UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation No.:**
ACETONE FROM BELGIUM, KOREA, SAUDI ARABIA,	**) 731-TA-1435-1440**
SINGAPORE, SOUTH AFRICA, AND SPAIN	**) (PRELIMINARY)**

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SAUDI ARABIA, SINGAPORE,	)	(Preliminary)
SOUTH AFRICA, AND SPAIN	)	

Tuesday, March 12, 2019

Courtroom B (Room 111)

U.S. International

Trade Commission

500 E Street, S.W.

Washington, D.C.

The meeting commenced, pursuant to notice, at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Nannette Christ presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION OFFICER

TYRELL T. BURCH, PROGRAM SUPPORT SPECIALIST

-- continued --

Staff (continued):

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CRAIG THOMSEN, SUPERVISORY INVESTIGATOR

ABU KANU, INVESTIGATOR

ELIZABETH NESBITT, INTERNATIONAL TRADE ANALYST

CINDY E. COHEN, INTERNATIONAL ECONOMIST

SAMUEL VARELA-MOLINA, ACCOUNTANT/AUDITOR

MICHAEL HALDENSTEIN, ATTORNEY/ADVISOR

Opening Remarks:
In Support of Imposition (Stephen J. Orava, King & Spalding LLP)
In Opposition to Imposition (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
King & Spalding LLP
Schagrin Associates
Washington, DC
on behalf of
Coalition for Acetone Fair Trade
Paul Sanders, Global Business Director, Chemical Intermediates, AdvanSix, Inc.
Clay Stephenson, Senior Product Manager, AdvanSix, Inc.
Frank Hayes, Chief Financial Officer, ALTIVIA Petrochemicals, LLC
Tim Duhe, Commercial Vice President, ALTIVIA Petrochemicals, LLC
Davor Safar, Global Product Director, Olin Corporation
Andrew Szamosszegi, Principal, Capital Trade, Inc.
Charles Anderson, Principal, Capital Trade, Inc.
Bonnie B. Byers, Senior International Trade Consultant, King & Spalding LLP -- continued --

In Support of the Imposition of Antidumping and Countervailing Duty Orders (continued):

Stephen J. Orava, Neal J. Reynolds, Benjamin J. Bay, Christopher T. Cloutier - Of Counsel

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:

Mowry & Grimson, PLLC
Washington, DC
on behalf of
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Jeffrey Grimson - Of Counsel

Baker & Hostetler LLP
Washington, DC
on behalf of
CEPSA Quimica S.A.
Monument Chemical, LLC
The Plaza Group Inc.

Randy Velarde, President, The Plaza Group Inc.
Qamar Bhatia, President, Monument Chemical
Sarves Peri, Vice President, Supply Chain, Monument Chemical

-- continued --

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders (continued):

Jeff Haug, Director of Purchasing, Monument Chemical

Carlos Diaz Castro, Vice President, Sales & Marketing, Phenol Chain Business Unit, CEPSA QUIMICA S.A.

Mark Lehnardt, Jake R. Frischknecht - Of Counsel

Drinker Biddle & Reath LLP
Washington, DC
on behalf of
Lucite International, Inc.

Chris Frederic, Manager of Direct Procurement, Procurement Services Department, Lucite International, Inc.

Robert Connolly, Director of Procurement, Americas, Lucite International, Inc.

Douglas J. Heffner, Richard P. Ferrin - Of Counsel

Akin Gump Strauss Hauer & Feld LLP
Washington, DC
on behalf of
Mitsui Phenols Singapore Pte. Ltd. ("MPS")

James P. Dougan, Vice President, Economic Consulting Services, LLC

-- continued --

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders (continued):

Cara Groden, Senior Economist, Economic Consulting Services, LLC

Bernd Janzen - Of Counsel

Steptoe & Johnson LLP
Washington, DC
on behalf of
INEOS Europe AG
INEOS Americas LLC

Michael Foster, Business Manager Americas, INEOS Americas LLC

Eric C. Emerson, St. Lutheran Tillman - Of Counsel

Interested Parties in Opposition:

White & Case LLP
Washington, DC
on behalf of
Rabigh Refining and Petrochemical Company ("PetroRabigh")
The Saudi Basic Industries Corporation ("SABIC")
Saudi Kayan Petrochemical Company ("Saudi Kayan")
The Saudi Petrochemical Manufacturers' Committee ("PMC")

Scott S. Lincicome, Ron Kendler - Of Counsel

-- continued --

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (Neal J. Reynolds, King & Spalding LLP; and Christopher T. Cloutier, Schagrin Associates)

In Opposition to Imposition (Mark B. Lehnardt, Baker & Hostetler LLP; and Richard P. Ferrin, Drinker Biddle & Reath LLP)

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P R O C E E D I N G S

9:30 a.m.

MR. BISHOP: Will the room please come to order?

MS. CHRIST: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of Antidumping Duty Investigation Nos. 731-TA-1435 to 1440 concerning Acetone from Belgium, Korea, Saudi Arabia, Singapore, South Africa and Spain.

My name is Nannette Christ, I'm from the Office of Investigations and I will preside at this conference. Among those present from the Commission Staff are from my far right: Abu Kanu the Investigator; Craig Thompson the Supervisory Investigator; Michael Haldenstein the Attorney Advisor; Cindy Cohen the Economist, Samuel Varela-Molina the Accountant Auditor; and Ellie Nesbitt the Industry Analyst.

I understand that parties are aware of the time allocations. Any questions regarding the time should be addressed with the Secretary. I would remind speakers to not refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning a presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting

testimony. Are there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Chairman, I would note the importance of the witnesses stating their name. The court reporter can't see the name signs so if you don't state your name you may hear us shout out your name. That's just for the benefit of the court reporter. There are no other preliminary matters.

MS. CHRIST: Very well. I would also reiterate that and I will try to remind you as well to state your name before your commends or responding to questions especially. Thank you. Let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of imposition will be given by Steven J. Orava with King and Spaulding. Mr. Orava, you have five minutes.

OPENING STATEMENT OF STEVEN J. ORAVA

MR. ORAVA: Great, good morning everyone. My name is Steve Orava with King and Spaulding on behalf of the Petitioner, the Coalition for Acetone Fair Trade. I wanted to first thank you all. I feel quite close to you already.

(Laughter)

MR. ORAVA: We recognize this is a new product and you've got a very busy docket so we hope that our slate of company witnesses will help to answer all of your questions for you. So this case is about rapidly increasing

volumes of unfairly traded imports of acetone from the Subject Countries.

As demonstrated in the Petitions, these imports are being dumped at high margins and are causing material injury to the Domestic Industry. Only an immediate and effective remedy to this unfair trade can preserve the industry and protect its workers, including members of the United Steel Workers who are supporting these Petitions.

The scope of the Petitions includes liquid and aqueous acetone in all grades. Because an identical product is manufactured in the United States and because clear dividing lines separate acetone from any co-products or any other chemicals, the domestic like product should be defined commensurate with the scope definition in these investigations. The conditions of competition can make the Domestic Industry especially susceptible to injury from unfairly priced imports.

First, acetone is a price-sensitive commodity product. Moreover, Subject Imports and domestically produced acetone are highly interchangeable as approximately 98% of all sales in the U.S. Market are for standard grade acetone which are sometimes called technical grade. Both domestic and Subject Producers make this commodity grade of acetone. As a result, purchasing decisions are predominantly based on price.

Second, this industry is highly capital intensive. Fixed costs are high relative to variable costs. Moreover, the equipment used to produce acetone is designed to operate continuously in order to maintain technical efficiencies and to minimize the fixed per-unit costs.

U.S. Producers therefore have a strong operational and economic incentive to meet lower import prices in order to avoid losing sales and either underutilizing capacity or being forced to hold increasing volumes and inventory. The domestic like product and imports from all Subject Countries are highly fungible and are sold in common channels of distribution in the same geographic markets and at the same time.

Therefore the Commission should cumulate Subject Imports for the purpose of its injury analysis in these investigations. Applying the statutory factors to the cumulative effect of Subject Imports in the context of these conditions of competition there is certainly a reasonable indication that the Domestic Industry is materially injured by reason of Subject Imports.

First, the volume of Subject Imports and the increase in the volume of imports are significant. In the last year of the Period of Investigation, Subject Imports represented approximately 97 percent of imports from all countries. Subject Imports increased 172 percent from 2016

to 2018 and notably surged by 69 percent from 2017 to 2018 alone. As shown in the confidential record, this translated to significant gains in Subject Import market share over the Period of Investigation. Second, Subject Imports had negative price effects during the Period of Investigation. Over the period, Subject Imports undersold the Domestic Producers by increasingly significant margins, suppressing and depressing U.S. prices. The underselling by Subject Imports was so dramatic that purchasers began to walk away from their long-term contracts in order to purchase unfairly priced Subject Imports during 2018.

Finally, Subject Imports negatively impacted the financial performance of the Domestic Industry. The record demonstrates that Subject Import market share has increased at the expense of the Domestic Industry, forcing Domestic Producers to increase inventories. Declining prices decimated the Domestic Industry's profitability and cash flow creating a cost/price squeeze for Domestic Producers who require high capacity utilization rates to maintain competitiveness.

Although we believe the industry is suffering present material injury there is also substantial evidence that the industry is threatened with additional injury. The rapid increase in imports, the large margins of underselling, the excess production capacity in Subject

Countries and the export focus of those countries make clear that future injury is also immanent if duties are not imposed to offset unfair pricing.

In conclusion, this investigation is incredibly important to the U.S. Acetone Industry, its workers and the local communities in Ohio, Pennsylvania, Texas and elsewhere where acetone production facilities are located. By contrast, Korean acetone producers, the largest source of imports did not even show up today to answer your questions.

We urge the Commission to reach an affirmative preliminary determination in this investigation. Thank you.

MR. BISHOP: Thank you Mr. Orava. Opening remarks on behalf of those in opposition to imposition will be given by Jeffrey S. Grimson of Mowry Grimson. Mr. Grimson, you have five minutes.

OPENING STATEMENT OF JEFFREY S. GRIMSON

MR. GRIMSON: Good morning. I expect today you'll see the favorite chart of the Petitioners bar, which plots Subject Import Volume going in one direction and domestic profits the other. But if that's their best causation argument their case fails miserably. Duties on Subject Imports of acetone will not result in one additional ton of Domestic Production or one additional American job.

The CAFT told us in the Changzhou Trina case that where there are what Judge Toronto called "inquiry complicating factors", the Commission has to explore and explain more in its causation finding and we have a load of inquiry complicating factors here.

First, the product itself is complicated. More than 95 percent of acetone is produced through the cumene process which produces phenol and acetone from benzene and a refinery grade propylene or RGP. Phenol is what all global producers want to make. Nobody builds a manufacturing facility with the principal goal to produce acetone.

Acetone is a byproduct of phenol production and the amount of acetone produced is governed by the molecular structure of cumene, which dictates the exact amount of acetone that will be produced per metric ton of phenol, a ratio of 1 phenol to 0.61 acetone and also global demand for phenol.

This means that whether or not Subject Imports are in the U.S., the Domestic Producers will produce exactly the same amount of acetone because they are making production decisions based on phenol. The supply elasticity relative to price is 0 or to put it in English, as I said it before, duties on Subject Imports will not result in a domestic production of any more acetone or any more jobs.

As a general matter of phenol production, U.S.

phenol production has been decreasing as global capacity outside the U.S. increased, U.S. phenol producers have taken the capacity out to reflect this produced export demand. But less phenol production means less acetone production.

The U.S. was once a net exporter of acetone because of high levels of phenol produced here. Now, the U.S. is a net importer because they cannot serve the whole domestic acetone market. Unlike other cases where the Domestic Industry tells you they can increase production and capacity if you award them with import duties, here they cannot make that claim because the demand for phenol was not justified and the cuming molecule won't allow a differential increase only in the production of acetone.

A second factor that affected production during the Period of Investigation was a perfect storm, literally or Hurricane Harvey knocking out roughly 65 percent of domestic acetone production overnight in late August 2017 followed by Shell's market-disrupting moves.

Nobody knew how long the Gulf area phenol facilities would be offline after the storm, plus at about this exact time the phenol market was soft which meant acetone was tight and buyers were entering their key contracting period at the end of 2017.

If that weren't enough, Shell unexpectedly announced that it would close one of its plants in 2018 to

align with the declining phenol demand and that facility accounted for about 10 percent of domestic production and domestic suppliers would not commit to making up the short-fall. Buyers had to scramble again.

Then, Shell pulled a fast one and unexpectedly delayed its closure. Ships had already sailed, which meant another temporary oversupply of acetone until the market could rebalance. The Domestic Industry could not produce more acetone which means that once the market did rebalance imports replaced Shell's share of the market because they had to.

The Domestic Industry's disrupted market signals here are similar to the 2017 Investigation of emulsion styrene butadiene rubber, where the Commission reached a 2:2 tie vote. Commissioners Broadbent and Johanson's dissenting opinion pointed to the exit of one of the major Domestic Producers from the market that caused purchasers to seek alternative sources during a critical contracting period.

But similar to our case, that domestic supplier also unexpectedly returned to the market and there was an oversupply. Those Commissioners wrote that it's unrealistic that Subject Imports would vacate the market fully and immediately upon the reentry of a U.S. Production Facility. Here, the Domestic Industry's own actions created the need for imports and a temporary oversupply, just like in ESBR.

In terms of pricing, it's critical the Commission realize that most chemicals acetone experiences a busy cycle of roughly 5-7 years. Petitioners are going to point to a period where their raw materials came close to acetone prices and their acetone profits dropped but this has happened before at the time when the U.S. was a net exporter of acetone and imports were not significant.

In other words, this confirms that imports cannot be blamed for this type of cyclically normal but temporary occurrence. So when you hear the Petitioners simplistic explanation of the market, please do not lose the sight of the facts that Changzhou Trina requires you to consider and address all of these inquiry complicating factors. If you do, we are confident the Commission will reach a negative preliminary determination. Thank you very much.

MR. BISHOP: Thank you, Mr. Grimson.

Would the panel in support of imposition of the Antidumping Duty Orders please come forward and be seated.

Madam Chairman, all witnesses on this panel have been sworn in. This panel has 60 minutes for the direct testimony, and I again remind all of our witnesses to please state your name when you speak. Thank you.

MS. CHRIST: Good morning. Welcome to all panel members and thank you. I would again remind you to state your name before your testimony and answering questions. I

can see most of the names of the people sitting in the front, but for those of you in the second row the Court Reporter can't see me pointing at you, either. So if you could please make sure to state your name, I'd appreciate it.

Please begin when ready.

STATEMENT OF PAUL SANDERS

MR. SANDERS: Paul Sanders, AdvanSix.

Thank you. My name is Paul Sanders and I'm the Business Director for chemical intermediates for AdvanSix. In this position I am responsible for all customer facing aspects of our acetone business.

AdvanSix was created in October 2016 when Honeywell spun off its resins and chemicals business, which included the acetone production operations. I have been with AdvanSix, and before that with Honeywell before the spinoff, for 11 years. Before that, I held multiple roles at Rodiere and Albright & Wilson. I have 29 years of experience in the chemical industry.

I am here with Clay Stephenson, Senior Product Manager of AdvanSix who has 18 years of experience working in the chemical industry.

AdvanSix is one of the largest producers of acetone in the United States. The production and sale of acetone is a critical part of our business operations,

generating hundreds of millions of dollars per year in revenue. Unfortunately, right now this business is under attack from an ongoing surge of unfairly traded imports from Belgium, Korea, Saudi Arabia, Singapore, South Africa, and Spain, and that is why we are forced to seek trade relief.

I appreciate the opportunity to be here today. Our trade remedy petitions are really important to the success of our company, and we welcome the opportunity to provide you with information that will support an affirmative preliminary injury determination.

AdvanSix produces acetone at its facility in Frankford, Pennsylvania, outside of Philadelphia. Our facility has two production lines that co-produce acetone and phenol, as well as alpha-methylstyrene.

We have the capacity to produce about 350,000 short tons of acetone per year. In 2018, sales of acetone were approximately $262 million, and represented about 17 percent of AdvanSix's total sales, and 50 percent of our sales of chemical intermediates. The production and sale of acetone is critical to the business model of AdvanSix.

AdvanSix employs about 10 workers at its acetone/phenol facility in Frankford, and 80 in our headquarters in Parsippany, New Jersey. Our workforce includes about 101 members of the United Steelworkers.

The acetone we produce is used by our customers

in the production of a variety of products, including adhesives, paints, solvents, and herbicide. Acetone is also a chemical intermediate that functions as a building block for many plastics and resins that we use in everyday life. Key applications include consumer products, housing, and automotive. Acetone is used, for example, to produce methyl methacrylate or MMA, a key building block for acrylic plastics like Plexiglas. Acetone is also used to produce bisphenol-A, or BPA, which is the building block for polycarbonates and epoxy resins.

AdvanSix produces acetone and co-product phenol using the cumene peroxidation method. Most--over 92 percent--of acetone produced in the United States uses the cumene method of production. In this method, cumene, which is formed through the alkylation of benzene and propylene, is placed into an oxidization vessel with diluted soda ash solution, where it is oxidized through contact with the air to produce cumene hydroperoxide. The cumene hydroperoxide is then concentrated and fed into a reactor where it is cleaved into the co-products acetone and phenol through the addition of sulfuric acid. After the co-products are cleaved, they are separated through distillation. In this process, the propylene component of the cumene input ends up in the acetone, and the benzene component ends up in the phenol.

On average, the cumene process produces one unit of acetone for every 2.21 units of cumene, and 0.61 pounds of acetone are produced for every pound of phenol co-product produced.

Our production of acetone and phenol also results in the production of a small amount of alpha-methylstyrene or AMS. AdvanSix consumes a portion of the phenol it produces in its downsream caprolactam facility in Hopewell, Virginia, and the remainder is sold in the merchant market. All of our acetone and AMS is sold to unrelated purchasers.

The production of acetone is highly capital intensive. The equipment we use to produce acetone is expensive. The construction of a greenfield operation similar to AdvanSix's would cost in the range of $500 million today. Moreover, the production equipment requires continued investment for upkeep and repairs.

Most producers undertake an annual or biannual maintenance turnaround in order to keep their equipment in top working order. Given the need to cover high fixed costs, and to operate most efficiently, acetone producers have an economic incentive to run their production lines constantly and at maximum reliable rates. Moreover, the equipment itself is designed to run continuously 24 hours a day, 7 days per week, and profitability is dependent on maintaining high capacity utilization rates.

When we run at lower operating rates, our operating efficiency drops significantly and our unit cots increase significantly. The complexity of managing the operational considerations of the machine also incentivize consistent operation in order to minimize employee safety risk and deliver reliable product quality and repeatable customer delivery performance. Our machinery simply cannot e turned on and off without encountering potential technical problems upon restart and without incurring significant costs.

Imports from the subject countries have been coming into the U.S. at prices that have adversely impacted domestic pricing to the point that the sales prices of imports are often below the cost of production. When prices fall below our raw material cost, and we can no longer sell our acetone profitably, we are forced to reduce our operating rates. If the situation continues, we would be forced to take extended downtime on our manufacturing lines. If we are unable to sell profitably over an extended period of time, we would have to shut down a line--shut a line down, excuse me.

Ninety-eight percent of the acetone sold in the U.S. market is of a single "standard grade" also known as "technical grade". Acetone produced domestically in the United States is highly fungible and interchangeable with

acetone imported from subject countries. Thus, acetone is a commodity product that sells almost exclusively on the basis of price.

There is a small market for specialty grades of acetone in the United States, which I estimate accounts for less than two percent of the U.S. market. Specialty grades would include National Formulary grades which meet or exceed the requirements of the National Formulary, as well as low water grades used in applications that are sensitive to high water content such as pharmaceuticals.

Over the past three years we have seen a threefold increase in imports of acetone from the subject countries during the Period of Investigation. Imports increased from 91,000 short tons in 2016 to 147,000 short tons in 2017, an increase of 61 percent. In 2018, imports accelerated further and jumped to 248,000 short tons, an increase of 69 percent over 2017 levels.

In addition, there has been a huge increase in the market share of subject imports, which more than doubled from 6.4 percent of domestic consumption in 2016 to 14.6 percent of domestic consumption in 2018. Subject imports managed to capture this larger share of the U.S. market by consistently underselling AdvanSix and other U.S. producers.

It is important for your to understand that we compete head-to-head against subject imports throughout our

customer base, which includes distributors and end users and encompasses both the contract and spot markets.

There is no safe haven for domestic producers. Over the course of the Period of Investigation, and in 2018 in particular, we lost both sales and revenue to subject imports. Our customers consistently used the existence of offers from subject producers to force us to negotiate lower prices. When we failed to do so, we lost business.

In 2018, we were forced to offer steeper and steeper discounts as a result of import competition, and the rend has only worsened in 2019. We have several customers actually break their contracts with us, opting instead to purchase low-priced imported product. We provided a number of examples of how we have been affected by imports in our lost sales/lost revenue template.

The impact of dumped imports on our operations and profitability has been significant. AdvanSix saw a steep drop in the profitability of our acetone business as prices fell and costs increased. Our production and sales were flat to down despite the fact that demand was increasing over the Period of Investigation.

AdvanSix is a great company. We have state-of-the-art equipment and a well-trained and dedicated workforce. We strive constantly to be the most competitive player in the market, but we simply cannot get a fair rate

of return on this product without your help. All we ask is that you give us the chance to compete in a market that's not distorted by dumped imports.

Thank you and I look forward to your questions.

STATEMENT OF TIM DUHE

MR. DUHE: Good morning and thank you. My name is Tim Duh , and I'm the Commercial Vice President of ALTIVIA Petrochemicals. I'm joined here today with Frank Hayes, ALTIVIA's Chief Financial Officer.

I joined ALTIVIA in January of 2016. Before that, I worked for DuPont and Chemours for 35 years, most recently as the software products sales manager. I have 38 years' experience in the chemical industry. At ALTIVIA, my responsibility includes the sales and marketing of acetone, phenol and alpha methyl styrene, which are all products at ALTIVIA's Haverhill, Ohio facility, located on the Ohio River bordering Kentucky.

ALTIVIA was founded in 1986 and is headquartered in Houston, Texas. ALTIVIA employs 150 people at our Haverhill facility. These are stable well-paying jobs and help to support a community in southern Ohio that has otherwise suffered from economic decline for decades, and currently has some of the highest unemployment rates in the nation. These jobs are critical to the health of the region.

ALTIVIA got into the acetone business when it acquired the former Sunoco Chemical acetone phenol facility in Haverhill, Ohio in 2015. In June of 2015, the then-owners of Haverhill Chemicals, GOradia Capital, decided to idle the facility, entered into Chapter 11 bankruptcy. As market conditions shifted, the company apparently was squeezed for cash and had entered into some contracts that were no longer competitive, resulting in negative margins.

In addition, the owners were paying very high rates for other services. In summary, the production facility and operations were sound, but several poor business decisions caused the owners to walk away from this investment. ALTIVIA saw an opportunity and purchased the assets out of bankruptcy in November of 2015.

There are several factors that made this investment attractive at the time ALTIVIA acquired the facility. First, the business outlook in North America for acetone and phenol were very strong, with growing demand and growing end use applications. Second, the facility is strategically located on the Ohio River, with proximity to many acetone customers, and with easy barge, rail and truck access. Third, the facility has an experienced and dedicated workforce with many workers having been at the facility for decades.

Fourth, the facility is located 14 miles away

from the facility's primary cumene raw materials supplier. Fifth, ALTIVIA received very strong support from acetone customers to restart the facility, and furthermore its location is unaffected by Gulf Coast hurricanes, making it a valuable alternate supply during periods of weather-related emergencies which could affect other merchant suppliers.

ALTIVIA's decision to acquire the assets and facilities at Haverhill were driven largely by the significant global growth forecast for paints and coatings, polycarbonates including BPA and phenolic resins. In fact, ALTIVIA explored the acquisition of the Georgia Gulf's Plaquemine facility during 2009 and 2010.

These negotiations collapsed and Axial, who is the successor of Georgia Gulf, ultimately sold these assets to INEOS in 2015, who immediately shut down the Plaquemine facility. After completing the Haverhill acquisition, ALTIVIA invested heavily to restart the facility and to provide operating working capital.

During the 2016, the full first year of operations, ALTIVIA operated one of two production lines at Haverhill. ALTIVIA's financial performance in the first year was at breakeven, which really exceeded management's expectations, particularly given the costs normally associated with restarting an idle facility and the difficulty of reentering the market.

In 2017, the second full year of operations, ALTIVIA restarted the second production line. The decision to restart the second production line was supported by favorable market demand and prices, and more importantly was critical to ensure the financial sustainability of this facility. ALTIVIA's Haverhill facility requires the output volumes from the two production lines in order to support the fixed cost of the operations.

During 2017, the high morale of employees in our community was driven by increased shipments and investment, including a fleet of 400 new rail cars. Throughout 2017, ALTIVIA was enjoying a strong competitive position with upgraded facilities, a new fleet of safer and more efficient rail cars, and a customer base willing to support production volumes for both the acetone and phenol lines.

However, in late 2017 and 2018, acetone imports into the U.S. increased significantly at prices well below U.S. market prices, and in some cases well below acetone production costs. Consequently, market prices for acetone in the United States plummeted, and inventories grew beyond historical levels.

The supply-demand imbalance and price erosion were further aggravated when customers broke contractual supply agreements to benefit from the very low spot prices which were fueled by imports. The financial impact

resulting from acetone imports has been severe for all domestic producers. Importantly, low prices for acetone are not driven by more efficient foreign facilities or better technology.

Rather, subject imports of acetone are being sold into the United States at below the cost required to make it. It's like selling bread for a price below the cost of the flour it takes to make it. The adverse financial impact facing the domestic industry could in fact result in plant closures and the reduction of U.S. capacity. Once an acetone phenol production facilities are shuttered, they cannot be restarted. The cost of building a new acetone facility comparable to the ALTIVIA Haverhill facility would require four to five years of construction and over $500 million of investment.

ALTIVIA has taken a number of steps to mitigate the situation, as outlined in our questionnaire response. Ultimately, however, if we are not able to return to profitability on acetone we'll be forced to reduce production by initially shutting down one of the lines, and if depressed pricing continues, it will result in shutting down the entire facility.

As you heard from Mr. Sanders, acetone producers have an incentive to run their production facilities as close to capacity as possible to spread the fixed costs.

While we can reduce our operating rate somewhat, the rate below which we cannot go without triggering the shutdown are one or both of the production lines.

Now I'd like to give you some background on the channels of distribution in the industry. Domestic producers sell to both end users and to distributors, as do importers of the subject imports. Distributors include national as well as regional distributors. Imports enter the U.S. market through some affiliated U.S. subsidiaries of the subject producers, and also through trading companies.

Most of these importers have their own storage tanks and distribution networks, and have recently added additional storage capacity. It's important to note that the U.S. producers compete head to head with subject imports in every channel of distribution in the U.S. market.

I also think it's critical for you to understand how prices are established for acetone, in order to understand the impact of the imports on domestic producers. Very often prices are set with reference to a large buyer index, also known as the large buyer marker or sometimes referred to as the MMA producer barge contract price.

MMA is methyl methacrylate, which is one of the largest consumers of acetone. The large buyer price is established monthly and results from negotiations between three U.S. MMA producers, Lucite, Dow and Evonik, and two

U.S. acetone suppliers, Enios and Shell.

Once the participants establish the large buyer price, typically around the 25th of each month, it is published in an industry publication called IHS. The large buyer price is established with reference to supply and demand factors, which include the cost of refinery grade propylene or RGP. But another important factor is the availability of imports.

If supply is flush, the large buyer price will drop or rise relative to the cost of refinery grade propylene. The price adjustment happens on a monthly basis, which the seller rates the adverse impact of unfairly traded imports on U.S. market pricing. Mr. Sanders noted when acetone and phenol are made from cumene, the propylene in the cumene ends up in the acetone.

The benzene in the cumene ends up in the phenol. So that is why the large buyer price is established as a function of the cost of refinery grade propylene, plus a markup. For example, because of the surge in dumped imports, the markup in July of 2017 was 15.8 cents a pound above RGP, and then plummeted to 8.6 cents a pound in October of 2018.

Many contracts involving both domestic and imported acetone are set with reference to the large buyer price. It's important to note that the large buyer price is

not the actual price that large buyers pay, but rather it's a starting point for price negotiations. Long term contracts typically will be established at the large buyer price minus a discount.

This discount is established through contract negotiations with customers. So for shipments in any given month, the price will be the large buyer minus the agreed upon discount, which will also reflect the significant distortions resulting from dumped imports. During contract negotiations for 2018 and 2019 purchases, we were forced to increase the discounts off of the large buyer price. Our customers pointed to the availability of low-priced imports, and we either had to increase the discounts or walk away from the business.

Prices in the spot market are also quoted as a discount off of large buyer prices. We've also seen these discounts grow over the course of 2018 and 2019. What's important to remember is that the large buyer price is not indicative of actual price prevailing in the market. In order to assess what has happened to price, you must consider actual prices received by the producers, which will reflect the large buyer minus the discount.

Contract prices can also be established in another manner, based on the cost of refinery grade propylene plus an adder. Again, over the course of 2018 and

2019, we have seen the adder over the refinery grade propylene shrink due to the low-priced imports. ALTIVIA is a great company and we have invested a lot of time and money in making the Haverhill facility as competitive as any other acetone producer in the world.

However, we must have prices that are fair, free of dumping to be able to survive in the U.S. market. We're asking for a level playing field, and that you make an affirmative injury determination. Thank you. I'd be happy to answer some questions.

STATEMENT OF DAVOR SAFAR

MR. SAFAR: Good morning. Thank you. My name is Davor Safar and I am the Global Business Director for the Epoxy Upstream for Olin Corporation. In this position, I am responsible for Olin's Allyl, EPI, Phenol, Acetone and BisA global performance. I have been in my current position for one and a half years. Before that, I worked for Olin as a Product Director based in Zurich, Switzerland, and before that worked for more than ten years for the Dow Chemical Company. I have more than fifteen years of experience in the chemical industry.

Thank you for permitting me to testify here today. Acetone is an important part of Olin's business, and we are extremely concerned about the impact that dumped imports have had on our acetone business.

Olin produces acetone and phenol at our facility in Oyster Creek, Texas. Our facility is located adjacent to our manufacturing site in Freeport, Texas. We have over 1,000 employees supporting our acetone and other chemical manufacturing facilities in the Freeport area. Olin entered the acetone business in October 2015, when Olin acquired Dow's epoxy resin business, which included the acetone/phenol facility in Oyster Creek.

We really started to see a deterioration of the acetone market in 2017. In late August, Hurricane Harvey struck the Gulf Coast, and in October 2017, Shell issued a notice that it would idle one of its two acetone/phenol production lines at its Deer Park, Texas facility in early 2018.

Following this notice, and in a speculative effort by the new and pre-existing acetone traders to exploit these U.S. market developments, import volumes increased into the U.S. market from Belgium, Korea, Singapore, Spain, South Africa and Saudi Arabia. The projected supply imbalance that led to this highly speculative behavior, however, never materialized.

Although Shell idled its production facility at the end of February, 2018, the operational issues caused by Harvey were short-lived, with producers quickly returning to production. Despite the domestic industry rapidly adjusting

to this situation, including the new capacity from ALTIVIA, imports continued to flood the market, selling at very low prices.

This started the downwards spiral in the acetone market for the remainder of 2018 and into 2019. Subject suppliers continued to push volume into the United States and arrange for new and larger storage tanks capable of taking imports from ocean-going vessels. As a result, the U.S. market became oversaturated, which compressed the margins.

Imports in January 2018 were over 30,000 metric tons, exceeding the total import volume for the entire year of 2011. As a result, in January 2018, despite sufficiently available U.S. capacity, the United States went from being a net exporter to a net importer of acetone.

Olin's acetone business has been adversely affected by unfairly traded imports. Olin decided to take a month-long turnaround in March, 2018 and despite that reduction in our supply and the idling of the Shell production line, prices continued to fall.

We found ourselves unable to compete at all in the spot market, where prices were very low due to imports. We lost contractual volume, as some contract customers opted to just begin purchasing in the over-supplied spot market, or signed an agreement with respect to volume of purchases,

but insisted that we had to increase the discount to the acetone index due to low prices of imports in the spot market. Olin competes head-to-head with all the subject imports. There is not a single customer where we do not encounter competition from imports.

In order to deal with the terrible market conditions, Olin is operating at a suboptimal utilization rate. This hurts our profitability on acetone because of the high fixed costs associated with acetone production. We have to run our facility at higher utilization rates to avoid significant impact to our bottom line.

The producers in the countries that are subject to your investigation have significant levels of excess capacity. These producers also tend to have a high export orientation, and many have a significant focus on the U.S. market.

INEOS is the largest producer in Belgium with a capacity of 422,000 metric tons at its facility in Antwerp. INEOS exports a large proportion of its acetone production to the United States. However, INEOS is not operating at full capacity, and thus also has excess capacity to ship to the United States.

Korea has two acetone producers, Kumho and LG Chem. Kumho has three production lines and LG has two. Combined, Korea has nearly 800,000 metric tons of capacity

to produce acetone. The Korean producers are highly export-oriented, exporting about 46% of their total capacity. The United States is Korea's second largest export market, behind only China. As China continues to build new acetone capacity, more of Korean production is likely to enter the U.S. market.

There are two acetone producers in Saudi Arabia, Petro-Rabigh and Saudi Kayan. Combined, they have nearly 300,000 metric tons of capacity. Petro-Rabigh only came on line in 2017, which more than doubled Saudi capacity. Saudi producers are reported to be operating at only 54% of capacity, giving them ample opportunity to increase production for export to the United States.

In Singapore, the producer is Mitsui Chemicals, and they have 186,000 metric tons of capacity. Mitsui is extremely export-oriented, conservatively exporting about 84% of their production each year. The United States is also an important export market for Singapore.

SASOL is the South African producer of acetone and is the only producer in Africa. The company has a combined capacity of 175,000 metric tons at its two production facilities. SASOL exports nearly half of the acetone it produces. Moreover, the United States is a critical export market for SASOL. Trade data indicate that the United States accounted for 36% of South African

exports, and that the United States is the single largest export market for SASOL.

Spain has two acetone producers, CEPSA Quimica with 278,000 metric tons of capacity, and IQOXE with 9,000 metric tons of capacity. Imports from Spain into the United States skyrocketed over the period of investigation, going from 7,000 short tons in 2016 to 27,430 short tons in 2018.

Olin is very concerned about the future of its acetone business. The rapid penetration of the U.S. market by subject imports with prices often well below costs, has already hurt our business, and threatens to cause even more harm in the future if dumping goes unchecked.

I thank you for your attention and look forward to your questions.

STATEMENT OF ANDREW SZAMOSSZEGI

MR. SZAMOSSZEGI: Good morning. I am Andrew Szamosszegi of Capital Trade. I am providing testimony on the economic aspects of this investigation.

Before beginning my formal presentation, I would like to alert the Staff of some anomalies in the record. Maybe you've noticed them. First, it appears that some firms have made reporting errors such that the coverage of the pricing products exceeds 100%. Second, we believe that one or more of the parties incorrectly included resales. These anomalies are probably due to blending of acetone from

different suppliers. We will provide more specific information in our post-conference brief. We also believe, I should mention this as well, we also believe that one producer misstated its costs and we'll also be providing information on that.

My testimony today will touch upon conditions of competition, material injury and causation.

Demand conditions are shown on Slide 3. Demand for acetone is derived demand driven by consumption of the products that use acetone as an input: Specifically, as you heard, solvents, MMA and BPA. The preliminary record and other sources concur that demand in the United States expanded over the period of investigation.

Purchasers of acetone consist of end users and distributors who are served by both the subject imports and domestic producers. The vast majority of acetone is technical or standard grade. Finally, benchmark prices are transparent and reported in multiple industry publications.

Supply conditions appear on Slide 4. The U.S. market is served primarily by domestic producers and subject imports. The vast majority of acetone is manufactured as a co-product with phenol through cumene peroxidation, a capital intensive process. Once the co-products are cleaved during manufacture, acetone contains the propylene component of the cumene while phenol contains the benzene component.

Thus, the cost of production for acetone is sensitive to the cost of propylene.

Domestic and subject acetone are highly interchangeable, as described on Slide 5. They are produced largely to the same standard. Acetone from different sources can be co-mingled in storage. There is head-to-head competition in all distribution channels, in spot and contract markets, and across all geographical regions. These characteristics are consistent with high substitutability and a high elasticity of substitution.

Counsel, in his opening remarks for respondents, brought up the elasticity of substitution, and implied that the low elasticity of supply would somehow preclude injury from imports. I just want to note that, even within his framework, the increase in imports shifts the supply curve out to the right, and with the downward sloping demand curve, results in a lower price. And of course, this is why domestic producers have experienced price margin compression.

Given the conditions of competition distinctive to the acetone industry, it is easy to see the nexus between the subject imports and the injury being experienced by the domestic producers. Slide 6 shows that subject imports expanded sharply in each year of the period of investigation, rising from approximately 91,000 short tons

in 2016 to approximately 248,000 short tons in 2018, for a total increase of 172% over the period of investigation.

Subject imports increased relative to U.S. production and relative to U.S. consumption. As shown in Slide 7, and this is indicative, subject imports acquired market share from the domestic industry each year of the period of investigation.

The timing of the subject imports is also revealing. The first and fourth quarters are typically slow periods of acetone demand in the U.S. market. Yet as Slide 8 demonstrates, entries of subject acetone during the fourth quarters of 2017 and 2018 were two to three times higher than in 2016. This is why so many storage tanks are filled with acetone right now in the United States. This is why the U.S. market is oversupplied. And this is why prices in the U.S. market are so low.

I also note that counsel for respondents in his opening remarks brought up the ESBR investigation. And he's right. I was the economic expert in that investigation, and there are certain similarities. And the similarities as I see them, and are explained in this record before you, are that imports saw an opportunity at some point in the period of investigation.

Too many importers came into the market at the same time, and they depressed prices and compressed the

margins of the domestic industry. They also stayed in the market too long, continuing the price depression. And the high import levels. Even when the second domestic producer, which had closed down, came back. So that is why the Commission found that the domestic industry in that matter was injured by reason of the subject imports.

Adverse price effects are summarized on Slide 9. The increase in subject market share has been facilitated by underselling. Industry benchmark prices declined in 2018 and the discounts applied to those benchmark prices have increased as well. Benchmark prices and actual prices have declined by more than propylene costs, causing a cost-price squeeze.

Slide 10 shows that the large buyer and small buyer price benchmarks for acetone during 2018. There are reports of transactions below 30 cents per pound during the first quarter of 2019, but what you see here is a sharp decline in both large buyer and small buyer indexes during the year.

Slide 11 shows the narrowing of the gap between the large buyer price of acetone and the price of refinery grade propylene during 2017 and 2018. This graph does not capture the additional discounting that you heard of before off the large buyer price, which squeezed domestic producers even more.

Slide 12 illustrates the relationship between the quarterly acetone-propylene margin and quarterly volumes of subject imports during 2017 and 2018. The subject imports increased in each quarter of 2017. Then in 2018, the subject imports increased on a year-on-year basis in all four quarters.

Now again, I want to emphasize that the margin for the actual transactions was even lower than shown here because actual prices are discounted off of the index, and because the discount has actually increased over time.

The impacts on the industry's operations have been predictable. These are summarized on the next slide. Production has stagnated despite the growing U.S. market, the domestic industry lost sales, lost revenues, lost market share, and lost workers. Profitability, cash flow and return-on-investments declined.

To summarize causation, I can do no better than the quotation on Slide 14 from the January, 2019 issue of the industry publication Tecnon OrbiChem: "The acetone market in the U.S. remains unchanged -- there continues to be an oversupply of material and prices have remained low. Domestic suppliers are trying to balance the market by keeping phenol production tightly controlled and this has kept acetone prices fairly steady in January. However, imported material continues to flow into the U.S. and this

is keeping prices depressed."

But to be clear, the imported material in question are subject imports of acetone; as shown in Slide 15, nonsubject imports actually declined in 2018.

The last slide summarizes the material injury factors I have discussed that support an affirmative current injury determination.

This concludes my presentation. I look forward to your questions.

STATEMENT OF BONNIE BYERS

MS. BYERS: Good morning. Bonnie Byers on behalf of the Petitioner. As you've heard from our industry witnesses this morning, the domestic industry producing acetone is clearly suffering present material injury.

A review of the factors related to threat, however, demonstrates just how vulnerable the domestic industry is to material injury in the future. I will address the overall threat factors and specific threat data from Belgium, Korea, South Africa, and Singapore. And then Mr. Cloutier will address Spain and Saudi Arabia.

First, subject imports are increasing rapidly with devastating impact on the domestic industry. From 2016 to 2018, imports increased from 91,000 short tons to nearly 250,000 short tons, an increase of 172 percent.

Moreover, the rate of increase in imports

accelerated between 2017 and 2018. Subject imports also more than doubled their market share between 2016 and 2018.

Second, the record demonstrates that producers in the subject countries have significant levels of excess capacity which indicate that acetone is likely to be directed at the U.S. market in the absence of the imposition of antidumping duties.

This likelihood of further increase in imports is reinforced by the fact that subject producers are highly export-oriented and already have a significant focus on the U.S. market. These contributing factors are exacerbated by the fact that China is increasing its own capacity to produce acetone, which means that traditional offshore acetone suppliers to the Chinese market are redirecting exports to the United States. This is already happening and will only increase as China expands its acetone production even further.

With respect to Belgium, INEOS, the largest producer in the world, has two production lines with capacity of 422,000 metric tons. Industry reports indicate that INEOS is not operating at full capacity, giving it ample ability to increase exports to the United States. Official export statistics also demonstrate that the United States is a very important export market for INEOS.

There are two acetone producers in Korea, LG Chem

and Kumho, which have a total of five production lines with a combine capacity of close to 800,000 metric tons. One of Kumho's production lines only came on line in the middle of 2016 and continued to ramp up over the Period of Investigation.

Korean producers are highly export oriented with about 46 percent of their production targeting the export market, based on public data. The United States is also a critical and growing destination for Korean acetone exports. As China becomes increasingly self-sufficient in the production of acetone, the U.S. market will only become an even more attractive outlet for Korean production.

Mitsui Chemicals is the only producer in Singapore and has 157,000 metric tons of capacity. Public data indicate that exports conservatively account for about 84 percent of Mitsui's production and that the United States accounts for a significant proportion of Mitsui's exports.

With respect to South Africa, SASOL is the sole producer and has 175,000 metric tons of capacity at its two production facilities. Public data indicates that SASOL exports nearly half of the acetone it produces. In 2018, the U.S. market accounted for about 36 percent of acetone exports from South Africa, again according to official export statistics.

As noted in Mr. Szamosszegi's presentation,

subject imports have resulted in significant price depression and suppression in the United States. Industry reports indicate that this price suppression and depression will continue and even worsen in the imminent future.

During the second half of 2018, the domestic industry was forced to compete with import prices that fell below cost. Industry reports indicate that prices for propylene are likely to increase in 2019 and that higher propylene prices will not translate into commensurate increases in acetone prices. As one industry source noted, and I'm quoting here, "acetone prices will struggle to support higher costs."

Finally, I would just like to note that the domestic industry is very vulnerable to subject imports. The current U.S. acetone market is in significant oversupply as a result of an influx of subject imports and is expected to remain that way through 2019. The domestic industry is operating at unusually low operating rates, and profitability levels have fallen into the red.

In sum, the domestic industry, while suffering present material injury, is also threatened with additional injury in the imminent future.

Thank you.

STATEMENT OF CHRISTOPHER CLOUTIER

MR. CLOUTIER: Good morning. I'm Chris Cloutier

of the law firm Schagrin Associates, co-counsel for the Petitioner. As Ms. Byers indicated, I will first be discussing threat with respect to Spain and Saudi Arabia, and then I will turn to why the Commission should cumulate subject imports for the preliminary determination.

First, with regard to threat from Spain, it is important to note that the country has two acetone producers, CEPSA Quimica and IQOXE, the latter of which was formerly known as IQA. CEPSA Quimica is the second largest producer in Europe with nearly 300,000 metric tons of capacity. It also has a related operation in China that, when viewed together, make the company one of the largest acetone producers in the world. IQOXE is a more modest operation but still has enough capacity to ship a commercially meaningful volume of acetone to the United States.

Spain not only has significant capacity but actually used this capacity to rapidly increase exports to the United States during the Period of Investigation. As you heard earlier this morning, imports from Spain went from about 7,000 short tons in 2016 to more than 27,000 short tons in 2018. Clearly the U.S. is an attractive market for Spanish producers, and the country can and will rapidly increase exports to the United States given the opportunity. For these reasons, exports from Spain threaten the domestic

industry with additional injury.

Similar to Spain, Saudi Arabia also has two producers of acetone, Petro-Rabigh and Saudi Kayan. These two companies are reported to have nearly 300,000 metric tons of combined capacity. And as reflected in Olin's testimony earlier this morning, an important distinction between Spain and Saudi Arabia is that while IQOXE is a relatively small producer, Saudi Arabia's new market entrant Saudi Ragibh is a world-scale export platform.

The company began production in 2017 and shortly thereafter Saudi Arabia went from having no acetone exports to the United States to being the sixth largest source of imports.

Although reports indicate that Saudi producers were suffering from low capacity utilization last year, whatever start-up problems may have existed are reported to have been resolved, giving the Saudi industry and Petro Rabigh in particular the ability and motivation to sell more in the U.S. market.

Another reason to expect additional acetone from Saudi Aragia is the antidumping duty currently being imposed by India. Saudi Kayan is subject to duties of about $130 per metric ton and Petro Rabigh is subject to the all-others' rate of more than $200 per metric ton.

For these reasons, the domestic industry

producing acetone is threatened with additional injury from Saudi Arabia's brand new world-scale export platform.

Let me now turn briefly to cumulation. As you know, the statute directs the Commission to cumulate imports from subject countries for petitions filed on the same day-- if the imports compete with each other and with the domestic like-product. These petitions were all filed on the same day, meeting that criterion.

With regard to the second criterion, the Commission generally considers four factors when deciding whether there is sufficient competition between and among subject imports and the domestic like product. These factors are: (1) fungibility; (2) channels of distribution; (3) geographic markets; and (4) simultaneous presence in the U.S. market. Only a reasonable overlap of competition is required.

The facts in this case are rather clear cut, so I would be surprised if there were arguments against cumulation in the second panel, but Ill nonetheless outline relevant facts and testimony for your consideration.

First, with regard to fungibility: As you heard from Mr. Sanders, acetone is a commodity chemical product manufactured to standard specifications. The vast majority of acetone from each of the six subject countries as well as the domestic producers is manufactured to the same standard

grade, even if it may be labeled and sold in several grades. Indeed, purchasers have been known to commingle standard grade acetone from different producers and from different countries in the same storage tanks. Specialty grades represent only a tiny fraction of actual demand, and are backwards compatible. Consequently, the record shows that acetone is fungible, regardless of source.

With regard to the channels of distribution: As you just heard from Mr. Duhe, acetone from both foreign and domestic producers is sold through distribution and directly to end users. Acetone from each of the subject countries, as well as domestic producers, is thus being sold through the same channels of distribution.

With regard to the third criteria, geographic overlap: The Petition shows that acetone from subject countries entered through ports in all regions of the country during the Period of Investigation, including the East, the North, the South, and the West. The vast majority of the subject acetone--including acetone from each of the subject countries--entered through the district of Houston-Galveston, Texas. Acetone from the subject countries also overlapped at ports of entry in Chicago, Los Angeles, New York, and Savannah.

With regard to four, simultaneous presence: Imports of acetone from the subject countries were present

in the U.S. market in every month of the Period of Investigation. Although imports from certain countries were not present in each month of the year, imports were present throughout the year with no seasonable patterns or variations between countries. In addition, although subject imports from Saudi Arabia were only present in April, September, and December, this is merely a reflection of Saudi Arabia's recent entry into the U.S. market. Moreover, every month in which imports from Saudi Arabia entered also had entries from other subject countries. Subject imports are thus simultaneously present in the U.S. market.

So in conclusion, subject imports from each of the six countries and the domestic like product are fungible. They are sold in the same channels of distribution. They overlap geographically, and were simultaneously present in the U.S. market. Thus, each of the four factors that the Commission generally considers regarding cumulation supports the cumulation of subject imports in this investigation.

Thank you.

MR. ORAVA: Steve Orava with King & Spalding. That concludes the Petitioner's affirmative testimony, and we would like to reserve any balance of our time for our closing. Thank you.

MS. CHRIST: Thank you. We will now turn to staff questions. I will start with the Investigator Abu Kanu.

MR. KANU: Good morning, and thank you all for being available today to answer our questions. We really appreciate it.

I guess I want to start off more with a general comment on domestic like product. I noticed in the Petition you guys were arguing for a single domestic like product, and it would be very helpful for the investigating staff in general if you guys can potentially amplify or supplement some if the discussions you guys have in your Petition in the postconference brief about the various factors for domestic like product.

With regards to the production methods for acetone, I notice also in the Petition you guys have stated three different methodologies for producing acetone, even though cumene is the most dominant one. I was just wondering, do customers and producers perceive acetone produced in the other processes the same, or not?

MR. SANDERS: Paul Sanders, AdvanSix. Cumene, as you rightly say, is the predominant manufacturing route. However, the product itself is highly fungible, as we've heard today. The six subject countries have brought in material at unfairly traded prices and, you know, the influx

of those materials are at a very high level.

In terms of the products themselves, the specifications are extremely similar. Only 2 percent, or less than 2 percent of the market has any differentiation at all. So more than 98 percent of the market is purely fungible, standard grade.

MR. KANU: Thank you. Also with regards to the demand for acetone, what industry, or what particular end user do you think drives the demand for acetone as it's widely used in different industries?

MR. SANDERS: Paul Sanders, AdvanSix. There's a range of industries, as we outlined earlier. One of the larger ones is the MMA industry. Then the other industries are derivatives such as IPA, MIBK, MIBC, used in paints and coatings area. And then thirdly, a large part of the materials are used in solvents, and through the distribution route, where again products are co-mingled and are broadly used across all the different end uses.

MR. KANU: Thank you. A question for Mr. Hayes. I think you mentioned particularly that once an acetone line is shut down, it cannot be restarted. And I was just wondering how does that affect employment? And how is the employment trend--what's your prediction for the future employment trend, given the subject imports?

MR. HAYES: Good morning, Frank Hayes with

ALTIVIA. The manufacturing process is highly complex, as are most large manufacturing facilities. It demands that the machines be run at high capacity utilization. And if they cannot be, if they fall below that level, they have to be shut down and idled.

The nature of this equipment is that it cannot be temporarily idled. Once it's shut down, the process is effectively over with and cannot be restarted. So if that were to occur, we would have to reduce employment commensurate with the lower production levels.

MR. KANU: And has that been a common trend across the industry in the U.S.? Is there a decrease--is there a current decrease in employment, or has it stayed the same regardless of subject imports?

MR. DUHE: Would you repeat the question, please?

MR. KANU: The question is that, is that a trend that most producers in the U.S. suffer when--once a line is shut down? And is there currently a decrease in employment in the acetone market industry?

MR. DUHE: There generally is. Once you shut down a line, employment is reduced--Tim Duhe, sorry, with ALTIVIA.

MR. ORAVA: Steve Orava with King & Spalding. Just to maybe elaborate a little bit, and these guys can jump in, but at the moment they're hanging on by their

fingernails. It's not a situation where they have shut down any lines. The issue they've got at the moment is that their capacity utilization is falling so significantly that they are on that tipping point. And it's when they hit that tipping point, as Mr. Hayes indicated, that that's when you're going to start to see the real material impacts on employment.

MR. KANU: Okay, help me understand--go ahead--

MR. STEPHENSON: Clay Stephenson, AdvanSix. The difference is really between idled and shut down. So idle means it can be readily restarted. Now you're going to have some employment loss when you're idled because there's not as much work to do. But there's a difference. Shutdown is harder to bring back. Idled is easier to start back up. But you would have employment go on with that.

MR. KANU: Thank you much for that clarification. I guess to help me better understand the discount process in negotiating price, is acetone sold mainly on a long-term contract basis? Or is it now moving towards spot contracts?

MR. DUHE: Tim Duhe with ALTIVIA. In the past it's been sold on a contract basis as a discount to the large buyer. More recently the spot prices have deviated to a negotiated price more so than a discount off of a large buyer, which has forced the producers, as we talked about earlier, to either meet those low prices, which are often

below our manufacturing costs, or walk away from the business.

MR. SANDERS: Paul Sanders, AdvanSix. What's important to recognize here is the influx of low-priced acetone from the six subject countries have forced pricing down to unsustainable levels. So that's provided, from a pricing point of view, deeper discounts against the index of the large buyer.

Also, it has meant that certain customers have walked away from existing contracts, or threatened to, unless we significantly reduced the discount--sorry, significantly reduced the price, or provided a deeper discount. And that practice is continuing as we go into 2019 into unsustainable levels.

MR. ANDERSON: If I can just elaborate a little bit--Chuck Anderson from Cap Trade. To put it more into context that the ITC is familiar with, these products are sold under contract, long-term contract. But they're not fixed-price contracts. They are variable-price contracts. The price varies each month. Because the contract pricing is based on the formula, and the formula is the large buyer price--the most common formula is the large-buyer price less a discount.

So when contract negotiations come up, typically on an annual basis, what's really being negotiated is what

is going to be the discount. Okay? So there's really two avenues at which imports can affect the price.

Number one is on an annual basis the discount from the large-buyer price will be subject to negotiation. And to the extent that there is an oversupply, that basically discount will have to be increased in order to get the sale.

Number two is, each month there is a new large-buyer price set, That is done--it's a little black-boxy to us, but it's basically done when the three largest buyers and the two largest sellers get together and settle at the end of each month.

Obviously when you are in a situation which have both concentration in sellers and concentration in buyers, you're in a oligopsony/oligopoly situation. The power of the--in the negotiations shift decidedly in favor of buyer versus seller, depending on the supply/demand balance. That is, if there's a lot of supply obviously buyers have a lot more leverage.

So the second way in which imports influence the price is through this negotiation process. If there is an overabundance of supply, that means that the monthly price will drop as well. So consequently, in this market the impact of imports is almost immediate, because it re-fixes the large-buyer price. It's a factor. It's not the only

factor, but it is a factor that drives the large-buyer price.

And in addition, it basically drives negotiations at the end of each year--at the beginning of each year--with respect to what the discount will be.

MR. KANU: Sure. Thank you. With regards to the factors that affect the price, how does the natural, I guess the hurricane season affects the price of acetone? And do you guys see more increase in subject import during the hurricane season?

MR. DUHE: Tim Duhe with ALTIVIA. In terms of the influence or the impact on the imported price, we have definitely seen a decrease in the negotiated price and the spot price. And recognize that a lot of the 2019 contracts are negotiated in the fourth quarter of 2018. And so as you looked at some of the imports and the volumes coming in, it had a very high impact on renegotiations for contract volumes.

It also had a very big impact on spot pricing, and often was below our manufacturing costs.

MR. KANU: And this occurs during the hurricane season? Is this during the hurricane season?

MR. DUHE: In terms of pricing or supply?

MR. KANU: Both, price and supply.

MR. DUHE: In 2017 with Hurricane Harvey, it did

impact the Gulf Coast suppliers. And some of the suppliers that were outside of the Gulf Coast was able to cover a lot of that. But one of the things to recognize in a hurricane is that there is a reduction in demand at the same time there is a reduction in supply.

So the consumers that are in the Gulf Coast as well are equally impacted with disruptions. So there's a little bit of balancing, or some balancing as a result of the hurricanes.

MR. KANU: Okay.

MR. ANDERSON: Sorry, just to finish up on that, we've seen no sort of seasonality based on hurricane season or anything like that. Keep in mind that a hurricane actually hits the Gulf Coast relatively rarely. It seems to be maybe a little more frequent, but it's still a fairly rare phenomenon.

The other important point to keep in mind is that, although there is a concentration of production in the Gulf area, U.S. producers are spread across the country. So that essentially they can cover, especially when acetone is in abundant supply and there are inventories in the event of hurricanes, so there's no seasonality associated--in pricing, associated with hurricanes.

MR. SANDERS: Paul Sanders, AdvanSix. I'd just like to confirm Mr. Anderson's point, that the seasonality

is very limited in the acetone business. And the biggest driver on price that we've seen over the Period of Investigation is the significant influx of low-priced acetone from the six subject countries.

MR. STEPHENSON: Clay Stephenson, AdvanSix. And just to clarify on the Hurricane Harvey impacts, that was very short-lived because of what he mentioned that supply was off as well as demand was off, so there wasn't a big supply/demand imbalance because of that. Our production facility is in the Philadelphia area and it was not impacted by Hurricane Harvey.

MR. KANU: Thank you. I guess my final question will probably be more for postconference briefs. I was wondering if you guys can clarify whether there's any other antidumping or countervailing duty imposed by third-party countries on the subject import countries.

MR. CLOUTIER: This is Chris Cloutier. We'll take care of that in the postconference brief.

MR. KANU: Sure. Thank you.

MS. CHRIST: Thank you. We will now turn to the attorney, Michael Haldenstein.

MR. HALDENSTEIN: Good morning. Are the specialty grades just essentially pure acetone? Or is there more to it?

MR. SANDERS: Paul Sanders, AdvanSix. As I said

earlier, the specialty grades represent de minimis volume within the market in total, less than two percent we estimate of the total volume. The specialty grades that we taught around and we offer have essentially very similar specifications to standard grade. They just simply have certification around lower impurity levels.

MR. DUHE: Tim Duhe with ALTIVIA. We don't offer any specialty grades. Everything we offer are the industrial grades.

MR. SAFAR: Davor Safar from Olin. We also do not offer any specialty grades to the market, only standard grades.

MR. HALDENSTEIN: Are the imports competing in the specialty market?

MR. SANDERS: Paul Sanders from AdvanSix. The vast majority of imported acetone is co-mingled together in multiple sources in large tank terminals around the country. Hence, really we say the route to market has been very, very similar in that we sell to end users. We sell to distributors. The products are very similar.

We're not aware of a significant number of importers offering any specialty grades.

MR. ORAVA: Steve Orava, King & Spalding. And we'll address that in more detail in our postconference brief, because AdvanSix is the only producer as part of

Petitioners that makes that specialty grade. We can provide some additional information on that question and others that we anticipate.

MR. SZAMOSSZEGI: Andrew Szamosszegi from Capital Trade. It's useful to also look at the customer list of the importers and the overlap with the domestic producers to get a sense of how important the speciality product is. And we can show you that in the postconference brief.

MR. HALDENSTEIN: Thank you. Are Petitioners asking that any domestic producer be excluded as a related party?

MR. REYNOLDS: Neal Reynolds, King & Spalding. Yeah, we are. We're going to be asking that the Commission exclude INEOS from the industry. Obviously, as the staff well knows, related-party issues are heavily CBI oriented, but in this case you're looking at a situation where INEOS is a very significant producer in the industry, and its results--and I'm going to say this in a public way--are different enough that they'll skew the industry.

Secondly, INEOS opposes the Petition, which is a factor that you look at. And third, one of the things that I think is interesting is that--and this plays into the related party issue pretty heavily--is that even though INEOS is such a significant part of the market on the industry side, their related parties in Belgium continue to

ship significant volumes of acetone into the market at dumped prices. And what that suggests to me is that even with INEOS being in the market, they have a corporate strategy of using dumped imports to improve their overall corporate position in the marketplace.

But we are asking for INEOS to be excluded from the industry.

MR. ANDERSON: Just to elaborate on that, this is not -- Chuck Anderson, Cap Trade. Not a direct factor, but it does affect the issue of distortion. We haven't had the INEOS U.S. producer questionnaire response for long, but we have looked at it and we'll be raising some real major issues with respect to the data, because we think there are some major distortions in it.

MR. HALDENSTEIN: Thank you.

(Pause.)

MR. HALDENSTEIN: I think I heard the Respondents mention a five to seven year business cycle. Is that -- is that something that you've seen in the market, or is that -- or is that not correct?

MR. SANDERS: Paul Sanders from AdvanSix. I don't think you can look at past history to predict the future on this. The industry cycles can be shorter or longer, depending on multiple business issues.

MR. HALDENSTEIN: Do you believe that phenol

demand drives the acetone market or how would you say the demand for the products are related?

MR. DUHE: Tim Duhe with ALTIVIA. When we look at our customer demand and our forecast, it's independent acetone demand, AMS, phenol, etcetera. Our production planning cycle is based on customer demand, so we treat those independent of one another. If we have to make more product to make more acetone, we can. Right now unfortunately, we're constrained on phenol. Because of the influx of imports into the U.S., we don't have as many places to go with the acetone and it's impacting our phenol production.

MR. ANDERSON: And to provide a little more, a bit more background, Chuck Anderson with Cap Trade. Even though there's obviously commonality in supply, they really are two very distinct markets. There's almost no overlap between customers for phenol and customers for acetone. So the demand characteristics of both products are quite a bit different.

But both products are true co-products from the accounting sense and from the economic sense. That is, although there may be variations in price in supply-demand balance for both products, both products are produced in very large quantities, and have really quite significant commercial value and are in demand for different industries

and different applications.

So it is really a true co-product situation, and there may be times when acetone basically is in sort of the acetone supply-demand balance is a little bit in favor of acetone producers, and sometimes it's phenol. But overall over the long period, and this is why the plants are set up. They're set up to produce both products, because both products have value and both products essentially are produced in large volumes because there's large demand out there.

MR. BAY: This is Ben Bay from King and Spaulding. To elaborate on that point, this is a co-product if you look at it from the view of the way the Commission has dealt with this issue in the past. If you look at Uranium from Tajikistan and Ukraine, you know, if it's a joint production process but each of the products had a relatively significant sales volume, you know, you seem to have a co-product.

Also from lemon juice from Argentina and Mexico, even though production of one product may necessitate production of the other product, if the pricing of these products are generally independent of each other, you're seen to have a co-product as has been described. You have a significant volume of acetone that is produced when you produce phenol. I believe the ratio is for every pound of

phenol you get, you get .61 pounds of acetone.

And as described, the pricing for acetone is not based on phenol and is not based on the benzene that goes into the phenol. It is based on the propylene that goes into the acetone, and it is its own market with prices set by the producers and the downstream purchasers of that product.

MS. CHRIST: I'm just going to interject here very quickly to remind everybody to speak as closely to the microphone as possible. We at least have the benefit of being across from you. For the benefit of those people behind you, we don't have a lot of sound bouncing off the walls. So if you could speak closely into the microphone, I'd appreciate it. Thanks.

MR. SANDERS: Paul Sanders, AdvanSix. Just to add to that point, at AdvanSix we really do not sell to customers that are buying phenol and acetone together. So it's a very small piece of anyone's market.

MR. STEPHENSON: Clay Stephenson, AdvanSix. Just one more comment on that. If you look at the acetone market and the phenol market, they're very different end uses. So acetone is MMA, solvents and derivatives, whereas the phenol market is primarily phenolic resins and some alpha phenols, as well as some BPA. So it's really different end uses and different demand profiles.

MR. HALDENSTEIN: Isn't there overlap in use with the BPA though? Isn't that what --

MR. SANDERS: Paul Sanders, AdvanSix. Yes, there is. However, AdvanSix does not sell into that industry, and I'd like to say if we did, then we'd be pricing acetone based off the propylene component, and as Mr. Stephenson said earlier, when we sell phenol it's based off a completely different factors. It's based off the contained benzene. So the markets are not linked.

MR. HALDENSTEIN: I have a question about this large buyer price. Is that announced monthly or published? How does that work exactly?

MR. DUHE: Tim Duhe with ALTIVIA. The large buyer price is usually settled around the 25th of the month and published monthly. And again, when supply and demand are flush, it generally moves up and down with the cost of RGP. With the influx of the imports, it does have an impact on supply and demand.

And what we testified earlier is what you saw was the range or the adder between RGP and the large buyer over time compressed. That compression is also a reflection of the margin loss over time as well. And so the discussions between the large buyers and the large sellers, when they look at the supply situation now with the imports, it's had a big impact over the period 2017-2018 on that

margin compression.

MR. SANDERS: Paul Sanders, AdvanSix. If you'd like to show Graph No. 12 from the presentation, it just reemphasized Mr. Anderson's point around the fact that there's a continued weep in pricing on a monthly basis, and that with the influx of low-priced acetone from the six subject countries, it's reduced the negotiated margin over the contained propylene.

Then I'd like to add on top of that it's an even worse picture for us, which you'll see in our post-briefing information. The deeper discounts means that blue line would actually in reality be significantly worse month over month.

MR. HALDENSTEIN: Can you provide the --

MR. BURCH: Can you please speak into the microphone?

MR. HALDENSTEIN: Can you provide data theories for that large buyer index if you haven't already? I'm not sure if it's in the petition or not.

MR. ORAVA: Steve Orava with King and Spaulding. If it's not already in the petition, we'll provide you an updated version of that.

MR. HALDENSTEIN: I have question about Slide 10. It seems to show the large contract price is higher than the small contract price for 2018 for much of the year.

Can you explain why that would be?

MR. DUHE: Tim Duhe with ALTIVIA. What you're seeing is the impact of the imports volume going all the way through the distribution chain. Normally, distributors are selling to smaller customers in truckload quantities, or maybe even half truckload quantities. Historically, the price for the small buyers has always been higher than a large buyer buying by the barge load.

So you're seeing a little bit of this phenomena here recently in the effect of the imports coming all the way down the distribution chain and no longer just reserved for the large buyers.

MR. SZAMOSSZEGI: Andrew Szamosszegi from Capital Trade. Also, just to reiterate what's been said, there's also a discount to the large buyer price that the large buyers get from the acetone sellers, that is not shown here. And so while the large buyer index price may be higher at some points, the actual price at which the transaction occurs is substantially lower than what's shown here, and lower than what the small buyers get.

MR. ANDERSON: Chuck Anderson from Capital Trade. So basically if you were looking at real prices, most likely that -- almost certainly that large buyer price would always be below the contract price, the small buyer price. The large buyer price index has been out there for a

number of years, and essentially is an index.

My understanding is the small buyer price is something that's only just recently been established, and it's based upon the more traditional market intel, where they call around and get the price. So that's probably closer to what the small contract price is than the large buyer price, which is an index that has been around for a number of years. So the discounts --

Whenever there's an index price, the discounts have a tendency to grow over time that I've seen. So it's not a good comparison of the two prices at the two levels of distribution. What we're just trying to do is show that they're moving in the same direction.

MR. SANDERS: Paul Sanders, AdvanSix. I'd just like to add that this reiterates the point that the markets are completely fungible. So product arriving from the six subject countries at the dumped pricing clearly are impacting both our contract negotiations, our contract pricing. The large buyer settlement is being reduced, the discounts are getting deeper, and on top of that, they're finding a home through the whole distribution chain that many of the industry have invested in to be able to serve our customers.

MR. HALDENSTEIN: Thank you. How much acetone is internally consumed by the domestic producers, and what

is it used for?

MR. DUHE: Tim Duhe, ALTIVIA. We don't consume any acetone internally. We're 100 percent merchant.

MR. SANDERS: Paul Sanders, AdvanSix, zero.

MR. SAFAR: Davor Safar, Olin. We have the internal demand with our BPA. We can provide you exact data in the post brief.

MR. HALDENSTEIN: Thank you. Does acetone degrade when it's kept in inventory for a long time?

MR. SANDERS: Acetone is a highly fungible product. It can be moved around the world in ships and stored in terminals. There's no hard and fast clarity about how long it can be stored for, but we understand that material has been arriving into the U.S. and has been stored for many, many months, waiting to find a home.

MR. ANDERSON: Chuck Anderson, Capital Trade. My understanding is that although technically you can store it for a long time, there are compelling economic reasons not to do that. The reason for that is the storage tanks themselves are fairly expensive to lease or maintain, particularly with respect to imports. This notion that imports are just coming in to fill temporary Hurricane Harvey, you know, outages is a little bit misleading, because the way to get into the market is to lease a storage tank.

Storage tanks have to be leased for extended periods of time. So when you make a commitment to enter the market you have to essentially assume that you're going to be shipping over a long period of time. Now once you've, once you've leased that tank, the way you maximize your income is through throughput.

That is, you keep filling that tank and emptying that tank. That basically is as if you're a trader, this is how you essentially make your money. So consequently there is a compelling reasons for brokers or traders to essentially treat it almost like a perishable product, and try to get rid of it as quickly as they possibly can, so that they can bring in another load, make their percentage on the load and then, you know, keep going that way, so that they can essentially amortize that fixed cost of leasing that tank.

The tank is dedicated to acetone by the way, and once you lease it, it's basically got to be used for acetone. You can't swap products easily because of cleaning issues and that kind of thing.

MR. HALDENSTEIN: Are the plants ever taken down fully from maintenance, or is that impossible for this, for this production process?

MR. DUHE: Tim Duhe with ALTIVIA. We usually take one plant down at a time, depends on the nature of it.

Each plant's or a lot of the manufacturers have permits, vessel entry permits, things that go on on a five year frequency or some frequency depending upon the equipment.

So there are times where certain pieces of equipment will be taken down, and there are other times where they're scheduled outages, whether it's annually or biannually. But it's usually one unit at a time. It's not necessarily the whole plant.

MR. SANDERS: Paul Sanders, AdvanSix. We tend to have a planned turnaround once a year. We have multiple lines. We'll tend to move one down and then keep one moving, and it's about ensuring that the product we're making is made in a reliable and safe way, and investments appropriate for the long term good of the business.

MR. HALDENSTEIN: Thank you. That's all the questions I have.

MS. CHRIST: Thank you. We'll now move to the economist, Cindy Cohen.

MS. COHEN: Good morning. Thank you all for your testimony this morning. It was very helpful. My colleagues have covered many of the questions I have, but I have a few follow-ups and some additional questions. On the large buyer price, I understand it's negotiated between these two large --

MS. BURCH: Cindy, can you pull your mic a

little closer.

MS. COHEN: -- producers, and three large purchasers. So my first question on that is do you -- do the Petitioners that are represented today, do you sell to those same customers?

MR. SANDERS: Paul Sanders, AdvanSix. We sell to pretty much every application across the industry, apart from the BPA industry. So yes, we sell into the MMA. I would like to clarify the two producers who negotiate the price along with the three purchasers, it's rather for historical reasons it's been in --, not necessarily around size.

MR. DUHE: Tim Duhe with ALTIVIA. We do not have any contract volumes with the MMA producers. Mostly on a spot basis for ALTIVIA. As the prices for contract season continue to decline and the impact of the imports, we couldn't -- we couldn't sell below our cost.

MR. SAFAR: Davor Safar from Olin. We do sell to the MMA producers, at a large buyer minus a discount.

MS. COHEN: Are there other large buyers in the industry that are not these three MMA producers?

MR. SANDERS: Paul Sanders. Yes, the large buyer index is used throughout the industry in fact. So the derivative producers who make IPA, MIBK, etcetera, they use it as a marker. Even when you get into much smaller volume

into distribution, on a weekly basis we can be making an agreement on a spot basis even, for the indexing back to that large buyer with a discount. So it's -- I'd say it's the, it's the ^^^^ it's widely used in the industry as the index of choice.

MS. COHEN: Thank you.

MR. DUHE: Tim Duhe with ALTIVIA, just to add to that. So in that scenario, we're using the large buyer as the index and what you're negotiating is the discounts off of that. There are other consumers that are not quite as big as the MMA guys, but there is another tier of consumers.

MS. BYERS: Bonnie Byers, I just want to make this absolutely clear, because it's critical that everybody understand this. They don't, the large buyers don't pay the large buyer price. They're going to pay the large buyer price minus the discount, and the bigger you are the bigger the discount that you get.

MS. COHEN: Sure. Do the MMA producers have special requirements in selling to those producers? Are they harder to get a contract with --

MR. SANDERS: No. Paul Sanders. The MMA producers are very much like the derivative producers and even the solvents industry, in that the products that they require are standard grade. No special needs at all.

MS. COHEN: I would imagine for large producers,

those supply disruptions would be a big problem for them. Do they tend to have their own storage facilities?

MR. DUHE: Tim Duhe with ALTIVIA. Most of the MMA people do have large storage tanks to insulate themselves from fluctuations. A lot of these guys are also buying in barges. So whenever there's barge traffic, often there are delays on the rivers. So a lot of the producers, not just the MMA but others, have storage tanks for inbound acetone.

MR. SANDERS: Paul Sanders, AdvanSix. I'd like to say that we see the market as pretty well balanced, in that there's enough capacity in the U.S. to meet the total needs of the U.S. market for acetone.

(Pause.)

MS. COHEN: And the small buyer price, is that used for contract negotiations at all?

MR. SANDERS: Paul Sanders. For AdvanSix, we really do not use it. So I think it's used more through the distribution chain as a reference number. But I don't have an awful lot more to add on that.

MR. DUHE: Tim Duhe with ALTIVIA. I agree, that it's mostly a solicitation, actually capturing the prices from the previous month. So the process is to gather the data from individual interviews and aggregate it. Mostly used with distributors and further down the value chain.

MR. SAFAR: Davor Safar from Olin. We do have some smaller customers based on the small buyer index.

MS. COHEN: And I'll repeat Mr. Haldenstein's request to provide the large buyer prices and the small buyer prices for the full POI, and also the RGP data. So speaking of RGP, what is the reason that the propylene prices have gone up so much over the past couple of years.

MR. DUHE: Tim Duhe with ALTIVIA. RGP's also indexed by IHS and a lot of the manufacturers use that as well. Really over the last year, there's been some production issues associated with propylene.

And so the price for the last year has largely been driven by inventory levels or lack thereof, and as a propylene manufacturing facilities come back online and the inventory of propylene increases, we've seen the prices here recently come down a little bit.

So it's largely influenced by the supply and demand in the case of RGP and other propylene.

MS. COHEN: Thank you. So one of these publications that I was looking at showed contract prices through 2020, and they showed declines in the first half of this year and then increases thereafter. Is that something that you've seen in your contracts or do --

MR. SANDERS: Paul Sanders from AdvanSix. I'll be interested to have a look at that. But we certainly

don't have any future, future look at our pricing. All I could say is that certainly we are seeing significant deeper discounts in 2019 throughout the whole of 2019, versus 2018 which was already a much poorer year for us versus 2017.

I'm talking about acetone yeah, and thank you, and you know obviously the influx of the high volume of low-priced subject acetone has been the direct driver for these lower prices and deeper discounts.

MS. COHEN: Thank you. My colleagues have covered a couple of my questions on demand. One of the questions I have is what are the major demand indicators. On like a GDP, construction? What sort of indicators would you be looking at for acetone?

MR. SANDERS: Yeah acetone is -- Paul Sanders, AdvanSix. Acetone is used in multi-industries, from construction, auto, personal care even. So it's a very diverse set of products. But there's certainly been growth linked probably around GDP as a good estimate.

MR. HAYES: Frank Hayes from ALTIVIA. I think it's important to note that the demand in the United States for acetone is closely matched to U.S. producer ability to supply. That's not the case globally. In many nations, their demand for acetone is severely lower than their ability to supply, which has caused --

MR. BURCH: Can you pull the mic up a little

closer?

MR. HAYES: Which has caused the influx of these imports into the U.S. market.

MS. COHEN: Okay, thank you. Have there been any differences in the demand trends for the different end uses like MMA, BPA or solvents? Are they all growing at the same rate or is one stronger than the other?

MR. SANDERS: Paul Sanders, AdvanSix. We haven't seen any significant change in between the multitude of industries we sell into. It's been pretty steady.

MS. COHEN: A follow-up to Abu's question on the method of production. The petition mentions that acetone produces an IPA hydrogenation method, has higher purity levels due to a lack of benzene contamination. Are there different end uses for products that are -- for acetone that is benzene-free, and is there a price premium?

MR. SANDERS: So Paul Sanders from AdvanSix. As Mr. Orava said, we'll follow it up post-conference. But we can confirm that AdvanSix makes the same high quality grades that meets al the end uses for any specialty application.

MS. COHEN: So is there an advantage to benzene-free acetone?

MR. SANDERS: There is a market in the pharmaceutical industry for extremely low levels of benzene specified by the pharmaceutical industry as I said, and

AdvanSix manufactures and sells into that industry. The size of that market is de minimis. The total specialty grade market is well below two percent of the total acetone demand.

MR. SZAMOSSZEGI: Andrew Szamosszegi from Capital Trade. It's also important to realize that if something is the higher purity low benzene product, that's also usable in other applications. It's not just usable in that small market niche that requires that type of purity.

MS. COHEN: So --

MR. SANDERS: Paul Sanders from AdvanSix. I can confirm we sell, we can sell the specialty grade into every standard end use. It's very switchable.

MS. COHEN: Thank you. Is the ability to supply acetone by pipeline or barge versus truck and rail an advantage in this industry?

MR. DUHE: Tim Duhe with ALTIVIA. The transportation costs associated with barge movements are a lot less than rail and truck. So yes, as far as cost to serve.

MR. SANDERS: Paul Sanders, AdvanSix. With the influx of very low-priced subject matter acetone over the last few years, it's really, really critical that we have good transportation to our customers. So we sell in truck, rail and barges. I'm not aware of -- we do not sell in

pipeline, just to be clear.

MS. COHEN: This has been mentioned a few times this morning. Is the Shell shutdown in 2018, which I believe was announced at one point and then it was -- there was a delay in the shutdown. Were the increased imports the result of the Shell announcement?

MR. DUHE: Tim Duhe with ALTIVIA. It's hard to speculate what the brokers, traders were thinking at the time. But once the announcement went out, we did see a big influx of independent traders bringing material in. Shell did announce through customers, maybe not publicly, that they would be idling one of the plants in January. It ended up going down in February. They ended up with enough inventory on acetone to cover them, we think through the April-May time frame.

So you had a little bit of a delay in the shutdown, and over-importing of acetone over the same time period.

MR. ORAVA: Steve Orava with King and Spaulding. Just to highlight that you'll probably hear a lot about all the reasons why the subject producers flooded the U.S. market with dumped imports. But you know, the Shell shutdown didn't have an injurious effect on U.S. producers. What had an injurious effect was the dumped imports coming, flooding into the market, and it was very speculative as to

what they were doing.

You know, multiple traders decided to try to take advantage of the situation. What they didn't realize is that the U.S. producers would bounce back quickly from Harvey, that there was plenty of capacity available including from the ALTIVIA capacity that was coming online, and therefore, you know, their speculation just ended up just generating a significant surge in dumped imports rather than a market opportunity for them.

MR. STEPHENSON: And just to clarify the Shell, our understanding based on the press releases, idled. They said it could -- oh, Clay Stephenson, AdvanSix. Okay. Clay Stephenson, AdvanSix. Our understanding based on the press release is that line is idled and it could restart at a later date, so it's not shut down, as well as if you look at the imports that came in, it's well above that Shell capacity that was idled.

MR. ORAVA: Steve Orava with King and Spaulding, and also they stayed in the market, you know. They've put new tanks in. They've generated a situation where maybe they decided to speculate at one point, but now they're firmly entrenched in the market and they're causing continual and accelerated adverse effects.

MS. COHEN: Did other U.S. producers attempt to fill the gap that was created by Shell?

MR. DUHE: Tim Duhe with ALTIVIA. Yes. As we were ramping up our second production line, we had capacity for acetone to supply some of the gaps that Shell's exit left.

MR. SANDERS: Paul Sanders, AdvanSix. Given our situation of our acetone facility in Philadelphia, then obviously we were able to assist. But I'd like to reiterate that there are a number of downstream users of acetone who were off at the same time. So there really wasn't this swirl of demand that perhaps some of the traders thought there really was available.

MS. COHEN: Have any of your firms been unable to supply the market at any time during the Period of Investigation, and have your firms refused to supply any customers? You can answer now or in the post-conference brief.

MR. DUHE: Tim Duhe with ALTIVIA. In 2016, we were running one line. So we did not have as much acetone available until we started the second line. So there were times in 2017, beginning of -- excuse me, 2016, beginning of 2017 where we weren't going to commit to supply beyond our manufacturing capability. But it's more in the normal process of ramping up.

MR. SAFAR: Davor Safar from Olin. We did have a force majeure due to the Hurricane Harvey, and it was

severely short lead.

MR. SANDERS: Paul Sanders of AdvanSix. Over the Period of Investigation, in particular in 2018, we could have produced additional acetone if we could have found a home for it. However, you know, the influx of extremely low-priced traded price from the six subject countries meant that it would have been unprofitable to make that product and sell the acetone.

MS. COHEN: That's all I have. Thank you.

MS. CHRIST: Thank you. We'll now turn to the Auditor, Sam Varela-Molina.

MR. VARELA-MOLINA: Right. Good morning. I only have a few questions for you all today. Given the financial nature, feel free to answer by post-conference brief. My first question is concerns allocation. Given that there are different ways of allocation COPRA costs, can you explain the rationale behind allocation method used for acetone?

MR. ORAVA: Steve Orava, King and Spaulding. We'll address that in the post-conference. Yeah, they choose slightly different methods.

MR. VARELA-MOLINA: And my only other question I have is what, would your operating margin look like if, without the impact of the subject imports?

MR. HAYES: This is Frank Hayes from ALTIVIA.

In 2016, we had a breakeven margin, as we were starting up the new business. In 2017, as we expanded to the second production line, we had very --

MR. BURCH: Can you please pull your mic a little closer?

MR. HAYES: In 2017, as we expanded into the second production line, we had profitable margins, and in 2018, when we saw he impact, the full impact of the increased imports from the subject countries, our margins fell close to zero.

MR. SANDERS: Paul Sanders from AdvanSix. Clearly, we will provide more information in the post briefing. However, I can confirm you will see a significant downturn in our performance and margin to unsustainable levels when you reach 2018, and it will look even worse as we go into 2019.

MS. CHRIST: Thank you. We'll now turn to the industry analyst, Ellie Nesbitt.

MS. NESBITT: Thank you. Thank you for the comments. I have a few questions. Is phenol, is the phenol market strong at this point?

MR. DUHE: Tim Duhe with ALTIVIA. Demand for phenol is strong right now. In fact, in 2018 we had to curtail production, which left a lot of phenol customers not very happy with us as a result of not being able to move the

acetone.

MR. SANDERS: Paul Sanders from AdvanSix. I can confirm that both in the U.S. and certainly outside of the U.S. in global markets, phenol demand is extremely strong.

MS. NESBITT: Okay, thank you.

MR. ANDERSON: I'm sorry. Chuck Anderson, Cap Trade. Just to elaborate on that issue, because I heard it come up in the opening remark, that it's all driven by phenol and then, you know, that's what's going on here because phenol demand is high and robust.

That's not a U.S. phenomenon; that's a global phenomenon. That's happening around the world, which means that there's economic incentive for any co-producer to produce as much as they possibly can right now to get the phenol price, but it does create the issue of the acetone.

So it affects not only U.S., but it also affects production, particularly with respect to export-oriented production in places like Korea. And so that essentially creates an imbalance in the acetone market, and it leads to the -- essentially the search for other markets which drives imports up.

MR. SZAMOSSZEGI: Andrew Szamosszegi. I'd like to add to that, since Chuck brought up Korea. If you look at the -- not the confidential data but the GTIS data for Korea, you'll notice that there was a big jump in exports to

the United States during the POI, and that jump correlates quite nicely with their decline in exports to China, because China has been building up, building its own facilities and needs less imports.

So that creates certain imbalances around the world, and a lot of that extra material that becomes available comes here.

MS. NESBITT: Okay, thank you. Just for the record, you mentioned a decertification of purity. If you could just give an idea of the purity levels, it would be helpful please. You can do that in the brief.

MR. SANDERS: Yeah. We would treat that as Business Confidential, but we can certainly provide you that information.

(Simultaneous speaking.)

MS. NESBITT: -- particular percentage.

MR. SANDERS: Absolutely.

MS. NESBITT: Thank you. Do all the subject country producers use the cumene process?

MR. SANDERS: Paul Sanders, AdvanSix. We believe that they all use the cumene process, apart from the producer in South Africa.

MS. NESBITT: And the South Africa producer uses?

MR. SANDERS: I'll have to look at my notes.

Give me one second.

MR. SZAMOSSZEGI: Andrew Szamosszegi. I think it's a coal-derived product using the Fischer-Tropsch technology.

MS. NESBITT: Thank you. Another question please. Are the subject countries also focusing on U.S. export markets? Are U.S. export markets being affected?

MR. DUHE: Tim Duhe with ALTIVIA. Obviously located in Ohio, we don't do a lot of exports. But there is decreasing opportunities to export to areas like South America and Mexico, as a result of the material coming out of the Far East especially. So there was a time where you would export to South America. That's pretty much dried up with the U.S. producers.

We still maintain some business to Canada and other parts of Mexico that are not coastal and not the big volume stuff, the smaller volume stuff.

MS. NESBITT: Okay.

MR. SANDERS: Paul Sanders, AdvanSix. The export markets are not that material for us. We are certainly focused on supplying acetone into the U.S. industry, particularly in light of the extreme amount of imports of low-priced, dumped product from the six subject countries.

MS. NESBITT: Thank you, and the -- I think

everybody else has covered my other questions, so thank you.

MS. CHRIST: Thank you. We'll now turn to the Supervisory Investigator, Craig Thomsen.

MR. THOMSEN: Thank you to everyone that has come to provide testimony here. I appreciate all the testimony that's had so far, as well as the answers to the question. I do have a few based on various aspects of the market, where you've given testimony on.

The first one actually is, is more of a response to the opening statement given by Respondents about the long-term business cycle in acetone pricing. It's more just a request in your post-conference brief to submit any evidence that either shows or denies and refutes that trend that we've been seeing. It does go beyond our normal Period of Investigation, so we would not have collected any data on that as of yet.

The second topic I want to touch on is Shell. I've heard a couple of things regarding Shell. Did it shut down or idle its domestic facility, and that was in February, end of February 2018?

MR. SANDERS: Yeah. Paul Sanders, AdvanSix. I can confirm that they idled their facility at the end of February 2018.

MR. THOMSEN: And was it restarted at all?

MR. SANDERS: It has not been started yet, but

given it's idled, then it could be.

MR. THOMSEN: Okay, and where was it located?

MR. SANDERS: In Texas.

MR. THOMSEN: In Texas, and did this idling, was there a reason that Shell gave for the idling of this facility?

MR. SANDERS: It's not for us to speculate on their reasons.

MR. THOMSEN: They may be better, but we have not heard anything from them. Does anyone -- did anyone read anything in trade journals saying the reason?

MR. DUHE: Tim Duhe with ALTIVIA. They did not publish a reason. They communicated to their customers, so their customers could go then and seek supply from alternate suppliers.

MR. THOMSEN: Okay, and how long after Hurricane Harvey was that announcement made?

MR. DUHE: Tim Duhe with ALTIVIA. Hurricane Harvey was in August of 2017. The first announcement came out in November-December time frame of '17.

MR. THOMSEN: Okay, thank you. I guess turning to Hurricane Harvey, for ALTIVIA and AdvanSix, how did your business change during Hurricane Harvey, given that your production is not in the area that was affected?

MR. DUHE: Tim Duhe with ALTIVIA. We hit it

pretty right. This was at the same time we were ramping up our second line, and we were the ones with the head space. So while we didn't have contract volumes, it pushed some spot volumes and an opportunity to respond. Not just direct customers, but also to back up other producers.

MR. THOMSEN: Okay, and for AdvanSix?

MR. SANDERS: Paul Sanders, AdvanSix. We obviously tried to help our existing customer base as much as possible with offering acetone as needed. So we weren't necessarily impacted by the hurricane itself.

MR. THOMSEN: And did you have capacity to like ALTIVIA did, in order to offer your customers?

MR. SANDERS: In 2017, we had a little bit of capacity, perhaps not as much as ALTIVIA given that they were ramping up from one to two unit lines.

MR. THOMSEN: Okay. And I guess this kind of goes toward the cost side of things, but it has an impact on Hurricane Harvey. Although supply and demand you testified decreased during Hurricane Harvey because the purchasers were impacted, your fixed costs that you have said you need to cover would not have changed.

And so what was the financial impact of let's say the Gulf Coast producers on this for -- how long were you shut down or what impact did it have on your fixed costs that you were not able to cover because both demand and

supply had fallen?

MR. SAFAR: I would prefer this as confidential information to I mean respond in the post brief.

MR. THOMSEN: That would be appreciated. Thank you.

MR. ANDERSON: Mr. Thomsen if I might add, if you take a look at the graph up here that has the large buyer price, if there had been a perceived shortage --

MS. CHRIST: Your name?

MR. ANDERSON: Chuck Anderson, Cap Trade. If there had been a perceived shortage in the market, you would have expected that there would have been a bump in the large buyer price, you know, in the fourth quarter of 2017. That is, the price over the cost of RPG. There doesn't appear to have been a price effect at all, suggesting that there really, in the end there wasn't any shortages.

MR. THOMSEN: Okay, thank you. I'm looking more on the cost side of things for fixed costs that you weren't able to amortize, rather than the prices. But thank you. Speaking prices actually, that's good to have up there. Just in general terms, is the discount far off the LBP in terms of cents or percent?

MR. DUHE: Tim Duhe with ALTIVIA. The discount off of the large buyer is a percentage of the index.

MR. THOMSEN: Okay, thank you. I'm going to

turn now to phenol. Is there a large buyer price for phenol as well?

MR. DUHE: Tim Duhe with ALTIVIA. Phenol is often or generally priced off of the benzene component of the cumene molecule. So for phenol, negotiations are generally on benzene, plus matter, plus freight.

MR. THOMSON: So there's co-production of phenol and acetone and phenol is based off of the benzene price and the acetone is based off somewhat of the RTP price.

MR. DUHE: Right.

MR. THOMSON: Have there been differences in the prices of RGP versus benzene since 2016.

MR. DUHE: There has been and we talked about -- the Tim Duhe with ALTIVA, we talked about the inventory levels of propylene in 2017 as a result of the supply side and so you saw that pushing up propylene prices which because the large buyer is negotiated as a spread over propylene, you say the increase in the large buyer go up during that period of time, mostly driven by the propylene.

MR. THOMSON: Okay.

MR. SANDERS: This is Paul Sanders with AdvanSix. I would like to add a point maybe that the drivers for benzene and propylene price, downstream drivers at least polypropylene drives propylene pricing and that is very

discrete and different from ethylene or styrene which could drive benzene pricing

MR. THOMSON: Okay. Thank you. If I can stay on phenol for a second, what's been happening to inventories of phenol since the start of 2016. If this is business proprietary you don't have to answer here but I'm interested in knowing what's been in general happening at the post-conference brief if you want to give more specific detail that would be appreciated.

MR. ORAVA: Steve Orava with King Spaulding. Yes, we are prepared to do that.

MR. THOMSON: Okay that's great. Thank you. Okay I guess it's taking a little bit with possible phenol. We've heard that acetone is stored in tanks and can these tanks be used to store other chemicals or are they dedicated to acetone for the life of the tank?

MR. SANDERS: Paul Sanders, AdvanSix. Once someone takes on a terminal, a tank for example to consume acetone and only acetone can be put in it. It would be a completely different tank and very different ways to store phenol for example. They are not as interchangeable.

MR. THOMSON: Okay and would there be other chemicals? I'm thinking of the leasing of the tanks. Are these tanks then that the importers are leasing then dedicated acetone tanks from a provider at the time?

MR. SANDERS: Paul Sanders, AdvanSix. We understand that if you have a tank that includes acetone, if you need to put another product in it you would have to take all the acetone out, go through the costs of cleaning, repurposing and obviously have to buy out the expensive lease.

MR. THOMSON: Sure, sure. And this is a question for Mr. Anderson. You had been talking about the leasing of tanks. I assume there is some sort of market for the storage tanks based on supply and demand, is there any way to know how many tanks have been leased? Is there any kind of market availability that the Commission can look at?

MR. ANDERSON: Not to my knowledge but Paul might know better.

MR. SANDERS: Paul Sanders, AdvanSix. There's no known industry publication that can tell you how many tanks are there. But we have a view and we can provide some information post-briefing of where they are and who has some. It wouldn't be 100 percent but it would be pretty close.

MR. THOMSON: It would be more than I know. I appreciate it. Similarly, just an offshoot of tanks do the MMA producers comingle the U.S. product with imported product in the tanks or would there be something that might prevent this?

MR. SANDERS: I understand that MMA derivative producers, anyone with a tank can comingle multiple sources from the six Subject Countries as well as domestic production.

MR. THOMSON: Okay. Would they comingle the smaller specialty with the technical grade or would they keep those separate because they are paying a higher price for that?

MR. SANDERS: Paul Sanders, AdvanSix. The amount of specialty grade out there is well below 2 percent of the total demand for acetone. There are no significant major uses with a specialty grade. So most sales are specialty grade as in would be in much smaller quantities like in a truck for example rather than a barge.

MR. THOMSON: Would they be stored in smaller tanks then?

MR. SANDERS: They would be significantly smaller tanks.

MR. THOMSON: Okay. Thank you. Just in general are there any rebates that are offered in this industry for this or is this something that's not done in the industry?

MR. DUHE: Tim Duhe with ALTIVIA. We do not have any rebates in acetone. Most of the discounts were negotiated ahead of time to accommodate for any price adjustments.

MR. THOMSON: Okay. Is that the same for Olin and AdvanSix?

MR. SAFOR: Davor Safor, Olin. Yes, the same.

MR. THOMSON: Mr. Sanders?

MR. SANDERS: I prefer to keep that confidential but we can certainly update you.

MR. THOMSON: We will look forward to that. Thank you. In terms of customer preference, thinking of the specialty products, do some customers prefer acetone made from certain processes such as those that are not produced using benzene?

MR. SANDERS: Paul Sanders from AdvanSix. We see the standard grade and the de minimis. The specialty grade is produced from multiple operations with different and raw materials and all fungible. We do not see any customers specifying one particular route to manufacturers over another. MR. THOMSON: Are there ever any benzene left over in the standard grade acetone that you produce as it goes through various testing or is there a limit to the amount of benzene that can still be in there?

MR. SANDERS: Paul Sanders, AdvanSix. We will supply the information post conference but I can confirm it's PPM metals.

MR. THOMSON: Mr. Sanders, another thing. I believe you said earlier that you don't sell to the DPA

Market. Is that correct? MR. SANDERS: Paul Sanders, AdvanSix. We do not.

MR. THOMSON: Okay. And is there a technical reason for that or is it a preference or I'm trying to figure out the reason why because that seems to be the 2nd largest market, correct?

MR. SANDERS: Paul Sanders. It's just a historical artifact of how we had grown out the business. We are selling significant volumes across all the other industries.

MR. THOMSON: Okay. Earlier, you had said that you did not see any effect of the different demand trends across the different product or customers that you sell to, that the demand has been increasing across the various ones but given your exclusion from the BPA market I'm wondering how demand for BPA has changed over the time.

I know I have heard many reports of the negative effects of BPA. I've seen BPA grade water bottles over and over again. It is definitely a selling point. It is out there on the market. Given that AdvanSix doesn't sell there I'm wondering if Olin or it looks like Mr. Safar wants to answer this. Go ahead.

MR. SAFAR: Davor Safar, Olin Corporation. When you look at the BPA you need to look at what are the final markets. The biggest part of the BPA ends up in the

polycarbonate market and this is 75 percent of approximately demand. The rest ends up in the epoxy, which you read in the papers is a very small part of the epoxy market which is the food contact.

We can provide you with the FSAR Report, the FDA Report on the BPA so this is a topic that was public for I think maybe before I was born, but in general we don't see that this impacts the demand for the BPA. Demand for the BPA is driven by the polycarbonate final applications which you can consider the automotive, the big ones.

The epoxy applications that are 50 percent of the epoxy market are approximately coatings. Not necessarily for the coatings linked to the food contact. It's automotive coatings and those other applications.

MR. THOMSON: Okay. If you can provide an estimate of the food contact market or that, I think that would be helpful. I think I may have just one other avenue that I wanted to explore. I believe from earlier testimony that it seemed that the three Petitioners here all had just either bought or restarted their facilities or they'd been spun off from other companies. Am I getting that right?

MR. SANDERS: I can start. Paul Sanders, AdvanSix. We spun off from Honeywell just over two years ago but the business that spun off is exactly the same as

operated in Honeywell and the Resins and Chemicals Organization in the business model within Honeywell, so there has been no change in our manufacturing output.

MR. THOMSON: So the production side has not changed, it's just the corporate side that has changed?

MR. SANDERS: The corporate side has changed and obviously a new customer name.

MR. THOMSON: Sure. And for Olin?

MR. SAFAR: For Olin, Olin has purchased Dow Chlorocoli and Epoxy business and as part of the epoxy business it was the Oyster Creek asset that came into the Olin portfolio but I mean there were no changes. It was just the change of the ownership.

MR. THOMSON: Okay. What was the date on that again?

MR. SAFAR: End of 2015.

MR. THOMSON: 2015, okay.

MR. HAYES: Frank Hayes, ALTIVIA. The Haverhill facility dates back 20+ years. That was originally a Sunoco Facility. Sunoco chose to leave the business, sold it to private equity Gerotic Group that Mr. Duhe referred to, they were not able to keep it economically viable and went into bankruptcy and ALTIVIA purchased it in the 4th quarter of 2015 and have successfully restarted the facility.

MR. THOMSON: Okay, I'm just trying to see. It

seems like 2015, 2015, 2017? You said two years ago, was that 2017 or 2016?

MR. SANDERS: Paul Sanders, 2016.

MR. THOMSON: Okay. So these are all very much in the same timeframe and I'm wondering if there is some sort of broad reason why multiple companies would be divesting themselves, spinning off, selling all in the same timeframe. It doesn't seem weird, it just seems that I'm trying to figure out if there is some underlying reason.

Would there be something in the market that everyone thought it was a good time to sell off their acetone assets or it was a good time to restart? What was happening? Were prices extraordinarily high at that point and it seemed like that would be a good time to sell off those assets?

MR. ORAVA: Steve Orava with King and Spaulding. I think that would account for speculation of one company on another. What we can do for you though is talk to each one of them individually and see if there are any consistent factors that might be relevant.

MR. THOMSON: Great, great. Just as a secondary I'm trying to, you know, whenever you have a change in ownership I know there are costs associated with that and financial impacts of that and if you could follow that as well to see what the financial impacts of that were through

the POI that would be wonderful.

MR. ORAVA: We are happy to do that.

MR. THOMSON: Okay, and with that, that's all the questions that I have. Thank you very much to this Panel.

MS. CHRIST: Thank you. Before proceeding I'm just going to scan and see if there are any follow up?

MR. KANU: Thank you all again. I just have one follow up question regarding standard grade acetone. You guys state in the Petition that standard grade acetone meets various testing and certification, correct? And if that's the case, is there any specification that U.S. Standard Grade does not meet that Subject Imports meet in the market?

MR. SANDERS: Paul Sanders, AdvanSix. So 98 percent we estimate of the market is standard grade, that everyone makes all around the world. Highly fungible product, traded freely, obviously and you've seen the impact of the six subject countries and the impact on pricing and margin for the producers here in the U.S. based off of the imports.

The specialty grades you talked around have certain specifications that are required by some niche industries or niche end uses if you look at the total acetone given is way less than 2 percent of total market. We're happy to provide that data post-conference but I can confirm we manufacture all the grades that are required by

the U.S. Industry.

MR. KANU: Thank you.

MR. DUHE: Tim Duhe with ALTIVIA just to add a comment to Mr. Sanders' comment. If 100 percent of the imports was specialty grade it would flood the specialty grade segment as well. It would be far larger than the 2 percent in the market.

MR. ANDERSON: Chuck Anderson and the implication being that the majority of the vast majority of Subject Imports are being sold into the standard grade market.

MS. CHRIST: We'll move on. Any more questions?

MR. HALDENSTEIN: Michael Haldenstein, Office of the General Counsel. How have phenol prices moved during that Period of Investigation?

MR. SANDERS: I'm thinking through now. Paul Sanders, AdvanSix. Phenol is based on an adder over the benzene raw material as indicated earlier by some of the Petitioners so if you take a look at the movement of benzene and you'd seen benzene relatively increase in the Period of Investigation of the three years. So with that phenol pricing has seemed to increase as well, just as a factor because it contains benzene.

There has been some movement upwards due to the, on some of the adders as we go through the investigation period but we can provide you with that information

post-briefing.

MR. DUHE: Tim Duhe, ALTIVIA. We can do the same thing is provide additional information post-conference.

MR. HALDENSTEIN: Thank you, please provide any data you have on phenol prices. I also have a question about swaps of acetone between the Domestic Producers. Is that something that occurs?

MR. SANDERS: Paul Sanders from AdvanSix. It's a very small proportion of the total industry so it's probably only a few percent of the total acetone traded but it is possible given the fungibility of the product.

MR. HALDENSTEIN: Can you address why that occurs either here or in your post-conference brief?

MR. DUHE: Tim Duhe with ALTIVIA. It really is on exception cases. Usually when someone has an outage or if there is an opportunity to improve our cost to serve by making an exchange which is cheaper freight than shipping something all the way up from the Gulf Coast up to the Chicago area as an example.

So there's different reasons for facilitating a swap or an exchange but it's almost kind of an event-driven. It's not the normal practice, it's just something that's caused us to maybe take a look at it that's going to make sense for both parties.

MR. HALDENSTEIN: Thank you. Can you also

address how it's accounted for?

MR. DUHE: We will probably have to do that off --

MR. HALDENSTEIN: Please. If possible. Thank you, that's all the questions I have.

MS. CHRIST: Any other questions? All right. Thank you. I would like to reiterate everybody's gratitude that you guys came.

As you can tell, we get the Petition and it's a lot of different pieces of information in the nice outline that we've come to expect but with you guys coming here it gives us an opportunity to take this information and clarify it, get some additional questions asked and really try to create a cohesive story that makes sense for both sides so we can really provide value to the Commissioners in our report.

The rest of the team has asked all of my questions except for one. Well, one information request and one question. Information: I would appreciate if for the presentation and any other data that you've provided if you could provide the full POI of data. I've noticed that some of the slides have just 2017 or just 2017/2018. If you could provide the full POI for whatever date was provided here or mentioned, I would really appreciate that.

Again, I like seeing the full story across the

whole period. One question, I did notice that at times it was mentioned the contracts were either the large buyer index or price plus a discount and other times it was identified as the RGP plus an adder. If you could clarify why would a purchaser choose one or the other, is it by size of purchaser or by channel of distribution? Is there any kind of particular risks mitigation that a purchaser might be trying to insulate themselves by choosing which one of these and how does it play out in the overall pricing, depending on which contract pricing vehicle you use?

MR. DUHE: Tim Duhe with ALTIVIA. Would you like that now or as a follow up?

MS. CHRIST: Yes, if you have a generalized reason why, yes. Definitely. All the other data can be in the post-conference brief.

MR. DUHE: Tim Duhe with ALTIVIA. For us it's been customer driven. We have some customers that price their products off of the large buyer index so they prefer to move together with a large buyer. We have some customers that price their products off of RGP and that's where the request comes in to price off of the RGP and for them it's protecting their margins all the way through their sales chain.

MR. SANDERS: Paul Sanders from AdvanSix. It's

the same for us. I would say the large buyer market tends to be the predominant.

MR. SAFAR: Davor Safar, Olin. We have most of our pricing based on the large buyer index.

MS. CHRIST: Thank you very much. I timed that question so we would end exactly at noon. It's what I've been practicing all of yesterday to do. We've ended here at noon and I think that if you don't mind what we will do is before moving on to the next Panel we will take a, let me see what look I get if I say it, a 30-minute break, if we can reconvene here at 12:30 and we will start with the next Panel. Thank you very much.

(Whereupon, at 12:00 p.m., an afternoon recess was held to reconvene at 12:30 p.m., this same day.)

A F T E R N O O N S E S S I O N

MR. BISHOP: Will the room please come to order.

MS. CHRIST: Welcome back, everyone. Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Chairman, I would note that the panel in opposition to the imposition of the anti-dumping duty orders have been seated. All witnesses on this panel have been sworn in, and this panel has sixty minutes for their direct testimony.

MS. CHRIST: Okay. Thank you. Welcome to all panel members. I would like to reiterate again that before you provide testimony and in response to questions, if you could please speak directly into the mic and also, the closer you get to the mic, the people in the back can also hear you. So I might advise, like, oh, I don't know, half an inch to an inch, if you're looking for a quantitative direction there. So thank you again. And please begin when ready.

STATEMENT OF QAMAR BHATIA

MR. BHATIA: Good afternoon. My name is Qamar Bhatia and I am the President of Monument Chemical. Before joining Monument in 2017, I worked for Honeywell Corporation from 2002 to 2016. At Honeywell, I was the General Manager of the Resins and Chemicals Division, that included the phenol/acetone business, from 2006 to 2014.

Honeywell spun off Resins and Chemicals in 2016, and it is now know as AdvanSix. I hired many of the current AdvanSix executive team while I was managing that business, and I consider them friends and colleagues. But as I will explain, I believe their decision to seek anti-dumping duties is their attempt to deal with a normal, transitional phase in the market.

Monument Chemical is an American specialty chemical manufacturer privately owned by two families based in Indianapolis, Indiana. We have four plants in the U.S. and one in Antwerp, Belgium. Our Houston plant manufactures and sells a line of chemicals, made from roughly 180 million pounds per year of purchased acetone, that are used as solvent in coatings, inks and for cleaning.

They are also further reacted by our customers to make specialty products for lubricants, coatings and mining products. Mostly, our products are sold with the same specifications as our competitors, so the key to our business success are reliable service, quality and having consistent, predictable supply volume for our acetone raw material.

I came here to give testimony today because I believe the petition gives an incomplete story of the profit level and profit drivers for the petitioning firms, and the reasons behind short-term prices and import volumes. Phenol

and its by-product, acetone, are made from two steps of chemistry that starts with two base feedstocks called benzene and propylene.

It is arbitrary to judge the profitability by only looking at acetone price versus propylene cost, and not to include the majority of the cumene process volume that is phenol. Profits for phenol and acetone need to be looked at together. In the case of AdvanSix, profits also are made from the sale of caprolactam, where a majority of their phenol is used as raw material.

Today, I would like to talk about three things: (1) How Monument manages our acetone supply needs, (2) Our experiences in the last few years that drove us to increase the purchase of import material, and (3) Why the industry needs free flow of acetone imports and exports for its long-term health.

Since our consumption is in the U.S. Gulf Coast, it is certainly easier for us to buy acetone from U.S. producers who generally should have shorter lead times, lower shipping costs and access to low cost U.S. natural gas and raw materials. In fact, acetone freight costs from Belgium or Korea is typically over $100 per metric ton.

However, acetone supply is driven by global demand for phenol, and acetone production is a byproduct of that. When phenol demand is weak, there is less supply of

acetone and when phenol demand is high, there is more by-product acetone. Apparently because of the phenol market conditions, three U.S. plants shut down from 2013 to 2018. The Blue Island plant in Chicago shut down in 2013, the Axiall/INEOS plant in 2016 and the Shell Houston plant in early 2018. These three totaled about 15% of the total U.S. capacity. This has left the U.S. structurally short of acetone and requires imports to be balanced. The current situation is actually a period of rebalancing and finding a new "norm" for imports volumes needed.

Let's talk about the 2017-2018 supply contract situation. The adjustments to U.S. phenol production had a more profound effect on Monument. Much of the U.S. acetone market for large buyers and sellers is based on annual or multi-year supply commitments that are typically negotiated in the fourth quarter to cover the following year.

In 2017, we were told by several of our usual U.S. suppliers, including all three petitioners, that they would be restricting the volume of acetone they could supply us for the following year. At the end of November 2017, we were significantly short on contractual volumes for 2018. One petitioner, in response to our request for more volume, explained that the volume we had already contracted, "is the best we can do with Monument under contract. Could have some spot availability, but depends on how phenol side

evolves." We will share copies of e-mails in the post-conference brief. And we have statements from all three of the petitioners.

The result of this news from the domestic suppliers was that we were left with a shortfall of well over 50 million pounds for our 2018 needs. This forced us to increase the volume of supply we got from imports in order to keep our business running. Disruptions like the four to six week shutdowns after Hurricane Harvey and the Shell plant closure, led to Monument losing committed acetone volume during the critical contracting time of year, and led to our policy of diversifying our supply chain.

Standard-grade acetone is very much a global commodity. Basically everyone around the world makes it to the same fungible spec, and ships their product to multiple global markets in order to balance out their phenol production.

This means that the low-input cost and low-transportation cost U.S. producers should be able to sell "profitably" on the U.S. market in the long run. I put "profitably" in quotation marks because accounting methodologies related to co-product and by-product accounting mean that phenol/acetone producers can show a profit or loss depending upon how they allocate costs.

The only reasons U.S. producers may not be profitable are either: (1) phenol demand changes, driving changes in phenol production and, consequently acetone production, or (2) contract portfolio mismanagement. That is, if a company bets its contract strategy on a tight market, and changes in phenol demand cause the acetone market to go long, or in the opposite situation, the contract-strategy bet can turn against the company. That is the risk of any gamble, but it is disconnected from actual imports.

Monument's purchasing strategy is focused on having very reliable supply that meets our quality requirements, and within world market pricing parameters including shipping cost. Available industry data shows that regional prices for acetone can differ based on temporary differences in the local value of propylene, which is one of the raw materials for making acetone. However, this industry data shows that the differences are temporary and the prices are balanced in the long term. For this reason, Monument's long-term business success is dependent on us having a diverse set of U.S.-based and international supply sources.

Thank you for your time. I'm happy to answers questions you may have.

STATEMENT OF CARLOS DIAZ CASTRO

MR. CASTRO: Good afternoon. My name is Carlos Diaz Castro. I have been working for CEPSA for twenty-two years and have spent eighteen of those years with the phenol and acetone business. I am now Vice President of Sales and Marketing, Phenol Chain Business Unit for CEPSA Quimica with global responsibilities.

CEPSA is a 90-year-old multinational energy company with oil and gas businesses, refining, electricity and, of course, petrochemicals, known as CEPSA Quimica.

CEPSA Quimica has four different business units and production plants in Spain, Germany, Brazil, China, Indonesia and Canada. The phenol and acetone business unit has manufacturing facilities in China since 2015 and Spain since 1994. We are the largest cumene producer in the world and the second largest producer of phenol and acetone in the world.

CEPSA uses the cumene process to produce phenol and its by-product acetone. Benzene and propylene are combined to produce cumene. Cumene, which is then oxidized to produce phenol and acetone. For each pound of the primary product phenol, 0.62 pounds of acetone is produced as a by-product. To economically operate a phenol unit, the total cost of converting cumene into phenol and its by-product acetone must be covered by the commercialization and/or further processing into derivative products of both

phenol and acetone.

Standard-grade acetone is a commodity that is traded freely between different geographical areas, subject to impediments such as transportation costs. Some acetone customers have global positions by being present in Europe, Asia and the U.S. The main markets for CEPSA are Europe and China. However, for decades we have had a small, stable position in the U.S. market, nowadays representing approximately 5% of our global acetone sales.

Acetone consumption growth is expected to be close to 2% in the U.S. and about 3% globally. Phenol consumption growth is very linked to GDP growth globally. The USA is a net importer of acetone, particularly after the announcement of the shutdown of one of the U.S. phenol/acetone lines in 2017 by one of the largest producers in the country, Shell.

There are two types of acetone customers in the U.S. and Europe when it comes to pricing:

First, large buyers: Usually supplied by bulk, that is, by barge or vessel. They normally have a share of their total purchases under contracted formulas with some link to raw materials, the rest of their procured volumes are based on market price, or "spot" price, which is 100% linked to supply/demand dynamics of phenol and acetone.

Second, distribution customers: Usually supplied

by truck, container or rail. They normally have a price based on market price which is again linked 100% to supply/demand dynamics of phenol and acetone.

Regarding China, all customers are linked to daily market price, 100% dependent on supply/demand balances of phenol and acetone.

Thank you for your time. I will be happy to answer any questions you may have.

STATEMENT OF RANDY VELARDE

MR. VELARDE: Good afternoon. I am Randy Velarde, Founder and President of the Plaza Group, a Hispanic-owned family business located in Houston, Texas.

Thank you for allowing me to address you today on acetone, a product that I have been involved with for over thirty-seven years in my business career. I may be the longest-serving representative of this product of anyone that you'll be talking to during this process.

I began my career with Shell Chemical, followed by Texaco Chemical and for the last twenty-five years, the Plaza Group.

I've been involved in acetone during that entire time, either in sales, business management and as a core product for our company since 1994. As you may have heard from others, acetone is a by-product of making phenol. It is a core product for our company.

Briefly, the Plaza Group business model is one of taking by-products from chemical, refining and other related facilities to market for the producer of that by-product. Producers consider them "orphan" products and do not want to focus their own limited resources on these products, instead focusing their organization on their core products and businesses.

Today and over the years, we have performed this function for companies such as SABIC, Shell, Total, CEPSA, Valero, Olin and many others.

We handle the so-called "soup to nuts" for these companies for these products including business planning, supply chain, sales and customer service and all other functions required to operate these businesses.

We perform these functions for a fee, a percentage of the selling price of the product that we sell. And in acetone, this is exactly what we've done for our twenty-five years in business.

We are very proud of many things as we celebrate our silver anniversary this year, and many others have recognized our accomplishments as well over our years. I provide the Committee some of those accomplishments.

More importantly, we do our very best to abide by our core values. We believe these principles have led to our success over this period of time. Two of these examples

include being honest and forthright, being financially responsible.

Now let me tell you a little about some of my concerns regarding this petition. As a result of the decisions to shutter a number of phenol plants in our country over the last five years, largely due to overcapacity in phenol production and the demand for this product growing and moving to Asia, the U.S. and the Americas overall now has a structural shortage of the by-product acetone in an amount of approximately 164,000 short tons in North America. Perhaps what spurred this discontent among the coalition was the sequence of events that occurred with the latest shutdown.

Let me provide some perspective. In late 2017, you've heard, Shell announced it was shutting down one of its two phenol production units in the Houston area. A victim of low demand for phenol in the U.S., and the lack of ability to export phenol profitably to Asia due to new capacity in that region, largely China.

Although Shell made this decision due to changes in demand for its core product phenol, it naturally had a big impact on the market for the by-product acetone. There was an overreaction to this "announcement", the loss of about 100,000 metric tons of acetone from the market that had to be replaced as the U.S. was fairly balanced on this

product at that time.

The announcement was made during the contracting season when acetone buyers sought to contract for their 2018 needs. Buyers had to find volume somewhere, and, in the face of a shortfall from the U.S. suppliers, they turned to imports. Then, as you've heard before, to everyone's surprise, phenol demand began to increase. Acetone also entered its "slow season", as it is the end of the year typically.

And to compound this acetone oversupply problem, Shell's actual shutdown was delayed. It was not a good scene for any of us, the longstanding participants in the business, some newcomers who came onto the scene to provide the import volume, with all these factors, simply provide more volume than was needed.

Most of those newcomers have now left the scene. Unfortunately, this process took about seven to nine months to play out.

As I mentioned, I've been around this product for thirty-seven years. I've seen a few cycles and market responses, much like I just detailed. I believe this too would pass -- and, in fact, it did. Imports have returned to traditional levels if normalized for the product required after Shell's shutdown. As our country has so brilliantly done for a few centuries now, let the free, capital markets

dictate the winners and the losers.

A few other points in my conclusion:

First, AdvanSix did approach me a few times asking me to stop importing, offering to sell acetone. But most importantly with an offer that was not consistent with our business model, a fee-based model. We could not take their offer. We sell acetone and receive a fee for our services. We do not buy inventory to store and mark-up and resell at a later time.

Second, the production is based on demand for the primary product phenol. Duties on imports of acetone would not lead to more production in the United States. Instead, all it would do is to force the many industries that rely on acetone as a raw material to either shutdown or move their production to other parts of the world, decreasing U.S. demand for acetone.

Thank you for your time and attention and I'd be pleased to answer any questions that you might have.

STATEMENT OF ROBERT CONNOLLY

MR. CONNOLLY: Good afternoon, Commission staff. My name is Robert Connolly. I am the Director of Procurement for Lucite International.

I am going to talk about the MMA industry as the largest segment for acetone sales, consuming approximately 45 percent of the acetone sold in the United States.

Acetone is also sold to the solvent segment, pharma segment, as well as for BPA to produce polycarbonates.

Now in reference to Lucite International, it is a wholly owned subsidiary of Mitsubishi Chemicals. On a global basis, Mitsubishi Chemicals and Lucite are the largest global producers of methyl methacrylate monomers. Our MMA and methyl acrylate acid assets, with 13 production facilities around the world, using a variety of proprietary technologies which I will reference shortly.

Lucite has two MMA producing facilities in the United States, one in Millington, Tennessee, and another in Beaumont, Texas. MMA is produced via various production routes, C2, which is ethylene based technology; C3, which is acetone cynahydrine, which is dominant in the West, being Europe and the United States; as well as C4, isobutylene, consuming isobutylene or MTBE as a feedstock.

Most common end uses for MMA are architectural coatings, acrylic polymers, and acrylic sheeting. Escalating raw material costs such as acetone can influence the substitution of MMA to lower-cost monomers in these market segments.

An alternative lower-cost production technology versus acetone or a ACH-based MMA technology is our C-2 ethylene-based MMA technology. Currently there are no ethylene-based MMA production--there is no MMA-based

production in the U.S. or Europe, but Mitsubishi Chemicals and Lucite have two ethylene-based MMA plants, one in Asia in Singapore, and the other in the Middle East.

An ethylene-based MMA plant is significantly lower cost to build by approximately 40 percent than an acetone cynahydrine plant. In addition, this technology has lower fixed costs and lower variable production costs than acetone-based technology.

In reference to supply and demand, as the price of acetone increases, acetone based MMA becomes more expensive, driving the potential for substitute lower cost monomers versus MMA. As a constraint on acetone-based MMA, lower cost ethylene based MMA can and will be imported into the United States to compete with more expensive acetone-based MMA and thwart substitution. Therefore, as a condition of competition, ethylene-based MMA will influence--will have an influence on the volume of acetone-based MMA that is produced in the United States.

The majority of acetone produced as a byproduct of phenol production, the basic production process, is where benzene and propylene are combined to make cumene. The cumene is further processed to produce phenol and acetone. Because benzene is similar in structure to phenol, as is propylene to acetone, phenol contracts typically use a benzene-plus adder pricing mechanism, which means the phenol

price is based on the current month benzene price plus an adder in cents-per-pound.

Acetone prices for the MMA segment or large-buyer segment, as it has been referred to today, are freely negotiated on a monthly basis and typically move in line with the price of a refinery grade propylene.

For every one pound of phenol produced, .62 pounds of acetone is produced. Phenol demand determines the operating rates of these plants. If phenol demand increases faster than acetone demand, acetone inventories increase. The converse is true as well, which would cause acetone inventories to decrease.

Over and above the normal price movement of acetone in relation to refinery grade propylene, there have been numerous occasions in the past five years when phenol demand was sluggish, which resulted in a less byproduct acetone being produced.

As a result, acetone prices increased well above the typical differential between propylene and acetone due to constrained and limited supply.

I thank you for your time and the opportunity to discuss acetone supplies that relates to the MMA industry, and I will be pleased to answer any questions that you may have.

STATEMENT OF CHRIS FREDERIC

MS. FREDERIC: Good afternoon, Commission staff. My name is Chris Frederic. I am Manager of Direct Procurement, which includes raw materials, at Lucite International.

The single most important factor to consider in the U.S. market is that supply and demand for acetone in the United States, and the question of whether acetone is imported or exported, depends on the need for U.S. production of phenol.

The U.S. is protected from phenol imports because there is no infrastructure to support phenol imports into the United States. Due to the high freezing point of phenol, specialized equipment is required to handle marine parcels of phenol.

However, phenol is exported from the United States. As a result, traditionally U.S. production of acetone is capped by the amount of phenol production to satisfy U.S. phenol demand.

Accordingly, acetone imports are required to bridge the gap between overall U.S. production and demand for acetone, as U.S. production availability is premised on acetone being a by product of phenol production.

According to IHS market statistics, U.S. acetone supply exceeded U.S. demand by 42,000 short tons in 2016. Beginning in 2017, however, the situation reversed and U.S.

demand outstripped U.S. supply by 19,000 short tons in 2017, and by 49,000 short tons in 2018.

Another important factor to consider in the U.S. acetone market concerns the effect of phenol demand and supply. In general, the elasticity of demand for phenol tends to be much higher than the elasticity of demand for acetone.

When the phenol market demand and profitability goes down, producers tend to decrease phenol production in order to rebalance the phenol market. But when producers do that, the result is that acetone production necessarily decreases as well, which pushes acetone prices upward. In fact, acetone prices began to increase in 2017 due to this phenomenon.

In the summer of 2017, global phenol capacity additions in Asia and the Middle East reduced the demand for U.S. phenol exports. As a result, U.S. demand for phenol, including exports, dropped. This decrease in production had the effect of increasing U.S. acetone prices.

In the Fall of 2017, two events occurred that increased acetone imports into the U.S.

First, in September 2017, Hurricane Harvey flooded Houston, which temporarily shut down production of Shell and others. Several producers, including Shell, declared a Force Majeure as a result of Hurricane Harvey.

Second, in October 2017 Shell announced that it would mothball the smaller of its two phenol acetone production units in Deer Park, Texas, with the intent of balancing the U.S. phenol market. Shell's original plan was for the shutdown to be complete in January of 2018. With the closure of Shell's phenol unit, obviously Shell's acetone production was to be shut down as well, since again acetone is a byproduct of phenol production.

As a result of Shell's shutdown decision, it was anticipated the U.S. would become a net importer of acetone, thereby requiring that imports increase to meet overall U.S. demand.

As a result of these events, suppliers and traders began shipping acetone into the U.S. Gulf Coast, anticipating a shortage of acetone supply. However, Shell delayed the mothballing of its Deer Park unit until the end of February, and importers failed to take into account the fact that Hurricane Harvey also reduced downstream demand for acetone.

This led to the U.S. having some excess acetone supply available during the second quarter of 2018. In 2018, global demand for phenol began to increase, just as the U.S. phenol market had been balanced from the Shell shutdown in February. U.S. phenol producers, seeing an increase in export possibilities, pushed the price of

exported phenol to benzene plus 12 to 15 cents per pound in mid-2018, and as high as benzene plus 15 to 18 cents per pound in late 2018.

This phenomenon resulted in higher margins for U.S. phenol exports versus significantly lower margins for U.S. domestic sale of phenol.

One last point I'd like to discuss is the relationship between the price of acetone versus refinery grade propylene or RGP. The spread of the large-buyer acetone price versus RGP vary depending on supply and demand balance in the U.S.

When the U.S. supply of acetone is tight, as occurred in 2017, the spread between acetone and RGP price is wider. When the acetone market is in a rough supply/demand balance, a spread between acetone and RGP prices tend to move up and down in a one-to-one ratio, one cent to one cent.

When the U.S. supply of acetone is long, however, as occurred in 2018, it results in a price spread between acetone and RGP that is lower than the one-to-one. Mr. Dougan will discuss the phenomenon more in his economic presentation.

In short, the dynamics of the acetone market are different than the simple picture presented by the Petitioners. I thank the Commission and staff for giving me

an opportunity to discuss these features of the U.S. market, and I would be glad to answer any questions.

STATEMENT OF MICHAEL FOSTER

MR. FOSTER: Michael Foster, INEOS Americas. Good afternoon and thank you for the opportunity to testify today. My name is Michael Foster, and I am the Business Manager for INEOS Americas, LLC, America's largest phenol acetone producer and the sole importer of acetone from Belgium.

I've been with INEOS since 2015, and I have responsibility for phenol/acetone sales, supply chain and overall business performance at INEOS Americas since 2017. Prior to joining --

MR. BISHOP: Can you straighten up your microphone please?

MR. FOSTER: Sorry. Sorry for that. Prior to joining INEOS, I was at Shell Chemical for 22 years, and various commercial and operational assignments including phenol and acetone. The INEOS Americas phenol acetone facility located in Mobile, Alabama opened in April 2000. Over the years, INEOS has invested heavily in the phenol acetone business in the United States, and as a result it has grown to be the largest phenol acetone producer in the United States, as well as in the world.

In addition to our facility in Alabama, we also

operate a storage facility at Dupont, Texas. Our production facility is equipped with world class safety systems utilizing state-of-the-art environmental controls, and best in class environmental standards. The facilities is an example of our continued focus on being the global leader in phenol acetone production.

INEOS America LLC is but one company within the INEOS Group. Another is INEOS Europe AG, the only producer exporter of acetone from Belgium. In total, the INEOS Group employs around 20,000 people across 171 facilities located in 25 countries producing a wide range of chemicals. Like most producers you will hear from today, INEOS Americas utilizes the cumene process to convert raw material benzene and propylene into phenol acetone.

In fact, a substantial portion of acetone produced in Belgium is made from U.S. origin cumene. The process does not produce phenol acetone in equal amounts. For every ten kilograms of phenol produced, 6.2 kilograms of acetone is produced. This production ratio is determined by a chemical reaction and cannot be adjusted.

Morever, phenol acetone producers typically set their production levels to meet contractual demand for phenol. This can create supply issues when demand trends for acetone are not aligned with demand trends for phenol. INEOS Americas aims to run its Mobile facility at nearly

full capacity. But in recent years, we have had to supplement our acetone production with imports from Belgium in order to meet our customer demand.

INEOS Americas is the exclusive reseller of acetone produced in Belgium. No other company markets Belgium-produced acetone in the United States. However, INEOS Americas does not market Belgium-origin acetone separately from U.S.-origin acetone. We just sell, market and deliver acetone.

Furthermore, there's never, never a price difference between Belgium acetone resold by INEOS America in its own production. Acetone from any source can be delivered under the same contract at the same price without distinction. What this means is that unlike other import sources, Belgium acetone never competes head to head with domestic like product, and also never competes head to head with other imported acetone.

Belgium-produced acetone is not marketed as a separate or uniquely identifiable product, and is never offered for sale at a different price from INEOS' own U.S.-produced acetone. Indeed, Belgium-produced acetone, of which a substantial part is produced with U.S. cumene from INEOS Americas' own cumene plant, is only imported to supplement INEOS U.S. production, and only imported to fulfill existing contractual obligation.

In this important respect, imports of acetone from Belgium can be distinguished from other imports from the remaining countries subject to this investigation. Thank you for your time and for allowing me to testify on behalf of INEOS Americas today. I'm happy to answer any question that you may have. Thank you.

STATEMENT OF RANDY THORNLOW

MR. THORNLOW: Good afternoon. My name is Randy Thornlow. I'm a senior manager with Sasol Solvents, which is a division of Sasol Chemicals.

I've been with Sasol since 2003, and I've been working in the industry for over 40 years. Over the years I've held senior marketing and business management positions with BP Chemicals, Ellis and Everard, JLM Marketing, Univar and Sasol. With respect to marketing acetone, I've got over 20 years' experience in North America.

Let me give you a little overview of Sasol. Sasol is a publicly traded international chemical and energy company that employs over 30,000 people in 32 countries. Throughout our history, Sasol has developed, built or is in the midst of building world class technologically advanced facilities, many of which are one of a kind, such as the Fischer-Tropsch plants in South Africa, as well as our octene tetramization plant in Louisiana.

Presently, Sasol is in the final stages of

completing a major petrochemical complex in Lake Charles, Louisiana. Once completed at the end of this year, this complex will be the largest single site investment by a foreign company in the United States. Sasol's total investment in Lake Charles will be $11.6 billion, adding 1,100 jobs to the state of Louisiana.

As I mentioned, most of Sasol's chemistry is unique, and this applies to most of the products comprising the solvents portfolio. Today our focus is limited to acetone. Via our proprietary synthol process and downstream purification technology, Sasol produces a high purity acetone that few companies around the globe can match. Sasol's acetone is benzene-free. It also contains very low levels of alcohol.

Together, these properties separate Sasol's acetone from product that is produced by the cumene process, especially in the eyes of consumers who are seeking low levels of impurities. Sasol's acetone provides consumers with a very attractive alternative to cumene-based acetone. Companies, especially manufacturers of pharmaceuticals, are concerned about the presence of these impurities, especially benzene, a known carcinogen even at low levels.

Sasol provides the answer to their requirement for high purity product. In addition to the absence of benzene, Sasol's acetone is distinguished from others by low

levels of alcohol. The extremely low levels of alcohol found in Sasol's acetone limits side reactions, and is valued by the producers of ultra-pure pharmaceuticals. This is applicable to consumers here in the U.S., but it's also across the globe.

There are very few companies in the world that can match this level of purity. To the best of my knowledge in the U.S., the only company that can match this quality is Dow Dupont's plant in West Virginia, which produces an acetone that is also benzene-free. The absence of benzene in our acetone represents a clear dividing line in the physical characteristics between Sasol's acetone versus the product from cumene peroxidation.

Customers requiring benzene-free acetone for their specific uses would not substitute our product with standard acetone. For this preliminary determination, the Commission has the information it needs to examine benzene-free acetone separately from standard acetone. Our questionnaire data, together with Dow's, would provide you with a full picture. '

In addition to the fact that Sasol's acetone is high purity, I would also like to share with the panel that Sasol differentiates itself from our competitors in the U.S. via our channels of distribution. Since 2000, Sasol has sold its acetone and other solvents via its own sales team,

our own employees.

It's in contrast to some of the other producers, who often turn their marketing over to third parties. Through our employees, we have established long term relationships with consumers and are committed to supplying our customers regardless of short term variances and market aberrations. We're here to stay. As you review data presented by Sasol, other importers and petitioners, you will probably discover that Sasol's benzene-free acetone typically commands a higher price than standard acetone in the market.

The data will indicate that the average unit values of imports from South Africa are notably higher than the other subject sources of standard acetone. In essence, customers pay more for benzene-free acetone because it is different. We want a healthy domestic market for acetone and all other chemicals. We are not dumping acetone or any chemical in the U.S. market.

As the Customs data clearly shows, our imports from South Africa have remained stable over the period of injury and will be examined by the Commission. But if you'll look further, you'll see it's steady as you go. This is important because our product is unique and it's going to a unique market.

As noted at the start of my testimony, imported

acetone is not harming U.S. producers, especially Sasol's benzene-free acetone. On behalf of Sasol, our many long-term customers, I urge the Commission to terminate this case. Thank you.

STATEMENT OF SCOTT LINCICOME

MR. LINCICOME: Good afternoon. My name's Scott Lincicome from White and Case, and I'm joined today by my colleague, Ron Kendler. We're here on behalf of two Interested Parties opposing the U.S. anti-dumping duties on acetone, who are Saudi Arabian producers of the subject merchandise, PetroRabigh and SABIC Saudi Kayan.

We're also here on behalf of the Saudi Arabia Petrochemicals Manufacturers Committee, a non-party who has information that may aid the Commission's preliminary determination.

I'll focus my time today on one issue, the clear evidence that imports of subject merchandise from Saudi Arabia are and will remain negligible, thus requiring the termination of the investigation of these imports. I'll begin with a straightforward examination of the negligibility for purposes of the Commission's preliminary material injury determination.

As you know, the statute requires that an anti-dumping investigation be terminated without a preliminary injury determination, if imports of the subject

merchandise are found to be negligible, which occurs when the imports at issue account for less than three percent of the volume of all such merchandise imported into the United States in the most recent 12 month period for which the data are available that precedes the filing of the petition.

As you're surely aware, there's ample Commission and court precedent establishing that the 12 month period for determining negligibility is that which is available to the Commission during its deliberations, not that which is available at the time the petition was filed. I won't bore you with the string side here, but you can be assured that it will be in our post-conference brief.

Now since the petition was filed, the December 2018 data, have been released, thus making calendar year 2018 now the relevant negligibility period. For calendar year 2018, Census data for the tariff subheadings listed in the petition show subject imports from Saudi Arabia to have been well below the three percent negligibility threshold, 2.33 percent by value and 2.64 percent by volume.

These data are also fully consistent with the foreign producer questionnaire responses of the Saudi respondents, and the limited importer and purchaser questionnaire responses that are currently on the record. Because no other subject countries are under three percent of total imports, the Commission's negligibility

determination with respect to material injury and Saudi Arabia is straightforward.

Next, I'll move on to threat. According to the Statement of Administrative Action, currently negligible imports will not be negligible in a threat case where they are "increasing at a rate that indicates they are likely to imminently exceed that threshold during the period the Commission examines in conducting its threat analysis," the key word here being "likely."

In implementing this negligibility guidance, the Commission has examined factors like import volume trends, including whether the country import share at issue rose or fell during the Period of Investigation; whether a foreign producer's capacity and inventories indicate that it will imminently increase its exports to the United States; and third, whether an export-oriented foreign producer's exports to the United States constitute a significant share of its total production or exports, or a share of total imports of the subject merchandise into the United States.

Using these guidelines and the available import data, there's simply no indication that imports of acetone from Saudi Arabia are likely to imminently exceed three percent of all imports. Indeed, U.S. import share of Saudi origin acetone will most likely decline, not increase in the near future.

For example, the annual Census data show that the import share of Saudi-origin acetone dropped from 3.28 percent in 2017 to as noted above, only 2.64 percent in 2018. Using these Census data and assuming a simple linear trend for acetone imports in 2017 and 2018, which of course are the only two years in which the Saudi exporter to the United States actually produced acetone and shipped any of it here to the United States, we see from these trends that Saudi Arabia's import share drops again to 2.1 percent in 2019, 1.7 percent in 2020.

This is because other acetone imports would, under the same linear projections, increase faster than Saudi-origin imports over the same periods. Now as discussed here by others, these linear import trends might not actually occur. But this is again assuming that they do.

But perhaps more importantly than these annual linear import trends are the monthly Census data. These show that there are only three months during the entire Period of Investigation in which the lone Saudi exporter to the United States shipped acetone here, December 2017, April 2018 and September 2018.

And these trends, these monthly imports actually decreased in volumes over those, over that time period. There were no Saudi imports in the fourth quarter. Now I

think actually the Capital Trade Slide 8 is actually quite helpful in this regard. You see the quarterly import share of Saudi Arabia keep dwindling until nothing in the fourth quarter.

Now even these future import trends, however, are probably too high, because they're based on only a few scattered months of imports, and various assumptions about the U.S. market. If you look at the Saudi producers' questionnaire responses themselves, we see that projected exports of acetone to the United States, which have been listed by the way as maximum volumes, remain really modest in 2018 and 2019.

Both Saudi producers moreover project through 2020 high and steady capacity utilization, and no further increases in capacity. This is not the 54 percent you heard in the opening remarks that is really indicative of start-up operations, not a fully producing entity.

There's also no indication from the responses that the Saudi acetone producers focus on the U.S. market, that they intend to increase their sales to the United States, or that they could significantly increase their exports to the United States even if they wanted to. Their presence here is and should remain minimal.

Now we heard all of this talk before about Saudi capacity online, but what we didn't hear was really -- we

heard nothing about where these exports are headed. Clearly from the import data and the producer questionnaire responses and the other questionnaire responses, the answer is simply not the United States. In fact, one of the two Saudi producers has never exported to the United States.

Now these points and others will be detailed in our post-conference brief. In short, there is simply no reasonable indication from the foreign producer responses that imports of Saudi-origin acetone are likely to cease being negligible in the near future. And again I will emphasize that "likely." I'm not talking about mere speculation, but the probability of it happening, and that is just very, very low.

This concludes my prepared remarks. Thank you for your time and I welcome any questions that you might have.

STATEMENT OF JIM DOUGAN

MR. DUGGAN: Good afternoon. I'm Jim Duggan of ECS on behalf of the joint defense. Before I address the statutory injury criteria, I'd like to summarize a few foundational conditions of competition beginning on Slide 1.

First, as you've heard from the industry witnesses, companies view acetone and phenol as a single, combined an inextricably linked business. It isn't unusual for the Commission to investigate a scope of merchandise

that doesn't align precisely with how companies keep their books in the normal course of business, and there's often some form of allocation involved.

It is highly unusual for the Commission to deal with a case centered on a product that is a byproduct subordinate to the supply and demand factors of an entirely different non-subject product. Phenol dominates this interaction, as it represents about two-thirds of the output of the combined chemical process. It is said that no one builds an acetone plant, because they build plants and capacity to meet phenol demand.

While acetone has its own demand drivers including demand for solvents, MMA and BPA, these end uses do not determine production, which is again an outcome of phenol production driven by entirely different factors. When phenol demand outstrips acetone demand, there is a surplus supply of acetone and vice-versa.

This also means that when there is a sudden shock to acetone supply, producers cannot necessarily increase production to replace that supply. As Mr. Bhatia testified, at the end of 2017 one petitioner told him that whether they would have any acetone available to him in 2018, even on a spot basis, "depends on how phenol side evolves."

Turning to Slide 2, pricing for acetone is

typically based on a benchmark price like the large buyer and MMA marker, less a discount set in contracts negotiated annually or over several years. Questionnaire responses show that the vast majority of U.S. producers' acetone sales in 2018 were under annual or multi-year contracts.

As discussed by Ms. Frederick, the benchmark prices are negotiated monthly between large buyers and sellers, and generally involve the price for the key acetone feedstock, refinery grade propylene, RGP, plus a mark-up or adder based on what they think the market will bear.

As Ms. Frederick noted, when the acetone market is in balance, acetone prices move in step with RGP prices, with a fairly steady spread. When the acetone market is short, as happened in 2017 due to reduced phenol production, the spread increases. When the acetone market is long, as happened temporarily in 2018, the spread shrinks.

The industry is also cyclical, with the cycles lasting approximately five to seven years, driven by the complex interaction of crude oil prices, global and regional propylene demand, phenol supply and demand and yes, also acetone supply and demand. Spreads grow and shrink over the cycle, independent of import volume, as I'll discuss later.

You've also heard from the panel that because producers think of phenol and acetone in combination, they generally don't track separate financial results for

acetone, and treat acetone revenue as an offset to the combined production costs of phenol and acetone.

Any performance that U.S. producers would regard as unsatisfactory in acetone would be more than offset by a stronger performance in phenol.

On the statutory criteria, turning to Slide 3. With regard to volume, according to IHS data, the U.S. has historically been a net exporter of acetone. Imports have played a small but important role in the market. After the reductions in U.S. phenol capacity over recent years, however, described by Mr. Bhatia and Mr. Velarde, acetone capacity was reduced as well, introducing a structural deficit in the market and increasing the need for imports to meet all U.S. demand.

In 2017, the U.S. became a net importer of acetone for the first time in recent memory. Even so, throughout the POI U.S. producers held the dominant share of the U.S. market. Based on data available as of the conference, any observed loss in domestic industry market share simply results from the increase in import volume in response to a series of domestic supply shocks.

Turning to Slide 4, public sources show that the damage from Hurricane Harvey in August 2017 led Shell, Enios and Olin to invoke force majeure. We note that four of the five responding U.S. producers indicated that they have

experienced supply constraints over the POI, and this included invoking force majeure and putting customers on allocation.

On the chart, you can see the spike in imports that followed Hurricane Harvey in September 2017. Just as the effect of that shock was abating, imports began to decline. But then came the second and most important shock. In October 2017 Shell, one of the largest U.S. producers, announced that it would shut down one of its phenol production lines in mid-January 2018. Necessarily this would take acetone production offline as well.

But the shutdown of the Shell line was a response to conditions in the phenol market, not the acetone market, and cannot be attributed to the effect of subject imports of acetone. As with everything else in this industry, phenol was the driving factor, and acetone was along for the ride.

The other U.S. producers' production and shipments increased over the POI. Public sources estimate that Shell's idled line had an annual capacity of roughly 140,000 to 170,000 short tons, which is about a tenth of apparent U.S. consumption during the POI.

This was a significant supply shock, and as you've heard from the industry witnesses, drove them to import sources out of necessity. Again, other domestic

producers couldn't just ramp up production to fill the gap, because production is driven by phenol demand, and you heard how they actually refused customers to increase their contract requirements in 2018.

You can see that the result in the chart with the increase in imports entering in January 2018 when Shell was scheduled to shut the line down. But as we've heard, Shell decided not to shut down the line as soon as originally announced, due to a growing phenol market. It kept producing acetone as well.

In the next month in February, you can see that imports plummeted, and then increased again in March 2018, when the line actually had gone down. It took a few more months for import volumes to stabilize at a new equilibrium level, reflecting the permanently reduced domestic capacity

Turning to Slide 5, these seesawing levels of import volume in late 2017 and early 2018 were temporary responses to domestic supply shocks, not evidence of injury. In all, as we'll discuss in our confidential post-conference brief because it does involve some confidential data, the increase in subject imports simply replaced the U.S. supply that exited the market.

You'll see this both in terms of absolute volume and tonnage, and in terms of percentage points of market share. The key point here, however, is this. U.S.

producers could not have gained any more market share than they did. U.S. producers' utilization rates were fairly steady over the POI, but the Commission should not view any supposedly idle capacity as evidence of injury, because again production decisions are driven primarily by phenol demand.

Increasing acetone demand would lead to increased acetone production only if phenol demand increased as well. And in any case, U.S. producers' utilization rates may have been approaching their practical limits once regular maintenance and down time is considered. More on that in post-conference.

We can also see that there was no material increase in U.S. producers' inventories to shipment ratio over the POI, indicating that they had no substantial difficulties in bringing their product to market. In summary, there were no adverse volume effects by reason of subject imports.

Turning to Slide 6 and price. U.S. producers' net sales AUVs, U.S. shipment AUVs and the AUVs of their pricing products increased over the POI. So there's no price depression by reason of subject imports. The pricing data, and this was sort of avoided somewhat during the morning panel. You didn't hear a lot of talk about it.

But they show at most a mixed picture of

underselling and overselling with respect to both instances and quantity. We have reason to believe that there's certain misreporting in the domestic producers' pricing data, which we can address in post-conference.

But if what they're talking about is all this stuff coming in at low prices, we'd see a very, very different underselling picture than we have in the data, and there's something in the slide show where it says it's consistent with a commodity product. But I would be curious as to whether Petitioners and their economists would argue that mixed overselling and under-selling is the usual picture for a dumping case where it's a commodity product. I wonder whether they'd want to make that a consistent position in the future.

Anyway, while the industry's COGS to sales ratio increased in 2018, this did not constitute price suppression by reason of imports. It was the result of the cyclical contraction in the spread in the LB acetone price and the price for propylene, the key feedstock which rose sharply in the second and third quarters of 2018.

Note that this increase came when the market was long temporarily, with imports having been pulled into the market by Shell's anticipated exit, and Shell's slower than expected exit, which increased the amount of available domestic supply. As Ms. Frederick described, when the

market is long acetone, the spread between LB acetone prices and RGP prices shrink.

But as shown at Slide 7, this isn't related to import volume. On this chart, the blue line is the large buyer MMA price for acetone, and the red line is the price for RGP. The orange bars represent the spread between the two prices, which is a good proxy for U.S. acetone producers' margins. We recognize that there's a negotiated discount in there as well. But again, this is the spread from which that discount would come.

As you can see to the right of the chart, during the POI the spread generally increased from 2016 to 2017, which is mirrored in U.S. producers' profit margins reported in the questionnaire data. As spread decreased into 2018 due to the supply shocks and temporary over-supply I discussed previously. You can see that towards the end of 2018, however, the spreads begin to increase again.

Petitioners would have the Commission believe that this decline in spreads is due to the injurious effect of imports. But here's where historical context becomes important. Looking back to the full nearly ten year period on this chart, you can see situations where the spreads changed much more dramatically than between 2017 and 2018.

In particular, in late 2010 into early 2012, the spread was negative. RGP prices were above acetone prices.

The decline from mid-2009 to the trough in early 2011 is far more severe than the relatively modest decline observed in 2018. Another severe decline occurred in late 2012.

These periods represent by far the worse conditions over the period shown on this chart, and yet not only were import volumes during this period a fraction of what they were during the POI; they were actually declining while U.S. consumption was increasing. The exact data are confidential and we'll talk about it in our post-conference brief.

But again, import volume and market share declined when the industry spreads went deeply negative and hit their cyclical trough. During the first part of the POI from 2016 into '17, the spreads and the industry's margins increased, along with subject import volume and market share.

This chart makes clear that those spreads and likely those profits were the highest in a decade. The modest decline in 2018 is a temporary phenomenon and not driven by subject imports. The Commission should keep this historical context in mind when weighing Petitioners' characterization about how the current situation is unsustainable and how they're hanging on by their fingertips, and they're on the brink of shutting down.

The Commission should be deeply skeptical of any

claims that these companies are going to shut down their combined phenol and acetone production. If they're going to shut down acetone, they have to shut down phenol too, okay. So they have -- you should be deeply skeptical that they're going to shut the whole thing down because of temporary declines in the margins on acetone, especially when the market is so strong and the margins are so good in phenol.

With regard to impact, this case is really all about 2018. Based on the data received thus far as I mentioned before, the domestic industry's profitability improved significantly from 2016 to 2017, despite an increase in subject import volume and market share. There's no causal link there, and the industry's margins shrank in 2018 due to the factors that I just discussed.

But again, cyclical factors, temporary supply and demand imbalance. By late 2018, the market was correcting itself and spreads were beginning to increase. The lack of adverse impact can be seen in the domestic industry's investment in employment indicators, which also show no sign of injury by reason of imports.

This is sorry on Slide 8. The industry's capital expenditures, the depreciation ratio remain well over 100 percent over the POI, indicating that the industry was making more than sufficient investment in their assets. And again, any capital investment by these producers would

tend by driven primarily by phenol production, not acetone.

The industry's hourly wages and productivity increased over the POI, and any decline in the production workers referenced by Petitioners can be explained by factors unrelated to imports that we'll cover in our confidential post-conference brief. This is not an industry experiencing material injury.

In closing, I ask that the Commission consider the implications of imposition of trade remedy, and the likelihood that it will have any appreciable effect on the industry condition. Unlike in most or virtually all industries that come before the Commission, Petitioners can't credibly argue that trade remedy measures will lead to increased domestic production.

Production of acetone is driven entirely by phenol production, and the end use demand factors are entirely different. In the short run, supply elasticity of acetone with respect to price is basically zero. Second, the imposition of duties is mainly to increase prices for acetone in the short term. However, in addition to the harm that it will cause to the downstream consuming industries, it will ultimately do little if anything to shield the domestic acetone industry from the cyclical factors that I described.

However, even in the past seven or eight years,

the industry has faced far more volatile swings in its margins than during the current POI. During those earlier periods, imports were a minor factor in the market. The imposition of duties will not change these market dynamics. The Commission should make a negative determination. Thank you.

MR. GRIMSON: That concludes our Panel.

MS. CHRIST: Thank you. We will now turn to staff questions and I will start with Abu Kanu, Investigator.

MR. KANU: Thank you for being here today and offering your testimony. I really appreciate it. I guess I just want to get clarification for Sasol. You mentioned, did Sasol produce extended grade or specialty grade acetate?

MR. THORNLOW: We produce one grade of product. Randy Thornlow with Sasol. Our production is all no-benzene.

MR. GRIMSON: Let me just follow that up, Jeff Grimson. The way the Petitioners framed this case to you, it's either standard or specialty but our view is that Sasol's product is none of the above essentially. It's a different product entirely. So that's, we don't see their product fitting into the Petitioners' definition of specialty either.

MR. KANU: So I guess that means that you have

advanced an argument for separate like products for Sasol's products.

MR. GRIMSON: Yes, we are.

MR. KANU: Do you mind explaining that point in your post-conference brief?

MR. GRIMSON: We will do so.

MR. KANU: My other question for general import is do customers perceive imported acetone as different from domestic produced acetone?

MR. BHATIA: Well, the question, do the customers perceive the domestic -- sorry, Qamar Bhatia with Monument Chemical. So are you saying is there a difference between imported and domestic acetone?

MR. KANU: In terms of quality, is imported acetone more --

MR. BHATIA: No we don't perceive any difference.

MR. KANU: Okay.

MR. VELARDE: Randy Velarde with The Plaza Group. Acetone is sold, generally speaking, outside Sasol's product according to a specification and therefore the product that is imported will have to meet that specification.

MR. KANU: Okay, describing in terms of the market competition how would you guys describe the change in the U.S. Market investigation in terms of what was the most important factor? I know we talked about Hurricane Harvey

and also Shell. Are there other factors that also contributed to the increasing imports under the Period of Investigation?

MS. FREDERIC: I'm Chris Frederic with Lucite International. We believe the biggest impact had to do with the announcement of Shell shutting down their capacity in Deer Park, Texas.

MR. VELARDE: I'm sorry, Randy Velarde again with The Plaza Group. For our company and in 25 years in business like I mentioned before in this product and 37 for me overall, there was a fundamental change and that was some of the producers that we had been working with in the U.S. changed their orientation toward us after many years and decided not to agree to what had been the case for many years, this fee-based model. That was a significant change for our company during that same period.

MR. KANU: Thank you.

MR. CONNOLLY: This is Robert Connolly with Lucite International. Our belief about the rationalization of Shell capacity has been demonstrated and I would like to reinforce it as really on the premise of an unprofitable and over-supplied phenol U.S. Market for many, many years.

So Shell's move there was to balance the supply side of phenol and return it to a profitable more healthy product as opposed to what it had experienced at an

over-supplied domestic market for many years. As Ms. Frederic said, there are no imports of phenol but there was significant over supply thus the rationalization of many assets over the last 5-7 years. Thank you.

MR. KANU: Thank you. And my final question is more for a post-conference brief. Foreign Producers are arguing that there is no intent to send acetone into the U.S. Market in the future. Would you and other producers also explain in post-conference brief where else is acetone going in the world other than the U.S. Market? Thank you, that's my question.

MS. CHRIST: Thank you. We will now turn to the attorney, Michael Haldenstein.

MR. HALDENSTEIN: Thank you, Mike Haldenstein, Office of the General Counsel. In respect to Sasol's assets, is Sasol arguing that it doesn't compete with the specialty product that's produced in the U.S. by AdvanSix?

MR. GRIMSON: Can you repeat that?

MR. HALDENSTEIN: Are you arguing that it doesn't compete with domestically produced acetone, even the specialty product?

MR. THORNLOW: Our product has no benzene and low alcohol. Randy Thornlow with Sasol. Our product is no benzene. I believe the other products do contain some levels of benzene and our product has low levels of alcohol

so there is a difference between the two and we try to differentiate the product in the marketplace. I cannot speak to where they market it and who they market it to.

When they mentioned it before I believe they mentioned that their specialty grade of acetone is parts per million on the benzene. I don't know exactly what level. Maybe they can clarify that but with the Sasol product it is non-detectable benzene. Same thing with the low alcohol level.

MR. HALDENSTEIN: What sort of purchasers would be willing to pay a premium for that type of product?

MR. THORNLOW: Randy Thornlow, Sasol. Specifically, the pharmaceutical industry and people who are supplying the pharmaceutical industry. So it could be a total manufacturer or a contract manufacturer making advanced active ingredients.

MR. HALDENSTEIN: Am I correct that no Domestic Producer produces acetone by the same process that Sasol does? Is that correct?

MR. THORNLOW: Randy Thornlow, Sasol. Yes, that is correct.

MR. HALDENSTEIN: And are you arguing that Sasol's acetone should be a separate domestic like product even though it isn't produced in the United States?

MR. GRIMSON: I can render the legal question

you're asking but in this testimony he talked about there being one Domestic Producer that makes benzene-free acetone. They don't use the same process which is why he's, I think, confused by the question. They use a different process. It's also different than everybody else in the room involving isopropyl alcohol but that's the Dow Institute, West Virginia facility. By the way, that was Jeff Grimson.

Randy, correct me if I'm wrong on the facts.

MR. THORNLOW: No that's exactly it. Randy Thornlow with Sasol. Our process, as I mentioned before is unique to Sasol. It is coal gasification. It is the official tropsch process, it's gone on down the line Synthol and then in turn the purification. It is completely different from an acetone hydrogenation process, which is what Dow DuPont employs at their facility in West Virginia.

MR. HALDENSTEIN: It still sounds like it's really a specialty product of higher purity, is that not correct? Even though it's made by a different production process it's still a higher purity product.

MR. GRIMSON: Jeff Grimson, Mowry and Grimson. It's correct that it's a higher purity product but there is a clear dividing line between this product and everything else made. You heard today in the Petition that 96 percent of the world's acetone is made according to the cumene process. We're talking about the 4 percent now. That's

exactly what we're talking about.

There is this other method that South Africa is known for that results in an acetone that's benzene free. The Dow facility gets to benzene free product as well because they don't start with cumene, they start with isopropyl alcohol. That's why there's production of benzene-free acetone in the United States, even though it's by a different process. It's all by a different process than everybody else here.

MR. HALDENSTEIN: Thank you. I just want to note that specialty grades of chemicals are not normally defined to be a separate like product. You might want to look at HEDP from China, that's US ITC publication 46-12. There is a discussion of that principal and why we don't usually define high purity chemicals as a separate domestic like product. So I'd direct you to that publication.

I also have a question about related party. Are Respondents in agreement with Petitioners that INEOS America should be excluded?

MR. EMERSON: This is Eric Emerson with Steptoe and Johnson on behalf of INEOS. No we are not in agreement. INEOS is the largest phenol acetone producer in the United States. They are also a backward integrated producer meaning they also produce cumene in the United States in a plant in Pasadena, Texas.

They operate at a very high level of capacity utilization and if the Commission takes a look at the percentage of INEOS' imports as a percentage of their total shipments to the United States during the Period, the Commission will find that their percentage of U.S. production as a percentage of total shipments is extremely high.

I can understand why the Petitioners might want to exclude INEOS from the Domestic Industry but we think that's unfounded and we will cover that in the confidential, the details in the post-conference brief.

MR. HALDENSTEIN: Thank you. I also have a question about Subject Imports from Saudi Arabia that were argued to be negligible. Do we know anything about imports during January 2019?

MR. LINCICOME: We do and I can put that in the post-conference.

MR. HALDENSTEIN: Please do. I believe you mentioned that imports from Saudi Arabia only came in during three months during the POI. What accounts for the imports during

MR. LINCICOME: Yes, again I will have to put it in post-conference.

MR. HALDENSTEIN: Okay. Thank you. Those are the only questions I have. Thank you.

MS. CHRIST: Thank you. We will now return to the Economist, Cindy Cohen.

MS. COHEN: Good afternoon. Thank you for all of your testimony this afternoon. We have a lot of experience in the acetone industry here and we really appreciate you coming to testify today.

My first question is on demand. The testimony this morning is that there is not seasonality in demand. Do the witnesses here agree with that?

MR. VELARDE: This is Randy Velarde with The Plaza Group. I would largely agree with that but I think even the Petitioners would agree with me when we say that typically at the very end of the year every year there is a slowdown in demand. It's the holiday season.

There is a tax ramification from having high inventories of product in storage in the *13:12 average county of Texas so I would hope they'd also agree with me that while I would say there is not seasonality per say but at the end of each calendar year you typically see a downturn in demand.

MS. COHEN: Thank you.

MR. CONNELLY: Robert Connelly, Lucite International. In the MMA industry we historically and typically see a classical bell curve from Q1 through Q4 and it is predominantly driven by the coating segment so as we

get into spring and warmer weather, MMA demand tends to spike and as a result our acetone demand will follow our demand, in turn followed by our production.

MS. COHEN: And you said that was for coatings?

MR. CONNELLY: Predominantly for coatings, yes. That's a very large segment for MMA consumption. So yes, we say it tail off in Q4, much of what Randy said in regards to working capital and bringing down inventories but the demand for coatings going into the winter season is slow and soft.

MR. HAUG: This is Jeff Haug with Monument Chemical. We would agree with both, what Randy and Robert said that as a producer of acetone derivatives that find a home in the coatings industry we do see typical seasonality where 4th quarter tends to be one of the lowest demand quarters. We see that pick back up in 1st and 2nd quarters in the following year.

MS. COHEN: So turning to Mr. Dougan's presentation on Page 4. We have this beautiful graphic with spikes. So one thing I notice here is there is this spike in Q4 of 2018 that's not labeled, can you put a label on that?

MR. DOUGAN: Sure. We're still. We're gathering intelligence on that but I think what we have heard thus far is that we will try to corroborate and give you some evidence for the post-conference.

That's preceded by of course a very large dip in the month before and what we have heard and we will see if we can substantiate it and we've got other stuff that we can put on the record is that sometimes as a result of hurricane season companies don't like to put boats on the Gulf. So you will see that severe decline there in August and then -- sorry, is that September? That's September.

Anyway, it's the August/September hurricane season you see the fairly large decline and then in October a spike which is sort of making up for that. But we will try to get you more for that in the post-conference.

MS. COHEN: Thank you.

MR. DOUGAN: And if I can just mention. Of course it's at a different magnitude now because the imports are more required but you see a sort of similar pattern in 2016 with a sort of V-shaped dip and a spike again in October so it's of a different magnitude and we will see what we can do to explain it. There may be some behind that.

MS. COHEN: What is outlook for demand over the next year? And are there any differences in MMA demand, and other sectors?

MR. CONNOLLY: We're seeing fairly--I'm sorry, Robert Connolly with Lucite International. We're seeing fairly consistent demand from 2018 going into 2019.

MR. BHATIA: This is Qamar Bhatia of Monument Chemical. I would echo that. We see 2019 demand to continue to stay strong and potentially grow by, you know, whatever, probably better than GDP given the portfolio products we have.

MR. VELARDE: This is Randy Velarde with The Plaza Group. Our company sells in two different segments than the MMA segment, and the acetone for IPA segment. We sell into a variety of end uses--we call them the solvents' segment of that purchasing pie. And typically acetone is growing at GDP-type rates. It goes into a number of segments, as I think was indicated earlier today, that construction, automotive, and generally speaking its demand is going to grow at GDP-type rates.

MR. CONNOLLY: This is Robert Connolly with Lucite International. I'd like to clarify in the sense that our demand for MMA we see on an equilibrium with 2018 going into 2019, not necessarily acetone.

MS. COHEN: Okay, and that was actually my follow-up question, was you mentioned that MMA--either MMA imports that do not use acetone but not MMA production in the United States, correct?

MR. CONNOLLY: Correct.

MS. COHEN: And do you have any data or information on imports of MMA?

MR. CONNOLLY: I do not. We have a forecast on what we will be importing in the course of 2019, and we can provide that postconference.

MS. COHEN: Alright, thank you. That would be helpful. And if you have that for the POI, as well.

MR. CONNOLLY: Absolutely.

MS. COHEN: Thank you.

Additional questions for Lucite. We heard about the large buyer price, and that sounded like it was kind of an interesting way that that's developed, since your firm is one of the companies that's part of that. Can you tell us more about how that's determined? The large-buyer price that we heard about this morning, and we were told that there are three MMA producers, along with the two acetone producers, that are involved in setting that. Can you give a little more information on that?

MR. CONNOLLY: We negotiate it on a monthly basis, and we would be more than happy to supply that information postconference.

MS. COHEN: Great. Thank you.

MR. FOSTER: Mike Foster, INEOS Phenol. We can do the same, postconference as well. We are one of the participants.

MR. BISHOP: Can you identify yourself, please?

MR. FOSTER: Michael Foster, INEOS Phenol.

MS. COHEN: Appreciate that, Mr. Foster.

For Mr. Thornlow from Sasol, you testified that you sold the benzene-free product that has a specialty use for the pharmaceutical industry. Are most of your sales going to that industry? Or are they used for--can you quantify how much is going to specialty uses that require benzene-free product versus the general acetone market?

MR. THORNLOW: Randy Thornlow with Sasol. Since some of my competitors are in this room, I would prefer to answer that question in a postconference brief.

MS. COHEN: Sure. Absolutely. Thank you.

MR. THORNLOW: Thank you.

MS. COHEN: And, Mr. Foster, you testified that INEOS doesn't compete with other U.S. producers or importers. Can you--do you sell to different customers? Or did I misunderstand that?

MR. FOSTER: The point of that clarification was that when we import material from Belgium we use that material to supplement our contracts that we already have in place. So it's our contract volume with contract customers. It's not out in an open market. It's business that we already have.

MS. COHEN: Thank you for the clarification. That's all I have right now. Thank you.

MS. CHRIST: Thank you. We will now turn to the

auditor, Sam Verela-Molina.

MR. VARELA-MOLINA: I have no questions, thank you.

MS. CHRIST: Well turn to Ellie Nesbitt, the industry analyst.

MS. NESBITT: Yes, hi. I just have two questions, please.

Mr. Velarde, you mentioned that your customers changed their viewpoint. Could you explain that a little bit more about what prompted that, the context? I think you mentioned the fee-based?

MR. VELARDE: Oh, that's right. So it's not our customers. It's actually the domestic--

MR. BURCH: Would you please identify yourself?

MR. VELARDE: Randy Velarde, The Plaza Group. If I stated it as our customers, and I distinguish our customers from our suppliers, it's actually the suppliers that--our domestic suppliers that had changed their philosophy with regard to supplying us on what is our business model for 25 years in this product, a fee-based model.

MS. NESBITT: And why? What's the difference? I mean, why--

MR. VELARDE: So a fee-based model is basically, for our company, is one in which we're a marketing extension

of a company; and that we will manage for what I described as the byproducts, or orphan products in which we handle the business management, the supply chain, and any other business functions associated with taking that product to market.

And in exchange for that, we don't go out and try to buy low and sell high. We have a motto in which it's completely fee-based, and in which we get a fee, typically a percentage of the selling price for that product for doing that service for that producer.

MS. NESBITT: And so the company--your suppliers changed their viewpoint because?

MR. VELARDE: I can't explain that. That's perhaps a question for one or more of the Petitioners.

MR. LEHNARDT: This is Mark Lehnardt from Baker Hostettler. One aspect of it is the risk. Under Mr. Velarde's model he doesn't carry the risk. And on the other model that the U.S. Petitioners wanted him to take, they wanted him to accept the full risk that was outside of his business model.

MS. NESBITT: Okay, thank you. I have a question that you all might not be able to answer. A slide earlier showed that nonsubject imports declined. Does anybody know any reason why that might have happened? I can ask Petitioners, too, but--

MR. HAUG: This is Jeff Haug with Monument Chemical. One of the issues that we noticed was that the non-Petition countries may already have a duty in place. We do have a 5-1/2 percent duty on several of the countries that are not mentioned in the Petition. And I think that was part of the limited imports we saw from those countries.

MS. NESBITT: Thank you. No other questions for me.

MS. CHRIST: Thank you. We will now turn to the Supervisory Investigator, Craig Thomsen.

MR. THOMSEN: Good afternoon to all of you. Thank you again for your testimony and your replies to our questions. Some of the questions that I have you will have heard this morning, and some of the requests I have will be similar.

The first one I wanted to touch on is with respect to Shell. I had asked for any reasons that Shell had given for its idling or shut down as it was, but it seems that it seems to be an idling of it. And I was looking for any kind of reasons. They had said that there was possibly some documentation with purchasers of Shell that may--they may have told them the reason why they were idling their plants. Were any of the panelists here purchasers from Shell that could provide any light on this?

MR. HAUG: Jeff Haug, Monument Chemical. We did have some industry knowledge. I think along with, as we heard earlier, from Chris, you know, the phenol demand. It was also presented to us that the plant needs significant capital reinvestment. And I can share, you know, the number of postconference--

MR. THOMSEN: Please do.

MR. HAUG: -- but, yeah, Shell had come and said, you know, because of the phenol demand and the significant capital needed to keep that plant running, they had decided to idle it. And now I also want to clarify that the idling, though as we heard earlier, you know, kind of gives the impression that it could be easily restarted, the impression we were given was that this would be a long-term idling.

So, you know, the analogy we got was, you know, the car is not just in the garage; it's taken apart and in storage. And that was from our sales rep who was very much a car guy. So it helped me understand how it was, but it's going to take significant work and significant capital to get that out of that idled state.

MR. CONNOLLY: This is Robert Connolly with Lucite International. At the time the closure was announced there was new management brought on to run the phenol acetone business. And as a result, the objective was, I had

heard from Shell employees, to turn that phenol side of the business back to profitability. And with an overhang of oversupply remaining of phenol in the United States for a number of reasons which we'll be happy to supply for their information postconference, I believe that decision was to rationalize that amount of capacity in order to balance the market to in turn, as I reiterate once more, to bring back to the phenol side to profitability.

MR. THOMSEN: Okay. Mr. Velarde?

MR.VELARDE: Yes, Randy Velarde, The Plaza Group. I just pretty much want to verify both of those comments. The gentleman that was running that business at the time effectively said that it was not profitable; that there in fact was a decision that would have to be made to spend several million dollars to bring the facility back up to code, I'll call it.

So it was, as described to me, a pretty easy decision to shut it down.

MR. THOMSEN: And was it impacted by Harvey? It seems a couple of months afterwards, if there was lasting impact from the flooding, that may have degraded their equipment. Was that ever mentioned?

MR. VELARDE: Yeah, Randy Velarde from The Plaza Group. I'm not aware of any impact from Harvey. Obviously all of the Gulf Coast was impacted by Hurricane Harvey, and

they're right there in Deer Park, Texas. It was, as I understand, purely a financial ROI decision on the part of Shell.

MR. THOMSEN: Okay.

MR. CONNOLLY: This is Robert Connolly with Lucite International. I would concur with Randy's comments.

MR. THOMSEN: Thank you. And in general, how were your firms affected by Hurricane Harvey?

MR. CONNOLLY: Robert Connolly with Lucite International. We were forced to shut down our Beaumont facility for roughly three-and-a-half weeks as a result of flooding. Once the flooding had receded, we were able to start back up. So we were not consuming acetone or producing MMA during that three-and-a-half week period. That's one of two plants.

So our other plant in Memphis was running at full rates.

MR. THOMSEN: Okay, thank you.

MR. FOSTER: Michael Foster, INEOS Phenol. During Hurricane Harvey we declared Force Majeure on our Mobile facility, mainly due to inability to get cumene out of our Pasadena, Texas, location because the Houston Ship Channel was shut down for any traffic for, don't quote me on this, but two to three weeks. Nothing could move in the Houston Ship Channel. The Coast Guard had it shut down.

The facility in Mobile was fine and could run, but we just couldn't get raw materials over to that facility, so we had to declare a force majeure.

MR. PERI: Sarves Peri from Monument Chemical. It did impact us at Monument both in working capital--you know, we had to carry quite a bit of inventory of raw materials--and some revenues, because the shipments got far more impacted also.

MR. THOMSEN: Mr. Velarde?

MR. VELARDE: Randy Velarde with The Plaza Group. One of the impacts to our company during that time was one of the Petitioners, who we did have a relationship with at that time, declared force majeure, and therefore our company had to declare force majeure as well.

MR. THOMSEN: Thank you.

Again, a question I had asked was with respect to your rebates. Are there any rebates in this industry based on quantities or other factors? Or is this what the Petitioners have said, that really this is an industry where rebates are a factor?

MR. HAUG: Jeff Haug, Monument Chemical. Yes, we are not in the rebate situation with--in the acetone purchasing.

MR. THOMSEN: Mr. Foster?

MR. FOSTER: Michael Foster, INEOS Phenol. We

will provide an answer in post-conference.

MR. THOMSEN: Okay. Mr. Velarde?

MR. VELARDE: Randy Velarde with The Plaza Group. Over the years, 25 in The Plaza Group, 37 overall, rebates over that period of time had been a popular way to put a business deal together. I would say over roughly the last decade that's become much less popular.

MS. FREDERIC: Chris Frederic with Lucite International. We do not have rebates.

MR. THOMSEN: And the foreign producers?

MR. THORNLOW: Once again, I'd prefer to answer--Randy Thornlow with Sasol--I would prefer to answer that question, since I have competitors here, in a post-conference brief.

MR. THOMSEN: That's fine. Thank you.

Mr. Castro?

MR. CASTRO: Carlos Diaz Castro from CEPSA QUIMICA. I've got the same answer as my colleagues, so I prefer to answer in the post-conference.

MR. THOMSEN: Thank you, as well.

One other avenue I had pursued was we heard about tanks and the leasing of tanks, and I'm trying to get a handle on the size of this market. Is there a way to know how many tanks have been leased? And is there a publication or any industry knowledge that anyone on the

panel has regarding the leasing of tanks, or building of tanks for acetone?

MR. HAUG: Jeff Haug with Monument Chemical. What I can say is that there are multiple leasing companies throughout the U.S. Gulf Coast, primarily. You know, big names like VOPAC, LBC, a couple of others, ITC are some large ones, but like a lot of business models, those are all confidential within those industries.

What I can say is that the tanks do compete with a variety of chemicals. We did hear earlier from Paul Sanders that the tanks can be repurposed, but it does take time. Okay? You have to drain them. You've got to clean them. You've got to get them inspected, okay, and recertified. So they are not interchangeable, but it isn't also something you have to lock in for multi years. There are these companies willing to offer--the shortest lease period we heard offered was a year. They do have multi-year agreements. But again there's no publication because, again, it's confidential within that industry what products are being stored for what periods of time.

MR. THOMSEN: And a related question that I have for Mister--I'm trying to see your name, because I can't see it--Lincicome is it? Alright, Mr. Lincicome for South Africa, could you, either here or in a posthearing brief, let us know of any tank leasing or storage that Saudi has--

Saudi Arabia's producers or importers have been entered into?

MR. LINCICOME: Scott Lincicome, White & Case. Sure.

MR. THOMSEN: Okay, thank you. I just wanted to get it on the record.

Okay, this is a question for CEPSA, Mr. Castro. You have production facilities in China. There were some testimony this morning that said that China is growing. There are more producers in China. It's going to be more difficult for the countries that are producing here in this investigation to compete there. So I kind of wanted to know what were the supply and demand conditions in China? Is production growing? Are there more and more facilities? What's happening with demand in China?

MR. CASTRO: Carlos Diaz Castro, CEPSA QUIMICA. I have to say, China has the size market, the size of Europe, or the size of U.S. So the demand is growing at the rate much bigger than the U.S. or Europe. That's where the growth is. I said in my statement, it's equal to GDP, the growth of phenol acetone. So GDP in China is expected to be around 6 percent.

MR. THOMSEN: And do you have any internal documents or that you could submit for the record that describe the market in China?

MR. CASTRO: I'll do that in the postconference.

MR. THOMSEN: Thank you.

My next question is for INEOS. You had noted that, I believe in your testimony you had been painting a picture that acetone from Belgium should be set apart from acetone imported from other countries or the United States. You made a statement, but I was kind of waiting for the shoe to drop as to the reasons for this.

Is this something you would like to talk about now, or is this something that we're going to wait for your brief?

MR. EMERSON: This is Eric Emerson at Steptoe & Johnson. We tried to allude to it in our testimony, but certainly--in Mr. Foster's testimony, but we will certainly talk about it in the postconference brief.

I think when we were listening, for example, to Mr. Anderson this morning talking about traders bringing product in from abroad, storing it in tanks, selling it on spec here in the United States, what Mr. Foster was trying to explain in his testimony, given our limited time, is that INEOS operates very differently. INEOS America signs contracts in the United States for the sale of acetone, period.

And then it fills those contracts, deliveries under those contracts with either U.S.-produced acetone or

Belgium-produced acetone, or sometimes both. And so it is very different from the situation that, again I think it was Mr. Anderson who was explaining this morning where you've got traders selling a particular origin of acetone in the United States in competition with U.S. producers.

Our situation is quite different, as Mr. Foster said. We have contracts that are signed, and the product is brought in to fill those contracts. But again sometimes those contracts are delivered exclusively with U.S.-produced material. So that's what makes it a big different.

We will certainly expand on that in the postconference, but that's what we were trying--the point we were trying to make.

MR. THOMSEN: Okay. Thank you.

MR. VELARDE: Mr. Thomsen, Randy Velarde with The Plaza Group. May I make a comment on that?

MR. THOMSEN: Absolutely.

MR. VELARDE: As a category, we're slightly different. I think oftentimes The Plaza Group is thrown into this bucket of being a trader, and in fact for our 25 years I have never come up with the right name for what our company does, but it's effectively a market extension of those producers making that product that simply don't want to invest their own resources on what is oftentimes their byproduct.

So in the case of our current relationship with imported product, our company for our 25 years as well has long-term contracts. I often define that contract as a 25-year contract, one year at a time. So the imported product that we bring in is already under contract, as it has been for roughly those 25 years. And so it's not a matter of our company with our imported product bringing that product in and trying to make the best deal we can and get the highest margin that we can. Thank you.

MR. THOMSEN: My next question is for Sasol. You had mentione4d the very large investment in the Lake Charles Plant in Louisiana. One thing I didn't hear is whether that plant was going to be producing acetone. Is it going to be producing acetone?

MR. THORNLOW: This is Randy Thornlow with Sasol. No, it will not be producing any phenol or any acetyl.

MR. THOMSEN: I just wanted to clarify things, thank you. You also are involved in the high-purity market that Petitioners have argued that it's less than 2 percent of the total acetone market. Would you concur with this estimate for the relative size of that market?

MR. THORNLOW: I guess based on--Randy Thornlow with Sasol--based on the comments by the Commission's counsel, I would prefer to take this offline, if it's okay with you guys.

MR. THOMSEN: That's fine.

MR. THORNLOW: Okay, thanks.

MR. THOMSEN: I realized it could be getting in--if you are an extremely large player in that market, or possibly the only player in that market, it absolutely would be business proprietary and that would be an inappropriate venue.

Back to phenol, some of you may--obviously the producers produce phenol and I'm not sure if, Mr. Velarde, if you are trading phenol also. It seems from your explanation that you wouldn't necessarily be trading in phenol, given the arguments that have been taking place here.

But what I'm generally looking for is, I'm wondering what's been happening to inventories of phenol. We've heard about there was overhang before. I'm trying to get kind of a timeline as to what's been happening with inventories of phenol, especially in the United States. Overseas is also a good--Mr. Connolly, or Ms. Frederic, views you may have on this being that you do purchase it.

MR. CONNOLLY: This is Robert Connolly with Lucite International. We do not consume phenol.

MR. THOMSEN: Oh, you do not?

MR. CONNOLLY: No. Acetone only, going into our acetone cynahydrone process for producing MMA.

MR. THOMSEN: Alright.

MR. FOSTER: Mike Foster, INEOS Phenol. Our INEOS phenol market from a U.S. perspective, things are more on the short side. Phenol is in high demand and there's not as much supply. There have been a couple of, I would say, one-off issues that have happened over the last couple months in terms of fog, and water levels on different rivers that have caused different manufacturers or producers to declare force majeure. So the U.S. phenol market is very tight and very short. The same can be said globally. And the big driver for that has been some new derivatives plants that have started up in Asia that has really pulled in a lot of phenol demand globally.

So right now phenol is not a bad business to be in.

MS. FREDERIC: I'm Chris Frederic with Lucite International. I'd like to point out that today in effect there are two force majeures that are in effect today and Shell recently exited just last week, maybe the week before, a force majeure. ALTIVIA and AdvanSix are both under force majeure for phenol. ALTIVIA is also under force majeure for acetone, although their letter to customers stated acetone would not be impacted.

MR. THOMSEN: Thank you.

MR. CASTRO: Carlos Diaz Castro, CEPSA QUIMICA.

I agree with Ms. Foster's comments. I think the phenol demand is globally very strong. Asia and Europe is exactly the same as Europe, the U.S.

MR. THOMSEN: And how does the--or how has the price of phenol compared to the price of acetone? Is it higher per pound? What are some general guidelines that we're looking at in terms of the price of acetone versus the price of phenol?

MR. FOSTER: Mike Foster, INEOS Phenol. I would just say in general, not giving out too many specifics, is that with the tight supply of phenol that we've seen the market command a higher price for phenol in the last I would say four to six months. Phenol prices have increased globally, has increased in the U.S. market, as well, and that's probably about all I'd better say at this point.

MR. DOUGAN: Mr. Thomsen, I believe it was Ms. Frederic who mentioned something in her testimony--I may be incorrect about the increase in the adders to phenol over the last six months, which were pretty significant.

Oh, Jim Dougan, sorry.

MR. CASTRO: Carlos Diaz Castro, CEPSA QUIMICA. Yes, without giving too much details, you look at Asia, which as I mentioned before is a daily market price, you can see how phenol increases on a daily basis, and acetone is the opposite on a daily basis almost. So I think that's

with reference to see what's going on.

They are not linked in a way of--they are linked in the sense that one is short, the other one is longer.

MR. THOMSEN: Okay, and do you agree with the Petitioner's comment that the benzene prices are what helps determine the prices for phenol? Is that an accurate representation?

MR. BHATIA: No, I don't think benzene price--

MR. THOMSEN: Mr. Bhatia?

MR. BHATIA: Qamar Bhatia with Monument, and this goes from my previous history. Benzene price by itself is a base price, and the adder that is put on benzene is actually the price. So the adder goes up. I mean that's what you should be looking at. And I think what Carlos and Michael are saying is that benzene plus, the plus is going up.

MR. THOMSEN: But it is benzene plus? It's not another chemical?

MR. BHATIA: Benzene plus.

MR. THOMSEN: Okay, great.

MR. CASTRO: In that respect--sorry, Carlos Diaz Castro, CEPSA QUIMICA. In that respect I have to say in Europe, as a reference, that other that Mr. Bhatia is talking about, this year has had historical increases, this 2019.

MR. THOMSEN: Okay. And thinking about the

adders that are on there, when you're determining how much of the joint products of acetone and phenol to make, do you only look at the price spread of phenol when determining how much to produce?

MR. FOSTER: Michael Foster, INEOS Phenol. Not a straightforward answer, I would say one size doesn't fit all.

MR. THOMSEN: Has it changed over time?

MR. FOSTER: No, because the business if very cyclical. What happened 15 years ago is kind of happening today, but I would say that as a phenol producer you look at your overall unit margin. You look at your cost of cumene, and you look at how much revenue I'm bringing in on phenol. You look at how much revenue I'm bringing in on acetone. And you extract value in those two products to meet your financial targets.

MR. BHATIA: I can talk to my experience from--sorry, Qamar Bhatia, Monument--from I guess--in the case of resins and chemicals, and the capital price, so capital act-in margin was looked at and said, okay, I need the phenol. I'm going to make cap margin in capital actium, which is majority of what advanced 6-phenol is used for, and then acetone. I never made a decision not to produce phenol based on acetone. It was based on the margin that was produced on capital actium. I ran that business for

eight-and-a-half years.

MR. CASTRO: Carlos Diaz Castro for CEPSA QUIMICA. As I mentioned in my statement, to make a single unit economically viable you have to take into account the cost you get in your cumene. You have to procure it yourself. And take into account how much you are going to get for our phenol and acetone, both. Or capital actium downstream, or epoxy resins separated downstream on BPA. But you do it on the numbers, not separately, obviously.

MR. THOMSEN: Okay. Only a couple of other questions. One of them is, I'm trying to make a little more sense out of the argument regarding the U.S.'s international trade in phenol--was it Ms. Frederic who said that we don't import phenol but we do export phenol? And you had also mentioned that there was some sort of, it seemed like a technical reason why we don't import the phenol, but I'm trying to follow why, it it's a technical reason like we don't have tankers, or some other reason as to why we don't do it, I'm just trying to figure out what that was. I wasn't a hundred percent sure based on your testimony.

MS. FREDERIC: Chris Frederic with Lucite International. I gave one reason. There are multiple reasons that might be expressed by other suppliers or producers.

The one reason I stated was the high freezing

point of phenol; that currently there is no infrastructure in the U.S. to import phenol.

MR. THOMSEN: But there is infrastructure to export?

MS. FREDERIC: Correct.

MR. THOMSEN: And what is that infrastructure? What is lacking in--

MS. FREDERIC: I can't--I don't know the answer to that.

MR. CONNOLLY: This is Robert Connolly with Lucite International. I would suggest that as a U.S. phenol industry with so much overcapacity, there was never a need over the last 7 to 10 years to import phenol. It was all about exporting or rationalizing capacity for a business that remained unprofitable.

MR. FOSTER: Mike Foster, INEOS Phenol. I think you have to put it in two different categories. From a trading house perspective, there is no infrastructure to import phenol into the U.S. They can take some risk or a bet, as I would call it, and invest in new tanks. These have to be heated tanks. I would say tank storage companies want long-term leases to recover the costs. So you're looking at maybe signing a three to five-year lease to get a phenol tank set up on the U.S. Gulf Coast, and a lot of companies are just not willing to take that risk. And these

tanks are very expensive. At times they are 2X to 3X over acetone tanks.

But from a producer perspective, most of the producers on the Gulf Coast, if they choose to, can import phenol. They choose not to because they have their own production. But the producers have storage facilities. They can take ocean-going vessels. They can bring in phenol if there's a requirement.

MR. THOMSEN: Okay. Alright, and I have two other questions. One actually is a request.

Mr. Bhatia, I believe you had offered emails that showed, in the postconference brief, that shows the short supply of it?

MR. BHATIA: Qamar Bhatia, Monument. We absolutely do, and we will share them.

MR. THOMSEN: Okay. If anyone else has any other documentation of this, we would be happy to see those documentations.

And my last question actually goes toward the like product issue. And I'm trying to see whether there's agreement that the domestic like product--we have one argument in terms of the specialty grades being different, but that's carving it up into different pieces. Do you agree that it does not include any other co-products or by-products than acetone in terms of the domestic like

product? Is it "acetone" per se?

Mr. Grimson?

MR. GRIMSON: Our argument--Jeff Grimson, Mowry & Grimson. Our argument regarding the South African product and the product of Dows Institute West Virginia facility is not that it's a specialty grade, but that it is benzene free. Okay? I had to bring that up because questions have all been trying to put the benzene-free into the category of specialty grade, which the Petitioners defined as a niche kind of product, but we don't think we're even in that.

So beyond that, we don't have a position particularly on whether the like product should include or exclude other products right now.

MR. THOMSEN: I guess the closest one I would see would be phenol. We've heard about your production of acetone and phenol in the same hyphenated word. As people said, I'm trying to see whether we need to dispense, or can dispense with the phenol being part of the like product.

MR. HEFFNER: Doug Heffner for Lucite. I think for purposes of the preliminary determination we'll go with just acetone.

MR. THOMSEN: Okay. I have no further questions. I will turn it back over to Ms. Christ.

MS. CHRIST: Thank you. I will quickly see if there are follow-up questions.

MS. COHEN: Just one question, and this is for the representatives from Monument and Lucite. Can you describe briefly what factors you look at in determining from which suppliers to purchase from?

MR. BHATIA: Historically, Monument has basically had domestic producers are our things and, for example -- we've had contracts with all domestic producers and we still do. Obviously, the change in the market dynamics with the shutdown of Shell and others, we had to rearrange our product portfolio and as the e-mails will state clearly, we went to look for domestic production and we were told we were not going to get it, and we were left fifty to eighty million tons short and we had to diversify our supply source and went to the international import market. But there are a lot of reasons for us to source from U.S. domestic customers, just security of supply and others. And we've had relationships for a long time with all the domestic producers.

MS. FREDERIC: Chris Frederic from Lucite International. Security of supply drives our primary strategy towards sourcing acetone. And we'll provide more details in our post-conference brief.

MS. COHEN: Thank you for those answers.

MS. CHRIST: Do we have any other follow-up questions? Thank you very much. I appreciate everybody

coming and sharing your different perspectives. This is quite a diverse group, so it allows us to ask a lot of different questions. And I would like --

MR. VELARDE: May I make one final comment? Is that appropriate? I'm sorry.

MS. CHRIST: I do have some follow-up questions. I will -- you might be able to integrate them in there. How about that? So I actually do want to start, to make sure I understand. I'm gonna follow up a little bit on Eli Nesbitt's inquiries. You identified yourself as a market extension. So just to clarify, you don't produce any of these products? You take them from U.S. producers or importers, correct?

MR. VELARDE: Absolutely correct. In our twenty-five years, we've had long-term contracts whether domestic production and/or imported product.

MS. CHRIST: Okay. So you represent both? Both U.S. producers and imported product?

MR. VELARDE: Yes, ma'am.

MS. CHRIST: And in doing so, can you provide an estimate of how much U.S. and imported product is sold through third-party service providers such as yourself, as opposed to firms that directly handle that such as Sasol, which I believe you mentioned you handle the full marketing. So some companies choose to manage that marketing

themselves? And some choose to have you do that. Could you provide some estimate or anybody else in here of how that's divided in the industry?

MR. VELARDE: Yes, we can do in the post-conference brief.

MS. CHRIST: Okay, thank you. And just to clarify, do people provide, whether you or others, provide similar services like you do for phenol?

MR. VELARDE: I am not aware of anybody -- it's a much more specialized, the handling requirements of that are much more extensive. And it's been my experience in thirty-seven years associated with phenol, that it's a product handled by the producer.

MS. CHRIST: Thank you. And I just want to clarify. You were making this distinction in terms of the change in the relationship that U.S. producers had in the business model, I guess, with you. You said they changed from a percentage to a fee-based? Or they requested a change? Could you clarify? Is that you would normally take inventory, market it and sell it? And you would do this originally for a percentage of the sales price, and there was a request on behalf of U.S. producers for a flat fee?

MR. VELARDE: And there may be some additional details that we can provide you in post-conference just to bring greater context to our business model. However, just

for clarity, for our twenty-five years in business, we've had relationships with acetone producers. In the early years, almost exclusively with acetone producers where we would act as their extension. And yes, very often, we would take inventory by taking tanks, lease tanks, where we have a fleet of rail cars. And we handle as I described before, the "soup to nuts" of the business for that producer.

Through everyone of those years, we abide by what is a financially responsible model, I'll call it, in which we derive a fee. And it is a percentage of the selling price of the product that we sell. So I'm sorry if I wasn't clear before, but it is a fee, but is a percentage of the selling price of the product that we sell.

MS. CHRIST: And the change that U.S. producers wanted from that was what?

MR. VELARDE: A straight buy price in which we take the entire risk. They'll say, "This month your price is X," and it's just not a model that we have been comfortable with in our twenty-five years in business.

MS. CHRIST: Was that a model that was -- was that change also requested by imported product producers?

MR. VELARDE: Our imported product abides largely. There might be an exception, very few, but our imported model is exactly what I just described, a fee for selling the product that we sell. And again, handling the

inventory, all the sales, commercial responsibility, supply chain, business management, etcetera.

MS. CHRIST: Okay. And in your post-conference brief, if you could elaborate a little it on the timing of that and potentially, if you have some idea of how that might have affected the -- why the U.S. producers might have wanted a different model there.

MR. VELARDE: I'd be happy to do so.

MS. CHRIST: Thank you. I wanted to ask a couple of purchasers, Ms. Frederic, particularly. Do you track phenol prices and/or production? And do you use that information in your negotiation for contracts with acetone producers?

MS. FREDERIC: We pay attention to phenol pricing. Tracking it on a monthly basis like we track our GP. We may not be as disciplined doing that, but we do pay attention to where it is and pay attention to phenol pricing in relationship to phenol supply and demand.

MS. CHRIST: Do you use that information in your negotiation for contracts? For purchase contracts?

MS. FREDERIC: I think our negotiations are confidential and we will provide that information in our post-conference brief.

MS. CHRIST: Thank you.

MR. HAUG: This is Jeff Haug with Monument

Chemical. And I am a director of purchasing, similar to Chris' role, I believe. We can provide some additional details on how we track those also.

MS. CHRIST: Thank you. And feel free, if anybody else has additional information, to either provide that in the post-conference brief or to answer the question.

Mr. Connolly, you mentioned that, should the price of acetone increase, you can shift your production to using ethylene?

MR. CONNOLLY: Robert Connolly with Lucite. Yes. Lucite has developed proprietary technology utilizing ethylene as a major raw material in conjunction with methanol and CO to produce MMA. Fungible with other technologies, there are three other technology of which we own three of those different technologies. And we intend to import lower-cost ethylene-based MMA into this country in 2019.

MS. CHRIST: Okay. To the extent that you're able to provide the information, could you explain how your production process shift in demand to ethylene may've affected what the price you're willing to pay for acetone, and in any way, if you're part of this large buyer, I guess it's a three or four or five group, companies that are doing the large buyer price index, how that may impact your negotiations there in setting that monthly price.

MR. CONNOLLY: We'd be happy to. I think the other element to bring in to consideration is MMA is a commodity chemical just like acetone. So as supply and demand ebbs and flows around the world, you have to look at what asset and what technologies you're gonna utilize to compete in whatever market environment you find yourself in.

MS. CHRIST: Thank you. So we've heard sporadically some information throughout the day about plants and efficiency. There's the purchase of plants and the investment that potentially Shell needed to bring the phenol plant up to production. And then the newly created plants, production plants Sasol alluded to -- I believe there's the downward links for BPA from this morning and the backward link to the production of cumene.

All of that leads me to ask a general question, if you could provide in your post-conference briefs, some discussion on the efficiency of plants, whether how efficient are newer plants? What kind of investments are required to keep them efficient? And is that in any way contributes to sort of the supply-demand and market price for acetone. Those are all the questions I had. Mr. Velarde, were you able to put your comment in that? Or would you like to make one last comment?

MR. VELARDE: No, but thank you for the offer. As you can see by this morning's representation, there were

no customers of acetone involved in their participation. This afternoon, of course, you see at least two customers involved, customers of acetone, and they're quite concerned.

This is a relatively new event to our company. But so far, I've received over a half a dozen letters from customers not represented in this room, but are contract customers of this product acetone, highly concerned about the future supply of this product, an important raw material for many of their businesses. I will in post-conference provide those numbers of letters that I've received already. And I expect to inundate you with the number of letters that we will have from customers highly concerned about the petition that's being presented to you.

Secondly, just briefly, I wanted to bring some context if I could to these business cycles. They present themselves in two faces. I hope I'm not repeating myself, but what we mean by business cycles is that there is, of course, the element of demand. And that can ebb and flow of course with the world economy. And that of course has an impact on worldwide acetone demand.

The other element, though, I think that's more important to this context here is that our industry, the chemical industry as a whole, and it certainly presents itself in the case of phenol and acetone, tends to make investments. And these are hundreds of millions of dollars

in these investments in these plants. And it happens, as unfortunately as it may be, happens to all occur at the same time. Multiple parties in China announce new capacity in that region all at the same time.

What happens? It all comes up at the same time, all of this new production. And so that tends to bring -- prior to those plants coming up and operating, will bring a very balanced, even a shortness of supply of one or both of those products. Of course, when they all come up at the same time, hundreds of millions of pounds of both of these products, that tends, of course, to present an oversupply situation.

So I just wanted to bring some context by what we meant by these business cycles. And this is not only in the case of phenol and acetone, but it, in fact is, these, as I said, are very large investments, take multiple months to actually be constructed. And so it happens in many other parts of our chemical industry. Thank you.

MS. CHRIST: Thank you. I do want to express my appreciation and especially for all of your patience as you are a diverse panel and so sometimes it takes many follow-up questions to really understand the difference across all of your participation in the industry.

So I thank you for being patient if we sounded like we asked the same questions several times. We were

trying to really understand where all of you guys sit in the industry and how all of the pieces fit together. So I do appreciate that. Thank you very much. I think we will turn to closing remarks.

MR. BURCH: We release this panel with our thanks.

Closing and rebuttal remarks of those in support of imposition will begin by Neal J. Reynolds with King & Spalding and Christopher T. Cloutier of Schagrin Associates. Mr. Reynolds or Mr. Cloutier, you have ten minutes.

CLOSING STATEMENT OF CHRISTOPHER T. CLOUTIER

MR. CLOUTIER: Thank you very much. This is Chris Cloutier from Schagrin Associates. I will be beginning. I will discuss just a couple of issues briefly and then I'll turn it over to my colleague, Mr. Reynolds.

First, we've heard a number of arguments this afternoon about the product from South Africa and that it is different from all the other imports. I'm not entirely sure whether we've heard a domestic like product argument or perhaps a cumulation argument and perhaps that will be clear in the post-conference brief.

But for today's purposes, since I am tasked with cumulation, I shall address it from that perspective. One of the four things that the Commission looks at for

cumulation is fungibility. And what we have heard today is that the South African product is slightly different and that it has no benzene in it. But we also heard that a domestic producer, DowDuPont, produces a product with no benzene in it. We've also heard testimony that the specialty acetone market is a very small proportion of the market as a whole. And that AdvanSix is able to serve that segment of the market.

So what we have is a product from South Africa that is -- I think earlier this morning, I called it backwards compatible. It can be used in standard applications, and in fact, is used in standard applications. I would suggest that the Staff in preparing the report, look at the list of Sasol's customers and determine which of those might be the pharmaceutical companies willing to pay the premium that we've heard. And then you could compare that to the customers for producers of standard grades.

So, just in the basic sense, what we have before you is, there's not enough information for any kind of domestic like product analysis. We didn't hear any discussion of the six parts that you would look at for that. And the record so far indicates that the South African product is indeed fungible with the vast majority of other imports and domestic product. So for the preliminary determination, we would ask you to cumulate imports from all

countries.

The second issue I want to address is negligibility. Counsel for the various Saudi entities argued that imports have become negligible since the filing of the petition. I thought it would be worth just recapping that at the time the petition was filed on February the 19th, the information available from official U.S. Government sources indicated that Saudi Arabia accounted for 4.7% of subject imports.

And I'd like to read to you from the statute, the negligibility provision in 19USC1677, so Part 24A(1), imports are negligible, and here's where I begin the quotation, "if such imports account for less than 3% of the volume of all such merchandise imported into the United States, in the most recent twelve-month period for which data are available that proceeds," and then (I), the quote begins again, "the filing of the petition under Section 1671A(b) or 1673A(b) of this title." That's the initiation of a case by petition. So that's what controls in this case.

So the statute is clear that when we alleged that imports from Saudi Arabia were not negligible based on the available data at the time, which was 4.7%, we met the terms of the statute. Now, in certain circumstances, the Commission can also consider for threat purposes, cumulation

of imports that might be less than 3%. And we would urge you to do that here, because all indications are that imports from Saudi Arabia may imminently exceed 3%. In fact they were greater than 3% for almost all of 2018 and 2017. And they may be again in a very short period of time.

This is particularly appropriate here, because as you heard this morning, and as counsel for Saudi Arabia admitted, PetroRabigh opened a world-scale facility in 2017. Subsequently, Saudi Arabia had not previously been an exporter to the United States, but with this new capacity, looking for a place to sell its wares, all of a sudden, we have exports to the United States, that based on the rolling twelve-month period, even amount to 2.6% of U.S. imports.

So in less than eighteen months, Saudi Arabia was able to rise to Number 6 on the list of sources of imports into the United States.

Another reason to expect more imports from Saudi Arabia include the anti-dumping duties currently being imposed by India, which limits the number of markets into which PetroRabigh can sell. Counsel for Saudi Arabia also alluded to some information on the confidential record and planned exports I believe was the term to use. We will plan on addressing that issue in the post-conference brief. And with that, I turn the microphone over.

CLOSING STATEMENT OF NEAL J. REYNOLDS

MR. REYNOLDS: Thanks, Chris. My name, I think as some of you know, is Neal Reynolds, and I represent the petitioners in this case. First of all, I wanna thank all of you for the usual dedication and the fact that you've so clearly become very familiar with the record in this case. It's not surprising to me that you've asked great questions and you know the record pretty well, especially given the short amount of time you have in the prelim to address that.

Let me start by noting that this case is -- it's an interesting case. It presents you with a couple of interesting issues. It involves a new product, acetone. But fundamentally this case really presents this, a very typical case for the Commission, and a typical set of facts that supports an affirmative finding in the case.

Certainly there's a--in my view--given the standard that you're presented with in a preliminary investigation, which is that you need only to find a reasonable indication of material injury and threat. You've got everything you need here to have to recommend to the Commission that they make an affirmative finding here.

And like many of the investigations you and I've worked on, the record here shows that subject imports have flooded the market during the period of investigation. Between 2016 and 2018 they've more than doubled. And the largest part of that increase occurred in 2018, when the

industry suffered its biggest deterioration in terms of its financial condition over the period.

Moreover, that growing volume of imports was accompanied by very aggressive price competition from the imports. They undersold the industry throughout the period. We've heard some comments from the other side about the level of underselling. But that frankly in a commodity market, the Commission has always recognized that the levels of underselling you're seeing here are very standard. You expect to see that type of level of underselling, and the Commission has found that level of underselling in the past has constituted significant underselling.

And finally, the growing volumes of low imports have caused a serious decline in the industry's market share, pricing and profitability levels. In 2018, for example, in the final year of the period, the aggressive pricing practices of the subject imports caused the domestic industry to suffer a very, very serious cost-price squeeze. And that really represented a complete turnaround in the industry's condition during the period.

Also, the industry lost market share over the period, as the subject imports were increasing in market share volumes. So that loss of market share and the declining profitability and pricing levels for the industry was dramatic and troubling, especially given that the

industry is a capital intensive industry that must run at high capacity utilization rates to remain profitable.

And finally, the subject imports present a threat of serious injury should the Commission choose not to make an affirmative finding on present injury. They'll continue to grow in the imminent future as they have in the past. They'll continue to compete aggressively on price. And they have sufficient available capacity to increase their exports to the United States. They've shown a real willingness moreover to compete aggressively. So, given those indisputable facts, it's likely that they're gonna continue to come into the market and have the same injurious effects they've had to date.

So in the end, this investigation presents the Commission with, I think, a very straightforward case. It shows that the subject imports have adversely affected the industry's pricing and profitability levels and they're likely to continue to doing so in the future.

As a result, there's really no question that this question presents the Commission with a record that clearly meets standard present in this preliminary determination, which is that there's a reasonable indication of injury, material injury, and threat of injury from the subject imports.

Because we've heard a lot of arguments from the

respondents today, I'd like to address several of them in a little bit more detail. For example, in their presentation today, respondents have noted that the industry's U.S. shipments, net sales revenues and pricing all increased during the period of investigation. And they say that this suggests the industry really isn't suffering injury. But the problem with this is, that they ignore the fact that in 2018, there was a tremendous increase in subject volumes. They grew at the fastest rate of the period. And the industry at that time suffered a loss of market share as it had in 2017, and also a cost-price squeeze that was significant.

As I said before, the industry's turnaround in 2018 compared to the early parts of the investigation was pretty significant and obvious. And it wasn't simply coincidence that that occurred when the subject import volumes were increasing so much.

Now we've also heard today a lot about the close-downs, the Shell shutdowns and declarations of force majeure and some of the other declarations of force majeure by producers in the industry. They argue that those supply disruptions--alleged disruptions--caused customers to turn to subject imports to ensure a continued source of supply. My time is up.

MS. CHRIST: You want to go ahead and just finish

with a couple sentences?

MR. REYNOLDS: Okay, let me finish with a couple. One last thing of force majeure, if I can do this. The fact of the matter is the force majeure hasn't really disrupted the industry's ability to supply this market. There was plenty of available capacity during the period, and there remains plenty of capacity.

One final comment on the recent declarations of force majeure by ALTIVIA and AdvanSix. Those relate to phenol and many of the other ones did during the period. They don't relate to acetone. There's plenty of acetone supply in the market to meet demand. So I guess that's the end of my rebuttal.

MS. CHRIST: Thank you.

MR. BURCH: Closing rebuttal remarks on behalf of those in opposition to imposition will be given by Richard P. Ferrin of Drinker Biddle & Reath. And Mark Lehnardt of Baker & Hostetler. Gentlemen, you have ten minutes.

CLOSING STATEMENT OF MARK B. LEHNARDT

MR. LEHNARDT: Good afternoon. My name is Mark Lehnardt from Baker Hostetler. Thank you very much for all of your time today. It's been a long day and we appreciate everything that you do here.

I wanted to make a few points in closing, and Richard Ferrin will conclude. You heard the petitioners

claim that their customers walked away from them. And into the arms of importers. Not so. Petitioners turned their customers away, refusing to commit volume or refusing to work within the business model that was required by one of them. The petitioners turned their customers away due to factors explained by the integrally linked phenol market.

You heard petitioners claim that they had adequate capacity in late 2017 and 2018, but that's not what they told their customers when turning them away. In fact, the subject import increases correlates with the capacity that the petitioner and the domestic industry took down. You saw petitioners focus on a truncated portion of the POI. Perhaps because they all seemed new to acetone, and they haven't seen the full cycle.

Consideration of the entire POI shows that the petitioners' capacity curtailments pulled subject imports into the U.S. market, not that subject imports took market share from the petitioners in the domestic industry.

And most fundamentally, you saw petitioners avoid addressing the unfavorable fact that phenol production drives acetone production. Demand for phenol drives production of acetone. During the POI, the petitioners determined how much phenol to produce and those decisions determined how much acetone they had available to supply their customers.

The petitioners are complaining of a problem of their own making. And the imposition of anti-dumping duties cannot solve that problem because demand for phenol will always determine how much acetone they produce.

I want to comment on the statutory framework that the Commission is required to, under which the Commission is required to organize its analysis.

The petitioners have framed this case so as to focus on one of two products, a co-product and a by-product. Or the co-product and by-product are inextricably linked. The petitioners cannot produce one without producing the other. This is a fundamental condition of competition which the statute requires that the Commission take into account. Once it does, petitioners' narrative of material injury falls apart.

What you then see is petitioners themselves remove capacity through voluntary curtailments and force majeure events. And importers did not drive down U.S. prices as explained by Mr. Dougan. By the end of the POI, the phenol and acetone markets were coming back into balance following supply shocks of 2017 and 2018 caused by the petitioners in the domestic industry themselves.

You heard the petitioners explain that this is a typical case. It's only if you ignore the driver of acetone production, which is phenol demand. It is clear that there

is no material injury or threat of material injury by reason of subject imports. And there is no possibility of any information arising in a final phase that can change the chemical process or the reality that phenol demand drives acetone production.

CLOSING STATEMENT OF RICHARD P. FERRIN

MR. FERRIN: Good afternoon. This is Richard Ferrin from Drinker Biddle. Mr. Reynolds said in his closing that this in many ways a typical case in facts for the ITC, and one point, actually characterized it as a "straightforward" case. I almost fell off my chair when I heard that.

I think this case is anything but straightforward. The thing that is most important for the Commission to consider here is all of the causation that is being alleged by the petitioners ignore the fact of what is driving this market. What is the dog and what is the tail? It's the dog that wags the tail, not the other way around.

And the whole point is, is that phenol drives this market. So if you change the prices on acetone, that is not going to bring a single more pound of acetone to be produced in the United States. Why? Because nobody in the United States will produce acetone unless there is demand for phenol. Phenol drives this market, not acetone.

So when Mr. Reynolds says at the end, "there's

plenty of acetone capacity in this market," setting aside what is the actual practical capacity of these plants. The point is, is that regardless of what excess capacity there might be for acetone, is not one pound, not one pound is going to be produced of acetone unless there is demand for producing phenol at the same time. And to that extent, there's absolutely nothing that matters in terms of what they're arguing about imports coming to the market.

They've got the causation all wrong. Everything is being driven by phenol. It is not being driven by acetone. And to that extent, the cause of whatever's happening to the U.S. industry is not being driven by subject imports. Rather, it's being driven by what is happening in the dynamics of the phenol industry. Thank you.

MS. CHRIST: Thank you. On behalf of the Commission and the Staff, I would like to thank the witnesses who came here today, as well as counsel for helping us gain a better understanding of the product and the conditions of competition in the acetone industry. Before concluding, please let me mention a few dates to keep in mind.

The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Friday, March 15th. If briefs contain business-proprietary

information, a public version is due on Monday, March 18th. The Commission has tentatively scheduled its vote on these investigations for Thursday, April 4th, and it will report its determination to the Secretary of the Department of Commerce on Friday, April 5th. Commissioners' opinions will be issued on Friday, April 12th. Thank you all for coming. The conference is adjourned.

(Whereupon the meeting was adjourned at 3:01 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Acetone from Belgium, Korea, Saudi Arabia, Singapore, South Africa, and Spain

INVESTIGATION NO.: 731-TA-1435-1440

HEARING DATE: 3-12-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 3-12-19

SIGNED: Mark A. Jagan
Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Court Reporter