

REQUEST FOR THE INITIATION OF AN ANTI-SUBSIDY INVESTIGATION IMPORTS OF STAINLESS STEEL COLD-ROLLED FLAT PRODUCTS ORIGINATING IN INDIA AND INDONESIA

EXECUTIVE SUMMARY

❖ COMPLAINANT

The Complaint is submitted by Eurofer, the European Steel Association, on behalf of its members active in the production of stainless steel Cold-rolled flat products (hereinafter referred to as “SSCR”):

Eurofer - the European Steel Association
Avenue de Cortenbergh, 172
B-1000 Brussels

Eurofer is the European Steel association, representing more than 95% of steel production in the European Union. Eurofer members are steel companies and national steel federations throughout the EU.

It is submitted on behalf of Union producers active in the production of SSCR products, as follows:

- Acerinox Europa SAU
- Aperam Stainless Europe
- Outokumpu Oyj
- Acciai Speciali Terni SpA

❖ PRODUCT CONCERNED

The product subject to this complaint is flat-rolled products of stainless steel, not further worked than cold-rolled (cold-reduced), currently falling under CN codes 7219 31 00, 7219 32 10, 7219 32 90, 7219 33 10, 7219 33 90, 7219 34 10, 7219 34 90, 7219 35 10, 7219 35 90, 7219 90 20, 7219 90 80, 7220 20 21, 7220 20 29, 7220 20 41, 7220 20 49, 7220 20 81, 7220 20 89, 7220 90 20 and 7220 90 80.

❖ PRODUCTION PROCESS

The first stage of the production of SSCR – the melting stage – is to melt raw materials containing the necessary alloying elements and to cast the liquid steel into solid slabs. At this stage, the various inputs, iron, chromium and nickel, and to a lower extent, other material necessary to achieve the desired grades, are combined to obtain liquid stainless steel of the desired grade. Two different production "routes" coexist, allowing the same downstream SSCR products in terms of grade (chemical and physical characteristics) or dimensions, through vastly different production processes and type of raw material inputs. Raw materials used at the melting stage may either be recycled materials with the appropriate

chemical composition or ferro-alloys of various grade (share of the alloying element) and, more exceptionally, pure chemical elements.

In the EU and India, along with the US and Japan, stainless steel producers primarily rely essentially on recycled stainless steel scrap as the main raw material for the production of stainless steel, complemented by high-grade ferro-alloys. These inputs, containing all the chemicals necessary to achieve the grades, are melted together in an electric arc furnace (EAF). The molten material is further processed in an argon oxygen decarburisation converter (AOD) to remove carbon and secondary treatments are carried out as necessary. The liquid steel is then processed through a continuous casting process in which the molten metal is poured directly into a mould to produce the required shapes. After leaving the mould, the strand's shell is further cooled until it has completely solidified. The strand is cut into lengths to obtain compact rectangular blocks of crude steel, called slabs.

In more recent stainless steel producing countries, essentially China and Indonesia, stainless steel producers essentially rely, instead of stainless steel scraps, on NPI an aggregate of lower-grade nickel ore and iron, the production of which they are vertically integrated with. Producers in India are also increasingly relying on inputs, slabs or SSHR, originating in these countries.

Besides NPI, the integrated production route relies on chromium, coking coal and a mixture of gravel and sand. This mixture is then melted together with other raw materials, usually in a blast oxygen furnace ("BOF"), but also in rotary kiln electric furnaces ("RKEF") for the most modern facilities. If the NPI is produced internally, the melt will be kept liquid and poured directly into the AOD or a vacuum oxygen decarburising converter. After AOD, the liquid metal is transferred to the continuous casting machine for transformation into a semi-finished product. This production route also diverges by the fact that as NPI requires significant smelting and sintering to remove the impurities in the ore. Consequently, that production process requires greater quantities of energy.

At the hot rolling mill stage, slabs are rolled to obtain hot-rolled flat products. For that reason, slabs are pre-heated (or not cooled) prior to rolling and then reduced to a predetermined thickness in the roller gap of a hot rolling mill by pressure applied between two rollers. The resulting product is known as hot rolled black band.

After the initial annealing and pickling, the input is rolled at ambient temperature to the required thickness on reversing cluster mills or tandem mills for a number of passes until the desired dimensions are achieved, or until hardening necessitates further annealing. In order to obtain the desired thickness, in particular for the lower thickness materials, a same coil may be subjected to several stages of rolling. The product may be further annealed or tempered in order to strength and hardness of the final product and to improve the flatness of the product.

Additional surface treatments, such as polishing or brushing may be undertaken at this stage of the production process in order to render the product suitable for particular uses of customers.

❖ USES OF THE PRODUCT

Stainless steel cold-rolled flat products are used by a very large variety of downstream industries and in a wide range of final applications where resistance to both atmospheric and chemical corrosion is

necessary and where hygiene and surface aesthetic characteristics (brilliance, surface coating and/or decoration), may also be essential.

The market and applications for such products are very diversified, justifying different finishes of the product. The main end-applications of such products are the following:

- Process equipment for handling the wide range of chemicals used by processing industries, i.e. pulp and paper, textile, food and beverages, pharmaceutical, medical, etc.;
- Consumer durables and domestic appliances, such as kitchen utensils, tableware and cutlery, pots, pans, etc.;
- Architecture, building and construction -'ABC'-
- Transport and car manufacturing: exhaust systems, decoration, safety and structural components; manufacture of railway trucks and carriages, road tankers, refrigerated containers, etc.;
- Energy, such as offshore plants and nuclear equipment, manufacture of tubes for fluids transport, decoration, structural applications, heat exchangers;
- A wide number of other applications such as: bridge structures, desalination plants, pacers in double-glazed window panes, manufacture of medical equipment, public lighting and street furniture equipment; shipbuilding;

❖ SUMMARY OF THE CASE

With this complaint, the European Steel Association (Eurofer or “the Complainant”) requests the European Commission to initiate an anti-subsidy investigation concerning unfair imports of stainless steel cold-rolled flat products (“SSCR”) from India and Indonesia.

SSCR is a stainless steel flat product widely used in a number of downstream industries ranging from construction or energy equipment and infrastructure to consumer goods or vehicles thanks to its corrosion resistance, strength, versatility and aesthetic qualities, stemming in particular from the specific alloying elements used for its production such as chromium, nickel or molybdenum.

In the European Union, SSCR is manufactured essentially by integrated producers transforming stainless steel scrap and alloying elements in SSCR after melting, hot rolling and cold rolling. European SSCR production relies essentially on recycling used stainless steel products, and minimise both the use of virgin resources and the quantity of untreated waste. Thanks to its high reliance on re-used and recycled materials, the EU production process for SSCR is a prime example of a local circular economy system and contributes to the fulfilment of EU policy objectives of reducing carbon emissions and ensuring resource efficiency.

In the meantime, production of SSCR in Indonesia and, to an increasing extent, in India through the use of imported Indonesian SSHR, is essentially made through the transformation of nickel pig iron (“NPI”). The NPI production process is very energy-intensive and polluting as it requires substantial refining and

purification of the low nickel content laterite ore. Moreover, that process, relying on open-mining of virgin resources, also causes significant damage to vulnerable ecosystems.

Imports of SSCR from the countries concerned have significantly increased in the EU, resulting in a continuous and consistent increase in the market shares of these countries, and have more than doubled between January 2016 and March 2020 on the back of increasingly aggressive prices. In parallel, the market share of the Union Industry has steadily declined.

That increased pressure of imports results from the Indonesian bid to substitute its exports of raw materials with exports of value-added products through the implementation of a massive programme to support the creation and operations of an oversized export-oriented stainless steel industry. To that purpose, the government of Indonesia (“GOI”) has implemented targeted subsidies on key raw materials and actively channelled and directed financing for the establishment of Indonesians SSCR producers in designated area. The subsidisation of the Indonesian SSCR industry is also complemented by comprehensive fiscal incentives and a reduction of duties for SSCR producers and their upstream sector. In the meantime, the government of India (“GoI”) has also implemented an extensive set of subsidies, starting with the provision of raw material at significantly reduced prices through a comprehensive system of export restraints. Indian producers also benefit from significant preferential treatment on their domestic market and of dedicated export subsidies aimed at increasing their competitiveness on export markets, in particular in the EU.

While the Union Industry was initially showing signs of recovery, thanks to the imposition of anti-dumping measures against imports from China and Taiwan in 2015, its situation degraded again from 2018. In the years that followed, the production, sales, capacity use and profitability of the Union industry, among other indicators, showed injurious declining trends to the point that, during the period of reference of the complaint, from April 2019 to March 2020, the Union Industry was clearly injured and presented significant losses.

In addition, in view of the trends in the countries concerned, it is likely that, in the coming years, the production capacities dedicated to exports will increase massively and that the impact of raw material distortions will become even more acute. In that context, the Union Industry, being caught between ever increasing regulatory costs and ever diminishing import prices, faces an imminent and obvious further aggravation of the injury.

In the absence of rapid measures, it is expected that, despite sufficient local production capacity, the SSCR consumed in the EU will progressively be replaced by materials imported at unfair prices from the countries concerned at a much higher environmental cost, both in terms of carbon emissions and the use of virgin resources. At the same time, the Union industry, further affected by the fallouts of the health crisis and the increased focus of the countries concerned on exports, will see its production capacities and employment shrink, with dramatic repercussions over the entire EU stainless steel circular economy.

It is therefore essential that the European Commission acts swiftly to address to the fullest extent the subsidised imports of SSCR from the countries concerned, to put an end to the injury and anticipated further injury caused to the Union industry.

❖ KNOWN INTERESTED PARTIES

Union Industry

- ACCIAI SPECIALI TERNI SPA
- ACERINOX EUROPA SAU
- APERAM STAINLESS EUROPE
- MARCEGAGLIA SPECIALTIES
- OTELINOX SA
- OUTOKUMPU OYJ
- SIJ ACRONI

Exporting producers (India)

- JINDAL STAINLESS Ltd.
- JINDAL STAINLESS (HISAR) Ltd.
- CHROMENI STEELS Pvt. Ltd.
- JINDAL STAINLESS STEELWAY Ltd.
- STEEL AUTHORITY OF INDIA Ltd.
- TATA STEEL Ltd.
- VISTA STEEL

Exporting producers (Indonesia)

- PT IMR ARC STEEL
- PT. BINTANG ASIA USAHA
- PT OBSIDIAN STAINLESS STEEL
- PT INDONESIA TSINGSHAN STAINLESS STEEL
- PT INDONESIA TSINGSHAN STEEL
- PT E-UNITED FERRO INDONESIA
- PT DEXIN STEEL
- PT INDONESIA GUANG CHING NIKEL AND STAINLESS STEEL INDUSTRY
- PT INDONESIA RUIPU NICKEL AND CHROME ALLOY
- PT SULAWESI MINING INVESTMENT INDONESIA
- PT EKASA YAD RESOURCES
- PT HANWA INDONESIA
- IMR METALLURGICAL RESOURCES AG
- PT BINTANGDELEPAN; MINERAL INDONESIA
- ETERNAL TSINGSHAN GROUP LIMITED
- PT VIRTUE DRAGON NICKEL

Importers

- ACCIAI VENDER S.P.A.
- ACINESGON
- ACINESGON SA
- ALACER MAS SA
- ALACER MAS SL
- ALINOX S.A.
- AMARI METALS
- ARINOX
- BTH IMPORT STAL
- C.P.C. INOX S.P.A.
- CARL SPAETER GMBH
- CENTURY STEEL
- CHROM STAHL- UND METALLHANDEL GMBH
- COMMIT METALLI S.R.L.
- DAMSTAHL A/S
- DAMSTAHL GMBH
- DUFERCO
- ECOR SPA
- ELG HANIEL GMBH
- EUROACCIAI S.P.A
- EUROSTAHL HANDELS GMBH & CO. KG
- FERLAT ACCIAI S.P.A.
- GAVINOX
- GAVINOX S.R.L.
- H. BUTTING GMBH & CO. KG
- HERNANDEZ STAINLESS GMBH
- HW-INOX GMBH
- HYOSUNG BNG
- ILTA INOX SPA
- IMS BELGIUM
- INOX PA S.P.A.
- IRESTAL GROUP BERGARA
- KREUER EDELSTAHL GMBH
- LEMVIGH-MULLER A/S
- LSI LAMIERE SPECIALI INOX S.P.A.
- MANNI INOX S.P.A.
- MARCEGAGLIA
- MCB GROUP
- NICHELCROM ACCIAI INOX S.P.A.
- NORDER BAND AG
- NOVA TRADING SA
- OIKI ACCIAI INOSSIDABILI S.P.A.
- OTELINOX

- PADANA TUBI E PROFILATI ACCIAIO INOX
- RAVANI ACCIAI S.P.A.
- ROBA METALS BV
- S.I.P.I. SPA
- SADEL
- SIDERMARIOTTI S.R.L.
- SOGEMET
- TAD INOX BV
- THE METAL CENTRE
- THYSSENKRUPP MATERIALS NV
- THYSSENKRUPP SCHULTE (BSM) GMBH
- TIBNOR AB
- TKM GMBH
- TRESOLDI METALLI SRL

Users

- A.D. TUBI INOSSIDABILI S.P.A.
- ACCIAI VENDER S.P.A.
- ACINESGON
- ALACER MAS SL
- ALINOX S.A.
- AMARI METALS
- ARINOX S.P.A.
- BLANCO GMBH & CO KG
- C.P.C. INOX S.P.A.
- CARL SPAETER GMBH
- CHROM STAHL- UND METALLHANDEL GMBH
- COMMIT METALLI S.R.L.
- DAMSTAHL GMBH
- EBERSPÄCHER ETSW AB
- ELG HANIEL GMBH
- EUROSTAHL HANDELS GMBH & CO. KG
- FERLAT ACCIAI S.P.A.
- H. BUTTING GMBH & CO. KG
- HERNANDEZ STAINLESS GMBH
- HW-INOX GMBH
- ILTA INOX SPA
- IRESTAL GROUP BERGARA
- ITLA INOX S.P.A.
- KLÖCKNER & CO DEUTSCHLAND GMBH ZWEIGNIEDERLASSUNG
OSNABRUECK
- KREUER EDELSTAHL GMBH
- LSI LAMIERE SPECIALI INOX S.P.A.
- MARCEGAGLIA

- MCB GROUP
- NORDER BAND AG
- NOVA TRADING SA
- OIKI ACCIAI INOSSIDABILI S.P.A.
- OTELINOX
- PADANA TUBI E PROFILATI ACCIAIO INOX
- PADANA TUBI E PROFILATI ACCIAIO SPA
- RAVANI ACCIAI S.P.A.
- REPLASA
- S.I.P.I. SPA
- SAMSUNG ELECTRONICS POLAND MANUFACTURING SP. Z O. O.
- SIDERINOX S.P.A.
- STALATUBE OY
- TIBNOR AB
- TKM GMBH
- VERTRIEBSGESELLSCHAFT MAIKRANZ GMBH & CO.KG