



Steel Inputs

WEEKLY SCRAP COMPOSITE PRICES
Averages calculated each Friday, based on data effective from the previous Friday to Thursday. Prices are in US\$/gross ton.

SHREDDED SCRAP			
— calculation date —			
	03/30/18	Prior Wk	Year Ago
Alabama	\$370.00	\$370.00	\$325.00
Chicago	360.00	360.00	323.00
Philadelphia	365.00	365.00	310.00
Pittsburgh	375.00	375.00	320.00
Composite	\$367.50	\$367.50	\$319.50

NO. 1 BUSHELING			
— calculation date —			
	03/30/18	Prior Wk	Year Ago
Chicago	\$375.00	\$375.00	\$370.00
Cleveland	400.00	400.00	400.00
Pittsburgh	380.00	380.00	380.00
Composite	\$385.00	\$385.00	\$383.33

Currencies



Political Inputs

Pipe mills to Ross: Where's our upside?

NEW YORK — The American Line Pipe Producers Association wishes to remind the Trump administration that the president promised to mandate fully US-made line pipe in new and refurbished pipelines.

In a letter to US Commerce Department Secretary Wilbur Ross on Tuesday April 3, the association called on Ross to resurrect the plan outlined in President Donald Trump's memorandum of January 2017. In that document, Trump said all domestic pipeline projects should use steel that is melted, poured, rolled and coated in the United States.

Supply Chain Disruptions

Trade Actions/Dumping Suits

President Donald Trump threatened to impose new tariffs on an additional \$100 billion in Chinese imports, on top of tariffs the administration had already announced regarding \$50 billion in U.S. imports of Chinese products like motor vehicles and home appliances. China hit back at the administration's first announcement, proposing \$50 billion worth of tariffs on U.S. soybeans, cars, chemicals and other goods.

Drilling Activity

	Anadarko			Eagle Ford			Permian			Regions	
	Drilled	Completed	DUC	Drilled	Completed	DUC	Drilled	Completed	DUC	DUC	DUC
Jan-14	227	215	319	341	334	943	586	590	626	4,227	
Jan-15	228	195	446	431	350	1,092	583	475	1,104	5,186	
Jan-16	84	62	645	159	143	1,550	244	235	1,208	6,396	
Jan-17	131	70	676	132	128	1,208	367	249	1,378	5,719	
Jan-18	136	131	1,015	168	145	1,462	542	415	2,815	7,491	
Feb-18	136	134	1,017	178	148	1,492	562	440	2,937	7,601	

Disclaimer

The information in this presentation was compiled from sources believed to be reliable for informational purpose only. All samples and procedures herein should serve as a guideline, which you can use to create your own procedures. We trust that you will customize these samples to reflect your own operations and believe that the samples presented may serve as a helpful platform. Any and all information contained herein is not intended to constitute legal advise and accordingly, you should consult with your own attorney when developing programs.

What is Section 232?

Section **232** is a mechanism under the Trade Expansion Act of 1962 that allows the U.S. government to evaluate the effect of imports on national security.

Congress granted the White House unprecedented authority to negotiate tariff reductions of up to 80%. It paved the way for the Kennedy Round of General Agreement on Tariffs and Trade ("GATT") negotiations, concluding on June 30, 1967, the last day before expiration of the Act.

What does a Section 232 investigation consider?

Section 232 investigations include consideration of:

domestic production needed for projected national defense requirements;

domestic industry's capacity to meet those requirements;

related human and material resources;

the importation of goods in terms of their quantities and use;

the close relation of national economic welfare to U.S. national security;

loss of skills or investment, substantial unemployment and decrease in government revenue; and

the impact of foreign competition on specific domestic industries and the impact of displacement of any domestic products by excessive imports.

What is covered by Section 232?

Steel products within the broad scope of the global tariffs: - 25%

Carbon and alloy flat products – produced by rolling semi-finished steel through varying sets of rolls, including **sheets, strips, and plates**.

Carbon and alloy long products – that fall outside the flat products category, including **bars, rails, rods, and beams**.

Carbon and alloy pipe and tube products – either **seamless or welded pipes and tubes**, some of which may include **stainless and alloys** other than stainless.

Carbon and alloy semi-finished products – consisting of initial, intermediate solid forms of molten steel, to be re-heated and further forged, rolled, shaped, or otherwise worked into finished steel products, including **blooms, billets, slabs, ingots, and steel for castings**.

Stainless steel products – flat-rolled, pipe and tube, and semi-finished forms, containing at minimum 10.5 percent chromium and, by weight, 1.2 percent or less of carbon, offering better corrosion resistance than other steel.

Aluminum products within the scope of the global tariffs: - 10%

Primary unwrought aluminum, not alloyed – 7601.10

Primary unwrought aluminum, alloyed – 7601.20

Semi-finished aluminum bars, rods, and profiles – 7604

Aluminum wire – 7605

Semi-finished aluminum plates, sheets, and strip – 7606

Foil of all types – 7607

Tubes and Pipe Extrusions – 7608

Tube or Pipe Fittings – 7609

Castings and Forgings – 7616.99.5160 and 7616.99.5170




Section 232 Developments

Trump had until April 11 to decide but....

Feb 16th Secretary Wilbur Ross released reports on the U.S. Department of Commerce's investigations into the impact on our national security from imports of steel mill products and from imports of wrought and unwrought aluminum.

Recommendations of the Steel Report:

Secretary Ross has recommended to the President that he consider the following alternative remedies to address the problem of steel imports:

1. A global tariff of at least 24% on all steel imports from all countries, or  **Let's round to 25%**
2. A tariff of at least 53% on all steel imports from 12 countries (Brazil, China, Costa Rica, Egypt, India, Malaysia, Republic of Korea, Russia, South Africa, Thailand, Turkey and Vietnam) with a quota by product on steel imports from all other countries equal to 100% of their 2017 exports to the United States, or
3. A quota on all steel products from all countries equal to 63% of each country's 2017 exports to the United States.

Each of these remedies is intended to increase domestic steel production from its present 73% of capacity to approximately an 80% operating rate, the minimum rate needed for the long-term viability of the industry. Each remedy applies measures to all countries and all steel products to prevent circumvention.

The tariffs and quotas would be in addition to any duties already in place. The report recommends that a process be put in place to allow the Secretary to grant requests from U.S. companies to exclude specific products if the U.S. lacks sufficient domestic capacity or for national security considerations. Any exclusions granted could result in changed tariffs or quotas for the remaining products to maintain the overall effect.

The Signing

03-15-18 | Update on Section 232 Tariffs on Steel & Aluminum



Surrounded by steel and aluminum workers, President Trump signs a 'Section 232 Proclamation' on steel imports during a ceremony in Roosevelt Room the the White House March 8.

(Photo by Chip Somodevilla/Getty Images)

On March 8th President Donald Trump signed into law tariffs on imported steel (25%) and aluminum (10%). The steel tariffs cover pipe (carbon and stainless OCTG and pipe) as well as billet, Sheet Steel, and Plate all of which are used to also make other products that we sell with only Canada and Mexico excluded at this time of signing and Australia has since been added. There could be more exclusions, as of today there are not but there are ongoing discussions with the EU/NATO.

The pipe is the first directly affected product. The new Tariff of 25% goes into effect at 12.01am on March 23rd. Any shipment that has not cleared US customs by that time will be subject to the additional 25% tariff.

If you have any orders against incoming materials covered by section 232, this tariff must be passed on to the customer as there is no avoidance of this additional cost as it stands today.

We expect many of the domestic mills to raise prices soon but do not yet know of the magnitude of those increases.

232 Timeline.....

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- April 19, 2017 - 232 Filed – report due in 270 days to the president
 - Feb 16, 2018 – Wilbur Ross issues three remedies to President – **Market seizes up for steel** – Apr 11 decision
 - Mar 15, 2018 – President Trump decides on the 25% - no exclusions – **in effect in 10 days so material on water affected**
In the 10 days – Mexico, Canada, and Australia are exempted
 - Mar 22, 2018 – EU, Argentina, Brazil, and Korea are exempted until May 1 the day before tariffs go into place
 - Mar 23, 2018 – Duties on material not cleared at US Customs are collected on material (even it was on the water)
 - Mar 26, 2018 – Korea opts for 70% quota over last three years = to 50% of last year on pipe
 - Mar 30, 2018 – President Trump comments linking Quota to Nuclear deal with the North
 - May 1, 2018 – Negotiations extended 30 days with Canada, EU, and Mexico.
US reports it reached a deal with Argentina, Brazil, and Australia. (likely some Quota).
Korea Quota retroactive to Jan 1. by HTS number. Allocations are mostly used up for 2018.
 - May 2, 2018 – Quota with Argentina - 100% of avg. of last 3 yr. +35%
 - May 3, 2018 - Quota with Brazil. 100% of avg. last 3 yr. for semi-finished. 70% on last 3 yr. for finished or pipe.
- Questions remain:
- New excluded countries?
 - Will tariffs apply to previous exempted countries or only quota
 - Quotas in place of tariffs – who administrates the quota?
 - What options for over quota orders/shipments – in bond, apply to next year quota, send it back?
 - If an excluded country/area rejects the quota, is the 25% retroactive to Jan. 1?

Now Section 301 against China

1. **SECTION 301 INVESTIGATION** • Under Section 301 of the Trade Act of 1974, USTR initiated an investigation to determine whether China’s acts, policies, and practices related to technology transfer, intellectual property, and innovation are unreasonable, unjustifiable, or discriminatory and burden or restrict U.S. commerce. • USTR held a public hearing on October 10, 2017, consulted with private sector advisory committees, initiated two rounds of public written comment periods, and received approximately 70 written submissions from trade associations, US Companies & workers, academics, think tanks, law firms.
2. Section 301 may include check valves and some valve parts along with meters, gauges and nuts. 44 pages of HTS codes – approx. 1500 codes.
3. To be continued hearings May 22 for rebuttal.

HTS subheading	Product Description
84813020	Check valves of iron or steel for pipes, boiler shells, tanks, vats or the like
84813090	Check valves other than of copper or iron or steel, for pipes, boiler shells, tanks, vats or the like
84814000	Safety or relief valves for pipes, boiler shells, tanks, vats or the like
84819090	Parts of taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, nesi

Recent Trade Cases DNOW is following

Stainless Steel Flanges, U.S.A.

- **U.S. Petitioners:** Maass Flange (Houston, TX) and Core Pipe Products (Carol Stream, IL).
- **Proposed Duties:**
 - **China** 79.93% to 216.96% AD.
 - **India** 70.78% to 131.64% AD.
- **Next Actions:**
 - Jan 16th – Preliminary CVD
 - China – 174.73%
 - India Bebitz – 239.61% and all others 5%.
 - March 21, 2018 AD – 18% to 257%
 - Final determination Sept. 10th
- **Current Market Impact:**
 - Stainless flange prices held by U.S. distributors has risen dramatically.

Large Diameter Pipe Trade Case – 1/17/18

(more than 16" for both AD & CVD)

US Petitioners: Berg, Durabond, American, Skyline, & Stupp

Filed on the below countries:

- **China** – 132.63% *
- **Korea** – 16.18% *
- Greece – 41.04%
- **Turkey** – 66.09% *
- Canada – 50.89%
- **India** – 37.94% *

Actions:

- Feb 13 DOC initiation - confirmed

Welded Line Pipe, Canada

Carbon and alloy from S. Korea are being dumped in Canada. The Canada Border Services Agency estimated margins at (AMM):

- Hyundai Corp. – 52.4%.
- Hyundai Steel – 32.2%.
- Nexteel – 16.5%.
- SeAH Steel – 6.5%.
- HuSteel – 4.7%.
- All others – 107.2%.

Welded Line Pipe, U.S.A.

The administrative review announced Jan. 9, 2018 new rates to be finalized in June

- **HuSteel/Others** now at 10.86% from 4.38% previously.
- **SeAH Steel** now at 2.30% from 2.53% previously.
- **Hyundai** now at 19.42% from 6.23% previously.
- **Impact** – Hyundai not quoting, HuSteel went up \$40 from order last month. Seah went up \$150 siting raw materials and market conditions.

Welded OCTG, U.S.A.

The U.S. Commerce Department's administrative review of S. Korean Oil Country Tubular Goods (OCTG) resulted in higher duties than initially imposed. Case began in 2016.

April 2018: Review changed rates again

- **Nexteel** – 75.8%
- **SeAH Steel** – 6.75%
- All Others – 6.75%

Forged Fitting Suit U.S.A. – 10/05/17

U.S. Petitioners: Bonny Forge and Service Workers Union

Proposed Duties:

- **China** 141.43% AD. + CVD suit
- **Italy** 47.87% AD
- **Taiwan** 109.35% AD

Actions

- ITC Preliminary – Oct ruled there is injury
- CVD – **13.57% March 14th**
- AD preliminary – June (est.) 2018
- Final CVD determinations April 30th 2018
- Final AD determinations July 12th 2018

AD/CVD Trade Case on Large OD Welded Pipe

- **U.S. pipe mills filed a trade case petition against 6 nations** on January 18th. The case covers welded carbon and alloy steel pipe 16” and higher regardless of wall thickness, length, surface finish, grade, end finish or stenciling. Domestic petitioners were American Cast Iron Pipe, Berg Spiral Pipe/Berg Steel Pipe, Durabond Industries and Skyline Steel. Alleged anti dumping duties are as follows: (AMM)

- S. Korea = 23.52%*
- China = 138.61%*
- India = 50.55%*
- Turkey = 27.83%*
- Greece = 25.69%
- Canada = 53.01%

* Countervailing Duties (CVD) include China, India, S. Korea and Turkey.

- **Timeline:**

January 17, 2018	Petition was filed with the DOC and ITC
February 6, 2018	DOC initiates investigation
February 7, 2018	ITC Staff conference and hearings
March 5, 2017	Deadline for ITC preliminary injury determination (<i>affirmative decision</i>)
March 20, 2018	Critical circumstances start date if June 18, 2018 deadline is met
March 28, 2018	Critical circumstances start date for AD if June 26, 2018 deadline is met
April 12, 2017	Deadline for DOC preliminary CVD determinations (if not extended)
June 18, 2018	Deadline for DOC preliminary CVD determinations (if fully postponed)
June 26, 2018	Deadline for DOC preliminary AD determinations (if not extended)
August 15, 2018	Deadline for DOC preliminary AD determinations (if fully postponed)
December 28, 2018	Deadline for DOC final AD and CVD determinations (if fully postponed)
February 11, 2019	Deadline for ITC final injury determinations (if fully postponed)



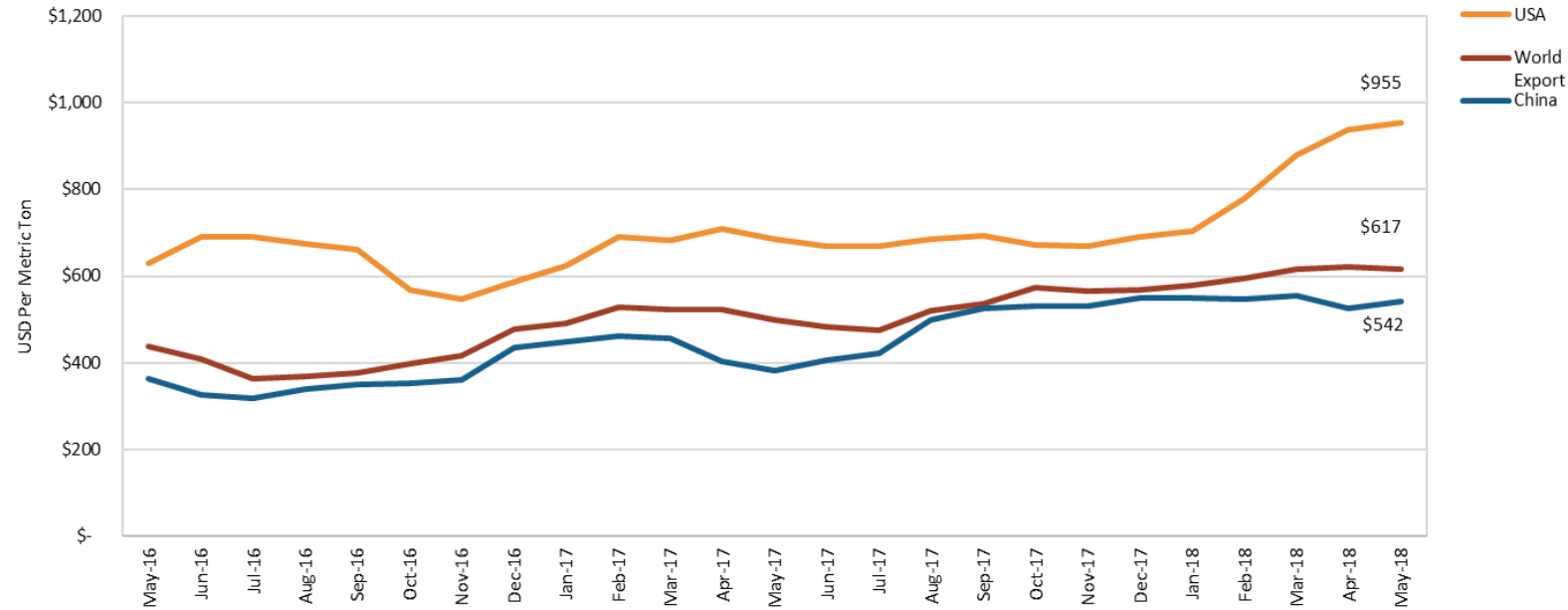
Trade Case on OCTG – Annual Reviews

- The 1st annual review of Oil Country Tubular Goods (OCTG) from S. Korea was announced on April 12th, 2017 (AMM).
 - SeAH Steel Corp. = 2.76% from 3.80%
 - Nexteel Co. Ltd. 24.92% from 8.04%
 - All others = 13.84% from 5.92%
- The change in rates was retroactive back to Oct. 14, 2017 when the preliminary rates were announced.
- OCTG 2nd review announced April 12th 2018. New rates are:
 - SeAh – 6.75%
 - Nexteel – 75.81%
 - All others – 6.75%
 - Most Korean mills stopped taking orders for OCTG in Jan 2018.



Hot Roll Coil Price – 232 effect seen in USA

Hot Roll Price Index Global - AMM WSD



After 5/1 232

HRC Domestic Futures – USD/MT AMM Nymex	
May	\$953
June	\$928
July	\$907
Aug	\$887

After March 232

HRC Domestic Futures – USD/MT AMM Nymex	
April	\$947
May	\$920
June	\$909
July	\$892

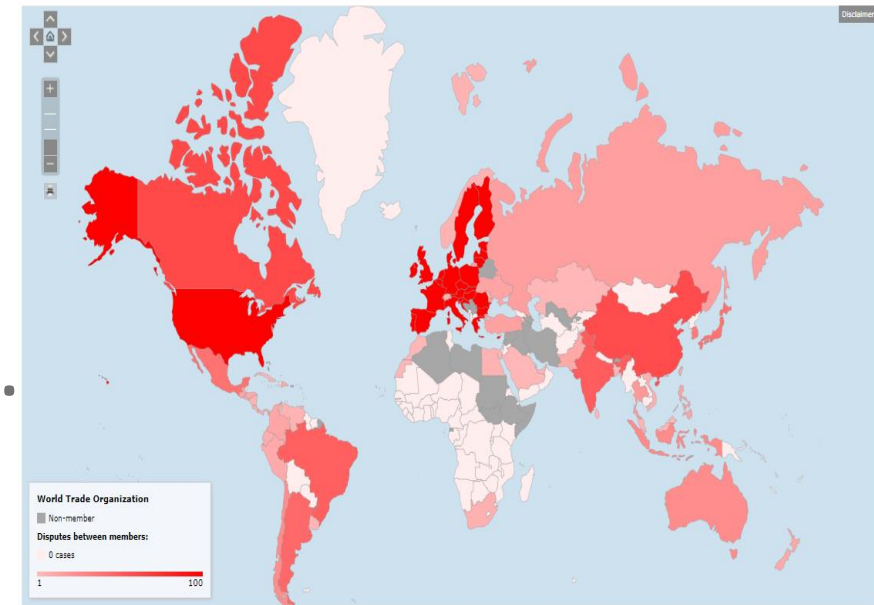
Before 232

HRC Domestic Futures – USD/MT AMM Nymex	
January	\$727
February	\$730
March	\$730
April	\$727

Reshaping the Supply Chain

Tariffs, Trade Protection, Currencies, Natural Disasters, Political Tensions, Ethics, Social Responsibility. Take care of so you can work out price & delivery.

- 1. Have alternatives in place and use them**
 - a) Domestic sources
 - b) EU and Asian sources if possible
 - c) Know your alternates
- 2. Be flexible**
- 3. Insure your supply chain is scalable & adaptable.**
- 4. Careful not to rush or panic due to disruptions as things are very fluid now and changing.**



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