Section 232 – API Policy Positions and Analysis

1. **API and eleven other trade associations that represent the American oil and natural gas industry continue to urge the administration, under Section 232, to define "national security" narrowly so as to exclude steel supplied to the US oil and natural gas industry** -- and to only enact policy to address (a) the Department of Defense's total projected needs for finished steel, and (b) the needs of certain critical industries for finished steel or aluminum that are critical to minimum operations of the economy and government (which should not include steel needed for the oil and natural gas industry).

   In other words, API opposes policy measures under Section 232 – such as new tariffs, quotas or other measures to restrict US imports of steel or aluminum – that would be based on a broader definition of "national security."

2. **A narrow interpretation of "national security" under Section 232 would also limit unintended impacts on the oil and natural gas industry that could occur from a broad application.**

3. **As illustrative examples, the US oil and natural gas industry uses steel in the upstream for drilling and in production facilities and terminals (both onshore and offshore); in the midstream for pipelines, gas processing facilities and vessels; and in the downstream for refineries and petrochemical plants.**

   a. **Oil Country Tubular Goods (OCTGs).** US oil and gas industry relies on imports especially from Mexico (19% of US imports of OCTGs), Japan (8%), Russia (8%), Germany (7%), Austria (6%), China (6%), Argentina (5%), South Korea (4%), Brazil (4%) and Italy (4%). For example, mills in Japan and Germany are only ones that produce a certain type of tubular for high pressure, high temperature deepwater offshore drilling and production.
   b. **Pipelines.** U.S. pipeline construction and repair activity rely heavily on imported finished goods and imported parts and intermediate materials used for domestic manufacturing of (1) line pipe, (2) fittings and (3) valves. ***In recent years, 72% of the steel used in line pipe was imported (excluding slab; 77% including slab) (ICF Study, 2017). Half of these imports of steel used in line pipe come from countries on which the US has already levied anti-dumping/counter-vailing duties (US ITC).*** U.S. imports $2.2 billion of steel products related to line pipe from 29 countries, it exports $11.1 billion worth of steel and steel products to those same 29 countries (*ICF Study, 2017*). US imports of line pipe are especially from South Korea (17% of US imports of line pipe), Germany (12%), Canada (12%), Italy (7%), India (6%), Turkey (6%), Greece (6%), Japan (6%), France (5%) and Mexico (4%).

c. **<u>Steel for LNG Terminals and Petrochemical Plants</u>.**

   i. **<u>LNG</u>**: At least five kinds of steel are used, with many imported: (1) rebar for concrete (often sourced from US), (2) structural steel for framing (imported from China, India, Turkey, and Korea), (3) cryogenic steel rebar for the outer shell of LNG storage tanks that must withstand extreme temperatures (must be imported from two specialty steel manufacturers because no US manufacturers are certified), (4) piping, including with a special alloy (imported from several countries), and (5) nickel plate steel for LNG tank inner liner (imported because of only one US manufacturer, with limited capacity).

   ii. **<u>Petrochemical</u>**: At least five kinds of steel are used, with several imported: (1) piping, (2) structural steel, (3) heat exchangers, (4) compressors/fans/blowers and (5) pumps. 780,000 line feet of piping and 9000 tons of structural steel/platforms are used in a typical new 1.50 Million Ton per year US Gulf Coast ethylene petrochemical facility built today, and higher costs from 2013-2017 were attributed in part to raw material shortages in steel and alloys. Taken together, the total cost of steel in piping, structural steel, compressors, heat exchangers and pumps represents potentially a third of total costs for major equipment and bulk materials. (*Petrochemical Update Brief, 2017*)

4. **API member companies continue to support Trade Remedy Measures consistent with Article VI of GATT**, which states that "dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry."
   a. **The US has already applied 79 cases of anti-dumping/counter-vailing duties (AD/CVD) to address imports of OCTGs, steel plates and line pipe that are used in the oil and natural gas industry:**
      i. 14 AD/CVDs on oil country tubular goods (OCTG)
      ii. 20 AD/CVDs on steel plates
      iii. 26 AD/CVDs on line pipe
   b. **The US oil and natural gas industry is already subject to these AD/CVDs:**
      i. Half of the US imports of steel used in line pipe come from countries on which the US has already levied AD/CVDs (*ICF Study, 2017,* US ITC). Imports of steel used in line pipe account for 72% of the market.
      ii. For example, the cryogenic rebar for the outer shell of an LNG tank that is imported from Poland is already subject to anti-dumping duties.

5. **API member companies support multi-lateral efforts – especially those of the G20 and OECD – to address global overcapacity of steel and aluminum, and we urge the administration to prioritize these efforts to address market distorting policies of other countries.**