

**CANADA BORDER SERVICES AGENCY**

**The Dumping of  
Certain Fabricated Industrial Steel Components  
Originating in or Exported From  
the People's Republic of China, the Republic of Korea,  
the Kingdom of Spain, the United Arab Emirates and  
the United Kingdom of Great Britain and Northern Ireland  
and Subsidizing of  
Certain Fabricated Industrial Steel Components  
Originating in or Exported From the People's Republic of China**

**Public  
Witness Statement of  
Jim Kanerva  
Waiward Steel LP**

July 22, 2016

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*This document contains confidential information, the disclosure of which would cause  
commercial harm to Waiward Steel*

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1. My name is Jim Kanerva. I am Chief Operations Officer at Waiward Steel. I have worked at Waiward for over 20 years. In my time with the firm, I have held various positions, including, Quality Assurance Manager, Production Manager, and Vice-President of Operations. I have both undergraduate and graduate degrees in engineering from the University of Alberta.

**I. Waiward Steel**

2. Waiward Steel is located in Edmonton, Alberta. Founded in 1972, it has expanded into one of the largest structural steel fabricators in Canada with over 900 employees across our various divisions. From 2004 through 2015 Waiward was annually recognized as one of Canada's Best Managed Companies, and is now a Platinum Member.
3. Waiward runs one of Canada's largest and most technologically advanced structural steel fabrication facilities. We have 216,000 sq. ft. of fabrication space to produce Fabricated Industrial Steel Components ("FISC"). Waiward's fabrication equipment includes robotic welding (which uses information directly from drafting documents), automated detailing equipment, and advanced plasma drills and other equipment.
4. Waiward produces and installs FISC for various industrial uses. I estimate that 85% of our FISC production is for the oil and gas industry and 13% is for the mining industry. The remaining 1-2% of our FISC production is for other industrial applications, such as

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industrial sized processing facilities.<sup>1</sup> While Waiward has produced structural steel components for commercial projects and bridges in the past, it generally does not do so. Any reference hereafter to “FISC” is a reference to “like-goods” to those goods that are the subject of the Complaint associated with this statement. In 2015, [

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**A. Fabricated Industrial Steel Components**

5. FISC is produced from a variety of steel components including fasteners, hot-rolled structural sections (including beams), hollow structural sections, rod, bar, sheet and strip, and plate. These components are cut, shaped, drilled, bent, punched, welded and connected to form various precise components of a steel structure. The structure could be a weight bearing frame or building, a hopper or silo for mine extractions, a conveying system, or the like. For example, FISC for a project may include structural support for line pipes, a steel structure for mineral processing plant equipment, components of a processing plant, supports for a mine, a structure to support extraction equipment, a system to convey extracted minerals, and buildings to house equipment and utilities associated with a project.
6. FISC are structural elements and some components integrated into the structure. In many cases, FISC is simply the skeleton of a structure. In such cases, components are custom fabricated in our shop as structural pieces for large industrial structures. In the oil and gas context, these structures include pipe racks that support pipes to convey steam, natural gas, bitumen, and other liquids and gases. It also includes structures to support processing equipment and machinery. Each structure is unique as it is designed around the particular equipment and machinery it supports. Consequently, each component is uniquely designed and precisely manufactured to fit together with corresponding components. In

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<sup>1</sup> Waiward generally only produces FISC components. Further, its systems do not have a means of separating FISC and non-FISC production. As non-FISC production is merely incidental, our financial and capacity statements that accompany the Complaint include all production.

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some cases, the components will be partially constructed into modules prior to being shipped to the construction site.

7. There is a clear distinction in the industry between the assembly activities associated with modularization as compared to fabrication. Modularization involves the assembly of fabricated components. The reasons for modularization is two-fold. One, it is cheaper to assemble the components closer to major centres as labour at many remote sites is costly. Second, it is often safer and more efficient to have workers assemble components into a module at 20 feet off the ground rather than to install a component onto a structure at 200 feet of the ground. Modularization is construction, not fabrication.
8. In addition to structural skeletons, FISC includes plate-work components that are integrated into the structure. An example is a hopper used for mining extraction. The hopper is a funnel shaped structure and can be substantial in size and hundreds of tonnes in mass. Large dump trucks will dump extracted ore into the top of the hopper and the raw materials funnel down to a conveyance system or crusher that commences ore processing. FISC producers will fabricate the structural components to support a large mining hopper and the plate components that form the inside of the hopper funnel. As with skeletal components, a FISC producer will fabricate steel plate components at its facility and these components will then be assembled into the hopper at the construction site by attaching the components to the fabricated steel structure designed, fabricated and erected to support the hopper. Other plate work falling within the complaint includes large ducts, bins, chutes, and the like for use in the specified applications.
9. In mining and oil extraction and processing, large conveyors are used to move raw materials such as ore. FISC fabricators will fabricate these heavy-duty conveyor structures, often referred to as galleries, from steel plate and structural steel. These structures are akin to skeletal components, however, they are designed to support, and be

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integrated with, the machinery for the conveyancing of ore and other raw extracted resources. Public Attachment 1 includes pictures of conveyor galleries<sup>2</sup>.

10. Regardless of the nature of a particular FISC component, all FISC components are distributed through the same channels, to the same customers, and are produced on the same machinery by the same producers. In many cases, a single order calls for all three. While the volume of plate-work or conveyancing structures varies according to the particular project (an ore processing plant will have more plate-work and conveyance structures than a pipe rack), the components remain distinctly and uniformly FISC.
11. The cost associated with FISC production varies according to the complexity of the project. While the quantity and value of steel inputs is one factor affecting the overall and unit price of FISC, the engineering and amount of labour required to produce a particular volume of FISC varies and is the major reason why there can be more than a \$5,000/MT price difference between projects. In some cases, the unit value will be even higher.
12. FISC is procured on the basis of total price as the purchaser is buying a complete set of custom fabricated components that precisely fit together into a unique and custom structure. The volume of metric tonnes of FISC for a particular project may vary according to the fabricator and their method of fabrication. For example, Waiward has advanced machinery, skilled but relatively more expensive labour, and is located close to most construction sites that utilize its products. As such, Waiward may fabricate a particular long, heavy, horizontal beam component by taking a single, unworked, heavy beam, cutting it to a precise length and welding plates with precision holes for fasteners to each end. Conversely, a producer that is located farther away from the construction site, but with lower labour costs and higher transportation costs, may take the same fabricated beam, cut it into two pieces so it can fit easily within a sea container, and fabricate plate braces so it can be reassembled into a single beam. This latter method of fabrication will result in a product that meets the same engineering requirements as

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<sup>2</sup> Public Attachment 1: Photos of conveyor galleries.

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Waiward's heavy beam; however, it is easier to transport by ship (as it fits into standard containers) and requires more man-hours to fabricate. Further, there is necessarily more material in order to reconnect broken down pieces. It follows that volumes and unit prices may be skewed by fabrication techniques.

13. The proportion of cost of goods sold that is attributable to inputs and labour vary according to the specific order. Factors affecting the proportion of labour and input costs include the design and complexity of the project. In general, I estimate that labour (fabrication, engineering and drafting) comprises 60% to 80% of the total cost for largely structural components while inputs comprise 20% to 40%.
14. There are only a handful of domestic firms that compete in the FISC market. The reason is that the structures are large, complex, and heavy. As such, firms need to have production facilities with large lifting and production capacities, experienced engineers and drafters, experienced fabricators, and appropriate machinery and technology. Most Canadian structural steel fabricators that fabricate components for commercial buildings and structures, even large ones, do not have these resources. Consequently, FISC production is a specialized sector.

**B. FISC Sales**

15. Industrial developments are large, expensive and lengthy projects. In many cases, the owner of a project will award various parts or components of a development to different firms that are responsible for all aspects of that portion of the projects—design, engineering and construction. These firms are called “EPCs” which stands for “engineering, procurement and construction”. It is most common that the EPC will procure FISC for a particular project. The EPC may choose to sole source the FISC or it may issue a request for proposals (RFP), either publically or to a select number of FISC producers.
16. In some cases the owner of a project will procure FISC or will direct an EPC to use a particular supplier.

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17. FISC will be produced according to the time requirements, design and plans for the particular project. Components will be produced and sent to the erection site according to an erection plan. This is particularly the case for Waiward as we do not maintain space to store finished FISC components. As such, an order may be produced and delivered within a couple of months of it being placed or it may take a year or more to complete the production.

**C. Lost Sales**

18. Over the last number of years, I have seen a significant shift in the Canadian FISC market. As a leading FISC supplier, Waiward was customarily asked to quote on most oil and gas projects in Alberta. As a competitive supplier with an excellent reputation, we were a preferred supplier for many EPCs and owners.
19. Further, offshore imports of FISC were relatively limited and much less in the period that preceded 2013 than what occurred in the 2013 through present time period. Over the last several years, however, there has been a growing presence of FISC sourced from China, Korea, Spain, the UK and the UAE in the Canadian market. At first, we would compete against FISC supplied from these countries. Today, it is becoming normal that we are not even being given the opportunity to compete. Instead, EPCs are sourcing FISC from these countries without asking us to bid or quote. Consequently, we find ourselves erecting structures with FISC components sourced from these countries. The reason that we are not acquiring the supply of FISC is that it can be sourced overseas at extremely low prices; prices which I believe do not reflect reasonable costs plus profit.
20. Below are a few examples of projects that Waiward has lost or that we have been passed over on:
- 1. Imperial Oil – Kearl Phase 1**
21. Imperial Oil's Kearl project is an oil sands extraction development outside Edmonton, Alberta. In 2012, Amec Foster Wheeler, the British EPC for the first phase of the project, awarded the contract for supply of FISC to a Korean supplier. Waiward was not given the



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opportunity to bid on this contract. Had it been given the opportunity it would have submitted a bid.

22. At the time this project was erected Waiward was constructing another project next to it. I am not aware of the name of the supplier, the volume of FISC supplied or the value of the FISC. However, based on my general and specific knowledge of the project and the industry, I would estimate that a project of this size and nature would require approximately 1,475 MT of FISC. Based on my knowledge of the project, I believe that FISC for this project would have been delivered between the last quarter of 2012 through to the last quarter of 2013.

**2. Suncor – Fort Hills – Utility and Off-Site**

23. Fort Hills is an open pit oil sands extraction project. Suncor Energy holds a majority interest in the project. The project is expected to mine and process 110 million tonnes of oil sand annually, resulting in approximately 180,000 barrels of bitumen a day. The project's lifespan is estimated at 50 years. The project has several different aspects: utilities, cogeneration, secondary extraction facility, and ore preparation.
24. The Utilities and Off-site (U&O) portion of the project includes power transmission, steam generation and transmission, water, utilities, and the like. The size of the utilities scope is significant. Fluor, the EPC for the utilities portion, reports that it was awarded the contract for \$1.3 billion dollars.<sup>3</sup>
25. In the first quarter of 2014 Waiward submitted a bid to supply and install [ ] MT of FISC for the utilities scope of the project.<sup>4</sup> Waiward's bid on the FISC supply only, following revisions and scope clarifications, was \$[ ] or \$[ ]/MT.<sup>5</sup>

<sup>3</sup> Public Attachment 2: Fluor, "Press Release: Fluor Secures Canadian Oil Sands Contract" (September 23, 2014).

<sup>4</sup> Confidential Attachment 3: Letter from Waiward to Fluor Canada Ltd, dated April 21, 2016.

<sup>5</sup> Confidential Attachment 4: Waiward Steel Fabricators, Q14-109 Rev 3 (12/07/2016).

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26. In the third-quarter of 2014, Fluor awarded the contract for the supply of FISC to Baosteel, a state-owned Chinese FISC producer. [

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27. I believe that this commercial intelligence is with respect to this Fort Hills contract given the timing and that to our knowledge this is the only Canadian contract that Fluor has sourced from China.

28. Waiward has produced a dumping example for this project. Assuming that our commercial intelligence is an ex-works price, and using our adjusted bid pricing to calculate normal vales, we estimate that Baosteel was dumping by [ ]% to [ ]%. We also estimate that Baosteel received a subsidy equal to [ ]% of its selling price.

29. I estimate that FISC for this project began to arrive in the second-quarter of 2015 and will continue to arrive through to the third-quarter of 2016.

**3. Canadian Natural Resource Limited (CNRL)–Horizon Oil Sands–Delayed Coking Unit**

30. CNRL's Horizon Oil Sands project is located at Fort McKay, Alberta. In late 2011 Waiward submitted a bid to construct and install approximately 2,000 MT of FISC for a delayed coking unit (DCU). Waiward was awarded the contract to construct and install the FISC for the project; however, it was not given the opportunity to bid on the supply of the FISC. Waiward was informed that the FISC was to be supplied by William Hare, a company located in the United Kingdom. Based on Waiward's knowledge of the project, I estimate that Waiward's price for FISC supply only would have been approximately \$8,500,000 or \$4,250/MT. Waiward does not know the price at which the contract was awarded to William Hare. Given that Waiward was not given the opportunity to bid on

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<sup>6</sup> Confidential Attachment 5: [

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the supply of the FISC, I believe that the price obtained from William Hare was significantly below the price at which Waiward would have quoted or bid the project.

31. I estimate that the FISC for this project will be delivered between 2012 Q1 and 2013 H1.

**4. Syncrude – Mildred Lake Mine Replacement – Surge Bins and Slurry Buildings**

32. In late 2012, it was announced that “mine trains” at the Mildred Lake oil sands mine would be replaced. A mine train is a series of processes that crush oil sands and mix it with water to extract bitumen.

33. One of the components of the mine train are the surge bins. Oil sands ore is delivered by large dump trucks and dumped into crushers that reduce the ore to smaller pieces. The ore is then conveyed to the surge bins. From the surge bin the ore is conveyed to a slurry preparation unit where the dry ore is converted into a wet slurry. The slurry is then transported along a hydrotransport line to Froth Production Centre where bitumen is separated from the slurry as froth.

34. Krupp was awarded the EPC contract for the surge bins. It is my understanding that in 2012, Krupp awarded the contract for the supply of FISC for the surge bins to KIC Ltd a Korean FISC producer. Waiward was not given an opportunity to bid on the contract. Had it been given the opportunity it would have submitted a bid.

35. Previously, Waiward was a preferred supplier of Krupp. For this project, and others, they did not even ask us to quote or bid. We have been previously told by officials at Krupp that, in general, they can source FISC overseas for 20% to 25% below domestic pricing. I believe the reason we were passed over on this project was that Krupp knew it could get very low priced FISC overseas.

36. Based on my knowledge of project and the industry in general, I estimate that the surge bins would have required approximately 8,000 MT of FISC. Given the high volume of plate-work required, I estimate that the domestic unit price would have been

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approximately \$6,750/MT, resulting in lost revenue to the domestic industry of approximately \$54,000,000.

37. Krupp also held the EPC contract for the Slurry Processing. As with the surge bins, we were not invited to bid; however, we did erect this portion of the project. It is my understanding that the FISC was supplied by William Hare from the UK. I do not know the volume or the value of the FISC procured, however, based on my industry knowledge and specific knowledge of this project, I estimate that approximately 4,000 MT of FISC would be required and that the domestic price would have been approximately \$17,400,000 or \$4,350/MT. I estimate that the FISC for the Slurry Processing would have also been delivered between the third quarter of 2012 and the end of 2014.

**5. Imperial Oil – Kearl Expansion Project - Crusher**

38. Following phase 1 of Imperial Oil's Kearl project, it sought to expand the project with the construction of an ore-crusher. As discussed above, the crusher renders large pieces of ore taken from an open pit mine to smaller pieces that are then conveyed to further processing.
39. In 2013, Krupp, the EPC for the crusher project, awarded a contract of FISC to Seah Steel, a Korean FISC producer. Waiward was not given the opportunity to bid on the project. Had it been given the opportunity it would have submitted a bid. Waiward was very disappointed that it was not invited to bid as it was previously a preferred supplier to Krupp. I believe that the reason Waiward was passed over was that Krupp knew it could acquire FISC at a lower price from Korea.
40. As Waiward did not bid on the project, I do not know the specific volume or value of the FISC supplied. Waiward did, however, construct or erect the Korean FISC into the structure. Waiward also supplied the FISC for an almost identical crusher for the Mildred Lake Mine Replacement Project. Based on my experience, general knowledge about oil and gas facilities and my specific knowledge about this project and similar projects, I estimate that the project would have required approximately 1,500 MT of FISC. Based on

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the nature of the project and the volume of plate work required for a crush, I estimate that the domestic price to supply this component of the project would have been approximately \$[ ] or \$[ ]/MT.

41. Waiward has calculated a dumping margin for this project based on our reasonable estimates of our costs and price to supply the FISC for this project. The ex-works selling price was calculated on the basis of an estimated bid price, minus shipping. The Korean bid price was estimated at 25% below our costs (i.e. \$[ ]), based on previous comments from Krupp officials about the cost at which it could acquire offshore FISC. From this price, \$303/MT was deducted for shipping, as per a quote provided to Paul Zubick from Supreme Group LP. Consequently, the selling price was estimated at \$[ ]. The fully absorbed cost of production plus reasonable profit was estimated at \$[ ], resulting in a dumping margin of [ ]%.
42. Notwithstanding that the Korean fully absorbed cost of production plus reasonable profit is below Waiward's estimated price, I believe that but for dumping Waiward would have been competitive for this project. When the cost of shipping (\$303/MT) is added to the Korean fully absorbed cost of production plus reasonable profit, its price is \$[ ], which is [ ]% below Waiward's price. However, Waiward would have been willing to lower its price by [ ]% in order to acquire this project. Consequently, Waiward's price would have been competitive given that offshore FISC is only procured if it is sufficiently below domestic prices.
43. Based on my knowledge of the project, I believe that the FISC for this project would have arrived between the last quarter of 2013 and the first half of 2014.

**6. Suncor – Fort Hills – Ore Preparation Plant**

44. Part of the Fort Hills project is the construction of an ore preparation plant which crushes oil sand ore from an open pit mine, moves the product along conveyors to a surge bin and then along a hydrotransport line where the product is run through a rotary wet screen. The product is then processed to remove the bitumen.

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45. In 2014, FAM Canada Inc., the EPC on the Ore Preparation Plant, awarded the supply of an estimated 13,199 MT of FISC to one of, or a combination of, Shanghai Baoye Group Corp. Ltd., Sunhel Heavy Industry Group Co. Ltd. (AKA Seward Group Co. Ltd.) or Jiangyin Huaerli Equipment Co., Ltd., each of which is located in China. Some additional FISC components and apron feeders were supplied by a German firm, totalling an estimated 801MT. Waiward was not given the opportunity to bid on the project. Had it been given the opportunity it would have submitted a bid.
46. Waiward has been retained to erect the FISC for this project. Based on my knowledge of the oil and gas industry and knowledge from constructing this project, I estimate that the portion awarded to Chinese firms would require approximately 13,199 MT of FISC. Given the large volume of plate work required for an ore preparation plant, I estimate that had a domestic producer supplied the project it would have been priced in the range of \$[ ] or \$[ ]/MT. This estimate is based in part on very similar ore preparation plants Waiward has supplied for other projects.
47. Waiward has calculated a dumping margin for this project based on our reasonable estimates of our costs and price to supply the FISC for this project. The ex-works selling price was calculated on the basis of an estimated bid price, minus shipping. The Chinese bid price was estimated at 25% below our costs (i.e. \$[ ]). This estimated based on previous comments from Krupp officials about the cost at which it could acquire offshore FISC. FAM and Krupp are competitors that source FISC globally. If Krupp is procuring FISC at 25% below domestic prices, then so too is FAM. From this price, \$303/MT was deducted for shipping, as per a quote provided to Paul Zubick from Supreme Group LP for shipping from South Korea to Edmonton. It is assumed that the cost of shipping from China and Korea are equivalent. Consequently, the selling price was estimated at \$[ ]. This results in an estimated dumping margin of [ ]%.
48. Notwithstanding that the Chinese fully absorbed cost of production plus reasonable profit is below Waiward's estimated price, I believe that but for dumping Waiward would have been competitive for this project. When the cost of shipping (\$303/MT) is added to the

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Chinese fully absorbed cost of production plus reasonable profit, its price is \$[ ], which is [ ]% below Waiward's price. However, it is common for EPCs to request revised bid prices when domestic producers are close. Waiward would have been willing to lower its price by [ ]% in order to acquire this project. Consequently, Waiward's price would have been competitive given that offshore FISC is only procured if it is sufficiently below domestic prices.

49. Based on my knowledge of the project I estimate that imported FISC would have been delivered between late 2014 and late 2015.

**7. CNRL – Train 4 & 5 – Ore Preparation Plant**

50. In late 2013, CNRL awarded the EPC contract for portions of the Ore Preparation Plant (surge bins and conveyors) to FAM Canada Inc. In the last quarter of 2014, FAM Canada Inc. awarded the contract for the supply of FISC to HuaYu Steel Structure Engineering Company, Ltd., a Chinese FISC producer. Waiward steel was not given an opportunity to bid on the supply of FISC for this project. Had it would have provided a competitive quote or bid if requested.

51. While Waiward was not provided the opportunity to bid on the supply of FISC, it was given the contract to erect the imported FISC. Based on my knowledge of the project from our construction services, and based on similar ore processing plants for which Waiward has previously supplied FISC, I estimate that the project would have required approximately 6,445 MT of FISC. I also estimate that had a domestic producer supplied the project the price would have been in the range of \$55,439,890.

52. Based on my knowledge of the project, I believe that delivery of FISC for the project will run from first quarter 2015 through the second quarter of 2016.

**8. Suncor—Fort Hills – Secondary Extraction**

53. Part of Suncor's Fort Hills oil sands project is the construction of the extraction facility. The extraction facility separates the bitumen from the ore. Suncor awarded EPC contract



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for this portion of the Fort Hills development to SK Engineering and Construction. SK Engineering and Construction, a South Korean firm, reports that its contract is worth US\$2.55 billion.<sup>7</sup>

54. Based on my knowledge of the project I estimate that it will require 25,000 MT of FISC. Waiward was not invited to bid on the supply of this FISC. Instead, it was awarded to Hanmaek Heavy IND., a South Korean FISC producer. Based on my knowledge of the project this steel is to arrive between early 2015 and the third-quarter of 2016.
55. In the third-quarter of 2015 Waiward was approached by SK Engineering to quote on the supply of [ ] MT of FISC for the project. Waiward was told the reason for the quote was that the supply of FISC for the project was running behind schedule. Waiward provided a price of \$[ ] or \$[ ]/MT based on the weights and volumes that SK Engineering requested that we base our bid.<sup>8</sup> However, based on our review of the actual drawings, Waiward's price would have been \$[ ], as the SK Engineering documents did not list some required items. This price is still artificially low, however, because the drafting and engineering portion of the project had already been completed by the South Korean producer. All that Waiward was being asked to do is fabricate according to the supplied drawings. Had Waiward been required to do drafting and engineering, its quoted price would have been approximately \$[ ]/MT or \$[ ].
56. SK Engineering advised Waiward that it could source product from Korea for 20% to 25% less than Waiward's quote and asked Waiward to drop its price by approximately \$500/MT. To supply FISC at that price would have required Waiward to fabricate and sell FISC at a loss, and so it did not agree to meet the reduction request. SK Engineering did not purchase the FISC from Waiward, instead it relied on Hanmaek Heavy IND.

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<sup>7</sup> Public Attachment 6: Business Korea, "Overseas Contract Jackpot SK E&C Solely Signs 2.6 Trillion Won Canada Oil Sands Plant Construction Contract" (August 24, 2014).

<sup>8</sup> Confidential Attachment 7: Letter from Waiward to SK Engineering (September 4, 2015).



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57. Had Waiward been given the opportunity to quote on the entire project it would have submitted a bid. This was a very significant project in Waiward's backyard and Waiward had the capacity and capability to fabricate for this project. As discussed above, the portion of the project that Waiward quoted on was representative of the entire project. Consequently, applying the unit rate of ( \$[ ]/MT), Waiward's estimated unit price for all components and drafting and engineering, to the entire volume results in a total bid price, and total loss to the domestic industry, of \$[ ].
58. Waiward has prepared a dumping calculation for this project. The calculation is based on a selling price of \$[ ]/MT, which was calculated using an estimated bid price, minus shipping. The bid price was calculated by discounting Waiward's estimated price for actual supply (\$[ ]/MT) by 25% as per as per the information disclosed by SK Engineering. Further, it was understood that SK Engineering was reference delivered prices when it was comparing Waiward's price to Korean prices. As such, a further \$303/MT was removed from the estimated bid prices so as to estimate an ex-works or FOB price. Waiward estimates the Korean fully absorbed cost of production plus reasonable profit at \$[ ]. The fully absorbed cost of production plus reasonable profit calculation is based on what Waiward would have priced the [ ] MT order had it also completed the engineering and drafting, adjusted for Korean production. Consequently, it is estimated that the Korean FISC for this project was dumped at a margin of [ ]%.
59. I estimate that the FISC for this project will be delivered between the first quarter of 2015 and the third quarter of 2016.

**9. CNRL – Unit 45 Combined Hydrotreating Unit**

60. Saipem is the EPC on a hydrotreating unit at CNRL's Horizon oil sands project. Hydrotreating it a processing procedure where bitumen and hydrogen are mixed at high pressure and temperatures. The process stabilizes crude oil that is synthesized from bitumen.

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61. Saipem did not seek a bid or quote from Waiward for the FISC for this project. Waiward was, however, selected to erect the project. Saipam is sourcing the FISC from William Hare UAE LLC in the United Arab Emirates.
62. Based on my knowledge of the project specifically, and the oil and gas industry in general, I estimate that the project will require 2,500 MT of FISC. I estimate that if a domestic producer would have produced the FISC for this project the price would have been in the range of \$9,250,000.
63. Waiward has prepared a dumping example for this project. To construct the fully absorbed cost of production plus reasonable profit, Waiward has estimated what its costs and prices would have been to supply project, and adjusted it according for UAE production. Waiward estimates that the UAE fully absorbed cost of production plus reasonable profit for this project is approximately \$9,886,332. Waiward is not aware of the selling price for this project. We know that Saipam, like Krupp, sources FISC globally, and it is reasonable to believe that if Krupp is acquiring FISC at 25% below domestic pricing, so too is Saipam. As such, we constructed the selling price by discounting our estimated fully absorbed cost of production plus reasonable profit by 25% and removing \$303/MT for shipping. This shipping cost is the cost to ship from Korea to Alberta, and is likely conservative for UAE shipping costs. Therefore, Waiward estimates that the UAE FISC was dumped by a margin of [ ]%.

**10. CNRL – Delayed Coking Unit – Fire Rebuild**

64. On January 6, 2011, a fire at CNRL's Horizon Delayed Coking Unit caused significant damage and the coker needed to be rebuilt. The EPC on the project was Technip Italy. Waiward was not asked to bid on the project. Instead, I believe the FISC was supplied by William Hare from the UK. Based on my knowledge of the project and my general industry knowledge, I estimated that the project required approximately 3,573 MT of FISC and that had a Canadian producer supplied to project it would have cost approximately \$12,862,000.

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65. I estimate that the FISC for the project would have been delivered between the first quarter of 2012 and the first half of 2013.

66. I note that this project is distinct from a separate CNRL coker unit expansion that occurred at approximately the same time.

**11. Mosaic**

67. Mosaic is a potash mine and production company. Several years ago it began a multi-year expansion of its potash mining and production facilities in Saskatchewan. The remaining portion of the expansion are the K2 and K3 projects.

68. In the spring of 2016, Waiward submitted a bid to ThyssenKrupp Industrial Solutions (Canada) Inc. to supply FISC for conveyors for the K3 portion of the project and FISC for conveyors and two Transfer Houses for the K2 portion of the project.<sup>9</sup> Waiward's bid, following scope clarifications and revisions, included [ ] MT of FISC and was valued at \$[ ].

69. This portion of the project was awarded to Baosteel from China. Based on previous conversations with Krupp I believe that Baosteel's price, including shipping, was 15% to 20% below Waiward's price. I have prepared a dumping calculation based on 20% price undercutting, which results in a dumping margin of [ ]% to [ ]% and a subsidy margin of [ ]%.

70. I estimate that the FISC for the project will be delivered between August 2016 and March 2017.

71. I note that Waiward also bid to supply the FISC for transfer houses for the K3 portion of the project, and that Waiward received this order. The value and volume of FISC associated with the order obtained by Waiward is not included in the numbers reported

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<sup>9</sup> Confidential Attachment 8: Letter from Waiward to ThyssenKrupp Industrial Solutions Canada Inc., dated January 19, 2016. Letter from Waiward to ThyssenKrupp Industrial Solutions Canada Inc., dated March 30, 2016.

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above. [

].

## 12. Other projects

72. In addition to those projects named above, additional projects that Waiward would have bid on to supply FISC if given the opportunity, but it was not and the FISC was procured from China, Korea, Spain, the UK or the UAE, include:

- a) *CNRL – Unit 31, 31A, 32*
- b) *Canadian Natural Resource Limited (CNRL) – Horizon Oil Sands – Delayed Coking Unit (EPC: Tecnip Italy)*
- c) *Syncrude – Mildred Lake Mine Replacement – Slurry Buildings; Surge Bins (EPC: Krupp)*
- d) *CNRL – 4/5 Slurry Preparation Plants (EPC: Krupp)*
- e) *Rio Tinto Alcon Aluminum Smelter Expansion*
- f) *North Red Water Partnership (“NRWP”) – Sturgeon Refinery – Units 50-60.*
- g) *NRWP – Sturgeon Refinery – Hydrotreater (EPC: Lurghi)*
- h) *Laricina – Saleski Phase 1 (EPC: TR Canada)*
- i) *Husky – Sunrise SAGD*
- j) *CNRL – Corrosion Inhibitor Building (EPC: TR Canada)*
- k) *Fort Hills – Cogeneration Facility (EPC: TR Canada)*
- l) *Lafarge Canada – Baghouse Structure*

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m) *Brion Energy – SAGD Modules* (EPC: WorleyParsons)

## **II. Injury**

73. The presence of dumped and subsidized FISC from China, Korea, the UK, the UAE and Spain has had an adverse impact on Waiward and will have a very significant impact in the future if duties are not applied.

### **A. Price Depression**

74. As a result of low priced imports, Waiward has been forced to reduce its pricing. Presently, it is bidding on FISC supply contracts with profit margins in the range of [ ]% to [ ]%. Prior to the presence of low priced imports Waiward would bid on the supply of FISC with profit margins in the range of [ ]%. Further, we are bidding with lower overhead recovery. For example, on the Mosaic project discussed above, Waiward knew it was facing offshore competition. As such, it bid the project with a profit margin of [ ]% rather than [ ]% and we bid with shop labour rate of \$[ ]/hours rather than our typical rate of [ ]/hour.

75. Bidding with margins of [ ]% to [ ]% is unsustainable in the long run. The nature of our industry means we quote firm prices without complete knowledge of a project. Bidding with a profit margin of [ ]% provides a cushion against unforeseen costs. Further, we must continue to invest in capital to remain competitive. Without sufficient margins we cannot do so.

### **B. Lost Sales**

76. Waiward was previously a preferred supplier for EPCs and project owners in the Alberta oil sands. For example, Waiward previously supplied FISC for almost every project awarded to Krupp; now Krupp will not even approach Waiward, citing the ability to source FISC offshore for 20% to 25% less than prices offered by Waiward.

77. Even when Waiward is asked to bid it faces very stiff competition. In August 2015 through October 2015 period, Waiward submitted bids and quotes for \$[ ]

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worth of FISC fabrication. It was awarded \$[ ]. In other words, it was awarded [ ]% of what it bid.

78. EPCs will only consider using imported FISC if it is priced lower than domestic FISC. The reason is that there are risks with overseas FISC production, including delivery times, repair issues (e.g. if a component needs to be modified), and coordination between the construction firm and the FSIC supplier. The price difference required will vary across EPCs and will depend on the nature and characteristics of the project. In my experience, I believe that EPCs would not start to consider imported FISC unless it was at least 5% below domestic pricing (delivered) and that in some cases the discount may need to go as high as 15%.

**C. Production, Revenue and Profit**

79. Waiward's production, revenue and profit for year 2013 to 2015 appear positive. Waiward's production increased year-on-year as did its revenue. It also maintained healthy margins. It must be recalled, however, that financial statements reflect production related to sales that may have occurred 12 to 24 months prior. In August of 2014, the price of oil was still around US\$100 and oil sands development plans were still in full swing, which helps to explain why its production remained strong in 2014 and much of 2015. Waiward's future is not as rosy.
80. In 2013 and 2014 there was a significant volume of work on the market, and Waiward was able to acquire some of it, despite significant competition from overseas suppliers. By keeping its costs down Waiward was able to remain profitable. However, Waiward was having to pursue small projects and smaller volumes. Many of the larger projects, ranging from 5,000MT to 25,000MT were going to offshore fabricators. These are projects that Waiward used to acquire on a regular basis.
81. As a result of losing the larger projects, Waiward's capacity utilization rate was low. Waiward has the capacity to produce approximately 37,500 MT of FISC a year. In 2013, 2014 and 2015, FISC utilized [ ]%, [ ]% and [ ]% of Waiward's production

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capacity. In the first quarter of 2016, FISC production only utilized [ ]% of Waiward's production capacity. Waiward was generally unable to fill this capacity with non-FISC fabrication. If it were not for unfairly priced imports in the Canadian market, I would have expected that Waiward would have been operating at or close to full capacity in the 2013-2015 period.

82. Waiward's FISC fabrication business was profitable in the 2013 through 2015 period. However, I am very concerned about the financial performance of our FISC production in 2016 through 2018. Unless we acquire some large projects soon, I expect that our FISC production will incur significant losses as a result of low production volumes.

83. Waiward's performance in the near future is of great concern. Due to fabrication being scheduled to occur over a period of time Waiward usually has orders in its books at least 12 months in advance. In some cases, orders may be booked 24 months in advance. As of July 1, 2016, [ ]. This is unknown territory for our company. Waiward is desperately seeking fabrication work. I estimate that over the last six months Waiward has been bidding on \$50 million to \$70 million worth of jobs every month; however, it is acquiring less than [ ]% of these jobs.

84. Unless Waiward acquires some orders in the near future [ ]. Waiward currently has approximately 187 individuals employed in FISC production. [ ]

85. I forecast continued demand for FISC in western Canada (the market Waiward primarily serves) over the next 10 years. While the price of oil has delayed a number of projects, most of those projects will eventually go ahead. Further, Alberta has committed to eliminating coal generated power by 2030. This means there will be a number of power

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generation developments in the coming years and these will require substantial volumes of FISC. The Province of British Columbia is pushing to develop its liquefied natural gas resources, which will also require a significant volume of FISC.

86. Table 2 (Domestic Market: Fabricated Industrial Steel Components) in the Complaint associated with this statement estimates that the Canadian FISC market in 2015 was 143,025 MT. Based on my knowledge of the market, I forecast that the Canadian FISC market for FISC 2016 will be down 20% from 2015, which is equal to 114,420 MT, and I see no evidence or indicators to suggest that 2017 will be any better than 2016.
87. While there will be a Canadian market for FISC in over the next two years, my fear is that Waiward will be passed over on FISC production so long as dumped and subsidized FISC continues to be present in the Canadian market at very low prices.

### **III. Conclusion**

88. Waiward is a leading North American FISC producer. However, we have suffered material injury as a result of unfairly priced FISC imports from China, Korea, Spain, the UK and the UAE. Further, unless FISC imports from these countries begin to be marketed at fair prices Waiward face a real and substantial threat of future of material injury.

I, Jim Kanerva, Chief Operations Officer at Waiward Steel, certify that the information in the Witness Statement is true, accurate and complete.



\_\_\_\_\_  
Jim Kanerva



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**List of Attachments**

<b>Tab</b>	<b>Description</b>
1	Photos of conveyor galleries
2	Fluor, "Press Release: Fluor Secures Canadian Oil Sands Contract" (September 23, 2014)
3	CONFIDENTIAL: Letter from Waiward to Fluor Canada Ltd, dated April 21, 2014
4	CONFIDENTIAL: Waiward Steel Fabricators, Q14-109 Rev 3 (12/07/2016)
5	[ ]
6	Business Korea, "Overseas Contract Jackpot SK E&C Solely Signs 2.6 Trillion Won Canada Oil Sands Plant Construction Contract" (August 24, 2014)
7	CONFIDENTIAL: Letter from Waiward to SK Engineering (September 4, 2015).
8	CONFIDENTIAL: Letter from Waiward to ThyssenKrupp Industrial Solutions Canada Inc., dated January 19, 2016 and March 30, 2016

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**Attachment 1**

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Attachment 2

Fluor Secures Canadian Oil Sands Contract | Fluor Newsroom

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## Newsroom

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# Fluor Secures Canadian Oil Sands Contract

### Category:

[Business Groups \(Energy and Chemicals\)](#), [Company \(Fluor\)](#), [Regions \(North America\)](#)  
Tuesday, September 23, 2014 4:05 pm EDT

### Dateline:

IRVING, Texas & CALGARY, Alberta

### Public Company Information:

NYSE: FLR  
US3434121022

IRVING, Texas & CALGARY, Alberta--(BUSINESS WIRE)--Fluor Corporation (NYSE: FLR) was awarded an engineering, procurement, fabrication and construction contract by Fort Hills Energy L.P. for the utilities scope of the Fort Hills oil sands mining project. The project is located about 90 kilometers north of Fort McMurray in Alberta, Canada. Fluor booked the contract for \$1.3 billion in the third quarter of 2014.

"Fluor looks forward to delivering our integrated engineering, procurement, fabrication and construction solution to this significant project in Canada's Athabasca oil sands," said [Jim Brittain](#), president of Fluor's Energy & Chemicals business for the Americas region. "Fluor will apply our unique modular design and execution approach using our proprietary 3rd Gen Modular Execution<sup>SM</sup> technology. We will fabricate a significant number of components offsite in order to deliver both schedule and capital efficiencies to Fort Hills."

The Fort Hills project will be developed as an open-pit truck and shovel mine and is planned to yield 180,000 barrels of bitumen per day at full production. First oil is expected as early as the fourth quarter of 2017.

The Fort Hills project is owned by Fort Hills Energy L.P., a partnership between Suncor Energy, Total E&P Canada Ltd. and Teck Resources Limited.

### About Fluor Corporation

Fluor Corporation (NYSE: FLR) is a global engineering and construction firm that designs and builds some of the world's most complex projects. The company creates and delivers innovative solutions for its clients in engineering, procurement, fabrication, construction, maintenance and project management on a global basis. For more than a century, Fluor has served clients in the energy, chemicals, government, industrial, infrastructure, mining and power market sectors. Headquartered in Irving, Texas, Fluor ranks 109 on the FORTUNE 500 list. With more than 40,000 employees worldwide, the company's revenue for 2013 was \$27.4 billion. Visit Fluor at [www.fluor.com](http://www.fluor.com) and follow on Twitter [@FluorCorp](#).

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### @FluorCorp

RT [@StefanyWJBF](#):  
#PlantVogtle safety week:  
employees being recognized  
for holding the highest safety  
record for the 2 yr in a row  
<https://t.co/GiBcf43tPy>  
-44 min 16 sec ago

RT [@SouthernNuclear](#): CEO  
Steve Kuczynski to #Vogtle  
3&4 workers: "I appreciate  
your focus on safety and  
quality throughout  
construction."  
<https://t.co/F8uicFuMpw>  
-1 hour 17 min ago

RT [@ENRnews](#): #SafetyWeek  
is here: May 2-6! What is your  
company doing?  
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Jason Landkamer, 469-398-7222

@WECNuclear  
<https://t.co/ADx8lvSiBC>  
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RT @SouthernNuclear: "These new units will provide hundreds of jobs & provide clear air energy for decades to come." -CEO Steve Kuczynski  
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**COMPLAINT**

The Dumping of Certain **Fabricated Industrial Steel Components** Originating in or Exported From the People's Republic of China, the Republic of Korea, the Kingdom of Spain, the United Arab Emirates and the United Kingdom of Great Britain and Northern Ireland and  
Subsidizing of Certain **Fabricated Industrial Steel Components** Originating in or Exported From the People's Republic of China

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**Public Summary of  
Confidential Attachment 3**

**to Statement of Evidence of  
Jim Kanerva  
Waiward Steel LLP**

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**Confidential Attachment 3** contains a confidential business information, the disclosure of which would cause harm to the business and commercial interests of Waiward Steel LLP

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The Dumping of Certain **Fabricated Industrial Steel Components** Originating in or Exported From the People's Republic of China, the Republic of Korea, the Kingdom of Spain, the United Arab Emirates and the United Kingdom of Great Britain and Northern Ireland and  
Subsidizing of Certain **Fabricated Industrial Steel Components** Originating in or Exported From the People's Republic of China

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**Public Summary of  
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Subsidizing of Certain **Fabricated Industrial Steel Components** Originating in or Exported From the People's Republic of China

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## Overseas Contract Jackpot

# SK E&C Solely Signs 2.6 Trillion Won Canada Oil Sands Plant Construction Contract



<http://www.businesskorea.co.kr/sites/default/files/field/image/syncrude%20oilsands.jpg>

An aerial view of the Syncrude oilsands in Alberta, Canada, a similar installation to the one being built by SK E&C. (Photo by Ryan Jackson via Edmonton Journal)

26 August 2014 - 2:03pm

**S**K E&C has solely won a deal for the largest oil sands plant construction project worldwide in Canada.

Sk E&C announced on August 25 the conclusion of the official contract for Fort Hills Oil Sands Project, which is worth US\$2.55 billion, on August 22. Fort Hills Energy is the partnership company in which Suncor Energy, the biggest petroleum producing company in Canada, Teck Resources, and Total E&P Canada of France have jointly invested.

This project is to build the extraction facility to produce 180,000 barrels of bitumen per day out of oil sands buried in Fort Hills located in Alberta, Western Canada, one of the largest oil sands reserves in the world. SK E&C, which has already done the Front-End Engineering Design (FEED), is the main contractor, and already started construction early last month. The plant is expected to be completed by late 2017, about 40 months from now.

Especially, Fort Hills Project is the largest deal that Korean construction companies have won in the oil-sand-rich country Canada, and the very first oil plant construction to apply the bitumen extraction

technologies using high temperature paraffin. SK E&C broke the conventional bitumen extraction method to use naphtha, but introduced new technologies to use high temperature paraffin in order to radically increase the marketability and purity of bitumen.

Major facilities of this construction will be manufactured in forms of module components and transported to Canada over vessels. These models will be assembled and built by local construction companies in Canada.

**COMPLAINT**

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Subsidizing of Certain **Fabricated Industrial Steel Components** Originating in or Exported From the People's Republic of China

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