



Safeguard questionnaire¹

Safeguard measure on certain steel products

Case: TF0006

Period of Investigation (POI):	01 January 2013 – 31 December 2017
Most Recent Period (MRP):	01 January 2018 – 30 June 2020
Deadline for response:	21 November 2020
Case Team Contact:	Imogen Yapp, Lead Investigator, TF0006@traderemedies.gov.uk
Completed on behalf of:	UK Steel
Party type (<u>select</u>):	<div><input type="checkbox"/> Contributor <input type="checkbox"/> Government of relevant foreign country or territory (<i>Interested Party</i>) <input type="checkbox"/> Trade or business association representing overseas exporters or UK importers of the good(s) subject to review (<i>Interested Party</i>) <input checked="" type="checkbox"/> Trade or business association representing UK producers of like goods or directly competitive goods (<i>Interested Party</i>)</div>

¹ Excluding the following interested parties: Overseas exporters or UK importers of the good(s) subject to review and UK producers of the like good(s) or directly competitive good(s). These interested parties will complete questionnaires tailored to their specific party status.



When you have completed this form, indicate the **confidentiality status** of this document by placing an X in the relevant box below:

- ☐ Confidential
- ☒ Non-Confidential – will be made publicly available

Please note that you will have to provide **two copies of your response** - a **Confidential** and a **Non-Confidential version**. Both copies should be returned to TRID using the Trade Remedies Service (www.trade-remedies.service.gov.uk).



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The scope of this review

Goods subject to review

The goods subject to review in this transition review are detailed in the following table²:

Product category number	Product category	Commodity codes
1	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips	7208 10 00, 7208 25 00, 7208 26 00, 7208 27 00, 7208 36 00, 7208 37 00, 7208 38 00, 7208 39 00, 7208 40 00, 7208 52 10, 7208 52 99, 7208 53 10, 7208 53 90, 7208 54 00, 7211 13 00, 7211 14 00, 7211 19 00, 7212 60 00, 7225 19 10, 7225 30 10, 7225 30 30, 7225 30 90, 7225 40 15, 7225 40 90, 7226 19 10, 7226 91 20, 7226 91 91, 7226 91 99
2	Non-Alloy and Other Alloy Cold Rolled Sheets	7209 15 00, 7209 16 90, 7209 17 90, 7209 18 91, 7209 25 00, 7209 26 90, 7209 27 90, 7209 28 90, 7209 90 20, 7209 90 80, 7211 23 20, 7211 23 30, 7211 23 80, 7211 29 00, 7211 90 20, 7211 90 80, 7225 50 20, 7225 50 80, 7226 20 00, 7226 92 00
4A	Metallic Coated Sheets	TARIC Codes: 7210 41 00 20, 7210 49 00 20, 7210 61 00 20, 7210 69 00 20, 7212 30 00 20, 7212 50 61 20, 7212 50 69 20, 7225 92 00 20, 7225 99 00 11, 7225 99 00 22, 7225 99 00 45, 7225 99 00 91, 7225 99 00 92, 7226 99 30 10, 7226 99 70 11, 7226 99 70 91, 7226 99 70 94
4B	Metallic Coated Sheets	CN Codes: 7210 20 00, 7210 30 00, 7210 90 80, 7212 20 00, 7212 50 20, 7212 50 30, 7212 50 40, 7212 50 90, 7225 91 00, 7226 99 10 TARIC codes: 7210 41 00 30, 7210 41 00 80, 7210 49 00 30, 7210 49 00 80, 7210 61 00 30, 7210 61 00 80, 7210 69 00 30, 7210 69 00 80, 7212 30 00 80, 7212 50 61 30, 7212 50 61 80, 7212 50 69 30, 7212 50 69 80, 7225 92 00 80, 7225 99 00 23, 7225 99 00 41, 7225 99 00 93, 7225 99 00 95, 7226 99 30 90, 7226 99 70 19, 7226 99 70 96
5	Organic Coated Sheets	7210 70 80, 7212 40 80
6	Tin Mill products	7209 18 99, 7210 11 00, 7210 12 20, 7210 12 80, 7210 50 00, 7210 70 10, 7210 90 40, 7212 10 10, 7212 10 90, 7212 40 20
7	Non-Alloy and Other Alloy Quarto Plates	7208 51 20, 7208 51 91, 7208 51 98, 7208 52 91, 7208 90 20, 7208 90 80, 7210 90 30, 7225 40 12, 7225 40 40, 7225 40 60
12	Non-Alloy and Other Alloy Merchant Bars and Light Sections	7214 30 00, 7214 91 10, 7214 91 90, 7214 99 31, 7214 99 39, 7214 99 50, 7214 99 71, 7214 99 79, 7214 99 95, 7215 90 00, 7216 10 00, 7216 21 00, 7216 22 00, 7216 40 10, 7216 40 90, 7216 50 10, 7216 50 91, 7216 50 99, 7216 99 00, 7228 10 20, 7228 20 10, 7228 20 91, 7228 30 20, 7228 30 41, 7228 30 49, 7228 30 61, 7228 30 69, 7228 30 70, 7228 30 89, 7228 60 20, 7228 60 80, 7228 70 10, 7228 70 90, 7228 80 00
13	Rebars	7214 20 00, 7214 99 10

² Please note that the list uses the same category numbers and category names as EU Regulation 2019/159 for those goods subject to review within this Transition Review. Product categories 3, 8, 9, 10, 18, 22, and 24, will not be transitioned and are therefore excluded from the list.



14	Stainless Bars and Light Sections	7222 11 11, 7222 11 19, 7222 11 81, 7222 11 89, 7222 19 10, 7222 19 90, 7222 20 11, 7222 20 19, 7222 20 21, 7222 20 29, 7222 20 31, 7222 20 39, 7222 20 81, 7222 20 89, 7222 30 51, 7222 30 91, 7222 30 97, 7222 40 10, 7222 40 50, 7222 40 90
15	Stainless Wire Rod	7221 00 10, 7221 00 90
16	Non-Alloy and Other Alloy Wire Rod	7213 10 00, 7213 20 00, 7213 91 10, 7213 91 20, 7213 91 41, 7213 91 49, 7213 91 70, 7213 91 90, 7213 99 10, 7213 99 90, 7227 10 00, 7227 20 00, 7227 90 10, 7227 90 50, 7227 90 95
17	Angles, Shapes and Sections of Iron or Non-Alloy Steel	7216 31 10, 7216 31 90, 7216 32 11, 7216 32 19, 7216 32 91, 7216 32 99, 7216 33 10, 7216 33 90
19	Railway Material	7302 10 22, 7302 10 28, 7302 10 40, 7302 10 50, 7302 40 00
20	Gas pipes	7306 30 41, 7306 30 49, 7306 30 72, 7306 30 77
21	Hollow sections	7306 61 10, 7306 61 92, 7306 61 99
25.A	Large welded tubes	7305 11 00, 7305 12 00
25.B	Large welded tubes	7305 19 00, 7305 20 00, 7305 31 00, 7305 39 00, 7305 90 00
26	Other Welded Pipes	7306 11 10, 7306 11 90, 7306 19 10, 7306 19 90, 7306 21 00, 7306 29 00, 7306 30 11, 7306 30 19, 7306 30 80, 7306 40 20, 7306 40 80, 7306 50 20, 7306 50 80, 7306 69 10, 7306 69 90, 7306 90 00
27	Non-alloy and other alloy cold finished bars	7215 10 00, 7215 50 11, 7215 50 19, 7215 50 80, 7228 10 90, 7228 20 99, 7228 50 20, 7228 50 40, 7228 50 61, 7228 50 69, 7228 50 80
28	Non-Alloy Wire	7217 10 10, 7217 10 31, 7217 10 39, 7217 10 50, 7217 10 90, 7217 20 10, 7217 20 30, 7217 20 50, 7217 20 90, 7217 30 41, 7217 30 49, 7217 30 50, 7217 30 90, 7217 90 20, 7217 90 50, 7217 90 90

Any reference to the goods subject to review refers to the product categories and CN codes covered in the table above.

Please refer to the Notice of Initiation on the case file for the countries that are exempt from the existing safeguard measure.

Like goods

Any reference to **'like goods'** in this questionnaire refers to goods produced in the UK which are like the goods subject to review in all respects, or with characteristics closely resembling them.

Directly competitive goods

'Directly competitive goods' are goods produced in the UK which are directly competitive with the goods subject to review.



This can include goods that are not only similar to the goods subject to review, such as a different type or variety, but also include goods that occupy a position of direct competition with the goods subject to review. A directly competitive good may be one that is substitutable with the goods subject to review.



Instructions

Introduction

The Trade Remedies Investigations Directorate (TRID) of the UK's Department for International Trade will be carrying out a transition review of each trade remedy measure active under the EU system that the UK has decided to maintain after EU exit. This transition review will consider whether the existing safeguard measure is necessary to address the increase in imports and whether there would be injury to the UK industry if the measure was removed. The transition review will also consider whether the existing safeguard measure should be extended.

We are seeking your cooperation as a contributor/an interested party to inform our review of whether the existing safeguard measure should be maintained, varied, discontinued and/or extended. The information your company provides will help us to determine a fair and appropriate response.

As specified on the front page of this questionnaire, the POI covers the same period as the EU steel safeguards case (January 2013 – December 2017). The data requested in this questionnaire for the POI will be used to make a recommendation on whether the existing safeguard measure should be transitioned. The MRP covers the period following the POI (January 2018 – June 2020). The data requested in this questionnaire for the MRP will be used to make a recommendation on whether the existing safeguard measure should be reduced or extended.

For further information please refer to our guidance on [How we carry out transition reviews into EU measures](#).

Please refer to our online guidance on the differences between interested parties and contributors: <https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#interested-parties-and-contributors>.

Please provide all the information requested by **21 November 2020**. We may send a notice asking for clarification or supplementary information where necessary. Make sure you provide the sources for any information or data you don't own and clearly state any restrictions on sharing it.

Please note that if you do not provide a confidential version and a non-confidential summary (or a statement of reasons why you cannot provide this), TRID may disregard the information you give us. The following section provides further information on what you need to do.

If you are unable to complete the questionnaire within the required time, please contact the case team ahead of the deadline using the contact details on the cover of this questionnaire. You should outline the length of extension required and the reasons why. **Due to the restricted timeframe of this transition review, the case**



team's ability to grant extensions is very limited. We will notify you of our decision. If we are able to accommodate an extension, a note to explain this will be placed on the public file.

Please also contact the case team if you have any questions about your response or if you have any difficulties in completing the questionnaire. For general information about trade remedies processes, please visit the following website:

www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process.

TRID investigates cases under the specific provisions in Part 9 of *The Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019* as amended by the *Trade Remedies (Amendment) (EU Exit) Regulations 2019* and under the *Taxation (Cross-border Trade) Act 2018*.

Preparing confidential and non-confidential copies

You will need to submit one confidential version and one non-confidential version of your questionnaire by the deadline. **Please ensure that each page of information you provide is clearly marked either “Confidential” or “Non-Confidential” in the header.** It is your responsibility to ensure that the non-confidential version does not contain any confidential information.

Further information on what can be considered confidential and how to prepare a non-confidential version of this questionnaire can be found in our guidance on [how we handle confidential information](#).

All information provided to TRID in confidence will be treated accordingly and only used for this investigation (except in limited circumstance as permitted by regulation 17 of the *Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019*) and kept in protected systems. The non-confidential version of your submission will be placed on our public file, which is available on www.trade-remedies.service.gov.uk/public/cases.

What happens next

Please upload your completed questionnaire responses and non-confidential versions of documents to our Trade Remedies Service at www.trade-remedies.service.gov.uk. You will receive an email confirming the documents have been uploaded successfully. Non-confidential responses will be placed on the public file and the case team will contact you if we need further information.

Once we have completed our investigation, we will publish our recommendation to the Secretary of State. Our final report will be published on our public file.

Further information on this process is available at:



Department for
International Trade

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www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#determinations-and-conclusion-of-investigations



How to complete this questionnaire

Please read and follow all the instructions carefully. You are required to substantiate all claims with relevant data and information. You may be asked to attach supporting documents in appendices to supplement your responses. Provide all formulas and steps used in your calculations and keep a record of these.

Please note the following points:

- Do not leave any questions blank. If the question is not relevant to your organisation, please explain why.
- If the answer to the question is “zero”, “no”, “none” or “not applicable”, please write this rather than leaving the answer blank.
- If there is insufficient space in any part of the questionnaire to provide the details requested, please attach appendices. Please ensure that any attachments are given a corresponding appendix reference in the title of the document and that these are referenced in the boxes provided.
- Any documents not in English should be accompanied by an English translation.
- Please provide all dates in the format DD/MM/YYYY (e.g. 23/05/2019).
- For all numerical figures, where appropriate please express every third digit with a comma (e.g. ‘1,300’ for one-thousand three hundred, ‘1,300,000’ for one million and three hundred thousand).
- Limit all sales/currency/income figures to two decimal places and use the appropriate currency symbol (e.g. £1,300.00).
- Provide all costing figures as actual amounts. Where actual amounts cannot be provided and you have reported standard costing instead, indicate this in the relevant answer and explain the variance from actual costs, if any.
- All financial figures should be reported net of tax unless otherwise stated.



SECTION A: About the case

A1 General information

1. Please complete the table below. Make sure the point of contact you name has the authority to provide this information.

Name (point of contact):	CONFIDENTIAL
Address:	CONFIDENTIAL
Telephone No:	CONFIDENTIAL
Email:	CONFIDENTIAL
Website:	https://www.makeuk.org/about/uk-steel

2. If you are representing an organisation, please also fill in the information below:

Company registration number:	N/A
Place of registration:	N/A
Legal name of organisation:	EEF Limited
Legal structure (e.g. limited company, sole trader, partnership etc):	Limited Company
Position in the organisation:	CONFIDENTIAL
Year of establishment:	1896
Other operating names:	Make UK

A2 Information about this review

This transition review will consider whether the existing safeguard measure is necessary or sufficient to address the increase in imports and whether there would be injury to the UK industry if the measure were removed and/or not extended. For each question, please provide any information you have which you feel is relevant to the case. If you have no information, please say so in your answer.

Please substantiate your answers with evidence. Any attachments should be given a corresponding appendix reference in the title of the document and referenced in the boxes provided.

1. Please provide any **information about the like or directly competitive goods and the goods subject to review** that you consider relevant.

UK Steel submits that TRID should conduct all analysis at the global and product family level and not the individual product category level. The significant linkages and interrelationships between the product categories means that categories should
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not be considered in isolation but, rather, as a single group. The global analysis should be supplemented by a secondary analysis at the level of the three product families (flat, long and tube). A full explanation of this point is provided in section 1.2 of the appendix to the UK Steel questionnaire response.

The point is also further developed in the context of the increased import analysis in section 2.1.1 of the appendix to the UK Steel questionnaire response. Regulation 49 raises a question as to which measure of imports should be the subject of the inquiry into whether they were imported into the UK in increased quantities during the period of the original EU investigation. The Regulation states that the review is to consider whether goods belonging to “each specified category” are imported into the UK in increased quantities “during the same IP considered by the European Commission”.

The determination of what categories (within the overall universe of steel products covered by the review) must be found to have increased in volume imported into the UK thus turns on the meaning of “each specified category.” There is considerable ambiguity around the term “each specified category. More specifically, does the term mean that the issue of increase into the UK should be determined globally and for each of the three product “families” – long products, flat products and tubes, or is it intended that a separate determination must be made for each of the 19 specific products?

UK Steel submits that this question is answered by consideration of the purpose of the transition review, and by examination of the explicit explanation by the European Commission of its analysis. The purpose of this or any transition review is to determine whether the basis for the Commission’s determination would, if applied in the same way to imports into the UK, result in the same determination that imports increased during the same investigation period. In other words, TRID is to apply to imports into the UK during the same IP the same analysis, including breakdown into the same product categories, as was done by the European Commission with respect to imports into the EU.

The purpose of this or any transition review is to determine whether the basis for the Commission’s determination would have, if applied in the same way to imports into the UK, resulted in the same determination that imports increased during the same investigation period and caused or threatened to cause serious injury. In other words, TRID is to apply to imports into the UK during the same IP the same analysis, including using the same product definition as was used by the European Commission with respect to imports into the EU.

See section 2.1.1 of the Appendix to the UK Steel questionnaire response (“the Appendix”) for more information on this argument.

Appendix reference:

2. Please comment on the **scope of the review**. If you consider that any product categories and/or custom codes should be added or removed, please explain the



reasons why. Provide information about the UK production, UK demand and UK imports for these product categories and/or custom codes. Substantiate with evidence.

UK Steel is content with the scope of the review and the product categories.

Product categories have developed in consultation with the European Steel industry (within input from the UK industry in 2018) and reflect well the nature of the products produced, the interrelated nature of many of the products, and the various uses to which they are put.

UK Steel would caution against TRID performing an over simplified analysis of the product categories based largely on which products are produced in the UK in order to determine which product codes should be maintained in any given product category. This would fail to take into account the interchangeable nature of many of the goods in each category and the competition that exists between difference codes.

The default position should be that all product codes are maintained unless a consumer makes the case that a particular product is not produced in the UK, nor a similar 'like good'. The UK industry should be consulted in such situations to either confirm the position or verify that such a product is made in the UK.

Appendix reference:

3. Please provide any information regarding the **surge in imports** of the goods subject to review **during the POI**.

UK Steel's detailed analysis of increased imports during the POI is provided in section 2 of the Appendix.

As discussed in question 1 above, UK Steel strongly believes that increased imports should be assessed primarily in relation to all categories as a single group, supplemented by an analysis at the level of the 3 product families (flat, long and tubes).

In section 2.1.3 of the appendix, UK Steel also argues that it is non-EU imports that should be assessed for the period 2013-17 as opposed to all imports.

UK non-EU imports of all categories 2013-17

	2013	2014	2015	2016	2017
Tonnes	1,339,849	2,035,718	1,816,292	1,906,959	2,092,294
Index 2013-100	100	152	136	142	156

Likewise, imports by each product family also increased for the same period (81%, 20% and 38% for flat, long and tube respectively).



UK non-EU imports by product family 2013-17

	2013	2014	2015	2016	2017
Flat	712,893	991,568	844,148	1,092,076	1,287,213
	100	139	118	153	181
Long	342,904	650,988	638,802	457,871	412,515
	100	190	186	134	120
Tube	284,052	393,161	333,342	357,012	392,566
	100	138	117	126	138

Thus, by both the primary and secondary product definitions, there was a significant increase in imports between 2013 and 2017.

UK Steel also presents a similar analysis for all UK imports including from the EU27 countries in section 2.2.2 of the Appendix. Global imports increased by 40% during the period 2013 to 2016 and, although they fell somewhat in 2017, were still 20% above their 2013 level. Imports of flat, long and tube products increased by 28%, 2% and 20% respectively. Although UK Steel submits that non-EU imports are relevant for this analysis, the analysis of total UK imports also confirms that imports has increased at the global and product family level.

The principal analysis in the Appendix is based on import data extracted from UK Trade Info. The full data is provided in Annex 1 of the Appendix. UK Steel also provides an additional analysis of total import trends from ISSB (International Steel Statistics Bureau) data.

In principle the ISSB non-EU data is the same as UK Trade Info. However, the ISSB data on intra-EU trade is adjusted to include an estimate of transactions excluded from the Eurostat/UK Trade info data on intra-EU trade. An explanation of this is provided in section 2.1.4 of the Appendix.

The ISSB data showed that global imports increased by 25% between 2013 and 2017 and that flat, long and tube imports increased by 31%, 10% and 46% respectively.

It is clear from these different data sources that there was a significant increase in imports between 2013 and 2017. UK Steel submits that this meets the increased import test set out in regulation 49(4) of the UK safeguards regulation. For more information on this see section 2 of the Appendix.

Annex 1 of the Appendix provides the full data used to calculate the above figures. This includes the full range of categories that were examined by the European Commission in the original investigation. This full range of data is the basis on which the global and product family statistics, which were the basis on which the Commission's decision was made, were produced. UK Steel emphasises that they are not provided to suggest that an individual analysis of the product categories should be carried out.

If the global and product family approach was to be rejected by TRID, and UK Steel would hope this will not be the case, an analysis of the individual product categories in the alternative is provided in Annex 2 of the Appendix.

Appendix reference:



4. Please provide any information regarding **imports** of the goods subject to review **during the MRP**.

Import trends for the MRP (2018-Jul20) are provided in Annex 1 to the Appendix.

UK Steel submits that this data serves little purpose apart from assessing where current imports lie in relation to UK quota levels in the context of the likelihood of increase analysis in question 5 below.

Appendix reference:

5. Provide any information that could help us assess the **likelihood of an increase in imports** occurring if the existing safeguard measure for the goods subject to review were:

- i) continued; or
- ii) discontinued.

Provide evidence to support your conclusions.

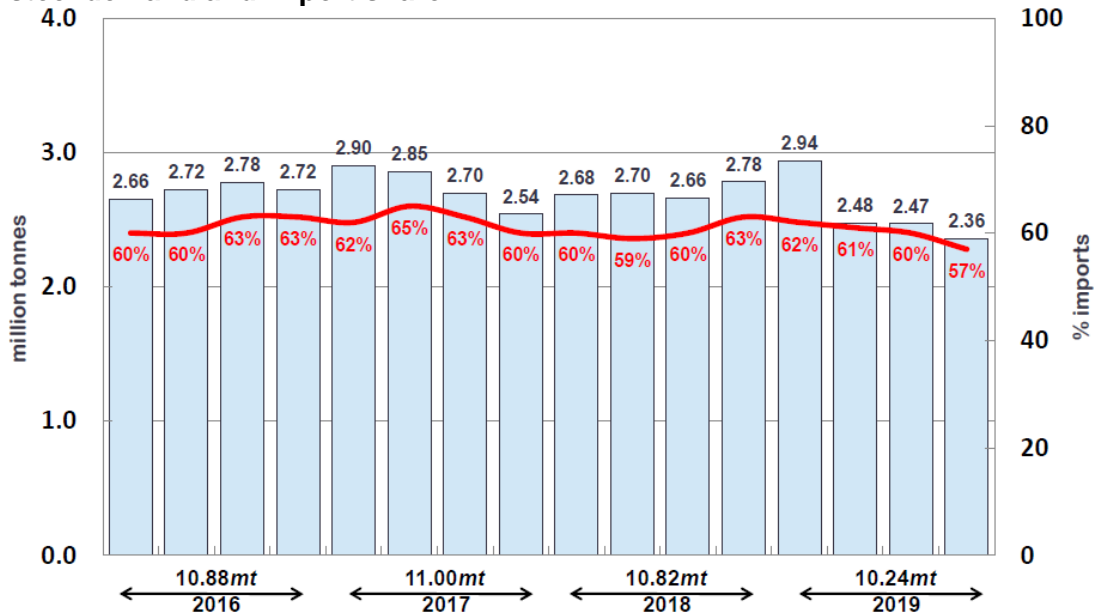
As presented below, it is evident from an examination of the data and the prevailing market conditions, that should the measures be discontinued, either before or on the expiry date of 30 June 2021, then UK imports would increase significantly above their historic levels. Such increase in imports would cause further injury to UK industry, undermining their ongoing adjustments and, critically, their nascent recovery from the ongoing global COVID-19 pandemic.

Similarly, it is evident that even with measures in place the potential for an increase in imports is significant – most obviously in terms relative to production and demand. The UK quotas, like the EU quotas, are based on historic levels of imports but have already been ‘liberalised’ significantly with a 5% increase made at the time of definitive measures in early 2019, a 3% increase at the start of the second safeguard year in 2019, and a further 3% increase provided for in July 2020. In total this means that quotas levels are already 11% higher than recent import levels, and a continuation of this approach would see quotas 15% higher in July 2021, climbing to 21% higher by 2023.

Even in absolute terms such levels of import increase would be significant and would severely undermine the effectiveness and purpose of the safeguard measures. But with UK demand for steel having plummeted in 2020 and not expected to recover to 2019 levels until at least the start of 2023 – the relative increase in imports allowed for by these quotas would be significantly greater. It is notable that even 2019 represented a weak steel demand year for the UK (10.2 MT), down from 2018 (10.8MT), and 2017 (11.0MT), so a return to this level would still not represent a return to healthy demand levels.



UK steel demand and import share



UK steel demand, imports and import penetration levels (MT)

	Demand	Imports	Import Penetration Level
2015	10.49	6.22	59%
2016	10.88	6.69	62%
2017	11.03	6.88	62%
Average	10.80	6.59	61%

Source: ISSB

Note: Figures above represent total UK steel demand, and therefore include some products not captured by safeguards. Safeguard products represent approximately 80% of total UK Steel demand and therefore trends presented here can be considered representative of those for the products captured by the safeguard measures.

Quotas that were designed to allow for an average 61% import penetration level of 2015-17 demand levels, will have been liberalised to allow for import penetration levels of closer to 70% of 2019 demand, and 90% of 2020's severely reduced demand levels. Even with a modest recovery next year we would expect further liberalised quotas to allow for 80-85% penetration levels. It is extremely difficult to see how quotas that would allow for such significant absolute and relative increases in imports levels could be seen to be acting effectively to 'prevent or remedy' the injury being caused industry – as is the intention of safeguarding measures set out in the Article XIX of the GATT.



UK steel demand and import level

Year	UK demand as percentage of 2015-2017 average (actual and projected)	Estimated import penetration level allowed for by liberalised quotas
2018	100%	64%
2019	95%	70%
2020	76%	90%
2021	83%	84%

Source: UK Steel analysis

It is clear that in extending the safeguards beyond June 2021, it will be necessary to strengthen the measures either through a reduction to the tariff rate quota levels or the possible replacement of them with a 'safeguarding amount' as allowed for by the UK Safeguard Regulations.³ Questions about the compatibility of an adjustment to tariff rate quota levels with the WTO requirement for progressive liberalisation can easily be addressed.

The WTO agreement is not explicit about what form liberalisation should take, nor is it a requirement that the pace of liberalisation be increased – merely a consideration that should be made. There is therefore considerable flexibility in the form liberalisation could take – for example – quotas could be reduced whilst at the same time a reduction is made to the tariff element of the TRQ.

Comparison of MRP Import trends with quota levels:

To return to the question of whether imports would increase if the measures were removed, we can gain some understanding of the possible trends in the absence of measures by examining UK imports in the period July 2018 to June 2019. Examining this period with a view to determining what may happen without measures in place clearly has its limitations – there were EU safeguards in place limiting the overall volumes of steel from non-EU countries allowed to enter the EU which naturally will have naturally reduced overall import volumes into the UK. Critically, if the UK were not to maintain and extend its measures we could face a situation in which the UK was one of the few open markets for steel in the world. Until we know definitively, we (and TRID) must assume for the purposes of this review that the EU will extend its measures and that the US will continue with its Section 232 tariffs.

In such a scenario – the only major markets for steel without any imports restrictions on steel in place (not including AD and AS duties) would be Japan and South Korea. Importantly, both of which are major net exporters with low import penetration levels of approximately 10% and 30% respectively⁴, and therefore are not effectively absorbing diverted trade. All other major markets would either have MFN tariffs or some form of emergency measures in place. If the UK were not to have its own safeguards, the UK would be a highly attractive market and imports would grow significantly above the levels detailed below.

Notwithstanding these major caveats, examining the 2018/19 UK import trends can provide us with some useful indication of possible increases in imports if measures were removed.

³ The Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019

⁴ World Steel Association (2020) World Steel in Figures



Notably, there were no limits on EU imports into the UK during this period, which have historically made up the majority of UK imports – 67% average between 2013 to 2017.

Note: that 2019/20 does not represent a useful period for this analysis given the huge falls in demand experienced in Q1 and Q2 of 2020 due to COVID.

The data below, compares 2018/19 imports into the UK with what the equivalent UK quota levels for this period would have been⁵. Red indicates where the imports exceeded the theoretical UK quota level. Orange is where more than 90% of the UK quota would have been utilised, and therefore the quota would have been considered critical.

Table: 2018/19 UK Imports Compared to theoretical UK 2018/19 Quota

	Product Category	2018/19 Imports	2018/19 Quota	2019/19 Use of Quota
1	Hot Rolled Sheets and Strips	828,638	963,670	116%
2	Cold Rolled Sheets	426,141	385,979	91%
4	Metallic Coated Sheets	1,781,239	1,695,804	95%
5	Organic Coated Sheets	137,445	203,349	148%
6	Tin Mill products	154,635	71,258	46%
7	Quarto Plates	320,572	404,631	126%
12	Merchant Bars and Light	259,592	276,707	107%
13	Rebars	444,337	316,853	71%
14	Stainless Bars and Light Sections	53,974	62,598	116%
15	Stainless Wire Rod	1,418	1,385	98%
16	Wire Rod	259,889	138,167	53%
17	Angles, Shapes and Sections	625,917	620,468	99%
19	Railway Material	6,731	10,131	151%
20	Gas pipes	98,161	81,616	83%
21	Hollow sections	172,983	171,970	99%
25	Large Welded Tubes	152,914	48,077	31%
26	Other Welded Pipes	216,585	178,102	82%
27	Non-Alloy and other alloy cold finished bars	37,616	34,213	91%
28	Non Alloy Wire	139,548	126,453	91%

Source: HMRC Trade Data, DIT quotas and UK Steel Analysis

As the table above demonstrates, for the vast majority of categories, even with import restrictions in place at an EU level, imports breached the theoretical quota levels or reached 'critical' levels above 90%. It is therefore clear that without any measures in place, imports would grow significantly. The table below indicates where quota exhaustion in the overall EU quotas during this period would have limited imports into the UK.⁶

⁵ Quota estimates have been made taking the quotas set out in the notice of determination and 'de-liberalising' them and making necessary pro-rata modifications)

⁶ Note: there were no country specific quotas in the first period of the year whilst provisional measures were in place. As such global quotas operated from July 2018 to February 2019, after which the current quota system of country specific quotas and 'residual' quotas came into operation.



Highlighted rows below indicate product categories where UK imports in 2018/19 were <90% what the theoretical global quota would have been for that year. As demonstrated below, particularly in the case of wire rod and rebar, there were significant import constraints resulting from the exhaustion of multiple quotas at an EU level that year. Again, it is clear that without measures in place, safeguard measures in place, imports would have been significantly higher.

Table: Summary of Quota Exhaustion in EU Safeguards 2018/19

	Product Category	EU Quota Exhaustion Summary
1	Hot Rolled Sheets and Strips	No quotas exhausted
2	Cold Rolled Sheets	Ukraine, South Korea and residual quotas exhausted
4	Metallic Coated Sheets	India, South Korea and residual quotas exhausted
5	Organic Coated Sheets	Turkey, S Korea, Taiwan, and residual quotas exhausted
6	Tin Mill products	Serbia and residual quotas exhausted
7	Quarto Plates	S Korea and residual quotas exhausted
12	Merchant Bars and Light	Turkey, Russia and residual quotas exhausted
13	Rebars	All available quotas exhausted during year
14	Stainless Bars and Light Sections	All quota in period 02.02.19 to 31.06.19 exhausted
15	Stainless Wire Rod	China, S Korea, Taiwan, Japan, and residual quotas exhausted
16	Wire Rod	Provisional global quota, Turkey, Belarus, Russia and residual quotas exhausted
17	Angles, Shapes and Sections	Turkey and residual quotas exhausted
19	Railway Material	Turkey, Russia, China, residual quotas exhausted
20	Gas pipes	N Macedonia and residual quotas exhausted
21	Hollow sections	Provisional global, Turkey, N Macedonia, Belrus, Russia and residual quotas exhausted
25	Large Welded Tubes	Turkey and residual quotas exhausted
26	Other Welded Pipes	Turkey and residual quotas exhausted
27	Cold finished bars	China and residual quotas exhausted
28	Non Alloy Wire	Turkey, Ukraine and residual quotas exhausted

UK steel market conditions:

COVID-19 and severely reduced steel demand:

It is evident from the analysis above that if measures were to be removed (or even maintained with the current liberalisation trajectory) that imports would increase – both in absolute terms, and in terms relative to UK production and market size. However, it is also important the review takes account of wider market conditions which further support UK Steel's position that an increase in imports is highly likely if measures were removed, or continued to be liberalised.

Firstly to consider the current state of the UK steel market due to COVID-19. As a result of restrictions put on social and economic activity in the UK, and most other countries globally – UK demand for steel has plummeted in 2020. Whilst data for the full year is not yet available, the first three quarters of the year show a drop of 23%. Again the data below is for total UK



steel consumption – but with the safeguarded products in question accounting for circa 80% of this, the trends shown below will match closely that of a more product specific analysis.

UK Steel Demand – 2018 vs. 2020

	UK Steel Demand (tonnes)
Q1 2019	3,096,613
Q1 2020	2,446,448
Q1 Demand reduction	-21%
Q2 2019	2,607,419
Q2 2020	1,797,998
Q2 Demand reduction	-31%
Q3 2019	2,636,929
Q3 2020	2,154,795
Q3 Demand reduction	-18%
Q1-Q3 2019	8,340,960
Q1-Q3 2020	6,409,554
Q1-Q3 Demand reduction	-23%

Source: ISSB

Whilst we do not have independently produced UK specific forecasts for steel demand in 2021 and 2022 – looking at a range of other forecasts for the year ahead will demonstrate that UK demand for steel is expected to remain low for a considerable period of time. Crucially this serves to demonstrate the severe vulnerability of UK industry at the current time, as well as evidence that even a modest increase in absolute imports would equate to a significant relative increase in relative imports. With a low UK demand level, and major anticipated barriers to UK steel exports next year due to Brexit – it is clear that UK production will continue to be subdued, already sitting at 6% below 2019 levels in the year to date.

Steel demand, manufacturing output and economic growth forecasts Indexed to 2019 levels = 100

Projection Source	2019	2020	2021	2022	2023
World Steel Association - EU Steel Demand Forecast	100	85	94	N/A	N/A
Make UK - UK Manufacturing Sector Forecast	100	88	90	N/A	N/A
HMT – GDP Medium Term Forecasts	100	89	94	97	100

Based on these UK and EU level forecasts, and the existing UK steel demand figures above, we estimate steel demand to fall by to around 80% of 2019 demand levels this year, before recovering to 90% of 2019 demand levels next year – however this scale of recovery is ambitious and it could well be thrown off course by Brexit impacting on key steel consuming sectors such as automotive, construction and the wider manufacturing sectors. The UK automotive sector is projected to experience a 39% fall this year⁷, significantly greater than the 25% projected for the EU sector⁸.

With the UK economy not expected to have recovered to 2019 levels of output until the end of 2023 (see HMT projections above), it is reasonable to assume a similar trajectory for the steel sector. With all the additional pressure that UK industry will face compared to their EU counterparts as a result of Brexit – it is unlikely that UK steel demand will follow the same projected recovery trajectory of the EU displayed in the table above. In these circumstances of medium term reduced UK steel demand, it is evident that even in the unlikely scenario that

⁷ Oxford Economic Forecasts

⁸ <https://www.acea.be/press-releases/article/eu-car-sales-forecast-2020-record-drop-of-25-expected-this-year-says-acea>



UK steel imports were not to increase in absolute levels, there would undoubtedly be an increase in terms relative to both demand and production if measures were removed.

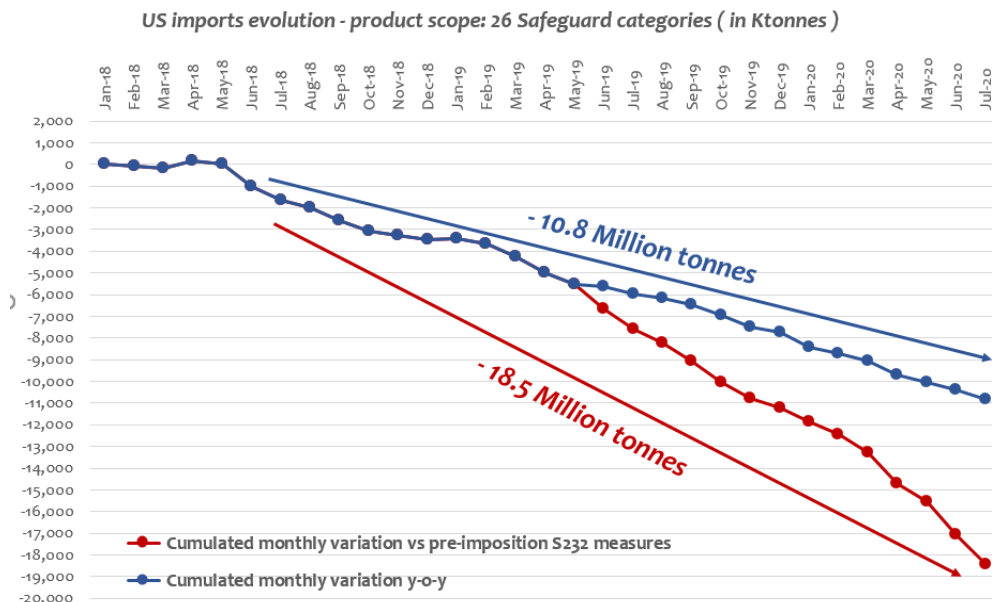
Global Market Conditions:

Turning to the wider global market situation, it is evident that the circumstances that led the Commission to introduce the safeguarding measures are still present today. These factors include increasing protection of third country markets, global excess capacity, and trade diversion away from the US due to Section 232, 25% tariffs.

Section 232:

The potential impact of Section 232 measures in the US has worsened since they were introduced in 2018. The U.S. steel sector has added new steelmaking capacity that acts to further displace exports that would have otherwise been destined for the US. Such diverted exports will instead go to other open markets – such as the UK or the EU. To all intents and purposes the UK and EU will remain one regional market for steel regardless of Brexit. For exporters outside of the EU – Brexit does not introduce any additional barriers to exporting steel to the UK or EU, there remain no MFN tariffs on steel imports and therefore steel trade will continue to flow to both as before. If the UK removes its safeguarding tariffs, particularly at a time of low global demand for steel⁹, the UK would be a highly attractive market for that diverted steel. This would be further exacerbated if the EU chose to maintain its measure while the UK removed its own – the UK would be the only open element of the European market, and as a proportionately smaller market (10MT Vs 160 MT) it would take far less trade diversion away from the US to result in a significant increase in UK imports and resultant injury to UK industry.

The graph below shows the impact of Section 232 measures on US imports of steel.

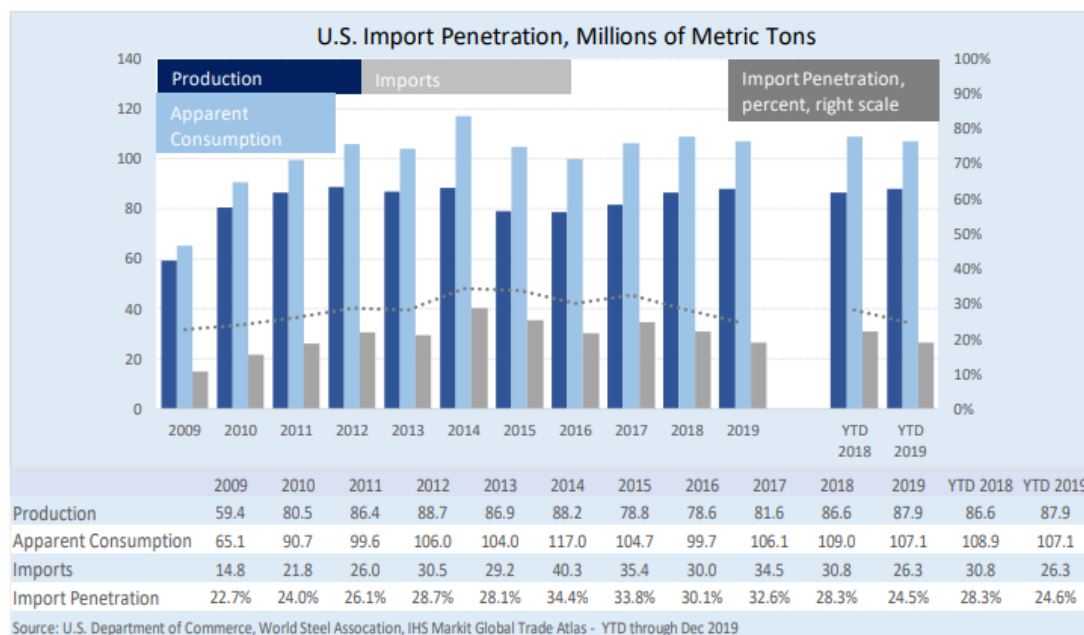


Source: Eurofer

⁹ World Steel Association projects global steel demand outside of China to fall 13% this year, before growing 9% in 2021 – still well below 2019 demand levels.



Further, the below Chart from the US Department of Commerce shows that whilst consumption through to the end of 2019 has remained broadly stable – import penetration has dropped from 33% in 2017, before 232 measures were introduced, to 25% in 2019. This was down to an 8.4 MT drop in US imports and an increase in US production from 81.6 MT in 2017 to 87.9 MT in 2019. Again – whilst these figures are small in global terms, they are huge in terms of the UK market. The 8.4 MT reduction in imports since the measures were introduced represents over 100% of the likely total UK steel demand in 2020 – and 80% of historical demand levels.



The US Steel industry also has plans and is in the process of expanding its steel making capacity. The 2020 OECD report on 'Latest Developments in Steel making Capacity'¹⁰ notes:

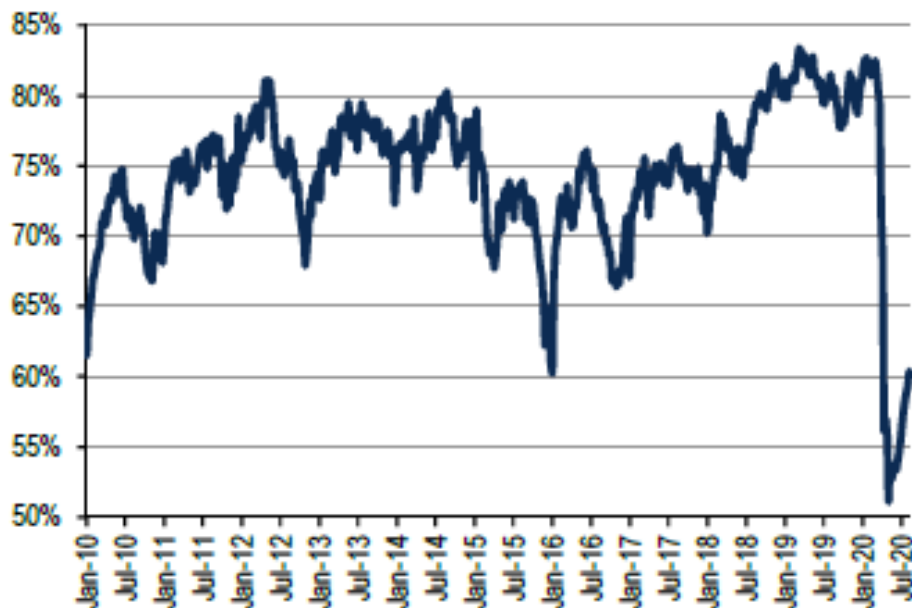
- Nucor Corporation is installing two new EAF facilities each with capacities of 0.3 mmt. One was installed in Sedalia, Missouri, at the end of 2019, and the other will be located in Frostproof, Florida, which is scheduled to start operations in 2020. Nucor Corporation has also announced plans to expand the steelmaking capacity of its Gallatin mill in Ghent, Kentucky by 1.09 mmt, with a view to start operation in 2021. In addition, Big River Steel has launched the construction of a new EAF to expand steelmaking capacity at the Arkansas mill by around 1.5 mmt, which expected to become operational in 2020.
- In February 2019, United States Steel Corporation (U.S. Steel) restarted the construction of a new EAF facility with a capacity of 1.45 mmt at its Fairfield Works, Alabama, which is expected to start producing steel in 2020.
- Steel Dynamics has a plan to install a new EAF with a capacity of around 2.7 mmt in Sinton, Texas in 2021. Australia's BlueScope Steel has a plan to expand steelmaking capacity by installing a new EAF at its subsidiary North Star in Delta, Ohio. The capacity additions would be 0.85 mmt and the target commissioning is in mid-2022.

¹⁰ <https://www.oecd.org/industry/ind/latest-developments-in-steelmaking-capacity-2020.pdf>



- As a result of these changes, steelmaking capacity in the NAFTA region could increase by 3.3 mmt (+2.1%) in 2022 compared to the level in 2019, taking into account the projects that are underway. This would lead to a rise in the level of NAFTA's steelmaking capacity to 155.9 mmt

At the same time as the capacity increases plans, US Steel making capacity utilisation is currently at a historic low, like much of the rest of the world. Year-to-date capacity utilization on August 2020 was 66%, significantly below the long-term US average capacity utilization rate of 77.5%, as illustrated in the graph below.



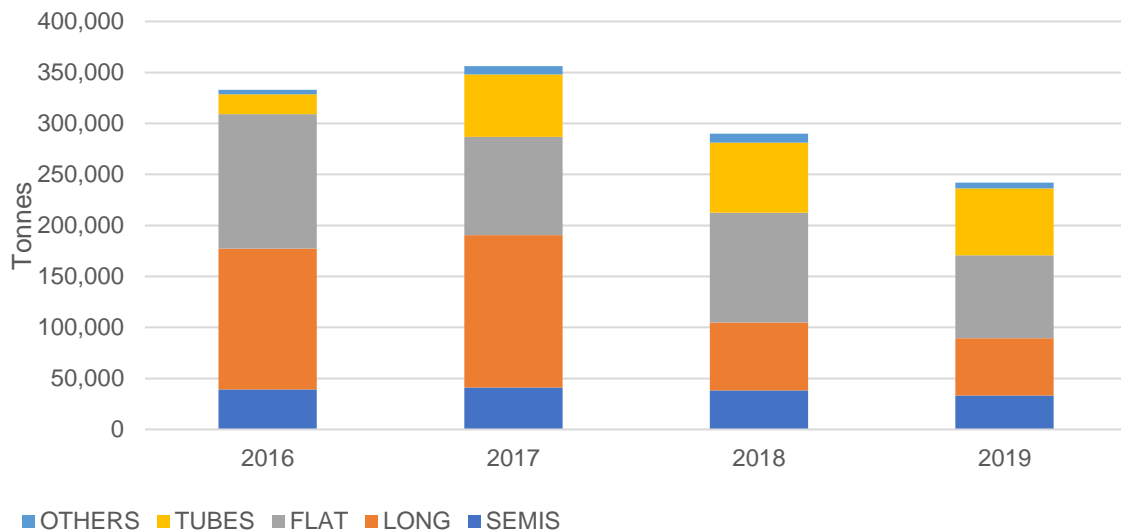
(Source: American Iron and Steel Institute (AISI), BofA Global Research)

This demonstrates a substantial amount of excess capacity, at the current time. Whilst this will decrease as the US economy recovers from COVID – it will clearly take some time, and it will act to divert significant volumes of trade away from US markets whilst it persists. This increased spare capacity will both reduce imports directly (via direct substitution) but also indirectly because it will cause US steel prices to fall, meaning that imports paying the 25% tariff will find it even more difficult to be price competitive. Both factors will dramatically increase the likelihood of deflection of imports to the UK, particularly if UK safeguard measures are removed.

At the same time that the 232 measures have increased the risk of trade diversion from the US to the UK, they have significantly harmed UK steel industry export interests. UK steel exports to the US have reduced from over 350,000 tonnes in 2017 to around 240,000 tonnes in 2019 - a decrease of 30%. They have decreased significantly further in 2020, both as tariffs continue to bite, but also clearly due to the impacts of COVID. This is a further cause of injury and it will unquestionably continue until US 232 measures are removed.



Chart: US Imports of steel from the UK – 2016 to 2019



Source: International Steel Statistic Bureau (ISSB)

At the same time, UK exports to all countries have experience a notable decrease – falling from 4.7 MT in 2017 to 4.1 MT in 2019, before the impact of COVID. This is not to claim that the fall in UK steel exports is solely down to US 232 action – there are clearly other factors at play such as Brexit, and global overcapacity, but the 232 measures have undoubtedly caused major disruption in global steel markets and trade flows, that have impacted UK exports not just to the US but to other important markets.

Chart: UK total exports of steel 2017 to 2019



Source: ISSB Trade Data Base



Global excess capacity:

There is also a significant threat of an increase in imports as a result of continued global capacity in steel making. Whilst the situation has improved since the recent peak of overcapacity in 2015, that caused such injury to the UK steel industry, there still existed some 514 million tonnes of spare capacity globally last year.

Moreover, as the table below demonstrates. 2019 was the first year since 2014 where we saw an increase in steel production capacity. As the 2020 OECD report on 'Developments in Steel Capacity' states "*The net capacity change in 2019, taking into account new capacity additions and closures, brings current global steelmaking capacity up to 2 362.5 mmt, representing a 1.5% increase from the level at the end of 2018.*"

Chart: Global steel making capacity and crude steel production (MT)

	2013	2014	2015	2016	2017	2018	2019
Steel Making Capacity	2,362	2,386	2,377	2,368	2,352	2,328	2,362
Crude Steel Production	1,650	1,669	1,808	1,627	1,730	1,808	1,848
Excess Capacity	712	717	569	741	622	520	514

Source: OECD Developments in Steel Capacity 2020

The report goes on to detail that "Information on announced investment projects suggests that, globally, 58.2 mmt of gross capacity additions are currently underway and could come on stream during the three-year period of 2020-22. An additional 20.1 mmt of capacity additions are currently in the planning stages for possible start-up during the same period." Collectively this could mean an additional 78MT of new steel making capacity globally during the next 2-3 years. Longer term the OECD identifies a total of 223MT of planned or underway investments in new capacity.¹¹

This trend, however, contrasts with what OECD data on production shows. Even though the gap between global capacity and production narrowed between 2016 and 2019 as a result of the strong increase in steel production, the gap between capacity and production is projected to increase sharply in 2020 due to capacity increases combined with production decreases as a result of Covid-19. World steel production as a share of capacity is expected to fall from 78% last year to approximately 75% in 2020 – a capacity utilisation decrease of 3 percentage points.

Growing Global Protectionism:

The latest trade policy developments in the area of steel products clearly show a worsening global protectionist trend. In addition to restrictive tariff-related and non-tariff measures adopted by a number of countries, including, Turkey, South Africa and India, in relation to steel products,¹² 25 new anti-dumping and countervailing duty¹³ and 13 safeguard¹⁴ cases were initiated between July 2019 and June 2020. Those trade policy developments illustrate the recent emergence of international protectionist measures which affect the steel sector.

¹¹ See OECD (2020) Developments in Steel Making Capacity 2020 – Page 20 Table 2

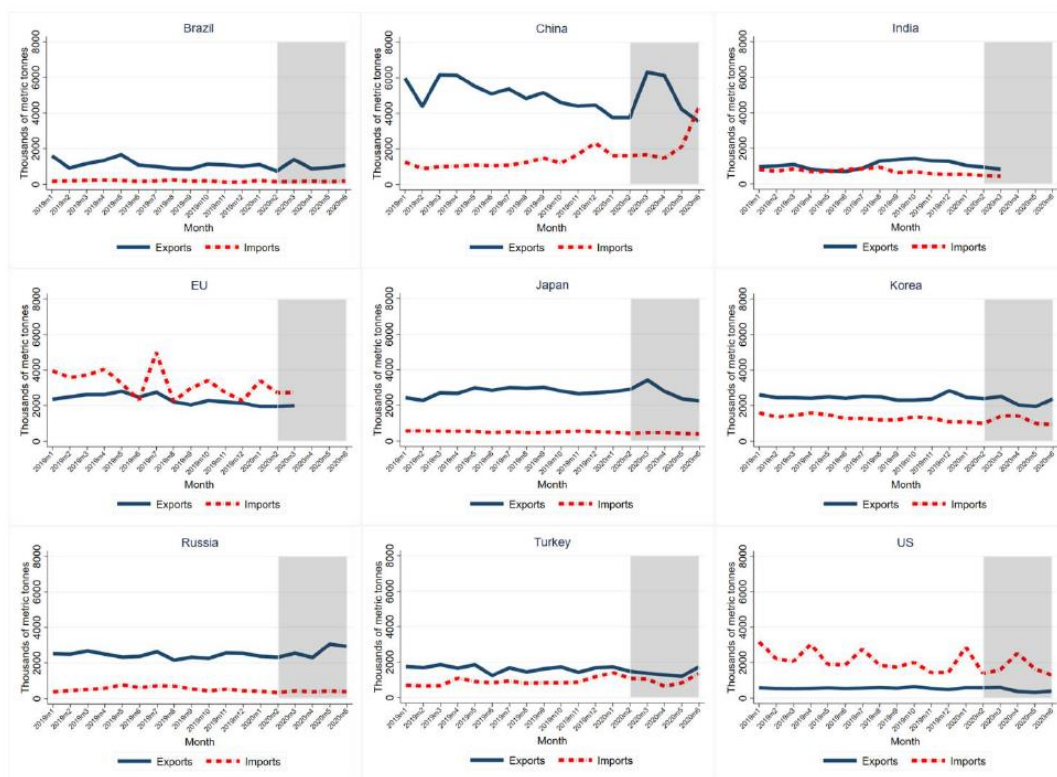
¹² For the respective tariff-related and non-tariff measures, see OECD, Steel trade and trade policy developments, 4 September 2020, pages 12-13

¹³ *Ibid.*, pages 15-16.

¹⁴ *Ibid.*, page 19.



Such protectionist measures naturally result in the deflection of exports towards the more open UK and EU markets, which contrary to the vast majority of the other major third country steel traders continues to have a negative balance of trade – as evidenced in the graph below, which reports monthly export and import volumes in thousands of metric tonnes from January 2019 to June 2020.¹⁵ The UK has long been one of the largest next importers of steel in the world despite its relatively small market demand. The UK had a negative trade balance of 2.9 million tonnes of steel last year – the highest in the EU except Poland. This has been a long term trend, due to a range of factors, but undoubtedly it stands to worsen as a result of increasing protectionism around the world (and Brexit) making traditional export markets more difficult.



To conclude it is evident from an examination of the UK import data and consideration of the wider global market conditions that imports are likely to increase both in relative and absolute terms of the measures are removed. Moreover, with UK steel demand at such low levels due to COVID-19, even with measure in place, combined the significant liberalisations to quotas that have already taken place, would result in increased imports in both relative and absolute terms.

6. Please provide any information regarding the **serious injury** to UK producers of the like or directly competitive goods **caused by the surge in imports** of the goods subject to review **during the POI**. You can refer to our [guidance on how we assess injury](#) for a definition of serious injury.

¹⁵ Ibid., page 6. It should be noted that the data for the EU and India are available until March 2020.



Please see answer to question 7 below.

7. Please provide any information regarding the **serious injury** to UK producers of the like or directly competitive goods **during the MRP**.

For the full answer to questions 6 and 7 please see section 3 of the Appendix for UK Steel's initial analysis of serious injury. Please note that all of the detailed data from the UK producers was not available in advance of the UK Steel response being prepared. UK Steel has conducted a preliminary analysis of injury based on the data currently available. However, once additional data is available from the final version of the producers' questionnaires UK Steel will supplement the analysis in the Appendix at a hearing and in further submissions.

The analysis in section 3 of the Appendix shows that actual serious injury has been experienced by the UK industry during the period 2013-2017. The situation has worsened in the MRP, especially in 2020 due to the COVID situation.

Given the likely increase in imports if the measures are removed, the threat of further significant injury is imminent.

The UK steel industry is in an incredibly vulnerable position and its future existence is under threat. Although imports are not the sole cause of this injury, it is clear that the increased imports during the period 2013-17 have caused serious injury. It is also clear that, had the EU safeguard not been put in place, the serious injury, which has continued into the MRP, would have been significantly worse as imports would have significantly increased. The removal of the safeguard in 2021 threatens to cause significant further injury and to worsen the crisis currently being experienced by the UK steel industry. Please also see answer to question 5 for further information.

Appendix reference:

8. Please provide any information regarding the **likelihood of serious injury** to UK producers of the like or directly competitive goods if the existing safeguard measure for the goods subject to review were:

- i) continued; or
- ii) discontinued.

Provide evidence to support your conclusions including what the cause of this injury would be.

Please see answers to question 5 and 7 – most importantly in relation to the extremely vulnerable situation of UK industry at the current time due to COVID-19.

As demonstrated in the answer to question 5 in particular, the removal of measure would see an increase in imports, this combined with severely subdued demand levels for at least the next two years, would result in absolute and relative increases in imports and increased import penetration levels.

With export opportunities for UK steel companies looking increasingly difficult due to a range of factors (reduced global demand, Brexit, excess capacity, global protectionism), it is unrealistic that exports of steel from the UK could be increased to offset low demand in the UK. As a result, low UK demand and growing import penetration will evidently lead to:



- reductions in production
- reductions in capacity utilisation
- reductions in prices
- reductions in profitability
- reductions in ROI
- reductions in employment if conditions persist.

Appendix reference:

9. Provide any information you have on **other cause(s) of serious injury for the POI and MRP** to UK producers of the like or directly competitive goods. Clearly distinguish between the POI and MRP in your answer.

The primary cause of injury to industry during the POI was increased imports. However it can be noted that in the combined POI and MRP additional factors acted to cause injury to UK industry:

- Brexit – chronic UK political uncertainty has acted to undermine our orders and supply to EU customers, whilst damaging many of our customers in the UK
- COVID-19: As detailed elsewhere, the impacts of COVID-19 have caused significant damage to UK industry during 2020
- Dumping of goods; closely related to the issue of increased imports, the UK has continued to suffer from the dumping of products from export markets

Appendix reference:

10. Please provide any information about the possible **economic effects** on the UK if the existing safeguard measure on the goods subject to review were:

- i) continued; or
- ii) discontinued.

This information will be used to assess whether the existing safeguard measure is in the economic interest of the UK as part of the economic interest test.

Provide evidence to support your conclusions.

UK Steel intends to make a further submission with regards to the economic interest test but the following points should be noted in advance of this submission:

The Importance of the UK steel industry:

- The UK steel industry employs some 30,000 people in total across the UK – jobs that would be at risk if the measures were removed¹⁶
- The UK steel industry also supports a further 41,100 in its high-value supplies chains¹⁷
- The steel industry is predominantly based in the regions of the country the Government is seeking to level-up. We directly employ tens of thousands of skilled workers in

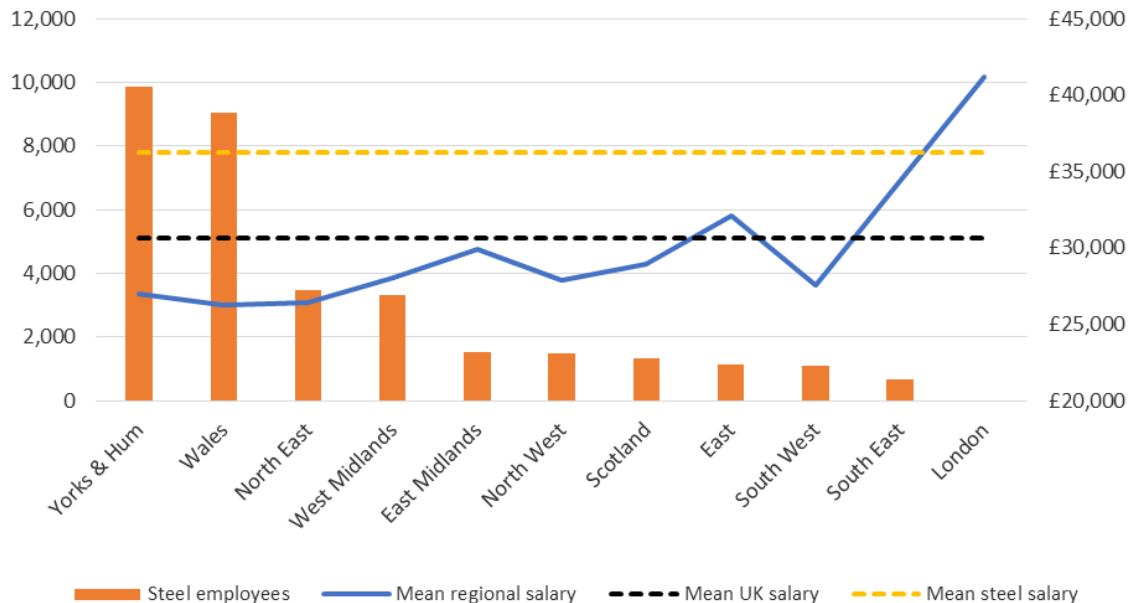
¹⁶ ONS – Business Register and Employment Survey 2019 and ONS Type 1 employment multipliers

¹⁷ ONS – Business Register and Employment Survey 2019 and ONS Type 1 employment multipliers



Teesside, Yorkshire and Humberside, the West Midlands and Wales. The average wage of our workers (£36,238) is 18% higher than the UK national average and 36% higher than the regional average in Wales, and Yorkshire & Humberside¹⁸

UK Steel Employment and Pay



Source: ONS Various and UK Steel Analysis

- The UK Steel Industry makes a £2.8 billion direct contribution to UK GDP and supports a further £3.6 billion in its supply chains¹⁹
- We also make a £2.5 billion direct contribution to the UK's balance of trade²⁰, critical to the Government's ambitions of developing a more a global trading Britain.
- We train hundreds more skilled individuals every year, providing the United Kingdom with the engineers of the future. Approximately 65% of the technical workforce is educated to degree level, and around 40% possess a postgraduate qualification. By working together, Government and industry can ensure that we go on providing high-quality employment and opportunities.
- We provide the high-quality materials vital to an array of challenges. From delivering the Government's infrastructure revolution to creating a low carbon economy, steel is an essential ingredient. The UK directly consumes 10-11 million tonnes of steel each and every year – in infrastructure, construction, and a vast array of manufactured products. Our increasing need for steel in high speed rail, energy efficient buildings, low-carbon and electric vehicles, wind-turbines and much more besides means this demand will grow 10% this decade creating a huge £6 billion annual market. It is vital that we retain a strong and resilient steel industry in the UK to supply this.

Continuation of UK Safeguards would not result in constraints on UK imports

¹⁸ ONS – Annual Survey of Hours and Earnings

¹⁹ ONS GDP Output – low level aggregates 2019 and type 1 multiplier

²⁰ International Steel Statistic Bureau – UK steel exports net of import of raw materials/inputs



A continuation of the safeguard measures would not result in a restriction in imports of steel into the UK. The TRQs are current set at a level some 11% higher than the historic (2015-2107) import levels and UK steel demand is expected to be significantly below those levels for at least 2021 and 2022.

	UK Steel Demand Actual and Estimated (MT)
2015	10.49
2016	10.88
2017	11.03
2018	10.82
2019	10.24
2020	8.19
2021	9.01

Whilst some steel consumers and importers have and will make representation that the quotas will restrict imports into the UK, this is demonstrably false. Quota levels are based on imports from a period of time in which demand was higher than it will be for any likely period of the safeguards extension. There were no reported steel supply issues at this time with a combination of imports and domestic supply (61% and 39%) adequately meeting demand.

It should therefore be clear that with the drop in demand, and with TRQs still allowing for some 11% increase in imports above those historic levels there will be no supply constraints. Moreover, as is demonstrated in the questionnaire responses from the UK Steel producers there is significant additional domestic capacity to provide further supply to the UK market.

There is naturally a question about the application of TRQs to specific products that the UK industry does not produce, or does not produce a like product. The steel industry is entirely supportive of TRID proposals to examine which tariff codes may be superfluous to the safeguarding measures and should be removed. Provided there is no UK production, and the goods specified to be removed from measures are not in competition with those that are – UK Steel would be supportive of modifying the safeguards to this effect.

Application of tariffs is highly unlikely but would have negligible impact on consumers

For the reasons outlined above we believe it highly unlikely that the TRQs, at least at their current levels, would result in the application of the 25% tariffs. A combination of low demand, additional UK production capacity and significantly liberalised quotas mean UK demand for steel would need to recover (and grow further) at a wholly unlikely rate before there would be any danger of tariffs being applied to imports.

However, in entirely unlikely event that quotas were exhausted and there was no UK supply available – the impact on consumer prices, and even production costs would be negligible – steel is an extremely cost effective material and as such makes up a very small proportion of the costs of the products it goes into.

To take one simplified example:

- On average a car contains 900kg of steel
- Demand for Metallic Coated Sheet, a key input into the automotive sector, was within estimated UK quota levels in 2018/19 (see answer to question 5) and the quotas have been further liberalised since. But even assuming a 20% surge in



demand for imports this product above 2018/19 levels – it would mean just 14% of the steel would have a tariff applied to it.

- At an estimated £550/tonne price for this product it would mean an increase of just £17/car.
- Even comparing these costs to a cheap car of £20,000 – it would represent just a 0.1% increase in production costs.
- This pales in comparison to the impacts of the possible 10% tariff to be applied car imports if we do not secure a deal with the EU.

These highly unlikely, but negligible increases in costs must be weighed against the profound damage to the UK steel industry that will occur if safeguards are not continued and imports increase. It should be remembered that the safeguards will be a temporary relief measure to allow industry to adjust and adapt to new market conditions. The benefits of allowing the industry to do this (including supported jobs, retention of a steel sector, multiple manufacturing and construction supply chain benefits) far outweigh any potential negative impact measures may have.

Many manufacturing sectors continue to sit behind tariffs that afford them some protection from surges in imports – the steel industry does not have this luxury and it therefore requires temporary and emergency measures from time to time to act as a ‘safety valve’.

11. If you have **any other information** which may help us with this review, please provide it below.

UK Steel intends to make a further submission with additional information pertaining to:

- Industry adjustment plans
- Further information on the economic interest test
- Possible further analysis of import trends and injury

Appendix reference:



SECTION B: Next steps and declaration

Next steps

Once you have completed all parts of the questionnaire, the declaration below should be signed by an authorised signatory.

The questionnaire should be submitted through the Trade Remedies Service (www.trade-remedies.service.gov.uk) by **21 November 2020**.

A confidential and non-confidential version of the questionnaire must be submitted. You can find guidance on how to complete confidential and non-confidential versions at <https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information>.

Declaration

By signing this declaration, you agree that all information supplied in this questionnaire is complete and correct to the best of your knowledge and belief and that you understand that the information you submit may be subject to verification by TRID.

Company name: UK Steel (part of Make UK, the Manufacturers Organisation – legally registered as EEF Limited)
Company registration number (if applicable): 05950172

11.12.2020

Date

Signature of authorised official

N/A

Organisation's Stamp

CONFIDENTIAL

Name and title of authorised official