

**COMMISSION IMPLEMENTING REGULATION (EU) 2016/1777****of 6 October 2016****imposing a provisional anti-dumping duty on imports of certain heavy plate of non-alloy or other alloy steel originating in the People's Republic of China**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union <sup>(1)</sup>, and in particular Article 7 thereof,

After consulting the Member States,

Whereas:

**1. PROCEDURE****1.1. Initiation**

- (1) On 13 February 2016, the European Commission ('the Commission') initiated an anti-dumping investigation into imports into the European Union ('the Union') of flat products of non-alloy or alloy steel (excluding stainless steel, silicon-electrical steel, tool steel and high-speed steel), hot-rolled, not clad, plated or coated, not in coils, of a thickness exceeding 10 mm and of a width of 600 mm or more or of a thickness of 4,75 mm or more but not exceeding 10 mm and of a width of 2 050 mm or more ('heavy plate') originating in the People's Republic of China ('the PRC') on the basis of Article 5 of Council Regulation (EC) No 1225/2009 <sup>(2)</sup> ('the basic Regulation').
- (2) The Commission published a Notice of Initiation in the *Official Journal of the European Union* <sup>(3)</sup> ('the Notice of Initiation').
- (3) The Commission initiated the investigation following a complaint lodged on 4 January 2016 by the European Steel Association ('Eurofer' or 'the complainant') on behalf of producers representing more than 25 % of the total Union production of heavy plate.
- (4) The complaint contained evidence of dumping and of resulting material injury that was sufficient to justify the initiation of the investigation.

**1.2. Registration**

- (5) Following a request by the complainant supported by the required evidence, the Commission published on 10 August 2016 Implementing Regulation (EU) 2016/1357 <sup>(4)</sup> making imports of heavy plate originating in the PRC subject to registration as of 11 August 2016 ('the registration Regulation').

**1.3. Interested parties**

- (6) In the Notice of Initiation, the Commission invited interested parties to come forward in order to participate in the investigation. In addition, the Commission specifically informed the complainant, other known Union producers, the known exporting producers, the authorities of the PRC, known importers, suppliers and users, traders and associations known to be concerned about the initiation and invited them to participate.

<sup>(1)</sup> OJ L 176, 30.6.2016, p. 21.

<sup>(2)</sup> As from 20 July 2016, Council Regulation (EC) No 1225/2009 has been replaced by Regulation (EU) 2016/1036 of the European Parliament and of the Council (OJ L 176, 30.6.2016, p. 21.). The latter Regulation is hereinafter referred to as 'the basic Regulation'.

<sup>(3)</sup> OJ C 58, 13.2.2016, p. 20.

<sup>(4)</sup> OJ L 215, 10.8.2016, p. 23.

- (7) Interested parties were given the opportunity to make their views known in writing on the initiation of the investigation and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.
- (8) The Commission also informed producers in Australia, Brazil, Canada, India, Japan, the Republic of Korea, Malaysia, Mexico, Russia, the Former Yugoslav Republic of Macedonia, Ukraine and the United States of America about the initiation and invited them to participate.
- (9) In the Notice of Initiation, the Commission informed interested parties that it envisaged the use of the United States of America as the third market economy country ('analogue country') within the meaning of Article 2(7)(a) of the basic Regulation.
- (10) Interested parties had an opportunity to comment on the appropriateness of the choice of the analogue country and to request a hearing with the Commission and/or the Hearing Officer in trade proceedings.

#### 1.4. Sampling

- (11) In the Notice of Initiation, the Commission stated that it might sample exporting producers, Union producers and unrelated importers in the Union in accordance with Article 17 of the basic Regulation.

##### 1.4.1. Sampling of Union producers

- (12) In the Notice of Initiation, the Commission stated that it had provisionally selected a sample of Union producers. The Commission had selected the sample on the basis of the highest representative sales volumes of the like product in the investigation period whilst ensuring a geographical spread.
- (13) This provisional sample consisted of three Union producers located in three different Member States and accounted for over 26 % of the total sales of heavy plate by the Union producers responding to the standing exercise. The Commission invited interested parties to comment on the provisional sample.
- (14) The Complainant and the sampled company itself submitted that it was not appropriate that Metinvest Trametel Spa ('Trametel') be included in the sample as this company is not an integrated mill but rather a re-roller of purchased slab from a related company in Ukraine and therefore allegedly not representative of the Union industry.
- (15) The Union industry consists of both integrated mills and re-rollers, and both types of Union producers are among the complainants. However, the vast majority of the heavy plates produced by the Union industry are produced by integrated mills.
- (16) The Commission established in addition that Trametel obtains slabs, the main input material typically accounting for around 70 % of total costs, from their related company in Ukraine. Therefore, in particular indicators relating to costs and profitability are directly impacted by this relationship as well as the performance and the particular situation of the related Ukrainian company supplying the slabs.
- (17) The Commission notes however that the situation of both types of the Union producers — integrated mills and re-rollers is fully reflected in the macroeconomic indicators described in recitals (105) to (124) below.
- (18) For the reasons listed in recitals (14) to (16) above the Commission however provisionally considers that the particular situation of Trametel is not representative for the Union industry and that the microeconomic indicators described in recitals (125) to (138) below should not be affected by it.
- (19) The Commission found this comment to be warranted and, after having considered the preliminary injury information at hand, it replaced Trametel in the sample by Ilsenburg Grobblech GmbH, the second biggest Union producer when ranked according to Union sales volume in the investigation period as defined in recital (28) below.

- (20) On 7 March 2016 the Commission made available to interested parties a note explaining the reasons for changing the sample and listing the companies included in the revised sample. No interested parties commented on the final sample.

#### 1.4.2. *Sampling of importers*

- (21) The Commission requested unrelated importers to provide the information specified in the Notice of Initiation in order to decide whether sampling was necessary and, if so, to select a sample.
- (22) Six importers provided the requested information and agreed to be included in the sample. Three of them were sampled.

#### 1.4.3. *Sampling of exporting producers in the PRC*

- (23) To decide whether sampling was necessary and, if so, to select a sample, the Commission asked all exporting producers in the PRC to provide the information specified in the Notice of Initiation. In addition, the Commission asked the Mission of the People's Republic of China to the European Union to identify and/or contact exporting producers that could be interested in participating in the investigation.
- (24) Fourteen exporting producers in the PRC provided the requested information and agreed to be included in the sample. In accordance with Article 17(1) of the basic Regulation, the Commission selected a sample of three companies on the basis of the largest representative volume of exports to the Union which could reasonably be investigated within the time available. In accordance with Article 17(2) of the basic Regulation, all known exporting producers concerned, and the authorities of the PRC, were consulted on the selection of the sample. No comments were received and the sample was therefore confirmed.

### 1.5. **Individual examination**

- (25) Seven exporting producers in the PRC indicated that they wished to request individual examination under Article 17(3) of the basic Regulation. However, none of them replied to the questionnaire and, thus, no requests for individual examinations were received.

### 1.6. **Replies to the questionnaire**

- (26) The Commission sent questionnaires to all parties known to be concerned and to all other companies that made themselves known within the deadlines set out in the Notice of Initiation. Questionnaire replies were received from three Union producers, six unrelated importers, ten users, a group of steel service centres, the three sampled exporting producers in the PRC, and two producers in different analogue countries.

### 1.7. **Verification visits**

- (27) The Commission sought and verified all the information deemed necessary for a provisional determination of dumping, resulting injury and Union interest. Verification visits under Article 16 of the basic Regulation were carried out at the premises of the following parties:

— Association:

— Eurofer, Brussels, Belgium;

— Union producers:

— Aktiengesellschaft der Dillinger Hüttenwerke, Dillingen, Germany

— Ilsenburger Grobblech GmbH, Ilsenburg, Germany

— Tata Steel UK Ltd <sup>(1)</sup>, Scunthorpe, UK

<sup>(1)</sup> On 11 April 2016 Tata Steel sold its Long Products Europe business including heavy plates to Greybull Capital. As a result, British Steel was created.

- Exporting producers in the PRC
  - Nanjing Iron and Steel Co., Ltd,
  - Minmetals Yingkou Medium Plate Co., Ltd,
  - Wuyang Iron and Steel Co., Ltd and Wuyang New Heavy & Wide Steel Plate Co., Ltd;
- Producer in the analogue country
  - Bluescope Steel Australia, Port Kembla, Australia.

### 1.8. Investigation period and period considered

- (28) The investigation of dumping and injury covered the period from 1 January 2015 to 31 December 2015 ('the investigation period' or 'IP').
- (29) The examination of trends relevant for the assessment of injury covered the period from 1 January 2012 to the end of the investigation period ('the period considered').

## 2. PRODUCT CONCERNED AND LIKE PRODUCT

### 2.1. Product concerned

- (30) The product concerned is flat products of non-alloy or alloy steel (excluding stainless steel, silicon-electrical steel, tool steel and high-speed steel), hot-rolled, not clad, plated or coated, not in coils, of a thickness exceeding 10 mm and of a width of 600 mm or more or of a thickness of 4,75 mm or more but not exceeding 10 mm and of a width of 2 050 mm or more currently falling within CN codes ex 7208 51 20, ex 7208 51 91, ex 7208 51 98, ex 7208 52 91, ex 7208 90 20, ex 7208 90 80, 7225 40 40, ex 7225 40 60 and ex 7225 99 00 ('heavy plate') and originating in the PRC.
- (31) Heavy plate is used in the manufacture of construction, mining and logging equipment; pressure vessels; oil and gas pipelines; shipbuilding and bridges and buildings.

### 2.2. Like product

- (32) The investigation showed that the following products have the same basic physical characteristics as well as the same basic uses:
- (a) the product concerned;
  - (b) the product produced and sold on the domestic market of Australia;
  - (c) the product produced and sold in the Union by the Union industry.
- (33) The Commission therefore has provisionally decided that these products are like products within the meaning of Article 1(4) of the basic Regulation.

### 2.3. Claims regarding product scope

- (34) One interested party argued that the product scope is defined too widely. In particular, it argues that the product scope should be limited to so-called 'commodity heavy plates', while so-called 'special heavy plates' should be excluded from the product definition. In supporting its claim, it mainly relies on two arguments.
- (35) Firstly, it argues that the information provided in the complaint mainly relates to 'commodity heavy plates', which account for the majority of exports from the PRC. Secondly, it argues that the product scope is wider than the definition of the like product in Article 1(4) of the basic Regulation.

- (36) The Commission notes in this respect that at the complaint stage only sufficient evidence concerning dumping, injury and a causal link has to be provided. It is therefore not required to provide information about the complete product range at that stage. Limiting the analysis to the most commonly sold grades exported does not mean that the product definition has to be limited to those product types.
- (37) Secondly, Article 1(4) of the basic Regulation provides that the like product has to be identical or closely resembling to the product under consideration. This, however, does not refer to the definition of the product under consideration as such. The various types of the product under consideration merely have to share the same basic characteristics, which is the case as described in recital (32) above.
- (38) The parameters which allegedly differentiate 'special heavy plates' from commodity heavy plates are the chemical composition, the mechanical/technological composition, the delivery condition, the thickness and the certification and inspection for shipbuilding purposes.
- (39) Except of the thickness, none of these parameters concern the basic properties of the product. The party argues that all products with a thickness > 50,8 mm should be excluded from the product scope. In support of the thickness limit, the only argument brought forward by the party is that the complaint did allegedly merely target heavy plates with a thickness < 50,8 mm, since the *prima facie* evidence provided in one Annex of the complaint concerning the dumping calculation is limited to such products.
- (40) It is however clear that product definition in the complaint also covers products with a thickness > 50,8 mm, as the product definition does not contain an upper limit for the thickness. As stated above, the mere reason that the *prima facie* evidence on dumping only covers the most commonly exported product types does not mean that the product definition is limited to those types.
- (41) The Commission therefore provisionally concludes to leave the product definition unchanged.

### 3. DUMPING

#### 3.1. Normal value

##### 3.1.1. Market economy treatment ('MET')

- (42) As set out in Article 2(7)(b) of the basic Regulation, if an exporting producer in the PRC complies with the criteria in Article 2(7)(c) and is therefore granted MET, the Commission then determines normal value for that company in accordance with Articles 2(1) to (6).
- (43) The Commission sent a MET claim form to all the sampled exporting producers in order that they could claim that they should be granted MET. None of them returned the claim form and therefore none of the companies could be granted MET.

##### 3.1.2. Analogue country

- (44) Normal value was therefore determined on the basis of the price or constructed value in a market economy third country as set out in Article 2(7)(a) of the basic Regulation. For this purpose, an analogue country had to be selected.
- (45) In the Notice of Initiation, the Commission indicated that it envisaged the use of the United States of America as analogue country and invited interested parties to comment. No comments were received.
- (46) Questionnaires were sent to all known producers of heavy plate in the countries named in recital (8) above and two replies were received: one from a producer in Australia and one from a producer in the United States of America.
- (47) The reply from the producer in the United States of America showed evidence of production and sales on the US domestic market.
- (48) In its questionnaire reply the US producer informed the Commission that the normal US customs duty on imports of heavy plate is zero. Anti-dumping duties are in force on imports from the PRC, and both anti-dumping and anti-subsidy duties on imports from India, Indonesia and the Republic of Korea.

- (49) There are 7 US producers on the domestic US market, and imports from the Republic of Korea, Germany, France and Canada with a market share of 20 %.
- (50) The reply from the Australian producer contained evidence of production and sales on the Australian domestic market, and that it is the only producer in Australia. However, the imports into Australia have a market share of 35 %. Anti-dumping duties are in force on imports from the PRC, Indonesia, Japan, the Republic of Korea and Taiwan, but these duties are low and for some companies zero.
- (51) The Australian domestic market can be considered more competitive because imports take a larger market share and duties on imports are lower.
- (52) The Commission thus concluded at this stage that Australia was an appropriate analogue country under Article 2(7)(a) of the basic Regulation.

### 3.1.3. Normal value

- (53) The information received from the cooperating producer in the analogue country was used as a basis for the determination of the normal value for the exporting producers not granted MET, under Article 2(7)(a) of the basic Regulation.
- (54) The Commission first examined whether the total volume of domestic sales of the cooperating producer in the analogue country was representative, in accordance with Article 2(2) of the basic Regulation.
- (55) The domestic sales are representative if the analogue country producer's total domestic sales volume of the like product to independent customers on the domestic market represented at least 5 % of total export sales volume of the product concerned to the Union of each sampled exporting producer in the PRC during the investigation period.
- (56) On this basis, the total sales of the cooperating producer of the like product on the domestic market of the analogue country were representative.
- (57) The Commission subsequently identified the product types sold domestically that were identical or comparable with the product types sold for export to the Union by the sampled exporting producers.
- (58) The Commission then examined whether the domestic sales by the analogue country producer on its domestic market for each product type that was identical or comparable with a product type sold for export to the Union by each sampled exporting producer in the PRC were representative, in accordance with Article 2(2) of the basic Regulation.
- (59) The domestic sales of a product type are representative if the total volume of domestic sales of that product type to independent customers during the investigation period represents at least 5 % of the total volume of export sales by each sampled exporting producer in the PRC of the identical or comparable product type to the Union.
- (60) The Commission found that some product types were representative on this basis, but others were not, either due to low quantities or because the exported product type was not sold domestically by the analogue country producer.
- (61) The Commission next defined the proportion of profitable sales to independent customers on the domestic market for each product type during the investigation period in order to decide whether to use actual domestic sales for the calculation of the normal value, in accordance with Article 2(4) of the basic Regulation.
- (62) The normal value is based on the actual domestic price per product type, irrespective of whether those sales are profitable or not, if:
- (1) the sales volume of the product type, sold at a net sales price equal to or above the calculated cost of production, represented more than 80 % of the total sales volume of this product type; and
  - (2) the weighted average sales price of that product type is equal to or higher than the unit cost of production.

- (63) In this case, the normal value is the weighted average of the prices of all domestic sales of that product type during the investigation period.
- (64) The normal value is the actual domestic price per product type of only the profitable domestic sales of the product types during the investigation period, if:
- (1) the volume of profitable sales of the product type represents 80 % or less of the total sales volume of this type; or
  - (2) the weighted average price of this product type is below the unit cost of production.
- (65) When a product type was not sold in representative quantities or not sold at all or all sales were at a loss on the domestic market by the analogue country producer, the Commission constructed the normal value in accordance with Article 2(3) and (6) of the basic Regulation.
- (66) For every product type not sold in representative quantities on the domestic market, normal value was constructed by adding the average selling, general and administrative ('SG&A') expenses and profit of transactions made in the ordinary course of trade on the domestic market for each of those types to their average cost of production.
- (67) For product types not sold at all or where all sales were at a loss on the domestic market, normal value was constructed by adding the average selling, general and administrative ('SG&A') expenses and profit in the ordinary course of trade of the like product on the domestic market to the average cost of production of each type.
- (68) In case where a product type was not sold at all in the domestic market of the analogue country, the cost of production was established on the basis of the cost of the closest cheaper type.

### 3.2. Export price

- (69) The export price was checked for each sampled exporting producer during the verification visit. When the export to the Union was made to the first unrelated customer directly or via a related trading company, the export price was the price actually paid or payable for the product concerned when sold for export to the Union, in accordance with Article 2(8) of the basic Regulation.
- (70) One of the sampled exporting producers exported heavy plate via a related importer in the Union. The export price for those sales was constructed in line with Article 2(9) of the basic Regulation.

### 3.3. Comparison

- (71) The Commission compared the normal value from the analogue country producer and the export price of the sampled exporting producers on an ex-works basis.
- (72) Where justified by the need to ensure a fair comparison, the Commission adjusted the normal value and/or the export price for differences affecting prices and price comparability, in accordance with Article 2(10) of the basic Regulation. Adjustments were made for transport related costs, handling, loading and ancillary charges, indirect taxes, commissions, credit costs and bank charges.
- (73) For those sampled exporting producers which sold to the Union via related trading companies with functions similar to those of an agent working on a commission basis, an adjustment was made under Article 2(10)(i) of the basic Regulation.

### 3.4. Dumping margins

- (74) For the sampled cooperating exporting producers, the Commission compared the weighted average normal value of each type of the like product with the weighted average export price of the corresponding type of the product concerned, in accordance with Article 2(11) and (12) of the basic Regulation.

- (75) On this basis, the provisional weighted average dumping margins expressed as a percentage of the CIF (cost insurance and freight) Union frontier price, duty unpaid, are as follows:

Table 1

**Dumping margins sample**

Company	Provisional dumping margin
Nanjing Iron and Steel Co., Ltd	120,1 %
Minmetals Yingkou Medium Plate Co., Ltd	126,0 %
Wuyang Iron and Steel Co., Ltd and Wuyang New Heavy & Wide Steel Plate Co., Ltd	127,6 %

- (76) For the cooperating exporting producers which were not sampled, the Commission calculated the weighted average dumping margin of the sampled exporting producers, in accordance with Article 9(6) of the basic Regulation.
- (77) On this basis, the provisional dumping margin of the cooperating exporting producers outside the sample is 125,5 %.
- (78) For all other exporting producers in the PRC, the Commission established the dumping margin on the basis of the facts available, in accordance with Article 18 of the basic Regulation.
- (79) The Commission first determined the level of cooperation from exporting producers in the PRC. The level of cooperation is based on the volume of the exports to the Union of the cooperating exporting producers as a percentage of the total export volume — as reported in Eurostat import statistics — from the PRC to the Union.
- (80) The level of cooperation in this case is high because the exports of the cooperating exporting producers constituted around 87 % of the total exports to the Union during the investigation period. On this basis, the Commission decided to base the dumping margin for all other companies at the level of the sampled company with the highest dumping margin.
- (81) The provisional dumping margins, expressed as a percentage of the CIF Union frontier price, duty unpaid, are as follows:

Table 2

**Dumping margins all**

Company	Provisional dumping margin
Nanjing Iron and Steel Co., Ltd	120,1 %
Minmetals Yingkou Medium Plate Co., Ltd	126,0 %
Wuyang Iron and Steel Co., Ltd and Wuyang New Heavy & Wide Steel Plate Co., Ltd	127,6 %
Other cooperating companies not sampled	125,5 %
All other companies	127,6 %

#### 4. INJURY

##### 4.1. Definition of the Union industry and Union production

- (82) The like product was manufactured by 30 producers in the Union during the investigation period. They constitute the 'Union industry' within the meaning of Article 4(1) of the basic Regulation.
- (83) 26 of them cooperated with the sampling exercise. These cooperating Union producers represent around 94 % of the total Union industry production and the total Union industry sales of the like product in the investigation period.
- (84) The total Union production of the like product during the investigation period is around 10,3 million tonnes. The Commission established the figure on the basis of all available information concerning the Union industry such as the complaint, verified questionnaire replies by sampled Union producers and verified submission by Eurofer.
- (85) As indicated in recital (1) above, three Union producers were selected in the sample representing around 28,5 % of the total sales of the Union industry and the total Union production volume of the like product during the investigation period.

##### 4.2. Union consumption

- (86) The Commission established the Union consumption on the basis of Eurostat import statistics and verified sales data from the Union industry.
- (87) Union consumption of the heavy plate developed as follows:

Table 3

##### Union consumption (MT)

	2012	2013	2014	IP (2015)
Total EU consumption (MT)	8 991 777	8 423 747	8 820 363	9 467 177
<i>Index (2012 = 100)</i>	100	94	98	105

Source: Eurostat, verified Eurofer submission and questionnaire replies

- (88) Union consumption increased by 5 % over the period considered. A year-by-year analysis shows an initial drop of 6 % between 2012 and 2013 and a subsequent recovery in 2014 and the investigation period of 11 percentage points or over 1 million tonnes.
- (89) The captive use by Union producers is insignificant as it accounts for less than 0,5 % of Union consumption over the period considered. The injury indicators are therefore assessed for the whole Union market, including quantities captively used by the Union producers.

##### 4.3. Volume and market shares of the imports

- (90) The Commission established the volume of imports of on the basis of the Eurostat database. The market share of the imports was then established by comparing import volumes with the Union consumption as shown in table 3 of recital (87) above.

- (91) Imports of heavy plates into the Union developed as follows:

Table 4

**Import volume (MT) and market share**

	2012	2013	2014	IP (2015)
Volume of imports from the PRC (MT)	410 583	343 545	693 117	1 359 143
<i>Index (2012 = 100)</i>	100	84	169	331
Market share of the PRC	4,6 %	4,1 %	7,9 %	14,4 %
<i>Index (2012 = 100)</i>	100	89	172	314

Source: Eurostat, verified Eurofer submission and questionnaire replies

- (92) The import volume from the PRC to the Union increased by 231 % over the period considered. After a 16 % decrease between 2012 and 2013 the imports from the PRC picked up substantially in 2014 by 85 percentage points and increased even further in the investigation period by another 162 percentage points.
- (93) The initial decrease in exports from the PRC between 2012 and 2013 was driven by the decreasing consumption on the Union market as shown in table 3 of recital (87) above. After 2013 the Union market experienced a dynamic surge, growing by over 1 million tonnes between 2013 and the investigation period. This growth was almost exclusively absorbed by the imports from the PRC, which increased also by over 1 million tonnes during this period.
- (94) In parallel, the share of the Union market held by imports from the PRC more than tripled from 4,6 % in 2012 to 14,4 % in the investigation period.

#### 4.3.1. Prices of the imports from the PRC and price undercutting

- (95) The Commission established the prices of imports on the basis of Eurostat data. The weighted average price of imports of heavy plates into the Union from the PRC developed as follows:

Table 5

**Import price (EUR/tonne)**

	2012	2013	2014	IP (2015)
Import price from the PRC	647	539	488	460
<i>Index (2012 = 100)</i>	100	83	75	71

Source: Eurostat

- (96) The average import prices from the PRC decreased by 29 % over the period considered. There was a constant decrease from 647 EUR/tonne in 2012 to 460 EUR/tonne in the investigation period.
- (97) The Commission determined the price undercutting during the investigation period by comparing:
- (1) the weighted average sales prices per product type of the three sampled Union producers charged to unrelated customers on the Union market, adjusted to an ex-works level; and
  - (2) the corresponding weighted average prices at CIF Union frontier level per product type of the imports from three sampled producers in the PRC to the first independent customer on the Union market, established on a CIF basis, with appropriate adjustments for post-importation costs.

- (98) The price comparison was made on a type-by-type basis for transactions at the same level of trade, duly adjusted where necessary, and after deduction of rebates and discounts. The result of the comparison was expressed as a percentage of the three sampled Union producers' turnover during the investigation period.
- (99) On the basis of the above, the dumped imports from the PRC were found to undercut the Union industry prices on average by 29 %.

#### 4.4. Economic situation of the Union industry

##### 4.4.1. General remarks

- (100) In accordance with Article 3(5) of the basic Regulation, the examination of the impact of the dumped imports on the Union industry included an evaluation of all economic indicators having a bearing on the state of the Union industry during the period considered.
- (101) For the injury determination, the Commission distinguished between macroeconomic and microeconomic injury indicators.
- (102) The Commission evaluated the macroeconomic indicators (production, production capacity, capacity utilisation, sales volume, market share, employment, labour costs, growth, productivity, and magnitude of the dumping margins and recovery from past dumping) at the level of the whole Union industry. The assessment was based on the information provided by the complainant, Union producers and available official statistics (Eurostat). The macroeconomic data related to all Union producers.
- (103) The Commission evaluated the microeconomic indicators (average unit sale prices, unit cost, inventories, profitability, cash flow, investments, return on investments, and ability to raise capital) on the basis of data contained in the questionnaire replies from the sampled Union producers, duly verified, and available official statistics (Eurostat). The data related to the sampled Union producers.
- (104) The Commission notes that one of the sampled Union producers suspended the production of heavy plates in December 2015. This suspension has no impact on any injury indicator as it took place at the very end of the investigation period and therefore both sets of data were found to be representative of the economic situation of the Union industry.

##### 4.4.2. Macroeconomic indicators

###### 4.4.2.1. Production, production capacity and capacity utilisation

- (105) The total Union production, production capacity and capacity utilisation developed over the period considered as follows:

Table 6

#### Production, production capacity and capacity utilisation

	2012	2013	2014	IP (2015)
Production volume (tonnes)	11 795 082	10 352 766	10 911 713	10 345 121
<i>Index (2012 = 100)</i>	100	88	93	88
Production capacity (tonnes)	16 972 100	16 410 487	16 646 634	16 618 427
<i>Index (2012 = 100)</i>	100	97	98	98
Capacity utilisation	69 %	63 %	66 %	62 %
<i>Index (2012 = 100)</i>	100	91	94	90

Source: Verified Eurofer submission and questionnaire replies

- (106) The production volume of the Union industry decreased by 12 % over the period considered. After a 12 % decrease between 2012 and 2013 the production volume increased slightly in 2014 by 5 percentage points to drop again in 2015 by 5 percentage points back to the level of 2013.
- (107) The initial decrease in production volume between 2012 and 2013 was driven by the decreasing consumption on the Union market as reported in Table 3 of recital (87) above. The Union industry was however not able to benefit from the subsequent growth in consumption between 2013 and the investigation period. While the consumption increased by 11 % or over 1 million tonnes, the production by the Union industry only temporarily slightly increased in 2014, falling back to the low level of 2013 in the investigation period.
- (108) The reported production capacity figures of the Union industry refer to technical capacity, which implies that adjustments, considered as standards by the industry, for set-up time, maintenance, bottle necks and other normal stoppages have been taken into consideration.
- (109) On this basis, the production capacity moderately decreased by 2 % over the period considered in a market growing by 6 % during the same period.
- (110) Since the decrease in production quantity exceeds the decrease in production capacity the capacity utilisation of the Union industry decreased by 10 % over the period considered.

#### 4.4.2.2. Sales volume and market share

- (111) The Union industry's sales volume and market share developed over the period considered as follows:

Table 7

#### Sales volume and market share

	2012	2013	2014	IP (2015)
Sales volume on the Union market (tonnes)	7 518 049	6 972 140	6 873 967	6 954 688
<i>Index (2012 = 100)</i>	100	93	91	93
Market share of the Union industry	83,6 %	82,8 %	77,9 %	73,5 %
<i>Index (2012 = 100)</i>	100	99	93	88

Source: Verified Eurofer submission and questionnaire replies

- (112) The Union industry's sales volume decreased by 7 % during the period considered. After a 7 % decrease between 2012 and 2013 and an even further decrease in 2014 by 2 percentage points the sales volume increased slightly by 2 percentage points in the investigation period.
- (113) Similar to the development of the production quantity, the initial decrease in sales quantity between 2012 and 2013 was driven by the decreasing consumption on the Union market explained in recital (87) above. The Union industry was however not able to benefit from the subsequent growth in consumption between 2013 and the investigation period. While the Union consumption increased by more than 1 million tonnes, the sales quantity by the Union industry remained at the low level of 2013.
- (114) Due to the sales quantity decreasing by 7 % in a market growing by 5 %, the Union industry's market share decreased by 12 % over the period considered.

## 4.4.2.3. Employment and productivity

(115) Employment and productivity of the Union industry developed over the period considered as follows:

Table 8

**Employment and productivity**

	2012	2013	2014	IP (2015)
Number of employees (full time employment/FTE)	22 622	20 920	19 688	18 722
<i>Index (2012 = 100)</i>	100	92	87	83
Productivity (tonne/FTE)	521	495	554	553
<i>Index (2012 = 100)</i>	100	95	106	106

Source: Verified Eurofer submission and questionnaire replies

(116) The Union industry reduced the level of employment by 17 % over the period considered. This decrease had two main reasons:

- The 12 % reduction in production volumes caused by increasing quantities of dumped imports from the PRC;
- Union industry's efforts to reduce production costs and gain efficiency in view of the increasing competition from dumped imports from the PRC. These efficiency gains increased productivity by 6 %.

(117) The Commission notes that the consumption in the Union market increased by 5 % during the period considered. In the absence of the increasing volumes of dumped imports from the PRC Union industry would therefore have been able to maintain employment since the efficiency gains would have been absorbed by the increased demand.

## 4.4.2.4. Labour costs

(118) The average labour costs of the Union industry developed over the period considered as follows:

Table 9

**Average labour costs per FTE (Full-time equivalent)**

	2012	2013	2014	IP (2015)
Average labour costs per FTE (EUR)	49 257	51 594	51 589	55 542
<i>Index (2012 = 100)</i>	100	105	105	113

Source: Verified Eurofer submission and questionnaire replies

(119) Due to substantial reductions in manpower as reported in recital (115) above the average labour cost per employee increased by 13 % over the period considered. In fact, while a certain part of the increased labour cost relates to mandatory wage increases under collective bargaining agreements it is predominantly caused by the costs of reducing workforce and working hours. Such costs include redundancy payments and the higher cost incurred in situations of part-time work due to decreasing production caused by steadily increasing quantities of dumped imports.

## 4.4.2.5. Growth

- (120) The Union consumption initially decreased from 2012 to 2013 by 6 % or almost 600 000 tonnes. This initial decrease had a negative impact on the situation of the Union industry's sales and production quantities.
- (121) Between 2013 and the investigation period, the situation was different. The Union consumption experienced a dynamic growth of 11 percentage points or more than 1 million tonnes. The Union industry could not however benefit from this dynamic growth. Indeed, the production and sales quantities remained at the very low levels of 2013. The growth of Union market was entirely absorbed by increasing quantities of low-priced dumped imports from the PRC, which equally increased by more than 1 million tonnes between 2013 and the investigation period, as presented in recital (91) above.

## 4.4.2.6. Magnitude of the dumping margin and recovery from past dumping

- (122) The dumping margins of all exporting producers from the PRC exceeded 100 %. The impact of the magnitude of these very high margins of dumping on the Union industry was serious, given the volume and prices of imports from the PRC.
- (123) In 2000, the Council imposed a definitive anti-dumping duty on imports of certain hot-rolled flat products of non-alloy steel originating in the People's Republic of China, India and Romania. These measures covered a very similar product scope to that of the present investigation. These measures expired on 11 August 2005.
- (124) As indicated in recital (221) below the Union industry achieved a profitability exceeding the target profit. The Commission therefore provisionally concludes that the Union industry recovered from the past dumping.

## 4.4.3. Microeconomic indicators

## 4.4.3.1. Prices and factors affecting prices

- (125) The weighted average unit sales prices to unrelated customers in the Union and the unit cost of production of the sampled Union producers developed over the period considered as follows:

Table 10

**Sales prices in the Union**

	2012	2013	2014	IP (2015)
Sales price (EUR/tonne)	821	691	658	617
<i>Index (2012 = 100)</i>	100	84	80	75
Unit cost of production (EUR/tonne)	836	784	705	680
<i>Index (2012 = 100)</i>	100	94	84	81

Source: Verified questionnaire replies

- (126) The average sales prices of the sampled Union producers have continuously decreased by 25 %, while the average unit cost of production continuously decreased by 19 % over the period considered. Sales prices have been decreasing faster and on average have constantly been lower than the unit cost of production.
- (127) In order to limit the loss in market share the Union producers had to follow the downward price spiral and reduce their sales price significantly. This price decrease significantly exceeds the decrease in their cost of production, which mainly resulted from the decrease in raw material prices over the period considered and the productivity gains achieved through workforce reductions as shown in recital (115) above.

## 4.4.3.2. Inventories

(128) The stock levels of the sampled Union producers developed over the period considered as follows:

Table 11

**Inventories**

	2012	2013	2014	IP (2015)
Closing stocks (tonnes)	224 600	228 325	246 532	282 631
<i>Index (2012 = 100)</i>	100	102	110	126
Closing stocks as a percentage of production	9 %	10 %	10 %	12 %
<i>Index (2012 = 100)</i>	100	109	111	135

Source: Verified questionnaire replies

- (129) The level of closing stocks of the three sampled Union producers continuously increased by 26 % over the period considered. At the same time, their level of closing stocks as a percentage of production also continuously increased by 35 %.
- (130) The main reason for the increase in inventories was that although the Union industry tried to prevent the decrease in production volumes, the sales volumes decreased even faster since the Union industry could not benefit at all from the market growth due to the increasing volumes of low-priced dumped imports.

## 4.4.3.3. Profitability, cash flow, investments, return on investments and ability to raise capital

- (131) The Commission established the profitability of the sampled Union producers by expressing the pre-tax net loss of the sales of the like product to unrelated customers in the Union as a percentage of the turnover of those sales.
- (132) Profitability, cash flow, investments and return on investments of the sampled Union producers developed over the period considered as follows:

Table 12

**Profitability, cash flow, investments and return on investments**

	2012	2013	2014	IP (2015)
Profitability of sales in the Union to unrelated customers (% of sales turnover)	1,6 %	- 12,2 %	- 4,4 %	- 10,4 %
<i>Index (2012 = 100)</i>	100	- 773	- 280	- 658
Cash flow ('000 EUR)	52 449	- 109 945	19 964	- 66 035
<i>Index (2012 = 100)</i>	100	- 210	38	- 126
Investments ('000 EUR)	209 128	224 431	170 108	143 420
<i>Index (2012 = 100)</i>	100	107	81	69

	2012	2013	2014	IP (2015)
Return on investment	7,6 %	- 22,4 %	- 2,2 %	- 13,7 %
<i>Index (2012 = 100)</i>	100	- 297	- 29	- 182

Source: Verified questionnaire replies

- (133) Profitability decreased by 758 % over the period considered. After yielding 1,6 % profit in 2012 the sampled Union producers were loss making in all the following years.
- (134) While the heavy loss of 12,2 % in 2013 is influenced by the particularly low demand in that year, the considerable price and volume pressure exerted on the Union industry by the increasing imports from the PRC over 2014 and the investigation period prevented the Union industry from benefiting from the dynamic growth of the Union consumption by 11 percentage points. As indicated in the recital (93) above this growth was almost completely absorbed by the dumped imports from the PRC.
- (135) The net cash flow is the ability of the Union producers to self-finance their activities. The cash flow decreased by 226 % over the period considered. After the 310 % decrease between 2012 and 2013, which was influenced by the particularly low demand in that year, it improved and became slightly positive in 2014. Nevertheless the negative trend continued in the investigation period, where it again became strongly negative.
- (136) The return on investments is the profit in percentage of the net book value of investments. The return on investment decreased by 282 % over the period considered. After the dramatic decrease of 397 % between 2012 and 2013 which was influenced by the particularly low demand in that year, it increased somewhat improved in 2014 and the investigation period while still remaining negative.
- (137) Consequently the Union industry reduced the level of its investments by 31 % over the period considered. After increasing investments between 2012 and 2013 by 7 % the Union industry was forced to reduce them in 2014 by 26 percentage points and in the investigation period by further 12 percentage points. As shown in table 6 of recital (105) above, these investments were not used to increase production capacity.
- (138) The ability to raise capital has been affected by the losses incurred during the period considered and has ultimately resulted in the shut-down of the operations of one of the sampled Union producers.

#### 4.4.4. Conclusion on injury

- (139) The period considered is characterized by two distinct periods: 2012 to 2013 and 2014 till the end of investigation period.
- (140) Initially, between 2012 and 2013 the Union consumption significantly decreased by 6 %. This decreasing consumption had a negative effect on many injury indicators, such as sales volume and prices, production, capacity and capacity utilisation, employment, productivity, profitability, cash flow and return on investments.
- (141) Subsequently, in 2014 and the investigation period the consumption experienced a dynamic growth of 11 percentage points or more than 1 million tonnes. However, the Union industry could not benefit from this growth, which was entirely absorbed by increasing volumes of dumped imports from the PRC.
- (142) Indeed, in this context of increased Union consumption, Union industry did not manage to increase the sales volumes or production volumes, while capacity utilisation even slightly decreased in a growing market.
- (143) The attempts to maintain production levels resulted in an increase of inventories of 24 percentage points. The Union industry also lost 9,3 percentage points market share to imports from the PRC which gained 10,3 percentage points market share at the same time. Unit sales prices dropped by 9 percentage points and cost of production decreased by 13 percentage points.

- (144) This led to a slight improvement of the financial indicators such as profitability, cash flow and return on investment, which however remained largely negative throughout this period. Employment decreased by 9 percentage points, while Union industry managed to increase productivity by 11 percentage points. Furthermore, Union industry had to reduce investments by 38 percentage points in the light of the continuously negative profitability and return on investment.
- (145) Overall, the Union industry as a whole reduced its production and took actual actions to improve efficiency by reducing labour force, production capacity and managed to significantly reduce their costs of manufacturing.
- (146) Despite these actions by the Union industry during the period considered to improve its overall performance, its economic and financial situation deteriorated significantly as losses started to accumulate from 2013 onwards.
- (147) On the basis of the above, the Commission concluded at this stage that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.

## 5. CAUSATION

- (148) In accordance with Article 3(6) of the basic Regulation, the Commission examined whether the dumped imports from the PRC caused material injury to the Union industry. In accordance with Article 3(7) of the basic Regulation, the Commission also examined whether other known factors could at the same time have injured the Union industry.
- (149) The Commission ensured that any possible injury caused by factors other than the dumped imports from the PRC was not attributed to the dumped imports. These factors are: fierce competition caused by demand problems on the Union market, low capacity utilisation of the Union industry, imports from other third countries, export sales performance of the Union producers and competition between vertically integrated producers and re-rollers.

### 5.1. Effects of the dumped imports

- (150) Sales prices of the exporting producers from the PRC decreased by 25 %, from 647 EUR/tonne in 2012 to 460 EUR/tonne in the investigation period. By continuously lowering their unit sales price during the period considered, the producers from the PRC were able to significantly increase their market share from 4,6 % in 2012 to 14,4 % in the investigation period.
- (151) While the drop in demand negatively affected the performance of the Union industry between 2012 and 2013, the subsequent almost continuous increase in imports from the PRC at highly undercutting prices has had a clear negative impact on the performance of the Union industry.
- (152) Indeed, while the Union industry was cutting its costs by reducing employment and benefitting from the decrease in raw material prices, dumped imports kept on increasing and forced the Union industry to decrease its Union sales prices even more to limit its loss of market share, albeit to the detriment of profitability.
- (153) Furthermore, while the Union industry's profitability showed slight improvement by reducing losses in 2014, the volume of imports increased further and prices decreased even more in the investigation period bringing the Union industry prices and profitability further down.
- (154) Moreover, the progressive slowing down of the economy and very significant overcapacity of the steel industry in the PRC has pushed their steel producers to redirect their excess production towards export markets <sup>(1)</sup> and the Union market is an attractive export destination.

<sup>(1)</sup> See for example Communication of the Commission 'Steel: Preserving Sustainable Jobs and Growth in Europe' (COM(2016) 155 final of 16 March 2016)

- (155) Indeed, a large number of other traditionally important export markets imposed or are considering imposing measures against steel products from the PRC, including heavy plates <sup>(1)</sup>, because prices are artificially driven down by unfair imports leading to unhealthy competition.
- (156) With the growing imposition of trade defence measures across the globe, the Union market has become one of the most attractive destinations for dumped imports from the PRC, to the detriment of the Union industry.
- (157) This conclusion is corroborated by the most recent Eurostat import statistics which show that imports from the PRC have increased even more since the end of the investigation period. Import volumes for the period March to May 2016 increased by approximately 15 % when compared to the import volumes during the investigation period, while average prices of these imports continued to decrease by around 30 %.

## 5.2. Effects of other factors

### 5.2.1. Fierce competition caused by demand problems on the Union market

- (158) One interested party argued that the injury of the Union industry is not caused by imports from the PRC, but by demand problems on the Union market. It argued that while the demand in the Union recovered in 2014 and the investigation period, in 2012 it was 32 % below the peak level in 2007, and in 2014 it was 17 % below the allegedly 'normal' year 2004.
- (159) This weakness in demand has allegedly resulted in fierce competition with regard to the limited quantities needed on the market, which has put a high pressure on the Union sales prices.
- (160) However, this fierce competition caused by the alleged demand problems did not negatively affect the ability of the exporters from the PRC to sell ever increasing quantities of dumped heavy plates on the Union market, increasing their market share from 4,6 % to 14,4 %, causing an almost exactly corresponding loss of market share of the Union industry and exerting a significant price pressure on the Union industry leading to its negative profitability.
- (161) While the demand problems initially had a significant negative impact on the performance of the Union industry in 2013, it is the dumped imports from the PRC which are the main cause for the fierce competition on the Union market, in particular in 2014 and the investigation period.
- (162) Indeed, in 2014 and the investigation period the Union industry could have benefited from the recovery of the market. It was prevented from doing so by a substantial increase in imports from the PRC, which more than tripled during these two years, and captured significant market share to the detriment of the Union industry.
- (163) The Commission therefore concludes that the demand problems on the Union market are not the root cause of the Union industry's injury and do not break the causal link between the dumped imports and the injury of the Union industry.

### 5.2.2. Low capacity utilisation of Union producers

- (164) One interested party argued that the injury of the Union industry is also caused by low capacity utilisation, caused by significant overcapacities of Union producers. They argue that already in 2012, when imports from the PRC were at a relatively low level, the capacity utilisation was already very low, and that the Union industry has not reduced their capacities accordingly.
- (165) However, the demand in the Union significantly increased subsequently, in particular in 2014 and the investigation period where it exceeded the 2012 demand by 6 %. In the absence of strongly increasing quantities of dumped imports from the PRC, this increasing demand would have led to an increasing capacity utilisation of the Union industry, even more so since they decreased their production capacity by 2 % in a growing market.

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<sup>(1)</sup> Third countries with trade defence measures against heavy plates from the PRC include Australia, Brazil, Canada, Indonesia, Malaysia, Mexico, Thailand and the USA.

(166) The Commission therefore concludes that the low capacity utilisation, in particular in 2014 and the investigation period, are mainly caused by strongly increasing quantities of dumped imports from the PRC.

### 5.2.3. Imports from other third countries

(167) The Commission established the volume of imports on the basis of the Eurostat database. Apart from the PRC, the imports came mainly from Ukraine and Russia. The market share of the imports was established by comparing import volumes with the Union consumption as reported in table 3 of recital (87) above.

(168) The imports into the Union from other third countries developed over the period considered as follows:

Table 13

### Imports from third countries (MT) and market shares

		2012	2013	2014	IP (2015)
Ukraine	Volume of imports (MT)	421 553	600 896	713 189	583 132
	<i>Index (2012 = 100)</i>	100	143	169	138
	Market share	4,7 %	7,1 %	8,1 %	6,2 %
	<i>Index (2012 = 100)</i>	100	152	172	131
	Average price	574	477	470	451
	<i>Index (2012 = 100)</i>	100	83	82	79
Russia	Volume of imports (MT)	148 594	158 883	196 207	222 999
	<i>Index (2012 = 100)</i>	100	107	132	150
	Market share	1,7 %	1,9 %	2,2 %	2,4 %
	<i>Index (2012 = 100)</i>	100	114	135	143
	Average price	513	461	446	412
	<i>Index (2012 = 100)</i>	100	90	87	80
Total of all third countries except the PRC	Volume of imports (MT)	1 063 146	1 108 062	1 253 278	1 153 345
	<i>Index (2012 = 100)</i>	100	104	118	108
	Market share	11,8 %	13,2 %	14,2 %	12,2 %
	<i>Index (2012 = 100)</i>	100	111	120	103
	Average price	621	516	505	505
	<i>Index (2012 = 100)</i>	100	83	81	81

Source: Eurostat

(169) The market share of imports from other third countries remained relatively stable over the period considered while that of imports from the PRC increased by 214 %.

- (170) Furthermore, the market share of Ukraine and Russia increased only slightly over the period considered. For Ukraine the market share rose from 4,7 % to 6,2 % and for Russia from 1,7 % to 2,4 % and this merely to the detriment of other importing countries than the PRC.
- (171) In the context of Union consumption increasing by 5 % and market share of the Union industry decreasing by 10 percentage points over the period considered this means that the imports from the PRC gained market share only from the Union industry.
- (172) In result, the imports from the PRC account for around 54 % of all imports into the Union in the investigation period, whereas imports from Ukraine are at around 23 % and Russia accounts for 9 %.
- (173) The average import price from other third countries decreased much slower than import prices from the PRC. They decreased by 19 % while the import prices from the PRC decreased by 29 %.
- (174) Even though the import prices from Ukraine and Russia are on average still just below the import prices from the PRC they decreased at a much slower rate than the import prices from the PRC over the period considered. Also, these prices are not necessarily directly comparable, since the average price is affected by a different product mix.
- (175) Furthermore the import volumes from Ukraine and Russia in particular or from all other third countries in general have not increased as substantially as those from the PRC. While the volume of imports from the PRC increased by almost 1 million tonnes over the period considered, the import volume from Ukraine increased by around 160 000 tonnes, that from Russia by around 75 000 tonnes and that from all other third countries (including Russia and Ukraine) by around 90 000 tonnes.
- (176) On the basis of above and given the much smaller import volumes from Ukraine and Russia as compared to those from the PRC there is no indication that imports from these two countries were causing injury to the Union industry.
- (177) Imports from all other third countries (including Russia and Ukraine) are — on average — higher priced than imports from the PRC and only had an insignificant market share gain of 1 percentage point.
- (178) The Commission therefore concludes that imports of heavy plates from third countries are not the root cause of the Union industry's injury and do not break the causal link between the dumped imports from the PRC and the injury of the Union industry.

#### 5.2.4. Export sales performance of the Union industry

- (179) The volume and average export prices of exports of the Union industry developed over the period considered as follows:

Table 14

#### Export performance

	2012	2013	2014	IP (2015)
Export volume to unrelated customers ( <i>Union industry</i> )	1 881 932	1 361 279	1 825 628	1 548 156
<i>Index (2012 = 100)</i>	100	72	97	82
Average export price (EUR/t) ( <i>Sampled producers</i> )	1 002	831	814	764
<i>Index (2012 = 100)</i>	100	83	81	76

Source: Verified submission of Eurofer and questionnaire replies

- (180) The volume of exports to unrelated customers outside the Union decreased by 18 % over the period considered. After decreasing by 28 % between 2012 and 2013 they increased in 2014 by 25 percentage points, dropping again in the investigation period by 15 percentage points.
- (181) As far as prices are concerned, they dropped significantly by 24 % over the period considered, in line with the price decrease on the Union market (- 25 %).
- (182) Overall, the export performance of the Union industry largely mirrors its performance on the Union market. The Union market, however, is significantly more important for the Union industry than the export markets. Throughout the period considered, sales on the Union market are around 4 times higher than export sales.
- (183) The Commission therefore considers that due to the limited significance of these export sales, the export performance of the Union industry cannot break the causal link between the dumped imports from the PRC and the injury suffered by the Union industry.

#### 5.2.5. *Competition between vertically integrated Union producers and re-rollers in the Union*

- (184) One interested party argued that the profit margin of the vertically integrated Union producers is eroded by the lower prices charged by re-rollers in the Union, which allegedly charge prices 6 % - 9 % below the prices charged by vertically integrated producers.
- (185) A re-roller is a company who does not produce their own input material, namely steel slabs. All sampled Union producers produce their own steel slabs and are therefore vertically integrated producers.
- (186) The Commission notes in this respect that the prices of dumped imports from the PRC undercut the Union industry prices on average by 29 % during the investigation period, as stated in recital (99) above. On this basis, prices of dumped imports from the PRC would still be at least 20 % lower than prices of re-rollers in the Union.
- (187) The same party also argued that the quantity produced by re-rollers in the Union is decreasing, since many of them depend on supplies of steel slabs from Ukraine. This supply from Ukraine has however decreased due to supply shortages during the period considered, and that this decrease in supply has not been compensated by production of the other Union producers despite their low capacity utilisation.
- (188) In this respect, the party provided no evidence that the Union producers were not interested or not willing to supply these additional quantities. It is therefore clear that especially these price sensitive customers moved away from products produced by the Union industry to even lower priced dumped imports from the PRC.
- (189) The Commission therefore concludes that the decreasing profitability of vertically integrated Union producers can only be affected to a very limited extent by decreasing quantities of moderately priced heavy plates produced by re-rollers in the Union. It also concludes that their decreasing profitability is overwhelmingly due to very significantly lower-priced dumped imports from the PRC, which also significantly increased in quantity.

#### 5.3. **Conclusion on causation**

- (190) A causal link was provisionally established between the injury suffered by the Union producers and the dumped imports from the PRC.
- (191) The Commission distinguished and separated the effects of all known factors on the situation of the Union industry from the injurious effects of the dumped imports.
- (192) The other identified factors such as the fierce competition caused by demand problems, low capacity utilisation, the imports from third countries, the export sales performance of the Union producers, competition between vertically integrated producers and re-rollers were provisionally not found to break the causal link, even considering their possible combined effect.

- (193) The temporary decrease in consumption in 2013 may have somewhat contributed to the injury in that year, but in the absence of continuously increasing volumes of dumped imports at ever decreasing prices, the Union industry would certainly have been able to benefit from the market growth in the subsequent years. In particular, sales volumes would have recovered, sales prices would not have dropped to such low levels, and better profitability would have been achieved.
- (194) On the basis of the above, the Commission concluded at this stage that the material injury to the Union industry was caused by the dumped imports from the PRC and that the other factors, considered individually or collectively, did not break the causal link.

## 6. UNION INTEREST

- (195) In accordance with Article 21 of the basic Regulation, the Commission examined whether it could clearly conclude that it was not in the Union interest to adopt measures in this case, despite the determination of injurious dumping. The determination of the Union interest was based on an appreciation of all the various interests involved, including those of the Union industry, importers and users.

### 6.1. Interest of the Union industry

- (196) The Union industry is located in 14 Member States (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Italy, Poland, Romania, Slovenia, Spain, Sweden, the UK) and employed directly around 20 000 employees in relation to heavy plates during the period considered.
- (197) 26 Union producers cooperated during the investigation. None of the known producers opposed the initiation of the investigation. As shown above when analysing the injury indicators, the whole Union industry experienced a deterioration of its situation and was negatively affected by the dumped imports.
- (198) The Commission expects that the imposition of provisional anti-dumping duties will restore fair trade conditions on the Union market, putting an end to the price depression and enabling the Union industry to recover. This would result in an improvement of the Union industry's profitability towards levels considered necessary for this capital intensive industry.
- (199) The Union industry has suffered material injury caused by the dumped imports from the PRC. The Commission recalls that most of the injury indicators showed a negative trend during the period considered. In particular, injury indicators related to the financial performance of the sampled Union producers, such as profitability and return on investment, were seriously affected.
- (200) It is therefore important that prices be restored to a non-dumped or at least a non-injurious level in order to allow all producers to operate under conditions of fair trade on the Union market. In the absence of measures, a further deterioration of the Union industry's economic situation appears very likely.
- (201) The Commission therefore provisionally concludes that the imposition of anti-dumping duties would be in the interest of the Union industry. Any imposition of anti-dumping measures would allow the Union industry to recover from the effects of injurious dumping found.

### 6.2. Interest of unrelated importers

- (202) As indicated in recital (22) above, six importers cooperate in the investigation, and three of them were sampled. One of the sampled importers is in favour of measures while the two other sampled importers oppose the imposition of measures. The remaining three non-sampled importers did not express an opinion.
- (203) The investigation showed that an increase in prices due to the imposition of measures would not have a direct impact on these unrelated importers. Heavy plate accounts for 20 % or less of their business.

- (204) In addition, most importers trade goods from numerous sources, including the Union industry. There is no indication that importers would not be able to continue serving their customers if measures were imposed.
- (205) In view of the above the Commission provisionally concludes that the imposition of measures will not have significant negative effects on the interest of the Union importers.

### 6.3. Interest of users

- (206) The main end-user industries for heavy plates are construction, mining and logging equipment; pressure vessels; oil and gas pipelines; shipbuilding and bridges and buildings.
- (207) Seven users and three traders/steel service centres submitted a users' questionnaire reply. However, four of the replies were highly deficient, and only two of them were against the imposition of measures. The Commission however cannot treat these submissions as representative for the following reasons:
- they only account for 0,3 % of Union consumption.
  - the two opposing users do not import from the PRC at all, so they would at most be indirectly affected by the measures.
- (208) The Commission further notes that duties should contribute to continuous security of supply on the Union market. Without duties, some of the Union producers might have to close down or reduce their production activities and leave many Union users with more limited sources of supply.
- (209) Indeed, one of the sampled producers suspended production of heavy plates at the end of the investigation period, as indicated in recital (104) above.
- (210) Moreover the level of measures will lead to a level playing field for all producers in the Union and third countries, which may allow this Union producer to resume production of heavy plates.
- (211) In view of the above, the Commission provisionally concludes that the imposition of measures would not have any disproportionate negative impact on users.

### 6.4. Conclusion on Union interest

- (212) In view of the above, the Commission provisionally concludes that the imposition of measures would contribute to the recovery of the Union industry and allow for increased investments to better equip heavy plates' producers in the Union for the future and boost their competitiveness.
- (213) The Union industry underwent already significant restructuring in the (recent) past. If there are no duties, further Union heavy plates' producers might have to close down or reduce their heavy plates' activities, dismiss hundreds of employees and leave many Union users with limited sources of supply.
- (214) The impact of measures on the few other parties in the Union that came forward cannot be deemed substantial. Nothing on file shows that the potential impact on other stakeholders than those who came forward can outweigh the positive effect of measures on the Union industry. End-users and consumers are expected to benefit from a fair competitive market, including a local source of supply fully able to service their needs and requests. Price will continue to be a major determinant, but on a fair basis.
- (215) On balance, the Commission concludes at this stage of the investigation that there are no compelling reasons that it is not in the Union interest to impose provisional measures on imports of heavy plates originating in the PRC.

## 7. PROVISIONAL ANTI-DUMPING MEASURES

- (216) On the basis of the conclusions reached by the Commission on dumping, injury, causation and Union interest, provisional measures should be imposed to prevent further injury being caused to the Union industry by the dumped imports.

### 7.1. Injury elimination level

- (217) To determine the level of the measures, the Commission first established the amount of duty necessary to eliminate the injury suffered by the Union industry.
- (218) The injury would be eliminated if the Union industry was able to cover its costs of production and to obtain a profit before tax on sales of the like product in the Union market that could be reasonably achieved under normal conditions of competition by an industry of this type in the sector, namely in the absence of dumped imports.
- (219) To establish this profit that could be reasonable achieved under normal conditions of competition, the Commission requested the sampled Union producers to provide profitability data with regard to the like product when sold on the Union market for the years 2006 to the investigation period. This information was provided and duly verified.
- (220) The profitability of the Union industry was negative between 2013 and the investigation period. While the profit in 2012 was slightly positive at 1,6 %, there was already a significant presence of dumped imports from the PRC, and this profit margin was far below the profit margin achieved in the previous years.
- (221) The preceding year 2011 however showed a profit margin of 7,9 %, which is higher than the profit margins in 2009 and 2010, namely years in which the financial crisis was the most fierce, but lower than the profit margins in 2006 to 2008, namely before the financial crisis. In addition, it is the most recent available reasonable data in which imports from the PRC to the Union were not yet made at significant quantities. The Commission therefore considers that this profit margin is one that could be reasonably achieved under normal conditions of competition.
- (222) The Commission then determined the injury elimination level on the basis of a comparison of the weighted average import price of the cooperating sampled exporting producers in the PRC, duly adjusted for importation costs and customs duties, as established for the price undercutting calculations, with the weighted average non-injurious price of the like product sold by the sampled Union producers on the Union market during the investigation period. Any difference resulting from this comparison was expressed as a percentage of the weighted average import CIF value.
- (223) The injury elimination level for 'other cooperating companies' and for 'all other companies' is defined in the same manner as the dumping margin for these companies (see recitals (76)-(80) above).

### 7.2. Provisional measures

- (224) Provisional anti-dumping measures should be imposed on imports of the product concerned originating in the PRC, in accordance with the lesser duty rule provided for in Article 7(2) of the basic Regulation. The Commission compared the injury margins and the dumping margins. The amount of the duties should be set at the level of the lower of the dumping and the injury margins.
- (225) On the basis of the above, the provisional anti-dumping duty rates, expressed on the CIF Union border price, customs duty unpaid, should be as follows:

Company	Dumping margin	Injury margin	Provisional duty
Nanjing Iron and Steel Co., Ltd	120,1 %	73,1 %	73,1 %
Minmetals Yingkou Medium Plate Co., Ltd	126,0 %	65,1 %	65,1 %

Company	Dumping margin	Injury margin	Provisional duty
Wuyang Iron and Steel Co., Ltd and Wuyang New Heavy & Wide Steel Plate Co., Ltd	127,6 %	73,7 %	73,7 %
Other cooperating companies	125,5 %	70,6 %	70,6 %
All other companies	127,6 %	73,7 %	73,7 %

- (226) The individual company anti-dumping duty rates specified in this Regulation were established on the basis of the findings of this investigation. Therefore, they reflected the situation found during this investigation with respect to these companies.
- (227) These duty rates are exclusively applicable to imports of the product concerned originating in the PRC and produced by the named legal entities. Imports of product concerned produced by any other company not specifically mentioned in the operative part of this Regulation, including entities related to those specifically mentioned, should be subject to the duty rate applicable to 'all other companies'. They should not be subject to any of the individual anti-dumping duty rates.
- (228) A company may request the application of these individual anti-dumping duty rates if it changes the name of its entity or sets up a new production or sales entity. The request must be addressed to the Commission <sup>(1)</sup>. The request must contain all the relevant information enabling to demonstrate that the change does not affect the right of the company to benefit from the duty rate which applies to it. If the change of name of the company does not affect its right to benefit from the duty rate which applies to it, a notice informing about the change of name will be published in the *Official Journal of the European Union*.
- (229) To ensure a proper enforcement of the anti-dumping duties, the anti-dumping duty for all other companies should apply not only to the non-cooperating exporting producers in this investigation, but to the producers which did not have exports to the Union during the investigation period.

## 8. REGISTRATION

- (230) As mentioned in recital (5) above, the Commission made imports of the product concerned originating in the PRC subject to registration by Commission Implementing Regulation (EU) 2016/1357.
- (231) This was in view of the possible retroactive application of the anti-dumping measures under Article 10(4) of the basic Regulation. The registration of imports should cease. No decision on a possible retro-active application of anti-dumping measures can be taken at this stage of the proceeding.

## 9. FINAL PROVISIONS

- (232) In the interests of sound administration, the Commission will invite the interested parties to submit written comments and/or to request a hearing with the Commission and/or the Hearing Officer in trade proceedings within a fixed deadline.
- (233) The findings concerning the imposition of provisional duties are provisional and may be amended at the definitive stage of the investigation,

<sup>(1)</sup> European Commission, Directorate-General for Trade, Directorate H, Rue de la Loi 170, 1040 Brussels, Belgium.

HAS ADOPTED THIS REGULATION:

#### Article 1

1. A provisional anti-dumping duty is imposed on imports of flat products of non-alloy or alloy steel (excluding stainless steel, silicon-electrical steel, tool steel and high-speed steel), hot-rolled, not clad, plated or coated, not in coils, of a thickness exceeding 10 mm and of a width of 600 mm or more or of a thickness of 4,75 mm or more but not exceeding 10 mm and of a width of 2 050 mm or more currently falling within CN codes ex 7208 51 20, ex 7208 51 91, ex 7208 51 98, ex 7208 52 91, ex 7208 90 20, ex 7208 90 80, 7225 40 40, ex 7225 40 60 and ex 7225 99 00 (TARIC codes: 7208 51 20 10, 7208 51 91 10, 7208 51 98 10, 7208 52 91 10, 7208 90 20 10, 7208 90 80 20, 7225 40 60 10, 7225 99 00 30) and originating in the People's Republic of China.

2. The rates of the provisional anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, of the product described in paragraph 1 and produced by the companies listed below shall be as follows:

Company	Provisional duty rate	TARIC Additional Code
Nanjing Iron and Steel Co., Ltd	73,1 %	C143
Minmetals Yingkou Medium Plate Co., Ltd	65,1 %	C144
Wuyang Iron and Steel Co., Ltd and Wuyang New Heavy & Wide Steel Plate Co., Ltd	73,7 %	C145
Other cooperating companies listed in Annex	70,6 %	
All other companies	73,7 %	C999

3. The release for free circulation in the Union of the product referred to in paragraph 1 shall be subject to the provision of a security deposit equivalent to the amount of the provisional duty.

4. Unless otherwise specified, the relevant provisions in force concerning customs duties shall apply.

#### Article 2

1. Within 25 calendar days of the date of entry into force of this Regulation, interested parties may:

- (a) request disclosure of the essential facts and considerations on the basis of which this Regulation was adopted;
- (b) submit their written comments to the Commission; and
- (c) request a hearing with the Commission and/or the Hearing Officer in trade proceedings.

2. Within 25 calendar days of the date of entry into force of this Regulation, the parties referred to in Article 21(4) of Regulation (EU) 2016/1036 may comment on the application of the provisional measures.

#### Article 3

1. Customs authorities are hereby directed to discontinue the registration of imports established in accordance with Article 1 of Commission Implementing Regulation (EU) 2016/1357.

2. Data collected regarding products which were entered not more than 90 days prior to the date of entry into force of this Regulation shall be kept until the entry into force of possible definitive measures, or the termination of this proceeding.

*Article 4*

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Article 1 shall apply for a period of six months.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 6 October 2016.

*For the Commission*  
*The President*  
Jean-Claude JUNCKER

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## ANNEX

**Chinese cooperating exporting producers not sampled**

Name	City	TARIC additional code
Angang Steel Company Limited	Anshan, Liaoning	C150
Inner Mongolia Baotou Steel Union Co., Ltd	Baotou, Inner Mongolia	C151
Zhangjiagang Shajing Heavy Plate Co., Ltd	Zhangjiagang, Jiangsu	C146
Jiangsu Tiangong Tools Company Limited	Danyang, Jiangsu	C155
Jiangyin Xingcheng Special Steel Works Co., Ltd	Jiangyin, Jiangsu	C147
Laiwu Steel Yinshan Section Co., Ltd	Laiwu, Shandong	C154
Nanyang Hanye Special Steel Co., Ltd	Xixia, Henan	C152
Qinhuangdao Shouqin Metal Materials Co., Ltd	Qinhuangdao, Hebei	C153
Shandong Iron & Steel Co., Ltd, Jinan Company	Jinan, Shandong	C149
Wuhan Iron and Steel Co., Ltd	Wuhan, Hubei	C156
Xinyu Iron & Steel Co., Ltd	Xinyu, Jiangxi	C148