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The Director - Investigations
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Hot Rolled Coil Steel Exported from the People's Republic of China
Response to Statement of Essential Facts No. 658

Dear Director,

We act on behalf of Baoshan Iron & Steel Co Ltd (Baoshan), Baosteel Zhanjiang Iron & Steel Co Ltd (Zhanjiang), and Shanghai Meishan Iron & Steel Co Ltd (Meishan) (collectively referred to herein as "Baosteel"). This supplementary submission is made on behalf of Baosteel in response to the Statement of Essential Facts No. 658 (SEF 658), published on 23 December 2025.

Baosteel reiterates its serious concerns regarding procedural fairness in the Commission's handling of MEPS-sourced benchmark information. The Commission's decision to withhold detailed MEPS data (including specific slab price indices for Latin America/Brazil and any corresponding Chinese indices used in the uplift calculations) from interested parties, citing confidentiality, has prevented Baosteel from fully and properly responding to or verifying the benchmark prices and methodologies applied in SEF 658.

This lack of transparency has materially impaired Baosteel's ability to comment meaningfully on the constructed normal value, including the Brazilian slab proxy and the resulting uplift to steel slab costs (which represent over 90% of HRC production costs). Such non-disclosure contravenes principles of natural justice and procedural fairness under Australian administrative law and Australia's WTO obligations to provide adequate opportunity for interested parties to defend their interests. Baosteel reserves its rights in this regard and urges immediate full disclosure of the underlying MEPS figures, calculations, and sources to enable informed further submissions.

Baosteel refers specifically to the Commission's preliminary methodology for constructing normal value, which rejects Baosteel's verified cost records for steel slab and substitutes a Brazilian benchmark derived from MEPS International data for Latin America. Based on preliminary calculations, the table below shows the Commission’s calculated unit normal values in US$/mt for grade SPHC coils in widths 2.0mm-4.75mm and widths greater than 600mm.

[TABLE REDACTED]

Source: "Confidential Attachment 12 - Baoshan - Dumping margin TAC2(c).xlsx" – Worksheet "(b) NV summary".

Baosteel strongly disputes these constructed normal values as exorbitant, unreasonable, and plainly inconsistent with market realities, as further demonstrated by the MEPS International Steel Review for May 2024[1] (the "MEPS May 2024 Report") and November 2024 (the "MEPS November 2024 Report"). The discrepancy between the calculated normal values and MEPS reported HRC pricing throughout all other major markets, constitutes additional compelling evidence that the Commission's uplift methodology is fundamentally flawed, introduces artificial inflation, and violates Australia's obligations under Article 2.2 of the Anti-Dumping Agreement (ADA) to construct normal value based on the cost of production in the country of origin (or a properly adapted proxy reflecting prevailing conditions in China).

Baosteel urges the Commission to abandon the current Brazilian benchmark approach in the final report, revert to Baosteel's verified records (particularly preserving undistorted Australian iron ore imports), or adopt a more reasonable and evidence-based alternative such as POSCO Korea data from the concurrent Case 688 investigation, as previously recommended.

1. Discrepancy in normal value

The unit normal values in the table above can be compared to the MEPS HRC pricing reported in the MEPS May 2024, which also reflects comparable "Grade SS400, SPHC. Thickness 2.0-3.2mm, Width 1200-1500mm".

The Commission's methodology positions the constructed normal values for standard grade Chinese HRC as the highest in the world when compared to actual published transaction prices in major markets for the same period (May 2024). The MEPS May 2024 Report provides a clear global comparison of domestic transaction prices for hot rolled coil (based on low values), as follows (in US$/tonne):

[TABLE REDACTED]

The Commission's constructed normal value for June quarter 2024 of US$[redacted]/mt for standard grade SPHC HRC exceeds even the highest reported prices in the highly protected US market, and significantly surpasses prices in all other major producing and consuming regions, including Japan ($[redacted]), South Korea ($[redacted]), and Europe (average $[redacted]). In the case of the comparable South Korean market, inexplicably the normal value is a nonsensical [redacted]% higher than actual domestic prices in Korea. This outcome renders the constructed normal value not merely elevated, but the dearest in the world for a standard commodity product like SPHC HRC.

The absurdity of the Commission's calculated HRC normal values is demonstrated by the fact that it even exceeds the regional prices of downstream processed products such as cold rolled coil, hot-dipped galvanised coil and electro zinc coated coil. Given that HRC is the

[1] Confidential Attachment A.

feed input material for those downstream products, it makes no sense to suggest that the price of HRC would be significantly greater than the further processed downstream products.

2. Comparison of Brazilian slab prices to HRC prices

The attached MEPS Semi-Finished Steel Review for May 2024[2] further exposes the flaws in the Commission's reliance on Brazilian slab prices as a benchmark for uplifting Baosteel's slab costs.

For May 2024, the average Brazilian domestic slab price is US$[redacted]/mt. In sharp contrast, the MEPS International Steel Review for the same month reports South Korean domestic HRC transaction prices at US$[redacted]/mt. Given that slab, as a semi-finished input used in the production of HRC, trades at a discount to finished HRC, and South Korea, a market-economy Asian producer with operational similarities to China, the May 2024 slab price would logically underpin HRC at prices lower than US$[redacted]/mt.

Yet Brazilian slab prices at US$[redacted]-[redacted]/mt in the same period are markedly higher than what would be consistent with South Korean HRC levels. Applying a Brazilian slab benchmark (without comprehensive adaptation) to uplift Chinese costs results in a constructed normal value that exceeds South Korean actual HRC prices by approximately [redacted]%, despite South Korea's comparable production technology, input sourcing, and market conditions to China.

This stark discrepancy highlights Brazil's unsuitability as a proxy for Asian steel production costs.

3. Discrepancy demonstrates the unreasonableness and WTO-inconsistency of the uplift methodology

The extreme divergence between the Commission's constructed figure and actual global market prices underscores the artificial inflation introduced by the Brazilian benchmark and selective adjustments.

As previously submitted, Brazil's steel sector is materially incomparable to China's due to:

- vastly smaller production scale (Brazil ~33-36 Mt annually vs. China ~950-1,000 Mt, enabling unparalleled economies of scale in China);
- higher energy, labour, and environmental compliance costs;
- different input structures (Brazil more self-sufficient in higher-grade domestic ore vs. China's reliance on imported Australian ore at lower global prices); and
- protective trade measures on downstream products that create a "price umbrella" sustaining elevated domestic slab prices.

The Commission's minimal adjustments (limited primarily to labour via GDP per capita metrics, with no meaningful corrections for scale economies, utility rates, alloy inputs,

[2] Confidential Attachment B.

technological efficiencies, or iron ore grade/price spreads) fail to adapt the Brazilian proxy to reflect "the cost of production in the country of origin" as required by Article 2.2 of the ADA.

This lack of proper adaptation results in a constructed normal value that bears no reasonable relationship to prevailing conditions in China, where actual HRC transaction prices (per MEPS) are dramatically lower. The methodology replicates the errors condemned in DS603 and DS529, where inadequate adaptation of surrogates was found WTO-inconsistent. It also contravenes the principle that constructed normal value must remain representative and proportionate, not artificially inflated to levels exceeding even protected high-cost markets like the US.

4. Support for alternative approaches

The MEPS May 2024 Report reinforces Baosteel's prior recommendations:

- preserve undistorted Australian iron ore costs (as in EU Regulation (EU) 2025/1042), which represent a substantial portion of slab costs and are sourced at competitive international prices unaffected by alleged GOC distortions.
- adopt Korean slab costs from Case 688 as a market-economy benchmark, given operational similarities, identical slab inputs for HRC/HRP, and avoidance of Brazil's structural distortions.
- if any uplift is applied, limit it to the non-iron ore portion of slab costs using the granular formula previously provided.

These alternatives would yield a constructed normal value far more aligned with global realities (and MEPS-published data).

5. Conclusion

The Commission's constructed normal values, derived from an unadapted Brazilian MEPS-based benchmark, is exorbitant and positions it as the most expensive in the world compared to actual published prices in the MEPS May 2024 Report. This glaring discrepancy provides further irrefutable evidence that the uplift methodology is unreasonable, biased upward, and inconsistent with Article 2.2 of the ADA and Australia's obligations.

Baosteel respectfully requests that the Commission:

- abandon the current Brazilian benchmark methodology in the final report;
- rely on Baosteel's verified cost records without arbitrary substitution, or alternatively adopt POSCO Korea data with granular preservation of undistorted inputs;
- recalculate normal value accordingly, leading to revised dumping margins; and
- disclose full details of the MEPS-derived calculations and uplift steps for transparency.

Baosteel reserves the right to submit further evidence and is available for additional verification or discussions. We look forward to the Commission's correction of these fundamental flaws.

John Bracic