**Certain Flat Rolled Steel Products Exported from the People's Republic of China**

**Response to Statement of Essential Facts No. 688**

Dear Director,

Received 12 July 2026

On behalf of Hunan Valin Lianyuan Iron & Steel Co Ltd ("LY Steel"), we submit this response to the Statement of Essential Facts No. 688 (SEF 688), issued in June 2026.

We appreciate the Commission's efforts in this investigation. These observations are offered constructively to assist the Commission in clarifying the facts and refining the final determination, ensuring it fully complies with Australia's WTO obligations and its obligations under the Customs Act 1901 (the "Act"), and reaches conclusions that are fair, just and consistent with objective reality based on the exporter's specific factual evidence.

We particularly note and welcome the Commission's preliminary finding that LY Steel's subsidy margin is 1.8%, which falls below the de minimis threshold, and the corresponding proposal to terminate the countervailing duty investigation in respect of LY Steel. This finding is consistent with the facts on record and confirms that LY Steel's procurement, production and sales processes operate on fully commercial, market-oriented principles.

However, we respectfully submit that the preliminary findings on the dumping margin require comprehensive and careful reconsideration. The Commission has relied on a finding of a particular market situation (PMS) in the Chinese steel industry to substitute LY Steel's verified slab costs with an external benchmark—Brazilian benchmark prices—and thereby to adjust LY Steel's verified cost of production, resulting in constructed normal values that violate Australia's obligations under the World Trade Organization's Anti-Dumping Agreement (ADA) and the Act. The methodology employed artificially inflates the normal value, producing a dumping margin of 26.4%—the highest among all cooperating Chinese exporters, with no reasonable explanation for the significant disparity between three enterprises operating in the same Chinese market. This outcome is manifestly excessive and inequitable.

This submission provides a detailed analysis across four dimensions: the rules governing cost calculation in the dumping determination, the reasonableness of the external benchmark methodology, data reliability and procedural fairness, and the cross-confirmation with the countervailing duty findings. It further sets out LY Steel's specific final recommendations, with the aim of ensuring the final determination strictly conforms to established WTO jurisprudence and the requirements of Australian domestic law.

**DUMPING**

### A. Introduction to Key Issues

The Commission has preliminarily confirmed that LY Steel's cost records meet the stringent criteria under Article 2.2.1.1 of the ADA, acknowledging their compliance with Chinese generally accepted accounting principles (GAAP) and their reasonable reflection of the costs associated with producing and selling certain flat rolled steel products. Nevertheless, the Commission has proceeded to adjust the steel slab component—a critical element comprising a substantial portion of flat rolled steel production costs—using a Brazilian market benchmark, predicated on alleged Government of China (GOC) influences creating a PMS that purportedly distorts domestic input prices. This adjustment leads to a constructed normal value under section 269TAC(2)(c)(i) of the Act, which, in our assessment, does not adequately represent the true "cost of production in the country of origin" as mandated by Article 2.2 of the ADA.

We submit that this approach suffers from three fundamental errors:

- **Confusion of legal frameworks:** The Commission has erroneously conflated the PMS provisions under Article 2.2 of the ADA, which address the comparability of domestic selling prices, with the independent cost calculation rules under Article 2.2.1.1. The PMS conclusion applicable to selling prices has been impermissibly extended to cost calculations, lacking treaty basis. It must be emphasised that the cost calculation rule in Article 2.2.1.1 serves an independent normative purpose with distinct review standards: it focuses on the reliability of the exporter's own records for cost allocation, not on whether input prices conform to some abstract "unintervened market" standard. Transferring the PMS finding from the price level directly to the cost calculation level essentially bypasses the statutory requirements of Article 2.2.1.1, substituting macro-market judgments for individualised evidentiary review of the enterprise.

- Absence of factual foundation: LY Steel procures steel slab and raw materials through arm's-length commercial negotiations with diversified suppliers. Its recorded costs genuinely reflect the objective competitive conditions of the Chinese market, including economies of scale from large-scale production, efficiency advantages from advanced processes, and the competitive raw materials market structure formed by domestic supply and international trade. Without any exporter-specific evidence, the Commission has directly negated verified book costs with a third-country benchmark that has undergone minimal adaptation to Chinese conditions, completely disregarding the structural objective conditions of China's steel industry. The resulting normal value is severely disconnected from the actual production costs of Chinese steel enterprises and lacks reasonable nexus. It must be particularly noted that price differences between China and Brazil for steel slab cannot be used to infer "distortion" in Chinese enterprise costs—differences in market prices between countries are a normal feature of international trade, attributable to multiple legitimate competitive factors including factor endowments, industrial scale, technological level, and supply-demand structures. Using the price differential itself as proof of "distortion" constitutes circular reasoning, employing the fact to be proven as its own evidence.

- Internal logical contradiction: The same government influence on steel slab inputs that is deemed negligible in the countervailing duty investigation is treated as the core justification for substantially inflated costs in the anti-dumping investigation. These two determinations are in direct conflict.

**B. Analysis of Cost Record Usage**

Article 2.2.1.1 of the ADA establishes a foundational principle that costs "shall normally be calculated on the basis of records kept by the exporter or producer under investigation," provided they adhere to GAAP in the exporting country and reasonably reflect the costs associated with production and sale. LY Steel's production and financial materials fully satisfy these two statutory conditions and should accordingly serve as the sole cost basis for constructing normal values. It must be highlighted that the complete set of compliant financial materials submitted by LY Steel, including annual audit reports and financial statements, have been verified by professional audit institutions and truthfully, lawfully and fairly reflect the actual conditions of enterprise production and operations. These materials clearly demonstrate reasonable commercial profits in the production and sale of the goods under consideration, fully corroborating that LY Steel's recorded costs are genuine, compliant, and consistent with actual business levels.

Yet the preliminary findings indicate that the Commission, without any substantive evidence of understated costs or abnormal operations, has unilaterally imposed an unreasonable cost uplift exceeding RMB 1,000 per unit on LY Steel's production costs. This arbitrary cost addition lacks factual support and is severely unreasonable. It directly and artificially inflates LY Steel's production costs, deliberately creating a spurious dumping margin that does not accord with objective facts or principles of fair investigation. Moreover, the Commission has negated the aforementioned compliant records on the grounds of "government-induced non-market conditions," an interpretation that exceeds the textual and jurisprudential boundaries of the provision, effectively introducing an unauthorised criterion for "undistorted" costs that is not supported by the ADA's language. Relevant WTO precedents fully support our position:

i) DS529 (Australia – Anti-Dumping Measures on A4 Copy Paper)

The Panel in DS529 examined a similar scenario where Australian authorities rejected Indonesian exporters' recorded pulp costs due to PMS-related government distortions. The Panel ruled this inconsistent with Article 2.2.1.1, clarifying that the phrase "reasonably reflect" pertains exclusively to whether the records faithfully allocate actual costs incurred in production and sale, not to whether those costs align with hypothetical competitive benchmarks free from external influences. It must be particularly emphasised that the "adequate explanation" required by the DS529 Panel does not mean that any reason whatsoever can constitute valid grounds for rejecting the records. Rather, the explanation must be directed to the normative purpose of Article 2.2.1.1 itself—namely, whether the records can reliably accumulate and allocate production costs. In other words, the grounds for non-acceptance must relate directly to the credibility of the records themselves and the accuracy of cost allocation, and cannot use macro-market conditions external to the records to effectively nullify the application of this provision. Generalised references to "government influence" or "market distortion" do not constitute valid grounds for rejecting compliant records.

Applying this directly to LY Steel, our records have been audited and verified, and their cost-allocation logic is compliant; there is no evidence whatsoever that cost accumulation was unreliable or that allocation was improper. Rejecting an individual enterprise's compliant records solely on the basis of a generalised, industry-wide market situation directly contravenes the adjudicative rule established in DS529. This precedent underscores the risk of overreach whereby the Commission has prioritised PMS allegations and policy assumptions over factual accuracy, leading to a WTO-inconsistent outcome.

ii) DS603 (Australia – Anti-Dumping and Countervailing Duty Measures on Certain Products from China)

In DS603, the Panel invalidated Australia's substitution of Chinese exporters' steel input costs in investigations involving products like wind towers and railway wheels, finding it violates Article 2.2.1.1. The Panel emphasised that the provision is oriented toward the "actual" costs as recorded: provided the records meet GAAP and the reasonable-reflection criteria, they must be used, and broad market distortions cannot serve as a basis for routinely overriding them. The essential holding of this case is that investigating authorities must not use “particular market situation” as a universal tool for routinely substituting enterprise costs. The review focus of Article 2.2.1.1 remains perpetually on the quality of the individual exporter’s records, not on the overall market system characteristics of the exporting country. Where the Commission relies solely on country-wide PMS conclusions to uniformly substitute cost data for all cooperating enterprises, it essentially reduces individual enterprise review to industry presumption—precisely the approach that the DS603 Panel explicitly rejected.

The Commission's approach in this flat rolled steel investigation is identical to the methods found unlawful by the Panel in DS603, as it relies on PMS findings without sufficient exporter-specific justification for why LY Steel's records fail to reflect production realities. An assessment of the evidence reveals no indications of non-arm's-length dealings or artificial pricing in LY Steel's operations. Instead, costs are grounded in verifiable transactions with independent third parties, with no related-party non-arm's-length pricing conduct. All costs can be traced to genuine commercial documentation, fully satisfying the statutory conditions for employing the enterprise's own cost records. This decision reinforces that deviation must be narrow and evidence-based, suggesting the need for a more targeted analysis to avoid replicating the inconsistencies identified by the Panel.

Other WTO precedents, including Ukraine – Ammonium Nitrate (DS493), EU – Cost Adjustment Methodologies II (Russia) (DS494), and EU – Biodiesel (Argentina) (DS473), collectively affirm a strong presumption toward using verified exporter records. In DS493, the Appellate Body held that deviations are permissible only where records demonstrably fail to allocate costs reasonably, such as in related-party transactions, and required “adequate explanations” rooted in record evidence. These rulings caution against adjustments based solely on external benchmarks, emphasising the need for explanations directly tied to the exporter’s records.

Evaluation of the “Normally” Qualifier

The qualifier "normally" in Article 2.2.1.1 permits only very limited exceptions to the use of exporter records. Consistent with the DS493 Appellate Body's interpretation, such exceptions apply only in extreme and exceptional circumstances, and the burden of proof rests on the investigating authority to adduce robust, exporter-specific evidence demonstrating that the records cannot reliably accumulate costs. We note that some views suggest the DS493 Appellate Body did not establish a "strong presumption" and that the exception under "normally" is not strictly limited. We cannot agree with this position: while the DS493 Appellate Body at paragraph 6.105 stated that "other situations are not excluded," this statement was made in the context of discussing the meaning of "reasonably reflect"—not as an open-ended authorisation for the scope of exceptions to "normally." From the perspective of treaty interpretation, if "normally" permitted investigating authorities to arbitrarily exclude enterprise records for any market environment reason, then the two statutory conditions in the first sentence of Article 2.2.1.1 would be completely undermined, and the normative value of Article 2.2.1.1 would be rendered nugatory. Accordingly, the proper interpretation of "normally" must be: exceptional circumstances must bear a direct relationship to the reliability of the records themselves for cost accumulation, and must reach a considerable degree of severity, before deviation may be triggered.

Furthermore, the argumentation path of "industry-wide distortion transmitting to every enterprise" cannot stand as a matter of law. The review object of Article 2.2.1.1 is the specific exporter's records, not the price level of the entire industry. Even assuming certain market characteristics at the industry level, it cannot automatically be inferred that every enterprise's individual cost records are "distorted"—the Commission must still prove with respect to LY Steel individually that: its procurement transactions were non-arm's-length, its cost accumulation was inaccurate, or its allocation methodology was unreasonable. In the absence of such exporter-specific evidence, directly substituting enterprise individual review with industry-level conclusions does not satisfy the statutory requirements of Article 2.2.1.1.

In this case, the Commission has merely made a generalised presumption of government intervention in the steel industry, completely failing to establish any direct causal link between such alleged “intervention” and LY Steel’s specific operations. This manifestly falls short of the stringent evidentiary standards jointly established by DS493, DS529, and DS603, ultimately producing an unreasonable and excessively high cost uplift. The significant disparity in preliminary dumping margins among the three cooperating Chinese enterprises (LY Steel’s 26.4% being markedly higher than other enterprises), without any exporter-specific explanation from the Commission, further demonstrates that its decision to reject LY Steel’s records lacks a concrete factual foundation specific to LY Steel, constituting an abuse of discretionary power.

**C. Examination of Benchmark Methodology**

Even if some form of cost adjustment is warranted under Article 2.2.1.1—a premise we firmly deny—the Commission's selection of Brazilian steel slab prices as the benchmark is itself fundamentally flawed: it fails to make full and reasonable adjustments for China's actual industrial conditions, as required by the "fair comparison" obligation under Article 2.4 of the ADA, thereby producing a systematic upward bias in the benchmark price. The current methodology applies only minimal adjustments while overlooking key China-specific factors.

**1. <u>Failure to account for structural cost differences between Chinese and Brazilian industries</u>**

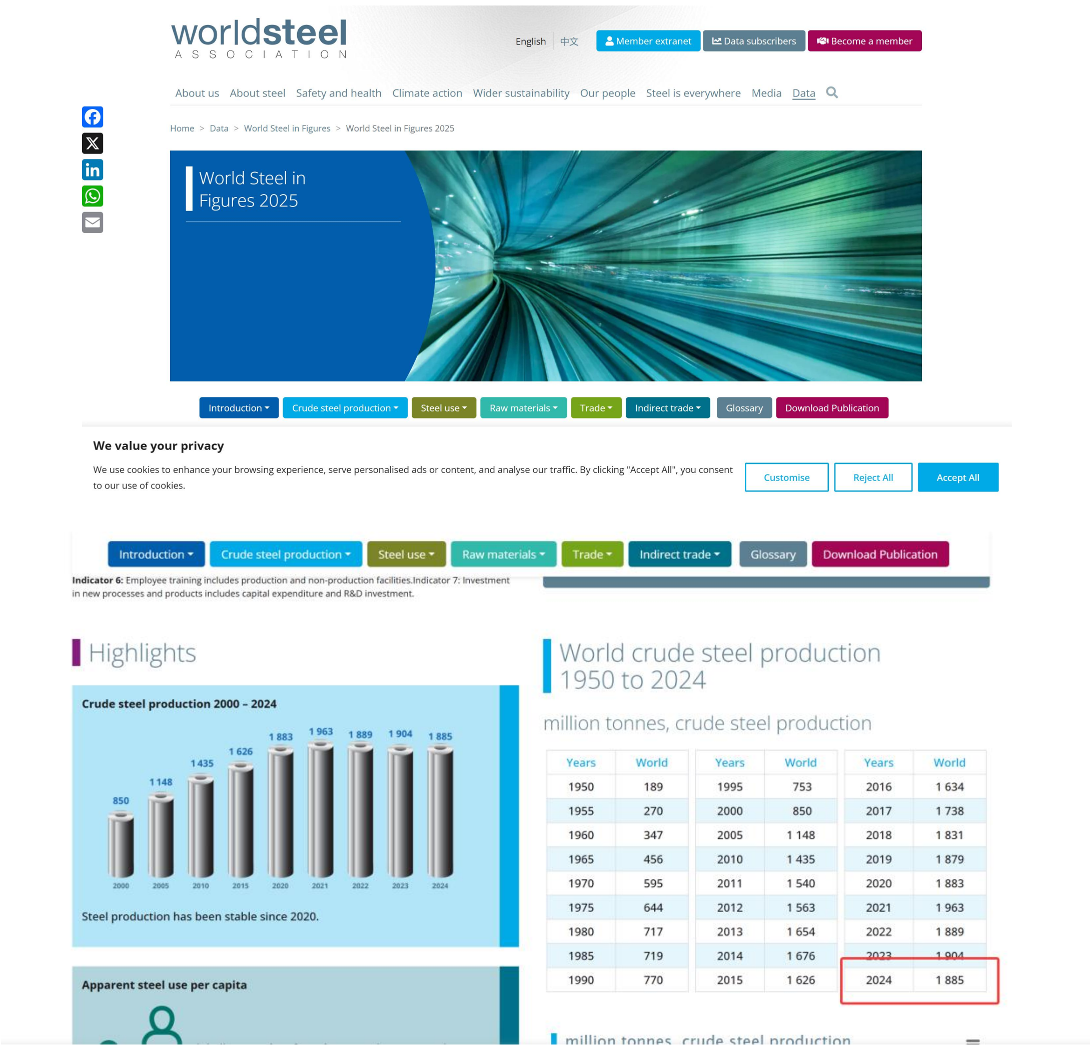
The Commission has followed the practice of prior investigations in selecting Brazilian steel slab prices as the benchmark, completely disregarding the structural cost advantages inherently possessed by large-scale Chinese steel enterprises. The core cost element differences between the two countries and their biasing effects on the benchmark are summarised below:

| Cost Element | China Market Characteristics | Brazil Market Characteristics | Benchmark Bias Effect |
|---|---|---|---|
| Production scale | Accounts for over 50% of global steel | Accounts for approximately 2% of | Upward bias: Brazilian benchmark |

| Cost Element | China Market Characteristics | Brazil Market Characteristics | Benchmark Bias Effect |
|---|---|---|---|
| | output; extremely strong economies of scale in upstream steel slab production | global output; overall smaller mill scale with lower unit efficiency | incorporates inefficiency costs of small-scale production, overestimating reasonable costs for Chinese enterprises |
| Utility costs | Well-developed industrial infrastructure; more competitive pricing for industrial electricity, gas and other industrial supporting facilities | Overall higher utility prices; insufficient energy-steel industry synergies | Upward bias: legitimate energy cost advantages of Chinese enterprises are erroneously classified as "distortion" |
| Technology and production efficiency | Generally equipped with large modern blast furnaces and high automation; leading per capita output and operational efficiency | Some production lines with long equipment service life; overall production efficiency below Chinese leading enterprises | Upward bias: cost savings from technological upgrading and efficiency improvements of Chinese enterprises not recognised by benchmark |
| Market structure | Active market-oriented commodity steel slab trading with multiple competing participants; prices reflect spot market supply-demand | Highly vertically integrated steel mills; extremely limited commodity steel slab trading in circulation; prices primarily based on internal transfer pricing | Upward bias: Brazilian non-competitive internal transfer prices cannot represent competitive market fair costs |

Industry comparison data indicates that the above structural differences will cause benchmark costs to be artificially inflated by 20-40%, directly elevating normal values and final dumping margins. A lawful and compliant benchmark calculation must make adequate downward adjustments for these differences to reflect the objective cost conditions of China’s industry, rather than directly applying raw third-country prices with merely nominal fine-tuning. These structural differences are not subjective inferences but are fully supported by publicly available global steel industry statistics and industrial research:

**(a) Production scale:** According to publicly available data from the World Steel Association (worldsteel) World Steel in Figures 2025 (https://worldsteel.org/data/world-steel-in-figures/world-steel-in-figures-2025/), global crude steel production in 2024 was approximately 1.885 billion tonnes, of which China's production was 1.005 billion tonnes, accounting for 53.3% of global output; Brazil's crude steel production was approximately 33.8 million tonnes, representing only about 1.8% of global output. As a typical capital-intensive process industry, the steel sector's economies of scale effect is a basic consensus of industrial economics—unit fixed costs decrease significantly with expanded capacity scale. This principle has been validated by extensive academic literature and does not require repeated proof as a special assumption in individual cases.



Introduction | Crude steel production | Steel use | Raw materials | Trade | Indirect trade | Glossary | Download Publication

Top 50 steel-producing companies 2024

million tonnes, crude steel production

| 2024 Rank | Company | 2024 |
|---|---|---|
| 1 | China Baowu Group | 130.09 |
| 2 | ArcelorMittal [1] | 65.00 |
| 3 | Ansteel Group | 59.55 |
| 4 | Nippon Steel Corporation [2] | 43.64 |
| 5 | HBIS Group | 42.28 |
| 6 | Shagang Group | 40.22 |
| 7 | Jianlong Group | 39.37 |
| 8 | POSCO Holdings | 37.79 |
| 9 | Shougang Group | 31.57 |
| 10 | Tata Steel Group | 31.02 |
| 11 | Delong Steel | 29.33 |
| 12 | JSW Steel Limited | 26.95 |
| 13 | Hunan Steel Group | 24.90 |
| 14 | JFE Steel | 23.53 |

| 2024 Rank | Company | 2024 |
|---|---|---|
| 26 | Baotou Steel | 14.99 |
| 27 | Jinan Iron and Steel Group Co. [4] | 14.30 |
| 28 | Techint Group | 14.29 |
| 29 | U.S. Steel | 14.18 |
| 30 | NLMK | 13.60 [e] |
| 31 | Sinogiant Group | 13.04 |
| 32 | Shenglong Metallurgical | 12.79 |
| 33 | Gerdau S.A. | 12.78 |
| 34 | China Steel Corporation | 12.65 |
| 35 | Zenith Steel | 12.61 |
| 36 | Anyang Steel [5] | 12.50 [e] |
| 37 | Sanming Steel | 11.41 |
| 38 | Nanjing Steel | 11.35 |

Major steel-producing countries 2023 and 2024

million tonnes, crude steel production

| Country | 2024 | | 2023 | |
|---|---|---|---|---|
| | Rank | Tonnage | Rank | Tonnage |
| China | 1 | 1 005.1 | 1 | 1 028.9 |
| India | 2 | 149.4 | 2 | 140.8 |
| Japan | 3 | 84.0 | 3 | 87.0 |
| United States | 4 | 79.5 | 4 | 81.4 |
| Russia | 5 | 71.0 | 5 | 76.0 |
| South Korea | 6 | 63.6 | 6 | 66.7 |
| Germany | 7 | 37.2 | 7 | 35.4 |
| Türkiye | 8 | 36.9 | 8 | 33.7 |
| Brazil | 9 | 33.8 | 9 | 32.0 |
| Iran | 10 | 31.4 | 10 | 30.7 |
| Viet Nam | 11 | 22.0 | 12 | 19.2 |
| Italy | 12 | 20.0 | 11 | 21.1 |
| Taiwan, China | 13 | 19.2 | 13 | 19.1 |
| Indonesia [e] | 14 | 18.0 | 14 | 16.8 |
| Mexico | 15 | 13.8 | 15 | 16.4 |
| Canada | 16 | 12.3 | 16 | 12.2 |

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**(b) Utility costs:** According to publicly available data from the International Energy Agency and national energy regulatory authorities (https://www.iea.org/data-and-statistics/data-product/end-use-energy-prices), Brazil's average industrial electricity price in 2023 was approximately US$165.8/MWh (approximately RMB 1.15/kWh), while China's large industrial user average electricity price was approximately US$88-115/MWh (approximately RMB 0.61-0.80/kWh). Brazil's industrial electricity price is approximately 1.5-1.9 times that of China. Steel is a high energy-consuming industry; electricity, gas and other utility costs account for a considerable proportion of production costs, and the structural energy cost differences between the two countries directly transmit to steel slab production costs.

**(c) Technology and production efficiency:** According to technical indicators published by the China Iron and Steel Association (https://www.chinaisa.org.cn/) and other relevant reports (https://finance.sina.com.cn/roll/2025-09-24/doc-infrqprr6644423.shtml, https://www.toutiao.com/article/7657317996255298094/?&source=m_redirect), advanced Chinese steel enterprises have achieved blast furnace utilisation coefficients exceeding 2.5 t/m³/day, with blast furnace fuel ratios stabilised at approximately 490 kg/t. Major technical and economic indicators rank in the global first tier. Leading

Chinese steel enterprises are generally equipped with large modern blast furnaces exceeding 5,000 m³, with automation levels and continuous operation rates significantly above the global average. Judging efficiency equivalence merely by "percentage of steel produced by blast furnace" would ignore core variables determining actual production efficiency such as blast furnace volume, equipment generation, and automation level.

**[Tech Summary] Technical Approaches...**

In the past 10 years, the technical and economic indicators of the blast furnace in our country have been continuously improved, which is mainly reflected in:

(1) The average utilization coefficient of blast furnaces has been stable at more than 2.5 t/(m³·d), and a batch of 1000~2500m³ blast furnaces have achieved a utilization coefficient of 3.5 t/(m³·d) or even higher, leading the world internationally;

(2) The fuel consumption of the blast furnace has shown a downward trend, the coke ratio entering the furnace has remained stable with a slight decrease, and the coal ratio of the blast furnace has not changed much;

(3) The hot blast temperature of the blast furnace fluctuates between 1100 and 1150 ℃, and there have been fluctuations and repeated attempts in recent years, failing to achieve a sustained and stable improvement, and the gap with the international

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℃, about 100 ℃ lower);

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**高炉布料制度与原料条件协同优化**

Abstract: The blast furnace burden distribution system is the core means of upper regulation, and its selection and optimization directly affect the balance between gas utilization rate and permeability. Based on discrete element method simulation and production practice data from multiple steel plants, this paper systematically studies the matching rules of burden distribution modes under different raw material conditions. Quantitative calculation methods for ore zone load, ore zone coke ratio and weighted angle are proposed, and dynamic burden distribution selection principles based on raw material conditions are established. The results show that when raw materials have high powder content and poor strength, precision central coke charging (central coke ratio 13.5%-14.5%) should be adopted, achieving gas utilization rate of 47%-48% and fuel ratio of 520-540kg/t. Under ideal raw material conditions, platform+funnel distribution should be adopted, achieving gas utilization rate of 49%-51% and fuel ratio of 490-510kg/t. The composite charging system can expand ore batch weight by 10%-15% without deteriorating permeability through cyclic ore charging (2-3 ore batches sharing one coke batch). For coke layer thickness control, the throat coke layer should not be less than 32cm, the minimum bosh coke layer thickness should be ≥150

**(d) Market structure:** The Brazilian steel industry is highly concentrated, with the four major groups Gerdau, CSN, Usiminas, and ArcelorMittal Brasil collectively occupying over 70% of domestic market share, all being fully vertically integrated enterprises from iron ore mining to finished product rolling. Taking CSN as an example, it owns captive iron ore mines (Casa de Pedra mine), captive power plants, proprietary railways and ports, with steel slab almost entirely internally consumed for downstream rolling. Open market circulation of commodity steel slab is extremely limited, with prices primarily reflecting internal transfer pricing rather than competitive market prices. In contrast, China possesses the world's most active commodity steel slab spot market, with numerous independent steel mills and traders participating in transactions and a more robust price discovery mechanism.

Considering global steel industry layout, raw material structure, market trading models, industrial scale and other core dimensions, Brazil is entirely unsuitable as a cost reference benchmark adapted to Chinese steel enterprises. The Commission should not select Brazilian market prices as the calculation basis. Conversely, India, with its steel industry fundamentals highly convergent with China's, is a more appropriate substitute benchmark country that satisfies the requirements of fair comparison, for the following reasons:

- **Iron ore supply structure highly analogous to China:** India's large domestic steel mills similarly rely heavily on imported iron ore. Raw material procurement costs are directly tied to international seaborne iron ore spot prices, completely consistent with Chinese steel mills' raw material pricing logic.
- **Steel industry scale and production model closely matching China:** As the world's second largest crude steel producer, India possesses massive scaled long-process steel mills, generally equipped with large blast furnaces. The overall industry capacity scale, scale effects, and automation transformation pace closely match China's steel industry development stage, without the cost bias from Brazil's small-scale inefficient production.
- **Well-developed commodity steel slab market circulation system:** India has

numerous independent traders and market-oriented steel slab spot trading markets, with substantial commodity steel slab external circulation volume. Market quotations are formed through full competition, without the structural defect of Brazil's high vertical integration and scarce external steel slab sales artificially inflating prices. Its market prices can objectively reflect fair production and transaction costs for ordinary steel mills.

- **Energy and infrastructure cost structure with comparability:** India's industrial electricity prices, infrastructure supporting conditions, and labour cost ranges are more proximate to China's, whereas Brazil's industrial energy costs are significantly higher, naturally disconnecting from China's cost range.

If the investigating authority deems it necessary to select a third-country benchmark for comparative calculation, it should prioritise Indian market steel slab prices rather than the Brazilian benchmark with massive structural differences and distorted market circulation mechanisms. The current selection of Brazilian data violates the fair comparison principle of the ADA from the source of benchmark country selection, rendering the calculation results inherently lacking in fairness.

**2. <u>The Brazilian benchmark market itself suffers from trade protection distortions, lacking qualification as an "undistorted benchmark"</u>**

More critically, the Brazilian steel slab market that the Commission treats as an "undistorted reference" itself experiences systematic price elevation due to downstream trade protection measures, making it fundamentally unsuitable as a fair benchmark:

- Brazil is a net exporter of steel slab, with virtually no steel slab imports: Domestic steel slab producers face minimal import competitive pressure; domestic prices naturally lack external competitive constraints.
- The Brazilian steel industry is highly vertically integrated: Mainstream steel mills cover the entire chain from iron ore to finished products, with steel slab primarily circulating at internal transfer prices that do not reflect open market competitive

prices.

- Extensive trade remedy measures on downstream finished products: Brazil has imposed anti-dumping duties and import quotas on downstream flat rolled products such as carbon steel sheets and heavy steel plate, propping up a "price umbrella" for downstream finished products and, through industry-chain transmission, raising the internal transfer pricing level of upstream steel slab.

With respect to the view that "trade remedy measures are designed to create fair competition and do not elevate domestic prices," we must point out: from the industrial economics perspective, imposing anti-dumping duties or import quotas on downstream finished products directly restricts entry of low-priced imports and maintains higher domestic price levels for finished products. This is the inherent economic effect of trade remedy measures, not a value judgment but an objective economic consequence. When downstream finished product prices are supported at elevated levels, vertically integrated steel mills' downstream rolling segments can sustain higher upstream steel slab internal transfer prices, and the pricing anchor for the entire industry chain shifts upward accordingly. This "price umbrella" effect is the inevitable result of industry chain transmission, derivable from industrial structure logic without requiring additional quantitative evidence. Using a market that is itself distorted by trade protection with systematically elevated prices to measure the "distortion degree" of the Chinese market essentially substitutes one distortion for another, producing normal values that severely deviate from fair levels.

### 3. <u>The contradiction between dumping and countervailing duty findings</u>

The Commission has determined LY Steel's subsidy margin at merely 1.8%, a de minimis level, meaning that the alleged input subsidy benefit is negligible and entirely insufficient to support the substantial cost uplift applied to steel slab in the dumping calculation. If a government influence fails to reach even the threshold for countervailing duty imposition under the SCM Agreement, it logically cannot constitute adequate grounds for overturning an enterprise's genuine costs in the anti-dumping context. This internal contradiction directly undermines the factual foundation for the PMS cost adjustment on the dumping side.

**D. Data Reliability and Procedural Considerations**

i) Assessment of MEPS as a Data Source

The Commission's continued reliance on MEPS International Ltd data for calculating benchmark prices and costs raises questions about its suitability. Previous evaluations, such as in Investigation No. 316 on grinding balls, identified limitations in objectivity, methodology transparency, resourcing, and market acceptance compared to alternatives like Platts. These concerns persist. Reliance on non-public subscription data that lacks publicly disclosed compilation methodology and independent third-party audit supervision diverges from transparency norms in jurisdictions like the US and EU, and does not satisfy the requirement under the Act to employ "the most reliable information available."

We note the view that MEPS is a globally authoritative independent institution and that its data constitutes commercially confidential information that need not be disclosed. We cannot agree with this position: first, an institution's industry reputation does not automatically confer evidentiary suitability for anti-dumping investigations. The ADA requires that facts relied upon in investigations be verifiable, and data with non-transparent compilation methods and undisclosed original samples is essentially "black box" data that interested parties cannot effectively challenge as to authenticity and accuracy. Second, "commercial confidentiality" cannot serve as an absolute exemption from the investigating authority's disclosure obligations—under ADA Article 6.5, the designation of confidential information must satisfy strict conditions, and the investigating authority must still require provision of adequate non-confidential summaries enabling interested parties to reasonably understand the substance of the confidential information. Currently disclosing only final adjusted prices, with absolutely no summary of data sources, sample composition, or calculation methodology, manifestly fails to meet the standard of "adequate non-confidential summary." Finally, the suggestion that "interested parties may subscribe to obtain the data themselves" confuses the investigating authority's burden of proof with the parties' right to know—when the investigating authority relies on MEPS data to make adverse determinations against LY Steel, it has an obligation to safeguard LY Steel's right to challenge this core evidence, and cannot shift the burden of proof to the investigated enterprise.

We recommend verifying against more robust sources, such as global commodity indices (e.g., adjusted Platts iron ore or coke prices) or LY Steel's own verified imported prices, to ensure compliance with section 269TAC(2)(c).

ii) Disclosure and Fair Process

LY Steel requests that the Commission fully and in detail disclose the entire calculation process for the constructed normal value and the final dumping margin. Under the Act and the ADA, interested parties have the right to be informed in a timely manner of the essential facts on which the determination is based, so as to effectively exercise their rights of defence. The SEF discloses only the final margin result, without providing the specific details of the cost adjustment and margin calculation; this level of transparency is insufficient to enable LY Steel to mount targeted defences and falls short of the requirements of procedural fairness.

Following LY Steel's formal disclosure request, the Commission only provided the relevant annexes concerning the subject benchmark calculation and cost adjustment on 10 July. Nevertheless, all core pricing data contained in these annexes has been redacted on confidentiality grounds. This disclosure practice prevents LY Steel from effectively verifying and challenging the sample composition, calculation logic and numerical accuracy of the benchmark data, substantially restricting LY Steel's procedural rights and contradicting the fundamental procedural fairness principles established under the Act and the ADA.

Meanwhile, LY Steel raises two core objections regarding the eligibility and selection logic of the adopted benchmark data:

- MEPS data itself is paid commercial data compiled in an undisclosed way, which is naturally lacking of transparency foundation, and now the core values in the annex are treated in confidence, making the whole benchmark calculation in an entirely unverifiable and unchallengeable state, and unable to guarantee the fairness and verifiability of the alternative benchmark.

- The disclosed materials confirm that the investigating authority has actually mastered the relevant data of billets in Brazil and China market published by MEPS, but has not used the Chinese market data for cross verification or as a reference basis, and has directly selected the Brazilian data as the only alternative benchmark, and has not made any explanation on the reasons for abandoning the Chinese data, so the benchmark selection logic is seriously unreasonable.

## COUNTERVAILING

### E. Introduction to Key Subsidy Issues

LY Steel concurs with the Commission's preliminary finding that our overall subsidy margin is 1.8%, below the 2% de minimis threshold under the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement) and the Act. We fully support the Commission's proposal to terminate the countervailing duty investigation in respect of LY Steel.

### F. Cross-Confirmation with Dumping Findings

This determination further corroborates LY Steel's fully market-oriented operational attributes. A subsidy margin at de minimis levels directly demonstrates the absence of substantive government intervention distorting LY Steel's procurement costs, thereby fundamentally undermining the core logic of substantially inflating costs on PMS grounds in the dumping calculation.

As noted above, the same government influence on steel slab inputs cannot be negligible in the countervailing duty proceeding yet become the central justification for overturning enterprise genuine costs in the anti-dumping proceeding. The Commission applied fact-based review standards in its countervailing duty determination, and we respectfully urge the Commission to apply the same standards consistently in its dumping determination, avoiding contradictory characterisations of the same facts.

## MATERIAL INJURY AND CAUSALITY

### G. Preliminary Observations

While this response focuses primarily on dumping margin calculations, we also raise preliminary objections to the material injury and causality analysis in the preliminary findings. The Commission has attributed the Australian domestic industry's operating difficulties entirely to dumped and subsidised imports from China and Korea, yet the SEF has not conducted the rigorous "non-attribution analysis" required by the ADA, failing to effectively separate the effects of dumped imports from other known causal factors.

Such other causal factors include at minimum:

- **Cyclical fluctuations in market demand:** The Australian plate market demand is heavily dependent on cyclical industries such as infrastructure, mining, and construction. Natural fluctuations in domestic demand are among the core factors affecting industry operating conditions.
- **The domestic industry's own cost and operational factors:** As Australia's domestic plate producer, BlueScope's profitability is significantly affected by its own operational efficiency, investment decisions, and cost control levels. The SEF has not adequately separated these enterprise-specific factors from injury.
- **Effects of non-dumped imports:** The SEF explicitly identifies Korea as Australia's largest source of plate imports, while Korea's largest exporter POSCO has been found not to be dumping. This means a considerable portion of Australia's total imports are not dumped products, substantially weakening the causal chain of "dumped imports causing industry injury."

A lawful injury determination must strictly separate the effects of dumped imports from the above other factors. The preliminary findings manifestly fail to meet this statutory standard. We reserve the right to submit further submissions on injury and causality after obtaining the Commission's complete calculation materials.

## CONCLUDING RECOMMENDATIONS

In light of the above, LY Steel encourages the Commission to:

**On dumping:**

- Utilise our verified cost records in full for normal value calculations, without substitution of steel slab or any other input costs with external benchmarks;
- Reconsider the rejection of enterprise compliant cost records on PMS grounds, strictly following the statutory review sequence of Article 2.2.1.1, returning the review focus to the reliability of enterprise records themselves and the accuracy of cost allocation, and not substituting macro-market judgments for individualised evidentiary review of enterprises;
- If the benchmark adjustment mechanism is ultimately retained, make comprehensive and reasonable downward adaptation adjustments for structural industry differences between the benchmark country and China (scale, process, raw material procurement, production efficiency, etc.), and employ publicly transparent, market-recognised benchmark data sources;
- Provide a written reasonable explanation and reasoning for the significant disparity in preliminary dumping margins among the three cooperating Chinese enterprises.

**On countervailing duties:**

- Formally confirm that LY Steel's subsidy margin is below the de minimis threshold and terminate the countervailing duty investigation in respect of LY Steel;
- In the final determination, do not recommence countervailing duty calculations or increase the subsidy margin against LY Steel in the absence of new exporter-specific evidence.

**Other requests:**

- Conduct rigorous non-attribution analysis on material injury and causality, properly separating the effects of factors other than dumped imports from the injury conclusion.

Dali Xu

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On behalf of Hunan Valin Lianyuan Iron & Steel Co., Ltd.

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