

**BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.**

***CUT-TO-LENGTH CARBON STEEL PLATE FROM
CHINA, RUSSIA, AND UKRAINE,
INV. NOS. 731-TA-753, 754, AND 756 (THIRD REVIEW)***

**TESTIMONY OF
YURIY SHVETSOV
SALES REPRESENTATIVE, CANADA AND USA
METINVEST HOLDING
SEPTEMBER 29, 2015**

Chairman Broadbent, Vice Chairman Pinkert, Commissioners, and Staff:

Good afternoon. My name is Yuri Shvetsov, and I am the Metinvest Sales Representative for Canada and the United States. I assumed my current position in 2005, and I am based near Toronto, Canada. I am pleased to be here.

I would like to take a few minutes to discuss Metinvest's plate mills and their ability and incentive to ship plate to the United States if the antidumping measures are terminated.

I understand that one of the key questions the Commission is trying to answer is what the likely volume of plate from Ukraine will be. Naturally enough, in light of my position, I have given this question a lot of thought. Based on my evaluation of the difficult circumstances facing the plate mills in Ukraine, relevant market conditions, and discussion with Metinvest senior management, I can assure

you that this number is very modest – and nowhere near the amounts claimed by U.S. producer witnesses. It would certainly not be at levels that could possibly have a negative impact on U.S. market prices.

Let me explain how we came to this conclusion.

There are currently four mills in Ukraine with the capacity to produce cut-to-length plate. Metinvest owns three of these mills: Azovstal, Ilyich, and Zaporizhstal. Alchevsk, the fourth mill, is not owned by Metinvest. The Alchevsk mill is located in the far east of Ukraine, in territory no longer controlled by the Ukrainian government. The Alchevsk mill has been adversely affected by the war, with limited raw material supplies to the mill halting production. My understanding is that Alchevsk may now be producing very limited quantities of steel, but that it is still greatly impacted by the war and has a very uncertain future. In terms of potential exports to the US market, Alchevsk will remain a non-factor for the foreseeable future.

I note that certain parties have claimed there is a fifth plate mill in Ukraine, the Donetsk Steel Mill. This is incorrect. This mill – also located outside of Ukrainian Government-controlled territory – no longer produces plate. Its open-hearth furnace and rolling mill have been shut down for years. Portions of the mill have been disassembled and the mill itself may be scrapped. Even when the mill produced plate years ago, it was low quality and with extremely limited size and

grade ranges. In short, there is no possibility of resuming plate production at the Donetsk Steel Mill.

That leaves the three Metinvest mills in Ukraine with potential to ship plate to the United States.

The Zaporizhstal mill, which dates from before the Second World War, is not a viable source of plate for the U.S. market. Zaporizhstal's plate products are produced by cutting hot-rolled coils from a strip mill, severely limiting its quality and range of products. As importantly, its existing outdated equipment means that Zaporizhstal cannot meet U.S. quality standards – in particular for the flatness and cleanliness of the steel. Metinvest thus has no intent or practical ability to export plate from Zaporizhstal to the United States now or in the foreseeable future. In fact, to upgrade this facility to modern standards would require billions of dollars in investment for Ukraine, an investment that today no one is willing to undertake.

Metinvest is also very unlikely to ship significant volumes of plate from the Ilyich mill to the United States if the antidumping measure is revoked. One of Ilyich's two rolling facilities is similar to the outdated mill at Zaporizhstal and therefore is completely unsuitable for the U.S. market. The other rolling mill at Ilyich also is not currently capable of meeting U.S. market requirements for plate flatness. The standard in the U.S. market today is to produce to one-half of the ASTM's A6 flatness standard. Ilyich cannot do this. Moreover, certain U.S.

customers demand plate with a thickness of 38 millimeters or greater. Ilyich likewise does not make these higher-value products. These constraints severely limit the marketability of Ilyich plate in the U.S. market.

In fact, where Metinvest has seen small opportunities to sell plate to the U.S. market over the last five years, Metinvest has almost always shipped from its Azovstal mill, not Ilyich. And, contrary to what the U.S. industry witnesses have been saying, I cannot foresee any scenario where Metinvest would ship more than very moderate volumes of plate to the U.S. market from the Azovstal mill. Let me explain why.

First, the conflict in Eastern Ukraine affects our exports. While we have worked very hard as a company to adapt to the loss of transportation infrastructure and to repair damage to our facilities, these extraordinary circumstances have significantly reduced our ability to produce plate and to ship it reliably. The uncertainty of supply is a huge obstacle to our ability to serve long-distance markets like the United States. Unfortunately, we do not believe this situation will improve any time soon – to the contrary, there are disturbing signs that conditions may again be getting worse in the Donbas region.

Second, Azovstal has certain technological production limitations that curb its ability to serve the US market. For example, and most importantly, Azovstal has very limited capability to meet certain US flatness requirements. Additionally,

much of Azovstal's production is unable to meet the plate specifications for the US energy industry mandated by API requirements, such as requiring that heavy plates be 11 metric tons or greater. Most of Azovstal's production cannot meet that requirement. Lastly, many less demanding market segments where Azovstal might otherwise possibly find customers – such as in construction – are subject to “Buy America” restrictions. Accordingly, Azovstal's ability to ship the U.S. market is very limited.

Third, Metinvest is seriously disadvantaged by long lead times. Metinvest estimates lead times for its shipments of plate to the United States are 4 to 5 months, substantially longer than the 40-day average lead time reported by U.S. producers in this proceeding. This factor by itself excludes Metinvest from a significant share of potential U.S. business that requires reliably shorter lead times.

Fourth, Azovstal has significant existing customer commitments that limit the volumes that could be shifted to the United States. These customer commitments are confidential, but are further detailed in our questionnaire response to the Commission.

Fifth, Metinvest is principally focused on other regions. Our shipments to Europe have increased substantially during the last few years, and it is a very important long-term market for Metinvest and Ukraine. Metinvest is able to more easily meet the requirements of its European customers. For example, our

experience is that European customers do not generally require the demanding one-half A6 ASTM flatness tolerance that U.S. customers generally require.

The European market is also economically attractive to Metinvest due to favorable logistical costs. It is obvious that shipping regionally to European customers is easier than transatlantic shipping to the United States. Shipments to Europe can often be made simply by rail or through the Azov Sea port and Danube river, a cost and logistical advantage. By contrast, shipments to the United States have to be made through the Black Sea port of Odessa – this adds roughly 40 to 45 dollars per metric ton in extra railway costs. Customers in Europe are also generally located very close to ports of entry while a significant number of potential U.S. customers are located far from the main delivery ports. I estimate that additional logistical costs to bring the plate inland in the United States could be from 50 dollars to even over 100 dollars, depending on the destination. Because of this substantial cost, Metinvest shipments to certain regions of the United States are simply not competitive.

Metinvest's prioritization of the European region over the United States is also clear when you look where we have established sales offices. Metinvest has an extensive network of eleven sales offices or agents throughout Europe. In contrast, I am the single steel sales agent for Metinvest responsible for Canada and

the United States. I am based near Toronto, Canada and am the only Metinvest steel sales employee in either Canada or the United States.

In light of these circumstances, and given my position within the company, I have discussed with senior management Metinvest's capacity to supply plate to the U.S. market. We have concluded that, if market circumstances in both Ukraine and the United States remain the same, the maximum quantity of exports to the United States we could realistically hope to ship is 25,000 tons annually.

This is a negligible portion of the U.S. market and even this target could be reached only if every factor favors Metinvest -- if the war does not again lead to massive disruptions of supplies and outbound shipments; -- if US prices are high enough to offset the bigger transportation costs; -- if Metinvest is able to qualify its products; -- if US demand is strong; and -- if Metinvest is able to find customers willing to accept the heightened risk and lengthy lead times associated with purchasing plate from a war zone. Even then, Metinvest would take significant time to reach such modest levels. It is thus far more likely that we will ship significantly less than this amount for the foreseeable future if the antidumping measures are revoked.

I note that our company made a similar promise to the Commission in the recent sunset review on wire rod. As several of you may recall, Metinvest similarly testified that its shipments to the United States if the wire rod order was

revoked would be limited by existing customer commitments and strong domestic and regional export markets. Specifically, Metinvest stated that if the order on wire rod was revoked, Metinvest would expect to ship roughly 12 to 20,000 tons per year.

We have stayed true to our word. Since the order on wire rod was revoked in July 2014, Metinvest has shipped approximately 11,000 metric tons of wire rod to the United States, a figure that is completely consistent with our pledge. In fact, Metinvest's shipments have actually been at the lower end of Metinvest's projections.

Thank you for your time today. I would be pleased to answer any additional questions that the Commission may have.