

FAO: Imogen Yapp, Lead Investigator

Trade Remedies Investigations Directorate
North Gate House
21-23 Valpy Street
Reading
Berkshire
RG1 1AF
United Kingdom

RONLY LIMITED
3RD FLOOR
201 HAVERSTOCK HILL
LONDON NW3 4QG
T +44 (0)20 7433 0400
F +44 (0)20 7443 5800
I WWW.ONLY.COM

BY EMAIL ONLY TO: TF0006@traderemedies.gov.uk

Date: 26 May 2021

Dear Sirs

**Subject: Statement of Intended Preliminary Decision – Transition review TF0006 –
Safeguard measures on certain steel products**

I write on behalf of Ronly Limited (the **Company**) in response to the Trade Remedies Investigations Department's (TRID) publication of the "Statement of Intended Preliminary Decision - Transition review TF0006 – Safeguard Measures on certain steel products" (the **Preliminary Decision**).

The Preliminary Decision was published by the TRID on 19 May 2021. At paragraph 306 of the Preliminary decision, the TRID invited comments from all interested parties, contributors or any other persons who had supplied information to the TRID before 5pm BST on 26 May 2021.

As discussed with Ms Yapp of the TRID on 24 May 2021, the Company was registered as an interested party in relation to this matter by Ms Simone Jordan. Ms Jordan is no longer the representative of the Company in relation to this matter. Therefore, the Company should be grateful if the TRID's file could be updated to record that Mr Carl Roberts is now the Company's representative in relation to this matter.

The Company

The Company is a trader of physical metallurgical and agricultural products and commodities and a part of a trading group that has been dealing globally in such commodities for more than 40 years.

The Company provides a range of services to clients across five continents, including sourcing materials and offering trade finance solutions and logistics support to manufacturing and trading companies.

One of the Company's major sectors is supplying steel rebar to UK steel fabricators who fabricate steel for the UK construction industry. The steel rebar supplied by the Company is used both in relation to major UK infrastructure projects (i.e. road, rail, ports, utilities and power) and by the housing industry.

The Company is tasked by its clients with sourcing steel rebar to meet the demands and orders of UK steel fabricators, this gives the Company a unique insight into the UK market's demand for steel rebar, the global sources of production, the types and quantities of steel produced by relevant steel mills, and the ability of the global market to meet the demands of the UK industry (and government backed major infrastructure projects).

The Decision

The Company notes that the Preliminary Decision includes a proposal by the TRID to allocate tariff quotas for the import of steel rebar (commodity code: 7214 20 00, 7214 99 10) for the period from 1 July 2021 to 30 June 2024 to the following five area/countries in the quantities specified below:

| Area/Country | 1 Jul 21 – 30 Jun 22 (Year 1) | 1 Jul 22 – 30 Jun 23 (Year 2) | 1 Jul 23 – 30 Jun 24 (Year 3) |
|--------------|----------------------------------|----------------------------------|----------------------------------|
| EU | 199,806 tonnes | 205,800 tonnes | 211,974 tonnes |
| Belarus | 83,518 tonnes | 86,024 tonnes | 88,604 tonnes |
| Russia | 24,289 tonnes | 25,018 tonnes | 25,768 tonnes |
| Turkey | 115,113 tonnes | 118,566 tonnes | 122,124 tonnes |
| Ukraine | 49,188 tonnes | 50,664 tonnes | 52,184 tonnes |

The Company also notes that, in addition to the above tariff quota allocation, the Preliminary Decision also proposes that the following tonnage of steel rebar may be imported into the UK from the same five (5) area/countries under a tariff quota for residual supplies. This residual tariff quota is as follows:

- Year 1: 13,621 tonnes;
- Year 2: 14,029 tonnes; and
- Year 3: 14,450 tonnes.

The Company's comments on the tariff quotas for steel rebar proposed in the Preliminary Decision

The Company is concerned that-

- The proposed allocation of tariff quotas for steel rebar in the Preliminary Decision has been drawn too narrowly, limiting the quota allocation to only five (5) supplying countries/economic areas (**Quota Countries**), and ignoring other countries (e.g. Algeria) who are established suppliers of CARES UK approved steel rebar and of "green steel" (as required by UK infrastructure projects).
- For the reasons explained in this paper, there is a high likelihood that several of the Quota Countries may prove unable to use their quotas in full to satisfy the demand for steel rebar from the UK market.

- C. For the reasons explained in this paper, in practical terms, the proposed allocation of duty free tariff quotas for steel rebar to the Quota Countries is likely to result in only two countries' using their total quota allocation. As none of the producers in the mentioned two countries import their steel rebar to the UK themselves, where their steel rebar is destined for the UK market, their steel rebar is first sold on to UK importers. It is these importers who take on the risk of importation, including any duties which the steel may be subject to upon entering the UK. The first such country is Ukraine. In Ukraine, the single supplier is Arcelor Mittal Kriviy Rih. This mill is owned by the largest steel maker in the western world and they are a stable and reliable supply source of steel rebar for the UK. The Company wishes to record that it is content with the TRID's proposal to allocate a duty free tariff allocation to Ukraine. Furthermore, the Company even considers that it may be beneficial for UK industry if the duty free tariff quota allocated to steel rebar imported into the UK from Ukraine is actually increased. The second such country is Belarus. The single supplier of steel rebar from Belarus to the UK is BMZ, about which the Company would like the TRID to consider the important concerns discussed below.
- D. By limiting the sources of supply, in practical terms, to only two (2) suppliers (or more likely only one (1) supplier), this will expose UK steel fabricators and the UK construction industry to potential shortages in the supply of steel rebar.
- E. The proposed tariff quota allocation in the Preliminary Decision unnecessarily distorts the UK market by discouraging it from obtaining CARES UK approved steel rebar from other source countries (i.e. non-Quota Countries), such as Algeria.
- F. The distortion and the related harm to the UK market (in terms of limited supply and increased cost) referred to at E. above, is made even worse by structural defects inherent in the EU tariff quota system which the TRID has unfortunately decided to replicate for the UK.

This structural defect produces the perverse result that, in practice, only two of the five (5) Quota Countries, are likely to use their full UK steel rebar quota. This is because only Ukraine and Belarus (where there is only one (1) CARES UK approved supplier in each country) are able to control their supplies of steel rebar to the UK to ensure their supplies do not exceed their national quota and result in UK buyers being subjected to duty at a penal rate of 25%. In other words, UK buyers will feel comfortable purchasing steel rebar from only these two (2) countries/suppliers as they can be confident that their orders will not be subject to unexpected additional tariffs due to quotas being exceeded. However, they will not feel equally comfortable dealing with the other three (3) Quota Countries.

For example, in the case of Turkey, there are 12 potential suppliers and each of the 12 suppliers could make supplies to UK customers unaware of the quantum of supplies also being made to UK customers by other companies in Turkey. In that case, the total aggregate supplies to UK customers would far exceed Turkey's national quota, and UK customers would be subjected to unexpected and penal additional tariffs of 25%.

This inherent structural defect in the UK's new tariff quota system produces two (2) perverse results. First, if UK importers are prepared to take the substantial financial risk of importing steel rebar from Turkey, not knowing whether or not their imports will be subject to additional tariffs, they are likely to increase their sales prices to UK

fabricators substantially to protect themselves against this risk. Secondly, and alternatively, those UK importers who are not prepared to take this substantial financial risk will simply avoid placing orders with Turkey, leading to the Turkish steel rebar duty free quota being unused or only partially used. As discussed further below, at the date of this submission, imports of Turkish origin steel rebar to the UK to date are zero and this is notwithstanding the availability of a current duty free quota.

The Company is conscious that, while the Preliminary Decision proposes to allocate tariff quotas of 199,806 tonnes (Year 1), 205,800 tonnes (Year 2) and 211,974 (Year 3) of steel rebar to the EU as a whole (41.15% of the total tariff quota), in reality, the Preliminary Decision ignores the facts that-

- There are steel companies in only four (4) EU countries who (i) possess the correct CARES certification to supply, and (ii) historically have actually supplied the UK market (those being steel companies located in Spain, Portugal, France and more recently Greece).
- Historically, the steel companies in Greece and France have received sufficient domestic demand/orders to fully utilise their production capacity. Consequently, (in the Company's experience) the French and Greek steel companies have focused (apart from in relation to comparatively minimal amounts) almost exclusively on meeting their domestic needs, and these countries have not produced steel rebar that is intended for export to the UK market.
- The vast majority of the EU's supply of steel rebar for use in the UK is supplied from a single Portuguese company, namely, Megasa. The Company is concerned that, should the supply of steel rebar from Portugal become, for any reason, interrupted (for example, if the Portuguese local market for steel rebar improves to a point where it captures demand for domestic production and Portuguese steel mills reduce their capacity for export accordingly, as a result of employee action such as strikes or financial problems) this could lead to a shortage of steel rebar for supply to the UK market.

The Company notes that 17.2% of the UK's tariff quota for imported steel rebar (some 258,146 tonnes) for the period from July 2021 to June 2024 has been allocated to Belarus. The Company is conscious of the current political unrest that is present in Belarus.¹ Therefore, the Company is concerned that allocating such a large portion of the UK's tariff quota for steel rebar to Belarus could result in supply distortion in the event that political stability in Belarus deteriorates further. The Company notes in this regard that, since 2006, both the US and EU (and the UK previously as part of the EU) have imposed targeted financial sanctions on state owned entities and leading individuals in Belarus; and that some of these sanctions were tightened further in 2008. The recent political developments with Belarus (concerning the forced diversion of a Ryan Air flight by a Belarussian fighter jet) are likely to exacerbate these concerns even further. The Company also notes that, following this recent political crisis, the chair of the UK Foreign Affairs select committee, Mr Tom Tugendhat, called for economic sanctions against Belarus including closing the Yamal gas pipeline. It is easy to envisage that such political developments (or any subsequent similar developments) may jeopardise supplies of steel to the UK from Belarus.

¹ <https://www.bbc.co.uk/news/world-europe-57219860>

The remainder of the tariff quota for imports of steel rebar into the UK has been allocated to Turkey (355,803 tonnes, 23.71%), Ukraine (152,036 tonnes, 10.13%) and Russia (75,075 tonnes, 5.00%). All three of these nations lack geographic proximity to the UK. This lack of geographic proximity will result in increases in the cost of importing steel from these countries for UK industry.

Furthermore, the Company is aware that, in 2019 and 2020, while the EU safeguard was in place (and while the UK was a member of the EU and subject to the EU's safeguard measures), the quota allocation for imports of steel rebar from Turkey was low. However, the UK imports were also very low (to a point where they were virtually non-existent), as UK importers believed it was financially too risky (for the reasons we have explained) to import steel rebar from Turkey, and to be exposed to the real and substantial risk of a 25% tariff applying to their imports.

In 2021 there is no sign of any change in attitude by UK importers concerning the importation of steel rebar from Turkey. The Company understands (on the basis of published information shown on the government portal as at 25 May 2021) that since 1 January 2021 until 25 May 2021, Turkey has not exported any rebar at all to the UK and consequently its use of its quota allocation has been as follows-

Quota Allocation to Turkey in 2021 and Portion of Quota used

| | | | |
|-----------|--------------|--------|------------------|
| 2021 – Q1 | Quota tonnes | 16,000 | Quota used - NIL |
| 2021 – Q2 | Quota tonnes | 16,000 | Quota used - NIL |

Request for allocation of a duty free tariff quota for imports of steel rebar to Algeria

The Company is conscious that the Preliminary Decision does not propose to allocate any tariff quota for supplies of steel rebar to the UK in the period from July 2021 to June 2024 to Algeria.

The Company proposes that the TRID should, in fact, allocate a duty free tariff quota for imports of steel rebar to Algeria.

The Company wishes to draw to the TRID's attention the fact that Algeria has recently developed a cutting edge and modern steel production facility. Consequently, the Algerian steel industry has in place all of the necessary criteria in order to supply the UK market, including:

- CARES UK certification;
- the requisite breadth of product range;
- geographic proximity to the UK location to facilitate speed and ease of delivery;
- the relevant ISO standards;
- natural gas green steel production; and
- a very recent track record of successfully supplying necessary quantities of steel rebar to the UK at competitive prices and free from supply chain and/or political disruptions.

The Company is aware that, in 2020, the largest Algerian producer of steel rebar, Tosyali Algeria, obtained CARES UK certification and is able to supply the UK steel market.² The Company notes that that Tosyali Algeria currently offers the UK a comprehensive range of steel products for export from Algeria.

From a standing start, and since obtaining CARES UK certification, Tosyali Algeria has supported UK industry through exporting in excess of 40,000 tonnes of steel rebar to the UK market (2020 imports: 3,171 tonnes, 2021 imports: 30,000 tonnes). The Company is also conscious that Tosyali Algeria has recently exported a further 7,000 tonnes of steel rebar to the UK that is currently in transit.

The previous EU safeguard quota system and the present UK system awards quota for imports of steel rebar from “other countries” up to a maximum 38,000 tons per quarter, Though not mentioned as a named origin, at present, Algerian steel rebar is able to be imported into the UK on a duty free basis under this quota. The proposed new UK system is only available to the five (5) named Quota Countries and the Company believes that this has inadvertently led to Algeria, who is a supplier at present, being excluded from the Preliminary Decision by the TRID.

Furthermore, the Company is aware that Tosyali Algeria has displayed a commitment to the development of green steel through integrating steel production via production of Tosyali Algeria’s own DRI from natural gas.

Meeting the UK governments green technology and low emissions targets and ambitions

Due to its heavy reliance on coal, the steel industry, especially traditional ironmaking, is among one of the largest global contributors to CO₂ emissions, producing in the range of 7-9% of global total emissions. Blast furnace / basic oxygen furnace emissions can be 1.6-2.0 kg CO₂/kg steel depending on the technologies used.³

It is important to note that, not only has Algeria demonstrated that it has the capability to supply substantial quantities of steel rebar to the UK, but also that Algeria’s steel rebar is produced using the latest green low emissions technology.

Note, the most modern steel making technology with the lowest CO₂ emissions is a natural gas-based MIDREX Process paired with an electric arc furnace. This has the lowest CO₂ emissions of any commercially proven steelmaking route at 1.1 – 1.2 kg CO₂/kg steel.

To ensure that it can produce steel with low carbon emissions, Tosyali Algeria has adopted a Midrex technology based DRI production paired with Tenova technology, which is paired with an EAF route for steel making.

The Tosyali Algeria DRI plant is the world’s largest DRI plant in operation with annual production capacity of 2.5 MTPA. Higher capacity DRI production equates to lower energy and natural resources consumption compared to other competitive production process. The

² <https://www.tosyaliholding.com.tr/en/our-scope-of-activity/group-companies/international-subsidiaries/tosyali-iron-steel-industry-algerie>

³ https://www.midrex.com/wp-content/uploads/MidrexDRI_ProductsBrochure_4-12-18-1.pdf (see page 14 with regards to the benefits of DRI Production)

Tosyali DRI plant emits 1,700 Sm³ of Flue Gas per ton DRI with 14% CO₂ content which amounts for 0.5 Kg CO₂/per KG DRI produced.

UK and EU Demand for Steel Rebar, Competition and Commodity Prices

Prior to the national Covid-19 pandemic, the UK government had already committed to a number of major infrastructure and power development projects (e.g. HS2 and Hinckley) as well as projects associated with the Government's "levelling up" initiative; and providing incentives (through planning and/or tax reliefs) to encourage the building of new houses, and free ports and related storage and freight terminals. In March 2021, the UK Government announced further measures to provide even greater economic stimulation following the Covid lockdowns. The EU member states have also announced similar economic stimulation measures. These measures will necessarily result in increased demand in both the UK and EU for high quality "green" rebar.

Since Brexit, the price of steel rebar has gone up by more than 50%. This can be directly related to the limited supply source of duty free steel rebar under the safeguarding quotas that are presently in existence. The Preliminary Decision reduces this limited supply even further by failing to award a duty free tariff quota to Algeria, notwithstanding that Algeria has recently become an important steel rebar supplier to the UK market.

Furthermore, the new UK and EU infrastructure and economic stimulus packages will put even greater demands on steel supplies and are likely to force steel prices higher. It is therefore critical that the steel rebar quota allocation should be more widely distributed to countries that are able provide a steady supply to the UK and who will not divert supplies to their domestic markets or whose supplies may be adversely impacted by distance and/or political uncertainties and economic sanctions.

Conclusion

In conclusion, the Company considers that, in order to, meet the existing and growing demands of the UK steel rebar market and to reduce pressures leading to harmful price rises:

- 1. An allocation of the tariff free quota for the importation of steel rebar to the UK should be made to Algeria:** For the reasons set out above and due to inherent structural defects in the UK's new tariff quota system, the proposed tariff allocation is likely to result in quota allocations in favour of three (3) of the Quota Countries not being utilised in full and have a harmful impact on the tariff free supplies of rebar required to meet the current and growing demands of the UK market. Algeria is a brand new green steel producing nation and demonstrated in 2020 and the first part of 2021 that is able to supply substantial amounts of green and CARES UK certification steel rebar to the UK. A reallocation of some of the proposed total quota allocation would help address the substantial supply shortages faced by the UK market and help dampen down the harmful price rises. (The Company also notes that the award of a duty free tariff quota for steel rebar to Algeria would not cause harm to the UK's sole domestic producer, as there is an overall shortage of supply in any event).
- 2. The TRID should increase the proposed overall tariff quota for the duty free importation of steel rebar to the UK.**

Yours faithfully



Mr Ashley Beale
Director

On behalf of Ronly Limited

cc. elizabeth.truss.mp@parliament.uk, truss.correspondence@trade.gov.uk