CANADA BORDER SERVICES AGENCY

NON-CONFIDENTIAL COMPLAINT

Regarding the Dumping of Certain Sucker Rods Originating in or Exported from the United Mexican States, the Federative Republic of Brazil, and the Argentine Republic

Submitted By: Apergy Canada ULC – Alberta Oil Tool Division

August 9, 2019

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1. Identification of the Complainant

1. This Complaint is filed with the Canada Border Services Agency ("CBSA" or the "Agency") pursuant to section 31 of the Special Import Measures Act ("SIMA") by Apergy Canada ULC – Alberta Oil Tool Division ("AOT"). To the best of AOT's knowledge, there are no other domestic producers of like goods in Canada. AOT produces the subject goods in one facility in Edmonton, Alberta.

2. The contact information for AOT is as follows:

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2. Imported Goods

A. Product Description

4. The goods subject of this Complaint ("subject goods") are defined as:

> Sucker rods, including pony rods, with or without couplings attached and with or without guides attached, manufactured to American Petroleum Institute (API) 11B specifications, equivalent standards or proprietary standards, including in a finished or semi-finished state, made of solid steel, including carbon, alloy, and special grades of steel, measuring a nominal 2.5 inches (63.5 mm) or less in diameter of rod body, with stated measurements subject to permissible tolerances, originating in or exported from the United Mexican States ("Mexico"), the Federative Republic of Brazil ("Brazil"), and the Argentine Republic ("Argentina"). For greater certainty, the subject goods do not include polished rods, sinker bars, hollow sucker rods, or continuous sucker rods.

B. Product Characteristics and Uses

5. Sucker rods are used in oil and gas extraction. Sucker rods are lengths of steel, usually with externally threaded ends, connected by couplings to form a rod string (couplings are not covered by this Complaint). In an oil or gas well, the sucker rod string connects an above-ground drive to a down well pump(s).

6. Sucker rods are "semi-finished" at any point following the forming of the ends of the material input into the essential sucker rod shape (e.g. forging), which typically creates the pin shoulder, wrench square and transition/upset of the sucker rod.

7. Fiber reinforced plastic ("FRP" or fiberglass) sucker rods also exist (see Annex D of API 11, in **Confidential Exhibit 2-01**). FRP sucker rods are substitutable for steel sucker rods. However, FRP sucker rods are not covered by this Complaint because there is currently very little use of FRP sucker rods in Canada. For the purposes of this Complaint, "sucker rods" refers only to steel sucker rods, unless otherwise indicated.

i. Overview of Oil and Gas Wells

8. In extracting oil or gas from a well, some form of "drive" (which includes the motor) is required to provide the motive force and power to extract the oil or gas. The drive may be located above ground, or it may be located down well. Sucker rods are only used with drives that are located above ground, and this Complaint will not further discuss technologies or components relating to down well drives.

9. An above-ground drive is physically connected to the down well pump(s) by a rod string. The rod string is primarily composed of a series interconnected sucker rods. Annex A of the API 11B specification (included as **Confidential Exhibit 2-01**) covers sucker rods.

10. The number and length of sucker rods may vary widely from well to well, depending on the various requirements established by engineers of the purchasing end users. A string of sucker rods could consist of dozens or even hundreds of sucker rods and have a total length of thousands of feet. Rod strings in Canada are typically in the range of 2,500 to 7,500 feet, which is roughly 100 to 300 sucker rods of 25 feet in length each.

11. A down well pump will either be a reciprocating pump or a progressive cavity pump, and sucker rods are used for both types of pumps. Reciprocating pumps which are the more traditional type of pump require the rod string to move up and down to extract oil and gas out. For these kinds of pumps, the drive will connect to a "walking beam" and "horse head," which will then reciprocate by pulling the rod string up and then pushing it down.

12. **Public Exhibit 2-02** provides a simplified diagram of an oil & gas reciprocating pump assembly with the sucker rods circled and indicated with a red arrow. As this diagram shows, a single "polished rod" connects the rod string to the above-ground drive. A polished rod is a special rod required to endure exposure to the surface conditions, unlike sucker rods which remain below ground the entire time they are being used. The polished rod's placement requires particular sizing and characteristics which make it materially different from a sucker rod. Annex B of the API 11B specification covers polished rods. Polished rods are not subject goods for the purposes of this Complaint.

13. At the bottom of the sucker rod string there is often a "sinker bar." A sinker bar is similar to a polished rod and has special requirements based on its role. It connects the sucker rod string to the pump and is also used to weight the rod string. Annex E of the API 11B spec covers sinker bars. Sinker bars used in weighting the rod string are not subject goods for purposes of this Complaint.

14. In contrast to the up-down movement of sucker rods in a reciprocating pump application, progressive cavity pumps require the sucker rod string to spin. This spinning motion is what causes the progressive cavity pump to extract oil and gas from the well. The basic layout, components, and purpose of a progressive cavity pump well are similar to a reciprocating pump well, *i.e.*, both consist of an above-ground drive connected to a down-well pump by way of a sucker rod string.

ii. Sucker Rod Grades

15. Sucker rods are commonly manufactured to American Petroleum Institute (API) specification 11B, but may also be made to equivalent standards or proprietary standards. API-compliant goods are made to different API 11B grades, including grades C, K, and D. A copy of the current API specification 11B is attached as **Confidential Exhibit 2-01** (in particular see T**ables A.4** and **A.5** at pages 21 and 22).

16. Different manufacturers use different nomenclature to describe their sucker rods. The following table aligns three common classification systems of sucker rods for the most common types of sucker rods in Canada. The first is the API grade nomenclature. The second is AOT's sucker rod nomenclature. The third refers to the American Iron and Steel Institute ("AISI") steel grade used (*e.g.*, "4330-M"). Finally, a fourth column has been added to identify the equivalent Tenaris sucker rod grade nomenclature. See, for example, **Public Exhibit 2-03 (A to D)**.

Table 1

API grade (in ascending order of performance/quality)	**AOT (Norris) grade**	**American Iron and Steel Institute (AISI) steel-based grade**	**Equivalent Tenaris grade** (and AISI steel-based grade, if different)[1]
C	(not produced in Canada)	1536-M	C (1530M)
K	(not produced in Canada)	4621-M	K
D Carbon (or "DC")	D 54	1541-M	DC (1530M)
D Alloy (or "DA")	D 78	4142-M	DA
D Special (or "DS")	D 75	4330-M (but distinguished from a "High Strength" 4330-M)	DS
	D 90	4320-M	KD
Non-API proprietary - Special Service High Strength	HS 96	4138-M	Plus (1530M)
			MMS
Non-API proprietary - Special Service High Strength	HS 97	High Strength 4330-M	UHS

17. There is generally a high degree of substitutability between sucker rod grades. Typically, where a higher AOT sucker rod grade (*e.g.*, D 78) is preferred for a particular well, sucker rods of a lower AOT sucker rod grade such as D 54, or even an API "C" or "K" grade, can often be used. Using these lower grades increases the likelihood of premature failure, but sufficient cost savings on sucker rods could potentially offset this increased risk.

[1] See AOT's Sucker Rod Comparison Guide in **Public Exhibit 2-03B**.

18. The AISI steel grades specified in the above table are the steel grades that AOT uses to produce sucker rods of the corresponding AOT sucker rod grades noted in the table; however, other AISI steel grades can be used. The clearest example is that higher grade steels (*e.g.*, AISI grade 4142-M, which AOT uses to produce sucker rod grade D 78) can generally be used to produce lower grade rods (*e.g.*, API grades C or K, or AOT grade D 54). The API 11B specification at **Confidential Exhibit 2-01, Table A.4** provides for certain steel grade series (such as AISI 41XX for grade D alloy) that can be used for particular grades. In some cases, the specification permits multiple series to be used. The specification also notes that equivalent "international series" of grades can be used.

19. Since different steel grades can be used to produce a particular sucker rod grade, the focus of comparisons is on the sucker rod grade.

iii. Sucker Rod Dimensions

20. Sucker rods are typically 25 or 30 feet in length, with 25 feet being the more common length in Canada. Sucker rods are connected with couplings to obtain the required length. The diameter of sucker rods in inches is usually in nominal sizes of 5/8, 3/4, 7/8, 1, 1.25 or 1.5, with [ ] inch diameter being AOT's top-selling diameter.

21. This Complaint covers sucker rods up to 2.5 inches in diameter. AOT believes that most (or possibly all) dumped Mexican, Argentine and Brazilian sucker rods imported into Canada are 1.5 inches or less in diameter. The upper bound of 2.5 inches is included because, in some cases, thicker sucker rods can be substituted for thinner sucker rods. AOT believes that above this upper bound of nominal diameter size, substitutability becomes largely impractical.

iv. Sucker Rod Components

22. The components of a sucker rod are the pin (including threaded and unthreaded portion, and shoulder), wrench square, transition/upset, and rod body. Both ends of the rod have a pin, wrench square, and transition/upset.

23. The pin is the end of the sucker rod over which the coupling fits. The end of the pin is threaded, while the rest of the pin is unthreaded up to the pin shoulder. The top of the coupling cylinder is called the coupling face. When a coupling is fully attached, the coupling face will contact the pin shoulder. A labeled diagram of a typical sucker rod is attached at **Public Exhibit 2-04**.

24. Sucker rods may or may not have guides attached. Guides are molded plastic that provide a wear surface to protect the steel sucker rod from abrasion. The purpose of a rod guide is to minimize abrasion between the sucker rod and the oil well tubing and to help center the rod string in the tubing. Images of AOT's guides can be found at **Exhibit 2-03A** at pages 25 to 29. AOT produces rod guides in Canada.

25. AOT produces pony rods with and without guides attached. (Pony rods are discussed below.) AOT does not normally sell guided full length (e.g. 25 or 30 feet) sucker rods, but will add guides to full length sucker rods on an as needed basis. AOT does not produce full length guided rods for inventory. Guided rods compete with unguided rods, and guided rods can be used in place of unguided rods, and vice versa.

v. A Specific Type of Sucker Rod - AOT's Drive Rods®

26. AOT refers to certain larger sucker rods (usually over 1 inch in diameter) with non-standard pin sizes under the trademarked name of "Drive Rods®." AOT's Drive Rods® are merely a particular type of sucker rod, and are therefore like the subject goods in this Complaint. Drive

Rods® have superior torsional characteristics and are therefore typically used in progressive capacity pump applications (which, as discussed above, rotate), as opposed to the more conventional up-and-down motion of a reciprocating pump application. "Drive rod" is not an industry standard term and only AOT uses that term. Other manufacturers refer to sucker rods for both progressive cavity pump and conventional reciprocating pumps simply as sucker rods.

vi. Pony Rods

27. Pony rods are shorter lengths of sucker rods used to obtain the desired length of a complete rod string, when the use of only standard length (i.e. 25 or 30 foot) sucker rods would make the rod string too long. Pony rods are connected to each other, or to sucker rods, with couplings. They are usually produced in lengths of 1, 2, 4, 6, 8, 10 or 12 feet. Pony rods are usually made in the same diameters as sucker rods in the rod string. Pony rods may or may not have guides attached.

C. Production Process

28. Steel bars are the raw material for sucker rods. In North America, suitable steel bars are typically referred to as Special Bar Quality (SBQ), however this is not a rigidly standardized term. In some cases, including in other countries, the input material could be referred to as engineered bar or merchant bar. Ultimately, any steel bar that meets the relevant requirements (i.e. chemical, mechanical, dimensional, etc.) can be used as input material.

29. AOT's sucker rods are manufactured from micro-alloyed, modified SBQ hot rolled carbon or alloy steel bar. AOT's specifications for raw material bars are included at **Confidential Exhibit 2-05**. Raw material for sucker rods is generally of a significantly higher quality than most concrete reinforcing bar, for example, and with much lower chances of defects or flaws.

30. SBQ is supplied as long steel bars. SBQ arrives at AOT's facility and is inspected and received into inventory. The SBQ is then passed through straightener rollers.

31. Bars then get passed through an Eddy Current tester to check for any surface quality defects. All acceptable bars are collected to form a bundle and rods that do not pass quality testing are excluded in reject pockets.

32. Usable bars are then transferred to forge machines. Each bar end, representing between 8 – 14 inches of material, is induction heated to 2300°F ±50°F and upset forged to dimensions specified by the drawing for one end. The bar end is measured and documented on AOT's quality plan. After one end is completed, the bar is rotated 180 degrees and the same processes are performed on the other end.

33. During the forging process, the sucker rods are stamped with AOT's name as the manufacturer, the size, pin type, grade, heat code, and date of manufacturing.

34. After forging, the rod is transferred to the normalizing furnace. Forged bars are put on conveyor chains which take them through the furnace at a preset speed and at furnace temperatures that are above the critical transformational temperature (1550F – 1675F, depending on the desired finished grade) required to achieve this desired microstructure changes. Essentially, this heat treatment or normalizing allows for the re-crystallization of steel to offset any defects arising from the working of the metal, particularly the forging of the bar ends.

35. Upon exiting the normalizing furnace, the rods will be brittle and will have poor ductility, so the rods are then tempered. When the rods come out of the normalizing furnace, they are slowly moved to the tempering furnace at preset speed and temperature, to allow air cooling for a certain time. The appropriate speeds and temperatures are governed by the finished grades, but are approximately 500°F lower than normalizing temperatures. Tempering improves the ductility and toughness of the steel.

36. The rods are then transferred on another conveyor which takes them through the shot peener. In this process the rods are blasted with tiny metal balls which produce compressive residual stresses on the rod surface which improves the fatigue life of the rod making them a superior quality product over non-peened rods. [2]

37. Rods are then settled in output table pockets to allow for cooling to room temperatures. Once cooled, rod bundles are moved to computer numerical control ("CNC") machines where they are machined and threaded on the ends. AOT uses cold-formed rolled threads on its sucker rods. The cold-formed process displaces, rather than removes metal, to maintain consistent steel grain flow. This strengthens the shear, yield, and fatigue resistance of the threads. As necessary, couplings are attached on one end and pin protector plastic caps are added to the other.

38. Machined rods are then sent to paint tables where they are inspected for straightness. Rods that are out of straightness are straightened. The straightened rods are then dipped into a paint vat.

39. Painted rods are then arranged in a stack for bundling and strapping. Rods are covered in an oil-soluble coating to reduce atmospheric corrosion in storage. Rods are bundled to prevent handling damage during transportation. Bundled rods are then moved to the storage area and ultimately loaded onto trucks for shipment to distributors.

40. AOT's top selling sucker rod, [ ], which is [ ] inches thick, grade [ ] and 25 feet in length, takes approximately [ ] to produce. This is consistent with the time for AOT's other top selling sucker rod models, which range from [ ] to produce. Pony rods (which are effectively shorter sucker rods) may [ ] to produce. For example, the [ ] pony rod with [ ] takes [ ] to produce.

[2] Sucker rods may fail (bend or break) when the metal becomes "fatigued" from the repeated stresses the sucker rod experiences. Improving the fatigue life means that the product will last longer before being prone to a fatigue related failure.

D. Tariff Classification

41. The subject goods are properly classified under HS tariff code **8413.91.00.10**, i.e. "Pumps for liquids, whether or not fitted with a measuring device; liquid elevators.– Parts – Of Pumps ---- Sucker rods, pony rods or polished rods, designed for oilfield related pumps, parts thereof." This tariff classification covers both subject and non-subject goods. Only sucker rods (including pony rods) are subject goods. Polished rods are not subject goods in this Complaint.

E. Countries of Export / Origin

42. The subject goods are produced in or exported from Mexico, Argentina, and Brazil.

F. Known Exporters

43. The only known producer and exporter of subject goods is Tenaris S.A. and its affiliates ("Tenaris"), who owns and operates production facilities for sucker rods in each of Mexico, Brazil, and Argentina: see **Public Exhibit 2-06** and **Public Exhibit 5-01**.

G. Known Importers

44. AOT believes that Tenaris Global Services (Canada) Inc. ("Tenaris Canada") is the sole importer of the subject goods from Mexico, Brazil, and Argentina. Tenaris Canada participated in *Sucker Rods from China* as an importer of sucker rods from third-country sources.

H. Marketing and Sale of Subject Goods

i. General Market Characteristics

45. Marketing of sucker rods may take the form of price sheets, printed information catalogues/brochures, website, and sales calls by sales personnel. Pricing is usually determined through an established price list with volume discounts, or a negotiated net selling price.

46. Both domestically-produced and imported subject goods are generally sold to oilfield distribution companies that sell and/or service down-hole equipment, including rod pumps and pump jacks. These distributors in turn sell the products to end users. AOT sells the full line of its products to distributors.

47. There is a high degree of visibility in the market in terms of pricing and which producers are winning accounts. See **Confidential Exhibit 7-04**. That said, in the case of competition with Tenaris specifically, it is impossible for AOT to determine which specific country Tenaris' sucker rods are being produced in, for any particular sale. However, AOT believes that Tenaris has sourced sucker rods from all three subject countries interchangeably across the spectrum of grades, depending on supply and demand conditions within the Tenaris supply chain.

ii. Importance of Price

48. Owing to the long-standing reputation of AOT (and related operations) for product quality, AOT had in the past been able to maintain [ ]. However, once certain quality and certification preconditions are met, the Canadian sucker rod market is very price sensitive and AOT product [ ], particularly over subject imports from Argentina, Brazil, and Mexico.

49. Prior to the imposition of provisional duties in *Sucker Rods from China* exporters of Chinese sucker rods relied on lower pricing to secure market share. Indeed, until the previous trade case, dumped and subsidized Chinese imports had been increasingly displacing AOT goods on the basis of price.

50. The imposition of anti-dumping and countervailing duties in Q3 2018 resulted in the significant decrease of Chinese sucker rods in the Canadian market. However, subject goods imported by Tenaris have replaced Chinese imports as the low-price leaders in the market and are

capturing all or nearly all of the market share AOT had previously lost to dumped and subsidized Chinese goods through aggressive pricing and what appears to AOT to be a concerted campaign to capture market share in Canada. In today's market, AOT believes that the distributors' primary consideration in evaluating whether to source Tenaris or AOT product is price. See **Confidential Exhibit 7-04**.

51. In terms of product characteristics, grade is the most significant determinant of pricing on a per foot basis. The next most important factor is the diameter of the sucker rod, because larger rods will require more steel, and steel is the largest cost component of a sucker rod.

3. Domestic Like Goods

52. Consistent with the Tribunal's recent determination in NQ-2018-001, the sucker rods produced by the domestic Canadian industry (i.e. AOT) qualify under section 2 of the *SIMA* as "like goods" to the subject goods. Goods produced in Canada by AOT are generally identical to subject goods from Mexico, Argentina, and Brazil. The majority of sucker rods used in Canadian oil and gas operations conform to the API 11B specification. Both the Canadian industry and the Tenaris producers in Mexico, Brazil, and Argentina manufacture goods to the API 11B specification. This specification imposes requirements relating to most aspects of the goods, including dimensions (e.g. length, width) tolerances, chemistry, mechanical properties (yield strength, tensile strength and hardness) and threading.

53. Subject sucker rods are also sold through the same channels of distribution and have the same end uses as sucker rods produced in Canada. The domestic goods and the subject goods are sold to distributors who sell the products to end users.[3] These market sales are for the oil and gas

[3] See CITT, Sucker Rods, NQ-2018-001 (December 31, 2018 at para 134. "Tenaris, an importer of sucker rods from third-country sources, confirmed that it operates under a model similar to AOT's in the Canadian market, that is, it sells its imports of sucker rods through distributors as opposed to directly to end-users. At the hearing, Mr.

industry. The subject sucker rods and the domestic sucker rods, in this way, compete directly in the same distribution channels and for the same end users.

4. Single Class of Like Goods

54. The present Complaint covers a single class of goods. All sucker rods (including pony rods and Drive Rods®) serve the same purpose of connecting the above-ground drive (either a reciprocating walking beam/horse head, or a rotating drive for a progressive cavity pump) to the down-hole pump. These are all finished goods with compatible threading intended to be connected together. They are all subject to the API 11B or a comparable specification. They all consist of specific types of carbon or alloy steel. These goods are also all produced on essentially the same machinery using essentially the same production process. They are all sold through the same channels of distribution to the same oil and gas company end-users.

5. The Canadian Industry

A. Canadian Producers of Like Goods

55. AOT remains the only Canadian producer of subject goods, consistent with the Tribunal's determination in NQ-2018-001. AOT is the only company in Canada with an API license to produce these goods. The API composite list for all companies certified to produce to API specification 11B anywhere in the world is attached as **Public Exhibit 5-01**. AOT is the only Canadian producer on that list. AOT is owned by Apergy Corp., and is part of Apergy Corp's rod lift business.

Labaronne of Tenaris testified that replicating an entire distribution network only for sucker rods, whether for the completion or maintenance of wells, would "not be viable on the margin side".

56. AOT's employees are not unionized. Therefore, there are no "trade unions that represent persons employed in the production of like goods in Canada and the associations that include such trade unions, whom the complainant knows of" within the meaning of SIMR subsection 37 (b.1).

B. Volume and Value of Complainant's Production

57. The following table lists the volume of sucker rods produced by AOT in Canada and sold in Canada (therefore excluding any sales of imported sucker rods) in the last three fiscal years and H1 2019, along with their sales value.

Table 2

	2016	2017	2018	H1 2019
Volume (Pieces)	[ ]	[ ]	[ ]	[ ]
Sale Value (CAD$)	[ ]	[ ]	[ ]	[ ]

58. AOT's income statements for domestic and export sales are provided in **Confidential Exhibit 5-02.** These are presented in a format compatible with the requirements of the Canadian International Trade Tribunal ("CITT" or "Tribunal"). AOT's total firm financial statement for 2018 is attached as **Confidential Exhibit 5-03**. Given the diversity of products it produces and sells in Canada, it was not practical to create an AOT-wide income statement in the same format as the income statements for domestic and export sucker rod sales that AOT prepared.

59. For full year 2018 and H1 2019, the breakdown of AOT's domestic sales revenue by grade was:

Table 3

AOT Grade	% of domestic revenue in FY 2018	% of domestic revenue in H1 2019
[		

		]

60. Neither AOT nor any of its affiliates import subject goods from Mexico, Brazil, or Argentina. In addition, neither AOT nor any of its affiliates are related to Tenaris Canada.

61. AOT has occasionally imported a small volume of sucker rods from its US affiliate. These imports are used to meet short term demand surges where insufficient Canadian inventory is on hand and sufficient goods cannot be produced in time to meet a specific customer need. In recent years, from 2016 to H1 2019, such imports by AOT have been very infrequent and accounted for [ ] of AOT's domestic sales by value.[4]

62. As AOT is the only Canadian producer, AOT believes this small amount of imported sucker rods are the only sucker rods imports by Canadian producers.

6. Dumping

A. Product Comparability and Coverage

63. As noted in Section 2(B)(ii), manufacturers use different nomenclature to describe their sucker rods. For dumping calculations purposes, AOT's grades for sucker rods have been matched with Tenaris' grades for sucker rods that were exported to and sold in Canada, in accordance with **Table 1** in Section 2(B)(ii) of this Complaint.

64. The grades of sucker rods used to determine dumping margins in this Complaint represent [ ] of AOT's domestic sales of subject goods in Canada for 2018 and [ ] in 2019 by revenue, as shown in **Table 4** below and in Section 5(B). Furthermore, dumping margins were

[4] The "domestic sales from domestic production" volumes in Confidential Exhibit 5-02 do not include the small volume of sucker rods that AOT imported from its US affiliate.

estimated for sucker rods of certain grades with diameters of 3/4, 7/8, and 1 inch, which are among AOT's top-selling diameters in Canada (See Section 2(B)(iii)). AOT, therefore, believes that the grades and diameters of sucker rods used to determine dumping margins are representative of the models of sucker rods that Tenaris exports to Canada.

Table 4

AOT's Grade	Tenaris' Grade – Exports to Canada	AOT's % of domestic revenue in FY 2018	AOT's % of domestic revenue in H1 2019
HS 96	HS 4138 Alloy ("Plus") MMS (4138)	[ ]	[ ]
D 78	D 4142 Alloy ("DA")	[ ]	[ ]
D 75	D Special ("DS")	[ ]	[ ]
HS 97	HS Alloy ("UHS")	[ ]	[ ]
Total AOT% of Domestic Revenue		[ ]	[ ]

B. Normal Value

i. Section 15 Normal Values

65. AOT has been able to obtain representative and comparable home market net prices for the sales of one model of sucker rods sold by Tenaris in Argentina [ ] (**Confidential Exhibit 6-02**). In order for normal values under section 15 of the SIMA to be useable, the products sold in the Argentine home markets must be identical or similar to the products sold by Tenaris into the Canadian market.[5]

66. AOT has been able to match one model sold in Argentina as similar models to those exported by Tenaris to Canada based on AISI's steel-based grade numbers (See **Table 1** in Section

[5] *Special Import Measures Act*, RSC 1985, S-15, s 2(1), 25(1)(a).

2(B)(ii)). AOT was able to obtain [ ] for the domestic sale price of a [ ] foot, [ ]" grade [ ] sucker rod. See **Table 5** and **Confidential Exhibit 6-02.**

Table 5

Argentina Home Market Sales Prices [ ]

Diameter	Grade	Length	Price (USD/Unit)	Exchange Rate (USD to CAD)[6]	Normal Value (CAD/Unit)
[					]

67. Despite AOT's best efforts, it has not been able to obtain reliable Mexican and Brazilian pricing for the purposes of determining section 15 normal values. See **Confidential Exhibit 6-03** for Section 15 Normal Values.

ii. Section 19 Normal Values

68. Subsection 19(b) of *SIMA* provides that normal values can be determined as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits.[7]

69. AOT has also estimated normal values for each of Mexico, Brazil, and Argentina based on the aggregate of AOT's cost of production of the goods, a reasonable amount for selling, general, and administrative expenses ("SG&A") and a reasonable amount for profit.

70. Financial expenses have been conservatively excluded from the cost build-up.

71. AOT's supporting information regarding production cost information is provided in **Confidential Exhibit 6-04A** and **Confidential Exhibit 6-04B**, which include actual invoices of

[6] See **Public Exhibit 6-01**.
[7] *Special Import Measures Act*, RSC 1985, c s 15, ss. 19(b).

SBQ costs to AOT between [ ] and [ ], and paragraph 19(b) normal value calculations are provided in **Confidential Exhibit 6-07.**

72. With respect to the raw material component of the cost of production, material inputs for Canadian, Argentine, Brazilian, and Mexican sucker rods are assumed to be similar given that sucker rods are produced around the world from the same international steel input ("SBQ"), and therefore no adjustments were made for raw material costs. See **Confidential Exhibit 6-04A** and **Confidential Exhibit 6-04B**.

73. At the same time, AOT believes that Tenaris may be sourcing its raw material inputs (e.g. SBQ) for the production of sucker rods from related entities and particular market situations ("PMS") may exist in each of the subject countries, causing the cost of production reported by Tenaris to be unreliable for the purposes of determining normal values under SIMA section 19(b). In terms of sourcing inputs from affiliates, Tenaris indicated in its 2018 Annual Report that for "securing inputs for {its} manufacturing operations" it aims "to achieve a vertically integrated value chain for our production". See **Public Exhibit 6-06** at page 12. As such, cost of production for Tenaris may be more accurately determined by the highest of the transfer price between Tenaris and its affiliates, the actual costs to the associated SBQ producers, or a reasonable benchmark determined in the subject countries. See **Public Exhibit 6-10**.

74. In terms of PMS, the largest corporations producing oil in Argentina, Brazil, and Mexico are all state-owned and there is evidence that the governments of these subject countries have introduced subsidies or other legislation to augment the ability for these enterprises to produce oil. Argentina's largest oil producer, Yacimientos Petrolíferos Fiscales ("YPF"), is owned the Government of Argentina,[8] who has instituted large subsidies for oil production.[9] Mexico's state-

[8] **Public Exhibit 6-11**.
[9] **Public Exhibit 7-19**.

owned oil company, Petróleos Mexicanos ("PEMEX"), contributes to as much as one third of the national budget of Mexico[10] and has received support from the Government of Mexico to finance new projects.[11] Brazil's state-owned oil corporation, Petróleo Brasileiro S.A. ("Petrobras"), is the largest corporation in Brazil,[12] and has received funding from the Government of Brazil.[13] Due to the potential PMS in each of the subject countries, Tenaris' reported costs may be more accurately determined by a hierarchy of alternatives to be used to determine the cost of inputs for any normal values determined under SIMA section 19(b). See **Public Exhibit 6-10**.

75. To arrive at the labour cost component, AOT's 2018 labour hourly rate at standard production time was multiplied by the labour time on an hourly basis to produce one piece of sucker rod on a model-specific basis. The labour costs were then adjusted using an 85% downward adjustment for Argentina, 80% downward adjustment for Brazil, and 89% downward adjustment for Mexico based on comparative wage statistics from the International Labour Organization ("ILO") **(Public Exhibit 6-05B)**. These adjustments were applied to the entire labour amount to account for differences in wage rates between Canada, based on Statistic Canada's wage data **(Public Exhibit 6-05C)**, and each of the subject countries. See **Public Exhibit 6-05A**.

76. To determine the overhead cost, AOT's 2018 overhead hourly rate at standard production time was multiplied by the labour time on an hourly basis to produced one sucker rod piece on a model-specific basis. AOT adjusted [ ]% of the overhead costs by the ILO labour rate identified above for each of Argentina, Brazil, and Mexico to account for the labour-related portion of overhead. See **Public Exhibit 6-05A** and **Public Exhibit 6-05B.** AOT believes that this is an

[10] **Public Exhibit 6-12.**
[11] **Public Exhibit 6-13.**
[12] **Public Exhibit 6-14.**
[13] **Public Exhibit 6-15.**

accurate estimate as [ ]% of AOT's overhead costs in [ ]. See **Confidential Exhibit 6-04C**.

77. To estimate SG&A and a reasonable amount for profit, we applied a ratio of 29% and 17% to the total cost of production, respectively, based on the amounts reported by Tenaris S.A. in its 2018 annual report (See **Public Exhibit 6-06** at page 39).[14] The adjusted cost of production, SG&A and a reasonable amount for profit were aggregated to estimate the section 19 normal values. See **Confidential 6-07** and the summary in **Table 6** below.

Table 6

Sucker Rods				s. 19 Normal Value (CAD per piece)		
Diameter (In)	**Length (FT)**	**Grade**	**Coupling**	**Argentina**	**Brazil**	**Mexico**
[						
						]

C. Export Price

78. This Complaint presents the unique situation where Tenaris is the only known foreign producer, exporter, and Canadian importer of sucker rods from all three subject countries (i.e. Mexico, Argentina, and Brazil) to Canada. As Statistics Canada ("StatsCan") publishes value data alone, and not volume data, up to the 10-digit HS tariff code, AOT has researched export data from the subject countries as well as sources such as PIERS but has been unable to locate useable country-specific pricing. However, given AOT's understating that Tenaris sources models across

[14] **Public Exhibit 6-08** in its 2018 Annual Report, Tenaris S.A. reported Cost of Sales of USD 5,279,300,000, SG&A of USD 1,509,976,000, and net income of USD 873,900,000.

the spectrum of sucker rods interchangeably from the subject countries, and given the unique single-exporter circumstances of this case, it is reasonable, and indeed the best information available to calculate a single set of Tenaris export prices for subject goods from the subject countries.

79. In light of the fact that Tenaris exports to an affiliated importer in Canada and given that in any event StatCan does not publish volumetric import data for sucker rods, AOT has constructed a conservative export price pursuant to SIMA section 25, by taking the importer's selling price of the goods and subtracting the following amounts from the price: (1) the importer's selling, general and administrative ("SG&A") expenses; and (2) a reasonable amount for the importer/distributor's profit.

80. For purposes of estimating section 25 export prices, AOT used Tenaris Canada's sale prices for seven models of sucker rods, as shown in **Table 8** below. For SG&A, Tenaris S.A.'s public financial statements for 2018 show a SG&A rate of 29% over cost of sales, as discussed above. (See also **Confidential Exhibit 6-06** at page 39). To be conservative, it has been assumed that Tenaris Canada incurred half this SG&A rate of 14.5%. We therefore reduced Tenaris Canada's sales prices for the seven models by 14.5% to account for importer-distributor SG&A.

81. To estimate a reasonable amount for the importer/distributor's profit, AOT used [ ]%, the actual average distributor margin obtained by [ ] of sucker rods. See **Confidential Attachment 1** to the Declaration of Mr. Vandal (**Confidential Exhibit 7-04**) for supporting invoices, and **Table 7** below.

Table 7

[					

		[15]	[16]		
					]

82. The calculated section 25 export prices for the seven models are shown in **Confidential Exhibit 6-08**. A summary is provided in **Table 8 below**.

Table 8

Diameter	Tenaris' Grade	AOT's Grade	Tenaris Canada's Net Selling Price to End User (CAD/Piece)	Section 25 - Exported Price - Calculated Tenaris Canada's Net Import Price (CAD/Piece)
[				
				]

D. Margin of Dumping

83. Based upon the analysis discussed above, all subject goods have been dumped at margins of dumping ranging from [ ]% to [ ]% using both section 15 and section 19 normal values See **Confidential Exhibit 6-09**.

[15] **Confidential Exhibit 7-04** at **Confidential Attachment 1.**
[16] **Confidential Exhibit 7-04** at **Confidential Attachment 1.**

7. Injury and Threat of Injury

A. Initial Matters

i. Cumulation

84. Subsection 42(3) of *SIMA* stipulates that a cumulative assessment of the dumping of the subject goods from the subject countries will be made if: (1) the margin of dumping in relation to the goods from each of those countries is not insignificant; (2) the volume of dumped and subsidized goods from each subject country is not negligible; and (3) cumulation is appropriate, taking into account conditions of competition between the goods of each country or between these goods and the like goods.[17]

85. Analysis of injury and threat of injury caused by dumped subject imports from Mexico, Argentina, and Brazil in this Complaint has been presented on a cumulated basis because: (a) the margin of dumping in relation to the subject goods from each of those countries is not insignificant, as set out in the analysis in Section 6, above; (b) the volume of dumped goods from each subject country is not negligible, as demonstrated in **Confidential Exhibit 7-03**;[18] and (c) the same conditions of competition exist among the subject goods, and between the subject goods and the like goods. Specifically, subject goods and the domestic like goods produced by AOT are interchangeable and compete against each other throughout Canada, due to the commodity nature of sucker rods.[19]

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[17] *See e.g.* CITT, Carbon Steel Welded Pipe, NQ-2018-003 (March 4, 2019) at paras 74 to 79. See also CITT, Corrosion-Resistant Steel Sheet, NQ-2018-004 (March 8, 2019) at paras 38 to 61.

[18] See **Confidential Exhibit 7-03**. With a typical 12-month CBSA POI from July 1, 2018 to June 30, 2019, the percentages of total imports from each of Mexico, Brazil, and Argentina are [ ]%, [ ]%, and [ ]%, respectively, based on value, and [ ]%, [ ]%, and [ ]% based on volume.

[19] *See*, CITT Sucker Rods from China, NQ-2018-001 (December 31, 2018) at para 46 "Sucker Rods are commodity products used for oil and gas extraction."

ii. Deriving Import Volumes

86. AOT has used the best information available to it to estimate import volumes. **Confidential Exhibit 7-01** summarizes AOT's estimated apparent Canadian market, in terms of both volumes.

87. In order to estimate the Canadian market for imported volumes, AOT used StatsCan published data up to the 10-digit HS tariff code (i.e. HS 8413.91.00.10). However, StatsCan reports sucker rod imports in values alone. As such, AOT estimated import volumes based on a similar methodology used in the Complaint against China:[20] see **Confidential Exhibit 7-03**.

88. Specifically, the sucker rods industry standard unit of measure is "pieces." Accordingly, AOT's average per-piece selling price for domestically-produced sucker rods sold in Canada was first determined for each of 2016, 2017, 2018, and H1 2019 (i.e. January 1, 2019 to June 30, 2019). AOT's average per-piece selling price was $[ ] in 2016, $[ ] in 2017, $[ ] in 2018, and $[ ] in H1 2019 (See **Confidential Exhibit 5-02**).[21] These average per-piece selling prices were then used to estimate the import volumes from the non-subject countries (excluding China), the subject countries, and China, in the manner outlined immediately below.

89. For the non-subject country imports (but excluding Chinese imports), import volumes were estimated by simply dividing the value of imports by AOT's average per-piece price for each period.

90. For the subject countries, import volumes were estimated by adjusting AOT's average per-piece selling price [ ], to reflect [ ]. AOT believes that [ ] is a conservative estimate based on [

[20] *See* CITT, Sucker Rods, PI-2018-001 (August 1, 2018) at paras 22 to 25.

[21] Using AOT's income statement results for a given time period, AOT's net sales revenue from domestically produced pieces sold in Canada was divided by AOT's number of domestically produced pieces sold in Canada.

] from the examples [ ]. This assumption is additionally conservative due to the higher level of trade at which Tenaris sells into Canada, *i.e.*, to Tenaris Global Services (Canada) Inc. ("Tenaris Canada"), who in turns sells to distributors. Furthermore, the [ ] based on [ ] is both more conservative than using Tenaris's export prices calculated for the models used in Section 6C of the Complaint, above, given that the [ ] export prices determined under SIMA section 25 reflect additional estimates needed for purposes of calculating export prices used in dumping margin calculations involving related party import sales.

91. Finally, for Chinese non-subject imports, the average AOT per-piece selling prices was adjusted downward by 26% to approximate Chinese average per-piece import prices. Specifically, the Tribunal found in *Sucker Rods from China* that: "{f}or sales of benchmark products under the AOT approach, the average price of the subject goods significantly undercut the average price of the domestically produced like goods in all of the 26 instances where both were sold in the apparent market. The percentage of undercutting ranged from 26 to 51 percent."[22]

92. It was also necessary to remove non-subject goods from the StatsCan import data, because tariff line item 8413.91.00.10 includes both sucker rods (i.e. the "subject goods") and polished rods (which are "non-subject goods"). Based on AOT's commercial intelligence, Tenaris only imports only sucker rods and not polished rods from the subject countries. Therefore, no polished rod adjustment was made for subject country imports. See **Public Exhibit 7-02**. However, polished rods are being imported from the non-subject countries, including the United States and China.

[22] CITT, *Sucker Rods from China*, NQ-2018-001 (December 31, 2018) at para 76. The AOT approach for percentage of undercutting was used by comparing AOT's selling price of sucker rods to distributors with the selling price of foreign exporters to importer-distributors.

Therefore, to estimate the imports of sucker rods alone, we reduced the total volumes of imports for non-subject countries in accordance with AOT's ratio of sales of sucker rods to polished rods in 2018, which is [ ]% sucker rods and [ ]% polished rods. Based on AOT's understanding, this ratio of sucker rods from non-subject countries is roughly consistent with the overall volume of sales of sucker rods relative to polished rods in the Canadian market.

B. Present Injury to the Domestic Industry

i. Volume of Dumped Subject Country Imports

93. **Confidential Exhibit 7-01** demonstrates that in both absolute and relative terms, there has been a significant increase in the volume of subject imports from the subject countries.

94. As early as 2017, imports from the subject countries were becoming a significant and growing source of low-priced subject sucker rods, growing in absolute terms from [ ] pieces in 2016 to [ ] pieces in 2017, representing an increase of [ ]%. Subject imports then increased to [ ] pieces in 2018, representing an increase of [ ]% from 2016 to 2018, and are now alarmingly on pace for an annualized volume from subject countries of [ ] pieces in 2019, which would represent a [ ]% increase from 2016 to 2019, if H1 2019 import volumes are doubled.

95. In relative terms, the volume of imports of subject goods relative to domestic production increased from [ ]% in 2016 to [ ]% in 2018, and from [ ]% in H1 2018 to [ ]% in H1 2019. Moreover, the estimated imports of subject goods relative to domestic sales of domestic production increased from [ ]% in 2016 to [ ]% in 2018, and from [ ]% in H1 2018 to [ ]% in H1 2019.

Table 9

	2016	2017	2018	H1 2018	H1 2019
Total Subject Imports	[				
Domestic Production					
Imports of subject goods relative to domestic production					
Domestic Sales from Domestic Production					
Imports of subject goods relative to domestic sales from domestic production					]

96. Critically, the precipitous increase in low-priced subject imports took place at a time of vulnerability in the Canadian market due to the downturn in the oil and gas sector, while the total apparent market was decreasing. In other words, the increase in dumped and low-priced imports from subject countries took place at exactly the time when AOT could least afford to lose further sales volumes. Specifically, in absolute terms, the estimated total Canadian market contracted from [ ] pieces in 2017 to [ ] pieces in 2018. See **Confidential Exhibit -01**. Moreover, notwithstanding that market conditions have remained soft in H1 2019, Tenaris imports have exploded. By any standard, in both absolute and relative terms, the volume of dumped imports has been significant and increasing.

ii. Price Effects of Dumped Imports

97. In *Sucker Rods from China*, the Tribunal found in 2018 that there was "a high degree of price transparency in the market, such that when sucker rods are imported at low prices, those prices will likely permeate the domestic market as a whole."[23] The high degree of price

[23] CITT, *Sucker Rods from China*, NQ-2018-001 (December 31, 2018) at para 67.

transparency and the impact of low prices imports on the sucker rods market continues to hold true at this time.

98. The evidence in this Complaint, which includes a lengthy and detailed accounting of lost sales and lost revenue evidence in a sworn declaration of Mr. Vandal, demonstrates that the aggressive pricing of dumped sucker rods from the subject countries has caused injury to the Canadian industry by significantly undercutting the price of Canadian goods and preventing price increases from already suppressed levels, as found by the Tribunal in *Sucker Rods from China*.

99. Dumped imports from the subject countries have undercut AOT's prices by significant margins. AOT has obtained account-specific examples of Tenaris' sales in Canada on various models of sucker rods imported from subject countries. Based on the examples in **Table 10** below, Tenaris undersold AOT to distributors on matching models over the period from July 2017 to January 2019 by between [ ]% and [ ]%. See also **Confidential Exhibit 7-04**. The models presented as examples in the table below represent [ ]% of AOT's domestic sales of sucker rods in 2018 by volume and [ ]% by value, and [ ]% in H1 2019 by volume and [ ]% by value.

Table 10

Date of Underselling	Diameter	Tenaris' Models	Matching AOT Models	Tenaris Canada's Net Price to Distributors (CAD/Piece)	AOT's Net Price to Distributors (CAD/Piece)	Price Undercutting (CAD/Piece)	Price Undercutting (%)
[							
							]

100. Dumped imports from the subject countries have also directly suppressed AOT's prices. AOT's average unit values ("AUVs") [ ] between 2016 and 2018 (actually [ ]), while production costs were rising steeply.[24] AOT's cost of goods sold ("COGS") rose [ ]% (see **Confidential Exhibit 5-02**) and AOT's cost of goods manufactured

[24] *See* CITT, *Sucker Rods from China*, NQ-2018-001 (December 31, 2018) at para 96. ("In response to the growth in input costs, AOT notified its customers in August 2017 of a proposed four percent price increase, to be effective October 15, 2017. Companies should normally be able to pass on any cost increases of this magnitude to their customers (or at least a portion thereof). However, that was not AOT's experience. AOT provided evidence of feedback from distributors suggesting that certain end-users would likely source another rod for their pumping applications as a result of any price increase, requesting delays to the timing of the increase, asking if the increase was a joke, and generally advising against increasing a price that was already higher than the competition in the market.")

("COGM") rose [ ]% (see **Confidential Exhibit 7-05**) over the same period of time (see **Table 11** below).

101. AOT's rising production costs have been driven primarily by rising SBQ costs. As shown in **Confidential Exhibit 7-05**, AOT's SBQ costs, which account for roughly [ ] of the direct costs incurred in the production of sucker rods, have increased significantly. AOT's average unit pricing for purchases of SBQ has increased by [ ]% between Q2 2016 and H1 2019. As Mr. Vandal details in **Confidential Exhibit 7-04**, these rising costs are entirely consistent with market prices and trends, and AOT [ ] and is continuously endeavouring to ensure its SBQ costs are as low as possible.[25]

102. Despite these significant market-based input cost increases, it was only after preliminary duties came into place on Chinese imports in August 2018 that AOT managed to [ ] 4% price increase that it had originally announced in 2017 [ ]. This [ ] is reflected in AOT's [ ]. See **Confidential Exhibit 5-02**. In the meantime, AOT's cost of goods sold [ ] between full year 2018 and H1 2019.

103. The presence of dumped, low-priced Tenaris imports from the subject countries is a direct cause of AOT's inability to increase its prices to catch up with its rising production costs. As Mr. Vandal details in **Confidential Exhibit 7-04**, when AOT announced a [ ]% price increase in December 2018, [ ], this attempt at increasing pricing was [

[25] See CITT, *Sucker Rods from China*, NQ-2018-001 (December 31, 2018) at para 95 where the Tribunal found that "AOT provided testimony outlining the different options that {AOT} explored in recent times to stem rising input costs, including searching out different sources of supply. Therefore, the Tribunal finds that AOT's sourcing decisions were not a cause of injury to the domestic industry in this case."

]. AOT hopes that with the filing of this case, AOT will be able to secure [ ]. See **Confidential Exhibit 7-04.**

Table 11

($CAD/piece)	2016	2017	2018	H1 2018	H1 2019
AOT's Average Domestic Selling Price for Sucker Rods	[				
AOT's Cost of Goods Sold for Sucker Rods					
Costs of Goods Manufactured for Sucker Rods					]

iii. Injury and Causation: Account-Specific Allegations

104. AOT has provided an extensive body of account-specific allegations, detailing evidence of material injury through lost sales, price undercutting, and price suppression leading to significant lost revenues. See **Confidential Exhibit 7-04.** This information serves to corroborate the cause of AOT's continued [ ] in profitability and production and sales, as well as the reasons for AOT's inability to increase prices despite significant increases in costs, discussed above. Because AOT sells through distributors, direct information on specific imports and lost sales can be difficult to obtain. Nevertheless, AOT has gone to great lengths to support this Complaint with positive

evidence and has obtained market intelligence that identifies and compiles material losses of sales and revenues establishing a causal link.

105. Specifically, AOT provides in **Confidential Exhibit 7-04** a sworn statement with supporting documentation that sets out direct examples of the commercial impact to AOT caused by dumped subject goods covering the entire four-quarter period beginning with the Q3 2018 imposition of preliminary duties on Chinese imports through to Q2 2019. In particular, Mr. Vandal's sworn statement details instances of lost sales and lost revenue at a granular, account-specific level, and represents positive evidence of causation that is on its face both accurate and reliable. The examples provided begin immediately upon the imposition of preliminary duties on Chinese imports, and alone support a finding of material past injury suffered by AOT by reason of dumped subject imports and corroborate the data discussed above and further below. These examples of lost sales and lost revenue cover no less than a one-year period similar in duration to the period over which past injury was found in *Sucker Rods from China*.

iv. Impact of Subject Goods on the State of the Domestic Industry

106. Aggressively-priced dumped subject goods from Mexico, Argentina, and Brazil have caused material injury to the domestic industry, which is clear in a number of key indicators. The price suppression being caused by Tenaris' imports from the subject countries has caused AOT's gross margins and net profitability to [ ]; Tenaris' price undercutting has also caused [ ] sales and production; and AOT has experienced a [ ] in capacity utilization and has [ ] employment.

a) Significant and Sustained Price Suppression Has Translated Directly into Material Adverse Impact on AOT's Profitability

107. In 2018 when AOT filed its Complaint in *Sucker Rods from China*, the company was already facing severely suppressed pricing and [ ] profitability. Instead of improving after the implementation of anti-dumping and countervailing duties against Chinese imports of sucker rods, this price suppression and [ ] profitability has [ ] as Tenaris imports have surged into the Canadian market and replaced Chinese imports as the low price leaders and negated AOT's ability to increase prices in order to offset increasing SBQ costs. As seen in **Confidential Exhibit 5-02**, on a per-piece basis, AOT's average sales value [ ] in 2018 even after the imposition of antidumping measures in *Sucker Rods from China* and have [ ] in H1 2019. The result has been a further in a [ ] per piece in AOT's [ ] gross margin between 2018 and H1 2019. When viewed on a 3-year "POI" basis, AOT's gross margin and net margin, as a percentage of net sales, have [ ] between 2016 and H1 2019, decreasing from [ ]% and [ ]%, respectively, to [ ]% and [ ]%. See **Confidential Exhibit 5-02.** Specifically, AOT's gross and net margins for H1 2019 are [ ], as set out in further detail in **Confidential Exhibit 7-04**. As outlined above, AOT's [ ] profitability coincides with subject imports increasing by an alarming [ ]% between 2016 and 2018 (See **Confidential Exhibit 7-01**), and by a further [ ]% between H1 2018 and H1 2019.

b) Material Negative Impacts on Production, Sales and Market Share

108. AOT's domestic production of sucker rods for sales in Canada decreased in absolute terms from [ ] pieces in 2016 to an annualized amount of [ ] pieces, if production volumes are doubled for H1 2019, representing a [ ]% decrease (See **Confidential Exhibit 7-01**).

109. This decline must also be considered in the context of the much longer and sustained erosion of Canadian sales, production and market share that AOT has experienced at the hands of unfairly traded imports. Prior to the onslaught of Chinese imports in 2014, AOT's Canadian production for domestic sales of like goods stood at [ ] pieces, representing a market share of [ ]% of the total Canadian market (See **Confidential Exhibit 7-04** at para 49). By 2018, dumped and subsidized imports from China had captured over [ ]% of the market and AOT's market share had dropped to an estimated [ ]%. By H1 2019, Tenaris' estimated market share from imports of sucker rods from the subject countries had grown to [ ]%, [ ] the market share held by Chinese imports in 2017 and 2018 of [ ]% and [ ]%, respectively. (See **Confidential Exhibit 7-01**).

110. While AOT's apparent market share appears to have [ ] to an estimated [ ]% in H1 2019, this [ ] for a number of reasons. First, as Mr. Vandal indicates in his sworn statement, [

]. This year-over-year [ ] is not warranted by market conditions and is the result of [

]. However, in the face of ongoing and aggressive competition from Tenaris imports, AOT's distributors [ ] and, as of July 2019, [

]: See **Confidential Exhibit 7-04**.

111. Thus, not only is AOT's apparent market share for H1 2019 [ ], more critically, AOT [ ] unless AOT and its distributors achieve the ability to compete on a level playing field and [ ]: See **Confidential Exhibit 5-02** and **Confidential Exhibit 7-04**.

Table 12

	2016	2017	2018	H1 2018	H1 2019
Domestic Sales from Domestic Production (pieces)	[				
Total Domestic Production, Including Sales in Canada and Export Sales (pieces)					
Total Canadian Market (pieces)					]

112. The estimated AOT market share for H1 2019 must additionally be considered in light of the conservative assumptions (discussed above at paras 84-90) which were used to derive estimated volumes for subject and non-subject imports.

c) Negative Impact on Capacity Utilization

113. As Mr. Vandal indicates in his declaration, AOT's capacity utilization was at [ ]% in 2014, prior to the onslaught of Chinese imports. See **Confidential Exhibit 7-04**. However, capacity utilization has been below the [ ]% mark for all periods since 2016, except 2017, when it was at [ ]%. See **Table 13** below. There was a [ ] in capacity utilization of [ ]% percentage points between H1 2018 and H1 2019, which corresponds with a period of significant increase in imports from the Tenaris subject countries.

Table 13

	2016	2017	2018	H1 2018	H1 2019
Total Production Capacity (pieces)	[				
Total Domestic Production, Including Sales in Canada and Export Sales (pieces)					
Capacity Utilization (%)					]

d) Negative Impact on Employment

114. As seen in **Confidential Exhibit 7-06**, the number of total direct and indirect employees responsible for the production of sucker rods [ ] from [ ] in H1 2018 to [ ] in H1 2019. Specifically, in Q1 2019, AOT had [ ]. This [ ] in employees correlates directly with the surge of imports from the subject countries, which increased from [ ] pieces in H1 2018 to [ ] pieces in H1 2019, as seen in **Table 9**.

e) Negative Impact on Investment

115. As set out in more detail in See **Confidential Exhibit 7-04**, AOT completes with its U.S. affiliates for available investment dollars within the Apergy group of companies and product divisions. Given AOT's current levels of profitability, Apergy's ability to justify continued investment in AOT will only [ ] if the adverse impact of dumped subject imports is not addressed.

v. Conclusion

116. The injury factors discussed above demonstrate that unfairly priced subject imports of sucker rods from the subject countries have caused material injury to the domestic producers of like in Canada between 2016 and H1 2019. There has been a significant increase in volume of the

subject goods, both in absolute terms and relative to the production and consumption of the like goods in Canada. The subject goods have significantly undercut and suppressed AOT's prices. And, this surging volume of subject imports undercutting and suppressing AOT's prices has caused AOT's profitability to [ ], and AOT's production and sales to [ ]; prevented AOT from meaningfully recapturing market share previously lost to dumped and subsidized Chinese imports, and has resulted in dramatic [ ] in capacity utilization and a [ ] in employment.

117. AOT's data also clearly demonstrate negative effects on Canadian output, sales, gross margins, net profits, utilization of capacity and employment. In addition, AOT has provided information detailing a large number of account-specific losses of sales and revenue. Finally, and critically, the surge of aggressively priced Tenaris imports has caused [ ] unless AOT and its distributors have the ability to compete with unfairly traded Tenaris imports on a level playing field. Combined with the clear correlation of volume, price and profit trends, and the evidence of underselling and price suppression, this evidence leaves no doubt that there is a causal connection between dumped subject imports and injury suffered by AOT.

C. Threat of Injury

118. As discussed above, AOT's sucker rods operations [ ], if it cannot compete on a level playing field with Tenaris imports. [ ] that has occurred through H1 2019 corresponds exactly with a period of massive increase of Tenaris imports – for which it can only be presumed that unfairly traded Tenaris imports have either [

]. The dumping of subject goods from the subject countries therefore poses a very imminent and foreseeable threat of injury to the domestic industry over the next 12 to 24 months and beyond, including:

i. The likelihood that the significant increase in imports of dumped subject goods into Canada, and the corresponding reduction of domestic industry sales from domestic production, is going to continue and become even more significant;

ii. The combined export orientation and production capacity of Tenaris's facilities in the subject countries, and their corresponding ability to sustain and accelerate the increase in imports of dumped sucker rods into Canada;

iii. The negative price effects caused by imports of subject goods and the likelihood that significant price undercutting will continue, as will further price suppression caused by dumped sucker rods from the subject countries; and

iv. The injury to the domestic industry is already manifest and taking root, despite the Tribunal's order imposing duties against *Sucker Rods from China*.

i. An Imminent and Massive Capacity Increase within the United States will Further Encourage Exports of Subject Goods to Canada

119. Tenaris, the only producer and exporter of sucker rods from the subject countries, will soon open a sucker rods production plant in the United States. Tenaris' stated projected capacity among all of its plants, including the new United States plant, is 4.5 million pieces.[26] Although Tenaris has not published sucker rod capacity information specific to its plants in the subject countries, it

[26] Tenaris has sucker rods production facilities in the Romania, Argentina, Brazil, and Mexico, **Public Exhibit 5-01** and **Public Exhibit 7-07.**

has published sucker rod-specific capacity information for its United States and Romania plants. These plants have capacities of 1,800,000 pieces and 550,000 pieces, respectively.[27] From these numbers, a derived combined capacity of Tenaris' Argentina, Brazil and Mexico plants can be estimated at 2,150,000 pieces.

120. Tenaris' new U.S. plant was built in 2017 and has come online in July 2019. A United States Midlands service center for Tenaris subject goods was brought online in December of 2018.[28] The new plant will have a production capacity of 1,800,000 pieces, which represents 84% of Tenaris' total combined production capacity in the subject countries. Tenaris' stated intention is that its new U.S. plaint will serve the United States market,[29] the largest crude oil producer in the world,[30] and to integrate the sucker rod supply chain in the United States.[31] Over 2018, the subject countries have exported approximately USD 250 million in sucker rods to the United States, [32] which represents over [ ] times the 2018 estimated Canadian market (See **Confidential Exhibit 7-01**). Trends from 2019 have thus far shown similar sales up to April 2019.[33]

121. With the Tenaris' U.S. plant with its 1.8 million pieces capacity coming online to serve the U.S. market, the subject goods manufactured in the subject countries will need to be sold in other markets. Over the next 12 to 24 months, a sizeable portion of the USD 250 million worth in subject goods from the subject countries can therefore be expected to be diverted to markets other than the United States.

122. The diversion effect of Tenaris' new U.S. plant on sucker rods imports to the United States will undoubtedly increase as the U.S. supply chain becomes fully integrated, and as the U.S. plant

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[27] **Public Exhibit 7-08** and **Public Exhibit 7-09.**
[28] **Public Exhibit 7-07.**
[29] **Public Exhibit 7-07.**
[30] **Public Exhibit 7-21.**
[31] **Public Exhibit 7-07.**
[32] **Public Exhibit 7-10.**
[33] **Public Exhibit 7-10.**

reaches full production capacity. The result will be further imports of Tenaris sucker rods away from the United States and over to other markets such as Canada.

123. In sum, the imminent start-up of the U.S. Tenaris sucker rods plant constitutes a material change in circumstances that will almost certainly result in a significant increase in subject imports into Canada from Tenaris facilities in Mexico, Argentina and Brazil.

ii. Market Conditions in the Subject Countries Will Encourage Exports of Dumped Subject Goods to Canada

124. The subject goods are used exclusively for the extraction of oil from onshore wells. Forecasted domestic onshore oil production and oil well drilling in each subject country is therefore a reasonable indicator of the likely home market demand for the subject goods in each of the subject countries. Forecasts in each of the subject countries show a high likelihood of weak home market demand.

a) Depressed Market Conditions in Mexico Will Encourage Further Exports to Canada

125. Mexican oil extraction has been in progressive decline for at least the past five years and onshore oil has been hit the hardest. In the Northern and Southern onshore regions, oil production has declined 47% since 2014, with each year yielding less production than the previous.[34] The state-owned corporation, Petróleos Mexicanos ('PEMEX') has continued to report losses into 2019.[35]

126. PEMEX itself is deep in debt, and there is doubt as to whether or not it will be able to continue to financially support its onshore facilities to the degree it has up to this point.[36] In 2018, PEMEX's debt reached USD 106.5 billion, and as of June 21, 2019 PEMEX has been forced to

[34] **Public Exhibit 7-11.**
[35] **Public Exhibit 7-11.**
[36] **Public Exhibit 7-13.**

refinance USD 2.5 billion to meet outstanding bond obligations, and its credit rating has been revaluated to "junk" status.[37] Credit rating agency Fitch maintains that PEMEX's financial outlook is negative.[38]

127. As PEMEX's debt continues to rise it is inevitable that it will not be able to continue to invest resources in onshore production unless it can address its debt. There is no indication it will be able to do so.[39]

128. Therefore, it is very likely that Tenaris sucker rod sales in Mexico will face a slower and less lucrative market, forcing Tenaris to export product abroad. There is no indication that this trend will stop in the next 12-24 months or beyond.

b) Depressed Market Conditions in Brazil Will Encourage Further Exports to Canada

129. Brazil's onshore oil market has been in decline since 2011, with an extreme and steady decline in the number of onshore exploratory and development wells drilled since 2015.[40] The total amount of oil produced from onshore wells has decreased approximately 42% from 2011 to 2017.[41]

130. In 2018, the Government of Brazil auctioned onshore and offshore prospects to bidders, but none of the onshore plots was sold.[42] Brazil's growing oil sector is attributable to their deep-water drilling projects, and its most promising projects are deep-water fields.[43]

131. According to the executive secretary of the Brazilian Association for Independent Producers of Oil, onshore activities could slow to a halt within three years.[44] The slowing of the industry may be partly responsible for the significant increase in the flow of subject goods into

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[37] **Public Exhibit 7-20.**
[38] **Public Exhibit 7-20.**
[39] **Public Exhibit 7-20.**
[40] **Public Exhibit 7-12** at pages 24 and 26.
[41] **Public Exhibit 7-12** at pages 24 and 26.
[42] **Public Exhibit 7-14.**
[43] **Public Exhibit 7-15** at page 178.
[44] **Public Exhibit 7-13.**

Canada. However, the potential of a complete halt in onshore operations represents a change in circumstances which would greatly exacerbate the need to seek export markets, such as Canada, as an outlet for excess capacity.

c) Market Conditions in Argentina Will Encourage Further Exports to Canada

132. Argentina is home to a large onshore shale oil field known as the Vaca Muerta Formation. The formation holds an indefinite but large quantity of oil; however, extraction has proven expensive.[45] In response to the expense, the Government of Argentina put in place large subsidies to stimulate growth of the onshore sector in 2013.[46] The subsidies increased onshore oil production and investment, even during the past three years as subject country exports of subject goods to Canada increased dramatically. This shows that producers of subject goods in Argentina already have the capacity to service Canada and Argentina at the same time, even when the drilling activity in Argentina was growing.

133. During 2018 and 2019, three major blows were dealt to the Argentine oil industry. First, the Argentine economy entered a recession so large that it required a USD 57 billion bailout package from the International Monetary Fund. The effect has put pressure on the Argentine oil subsidy program which Argentina has been forced to scale back by 57%.[47] Second, and likely as an effect of the first, Argentina is now far off its crude oil production targets. Finally, and most importantly, investment in the Vaca Muerta Formation is also far off target.[48]

134. Chevron Oil committed to a continued investment but has only put up a portion of its commitment, citing the subsidies that are no longer in place as being necessary for its investment. ExxonMobil has not listed the Vaca Meurta Formation as a priority for future exploration. Most

[45] **Public Exhibit 7-16.**
[46] **Public Exhibit 7-17.**
[47] **Public Exhibit 7-18.**
[48] **Public Exhibit 7-17.**

concerning for the Argentine oil industry, is that the state-owned corporation YFP invested 60% of all money in the Vaca Meurta Formation since 2013, but since 2014, its share price has fallen by over 50%.[49] As YFP is directly tied to the Argentine economy, its ability to invest in extraction is limited by the ability of the Argentine economy to recover.

135. With the depressed economic situation in Argentina not expected to change, it is likely that Tenaris' Argentina plant will have to find other markets for its subject goods.

iii. Significant Rate of Increase of Dumped Goods

136. Section 7(a)(i), above, discusses the significant rate of increase of subject goods into the Canadian market, both in absolute terms and relative to consumption in Canada of like goods. As **Confidential Exhibit 7-01** describes, from 2016 to 2018 imports of subject goods increased from [ ] pieces in 2016 to [ ] pieces in 2018. This represents a market share increase from [ ]% to [ ]% (See **Confidential Exhibit 7-01**). Imports increased further from [ ] pieces to an estimated [ ] pieces between H1 2018 and H1 2019 (See **Confidential Exhibit 7-03**).

137. Absent protection, it is expected that the trend of rapidly increasing imports of subject goods will continue in the next 12 – 24 months.

iv. Potential Impact of the Subject Goods on the Prices of the Like Goods

138. Tenaris' aggressive pricing will continue to exert a strong downward pressure on the pricing of like goods. As discussed in Section 7(a)(ii), above, subject goods have significantly undercut AOT's pricing in Canada and there are clear instances of lost sales accounts, where customers have chosen dumped subject sucker rods because of the dumped pricing.

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[49] **Public Exhibit 7-19**.

139. The dumping has led to considerable price suppression, borne out by the decline in the Complainants' gross margins and net margins, as shown in **Confidential Exhibit 5-02**. The price suppression is shown by the domestic industry's inability to increase prices on subject goods through failed or delayed notices of price increase to customers, despite increasing COGS and COGM. These price effects are extremely serious and unsustainable, and there is no doubt that these effects will only increase in the future as imports of dumped subject goods into Canada increase and as offers for dumped sucker rod continue to be made.

v. Inventory

140. The inventories [ ], and AOT's [ ]: see **Confidential Exhibit 7-04**. The combination of [ ], along with the softness of the Canadian market, makes the domestic industry extremely vulnerable to Tenaris' dumped sucker rods imports from the subject countries over the coming months.

vi. Magnitude of the Margin of Dumping

141. As set out in **Section 6** and its exhibits, exporters and importers of subject goods result to substantial dumping margins in order to secure orders for sucker rods in Canada. Indeed, AOT estimates that subject goods are being dumped at rates of [ ]% to [ ]% using SIMA s. 15 and s. 19 normal values. Based on the magnitude of these margins, the threat posed by the dumped subject goods is real, foreseeable, and imminent.

vii. Summary on Threat of Injury

142. For all of the reasons noted above, it is respectfully submitted that dumped sucker rods from the subject countries constitutes a foreseeable and imminent threat to the production in Canada of like goods.

8. CONCLUSION

143. Dumped subject sucker rods originating in or exported from Mexico, Argentina, and Brazil have caused and are threatening to cause material injury to the domestic industry. AOT therefore requests that the President of the CBSA initiate an anti-dumping investigation in respect of this injurious dumping.