EVRAZ

PUBLIC DOCUMENT:
Business Confidential Information Has Been Removed from Pages 1, 5, 6, 8, 9, and the sole Exhibit

April 7, 2017

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The Honorable Wilbur L. Ross
Secretary of Commerce
Office of Policy and Strategic Planning
Room 5863
U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, DC 20230

Attention: Carter Halfman
David Langdon

Re: ***Docket Number 170309252-7252-01, "Construction of American Pipelines" (82 FR 8659): Submission of Evraz North America***

Evraz North America ("Evraz") is the largest producer of Large Diameter (greater than 24" in outer diameter) line pipe in North America, serving the North American line pipe market for oil and gas transmission. Evraz is also the largest producer of premium rail steel in North America, operating the only rail mill in Western North America. Evraz produces additional steel products in the U.S. and Canada (as discussed below). Headquartered in Chicago, Illinois, Evraz employs over 1,400 people in the U.S. and 1,800 in Canada.

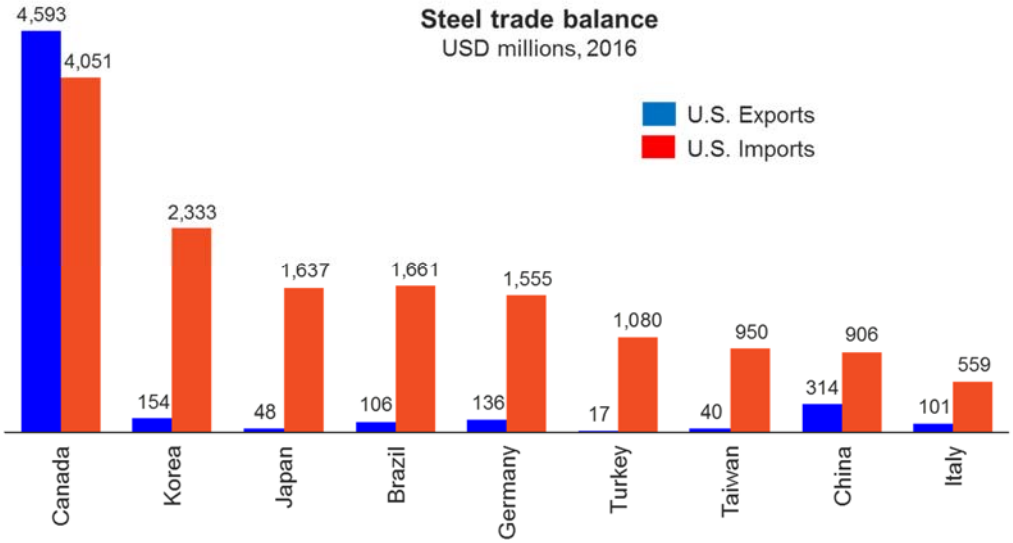
Steel trade between the United States and Canada is fair, balanced, and uniquely integrated. There are no antidumping or countervailing duty orders and no ongoing trade disputes in steel between the countries. The U.S. has a steel trade surplus with Canada: in 2016, $4.59 billion of steel was exported from the U.S. to Canada and $4.05 billion of steel was exported from Canada to the U.S. Furthermore, customers in the U.S. and Canada depend on longstanding, unimpeded product flows across the border in many sectors.

Indeed, Evraz is a perfect example of the integrated U.S.-Canada steel supply chain. For example, jobs in Oregon depend on exporting plate to customers in Western Canada; jobs in Colorado depend on exporting rail to Canada; and jobs in Canada depend on serving line pipe customers in the U.S. Evraz has averaged $[ ] million per year over the last three years in cross border trade. Our approximately 300 direct jobs in Portland, Oregon; approximately 1,000 jobs in Pueblo, Colorado; and multiples of indirect jobs in both U.S. locales depend on continued unimpeded product flows across the border.

Evraz faces the same challenges as U.S. line pipe makers: low-priced imports and global overcapacity. Indeed, if not for the continued, increasing presence of low-priced large diameter line

pipe imports from countries like India, Turkey, and Greece,[1] Evraz would still have over 240 jobs in our Portland, Oregon spiral pipe mill.

Increasing low-priced import penetration has been and remains a problem for the U.S. industry, although much progress has been made through trade petitions and strengthening of U.S. trade laws. However, the United States still faces major steel deficits with countries other than Canada. Respectfully, the following table shows that non-Canadian exporters should be the focus of the Administration's effort to enhance domestic steel employment:



Source: U.S. Department of Commerce, Enforcement & Compliance

Following are Evraz's responses to the Department of Commerce's request for Information.

a. What is your role regarding U.S. pipelines?

Evraz is the only North American Large Diameter line pipe maker that is vertically integrated from melted steel to final pipe production. Evraz melts and produces substantially all of the steel used for its line pipe manufacturing at its facilities in the United States and Canada. In our experience, customers and regulators value Evraz's complete chain of control for traceability, quality, and pipe consistency. Furthermore, Evraz's integration eliminates a layer of terms and pricing negotiations, and reduces transaction frictions, such as time-consuming negotiations on technical requirements and scheduling difficulties, that often cause product delays.

b. NAICS code(s)?

Following are the NAICS products produced by Evraz, and the place of production.

- 332312 "Fabricated Structural Metal Manufacturing" – Evraz Rocky Mountain Steel facility in Pueblo, Colorado
- 331221 "Rolled Steel Shape Manufacturing" – Evraz Oregon Steel facility in Portland, Oregon
- 331111 "Iron and Steel Mills" – Evraz Regina, Saskatchewan

[1] There are no U.S. antidumping or countervailing duty orders on large diameter pipe from these countries. The only U.S. order on large diameter pipe concerns seamless pipe from Japan (A-588-850).

- 331210 “Iron and Steel Pipe and Tube Manufacturing from Purchased Steel” – Evraz Calgary, Red Deer, and Camrose, Alberta facilities
- 339990 “All Other Miscellaneous Manufacturing” – Recycling facilities located throughout the United States and Canada.

c. What types of pipelines does your company operate, construct, manufacture, or distribute?

Evraz manufacturers line pipe primarily for oil and gas transmission. Line pipe products are either categorized as (1) Small Diameter (less than or equal to 24” in outer diameter), produced by straight-seam Electric Resistance Welding (“ERW”) or (2) Large Diameter, produced either by Longitudinal-seam Submerged Arc Welding (“LSAW”) or Helical-seam Submerged Arc Welding (“HSAW”).

d. Where are your operations located

Evraz’s U.S. and Canadian operations are shown on the following map and are discussed below in detail.

Evraz’s United States facilities:

Pueblo, Colorado: Rocky Mountain Steel (“RMS”) has produced 100% U.S.-made steel—from melting (scrap) through final rolling—since 1872. RMS products include:

- Seamless Oil Country Tubular Goods (“OCTG”) for oil and gas exploration
- Premium and Industrial quality rail, including head-hardened rail
- Wire Rod
- Rebar

The RMS seamless pipe mill produces OCTG products for use in oil and gas exploration and production. RMS rail is vital to building and maintaining U.S. infrastructure, facilitating efficient flow of commerce throughout the country, and to national defense. While RMS rail benefits greatly from trade with Canada, it is also negatively impacted by increasingly lower-priced rail imported from Japan and the Czech Republic. RMS also includes General Scrap, Inc. ("GSI"), and the Colorado and Wyoming Railroad Company ("C&W"). GSI is a wholly owned subsidiary that operates scrap collection and processing facilities in Colorado and North Dakota. It supplies the RMS Electric Arc Furnace. C&W is a short-line railroad that moves railcars within our Pueblo site and provides switching services to the Burlington Northern Santa Fe and Union Pacific railroads for RMS and other customers. The RMS wire rod mill produces high carbon wire rod for specialty applications, such as tire cord, tire bead, and wire rope. RMS also produces low carbon grades of rod and coiled reinforcing bar products in a variety of sizes, grades, and coil weights.

Portland, Oregon: Oregon Steel Mills ("OSM"). OSM products include:

- Large Diameter line pipe (currently idled) – 180,000 tons capacity[2]
- Cut-to-Length plate and discrete plate (including armor plate for military applications)
- Plate in Coil

OSM comprises a Steckel rolling mill, with 700,000 – 800,000 tons annual capacity of line pipe steels, a plate quench and tempering facility (making Hot Rolled coil and Cut-to-Length plate), and two HSAW mills capable of producing Large Diameter line pipe up to 0.750" wall thickness. The OSM rolling mill is the only plate mill on the West Coast. OSM produces discrete steel plate in widths from 48'' to 135'' and in thicknesses from 3⁄16'' to 8''. OSM's Large Diameter pipe mills are currently idled, due to low-priced imports into the U.S. and Canada, as well as 57% antidumping duties recently imposed by Mexico on U.S. (Indian and Spanish) exports of Large Diameter pipe.

Evraz/OSM is actively involved in the ongoing U.S. antidumping and countervailing duty investigations of Cut-to-Length plate from 12 countries (last final determinations signed March 29, 2017).

Minot, North Dakota; Colorado Springs and Denver, Colorado: Recycling facilities purchase scrap metal for use in Evraz's various Electric Arc Furnaces.

Chicago, Illinois: Evraz North America headquarters. Functions include Executive Leadership, Human Resources, Information Technologies, Legal, Sales, and Finance. The site employs approximately 100 people.

Evraz's Canadian Facilities

Regina, Saskatchewan: Evraz Regina products include:

- Steelmaking – 1,050,000 tons annual capacity of line pipe steels
- Spiral Large Diameter line pipe – 360,000 tons annual capacity
- Small Diameter line pipe – 150,000 tons annual capacity
- Oil Country Tubular Goods – Tubing
- Cut-to-Length plate
- Plate in Coil

Evraz Regina is the largest steel making operation in Western Canada. The facility has been making line pipe since 1956 and is the longest-running Large Diameter pipe producer in North

[2] These lists include capacity data only for line pipe and associated inputs.

America. It produces line pipe steel from 100% recycled materials. The site comprises two Electric Arc Furnaces, a ladle furnace, a continuous variable width slab caster, and a Steckel mill that is capable of rolling coil and plate up to 72'' wide. The Regina site produced substantially all of the coil consumed by the Evraz Regina pipe mills in 2016. The pipe mill operations comprise a 24'' rolling ERW mill, a 2'' ERW mill, and five Large Diameter line pipe HSAW mills. The tubular mills are important suppliers to the energy markets in both the United States and Canada. These tubular mills have the capacity to produce Large Diameter line pipe in outside diameters of 26'' through 60'' and up to 1.000" thick and ERW Small Diameter line pipe in outside diameters of 9.625''-24'' at the 24'' mill, and ERW tubing or line pipe in outside diameter of 2.375''-3.5'' at the 2'' mill.

Camrose, Alberta: Evraz operates two pipe mills in Camrose, Alberta, producing:

- Large Diameter line pipe – 250,000 tons annual capacity
- Small Diameter line pipe – 160,000 tons annual capacity

Camrose has an ERW mill and an LSAW Large Diameter line pipe mill. The ERW mill converts coils into line pipe up to 16'' in outside diameter, which is primarily used in the transportation of oil and gas from the well head to larger transmission lines. The LSAW mill converts plate into Large Diameter line pipe used for transmission lines.

Calgary, Alberta: The Calgary, Alberta products include:

- OCTG Casing
- OCTG Tubing

This site comprises an ERW pipe mill specializing in OCTG production, including heat-treated casing, and a tubing finishing facility with upsetting, testing, and threading operations. The site also has OCTG casing testing and threading operations.

Red Deer, Alberta: The Red Deer, Alberta products include:

- Small Diameter line pipe – 170,000 tons annual capacity
- OCTG Casing

The site comprises an ERW pipe mill, producing OCTG and Small Diameter line pipe, and threading facilities for both API and Premium connections.

Alberta, Manitoba, Ontario, and Saskatchewan: Various recycling facilities that purchase scrap metal for use in Evraz Electric Arc Furnaces.

e. How many employees?

Evraz North America employees approximately 1,400 people in the U.S. and approximately 1,800 in Canada.

f. Approximate sales revenue?

Approximate sales revenue for Evraz North America was [ ] in 2016, and [ ] in 2015.

g. Approximately how many miles of pipeline did your company construct, repair, fabricate, or distribute in 2016?

Approximately 1,985 miles of line pipe was produced in 2016, or approximately [ ] tons. Evraz produces a wide range of line pipe for a number of uses, including distribution and feeder lines, as well as major transmission, Large Diameter pipelines.

The distance of pipe produced (in miles) is approximately:

- 16" and below outer diameter: 880 miles;
- 20" to 24" outer diameter: 376 miles; and
- Greater than 24" in outer diameter: 692 miles.

1. In a few sentences, describe your assessment of U.S. pipeline demand (such as miles of pipeline planned for construction) for the next few years.

Based on data from SIMDEX Worldwide Pipeline Guide and the U.S. Pipeline and Hazardous Materials Safety Administration, Evraz expects significant U.S. pipeline construction activity during the next few years. Specifically, new U.S. pipeline projects starting in the 2017-2019 time frame amount to approximately 22,500 miles total (or more than $30 billion of total projects costs). Natural gas pipelines are expected to account for approximately 13,300 miles (59% of total length), and crude oil pipelines are expected to account for 6,200 miles (27% of total), with the remaining approximately 3,000 miles carrying other liquids. Growing regional supply-demand imbalances for natural gas and the expected increase in shale oil production continue to be the main driving forces behind developing midstream energy infrastructure. Furthermore, the high degree of demand for gas pipelines, which typically require higher pressures than other pipeline media, will increase the demand for Large Diameter pipe with 42"-48" outside diameters and thicknesses up to 1.000". Producing hot-rolled coil and plate for use in the production of Large Diameter pipe will be particularly challenging for U.S. steel mills, because domestic mills are limited in capacity for producing these wider, thicker-walled steels.

2. To what extent are your companies' pipeline materials sourced domestically? What factors influence this decision (price, quality, supply shortages, pipeline requirements, domestic sourcing requirements, etc.)?

For steelmaking for pipe operations, Evraz procures scrap metal from both U.S. and Canadian sources. Scrap sourcing decisions are based on proximity to steelmaking. The steel that we use to produce line pipe in Canada is sourced internally due to the years of quality and experience Evraz has in metallurgy and making steel for pipe. For the currently idled Portland, Oregon Large Diameter pipe operations, the hot-rolled coil used for production typically was produced at our rolling mill from slabs that are either procured domestically from unrelated parties or imported from affiliates (primarily Canada), where we produce large quantities of line pipe steel. Our experience has been that purchasing domestic slabs or coils for API line pipe production in Portland has been cost-prohibitive (high supplier prices) and has not allowed us to compete effectively with other pipe suppliers. Thus, slabs and/or coil are procured from foreign affiliated companies.

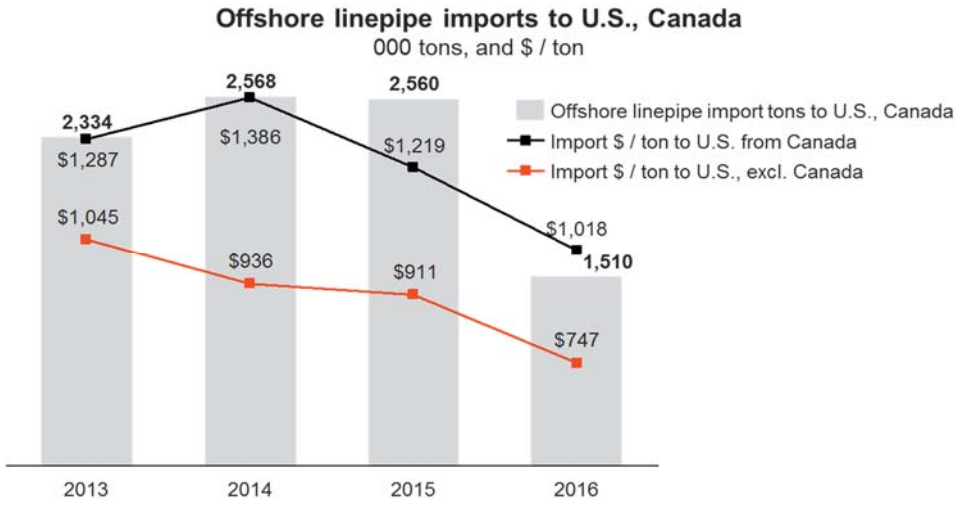
Our sourcing decisions are made based on price, quality, and availability of supply, all of which must meet the requirements of our pipeline customers. At times, customers may specify a domestic sourcing *preference*, rather than a requirement, although that occurs on a limited basis and so such situations are atypical.

3. If applicable, please estimate your company's capacity to fabricate pipelines or steel for pipelines. What was your capacity utilization in 2016? If applicable, what factors prevented your company from operating at capacity?

As shown by the attached Confidential Exhibit, Evraz has not been operating at full capacity. Factors that prevented Evraz from operating at capacity include:

- Low prices and high volumes of unfairly traded imports into Canada. In a recently completed investigation of *Large Diameter Carbon and Alloy Steel Line Pipe from China and Japan* (2016), Canada that found injury to the domestic industry was caused by dumped and subsidized imports from China and dumped imports from Japan.
- Continued low pricing of line pipe imported into the United States, principally from Korea, Turkey, Greece, and India. (*See* comment at footnote 1.)
- Depressed oil and gas commodity pricing, driving lower transmission demand.
- Antidumping duties imposed in April 2016 by Mexico on exports of Large Diameter pipe from the United States (India and Spain). These orders capture Longitudinal and Helical line pipe greater than 406.4mm (16"); the duties currently are approximately 57%.

Low-priced non-Canadian (*i.e.,* "offshore") imports have had a significant negative impact on the capacity utilization of U.S. pipe mills, and offshore imports have decimated U.S line pipe pricing. Indeed, the Department of Commerce has found that in the last four years unit values of offshore imports have been 23% - 48% lower than the unit values of Canadian imports into the U.S.



Source: U.S. Department of Commerce, Enforcement & Compliance, Statistics Canada

4. If applicable, please estimate in days or months supply your existing inventories of pipe. What share of your inventory is fully produced in the United States?

Evraz does not typically hold an inventory of pipe that is available for sale. Any such inventory would be maintained only for made-to-order customer requirements. Evraz holds no inventory

in the United States, which is typical for domestic pipe producers, especially Large Diameter line pipe producers. Furthermore, in our experience very few distributors hold inventory of Large Diameter line pipe, due to the made-to-order nature of pipeline projects.

5. **To what extent are materials other than iron and steel the primary materials used in your pipelines?**

No primary materials other than iron and steel are currently being used for line pipes.

6. **To what extent is technology changing the material requirements and construction techniques in the pipeline industry?**

Technology is extremely important for producing pipe for oil and gas pipelines, both in producing the proper steel metallurgy and in pipe-making techniques needed to meet the demands of advanced grades and to ensure quality and safety. Evraz has the only Research and Development center in North America dedicated to metallurgy, steelmaking, and pipe making for Large Diameter line pipes. Demand for pipelines, specifically for transporting gas, is driving the need for thicker walled pipe with larger outside diameters. Pipelines and pipe producers must keep up with innovations for new safety and reliability characteristics. As pipeline customers face increased scrutiny on safety and reliability of their pipelines, steel and pipe producers must continuously improve processes and product technologies.

Materials, in the terms of alloys and steel chemistries, are continuously evolving. Consequently, Evraz has recently spent $220 million to enhance its steel- and pipe-making technologies to maintain leadership and further enhance our world-class capabilities.

7. **If applicable, how many permits from a Federal agency are required for pipeline construction or repair? Which Federal agencies require permits and how long does it take to obtain them?**

Evraz is not involved with permitting because it produces steel for use in pipe-making and steel pipe and tube. Pipeline operators procure permits.

8. **Please describe in a few sentences how domestic content requirements would affect your operations.**

The specter of “Buy America” being possibly implemented for pipeline projects has already created a negative impact on the pipeline market, and our business specifically. Evraz operates a carefully integrated North American steel supply chain that depends on the free flow of goods between the U.S. and Canada to serve customers in both markets and preserve the viability of well-paying middle-class jobs in both countries. Significantly, Evraz’s Canadian-based pipeline operations provide crucial and irreplaceable support for Evraz’s Pueblo, Colorado and Portland, Oregon operations. Furthermore, Evraz’s North American operations and ability to commit the capital to maintain and invest in our operations are based in large part on the predictable legal and regulatory structure that has been in place for decades.

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Additional Topic Implicated By Increasing The Domestic Material Content in Pipelines: Domestic content requirements should be carefully designed to avoid any potential negative impact on pipeline construction and operation:

- U.S. producers of Large Diameter line pipe (unlike Evraz) are not vertically integrated and therefore must arrange for the supply of slabs, hot-rolled steel in coil, or cut-to-length plate from steelmakers. Requiring line pipe producers to source steel only from U.S. producers will delay the qualification and procurement process, as well as the production process.
- Delays in delivery of line pipe have a negative impact on project economics (to pipeline operators and upstream customers), as well as on American employment in construction and oil and gas exploration. Pipe expenditures are frequently one-third of a total pipeline costs. Delays in pipe procurement will escalate costs for installation labor, equipment, and other materials.
- In a few cases, certain grades, gauges, and diameters of line pipe cannot be produced using hot-rolled steel coil or plate produced in the U.S. (*e.g.*, undersea, thicker-walled Large Diameter line pipe). Consequently, imposing domestic content requirements may lead to substitution of products that are not ideal for the particular application.
- In other cases, the production of certain grades and specifications of Large Diameter line pipe may require steel coil or plate that can only be manufactured by one or two U.S> steelmakers. Such constraints could cause supply bottlenecks and pipeline schedule delays. Consequently, if an inflexible and broad domestic content requirement is adopted, pipeline projects will be delayed and the cost of such projects will increase, which would be detrimental to investors and energy consumers.
- Restricting competition through the application of domestic content requirements could cause the U.S. energy industry to fall behind in efficiency and safety compared to others in the world.
- Imposing a “Buy America” requirement could trigger reciprocal actions by other countries, which could harm U.S. jobs in steel and other sectors.
- Line pipe costs will likely increase due to a severely restricted supply**,** making project economics much more tenuous, if viable at all, especially at a time of near-breakeven oil production costs. Higher pipeline costs could result in fewer jobs in steel production, pipeline construction, and oil and gas exploration in the United States. This could also result in less demand for Oil Country Tubular Goods steel products.

Request for Confidential Treatment

Confidential treatment should be granted with respect to the business confidential information designated as such, pursuant to 5 U.S.C. § 552(b)(4). The information for which confidential treatment is requested is found on pages 1, 5, 6, 8, 9, and the sole Exhibit, and is: (a) commercial or financial information, (b) obtained from a person, and (c) confidential.[3] This information is not publicly available. Public disclosure of this information would cause substantial competitive

[3] No index of confidential information is included with this response because of the limited extent of such information included herein.

harm to Evraz. Moreover, such disclosure would have a negative impact on the ability of the Department to obtain similar information from Evraz or other sources, similarly situated, in the future.

The information for which Evraz is requesting confidential treatment has been deleted from the public version of this response.

To the extent that the Department considers releasing any of the confidential information enclosed in brackets under FOIA, Evraz requests an opportunity to review a redacted version before it is released, and reserves the right to withdraw this response.

Conclusion

Evraz appreciates the opportunity to comment on this initiative and trusts that the Department will carefully consider the issues raised.

Respectfully submitted,

Brian Kristofic
Director – Trade and Government Affairs
EVRAZ North America

Public Exhibit – Question #3 – Capacity and Capacity Utilization In 2016

Small Diameter Line Pipe	Capacity (1,000 st)	Tons Produced (1,000 st)	Capacity Utilization %
Red Deer	[		]
Camrose	[		]
Regina	[		]
Total	**[**		**]**

Large Diameter Line Pipe	Capacity (1,000 st)	Tons Produced (1,000 st)	Capacity Utilization %
Portland	[		]
Camrose	[		]
Regina	[		]
Total	**[**		**]**

Regina Steelmaking	Capacity (1,000 st)	Tons Produced (1,000 st)	Capacity Utilization %
Regina steelmaking – slabs for line pipe steel	[		]