**SC 2018 ER**

OTTAWA, July 6, 2018

# STATEMENT OF REASONS

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

**CERTAIN SEAMLESS CASING ORIGINATING IN OR EXPORTED FROM CHINA**

# DECISION

On June 21, 2018, 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 11, 2013, in Expiry Review No. RR-2012-002, continuing its finding made on March 10, 2008, in Inquiry No. NQ-2007-001:

i. is likely to result in the continuation or resumption of dumping of certain seamless casing originating in or exported from China; and

ii. is likely to result in the continuation or resumption of subsidizing of certain seamless casing originating in or exported from China.

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Cet *Énoncé des motifs* est également disponible en français.
This *Statement of Reasons* is also available in French.

Canada

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## SUMMARY

[1] On January 19, 2018, 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 11, 2013, in Expiry Review No. RR-2012-002, continuing its finding made on March 10, 2008, in Inquiry No. NQ-2007-001, concerning the dumping and subsidizing of certain seamless casing originating in or exported from China.

[2] As a result of the CITT's notice of the expiry review, on January 22, 2018, 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 order is likely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods to Canada.

[3] The CBSA received responses to its Canadian Producer Expiry Review Questionnaire (ERQ) from Evraz Inc. NA Canada (Evraz)[1] and Tenaris Canada (Tenaris)[2]. These companies may also collectively be referred to as "the Canadian producers" in this *Statement of Reasons*. In their ERQ responses, the Canadian producers expressed an opinion that continued or resumed dumping and subsidizing of subject goods from China is likely if the CITT's order is rescinded.

[4] The CBSA received responses to the Exporter ERQ from Exceed Oilfield Equipment Inc. (Exceed)[3] and Shandong Molong Petroleum Machinery Co., Ltd. (Shandong Molong)[4]. Neither of the exporters directly expressed an opinion on the likelihood of continued or resumed dumping and subsidizing of subject goods from China in their ERQ responses.

[5] The CBSA received responses to the Importer ERQ from Vallourec Canada Inc. (Vallourec)[5] and Cantak Corporation (Cantak)[6]. In the ERQ response, Vallourec expressed an opinion that continued or resumed dumping and subsidizing of subject goods from China is likely if the CITT's order is rescinded.

[6] The CBSA did not receive a response to the Foreign Government ERQ from the government of China (GOC) nor did it receive a case brief or reply submission from the GOC.

[1] Exhibits 27 (PRO) and 28 (NC) – Response to Canadian Producer ERQ – Evraz.
[2] Exhibits 35 (PRO) and 36 (NC) – Response to Canadian Producer ERQ – Tenaris.
[3] Exhibits 29 (PRO) and 30 (NC) – Response to Exporter ERQ – Exceed.
[4] Exhibits 37 (PRO) and 38 (NC) – Response to Exporter ERQ – Shandong Molong.
[5] Exhibits 33 (PRO) and 34 (NC) – Response to Importer ERQ – Vallourec.
[6] Exhibit 49 (NC) – Response to Importer ERQ – Cantak.

[7] In addition to responding to the ERQ, Evraz[7] and Tenaris[8] submitted supplementary information prior to the closing of the record. The CBSA received case briefs from two Canadian producers (i.e., Evraz[9] and Tenaris[10]) and one importer (i.e., Vallourec[11]). The case briefs submitted by the Canadian producers and the importer included information supporting their position that continued or resumed dumping and subsidizing of certain seamless casing from China is likely if the CITT's order is rescinded.

[8] No interested parties submitted reply submissions.

[9] Analysis of information on the administrative record in respect of the excess production capacity and high export dependency of Chinese oil country tubular goods (OCTG) exporters/producers; the inability to sell seamless casing into Canada at non-dumped prices; the continued interests of Chinese exporters in the Canadian market; the recent US tariff measures on steel imports; and anti-dumping measures in place in Canada and in other jurisdictions on steel tubular goods from China, indicates a likelihood of continued or resumed dumping into Canada of certain seamless casing originating in or exported from China should the CITT's order be rescinded.

[10] In addition, analysis of information on the administrative record in respect of the continued availability of subsidy programs for OCTG exporters in China; and the countervailing measures in Canada and in other jurisdictions against Chinese tubular exporters, indicates a likelihood of continued or resumed subsidizing of certain seamless casing originating in or exported from China should the CITT's order be rescinded.

[11] For the forgoing reasons, the CBSA, having considered the relevant information on the record, determined on June 21, 2018, under paragraph 76.03(7)(a) of SIMA that:

i. the expiry of the order in respect of certain seamless casing originating in or exported from China is likely to result in the continuation or resumption of dumping of the goods; and

ii. the expiry of the order in respect of certain seamless casing originating in or exported from China is likely to result in the continuation or resumption of subsidizing of the goods.

## BACKGROUND

[12] On August 13, 2007, following a complaint filed by TenarisAlgomaTubes Inc. of Calgary, Alberta, the CBSA initiated investigations respecting the dumping and subsidizing of certain seamless casing originating in or exported from China.

[7] Exhibit 52 (NC) – Close of record documents from Evraz.
[8] Exhibits 53 (PRO) and 54 (NC) – Close of record documents from Tenaris.
[9] Exhibits 57 (PRO) and 58 (NC) – Case brief filed on behalf of Evraz.
[10] Exhibit 55 (NC) – Case brief filed on behalf of Tenaris.
[11] Exhibit 56 (NC) – Case brief filed on behalf of Vallourec.

[13] On February 7, 2008, the CBSA made final determinations of dumping and subsidizing in respect of the subject goods from China[12] and, on March 10, 2008, a threat of injury finding was issued by the CITT.[13]

[14] On November 7, 2011, the CBSA concluded a re-investigation to update the amounts of subsidy on certain seamless casing and certain OCTG originating in or exported from China.

[15] On June 27, 2012, the CITT initiated an expiry review of its finding, and on October 25, 2012, the CBSA determined, pursuant to paragraph 76.03(7)(a) of SIMA, that the expiry of the finding was likely to result in the continuation or resumption of dumping and subsidizing of the goods from China.[14] On March 11, 2013, the CITT issued an order continuing the finding.[15]

[16] On December 14, 2015, the CBSA concluded a re-investigation to update the normal values, export prices and amounts of subsidy of certain seamless casing, certain OCTG and certain pup joints originating in or exported from China.

[17] On November 20, 2017, pursuant to subsection 76.03(3) of SIMA, the CITT issued a notice concerning the expiry of its order, which was scheduled to occur on March 10, 2018. Based on the information filed during the expiry process, the CITT decided that a review of the order was warranted. On January 19, 2018, the CITT initiated an expiry review of its order pursuant to subsection 76.03(3) of SIMA.[16]

[18] On January 22, 2018, the CBSA commenced an expiry review investigation to determine whether the expiry of the order is likely to result in continued or resumed dumping and/or subsidizing of the goods from China.

## PRODUCT DEFINITION

[19] The goods subject to the order under review are defined as:

> "seamless carbon or alloy steel oil and gas well casing, whether plain end, beveled, threaded or threaded and coupled, heat-treated or non-heat-treated, meeting American Petroleum Institute (API) specification 5CT, with an outside diameter not exceeding 11.75 inches (298.5 mm), in all grades, including proprietary grades, originating in or exported from the People's Republic of China."

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[12] Exhibit 3 (NC) – CBSA – *Statement of Reasons* – Final Determination.
[13] Exhibit 1 (NC) – CITT – Findings & Reasons (NQ-2007-001).
[14] Exhibit 4 (NC) – CBSA – *Statement of Reasons* (Seamless casing 2012 expiry review).
[15] Exhibit 2 (NC) – CITT – Findings & Reasons (RR-2012-002).
[16] Exhibit 6 (NC) – CITT – Notice of Expiry Review of Order (RR-2017-006) and Exhibit 22 (NC) – a revised Notice was issued on January 26, 2018.

**Additional Product Information**

[20] Seamless casing falls within a category of products commonly referred to as Oil Country Tubular Goods (OCTG), which includes drill pipe, casing and tubing. OCTG are used in the drilling of oil and gas wells and in the conveyance of these products to the surface. Casing is used to prevent the walls of the bored hole from collapsing, both during drilling and after the well has been completed.

[21] Casing must be able to withstand outside pressure and internal yield pressures within the well. It must also have sufficient joint strength to hold its own weight and must be equipped with threads sufficiently tight to contain the well pressure where lengths are jointed. Various factors limit the total amount of open hole that can be drilled at any one time, and it may be necessary to set more than one string of casing concentrically for certain portions of well depth.

**Production Process**

[22] Casing is produced using one of two processes: the seamless process or the electric resistance welded (ERW) process. Only seamless casing is the subject of this expiry review investigation.

[23] Seamless casing is produced by first cutting steel bars of the appropriate chemistry for the desired grade of casing into billets. The billets are heated and pierced under pressure to form a central cavity. The resulting shell is then rolled on a retained mandrel and reduced in a stretch reduction mill to produce the finished size before being cooled on a walking beam cooling bed. The tube rounds are then inspected and cut to the required length. High-strength casing requires heat treatment (normalization) to meet American Petroleum Institute (API) specifications. Beveling and threading both ends finish the casing.

[24] ERW casing can be produced in two different ways. One process involves slitting flat hot-rolled steel in coil form (skelp) to the proper width required to produce the desired diameter of pipe. The skelp is then sent through a series of forming electric resistance welding rolls that bend it into a tubular shape. As the edges of the skelp come together under pressure in the final forming rolls, an electric current is passed between them. The resistance to the current heats the edges of the skelp to the welding temperature, and the weld is formed as the two edges are pressed together.

[25] The other production process used to make ERW casing is the stretch reduction method. Hot-rolled steel strip is received slit-to-width from a steel processor. The strip is uncoiled and butt-welded together (i.e. the front end of one coil to the back end of the last coil), and then fed into a series of forming rolls that bend the steel in a circular (tubular) shape. An electric current is introduced into the steel to heat the edges of the strip; the edges are then welded to one another under pressure in the side welding rolls. This combination of heat and pressure causes the steel to form a metallurgical bond or weld. Excess molten steel (flash) from the welding process is removed from the outside and inside welded seam of the pipe. The pipe is heated to approximately 1,850 degrees Fahrenheit and passed through a series of stretch reduction roll stands until the final outside diameter and wall thickness are achieved.

[26] The resulting ERW casing is cut to length and, in the case of high-strength ERW casing, heat-treated to meet API specifications. ERW casing may have a variety of end finishes, including plain end or threaded. In a final inspection, the finished casing is checked for size, wall thickness, concentricity straightness and surface quality. A coupling and a coupling protector may be applied to one end and a thread protector to the other end of the casing before it is ready for shipment.

## CLASSIFICATION OF IMPORTS

[27] The subject goods are normally classified under the following tariff classification numbers:

7304.29.00.11
7304.29.00.19
7304.29.00.21
7304.29.00.29

[28] This listing of tariff classification numbers is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

## PERIOD OF REVIEW

[29] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2014 to October 31, 2017.

## CANADIAN INDUSTRY

[30] In the CITT's original Inquiry (NQ-2007-001) and its subsequent expiry review (RR-2012-002), the CITT found that ERW casing constituted like goods to seamless casing and both seamless and ERW casing were considered a single class of goods. Consequently, producers of ERW casing were part of the Canadian industry.

[31] The Canadian industry for seamless and ERW casing is comprised of three companies: Evraz, Tenaris and Welded Tube of Canada (Welded Tube).

[32] Evraz produces ERW casing in three locations namely Calgary, Red Deer and Camrose, Alberta. In addition, Evraz produces other tubular products, including tubing, line pipe, drill pipe and coupling stock.

[33] 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 Globe Service (Canada) Inc. is a distributor of domestically-produced and imported seamless casing.

[34] Welded Tube of Concord, Ontario produces ERW casing in outside diameters ranging from 4.5 inches to 9.625 inches. Welded Tube has threading and heat-treatment facilities in Welland and Port Colborne, Ontario.[17] Welded Tube did not participate in this expiry review investigation.

## CANADIAN MARKET

[35] The Canadian production and the apparent Canadian market for seamless casing cannot be disclosed as the total value and volume of Canadian production of seamless casing during the POR was based on confidential information filed by the sole Canadian seamless casing producer (i.e., Tenaris). The imports of seamless casing from China and all other countries are presented in **Table 1** and **Table 2** below.

**Table 1**
**Imports of Seamless Casing[18]**
**(Value in CAN$)**

| Source | 2014 | 2015 | 2016 | 2017 Jan. – Oct. |
|---|---|---|---|---|
| China | 69,392,889 | 37,271,637 | 19,117,646 | 60,856,639 |
| All Other Countries | 476,559,473 | 273,109,746 | 176,892,140 | 330,651,083 |
| **Total Imports** | **545,952,362** | **310,381,383** | **196,009,786** | **391,507,722** |

**Table 2**
**Imports of Seamless Casing[19]**
**(Volume in Metric Tonnes)**

| Source | 2014 | 2015 | 2016 | 2017 Jan. – Oct. |
|---|---|---|---|---|
| China | 37,967 | 17,452 | 12,834 | 33,442 |
| All Other Countries | 213,510 | 119,394 | 93,105 | 160,780 |
| **Total Imports** | **251,477** | **136,846** | **105,939** | **194,222** |

### Canadian Production

[36] The Canadian production both in absolute terms and as a percentage of the apparent Canadian market declined steadily over the course of the POR before showing signs of recovery in the first ten months of 2017. Similarly, the total apparent Canadian market in absolute terms declined from 2014 to 2016, and increased during the first ten months of 2017. However, the Canadian production suffered a greater decline than the apparent Canadian market during the POR.

[17] Exhibit 21 (NC) – CITT's administrative record – submission from Welded Tube of Canada.
[18] Exhibits 51 (NC) – Final Import and Domestic Market Statistics.
[19] Exhibits 51 (NC) – Final Import and Domestic Market Statistics.

**Imports**

[37] As seen in Tables 1 & 2, the imports of subject goods from China decreased from 2014 to 2016, but increased in the first ten months of 2017. In absolute terms, subject seamless casing imported from China for the first ten months of 2017 had already exceeded the imports of subject goods for 2015 and 2016 combined. The data also shows that the imports of seamless casing from all other countries decreased from 2014 to 2016, with an increase in the first ten months of 2017.

## ENFORCEMENT DATA

[38] As shown in **Table 3** below, the total amount of anti-dumping and countervailing duties assessed on imports of subject goods from China during the POR was over $35.4 million.

**Table 3**
**Anti-dumping and Countervailing Duties Assessed on Imports of Seamless Casing[20]**
**(Value in CAN$)**

| Country | 2014 | 2015 | 2016 | 2017 Jan. – Oct. |
|---|---|---|---|---|
| China | 16,252,721 | 1,682,326 | 13,807,425 | 3,660,859 |

## PARTIES TO THE PROCEEDINGS

[39] On January 22, 2018, a notice concerning the CBSA's initiation of the expiry review investigation was sent to Canadian producers and potential importers and exporters of seamless casing, as well as to the GOC. All of these parties were also sent an ERQ.

[40] 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).

[41] Two Canadian producers: Evraz and Tenaris participated in the expiry review investigation and provided ERQ responses. Two importers, Vallourec and Cantak, participated in the expiry review investigation and provided ERQ responses. Two exporters, Shandong Molong, located in China, and Exceed, located in Texas, US, also participated and provided ERQ responses. [21]

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

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

[20] Exhibits 51 (NC) – Final Import and Domestic Market Statistics.
[21] Exhibit 30 (NC) – Response to Exporter ERQ – Exceed.

## INFORMATION CONSIDERED BY THE CBSA

### Administrative Record

[44] 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 order. 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 Canadian producers, exporters and importers.

[45] 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 March 26, 2018.

### Procedural Issues

[46] There were no procedural issues surrounding the information submitted on the record for this investigation.

## POSITION OF THE PARTIES – DUMPING

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

[47] The Canadian producers (Evraz and Tenaris) and the importer (Vallourec) made representations in their ERQ responses and in their case briefs supporting their position that dumping of certain seamless casing 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 and the importer can be summarized as follows:

- Chinese exporters were unable to sell seamless casing in Canada at non-dumped prices;
- anti-dumping measures in place in Canada and other jurisdictions on steel tubular goods from China;
- overcapacity of OCTG in China;
- weak OCTG demand in China;
- Chinese OCTG producers are export-oriented; and
- the impact of recent US tariff measures on steel imports.

***Chinese exporters were unable to sell seamless casing in Canada at non-dumped prices***

[49] The Canadian producers note that over $35 million SIMA duties were collected on Chinese imports of subject goods during the POR. Evraz further notes that the imports of subject goods decreased substantially over the POR when compared to the CBSA's original investigation and the 2012 *Seamless Casing* expiry review, however, SIMA duties collected have almost doubled compared to the duties collected during the period of review for the 2012 expiry review. Evraz contends that the increase in SIMA duties during the POR clearly shows that Chinese exporters of seamless casing cannot compete in the Canadian market without resorting to increasing amounts of dumping.[22]

***Anti-dumping measures in place in Canada and other jurisdictions on steel tubular goods from China***

[50] Both Evraz and Tenaris provided 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 anti-dumping duties against Chinese OCTG and steel tubular goods include Argentina, Armenia, Brazil, Colombia, the European Union (EU), India, Kazakhstan, the Kyrgyz Republic, Mexico, the Russian Federation, Saudi Arabia, Turkey, Ukraine and the United States (US).[23] [24] Vallourec also notes in its case brief that anti-dumping measures are in place in the EU, Mexico, Brazil and India against seamless pipes and seamless standard and line pipes from China.[25] The listings of anti-dumping measures in place against OCTG and steel tubular products from China were pointed to as proof that Chinese exporters have demonstrated a propensity to dump their products in various jurisdictions throughout the world.

[22] Exhibit 58 (NC) – Evraz Case Brief, p. 4-7.
[23] Exhibit 55 (NC) – Tenaris Case Brief, p. 22-24.
[24] Exhibit 58 (NC) – Evraz Case Brief, p. 9.
[25] Exhibit 56 (NC) – Vallourec Case Brief, p. 12.

[51] Tenaris notes that India, Turkey and Saudi Arabia were among the largest export destinations of Chinese seamless pipes in 2016 and all those countries had anti-dumping measures in place against Chinese seamless pipes since 2016. Tenaris further notes that the Technical Secretariat of the Gulf Cooperation Council (GCC) launched an anti-dumping investigation against Chinese seamless pipe in April 2017, and the GCC includes Kuwait, the United Arab Emirates, Oman and Saudi Arabia. These four countries accounted for 22% of China's seamless pipe exports.[26]

[52] In addition to providing examples of anti-dumping duties imposed by other countries, both Canadian producers also provide examples of anti-dumping findings in place in Canada with respect to other tubular products from China, including *Oil Country Tubular Goods*, *Pup Joints*, *Line Pipe* and *Large Line Pipe*. The numerous findings in Canada against steel tubular products from China were cited as further evidence that dumping of seamless casing from China is likely to continue or resume should the CITT's order expire.[27]

***Overcapacity of OCTG in China***

[53] 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.[28]

[54] Evraz notes that the CBSA had repeatedly found severe excess capacity among Chinese steel tubular producers in its recently concluded expiry review investigations. Evraz cites from the 2016 *Pup Joints* expiry review investigation that "already considered the largest exporter of OCTG in the world for a number of years, China is unlikely to lose this title in the foreseeable future given the severe overcapacity issues producers in that country are faced with coupled with cutbacks by the country's largest oil and gas producers." Evraz also cites from the 2017 *Piling Pipe* expiry review investigation that "the issue concerning overcapacity of steel production in China has also been documented in several recent CBSA proceedings concerning Chinese steel goods, such as fabricated industrial steel components, large line pipe from China and Japan, large line pipe from Korea, and pup joints, as well as by information on the record for this expiry review investigation." and further cites that "the Chinese steel industry has been experiencing significant overcapacity for many years, and without a major overhaul of the industry in China, overcapacity will continue."[29]

[55] Tenaris notes that the number of licensed facilities in China that are able to produce American Petroleum Institute (API) 5CT seamless OCTG has increased from 42 during the 2014 *OCTG* expiry review to 69. Tenaris also notes that there are currently 281 Chinese producers with a license to manufacture, process or thread API 5CT OCTG. Tenaris contends that "this represents an increase in the number of potential producers of almost two thirds, despite weaker demand in China and worldwide."[30]

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[26] Exhibit 55 (NC) – Tenaris Case Brief, p. 25.
[27] Exhibit 55 (NC) – Tenaris Case Brief, p. 26-27.
[28] Exhibit 58 (NC) – Evraz Case Brief, p. 11.
[29] Exhibit 58 (NC) – Evraz Case Brief, p. 11-13.
[30] Exhibit 55 (NC) – Tenaris Case Brief, p. 9.

[56] The Canadian producers note that Chinese producers have a total seamless OCTG capacity of 7 million tonnes per year according to Metal Bulletin Research (MBR) reports. Evraz points that MBR's reported seamless capacity in relation to Tianjin Pipe Corporation (TPCO) is underestimated. TPCO's own website states that its annual production capacity is 4.45 million tonnes, however, MBR only reports TPCO's capacity of 1.35 million tonnes. This correction brings total Chinese seamless OCTG capacity to approximately 10 million tonnes per year.[31]

[57] The Canadian producers note that total seamless OCTG production in China was between 3.5 and 4.0 million tonnes annually from 2015 to 2017, specifically, Tenaris notes that the total Chinese seamless OCTG output in 2016 was 3.5 million tonnes. The Canadian producers contend that Chinese seamless OCTG producers have between 6.0 and 6.5 million tonnes in excess capacity. It is noted that Canada is the 4th largest oil and gas market in the world and Canada's total seamless and ERW OCTG demand in strong years is between 1.0 and 1.1 million tonnes annually. The Canadian producers contend that the significant excess seamless OCTG capacity in China, particularly in light of the relative size of the Canadian market, could be used to flood the Canadian market, should the CITT's order expire.[32]

[58] The importer Vallourec notes in its case brief that Chinese seamless pipe producers have a production capacity of approximately 42 to 43 million tonnes annually[33] according to information obtained from two expiry review investigations conducted by the EU and the US.[34] Tenaris provides examples that machinery that is able to produce seamless pipes can be transformed into the production of OCTG by adding appropriate heat treatment and threading facilities. Tenaris contends that the excess capacity of seamless pipe in China would quickly lead to the conversion of pipe mills to the production of OCTG, should the CITT's order expire.[35]

***Weak OCTG demand in China***

[59] Evraz contends that demand for seamless casing is tied directly to oil and gas market conditions. Oil prices crashed from over US $100 a barrel to US $50 a barrel by the end of 2014, and bottomed out at US $30 a barrel in 2016, before stabilizing in the range of between US $50 to $60 a barrel. The slide in oil prices coincided with a dramatic decrease in the number of oil wells drilled worldwide. In turn, the reduction in drilling activity resulted in an immediate reduction in demand for OCTG worldwide. The Canadian producers note that the Chinese domestic market for OCTG was similarly affected by the downturn in the oil and gas industry.[36]

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[31] Exhibit 58 (NC) – Evraz Case Brief, p. 14 & Exhibit 55 (NC) – Tenaris Case Brief, p. 10.
[32] Exhibit 58 (NC) – Evraz Case Brief, p. 13-15 & Exhibit 55 (NC) – Tenaris Case Brief, p. 10-11.
[33] Exhibit 56 (NC) – Vallourec Case Brief, p. 9-11.
[34] The 2015 EU expiry review on *Certain Seamless Pipes and Tubes* from China, and the 2016 USITC expiry review on *Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe* from China.
[35] Exhibit 55 (NC) – Tenaris Case Brief, p. 21-22.
[36] Exhibit 58 (NC) – Evraz Case Brief, p. 15-16.

[60] The Canadian producers contend that Chinese domestic consumption of seamless casing declined steadily from 2013 to 2016. Tenaris notes that Chinese consumption of seamless OCTG declined from 3.9 million tonnes in 2011 to 2.3 million tonnes in 2016, before recovering to 3.1 million tonnes in 2017. Tenaris notes that Chinese seamless OCTG demand is expected to remain below levels that existed in 2011 and 2012 for the foreseeable future.[37]

[61] Tenaris notes that China National Petroleum Corporation (CNPC) and China Petroleum & Chemical Corporation (Sinopec), the two largest oil companies in China, reportedly indicated that they would cut capital spending in 2014 and capital spending would remain at lower levels for the next several years. It is reported that CNPC reduced its OCTG consumption by 600,000 tonnes in 2015.[38]

[62] The Canadian producers further note that the Chinese economy in Q1 2017 pointed to a cooling economy generally, with specific impact on domestic demand for steel. It is indicated in an OECD report that steel use in China in 2018 will decline 2% compared to 2017. With respect to OCTG demand specifically, MBR forecasts that Chinese domestic consumption will make modest gains in 2019 over 2018 levels, before contracting in 2020.[39]

***Chinese OCTG producers are export-oriented***

[63] Tenaris contends that China's weak domestic demand and its significant excess capacity for OCTG have led Chinese producers to aggressively seek export markets. Tenaris cites from the 2012 CITT's *Seamless Casing* expiry review that "if the finding is rescinded, the volume of imports of subject goods will lead to intense competition at lower prices since Canada is the fourth largest OCTG market in the world, making it a strategic market for China".[40]

[64] The Canadian producers note that Chinese exports of seamless and ERW OCTG increased significantly in 2014. However, since the decline of oil prices at the end of 2014, both Chinese domestic demand and export volumes have declined.[41] MBR forecasts that Chinese exports of seamless OCTG will fall further in 2018, before increasing marginally in 2019.[42]

[65] Tenaris contends in its case brief that Chinese OCTG producers have demonstrated continued interest in the Canadian market by setting-up sales offices in Canada and participating in CBSA's dumping and subsidy re-investigations.[43]

[37] Exhibit 55 (NC) – Tenaris Case Brief, p. 10-11.
[38] Exhibit 55 (NC) – Tenaris Case Brief, p. 15-16.
[39] Exhibit 58 (NC) – Evraz Case Brief, p. 18-19.
[40] Exhibit 55 (NC) – Tenaris Case Brief, p. 17.
[41] Exhibit 55 (NC) – Tenaris Case Brief, p. 17-21.
[42] Exhibit 58 (NC) – Evraz Case Brief, p. 19.
[43] Exhibit 55 (NC) – Tenaris Case Brief, p. 28.

*The Impact of recent US tariff measures on steel imports*

[66] Both Tenaris and Vallourec contend that the recent US Proclamation for imposing a 25% tariff on steel imports from China and other countries would divert Chinese exports to Canada.[44]

[67] Tenaris notes that approximately 60,000 tonnes of Chinese OCTG were exported to the US in 2017. In addition, the US imported hundreds of thousands of tonnes of OCTG from Asia alone. The US tariff would displace the 60,000 tonnes of Chinese OCTG and other foreign-produced OCTG out of the US. Tenaris contends that, should the CITT's order expire, the most obvious market for those displaced volumes would be Canada given the importance of the Canadian market.[45]

**Parties Contending that Continued or Resumed Dumping is Unlikely**

[68] None of the parties contended that resumed or continued dumping of subject goods from China is unlikely should the CITT's order expire.

## CONSIDERATION AND ANALYSIS – DUMPING

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

[70] Before presenting the specific analysis with respect to China 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:

- substitutability of OCTG;
- capital intensive nature of steel production;
- steel market developments and trends; and
- OCTG developments.

*Substitutability of OCTG*

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

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

[44] Exhibit 55 (NC) – Tenaris Case Brief, p. 27 & Exhibit 56 (NC) Vallourec Case Brief, p. 14.
[45] Exhibit 55 (NC) – Tenaris Case Brief, p. 27-28.

[73] Generally speaking, seamless casing produced to the API 5CT specification or equivalent proprietary standard by a producer in a given country is physically interchangeable with seamless casing produced to the same specification in any other country. As such, the goods compete amongst themselves regardless of origin and share the same channels of distribution and the same potential customers. This characteristic means that seamless casing must compete in a market that is extremely price sensitive, where price is one of the primary factors affecting purchasing decisions from customers. 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.

[74] Given the substitutability and the commodity nature of OCTG, when anti-dumping measures are put in place for OCTG from a particular country, other sources of OCTG emerge. This is evident from the number of measures in Canada, both historically and currently, with respect to OCTG.

***Capital-intensive nature of steel production***

[75] A second characteristic of seamless casing, as is the case across steel products, is the capital-intensive nature of its production. Steel mills are capital-intensive with high fixed costs. In order to recover fixed expenses, steel mills must run at high levels of production. When home market demand drops, producers will search out foreign markets to maintain capacity utilization to ensure that these fixed costs are recovered.

[76] 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***

[77] After a 15.6% jump in 2010, global steel production growth began to slow.[46] According to World Steel Association, the world production of crude steel peaked in 2014 at 1,670 million metric tonnes (MTs). In 2015 and 2016, the world production of crude steel decreased slightly to 1,620 million MTs and 1,630 million MTs, respectively. Between 2009 and 2014, 431 million MTs of production were added globally, an increase of 34.7%. However, production data for the first six months of 2017 indicate that world crude steel production started to recover, growing by 4.3% when compared to the same period of 2016. The increase suggests that the global steel industry is on a path of recovery. [47]

[46] Exhibit 39 (NC) – Article 9, "World Steel in figures 2017" - World Steel Association, p. 7-9.
[47] Exhibit 39 (NC) – Article 8, OECD Steel Market Developments – Q4 2017, p.5.

[78] Respecting China, its crude steelmaking capacity reached 1,126.9 million MTs in 2015 and slightly decreased to 1,073.3 million MTs in 2016.[48] China, the number one steel producing country in the world, accounts for almost half of the world steel production. China produced 803.8 million MTs of crude steel in 2015 and 808.4 million MTs of crude steel in 2016.[49] China is also the number one steel exporting country in the world in terms of both total exports and net exports. In 2016, a total of 108.1 million MTs of steel were exported from China.[50]

[79] In 2016, global crude steelmaking capacity reached 2,400 million MTs, an increase of 127% compared to the 2000 level. While world steelmaking capacity increased at a steady rate, world steel demand contracted sharply following the financial crisis of 2008. The gap between global steelmaking capacity and demand reached over 700 million MTs by 2015. The excess capacity in China alone was estimated at over 300 million MTs in 2015.[51] Global steel demand is characterised by a modest recovery and is expected to grow by 1.3% in 2017 followed by 0.9% in 2018.[52]

[80] In terms of steel prices, the world steel price index, which had been trending downwards since Q2 2011, bottomed out in December 2015 and has been recovering since then.[53] However, steel prices in the world will continue to remain under pressure due to excess capacity, slow demand and weak economic outlook, and prices still remain below those registered before the 2008 financial crisis.[54]

***OCTG Developments***

[81] The oil and gas industry is heavily impacted by global oil prices. As a result of a global price war for oil, oil prices crashed in the second half of 2014. The West Texas Intermediate (WTI) price, a benchmark in oil pricing, reached US $104 a barrel in July 2014, declined to US $47 in January 2015 and hit a low of US $31 in February 2016. After an agreement was reached by the major oil producing countries in late 2016 for an output cut, WTI prices stabilized in the range between US $50 to $60 a barrel in 2017.[55] WTI oil prices are forecast to make modest gains in 2018 and to decline slightly in 2019, but remain in the US $50 – $60 range.[56]

[48] Exhibit 39 (NC) – Article 3, Global Forum on Steel Excess Capacity Report, p. 21.
[49] Exhibit 39 (NC) – Article 9, "World Steel in figures 2017" - World Steel Association, p. 9.
[50] Exhibit 39 (NC) – Article 9, "World Steel in figures 2017" - World Steel Association, p. 27.
[51] Exhibit 39 (NC) – Article 5, The Effect of Imports of Steel on the National Security, p.51-52.
[52] Exhibit 39 (NC) – Article 8, OECD Steel Market Developments – Q4 2017, p.5.
[53] Exhibit 39 (NC) – Article 8, OECD Steel Market Developments – Q4 2017, p.5.
[54] Exhibit 39 (NC) – Article 8, OECD Steel Market Developments – Q4 2017, p.17.
[55] Exhibit 36 (NC) – Response to Canadian Producer ERQ – Tenaris, page 13, answer to Q25.
[56] Exhibit 28 (NC) – Response to Canadian Producer ERQ – Evraz, page 9, answer to Q26.

[82] The oil price decline during the 2014 to 2017 period had a significant impact on global drilling activity. **Table 4** below highlights the overall downward trend of the Canadian drilling activity during the POR.[57] The Canadian drilling activity in terms of wells drilled in 2017 remains significantly below the 2014 level. The Canadian Association of Petroleum Producers expects 6,800 wells to be drilled in 2018, and the Canadian Association of Oilwell Drilling Contractors projects 6,138 wells to be drilled for 2018. Both projections for wells to be drilled in 2018 are below the 2017 level, and far below the industry norm of over 10,000 wells drilled per year.[58]

**Table 4**
**Canadian Drilling Activity**
**(2014 – 2017)**

| YEAR | Wells Drilled | % Change YoY |
|---|---|---|
| 2014 | 11,090 | |
| 2015 | 5,329 | -52% |
| 2016 | 4,056 | -24% |
| 2017 | 7,076 | +74% |

[83] Demand for OCTG is driven by drilling activity, which is in turn is driven by oil prices. MBR ranks Canada as the 4th largest OCTG market in the world, after the US, China and Russia. Global OCTG demand declined from 17.6 million MTs in 2014 to 12.0 million MTs in 2015 and 11.0 million MTs in 2016. Global OCTG demand was estimated to recover to 12.4 million MTs in 2017 because of the stabilization of oil prices in 2017. MBR estimates the global OCTG market for 2018 at 13.5 million MTs, which is 24% below the 2014 level.[59] **Table 5** below summarizes the global OCTG demand from 2014 to 2018 and the percentages of year-over-year changes for the period:

[57] Exhibit 36 (NC) – Response to Canadian Producer ERQ – Tenaris, page 14, answer to Q26.
[58] Exhibit 28 (NC) – Response to Canadian Producer ERQ – Evraz, page 10, answer to Q26.
[59] Exhibit 36 (NC) – Response to Canadian Producer ERQ – Tenaris, page 13, answer to Q25.

**Table 5**
**Global OCTG Demand**
**(2014 – 2018)**

| YEAR | Global OCTG Demand (Million MT) | % Change YoY |
|---|---|---|
| 2014 | 17.625 | |
| 2015 | 12.018 | -32% |
| 2016 | 11.057 | -8% |
| 2017 | 12.392 | +12% |
| 2018 estimate | 13.559 | +9% |

[84] Respecting the Canadian OCTG market, MBR reported that total Canadian OCTG consumption fell by more than 50% from 2014 to 2015.[60]

[85] Following the same trend as the global oil prices during the POR, OCTG spot market prices, reported by Pipe Logix, peaked in October-November 2014 and hit the bottom in September 2016. OCTG prices stabilized during the 2nd half of 2017.[61] MBR projects that OCTG prices will show modest improvement through 2018.[62]

**Likelihood of Continued or Resumed Dumping**

[86] 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 dumping:

- excess production capacity and high export dependency for Chinese OCTG exporters/producers;
- inability to sell seamless casing in Canada at non-dumped prices;
- continued interest for Chinese seamless casing exporters in the Canadian market;
- the recent US tariff measures on steel imports are likely to cause a diversion of Chinese OCTG into Canada; and
- anti-dumping measures in place in Canada and in other jurisdictions concerning steel tubular goods from China, including OCTG and seamless pipe.

[60] Exhibit 35 (PRO) – Response to Canadian Producer ERQ – Tenaris, Attachment Q24, Global OCTG Market: the Five Year Market Outlook, 2016.
[61] Exhibit 26 (PRO) – Pipe Logix reports – OCTG spot market prices.
[62] Exhibit 35 (PRO) – Response to Canadian Producer ERQ – Tenaris, Attachment Q24, Global OCTG Market: the Five Year Market Outlook, 2016.

[87] As mentioned earlier, the CBSA received ERQ responses from two Canadian producers (Evraz and Tenaris), two importers (Vallourec and Cantak) and two exporters (Shandong Molong and Exceed). In addition to ERQ responses, the two Canadian producers and the importer Vallourec also submitted case briefs.

[88] The CBSA relied on information submitted by these parties, as well as other information on the administrative record for purposes of this expiry review investigation.

***Excess production capacity and high export dependency for Chinese OCTG exporters/producers***

[89] As mentioned earlier, China is the number one steel producing country in the world and produced 808.4 million MTs of crude steel in 2016. The steel industry in China has been in a state of overcapacity for many years. Information on the administrative record indicates Chinese steel overcapacity reached over 300 million MTs in 2015.[63]

[90] The issue concerning overcapacity of steel in China has also been documented in several recently concluded CBSA expiry review investigations concerning Chinese steel goods, such as *Hot-rolled Carbon Steel Plate*[64], *Steel Piling Pipe*[65] and *Pup Joints*.[66] All of this information confirms that the Chinese steel industry has been experiencing an overcapacity crisis for many years, and without a major overhaul of the industry in China, overcapacity will continue.

[91] With respect to seamless OCTG specifically, MBR reported that total seamless OCTG production capacity in China was 7 million MTs. As noted by the Canadian producers, the total Chinese seamless OCTG production in 2016 was 3.5 million MTs.[67] As a result, Chinese seamless OCTG producers had approximately 3.5 million MTs in excess capacity. The Chinese excess capacity for seamless OCTG is multiple times the size of the entire market for seamless casing in Canada.

[92] According to information on the administrative record, TPCO, the largest seamless pipe and OCTG producer in China, reported a total capacity of 4 million tonnes of seamless OCTG. Hengyang Valin Steel Tube Co., Ltd. (Hengyang Valin), one of the top ten Chinese seamless OCTG producers, reported a total seamless pipe capacity of 1.2 million tonnes.[68] Both TPCO and Hengyang Valin participated in the CBSA's original investigation and the 2011 and 2015 re-investigations.

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[63] Exhibit 39 (NC) – Article 5, The Effect of Imports of Steel on the National Security, p.51-52.
[64] CBSA expiry review determination - *Statements of Reasons* for hot-rolled carbon steel plate from China: http://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/pla32017/pla32017-de-eng.html.
[65] CBSA expiry review determination - *Statements of Reasons* for steel piling pipe from China: http://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/pp2017/pp2017-de-eng.html.
[66] CBSA expiry review determination - *Statements of Reasons* for pup joints from China: http://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/pj2016-er/pj2016-de-eng.html.
[67] Exhibit 58 (NC) – Evraz Case Brief, p. 13-15 & Exhibit 55 (NC) – Tenaris Case Brief, p. 10-11.
[68] Exhibit 39 (NC) – Article 10, Company profile, TPCO & Hengyang Valin.

[93] As mentioned earlier, Shandong Molong participated in this expiry review investigation and provided responses to the ERQ. Shandong Molong, who also participated in the original investigation and the 2011 and 2015 re-investigations, reported a significant production capacity for seamless OCTG.[69]

[94] Taken together, the combined production capacity of these three Chinese seamless OCTG producers represents over 18 times the size of the total annualized Canadian market for seamless casing in 2017.[70]

[95] Respecting exports, China is also the number one steel exporting country in the world and exported 108.1 million MTs of steel in 2016. Information on the administrative record indicates that Chinese seamless OCTG producers are heavily dependent on export markets.

[96] TPCO indicates on its website that its principal products for export are seamless pipes of OCTG, line pipe, etc., and reported that a total of 582,507 tonnes of seamless pipes were exported in 2015. Hengyang Valin notes that "its export volume has continuously kept in the leading position in China seamless tube & pipe industry for dozen years."[71]

[97] In the ERQ response, Shandong Molong reported that a large quantity of seamless casing produced in 2016 was exported, and it is expected that more seamless casing will be exported in 2018.[72]

[98] Given the significant excess production capacity for seamless OCTG in China and Chinese exporters' high dependency on export markets, in the absence of the CITT's order, Chinese OCTG exporters will likely continue or resume exporting seamless casing to Canada.

***Inability to sell seamless casing in Canada at non-dumped prices***

[99] As seen in **Table 2** in the "Canadian Market" section of this *Statement of Reasons*, import volumes of subject goods from China in absolute terms decreased from 37,967 MTs in 2014 to 12,834 MTs in 2016, but significantly increased to 33,442 MTs in the first ten months of 2017. Imports of subject goods from China, expressed as a percentage of total imports, has relatively remained steady and accounted for 15% of the total import volumes from all countries during the POR.

[69] Exhibit 37 (PRO) – Response to Exporter ERQ – Shandong Molong, Appendix 1.
[70] Exhibit 50 (PRO) – Final Import and Domestic Market Statistics.
[71] Exhibit 39 (NC) – Article 10, Company profile, TPCO & Hengyang Valin.
[72] Exhibit 37 (PRO) – Response to Exporter ERQ – Shandong Molong, Appendix 2.

[100] **Table 6** below summarizes imports of seamless casing from China and other countries from 2014 to the first ten months of 2017:

**Table 6**
**Import Volumes of Seamless Casing**
**(As % of Total Imports)**[73]

| Country | 2014 | 2015 | 2016 | Jan-Oct 2017 | POR |
|---|---|---|---|---|---|
| China | 15% | 13% | 12% | 17% | 15% |
| Other Countries | 85% | 87% | 88% | 83% | 85% |
| **Total Imports** | **100%** | **100%** | **100%** | **100%** | **100%** |

[101] **Table 7** below further presents CBSA's analysis of average selling prices of seamless casing from China and other countries during the POR:

**Table 7**
**Average Selling Price of Seamless Casing**
**(CAN $ per Metric Tonne)**[74]

| Country | 2014 | 2015 | 2016 | Jan-Oct 2017 |
|---|---|---|---|---|
| China | 1,828 | 2,136 | 1,490 | 1,820 |
| Other Countries | 2,232 | 2,287 | 1,900 | 2,057 |

[102] The data presented in the table above demonstrates that the average selling prices of subject goods from China were below the average selling prices offered by exporters from other countries during the entire POR. Particularly, in 2016, Chinese exporters sold subject goods to Canada at prices which were approximately 22% below the prices offered by exporters from other countries.

[103] As mentioned earlier, over $35 million in SIMA duties were assessed on imports of subject goods from China during the POR. This demonstrates that Chinese exporters of subject goods were unable to compete in the Canadian market at non-dumped prices. This indicates that without measures in place, Chinese exporters will likely continue to dump seamless casing into Canada.

[73] Exhibit 51 (NC) – Final Import and Domestic Market Statistics.
[74] Exhibit 51 (NC) – Final Import and Domestic Market Statistics.

***Continued interest for Chinese seamless casing exporters in the Canadian market***

[104] Since the CITT finding was put in place in 2008, Chinese exporters of seamless casing have demonstrated continued interest in the Canadian market. Information on the administrative record indicates that 15 Chinese seamless casing and OCTG exporters participated in the 2011 re-investigation, three Chinese exporters participated in the 2012 expiry review investigation, and 12 Chinese seamless casing and OCTG exporters participated in the 2015 re-investigation. As already mentioned, Shandong Molong participated in this expiry review investigation. The continued participation by Chinese exporters suggests that Chinese exporters of seamless casing are interested in the Canadian market.

[105] Shandong Molong mentioned in its ERQ response that it "hope to maintain the export scale to Canada since it is an important export market with a long time corporation."[75] In addition, as mentioned by the Canadian producers, the ongoing interest in the Canadian market can be seen in the setting-up of Canadian sales offices by Chinese producers.[76]

***The recent US tariff measures on steel imports are likely to cause a diversion of Chinese OCTG into Canada***

[106] On March 8, 2018, US President Donald Trump signed a presidential proclamation on adjusting imports of steel into the United States under section 232 of the US Trade Expansion Act of 1962. In the Proclamation, 25% tariffs were imposed on imports of steel from China and other countries. The products covered under the Proclamation include a wide range of steel goods including seamless casing and other OCTG.[77]

[107] Information on the administrative record reveals that the US is the world's largest importer of steel. The excess production capacity for steel in China exceeds the total US steelmaking production capacity,[78] and China's exports of steel exceed US steel production.[79]

[108] Respecting OCTG, imports into the US accounted for approximately 50% of the total US OCTG market.[80] South Korea, Thailand, Chinese Taipei, China and Japan were among the top exporting countries to the US, and the five countries combined exported a total of approximately 1.77 million MTs of OCTG to the US in 2017, including 122,507 MTs exported from China.[81] The volume from China represents a significant portion of the size of the total Canadian market for seamless casing in 2017.

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[75] Exhibit 38 (NC) – Response to Exporter ERQ – Shandong Molong, Question Q37.
[76] Exhibit 55 (NC) – Tenaris Case Brief, p. 28.
[77] Exhibit 54 (NC) – Closing of record documents – Tenaris, p. 43-46.
[78] Exhibit 39 (NC) – CBSA research articles, Article 6, Secretary Ross releases steel and aluminum 232 reports.
[79] Exhibit 39 (NC) – CBSA research articles, Article 5, the effect of imports of steel on the national security, Appendix L.
[80] Exhibit 39 (NC) – CBSA research articles, Article 5, the effect of imports of steel on the national security, Appendix F.
[81] Exhibit 54 (NC) – Closing of record documents – Tenaris, p. 59.

[109] The Canadian producers contend that the tariffs imposed under the Proclamation would displace most foreign-produced OCTG out of the US, particularly, those OCTG exported from Asian countries.[82] The importer Vallourec also contends that the diversion risk was magnified by the US Proclamation.[83]

[110] Due to the geographic proximity of the US and Canada and the importance of the oil and gas industry in Canada, the imposition of 25% tariffs on steel imports into the US would likely cause some Chinese OCTG including seamless casing to be diverted to Canada.

***Anti-dumping measures in place in Canada and in other jurisdictions concerning steel tubular goods from China, including OCTG and seamless pipe***

[111] Currently, the CBSA has six anti-dumping measures in force against steel pipe products originating in or exported from China: *Carbon and Alloy Steel Line Pipe*, *Carbon Steel Welded Pipe*, *Large Line Pipe*, *Oil Country Tubular Goods*, *Steel Piling Pipe*, and *Pup Joints*.[84]

[112] In addition to these measures in Canada, information on the administrative record indicates that there are numerous anti-dumping measures in place in other jurisdictions against steel tubular products from China, including seamless OCTG.[85] **Table 8** below summarizes those anti-dumping measures:

**Table 8**
**Anti-dumping Measures in Other Jurisdictions against Chinese Tubular Goods**

| # | Country | Description of Goods | Year of Action |
|---|---|---|---|
| 1 | Argentina | Steel pipes of the type used in oil and gas pipelines | 2016 |
| 2 | Armenia | Cold-worked seamless pipes and tubes of stainless steel | 2015 |
| 3 | Armenia | Seamless steel OCTG | 2015 |
| 4 | Brazil | Line pipe | 2011 |
| 5 | Brazil | Seamed tubes of austenitic stainless steel of circular section | 2013 |
| 6 | Brazil | Line pipe for oil and gas pipelines, of seamless iron (other than cast iron) or steel | 2013 |
| 7 | Brazil | Seamless steel chrome alloyed tubes | 2014 |
| 8 | Brazil | Seamless carbon-steel tubes non-alloy | 2016 |
| 9 | Colombia | Non-stainless casing or tubing | 2012 |
| 10 | EU | Welded tubes and pipes of iron or non-alloy steel | 2008 |
| 11 | EU | Seamless pipes and tubes, of iron or steel | 2009 |
| 12 | EU | Stainless steel seamless pipes and tubes | 2011 |
| 13 | EU | Seamless pipes and tubes of iron (other than cast iron) or steel (other than stainless steel) | 2017 |
| 14 | India | Seamless tubes, pipes and hollow profile of Iron | 2017 |
| 15 | Kazakhstan | Cold-worked seamless pipes and tubes of stainless steel | 2013 |

[82] Exhibit 55 (NC) – Tenaris case brief, p. 27.
[83] Exhibit 56 (NC) – Vallourec case brief, p. 14.
[84] CBSA Measures in Force - http://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev-eng.html.
[85] Exhibit 25 (NC) – WTO semi-annual reports for anti-dumping measures against China.

| | | | |
|---|---|---|---|
| 16 | Kazakhstan | Seamless steel OCTG | 2015 |
| 17 | Kyrgyz Republic | Seamless steel OCTG | 2015 |
| 18 | Mexico | Seamless steel tubing | 2011 |
| 19 | Russian Federation | Cold-worked seamless pipes and tubes of stainless steel | 2013 |
| 20 | Russian Federation | Seamless steel OCTG | 2015 |
| 21 | Kingdom of Saudi Arabia | Seamless pipes and tubes of iron or steel of a kind used for oil or gas pipelines and drilling | 2017 |
| 22 | Turkey | Welded stainless steel tubes, pipes & profiles | 2013 |
| 23 | Turkey | Seamless tubes, pipes and hollow profiles of iron (other than cast iron) or steel | 2016 |
| 24 | Ukraine | Seamless steel pipes | 2014 |
| 25 | United States | Circular welded carbon quality steel pipe | 2008 |
| 26 | United States | Light-walled rectangular pipe and tube | 2008 |
| 27 | United States | Circular welded austenitic stainless pressure pipe | 2009 |
| 28 | United States | Circular welded carbon quality steel line pipe | 2009 |
| 29 | United States | Seamless carbon and alloy steel standard, line and pressure pipe | 2010 |
| 30 | United States | OCTG | 2010 |

[113] The above-mentioned measures in Canada and the many anti-dumping measures in other jurisdictions against Chinese steel tubular products clearly demonstrates that Chinese exporters have a propensity to dump steel tubular products into Canada and other export markets.

[114] Given that there is a history of anti-dumping measures against Chinese steel pipe products and a propensity of Chinese exporters to dump steel tubular products into export markets, in the absence of the CITT's order, Chinese exporters will likely continue or resume exporting seamless casing to Canada.

**Determination Regarding Likelihood of Continued or Resumed Dumping**

[115] Based on the information on the administrative record demonstrating that: Chinese OCTG exporters/producers have significant excess production capacity and high export dependency; Chinese exporters of seamless casing were unable to sell subject goods into Canada at non-dumped prices; Chinese seamless casing exporters have continued interest in the Canadian market; the recent US tariff measures on steel imports are likely to cause a diversion of Chinese OCTG into Canada; and anti-dumping measures in place in Canada and in other jurisdictions demonstrate Chinese OCTG exporters have a propensity to dump into export markets, the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of certain seamless casing originating in or exported from China.

## POSITION OF THE PARTIES – SUBSIDIZING

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

[116] The Canadian producers (Evraz and Tenaris) and the importer (Vallourec) contend that the subsidizing of certain seamless casing from China is likely to continue or resume should the CITT's order expire.

[117] Evraz notes that the GOC conferred countervailable benefits to five seamless casing exporters through 10 subsidy programs in the CBSA's original investigation.[86] Both Evraz and Vallourec note that the number of seamless casing exporters who had received countervailable subsidies more than doubled to 12 in the 2015 re-investigation and the number of subsidy programs increased to 113 (67 programs identified at the initiation plus 46 new programs identified during the re-investigation).[87]

[118] Evraz notes that Shandong Molong, one of the two exporters that participated in this expiry review investigation, also participated in the original investigation and the 2015 re-investigation. Evraz further notes that Shandong Molong continued to receive subsidies during the POR according to the information provided by Shandong Molong in its ERQ response.[88]

[119] Evraz contends that the GOC "remain heavily involved in the steel sector, including the production of pipes and tubes" and "will set up a fund to provide rewards and subsidies for structural adjustments in industrial enterprises" according to the GOC's 13th Five-Year Plan.[89]

[120] Both Tenaris and Evraz note that the CBSA had found many Chinese tubular producers received subsidies in several subsidy cases, including *Oil Country Tubular Goods*, *Pup Joints*, *Line Pipe* and *Large Line Pipe*. The Canadian producers further note that the US has countervailing measures in place against Chinese tubular goods subsidized by the GOC, including *Oil Country Tubular Goods* and *Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe*.[90] The Canadian producers contend that Chinese seamless casing exporters who received countervailable subsidies will continue to receive such benefits should the CITT's order expire.

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

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

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[86] Exhibit 58 (NC) – Evraz Case Brief, p. 23-24.
[87] Exhibit 56 (NC) – Vallourec Case Brief, p. 4-9.
[88] Exhibit 58 (NC) – Evraz Case Brief, p. 24-25.
[89] Exhibit 58 (NC) – Evraz Case Brief, p. 25.
[90] Exhibit 55 (NC) – Tenaris Case Brief, p. 22-27 & Exhibit 58 (NC) – Evraz Case Brief, p. 26.

## CONSIDERATION AND ANALYSIS – SUBSIDIZING

### Likelihood of Continued or Resumed Subsidizing

[122] In making a determination under paragraph 76.03(7)(a) of SIMA as to 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.

[123] 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 subsidizing:

- 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 continued availability of subsidy programs for OCTG exporters in China***

[124] At the time of the CBSA's original subsidy investigation in 2008, the CBSA identified 31 subsidy programs and found that 10 of the 31 identified programs had conferred benefits to the cooperative exporters.

[125] The CBSA found 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 19%. The amounts of subsidy found for the cooperative exporters ranged from 160 to 790 Renminbi (RMB) per MT. For all other exporters, the amount of subsidy was determined under Ministerial Specification pursuant to subsection 30.4(2) of SIMA. The amount of subsidy found for non-cooperative exporters was equal to 3,381 RMB/MT.[91]

[126] 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.[92]

[127] In the 2011 re-investigation respecting certain seamless casing and certain OCTG, the CBSA identified 59 potentially actionable subsidy programs.[93] 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 to 252.51 RMB/MT.[94]

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[91] Exhibit 3 (NC) – CBSA – *Statement of Reasons* – Final Determination.
[92] Exhibit 3 (NC) – CBSA – *Statement of Reasons* – Final Determination, Appendix 3.
[93] Exhibit 4 (NC) – CBSA – *Statement of Reasons* (Seamless casing 2012 expiry review).
[94] CBSA Notice of Conclusion of Re-investigation, November 7, 2011. http://www.cbsa-asfc.gc.ca/sima-lmsi/ri-re/cv122-125/cv122-ri11-nc-eng.html.

[128] 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 to 1,066.56 RMB/MT.[95]

[129] Since the final determination of the original investigation and throughout the period of review, the GOC has made subsidy programs available to producers/exporters of seamless casing.

***The countervailing measures against Chinese steel tubular products in Canada and in the US***

[130] The CBSA currently has six countervailing measures in place against steel tubular products originating in or exported from China and they are: *Oil Country Tubular Goods*, *Pup Joints*, *Line Pipe*, *Large Line Pipe*, *Carbon Steel Welded Pipe* and *Piling Pipe*.[96]

[131] 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*.[97]

[132] The existence of a dozen 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 the GOC has placed a great deal of importance on its steel tube and pipe industry and subsidized it accordingly. The GOC will likely continue to subsidize its domestic seamless casing producers in the future.

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

[133] 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 seamless casing originating in or exported from China.

[95] Exhibit 5 (NC) – CBSA Notice of Conclusion of Re-investigation, December 14, 2015.
[96] CBSA Measures in Force - http://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev-eng.html.
[97] Exhibit 25 (NC) – US semi-annual report on countervailing measures, p. 31-33, October 3, 2017.

## CONCLUSION

[134] 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 June 21, 2018, pursuant to paragraph 76.03(7)(a) of SIMA, the CBSA determined that the expiry of the order made by the CITT on March 11, 2013 in Expiry Review No. RR-2012-002:

i. in respect of certain seamless casing originating in or exported from China is likely to result in the continuation or resumption of dumping of the goods; and

ii. in respect of certain seamless casing originating in or exported from China is likely to result in the continuation or resumption of subsidizing of the goods.

## FUTURE ACTION

[135] On June 22, 2018, the CITT commenced 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 November 28, 2018.

[136] 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.

[137] 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

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