

U.S. International Trade Commission

1,1,1,2-Tetrafluoroethane (R-134a) from China
Inv. No. 731-TA-1313 (Preliminary)

Staff Conference, March 24, 2016

Testimony of Elizabeth Sassano

Good morning. I am Beth Sassano, the Global Business & Market Manager for the Fluorochemical refrigerants business at Chemours Company.

First, I would like to thank the Commission for allowing me to appear today in support of the antidumping petition on R-134a from China. I appeared at the Commission's hearing in the 2013 case, and I appeared, again, at the staff conference concerning the antidumping investigation of Hydrofluorocarbon blends.

I am accompanied today by Magen Buterbaugh, who is the Fluorochemicals Enterprise Global Business Manager for the Chemours Company. Chemours was created in 2014 as a spin-off of DuPont. Our refrigerants business, therefore, has a very long history. We have been producing refrigerants since Chlorofluorocarbons (CFCs) were invented in the 1930's, and we have the largest capacity R-134a plant in North America. In addition, we are at the forefront in the development and sale of the next generation of refrigerants, which will substantially reduce the global warming potential of refrigerant gases.

Following the presentations by Arkema and Mexichem, let me address a few issues from the perspective of Chemours. First, Chemours produces R-134a, as well as all of the Hydrofluorocarbon blends that are covered by a separate antidumping petition

filed last year. Unlike the HFC blends, R-134a has significantly different end-uses. As I testified before the Commission staff last July, the HFC blends were a family of products developed to replace R-22. The HFC blends were developed to have the necessary physical characteristics to replace R-22. And, HFC blends are now the dominant refrigerant used in residential air conditioning market.

In contrast, R-134a was developed to be a substitute for R-12. Just as R-22 was the major refrigerant used in residential air conditioners, R-12 was the major refrigerant used in automotive air conditioning. Because R-12 is ozone-depleting, it was phased out and eventually replaced by R-134a. R-134a is now also used in large commercial and industrial air conditioning (chillers), residential refrigeration, foam manufacturing, and limited aerosol propellant applications. HFC blends are typically not used in these applications.

And, finally, U.S. manufacturers do not produce R-134a using the same equipment used to produce other HFC components or HFC blends. In fact, R-134a is unique because the investment to produce R-134a is primarily based on the profitability of R-134a as a stand-alone refrigerant. In contrast, investment in a plant to manufacture R-32 or R-125 depends entirely on the returns that can be earned from the sale of HFC blends.

Next, I would like to address the sheer magnitude of the Chinese imports and the increase in those imports. At Chemours, we extensively monitor the various sources of import statistics, including US Census statistics, ships' manifest data published by Zepol, and Chinese export statistics. We have analyzed these different statistics for many years

to identify more accurately both the volume and value of imports of refrigerants, as well as the identity of the importers themselves.

Regarding the volume and value of imports, we agree with the Commission's prior finding that a significant volume of Chinese imports are mis-classified. When the Census data are compared with other statistics, the Census statistics understate actual Chinese imports. It is critical, therefore, for the Commission to collect import data from all U.S. importers.

Turning to the importers, our analysis shows that there are several different types of importers. First, there are traditional importers, such as Sinochem Ningbo, that simply import and resell. Second, there are large national distributors that will import bulk R-134a directly from China and repackage the R-134a into primarily 30lb cylinders. Third, there are large retailers, such as AutoZone and Advance Auto, that import directly without any middleman serving as an importer.

Because imports flow through all of these channels, we compete with the Chinese R-134a at several different levels of trade. Our bulk sales, which are usually shipped in tanker trucks or by rail, compete with bulk imports in ISO containers. Customers purchasing in these bulk quantities include OEM manufacturers.

Our sales in 30-pound disposable cylinders, the light blue cylinder, compete for sales to distributors to the automotive aftermarket and to the stationary HVAC market.

Our sales of 12-ounce cans compete with sales of direct imports, already packaged in 12-ounce cans and imported by major retail outlets. In addition to that, our 12-ounce cans will also compete with cans filled by re-packagers that imported bulk Chinese R-134a and simply fill the cans in the United States.

In every channel, the Chinese prices are consistently lower than the prices offered by Chemours.

The rising volume of Chinese imports therefore poses a serious threat to the existence of the U.S. industry. A report by I.H.S shows that China has sufficient capacity to supply the entire U.S. market. R-134a will be completely phased out for new light duty vehicles in Europe by year end 2016; it is being replaced with new refrigerants such as R-1234yf. Faced with declining demand on a global basis, Chinese producers have every incentive to increase their exports to the U.S. market.

Slide 8 looks at the trend in imports from China on a quarterly basis. This data is based on our analysis of the Census statistics. As shown, imports from China surged in the fourth quarter 2013 and first quarter 2014, just before the Commerce Department imposed preliminary countervailing and antidumping duties in April 2014. After the Commission's negative determination in November 2014, there was a short delay before imports from China returned to prior levels, but by the second quarter 2015, Chinese imports again reached record levels. And, through March 20, 2016, R-134a imports are again surging to record levels

These statistics show just how quickly China's exports can fill inventories in the United States. Following the imposition of preliminary countervailing and antidumping duties in 2014, there was a period in which domestic shipments increased and price levels stabilized as a result. But, because of the huge inventories of Chinese R-134a hanging over the market, any increase in prices was both modest and short-lived.

In the petition, we included several examples of attempts by Chemours to increase prices. After the first petition was filed we attempted to raise prices in December 2013 by \$.30 per pound. That effort was unsuccessful. Then, In February 2014, we again sent a letter to all customers attempting to raise price by \$.30 per pound. After the preliminary Commerce decision in the countervailing duty case, on May 4, 2014, we again tried to raise prices. Again, price levels did not change.

Not until July 18, 2014, following the Commerce antidumping decision, we did actually see any increase in our prices. However, before the end of the fourth quarter, after the negative ITC vote, Chinese importers were back in the market once again offering prices below our cost of production.

The trends are unmistakable. When Chinese imports resumed in 2015, prices again began their downward march. In these circumstances, the bottomless supply of Chinese imports threatens to destroy our business. As things stand, Chemours suffered substantial losses in 2015. We cannot earn an adequate return on investment and return to profitable operations if Chinese imports continue to capture market share and drive market prices downward.

Chemours therefore joins Arkema, Mexichem, and the members of HFC Coalition. Together we ask the Commission to provide relief from dumped imports of R-134a from China.

Thank you.