



Canada Border
Services Agency

Agence des services
frontaliers du Canada

OTTAWA, November 10, 2014

4214-26 (AD)
4218-27 (CV)

STATEMENT OF REASONS

Concerning a determination under paragraph 76.03(7)(a) of the
Special Import Measures Act regarding

**CERTAIN OIL COUNTRY TUBULAR GOODS ORIGINATING IN OR
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

DECISION

On October 24, 2014, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the President of the Canada Border Services Agency determined that the expiry of the finding made by the Canadian International Trade Tribunal on March 23, 2010, in Inquiry No. NQ-2009-004, concerning the dumping and subsidizing of certain oil country tubular goods originating in or exported from the People's Republic of China was likely to result in the continuation or resumption of dumping and subsidizing of these goods into Canada.

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

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SUMMARY

[1] On June 27, 2014, the Canadian International Trade Tribunal (Tribunal), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of 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 the People's Republic of China (China).

[2] As a result of the Tribunal's notice, on June 30, 2014, the Canada Border Services Agency (CBSA) commenced an investigation to determine whether the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing of the goods.

[3] Responses to the Expiry Review Questionnaire (ERQ) were received from all four Canadian producers of OCTG: Tenaris Canada¹, Evraz Inc. NA Canada (Evraz), Welded Tube of Canada (Welded Tube), and Energex Tube (Energex).²

[4] Welded Tube, Energex, Evraz and Tenaris Canada are collectively referred to as 'the Canadian producers' in this *Statement of Reasons*. In addition to responding to the ERQ, the Canadian producers also submitted supplementary information³ prior to the close of record. Case briefs⁴ were also submitted by counsel on behalf of the Canadian producers, while no reply submissions were submitted by any party to the expiry review investigation.

[5] 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 Tribunal's finding is rescinded.

[6] The CBSA also received responses to the ERQ from four Chinese exporters and nine Canadian importers. Each of the responding exporters is located in China. None of the exporters or importers submitted case briefs or reply submissions.

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

¹ Tenaris Canada's response to the ERQ was submitted on behalf of its four companies in Canada involved in the production and sales of subject goods, namely, Algoma Tubes Inc. (TenarisAlgomaTubes), Prudential Steel ULC (TenarisPrudential), Tenaris Global Services (Canada) Inc., and Hydril Canadian Company LP. For purposes of this report these four companies will be referred to collectively as Tenaris Canada.

² Exhibits 38 (PRO), 39 (NC), 40 (PRO), 41 (NC), 46 (PRO), 47 (NC), 57 (PRO), and 58 (NC) – Canadian Producer ERQ responses.

³ Exhibits 70 (NC), 71 (PRO), 72 (NC), 73 (PRO), and 74 (NC) – Canadian Producer Supplementary Submissions.

⁴ Exhibits 77 (NC), 78 (NC), 79 (PRO) and 80 (NC) – Canadian Producer case briefs.

[8] Analysis of information on the record indicates that exporters in China: have a sustained interest in the Canadian market as evidenced by the continued exports of subject goods during the period of review; have significant excess capacity for OCTG; produce high volumes of OCTG; are significantly reliant upon exports to maintain capacity utilization rates due to insufficient domestic demand and oversupply in China; are selling at low and potentially dumped prices in other global markets; 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.

[9] Analysis of information on the record also indicates that exporters in China: have continued access to subsidy programs; have exported subsidized goods during the period of review; benefit from the GOC's provision of subsidies to manufacturers in the steel sector; and are subject to countervailing measures against Chinese steel pipe products, including OCTG, in both Canada and the United States.

[10] For the foregoing reasons, the President of the CBSA (the President), having considered the relevant information on the record, determined on October 24, 2014, under paragraph 76.03(7)(a) of SIMA that the expiry of the finding made by the Tribunal in respect of oil country tubular goods 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

[11] On August 24, 2009, following a complaint filed by Canadian industry, the President of the CBSA initiated investigations pursuant to subsection 31(1) of SIMA into the alleged dumping and subsidizing of certain OCTG originating in or exported from China.

[12] The complaint was filed by Tenaris Canada of Calgary, Alberta, Evraz Inc. NA Canada of Regina, Saskatchewan, and Energex Tube⁵ of Welland, Ontario.

[13] On February 22, 2010, the President made final determinations of dumping and subsidizing in accordance with paragraph 41(1)(a) of SIMA in respect of certain OCTG, originating in or exported from China.

[14] On March 23, 2010, with respect to OCTG, the Tribunal found that the dumping and subsidizing of subject casing and tubing originating in or exported from China caused injury to the Canadian industry. At that time, the Tribunal 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 Tribunal also 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.⁶

⁵ Formerly known as Lakeside Steel Corporation prior to acquisition by Energex in 2012.

⁶ Exhibit 18 (NC) – CITT *Findings and Reasons – Oil Country Tubular Goods*, NQ-2009-04, paragraphs 254-256, April 7, 2010.

[15] On May 20, 2014, pursuant to subsection 76.03(2) of SIMA, the Tribunal issued a notice concerning the upcoming expiry of its finding. The finding was scheduled to expire on March 22, 2015. On June 27, 2014, based on the available information and the information submitted by the interested parties, the Tribunal initiated an expiry review of its finding pursuant to subsection 76.03(3) of SIMA.

[16] On June 30, 2014, the CBSA commenced an expiry review investigation to determine whether the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing of the goods from China.

PRODUCT DESCRIPTION

Definition

[17] The goods subject to the finding are defined as:

“Oil country tubular goods 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 American Petroleum Institute specification 5CT or equivalent standard, in all grades, excluding drill pipe and excluding seamless casing up to 11 3/4 inches (298.5 mm) in outside diameter, originating in or exported from the People's Republic of China.

Excluding:

- a. Pup-joints, welded or seamless, heat-treated or not heat-treated, in lengths of up to 3.66m (12 feet);
- b. Coupling stock.”

Additional Product Information

[18] 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 excludes pup joints up to 3.66m (12 feet) in length and coupling stock.

[19] 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.

[20] 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.

[21] 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 in billet for the seamless process or the steel coil in the Electric Resistance Welded process) and are transformed in the heat-treatment process to attain certain combinations of mechanical properties and/or resistance to corrosion and environmental cracking.

[22] 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).

[23] The most common grades of low-strength casing/tubing include J/K55 and H40.

[24] Typical casing and tubing end finishes include: plain end, bevelled, external upset ends, non-upset ends, threaded, or threaded and coupled. As previously stated, unattached couplings are not subject to these investigations.

[25] 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.

[26] 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

[27] The subject goods are normally, but not exclusively, classified under the following *Customs Tariff* Harmonized System (HS) classification numbers:

Prior to January 1, 2012:

7304.29.00.31	7306.29.90.11	7306.29.10.39
7304.29.00.39	7306.29.10.19	7306.29.90.39
7304.29.00.51	7306.29.90.19	7306.29.10.41
7304.29.00.59	7306.29.10.21	7306.29.90.41
7304.29.00.61	7306.29.90.21	7306.29.10.49
7304.29.00.69	7306.29.10.29	7306.29.90.49
7304.29.00.71	7306.29.90.29	7304.39.10.00
7304.29.00.79	7306.29.10.31	7304.59.10.00
7306.29.10.11	7306.29.90.31	

As of January 1, 2012:

7304.29.00.31	7304.29.00.71	7306.29.00.31
7304.29.00.39	7304.29.00.79	7306.29.00.39
7304.29.00.51	7306.29.00.11	7306.29.00.41
7304.29.00.59	7306.29.00.19	7306.29.00.49
7304.29.00.61	7306.29.00.21	7304.39.00.10
7304.29.00.69	7306.29.00.29	7304.59.00.10

[28] This listing of HS codes 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, 2011 to March 31, 2014.

CANADIAN INDUSTRY

[30] The Canadian Industry is comprised of the following four companies:

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

Tenaris Canada

[31] Tenaris Canada collectively refers to four individual companies owned by Tenaris SA of Luxembourg that are operated in a coordinated Canadian organization. The four companies are: TenarisAlgomaTubes (TAT), TenarisPrudential, Tenaris Global Services (Canada) Inc., and Hydril Canadian Company LP.⁷

[32] Algoma Tubes Inc., located in Sault Ste. Marie, Ontario was incorporated in September of 2000 for the purpose of operating the seamless tube plant owned by Algoma Steel Inc. (ASI). An agreement was signed in September 2000 for TAT to operate the plant which had been mothballed by ASI. The first production by TAT occurred in November 2000 and TAT subsequently acquired the plant from ASI in 2002. TAT produces or is able to produce seamless casing and tubing as well as line pipe and mechanical pipe for the automotive industry in sizes ranging from 4 1/2" to 11 3/4".⁸

[33] Prudential Steel ULC (PS), located in Calgary, Alberta, was founded in 1966 producing Electric Resistance Welded (ERW) steel pipe mainly for Canada's energy industry. In September 2000, PS was acquired by Maverick Tube who was then acquired by Tenaris in 2006. As a result of the Maverick Tube acquisition, PS forms part of the Tenaris Canada operations as TenarisPrudential.⁹

[34] The main business focus of PS is to produce OCTG and Line Pipe for the Canadian energy industry. PS produces an array of ERW products in sizes ranging from 2 3/8" to 12 3/4" which include both oil and gas well casing and tubing, products considered to be OCTG.¹⁰

[35] In 1999, Tenaris, which was the predecessor of Tenaris Global Services (Canada) Inc. (TGS), opened its first office in Canada to act as a distributor of its own foreign produced OCTG. Following an agreement to operate ASI's seamless plant in 2000, TGS was formed and Tenaris began to substitute its sales of imported OCTG with goods produced in Canada. Since that time, TGS has acted as a distributor for products produced by both TAT and PS.¹¹

[36] In addition to acting as a distributor for TAT and PS products, TGS also acts as the Canadian importer of record for seamless products produced by Tenaris outside of Canada.¹² Tenaris mainly imports seamless tubing to complement its Canadian production of ERW tubing and has imported such goods from the United States, Mexico, Argentina, Japan, and Romania.¹³

[37] Hydril Canadian Company LP is located in Nisku, Alberta and is a premium connection and accessory threader who also provides field service.¹⁴

⁷ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Questions Q6 and Q7.

⁸ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Question Q7.

⁹ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Question Q7.

¹⁰ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Question Q7.

¹¹ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Question Q7.

¹² Exhibit 41 (NC) – Tenaris Canada ERQ Response, Question Q6.

¹³ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Question Q8.

¹⁴ Exhibit 41 (NC) – Tenaris Canada ERQ Response, Questions Q6 and Q7.

Evrax Inc. NA Canada

[38] IPSCO Inc. (IPSCO) was incorporated in 1956 under the name of Prairie Pipe Manufacturing Co. Ltd. It commenced operations in 1957 with the completion of construction of an ERW pipe mill in Regina.¹⁵

[39] In 1959, the company acquired the assets of Interprovincial Steel Corp. Ltd. and in 1960 it commenced production of its own flat-rolled steel. Since that time, the company has expanded its manufacturing capabilities through acquisitions and plant constructions throughout Canada and the United States. These additions included three of its present day tubular production facilities located in Red Deer, Alberta, Calgary, Alberta and Regina, Saskatchewan. All three of these production facilities have been producing ERW OCTG since the early 1980's.¹⁶

[40] In July 2007, a wholly owned subsidiary of SSAB Svenkst Stahl (SSAB) of Sweden, acquired all of the outstanding shares of IPSCO Inc. and all of its subsidiaries. SSAB and IPSCO Inc. were later re-organized so that IPSCO Inc. owned only the Canadian operations, excluding the coil processing facility in Scarborough Ontario.¹⁷

[41] In June 2008, Evraz Group S.A. acquired all of the shares of IPSCO Inc. including all of its subsidiaries from SSAB. The acquisition resulted in the transfer of IPSCO's Canadian steel mill and tubular operations to Evraz. In October 2008, following the acquisition, the name of IPSCO Inc. was changed to Evraz Inc. NA Canada and, by 2009, all Canadian steel tubular and flat production was amalgamated under the Evraz Inc. NA Canada name.¹⁸

[42] 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.¹⁹

Welded Tube of Canada

[43] Welded Tube of Canada Corporation (Welded Tube) has been in business for over 43 years. Welded Tube's production has evolved over the years from mechanical tubing to include hollow structural sections (HSS) and energy tubular products. While Welded Tube began producing energy tubular products in the early 1980's, it was not until 2006 following additional investment that the company began to produce the type of OCTG products subject to this expiry review. Presently, Welded Tube has three facilities that produce and process OCTG goods, located in Concord, Welland, and Port Colborne, Ontario.²⁰

¹⁵ Exhibit 39 (NC) – EVRAZ Inc. NA Canada ERQ Response, Question Q7.

¹⁶ Exhibit 39 (NC) – EVRAZ Inc. NA Canada ERQ Response, Question Q7.

¹⁷ Exhibit 39 (NC) – EVRAZ Inc. NA Canada ERQ Response, Question Q7.

¹⁸ Exhibit 39 (NC) – EVRAZ Inc. NA Canada ERQ Response, Question Q7.

¹⁹ Exhibit 39 (NC) – EVRAZ Inc. NA Canada ERQ Response, Question Q7.

²⁰ Exhibit 58 (NC) – Welded Tube of Canada Corporation ERQ Response, Question Q7.

[44] The facility located in Concord consists of an ERW pipe mill which produces pipe ranging from 4.5” to 9.625” in diameter. The pipe mill is also capable of rolling green pipe (unfinished pipe suitable for heat-treating) for further conversion at Welded Tube’s facility in Welland. In 2009, Welded Tube made additional investments in the Concord facility by installing a new hydro-testing machine and a new weigh, measure, stencil and pipe coating unit.²¹

[45] In 2007, Welded Tube acquired Tubular Services Inc. (TSI), an oil well casing facility in Port Colborne, Ontario. This facility is a threading and coupling facility which further processes pipe originating from the Concord facility. In 2009, Welded Tube invested additional funds into the TSI facility in order to increase its threading capacity.

[46] In 2011, Welded Tube invested in the construction and start-up of an advanced heat treating and threading operation in Welland. The Welland facility, with a capacity of over 125,000 mt per year, receives green pipe from the Concord facility for further processing into OCTG, focusing mostly on N80Q, L80, and P110 specifications.²²

[47] In 2013, Welded Tube commissioned a new OCTG pipe mill in Lackawanna, New York. This facility began making OCTG in September 2013 and moved to a two-shift operation in February 2014. This new pipe mill produces green pipe which is shipped to Welded Tube’s facility in Welland for further finishing. All pipe produced at the Lackawanna facility is finished in Canada and then subsequently shipped to customers in Canada and the United States.²³

Energex Tube

[48] Energex Tube (Energex) began in 1909 under the name of Page-Hersey Iron Tube & Lead Company (Page-Hersey) in Welland, Ontario. Over the years, the Company expanded, adding new mills and replacing older ones as technology evolved. In 1965 Page-Hersey was acquired by Stelco Inc. (Stelco), Canada’s largest integrated steel company at that time.²⁴

[49] In 1985, the Welland, Ontario facility became Stelpipe Ltd., and underwent significant modernization, increasing its participation in various pipe and tube markets including oil and gas, mining, commercial & industrial pipe, and automotive.²⁵

[50] Stelco entered *Companies’ Creditors Arrangement Act* (CCAA) protection in 2005 and on November 1, 2005, Lakeside Steel Corporation purchased the Welland, Ontario facilities from Stelco. Lakeside was subsequently purchased by JMC Steel Group (JMC) and rebranded as Energex Tube, a division of JMC Steel, in 2012.²⁶

²¹ Exhibit 58 (NC) – Welded Tube of Canada Corporation ERQ Response, Questions Q5 and Q7.

²² Exhibit 58 (NC) – Welded Tube of Canada Corporation ERQ Response, Questions Q5 and Q7.

²³ Exhibit 58 (NC) – Welded Tube of Canada Corporation ERQ Response, Questions Q6 and Q7.

²⁴ Exhibit 26 (NC) – Expiry Review – *Statement of Reasons* – Certain Seamless Casing, paragraph 30.

²⁵ Exhibit 26 (NC) – Expiry Review – *Statement of Reasons* – Certain Seamless Casing, paragraph 31.

²⁶ Exhibit 26 (NC) – Expiry Review – *Statement of Reasons* – Certain Seamless Casing, paragraph 32.

[51] Following the acquisition, JMC continued to produce OCTG at the Welland facility while simultaneously constructing an OCTG plant in Thomasville, Alabama, which was commissioned in 2012. However, in May 2014, Energex's Welland facility was idled because, according to Energex, the facility incurred significant losses due to competing low priced imports in the North American market.²⁷

CANADIAN MARKET

[52] The apparent Canadian market for OCTG over the POR is indicated in **Table 1** (volume) and **Table 2** (value) below:

Table 1
Apparent Canadian Market²⁸
OCTG (Metric Tonnes)

Source	2011	2012	2013	Jan. - Mar. 2014
<i>Canadian Production</i>	414,800	408,588	364,337	120,125
China	29,111	17,884	4,669	*
Mexico	35,358	32,844	16,717	*
Korea, Republic of	11,118	12,369	17,625	48
Turkey	38,311	35,554	35,324	*
United States	149,513	147,449	150,325	59,798
Vietnam	3,980	21,512	9,960	5,616
Other Countries	66,507	57,830	33,855	10,144
Total Imports	333,897	325,442	268,475	88,581
Total Market	748,697	734,030	632,812	208,706

* The disclosure of these figures would result in the disclosure of confidential information and, therefore, cannot be displayed

²⁷ Exhibit 47 (NC) – Energex Tube ERQ Response, Question Q7.

²⁸ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

Table 2
Apparent Canadian Market²⁹
OCTG (Value in CAD)

Source	2011	2012	2013	Jan. - Mar. 2014
<i>Canadian Production</i>	\$700,566,468	\$690,959,179	\$552,204,548	\$180,528,543
China	\$46,424,553	\$29,611,164	\$7,764,751	*
Mexico	\$53,599,493	\$63,834,716	\$40,040,686	*
Korea, Republic of	\$17,747,152	\$20,011,559	\$26,343,114	\$122,970
Turkey	\$37,158,114	\$46,300,251	\$45,066,669	*
United States	\$261,497,878	\$255,452,227	\$235,269,100	\$89,780,730
Vietnam	\$5,171,121	\$26,533,415	\$11,676,297	\$7,007,110
Other Countries	\$102,040,369	\$96,095,355	\$50,528,045	\$17,241,964
<i>Total Imports</i>	\$523,638,680	\$537,838,687	\$416,688,662	\$138,769,603
Total Market	\$1,224,205,148	\$1,228,797,866	\$968,893,210	\$319,298,146

* The disclosure of these figures would result in the disclosure of confidential information and, therefore, cannot be displayed

Canadian Industry

[53] Overall, the Canadian producers' share of the apparent Canadian market in terms of both value and volume remained flat over the entire POR, from 2011 to the end of the first quarter 2014.

[54] In 2011, the volume of sales of OCTG produced by the Canadian producers represented about 55% of the total apparent Canadian market for OCTG.³⁰

[55] The Canadian producers' market share volume increased slightly to 56% in 2012 and 58% in 2013. In the last three months of the POR, first quarter 2014, their market share volume remained the same as in 2013, at approximately 58%.³¹

[56] In terms of value, a similar market share trend was evident during the POR. The Canadian producers' share of the market value was 57% in 2011 and declined to 56% in 2012. In 2013, the Canadian producers' share of the OCTG market value rose to 57% and remained at 57% in the first quarter of 2014.³²

²⁹ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

³⁰ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

³¹ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

³² Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

Imports

[57] The volume of subject goods imported from China represented close to 4% of the apparent Canadian market for OCTG in 2011, while imports from all other countries accounted for 41%.³³

[58] In 2012, the volume of imports from China declined to just over 2% while all other imports held a 42% share of the apparent Canadian market. This trend continued into 2013 where the Chinese market share fell below 1% to 0.74% while imports originating in other countries maintained a 42% market share. In the first quarter of 2014, imports from China continued to decline while all other imports maintained a 42% share of the apparent Canadian market based on volume.³⁴

[59] 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

[60] In the enforcement of the Tribunal's finding 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 nearly CAD \$1.8 million. By comparison, the value for duty on all subject imports from China during the POR exceeded CAD \$83.8 million.³⁵

[61] The decrease in the amount of duties collected over the course of the POR corresponds to the decline in Chinese imports over the same period as presented in **Table 1**.

Table 3
SIMA Duties Collected on OCTG
(Value in CAD)

Country	2011	2012	2013	Jan. - Mar. 2014
China	\$1,141,432	\$518,883	\$94,091	*

* The disclosure of these figures would result in the disclosure of confidential information and, therefore, cannot be displayed

PARTIES TO THE PROCEEDINGS

[62] On June 30, 2014, a notice concerning the CBSA's initiation of the expiry review investigation and the ERQs were sent to Canadian producers, importers, exporters, and the GOC.

³³ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

³⁴ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

³⁵ Exhibit 76 (NC) – CBSA Import and Enforcement Statistics and Apparent Canadian Market for OCTG.

[63] The ERQ requested information relevant to the consideration of the expiry review factors by the President, as listed in subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR). Any persons or governments having an interest in this investigation were also invited to provide a submission regarding the likelihood of continued or resumed dumping and subsidizing of these goods should the finding be rescinded.

[64] As previously noted, all four Canadian producers of OCTG: Tenaris Canada, Evraz, Welded Tube, and Energex provided responses to the ERQ. In addition, Tenaris Canada³⁶ and Evraz³⁷ provided case briefs arguing that the dumping and subsidizing of the subject goods would continue should the Tribunal's finding be rescinded. A joint case brief was also submitted on behalf of Welded Tube and Energex³⁸ arguing that the dumping and subsidizing of the subject goods would continue should the Tribunal's finding be rescinded.

[65] Four exporters, of the 70 total to which ERQs were sent, participated in the expiry review investigation and provided responses. The participating exporters were: Dalipal Pipe Company³⁹ (Dalipal), Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd⁴⁰ (Freet Pipe), Shengli Oil Field Freet Petroleum Equipment Co., Ltd⁴¹ (Freet Equipment), and Freet Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch⁴² (Freet Zibo).⁴³ None of the exporters provided case briefs or reply submissions.

[66] Nine importers, of the 65 total which ERQs were sent, provided ERQ responses with varying degrees of completeness. The responding importers were: PEMSCO Ltd.⁴⁴, Husky Energy⁴⁵, Encana Corporation⁴⁶, CMUS Steel Inc.⁴⁷, SNT Services, Inc.⁴⁸, 1051573 Alberta Ltd. / QC International Tubulars LTD.⁴⁹, IMEX Canada Inc.⁵⁰, Mertex Canada Inc.⁵¹ and Shine Stone International Ltd.⁵² None of the importers provided case briefs or reply submissions.

[67] The GOC did not respond to the ERQ which they were sent at initiation. Further, the GOC did not provide a case brief or reply submission.

³⁶ Exhibit 78 (NC) – Tenaris Canada case brief.

³⁷ Exhibits 79 (PRO) and 80 (NC) – Evraz Inc. NA Canada case brief.

³⁸ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief.

³⁹ Exhibits 42 (PRO) and 43 (NC) – Dalipal Pipe Company ERQ response.

⁴⁰ Exhibits 63 (PRO), 65 (PRO) and 67 (NC) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd ERQ Response.

⁴¹ Exhibits 62 (PRO), 64 (PRO) and 68 (NC) - Shengli Oil Field Freet Petroleum Equipment Co., Ltd ERQ Response.

⁴² Exhibits 66 (PRO) and 69 (NC) - FREET Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch ERQ Response.

⁴³ Exhibits 44 (PRO) and 45 (NC) – Tianjin Seamless Steel Pipe Plant ERQ response.

⁴⁴ Exhibits 31 (NC) and 49 (NC) – PEMSCO Ltd. ERQ Response.

⁴⁵ Exhibit 32 (NC) – Husky Energy ERQ Response.

⁴⁶ Exhibit 34 (NC) – Encana Corporation ERQ Response.

⁴⁷ Exhibits 44 (PRO) and 45 (NC) – CMUS Steel Inc. ERQ Response.

⁴⁸ Exhibit 48 (NC) – SNT Services, Inc. ERQ Response.

⁴⁹ Exhibit 50 (NC) – 1051573 Alberta Ltd. / QC International Tubulars LTD. ERQ Response.

⁵⁰ Exhibits 53 (PRO) and 54 (NC) – IMEX Canada Inc. ERQ Response.

⁵¹ Exhibits 55 (PRO) and 56 (NC) – Mertex Canada Inc. ERQ Response.

⁵² Exhibit 71 (PRO) – Shine Stone International Ltd. ERQ Response.

INFORMATION CONSIDERED BY THE PRESIDENT

Administrative Record

[68] The information considered by the President 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 Tribunal's administrative record at initiation of the expiry review, CBSA exhibits and information submitted by interested persons, including information which they feel is relevant to the decision as to whether dumping and subsidizing are likely to continue or resume absent the finding. 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, importers, and government.

[69] 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. For this investigation, the administrative record closed on August 18, 2014.

Procedural Issues

[70] The President will normally not consider any new information submitted by participants subsequent to the closing of the record date. However, in certain exceptional circumstances, it may be necessary to permit new information to be submitted. The President will consider the following factors in deciding whether to accept new information submitted after the closing of the record date:

- (a) the availability of the information prior to the closing of the record date;
- (b) the emergence of new or unforeseen issues;
- (c) the relevance and materiality of the information;
- (d) the opportunity for other participants to respond to the new information; and
- (e) whether the new information can reasonably be taken into consideration by the President in making the determination.

[71] Participants wishing to file new information after the closing of the record date, either separately or in case briefs or reply submissions, must identify this information so that the President can decide whether it will be included in the record for purposes of the determination.

[72] With respect to this expiry review investigation, one new document was submitted by a participant after the August 18, 2014 closing of the record date.

[73] On August 27, 2014, counsel for Evraz submitted a letter stating that the case brief, filed on that same day, contained a footnote⁵³ referencing the final injury vote by the US International Trade Commission (USITC) regarding their most recent OCTG investigation. As a result, counsel for Evraz requested that the USITC press release indicating the outcome of its final injury vote regarding oil country tubular goods from India, the Republic of Korea, Taiwan, Turkey, Ukraine, Vietnam, Philippines and Thailand be placed on the CBSA's administrative record. Counsel noted that the USITC press release, which it had attached to the letter, had only been issued on August 22, 2014 and as such, counsel was unable to provide such evidence prior to the closing of the record.

[74] On August 29, 2014, the CBSA sent a letter⁵⁴ to counsel for Evraz regarding the request to place information on the administrative record following the closing of the record. In response, the CBSA noted that the President does not normally consider information submitted following the closing of the record except in certain exceptional circumstances. Following a review of the information submitted by counsel, the CBSA concluded that the information did not constitute exceptionally relevant or materially significant data to warrant consideration by the President. As a result, that information submitted by counsel was not placed on the administrative record for purposes of this expiry review investigation.

POSITION OF THE PARTIES - DUMPING

Parties Contending that Continued or Resumed Dumping is Likely

Canadian Producers

[75] The Canadian producers made representations through their ERQ responses as well as in their case briefs in support of their position that dumping and subsidizing from China is likely to continue or resume in the event the present finding is rescinded. Consequently, the Canadian producers argue that the measures should remain in place.

[76] Given the consensus amongst the Canadian producers regarding the main factors to be considered in support of a continuation of the Tribunal's finding, reference to arguments made by individual producers in their respective case briefs will typically be attributed to 'the Canadian producers' as a group throughout this analysis.

[77] In their submissions, the Canadian producers submitted that China's excess production capacity and over-production, caused by increased production levels, continued capacity expansions, and a weakening domestic market, has continued to reinforce and increase Chinese producers' reliance on export markets for the subject goods.

⁵³ Exhibits 79 (PRO) and 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 53, footnote 88.

⁵⁴ Exhibit 81 (NC) - Letter to Counsel for Evraz Inc. NA Canada, August 29, 2014.

[78] That excess capacity and production, combined with competition from increasing low priced imports into Canada from other sources and numerous trade measures restricting the flow of Chinese goods into other major markets, leads the Canadian producers to believe that such circumstance would ultimately lead Chinese exporters to export subject goods to Canada at dumped prices absent the present finding.

[79] The factors summarized below represent the main arguments presented by the Canadian producers in supporting their position that rescission of the finding would lead to the continuation and resumption of dumping of subject goods from China.

Position of the Canadian Producers

[80] The Canadian producers collectively identified the following main factors as significant in arguing that the expiry of the Tribunal's finding will lead to continued or resumed dumping of OCTG from China :

- the substantial and increasing excess production capacity in China with respect to tube and pipe products, and specifically OCTG;
- the continued weakening in domestic demand for OCTG in China leading to an increasing reliance on export markets;
- the inability of global export markets to absorb excess Chinese capacity;
- the evidence of continued dumping of OCTG into Canada, and exports to other world markets at low and potentially dumped prices, by Chinese exporters during the POR;
- the decline in import volumes into Canada since the finding, demonstrating an inability to compete at non-dumped prices;
- the attractiveness and continued interest in the Canadian market by Chinese exporters;
- the presence of other sources of low-priced imports of OCTG in Canada; and
- the numerous anti-dumping and safeguard measures against the subject goods and other steel pipe products from China in both Canada and in other jurisdictions, demonstrating the propensity to dump these goods.

[81] The Canadian producers have argued that the underlying cause of the dumping and subsidizing of subject goods stems from Chinese overcapacity for the production of steel tubular goods and specifically OCTG. With continued capacity expansion, and absent concurrent increases in Chinese domestic demand, Chinese producers have been forced to rely on exports to sustain production, according to the Canadian producers.⁵⁵

⁵⁵ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 24.

[82] The Canadian producers stated that the problem of overcapacity “pervades the Chinese industry”, noting that overcapacity was the main issue addressed in China’s *12th Five-year Plan for the Steel Pipe Industry*, which was promulgated in June 2011 and covers the 2011-2015 period.⁵⁶ This view was also expressed by Steel Business Briefing (SBB) who described China’s pipe and tube industry in 2011 as suffering from intense market competition resulting from serious over-capacity and rapid expansion, conditions which it expected to remain throughout the 2011-2015 period.⁵⁷

[83] The Canadian producers noted that in 2012 the China Iron & Steel Association (CISA) warned that serious overcapacity would continue to affect the steel industry as a whole. CISA stated that China’s overall crude steel capacity increased by more than 50 million mt in 2012, to exceed 920 million mt, and that it expected capacity utilization to average 77% in 2013. The Canadian producers also cited SBB reports and GOC Policy statements regarding these steel capacity issues. This included SBB reports that Baosteel, a large Chinese producer, expected an additional 50 million mt of crude steel capacity to be added in China in 2013 despite not operating near full capacity.⁵⁸ The Canadian producers added that the GOC recognized the persistence of serious overcapacity problems in the Chinese steel industry in 2014, and that the GOC referred to it recently in a policy issued in July.⁵⁹

[84] Focusing on OCTG capacity, the Canadian producers indicated that, based on available information, the Chinese OCTG industry had a capacity to produce over 23 million mt of OCTG in 2012, consisting of 19 million mt of seamless OCTG and 4 million mt of welded OCTG. They submitted that the Chinese capacity for OCTG substantially exceeded global OCTG demand in 2012, which was reported to be just less than 18 million mt.⁶⁰

[85] In examining actual Chinese production of OCTG, the Canadian producers stated that the Chinese industry produced 7.65 million mt of OCTG in 2012 which represented 43% of global OCTG production. Based on the capacity stated above of 23 million mt, the Canadian producers noted that the capacity utilization rate in 2012 would be around 33% with excess capacity exceeding 15 million mt.⁶¹

[86] Using the CBSA’s total apparent Canadian market data for 2013 which shows a market volume equal to 632,812 mt, the Canadian producers note that the 15.35 million mt of excess OCTG capacity calculated for 2012 is more than 24 times the size of the entire Canadian market for certain OCTG.⁶²

[87] In addition to the excess capacity that already existed in the Chinese pipe and tube market in 2012, the Canadian producers have provided evidence that additional capacity was added in 2013 with further capacity expansions announced for 2014 and beyond.

⁵⁶ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 16.

⁵⁷ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 26.

⁵⁸ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 31.

⁵⁹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 16.

⁶⁰ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 17.

⁶¹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 17.

⁶² Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 18.

[88] Some of the larger and more recent capacity expansions cited by the Canadian producers were:

- Jiangsu Changbao Steel Tube began trial production on a new mill in January 2013 with a capacity of 100,000 mt per year capacity, of which 20% was to be dedicated to OCTG tubing. The company also inaugurated a 40,000 mt per year threading unit for finishing high-specification OCTG in January 2014;⁶³
- Pyuang Shuangfa Industry announced in March 2013 plans to double its OCTG capacity with a new 200,000 mt per year seamless pipe plant scheduled to begin production in early 2014;⁶⁴
- Shashi Steel Pipe Works, a subsidiary of Sinopec, announced the addition of 200,000 mt of ERW capacity in May 2013;⁶⁵
- Anhui Tianda Oil Pipe commissioned an expansion of a seamless mill in May 2013 increasing capacity by 300,000 mt;⁶⁶
- Tianjin Jingtong Seamless Steel Pipe increased its capacity by 175% in August 2013 by inaugurating a new mill with a capacity of 350,000 mt whose output is reported to focus on OCTG;⁶⁷
- Baosteel began constructing a new ERW pipe mill in May 2014 with a capacity of 100,000 mt per year;⁶⁸ and
- Handan Zhengda Steel Pipe, an ERW producer, announced it would be building a new 2.5 million mt mill that would double its capacity to 5 million mt per year by the end of 2015⁶⁹.

[89] Following the evidence regarding excess capacity in the Chinese market, the Canadian producers referred to the evidence on the record concerning demand conditions, specifically the “weak demand in China” which, they argue, “results in a reliance on export markets and encourages dumping”.⁷⁰

[90] In a May 2012 report by the China Steel Producers Association (CSPA), the Canadian producers noted that the CSPA expressed concern about the domestic pipe market and warned that domestic prices in China were likely to fluctuate at a low level for the remainder of the year as a result of serious over-supply, low demand, and uncertainty about the export market.⁷¹

⁶³ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 40.

⁶⁴ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 40.

⁶⁵ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 40.

⁶⁶ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 40.

⁶⁷ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 40.

⁶⁸ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 40.

⁶⁹ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 41.

⁷⁰ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 44.

⁷¹ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 46.

[91] The Canadian producers have also submitted that the Chinese industry's concern about continuing high levels of steel output and weak domestic demand has continued into 2013. Citing a meeting held by CISA in August 2013, they noted that CISA cautioned attendees that China's steel industry may record its first overall loss in 2013 as a result of those conditions, noting demand was not expected to recover during the second half of 2013.⁷²

[92] The Canadian producers also pointed out that market conditions in China would be aggravated further according to a report by SBB which stated that an additional 20 million mt of new steel capacity was expected to be commissioned in China in 2013.⁷³

[93] With respect to market conditions in 2014, the Canadian producers referenced a March 2014 article in the Globe and Mail which indicated that a major economic slowdown was occurring in China due to low levels of industrial production, exports, retail sales and investment not experienced in years.⁷⁴

[94] The Canadian producers noted that CISA reported that the Chinese steel sector as a whole recorded a net loss in January and February of 2014⁷⁵ and that China's National Bureau of Statistics reported that welded pipe production had fallen 12.6% year-on-year during those same two months⁷⁶. Further, a March 2014 SBB report stated that the "Chinese seamless pipe industry has been rapidly deteriorating due to over-capacity, low-pricing, miniscule profits and tight credit".⁷⁷

[95] The Canadian producers also pointed out that the Chinese steel pipe industry operating environment could worsen further in 2014 as SBB reported that both CNPC and Sinopec, China's two largest oil companies would cut capital spending with a corresponding negative impact on OCTG and line pipe producers. This same SBB report also cited an unnamed source at a pipe company indicating that this would result in the company reducing its OCTG output by as much as 300,000 mt and forcing it to focus on exports.⁷⁸ In that same March 2014 report, SBB also quoted a source from a mill as stating:

"Many mills including us are selling at a loss, but to have an empty order book is even worse in light of the cost. In the past, we waited for the market to recover during a down-turn. But now we know the market will not recover because of over-capacity and limited market demand."⁷⁹

⁷² Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 49.

⁷³ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 49.

⁷⁴ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 52.

⁷⁵ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 55.

⁷⁶ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 53.

⁷⁷ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 60.

⁷⁸ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 61.

⁷⁹ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 62.

[96] The Canadian producers also cited information in the exporters' responses to the ERQ as further support for their view that the Chinese market for OCTG remained weak and was not expected to improve in 2015. They noted that in three Chinese exporter responses, those exporters indicated that "the market demand will reduce gradually" in responding to a question regarding Chinese demand in 2014 and 2015.⁸⁰

[97] The Canadian producers noted that in the 2012 expiry review respecting seamless casing, the CBSA concluded that Chinese producers would have to rely on export sales in order to maintain already low levels of capacity utilization due to Chinese market conditions and significant excess capacity. The Canadian producers state that this situation continues to exist and therefore supports the need for the present finding to stay in place.⁸¹

[98] In addition to the evidence referenced above regarding the persistence of excess capacity and weak demand in China throughout the POR, the Canadian producers also referenced a number of articles that specifically linked those market conditions to an increase in export activity by Chinese steel producers. The following paragraphs address some of the evidence submitted by the Canadian producers with respect to recent and forecasted market conditions and related Chinese export activity.

[99] The Canadian producers noted that in May 2014, SBB reported that Chinese steel exports had reached an all-time high with over 8 million mt of steel products exported in just a single month. Exports of finished steel to Latin America alone showed an increase of 90% as compared to the same month in 2013. SBB further reported that market sources had told them that competitive pricing was forcing Chinese producers to "expand export volumes in order to offset pressure from rising output and tepid domestic demand".⁸²

[100] Regarding OCTG exports specifically, the Canadian producers noted that Hengyang, a major seamless pipe producer, reportedly increased its exports by 23% year-on-year between January and May 2013. According to a company source, Hengyang hoped to continue exporting half of its total production given the oversupply and weak demand in the Chinese market.⁸³

[101] This trend continued into 2014. The Canadian producers noted that seamless pipe exports from China in January 2014 reached 515,263 mt, a 17% increase year-over year. They noted that 43% of those exports consisted of OCTG and that combined with line pipe, over 80% of all Chinese seamless pipe exports in that month related to the energy sector.⁸⁴

⁸⁰ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 40.

⁸¹ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 65.

⁸² Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 71.

⁸³ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 68.

⁸⁴ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 69.

[102] In a March 2014 article submitted by the Canadian producers relating to China's pipe industry, SBB stated that :

“[D]isorderly and fierce competition in the export market will worsen this year as pipe mills try to secure overseas orders in price wars. China faces several trade barrier cases around the world as well as slow domestic demand. Pipe mills have set higher export targets this year to balance worsening oversupply in the domestic market.”⁸⁵

[103] As the combination of excess capacity, oversupply, and weak domestic demand continues to impact the Chinese OCTG industry, the Canadian producers contend that while Chinese producers will have to increasingly rely on export markets, export markets will not be able to absorb Chinese capacity in the near future.⁸⁶

[104] The Canadian producers indicated that there is “bleak future prospects” for Chinese producers selling OCTG into export markets and cited responses submitted by exporters participating in the expiry review as supporting this view. The Canadian producers noted that the participating exporters indicated that “in 2014 and 2015 with the international crude oil demand {weakening}, the future oil casing market demand will weaken”. Additionally, they quoted participating exporters as stating that in 2014 and 2015 “the {export} market demand will reduce gradually” and that “the export situation is not optimistic, {and} demand is expected to decline”.⁸⁷

[105] In support of the views expressed by the exporters above, the Canadian producers referred to an independent market report⁸⁸ published by Metal Bulletin Research (MBR) that provides a five-year outlook for the global OCTG industry.

[106] In that report, MBR notes that Chinese OCTG exports have “come off peak since 2008” and that export demand for Chinese OCTG is projected to drop year-after-year from 2012 to 2015. The report notes that Chinese exports will bottom out in 2016 at 1.59 million mt before slightly improving to 1.69 million mt in 2017.⁸⁹

[107] The Canadian producers also noted that MBR projected that global OCTG consumption from imports will decrease from 7.9 million mt in 2015 to 7.7 million mt in 2017 before sliding further to 7.2 million mt in 2020.⁹⁰

⁸⁵ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 70.

⁸⁶ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 111.

⁸⁷ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 40.

⁸⁸ Exhibit 22 (PRO) – Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry”, 2013.

⁸⁹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 41.

⁹⁰ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 42.

[108] Regarding pricing of Chinese OCTG exports to other markets during the POR, the Canadian producers submitted an analysis based on published prices from MBR as well as Pipe Logix as part of their arguments that Chinese exporters may be dumping goods into those markets. Pipe Logix is an authoritative trade report published by Spears and Associates which reports FOB Houston spot prices for the most popular sizes of OCTG pipe products on a monthly basis. This publication is used by the CBSA as the basis for establishing normal values applicable to the subject goods.⁹¹

[109] In particular, the Canadian producers noted that MBR reported Chinese exporters have been pricing aggressively in the Middle East and North Africa (MENA) market. MBR reported that in November 2013, Chinese exporters reportedly sold J/K 55 casing, the most common grade of casing, into the United Arab Emirates market at approximately USD \$900/mt on a CFR basis. The Canadian producers noted that at that time, the Pipe Logix spot price in Houston on an FOB basis equalled USD \$1,513/mt. After applying the CBSA's trade level adjustment used in determining Chinese normal values, the Canadian producers arrived at an estimated dumping margin of 43%.⁹²

[110] The Canadian producers also conducted a similar analysis respecting seamless L80 casing resulting in an estimated dumping margin of 68%. In completing this exercise, the Canadian producers also noted that the estimates of both margins were conservative given the comparison of CFR pricing, which is a delivered price that includes ocean freight, to FOB pricing where freight is not included.⁹³

[111] The Canadian producers also estimated dumping margins using average unit values based on overall annual Chinese export statistics which they then compared to average annual Pipe Logix prices. Following an adjustment for trade level to the Pipe Logix prices, this exercise resulted in estimated margins of dumping of 30% and 4% for ERW OCTG and 46% and 47% for exports of seamless OCTG in 2011 and 2012, respectively.⁹⁴

[112] In further support of their arguments about Chinese OCTG producers' propensity to dump, the Canadian producers analyzed the export sales made by the participating exporters in the present expiry review investigation. In conducting a similar analysis using an average annual trade level adjusted Pipe Logix price, the Canadian producers noted that the majority of export sales made by those companies were sold below the estimated normal value.⁹⁵

[113] Following the analysis above, the Canadian producers stated that subject goods "have been and continue to be sold into other export markets at significantly dumped price levels" and argue that Chinese exporters would not "behave any differently for their sales into the Canadian market in the absence of SIMA protection".⁹⁶

⁹¹ Exhibit 20 (NC) – CBSA Final Determination *Statement of Reasons – Certain Oil Country Tubular Goods*, paragraphs 88 to 90, March 9, 2010.

⁹² Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 36.

⁹³ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 36.

⁹⁴ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 37.

⁹⁵ Exhibit 79 (PRO) – Evraz Inc. NA Canada case brief, paragraph 33.

⁹⁶ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 39.

[114] During the POR, the Canadian producers noted that CBSA enforcement data shows that even with the finding in place, Chinese exporters continued to export dumped and subsidized subject goods.⁹⁷ They argued that with over CAD \$1.5 million in duties collected by the CBSA on imports of OCTG during the POR, it would be reasonable to expect an increase in dumped and subsidized goods absent the finding. They further noted that significant duties have been collected as part of the anti-dumping and countervailing finding respecting seamless casing products, based on expiry review information from that prior proceeding, and that both situations demonstrate a strong export imperative by Chinese OCTG producers.⁹⁸

[115] The Canadian producers highlighted the significant decline in the volumes of subject OCTG imported into Canada during the POR and also noted their marked decline since the initiation of the original OCTG investigation. They noted that compared to 2010, when imports of OCTG from China were 27,256 mt, imports decreased by 80% falling to 4,669 mt in 2013. They also pointed out that these volumes were significantly below the import volumes reported in 2008 and 2009 (before the anti-dumping and countervailing duty measures were imposed) of 141,775 mt and 109,375 mt.⁹⁹

[116] In addition to the volumes reported by the CBSA in **Table 1**, the Canadian producers also submitted statistics representing all types of OCTG, including non-subject OCTG, which demonstrated similar trends. Based on the declining import volumes of OCTG from China, the Canadian producers argue that this clearly demonstrates the Chinese producers' and exporters' inability to compete at non-dumped prices in the Canadian market.¹⁰⁰

[117] Despite the declining volumes in imports of OCTG from China, the Canadian producers noted that the continued participation by Chinese exporters in the Canadian market demonstrates their continued interest in exporting subject goods to Canada. They also pointed out that the Canadian oil and gas rig counts have remained stable over the POR and are projected to improve in 2015 while Canadian OCTG prices are projected to continue increasing in 2014 through to 2015.¹⁰¹

[118] The Canadian producers also noted that during the 2012 seamless casing expiry review, the Tribunal indicated that the Canadian OCTG market is an important strategic market for China given it is the fourth largest market for OCTG in the world. Based on the more favorable pricing and the sheer size of the Canadian market, the Canadian producers conclude that the Canadian market continues to remain attractive for Chinese exporters of subject goods.¹⁰²

⁹⁷ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief, paragraph 29.

⁹⁸ Exhibit 78 (NC) – Tenaris Canada case brief, paragraphs 18 and 19.

⁹⁹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraphs 26 and 27.

¹⁰⁰ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief, paragraph 28.

¹⁰¹ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief, paragraph 38.

¹⁰² Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 50.

[119] According to CBSA import data, which is supplemented with Statistics Canada data, the Canadian producers state that volumes of low-priced OCTG from other country sources are increasingly being imported into Canada. They also noted that the volumes are coming into Canada from countries recently found to have been dumping by the US Department of Commerce, and that the average unit values of those goods are below the average unit values of the subject imports from China.¹⁰³

[120] The Canadian producers noted that in the 2012 expiry review on seamless casing, the Tribunal found that goods were being imported into Canada from non-subject countries at prices below the subject goods. At that time, the Tribunal went on to conclude that if that finding were to be rescinded, Chinese exporters of seamless casing would have likely had to compete with the lower-priced imports from other sources resulting in greater downward pressure on like goods produced in Canada.¹⁰⁴

[121] Based on that analysis, the Canadian producers have put forward that if the finding on Chinese OCTG were to be rescinded, Chinese exporters of subject goods would be required to export to Canada at dumped prices in order to compete with the low-priced imports from other sources.¹⁰⁵

[122] The Canadian producers likewise argue that Chinese exporters have an established history of dumping OCTG and other steel pipe products into global markets, including Canada. They contend that this clearly demonstrates China's propensity to dump OCTG into Canada and other foreign markets.

[123] In addition to the Tribunal's finding respecting seamless casing from China, which was continued in 2013 (RR-2012-002), the Canadian producers also note that there are three additional Tribunal findings currently in place against products similar to OCTG. The three findings respecting Chinese steel pipe products include: Pup Joints (NQ-2011-001), Carbon Steel Welded Pipe (continued by RR-2012-003), and Steel Piling Pipe (NQ-2012-002).¹⁰⁶

[124] As well as the findings in place in Canada, the Canadian producers identified 28 other Chinese steel pipe and tubular products either subject to findings in other countries or presently under investigation.¹⁰⁷ The Canadian producers also noted that India imposed safeguard measures on imports of seamless pipes, which was reported to be China's largest overseas market in 2012.¹⁰⁸

¹⁰³ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraphs 52 and 55.

¹⁰⁴ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 56.

¹⁰⁵ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 57.

¹⁰⁶ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief, paragraph 24.

¹⁰⁷ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 44; Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 86; and Exhibit 77 (NC) - Welded Tube of Canada and Energex Tube case brief, paragraphs 25 and 26.

¹⁰⁸ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 91.

[125] Furthermore, the Canadian producers noted that Colombia, the European Union, and the United States presently have dumping findings against Chinese OCTG¹⁰⁹, and that Russia is presently investigating Chinese OCTG according to its July 2014 semi-annual report filed with the World Trade Organization¹¹⁰. As well, Colombia is currently considering imposing safeguard measures on OCTG exported from China.¹¹¹

Parties contending that continued or resumed dumping is unlikely

Importers

[126] As noted earlier, the CBSA did not receive any case briefs or reply submissions from any importers, exporters, or any other parties other than the Canadian producers. In reviewing the ERQ responses it received, the CBSA found that none of the participating importers and exporters expressed any position with respect to the likelihood of continued or resumed dumping.

[127] Despite not expressing a position concerning the likelihood of dumping, the CBSA noted that more than one importer indicated in its ERQ response the difficulty it had in sourcing OCTG from Canadian manufacturers. Specifically, CMUS Steel Inc. (CMUS) indicated that in order to ensure a consistent supply of goods, it has had to make an effort to “develop a cooperative relationship with its foreign supplier” as “Canadian manufacturers refused to supply products to CMUS despite CMUS’ requests”. CMUS further noted that all products that it is has sourced locally have had to come from other distributors’ excess inventory.¹¹²

[128] In describing major factors that influence its purchasing decisions, PEMSCO Ltd. (PEMSCO) also noted that “Domestic suppliers restrict [the] number of distributors [which] results in the rejection of any application to sell domestic OCTG”. As a result, PEMSCO noted that they must support relationships with Chinese producers. PEMSCO went on to note that since domestic producers will not supply OCTG to non-distributors and refer customers only to those existing distributors, it results in “non competitive pricing”.¹¹³

[129] One other importer expressed a similar view, noting in its confidential response that it had heard over the years that domestic deliveries were at a standstill and suggested that this may have led to an increase in Canadian customers sourcing the subject goods internationally.

¹⁰⁹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 44; Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 86.

¹¹⁰ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 89.

¹¹¹ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 92.

¹¹² Exhibit 45 (NC) – CMUS Steel Inc. ERQ Response, Question Q18.

¹¹³ Exhibit 31 (NC) – PEMSCO Ltd ERQ Response, Question Q18.

CONSIDERATION AND ANALYSIS - DUMPING

[130] 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 President may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

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

Interchangeability of OCTG

[132] 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.

[133] 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.

[134] 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 Tribunal 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."¹¹⁴

[135] 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.

¹¹⁴ Exhibit 25 (NC) – CITT *Order & Reasons - Seamless Carbon or Alloy Steel Oil and Gas Well Casing*, RR-2012-002, paragraphs 56-57, March 26, 2013.

[136] 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 at substantially lower and potentially unfair prices from countries not subject to trade measures. An example of such a situation is the CBSA's recent initiation of investigations into the alleged dumping and subsidizing of OCTG from countries including Chinese Taipei, the Republic of India, the Republic of Indonesia, the Republic of the Philippines, the Republic of Korea, the Kingdom of Thailand, the Republic of Turkey, Ukraine, and the Socialist Republic of Vietnam.

Capital-intensive nature of steel production

[137] A second characteristic of OCTG, as is the case with all steel production, is the capital-intensive nature of its production. As such, 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.

[138] 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

[139] In 2011, the world steel industry continued to recover from the global financial crisis of 2009 with global crude steel output reaching almost 1.5 billion mt, an increase of roughly 4% over the prior year. However, as a result of the government austerity measures put in place as a response to the 2011 European debt crisis and related decline in economic activity, original projections for stronger steel demand did not materialize and the problem of excess capacity worsened. While global output reached almost 1.5 billion mt, according to the World Steel Association, actual global demand was reported at just less than 1.4 billion mt in 2011. As a result, this excess production continued to put stress on the profit margins of global steel producers.¹¹⁵

[140] Like 2011, economic growth in 2012 failed to achieve expectations as recessions hit Europe and Japan. This resulted in apparent steel use in Europe dropping by 9% in the first half of 2012 and falling 23% below 2007 apparent steel use. In an attempt to halt falling steel prices, many European steel producers reduced output in an effort to rebalance supply with demand. Mainly driven by the United States and emerging markets, the global economy saw modest growth of only 3% in 2012.¹¹⁶

¹¹⁵ CBSA Expiry Review - *Statement of Reasons* - Certain Hot-Rolled Steel Plate, RR-2013-002, paragraph 112, September 6, 2013.

¹¹⁶ CBSA Expiry Review - *Statement of Reasons* - Certain Hot-Rolled Steel Plate, RR-2013-002, paragraph 114, September 6, 2013.

[141] While apparent steel use in China posted modest growth in 2012 of 2.9%, demand in the North American market increased by only 0.2%¹¹⁷, a fraction of the 2.9 % growth in demand projected by the World Steel Association (WSA) in the spring of 2013¹¹⁸. Although steelmakers around the globe (excluding China) withdrew 50 million mt of crude steel capacity, global excess capacity continued to threaten the steel industry reaching 334 million mt in 2012. Chinese crude steel capacity alone increased 15.9% in 2012 year-over-year as China added 130 million mt of capacity reaching 950 million mt. Overall, the global steel industry had an average capacity utilization rate of 76.2%.¹¹⁹

[142] Despite the sluggish growth experienced by emerging markets in 2013, attributable to soft demand from developed countries and declining commodity prices, the WSA reported that global steel demand rose an estimated 3.1% in 2013. This increase in global steel demand was essentially attributable to growth in China, whose demand for steel increased 6.0% in 2013.¹²⁰

[143] While the global demand increased 3.1% in 2013, slightly under the WSA's forecast of 3.2%, a closer look demonstrated that steel demand fell significantly below expectations in all major markets with the exception of China. In October 2012, the WSA forecasted that global steel demand in 2013, excluding China, would rise 3.3%. At that time, WSA's 2013 forecast also projected that demand in China would rise 3.1%. Contrary to those forecasts, the WSA estimated that actual global demand growth in 2013, excluding China, was 0.7% while demand in China almost doubled expectations with steel demand increasing 6.0%.¹²¹

[144] As global steel demand improved in 2013, the average capacity utilization rate for the industry also edged up slightly to 78.1%. However, despite demand growth, global steel production continued to outpace demand as global production increased in 2013 by 3.5%. As a result, global production of 1.61 billion mt exceeded estimated global steel consumption of 1.59 billion mt by 21 million mt. China accounted for the largest increase in production with approximately 58 new furnaces commencing production, adding roughly 80 million mt of additional annual capacity in 2013.¹²²

¹¹⁷ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, pages 4 and 5.

¹¹⁸ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 7: “Recent Developments in the NAFTA Steel Industry: Presentation to the OECD Steel Committee”, page 2.

¹¹⁹ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, pages 4 and 5.

¹²⁰ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

¹²¹ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

¹²² Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

[145] In 2013, China produced 46 million mt more steel than the 729 million mt it consumed. With respect to other markets in 2013, Japan, whose production was 111 million mt, produced 41 million mt more than it consumed. The EU also had excess production of 14 million mt, while the United States produced 87 million mt, 16 million mt less than the 103 million mt it consumed.¹²³ Actual data through the end of the third quarter of 2013 also showed that both demand and consumption of steel in the NAFTA market had declined 5% from 2012 levels and that the average capacity utilization rate for producers in that market were around 75%, roughly 3% lower than the global average.¹²⁴

Latest developments and trends

[146] According to the WSA, global steel demand is expected to increase at a slightly quicker pace than the previous year with projected growth of 3.3% in 2014. In contrast to 2013, it is expected that that this growth will be driven by markets other than China as the GOC continues to focus on economic restructuring.¹²⁵ Despite the improved forecast for steel demand, Ernst & Young (EY) notes that “the sector is in a fragile state and any additional economic shocks will have an adverse impact on steelmakers”.¹²⁶

[147] As in previous years, excess capacity and production will continue to plague the global steel industry. In fact, one metals and mining expert at EY argues that excess capacity remains the single largest threat to industry profitability and that the only way to effectively address the issue is by permanently closing high-cost capacity.¹²⁷ According to an SBB report in January 2014, in order for the industry to reach a sustainable profit margin, 300 million mt of steel capacity would be required to be shut-down over the next ten years. The report also notes that such a cut to capacity would increase the average capacity utilization rate for the world’s steel producers to over 85%.¹²⁸

¹²³ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

¹²⁴ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 7: “Recent Developments in the NAFTA Steel Industry: Presentation to the OECD Steel Committee”, page 2.

¹²⁵ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 6.

¹²⁶ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 8.

¹²⁷ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 4.

¹²⁸ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

[148] EY notes that excess capacity is a structural problem and given that steel demand is projected on average to only grow “3% to 4% for the rest of this decade”; increased demand is not a viable option to be relied upon in increasing profitability in the steel industry. EY also identifies a number of factors which lead it to conclude that any permanent removal of material excess capacity is unlikely, especially given that the steel industry represents an integral part of many developing economies. Further, according to Morgan Stanley, removing over 300 million mt of excess capacity could result in more than 1 million jobs lost globally.¹²⁹

[149] In 2014, the EU, Brazil, China, and India appear to be the major steel markets that will collectively drive growth in demand while steel demand will also increase modestly in the Republic of Korea and the US. Steel demand in the EU in 2014 is expected to increase by 2.0% while production is expected to decrease by 2.4%. In Brazil, steel demand is forecasted to increase 3.6%, while China and India can expect increases of 5.1% and 3.0%, respectively.¹³⁰

[150] The outlook for the US market in 2014 shows steel demand and production increasing by 1.0% and 1.1%, whereas the Republic of Korea could see a 1.8% increase in demand and a 1.5% rise in production. Production and demand for steel in Japan is anticipated to remain flat in 2014.¹³¹

[151] In terms of the volume of excess production in 2014, the volumes for the US and Japan are estimated to be the same as 2013. US capacity will remain 16 million mt below consumption while Japan’s production will exceed consumption by 41 million mt. India’s production is estimated to exceed consumption by 1 million mt in 2014 as compared to 2 million tonnes in 2013. With a projected increase in demand and decrease in production, the EU is expected to cut excess production in half to 7 million mt in 2014.¹³²

[152] In 2014, the anticipated 27 million tonne increase in Chinese production over 2013 will exceed the expected rise in consumption of 22 million mt. As a result, of the estimated 802 million mt of steel to be produced in China in 2014, excess production in China will reach 51 million mt, an increase of almost 11% over 2013.¹³³ The upward trend of excess supply in China can likely be attributed to the 80 million mt of annual capacity added in 2013, as noted above, combined with the 25 million mt of steel capacity expected to be added in 2014.¹³⁴

¹²⁹ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 8.

¹³⁰ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 6.

¹³¹ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 6.

¹³² Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

¹³³ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

¹³⁴ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

[153] Overall, global production and consumption are expected to rise to approximately 1.64 billion mt and 1.63 billion mt, which could result in surplus production falling to 7 million mt, a third of the 21 million mt of surplus capacity reported for 2013.¹³⁵

[154] In June 2014, the CEO of the American Iron & Steel Institute indicated that global steel capacity was expanding and continuing to outstrip demand. Regarding China specifically, he noted that “the situation is going to keep getting worse and not better, unless governments start acting a little more responsibly”.¹³⁶

[155] As anticipated, production in China continued to rise through the first half of 2014 with crude steel production increasing 2.6% year-on-year in May of 2014.¹³⁷ In addition, China’s crude steel output was expected to remain high as long as iron ore prices remained low, with Metal Bulletin reporting that iron ore prices had been in a slump since the end of May. As of July 11, 2014, China’s blast furnace utilization rate was reportedly 90.2%.¹³⁸

[156] In July 2014, it was reported that Chinese exports of finished steel reached 41 million mt in the first half of 2014, posting an increase of almost 34% year-over-year.¹³⁹ This increase in the first half of 2014 is significant given that Chinese steel exports equalled 60 million mt in all of 2013. Metal Bulletin noted that the rise in Chinese steel exports has “been met with criticism since its own consumption appears to have peaked and steel markets in other countries have yet to fully recover from the recession”.¹⁴⁰

OCTG Developments

[157] Following the collapse of the global economy in 2009, where sharp declines in drilling rates and increases in inventories drove down pricing, prices in 2011 rose in most markets as a result of strong oil and gas prices and increased raw material costs.¹⁴¹ According to MBR, the 2011 annual price in the US for commodity grade J/K 55 OCTG was USD \$1,611/mt, representing an increase of almost USD \$100/mt over 2010.¹⁴²

¹³⁵ Exhibit 23 (NC) – Internet articles regarding OCTG - #1, Article 4: “Global steel 2014 – Planning to profit from opportunity: preparing for future demand”, Ernst & Young, page 5.

¹³⁶ Exhibit 28 (PRO) – Metal Bulletin articles regarding the steel industry - #1, Article 9: “STEEL SUCCESS STRATEGIES: China driving overcapacity, AISI says”, June 18, 2014.

¹³⁷ Exhibit 28 (PRO) – Metal Bulletin articles regarding the steel industry - #1, Article 10: “Global crude steel output up 2.2% in May, Worldsteel says”, June 23, 2014.

¹³⁸ Exhibit 28 (PRO) – Metal Bulletin articles regarding the steel industry - #1, Article 12: “Crude steel output at major Chinese mills up 2% in early July”, July 16, 2014.

¹³⁹ Exhibit 28 (PRO) – Metal Bulletin articles regarding the steel industry - #1, Article 11: “China’s steel exports post first drop since March”, July 10, 2014.

¹⁴⁰ Exhibit 28 (PRO) – Metal Bulletin articles regarding the steel industry - #1, Article 13: “STEEL SUCCESS STRATEGIES: China steel exports holding firm”, June 19, 2014.

¹⁴¹ Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” page 29.

¹⁴² Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” page 30.

[158] Prices in Japan and Western Europe saw even larger increases during that period, with J/K 55 selling for around USD \$1,800/mt in those markets. However, prices for J/K 55 in the Middle East and Eastern European market in 2011 were significantly lower at around USD \$1,200/mt while Chinese pricing was the lowest of all markets at USD \$970/mt. While all of these markets experienced price increases for OCTG, all market pricing remained substantially below the peak levels reached in 2008.¹⁴³

[159] In 2012, J/K 55 pricing in all of the markets noted above saw modest declines of roughly USD \$10 to \$40 per tonne except in Japan where prices rose by USD \$42/mt. Looking forward, MBR expects OCTG prices will remain below 2011 levels over the next five years. The biggest drop is projected to occur in 2013 as a result of declining raw material costs, structural excess supply in China, and new capacity additions beginning production in the US. During MBR's forecast period of 2013-2020, they "consider it likely that OCTG prices will continue to trade in a relatively narrow band" and "at absolute levels lower than in the recent past".¹⁴⁴

[160] According to the figures published throughout MBR's Five Year Outlook for the Global OCTG Industry, global capacity dedicated to OCTG, which includes all sizes and both seamless and welded products, is estimated to be just over 30 million mt. North America represented almost a quarter of global OCTG capacity while China accounted for more than a third with a capacity of just below 12 million mt. Welded OCTG makes up nearly a third of global capacity, of which North America accounts for approximately 42% of global welded capacity. Seamless OCTG represents about 21 million mt of global capacity with China accounting for nearly 42% of global seamless capacity.¹⁴⁵

[161] According to MBR's five-year outlook, new global OCTG capacity of approximately 5.4 million mt is expected to come online by 2016, with over 80% of that capacity being added by 2014. Roughly 60% of the capacity to be added during this period will be seamless, with NAFTA accounting for 40% of that increase followed by India, Thailand and China collectively accounting for an increase of 1.2 million mt, or 36%. Of the roughly 2 million mt of new welded capacity announced, NAFTA will account for 1.65 million mt, or 83%. Based on these figures, it is evident that NAFTA will post the largest increases in capacity over the forecasted period, accounting for roughly 56% of the total new OCTG capacity to be added.¹⁴⁶

¹⁴³ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 30.

¹⁴⁴ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 30.

¹⁴⁵ Exhibit 38 (PRO) – EVRAZ Inc. NA Canada ERQ Response, Question Q26.

¹⁴⁶ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 22.

[162] In 2011, global production of OCTG recovered to levels not seen since before the recession and exceeded peak production reported in 2008. Up by almost 20% in 2011 as compared to 2010, global production increased further in 2012 reaching 17.8 million mt in 2012. Consistent with the breakdown of capacity, Welded OCTG accounted for 29% of global production in 2012 with seamless making up the remaining 71%.¹⁴⁷

[163] Given that the North American market is the largest market for welded products, it's not surprising that it accounted for almost half of global welded OCTG production in 2012. Other Asian countries, excluding China, accounted for a quarter of welded OCTG production with the remaining production spread among the world's other regions. In terms of global seamless production, Chinese production represented 44% in 2012 with North America accounting for the second largest share of seamless production at 18%.¹⁴⁸

[164] In its forecast for 2013 through to 2020, MBR indicates its analysis "is based on the expectation that global production will equal consumption" but notes that regional production will depend on the location of new capacity and global demand sources.¹⁴⁹

[165] Respecting production, MBR forecasts that between 2013 and 2020, global OCTG output will increase on average by 4.5%. The most significant increases are expected to take place in 2014 and 2015 where production is expected to rise more than 6% in each of those years. Over the forecast period, MBR expects strong demand will drive production growth to around 10% in the North American market as new capacity is added and domestic producers attempt to regain market share from imports. Producers in the Republic of Korea are expected to struggle in light of anti-dumping measures in various jurisdictions, while EU production is projected to decrease on average by 0.5% over the period as major European producers move to supply export markets from new capacity they have added in Brazil and Saudi Arabia rather than existing facilities in Europe. As a result, output is forecasted to grow in both the Latin American and Middle Eastern markets.¹⁵⁰

[166] In terms of global OCTG consumption, 2011 saw a significant increase of 20% over 2010 followed by little growth in 2012 of 2%. Global welded consumption posted the largest increases over the 2011-2012 periods, reaching 5.0 million mt in 2011 compared to just less than 3.5 million mt in 2010, with welded consumption slightly increasing to 5.3 million mt in 2012. In 2012, global seamless consumption was approximately 12.6 million mt, registering a minor increase as compared to 12.5 million mt in 2011. Global seamless consumption in 2010 was just above 11.1 million mt.¹⁵¹

¹⁴⁷ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 253.

¹⁴⁸ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 253.

¹⁴⁹ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 258.

¹⁵⁰ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 258.

¹⁵¹ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 256.

[167] The North American market led growth in global OCTG consumption in 2012, increasing by almost 700,000 mt to just over 7 million mt, a near 11% increase. Chinese OCTG consumption in 2011 and 2012 remained flat at around 4 million mt while the Latin American and Middle Eastern markets both dropped slightly by around 100,000 mt each. The Commonwealth of Independent States (CIS) market posted the largest drop in 2012 of nearly 300,000 mt, or 13%.¹⁵²

[168] Regarding consumption, MBR expects that between 2013 and 2020, global OCTG demand will rise on average by 4.7%, with seamless increasing 5.2 million mt and welded 1.5 million mt over the seven-year period. With global demand expected to hit just over 25 million mt in 2020, the forecast projects that the most significant increases in demand will take place in 2014 and 2015, where demand could rise by 6.8% and 6.2%, respectively.¹⁵³

[169] While MBR notes that the African market will experience the greatest average growth over the period at 7.1%, in terms of volume this only represents around 300,000 mt. Conversely, consumption is only forecast to grow by 4.3% and 5.1% in China and North America over the same period. However, consumption in these two markets will post the greatest gains in terms of volume. North American demand is forecast to increase by nearly 3.1 million mt followed by China with 1.5 million mt. Combined, these two markets account for almost 70% of the expected volume increase in global demand over the seven-year period.¹⁵⁴

LIKELIHOOD OF CONTINUED OR RESUMED DUMPING

[170] Guided by the factors in the aforementioned subsection 37.2(1) of the SIMR 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 the likelihood of continued or resumed dumping of OCTG goods:

- the excess production capacity for OCTG in China;
- the volume of production of OCTG in China;
- the reliance on exports to address oversupply of OCTG in the Chinese market;
- the reliance on exports to maintain capacity utilization rates resulting from insufficient domestic demand in China;
- the recent information and pricing data suggesting exporters in China are selling at low and potentially dumped prices in alternate markets;
- the sustained interest in the Canadian market by Chinese exporters as evidenced by the continued exports of subject goods to Canada during the POR;

¹⁵² Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 256.

¹⁵³ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 259-261.

¹⁵⁴ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 259-261.

- the history of China dumping steel pipe products, and specifically OCTG, into the Canadian market; and
- the numerous anti-dumping measures concerning Chinese steel pipe products in other jurisdictions.

[171] The issue surrounding excess capacity 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.

[172] As noted earlier, the Canadian producers indicated that excess capacity for OCTG in China exceeds 15 million mt, which they argued is roughly 24 times the size of the entire Canadian market for OCTG subject to this finding. Further, they submitted evidence pointing to a number of capacity expansions expected to begin production in 2013 through to 2015, some of which were listed earlier in paragraph 87 in the position of the parties section of this *Statement of Reasons*.

[173] According to MBR, Chinese seamless OCTG capacity in 2012 was broadly estimated to have reached 19.0 million mt, representing an increase of approximately 15% as compared to 2010 capacity figures. However, MBR indicated that in actuality they consider China's dedicated seamless OCTG to be closer to 9.9 million mt given that the majority of Chinese seamless producers also manufacture mechanical pipe. The report did note though that capacity could easily exceed the dedicated capacity figure in the future should demand in the domestic and international markets increase. MBR stated that production of mechanical pipe could be "transferred fairly smoothly to the manufacture of green pipe for OCTG consumption" as was apparent in 2007-2008 when demand for OCTG increased significantly both domestically and internationally.¹⁵⁵

[174] Regarding welded OCTG capacity in China, MBR estimated that total capacity in 2012 was almost 4.2 million mt, but believed that dedicated OCTG capacity was closer to 1.9 million mt. In estimating those figures, MBR stated that determining welded capacity is more difficult than seamless as there are few manufacturers dedicated to producing OCTG only. According to MBR, there are approximately 2,000 welded pipe producers and that with the exception of two, the majority of the remaining producers "tend to be opportunistic". As such, their estimated welded OCTG capacity figures focus on major producers while they point out that there are welded producers who "move in and out of the market" and that this occurs "even more than in seamless".¹⁵⁶

¹⁵⁵ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 204.

¹⁵⁶ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 204.

[175] In focusing on the dedicated capacity identified by MBR noted above, Chinese OCTG capacity in 2012 was an estimated 11.7 million mt. In comparison to OCTG production in 2012 of just under 6.1 million mt¹⁵⁷, China's excess capacity in 2012 was around 5.7 million mt. According to the Canadian producers, the Canadian market for OCTG as a whole, which includes all welded and seamless tubing and casing, is approximately 1 million mt¹⁵⁸, which is consistent with the MBR consumption figure¹⁵⁹ for the Canadian market. Based on these figures, excess OCTG dedicated capacity in China in 2012 was close to 6 times the size of the entire OCTG market in Canada.

[176] At the time MBR published its five-year outlook in 2013, they noted they only knew of 600,000 mt of capacity to be added in 2013-2014, all of which was forecast to be seamless.¹⁶⁰ However, since publication, it would appear that additional capacity expansions have been announced by Chinese producers based on evidence submitted by the Canadian producers. Based on the more substantial announcements listed earlier in this report¹⁶¹, Chinese producers appear to be planning to expand capacity by at least 3.7 million mt, in addition to the amount forecasted by MBR. However, these capacity additions related to overall increases in seamless and welded pipe capacity and it is unclear exactly how much of that capacity may be focused on OCTG.

[177] Given that MBR estimated roughly half of total seamless and welded OCTG capacity in China in 2012 was considered dedicated to OCTG, it is reasonable to estimate that of the over 4 million mt of additional capacity planned, just over 2 million mt will be dedicated to OCTG. Using this figure, in addition to the dedicated capacity reported by MBR in 2012 of nearly 12 million mt, Chinese capacity dedicated to OCTG could potentially reach 14 million mt by 2015.

[178] With respect to output, MBR forecasts that Chinese production of OCTG will hit 6.4 million mt in 2015.¹⁶² Compared to the potential Chinese capacity dedicated to OCTG, excess OCTG capacity could exceed 7.5 million mt in 2015, an increase of almost 25% over 2012. With MBR projecting OCTG demand in Canada to increase to almost 1.2 million mt¹⁶³ in 2015, Chinese excess capacity would remain more than 6 times the size of the entire Canadian market.

¹⁵⁷ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 253.

¹⁵⁸ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief, paragraph 16.

¹⁵⁹ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 67.

¹⁶⁰ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," pages 205 and 206.

¹⁶¹ See paragraph 88 – Excluding Changbao which is already included in MBR's figures, the 6 other announcements equal 3.7 million mt (200,000+200,000+300,000+350,000+100,000+2.5 million).

¹⁶² Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 259.

¹⁶³ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 77.

[179] In comparing Chinese production to domestic demand, China produced 5.7 million mt of OCTG in 2011 whereas apparent consumption in China was 4.0 million mt. With only 70,000 mt imported, Chinese exports of OCTG accounted for nearly 1.8 million mt, or 31% of all OCTG produced in 2011.¹⁶⁴

[180] In 2012, Chinese OCTG production increased by over 6% to 6 million mt, while Chinese demand remained flat at 4 million mt. While OCTG imports dropped slightly to 64,000 mt, exports of Chinese OCTG rose 20% to 2.1 million mt, accounting for 35% of total Chinese OCTG production.¹⁶⁵ This clearly demonstrates that despite insufficient demand growth domestically, Chinese producers continued to expand production and rely upon export markets to absorb the oversupply in 2012.

[181] Following 2012, MBR forecasts that OCTG production in China will continue to increase throughout their forecast period up to 2020. The projections show the largest increases taking place in 2013, with an increase of 3% to 6.3 million mt, and 2018 through 2020, where production will increase almost 5% per annum reaching 7.5 million mt in 2020.¹⁶⁶

[182] Overall, Chinese domestic demand is expected to rise on average by 4.3% over the seven-year forecast period. However, Chinese exports of OCTG are expected to decline over the next few years, falling to 1.59 million mt in 2016, before increasing back up to just over 1.74 million mt in 2018. MBR predicts that exports will once again fall to the 2016 level by 2020. According to MBR, the projected drop in exports is linked to the anti-dumping actions taken against Chinese producers by NAFTA members, the EU, Brazil and Columbia. MBR further notes that Chinese producers are likely to focus on markets smaller and less open than NAFTA, such as the CIS, MENA and Latin America, but notes that Chinese producers “must be careful [as] they run the risk that aggressive pricing will trigger more anti-dumping action”.¹⁶⁷

[183] The Canadian producers noted that global OCTG consumption from imports in all markets excluding China are expected to decrease significantly between 2015 and 2020 from 7.9 million mt to 7.2 million mt.¹⁶⁸ This decrease of nearly 9% in consumption from imports also likely had an impact on the projections for Chinese exports over the same period as MBR anticipates that Chinese OCTG exports will drop by 8% over that same period.¹⁶⁹

¹⁶⁴ Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” page 214.

¹⁶⁵ Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” page 214.

¹⁶⁶ Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” page 259.

¹⁶⁷ Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” pages 218 and 219.

¹⁶⁸ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 42.

¹⁶⁹ Exhibit 22 (PRO) - Metal Bulletin Research, “The Five Year Outlook for the Global OCTG Industry,” page 219.

[184] Despite the anticipated decrease in export volumes over the period, largely because of trade measures in place in many jurisdictions, Chinese producers will still need to continue relying heavily on export markets to absorb 30% of their production in 2013 and 2014 and nearly one-quarter of their production up until 2019.¹⁷⁰

[185] In comparing MBR's projected Chinese production with dedicated OCTG capacity of roughly 12.3 million mt¹⁷¹, the capacity utilization rate for Chinese producers would remain below 60% for the rest of the decade before peaking at 61% in 2020.¹⁷² This appears to be well below the 75% capacity utilization level that the Chinese Steel Pipe Association considers as being healthy for the industry.¹⁷³ This suggests there is strong incentive for Chinese OCTG producers to increase production levels above the levels anticipated by MBR in order to raise capacity utilization rates. However, given domestic demand forecasts, the Chinese market would be unable to absorb any additional OCTG production meaning any potential production increases above the forecast levels would need to be exported to other markets.

[186] While MBR's five-year outlook projected OCTG demand in China to grow over their forecast period, there are indications based on more recent publications that the Chinese domestic market has turned out to be weaker than expected. This is apparent based on some of the arguments made by the Canadian producers, summarized earlier in this report, as well as other information available on the administrative record.

[187] In January 2014, SBB reported that the seamless pipe sector in China would "remain under downward pressure this year, due to continuously increasing oversupply and lukewarm domestic demand and exports". That article also noted that China's seamless pipe production hit a record high in 2013 as production was 13% higher than in 2012.¹⁷⁴ This increase in production appears to be significantly higher than the MBR 2013 projected increase of 3% referred to earlier.

[188] In March 2014, SBB reported that the "Chinese seamless pipe industry has been rapidly deteriorating due to serious over-capacity, low-pricing, miniscule profits and tight credit". In addition, SBB noted that Chinese market sources expected the Chinese domestic pipe market to worsen throughout the remainder of 2014 given that China's two largest oil companies announced they would cut capital spending. This announcement was expected to have a significant impact on Chinese OCTG and line pipe producers, with one unnamed company official indicating it would require a 300,000 mt cut to production and a need to focus on exports.¹⁷⁵

¹⁷⁰ Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," page 219.

¹⁷¹ This figure is based on MBR's reported OCTG dedicated capacity in 2012 of 11.7 million mt plus the 600,000 mt of additional capacity which MBR expects to come online in 2013.

¹⁷² Exhibit 22 (PRO) - Metal Bulletin Research, "The Five Year Outlook for the Global OCTG Industry," pages 205, 206, and 219.

¹⁷³ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 34.

¹⁷⁴ Exhibit 73 (PRO) – Tenaris Canada supplementary submission, page 22.

¹⁷⁵ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 61.

[189] China's welded pipe sector also appears to be weak as demand seems to be declining. In January 2014, MBR reported that China's welded pipe and tube industry experienced falling production rates as producers continued to struggle. They noted that demand was expected to remain low through the first quarter of 2014 as the significant increases typically experienced following Chinese New Year were not expected to occur in 2014. They also indicated that exports of Chinese oil and gas welded tubular products would come under pressure as additional trade complaints were filed.¹⁷⁶

[190] In addition to the recent articles referred to above, it is also worth noting that three of the four exporters who submitted ERQ responses in the current expiry review investigation indicated that they expected Chinese domestic demand in 2014 and 2015 to "reduce gradually".¹⁷⁷

[191] In March 2014, MBR indicated that they expected Chinese exports of OCTG in 2014 to increase year-on-year by at least 5%, noting that exports in January had been up by 9% year-on-year. They also stated that "domestic oversupply will continue to encourage pipe plants to expand into the export market" and suggested that the depreciation of the yuan against the dollar could lead to an increase in exports.¹⁷⁸ Moreover, in June 2014 MBR reported that falling raw material prices were resulting in "Chinese pipe mills offering steep discounts in an effort to generate sales in the short term".¹⁷⁹

[192] As presented earlier, in 2013, MBR had forecast that OCTG exports would decrease by 2% in 2014. However, the more recent reports cited above show that OCTG exports are, in fact, increasing, and are expected to continue rising for the remainder of the year. This increase in export activity appears to be linked to the reportedly weak demand in the domestic market and the fact that Chinese OCTG producers are willing to lower prices in order to make sales.

[193] As detailed previously, OCTG products manufactured by 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.

¹⁷⁶ Exhibit 24 (PRO) – Metal Bulletin Research – Welded Tube and Pipe Market Tracker, January 2014, page 6.

¹⁷⁷ Exhibit 67 (NC) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd ERQ response, Question Q34; Exhibit 68 (NC) - Shengli Oil Field Freet Petroleum Equipment Co., Ltd ERQ response, Question Q34; and Exhibit 69 (NC) - FREET Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch ERQ response, Question Q34.

¹⁷⁸ Exhibit 24 (PRO) – Metal Bulletin Research – Welded Tube and Pipe Market Tracker, March 2014, pages 10 and 11.

¹⁷⁹ Exhibit 24 (PRO) – Metal Bulletin Research – Welded Tube and Pipe Market Tracker, June 2014, page 1.

[194] Under SIMA, China is a ‘prescribed’ country and normal values may be determined under section 20 of SIMA, in situations where in the opinion of the President, domestic prices are substantially determined by the government of that country and there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market.

[195] During the original investigation which concluded in February 2010, the President formed the opinion under section 20 that domestic prices in the OCTG sector are substantially determined by the GOC and that there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.¹⁸⁰ This opinion is consistent with the opinions expressed by the President in other CBSA investigations relating to other goods which form part of the OCTG sector, namely seamless casing (2008) and pup joints (2012).

[196] Since the opinion of the President is that section 20 conditions exist in the OCTG sector in China, Chinese domestic selling prices are not considered by the CBSA when analyzing indications of dumping in other export markets. Further, normal values are determined under subsection 29(1) of SIMA and are based on monthly spot prices published by Pipe Logix¹⁸¹ which are adjusted downwards to account for differences in trade level.

[197] In reviewing Dalipal’s Exporter ERQ response and analyzing their export price information¹⁸², it was found that Dalipal’s average annual export prices¹⁸³ were below the annual average normal values calculated by the CBSA in every period throughout the POR. That information also revealed that Dalipal’s average annual export prices were below the single lowest monthly normal value that could be found for any product in each corresponding period. Interestingly, the greatest differences were found to have occurred in the most recent period, the first quarter of 2014.

[198] During the POR, Dalipal only exported OCTG to Canada in 2011.¹⁸⁴ In comparing its average selling price to Canada in 2011 to the average prices charged in its other export markets, Dalipal’s average Canadian export price was always higher.¹⁸⁵

¹⁸⁰ Exhibit 20 (NC) - Investigation – *Statement of Reasons* – Certain Oil Country Tubular Goods, paragraph 82.

¹⁸¹ Exhibit 27 (PRO) – Pipe Logix OCTG Spot Market Price Index 2011-2014.

¹⁸² Exhibit 42 (PRO) – Dalipal Pipe Company ERQ response, Appendix 3.

¹⁸³ Excluding export sales made to Canada.

¹⁸⁴ Exhibit 43 (NC) – Dalipal Pipe Company ERQ response, Question Q3.

¹⁸⁵ Exhibit 42 (PRO) – Dalipal Pipe Company ERQ response, Appendix 3.

[199] In conducting an analysis with respect to export pricing information submitted by Freet Equipment¹⁸⁶, Freet Pipe¹⁸⁷ and Freet Zibo¹⁸⁸, all of their annual average export prices were below the annual average normal values in each period throughout the POR with only one exception. In 2013, one of the company's annual average export price exceeded the annual average normal value by nearly USD \$1,000/mt. However, this appears to be an anomaly given that the company's average export prices in the other periods were all significantly lower than in 2013.

[200] While Freet Equipment exported OCTG to Canada in 2011 and 2013¹⁸⁹, the pricing information¹⁹⁰ provided with respect to those sales appears to contain errors. As such, a comparison of prices between their exports to Canada and other markets could not be completed.

[201] Freet Pipe exported OCTG to Canada in 2011 and 2012, while no further exports were made to Canada during the remainder of the POR.¹⁹¹ In comparing Freet Pipe's average selling price to Canada in 2011 to the average prices charged in its other export markets, the average Canadian export price was always higher than the average price charged in other export markets. In 2012, the average price charged by Freet Pipe in other export markets for 98% of its other export sales, based on volume, was below the average export price to Canada in that year.¹⁹²

[202] With respect to Freet Zibo, they indicated in their ERQ response that they exported to Canada in all periods during the POR.¹⁹³ In every one of the four periods, the average export price for OCTG exported to Canada is higher than the average price charged by Freet Zibo in its other export markets.¹⁹⁴

[203] Based on the above analysis, it would appear likely that, absent the current OCTG finding, OCTG exported to Canada during the POR likely would have been at significantly lower prices. In addition, the information submitted by the exporters above also shows that throughout the POR, those companies exported OCTG to markets other than Canada at low and potentially dumped prices when comparing those export prices to the annual average normal values calculated by the CBSA.

¹⁸⁶ Exhibit 62 (PRO) - Shengli Oil Field Freet Petroleum Equipment Co., Ltd. ERQ response, Appendix 3.

¹⁸⁷ Exhibit 65 (PRO) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd. ERQ response, Appendix 3.

¹⁸⁸ Exhibit 66 (PRO) - FREET Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch ERQ response, Appendix 3.

¹⁸⁹ Exhibit 68 (NC) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd. ERQ response, Question Q3.

¹⁹⁰ Exhibit 62 (PRO) - Shengli Oil Field Freet Petroleum Equipment Co., Ltd. ERQ response, Appendix 3.

¹⁹¹ Exhibit 67 (NC) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd. ERQ response, Question Q3.

¹⁹² Exhibit 65 (PRO) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd. ERQ response, Appendix 3.

¹⁹³ Exhibit 69 (NC) - FREET Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch ERQ response, Question Q3.

¹⁹⁴ Exhibit 66 (PRO) - FREET Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch ERQ response, Appendix 3.

[204] In reviewing the information submitted by the participating exporters, the Canadian producers also made a number of observations leading them to conclude that Chinese producers are presently exporting OCTG to other export markets at dumped prices. They noted that in analyzing all of the export sales data points submitted by the participating exporters, excluding exports to Canada, all except one of the data points were sold at prices significantly below the annual average normal value.¹⁹⁵ The Canadian producers also found that on average, export sales reported by the participating exporters were almost 30% below the estimated normal value during the POR.¹⁹⁶

[205] The Canadian producers also provided publicly available Chinese export statistics which demonstrated that the annual average unit price for those exports were below the estimated normal values calculated by the Canadian producers in comparative periods. Using Chinese export data for goods exported under the HS Code 7304.29, they estimated a dumping margin of just over 46% in both 2011 and 2012 on Chinese exports of seamless OCTG. For welded OCTG, they relied upon export data from goods under the HS Code 7306.29 which, in comparison to average estimated normal values, resulted in estimated dumping margins of 30% in 2011 and 4% in 2012.¹⁹⁷

[206] As previously noted, Canada is the fourth largest market for OCTG in the world, making it an attractive market for Chinese exporters. Continued interest in the Canadian market by Chinese exporters was shown in the last re-investigation in 2011 where 15 exporters responded to the CBSA's request for information.¹⁹⁸ Moreover, continued interest in the Canadian OCTG market is further demonstrated by the fact that Chinese exporters continued to export subject goods to Canada throughout the POR, as presented in **Table 1** and **Table 2** of this report.

[207] Further on export activity to Canada, Chinese exports to Canada continually declined over the POR. Based on the pricing analysis conducted above, it would appear that this may be the result of the Chinese producers' inability to compete in the Canadian market at undumped prices. This is also demonstrated by the fact that Chinese exporters continued to export subject goods at dumped prices throughout the POR. As seen in **Table 3** of this report, despite the current finding in place, the CBSA assessed nearly CAD \$1.8 million in duties over the POR.

[208] As previously noted in the arguments made by the Canadian producers, 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 four other anti-dumping findings in place with respect to Chinese steel pipe products including: seamless casing; pup joints; carbon steel welded pipe; and steel piling pipe.

¹⁹⁵ Exhibit 79 (PRO) – Evraz Inc. NA Canada case brief, paragraph 33.

¹⁹⁶ Exhibit 79 (PRO) – Evraz Inc. NA Canada case brief, paragraph 35.

¹⁹⁷ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 37.

¹⁹⁸ Exhibit 19 (NC) – CBSA Notice of Conclusion of Re-Investigation – Certain Seamless Steel Casing and Certain Oil Country Tubular Goods, November 7, 2011.

[209] 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.¹⁹⁹ A list of these measures is provided in **Table 4** below which is separated into two sections, measures specifically relating to OCTG and measures pertaining to other pipe and tubular products.

¹⁹⁹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 44; Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 86; and Exhibit 77 (NC) - Welded Tube of Canada and Energex Tube case brief, paragraph 26.

Table 4
Anti-dumping Actions Imposed by Other Jurisdictions

Country Imposing Anti-dumping 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
United States	OCTG
United States	Drill pipe (non-subject OCTG in Canada)
<i>Other Steel Pipe and Tubular Products Originating in China</i>	
Argentina	Carbon steel butt-welded pipe fittings
Argentina	Forged steel pipe fittings
Australia	Hollow structural sections
Brazil	Seamed tubes of austenitic stainless steel
Brazil	Seamless line pipe
Brazil	Line pipe less than 5" in outside diameter
Brazil	Seamless steel chrome alloyed tubes
European Union	Welded tubes and pipes of iron or non-alloy steel
European Union	Seamless pipe and tubes of stainless steel
European Union	Tube and pipe fittings of iron or steel
European Union	Threaded tube or pipe cast fittings of malleable cast iron
India	Ductile iron pipes
Mexico	Seamless steel tubing (2009)
Mexico	Seamless steel tubing (2012)
Russia	Cold-worked seamless pipes and tubes of stainless steel
Turkey	Welded stainless steel tubes, pipes and profiles
Turkey	Tube or pipe fittings
United States	Circular welded carbon quality steel line pipe
United States	Seamless carbon and alloy steel standard, line and pressure pipe
United States	Welded austenitic stainless pressure pipe
United States	Welded carbon quality steel pipe
United States	Carbon steel butt-weld pipe fittings
United States	High pressure steel cylinders
United States	Light-walled rectangular pipe and tube
United States	Malleable cast iron pipe fittings
United States	Non-malleable cast iron pipe fittings

[210] In addition to the anti-dumping measures listed in **Table 4** above, Russia is also presently conducting an anti-dumping investigation respecting Chinese OCTG²⁰⁰, while Ukraine is investigating Chinese seamless stainless steel tubes and Peru is investigating tubes and pipes made from hot-rolled steel coils from China²⁰¹.

²⁰⁰ Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 89.

²⁰¹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 44.

[211] The Canadian producers also noted that India has imposed safeguard measures on imports of seamless pipes, China`s largest overseas market in 2012, while Columbia is currently investigating safeguard measures against Chinese exports of OCTG.²⁰²

[212] The numerous measures currently in place by other jurisdictions, along with current investigations by other countries such as Colombia and Russia, as well as the measures presently in place on related products in Canada, demonstrates 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 finding 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.

President`s Determination – Dumping

[213] Based on information on the record demonstrating: China`s excess OCTG capacity; the large and increasing volume of production; the reliance on export markets to address oversupply in the Chinese domestic market; the reliance on exports to maintain capacity utilization rates due to insufficient domestic demand; the recent data suggesting Chinese exporters are selling at low and potentially dumped prices in other global markets; the sustained interest in the Canadian market; the history of Chinese exporters dumping the subject goods and related products into the Canadian market; and the numerous current anti-dumping investigations and measures in other jurisdictions relating to OCTG and steel pipe products, the President determined that the expiry of the finding is likely to result in the continuation or resumption of dumping into Canada of certain OCTG originating in or exported from China.

²⁰² Exhibit 78 (NC) – Tenaris Canada case brief, paragraphs 91 and 92.

POSITION OF THE PARTIES - SUBSIDIZING

Parties contending that continued or resumed subsidizing is likely

Canadian Producers

[214] The Canadian producers made limited representations concerning subsidizing in China.

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

- recent statements by the GOC and Chinese producers and exporters clearly show the extent and magnitude of the GOC subsidization of subject goods;²⁰³
- confirmation of the vast range of Chinese government subsidies applicable to the subject goods by the CBSA in the 2011 re-investigation;²⁰⁴ and
- 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.²⁰⁵

[216] In reviewing the financial statements and annual reports submitted by the participating exporters, the Canadian producers noted that Freet Equipment, Freet Pipe, and Freet Zibo all received government grants and subsidies during the POR.²⁰⁶

[217] The Canadian producers also cited publicly available information indicating that a number of known Chinese OCTG producers received millions of Chinese Renminbi (RMB) in subsidies and grants during the POR, some of which included:

- Hunan Valin Iron & Steel Co., Ltd., a parent of a cooperative exporter in the original OCTG investigation, received grants exceeding RMB 87 million in 2013;²⁰⁷
- Shandong Molong Petroleum Machinery Company Limited, also a cooperative exporter in the original OCTG investigation, received over RMB 49 million in grants in 2012, almost RMB 100 million in government funding and grants in 2013, and over RMB 1 million in grants in the first quarter of 2014;²⁰⁸
- Yantai Lubao Steel Tubes Co., Ltd., an OCTG producer, reported subsidies of over RMB 111 million in the first half of 2013;²⁰⁹ and

²⁰³ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraphs 58 to 65.

²⁰⁴ Exhibit 77 (NC) - Welded Tube of Canada and Energex Tube case brief, paragraph 8.

²⁰⁵ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraphs 66 to 74.

²⁰⁶ Exhibits 79 (PRO) – Evraz Inc. NA Canada case brief, paragraph 58.

²⁰⁷ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 60.

²⁰⁸ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 61.

²⁰⁹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 62.

- WSP Holding Limited, parent of leading Chinese OCTG producer Wuxi Seamless Oil Pipes Company Limited, recognized income from government grants of USD \$340,000 in 2011 and USD \$3.2 million in 2012.²¹⁰

[218] The Canadian producers further identified a number of other source documents with information which they state indicates subsidies were provided to groups of steel producers amounting to billions of RMB over the POR.²¹¹ They argued that the evidence shows that government grants are increasing as time passes and cited a recent GOC policy promulgated in 2013 indicating that the GOC intends to address excess capacity in the Chinese iron and steel industry through the encouragement and subsidization of exports of Chinese excess steel capacity.²¹²

[219] The Canadian producers also noted that the CBSA in the 2011 OCTG re-investigation “confirmed a vast range of Chinese government subsidies in substantial amounts” as being applicable to the subject goods. They further argued that there was no evidence on the record to suggest that those subsidies were no longer in effect today and emphasized the GOC’s lack of cooperation in the original investigation, re-investigation, and the present expiry review investigation with respect to OCTG.²¹³

[220] In addition to the substantial subsidy amounts determined for the cooperative exporters in the 2011 OCTG re-investigation, the Canadian producers also noted that subsequent CBSA investigations regarding similar products demonstrates the continued subsidization of Chinese steel pipe producers and exporters.

[221] In one example, they cited the 2012 pup joints investigation where the CBSA found 100% of the subject goods to be subsidized by an amount equal to 31.4% of the export price. They noted that one of the cooperative exporters in that investigation, which was found to have received subsidies, was also a producer of tubing and casing in addition to the subject pup joints.²¹⁴

[222] In another example, the Canadian producers noted that the CBSA’s 2012 investigation concerning piling pipe from China determined that two cooperative exporters, which also produce OCTG as well as piling pipe, were found to have received subsidies equalling 419.82 RMB/mt and RMB 439.47/mt, with the amounts of subsidy being just over 10% of the export price. Furthermore, they noted that the CBSA determined that 100% of the subject piling pipe from China was subsidized by an amount equal to 11.7% of the of the export price.²¹⁵

²¹⁰ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 63.

²¹¹ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 65.

²¹² Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 64.

²¹³ Exhibit 77 (NC) – Welded Tube of Canada and Energex Tube case brief, paragraphs 7 to 9.

²¹⁴ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 67.

²¹⁵ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 68.

[223] The Canadian producers also pointed out that in the expiry review investigations respecting carbon steel welded pipe (2013) and seamless casing (2012) from China, the CBSA determined that the expiry of those findings would likely result in the continuation or resumption of subsidization. They contend that since many welded pipe and seamless casing producers from China are also OCTG producers, the determinations made in those expiry review investigations are equally relevant and that if the Tribunal's finding is allowed to expire, subsidization of OCTG from China is likely to continue or resume.²¹⁶

[224] With respect to other jurisdictions, the Canadian producers make reference to recent findings made by the United States Department of Commerce (USDOC) respecting OCTG and welded line pipe from China. In August 2013, the USDOC concluded an administrative review respecting countervailing duty on OCTG from China and determined one cooperative OCTG exporter was subsidized by as much 13.54%, expressed as a percentage of export price. As well, a USDOC sunset review concerning welded line pipe from China that was concluded in March 2014 found that revocation of the order would likely result in the continuation or recurrence of subsidization in the range of 33% to 40%, expressed as a percentage of export price.²¹⁷

[225] As a final point, the Canadian producers also noted that the US has a number of other findings impacting steel pipe exporters in China, which they argue, further demonstrates the extent to which the GOC provides subsidies to steel pipe producers from China, including exporters of OCTG.²¹⁸

Parties contending that continued or resumed subsidizing is unlikely

[226] As stated previously, the CBSA did not receive any case briefs or reply submissions from any importers, exporters, or any other parties excluding the Canadian producers. Moreover, the GOC did not respond to the ERQ sent to them nor did they provide a case brief or reply submission. In reviewing the ERQ responses received from importers and exporters, the CBSA found that none of those parties expressed any position with respect to the likelihood of continued or resumed subsidization.

CONSIDERATION AND ANALYSIS - SUBSIDIZING

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

²¹⁶ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraphs 69 to 73.

²¹⁷ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 74.

²¹⁸ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 74.

LIKELIHOOD OF CONTINUED OR RESUMED SUBSIDIZING

[228] Guided by the factors in the aforementioned subsection 37.2(1) of the SIMR 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:

- continued availability of subsidy programs for OCTG exporters in China;
- the volume of subsidized goods imported during the POR;
- the GOC's provision of subsidies to its manufacturers in the steel sector; and
- the countervailing measures against pipe and steel products from China, including OCTG, in both Canada and the United States.

[229] At the conclusion of the original OCTG subsidy investigation in 2010, the President of the CBSA found 38 GOC subsidy programs that provided a benefit to the cooperative exporters.²¹⁹

[230] A list of the programs that provided a benefit to the cooperative exporters at the time of the final determination is as follows:

1. *Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin*
2. *Export Assistance Grant*
3. *Research & Development (R&D) Assistance Grant*
4. *Provincial Scientific Development Plan Fund*
5. *Five Points, One Line Strategy in Liaoning Province*
6. *Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period not Less Than 10 Years*
7. *Preferential Tax Policies for FIEs and Foreign Enterprises which have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment*
8. *Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose*
9. *Exemption of Tariff and Import VAT for the Imported Technologies and Equipment*
10. *Liaoning High-tech Products & Equipment Exports Interest Assistance*
11. *Corporate Income Tax Reduction for New High-Technology Enterprises*
12. *Changzhou Qishuyan District Environmental Protection Fund*
13. *2007 Technology Innovation Award*
14. *2007 & 2008 Energy-saving Fund*
15. *Enterprise Innovation Award of Qishuyan District*
16. *Energy-saving Technique Special Fund*
17. *Changzhou Technology Plan*

²¹⁹ Exhibit 20 (NC) - CBSA Final Determination *Statement of Reasons - Certain Oil Country Tubular Goods*, Appendix 2, pages 34 – 51, March 9, 2010.

18. *2008 Water-saving Technique Assistance*
19. *2009 Energy-saving Fund*
20. *Enterprise Technology Centers of Tianjin City & Jinnan District*
21. *Top Ten Privately-owned Export Enterprises of Tianjin for the Year of 2008*
22. *Income Tax Refund for Enterprises located in Tianjin Jinnan Economic Development Area*
23. *Science and Technology Award*
24. *Financial Subsidy*
25. *Jiangdu City Industrial Economy Performance Award*
26. *Environment Protection Award*
27. *Emission Reduction and Energy-saving Award*
28. *Energy-saving Technology Renovation Fund*
29. *Water Saving Enterprise*
30. *Grant for Market Promotion and Trade Development*
31. *Refund of Land Transfer Fee*
32. *Grant- Wengeng Government*
33. *Grant - Gaocun Government*
34. *Grant - Enterprise Technology Centre*
35. *Grant – Taxpayer*
36. *Debt-to-Equity Swaps*
37. *Acquisition of Government Assets at Less than Fair Market Value*
38. *Input Materials Provided by Government at Less Than Fair Market Value*

[231] 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.²²⁰

[232] Detailed descriptions and explanations of the programs are contained in the CBSA's *Statement of Reasons* issued at the final determination.²²¹

[233] 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.²²²

[234] On June 9, 2011, the CBSA initiated a re-investigation to update amounts of subsidy established at the final determination for OCTG.

²²⁰ Exhibit 20 (NC) - CBSA Final Determination *Statement of Reasons - Certain Oil Country Tubular Goods*, page 33, March 9, 2010.

²²¹ Exhibit 20 (NC) - CBSA Final Determination *Statement of Reasons - Certain Oil Country Tubular Goods*, Appendix 2, pages 34 – 51, March 9, 2010.

²²² Exhibit 20 (NC) - CBSA Final Determination *Statement of Reasons - Certain Oil Country Tubular Goods*, pages 27 and 28, March 9, 2010.

[235] The Request for Information (RFI) sent to exporters at that time included programs identified at the original OCTG investigation, as well as those identified for the seamless casing and pup joints investigations and from any other investigation or new source that suggested the program may be applicable to the OCTG sector.

[236] On November 7, 2011, the CBSA concluded the re-investigation to update the amounts of subsidy in place from the original subsidy investigation on OCTG.

[237] Fifteen exporters located in China received updated amounts of subsidy as a result of their participation in this re-investigation. Those amounts of subsidy ranged from RMB 4.13 per mt to RMB 252.51 per mt. For exporters that did not provide sufficient information to the CBSA to enable the determination of the amount of subsidy using company specific information, the amount of subsidy was 4,070 RMB per mt, in accordance with the ministerial specification pursuant to subsection 30.4(2) of SIMA.²²³

[238] The GOC did not participate in the 2011 subsidy re-investigation. Consequently, as with the original investigation, the CBSA had limited information concerning the details of the subsidy programs.

[239] Similarly, the GOC provided no response to the CBSA ERQ for this expiry review investigation. As a result, the CBSA relied on the information on the record, including publicly available data. This includes the results of the 2011 subsidy re-investigation which form an important source of information that subsidy programs continue to be available to OCTG exporters in China.

[240] The following subsidy programs were found to have provided a benefit to the cooperative exporters in the 2011 OCTG re-investigation²²⁴:

1. *Acquisition of Government Assets at Less Than Fair Market Value;*
2. *Assistance for Exhibition Booth Fees;*
3. *Assistance for Export Credit Insurance ;*
4. *Assistance on Patents;*
5. *Award to Advanced Enterprises;*
6. *Changzhou City "Five Major Industries Development Special Funds";*
7. *Clean Production Qualified Enterprise Reward;*
8. *Corporate Income Tax Reduction for New High-Technology Enterprises;*
9. *Development of Casing with High Tightness Premium Connection;*
10. *Ecological Garden Enterprise Reward;*
11. *Electric Furnace Energy Saving Project;*
12. *Energy Saving Technologies Upgrading Grant;*
13. *Energy Savings Grant - Hengyang MPM;*
14. *Enterprise Supportive Grant;*

²²³ Exhibit 19 (NC) – CBSA Notice of Conclusion of Re-Investigation – Certain Seamless Steel Casing and Certain Oil Country Tubular Goods, page 2, November 7, 2011.

²²⁴ Exhibit 30 (PRO) – Ruling letters issued to exporters at the conclusion of the OCTG re-investigation, November 7, 2011.

15. *Environmental Protection Grant;*
16. *Exemption of Tariff and Import VAT for Imported Technologies and Equipment;*
17. *Export Assistance Grant;*
18. *Famous Brands Award;*
19. *Foreign Invested Enterprise Purchasing Domestic Equipment Drawback;*
20. *Government Export Subsidy and Product Innovation Subsidy;*
21. *Grant - Gaocun Government;*
22. *Grant for Energy Saving Activity - Dongying District Government;*
23. *Grant for Export Activities – Finance Bureau of Dongying;*
24. *Grant for Export Credit Insurance Assistance;*
25. *Grant for Market Promotion and Trade Development;*
26. *Grant for Reimbursement of Legal Expenses Relating to Dumping and/or Subsidy Investigations Finance Bureau of Dongying;*
27. *Grant for Research and Development – Finance Bureau of Dongying;*
28. *Guaranteed Growth Fund;*
29. *High Quality Petroleum Casing Development Project;*
30. *High Quality Special Steel Technology Development;*
31. *Industrial Science and Technology Breakthrough Special Fund;*
32. *Input Materials Provided by Government at Less Than Fair Market Value;*
33. *Jiangsu Province Finance Supporting Fund;*
34. *Jinnan Industrial and Economic Commission Technology Center;*
35. *Key Equipment and Materials Research for High Sulfur Gas Field;*
36. *Large Taxpayer Award;*
37. *Loan Forgiveness;*
38. *Loan from Local Finance Bureau at a Preferential Interest Rate;*
39. *Municipal Construction Award;*
40. *National Science and Technology Pillar Program;*
41. *Patent Application Assistance;*
42. *Patent Assistant Grant;*
43. *Power Demand Management Project of Tianjin;*
44. *Preferential Tax Policies (for FIEs Scheduled to Operate Not Less Than 10 Years);*
45. *Pre-tax Deduction of Enterprise Research & Development Expenses for Enterprises in the New and High Technology Fields;*
46. *Program of Corporate Income Tax Reduction for New High-Technology Enterprises;*
47. *Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period of Not Less Than 10 years;*
48. *Refund of Land Transfer Fee;*
49. *Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments;*
50. *Research & Development (R&D) Assistance Grant;*
51. *Research & Development Expenses in Development of New Technology, New Product, or New Technique;*
52. *Rotary Hearth Furnace Energy Saving Project;*

53. *Special Supporting Fund for Commercialization of Technological Innovation and Research Findings;*
54. *State Service Industry Development Fund;*
55. *Tax Deduction for Research & Development Expenses;*
56. *Technological Innovation Grant;*
57. *Utilities Provided by Government at Less Than Fair Market Value;*
58. *Water Pollution Control Special Fund;*
59. *Water Saving Office.*

Other Factors Concerning Subsidy in China

[241] Since the conclusion of the original investigation, all subject goods imported into Canada have been assessed countervailing duties.

[242] While the finding was in place, OCTG producers located in China have maintained their presence in the Canadian market through exports as can be seen in **Table 1** provided earlier in this report.

[243] As presented in the analysis concerning the likelihood of the continued or resumed dumping, substantial information on the record demonstrates that there are many OCTG manufacturers in China and their capacities for production of OCTG greatly exceed the total size of the Canadian OCTG market.

[244] The analysis concerning the likelihood of the continued or resumed dumping also showed that the information on the record indicates that OCTG producers located in China continue to rely heavily on export markets in order to address oversupply in the Chinese domestic market and the severe excess capacity that continues to permeate the industry.

[245] In Canada, at the end of September 2014, in addition to the finding respecting OCTG, there were countervailing measures in place respecting the following six other steel products originating in or exported from China including: hot-rolled steel sheet; seamless casing; pup joints; steel piling pipe; carbon steel welded pipe; and steel grating. Recently, the CBSA also put provisional duties in place against concrete reinforcing bar from China as a result of the preliminary determination made on September 11, 2014.

[246] The number of Canadian countervailing measures presently in place against the steel products from China listed above demonstrates the GOC's continued commitment to providing subsidies to companies located in China operating in the steel industry, including producers and exporters of OCTG.

[247] ERQ information, including audit reports and financial statements, submitted by three of the four Chinese exporters participating in the current expiry review investigation, also shows that those OCTG producers located in China continued to receive grants and subsidies from the GOC during the POR, including as recently as the first quarter of 2014.²²⁵

[248] The fourth exporter located in China that provided a response to the CBSA’s ERQ, Dalipal, did not provide any financial statements or audit reports. It stated that since the company only sold OCTG to Canada in 2011, and did not export during the rest of the POR, the request for it to provide annual reports or financial statements for the last two years was “inapplicable”.²²⁶

[249] In addition to the information submitted by those participating exporters, the Canadian producers also provided publicly available evidence which clearly demonstrates that OCTG producers and other steel pipe producers continue to receive significant subsidies from the GOC. The details of that information and examples of the significant subsidies received were outlined in the previous section addressing the position of the Canadian producers.

[250] In addition to Canada’s current countervailing measures in place against steel pipe and tubular products from China, including: OCTG; seamless casing; pup joints; steel piling pipe; carbon steel welded pipe; the United States also has a number of countervailing measures²²⁷ in place against other steel pipe and tubular products which are summarized in **Table 5** below:

Table 5
Countervailing Actions Imposed by Other Jurisdictions

Country Imposing Countervailing Action	Description of Subject Goods
<i>OCTG Products Originating in China</i>	
United States	OCTG
United States	Drill pipe (non-subject OCTG in Canada)
<i>Other Steel Pipe and Tubular Products Originating in China</i>	
United States	Circular welded carbon quality steel line pipe
United States	Seamless carbon and alloy steel standard, line and pressure pipe
United States	Welded austenitic stainless pressure pipe
United States	Welded carbon quality steel pipe
United States	High pressure steel cylinders
United States	Light-walled rectangular pipe and tube

²²⁵ Exhibits 63 (PRO) - Shengli Oilfield Freet Petroleum Steel Pipe Co., Ltd ERQ Response, Exhibits 28a and 28b; Exhibit 64 (PRO) - Shengli Oil Field Freet Petroleum Equipment Co., Ltd ERQ Response, Exhibits 28a and 28b; and Exhibit 66 (PRO) - FREET Petroleum Equipment Co., Ltd of Shengli Oil Field, the Thermal Recovery Equipment, Zibo Branch ERQ response, Exhibit 28b.

²²⁶ Exhibit 43 (NC) – Dalipal Pipe Company ERQ response, Question Q28.

²²⁷ Exhibit 80 (NC) – Evraz Inc. NA Canada case brief, paragraph 44 and Exhibit 78 (NC) – Tenaris Canada case brief, paragraph 86.

[251] The existence of these other countervailing measures is a further indication that the GOC continues to provide subsidies to its domestic producers and likely will continue to do so in the future.

President's Determination – Subsidizing

[252] Based on the information on the record in respect of: the availability of subsidy programs for OCTG exporters in China; the volume of subsidized goods exported to Canada during the POR; the GOC provision of subsidies to its manufacturers in the steel sector; and the countervailing measures against steel pipe products from China, including OCTG in both Canada and the United States, the President determined that the expiry of the finding in respect of goods from China is likely to result in the continuation or resumption of subsidizing of OCTG originating in or exported from China.

CONCLUSION

[253] For the purposes of making determinations in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors contained in subsection 37.2(1) of the SIMR. Based on the foregoing consideration of pertinent factors and analysis of the information on the record, the President determined that the expiry of the finding made by the Tribunal on March 23, 2010, in Inquiry No. NQ-2009-004, concerning certain OCTG originating in or exported from China is likely to result in the:

- continuation or resumption of dumping of the goods into Canada; and
- continuation or resumption of subsidizing of the goods exported to Canada.

FUTURE ACTION

[254] On October 27, 2014, the Tribunal commenced its inquiry to determine whether the expiry of its finding with respect to the goods from China is likely to result in injury or retardation to the Canadian industry. The Tribunal has announced that it will issue its decision by March 20, 2015.

[255] If the Tribunal determines that the expiry of the finding with respect to the goods from China is likely to result in injury or retardation, the finding will be continued in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping and countervailing duties on dumped and subsidized importations of certain OCTG originating in or exported from China.

[256] If the Tribunal determines that the expiry of the finding with respect to the goods from China is unlikely to result in injury or retardation, the finding in respect of those goods will be rescinded. Anti-dumping and countervailing duties would no longer be levied on importations of certain OCTG beginning on the date the finding is rescinded.

INFORMATION

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

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for Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate