



Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

OCTG4 2021 IN

OTTAWA, July 22, 2021

## STATEMENT OF REASONS

Concerning the initiation of an investigation into the dumping of

**OIL COUNTRY TUBULAR GOODS  
FROM AUSTRIA**

## DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the Canada Border Services Agency initiated an investigation on July 7, 2021, respecting the alleged injurious dumping of certain oil country tubular goods originating in or exported from Austria.

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

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## **SUMMARY**

[1] On May 17, 2021, the Canada Border Services Agency (CBSA) received a written complaint from Algoma Tubes Inc. (Sault Ste. Marie, Ontario), Prudential Steel ULC (Calgary, Alberta), Tenaris Global Services (Canada) Inc. (Calgary, Alberta) and Hydril Canadian Company LP (Nisku, Alberta), hereinafter “Tenaris Canada” or the Complainant, alleging that imports of certain oil country tubular goods (OCTG) originating in or exported from Austria are being dumped. The Complainant also alleged that the dumping has caused injury and is threatening to cause injury to the Canadian producers of OCTG.

[2] On June 7, 2021, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the Complainant that the complaint was properly documented. The CBSA also notified the Government of Austria that a properly documented complaint had been received.

[3] The Complainant provided evidence to support the allegations that certain OCTG from Austria has been dumped. The evidence also discloses a reasonable indication that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

[4] On July 7, 2021, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of certain OCTG from Austria.

## **INTERESTED PARTIES**

### **Complainant<sup>1</sup>**

[5] The name and address of the Complainant is as follows:

Algoma Tubes Inc.  
Prudential Steel ULC  
Tenaris Global Services (Canada) Inc.  
Hydril Canadian Company LP  
(The above companies are collectively referred to as “Tenaris Canada”)  
530 - 8th Avenue SW, Suite 400  
Calgary, Alberta T2P 3S8

### **Tenaris Canada**

[6] Tenaris Canada manufactures OCTG in Canada at its Algoma Tubes Inc. (Algoma) facility located in Sault Ste. Marie, Ontario using the seamless process. Algoma produces seamless casing in outside diameters ranging from 4.5 to 9.875 inches for both American Petroleum Institute (API) and proprietary grades. Algoma has been producing OCTG for over 30 years.<sup>2</sup>

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<sup>1</sup> OCTG 4 Complaint narrative – paragraph 10 (NC).

<sup>2</sup> OCTG 4 Complaint narrative – paragraph 36 (NC).

[7] All OCTG produced by Algoma are green tubes before they are finished. While Algoma has its own threading, coupling and heat-treating capabilities, some Algoma product is threaded with an OCTG premium connection at the Hydril Canadian Company LP (Hydril) facility in Alberta.<sup>3</sup>

[8] Prudential Steel ULC (Prudential) produced electric resistance welding (ERW) OCTG casing and tubing at its Calgary, Alberta facility in diameters ranging from 2.375 inches to 11.75 inches, primarily in grades H40, J55, but also in proprietary higher strength grades. The mill had threading, coupling and testing facilities but did not heat-treat goods.<sup>4</sup> Higher strength proprietary grades, like PS80, are produced using skelp with the required chemistry. Prudential produced API and proprietary premium connections, but some product was threaded with an OCTG premium connection at the Hydril facility in Alberta.<sup>5</sup>

[9] Tenaris Canada is currently relocating its ERW production capability that was formerly at the Prudential facility, to be housed at the Algoma facility.<sup>6</sup> The Prudential facility ceased production in July 2020. This transition is expected to be completed near the end of 2021.<sup>7</sup>

[10] Hydril produces specialized premium connections for OCTG casing and tubing. Tenaris Global Services (TGS) provides management, sales and marketing support to the production facilities of Algoma.<sup>8</sup>

### **Other Canadian Producers**

[11] The following Canadian producers also manufacture OCTG:

EVRAZ Inc. NA Canada (Evraz)  
P.O. Box 1670  
100 Armour Road  
Regina, Saskatchewan S0G 5K0

Welded Tube of Canada Corporation (WTC)  
111 Rayette Road  
Concord, Ontario L4K 2E9

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<sup>3</sup> OCTG 4 Complaint narrative – paragraph 35 (NC).

<sup>4</sup> Only Tenaris Canada’s Algoma facility can produce heat-treated goods. The PS80 grade produced at the Prudential facility competes with heat treated L80.

<sup>5</sup> OCTG 4 Complaint narrative – paragraph 35 (NC).

<sup>6</sup> OCTG 4 Complaint – Appendix 14 (NC): Tenaris Canada and US s. 232 Tariff Articles, p. 49.

<sup>7</sup> Tenaris’s SEC Filing : <https://sec.report/Document/0001554855-21-000059/>: “Tenaris’s Prudential facility, located in Calgary, Alberta, was closed down in 2020, and the pipe manufacturing operations of seamless, welded and premium products in Canada will be consolidated at our AlgomaTubes facility located in Sault Ste. Marie, Ontario with an additional investment of \$72 million. This repositioning of the industrial activities, which is estimated to be completed by the end of 2021, is expected to strengthen the competitiveness and increase the domestic production capabilities for the Canadian market.”

<sup>8</sup> OCTG 4 Complaint narrative – paragraph 13 (NC).

## **Trade Unions<sup>9</sup>**

[12] Tenaris Canada identified the United Steelworkers (USW) as a known trade union association representing persons employed in OCTG production in Canada. Tenaris Canada's relevant union locals are Local Union 7226 for Prudential and Local Union 9548 for Algoma. Evraz's relevant USW union locals are Local Union 5890 (Regina) and Local Union 6673 (Calgary).

## **Exporters**

[13] The CBSA identified two potential exporters of the subject goods from CBSA import documentation and from information submitted in the complaint. The potential exporters were asked to respond to the CBSA's Dumping Request for Information (RFI).

## **Importers**

[14] The CBSA identified one importer of the subject goods from CBSA import documentation and from information submitted in the complaint. The importer was asked to respond to the CBSA's Importer RFI.

## **PRODUCT INFORMATION**

### **Definition**

[15] For the purpose of this investigation, subject goods are defined as:

*Oil country tubular goods, which are casing, tubing and green tubes made of carbon or alloy steel, welded or seamless, heat treated or not heat treated, regardless of end finish, having an outside diameter from 2 3/8 inches to 13 3/8 inches (60.3 mm to 339.7 mm), meeting or supplied to meet American Petroleum Institute specification 5CT or equivalent and/or enhanced proprietary standards, in all grades, excluding drill pipe, pup joints, couplings, coupling stock and stainless steel casing, tubing or green tubes containing 10.5 percent or more by weight of chromium, originating in or exported from Austria.*

### **Additional Product Information**

[16] For greater certainty, the term "green tube" refers to unfinished casing, tubing, or other tubular products (including upgradable OCTG that may or may not already be tested, inspected, and/or certified) originating in or exported from Austria and imported for use in the production or finishing of OCTG meeting final specifications, including grade and connections, required for use downhole. Green tubes, as they are commonly referred to in the OCTG industry, are intermediate or in process tubing and casing which require additional processing, such as threading, heat treatment and testing, before they can be used as fully finished oil and gas well casing or tubing in end-use applications.

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<sup>9</sup> OCTG 4 Complaint narrative – paragraph 104 (NC).

[17] For greater clarity, the product definition does not include green tubes originating in or exported from Austria which are upgraded in the manner described above in an intermediate country prior to being exported to Canada for purposes of this dumping investigation. The CBSA considers these high-strength tubing and casing to originate in the intermediate country for purposes of the investigation.

[18] Pup joints are essentially short lengths of OCTG used for spacing in a drill string, and these are excluded where their length is 12 feet or below (with a three-inch tolerance), as defined in the API 5CT specification.

[19] Furthermore, accessory products used in conjunction with downhole OCTG tubing and casing strings such as cross-over joints, marker joints, elbows etc. are not covered by the product definition, nor are further manufactured products which use OCTG as inputs to their production such as vacuum insulated tubing (VIT). Coiled tubing is also not part of the product definition.

### **Product Characteristics and Uses<sup>10</sup>**

[20] Casing is used to prevent the walls of the bored hole from collapsing, both during drilling and after the well has been completed. Tubing is used to convey fluids up and down the well. This most commonly means carrying oil and gas to the surface, and may also involve conveying steam down the well, such as in Steam Assisted Gravity Drainage (SAGD) or Cyclic Steam Stimulation (CSS) applications.

[21] Subject OCTG may be manufactured by the seamless or welded process. Typical casing and tubing end finishes include plain end, beveled, external upset ends, threaded, or threaded and coupled (including proprietary premium or semi-premium connections).

[22] OCTG must be able to withstand outside pressure and internal yield pressures within the well. In addition, OCTG must have sufficient joint strength to hold the weight of the pipe string and must be equipped with threads sufficiently tight to contain the well pressure where lengths are joined. Threading may be performed by the manufacturer or a third-party threading operation. Various factors limit the total amount of open hole that can be drilled at any one time, and it may be necessary to set more than one string of OCTG concentrically for certain portions of the well depth.

[23] Subject OCTG are supplied to meet at a minimum API specification 5CT. OCTG from Austria is supplied in all grades including and not limited to, H40, J55, K55, N80, L80, L80 HC, L80 LT, L80 SS, C90, C95, C110, P110, P110 HC, P110 LT, T95, T95 HC, and Q125, or proprietary grades manufactured as substitutes for, or enhancements to, these specifications. The grade numbers define the minimum yield strength required of the grade in thousands of pounds per square inch (ksi).

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<sup>10</sup> OCTG 4 Complaint narrative – paragraph 26 – 32 (NC).

[24] The most common grades of low-strength casing and tubing are J55, K55 and H40. Heat-treated grades (e.g. L80, P110 and T95) are more sophisticated grades of pipe and are used in deeper wells and more severe environments, such as low-temperature service, sour service and heavy oil recovery.

[25] Heat-treated grades are more sophisticated higher strength grades of pipes used in horizontal applications, deeper wells, and more severe environments such as low temperature services, sour service, heavy oil recovery, etc. These grades are made beginning with the use of a specific chemistry in the steel (either in billet for the seamless process or the steel coil in the ERW process) and are further-processed with heat treatment to attain certain combinations of mechanical properties and/or resistance to corrosion and environmental cracking.

[26] For example, maximum strength (N80, P110, Q125), high-strength with lower ductility (normally proprietary enhancements of API grades), or high-strength combined with resistance to corrosion and environmental cracking (L80, C90, C95, C110, T95 and proprietary enhancements).

[27] Semi-premium and premium connections similarly enhance the function of an OCTG string by providing additional performance and/or sealing characteristics which may be required in more demanding applications.

### **Production Process<sup>11</sup>**

[28] OCTG casing and tubing are made on the same production equipment. Production may be by either the seamless or the electric resistance welded (ERW) process.

[29] Tenaris Canada employs the seamless production process at its Algoma manufacturing operations, starting with its purchasing of steel bars (also known as billets) which are imported from sister companies. The steel bar is cut into a billet and then loaded into the rotary furnace to be heated and readied for the Hot Rolling Mill (HRM). Once the HRM has transformed the billet into a tube it enters into a reheat furnace. The stretch reduction/sizing mill produces the final dimensions.

[30] Depending on the desired grade, the next process may involve heat treatment. Finishing operations include Non-Destructive Testing (NDT), electromagnetic inspection (EMI) testing, hydrotesting, thread inspection, coupling, varnishing and stenciling.

[31] Tenaris Canada had until recently employed the ERW production process. From 1966 until July 2020, Tenaris Canada produced ERW steel pipes at its Prudential facility, located in Calgary.

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<sup>11</sup> OCTG 4 Complaint narrative – paragraphs 33 – 44 (NC).

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

[33] Steel tubes are formed by either the seamless or the ERW methods and are then cut-to-length. Depending on the API specifications required, OCTG may also be heat-treated at this point. The product is then sent to the finishing line where it is tested (NDT, EMI and hydrotesting) beveled and threaded on both ends. Tubing may undergo a separate process of upsetting and normalizing prior to threading. Finally, a coupling and coupling protector are applied to one end of the OCTG and a thread protector is applied to the other end before it is ready for shipment. Finishing operations also include cooling, straightening, inspection, testing, coating, and/or bundling.

### **Classification of Imports<sup>12</sup>**

[34] The allegedly dumped goods are normally classified under the following tariff classification numbers:

7304.29.00.11	7304.29.00.51	7306.29.00.19
7304.29.00.19	7304.29.00.59	7306.29.00.21
7304.29.00.21	7304.29.00.61	7306.29.00.31
7304.29.00.29	7304.29.00.69	7306.29.00.29
7304.29.00.31	7304.29.00.71	7306.29.00.39
7304.29.00.39	7304.29.00.79	7306.29.00.61
7304.29.00.41	7306.29.00.11	7306.29.00.69
7304.29.00.49		

[35] The listing of tariff classification numbers is for convenience of reference only. The tariff classification numbers may include non-subject goods. Also, subject goods may fall under tariff classification numbers that are not listed. Refer to the product definition for authoritative details regarding the subject goods.

### **LIKE GOODS AND CLASS OF GOODS**

[36] Subsection 2(1) of SIMA defines “like goods” in relation to any other goods as goods that are identical in all respects to the other goods, or in the absence of any identical goods, goods the uses and other characteristics of which closely resemble those of the other goods.

[37] In considering the issue of like goods, the Canadian International Trade Tribunal (CITT) typically looks at a number of factors, including the physical characteristics of the goods, their market characteristics, and whether the domestic goods fulfill the same customer needs as the subject goods.

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<sup>12</sup> OCTG 4 Complaint – paragraph 45 (NC).



[38] As noted in the complaint, the CITT has consistently determined that welded and seamless OCTG are like goods, and that OCTG of different grades are not separate classes of goods.<sup>13</sup> Welded and seamless OCTG have similar characteristics and generally compete with one another in the domestic market.

[39] OCTG casing and tubing are made to the same minimum API 5CT specifications and/or to proprietary equivalent/enhanced specifications, and are both used in down hole well applications. Casing and tubing are produced on the same equipment and have the same channels of distribution.

[40] Although the goods produced by the Canadian industry may or may not be considered identical in all respects to the subject goods, the CBSA has concluded that the Canadian goods closely resemble the subject goods. Further, after reviewing the physical characteristics of the goods, the end-uses and all other relevant factors, the CBSA is of the opinion that the subject goods constitute only one class of goods.

### **THE CANADIAN INDUSTRY**

[41] The domestic industry is comprised of three producers as follows:

[42] Tenaris Canada, which is divided into production facilities: Algoma (Sault Ste. Marie, Ontario) and Hydril (Nisku, Alberta). Prudential was also part of the Tenaris Canada group of companies until it was closed in August 2020.<sup>14</sup>

[43] Evraz Inc. NA Canada (Evraz), which operates ERW OCTG manufacturing facilities in Regina, Saskatchewan; and in Calgary, Camrose and Red Deer, Alberta. The Evraz North America group of companies also owns Canadian National Steel Corporation, which operates an ERW OCTG manufacturing facility in Camrose, Alberta.

[44] Welded Tube of Canada (WTC) operates an ERW OCTG manufacturing facility in Concord, Ontario, as well as a heat-treatment and threading facility in Welland, Ontario and a threading facility in Port Colborne, Ontario. WTC also imports welded green tubes from its production facility in Lackawanna, New York for finishing in Canada.<sup>15</sup>

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<sup>13</sup> CITT *Findings and Reasons* on Oil Country Tubular Goods, April 17, 2015, paragraph 42.

<sup>14</sup> OCTG 4 Complaint narrative – paragraphs 37 and 39 (NC).

<sup>15</sup> OCTG 4 Complaint narrative – paragraph 100 (NC); Appendix 49 (NC): “OCTG 2 Welded Tube of Canada ERQ , Q4, Q7.”

## **Standing**

[45] Pursuant to subsection 31(2) of SIMA, the following conditions must be met in order for an investigation to be initiated:

- (a) the complaint is supported by domestic producers whose production represents more than 50% of the total production of like goods by those domestic producers who express either support for or opposition to the complaint; and,
- (b) the production of the domestic producers who support the complaint represents 25% or more of the total production of like goods by the domestic industry.

[46] Following receipt of the complaint filed by Tenaris Canada, the CBSA contacted both Evraz and WTC to determine whether they would support the complaint, oppose it, or remain neutral. On May 27, 2021, each party notified the CBSA that they wished to express no opinion on the complaint (i.e. neither support nor opposition to the complaint).

[47] As a result, Tenaris Canada satisfies the requirements for standing under both paragraph 31(2)(a) by accounting for 100% of those who express any opinion and paragraph 31(2)(b) by accounting for over 25% of the total production by the domestic industry.

## **CANADIAN MARKET**

[48] The Complainant estimated the Canadian domestic market by supplementing their own internal sales information with both public and protected sources for their estimates of domestic sales from domestic production of the other Canadian producers.<sup>16</sup>

[49] The Complainant's estimated import volumes are based primarily on Statistics Canada import data<sup>17</sup> and refined customs data<sup>18</sup>. Data for the United States involved several sources, in order to estimate the net imports from the United States. This effort was to more accurately reflect the OCTG imports that stay in the Canadian market, given that much of what is imported from the United States is subsequently re-exported to the United States upon finishing.<sup>19</sup>

[50] The CBSA conducted its own independent review of the import data from the CBSA's customs database for goods imported between January 2018 and March 31, 2021. The CBSA made adjustments to customs import data obtained through FIRM to correct errors and to remove non-subject imports from the database.<sup>20</sup> In addition, the CBSA also reviewed goods description reports generated from the Accelerated Commercial Release Operations Support System (ACROSS) database for goods imported between January 2020 and March 31, 2021.

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<sup>16</sup> OCTG 4 Complaint – Appendix 7 (PRO).

<sup>17</sup> OCTG 4 Complaint – Appendix 35 (NC): “Statistics Canada data for the United States.”

<sup>18</sup> OCTG 4 Complaint – Appendix 24.1 (PRO).

<sup>19</sup> OCTG 4 Complaint – Appendix 49 (NC): “OCTG 2 ERQ Response, page 5, Question 8.”

<sup>20</sup> Facility for Information Retrieval Management (FIRM)

[51] The table below summarizes the CBSA's estimate of imports:

**TABLE 1<sup>21</sup>**  
**CBSA'S ESTIMATES OF IMPORTS**  
 (expressed as a percentage of volume)

<b>Source*</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Q1-2020</b>	<b>Q1-2021</b>
<i>OCTG 1</i>	5.1%	2.6%	1.5%	1.0%	0.0%
<i>OCTG 2</i>	7.0%	13.9%	2.2%	4.1%	0.0%
<i>Seamless Casing</i>	6.6%	1.0%	1.5%	2.8%	0.0%
<b>Austria</b>	<b>13.6%</b>	<b>15.2%</b>	<b>15.9%</b>	<b>12.9%</b>	<b>22.3%</b>
Mexico	22.0%	14.1%	20.9%	20.5%	32.8%
United States <sup>1</sup>	36.8%	39.8%	41.0%	46.8%	37.3%
Other	8.9%	13.4%	17.0%	11.8%	7.7%
<b>Total Import Volume</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* References to *OCTG 1*, *OCTG 2* and *Seamless Casing* are references to the CBSA's current measures in force on OCTG from other countries (<https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/menu-eng.html>).

*Note 1:* The imports table above did not adjust US imports to account for re-exported goods by WTC.

[52] Detailed information regarding the volume and value of imports of OCTG and domestic production cannot be divulged for confidentiality reasons. The CBSA, however, has prepared the following table to show the estimated import share of subject goods in Canada as well as the Canadian market as a whole.

<sup>21</sup> OCTG 4 Complaint Analysis, Tables 4 and 5 (PRO).

**TABLE 2<sup>22</sup>**  
**CBSA'S ESTIMATE OF APPARENT CANADIAN MARKET**  
(expressed as a percentage of volume)

Source*	2018	2019	2020
<b>Tenaris Canada</b>	<b>24.2%</b>	<b>25.8%</b>	<b>38.0%</b>
Other Canadian Producers	25.0%	27.0%	21.9%
<b>Total Canadian Producers</b>	<b>49.1%</b>	<b>52.8%</b>	<b>59.9%</b>
<i>OCTG 1</i>	2.9%	1.4%	0.8%
<i>OCTG 2</i>	4.0%	7.5%	1.2%
<i>Seamless Casing</i>	3.8%	0.6%	0.8%
<b>Austria</b>	<b>7.8%</b>	<b>8.2%</b>	<b>8.6%</b>
Mexico	12.6%	7.6%	11.3%
United States <sup>1</sup>	14.7%	14.8%	8.1%
Other	5.1%	7.2%	9.2%
<b>Total Apparent Canadian Market**</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* References to *OCTG 1*, *OCTG 2* and *Seamless Casing* are references to the CBSA's current measures in force on OCTG from other countries (<https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/menu-eng.html>).

\*\* Total Apparent Canadian Market figures may be slightly skewed due to rounding.

*Note 1: The Estimated Canadian Market Table has been adjusted to reflect re-exported goods by WTC as reported by the Complainant.*

[53] The CBSA will continue to gather and analyze information and refine these estimates on the volume of imports during the period of investigation (POI) of May 1, 2020 to April 30, 2021, as part of the preliminary phase of the dumping investigation.

### **EVIDENCE OF DUMPING**

[54] The Complainant alleged that the subject goods from Austria have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[55] Normal values are generally based on the domestic selling price of like goods in the source of export where competitive market conditions exist or as the aggregate of the cost of production of the goods, a reasonable amount for general selling and administrative expenses, (GS&A), and other costs and a reasonable amount for profits. .

[56] The export price of goods sold to importers in Canada is generally the lesser of the exporter's selling price and the importer's purchase price, less all costs, charges and expenses resulting from the exportation of the goods.

[57] Estimates of normal values and export prices by both the Complainant and the CBSA are discussed below.

<sup>22</sup> OCTG 4 Complaint Analysis, Tables 8 and 9 (PRO). The CBSA was unable to provide Canadian market data for Q1-2021 since the Complainant did not provide estimated domestic sales from domestic production data for this period.

## Normal Values

### Complainant's Estimates

[58] The Complainant indicated that they did not have information available to estimate normal values pursuant to section 15 of SIMA for Austria and as such, they provided estimated normal values using a constructed cost approach based on the methodology prescribed under paragraph 19(b) of SIMA,<sup>23</sup> based on the aggregate estimation of the cost of production of the subject goods, a reasonable amount for GS&A, and other costs and a reasonable amount for profits.

[59] The Complainant stated that in estimating normal values, they chose benchmark products that have comparable outside diameters (OD) with the exports from Austria.<sup>24</sup> The Complainant further indicated that goods of the same OD, manufactured by the same process but of different grades may have significantly different costs.<sup>25</sup>

[60] The Complainant submitted that Tenaris Canada's cost structure should reflect those in other competitive markets. Therefore, Tenaris Canada's costs of production for 2020, including materials and overhead, adjusted to reflect differing conditions in Austria were used in estimating normal values.<sup>26</sup>

[61] The cost of steel bars, which are the primary input in producing seamless OCTG, were based on Tenaris Canada's actual costs. The average cost of steel bar required to produce one metric tonne (MT) of finished OCTG in 2020 was calculated by the Complainant<sup>27</sup> and the costs were substantiated with purchase invoices from 2018 to 2020.<sup>28</sup>

[62] The Complainant presented its transformation costs, broken down by each step, including coupling/protectors, rolling, heat-treatment, threading, finishing, testing and variances, for various models based on its standard 2020 costs. These standard costs were then adjusted by Tenaris Canada's average 2020 production variance. The Complainant also noted that "Overhead for annual plant maintenance" was not included in Tenaris Canada's standard costs and as such, an amount associated with plant maintenance was added to the total transformation costs per MT.<sup>29</sup>

[63] To substantiate transformation costs used in their normal value estimates, Tenaris provided documentation from their cost accounting system.<sup>30</sup>

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<sup>23</sup> OCTG 4 Complaint narrative – paragraph 116 (NC).

<sup>24</sup> OCTG 4 Complaint narrative – paragraphs 122-124 (NC).

<sup>25</sup> OCTG 4 Complaint narrative – paragraphs 125-127 (NC).

<sup>26</sup> OCTG 4 Complaint narrative – paragraph 119 (NC); Appendix 17 (PRO).

<sup>27</sup> OCTG 4 Complaint narrative – paragraph 131 (NC); Appendix 17 (PRO), Tab 7.

<sup>28</sup> OCTG 4 Complaint narrative – paragraph 128 (NC); Appendix 17 (PRO), Tab 8; Appendix 69 (PRO).

<sup>29</sup> OCTG 4 Complaint narrative – paragraphs 148-150 (NC); Appendix 17 (PRO).

<sup>30</sup> OCTG 4 Complaint – Appendix 110 (PRO).

[64] Labour costs were estimated based on Tenaris Canada's direct labour costs, adjusted to reflect wage differences between Canada and Austria. This adjustment was calculated based on information available from the International Labour Organization (ILO). The resulting labour adjustment factor was 145% of Tenaris Canada's costs.<sup>31</sup> In addition, the Complainant added an estimated additional amount of labour cost that the Austrian OCTG producer, Voestalpine (Voest), allegedly incurs.

[65] An amount for GS&A and financial expenses were estimated based on Voest's publicly available 2020 financial statements. The resulting GS&A, which includes financial expenses was 15.6% of the cost of goods sold.<sup>32</sup>

[66] The Complainant submitted that due to Voest's lack of profitability in recent quarters, an amount for profit for Voest should be calculated from the most recent period where the company registered a profit. Consequently, the Complainant's estimate was based upon Voest's Metal Engineering division's financial information (the division which manufactures subject goods) in Q1 and Q2 of Voest's 2019/2020 financial year (i.e. April to September 2019). As such, the division's profit (before interest and taxes) as a percentage of full costs of 5.2% was used in estimating normal values.<sup>33</sup>

### **CBSA's Estimates**

[67] The CBSA noted that the Austrian market for OCTG is insignificant. Accordingly, in absence of reliable home market pricing for OCTG sales in Austria, for the purposes of the initiation of the investigation, the CBSA estimated normal values using a constructed cost approach based on the methodology in paragraph 19(b) of SIMA, calculated based on the aggregate of an estimate of the cost of production of the subject goods, a reasonable amount for GS&A and a reasonable amount for profits.

[68] The methodology used by the Complainant to estimate normal values under the constructed cost methodology described above was accepted by the CBSA. However, the CBSA made adjustments to the estimated cost of production and GS&A, as outlined below.

[69] With respect to the cost of production, the CBSA did not accept the additional amount of labour cost in excess of the adjustment factor of 145% of Tenaris Canada's costs, nor did it account for the full variance cost adjustment made by the Complainant, as the evidence provided in the complaint was not sufficient to support these claims.

[70] The CBSA estimated a reasonable amount for GS&A based on the financial information provided in the complaint for Voest. Using this information, the CBSA estimated a reasonable amount for GS&A equal to 9.7% of cost of production.

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<sup>31</sup> OCTG 4 Complaint narrative – paragraph 163 (NC); Appendix 33 (NC).

<sup>32</sup> OCTG 4 Complaint narrative – paragraphs 164-173 (NC); Appendix 6 (NC); Appendix 17 (PRO), Tab 10.

<sup>33</sup> OCTG 4 Complaint narrative – paragraphs 174-185 (NC); Appendix 6 (NC).

[71] The CBSA accepted the reasonable amount for profits as estimated by the Complainant, by using Voest's Metal Engineering division's financial information, without further adjustment. Using this information, the CBSA estimated a reasonable amount for profits equal to 5.2% of cost of production.

[72] The CBSA estimated normal values by using information provided by the Complainant and making the adjustments described above for products it found to be exported during the period of review from Austria, based on its review of customs data.<sup>34</sup> The CBSA matched the imported product to one of the normal value estimations based on its grade, outside diameter, and end finish.

### **Export Price**

[73] The export price of goods sold to an importer in Canada is generally determined in accordance with section 24 of SIMA as being an amount equal to the lesser of the exporter's sale price for the goods and the price at which the importer has purchased or agreed to purchase the goods adjusted by deducting all costs, charges, expenses, and duties and taxes resulting from the exportation of the goods.

[74] The Complainant estimated export prices in accordance with section 24 of SIMA based on importation data available from refined customs import data for the period from January 1, 2020 to December 31, 2020.<sup>35</sup>

[75] The Complainant assumed that mill to port freight, loading and logistics charges were included in the value for duty declared by importers. As such, the Complainant removed estimated amounts thereof from export prices estimations.<sup>36</sup>

[76] As a supplementary analysis, Tenaris Canada also estimated export prices using a deductive approach that started with the delivered selling price in Canada from a distributor and then removing an estimated distributor mark-up and cost of freight to arrive at an ex-works price in Austria.<sup>37</sup>

[77] Given the confidential nature of the associated product matching, the table of export prices has not been reproduced in this report but was submitted in the complaint as a confidential exhibit.<sup>38</sup>

[78] In estimating export prices for the purposes of initiation, the CBSA used the value for duty (VFD) and quantity reported in FIRM and ACROSS for each individual shipment imported during the period of review. The CBSA made adjustments to the data to correct errors and to remove non-subject imports based on its review.

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<sup>34</sup>Databases are the Accelerated Commercial Release Operations Support System (ACROSS) and Facility for Information Retrieval Management (FIRM).

<sup>35</sup> The refined data eliminated non-subject goods and neutralized confidential information which would reveal specific product information or the names of importers and exporters.

<sup>36</sup> OCTG 4 Complaint narrative – paragraphs 248-256 (NC).

<sup>37</sup> OCTG 4 Complaint narrative – paragraphs 263-264 (NC); Appendix 17 (PRO), Tab 11.

<sup>38</sup> OCTG 4 Complaint –Appendix 17 (PRO), Tab 5.

## **Estimated Margin of Dumping**

[79] The CBSA estimated the margin of dumping for Austria by choosing a representative sample and comparing the total estimated normal values based on the methodology of paragraph 19(b) of SIMA with the total average estimated export prices in accordance with section 24 of SIMA for the period reviewed (January 1, 2020 to December 31, 2020).

[80] The estimated weighted average margin of dumping for the period of review was 7.7%, expressed as a percentage of the estimated export price.

## **EVIDENCE OF INJURY**

[81] The Complainant alleged that the goods from Austria have been dumped, and that the dumping has caused and is threatening to cause material injury to the domestic industry in Canada.

[82] SIMA refers to material injury caused to the domestic producers of like goods in Canada. The CBSA has concluded that OCTG produced by the domestic industry are like goods to the subject goods from Austria.

[83] The Complainant relied significantly on its internal market intelligence in documenting injury it links to allegedly dumped subject imports. This is in part due to the fact that the other two Canadian producers, Evraz and WTC, declined to express an opinion either in favour of or against the filing of the complaint and as such, did not provide any evidence in respect of the allegations of dumping or injury.

[84] The Complainant alleged that dumped subject goods have gained market share at the expense of Tenaris Canada<sup>39</sup> and have caused price depression, suppression and erosion, which resulted in lost sales and substantial declines in financial performance of the Complainant's production of like goods in Canada.<sup>40</sup> The Complainant also argued that the impact of the alleged dumped subject goods has been felt in a decline in employment and return on investments.<sup>41</sup>

## **Major Proportion**

[85] A condition that must be satisfied prior to initiation of an investigation is that there must be a reasonable indication that the dumping or subsidizing is causing injury to the domestic industry. Domestic industry is defined in subsection 2(1) of SIMA. Part of that definition refers to "domestic producers whose collective production of the like goods constitutes a major proportion of the total domestic production of the like goods..."

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<sup>39</sup> OCTG 4 Complaint narrative – paragraph 443 (NC).

<sup>40</sup> OCTG 4 Complaint narrative – paragraphs 268 (NC), 271-272 (NC).

<sup>41</sup> OCTG 4 Complaint narrative – paragraphs 418-419 (NC); 423-424 (NC).



[86] Although the term “major proportion” is not defined in either SIMA or the WTO Agreements, the CBSA has, for some time, been equating a “major proportion” with at least a 25 to 30% figure in mind. That is, in practice, it was required that the complaint contain evidence of injury to 25 to 30% of Canadian production. Therefore, the 25% rule required for standing, in most cases, will be satisfied as part of the focus on major proportion.<sup>42</sup>

[87] As per the estimated table of production in Canada below, Tenaris Canada accounts for well over 30% of the production of like goods in Canada. As such, Tenaris Canada alone satisfies the condition of subsection 2(1) of SIMA, as they account for more than enough production to be considered a major proportion of the like goods in Canada.

[88] The Complainant estimated the production of OCTG in Canada as follows:

**TABLE 3**  
**PRODUCTION OF LIKE GOODS IN CANADA**  
(metric tonnes)

<b>Domestic Industry<sup>1</sup></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Tenaris Canada	59.90%	49.10%	59.80%
Evraz	34.50%	46.00%	34.80%
WTC	5.60%	4.90%	5.40%
<b>Total Domestic Production</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Note 1: Evraz and WTC data for 2019 and 2020 come from information submitted to the CBSA from the respective companies which also confirmed the “no opinion” on the complaint. Remaining data comes from information provided in the complaint.*

### **Domestic and Global OCTG Market Sensitivity**

[89] The Complainant cited the sensitivity of OCTG pricing in Canada within the context of domestic and world developments that have affected the oil and gas sector in the last 18 months. This primarily relates to two global events: the pandemic and the oil price crash.<sup>43</sup>

[90] These developments had a devastating ripple effect, which includes the OCTG market in Canada. The CBSA’s estimates indicate a decline of 49% by volume in 2020 over 2019. This follows an already large decline of 33% in 2019 relative to 2018. As such, the cumulative decline in the apparent Canadian OCTG market from 2018 to 2020 was 66%.

[91] The Complainant summarized the issue in stating that the “market downturn has lead [sic] to increased price sensitivity which subject exporters have exploited. Further, in the context of lower total revenue, every lost sale, and lost dollar of profit, counts that much more.”<sup>44</sup>

<sup>42</sup> SIMA Handbook – Section 4.1.4.2. “Major Proportion.”

<sup>43</sup> OCTG 4 Complaint narrative – paragraphs 480 – 486 (NC).

<sup>44</sup> OCTG 4 Complaint narrative – paragraph 438 (NC).

[92] Expectations for the coming year forecast improvements in both the price of oil and the number of drilled wells, which should increase the demand for OCTG. “For 2021, the Petroleum Services Association of Canada (“PSAC”) expects a total of 3,600 wells to be drilled in Canada, representing a slight increase of 250 wells from its January 2021 forecast.”<sup>45</sup>

[93] The Complainant also identified the 25% tariffs on steel imposed by the United States under Section 232 of the Trade Expansion Act, which came into effect on June 1, 2018 as creating a diversionary effect on OCTG that would otherwise be destined for the United States. According to data provided by the Complainant, Austria’s exports of OCTG to the United States have declined dramatically since the imposition of those measures.<sup>46</sup>

**TABLE 4**  
**IMPORTS TO UNITED STATES**  
(metric tonnes)

Country	2018	2019	2020
Austria	180,190	123,994	8,300

[94] The export orientation of Austria with respect to its OCTG sales, the size of the Canadian market (4<sup>th</sup> largest in the world) and Canada’s proximity to the United States make this development a going concern for the Complainant. The contracted Canadian market demand and economic market downturn results in an exacerbated effect of injury for each lost sale to a dumped import as there are simply fewer sales to be made than there were just two years ago.

#### **Increase in Subject Imports Share of the Market**

[95] Subject imports from Austria have in fact declined in terms of absolute volumes during the period of 2018 – 2020. As such, although the Complainant referred to the “the rising volumes of low priced subject imports,” the Complainant has focused on the increased *relative* share that subject imports from Austria have had over that period, rather than the absolute volumes.<sup>47</sup>

[96] The Complainant stated that “Subject Goods have been imported in significant, and increasing, volumes relative to domestic production and consumption and more than doubled their market share by volume between 2018 and 2020, all in a shrinking Canadian market for OCTG.”<sup>48</sup>

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<sup>45</sup> OCTG 4 Complaint narrative – paragraph 487 (NC); Appendix 11 (NC) – Oil Sales and Production Context Articles, page 144.

<sup>46</sup> OCTG 4 Complaint narrative – paragraphs 491 – 492 (NC).

<sup>47</sup> OCTG 4 Complaint narrative – paragraph 274 (NC).

<sup>48</sup> OCTG 4 Complaint narrative – paragraph 276 (NC).

[97] The CBSA's Canadian market estimate in Table 2 indicates that while absolute volumes have declined substantially, Austrian subject goods have gained market share, going from 7.8% in 2018 to 8.2% in 2019 and 8.6% in 2020. Over the same period, Tenaris Canada's market share went from 24.2% in 2018 to 25.8% in 2019 to 38.0% in 2020.

[98] The Complainant alleged that the subject goods gained market share via dumping, and have thus displaced sales that Tenaris Canada could otherwise have made, and as such, they have lost market share to the dumped goods. They further emphasized that with the Canadian market shrinking, these "additional volumes would have been important to offset fixed costs as is so important in Tenaris Canada's capital-intensive operation."<sup>49</sup>

[99] The Complainant also noted the shift in product mix for subject goods, particularly from 2018 to the end of 2019, where "a larger proportion of high-end Subject Goods began to enter the Canadian market. This shift towards a larger proportion of high-end products increases the Subject Goods' export prices on average, masking the increasingly aggressive dumping which is occurring."<sup>50</sup>

[100] The CBSA's analysis of imports from Austria confirmed that given the grades and specifications of the goods exported from Austria, it is reasonable to suggest that these exports from Austria directly compete with like goods produced by Tenaris Canada.

[101] Based on the above and the CBSA's analysis of the evidence contained in the complaint, the CBSA is of the opinion that the evidence reasonably demonstrates that notwithstanding their growth in market share during the period of review, the Complainant's market share has been suppressed, and thus can, in part, be reasonably linked to the imports of the allegedly dumped subject goods.

### **Price Depression and Suppression**

[102] The Complainant cited previous statements from the CITT which has "recognized in other cases, small volumes of imports, and even offers of imports, at low prices can cause substantial declines in prices."<sup>51</sup>

[103] Following this, the Complainant provided evidence and analysis to demonstrate that declining subject goods prices have depressed prices of domestically produced goods.<sup>52</sup> This was illustrated in particular with respect to particular grades and specifications of OCTG. The Complainant also alleged that price depression has a spillover effect from more sophisticated goods to lower-end goods:

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<sup>49</sup> OCTG 4 Complaint narrative – paragraph 276 (NC).

<sup>50</sup> OCTG 4 Complaint narrative – paragraph 289 (NC).

<sup>51</sup> OCTG 4 Complaint narrative – paragraph 298 (NC); *Structural Tubing*, RR-2018-006, paras. 90 – 91; *Steel Grating*, NQ-2010-002, para. 198.

<sup>52</sup> OCTG 4 Complaint narrative – paragraph 297 (NC).

“The negative pricing effects go beyond the pricing on a given model, or even grade and connection. Because many of the dumped Subject Goods are higher end products, this dumping also results in price depression on lower grade and connection models in two ways. First, higher grades can be down-substituted for lower grades. If a customer can get a dumped heat treated L80 or P110 for close to the same price as a domestically-produced non-heat treated J55, customers may make that switch. For a domestic producer like Tenaris Canada to sell the J55 in that scenario, Tenaris Canada would have to offer enough of a discount to make the J55 the preferred choice...Second, customers expect rational price differences. If a customer knows it can purchase an enhanced L80 grade with a premium connection for a given amount, the customer expects that it will be able to purchase a base L80 grade or even a J55 grade with an API connection for significantly less.”<sup>53</sup>

[104] The Complainant provided little evidence in regards to price suppression but did provide allegations of large cost increases which they could not raise prices to offset due to the alleged dumped subject goods.<sup>54</sup>

[105] The CBSA noted that while there was a mention of cost increases, no reference was provided to indicate what the source of those increases were nor was any data provided to demonstrate the cost increases they were experiencing. Furthermore, evidence on the record indicates that raw material (billet) costs decreased substantially through most of 2020 relative to 2019.<sup>55</sup>

[106] As such, the dramatic decline in the size of the Canadian market and the decrease in raw material input costs likely had a significant impact on the Complainant’s inability to increase prices during the more recent period of investigation.

[107] The Complainant, in fact, acknowledged that “the downturn in recent Canadian drilling activity has shrunk the demand for OCTG in Canada...This has negatively effected [sic] Canadian domestic producers because available sales volumes have naturally decreased.”<sup>56</sup>

[108] Consequently, while the CBSA agrees that some of the price depression experienced by the Complainant can be reasonably attributed to the competition from allegedly dumped subject goods, the dramatic decline in the size of the Canadian market and corresponding decline in the demand for OCTG in Canada represent significant factors contributing to the downward pressure on domestic OCTG prices as well.

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<sup>53</sup> OCTG 4 Complaint narrative – paragraphs 309 – 311 (NC).

<sup>54</sup> OCTG 4 Complaint narrative – paragraph 366 (NC).

<sup>55</sup> OCTG 4 Complaint – Appendix 17 (PRO), Tab 7 – “TECA Steel Cost Pivot;” Appendix 39 (PRO) – Steel Input Pricing.

<sup>56</sup> OCTG 4 Complaint narrative – paragraph 428 (NC).

## Lost Sales, Price Erosion

[109] The Complainant provided eight account specific allegations to support its allegation that dumped subject goods have eroded their selling prices in Canada and have caused Tenaris Canada to lose sales of like goods in Canada.<sup>57</sup> Due to the confidential nature of account specific allegations, details cannot be disclosed in this public *Statement of Reasons*.

[110] The Complainant also stated that much of their market intelligence is not reported to them in hard copy or written communication and that “sometimes domestic producers are able to get some verbal information about competitor pricing. Such information might come through a telephone call, coffee meeting or lunch with a friendly customer representative.”<sup>58</sup> This information forms part of the allegations of price erosion and lost sales made by the Complainant.

[111] Tenaris Canada also emphasized that each of the allegations of lost sales relate to goods that would be made in Canada. They further stated that:

“Tenaris Canada does source some OCTG from its affiliates (particularly TAMSA in Mexico) when the goods cannot be produced in Canada (e.g. particular sizes). In its account-specific allegations, Tenaris Canada has only referred to volumes and products that would have been produced in Canada.”<sup>59</sup>

[112] Given the decline in the Canadian market in 2020, it is difficult to discern the price impact of the alleged dumping from that of the market decline. However, the information provided by the Complainant is that they were told Austrian products were depressing pricing. Given the prices reported by Tenaris Canada, it appears that competing prices sourced from Austria in 2020 for certain high-volume grades would have had to be dumped, given the CBSA’s estimated normal values and considerations for freight and distributor profit.<sup>60</sup>

[113] The CBSA is of the opinion that while many of the account specific allegations of lost sales and price erosion cannot be directly tied to the same products exported from Austria, the accumulation of the allegations provides reasonable evidence that the Complainant faces price undercutting from subject goods on a range of OCTG grades, such as to have an indirect, eroding effect on Tenaris Canada’s overall OCTG pricing in Canada.

[114] The CBSA is also of the opinion that it is reasonable to believe based on the details provided in the account specific allegations that Tenaris Canada has faced direct price erosion and lost sales specifically on key grades of OCTG known to be exported from Austria.

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<sup>57</sup> OCTG 4 Complaint narrative – paragraph 275 (NC).

<sup>58</sup> OCTG 4 Complaint narrative – paragraph 325 (NC).

<sup>59</sup> OCTG 4 Complaint narrative – paragraphs 332 – 333 (NC).

<sup>60</sup> Consideration is for the cost of ocean freight, inland freight from port to Canadian destination, and the distributor’s mark-up as estimated by the Complainant; OCTG 4 Complaint narrative – paragraph 348 (PRO); Appendix 17 (PRO) – Tab 12.

## **Negative Impact on Financial Performance**

[115] According to the Complainant, the allegedly dumped subject imports have negatively impacted their financial performance. They claimed the domestic industry is facing unsustainable gross margins and profit margins which can be attributed to the Complainant having lowered their prices in order to compete with the allegedly dumped subject imports.<sup>61</sup>

[116] The Complainant stated that the injury intensified as subject imports then forced Tenaris Canada's selling price down significantly in 2020 compared to 2018, despite the significant increase in cost of goods sold.<sup>62</sup>

[117] The Complainant also acknowledged that their lower volumes of production contribute to their increased costs, which subsequently contributed to their declining gross margins. This is due to the producer's fixed costs being allocated over a smaller volume of production.<sup>63</sup>

[118] Tenaris Canada argued that in the absence of dumping, this price decline would not have occurred and their estimation is that they would have had a better financial performance.<sup>64</sup>

[119] Based on the above and the CBSA's analysis of the evidence contained in the complaint, the CBSA is of the opinion that the Complainant's evidence reasonably demonstrates that the imports of the allegedly dumped subject goods, which have undercut the domestic industries prices, contributing to depression and erosion of those prices and caused the domestic industry to lose sales, have subsequently had a negative impact on the Complainant's financial results.

## **Negative Impact on Employment<sup>65</sup>**

[120] The Complainant stated that the negative impacts on financial performance experienced as a result of the importation of allegedly dumped subject goods, addressed in the previous section, have significantly impacted their ability to maintain optimal levels of employment.

[121] The Complainant provided information regarding their losses on employment in the production of OCTG, based on the average number of employees per calendar year.<sup>66</sup>

[122] The Complainant stated that: "Given the decline in the overall market, there would likely have been some decline in employment from 2018 to 2020."<sup>67</sup> However, the Complainant contended that in absence of dumping, its employment levels would have been higher.

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<sup>61</sup> OCTG 4 Complaint narrative – paragraphs 273, 274, 318 (NC).

<sup>62</sup> OCTG 4 Complaint narrative – paragraph 306 (NC).

<sup>63</sup> OCTG 4 Complaint narrative – paragraph 274 (NC).

<sup>64</sup> OCTG 4 Complaint narrative – paragraphs 319 – 320 (NC); Appendix 23.1 (PRO).

<sup>65</sup> OCTG 4 Complaint narrative – paragraphs 420 – 422 (NC).

<sup>66</sup> OCTG 4 Complaint narrative – paragraphs 420 (NC); Appendix 27 (PRO).

<sup>67</sup> OCTG 4 Complaint narrative – paragraph 421 (NC).

[123] The CBSA notes that Tenaris Canada's employment decline was not disproportional to what would be expected, when taking the CBSA's estimated contraction in the apparent Canadian market into consideration. Other mitigating factors including the closure of Prudential and the shortfalls in raw materials at the Canadian production facilities all led to declines in employment as well.<sup>68</sup>

[124] Based on the above and the evidence contained in the complaint, the CBSA is of the opinion that the Complainant's evidence is inconclusive in terms of the impact the alleged dumped goods have had on employment, in recognition of the significant mitigating factors which include the decline in the Canadian market, moving production at Prudential to Algoma, which resulted in a prolonged shutdown of employment related to the Prudential facility and continued substantial volumes of OCTG Tenaris Canada imported from Mexico, some of which could have been produced in Canada.<sup>69</sup>

### **Negative Impact on the Return on Investments<sup>70</sup>**

[125] The Complainant stated their commitment to make investments in their Canadian operations and alleged dumped subject goods have delayed the return on those investments.

[126] Tenaris Canada stated that these planned investments will cost about \$36 million. Tenaris Canada began these projects in July 2019. They cited the alleged dumping of subject goods as a reason the investments did not start earlier, such as in 2018. They stated these investments would have created jobs, injected funds into the community and expanded Tenaris Canada's production capabilities.<sup>71</sup>

[127] The investments were announced in 2019 in spite of the alleged dumped goods and only as a result of Strategic Innovation Fund contribution from the Federal government. Despite government support, Tenaris Canada expects that returns on its investments in progress will be much lower (or even non-existent) as a result of the alleged injurious dumping of subject goods.<sup>72</sup>

[128] The Complainant also stated that future investment plans are being proposed to replace even more imports for a variety of products by increasing capacity and product scope but are contingent upon fair competition in the Canadian OCTG market.<sup>73</sup>

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<sup>68</sup> <https://www.sootoday.com/local-news/union-boss-upset-over-tenaris-layoffs-despite-talk-of-new-hires-expansion-3559419>.

<sup>69</sup> CITT Safeguard Inquiry into the Importation of Certain Steel Goods Inquiry No. GC-2018-001; April 3, 2019, pages 84. <https://decisions.citt-tcce.gc.ca/citt-tcce/s/en/item/418294/index.do?q=GC-2018-001>. The CITT stated: "The evidence before the Tribunal suggests that, while certain of these imports involved specialty products not made in Canada, a significant portion of these substitutable products (or similar products) could have been produced in Canada (by Tenaris or other domestic producers)."

<sup>70</sup> OCTG 4 Complaint narrative – paragraph 423 (NC).

<sup>71</sup> OCTG 4 Complaint narrative – paragraph 425 (NC).

<sup>72</sup> OCTG 4 Complaint narrative – paragraph 426 (NC).

<sup>73</sup> OCTG 4 Complaint narrative – 427 (NC).

[129] Based on the above and the evidence contained in the complaint, the CBSA is of the opinion that the evidence reasonably demonstrates that the Complainant's ability to achieve a reasonable rate of return on investments and make further investments in production capacity and production capabilities has been negatively impacted due to poorer financial performance which is in part due to the imports of the allegedly dumped subject goods.

### **CBSA's Conclusion – Injury**

[130] The CBSA has reviewed the injury factors as discussed above. Based on the evidence provided in the complaint and supplementary data available to the CBSA through its own research and customs documentation, the CBSA is of the opinion that the evidence discloses a reasonable indication that the allegedly dumped subject goods have caused injury to the domestic industry.

[131] Subject exports from Austria are not insignificant and have gained market share in Canada in both 2019 and 2020.<sup>74</sup> Furthermore, the import share of Austrian origin OCTG in relation to all OCTG imports has grown and, in Q1-2021, represented 22.3% of imports by volume.<sup>75</sup>

[132] The import presence of alleged dumped subject goods provides a reasonable indication of injury through lost sales; price depression and erosion; as well as negative impacts on financial performance and return on investments.

### **THREAT OF INJURY**

[133] The Complainant alleged that the dumped goods threaten to cause further material injury to the domestic producers of OCTG. The Complainant provided the following information to support the allegation<sup>76</sup>.

### **Likely Increase in Subject Imports**

[134] The Complainant cited the export orientation of Voest in Austria, which is likely to continue increasing subject goods volumes destined for Canada given their lower OCTG capacity utilization and demand.<sup>77</sup> The Complainant stated that since the OCTG industry in Austria is operating at unsustainably low levels of capacity utilization, they are actively trying to increase utilization, including the increase of OCTG exports to Canada, one of the largest OCTG markets in the world.<sup>78</sup>

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<sup>74</sup> Table 2.

<sup>75</sup> Table 1.

<sup>76</sup> OCTG 4 Complaint narrative – paragraph 439 (NC).

<sup>77</sup> OCTG 4 Complaint – Appendix 06 (NC): Voestalpine 2019/2020 Financial Reports, pp. 124, 162 and 382.

<sup>78</sup> OCTG 4 Complaint narrative – paragraph 439 (NC).



[135] The Complainant added that:

“Canada is the fourth largest OCTG market in the world. It is presently freely accessible to Austria. Based on Austrian customs data, 22% of Austria’s exports are to Canada, which is more than three times the percentage to its next largest destination. Additionally, 68% of Austria’s OCTG exports are to North America.<sup>79</sup> Given the U.S. s. 232 measures, the oversaturation of the Chinese domestic market by domestic excess capacity, and Russian procurement practices which limit Voest’s ability to participate in that market, Canada is the largest accessible market for OCTG and Voest has worked to gain market share and take sales using unfair prices.”<sup>80</sup>

[136] It was also noted that Austria’s share of the Canadian market has been increasing and not insignificant, and with the expected improvement in drilling in Canada in 2021, the Canadian market will be an attractive location for their OCTG.

### **Continued Price Sensitivity**

[137] The Complainant stated that the trend of reduced demand for OCTG will likely continue “over the short and medium-term due to a slowing global economy. The price sensitivity of OCTG purchasers arising from these and other conditions has favoured and will continue to favour dumped imports as they are the price leader for many products, and allowed Subject Goods to grow in market share.”<sup>81</sup>

[138] The Complainant added that the “uncertainty and volatility regarding oil prices” has also led to caution in purchasing OCTG, and the caution makes the least expensive purchase option more attractive. Although they conceded that OCTG demand is likely to increase, they alleged that the dumping of subject goods threatens to keep prices low and diminish the benefits that Tenaris Canada may receive from a recovery in demand recovery.<sup>82</sup>

### **CBSA’s Conclusion – Threat of Injury**

[139] The CBSA is of the opinion that the evidence disclosed in the complaint reasonably indicates that imports of allegedly dumped subject goods pose a threat of injury to the domestic industry based on a likelihood of a continued increase in market share and the likelihood of subject goods having a negative impact on the price of like goods in Canada, leading to adverse financial results.

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<sup>79</sup> OCTG 4 Complaint – Appendix 15 (NC): Seamless and Welded OCTG Exports (2018-2020).

<sup>80</sup> OCTG 4 Complaint narrative – paragraph 447 (NC).

<sup>81</sup> OCTG 4 Complaint narrative – paragraph 481 (NC).

<sup>82</sup> OCTG 4 Complaint narrative – paragraph 488 (NC).

## **CAUSAL LINK – DUMPING AND INJURY/THREAT OF INJURY**

[140] The CBSA finds that the Complainant has reasonably linked the injury they have suffered to the alleged dumping of subject goods imported into Canada. The injury includes a substantial increase in subject imports; lost sales and price erosion; as well as negative impacts on financial performance and return on investments.

[141] The CBSA also finds that the Complainant has provided sufficient evidence to support a reasonable indication that the continued alleged dumping of the subject goods threatens to cause further injury in the future.

## **CONCLUSION**

[142] Based on information provided in the complaint, other available information, and the CBSA's import documentation, the CBSA is of the opinion that there is evidence that OCTG originating in or exported from Austria have been dumped. Further, there is a reasonable indication that such dumping has caused and is threatening to cause injury to the Canadian industry. As a result, pursuant to subsection 31(1) of SIMA, a dumping investigation was initiated on July 7, 2021.

## **SCOPE OF THE INVESTIGATION**

[143] The CBSA is conducting an investigation to determine whether the subject goods have been dumped.

[144] The CBSA has requested information from all potential exporters and importers to determine whether or not subject goods imported into Canada during the POI of May 1, 2020 to April 30, 2021, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[145] All parties have been clearly advised of the CBSA's information requirements and the time frames for providing their responses.

## **FUTURE ACTION**

[146] The CITT will conduct a preliminary inquiry to determine whether the evidence discloses a reasonable indication that the alleged dumping of the goods has caused or is threatening to cause injury to the Canadian industry. The CITT must make its decision on or before the 60<sup>th</sup> day after the date of the initiation of the investigation. If the CITT concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigation will be terminated.

[147] If the CITT finds that the evidence discloses a reasonable indication of injury to the Canadian industry and the CBSA's preliminary investigation reveal that the goods have been dumped, the CBSA will make a preliminary determination of dumping within 90 days after the date of the initiation of the investigation, by October 5, 2021. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigation.

[148] Under section 35 of SIMA, if, at any time before making a preliminary determination, the CBSA is satisfied that the volume of goods of a country is negligible, the investigation will be terminated with respect to goods of that country.

[149] Imports of subject goods released by the CBSA on and after the date of a preliminary determination of dumping, other than goods of the same description as goods in respect of which a determination was made that the margin of dumping of the goods is insignificant, may be subject to provisional duty in an amount not greater than the estimated margin of dumping on the imported goods.

[150] Should the CBSA make a preliminary determination of dumping, the investigation will be continued for the purpose of making a final decision within 90 days after the date of the preliminary determination.

[151] After the preliminary determination, if, in respect of goods of a particular exporter, the CBSA's investigation reveals that imports of the subject goods from that exporter have not been dumped, or that the margin of dumping is insignificant, the investigation will be terminated in respect of those goods.

[152] If a final determination of dumping is made, the CITT will continue its inquiry and hold public hearings into the question of material injury to the Canadian industry. The CITT is required to make a finding with respect to the goods to which the final determination of dumping applies, not later than 120 days after the CBSA's preliminary determination.

[153] In the event of an injury finding by the CITT, imports of subject goods released by the CBSA after that date will be subject to anti-dumping duty equal to the applicable margin of dumping on the imported goods.

### **RETROACTIVE DUTY ON MASSIVE IMPORTATIONS**

[154] When the CITT conducts an inquiry concerning injury to the Canadian industry, it may consider if dumped goods that were imported close to or after the initiation of an investigation constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry.

[155] Should the CITT issue such a finding, anti-dumping duties may be imposed retroactively on subject goods imported into Canada and released by the CBSA during the period of 90 days preceding the day of the CBSA making a preliminary determination of dumping.

### **UNDERTAKINGS**

[156] After a preliminary determination of dumping by the CBSA, other than a preliminary determination in which a determination was made that the margin of dumping of the goods is insignificant, an exporter may submit a written undertaking to revise selling prices to Canada so that the margin of dumping or the injury caused by the dumping is eliminated.

[157] An acceptable undertaking must account for all or substantially all of the exports to Canada of the dumped goods. Interested parties may provide comments regarding the acceptability of undertakings within nine days of the receipt of an undertaking by the CBSA. The CBSA will maintain a list of parties who wish to be notified should an undertaking proposal be received. Those who are interested in being notified should provide their name, telephone and fax numbers, mailing address and e-mail address to one of the officers identified in the “Information” section of this document.

[158] If undertakings were to be accepted, the investigation and the collection of provisional duties would be suspended. Notwithstanding the acceptance of an undertaking, an exporter may request that the CBSA’s investigation be completed and that the CITT complete its injury inquiry.

## **PUBLICATION**

[159] Notice of the initiation of this investigation is being published in the Canada Gazette pursuant to subparagraph 34(1)(a)(ii) of SIMA.

## **INFORMATION**

[160] Interested parties are invited to file written submissions presenting facts, arguments, and evidence that they feel are relevant to the alleged dumping. Written submissions should be forwarded to the attention of the SIMA Registry and Disclosure Unit.

[161] To be given consideration in this investigation, all information should be received by the CBSA by November 10, 2021.

[162] Any information submitted to the CBSA by interested parties concerning this investigation is considered to be public information unless clearly marked “confidential”. Where the submission by an interested party is confidential, a non-confidential version of the submission must be provided at the same time. This non-confidential version will be made available to other interested parties upon request.

[163] Confidential information submitted to the CBSA will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the CITT, any court in Canada, or a WTO or Canada-United States-Mexico Agreement (CUSMA) dispute settlement panel. Additional information respecting the CBSA’s policy on the disclosure of information under SIMA may be obtained by contacting the SIMA Registry and Disclosure Unit or by visiting the CBSA’s website.

[164] The schedule of the investigation and a complete listing of all exhibits and information are available at: [www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html). The exhibit listing will be updated as new exhibits and information are made available.

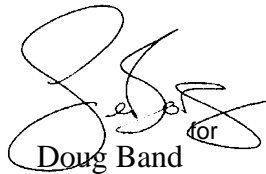
[165] This *Statement of Reasons* is available through the CBSA's website at the address below. For further information, please contact the officers identified as follows:

**Mail:** SIMA Registry and Disclosure Unit  
Trade and Anti-dumping Programs Directorate  
Canada Border Services Agency  
100 Metcalfe Street, 11<sup>th</sup> floor  
Ottawa, Ontario K1A 0L8  
Canada

**Telephone:** Andrew Manera 343-553-1868  
Andy Fei 343-553-1866

**E-mail:** [simaregistry@cbsa-asfc.gc.ca](mailto:simaregistry@cbsa-asfc.gc.ca)

**Website:** [www.cbsa-asfc.gc.ca/sima-lmsi](http://www.cbsa-asfc.gc.ca/sima-lmsi)



Doug Band

Director General  
Trade and Anti-dumping Programs Directorate