



OTTAWA, August 5, 2022

STATEMENT OF REASONS

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

CERTAIN PUP JOINTS ORIGINATING IN OR EXPORTED FROM CHINA

DECISION

On July 22, 2022, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the Canada Border Services Agency determined that the rescission of the Canadian International Trade Tribunal's order made on April 7, 2017 in expiry review RR-2016-001:

- i. is likely to result in the continuation or resumption of dumping of certain pup joints, originating in or exported from China; and
- ii. is likely to result in the continuation or resumption of subsidizing of certain pup joints, originating in or exported from China.

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EXECUTIVE SUMMARY

[1] On February 24, 2022, the Canadian International Trade Tribunal (CITT), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its order made on April 7, 2017 in expiry review RR-2016-001 concerning the dumping and subsidizing of certain pup joints originating in or exported from the People's Republic of China (China).

[2] As a result of the CITT's notice, on February 25, 2022, the Canada Border Services Agency (CBSA) commenced an investigation to determine whether the expiry of the order is likely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods.

[3] A response to the Canadian Producer Expiry Review Questionnaire (ERQ) was received from Apergy Canada ULC – Alberta Oil Tool Division (AOT).¹ Although also a producer in Canada, Tenaris Canada did not provide an ERQ response in this proceeding.²

[4] The ERQ response and the case brief submitted by AOT included information supporting their position that continued or resumed dumping and subsidizing of pup joints from China is likely should the CITT rescind its order.

[5] The CBSA received a response to the Exporter ERQ from Hengshui Weijia Petroleum Equipment Manufacturing Co., Ltd. (Weijia)³ and a response to the Importer ERQ from WestCan Oilfield Supply Ltd. (WestCan)⁴ and AOT.⁵ It should be noted that Weijia and WestCan are related to each other.

[6] In addition to responding to the ERQs, WestCan (together with Weijia) and AOT submitted supplemental information prior to the closing of the record and also each filed a case brief.

[7] Each case brief filed on behalf of WestCan/Weijia and AOT supported their position that continued or resumed dumping and subsidizing of pup joints from China is likely if the CITT's order were to expire. No other exporters or importers submitted case briefs or reply submissions.⁶

¹ Exhibits 19 (PRO) and 19 (NC) – Response to Canadian Producer ERQ from Alberta Oil Tool (AOT). Note: Apergy Canada ULC (Apergy) is the corporate title under which AOT is a division. Apergy is formerly “Dover Canada ULC.”

² As noted later in this summary, Tenaris did provide production volume information in Exhibits 26 (PRO) and 27 (NC).

³ Exhibits 13 (PRO) and 14 (NC) – Response to Exporter ERQ from Hengshui Weijia Petroleum Equipment Manufacturing Co., Ltd. (Weijia).

⁴ Exhibits 15 (PRO) and 16 (NC) – Response to Importer ERQ from WestCan Oilfield Supply Ltd. (WestCan).

⁵ Exhibits 17 (PRO) and 18 (NC) – Response to Importer ERQ from AOT.

⁶ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan; Exhibits 29 (PRO), 30 (NC) – Case Brief on behalf of AOT.

[8] The CBSA did not receive a response to the ERQ from the government of China (GOC) nor did it receive a case brief from the GOC.

[9] Analysis of information on the record indicates that the Canadian market remains attractive to pup joint exporters, due in part to global issues creating a spike in the price of oil and trade restrictions in the United States; pup joint producers in China remain export dependant due to a large production capacity/domestic demand imbalance; and exporters from China have not, with the exception of one, demonstrated an ability to compete in Canada at non-dumped prices.

[10] Analysis of information on the record also indicates that exporters in China have continued to avail themselves of subsidy programs; exporters benefit from the GOC's provision of subsidies to producers of OCTG; and the same or closely-related tubular products from China are also subject to countervailing measures in Canada and in other jurisdictions.

[11] On July 22, 2022, having considered the relevant information on the record and the foregoing factors, the CBSA made a determination under paragraph 76.03(7)(a) of SIMA that:

- i. the expiry of the order in respect of the dumping of certain pup joints originating in or exported from China is likely to result in the continuation or resumption of dumping of the goods into Canada; and
- ii. the expiry of the order in respect of the subsidizing of certain pup joints originating in or exported from China is likely to result in the continuation or resumption of subsidizing of the goods exported to Canada.

BACKGROUND

[12] On September 12, 2011, following a complaint filed by AOT, the Canada Border Services Agency (CBSA) initiated investigations respecting the dumping and subsidizing of certain pup joints originating in or exported from China.

[13] On March 12, 2012, the CBSA made final determinations of dumping and subsidizing in respect of the subject goods from China and, on April 10, 2012, an injury finding was issued by the Canadian International Trade Tribunal (CITT).

[14] On November 30, 2016, following the initiation of an expiry review of the CITT's finding of injury, the CBSA determined pursuant to paragraph 76.03(7)(a) of SIMA, that the expiry of the finding was likely to result in the continuation or resumption of dumping and subsidizing of the goods originating in or exported from China.

[15] On April 7, 2017, pursuant to paragraph 76.03(12)(b) of SIMA, the CITT issued an order, continuing its finding in respect of the goods from China.

[16] On February 24, 2022, the CITT, pursuant to subsection 76.03(3) of SIMA, initiated an expiry review of its order made on April 7, 2017 in expiry review RR-2016-001 concerning the dumping and subsidizing of certain pup joints originating in or exported from China.

[17] On February 25, 2022, the CBSA commenced an investigation to determine whether the expiry of the order is likely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods.

PRODUCT DEFINITION

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

“Oil country tubular goods pup joints 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 $\frac{3}{8}$ inches to 4 $\frac{1}{2}$ inches (60.3 mm to 114.3 mm), in all grades, in lengths from 2 feet to 12 feet (61 cm to 366 cm), excluding casing pup joints, originating in or exported from the People’s Republic of China.”

Additional Product Information

[19] Pup joints are tubular steel products that fall within the larger product category of oil country tubular goods (OCTG). Pup joints, along with other OCTG products such as casing, tubing and drill pipe, are used in the process of drilling for oil and natural gas and in bringing the oil and gas to the surface.

[20] Pup joints, which are in essence short pieces of casing or tubing, are used for the purpose of adjusting the length of a string of casing or tubing in a well to its exact requirements. They may also be used to adjust the depth of down hole tools, particularly where exact depth readings in a well are required for any given purpose, such as setting valves, packers, nipples or circulating sleeves. Lastly, pup joints are used with down hole pumps. The number and lengths of pup joints needed will vary from well to well, depending on the equipment needed and the performance requirements established by the engineers.

[21] Pup joints are supplied to meet American Petroleum Institute (API) specification 5CT⁷ or equivalent standards. Although these goods may be produced in either a welded or seamless form, seamless pup joints are the product of choice in the industry. Pup joint manufacturers offer the product in lengths anywhere from 2 feet to 20 feet but pup joints are typically manufactured and sold in standard lengths of 2, 3, 4, 6, 8, 10 and 12 feet.

[22] Only tubing pup joints are subject goods; casing pup joints were excluded from the CITT’s finding and are specifically referred to in the product definition as being excluded.

[23] It should be noted that perforated pup joints are subject goods. These are pup joints with rows of holes or slots drilled longitudinally along the tube. Although the input tubing begins as an API 5CT product, once it is perforated it no longer conforms to the API 5CT specification because it no longer meets the yield strength requirements. Perforated pup joints are employed to allow fluids to enter the production tubing or, alternatively, to create a mud anchor.

⁷ Perforated pup joints are an exception as they do not meet API 5CT.

CLASSIFICATION OF IMPORTS

[24] The subject goods are usually classified under the following Harmonized System classification numbers:

7304.29.00.51	7304.29.00.61	7304.29.00.71	7304.29.00.79
7304.29.00.59	7304.29.00.69		

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

7304.29.00.42	7304.29.00.52	7304.29.00.62	7304.29.00.72
7304.29.00.43	7304.29.00.53	7304.29.00.63	7304.29.00.73
7304.29.00.44	7304.29.00.54	7304.29.00.64	7304.29.00.74
7304.29.00.45	7304.29.00.55	7304.29.00.65	7304.29.00.75
7304.29.00.46	7304.29.00.56	7304.29.00.66	7304.29.00.76
7304.29.00.47	7304.29.00.57	7304.29.00.67	7304.29.00.77
7304.29.00.49	7304.29.00.59	7304.29.00.69	7304.29.00.79

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

PERIOD OF REVIEW

[27] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2019 to December 31, 2021.

CANADIAN INDUSTRY

[28] The Canadian industry for certain pup joints is comprised of the following companies:

- Apergy Canada ULC – Alberta Oil Tool Division; and
- Tenaris Canada;

[29] Although no ERQ responses were received to confirm it, in its submission to the CITT during the notice of expiry phase, AOT did identify Hunting Energy Services (Canada) Ltd. and Argus Machine Co. Ltd. as other potential producers of pup joints in Canada.⁸

⁸ Exhibit 2 (NC) – CITT record transfer to the CBSA; page 4 of 2,598, paragraph 13.

Apergy Canada ULC – Alberta Oil Tool Division (AOT) ⁹

[30] AOT produces and markets production service equipment solutions for the oil and gas industry. Products are made under the “Norris” brand. Norris was founded in 1882. In addition to pup joints, AOT produces and sells sucker rods, sucker rod guides, polished rods, tubing and casing fittings, butterfly valves and controls.

[31] In June 2020, AOT’s parent company, Apergy Corporation, merged with ChampionX Holding Inc., the former upstream energy business of Ecolab Inc. As a result, Apergy Canada ULC’s ultimate parent company is now ChampionX Corporation. The production and sale of pup joints in Canada has been unaffected by the merger.¹⁰

[32] In addition to its production in Canada, AOT also imported pup joints from non-Chinese sources in the POR.¹¹

[33] AOT reported that its production of pup joints is unchanged since the last expiry review. The company manufactures two key types of pup joints: seamless J55 grade pup joints and seamless L80 pup joints. J55 pup joints use seamless OCTG tubing as a raw material input. The tube is cut-to-length and the ends are upset through the upset forging process and then the ends are threaded. L80 pup joints use a seamless mechanical tube that has been heat-treated and meets the steel chemistry for L80 OCTG specifications. The body of the pup joint is then profiled or machined down to achieve the required thickness using a mechanical lathe and then the ends are threaded.

[34] AOT performs two types of tests in order to ensure the pup joints meet API specifications. The first is a drift test to ensure there are no bends or kinks within the hollow of the tube. The second is a hydrostatic test to ensure the pup joint can withstand the required internal pressure. Pup joints are then stencilled and painted and if required, they are perforated by punching holes in the body of the tube.¹²

Tenaris Canada

[35] Tenaris Canada did not provide a full ERQ response. As such, limited information is available regarding their production volumes of pup joints in Canada.¹³

[36] At the last pup joints expiry review, Tenaris was described as a global manufacturer of steel pipe products and related services which are supplied primarily to the world’s energy markets. Tenaris began operations in Canada in 1999.

⁹ <https://www.championx.com/who-we-are/timeline/>

¹⁰ Exhibit 20 (NC) – Response to Canadian Producer ERQ from AOT, Question 8.

¹¹ Exhibit 18 (NC) – Response to Importer ERQ from AOT, Question 3.

¹² Exhibit 20 (NC) – Response to Canadian Producer ERQ from AOT, Q6.

¹³ Exhibit 26 (PRO) – Information submitted by Tenaris Canada regarding production volumes over POR.

[37] Tenaris Canada produced pup joints in each year of the last POR (i.e. 2013 through 2016) and also imported pup joints into Canada from non-subject countries in each of these years.¹⁴ In the current expiry review, Tenaris reported production of pup joints in Canada in the four-year period starting in 2018 and throughout the duration of the POR.¹⁵

CANADIAN MARKET

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

Table 1
Apparent Canadian Market for Pup Joints
(Value in \$)

Source	2019	2020	2021
Canadian Producers¹⁶	\$4,287,521	\$2,655,600	\$3,699,487
Argentina	\$0	\$29,721	\$121,579
China¹⁷	\$1,477,995	\$496,724	\$1,178,711
Indonesia	\$32,178	\$0	\$0
India	\$76,474	\$0	\$70,441
Mexico	\$3,994	\$2,046,330	\$0
Spain	\$106,295	\$0	\$57,688
United States	\$94,150	\$284,497	\$427,531
Ukraine	\$52,106	\$0	\$154,132
All Other Countries	\$79,887	\$6,932	\$87,640
Total Imports¹⁸	\$1,923,079	\$2,864,204	\$2,097,721
Total Market	\$6,210,599	\$5,519,803	\$5,797,207

¹⁴ Exhibit 21 (NC) – Close of record Attachments from WestCan, Attachment 2: CBSA Statement of Reasons on *Certain Pup Joints*, March 27, 2012, paragraphs 32 and 33.

¹⁵ Exhibit 27 (NC) – Information submitted by Tenaris Canada regarding production volumes over POR.

¹⁶ Exhibit 19 (PRO) – Response to Canadian Producer ERQ from AOT, Appendix 1: “Sales in Canada of Domestic Production.” Note: Value in Canadian dollars for Canadian Producers is net of delivery costs. Tenaris did not provide the value of their sales of pup joints from production, only the volume of production. Value for Tenaris has been estimated using the figures from AOT’s Importer ERQ response (Q20) by pro-rating the total value by the percentage that Tenaris accounted for in relation to AOT’s total estimated Canadian volume; Exhibit 17 (PRO) – Response to Importer ERQ from AOT, Question 20. Similar to the value attributed to Tenaris, the “Other Canadian Producers” value is an estimate derived from what AOT stated they believe the percentage share they account for is in the Canadian market.

¹⁷ Exhibit 23 (NC) – CBSA Compliance Statistics (China).

¹⁸ Exhibit 24 (NC) – CBSA Day 50 Import Statistics (excluding China).

Table 2
Apparent Canadian Market for Pup Joints
(Volume in Metric Tonnes) *

Source	2019	2020	2021
Canadian Producers	615.0	361.5	501.0
Argentina	0.0	1.2	8.0
China ¹⁹	162	69	189
Indonesia	3.6	0.0	0.0
India	17.3	0.0	15.0
Mexico	0.4	123.3	0.0
Spain	2.3	0.0	6.8
United States	10.9	14.7	46.5
Ukraine	4.7	0.0	19.3
All Other Countries	6.1	0.4	15.2
Total Imports ²⁰	207.3	208.6	299.7
Total Market	822.3	570.1	800.7

*Note: Some totals may be skewed due to rounding.

Canadian Production

[39] AOT provided information with respect to their sales of pup joints in the Canadian market as well as an estimate of pup joints sold by other producers in Canada and imports into Canada, through their response to the importer ERQ.²¹

[40] AOT estimated what its own sales accounted for of the Canadian Market. Using their actual sales of pup joints over the POR, they accounted for other Canadian production and imports by estimating what percentage these represented of the Canadian market based on their market intelligence.

[41] AOT's sales volumes in Canada were based on pieces, rather than weight. As such, their volume estimate of the Canadian market was also done on the basis of pieces. The company converted their piece count using a factor adjustment to arrive at an estimate of their pup joint sales in metric tonnes. This conversion was not done for their estimate of the balance of the Canadian market (i.e. other producers and imports).

¹⁹ Exhibit 23 (NC) – CBSA Day 50 Compliance Statistics (China).

²⁰ Exhibit 24 (NC) – CBSA Day 50 Import Statistics (excluding China).

²¹ Exhibit 17 (PRO) – Response to Importer ERQ from AOT, Question 20.

[42] The CBSA's estimate of the Canadian market used actual Customs data to estimate imports of pup joints. Consequently, only AOT's estimate of sales from Canadian production was used in Tables 1 and 2 above.

[43] To account for the information submitted by Tenaris, their pup joint volumes were deducted from the "other Canadian sales" totals estimated by AOT, such that the *total* "other Canadian sales" is unchanged from AOT's estimate, with the exception that the CBSA expressed this in metric tonnes rather than pieces. The "other Canadian sales" estimated by the CBSA simply separates that which is estimated to be from Tenaris and the balance which is attributable to other Canadian producers. This was determined to be the best way to account for all sources of information submitted.

[44] Based on the apparent Canadian market figures in Tables 1 and 2 above, estimated sales values and volumes of pup joints in Canada by Canadian producers declined significantly during the onset of the pandemic in 2020 in comparison to 2019 before rebounding in 2021, although not to pre-pandemic levels.

[45] Overall, the Canadian market tracked similarly to the subject imports from China and the Canadian producers over the POR, with a significant drop in 2020 and a recovery in 2021 to near 2019 levels at just over 800 MT and just under \$5.8 million.²²

Imports

[46] While import volumes from China trended similarly to that of the sales volumes of Canadian producers, China's rebound in 2021 exceeded the pre-pandemic imports in 2019, with 189 metric tonnes (MT) marking the highest import total of the three-year POR.

[47] Non-named country import volumes increased in 2020 to 139.6 MT up from 45.3 MT in 2019 before settling back to 110.7 MT in 2021. The increase was also evident in the value as non subject imports jumped from \$445,084 in 2019 to \$2.37 million in 2020 before dropping back to \$919,010 in 2021. The spike in 2020 is attributable to Mexico, which jumped from almost no imports in 2019 to 123 MT in 2020 and over \$2 million, before dropping back to no imports in 2021.

[48] Chinese imports are summarized via enforcement data provided by the CBSA SIMA Compliance Unit below. In their ERQ response, WestCan, who appear through CBSA import statistics to be the sole importer of subject goods, through their related exporter Weijia (confirmed by AOT)²³ reported importations of J55, L80 and P110 grade pup joints in sizes up to 4-1/2" in outside diameter, in all lengths 2 to 12 feet.²⁴

²² As a matter of comparison, AOT estimated the Canadian market to be roughly \$8.4 million in 2021 in their Importer ERQ response in Exhibit 17 (PRO), Question 20. A comparative with their volume estimate is not possible given that their Canadian market estimate for volume was made in pieces.

²³ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 16.

²⁴ Exhibit 16 (NC) – Response to Importer ERQ from WestCan, Question 15.

ENFORCEMENT DATA

[49] **Table 3** below reports the total amount of anti-dumping and countervailing duties collected on imports of subject pup joints from China during the POR.

Table 3
SIMA Duties Collected on Pup Joints²⁵
(Value in CAD)

Country	2019	2020	2021
China	\$17,251	\$5,470	\$94

PARTIES TO THE PROCEEDINGS

[50] On February 25, 2022, a notice concerning the CBSA's initiation of the expiry review investigation was sent to potential Canadian producers, importers and exporters of pup joints, as well as to the GOC. All of these parties were also sent an ERQ.

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

[52] Of the four ERQs sent to potential Canadian producers of pup joints at the initiation of the expiry review investigation, the CBSA received a response from only one party, AOT. In addition to its ERQ response, AOT also provided a case brief.

[53] The CBSA sent five ERQs to potential exporters of pup joints from China at the initiation of the expiry review investigation and received a response from one exporter, Weijia. In addition to its response to the ERQ, Weijia also provided a case brief.

[54] Of the 13 ERQs sent to potential importers at the initiation of the expiry review investigation, two importers, WestCan and AOT, provided a response to the ERQ. WestCan also provided a case brief.

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

²⁵ Exhibit 48 (PRO) – CBSA Import and Compliance Statistics for the POR.

INFORMATION CONSIDERED BY THE CBSA

Administrative Record

[56] The information considered by the CBSA for purposes of this expiry review investigation is contained in the administrative record. The administrative record includes the information on the CBSA's exhibit listing, which is comprised of the CITT's administrative record on which the CITT based its decision to initiate 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 CITT order. This information may consist of expert analysts' reports, excerpts from trade magazines and newspapers, orders and findings issued by authorities of Canada or of a country other than Canada, documents from international trade organizations such as the World Trade Organization and responses to the ERQs submitted by Canadian producers, exporters, importers, and governments.

[57] For purposes of an expiry review investigation, the CBSA sets a date after which no new information submitted by interested parties will be placed on the administrative record or considered as part of the CBSA's investigation. This is referred to as the "closing of the record date" and is set to allow participants time to prepare their case briefs and reply submissions based on the information that is on the administrative record as of the closing of the record date. For this investigation, the administrative record closed on April 19, 2022.

Procedural Issues

[58] The CBSA 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 CBSA will consider the following factors in deciding whether to accept new information submitted after the closing of the record date:

- (a) the nature, relevance, materiality and volume of the information;
- (b) the difficulties encountered by the participant in obtaining or submitting the information by the date specified (for example, the availability of the information or emergence of new or unforeseen issues);
- (c) whether the information can reasonably be taken into consideration by the CBSA for purposes of the proceedings including whether there is sufficient time to verify the information;
- (d) whether other parties are likely to be prejudiced if the information is used (for example, the opportunity for other participants to respond to the information);
- (e) whether acceptance of the information would compromise the ability of the CBSA to conduct the proceedings expeditiously; and
- (f) any other factors that are relevant in the circumstances.

[59] 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 CBSA can decide whether it will be included in the record for purposes of the determination.

[60] In the current expiry review investigation, confidential information pertaining to Tenaris Canada's production volumes of pup joints in Canada was submitted in the late afternoon of the closing of the record date but technically after the noon deadline.²⁶ The information was considered relevant and material and could easily be taken into consideration without compromising the timelines of the process.

[61] Since the CBSA had solicited this information from Tenaris once it was apparent they were not filing an ERQ response and given that the confidential information was still submitted on the close of the record date, the CBSA accepted the information without incident or objection from the other parties in the expiry review.

[62] Furthermore, two weeks following the close of the record, counsel for AOT requested that the CBSA accept additional information on the record in support of their position that the expiry of the CITT order is likely to result in resumed dumping and subsidizing of Chinese subject goods. In particular, AOT sought to place additional information on the record showing the plummeting demand for oil and gas in China in April 2022 and a directly correlated year over-year increase in Chinese seamless tubing exports to Canada during the same period.²⁷

[63] After reviewing the eight public attachments, it was determined that the information was relevant and material to the expiry review, was not available prior to the close of the record and could reasonably be taken into consideration by the CBSA without prejudicing other parties in any way. As such, the CBSA accepted the information as filed.

[64] Counsel for Weijia and WestCan, the only other participants, were granted three days to comment on this late-filed information but no comments were provided.

POSITION OF THE PARTIES - DUMPING

Parties contending that continued or resumed dumping is likely

[65] AOT made representations in its ERQ response and case brief supporting its position that dumping of pup joints from China is likely to continue or resume should the CITT's order be rescinded. In other words, the Canadian producer argued that the anti-dumping measures currently in place should remain.

[66] Similarly, both Weijia, an exporter of subject goods, and WestCan, its related importer in Canada, made representations in their respective ERQ responses and in their case brief that dumping of pup joints from China is likely to continue or resume should the order be rescinded.

[67] Given the consensus of opinion amongst the three respondents mentioned above, the parties unsurprisingly provided similar arguments as to why dumping is likely to continue or resume absent the CITT order. The broader-based arguments made by the parties are presented below followed by more specific arguments.

- Production capacity for steel in China;

²⁶ Exhibits 26 (PRO), 27 (NC) – Information submitted by Tenaris in regards to pup joints production volumes.

²⁷ Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after the close of the record.

- Production capacity for OCTG in China;
- Export dependence of Chinese steelmakers;
- Trade measures against China indicate a propensity to dump; and
- Likely diversion of pup joints from other markets and the attraction of Canadian market

Production Capacity for Steel In China

[68] Counsel for Weijia and WestCan submitted that “the current overproduction and overcapacity of steel production in China greatly magnifies the risk of a return of dumped and subsidized Chinese shipments of pup joints to Canada and, without the order in place to discipline prices of Chinese pup joints, there will be significant disruption to the Canadian market for pup joints.”²⁸

[69] Counsel for each supporting party cited numerous sources of information on the record to illustrate the magnitude of steel production in China.

[70] For example, counsel for Weijia and WestCan cited the CBSA’s comments in a recent expiry review regarding China’s steel industry:

“...China is also the world’s largest steel producing country, representing 57.6% of total global production in 2020. Further, seven of the ten largest steel producing companies globally are headquartered in China. For example, China’s Baowu Iron and Steel Co. (BaowuSteel), a producer of large line pipe and other steel products, is the largest global steel producer. A list of China’s top ten steel producers identifies several companies that produce steel pipe.”²⁹

[71] In absolute terms, China reportedly produced over 1 billion MT of crude steel in 2020, nearly 70 million MT (MMT) more than its steel consumption that year. It is this substantial difference between production and home market demand which counsel stated explains why China is also the largest steel exporter in the world, with reported steel exports of over 51 MMT in 2020.³⁰

[72] Notwithstanding apparent efforts to curtail steel production in China, counsel for AOT noted that other producers are set to expand their steelmaking capabilities. For example, in 2020, the Baowu Group announced its plan to increase its steelmaking capacity to 200 MMT by 2025, from the present 111 MMT.³¹

²⁸ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 17.

²⁹ Exhibit 21 (NC) – Close of Record Attachments from WestCan, Attachment 22: CBSA Large line pipe 2021 Expiry review – Statement of Reasons, paragraph 119.
<https://www.cbsa-asfc.gc.ca/sima-lmsi/er-rre/llp2021/llp2021-de-eng.html>

³⁰ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 16.

³¹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 17; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachment 137: OECD, “Latest Developments in Steelmaking Capacity” (2021), Part 3.7. It is noted by the CBSA that this increase in capacity is said to occur due to mergers and acquisitions in this context, rather than the construction of new facilities.

[73] This continued into 2021, where counsel for AOT cited reports that “China approved nine more steel projects under its production capacity swap program and while some of these projects are intended to lead to a net decline in Chinese steel capacity, the decline is not sufficient to offset the projected increase in China’s overall steelmaking capacity for 2021 and 2022.”

[74] The World Steel Association (WSA) was also cited in addressing steel production growth in Q2-2021, where they stated:

“Crude steel production from China rose in May to an all-time high on the back of firm domestic demand and healthy margins at mills. Per the WSA, production in China, which accounts for more than half of the global steel output, went up 6.6% year over year to 99.5 Mt in May. Output also rose from 97.9 Mt in April. For the first five months of 2021, output climbed 13.9% year over year to 473.1 Mt.”³²

[75] In a similar report, China’s annualized steelmaking capacity reportedly rose to 1.264 billion MT in H1-2021, an increase of 9 MMT from 2020. With the additional planned projects, annual steelmaking capacity is expected to reach 1.288 billion MT by the end of 2021, an increase of 24 million MT from 2020.³³

[76] Counsel for Weijia and WestCan concluded that the evidence on the record demonstrates China’s history of steel production exceeding consumption and as steel supply continues to exceed demand, it is likely to further encourage steel producers in China to pursue export markets as a result.³⁴

Production Capacity for OCTG in China

[77] The parties collectively submitted that China has a production capacity for OCTG, of which pup joints are a subset, that is many times greater than the estimated size of the Canadian market. They argued this makes China capable of making pup joints sufficient enough to “overwhelm the entire Canadian market for pup joints.”³⁵

[78] Counsel for AOT provided a compendium of over forty Chinese OCTG producers including a segment of 13 manufacturers with a total capacity of OCTG/energy tubulars of just over 8 MMT.³⁶

³² Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 49; Exhibit 21 (NC) – Close of Record Attachments from WestCan, Attachment 45: NASDAQ News report: “Global Steel Surge as China Output Hits All-Time High,” June 24, 2021.

³³ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 17; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachment 51: S&P Global Platts article, “China resumes approvals of iron, steel capacity swaps in June,” July 1, 2021.

³⁴ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 52.

³⁵ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Q28(b).

³⁶ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Q28(b); Attachment Q28.A-2: “Chinese Pup Joint Producers Production and Export Orientation Compendium,” 200 pages.

[79] Counsel cited a recent CITT expiry review decision which stated “China remains the largest steel pipe and tube producing country worldwide, comprising approximately 28 percent of the global production.”³⁷ Other information cited from 2020 confirmed China as “the world’s second largest OCTG market, following the U.S., and the largest OCTG exporter to global markets (particularly in API grades).”³⁸

[80] With respect to OCTG specifically, in the 2020 *OCTG I* expiry review, the CITT recognized that total OCTG capacity in China was around 7 to 11.7 million tonnes, with total excess capacity at 3.5 to 5.6 million tonnes.³⁹

[81] Since pup joints are essentially short lengths of OCTG, counsel for AOT argued that in spite of current measures against China for *Seamless Casing* and *OCTG I*, that in absence of the measures on pup joints, there is “nothing stopping a Chinese energy tubular producer that is shut out of the Canadian (and global) market from producing OCTG tubing, cutting it to length, finishing the product, and selling it into Canada as pup joints.”⁴⁰

[82] Counsel for Weijia and WestCan noted that at the time of the CBSA’s last expiry review, 84 Chinese producers had active certifications under the American Petroleum Institute (API) to manufacture pup joints. Currently, evidence cited on the record indicates that there at least 102 producers with an active API 5CT certification in China.⁴¹

[83] Furthermore, counsel argued that “just fourteen of those 102 producers of pup joints have production capacity of more than 8.1 million MT.”⁴² Counsel for AOT stated that this was particularly concerning, given the comparatively smaller size of the estimated Canadian market.

[84] Counsel for Weijia and WestCan stated that just this sampling of producers “clearly demonstrates the ability of the Chinese manufacturers to flood and dominate the Canadian market for pup joints if there were no finding in place.”⁴³

Export Dependence of Chinese steelmakers

[85] Counsel for AOT, Weijia and WestCan identified the imbalance between China’s production and domestic demand as an ongoing issue which forces their producers to seek out export markets aggressively.

³⁷ CITT Order and Reasons, , January 6, 2022, paragraph 47.

<https://decisions.citt-tcce.gc.ca/citt-tcce/a/en/item/518246/index.do?q=RR-2020-004>

³⁸ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 14; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachment 122: Rystad Energy article, “Global OCTG demand to decline by 15% in 2020 and prices set to fall; US to take the biggest hit,” April 21, 2020.

³⁹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 18; CITT Orders and Reasons on *Oil Country Tubular Goods* from China, Expiry Review RR-2019-005, paragraph 58, December 10, 2021.
<https://decisions.citt-tcce.gc.ca/citt-tcce/a/en/item/490717/index.do>.

⁴⁰ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 36.

⁴¹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 46.

⁴² Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 47.

⁴³ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 54.

[86] As noted above, information on the record indicates that China remains the largest steel exporter in the world, with steel exports of over 51 MMT in 2020⁴⁴ and is the largest OCTG exporter as well.⁴⁵

[87] Information on the record cited by counsel for AOT indicates that numerous large OCTG producers in China, including those with normal values for subject pup joints, also acknowledge their export focus.⁴⁶

[88] For example, “Weijia, the lone exporter respondent in this expiry review, confirms that it exports all of its production, indicating that “{t}he sales recorded as domestic sales were made to export oriented Trading Companies that are 100% focused on the export market.”⁴⁷

[89] Tianjin Pipe Corporation (TPCO),⁴⁸ Shandong Molong,⁴⁹ Hengyang Valin Steel⁵⁰ and Jinagsu Changbao⁵¹ were all cited for statements in their own corporate publications which serve to promote their international business. TPCO and Changbao are noted companies with normal values for pup joints.

[90] Counsel for AOT submitted information on the record which asserted the export dependence of pup joint producers in China may be further exacerbated by recent developments concerning lockdowns in major cities such as Shanghai.⁵²

[91] The ripple effect of the lockdowns has hit the manufacturing sectors, including petroleum refineries, where in April 2022 operating rates in China’s four state-owned refiners reportedly fell to 76.4 percent, the lowest levels seen since the onset of the pandemic in April 2020.⁵³

⁴⁴ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 16.

⁴⁵ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 14; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachment 122: Rystad Energy article, “Global OCTG demand to decline by 15% in 2020 and prices set to fall; US to take the biggest hit,” April 21, 2020.

⁴⁶ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52.

⁴⁷ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 14 (NC) – Response to Exporter ERQ from Weijia, Question 20.

⁴⁸ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 172 of 200.

⁴⁹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 135 of 200.

⁵⁰ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 64 of 200.

⁵¹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 88 of 200.

⁵² Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after the close of the record, Attachment 8, paragraph 1.

⁵³ Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after the close of the record, paragraph 3; Attachment 4: S&P Global article, “Asia’s oil demand revival bears the brunt of China’s endless lockdowns,” April 28, 2022.

[92] Counsel for AOT argued that these “declines in domestic oil and gas demand underscore China’s export imperative. Combined with restricted drilling in Russia, and trade restrictive measures in other major oil and gas producing countries, China has fewer and fewer viable export destinations available to it. These circumstances further demonstrate the likelihood that dumped and subsidized exports will resume should the Order expire.”⁵⁴

Trade Measures against China Indicate a Propensity to Dump

[93] All three parties, AOT, Weijia and WestCan, provided examples in their case briefs or in their response to the ERQ of anti-dumping duties being imposed by countries other than Canada with respect to steel and steel-related products from China.⁵⁵ The listing of anti-dumping measures in place against these products were cited as proof that exporters from China have demonstrated a propensity to dump in various jurisdictions throughout the world.

[94] Counsel for Weijia and WestCan, for example, identified 13 anti-dumping measures in other countries that involved Chinese OCTG/pup joints.⁵⁶

[95] In addition to providing examples of anti-dumping duties imposed by other countries, all parties also provided examples of anti-dumping measures in place in Canada with respect to steel and steel-related products from China. The numerous measures in Canada against these products were cited as further evidence of the inability of exporters from China to compete in Canada at fairly-traded prices.

[96] Counsel for Weijia and WestCan stated that since the last expiry review on pup joints which concluded in 2016, the CBSA has conducted expiry reviews on 19 Chinese products, 11 of which concerned steel products, including OCTG. In each review, the CBSA determined that the expiration of the measures was likely to result in the continuation of dumping. The CITT in turn, continued the measures in all 19 cases.⁵⁷

[97] Counsel also noted that since many Chinese pup joints producers are also producers of other energy tubular goods, the existing anti-dumping measures in Canada and abroad, across other types of Chinese steel tubular products, including line pipe and OCTG, demonstrate a pattern of dumping of steel tubular products.⁵⁸

[98] Weijia also conceded that “during the original period of review (July 2010 to June 2011), it had no choice but to dump in order to compete with the other Chinese producers and exporters in order to sell to and compete in the Canadian market.”⁵⁹

⁵⁴ Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after the close of the record, paragraph 4.

⁵⁵ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 62.

⁵⁶ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 64.

⁵⁷ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraphs 8 and 9.

⁵⁸ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 36.

⁵⁹ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 22.

[99] Furthermore, counsel for AOT stated that information submitted from Weijia “confirms its stated willingness and readiness to engage in a ‘free for all fight for market share’ at any cost.”⁶⁰

[100] With regard to pup joints imported into the Canadian market specifically, counsel for Weijia and WestCan noted that the CBSA enforcement data reports an annual average of 140 MT of subject imports from China between 2019 and 2021, which is far below the level detected prior to the original finding from July 1, 2010 to June 30, 2011 of 368 MT.⁶¹

[101] Counsel further noted that while the CBSA identified 109 potential exporters and producers of subject pup joints in China during the original investigation, the record of the POR shows that the field of Chinese exporters has since been limited to a single Chinese exporter, Hengshui Weijia (Weijia), with normal values specifically for pup joints.⁶²

[102] Counsel concluded that the number of trade measures against China for steel products, including OCTG and other tubular products, along with the absence of Chinese pup joint exports to Canada, demonstrates that Chinese exporters are widely unable to compete without resorting to dumping.

Likely Diversion of Pup Joints from Other Markets and the Attraction of the Canadian Market

[103] Counsel for both AOT and Weijia/WestCan argued that should the order be rescinded, pup joints from China may be diverted from the United States to Canada. The diversion is the result of anti-dumping measures currently in place in the United States.

[104] Counsel specified that in the United States, which has a strong demand for OCTG, Chinese pup joints are included in anti-dumping measures that encompass a broad range of OCTG. This order was renewed in November 2020 for another five years.⁶³ Counsel argued that with such measures in place in the United States, in absence of the dumping order in Canada, the Chinese exporters would naturally divert their attention from the United States and focus on the Canadian market at dumped prices.⁶⁴

⁶⁰ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 43.

⁶¹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 75; Exhibit 21 (NC) – Close of record Attachments from WestCan, Attachment 2: CBSA *Statement of Reasons* on Certain Pup Joints, March 27, 2012, paragraph 39.

⁶² Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraphs 31 and 32.

⁶³ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 1: USITC Nos. 701-TA-463 and 731-TA-1159. https://www.usitc.gov/publications/701_731/pub5136.pdf.

⁶⁴ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraphs 66-68.

[105] Counsel for AOT supported the diversion effect argument by citing the 99.14 percent dumping margin on Chinese OCTG imposed by the United States.⁶⁵ Furthermore, counsel stated that:

“Based on USITC import data, imports of Chinese OCTG subject to the anti-dumping order dropped by 96 percent subsequent to the imposition of the measures between 2009 and 2010 from 665,000 MT to only 28,000 MT... And in 2021, Chinese OCTG imports into the U.S. totalled only 1,252 MT, i.e. less than 1 percent of the volume in 2009. Moreover, Chinese producers have since the last expiry review been made subject to other trade restrictions in the United States, notably under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the U.S. Trade Act of 1974.”⁶⁶

[106] Counsel for each party arguing for the continuation of the CITT order also noted that the likelihood of diversion is not only an issue with the United States but also potentially with Russia, as the conflict in Ukraine has decreased the demand for Russian oil.⁶⁷ It was argued that this could therefore limit the demand for OCTG in Russia, due to less drilling activity.

[107] In Canada, however, counsel argued that with the demand for oil projected to be strong, the Canadian market will be potentially attractive for OCTG, including pup joints.⁶⁸ The price of Brent crude oil, a benchmark for global oil pricing, reached \$US100/barrel in February 2022 “for the first time since September 2014.”⁶⁹

[108] Counsel for AOT noted that “Canada’s drilling activity has begun to recover strongly,” and the conflict in Ukraine has “enhanced global demand for Canadian oil.” AOT alleged that this opportunity for the Canadian pup joint industry will be “squandered in its entirety” if the order is not continued.⁷⁰

[109] Counsel cited the dramatic increase in the price of oil as evidence that demand is strong and thus projections for increased drilling activity in Canada are also robust.

[110] Citing the Canadian Association of Energy Contractors (CAOEC), counsel further noted that active rigs in 2021 “marked a return to pre-pandemic levels,” and that “4,650 wells were drilled in 2021, approaching the 4,985 wells drilled in Canada in 2019.” The number of wells drilled in 2022 is projected to be “substantially higher than even the pre-pandemic well count.”⁷¹

⁶⁵ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 40; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachment 89: Federal Register Notice, “Sunset Review on Order of OCTG from China,” July 22, 2020; page 1,337 of 2,535. CBSA Note: The 99.14% was the original finding result: “On April 19, 2010, Commerce published the Final Determination of sales at LTFV in the Federal Register with respect to imports of OCTG from China. The final determination margins calculated were a company-specific weighted-average dumping margin of 29.94 percent and a China-wide rate of 99.14 percent.”

⁶⁶ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 41.

⁶⁷ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 13.

⁶⁸ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 77.

⁶⁹ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 79.

⁷⁰ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 20.

⁷¹ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 27.

[111] Similarly, counsel for Weijia and WestCan cited the Petroleum Services Association of Canada (PSAC) which forecasted an increase in 2022 of around 16% over the number of wells drilled in 2021, which counsel argued “should translate in a similar increase in the demand for pup joints in Canada.”⁷² Counsel also noted that the expected increase in demand in pup joints in 2022 is still expected to be lower than in 2018.⁷³

[112] Counsel for AOT summarized the current state of the Canadian market and the demand for the oil produced in Canada in general as follows:

“as the fourth-largest oil producer in the world, Canada’s oil industry is experiencing a period of heightened demand that will likely last for as long as countries continue require [sic] a replacement for Russian oil. For its part, Canada has committed to assist countries through exporting an additional 300,000 barrels of oil per day. This increase in demand for Canadian oil will undoubtedly increase the number of wells required by oil produces [sic] above the already heightened drilling activity over 2021.”⁷⁴

[113] Citing information on the record from Global Affairs Canada (GAC), counsel for AOT noted that the signs of increased Chinese exports diverted to Canada are already apparent in 2022 as “OCTG imports generally, and seamless tubing imports specifically (i.e. the main input in production of pup joints) have increased sharply in the first four months of 2022 as compared to the same period in 2021...imports of Chinese seamless tubing have increased 23 times over, from just 389 MT to 9,137 MT.”⁷⁵

[114] Counsel concluded that “the speed and magnitude of the increase in Chinese OCTG imports into Canada demonstrates the willingness and ability of Chinese exporters to take advantage of any market access opportunity” that without the continuation of the order, resumed dumping to Canada is highly likely.⁷⁶

CONSIDERATION AND ANALYSIS – DUMPING

Likelihood of Continued or Resumed Dumping

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

⁷² Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 73.

⁷³ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 74.

⁷⁴ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 29.

⁷⁵ Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after close of the record, paragraph 5; Attachment 6: “Customs Tariff HS Code Concordance Table” and Attachment 7: “GAC, Canadian Steel Import data summary by HS-4,6,10 by Country.”

⁷⁶ Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after close of the record, paragraphs 6 and 7.

[116] Guided by the factors in the aforementioned SIMR and based on the documentation submitted by the various participants and consideration of the information on the administrative record, the ensuing list represents a summary of the analysis conducted in this review:

- Global issues, China’s Domestic Market and the Attraction of the Canadian Market;
- China’s Excess Production Capacity and Resulting Export Dependence; and
- Chinese Exporters’ Inability to Compete at Non-dumped prices

[117] As mentioned earlier in this summary, three parties provided responses to the CBSA’s ERQ: Canadian producer AOT; and related importer and exporter WestCan and Weijia. In addition to ERQ responses, AOT, WestCan and Weijia submitted case briefs. All three parties made representations that dumping of pup joints from China is likely to continue or resume should the CITT rescind its order.

Global issues, China’s Domestic Market and the Attraction of the Canadian Market

[118] In January 2022, the International Monetary Fund (IMF) world economic outlook (WEO) for 2022 forecasted that:

“Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. Global growth is expected to slow to 3.8 percent in 2023.”⁷⁷

[119] The IMF WEO for 2022 estimated that China’s economy grew 2.3% and 8.1% in 2020 and 2021 respectively, while projecting growth of 4.8% and 5.2% in 2022 and 2023 respectively.⁷⁸

[120] In April 2022, following the initial fallout of the conflict in Ukraine and sanctions against Russian oil, the IMF revised their projections in their WEO for 2022 stating that:

“This report projects global growth at 3.6 percent in 2022 and 2023—0.8 and 0.2 percentage points lower than in the January forecast, respectively. The downgrade largely reflects the war’s direct impacts on Russia and Ukraine and global spillovers.”⁷⁹

[121] For China, the IMF downgraded its January 2022 growth projection to 4.4% and 5.1% for 2022 and 2023 respectively.⁸⁰

⁷⁷ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment 26-1: IMF World Economic Outlook, January 2022, page 1 of 15.

⁷⁸ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment 26-1: IMF World Economic Outlook, January 2022, page 5 of 15.

⁷⁹ Exhibit 25 (NC) – Close of Record Attachments from AOT, Attachment 13: IMF World Economic Outlook, Forward page xiii, April 2022.

⁸⁰ Exhibit 25 (NC) – Close of Record Attachments from AOT, Attachment 13: IMF World Economic Outlook, Table 1.1. Overview of the World Economic Outlook Projections, page 6, April 2022.

[122] Information on the record indicates that as of the latter part of 2021, China was planning significant investments in its oil and gas exploration. Chinese oil companies, China National Petroleum Company (CNPC), China National Offshore Oil Corporation (CNOOC) and Sinopec are expected to spend about \$123 billion USD on drilling and well services in the next five years, an increase from the \$96 billion spent between 2016 and 2020.⁸¹

[123] The most recent information on the record, however, indicates that the oil market in China is in decline, attributable in part to decreases in demand from pandemic lockdowns. Projected declines for April 2022 represent a 1.2 million barrel per day drop from a year earlier.⁸² This could lead to a decline in drilling and a subsequent decrease in the demand for OCTG in China, including pup joints.

[124] The IMF outlook for Canada was more moderate in January 2022 than the forecasts for global growth, with an estimated growth of 4.7% in 2021 and projections of 4.1% and 2.8% in 2022 and 2023, respectively.⁸³ The revised IMF growth projection in April 2022 for Canada was 3.9% in 2022, while 2023 remained unchanged at 2.8%.⁸⁴ While more moderate, the forecasted growth is still positive for the Canadian economy, unlike the contraction seen in 2020.

[125] The market for pup joints in Canada will inevitably be impacted by the price of oil, as a higher price of oil will lead to more drilling, which will lead to a greater demand for drilling supplies, including OCTG and thus, pup joints.

[126] Canada's recent boon in oil and gas was preceded by a series of market shocks. The first was in Q4-2018 with the collapse in the price of oil benchmark Western Canadian Select (WCS),⁸⁵ which accounted for an estimated half of Canada's crude production at that time.⁸⁶ A mandatory production cut of 8.7 percent in January 2019 imposed by the government of Alberta remained in place through 2019 to 2021, helping the price of Canadian oil to partially recover although it remained below US\$40 per barrel throughout the remainder of 2019.⁸⁷

⁸¹ Exhibit 25 (NC) – Close of Record Attachments from AOT, Attachment 1: Rystad Energy article, “In need of more oil, China is set to splurge over \$120 billion on services and drill 118,000 wells through 2025,” September 24, 2021.

⁸² Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after close of the record, paragraph 2; Attachment 3: Bloomberg article, “China's Oil Demand is Tumbling the Most Since Wuhan Lockdown,” April 22, 2022.

⁸³ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment 26-1: IMF World Economic Outlook January 2022, page 5 of 15.

⁸⁴ Exhibit 25 (NC) – Close of Record Attachments from AOT, Attachment 13: IMF World Economic Outlook, Table 1.1. Overview of the World Economic Outlook Projections, page 6, April 2022.

⁸⁵ Western Canadian Select (WCS) is a heavy sour blend of crude oil.

⁸⁶ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q22-1: “Why Alberta's latest oil-price plunge is Unprecedented;” Globe and Mail, November 27, 2018.

⁸⁷ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-4: “Alberta premier announces 8.7% oil production cut to increase prices;” CBC online, December 2, 2018.

[127] The oil and gas market subsequently plummeted in early 2020 as the pandemic and an oil price war between Russia and Saudi Arabia caused oil prices across the world to decline dramatically. The effects of this price collapse included Canadian oil and gas companies, many of whom mothballed their operations and halted new drilling.⁸⁸ The decline was reflected in Canada's active drill count, which dropped from an average of 133 active rigs in 2019 to a low of 17 active rigs in the week of June 19, 2020.

[128] Global oil prices began to recover beginning in the late spring of 2020. The price of WCS rebounded throughout the year, and the improvement in oil prices led to the resumption of drilling, increasing demand for OCTG and pup joints in the second half of 2020. By the end of 2020, drilling activity in Canada had also recovered considerably, though it remained well below the pre-pandemic weekly peak of 257 rigs in February 2020.⁸⁹

[129] The recovery in oil and gas drilling activity that began in late 2020 continued throughout 2021. The spot price for WCS rose over 63 percent in 2021, from an average price of \$40.04 USD/barrel in January 2021 to \$65.60 USD/barrel in January 2022.⁹⁰ After a decrease in Q2-2021, drilling activity has steadily improved over the subsequent three quarters. The average number of active rigs in 2021 marked a return to pre-pandemic levels.⁹¹

[130] The conflict in Ukraine in early 2022 caused substantial shocks in global oil and gas prices. For example, the spot price for WCS initially jumped from an average price of \$79.10 USD/barrel in February 2022⁹² to \$109.60 USD/barrel on March 8, 2022, before dropping to \$86.18 USD/barrel on March 31, 2022.⁹³ Meanwhile, the international Brent crude benchmark⁹⁴ traded at \$97.92 USD/barrel on April 11, 2022 and was as high as \$129.02 USD/barrel on March 7, 2022.⁹⁵ Projections on the record indicate it could go as high as US\$185-200 per barrel this year.⁹⁶

⁸⁸ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-9: “Canada cuts steam-driven oil projects, risking permanent damage;” Reuters online, April 19, 2020.

⁸⁹ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-11.

⁹⁰ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-2: Alberta Oil Prices – WCS & WTI.

⁹¹ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-11: Baker Hughes Rig Counts.

⁹² Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-2: Alberta Oil Prices – WCS & WTI, page 5 of 5.

⁹³ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22; Attachment Q22-16: OilPrice.com article, “Global Oil Prices,” page 2 of 4; April 2, 2022.

⁹⁴ Brent crude is a light, sweet crude oil and one of the most commonly traded internationally, thus its status as a world benchmark.

⁹⁵ Exhibit 25 (NC) – Close of Record Attachments from AOT; Attachment 3: Brent Crude Oil Prices, 10 Year Daily Chart.

⁹⁶ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q26-5: Reuters.com article, “Soaring prices set stage for eventual reversal of oil, gas demand,” March 8, 2022.

[131] Information on the record indicates that Russian petroleum product exports represented eight percent of global exports and ten percent of global petroleum production; as such, present and future sanctions against Russia over the conflict in Ukraine may also continue to create pressure on world oil prices.⁹⁷

[132] On the other hand, China's lockdown measures in April 2022 aimed to curb the spread of COVID-19 had an immediate effect on benchmark oil prices as fears of economic disruption and decreased consumption in China – a large user of oil – led to West Texas Intermediate (WTI)⁹⁸ oil futures sliding as much as 6.7%, falling below US\$100/barrel in late April 2022.⁹⁹

[133] As such, global events are still rather volatile and the ultimate impact on the Canadian market for oil and gas remains in flux as does the trickle down impact on the demand for OCTG, including pup joints.¹⁰⁰

[134] Given the nature of pup joints as essentially short lengths of OCTG, the market trends seen in pup joints track closely with the trends seen in standard length OCTG.

[135] Unlike standard length OCTG, there is no extensive industry reporting on the pup joints segment of this industry sector. As AOT noted:

“There are no industry publications or metrics that measure demand for pup joints specifically. However, since pup joints are produced from OCTG and are used to adjust lengths of OCTG tubing, the state of the Canadian OCTG market provides an accurate picture of the market for pup joints.”¹⁰¹

[136] OCTG base grades, such as J55 are commodity type products, which run in similar pricing trends worldwide and as such the Canadian market will track closely with world trends, particularly with respect to the US market.

[137] Information on the record reported that the global price of J55 OCTG has reached “record high prices since October 2021.”¹⁰²

[138] In terms of the impact on pup joints during the POR, the information on the record indicates that the Canadian market experienced its own series of shocks, similar to those of the oil and gas industry at large.

⁹⁷ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 9; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment 26-4: Federal Reserve Bank of Dallas (DallasFed) article, “The Russian Oil Supply Shock of 2022,” March 22, 2022.

⁹⁸ West Texas Intermediate is the primary oil benchmark for the US market.

⁹⁹ Exhibit 31 (NC) – Additional Exhibits submitted by counsel for AOT after close of the record, Attachment 1: Aljazeera article: “Oil falls as China’s COVID-19 outbreak imperils demand outlook,” April 25, 2022.

¹⁰⁰ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 22.

¹⁰¹ Exhibit 20 (NC) – Response to Canadian Producer ERQ from AOT, Question 22.

¹⁰² Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 24.

[139] Imports of pup joints also followed this trend as noted previously in Table 2 of this document where imports rebounded from roughly 209 MT in 2020 to just under 300 MT in 2021.

[140] The net effect of the global shocks from the increase in the price of oil and the impact of Russian sanctions are projected to result in a heightened demand for drilling in Canada and thus pup joints by Q3-2022,¹⁰³ resulting in the Canadian market continuing to be an attractive destination for exports of subject goods.

China's Excess Production Capacity and Resulting Export Dependence

[141] The large production capabilities of pup joint producers in China coupled with a flattening domestic market for these goods in China necessitates an export imperative for Chinese pup joint producers.

[142] There is significant historical context to China's dependence on steel exports, including OCTG and their pup joints subset.

[143] In the *OCTG 1* expiry review decision, the CBSA stated that "Chinese seamless OCTG producers are heavily dependent on export markets" and that information on the record demonstrated that "China's exports have consistently increased whereas Chinese imports have declined. Pipe and tube products accounted for 12% (i.e. 3.9 million MT) of China's steel exports."¹⁰⁴ More specific to the goods at issue, in the year preceding the *OCTG 1* expiry review, Chinese exports of OCTG were "more than 1.3 million MT."¹⁰⁵

[144] Information on the administrative record also indicates that Chinese producers exported substantial volumes of seamless OCTG in 2021, of which pup joints would form a segment.¹⁰⁶

[145] Furthermore, in its *OCTG 1* expiry review decision, the CITT stated that "Chinese OCTG producers are strongly focused on exports."¹⁰⁷ The CITT also stated that "there is no doubt that Chinese exporters have a continued interest in the Canadian market. The existence of well-established distribution channels in Canada is also likely to facilitate the entry of subject goods in increased volumes, should the order be rescinded."¹⁰⁸

¹⁰³ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 24.

¹⁰⁴ Exhibit 21 (NC) – Close of Record Attachments from WestCan; Attachment 17 (NC): CBSA expiry review determination *Statement of Reasons* concerning *OCTG 1*, July 17, 2020, paragraphs 89 and 90.

¹⁰⁵ Exhibit 21 (NC) – Close of Record Attachments from WestCan; Attachment 17 (NC): CBSA expiry review determination *Statement of Reasons* concerning *OCTG 1*, July 17, 2020, paragraph 54.

¹⁰⁶ Exhibit 20 (NC) – Response to Producer ERQ from Apergy Canada (AOT), Question 29; Attachment 29-4: IHS Market report, "Chinese Exports of OCTG and Pup Joints," 2016-2021. Note: The HS codes tracked in this report are restricted to three seamless harmonized classification codes (7304) to the 8-digit level. Those are 2910, 2920 and 2930.

¹⁰⁷ Exhibit 21 (NC) – Close of Record Attachments from WestCan; Attachment 30: CITT Orders and Reasons on *Oil Country Tubular Goods* from China, Expiry Review RR-2019-005, paragraph 60, December 10, 2021.

¹⁰⁸ Exhibit 21 (NC) – Close of Record Attachments from WestCan; Attachment 30: CITT Orders and Reasons on *Oil Country Tubular Goods* from China, Expiry Review RR-2019-005, paragraph 62, December 10, 2021.

[146] Beyond the historical context which suggests China’s OCTG industry is dependent upon exports, there are sales and production evidence from the administrative record which supports the position that this trend continues.

[147] Using the lone responding Chinese exporter in this proceeding as an example, Weijia noted that its sales within China “were made to export oriented Trading Companies that are 100% focused on the export market.”¹⁰⁹ As such, it is likely that the majority of Weijia’s sales were ultimately destined for export markets.

[148] Looking at the direct exports reported by the company, Weijia demonstrated a heavy dependence on foreign markets during the POR.¹¹⁰

[149] By comparison, the CBSA’s estimate of the Canadian pup joints market in 2021 from Table 2 in this document is about 800 MT. Consequently, even with the current anti-dumping measures in place, confidential information on the record indicates that Weijia accounted for a significant part of the Canadian market in 2021 and has substantial capacity.¹¹¹

[150] By Weijia’s own admission, they have the ability to expand this capacity and would consider doing so, if the order were rescinded:

“it is expected that we could increase our production capacity three-fold to take advantage of the expansion of our business in the Canadian market. Needless to say, we expect that we would have to compete head on with the hundreds of other Chinese exporters of pup joints, even if those prices are at dumped and subsidized levels.”¹¹²

[151] The concession by Weijia is striking in how the company anticipates Chinese exporters would quickly pounce on the opportunity to undercut the current pricing in Canada but also how Weijia would potentially respond if left unrestrained by the anti-dumping measures in Canada, in order to compete with the anticipated price undercutting.

[152] In addition to Weijia, the capacity of over forty OCTG/pup joints producers was documented earlier in this document.¹¹³ The production capacity of those producers vastly exceeds the size of the Canadian market estimated by the CBSA¹¹⁴ and the excess capacity at Chinese producers’ disposal to produce beyond what is currently produced is well documented in this summary.

¹⁰⁹ Exhibit 14 (NC) – Response to Exporter ERQ from Weijia, Question 20.

¹¹⁰ Exhibit 14 (NC) – Response to Exporter ERQ from Weijia, Question 20. Note: The CBSA acknowledges that the SCU report of Chinese imports in 2021 from Table 2 differs from what Weijia reported. This could be the difference between date of export from Weijia’s perspective and the date of release from the perspective of the CBSA.

¹¹¹ Exhibit 13 (PRO) – Response to Exporter ERQ from Weijia, Question 20; Appendix 1.

¹¹² Exhibit 14 (NC) – Response to Exporter ERQ from Weijia, Question 16.

¹¹³ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Q28(b); Attachment Q28.A-2: “Chinese Pup Joint Producers Production and Export Orientation Compendium,” 200 pages.

¹¹⁴ See Table 2.

[153] Excess capacity can create pressure to produce more for purposes of export. In this respect, in its *OCTG I* expiry review decision, the CITT stated that:

“...perennial excess global steel capacity, largely attributable to massive production capacity in China, remains an important issue overhanging the Canadian and global steel markets, including for OCTG. Excess capacity creates significant incentive for Chinese producers to pursue export sales, at low prices, in order to maintain high capacity utilization.”¹¹⁵

[154] There is no indication on the administrative record for this proceeding that this export dependency has changed.

Chinese Exporters’ Inability to Compete at Non-dumped Prices

[155] There are currently numerous anti-dumping measures in place by countries other than Canada aimed at protecting their domestic industries from the injurious effects of dumped tubular steel products from China.

[156] Information on the record indicates that there are at least ten anti-dumping measures against Chinese OCTG in countries other than Canada, including the United States and Mexico.¹¹⁶

[157] In Canada, there are currently 16 different steel products from China that are subject to anti-dumping measures, in addition to pup joints. At the last pup joints expiry review, there were 11 such measures.¹¹⁷

[158] Of note are many tubular products such as carbon steel welded pipe and piling pipe and, more closely related to pup joints, line pipe, OCTG and seamless casing. These latter three products, like pup joints, are all goods specifically designed for the oil and gas industry. Sucker rods, although not a tubular product, are used in conjunction with OCTG in the extraction of oil and anti-dumping (and countervailing) measures against Chinese sucker rods have come into effect since the last expiry review.

[159] Exporters in China have limited access to other markets by virtue of the numerous anti-dumping and related trade measures against their steel tubing in those markets and that limited access is largely related to the dumping of OCTG. The existence of a substantial number of anti-dumping measures in place in various countries against tubular products from China and, more importantly, the existence of the same measures against OCTG products in Canada and the United States would indicate that exporters in China continue to aggressively sell these goods in export markets at dumped prices.

¹¹⁵ Exhibit 21 (NC) – Close of Record Attachments from WestCan; Attachment 30: CITT Orders and Reasons on *Oil Country Tubular Goods* from China, Expiry Review RR-2019-005, paragraph 41, December 10, 2021.

¹¹⁶ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 38, Table 3.

¹¹⁷ The new cases are Sucker Rods, Corrosion Resistant sheet, Cold rolled sheet, FISC and Large Diameter Line Pipe.

[160] The United States is the world’s largest producer of oil ¹¹⁸ but Chinese producers have limited access to this market due to significant trade barriers, including tariffs made pursuant to Section 232 of the Trade Expansion Act of 1962 and Section 301 of the U.S. Trade Act of 1974, as well as antidumping and countervailing duties. ¹¹⁹ The limited access to a large market for pup joints like the United States, means the absence of anti-dumping measures in Canada could lead to pup joints being diverted to the Canadian market, where drilling activity is strengthening and projected to increase further in 2022.

[161] Weijia’s concession that absent the order, they would have no choice but to dump is also a significant declaration in this proceeding:

“In such circumstances, Hengshui Weijia will have no option but to lower its selling prices to Canada to compete with the dumped prices of the other Chinese exporters of pup joints; in order to do so, it will have to sell at prices significantly lower than their current prices (normal values) and resume shipping to Canada at dumped prices as it did prior to the initiation of the original investigation.” ¹²⁰

[162] Weijia’s projection of how it would behave in absence of the order speaks to the ripple effect of an unregulated market, whereby even a party like Weijia which has been able to compete without dumping, would likely experience price pressure from the abundant number of other parties that have not been able to compete with the measures in place and force Weijia into dumping in order to continue making sales to Canada.

[163] In the CBSA’s original dumping investigation of pup joints from China, which was initiated in 2011, Weijia was the only exporter to participate. Weijia was one of four cooperative exporters to receive normal values in the 2015 re-investigation.

[164] The following represents the Chinese exporters that have been provided with normal values (and amounts of subsidy):

- Hengshui Weijia Petroleum Equipment Manufacturing Co., Ltd. (Weijia);
- Tianjin Pipe (Group) Corporation (TPCO);
- Tianjin Tiangang Special Petroleum Pipe Manufacture Co., Ltd. (TTSP); and
- Jiangsu Changbao Group (Changbao) ¹²¹

[165] It is noteworthy that Weijia has been able to sell to WestCan, its related importer in Canada, during the POR. Analysis of import data suggests that Weijia is the only exporter of subject goods with active normal values. There is no evidence that other exporters have availed themselves of their normal values.

¹¹⁸ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment 26-8: US Energy Information Administration, page 1 of 2.

¹¹⁹ Exhibit 20 (NC) – Response to Producer ERQ from AOT, Question 26.

¹²⁰ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 32.

¹²¹ CBSA Measures In Force (MIF): <https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/pj-eng.html>

[166] In addition to Weijia, who is clearly export oriented towards the Canadian market, TPCO,¹²² TTSP,¹²³ and Jinagsu Changbao¹²⁴ all have corporate literature cited on the record that points to their focus on export markets. Consequently, the lack of sales to Canada would appear to be an inability to sell without dumping, rather than a lack of interest in export markets.

[167] This was corroborated by WestCan's market intelligence where they stated on the record that "WestCan is very active in the Canadian market where it resells the Hengshui Weijia pup joints and has not seen any evidence of other Chinese pup joints."¹²⁵

[168] The limited number of parties that have received and availed themselves of normal values by making sales of subject goods to Canada is evidence that nearly all exporters continue to be unable to sell subject goods to Canada at non-dumped prices.

Determination Regarding Likelihood of Continued or Resumed Dumping

[169] Based on the information on the record demonstrating global issues creating a spike in the price of oil, insufficient demand in China, the attraction of the Canadian market, China's excess production capacity and the resulting export dependence; and the inability of exporters, with the exception of one, to sell pup joints to Canada at non-dumped prices, the CBSA determined that the rescission of the order is likely to result in the continuation or resumption of dumping into Canada of certain pup joints originating in or exported from China.

POSITION OF THE PARTIES - SUBSIDIZING

Parties contending that continued or resumed subsidizing is likely

[170] AOT, Weijia and WestCan, all contend that the subsidizing of pup joints from China is likely to continue or resume should the CITT's order expire.

[171] Many of the arguments made in favour of the likelihood of continued dumping overlap with the arguments made in the same regard with respect to subsidy. However, there are certain distinct elements to the subsidy arguments which are documented in this section.

[172] Given the consensus of opinion amongst the three respondents mentioned above, the parties unsurprisingly provided similar arguments as to why subsidizing is likely to continue or resume absent the CITT order.

¹²² Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 172 of 200.

¹²³ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 179 of 200.

¹²⁴ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 52; Exhibit 20 (NC) – Response to Producer ERQ from AOT, Attachment Q28.A-2, page 88 of 200.

¹²⁵ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 29.

[173] The broader-based arguments made by the parties are presented below followed by more specific arguments:

- Continued existence of subsidy programs in China; and
- Trade measures against China indicate a propensity to subsidize;

Continued Existence of Subsidy Programs in China

[174] The participating parties all cited information on the record that demonstrates the continued existence of subsidy programs in China for tubular producers. Recent countervailing determinations by the CBSA were specifically cited to support this assertion.

[175] For example, counsel for AOT summarized recent CBSA countervailing investigations as follows:

“The CBSA has consistently found that Chinese producers of tubular products are subsidized. In 2018, the CBSA confirmed that Chinese producers of seamless casing were likely to remain subsidized. In 2020, the CBSA confirmed the same with respect to Chinese producers of OCTG. This finding is particularly relevant given that that pup joints are a subset of OCTG, and thus the very same producers are at issue. In August 2021, the CBSA also found that the expiry of the finding on small diameter line pipe would result in continued or resumed subsidizing of line pipe originating in China. Finally, just two months ago (in March 2022), the CBSA found that Chinese producers of large diameter line pipe are likely to resume subsidizing should the finding expire.”¹²⁶

[176] Counsel for Weijia and WestCan also cited the high number of subsidy programs the CBSA has previously investigated, noted that the last subsidy re-investigation on OCTG in 2015 had “identified 113 potentially actionable subsidy programs” and in the ensuing expiry review concluded that there was a likelihood of continued or resumed subsidizing.¹²⁷

[177] The continued existence of subsidy programs available to OCTG and pup joint producers was further supported by company-specific information on the record. For example, counsel for AOT cited Shandong Molong Petroleum’s 2020 annual report where the company itemized government grants in 2018 through 2021, totalling over 62 million RMB.¹²⁸

¹²⁶ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 62.

¹²⁷ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan, paragraph 40.

¹²⁸ Exhibit 30 (NC) – Case Brief on behalf of AOT, paragraph 59; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachment 94: Shandong Molong Petroleum Machinery Co Limited, 2020 Annual Report, page 7.

Trade Measures against China Indicate a Propensity to Subsidize

[178] Counsel cited the CBSA's current drill pipe countervailing investigation as the most recent example of an OCTG product investigated for subsidizing in China. Counsel identified the 364 potentially available subsidy programs in China the CBSA is investigating. Counsel summarized that "it is reasonable to conclude that there is a long list of subsidy programs available to Chinese pup joint producers and exporters."¹²⁹

[179] In Canada, counsel for Weijia and WestCan identified 21 subsidy measures against China, including 15 concerning the steel sector, demonstrating the degree of subsidization across the industry by the GOC.¹³⁰

[180] Counsel for AOT also noted that in addition to countervailing measures concerning Chinese OCTG, the United States also has four other countervailing measures against other Chinese steel tubular products.¹³¹

CONSIDERATION AND ANALYSIS – SUBSIDIZING

Likelihood of Continued or Resumed Subsidizing

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

[182] 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:

- The continued availability of subsidy programs in China;
- The GOC's provision of subsidies to OCTG producers in China; and
- Countervailing measures against closely-related Chinese tubular products

¹²⁹ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan – paragraphs 41 and 42.

¹³⁰ Exhibit 28 (NC) – Case Brief on behalf of Weijia and WestCan – paragraph 82.

¹³¹ Exhibit 30 (NC) – Case Brief on behalf of AOT – paragraph 64; Exhibit 2 (NC) – CITT record transfer to the CBSA, Attachments 97 to 103: Selected USDOC countervailing decisions on steel tubulars from China.

The Continued Availability of Subsidy Programs in China

[183] Weijia was the only exporter to participate in the CBSA's original subsidy investigation, which concluded March 3, 2012. At that time, the CBSA determined that the GOC had conferred benefits to Weijia under the following two programs:

1. *Preferential Tax Policies for Enterprises with Foreign Investment*
2. *Grants for Export Activities*¹³²

[184] The total amount of subsidy for these two programs was calculated to be 563.9 Renminbi per metric tonne (RMB/MT). Detailed descriptions of these programs and explanations as to why they were regarded as subsidies subject to countervailing duties are contained in the *Statement of Reasons* issued at the final determination.¹³³

[185] For all other exporters, the amount of subsidy was determined under a ministerial specification pursuant to subsection 30.4(2) of SIMA. The amount of subsidy calculated for these exporters was 9,125.6 RMB/MT.¹³⁴

[186] On December 14, 2015, the CBSA concluded a re-investigation to update the amount of subsidy for pup joints from China. Again, Weijia was the only pup joint specific exporter (i.e. does not export other OCTG) to participate and this time the amount of subsidy calculated for the company was 0.04 RMB/piece. The amount of subsidy for all other exporters remained at 9,125.6 RMB/MT.¹³⁵

[187] The following other Chinese exporters of OCTG have also been provided amounts of subsidy for their pup joints:

- Tianjin Pipe (Group) Corporation (TPCO);
- Tianjin Tiangang Special Petroleum Pipe Manufacture Co., Ltd. (TTSP); and
- Jiangsu Changbao Group (Changbao)¹³⁶

[188] As previously noted, the only exporter believed to make sales of pup joints to Canada during the POR, is Weijia, through their related importer, WestCan.¹³⁷

¹³² Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 4: *Statement of Reasons* – Final Determination, March 27, 2012, pages 25-27; Appendix 1.
<https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1390/ad1390-i11-fd-eng.pdf>.

¹³³ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 4: *Statement of Reasons* – Final Determination, March 27, 2012, pages 25-27; Appendix 1.
<https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1390/ad1390-i11-fd-eng.pdf>.

¹³⁴ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 4: *Statement of Reasons* – Final Determination, March 27, 2012, pages 25-27; Appendix 1.
<https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1390/ad1390-i11-fd-eng.pdf>.

¹³⁵ Exhibit 21 (NC) – Close of Record Attachments from WestCan, Attachment 3: Notice of Conclusion of Re-investigation, December 14, 2015.
<https://cbsa-asfc.gc.ca/sima-lmsi/ri-re/ad1371-1385-1390-1404/ad1371-1385-1390-1404-ri15-nc-eng.html>.

¹³⁶ CBSA Measures In Force (MIF): <https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/pj-eng.html>

¹³⁷ Exhibit 20 (NC) – Response to Canadian Producer ERQ from AOT, Question 16.

[189] The amounts of subsidy, as it pertains to each of these and all other exporters, continue to be in effect at the time of this statement of reasons.¹³⁸

[190] In both the CBSA's original investigation, which concluded in 2012 and its re-investigation in 2015, the GOC did not submit sufficient information to enable the CBSA to determine the amount of subsidy in accordance with subsection 30.4(1) of SIMA.¹³⁹ As such, amounts of subsidy, even for co-operating exporters, were determined under a ministerial specification.

[191] Similarly, in the last expiry review investigation concerning certain pup joints, which concluded November 30, 2016 as with the present expiry review, the GOC did not furnish a response to the ERQ. The absence of participation from the GOC has limited the CBSA's ability to have a more fulsome understanding of the scope of GOC subsidization than if they had participated.

[192] In response to this expiry review, Weijia, the lone participating exporter of pup joints conceded that although they did not access government subsidies subsequent to the original investigation, demonstrating its "intent to export to Canada at fairly-traded prices;" in the absence of the CITT's order, they would "have no option but to lower its selling prices to Canada to compete with the subsidized prices of the other Chinese exporters of pup joints. In order to do so, it will have to pursue government subsidies and sell at prices significantly lower than their current prices.

[193] Notwithstanding the lack of participation from the GOC, the fact that Weijia received subsidies from the GOC in the past, concedes they would pursue them if necessary in the future and the recent evidence of continued subsidy programs in China noted above, supports the likelihood that pup joints from China will continue to be subsidized should the CITT's order be rescinded.

The GOC's Provision of Subsidies to OCTG Producers in China

[194] Beyond conferring benefits to producers of pup joints and the apparent continued availability of subsidy programs, the GOC has been found to have conferred benefits to producers of the broader range of OCTG.

¹³⁸ CBSA Measures in Force (MIF) – <https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/pj-eng.html>.

¹³⁹ Exhibits 22 (NC) and 21 (NC) – *Statement of Reasons* – Final Determination, March 27, 2012, paragraph 59; Appendix 1. <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1390/ad1390-i11-fd-eng.pdf>; Notice of Conclusion of Re-investigation, December 14, 2015. <https://cbsa-asfc.gc.ca/sima-lmsi/ri-re/ad1371-1385-1390-1404/ad1371-1385-1390-1404-ri15-nc-eng.html>.

[195] As previously noted, the last subsidy re-investigation concerning pup joints was conducted in 2015. That process covered three Chinese OCTG countervailing measures: *Seamless Casing*, *OCTG 1* and *Pup Joints*. At the conclusion of that re-investigation, the CBSA determined amounts of subsidy for eleven different exporters. The amounts of subsidy exported by these companies ranged from 2.20 RMB/MT to 1,066.56 RMB/MT.¹⁴⁰

[196] The American Petroleum Institute (API) identifies 102 total producers in China with a certification to produce pup joints. It also should be noted that eight of the eleven exporters from the 2015 re-investigation also have the capability of producing pup joints as per their API certification.¹⁴¹ This information would indicate that the GOC does not limit subsidy programs to only pup joint producers but offers subsidy programs to the much wider category of OCTG producers in China's steel sector, which have the capability to manufacture pup joints.

[197] At the initiation of the 2015 subsidy re-investigation, the CBSA named 67 potentially actionable subsidy programs available to exporters and producers in China. By the conclusion of the re-investigation an additional 46 programs were identified through the CBSA's examination and verification of information submitted by the participating exporters.¹⁴²

[198] Through the GOC's own disclosure, continued existence of Chinese subsidy programs is not in question. China's notification to the WTO's Committee on Subsidies and Countervailing Measures in 2021 identified 71 central government subsidy programs and another 36 at the sub-central level (i.e. municipal, provincial or autonomous region). Several of these programs target the steel industry and the majority are preferential tax programs.¹⁴³

[199] Notwithstanding this disclosure, the transparency of China's subsidy programs has been the subject of scrutiny at the World Trade Organization (WTO) ever since China's accession in 2001. As such, numerous member countries raised concerns with China's most recent notification of subsidies to the WTO noted above.

¹⁴⁰ Exhibit 21 (NC) – Close of Record Attachments from WestCan, Attachment 3: Notice of Conclusion of Re-investigation, December 14, 2015. <https://cbsa-asfc.gc.ca/sima-lmsi/ri-re/ad1371-1385-1390-1404/ad1371-1385-1390-1404-ri15-nc-eng.html>.

¹⁴¹ Exhibit 20 (NC) – Response to Canadian Producer ERQ from AOT, Q28 A-3. API Composite List – Licensed manufacturers of pup joints in China. Huludao City Steel Pipe Industrial Co., Ltd. / Huludao Bohai Steel Pipe, HG Tubulars and Jiangsu Chengde do not appear to be licensed to produce pup joints.

¹⁴² Exhibit 21 (NC) – Close of Record Attachments from WestCan. Attachment 3: Notice of Conclusion of Re-investigation, December 14, 2015. <https://cbsa-asfc.gc.ca/sima-lmsi/ri-re/ad1371-1385-1390-1404/ad1371-1385-1390-1404-ri15-nc-eng.html>.

¹⁴³ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 5: China's Subsidy Notification to WTO under ASCM, August 21, 2021; 169 pages.

[200] The general concern involves the timeliness and completeness of the GOC's notification to the WTO of its subsidy programs. Amongst the issues raised:

“The United States said that in China's Protocol of Accession, ‘China agreed to make available to WTO Members all trade-related laws, regulations, and other measures prior to implementing or enforcing them, and to designate a single journal for the publication of all trade-related laws, regulations, and other measures, which China has designated as the MOFCOM Gazette.’ However, “in most cases, subsidy measures, especially normative measures and sub-central measures, are not published in the MOFCOM Gazette,” and sometimes “are nowhere to be found anywhere else.”¹⁴⁴

[201] In a similar critique of China's adherence to subsidy notification obligations:

“Canada said it ‘echoes the US concerns with China's compliance with WTO transparency requirements.’ It noted that ‘China has yet to respond to an enquiry from Canada dated January 2020 regarding two unnotified subsidy programmes.’”¹⁴⁵

[202] Australia recently called on China to disclose the actual amount of money allocated to certain preferential tax programs.¹⁴⁶ Similarly, the United Kingdom also questioned China on both the eligibility criteria and scope for certain preferential tax programs as well as further details on preferential loans issued by state-owned banks, which have been found to exist in the past but were alleged to be absent from China's most recent notification.¹⁴⁷

[203] Citing statements from China's National Development and Reform Commission (NDRC), the United States also requested China to disclose more details of the country's use of certain “guidance funds,” which the United States characterized as funds used to make “equity investments in various sectors.” They further stated that:

“The majority owners of these funds normally consist of government ministries and state-owned enterprises which ultimately ensure that funds are spent consistent with government policy.”¹⁴⁸

¹⁴⁴ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 8: China Trade Monitor article – “WTO Members Discuss Transparency of China's Subsidy Notifications,” December 15, 2021.

¹⁴⁵ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 8: China Trade Monitor article – “WTO Members Discuss Transparency of China's Subsidy Notifications,” December 15, 2021, page 2 of 3.

¹⁴⁶ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 9: WTO Committee on Subsidies and Countervailing Measures – Questions Posed by Australia Regarding the New and Full Notification of China, March 24, 2022.

¹⁴⁷ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 10: WTO Committee on Subsidies and Countervailing Measures – Questions Posed by the United Kingdom Regarding the New and Full Notification of China, January 27, 2022.

¹⁴⁸ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 11: WTO Committee on Subsidies and Countervailing Measures – Questions Posed by the United States Regarding the New and Full Notification of China, January 27, 2022, Question 2, page 1 of 7.

[204] As a result, the GOC was asked why there was no disclosure in respect of the following government guidance funds: (1) National IC Fund; (2) Shanghai IC Fund; (3) Hubei IC Fund; (4) National IC Fund, Phase 2; and (5) Beijing IC Industrial Development Fund.¹⁴⁹

[205] The United States also raised numerous other concerns of apparent subsidizing that was not disclosed by the GOC, including one involving steel producer, Lingyuan Iron & Steel Co. Ltd., a state-owned steel company. The United States alleged that this company had received a reported 790 million RMB from a Chinese municipal government in 2015 and other subsidies going back to 2012 but these have not been reported in this notification to the WTO.¹⁵⁰

[206] As such, notwithstanding the extensive disclosure of its subsidy programs to the WTO, there appear to be numerous other subsidy programs which have been unreported, making it likely that additional subsidy programs exist, which may be benefiting OCTG producers in China, including those that produce pup joints that the CBSA has never investigated.

[207] The information on the record demonstrates a long-standing history of subsidies offered to producers in China, including those involved in OCTG, with drill pipe being the most recently initiated investigation. As supported by the recent WTO submissions, there is nothing contained on the administrative record for this proceeding that indicates the availability or provision of these subsidies has changed.

Countervailing Measures Against Closely Related Chinese Tubular Products

[208] Currently in Canada, there are six different tubular steel products from China that are subject to countervailing duty. They are as follows: carbon and alloy steel line pipe, carbon steel welded pipe, large line pipe, oil country tubular goods, piling pipe, and seamless casing.¹⁵¹ Three of these goods: line pipe (2 findings), OCTG, and seamless casing, are specifically used in the oil and gas industry. In addition to these goods, there are eight other steel-related products from China that are subject to countervailing duty in Canada, including sucker rods, which are also used in conjunction with OCTG in the drilling and extraction of oil and gas.¹⁵²

[209] The existence of 14 countervailing measures in place in Canada against steel products from China would indicate that the GOC has placed a great deal of importance on its steel industry and has subsidized it accordingly.

¹⁴⁹ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 11: WTO Committee on Subsidies and Countervailing Measures – Questions Posed by the United States Regarding the New and Full Notification of China, January 27, 2022, Question 2; page 1 of 7.

¹⁵⁰ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 11: WTO Committee on Subsidies and Countervailing Measures – Questions Posed by the United States Regarding the New and Full Notification of China, January 27, 2022, Question 5; page 2 of 7.

¹⁵¹ SIMA Measures in Force (MIF) – <https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/menu-eng.html>.

¹⁵² SIMA Measures in Force (MIF) – <https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/menu-eng.html>. Carbon Steel Fasteners (2004), Steel Grating (2011), Stainless Steel Sinks (2012), Concrete Reinforcing Bar (2015), Fabricated Industrial Steel Components (2017), Cold-rolled Steel Sheet (2018), Sucker Rods (2018), Container Chassis (2022).

[210] In 2020, as a result of its five-year Sunset Review on OCTG from China, the United States continued its countervailing measures, owing largely to the following reasons:

- in the original investigation and two subsequent administrative reviews, the Department of Commerce (DOC) found that Chinese producers benefited from subsidy programs prohibited under the ASCM;
- more recent countervailing investigations have concerned other steel products, including steel pipe; and
- the DOC concluded that Chinese producers and exporters of OCTG also are likely benefiting from new subsidies in addition to those already countervailed.¹⁵³

[211] Amongst the findings in the administrative reviews noted above, the DOC added six additional countervailable subsidy programs to those found at the original investigation.¹⁵⁴

[212] The United States has at least 19 countervailing measures against steel products from China, including tubular steel products.¹⁵⁵ Of particular note are the countervailing measures against OCTG from China. The DOC's product definition of oil country tubular goods encompasses pup joints. In 2020, the U.S. International Trade Commission extended countervailing duty orders on OCTG from China for a further five years.¹⁵⁶

[213] The current measures in Canada and the United States on OCTG and other closely related tubular products further indicates that producers of OCTG and pup joints in China continue to receive countervailable benefits from the GOC.

Determination Regarding Likelihood of Continued or Resumed Subsidizing

[214] Based on the information on the record in respect of: the continued and historical availability of subsidy programs for pup joint producers in China; the GOC's continued provision of subsidies to its producers, including those engaged in OCTG; and the countervailing measures against the same or similar tubular steel products in Canada and the United States, the CBSA determined that the rescission of the order is likely to result in the continuation or resumption of subsidizing of pup joints originating in or exported from China.

¹⁵³ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 6: United States Department of Commerce Unpublished Decision Memorandum Issues and Decision Memorandum for the Final Results of the Expedited Second Sunset Review of the Countervailing Duty Order on Oil Country Tubular Goods from the People's Republic of China, June 23, 2020; page 7 of 15.

¹⁵⁴ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 6: United States Department of Commerce Unpublished Decision Memorandum Issues and Decision Memorandum for the Final Results of the Expedited Second Sunset Review of the Countervailing Duty Order on Oil Country Tubular Goods from the People's Republic of China, June 23, 2020; page 10 of 15.

¹⁵⁵ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 3: US Table of AD and CVD Investigations.

<https://enforcement.trade.gov/stats/inv-initiations-2000-current.html>

¹⁵⁶ Exhibit 22 (NC) – Articles, Reports and CBSA Research. Document 6: United States Department of Commerce Unpublished Decision Memorandum Issues and Decision Memorandum for the Final Results of the Expedited Second Sunset Review of the Countervailing Duty Order on Oil Country Tubular Goods from the People's Republic of China, June 23, 2020.

CONCLUSION

[215] For the purpose of making a determination in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors found under subsection 37.2(1) of the SIMR and considering any other factors relevant in the circumstances.

[216] Based on the foregoing analysis of pertinent factors and consideration of information on the record, on July 22, 2022 the CBSA made a determination pursuant to paragraph 76.03(7)(a) of SIMA that the rescission of the order made by the CITT on April 7, 2017, in Inquiry No. RR-2016-001:

- i. in respect of the dumping of certain pup joints originating in or exported from China is likely to result in the continuation or resumption of dumping of the goods into Canada; and
- ii. in respect of the subsidizing of certain pup joints originating in or exported from China is likely to result in the continuation or resumption of subsidizing of the goods exported to Canada.

FUTURE ACTION

[217] The CITT has now initiated its expiry review to determine whether the continued or resumed dumping and subsidizing are likely to result in injury. The CITT's Expiry Review schedule indicates that it will make its decision by December 29, 2022.

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

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

INFORMATION


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

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A handwritten signature in black ink, appearing to read 'Doug Band', is positioned above the printed name.

Doug Band
Director General

Trade and Anti-dumping Programs Directorate