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Public File

Anti-Dumping Review 615 – Wind Towers exported from the People's Republic of China

1. Introduction

Keppel Prince Engineering Pty Limited (**KPE**) is an Australian manufacturer of Certain Utility Scale Wind Towers (**wind towers**), and was the applicant company that requested the above-noted variable factors review (**REV 615**) – refer ADN No. 2023/011. KPE makes the following submission in relation to the assessment of Chinese normal values.

2. Background

Throughout the course of the Australian trade measures applicable to Chinese exports of wind towers, the Anti-Dumping Commission (**the Commission**) has concluded on successive occasions that the Government of China's (**GOC**) involvement and influence over the steel industry, and the markets for raw materials used in the production of the goods, has created distortions that make raw material costs (primarily plate steel) unsuitable for use in determining the cost of wind tower production in China, and therefore impacting whether sales have been made in the ordinary course of trade (**OCOT**).

This assessment was articulated by the Commission in the original investigation No. 221 (**INV 221**), Continuation Inquiry No. 487 (**CON 487**), and subsequent Accelerated Review's. The Commission had drawn reference to other highly relevant Chinese steel-related Australian trade remedy inquiries, contemporary at the time, as the basis for its consistent finding of this circumstance in the Chinese wind tower market.

KPE submits that there is no evidence before the Commission for REV 615 that would lead it to a conclusion contrary to its earlier assessments. KPE also submits that, because of the GOC's influence in the Chinese wind tower market, sales of like goods cannot be considered suitable for determining normal values under section 269TAC(1).

In KPE's application to Continuation No. 621 (**CON 621**), it evidenced fundamental differences in the conditions of competition between Australia and China vis-à-vis the supply of wind towers. KPE reiterates that both Chinese selling prices and costs are inappropriate for the determination of Chinese normal values. For REV 615, the Commission must therefore determine Chinese normal values under section 269TAC(2), constructing all costs of production and sale, plus an amount for profit, on the basis of undistorted prices/costs or benchmarks. In relation to costs, it will be critical that the Commission consider all costs in the manufacture of the goods. These include plate steel, flange components, embedded tower foundations (often referred to as an 'embeds') and internals.[1]

KPE respectfully submits that the Commission must now, in contrast to its earlier approach, assess domestic Chinese like-goods and establish normal values by recognising a Chinese particular market situation (**PMS**) for wind towers. This will result in a consistent alignment with the Commission's long-established precedent in steel and steel-related trade remedy inquiries, and will ensure consistency with Australia's obligations under the Anti-Dumping Agreement and the WTO Panel's interpretation of these obligations as set out in DS529 (Australian Anti-Dumping Measures on A4 Copy Paper). KPE therefore provides the following analysis and evidence for the Commission's consideration.

3. Original and subsequent normal value determinations

i). Investigation No. 221

In Report No. 221 (**REP 221**) to INV 221, the Commission established that wind towers are unique capital equipment that are project driven and differ in their technical properties between each project. The Commission considered that the identified differences between the Chinese exported goods and home market like-goods were so complex and significant in terms of specifications, inclusions, and exclusions that adjustments could not reasonably be undertaken to ensure a proper comparison.[2] The Commission therefore found that:

> *…domestic sales of like goods in China and Korea are not relevant and suitable to compare to export sales. Accordingly, normal values cannot be established under s.269TAC(1) and must be determined under one of the alternative methods provided for in the Act.*

This combined China/Korea domestic market like-goods assessment directed the Commission away from section 269TAC(1), and it therefore did not consider the claim made in the application for the measures regarding a China PMS specific to wind towers:[3]

> *Given the finding that normal values cannot be determined under s.269TAC(1), the Commission considers that the assessment of whether a market situation exists in the Chinese domestic market to be redundant. However, the Commission regards information gathered and assessed as part of the market situation claims to be directly relevant to the determination of costs for the purposes of constructing normal values under s.269TAC(2)(c).*

The market situation claim made by KPE at the time was such that selling prices within the domestic Chinese wind towers market were artificially low due to government influence on raw material prices, in particular, plate steel, coking coal (and/or coke), and scrap metal. As plate steel is the major raw material input into the production of wind towers, and contributes to at least 50% of the cost to make the goods, KPE (and the other applicants at the time) considered that Chinese domestic selling prices for wind towers were unsuitable for establishing normal values (under section 269TAC(1)), given the prevalence of this market situation.

The Commission's regard to the PMS claim was such that it considered the outcomes of dumping investigations into various steel products, where it was found that the GOC exerted sufficient influence on the Chinese iron and

[1] Internals in the case of wind towers means additional features of a wind tower, such as stairs, electrical cables, ventilators, elevator, lights and light switches, etc.
[2] REP 221, p. 29.
[3] Ibid.

steel industry, such that competitive market conditions in the steel sector were distorted in China. At the time of INV 221, this comprised the following:

- Investigation No. 198: Plate steel (**INV 198**);
- Investigation No. 190: Aluminium zinc coated steel, and galvanised steel; and
- Investigation No. 177: Hollow structural sections (**HSS**).

With plate steel the most relevant to the wind towers inquiry, the Commission noted that:[4]

> *…the GOC, in submissions to the plate steel investigation, stated that plate steel is used by a number of sectors and identified that domestic demand for steel was also driven by other consumers such as nuclear power plants, **wind farms**, hydro-power facilities, ports, ships, railways, transportation, mining machinery, medical equipment, construction machinery and housing.* [**emphasis** added].

The Commission found that sufficient evidence existed to consider that plate steel prices and the cost of the flanges were distorted in the Chinese domestic market. It was therefore reasonable to consider that this distortion had impacted the purchase costs of wind tower producers in China.[5]

In the calculation of the normal value for the cooperating Chinese exporter Shanghai Taisheng Wind Power Equipment Co. Ltd (**TSP**), the Commission found that the cost of plate steel and the cost of the flanges reflected in its accounting records did not reasonably reflect competitive market costs – the normal value was constructed, with plate steel and flange purchase costs adjusted using information from INV 198 that the Commission considered reflected competitive market costs.

Notwithstanding the Commission's redundancy assessment of the Chinese PMS in INV 221, the effect of the Chinese market like-goods finding on the normal value was the same as if a market situation had been found – essentially replacing subsidised and government influenced Chinese costs with an undistorted benchmark. This approach would then establish the Commission's methodology for the subsequent continuation inquiry, at least initially.

ii). Continuation No. 487, the reinvestigation, and subsequent Accelerated Reviews

a. Continuation No. 487

In the same manner as INV 221, the Commission concluded in its 12 May 2019 report to CON 487 that wind tower sales continue to be project driven and differ in their technical properties between projects. As such, each wind tower is a unique product and that, because of the many variables and differences in technical specifications which would affect proper comparison, it was not possible to accurately adjust domestic prices to make them comparable with export prices.[6]

At this point in the history of the wind tower trade measures, the Commission had departed from assessing the existence or otherwise of a PMS in China. It's project-driven and therefore non-comparability assessment in CON 487 was firmly founded in INV 221, as was the calculation of Chinese normal values under section 269TAC(2).

The Commission also continued to conclude that the GOC influenced the Chinese wind tower market:[7]

> *The Commission is of the view that Government of China (GOC) involvement and influence over the steel industry and the markets for raw materials used in the production of steel in China has created distortions that mean TSP Shanghai's records were not determined in competitive market conditions,*

[4] REP 221, p. 26.
[5] REP 221, p. 33.
[6] CON 487, p. 32.
[7] CON 487, p. 33.

and do not reasonably reflect competitive market costs associated with the production of wind towers. Further detail concerning the Commission's findings regarding the GOC's influence in the Chinese steel market can be found in Appendix A.

The Commission has observed in several recently completed investigations ongoing intervention by the GOC in its domestic steel markets. These findings are applicable to Chinese producers of plate steel, which would have been influenced by the same policies and other interventions. Therefore the Commission considers that raw material costs for plate steel recorded by TSP Shanghai did not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

Having determined that the records of TSP Shanghai do not reasonably reflect competitive market costs in accordance with subsection 43(2)(b)(ii) of the Regulation, the Commissioner is not required to work out an amount for the cost of production using the information as set out in TSP Shanghai's records.

Significant distortions in the plate steel market in China resulted in an uplift being applied to plate steel costs in REP 221 to establish a competitive market cost. Given the available evidence indicates that these distortions continue to exist, for this inquiry, the Commission uplifted the prices of raw material steel plate used in the constructed normal value for TSP Shanghai.

At this point, the Commission's body of evidence of the GOC's influence in the Chinese steel market was building. In addition to the aforementioned investigations referenced in INV 221, reference was made in CON 487 to more recently completed inquiries Review 419 (HSS) and Review's 456/457 (aluminium zinc coated steel, and galvanised steel).[8] [9]

A further relevant conclusion with timing akin to CON 487 where the GOC had materially influenced the price of major steel cost inputs was that of Investigation No. 441 into steel pallet racking exports from China and Malaysia. In that inquiry, the Commission concluded that the GOC materially influenced conditions within the Chinese hot rolled coil (**HRC**) market and the Chinese steel market generally, and that because of such influence, domestic prices for Chinese steel pallet racking were substantially different to those that would prevail in normal competitive market conditions.[10]

b. Reinvestigation No. 487

The Anti-Dumping Review Panel's (**ADRP**) direction to the Commission in July 2019 that it reinvestigate certain of the CON 487 findings resulted in a complete about-face in the Commission's approach to Chinese normal value assessment. The Commission elected to reassess the issue of like goods on the Chinese market:

An area of contention in the application to the ADRP by TSP, and the ADRP's request for reinvestigation, was whether REP 487 considered if there were, or were not, like goods available for the Commission to use for the purposes of calculating a profit margin in accordance with section 45(2) of the Regulation. While the preliminary findings contained in this report no longer relate to the applicability of section 45 of the Regulation, ***the Commission has reinvestigated whether TSP sells like goods on the domestic market in China as part of its reinvestigation of the normal value finding****.* [**emphasis** added].

Contrary to its original CON 487 assessment that it was not possible to accurately adjust domestic Chinese prices to make them comparable with export prices given an absence of relevant sales, the Commission concluded across the requisite physical, commercial, function and production likeness characteristics that the goods were in fact alike.[11]

[8] CON 487, p. 33, footnote 32.
[9] The verified GOC influence in these inquiries were themselves built upon/assessed concurrently in the earlier HSS and aluminum zinc coated steel/galvanized steel continuation inquiries (refer Continuation No. 379, and Continuation No. 449/450).
[10] Investigation No. 441, final report, p. 42.
[11] Reinvestigation Report No. 487, p. 10.

The effect of this was the re-calculation of Chinese normal values under section 269TAC(1). The Commission nonetheless still sought to recognise that an uplift was required to reflect the fact that TSP's raw material costs did not reasonably reflect competitive market costs.[12] In this regard, the Commission's view did not change from CON 487 (the view of which was formed via reliance on all earlier and contemporary precedent that the GOC materially distorts the economic condition of the Chinese wind tower market). The Commission sought to make this adjustment (as a specification adjustment) to the normal value via section 269TAC(8).[13]

In a strict normal value sense, this approach established a quasi-constructed home market price reflective of the Commission's earlier INV 221 and CON 487 calculations under section 269TAC(2). However, the ADRP Panel Member did not agree with the Commission's dual-pronged methodology of making an affirmative China-like-goods-finding whilst also seeking to recognise distortions in the Chinese wind tower market:[14]

> *106. The difficulty with the ADC's approach is that it has determined that the normal value of TSP's exports should be ascertained under s.269TAC(1). Accordingly, the normal value has to be based on the prices obtained by TSP in its domestic sales in the OCOT in arms length transactions. It is not open to the ADC, having found that there were domestic sales of like goods to the exported goods for the purpose of s.269TAC(1), to then use a constructed normal value.*
>
> *107. **If the ADC was satisfied that the prices in the domestic market were distorted because the cost of raw materials did not reflect market prices, then it should have recommended that the Minister be satisfied that there was a particular market situation for the purpose of s.269TAC(2)(a)(ii) and ascertained the normal value under s.269TAC(2)(c)**. It did not however make this finding. Given this, and the fact that it determined that it was suitable to use the domestic sales under s.269TAC(1), I do not see how it can now use what is, in effect, a constructed normal value.*
>
> *108. I do not consider that the requirement on the Minister to make an adjustment under s.269TAC(8) for physical differences can be the basis for a constructed normal value or for the costs of the exporter to be uplifted as if s.43(2)(b)(ii) of the Regulation applied. An adjustment under s.269TAC(8) is limited to the purpose for which it is being made.*
>
> *…*
>
> *110. The purpose of an adjustment to the normal value has also been described as "to ensure that like is compared to like".*
>
> *111. The extent of the adjustment that can be made under s.269TAC(8) is only what is required to remove the effect the physical differences have on the comparison between the exported goods and those sold domestically. It is not necessary to remove the effect of the physical differences to uplift the cost of the goods sold domestically. It is not necessary to compare like to like.* [**emphasis** added].

The Panel Member consequently directed that the Commission recalculate TSP's normal value under the revised section 296TAC(1) approach, but to exclude the costs uplift given its inconsistency vis-à-vis the purpose of section 269TAC(8).[15] This recalculation resulted in a significantly negative dumping margin, and the non-continuation of the measures for TSP.[16]

This unintended outcome was a fundamental and clearly erroneous turning point in the assessment and established practice of ascertaining Chinese wind tower normal values. The outcome was effectively the complete non-recognition of cost distortions in the Chinese steel market, costs distortions of which the Commission had consistently found existed in the context of a particular market situation across a multitude of

[12] Reinvestigation Report No. 487, p. 45-46.
[13] Under its Option C approach. Refer Reinvestigation Report No. 487, p. 39-40, 44-45, 46.
[14] ADRP Report No. 100 – Wind Towers exported from the People's Republic of China, p. 29-31.
[15] Ibid, p. 31.
[16] Ibid, p. 31, 36.

steel products, across multiple trade remedy inquiries, and which have direct relevance to wind towers.

c. Accelerated Reviews 597, 602, 603

Across Accelerated Review's 597, 602, and 603, the Commission continued to ascertain normal values in accordance with section 269TAC(1), and made certain adjustment under section 269TAC(8):[17]

> *The commission found that there were sufficient domestic sales that were arms length transactions and sold at prices that are in the ordinary course of trade (OCOT). Due to the unique nature of this good and to calculate the price differences that affect comparison of like goods that are not identical in all respects, the commission has applied the market price comparison methodology outlined in section 5.6.1 of this report. Accordingly, the commission has ascertained the normal value in accordance with section 269TAC(1).*

For OCOT testing across all three accelerated review inquiries, the Commission continued to hold the view that the GOC's involvement and influence over the steel industry and the markets for raw materials used in the production of wind towers created distortions that made them unsuitable to use for determining the cost of production in China.[18] The Commission consistently noted that:[19]

> *As established in INV 221 and CON 487, the commission is of the view that the GOC's involvement and influence over the steel industry and the markets for raw materials used in the production of wind towers has created distortions that make them unsuitable to use for determining the cost of production in China.*
>
> *The commission has not been presented with any evidence to suggest that the Government of China's (GOC) involvement in the industry has changed since the previous inquiry. Therefore, Penglai Dajin's cost of production records are considered to not be determined in competitive market conditions, and do not reasonably reflect competitive market costs associated with the production of wind towers for the purposes of section 43(2) of the Regulation.*

The fact that the Commission continues to ascertain normal values under s.269TAC(1) but then recognises GOC distortions in the Chinese wind tower market is a non-sequitur. It cannot logically flow that the Commission has consistently found the existence of a PMS in the Chinese steel industry, the many findings of which should inform the Commission's view that the GOC distorts the Chinese wind tower market, but then not conclude that a PMS exists specifically for wind towers and continue to determine normal values under section 269TAC(1).

4. Review No. 615

KPE submits that the Commission must now find that a PMS exists for Chinese wind towers, and therefore construct normal values in REV 615 under section 269TAC(2).

i). Case precedent categorically proves the existence of a PMS

The Commission has consistently found, since inception of the measures, that a PMS exists in the Chinese steel market. In INV 221, the Commission relied upon its then early PMS findings in relation to HSS, plate steel and metallic coated steels to establish that the GOC exerted sufficient influence on the Chinese iron and steel industry, such that competitive market conditions in the steel sector were distorted, including that for wind towers. Subsequent to these initial PMS findings and precedent-reliance for wind tower normal values, the Commission has continued to find a prevalent Chinese steel PMS landscape.

The Commission's most recent PMS conclusion was in Continuation No. 611 (**CON 611**) regarding zinc coated

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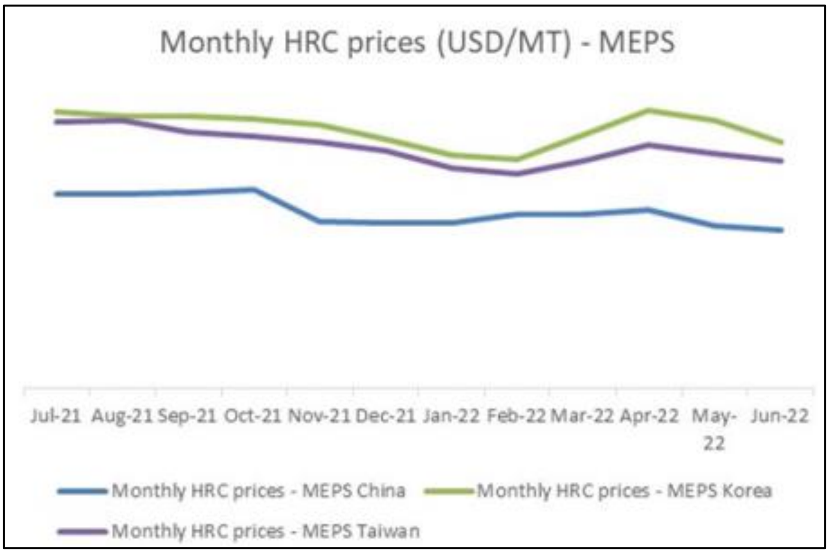
[17] Accelerated Review No. 597, p. 15. Accelerated Review No. 602, p. 18.
[18] See Accelerated Review No. 603, p.19.
[19] See Accelerated Review No. 602, p. 20-21.

(galvanised) steel from China where it confirmed the existence of a PMS for the goods in China for the FY2022 inquiry period. This resulted in domestic sales in China being found as not suitable for determining a normal value for cooperating exporters under section 269TAC(1).[20]

In confirming the PMS in Report No. 611 (**REP 611**), the Commission examined benchmark HRC pricing data over the inquiry period for China, Korea, and Taiwan, and presented the following analysis:[21]



REP 611 excerpt: Figure 23 – MEPS monthly HRC prices

> *The figure shows that HRC prices in China are consistently lower than equivalent prices for HRC purchased in Korea and Taiwan. The commission considers that the difference between prices represents, to a not insignificant degree, the GOC influences and distortions on HRC prices in the Chinese domestic market. This, in turn, corroborates the commission's conclusion in section B4.10 with respect to the HRC sector specifically. That is, based on the available evidence, the level and nature of the downward price pressure arising from GOC influence in the steel market is such that those prices do not reliably correspond to the cost of production in China.*[22]

The Commission concluded that it was:[23]

> *…satisfied that the presence of a particular market situation affects the Chinese market for the goods, primarily through the distortion of HRC prices as the principal raw material cost. Purchase prices of HRC in China are not reflective of market conditions because, based on the available evidence, they are not the result of properly functioning profit and price signals. They are therefore not a reliable indication of the cost of production of downstream products in China.*

Relevantly, KPE provided this same analysis for plate steel in its variable factors review application, with the same clearly obvious trends to that of HRC in CON 611. The first chart below depicts the movement in Chinese, Korean, Taiwanese, and Japanese plate steel prices from FY2018 (the period covered by CON 487) to FY2022. The second chart depicts a shorter comparison period between the recent accelerated reviews and 2022:

[20] Continuation No. 611, Final Report, p. 129.
[21] Ibid, p. 128-129.
[22] Ibid.
[23] Ibid, p. 29.

[redacted]

REV 615 application excerpt: Confidential Chart 1: Plate Steel Home Market Prices: FY2018-FY2022

[redacted]

REV 615 application excerpt: Confidential Chart 2: Plate Steel Home Market Prices: CY2021-1HFY22

In CON 611, the Commission subsequently assessed the relative effect of the PMS on both domestic sales and Australian export sales. Given its highly relevant nature, the Conclusion bears repeating:[24]

> *The commission's analysis indicates that the relationship between price and cost and the prevailing conditions of competition in China is different in comparison to the relationship between price and cost and the prevailing conditions of competition in Australia. Specifically, the effect of the particular market situation in China is a decrease in input costs across all production that results in a lower level of competitive pricing throughout the market in China. This relationship defines the conditions of competition in China.*
>
> *Based on the information before the commission, on balance, the effect of the particular market situation on the domestic sales prices in China does not result in any competitive advantages or*

[24] REP 611, p. 137-138.

> *disadvantages between market participants, being Chinese producers. In other words, while there may be competition between Chinese producers based on manufacturing efficiencies and other factors (no evidence of which was presented to the commission during the inquiry), the particular market situation nonetheless modifies the conditions of competition in a consistent manner for market participants.*
>
> *In Australia, where no particular market situation or input cost decrease exists, competitive pricing prevails at a higher level. Higher production costs for those participants producing without the benefit of a particular market situation establishes a higher minimum threshold for competitive prices. Under these circumstances, the effect of the particular market situation in China on the price of Chinese zinc coated (galvanised) steel sold into the Australian market results in competitive advantages and disadvantages between market players.*
>
> *Specifically, Chinese exporters enjoy a cost advantage that manifests as an increased margin at the prevailing level of competitive pricing in the Australian market, a lower export price that undercuts the Australian industry pricing, or a combination whereby the Chinese manufacturer can enjoy a higher margin while still undercutting Australian industry. In other words, the effect of the particular market situation on export price is to modify the conditions of competition in Australia to the benefit of Chinese exporters and, to the extent that benefit manifests as a low price, to the detriment of Australian manufacturers. Thus, the relative effect of the particular market situation on domestic and export prices is different in the relevant markets.*
>
> *In the present inquiry, the commission considers that the evidence discussed in this chapter indicates that sales in the domestic Chinese market are not suitable for determining a normal value for cooperating Chinese exporters pursuant to section 269TAC(1) because the price of such sales do not permit a proper comparison with the export price of the goods exported to Australia.*

KPE refers the Commission to its application for the continuation of measures (as applicable to CON 621) in which it provided detailed reasoning and evidence as to why, because of the GOC's influence in the Chinese steel industry, sales of like goods in the Chinese wind tower market are not suitable for determining a price under section 269TAC(1). KPE also critiqued the European Union's recent Chinese wind tower trade remedy findings, and the specific normal value implications in that inquiry resulting from the finding of significant distortions.

KPE's firm view is that the proven existence of GOC-driven distortions in the Chinese wind tower market, as evidenced by the Commission in the original investigation and subsequent inquiries, in other recent steel-related Australian trade remedy investigations, and now by the European Commission, renders both selling prices and costs as inappropriate in the determination of Chinese wind tower normal values. The Commission must therefore determine Chinese normal values under section 269TAC(2), constructing all costs of production and sale, plus an amount for profit, on the basis of undistorted prices/costs or benchmarks.

ii). Recent allegations – Canada

On 21 April 2023, the Canada Border Services Agency (**CBSA**) initiated an investigation under the *Special Import Measures Act* (**SIMA**) regarding the alleged injurious dumping and subsidising of wind towers from China. The initiation followed a complaint filed by the Canadian wind tower producing industry (**the applicants**).

The applicants allege that domestic Chinese wind tower prices are substantially determined by the GOC, and that there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market[25] (these allegations are governed by Section 20 of SIMA).[26] KPE submits

[25] Public Complaint: *The Dumping and Subsidizing of Utility Wind Towers and Utility Wind Tower Sections Originating in or Exported from the People's Republic of China*. 1 March 2023, p. 50.

[26] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. It is applied where, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.

that the contemporary allegations made the Canadian industry support by its China PMS allegations for REV 615.

Domestic wind tower prices are substantially determined by the GOC

The applicants allege, firstly, that domestic wind tower prices are substantially determined by the GOC. These allegations are summarised as follows:

a) Government involvement in the electricity sector

The applicants submit that the GOC is heavily involved in China's energy sector, including its electricity production and distribution industries – the GOC is involved strategically and operationally in China's energy industry, including industrial electricity generation from wind.[27] This intimate involvement means the GOC, rather than market forces, influence and effectively determine the value for electricity generation equipment, such as wind turbines.[28] In summary:[29]

> *…China's institutional environment cannot support a market-based electricity sector in China. There is significant state influence over the electricity industry, including power generation. Governments and SOEs have the power and ability to distort energy markets to their own advantage.*
>
> *Within this environment sits the Chinese Wind Tower industry. Given the control that the GOC and SOEs exert over China's energy industry, and that policy factors and SOE and state interests influence decisions, the market for Wind Towers in China is distorted and the pricing of Wind Towers is a non-market price.*

b) 14th Five Year Plan for National Economic and Social Development and Long-Range Objectives for 2035

The applicants submit that the GOC's policy to increase wind power production over the 2021 to 2025 period will result in it having substantial influence over the price of wind towers. Rather than having markets determine the demand and price for components of wind power generation equipment, demand and the price for components will be controlled, influenced and distorted by the GOC and its objective to meet its Five-Year Plan, resulting in a non-market price.[30]

c) 14th Five Year Renewable Energy Plan

The applicants claim that China aims to significantly increase the installed capacity of wind power. One target in China's 14th five-year plan for renewable energy development is to increase total installed capacity of wind and solar power to more than 1.2 billion kilowatts by 2030.[31] The capability to reach this target is evidenced by China having seven of the top ten wind power machine manufacturers in the world:[32]

> *The GOC's policy to increase wind power production and exports over the 2021 to 2025 period will result in it having substantial influence over the price of Wind Towers. Domestic demand, as well as the price for Wind Tower components will be controlled, influenced, and distorted by the GOC, to meet its Five-Year Renewable Energy plan objectives, resulting in a non-market price.*[33]

[27] Public Complaint: *The Dumping and Subsidizing of Utility Wind Towers and Utility Wind Tower Sections Originating in or Exported from the People's Republic of China.* 1 March 2023, p. 114.
[28] Ibid.
[29] Ibid, p. 115.
[30] Ibid, p. 116.
[31] Ibid, p. 118.
[32] Ibid.
[33] Ibid.

d) Made in China 2025

"Made in China 2025" is a 10-year state industrial policy that seeks to make China dominant in global high-tech manufacturing and improve the country's manufacturing processes:

> *The plan seeks to upgrade China's manufacturing industry writ large, but also identifies 10 priority sectors. One is "New-energy vehicles and equipment" and another is "Power equipment." Both categories would include wind turbines.*[34]

The applicants submit that this policy will further exert GOC influence over China's market and is likely to have a particular impact on the wind tower industry as it falls within the dual categories of new-energy equipment and power equipment.[35]

e) State-owned enterprises and the China wind turbine industry

The applicants identify 18 Chinese wind tower Original Equipment Manufacturers (**OEM's**), these being:[36]

- Xinjiang Goldwind Science & Technology Co., Ltd.;
- Envision Energy;
- Ming Yang Smart Energy Group Limited;
- Shanghai Electric Wind Power (SEWind);
- Zhejiang Windey Co;
- CRRC Wind Power (Shandong) Co., Ltd.;
- Dongfang Electric;
- Sany Renewable Energy Co., Ltd.;
- China State Shipbuilding Corporation (CSSC);
- Guodian United Power Technology Company Limited;
- Sinovel Wind Group Company;
- CSSC Hai Zhuang Wind Power;
- HE-GE Wind Energy (Jiangsu) Co., Ltd.;
- Jiangsu Haili Wind Power Equipment Technology Co., Ltd.;
- Guangxi Guiguan Electric Power Co., Ltd.;
- Shenzhen Energy Group Co., Ltd.; and
- Xiangdian Electric Manufacturing Co., Ltd (Renamed as "Harbin Electric Wind Energy Co., Ltd.").

The following 12 of these have been identified as state-owned:[37]

- Shanghai Electric Wind Power (SEWind);
- Zhejiang Windey Co;
- CRRC Wind Power (Shandong) Co., Ltd.;
- Dongfang Electric;
- CSSC;
- Guodian United Power Technology Company Limited;
- CSSC Hai Zhuang Wind Power;
- HE-GE Wind Energy (Jiangsu) Co., Ltd.;
- Jiangsu Haili Wind Power Equipment Technology Co., Ltd.;
- Guangxi Guiguan Electric Power Co., Ltd.;
- Shenzhen Energy Group Co., Ltd.; and
- Xiangdian Electric Manufacturing Co., Ltd

[34] Ibid, p. 119.
[35] Ibid, p. 120.
[36] Ibid, p. 120-121.
[37] Ibid, p. 121-122.

The prevalence of state-owned wind tower OEM customers in China likely contributes to non-market economy conditions within the industry. The applicants argue that State-owned wind turbine OEM's may make wind tower purchasing decisions based on non-market factors in pursuit of furthering GOC policy objectives, including meeting certain employment objectives and meeting production objectives set by the state, and that consequently, purchases by state-owned wind turbine OEM's may not be at market prices.[38]

f) State-owned enterprises and the China wind tower industry

Wind tower producers and/or exporters known to be state-owned or controlled include the following:[39]

- Aviation Industry Corporation of China (AVIC) International Renewable Energy Co., Ltd;
- AVIC Huiteng Windpower Equipment Co. Ltd.;
- Beijing Jingcheng Machinery Electric Holding Co., Ltd.;
- Beijing Jingcheng New Energy Co., Ltd.;
- Chengxi Shipyard Co., Ltd.;
- China CSSC Holdings Limited;
- China Gezhouba Group Corporation;
- China State Shipbuilding Corporation;
- CNBM Anyang Machinery Co., LTD.;
- CSSC Guangxi Shipbuilding & Offshore Engineering Co., Ltd.;
- CSSC Hai Zhuang Wind Power;
- Fujian Fuchuan Yifan New Energy Manufacturing Co., Ltd.;
- Guodian United Power Technology (Baoding) Co., Ltd.;
- Harbin Hongguang Boiler Group Co., Ltd.;
- HuaDian Heavy Industries Co., Ltd.;
- Jiangsu Baolong Electromechanical Manufacturing Co., Ltd.; and
- Sinovel Wind Group Co., Ltd.

The applicants submit that:[40]

> *State-owned Wind Tower producers are prone to making business decisions based on non-market factors, including pursuing state objectives. This may result in sales at non-market prices and production decisions based on non-market factors, such as purchasing inputs from certain vendors, paying certain non-market prices for inputs, or maintaining certain levels of employment despite such decisions being poor for business.*

g) Government control over the steel industry

Wind tower prices are substantially determined by the GOC's control over the steel industry, specifically via and as confirmed in:

- Previous steel and steel-related affirmative Section 20 findings;
- China's excess steel capacity swap program;
- China's 14th Five-Year Plan for Circular Economy Development;
- China's 14th Five Year Plans for steel;
- State-ownership of steel production assets; and
- Steel subsidies.[41]

[38] Ibid, p. 122.
[39] Ibid, p. 122-123.
[40] Ibid, p. 123.
[41] Ibid, p. 123-132.

Domestic China wind tower prices are not substantially the same as elsewhere

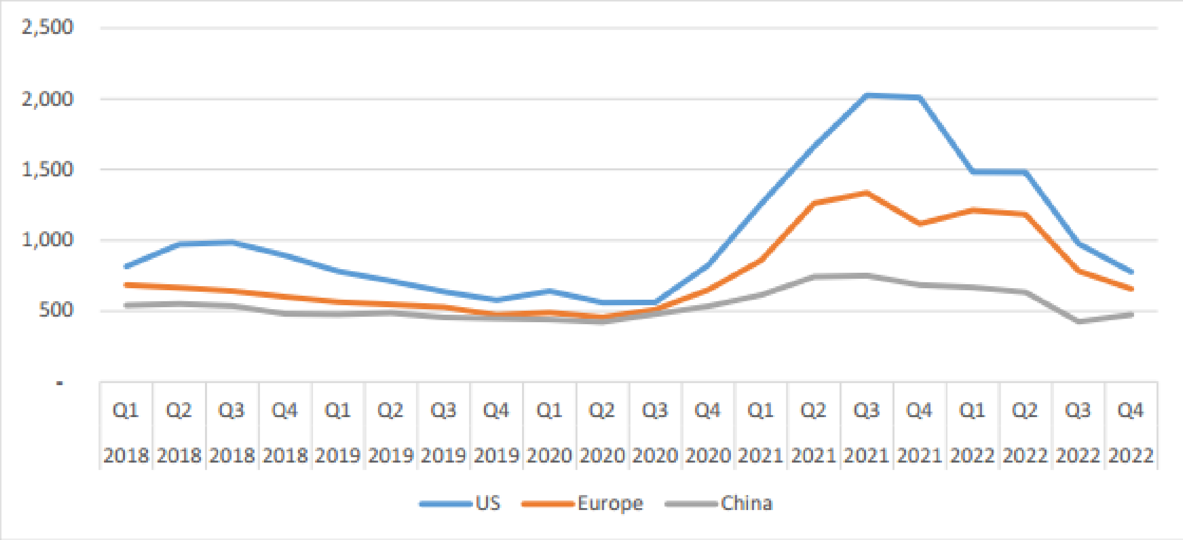
Secondly, and in the same manner as KPE has evidenced above at 4(i), the applicants to the Canadian wind tower application argue that the price of steel plate in China is not substantially the same as it would be in a normal competitive market:

> *The table below is SteelBenchmarker pricing for hot-rolled band (hot-rolled coil). Hot-rolled coil is closely related to plate and provides a basis to compare flat-rolled steel pricing across markets. The table reports that over the 2017 to 2022 period, Chinese hot-rolled coil prices were 15% to 66% below US prices and 7% to 46% below European prices. The table is followed by a graph displaying the pricing for the US, Europe and China.*[42]

Year	Quarter	US	Europe	China	China vs US (% of US)	China vs EU (% of EU)
2017	Q1	686	604	457	-33%	-24%
2017	Q2	685	570	396	-42%	-30%
2017	Q3	687	607	504	-27%	-17%
2017	Q4	680	632	540	-21%	-14%
2018	Q1	816	685	540	-34%	-21%
2018	Q2	971	666	551	-43%	-17%
2018	Q3	985	642	535	-46%	-17%
2018	Q4	893	600	480	-46%	-20%
2019	Q1	780	565	475	-39%	-16%
2019	Q2	713	546	486	-32%	-11%
2019	Q3	637	527	454	-29%	-14%
2019	Q4	577	472	446	-23%	-6%
2020	Q1	642	489	440	-31%	-10%
2020	Q2	560	455	422	-25%	-7%
2020	Q3	561	511	477	-15%	-7%
2020	Q4	824	651	533	-35%	-18%
2021	Q1	1,258	858	613	-51%	-28%
2021	Q2	1,662	1,262	743	-55%	-41%
2021	Q3	2,027	1,335	750	-63%	-44%
2021	Q4	2,009	1,115	684	-66%	-39%
2022	Q1	1,482	1,212	667	-55%	-45%
2022	Q2	1,481	1,181	632	-57%	-46%
2022	Q3	977	782	425	-57%	-46%
2022	Q4	776	656	474	-39%	-28%

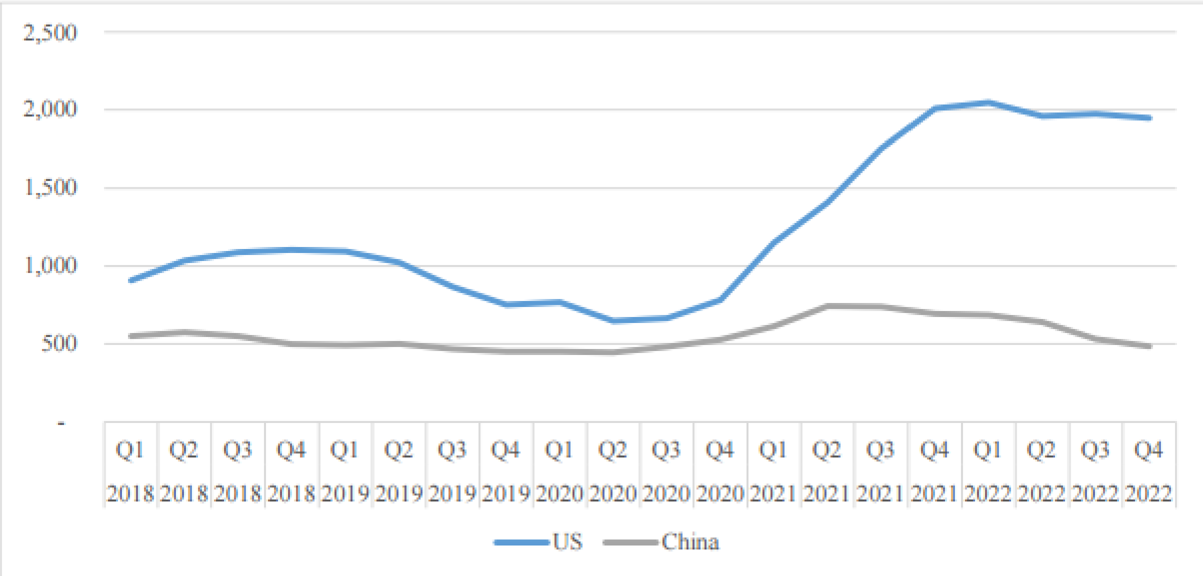
SteelBenchmarker Price Comparison table: hot rolled band (US$/MT)

[42] Ibid, p. 134.



SteelBenchmarker Price Comparison chart: hot rolled band (US$/MT)

The equivalent data for plate steel only reports U.S. and Chinese prices, and in chart format is represented as follows:[43]



SteelBenchmarker Price Comparison chart: plate (US$/MT)

Consistent with KPE's analysis, the Canadian applicants have similarly determined that the GOC's influence and control ensures a substantial disconnect between Chinese steel prices and those of the rest of the world. Coupled with the Commission's most recent steel industry PMS and proper price comparison findings, the evidence is compelling that the GOC controls and influences the Chinese steel market such that input costs to, and the subsequent selling prices of, Chinese wind towers are not suitable for determining normal values.

[43] Ibid, p. 136-138.

5. Conclusion

For all the foregoing reasons, KPE respectfully submits that the Commission must establish its approach to the assessment of Chinese wind tower normal values on the premise of the existence of a PMS, and as a consequence of such must determine that sales of like goods in that market are not suitable for determining a price under section 269TAC(1).

For and on behalf of KPE.