Table of Contents

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April 9, 2024

Re: Tenaris Canada to request a re-investigation of normal values for oil country tubular goods (OCTG 1) and seamless casing (SC) originating in or exported from China.

Dear Sir/Madam:

This response has been issued by Major Pipe & Supply Ltd. in response to Tenaris Canada's request for a re-investigation of normal values for oil country tubular goods (OCTG 1) and seamless casing (SC) originating in or exported from China (As submitted by Tenaris on March 22, 2024 and as subsequently emailed out by the CBSA on April 2, 2024).

The CBSA should not initiate a re-investigation to revise the current Pipe Logix methodology:

On March 22, 2023 the CBSA issued new normal values for Chinese produced OCTG products. This rapid and expedited re-determination was made in response to Tenaris's previous request for a re-investigation and re-determination from the September 6, 2022 (OCTG 2022RI).

In OCTG 2022RI (September 6, 2022) The CBSA had already dedicated considerable resources in determining appropriate normal values based on surrogate countries for OCTG goods from Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India, Indonesia, South Korea, Thailand, Turkey and Vietnam in accordance with SIMA. At this point, the CBSA concluded that they would include the Chinese OCTG normal value, as it would be up for review in a few short months and it had been determined that section 20 conditions for Chinese produced OCTG products existed. As such, costing data from Chinese producers would not be considered, so grouping the normal values for Chinese seamless casing producers was appropriate and logical.

Subsequent to the September 6, 2022 normal value re-determination (OCTG 2022RI); Tenaris complained and lobbied the CBSA to again review the normal values for Chinese produced OCTG products when the expiry period was triggered, just approximately a month after the September 6, 2022 (OCTG 2022RI) final determination. This (OS 2022RI), in itself, was a waste CBSA and government resources. A logical and exhaustive normal value determination had been finalized approximately a month prior with normal value determinations based on surrogate countries, omitting any Chinese costing data. It did however outline the effect and influence that Tenaris had over the CBSA at this time.

In OS 2022RI Tenaris was able to carefully direct the CBSA to review a hand-picked period of time (Jan 1, 2022 to August 31, 2022) to drive the normal values to unrealistic elevated levels never seen before. This, coupled with a new indexed Pipe Logix methodology drove the normal values to unseen levels literally overnight. During this period of investigation, global economies were beginning to ramp up production and sales from the economic stagnation of the COVID-19 pandemic. The global economy was coming out of the worst recession since the 1930's and with this rebound boom came inflation for just about every product imaginable.

As we all now know, commodity prices were soaring monthly during this period and global ocean freight rates increased over 400% over this same 8 month period. Naturally, this was not a normal period in our economic history and the numbers were not reliable during this timeframe; especially the numbers from a private monthly survey, Pipe Logix. Furthermore; as the CBSA already acknowledged in OS 2022RI:

> "As Pipe Logix reports on spot market prices to end-users and typical terms of sale to importers in Canada would reflect contract pricing to distributors, a downward adjustment is required. A comparison of the OCTG products sold by the two vendors in the US with the same products in Pipe Logix revealed that the Pipe Logix prices were higher. As such, a downward adjustment of to Pipe Logix prices was applied to account for the difference."

Pipe Logix reports a resale price to end-users of OCTG produced from around the world. This is technically not surrogate US production costing data as stipulated in SIMA and the SIMA Handbook. As such, in almost all cases; the OCTG products represented in the Pipe Logix data would have incurred a 25% tariff due to the US 232 tariffs (https://www.bis.doc.gov/index.php/232-steel) . At the very minimum, a downward adjustment of the 25% tariff, plus a reasonable amount for profit would have to be factored into any normal value utilizing the Pipe Logix indexed methodology.

The CBSA has previously concluded that Tenaris's imports from Mexico have been dumped and subsidized by over 43% (OCTG3 2021 IN) and represented 25% of total OCTG imports into Canada. Another investigation the CBSA completed during the same timeframe (OCTG4 2021 IN) conclude that OCTG imports from Austria represented 19% of all OCTG imports. Effectively, the CBSA has concluded that nearly half of all OCTG imports into Canada are dumped from Mexico and Austria at an estimated margin of dumping of 43.3% and 35.1% respectively. Imports from China also make up a notable balance of the OCTG imports into Canada, but that is because the vast majority of the global OCTG manufacturing capacity is in China.

Based on global OCTG capacity, imports from China are markedly underperforming. In fact, there is not one Chinese OCTG manufacturer noted as a key player in the global oil country tubular good (OCTG) market (https://www.globenewswire.com/en/news-release/2023/02/13/2606517/28124/en/Outlook-on-the-Oil-Country-Tubular-Good-Global-Market-to-2028-Featuring-Tenaris-ArcelorMittal-EVRAZ-JFE-Holdings-and-MRC-Global-Among-Others.html).

Canadian owned and operated companies such as Major Pipe & Supply Ltd. rely on quality Chinese OCTG producers to run an effective supply chain and distribution business. In turn, Canadian oil and gas producers rely on a reliable and consistent supply chain to deliver a consistent and reliable supply of energy to Canadian citizens. When normal values are adjusted and revised at unreasonable frequencies (Less than the standard 2.5-5 year intervals) it creates a lot of uncertainty in the market and it fosters larger import volumes so that distributors and end users can build supply to properly cover demand requirements before the normal values change yet again. A more stable and consistent traditional normal value period is required for the market to properly stabilize.

Canadian importers have already been unfairly charged with tens of millions of dollars of retroactive duty assessments from the CBSA stemming from unfair and unrealistic re-determinations set out in OS 2022 RI; of which some producers are appealing these unprecedented retroactive assessments and are still awaiting a response from the CBSA. The impact of these expropriated retroactive funds has been considerable for Canadian importers/employers. Dedicating further resources towards yet another re-investigation would not be reasonable or warranted for a governmental department that is obviously over capacity.

Chinese OCTG are not dumped as Tenaris would like everyone to believe, but rather sold above the normal values established by the CBSA. Although Pipe Logix prices have subsided from their inflated highs in 2023, the current Pipe Logix methodology is still prohibitive for many Chinese produced OCTG items. This is evident in the Global Affairs data (https://www.international.gc.ca/trade-commerce/controls-controles/steel-acier/monitoring-import-surveillance.aspx?lang=eng) which shows that many Chinese produced OCTG items are not currently being imported into the Canadian market at all. This Global Affairs data is collected from the CBSA and is based on actual import permit data and is updated weekly. Reducing the reduction factor anything less than 25% for the US 232 Tariff already included in the Pipe Logix data, plus a reasonable amount for profit, would be sterilizing to Canadian owned and operated distributors.

It should be noted that Pipe Logix is a private company and, as such, is naturally guided by profitability. Pipe Logix generates its revenue by selling subscriptions for their selected market data. The very nature of this data is therefore questionable, as financial interests may influence the actual data represented. Major Pipe deals with OCTG distributors in the US and none of them have ever been contacted by Pipe Logix for market pricing, let alone a monthly pricing survey. The source of Pipe Logix data is not disclosed, so it cannot be accurately validated. Now, couple this with the fact that Tenaris has been charged internationally for corruption and bribery on multiple occasions over the past decade:

https://www.wsj.com/articles/tenaris-to-pay-more-than-78-million-to-settle-bribery-allegations-11654212114

https://www.justice.gov/opa/pr/tenaris-sa-agrees-pay-35-million-criminal-penalty-resolve-violations-foreign-corrupt

https://www.mrt.com/business/energy/article/Tenaris-Shares-Plunge-After-Billionaire-Chairman-13427529.php

Accepting Pipe Logix data as a platform to index normal values is certainly not ideal, or in the Canadian public's best interest.

Under SIMA, when Section 20 conditions exist, the CBSA is supposed to determine values based on a surrogate. Tenaris proposed the US as a surrogate country for comparison. The US has some of the highest OCTG prices in the world and Tenaris owns several OCTG manufacturing facilities in the US. The CBSA received limited surrogate data, but it is clear from Tenaris's Request for re-investigation that of the two companies that submitted surrogate data, Tenaris USA (TEUS) was one of the companies. This in itself is a massive conflict of interest. The complainant cannot, in turn, be the company supplying surrogate data for normal value calculations. Especially when the company has a history of bribery, corruption, and executive director indictment charges for bribery.

Tenaris has denoted in their request for re-determination that TPCO is the largest producer of OCTG products in China. This is not correct, CNPC Baoji is the largest Chinese OCTG producer (https://www.profresearch.com/index.php?route=information/news/news&news_id=7416) . In fact, CNPC Baoji does not have normal values and to Major Pipe's knowledge has not applied to the CBSA for normal values. It is clear that the largest OCTG producer in China does not have its sights on the Canadian market, so where is the threat? Tenaris has allegedly provided the CBSA with data, but they are clearly unaware of who the largest OCTG manufactures in China truly are.

“Tenaris Canada is proposing that the CBSA consider TEUS’s robust sales database”, but by Tenaris’s own confession in their request for re-determination,

> “In many cases, Tenaris Canada only learns that it has lost a particular tender months after the competing goods have been imported.”

Lost sales that are only realized or known “months after the competing goods have been imported” is not robust sales data. In fact, it demonstrates Tenaris’s lack of knowledge and understanding of the Canadian OCTG industry. Their data should be construed as propaganda and cannot be relied upon for critical normal value determinations and calculations.

To illustrate just how exorbitant the Tenaris claims are; by Tenaris’s own provided data, Tenaris expects that Chinese imports will increase to 20,000-40,000 Tonnes per quarter, yet throughout the last 3 quarters of 2023 with the current normal value calculation and methodology, there have only been 6,000 Tonnes per quarter. As Tenaris noted, the average in 2017 and 2018 was 6,500 Tonnes per quarter. With the current normal value calculation and methodology the CBSA has in place, Chinese OCTG imports are below average volumes. It is clear there has been no substantial change to the OCTG market in Canada and that no significant market changes have been realized to warrant a re-investigation. Albeit flawed, the Pipe Logix index that the normal value is based on does react to market changes.

Conclusion:

In conclusion, the fundamental OCTG market conditions have not changed significantly enough for the CBSA to, yet again, initiate a re-investigation of normal values. Tenaris's compiled market data and business ethics are questionable and unsubstantiated. Dedicating any CBSA resources to this unsupported re-investigation request would be wasteful at a time when resources are limited and better directed to more important, valid, and substantiated matters. The market has not experienced any notable impact from imports and any inventory increase and price reduction in the marketplace is a result of normal business cycles that are captured in the current Pipe Logix normal value calculation methodology. Reducing the Pipe Logix reduction factor when determining the normal values is not realistic. As a minimum, the reduction factor from the Pipe Logix data needs to be at least 25% to account for the US 232 Tariff already included in the Pipe Logix data, plus a reasonable amount for profit.

Sincerely,

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