

AD 608 - anti-dumping proceeding concerning imports of grain-oriented flat-rolled products of silicon-electrical steel originating in the People's Republic of China, Japan, the Republic of Korea, Russia and the United States of America

Brussels, 26th November 2014

Position Paper

The European Association of the Electricity Transmission and Distribution Equipment and Services Industry (T&D Europe¹) respectfully submits its views on the ongoing Commission investigation AD 608, concerning alleged dumping of grain oriented flat-rolled products of electrical steel (GOES) originating from Japan, China, Korea, the US and Russia.

T&D Europe was founded in 2008 by the merger of two European committees: CAPIEL HV and COTREL. It represents all relevant European national associations within the sector. The companies represented by T&D Europe account for a production worth over 25 billion EUR, and employ over 200.000 people in Europe. As its membership represents almost all transformer production within the EU, T&D Europe also accounts for nearly all purchases of GOES in the EU.

T&D Europe is strongly opposed to the introduction of anti-dumping measures on GOES and outlines below some of its main concerns regarding the investigation. These concerns include that imposing duties would risk leading to a shortage of supply of GOES at a competitive price to the detriment of the EU transformer industry; be contrary to the interest of the Union industry as a whole; and make it more difficult for the transformer industry to contribute to the achievement of the environmental and energy policy goals of the Union, in particular on energy efficiency.

1. Initial remarks - The alleged existence of injury caused by GOES imports

The EU GOES producers have argued that anti-dumping measures are needed in order to protect the industry from injury caused by third country producers' pricing. However, in the experience of the members of T&D Europe, the initiative to cut prices has been driven by the EU producers, rather than the third country producers.

T&D Europe acknowledges that prices for GOES have decreased globally. This decrease has been caused by an imbalance in supply and demand after the global financial crisis. T&D Europe understands that as demand for transformers rapidly increased around 2004, the demand for GOES, an essential input in the production of

¹ T&D Europe is the European Association of the Electricity Transmission & Distribution Equipment and Services Industry, which members are the European National Associations representing the interests of the electricity transmission and distribution equipments manufacturing and derived solutions. The companies represented by T&D Europe account for a production worth over € 25 billion EUR, and employ over 200,000 people in Europe. Further information on T&D Europe can be found here: <http://www.tdeurope.org>

transformers, increased correspondingly. GOES producers in the EU expanded their business and added capacity. When the financial crisis hit, the overall global demand for transformers fell, in turn reducing the demand for GOES. The crisis affected the entire production chain globally, and is not specific to GOES production in the EU. The introduction of duties in this situation may create some temporary artificial relief for a small number of EU companies, but at the expense of the wider EU industry, which is itself making large efforts to cope with the effects of the crisis.

2. Risk of a shortage of supply of GOES at a competitive price to the detriment of the EU transformer industry

T&D Europe is a driver for advanced solutions and technologies in the field of electricity networks. As such, T&D Europe actively encourages innovation and energy- and cost-efficient solutions amongst its members. For the EU transformer industry to assume and maintain a leading role in this area, it is important that the members of T&D Europe have access to the highest quality and technologically most advanced inputs for their production.

T&D Europe notes that the product scope of the Commission's investigation actually covers many different types of GOES products purchased by the members of T&D Europe. The different categories of GOES are not interchangeable as they differ in chemical, technical, and physical characteristics, as well as in price and in applications. The most apparent difference is between conventional GOES (CGO) and the more advanced GOES types - high permeability GOES (HiB) and domain refined GOES (DR). The latter two are more expensive, have better performance in core loss value (an essential characteristic for a transformer both with regard to its life-cycle cost and environmental impact) and noise level, making the steel suitable for applications which require the transformer to be smaller, quieter, and more environmentally sustainable.

It is T&D Europe's understanding that EU producers would not be able to supply even half of the EU demand for HiB and DR. Thus, if the proposed anti-dumping measures are imposed there will be a shortage of these higher grades on the EU market and prices will rise to supra-competitive levels. T&D Europe is also mindful of the fact that in the coming year the demand for the higher grades of GOES is expected to increase, due to the EcoDesign regulation (see more below), thereby widening the gap between EU capacity and EU demand even further. Moreover, T&D Europe understands from its members who purchase GOES products that the EU mills are still not able to produce the higher grades of GOES in a quality matching that of third country producers, which affects the quality of the final transformers.

3. Anti-dumping measures would be contrary to the interests of the EU industry as a whole

T&D Europe promotes the common technical, economic, environmental and political interests of the European producers active in electricity transmission and distribution manufacturing, and product derived solutions. The transformer producers are an important part of this sector with a turnover of approximately [3.7 billion EUR in the

Vito report, please confirm whether you agree with this number] per year. To put its importance into perspective, it employs ten times more people than the EU GOES industry, and, as already mentioned, the overall transmission and distribution industry employs over 200 000 people in the EU. The EU GOES industry is comprised of only a few undertakings, while the EU transformer industry engages hundreds of companies.

Should anti-dumping measures be imposed it will lead to decreased market shares for EU transformer producers in relation to third country producers whose costs will remain constant while the costs of the EU industry increase. This also creates an incentive for EU transformer producers to relocate their production to third countries. Ultimately, this may lead to the EU losing thousands of jobs, as well as its leading position in innovation and technology on the global transformer market.

T&D Europe is proud of the fact that many of its members' factories are located in economically challenged regions of the EU, thus helping to promote regional development in these areas. In light of this T&D Europe is also mindful that any downsizing may have even more serious economic and social consequences in these areas.

4. The achievement of the EU's environmental and energy goals will be hindered

It is an important goal for T&D Europe to promote sustainable development and environmentally friendly solutions in the industry it represents. T&D Europe further considers its members as having a leading role in the development of energy-efficient energy transmission.

In order to reduce the energy consumption in the Union, the EcoDesign regulation, coming into force in July 2015, sets higher standards for electrical appliances by requiring enhanced efficiency. In order to achieve this goal for transformers, T&D Europe's members will need to use more of the higher grades of GOES in their transformer production. As already stated, if the access to such inputs is restricted by anti-dumping duties, the prices of domestic transformers will increase, which will likely result in increased imports of such transformers from non-EU countries. Such a development would neither help imposing the EcoDesign regulation, nor be beneficial for the EU's overall environmental goals.

T&D Europe urges the Commission to take due account of the interests of the downstream industries that would be severely affected by the introduction of duties. In this regard, T&D requests a hearing with the Commission's case team, where its members may elaborate on the issues further, and where the Commission may pose any questions it may have.