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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 recently published final determination *Statement of Reasons* by the Canadian Border Services Agency (**CBSA**) concerning the dumping and subsidisation investigation into wind towers from China.

2. Government influence confirmed and normal values constructed

On 2 November 2023, the CBSA published its above-noted statement of reasons confirming that the scope of the Government of China's (**GOC**) macro-economic policies and initiatives provide a compelling factual basis that the GOC is influencing the Chinese wind tower sector. From the *Statement of Reasons*, in relevant part:[1]

> [*135] Based on the information on the record, the scope of the GOC's macro-economic policies and measures provide a compelling factual basis that the GOC is influencing the Chinese steel, wind tower, and electricity industries. The wind tower sector is located between the steel and electricity industries as steel is the primary input in wind towers and wind towers are an input in wind turbines, which generate electricity. Therefore wind towers are in a unique position where there are considerable GOC policies impacting wind towers themselves, but also both the upstream and downstream industries. The existence of such policies and measures dramatically change the demand and supply balance in the domestic market and materially alter the domestic prices of steel inputs such as steel plate, or price of electric outputs.*
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> *[136] The major macro-economic policies and measures of the GOC include the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035; the 14th Five-Year Renewable Energy Plan; and Made in China 2025. All of these policies specifically call for an increase in wind power production in China. These policies also include targets and plans for reaching these targets to expand wind power capacity.*

[1] Non-Confidential Attachment 1: Statement of Reasons concerning the final determinations with respect to the dumping and subsidizing of Certain Steel Utility Scale Wind Towers and Sections Originating in or Exported from The People's Republic of China, 4 August 2023, p. 25-26.

[137] There is evidence that several wind tower producers in China are SOEs. In addition, there is evidence that there are SOEs in China that: produce steel plate, the primary input in wind towers; produce other steel products; are wind turbine OEMs that purchase wind towers; and are energy producers, i.e. the end users of wind towers. This demonstrates that the entire wind tower production lifecycle, from the production of the inputs to their final use, involves the influence of an SOE. The substantial presence of SOEs contributes to non-market economy conditions in the wind tower sector in China as these SOEs can make decisions based on GOC policy objectives rather than market forces.

[138] The GOC also exerts control on the steel industry, which includes steel plate, the primary input of wind towers. This is done through state-ownership and control of steel producers, specific policies and plans targeting the steel industry, subsidies, and tightly controlled regulations on capacity upgrades. In making corporate decisions, Chinese steel producers must adhere to the GOC's macro-economic policies including measures related to steel production capacity, mergers and acquisitions, research and development, etc. As a result, corporate decisions based on market dynamics of supply and demand compete with the GOC's directives and mandates. The prevalence of state-owned or state-controlled steel producers in China also allows these SOEs to sell stockpiled goods to put downward pressure on prices, if desired.

[139] Furthermore, the subsidization of the steel industry in general, and the wind tower sector specifically, demonstrates the GOC's intent to exert control to maintain domestic prices at a certain level. These subsidies allow steel producers to sell their products at prices below fair market value to wind tower producers, who in turn, are able to sell their products at distorted prices.

[140] The CBSA has previously issued opinions in respect of nine Chinese steel product sectors, including the flat-rolled steel sector, which includes steel plate, the primary input of wind towers. This indicates that domestic prices of these inputs, which make up a considerable percentage of the costs of wind towers are substantially determined by the GOC.

[141] Overall, the cumulative impact of the GOC's policies and actions indicate that the GOC influences prices in the wind tower sector in China.

[142] Based on the above analysis, for the purpose of the final determination, the CBSA affirmed the opinion rendered at the preliminary determination that the conditions of paragraph 20(1)(a) of SIMA exist in the wind tower sector in China:

- *domestic prices in the wind tower sector in China are substantially determined by the GOC; and*
- *there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.*

The contemporary evidence is now clearly categorical that a particular market situation exists for wind towers in China.

Given this finding, the CBSA has estimated Chinese normal values using the selling prices, total costs and profit, of like goods sold by producers in a surrogate country, specifically:[2]

[149] The CBSA selected Mexico as a surrogate country for the purpose of determining normal values, where information was available to do so. Mexico is an appropriate surrogate country as it has significant domestic production of wind towers, a similar level of development as China, has been found to be an appropriate surrogate by other investigating authorities, has publicly available information on its domestic wind tower producers, and has a market-based economy. These factors support that the

[2] Ibid, p. 27.

prices and costs are determined in a competitive market, allowing them to be considered as a reliable and fair source for purposes of these investigations.

[150] As no surrogate producer provided a response to the CBSA's Surrogate RFI, normal values were determined based on the information available on the record, including information provided by the complainant, publicly available information, and information obtained through MEPS International Ltd., a subscription-based provider of steel and metal prices around the world.

The CBSA has concluded that the following margins of dumping and subsidisation will be imposed:[3]

Exporter	**Margin of Dumping** (% of Export Price)	**Amount of Subsidy** (% of Export Price)
CS Wind China Co., Ltd.	108.2%	5.3%
Penglai Dajin Offshore Heavy Industry Co., Ltd.	109.0%	3.0%
Shanghai Taisheng Wind Power Equipment Co., Ltd.	89.4%	5.6%
All Other Exporters - China	159.3%	21.9%

Non-Confidential Table 1: CBSA final dumping and subsidy margin findings

KPE submits that the CBSA's findings are highly relevant to REV 615. In its 19 July 2023 submission, KPE evidenced the existence of a particular market situation for wind towers in China, and therefore emphasised that the Commission should 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. The CBSA's findings support this position.

For and on behalf of KPE.

[3] Ibid, p. 42.