

30<sup>th</sup> April 2021

I refer to the Duferco UK response to the safeguards review. There are some allegations and statements in their submission which need to be contested as they are false. As many of these allegations are directed at rebar and CELSA, we wish to reply. On specific issues;

1. Duferco say that CELSA owns mill(s) in Portugal (B1 Q2). This is untrue.
2. Duferco say that CELSA imports rebar from its mills in Spain and Portugal (B1 Q2). Duferco should know, as regular participants in the market, that practically all the rebar which is imported from Spain and Portugal (over 95% of arrivals) is from Megasa which is a competitor of CELSA.
3. Duferco say that there is minimal difference between domestic and imported rebar arriving at construction sites (B1 Q2). This is false. All CELSA UK's rebar is marked along the length of the bar with a clear "UK" mark to help construction sites know the origin of the rebar.
4. Duferco say in several parts of their submission that the safeguard quotas are inadequate for certain countries, specifically Turkey and Ukraine (e.g. B2 Q8, B2 Q9). In Q1 2021, neither country used any part of their rebar quota. In Q2 2021, up to end April, the reported figure for Turkey and Ukraine combined is 0.08% usage of these countries' quota.
5. Duferco say in many parts of their submission that the safeguard quotas are inadequate for certain countries, specifically Belarus (e.g. B2 Q8, B2 Q9). In Q1 2021, Belarus only used 90% of their rebar quota.

Duferco argue that the safeguards for category 13 (rebar) should be removed.

Their rationale appears to be that unless the domestic supplier supplies the whole market, there should be unfettered access for importers. It seems to demonstrate a poor understanding of the safeguard system which is designed to protect the normal trade flows for market participants and avoid the surges brought about by the diversion of materials from other global markets. Traditional importers are therefore protected and, indeed, allowed to grow. The current position is that quotas for all products have been increased by over 11% in comparison with the quota calculation period of 2015-17, despite the markets for most products having shown nowhere near that level of growth. In particular, the market for rebar in 2020 was an estimated 28% lower than the average of the calculation period. Each of the last 3 years demand has been below the average for the POI so it is false to say that the market through the POI/MRP has trended upwards (B2 Q9).

Belarus only started to become a real presence on the UK market from 2016 onwards, contrary to the claim that they have been a traditional supplier (B2 Q9).

Duferco attempt to create a link between safeguard quotas and rising prices for steel products (B2 Q8, Q12). This is false. Prices for steel have risen globally because of raw material cost increases and the balance globally between supply and demand, a fact that Duferco as a trading company is very well aware of. This phenomenon is clear both in countries that have safeguard measures and countries which don't. A grudging acknowledgement of this is even made in the Duferco submission (G1 Q9)

Duferco claim that continuation of safeguards will drive non-CELSA companies out of the fabrication market (B2 Q13). This is a completely unsupported assertion. During the course of the EU safeguard measures there have been no fabricator business failure attributable to safeguards. Duferco also state (B2 Q13) that CELSA UK has paid little corporation tax. This is a clear indication of the difficulties of the steel manufacturing industry. All earnings have been retained in the UK and no dividends have been paid to the shareholders. This, and the results of the other UK steelmakers, demonstrates that the UK industry needs the safeguard measures to stop the disastrous effects of diversion of materials from other markets.

Duferco make unsubstantiated and erroneous comments about CELSA production capability throughout their submission (e.g. E2 Q3, F1 Q1). They clearly do not know the production capacity or the financing/credit limits for CELSA and ignore the fact that CELSA export a part of their production when the preference would be to supply that production into the UK.

There are further false links made between the safeguard measures and rising steel prices (E2 Q3, G1 Q9). Global market prices have risen for all steel products, irrespective of whether there have been safeguard measures or other trade defence measures or no trade measures at all in place.

The purpose of safeguards is to ensure the trade patterns of the POI are maintained and that the traditional suppliers are not damaged by the diversion of goods because of disrupted trade flows in other parts of the world. The existing safeguard measures do not represent any threat to traditional import suppliers, nor reduction in volumes. In fact, the provision of increased import quotas over time as part of the system has already led to an over 11% increase in availability of import tonnages to be supplied.

It is interesting to note that of the so-called traditional supplying countries to the UK rebar market named in Duferco's submission, neither Turkey nor Ukraine have chosen to take up anything other than a miniscule part of their quota (<0.1%) in either Q1 or so far in Q2 2021 (up to end April) according to the reported figures. This seems to suggest that these importing sources do not see

the UK as either regular or attractive, nor do the UK fabricators rely on these sources to keep their businesses working.

CELSA UK

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