Exhibit 26 (NC) - CBSA Research Articles – Day 50- 2019 ITA Report China, page 2

Interest in the Canadian market

[91] Canada is the 4th largest OCTG market in the world and remains an attractive market for OCTG producers. Continued interest in the Canadian market by Chinese exporters was shown in the latest re-investigation in 2020, where 10 exporters responded to the CBSA's request for information.⁶⁵ Given Chinese exporters' high dependency on export markets, its slowing economy and decreasing domestic demand, in the absence of the CITT's order, Chinese OCTG exporters will likely continue or resume OCTG exports to Canada.

Diversion of Chinese OCTG into Canada

[92] While there may be strong incentives for Chinese OCTG producers to seek additional export sales, they have less access to markets that are free of tariffs or import restrictions. As previously mentioned, the US Section 232 tariffs and the EU safeguard measures have both imposed trade restrictions against OCTG from China. The US measures impose a 25 percent duty, while the EU measures allow import volumes at historical levels above which 25 percent tariffs are imposed.

[93] The CITT, in its safeguard report, stated that "the announcement and eventual imposition by the United States of the section 232 measures led to a diversion of ETP imports to the Canadian market".⁶⁶ Due to the geographic proximity of the US and Canada and the importance of the oil and gas industry in Canada, the diversion is likely to continue, especially since Chinese exporters are significantly reliant upon exports to maintain capacity utilization rates due to insufficient domestic demand and oversupply in China.

Inability to Sell OCTG in Canada at Non-dumped Prices

[94] As detailed previously, OCTG products manufactured by the Canadian producers and foreign producers are physically interchangeable. As a result, OCTG products from all sources compete in the Canadian market primarily on a price basis, regardless of their source. Consequently, the lowest price is often the determining factor among customers looking to purchase OCTG.

[95] Chinese OCTG accounted for approximately 25% of the Canadian market during the first three quarters of 2009 at 83,285 MT. By 2013, with the order in place, Chinese OCTG accounted for only 1% of the Canadian market.⁶⁷ Since 2017, as illustrated in **Table 1**, Chinese OCTG accounts for 2-3% of the volume of the Canadian market, suggesting that Chinese OCTG cannot compete at non-dumped prices in the Canadian market.

⁶⁵ CBSA Notice of Conclusion of Re-Investigation – Certain Seamless Steel Casing and Certain Oil Country Tubular Goods, <https://www.cbsa-asfc.gc.ca/sima-lmsi/ri-re/os2019/os2019-nc-eng.html>

⁶⁶ Exhibit 28 (NC) - CITT safeguard report

⁶⁷ Exhibits 44 (NC) - Case brief by Evraz and WTC, paragraph 17

Chinese Exporters Dumped Subject Goods into Canada During the POR

[96] While China did not export a large volume of OCTG to Canada during the POR, the subject goods it did export during the POR were dumped. CBSA enforcement statistics as presented in **Table 3** of the report show that CAD \$29 million in anti-dumping duty were assessed on imported subject goods valued at just over CAD \$90 million. This combined with the Chinese exporters' reliance on export markets discussed earlier demonstrates that Chinese exporters of subject goods are unable to compete in the Canadian market at non-dumped prices.

Anti-dumping Measures in Place in Canada and in Other Jurisdictions

[97] China has a history of dumping OCTG and steel pipe products into the Canadian market. This is evidenced by the fact that there are currently six other anti-dumping findings in place with respect to Chinese steel pipe products including Carbon and Alloy Steel Line Pipe, Carbon Steel Welded Pipe, Large Line Pipe, Seamless Casing, Steel Piling Pipe, and Pup Joints.

[98] Furthermore, the information on the record documents numerous anti-dumping measures put in place by authorities in other jurisdictions respecting Chinese pipe and tubular products, including OCTG.⁶⁸ A list of these measures is provided in **Table 5** below.

Table 5
Anti-dumping Actions Imposed by Other Jurisdictions

Country Imposing Antidumping Action	Description of Subject Goods
<i>OCTG Products Originating in China</i>	
Columbia	Casing and tubing
European Union	Seamless pipes and tubes of iron and steel
European Union	Certain seamless pipes and tubes, of an external diameter exceeding 406,4 mm
Russia	Seamless steel OCTG
India	Seamless tubes, pipes and hollow profiles of iron
Thailand	Certain iron steel pipe and tube
Turkey	Seamless pipes and tubes of iron and steel
Ukraine	Hot-deformed seamless steel pipes
United States	Seamless or welded OCTG

[99] It should be noted that there are 24 orders in place against Chinese line pipe, and a further 34 anti-dumping and countervailing measures against related products, which can be produced on the same equipment.⁶⁹

⁶⁸ Exhibit 42 (NC) - Case brief by Tenaris Canada, schedule 1; Exhibit 44 (NC) - Case brief by Evraz and WTC, paragraph 46

⁶⁹ Exhibit 44 (NC) - Case brief by Evraz and WTC, paragraph 25

[100] The numerous measures currently in place by other jurisdictions demonstrate the Chinese exporters' propensity to dump the subject goods. Furthermore, the continued dumping which took place in Canada during the POR indicates that China's aggressive pricing behavior respecting the subject goods continues to persist in today's markets. Should the current order be rescinded, it appears reasonable to expect that Chinese exporters would not only continue to dump OCTG into the Canadian market, but given how many other global markets are closed to Chinese exporters, the volumes of dumped goods would likely be much higher than the volumes imported into Canada during the POR.

Determination Regarding Likelihood of Continued or Resumed Dumping

[101] Based on the evidence on the record in respect of: the interchangeability of OCTG; the capital-intensive nature of steel production; steel market developments and trends; developments in the OCTG market; the substantial excess production capacity in China with respect to steel and OCTG; Chinese steel producers' dependency on exports; their interest in the Canadian market; the impact of safeguard measures on the destination of Chinese exports; Chinese exporters' inability to compete in the Canadian market at non-dumped prices; Chinese exporters dumped subject goods into Canada during the POR; and the propensity of Chinese exporters to dump OCTG as evidenced by the numerous anti-dumping measures imposed by Canada and countries around the globe relating to OCTG and steel pipe products, the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of dumping of certain OCTG, originating in or exported from China, into Canada.

POSITION OF THE PARTIES - SUBSIDIZING

Parties Contending that Continued or Resumed Subsidizing is Likely

Canadian Producers

[102] The Canadian producers, having made certain representations in their case briefs, argued that the subsidizing of certain OCTG from China is likely to continue or resume should the CITT's order expire. Therefore, they indicated that the countervailing measures should remain in place.

[103] The main factors identified by the Canadian producers can be summarized as follows:

- Chinese producers of subject goods remain heavily subsidized by the Chinese government; and
- The significance of subsidization regarding the subject goods and other related steel pipe and tubular products.

Chinese Producers of Subject Goods Remain Heavily Subsidized by the Chinese Government

[104] In reviewing the financial statements and annual reports for Shandong Molong Petroleum Machinery Company Limited, the Canadian producers noted that Shandong Molong received RMB 18 million in subsidies and grants in 2018 and RMB 11 million in Q1 2019.⁷⁰

[105] Further, Canadian producers indicated that publicly available information confirms that Chinese producers of subject goods remain heavily subsidized by the Chinese government. Chinese subsidies in 2018 amounted to RMB 153.8 billion.⁷¹

[106] In addition to the substantial subsidy amounts determined for the cooperative exporters in the 2015 OCTG re-investigation, the Canadian producers also noted that subsequent CBSA investigations regarding similar products demonstrate the continued subsidization of Chinese steel pipe producers and exporters.

The Significance of Subsidization Regarding the Subject Goods and other Related Steel Pipe and Tubular Products

[107] The Canadian producers have highlighted the significance of subsidization determined by Canada and other jurisdictions when imposing measures against the subject goods and other related steel pipe and tubular products.⁷²

[108] In one example, they cited the 2016 large line pipe investigation where the CBSA found the subject goods to be subsidized by an amount equal to 30.3% of the export price. In another example, the Canadian producers noted that the CBSA's 2016 investigation concerning Chinese line pipe found the subject goods to be subsidized by an amount equal to 7.6% of the export price.⁷³

[109] With respect to other jurisdictions, the Canadian producers make reference to recent findings made by the United States Department of Commerce (USDOC) respecting Chinese OCTG, seamless standard, line and alloy pipe, stainless pressure pipe and carbon steel line pipe.⁷⁴

⁷⁰ Exhibit 44 (NC) - Case brief by Evraz and WTC, paragraph 44

⁷¹ Exhibit 44 (NC) - Case brief by Evraz and WTC, paragraph 45

⁷² Exhibit 44 (NC) - Case brief by Evraz and WTC, paragraphs 44 and 46

⁷³ Exhibit 44 (NC) - Case brief by Evraz and WTC, paragraph 46

⁷⁴ Exhibit 44 (NC) - Case brief by Evraz and WTC, Table 3

**Table 6
Countervailing Actions Imposed by Other Jurisdictions**

Countervailing Duty Measures Against China⁷⁵		
Country	Date of order/recent review	Description of Subject Goods
United States	May 18, 2015	OCTG
United States	March 16, 2016	Seamless Carbon and alloy steel standard, line and pressure pipe
United States	December 2, 2016	Circular welded austenitic stainless pressure pipe
United States	October 2, 2019	Circular welded carbon quality steel line pipe

Parties Contending that Continued or Resumed Subsidizing is Unlikely

[110] None of the parties contended that resumed or continued subsidizing of subject goods from China is unlikely should the CITT’s order expire.

CONSIDERATION AND ANALYSIS - SUBSIDIZING

[111] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the order 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.

[112] No Chinese exporters provided a response to the ERQ, nor did they file case briefs or reply submissions. No importers provided an opinion on the likelihood of continued or resumed subsidizing. Further, no case briefs or reply submissions were received from any of the importers that imported subject goods during the POR. The GOC did not provide a response to the ERQ, nor did the GOC provide a case brief or reply submission.

[113] In the absence of participation from Chinese exporters and the GOC and only having received ERQ responses from importers of subject goods that did not express an opinion on the likelihood of continued or resumed subsidizing, the CBSA relied on other information in assessing the likelihood of continued or resumed subsidization should the CITT’s order be rescinded.

[114] Guided by the aforementioned factors and having considered the information on the administrative record, the following represents a summary of the CBSA’s analysis conducted in this expiry review investigation with respect to subsidizing.

⁷⁵ Exhibit 44 (NC) - Case brief by Evraz and WTC, Table 3

Continued Availability of Subsidy Programs for OCTG Exporters in China

[115] At the conclusion of the original OCTG subsidy investigation in 2010, the CBSA found 38 GOC subsidy programs that provided a benefit to the cooperative exporters.⁷⁶

[116] In the original OCTG investigation, the CBSA determined that 100% of the goods exported from China were subsidized. The weighted average amount of subsidy, expressed as a percentage of the export price, was equal to 25.7%. The amounts of subsidy found for cooperative exporters ranged from 85.14 to 1,108.30 RMB per MT. The amount of subsidy for all other exporters was equal to 4,070 RMB per MT, as determined according to Ministerial specification pursuant to subsection 30.4(2) of SIMA.⁷⁷

[117] Detailed descriptions of the programs and explanations as to why they were regarded as countervailable subsidies are contained in the CBSA's *Statement of Reasons* issued at the final determination.⁷⁸

[118] The GOC did not provide information on all of the subsidy programs that were being investigated. Consequently, the CBSA had limited details to report on many of the programs at the final determination due to the insufficient information provided by the GOC.⁷⁹

[119] In the 2011 re-investigation respecting certain seamless casing and certain OCTG, the CBSA identified 59 potentially actionable subsidy programs. During the course of the re-investigation, fifteen Chinese exporters participated and received updated amounts of subsidy, and the amounts of subsidy found for the cooperative exporters ranged from 24.25 RMB/MT to 252.51 RMB/MT.

[120] In the 2015 re-investigation respecting certain seamless casing, certain OCTG and certain pup joints, the CBSA identified a total of 113 potentially actionable subsidy programs. Twelve Chinese exporters of certain seamless casing and certain OCTG participated and received updated amounts of subsidy. The amounts of subsidy found for these exporters ranged from 2.2 RMB/MT to 1,066.56 RMB/MT. This demonstrates that the Chinese exporters have benefitted from subsidies

⁷⁶ Expiry Review Determination – Certain Oil Country Tubular Goods; <https://www.cbsa-asfc.gc.ca/sima-lmsi/erre/rr2014-003/rr2014-003-e14-de-eng.html>

⁷⁷ Expiry Review Determination – Certain Oil Country Tubular Goods; <https://www.cbsa-asfc.gc.ca/sima-lmsi/erre/rr2014-003/rr2014-003-e14-de-eng.html>

⁷⁸ Exhibit 20 (NC) - CBSA Final Determination *Statement of Reasons - Certain Oil Country Tubular Goods*, Appendix 2, pages 34 – 51, March 9, 2010.

⁷⁹ Exhibit 20 (NC) - CBSA Final Determination *Statement of Reasons - Certain Oil Country Tubular Goods*, pages 27 and 28, March 9, 2010.

The Countervailing Measures Against Chinese Steel Tubular Products in Canada and in the US

[121] The CBSA currently has seven countervailing measures in place against steel tubular products originating in or exported from China: Oil Country Tubular Goods, Pup Joints, Sucker rods, Line Pipe, Large Line Pipe, Carbon Steel Welded Pipe and Piling Pipe.

[122] Information on the administrative record also indicates that the US has six countervailing measures against steel tubular products from China. The products that are subject to the US countervailing measures are: Oil Country Tubular Goods, Circular Welded Austenitic Stainless Pressure Pipe, Circular Welded Carbon Quality Steel Line Pipe, Circular Welded Carbon Quality Steel Pipe, Light-Walled Rectangular Pipe and Tube, and Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe.

[123] The existence of these countervailing measures in place in Canada and in the US concerning OCTG and steel tubular products from China indicates that Chinese exporters/producers of steel tubular products receive countervailable benefits from the GOC, and that the GOC places a great deal of importance on its steel tube and pipe industry and subsidizes it accordingly. The GOC will likely continue to subsidize its domestic OCTG producers in the future.

Determination Regarding Likelihood of Continued or Resumed Subsidizing

[124] Based on the information on the administrative record in respect of the continued availability of subsidy programs for OCTG exporters in China; and the countervailing measures against Chinese steel tubular products in Canada and the US, the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of subsidizing of certain OCTG originating in or exported from China.

CONCLUSION

[125] 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. Based on the foregoing consideration of pertinent factors and analysis of information on the record, on July 3, 2020 the CBSA made a determination pursuant to paragraph 76.03(7)(a) of SIMA that the expiry of the order made by the CITT on March 2, 2015, in Expiry Review No. RR-2014-003, in respect of certain oil country tubular goods originating in or exported from China:

- i. is likely to result in the continuation or resumption of dumping of the goods into Canada; and
- ii. is likely to result in the continuation or resumption of subsidizing of the goods exported to Canada.

FUTURE ACTION

[126] On July 6, 2020 the CITT initiated its inquiry to determine whether the expiry of the order with respect to the dumping and subsidizing of the goods from China is likely to result in injury. The CITT's Expiry Review schedule indicates that it will make its decision by December 10, 2020.

[127] If the CITT determines that the expiry of the order with respect to the goods is likely to result in injury, the order 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.

[128] If the CITT determines that the expiry of the order with respect to the goods is not likely to result in injury, the order 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 order was scheduled to expire will be returned to the importer.

INFORMATION

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

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