



**POSCO's written submission in the framework of the TRA's suspension review  
Category 1 steel - HRFC**

***(Case No. SS0051 – Non-alloy and other alloy hot-rolled sheet and strip)***

***Notice of Initiation of 9 February 2024***

**23 February 2024**

**1. INTRODUCTION**

1. In this submission, POSCO CO LTD ("**POSCO**") submits its comments regarding the Notice of initiation concerning the suspension review on Category 1 steel products published by the Trade Remedies Authority ("**TRA**") on 9 February 2024.
2. POSCO is an integrated steel company located in South Korea. POSCO is engaged in the production of flat steel products and wire rods, including hot-rolled flat coil ("**HRFC**"). POSCO supplies its products to both the domestic market and the international market, including in the United Kingdom ("**UK**").
3. POSCO requests that the TRA makes a recommendation in favor of a suspension of the safeguard measure applicable to imports of HRFC for at least nine months, and eventually extend it to its maximum of 21 months.

**2. BACKGROUND**

4. On 1 February 2019, the European Commission published Regulation (EU) 2019/159<sup>1</sup> imposing a definitive safeguard measure on imports of 26 categories of steel products in the form of a Tariff-Rate-Quota ("**TRQ**"), above which an additional duty of 25% is levied.
5. On 31 January 2020, the UK left the European Union. At the end of the transition period, the UK maintained a steel safeguard measure on 19 of the 26 steel product categories.<sup>2</sup> This was set to expire on 30 June 2021. However, the UK decided to extend its safeguard measures on imports of certain steel products for

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<sup>1</sup> Commission Implementing Regulation (EU) 2019/159 of 31 January 2019 imposing definitive safeguard measures against imports of certain steel products; OJ L 31, 1.2.2019, p.27 (accessible [here](#)).

<sup>2</sup> Notice of determination 2020/06: safeguard measures on certain steel products – application of tariff rate quotas, 30 September 2020 (accessible [here](#)). Also see Taxation notice 2020/06: safeguard measures on certain steel products – application of tariff rate quotas (accessible [here](#)).

all 15 categories of steel until 30 June 2024.<sup>3</sup>

6. On 4 September 2023, the TRA initiated an extension review of the safeguard measure to assess whether there would be a surge in imports, and serious injury to the producers in the would likely recur if the safeguard measure was revoked.<sup>4</sup> On 21 February 2024, TRA published its initial findings in the extension review and proposed to extend the measure until 30 June 2026.<sup>5</sup> The final decision on the extension will still need to be approved by the Secretary of State for Business and Trade. If approved, this extension will normally apply to all 15 categories of steel (including Category 1 products).

7. On 9 February 2024, the TRA published a Notice of initiation of a suspension review regarding a definitive safeguard remedy on Category 1 steel (products non-alloy and other alloy hot rolled sheets and strips).<sup>6</sup> This suspension review came following the applications from a UK producer, TATA Steel UK (“**TSUK**”) and International Steel Trade Association.<sup>7</sup> In its application, TSUK asked for a suspension of the safeguard measure until 30 June 2024. The suspension review is conducted specifically for Category 1 products.

### 3. CONDITIONS FOR THE SUSPENSION OF THE SAFEGUARD MEASURE

8. Pursuant to Regulation 39 of the Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019 (“**Safeguard Regulations**”)<sup>8</sup>, the TRA may recommend suspending the safeguard measure if:

- market conditions have changed temporarily;
- serious injury caused to UK producers is unlikely to recur (because of the change in market conditions);
- TRA is satisfied that a suspension is appropriate; and
- TRA has given the UK producers the opportunity to comment on the suspension.

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<sup>3</sup> Trade remedies notice 2022/01: safeguard measure: tariff-rate quota on steel goods, 30 June 2022 (accessible [here](#)) and Trade remedies notice 2022/02: safeguard measure: tariff-rate quota on steel goods, 30 June 2022 (accessible [here](#)).

<sup>4</sup> TRA, SE0041 - Extension review of safeguard measures on certain steel products Notice of Initiation, 4 September 2023 (accessible [here](#)).

<sup>5</sup> TRA, SE0041 - Extension review of safeguard measures on certain steel products, Statement of intended final determination, 21 February 2024 (accessible [here](#)).

<sup>6</sup> TRA, Category 1 Suspension Review Notice of Initiation, 9 February 2024 (accessible [here](#)). The goods subject to review are subject to the following tariff classifications: 72081000, 72082500, 72082600, 72082700, 72083600, 72083700, 72083800, 72083900, 72084000, 72085210, 72085299, 72085310, 72085390, 72085400, 72111300, 72111400, 72111900, 72126000, 72251910, 72253010, 72253030, 72253090, 72254015, 72254090, 72261910, 72269120, 72269191, 72269199.

<sup>7</sup> Applications for suspension by TSUK are accessible [here](#).

<sup>8</sup> The Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019 (accessible [here](#)).

9. According to Regulation 41 of the Safeguard Regulations, the TRA can recommend suspending the applicable measures for a period of up to **9 months**. However, where the TRA considers it appropriate, it can also recommend extending the period of suspension to a maximum of **21 months**.

10. POSCO believes that the conditions required for the TRA to make a suspension recommendation in this case are met, and that such suspension would be appropriate. Furthermore, POSCO requests that the TRA recommends suspending the safeguard measure for at least nine months (*i.e.*, beyond 30 June 2024 as initially requested by TSUK) and eventually extend to 21 months, since this case warrants such extension for a longer period. Below POSCO provides its arguments in greater detail.

### 3.1 MARKET CONDITIONS HAVE CHANGED TEMPORARILY

#### 3.1.1 Market conditions have changed significantly

11. There are currently 6 operating steel mills in the UK:

Steel Mill	Capacity
Tata Steel Port Talbot	steel – 5 million tons/year, pig iron – 4.77 million tons/year
Celsa Steel UK Cardiff plant	steel – 1.2 million tons/year
Marcegaglia Sheffield steel plant	steel – 0.5 million tons/year
GFG Liberty Steel Rotherham EAF	steel – 0.78 million t/year
GFG Liberty Steel Rotherham	steel – 1.22 million tons/year
British Steel Scunthorpe	steel – 3.2 million t/year, pig iron – 3 million t/year

Source: GMK Center<sup>9</sup>

12. The biggest UK producer is TSUK. TSUK is also the only producer of HRFC in the UK.<sup>10</sup> However, it has been reported that TSUK has been experiencing issues with its upstream assets resulting in HRFC shortage for its downstream production. As the only supplier of HRFC struggling to supply itself as well as the UK market at large, there is a need to procure HRFC from other sources, *i.e.*, imports from third countries.

13. Additionally, TSUK has recently announced its transitioning to electric arc furnace (“**EAF**”)-based steelmaking.<sup>11</sup> This transitioning will require a temporary closing down of TSUK’s HRFC production facilities. Therefore, the demand for HRFC from third countries will increase dramatically as no domestic UK producer

<sup>9</sup> Vadim Kolisnichenko, GMK Center, ‘UK reduced steel production by 6.5% y/y in 2023’, 07 February 2024 (accessible [here](#)).

<sup>10</sup> Suspension review request ,Safeguard measures applicable to imports of certain steel products into the UK – Tata Steel UK (“TSUK”)’s requests for temporary suspension of the safeguard measures concerning imports of hot-rolled flat steel (“HRFC”) (Product Category 1), non-confidential version, 02 February 2024 (accessible [here](#)). Liberty Steel, the only other producer of HRFC has announced in early 2023 to indefinitely mothball its HRFC production facility, The Guardian reports, see [here](#).

<sup>11</sup> The transition to EAF by TSUK is required in the wider context of the UK’s net zero initiatives in line with UK’s Industrial Decarbonisation Strategy (accessible [here](#)).

will be able to meet the demand. Not only TSUK's demand for HRFC imports from third countries will increase, but also other UK importers and users will have to shift and increase their imports. However, as there is a safeguard measure in place, there is a risk that supply will not be enough within the available quotas, and that domestic costs of HRFC will increase at least by 25% safeguard duty payable in excess of the applicable quotas. Significantly increased HRFC prices will also affect the cost of downstream products such as cold-rolled-steel and tubular products and other industries using these products.

14. Moreover, the market conditions are also temporarily affected by other factors, such as freight cost increase because of blockages in the Red Sea, which impacts the costs of HRFC and of steel products.<sup>12</sup>

15. In light of the above, POSCO submits that the market conditions have changed significantly. The safeguard measure on Category 1 steel products now risks upending the UK HRFC market if no suspension of the measure is approved.<sup>13</sup>

### 3.1.2 Change in the market conditions is temporary

16. Safeguard Regulations require that the change in the market conditions be *temporary*.

17. POSCO submits that the disruption in HRFC supply in the UK is indeed temporary. The TSUK's transition to EAF-based steel making is only temporary in nature. Indeed, TSUK announced that the transition will likely be operational within 36 months.<sup>14</sup> Therefore, POSCO submits that the dependence on HRFC imports from third countries is only temporary and is only expected to last until TSUK's EAF-based steel making plant becomes operational.

18. Based on the above, POSCO submits that it is, therefore, clear that any disruption to HRFC production in the UK as a result of the transition is only temporary in nature.

## 3.2 NO SERIOUS INJURY IS LIKELY TO RECUR

19. POSCO submits that no serious injury is likely to recur to UK producers. As mentioned above, for a temporary period, during TSUK's halt of HRFC production while transitioning to EAF-based steelmaking, there will be essentially no HRFC producer in the UK. The only producer in the UK is the very same party that applied for the suspension of the safeguard measure. By definition, there can be no injury to the domestic producer under such circumstances.

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<sup>12</sup> Business Insurance, *Shipping costs rise by over 300% amid Red Sea disruption*, 15 January 2024 (available [here](#)).

<sup>13</sup> Financial Times reports that Christian De Morgan, chair of Meridian Steel raised concerns about "*significant and potentially unsustainable additional costs*" and that MP Marco Longhi stated that the current situation "*distorts the market with detrimental consequences on competitiveness on consumer prices*". (Sylvia Pfeifer, *Steel traders raise alarm over imports by Tata Steel UK*, Financial Times, 28 September 2023, accessible [here](#)).

<sup>14</sup> Tata Steel, *Tata Steel and the UK Government jointly agree on a proposal for the largest investment in the UK Steel Industry for decades*, 15 September 2023 (accessible [here](#)).

20. Moreover, it is important to note that there would, in fact, be a risk of injury to other economic operators and downstream industries, if the safeguard measure is not suspended during TSUK's transition period. As explained above in Section 4.1., if the safeguard measure on Category 1 product (i.e., TRQ and a 25% out-of-quota duty) continues apply, then there is a fundamental and real risk of devastating impact on UK HRFC-users and the consumers that will have to source increased volumes of HRFC from third countries.

### **3.3 SUSPENSION OF THE STEEL SAFEGUARD MEASURE FOR AT LEAST 9 MONTHS IS APPROPRIATE**

21. POSCO believes that suspension of the safeguard measure in Category 1 steel products is appropriate. Indeed, as explained above, the suspension of safeguard measure will ensure the sufficient volumes of HRFC arriving in the UK for downstream users and consumers while TSUK is transitioning to EAF-based steel-making. On the other hand, no injury could theoretically be caused to the domestic industry (i.e., TSUK) as a result of the suspension.

22. At the same time, POSCO believes that the **suspension must take the maximum possible duration**, despite the application by TSUK that it lasts until 30 June 2024 only.

23. *First*, according to Regulation 41 of the Safeguard Regulations, the TRA can recommend a period of suspension of up to **9 months**. However, where the TRA considers it appropriate, it can recommend extending the period of suspension to a maximum of **21 months**.

24. *Second*, as mentioned above, it is expected that TSUK's transition will take at least 36 months, since it is subject to all relevant information and consultation processes as well as relevant regulatory approvals. Therefore, it is POSCO's submission that the suspension of the steel safeguard on Category 1 steel until 30 June 2024 is insufficient. The TRA is therefore respectfully requested to recommend suspension for at least nine months commencing on the day after the publication of the public notice giving effect to the suspension. Furthermore, given the circumstances, POSCO submits that an eventual suspension period of 21 months, *i.e.*, the longest period that is possible will be also justified.

## **4. CONCLUSION**

25. In light of the above, POSCO supports the suspension of the safeguard measure on Category 1 steel products. POSCO believes that the conditions required for the TRA to make a suspension recommendation in this case are clearly and fully met, and that such suspension would be appropriate.

26. Furthermore, POSCO respectfully requests the TRA to recommend suspending the safeguard measure for at least nine months and, if possible, until 21 months in accordance with Regulation 41 of the Safeguard Regulations, for this case warrants such extension of a longer period.