Australian Government
Australian Customs and Border Protection Service

CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

CONSIDERATION OF APPLICATIONS FOR COUNTERVAILING DUTY NOTICES

ZINC COATED (GALVANISED) STEEL AND ALUMINIUM ZINC COATED STEEL

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

REPORT NO. 193

22 November 2012

CONTENTS

ABBREVIATIONS & SHORTENED FORMS

Abbreviation / short form	Full reference
ABS	Australian Bureau of Statistics
ACDN	Australian Customs Dumping Notice
the Act	Customs Act 1901
the applicant	BlueScope Steel Limited
AS	Australian Standard
BlueScope	BlueScope Steel Limited
BMT	base metal thickness
China	People's Republic of China
CON 190	International Trade Remedies Branch Consideration Report 190
Customs and Border Protection	Australian Customs and Border Protection Service
the Division	Division 2 of Part XVB of the Customs Act 1901
FOB	free-on-board
GOC	Government of China
the goods	the goods subject to the applications (zinc coated (galvanised) steel and aluminium zinc coated steel)
HRC	hot rolled coil
INV 190a and INV 190b	Investigation 190a (dumping of aluminium zinc coated steel exported from China, Korea and Taiwan); Investigation 190b (dumping of zinc coated (galvanised) steel exported from China, Korea and Taiwan)
NIP	non-injurious price
ITRB	International Trade Remedies Branch
Korea	The Republic of Korea
The Minister	the Minister for Home Affairs
REP 177	International Trade Remedies Branch Report 177 regarding hollow structural sections
SCM	WTO Agreement on Subsidies and Countervailing Measures
SEF	statement of essential facts
SIE	state invested enterprises
TMRO	Trade Measures Review Officer
USP	unsuppressed selling price
WTO	World Trade Organisation

1 SUMMARY AND RECOMMENDATIONS

1.1 Background

This Consideration Report (CON 193) provides the results of the Australian Customs and Border Protection Service's (Customs and Border Protection's) consideration of **two** separate applications lodged by BlueScope Steel Limited (BlueScope) for the publication of countervailing duty notices in respect of:

- zinc coated (hereafter referred to as galvanised) steel[1] exported to Australia from the People's Republic of China (China); and
- aluminium zinc coated steel[2] exported to Australia from China.

Dumping investigations into each of the goods were initiated on 5 September 2012.

1.2 Consideration approach for applications

Customs and Border Protection established that for the respective applications, the goods description, production processes, industry and key market segments (excluding specific end use applications) and market participants (i.e. importers and exporters) are fundamentally similar.

Customs and Border Protection considers that it is appropriate to examine the claims made in respect of the galvanised steel and aluminium zinc coated steel applications concurrently, in a combined consideration report. However, while a combined consideration report has been prepared, the data and information provided in each application has not been amalgamated. Customs and Border Protection's analysis and assessment of each application appear separately in this report (unless otherwise specified).

Based on the analysis of the applications Customs and Border Protection proposes to initiate separate investigations for each category of goods; however considers that this approach and treatment of the applications may vary during the course of the investigation process as further analysis is conducted of the goods and the markets in which they operate. Investigation No. 193a refers to galvanised steel and Investigation No. 193b refers to aluminium zinc coated steel.

1.3 Recommendations

It is recommended that the Chief Executive Officer of Customs and Border Protection (CEO)[3] decide not to reject the applications with the exception that some alleged subsidy programs will not be investigated.

If the CEO accepts this recommendation, to give effect to that decision the CEO must publish the notice at **Appendix A** indicating that Customs and Border Protection will inquire into whether the grounds exist to publish countervailing duty notices in respect of galvanised steel and aluminium zinc coated steel.

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1 Refer to the full description of the goods in Section 2.2 of this report.

2 Ibid.

3 References to the CEO in this report also refer to the Delegate of the CEO.

1.4 Application of law to facts

Division 2 of Part XVB (the Division) of the *Customs Act 1901* (the Act)[4] sets out procedures for considering an application for a countervailing duty notice.

1.4.1 The role of the International Trade Remedies Branch

The International Trade Remedies Branch (ITRB) is responsible for preparing a report for the CEO examining an application for a countervailing duty notice.

In this report, the following matters are to be considered in relation to the applications:

- whether the applications comply with subsection[5] (s.) 269TB(4) of the Act;
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appears to be reasonable grounds for the publication of countervailing duty notices in respect of the goods the subject of the applications.

1.4.2 The role of the CEO of Customs and Border Protection

The Division empowers the CEO, after having regard to the ITRB report, to reject or not reject an application for the publication of a countervailing duty notice.

If the CEO decides not to reject the applications, the CEO must give public notice of the decision providing details of the investigations.

1.4.3 Findings and conclusions

Customs and Border Protection has examined the applications and is satisfied that:

- the applications comply with the requirements of s.269TB(4) of the Act (as set out in Section 3 of this report);
- there is an Australian industry in respect of like goods (as set out in Section 4 of this report); and
- there appear to be reasonable grounds for the publication of countervailing duty notices in respect of the goods the subject of the applications (as set out in Sections 5 and 6 of this report).

[4] All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901.*

[5] The terms “section”, “s.” and “subsection” are used interchangeably in this report.

2 BACKGROUND

2.1 Application

On 5 September 2012, Customs and Border Protection initiated dumping investigations in respect of:

- galvanised steel exported to Australia from China, Korea and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleged that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan at dumped prices.

On 18 October 2012, BlueScope lodged an application for countervailing duties in respect of those goods exported from China. BlueScope now alleges that the Australian industry has suffered material injury caused by the cumulating effects of galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan at dumped prices, and from China at subsidised prices.

On 2 November 2012 additional information and data was received in respect of the applications. As a result, Customs and Border Protection restarted the 20 day period for considering the applications.

(i) Galvanised steel

BlueScope claimed that material injury in respect of galvanised steel commenced in 2010-11. The application identified the injurious effects as the same as those identified in International Trade Remedies Branch Consideration Report 190 (CON 190):

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

(ii) Aluminium zinc coated steel

BlueScope claimed that material injury in respect of aluminium zinc coated steel commenced in 2010-11[6] and has been exacerbated in 2011-12. The application identified the injurious effects as the same as those identified in CON 190:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

2.2 The goods the subject of the applications

2.2.1 Description

(i) Galvanised steel

The imported goods the subject of the galvanised steel application are:

> *"flat rolled products of iron and non-alloy steel of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc"[7].*

The application covers galvanised steel of any width. The application stated that trade and other names often used to describe galvanised steel, include:

- "GALVABOND®" steel;
- "ZINCFORM®" steel;
- "GALVASPAN®" steel;
- "ZINCHITEN®" steel;
- "ZINCANNEAL"steel;
- "ZINCSEAL"steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The application noted that the amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m2) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). The applicant claims that the common coating masses used for zinc coating are: Z350, Z275,

6 The applicant claims that the dumping of aluminium zinc coated steel commenced prior to this period (in 2008-09).

7 Galvanised Steel Application, page 10.

Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

(ii) Aluminium zinc coated steel

The imported goods the subject of the aluminium zinc coated steel application are:

> "*flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys,* ***not painted*** *whether or not including resin coating*"[8].

The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

The application noted that the amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m2 with the prefix being AZ (*Aluminium Zinc*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

2.2.2 Product standards

The applications stated that:

> *"Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs"*[9].

(i) Australia

The applications state that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

(ii) International

The applications state that there are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer)

8 Aluminium Zinc Coated Steel Application, page 10.

9 Galvanised Steel Application, page 12.

that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel[10]

International Standards	Product Grades
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 2: International Standards for aluminium zinc steel[11]

2.2.3 Tariff classifications

(i) Galvanised steel

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the information provided in the application, Customs and Border Protection's Trade

[10] Galvanised Steel Application, page 11.

[11] Aluminium Zinc Coated Steel Application, page 11.

Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

Imports from China are subject to the DCS duty rate which is free.

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 3 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm2 and NOT greater than 380 N/mm2; (b) tensile strength NOT less than 440 N/mm2; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvannealed, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

Figure 3: TCOs applicable to tariff subheading 7210.49.00

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

(ii) Aluminium zinc coated steel

The application states that aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

Imports from China are subject to the DCS duty rate which is free.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

2.3 Previous and current investigations

2.3.1 Australia

(i) Contemporary activity

A dumping investigation in respect of galvanised steel and a dumping investigation in respect of aluminium zinc coated steel both commenced on 5 September 2012 (ACDN 2012/40 refers). The dumping investigations were lodged by the same

applicant, BlueScope Steel Limited, and were initiated for the investigation period 1 July 2011 to 30 June 2012. The countries the subject of the applications are Korea, Taiwan and China.

(ii) Other related products

Hot rolled coil

Currently, there is an investigation regarding the alleged dumping of hot rolled coil (HRC) exported from Korea, Malaysia, Japan and Taiwan. HRC is the major raw feed material for galvanised steel and aluminium zinc coated steel. The final report was provided to the Minister on 19 November 2012.

2.4 Current measures

There are currently no anti-dumping or countervailing measures on galvanised steel or aluminium zinc coated steel exported to Australia.

2.5 Consideration of the application

Under subsection 269TC(1) of the Act, the CEO must examine the applications and within 20 days of lodgement decide whether or not to reject the applications. This decision must be made no later than 22 November 2012[12].

Subsection 269TC(1) of the Act specifies that the CEO shall reject an application if the CEO is not satisfied that:

- the application complies with subsection 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a countervailing duty notice in respect of the goods the subject of the application.

The above matters in respect of both applications are examined in the following sections of this report.

[12] This consideration due date reflects the last date of receipt of substantial new information provided in respect of the applications. New information that was not considered substantial was provided by the applicant on 5 and 8 November 2012.

3 COMPLIANCE WITH SUBSECTION 269TB(4)

3.1 Finding

Based on the information provided in the applications, Customs and Border Protection is satisfied that the applications comply with s.269TB(4) of the Act.

3.2 Legislative framework

Subsection 269TB(4) requires that the application must be in writing, be in an approved form, contain such information as the form requires, be signed in the manner indicated by the form and be supported by a sufficient part of the Australian industry.

3.3 Customs and Border Protection's assessment

3.3.1 Approved form

The applications are in writing, in approved forms, contain such information as the forms require (as discussed in the following sections of this report) and are signed in the manner indicated in the forms.

BlueScope submitted confidential and public record versions of the applications. Customs and Border Protection considers that the public record versions of the applications contain sufficient detail to allow a reasonable understanding of the substance of the information.

3.3.2 Supported by Australian industry

An application is taken to be supported by a sufficient part of the Australian industry if the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% of the total production or manufacture of like goods by that proportion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25% of the total production or manufacture of like goods in Australia.

The applications state that BlueScope is the only Australian producer of galvanised steel and aluminium zinc coated steel. Based on the evidence provided, Customs and Border Protection considers the applications are supported by a sufficient part of the Australian industry.

4 LIKE GOODS AND THE AUSTRALIAN MARKET

The information in this chapter concerning like goods and the Australian market is consistent with the information that has been provided by the applicant in its applications for dumping duties on galvanised steel and aluminium zinc coated steel (INV190a and 190b – "the dumping applications"). The applicant has referred to relevant attachments, appendices and other evidence provided in the dumping applications to support its claims in the present countervailing applications. Customs and Border Protection has therefore considered evidence, where relevant, provided with the dumping applications to support the claims made by the applicant.

4.1 Finding

Based on the information provided in the applications, Customs and Border Protection is satisfied that there is an Australian industry producing like goods to the goods the subject of the applications and that the data provided within, and referred to in, the applications is sufficient for the purpose of analysing the economic condition of the Australian industry for galvanised steel and aluminium zinc coated steel.

4.2 Legislative framework

Subsection 269TC(1) of the Act requires that the CEO must reject an application for a dumping duty notice if, inter alia, the CEO is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

In making this assessment, the CEO must firstly determine that the goods produced by the Australian industry are "like" to the imported goods. Subsection 269T(1) defines like goods as:

> "G*oods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration"*.

The CEO must also be satisfied that the "like" goods are in fact produced in Australia. Subsections 269T(2) and 269T(3) specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.3 Locally produced like goods

4.3.1 BlueScope's claims

(i) Galvanised steel

BlueScope stated that they manufacture flat rolled products of iron and non-alloy steel, of widths less than 600mm and widths equal to or greater than 600mm, plated or coated with zinc. The application states that galvanised steel manufactured by BlueScope is marketed under the trade names "GALVABOND®", "ZINCFORM®" "GALVASPAN®, "ZINCHITEN®" and "ZINCANNEAL" steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

BlueScope considers the locally produced goods are like products to the imported plated or coated flat rolled products of iron or steel, plated or coated with zinc. BlueScope submitted that:

> *"(a) Physical likeness*
>
> - *Products made locally by BlueScope have a physical likeness to the goods exported from China;*
> - *BlueScope's locally produced galvanised steel and the imported goods are manufactured to Australian and International Standards;*
>
> *(b) Commercial likeness*
>
> - *Australian industry galvanised steel competes directly with imported galvanised steel in the Australian market;*
>
> *(c) Functional likeness*
>
> - *Both the locally produced and imported galvanised steel have comparable or identical end-uses; and*
>
> *(d) Production likeness*
>
> - *Locally produced and imported galvanised steel are manufactured in a similar manner and via similar production processes.*
>
> *On this basis, BlueScope considers its locally-produced galvanised steel is "alike" to the imported goods, and possess the same essential characteristics as the imported galvanised steel"*[13]*.*

13 *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Dumping Application) pages 12-13.

(ii) Aluminium zinc coated steel

BlueScope stated that they manufacture flat rolled products of iron and non-alloy steel, of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys (whether or not including resin coating). BlueScope manufactures unpainted and painted aluminium zinc coated steel, however the application only relates to unpainted goods.

The application states that aluminium zinc coated steel manufactured by BlueScope is marketed under the trade names "ZINCALUME®" and "TRUECORE®" steel. These products are sold into the Australian market direct to manufacturing customers and via distributors.

BlueScope considers the locally produced goods are considered to be like products to the imported plated or coated flat rolled products of iron or steel, plated or coated with aluminium-zinc alloys (whether or not including resin coating). BlueScope submitted that:

> *"(a)Physical likeness*
>
> - *Products made locally by BlueScope have a physical likeness to the goods exported from China;*
> - *BlueScope's locally produced aluminium zinc coated steel and the imported goods are manufactured to Australian and International Standards;*
>
> *(b) Commercial likeness*
>
> - *Australian industry aluminium zinc coated steel competes directly with imported aluminium zinc coated steel in the Australian market;*
>
> *(c) Functional likeness*
>
> - *Both the locally produced and imported aluminium zinc coated steel have comparable or identical end-uses; and*
>
> *(d) Production likeness*
>
> - *Locally produced and imported aluminium zinc coated steel are manufactured in a similar manner and via similar production processes.*

On this basis, BlueScope considers its locally-produced aluminium zinc coated steel is "alike" to the imported goods, and possess the same essential characteristics as the imported aluminium zinc coated steel."[14]

4.4 Customs and Border Protection's assessment

Customs and Border Protection has examined the evidence presented in the applications and considers the Australian industry produces like goods to the goods the subject of the applications as defined in section 269T(1) of the Act.

Based on the domestic sales data provided in Confidential Appendix A4 in respect of galvanised steel Customs and Border Protection was able to verify that BlueScope manufactured and supplied galvanised steel in a range of widths (including less than and exceeding 600mm) and thicknesses, which covered the thickness range identified for the tariff subheading and statistical code for the goods. Similarly, using data contained in Confidential Appendix A4 in respect of aluminium zinc coated steel Customs and Border Protection was able to verify that BlueScope manufactured and supplied aluminium zinc coated steel in a range of widths equal to or exceeding 600 mm and thickness, which covered the thickness range identified for each tariff subheading and statistical code for the goods.

Based on the information provided in the applications, Customs and Border Protection considers that the applicant has demonstrated in relation to galvanised steel and aluminium zinc coated steel that:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are manufactured in a similar manner;
- the imported and locally produced goods are commercially alike as they are sold to common end users; and
- the imported and locally produced goods are functionally alike as they have the same end-uses.

Therefore, at the consideration stage, Customs and Border Protection is satisfied that the Australian industry produces like goods to the goods the subject of the applications.

4.5 Manufacture in Australia

Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

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14 *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea and Taiwan* (Aluminium Zinc Coated Steel Dumping Application) pages 12-13.

4.5.1 Manufacturing process

BlueScope is a fully-integrated flat steel product manufacturer with large capital intensive manufacturing operations at Springhill and Port Kembla in New South Wales (NSW) and Western Port in Victoria (VIC).

BlueScope manufactures HRC in Australia from liquid steel, via flat steel production. The steel production process is capital intensive and BlueScope does not use imported steel in the manufacture of the goods.

On 22 August 2011, BlueScope's board announced a restructure of their business and the closure of their export business. The restructure included the closure of No. 6 Blast Furnace at Port Kembla, the Western Port hot strip mill and the Western Port No. 5 Coating Line. In October 2011, the No. 5 Coating Line was closed; this was one of BlueScope's two aluminium zinc coating lines.

The applications stated that the restructure and closures impacted company performance across sales of all product categories in 2011-12.

(i) Both products

BlueScope gave the following brief description of its manufacturing process in both applications, which is utilised for galvanised steel and aluminium zinc coated steel.

> *"The input steel product starts as either slab or hot roll coil.*
>
> *Slab is heated in a furnace to around 1200 deg Celsius then reduced in thickness from 230mm to below 5mm by passing through a series of rollers at great pressure, is then control cooled, and finally wound up as a coil of steel (now known at hot rolled coil ("HRC")).*
>
> *The HRC is then further processed by passing through hydrochloric acid baths to remove surface scale. It is then edge trimmed to the customer-specified width.*
>
> *The next process is cold rolling, which is a similar process to hot rolling but is done at ambient temperature. This is where the coil is reduced in thickness to the customer requirement, generally 0.30mm to 1.6mm (Base metal thickness (BMT)* [15]*".*

The next steps in the production process for galvanised steel and aluminium zinc coated steel are detailed separately below:

(ii) Galvanised steel

The cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

- *"The first step is cleaning.*

[15] Galvanised Steel Dumping Application, page 13 and Aluminium Zinc Coated Steel Dumping Application, page 13.

- *This is followed by an annealing process, before it passes through a molten bath mixture of zinc, antimony and other trace metals.*

- *Once coated, the product can then receive various surface treatments depending on the customer's specific requirements*.

The range of options for zinc coated steel include a 'Skin Passed or un-Skin Passed surface', 'chromated or un-chromated surface' or an 'oiled surface' or 'dry surface'. For zinc/iron alloy coated steel the option is for a 'Skin Passed' or 'un-Skin Passed surface'"[16].

"The zinc/iron (ZF) coating process is the same as zinc coating process except that instead of the zinc coating solidifying onto the steel, it is passed through a furnace to fuse the zinc coating with iron from the steel, to make a matt finish that is designed as a surface ready to paint"[17].

(iii) Aluminum zinc coated steel

The cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

- *"The first step is cleaning.*

- *This is followed by an annealing process, before it passes through a molten bath mixture of aluminium, zinc, silicon and other trace metals.*

- *Once coated, the product can then receive various surface treatments depending on the customer's specific requirements*.

"*The range of options includes a "Skin Passed" or "un-Skin Passed" surface, a "passivation treatment" or "not passivation treated", an "oiled surface" or "un-oiled" surface and a "resin coating" or "not resin coated".*

Resin coating is a thin, clear or lightly tinted translucent polymer resin applied on its own over a passivation treated aluminum zinc surface (2 stage process), or applied with the passivation treatment (1 stage process).

Either resin application process delivers the required characteristics to assist the customer's further processing due to its lubricant properties and also to protect the surface during customer handling of the product. Resin coating can be referred to as Anti Finger Print[18]."

Production process diagrams for galvanised steel were provided in both applications, with BlueScope stating that this was sufficient for the aluminium zinc coated steel application, given the processes are fundamentally similar for both products. Customs and Border Protection considers this approach is reasonable.

16 Galvanised Steel Dumping Application, page 13.

17 Galvanised Steel Dumping Application, page 13.

18 Aluminium Zinc Coated Steel Dumping Application, page 13.

(iii) Substantial process of manufacture

In respect of galvanised steel and aluminum zinc coated steel BlueScope submits that it undertakes more than one substantial process of manufacture in the production of the goods.

4.6 Customs and Border Protection's assessment

Based on the descriptions above of the manufacturing processes for galvanised steel and aluminium zinc coated steel (and supporting information provided in the applications), in addition to site visits conducted by Customs and Border Protection in relation to the dumping applications, Customs and Border Protection is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

4.7 Australian market

4.7.1 Background

In their applications, BlueScope submitted that in the Australian market:

- galvanised steel is supplied into the building and construction, manufacturing, automotive and transport primary market sectors; and
- aluminium zinc coated steel is supplied into the building and construction and manufacturing primary market sectors.

BlueScope stated that the end use application of each product varies within the primary market sectors. It claimed that locally produced and imported goods are used interchangeably across a variety of applications in the Australian market.

4.7.2 Market segmentation and demand variability

BlueScope stated that in the Australian market the key market segments for galvanised steel and aluminum zinc coated steel are the building and construction industry segment (largest consumer by volume) and the smaller manufacturing industry segment.

(i) Galvanised steel

BlueScope stated that in the building and construction industry examples of end use applications for galvanised steel include; commercial and industrial buildings light structural sections (purlins and girts); structural sections for carports, sheds and garages; plastering and ceiling accessories; garage door tracks; structural nail-plates, post stirrups, frame connectors and bracing for timber frames.

BlueScope stated that in the manufacturing industry examples of end use applications for galvanised steel include; feedstock as input for pipe and tube manufacture; air-conditioning ducting; cable trays; components in domestic appliances; hot water system components; electrical meter cabinets; tool-boxes; meter boxes; grain silos components and general manufactured articles.

The applicant also advised that galvanised steel is supplied to automotive components (i.e. brakes parts) and Original Equipment Manufacturer (OEM) automotive markets.

The application claims that end users (and end use applications) in the key market segments are the predominant drivers of demand for galvanised steel.

(ii) Aluminum zinc coated steel

BlueScope stated that in the building and construction industry examples of end use applications for aluminum zinc coated steel include; roll formed roof and wall cladding; rain water guttering and down-pipes; roof flashing and trims; residential roof trusses; residential roofing battens; ceiling battens; residential house framing; wall structural sections; office wall framing; garden sheds; and garage door panels.

BlueScope stated that in the manufacturing industry examples of end use applications for aluminum zinc coated steel include; components in domestic appliances; hot water system components; cabinets; flues; ducting; grain silos and general manufactured articles.

BlueScope advised that aluminum zinc coated steel is not usually supplied to the auto components and OEM automotive market segments.

The application claims that the predominant drivers of demand for aluminum zinc coated steel in the two key Australian market segments include:

- *"residential construction, specifically, residential new dwelling construction, and investment in residential alterations and additions construction;*
- *commercial and industrial construction; and*
- *substitution into markets previously dominated by other materials including replacing timber for residential framing and replacing zinc coated steel products for structural framing in commercial / industrial internal partitioning and walling market.*[19]*"*

(iii) Both products

BlueScope stated that there are a variety of factors that influence demand variability for galvanised steel and aluminum zinc coated steel within the Australian market, including:

seasonal fluctuations;
- impacts on agriculture, such as silos depending on season;
- building industry Christmas closures;
- wet versus dry season in tropical climates;

factors contributing to overall market growth or decline;
- availability of capital for infrastructure spending;

19 Aluminium Zinc Coated Steel Dumping Application, page 17.

- general macro-economic factors such as bank interest rates;
- global and domestic business and consumer confidence;

government regulation;

- standards – international manufacturers do not always manufacture to the same standards as Australian manufacturers (BlueScope claim that this is commonly not apparent until installation);
- policy – major government spending on infrastructure (i.e. the school building revolution);
- new home rebates – which can stimulate demand;

short term pricing volatility;

- pressure on Australian manufacturing to compete with imported finished products;
- pressure and influence on purchasing decisions for inventory levels; and
- which is evident primarily in the indirect distribution channel; and influenced through global steel capacity utilisation.

4.7.3 Marketing and distribution

(i) Australian market and distribution diagram

BlueScope provided a marketing and distribution diagram in respect of the Australian markets for galvanised steel and aluminum zinc coated steel with the dumping applications. Customs and Border Protection notes that the diagram provides a detailed understanding of market flows, market participants and how imports and the Australian industry's products compete.

(ii) Galvanised steel

BlueScope stated that approximately one third[20] of total galvanised steel sales are made directly to the domestic building product manufacturing industry. This industry roll forms the galvanised steel into building products such as structural sections for commercial buildings, garages and sheds as well as structural decking. These manufacturers then distribute the manufactured products to builders.

BlueScope claimed that the balance of sales is made to either the local distribution market or direct to the general manufacturing and auto industries, including auto component manufacturers, pipe and tube manufacturers and racking manufacturers.

(iii) Aluminum zinc coated steel

BlueScope stated that a major proportion of aluminum zinc coated steel sales are made directly to the domestic building product manufacturing industry. This domestic building product manufacturing industry roll forms the aluminum zinc coated steel

[20] Based on BlueScope's sales data this proportion was found to be slightly higher.

into building products such as building cladding. The building product manufacturers then distribute the manufactured products to builders and home owners.

BlueScope claimed that the balance of sales of aluminum zinc coated steel is made to either the local distribution market (through distributor / resellers such as OneSteel Limited, Southern Steel Supplies, BlueScope Distribution Pty Ltd) or direct to the general manufacturing industry. These distributors and resellers may offer a range of services such as smaller parcels of product, along with credit facilities and further processing (such as sheeting, slitting and blanking).

(iv) Both products

The applications stated that BlueScope's locally produced galvanized steel and aluminum zinc coated steel products and the imported products compete in all states and territories and across each segment through the same distribution channels. All customers have the opportunity to purchase imported material either direct from the overseas mill, through an international trader or from an Australian based stockist.

4.7.4 Alternative products

(i) Galvanised steel

BlueScope stated that other coated steel products are substitutable for galvanised steel including:

- 55% aluminum / zinc coated steel (also known as Aluzinc), 5% aluminum / zinc coated steel (also known as Galfan) and zinc / magnesium coated steel (for certain product applications); and
- painted metallic coated steel substitutes (including painted versions of the products listed above).

Inter-materials are also substitutable for galvanised steel depending on product end use, including:

- timber, hot rolled structural sections, load bearing concrete panels and masonry for framing applications in construction;
- plastic and composite materials such as conduits and ceiling and plaster fittings for non-framing products for the building industry; and
- aluminum, plastics or advanced composites for automotive applications.

BlueScope claimed that regardless of product substitutability, galvanised steel is considered by end users to be a better product in the identified key applications.

(ii) Aluminum zinc coated steel

BlueScope stated that other coated steel products are substitutable for aluminum zinc coated steel including:

- galvanised steel products (for certain product applications), and
- painted metallic coated steel substitutes; such as painted aluminum zinc coated steel (e.g. COLORBOND® steel) or painted zinc coated steel.

Inter-materials are also substitutable for aluminum zinc coated steel depending on product end use, including:

- clay and cement roof tiles for domestic roofing applications;
- tilt up concrete panels and masonry bricks for industrial building walling;
- plastic and aluminum gutters and down pipes for rain water goods; and
- timber for residential or industrial / commercial structural framing applications (i.e. roof or wall framing).

BlueScope claimed that regardless of product substitutability, aluminum zinc coated steel is considered by end-users as a fit-for-purpose product that is better suited in the identified key applications to alternate substitutes "*due to its superior value proposition.*"[21]

4.8 Australian industry information

4.8.1 General accounting / administration information

BlueScope is a publicly listed company on the Australian stock exchange, limited by shares. BlueScope has a number of subsidiaries and joint ventures both in Australia and internationally. Several of these subsidiaries and joint ventures (such as BlueScope Distribution Pty Ltd) are directly involved in either the manufacture or supply of galvanised steel and aluminium zinc coated steel.

BlueScope has six internal corporate groups with distinct functions which operate in Australia and internationally. The application nominates the Coated & Industrial Products Australia Group as relevant to the goods the subject to the applications.

The applications state that BlueScope's financial accounting period is from 1 July to 30 June. BlueScope's audited financial statements and Annual Report for 2011-12 were provided.[22] BlueScope provided its chart of accounts, internal management accounting reports and general accounting and administration information.

4.8.2 Australian industry's sales

BlueScope provided information, including a summary of domestic and export sales volumes, revenues and rebates as required[23] in Confidential Appendices A2, A3, A4, A5 and A6, supplied with the dumping applications. Appendix A1 was also provided

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21 Aluminium Zinc Coated Steel Dumping Application, page 19.

22 The application notes that BlueScope's Annual Reports from 2003 are publicly available on its website at www.bluescopesteel.com. Audited reports for 2011-12 are also now available.

23 Where applicable.

(in both dumping applications) to substantiate production volumes and capacity for BlueScope for the period 1 July 2011 to 30 June 2012.

As noted in CON190, Customs and Border Protection was able to reconcile the data within these appendices, with a few minor discrepancies.

Customs and Border Protection therefore still considers that BlueScope's appendices are reliable for the purposes of assessing the economic condition of the industry in respect of galvanised steel and aluminium zinc coated steel.

4.8.3 Cost information

BlueScope completed a Confidential Appendix A6 cost to make and sell (CTMS) spreadsheet for domestic (A6.1) and export sales (A6.2) for galvanised steel and aluminium zinc coated steel, provided in the dumping applications. The information provided in these appendices included production and sales volumes, manufacturing costs, selling (including distribution), general and administrative (SG&A) expenses for the period 2007-08 to 2011-12. BlueScope also provided separate spreadsheets for various sub-categories and high sales volume product models.

As noted in CON190, Customs and Border Protection considers the information reliable for the purposes of assessing the economic condition of the industry in respect of galvanised steel and aluminium zinc coated steel.

4.8.4 Other economic factors

BlueScope completed Confidential Appendix A7 (for both dumping applications) showing movements in assets, capital investment, research and development expenses, return on investment, capacity, capacity utilisation, employment, productivity, stocks, cash flow measures and wages.

4.9 Customs and Border Protection's assessment – Australian industry

Based on the information in the applications, Customs and Border Protection is satisfied that there is an Australian industry producing like goods to the goods the subject of the applications and that the information provided by BlueScope is sufficient for the purposes of a preliminary analysis of the economic condition of the industry in respect of galvanised steel and aluminium zinc coated steel from 2007-08 to 2011-12.

5 REASONABLE GROUNDS – SUBSIDISATION

5.1 Finding

Having regard to the matters contained in the application and to other information considered relevant, there appear to be reasonable grounds to support the claim that:

- countervailable subsidies have been received in respect of galvanised steel and aluminium zinc coated steel exported to Australia from China; and
- the total volume of galvanised steel and aluminium zinc coated steel that have received a countervailable subsidy from China is greater than 4% of the total Australian import volume of each of the products, and therefore not negligible; and
- the total amount of the subsidy received in respect of galvanised steel and aluminium zinc coated steel is likely to be greater than 2% (for each product) and is therefore not negligible.

5.2 BlueScope's application

BlueScope submits that Chinese producers of the goods have benefited from a range of countervailable subsidies.

In support of this, BlueScope relies on previous countervailing investigations of Customs and Border Protection, open source research, including various documents issued by the GOC, local and provincial government websites, industry and professional papers. The programs are considered in detail at section 5.4 below.

5.3 Consultation with the Government of China

In accordance with s.269TB(2C), Customs and Border Protection invited the GOC for consultations during the pre-initiation phase. The purpose of the consultations was to provide an opportunity for the GOC to respond to the claims made within the application in relation to countervailable subsidies, including whether they exist and, if so, whether they are causing, or are likely to cause, material injury to an Australian industry.

The GOC accepted Customs and Border Protection's invitation to undertake consultations, which was held in Canberra on 19 November 2012.

Prior to these consultations, the GOC was provided with a non-confidential version of each of the applications and non-confidential attachments.

General matters discussed

The GOC's written and oral submission addressed aspects of the application other than the existence of countervailable subsidies including, inter alia, market situation claims, elements of injury and causation. The GOC's written submission is attached to this report at **non-confidential attachment SUB1**.

As the intention and purpose of the consultations was to discuss the claims related to countervailable subsidies within the application, Customs and Border Protection has not commented on these points of the GOC submissions in this report. However, Customs and Border Protection considered these submissions and does not

consider that they change its view as to whether grounds exist to initiate an investigation.

Customs and Border Protection will address the GOC views in detail in the course of the investigation.

Consideration of the countervailing applications

Following is a summary of the GOC submission as it related to the issue of countervailable subsidies.

The applications are not technically complete

The GOC submitted that:

- The application refers to the Annual Report and Full Financials for BlueScope becoming available in September 2012, yet that date has already passed;
- Twice in the applications a reference is made to allegedly dumped imports although the applications are for countervailing;
- Information marked confidential has already been disclosed on the public record in the dumping cases for aluminium zinc coated steel and galvanised steel; and
- A statement at C-1 of both applications refers the reader to section B-4.1 of the applications for information about REP 177, however this is erroneous.

The applications do not comprise sufficient evidence to initiate investigations

The GOC claimed that the applications contained insufficient evidence to initiate investigations for each of the raw materials at less than adequate remuneration programs on the following grounds:

- The requirements of Article 112.2 of the SCM Agreement have not been fulfilled because the
    - Amount of financial contribution;
    - Identity of government or any public body;
    - Benefit received; and
    - Specificity of each of the alleged subsidy programs

have not been identified, and/or sufficient evidence to establish each of the criteria in Article 112.2 has not been provided in the applications.

Evidence in the applications is misleading and does not establish the proposition to which it is directed

In relation to the coking coal and scrap steel programs, the GOC submitted that the evidence provided in the applications should not be relied upon. The GOC submitted firstly that it is a 'fallacy' that lower costs in China are subsidies, and also made comments about the evidence provided in the applications regarding the alleged coking coal and scrap steel programs.

In respect to coking coal, the GOC submitted that:

- The 'world contract HCC price' referred to in the application is not suitable because:

- The C&F delivered prices are misleading because Australia has a higher freight cost than China, and that if VAT is included or C&F costs are excluded, the Chinese price would exceed the Australian price;
- China's coking coal is on average lower quality than Australian hard coking coal;
- China produces four times the volume of coking coal compared to Australia;
- Coking coal has a storage life of three to six months, resulting in Chinese byers preferring domestic supplied coking coal due to the time taken up by shipping of coking coal from other countries;
- The graph provided in the application shows little difference between the Chinese and World (Australian) price after January 2012;
- The gap between the prices is exaggerated during the period July 2011 and December 2011 as a result of floods in Queensland disrupting production and transportation of Australian coking coal during this period, after which it can be observed that prices fell;
- The Australian price during the comparison period chosen by the applicants was at a record high as it was affected by what has been referred to as possibly the second strongest 'La Niña' event since 1917-18;
- Rather than the coking coal prices being 'artificially low when contrasted with global coking coal prices' as alleged by the applicant, Australian prices were artificially high as a result of the Queensland floods;
- The types of coking coal compared in the application are different – the Australian hard coking coal is 'one of the most expensive types of coking coal.' The GOC's own data showed the average price of imported coking coal into China for steel manufacturing purposes was USD147 during 2011, while the applicant's data shows prices between USD220 and USD320 for Australian hard coking coal.

In relation to scrap steel provided at less than adequate remuneration, the GOC made the following comments:

- The chart provided in the applications contrasts the price in China for heavy scrap and the #1 scrap price in the United States. The GOC submitted that these are not the same type of scrap steel;
- The #1 scrap steel price chosen by the applicant is the most expensive scrap steel price in the United States, evidenced by a chart demonstrating four different scrap steel prices in the United States between November 2011 and October 2012 showing #1 scrap steel as the most expensive of the four types shown;
- Price variations between markets and low prices in China do not demonstrate evidence of subsidisation of the Chinese market.

In summary, the GOC concluded that 'the applicant's coal price allegations cannot be accepted; that its scrap steel price allegations are wrong; and that its coke price

allegations are not attributed, sourced or detailed to an even vaguely satisfactory level.[24]'

Customs and Border Protection asked the GOC some follow up questions in relation to the information provided in the written submission. The GOC responded to those questions on 21 November 2012. A public version of its response is at **non-confidential attachment SUB2**.

Customs and Border Protection also provided BlueScope with a copy of the GOC's initial submission. BlueScope provided its response to the submission on 21 November 2012 (**non-confidential attachment SUB3**).

The submissions from the GOC and BlueScope's response have been considered in the context of the countervailing programs alleged by the applicant, discussed below, however given the short time available between receipt of the submissions and responses and the due date for making a decision, only limited regard could be had to the detail contained in the submissions. Further consideration of the issues raised therein will be undertaken during the course of the investigation.

5.4 Subsidy programs alleged in the applications

5.4.1 Programs investigated in hollow structural sections (REP 177)

The applicant has submitted that 27 subsidy programs previously found to be countervailable by Customs and Border Protection in REP 177 are applicable to the goods the subject of the current applications. The applicant used the same numbering as that in REP 177 for ease of reference. Those programs found in REP 177 that the applicant has also claimed are relevant for exporters of galvanised steel and aluminium zinc coated steel are summarised at table 1, below.

Table 1: Programs found countervailable in REP 177 claimed in relation to aluminium zinc coated steel and galvanised steel

Program 1: Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones
Program 2: One-time Awards to Enterprises Whose Products Qualify for 'Well-Known Trademarks of China' and 'Famous Brands of China'
Program 5: Matching Funds for International Market Development for Small and Medium Enterprises
Program 6: Superstar Enterprise Grant
Program 7: Research & Development (R&D) Assistance Grant
Program 8: Patent Award of Guangdong Province
Program 10: Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years
Program 11: Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)
Program 12: Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai
Program 13: Preferential Tax Policies in the Western Regions
Program 14: Tariff and value-added tax (VAT) Exemptions on Imported Materials and Equipments
Program 15: Innovative Experimental Enterprise Grant
Program 16: Special Support Fund for Non State-Owned Enterprises
Program 17: Venture Investment Fund of Hi-Tech Industry
Program 18: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment.

[24] *Position paper of the Government of China*, 19 November 2012, page 13.

Program 19: Grant for key enterprises in equipment manufacturing industry of Zhongshan
Program 20: Hot rolled steel provided by government at less than fair market value
Program 21: Water Conservancy Fund Deduction
Program 22: Wuxing District Freight Assistance
Program 23: Huzhou City Public Listing Grant
Program 24: Huzhou City Freight Assistance
Program 27: Huzhou City Quality Award
Program 28: Huzhou Industry Enterprise Transformation & Upgrade Development Fund
Program 29: Land Use Tax Deduction
Program 30: Wuxing District Public List Grant
Program 31: Anti-dumping Respondent Assistance
Program 32: Technology Project Assistance
Program 35: Preferential Tax Policies for High and New Technology Enterprises

BlueScope has categorised those subsidies as either 'Programs that provide for the Exemption/Reduction of Taxation' or 'Programs that provide Financial Grants'. BlueScope has referred to the findings in REP 177 and provided the legal basis, agency responsible for administering the subsidy, recipients of the subsidy and amount of the subsidy for each of the programs where that information was available in REP 177.

The applicant submits that the countervailable programs identified in REP 177 should be considered relevant to coated steel on the basis that:

'(i) the recent finalisation and publication of Report No. 177 dated 7 June 2012 provides a contemporaneous position on the HRC industry in China, including GOC input received for consideration by Customs and Border Protection as recently as circa 13 May 2012;

(ii) the investigation period in Report No. 177 immediately precedes the likely investigation period for this application (considered to be 1 July 2011 to 30 June 2012); and

(iii) the Chinese galvanised steel and aluminium zinc coated steel industries include certain non-integrated producers that purchase HRC for use in the production of galvanised steel and aluminium zinc coated steel exported to Australia.*[25]*

5.4.1.1. Customs and Border Protection's assessment

Customs and Border Protection found in REP 177 that these programs meet the definition of a subsidy as defined in s.269T and are considered to be countervailable subsidies in line with s.269TAAC.

Customs and Border Protection considers there are reasonable grounds to believe that these programs are still in operation in China, and that due to:

- the nature of the goods and their manufacturing process; and
- the number of potential exporters identified by Customs and Border Protection in its preliminary research of imports, and the likelihood that at least some exporters will meet the eligibility criteria for each program;

[25] Aluminium Zinc Coated Steel Application page 55; Galvanised Steel Application page 55.

there are reasonable grounds to conclude that exporters of aluminium zinc coated steel and galvanised steel may have received benefits under each program, and that their investigation is warranted.

5.4.2 Program 20: Hot rolled coil provided at less than adequate remuneration

The application notes that in similar circumstances to HSS, hot rolled coil (HRC) is the key raw material in galvanised and aluminium zinc coated steel production. Customs and Border Protection's findings in REP 177 identified the subsidy program 'Hot rolled steel provided by government at less than adequate remuneration (program 20).' BlueScope submits that Chinese exporters of galvanised and aluminium zinc coated steel have also benefited from receiving the raw material HRC from the Government of China (GOC) at less than adequate remuneration.

BlueScope asserts that HRC used in the manufacture of galvanised and aluminium zinc coated steel is produced and supplied by state-invested enterprises (SIE), and that these SIEs are public bodies such that a financial contribution in the form of the provision of raw material inputs at less than adequate remuneration to galvanised and aluminium zinc coated steel producers in China constitutes a countervailable subsidy.

The application asserts that the findings of Customs and Border Protection in REP 177, namely, that SIE manufacturers of HRC and narrow strip constitute 'public bodies' in relation to the subsidisation of HSS, is readily applicable to the circumstances of galvanised and aluminium zinc coated steel, given the contemporaneous findings of Customs and Border Protection in REP 177 published in 2012, the likely investigation period for this investigation immediately follows the investigation period in REP 177, and because the Chinese galvanised and aluminium zinc coated steel industry includes SIE industry participants that are also manufactures of HRC.

Evidence examined by Customs and Border Protections and outlined in REP 177 found that SIEs were significant suppliers of HRC and/ or narrow strip to HSS exporters in the period examined. Information provided by the GOC in response to the government questionnaire and supplementary government questionnaire in that investigation confirmed that the share of total domestic HRC and/or narrow strip production in China by SIEs is significant.

The application identifies SIE HRC manufacturers in China that BlueScope asserts also produce galvanised and aluminium zinc coated steel, and hence are likely to benefit from HRC supplied by SIEs at less than adequate remuneration. This benefit is only applicable to non-integrated producers of the goods, i.e. those exporters that purchase finished HRC rather than produce their own.

5.4.2.1. Customs and Border Protection's assessment

The definition of a subsidy under section 269T(a)(ii) includes reference to 'a financial contribution by a government or any public body'. Customs and Border Protection in REP 177 undertook an assessment of whether SIEs producing HRC and/ or narrow strip constitute a public body within the meaning of the Act and recent findings of the WTO Appellate Body in United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China, dispute DS379 (DS379).

As outlined in REP 177, Customs and Border Protection found evidence that SIEs producing HRC and/or narrow strip were in fact exercising government functions and that the government exercises meaningful control over these entities and their

conduct. As such Customs and Border Protection concluded that for the purposes of its investigation into the alleged subsidisation of HSS from China, SIEs producing and supplying HRC and/or narrow strip should be considered to be public bodies.

Customs and Border Protection observes that the evidence relied upon in REP 177 in making this assessment can be characterised as broadly applicable to the steel and iron industries in China, and included laws, policies, plans and measures that are likely to be equally applicable to SIEs producing HRC and/ or narrow strip used in the production of galvanised and aluminium zinc coated steel exported to Australia.

Customs and Border Protection considers it reasonable to conclude at this consideration stage that non-integrated Chinese exporters of galvanised and aluminium zinc coated steel have purchased HRC in China from SIEs. Because the claims in the current application are in respect of the same raw material, HRC, the evidence within REP 177 is considered reasonably contemporaneous (REP 177 being published in 2012) and sufficient to establish that there appears to be reasonable grounds for the claim that HRC has been provided to coated steel producers at less than adequate remuneration, and that an investigation into this program should be initiated.

During the course of the investigation Customs and Border Protection will examine whether a subsidy exists and if so consider the most appropriate benchmark for determination of adequate remuneration during the investigation period.

5.4.3 Raw materials provided at less than adequate remuneration

BlueScope identified three additional programs it claims to be countervailable that address the provision of raw materials at less than adequate remuneration. BlueScope acknowledged that not all three programs are applicable to all exporters of the goods, as exporters may be integrated producers of hot rolled coil to different degrees. That is, some producers may purchase coking coal and manufacture their own coke for the production of hot rolled coil, while other producers may buy coke for hot rolled coil production.

Each of the programs is examined in detail below.

<u>Coking coal at less than adequate remuneration</u>

The applicant submitted that coking coal has been provided by the Government of China to exporters of the goods at less than adequate remuneration.

A substantial input to production of the goods is coking coal, which is used in the smelting process to produce coke, a primary raw material used in the production of steel, and subsequently hot rolled coil and then coated steel products.

In its application, BlueScope states that ‘fully-integrated’ producers of steel would produce coke using coking coal, rather than purchasing coke. It identified these fully integrated producers as the beneficiaries of this program.

BlueScope provided in the application an illustration of the various uses for different types of coal to establish that hard coking coal is used solely in the manufacture of coke for iron and steel production.

BlueScope claims that the export tax of 10% for coking coal in China influences the domestic price of coking coal by encouraging increased supply to the domestic market, which therefore results in lower prices for coking coal in China than globally. To support this claim, BlueScope provided a graph tracking the selling price for hard coking coal in China to a 'World Contract' price over the period July 2011 to June 2012. The global price nominated in the application is represented by the Australian quarterly contract price for hard coking coal. This benchmark was nominated on the basis that in 2009 Australian exports of coking coal comprised 51% of the market. In the data provided by the applicant, the world contract price was shown to be consistently higher than the domestic selling price in China. Chinese domestic prices (exclusive of VAT) for coking coal were on average 20% below the nominated benchmark for the twelve month period ended June 2012.

The applicant claimed that over half of coking coal production in China was produced by SIEs (State Invested Enterprises), and that the two largest producers in China are both SIEs. BlueScope claimed that 'steel production in China is dominated by SIEs that play a lead role in implementing the GOC's policies that result in coking coal being sold for less than adequate remuneration.'[26]

The legal basis, agency responsible for administering the program and amount of subsidy were not provided. BlueScope considered this subsidy program analogous to Program 20 (HRC at less than adequate remuneration) in REP 177 in which the legal basis and agency responsible for administering the program were also not provided in the application, and for which the amount of the subsidy was determined during the course of the investigation.

Coke at less than adequate remuneration

BlueScope submitted that exporters of the goods from China receive coke at less than adequate remuneration from the GOC. As discussed above, coke is a key ingredient in steel making at the smelting stage of production. The applicant stated that the recipients of the benefit of this subsidy were '*integrated* producers of aluminium zinc coated steel that buy-in coke (as opposed to manufacturing in-house from coking coal.[27]'

The application states that the alleged subsidy in relation to coke is specific as coke is used only in the iron and steel industry.

The applicant claims that the Government of China has imposed export taxes and quotas on coke that discourage exports and thereby increase domestic supply of coke, and reduce the price. The applicant referred to statements from REP 177 in relation to coke prices in China. In REP 177 Customs and Border Protection stated that, *"..this increased volume of coke retained in China could reasonably be considered to have resulted in decreased prices.*"

The application contained a graph comparing the price of coke sold domestically in China to a Chinese export price and a 'world export price' over the period January

[26] Aluminium Zinc Coated Steel Application, Page 57; Galvanised Steel Application, Page 57.
[27] Aluminium Zinc Coated Steel Application, Page 58; Galvanised Steel Application, Page 58.

2003 to June 2012[28]. It demonstrated that during the twelve month period ended June 2012 the Chinese domestic price for coke was at all times lower than the world export price.

The legal basis, agency responsible for administering the program and amount of subsidy were not provided. BlueScope considered this subsidy program analogous to Program 20 (HRC at less than adequate remuneration) in REP 177 in which the legal basis and agency responsible for administering the program were also not provided in the application, and for which the amount of the subsidy was determined during the course of the investigation.

Scrap Steel at less than adequate remuneration

The applicant claims that scrap steel has been provided at less than adequate remuneration by the GOC and that this is a countervailable subsidy.

The application states that scrap steel is used as an input raw material in the manufacture of new steel in either the Basic Oxygen Steelmaking production method or the Electric Arc Furnace (EAF) production method.

BlueScope considers that the 40% export tax on scrap steel in China contributes to low domestic selling prices for steel scrap and that this further impacts the production cost of steel and the goods the subject of the application in China.

The application compares the domestic price of scrap steel in China to the North America domestic price during the period July 2011 to June 2012. The application states that North America was used for the following reasons:

- the similarity in the volume of steel production between the two countries (China is the largest steel producer and the USA the third largest);
- the similarity in EAF production capacities; and
- China is a net importer of scrap as demand exceeds supply whereas the USA, as a more industrialised country with more efficient recycling infrastructure, is a net exporter of scrap steel. It would be expected that Chinese domestic prices would therefore be higher than USA prices due to demand.

The data provided with the application shows that Chinese domestic prices were approximately 6% below the US domestic prices during the twelve month period ended June 2012.

The legal basis, agency responsible for administering the program and amount of subsidy were not provided. BlueScope considered this subsidy program analogous to Program 20 (HRC at less than adequate remuneration) in REP 177 in which the legal basis and agency responsible for administering the program were also not provided in the application, and for which the amount of the subsidy was determined during the course of the investigation.

[28] Sourced from a report by World Steel Dynamics, November 2012.

5.4.3.1. Customs and Border Protection's assessment

Whether subsidies provided by public bodies

As stated above, the definition of a subsidy under section 269T(a)(ii) includes reference to 'a financial contribution by a government or any public body'. Customs and Border Protection in REP 177 undertook an assessment of whether SIEs producing HRC and/ or narrow strip constitute a public body within the meaning of the Act and taking into account recent findings of the WTO Appellate Body in *United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China, dispute DS379* (DS379).

As outlined in REP 177, Customs and Border Protection found evidence that SIEs were in fact exercising government functions and that the government exercises meaningful control over these entities and their conduct. Customs and Border Protection regarded this evidence sufficient to reasonably consider that for the purposes of its investigation into the alleged subsidisation of HSS from China, SIEs that produce and supply HRC and/ or narrow strip should be considered to be public bodies.

Customs and Border Protection considers that the evidence and conclusions in REP 177 in relation to SIEs that produce and supply HRC and/or narrow strip provide reasonable grounds for considering that SIEs that produce and supply coking coal, coal or scrap steel are also likely to be public bodies. Given that conclusion the following assessment focuses on whether the claims in relation to less than adequate remuneration are sufficiently substantiated.

Coking coal provided at less than adequate remuneration

The applicant has provided evidence that more than 50% of domestic coking coal in China is supplied by SIEs. In REP 177 Customs and Border Protection stated that the practice in China was to import coking coal for input into coke production. The extract from the 'Coking Coal Market Outlook' provided with the application states that Chinese domestic supply has struggled to keep up with domestic demand which is likely to explain the high import volumes. That same report shows that major SIEs produced around 208 million tonnes of 'premium' and 'fat coal', which are used almost entirely in coke manufacture, in 2011. In addition these SIEs produced almost 163 million tonnes of '1/3 coking coal', a small portion of which is used in power stations.

The applicant has compared the domestic price of coking coal in China with the Australian export price to support its claim that coking coal is provided at less than adequate remuneration. The applicant states that Australia is a suitable indicator of world prices as it is a major exporter of coal globally, accounting for 51% of exports in 2009. The applicant claims that the 10% export tax on coking coal contributes to lower domestic prices in China.

The data provided by the applicant shows that Australian export prices were considerably higher than Chinese domestic prices for the first half of the proposed investigation period, however export prices came closer to Chinese domestic prices in the period January 2012 to June 2012.

It is difficult to understand, based only on the information supplied with the application, why domestic prices in China would be lower than world prices given that demand for coking coal in China exceeds supply. The Coking Coal Market Outlook report provided with the application states that Chinese steel and coke makers have had difficulty securing supply and refers to the 'favourable demand and price conditions' faced by coal mines in the 5 years to 2011. The report states that the Chinese mines' competitiveness may stem from relatively low wages and production shortcuts, which have become increasingly unacceptable. Other than these two factors, the report states that Chinese mines are high cost enterprises compared with mining operations in Australia and the United States.

The GOC submitted during its consultations with Customs and Border Protection two possible reasons for difference in prices:

1. higher Australian export prices during the first half of the proposed investigation period were caused by flooding in Queensland reducing supply, which resulted in increased prices; and

2. the quality of coking coal in China is lower than Australian coking coal and price is affected by quality.

The benchmark for determining adequate remuneration was discussed in Appendix C of REP 177. REP 177 state that the findings of the WTO Appellate Body in DS257 establish a preference for determining a benchmark for adequate remuneration with reference to internal prices in the investigated country as a starting point. In the case of coking coal, given

i. the claims of market situation currently being investigated in the investigation into alleged dumping of coated steel from China; and
ii. the predominance of SIEs in coking coal production in China,

it may not be appropriate to consider prices from private suppliers of coking coal in China in considering whether there are reasonable grounds to initiate an investigation. The second option is to consider import prices. As discussed above, China is a significant importer of coking coal and Australia is a significant supplier.

The applicant has demonstrated that Australian export prices for coking coal were higher than Chinese domestic prices during the twelve months ended June 2012. Customs and Border Protection has access to steel raw material prices through the Steel Business Briefing research data, but no data is provided for coking coal other than Chinese and Australian prices. The information provided by the GOC during consultations is relevant and casts some doubt on the applicant's claims in relation to lower Chinese prices. Customs and Border Protection requested, and the Government of China provided, further information in support of its statement on 21 November 2012. Given the limited time available between this date and the date by which the delegate must make a decision, Customs and Border Protection has not had sufficient time to fully investigate the new information. At this stage it considers that the applicant has sufficiently established, to the best of its ability, that there appears to be reasonable grounds to investigate the applicant's claims that coking coal is being supplied in China at less than adequate remuneration.

The claims of the applicant and the counter-information supplied by the GOC will be investigated further in order to reach an informed conclusion.

Coke provided at less than adequate remuneration

BlueScope has provided a graph from a report from World Steel Dynamics as primary support for its claim that coke is supplied in China at less than adequate remuneration. The graph shows that the Chinese domestic price is well below the 'world export price' throughout the twelve month period ended June 2012. Customs and Border Protection notes that the extract from the World Steel Dynamics report provided with the application does not state the source of the 'world export price' depicted in the graph.

BlueScope appears to rely on the Government of China's intervention in export taxes and quotas on coke as evidence for the existence of a subsidy. BlueScope also refers to a statement made by Customs and Border Protection in REP 177 that the export restrictions on coke could reasonably be considered to have resulted in reduced prices for coke.

The existence of high export taxes and quotas may result in reduced domestic prices for coke however rather than being evidence on its own of the existence of a subsidy any such reduced domestic prices may be evidence of:

- why domestic prices from private suppliers should not be considered as benchmarks for assessing adequate remuneration in the subsidy investigation; or

- the prices for the coated steel being lower than they otherwise would be had there been no government influence; and that production costs in the accounting records of the exporters concerning the finished goods in question might be considered not to reasonably reflect competitive market costs.

Given the likely distorting effects on domestic prices of coke of high export taxes and the claims of market situation currently being investigated in relation to alleged dumping of coated steel from China, Customs and Border Protection considers it is possible that prices from private suppliers of coke in China may not be reasonable benchmarks for determining adequate remuneration.

Evidence provided by the Government of China in the HSS investigation showed that there is very low import penetration of coke into the Chinese domestic market so import prices may also be unsuitable for use as a benchmark.

Having regard to the above, based on the evidence available at consideration, it is reasonable to use an external benchmark such as that provided by BlueScope to support the assertion that coke is provided at less than adequate remuneration.

BlueScope has not provided any evidence of the significance of SIE suppliers of coke in China. Customs and Border Protection is aware from previous investigations that at least two significant steel producers in China that supply coke, being Hebei

Iron and Steel and Wuhan Iron and Steel[29], are SIE's. This will need to be further investigated.

Customs and Border Protection considers, based on the information available to it at this time, that Chinese exporters of the goods have purchased coke in China from SIEs, and that this price can reasonably be considered to be less than adequate remuneration. For this reason, Customs and Border Protection concludes that there are reasonable grounds to investigate whether a subsidy has been provided in the form of coke supplied at less than adequate remuneration.

In investigating this program the following issues will need to be considered:

- The extent to which coated steel producers purchase coke, as opposed to manufacturing it themselves. The World Steel Dynamics report provided with the application notes that there is increasingly adequate coke making capacity at steel plants and that Chinese steelmakers may receive energy credits when the coke oven is located at the steel plant;

- The extent to which SIEs supply coke to exporters of the goods the subject of the investigations; and

- An appropriate benchmark for determining whether adequate remuneration is received by coke producers, including consideration of import prices.

Scrap steel for less than adequate remuneration

The application states that the top 20 steel-making groups in China are more than 90% owned or controlled by the Government of China, although no reference is supplied in support of this statistic. Because scrap steel is produced by steelmakers this statistic implies that the Government of China is the predominant supplier of scrap steel in China.

There is a 40% export tax on exports of scrap steel from China, which the applicant states results in an increase in domestic supply and a suppression of domestic prices. However, the application also states that China is a net importer of scrap steel as demand exceeds supply. As is the case with coking coal (discussed above) it is difficult to understand why domestic prices would be suppressed given the demand and supply factors.

The applicant has contrasted Chinese domestic prices for scrap steel with domestic prices in the USA, which it states is a comparative economy in relation to scrap steel production. The data is not as compelling as benchmarks for other claimed subsidy programs, with a wide gap between American and Chinese prices for the period November 2011 to February 2012, but a much narrower gap for the remainder of the period. In June 2012 the Chinese domestic price for scrap steel is higher than the American domestic price.

[29] Government of China non-confidential response to questionnaire for REP 177, Question C3.11

The GOC provided information as part of its consultations indicating that the USA and Chinese scrap steel that the applicant had used for price comparison may not be comparable products. The GOC provided evidence that the '#1 scrap steel' used as the USA benchmark price was a more expensive type of scrap steel than other types of scrap steel in the USA. The GOC produced a graph from the same source used by BlueScope that showed that the USA prices referred to by BlueScope were the highest of the four different scrap types. The GOC argued that the prices for one of the types – 'USA #1 Heavy Melt' – were lower than the Chinese domestic prices produced by BlueScope for the entire proposed investigation period.

Given:

- the application has not provided any evidence for its statement about the predominance of Chinese government supply of scrap steel;
- the application has not provided any evidence for its statement about the Chinese and USA scrap steel industries, (eg China being a net importer, relative status of infrastructure in each country), to support the use of the USA as a comparative benchmark;
- the lack of a clear divergence between Chinese domestic prices and the chosen benchmark (the data shows Chinese domestic prices on average 6% below USA prices over the twelve month period); and
- the information supplied by the GOC in relation to prices for different types of scrap,

Customs and Border Protection considers that the evidence provided is insufficient to support there being reasonable grounds to initiate an investigation into this program. Customs and Border Protection recommends that this program not be investigated unless further information is provided within a reasonable period following initiation of the remaining subsidy programs.

5.4.4 Other programs

The applicant also provided information on an additional program alleging preferential loans. Evidence provided in the application comprised a quote from a third party source discussing 'overcapacity' in the Chinese steel market. No legal basis, agency responsible for administering the program or amount of subsidy was provided. The information provided in relation to this program is considered by Customs and Border Protection insufficient for the purposes of initiating a countervailing investigation.

5.4.5 Amount of subsidisation

Customs and Border Protection is satisfied following preliminary analysis of:

- the amount of the benefits received under certain subsidies, particularly hot rolled coil, by exporters within its investigation into hollow structural sections from China; and
- the export prices of galvanised steel and aluminium zinc coated steel during the twelve months ended June 2012, taken from Customs and Border Protection's import database,

that the benefit received by Chinese exporters under the programs found to warrant investigation is likely to result in subsidy margins that are above negligible levels.

5.5 Conclusion – Subsidisation in China

Customs and Border Protection is satisfied following preliminary analysis of the benefits received under certain subsidies by exporters in its investigation into exports of HSS from China, that the benefits received by Chinese exporters of galvanised steel and aluminium zinc coated steel under the programs alleged in the application is likely to result in subsidy margins that are above negligible levels.

Based on an analysis of the evidence supplied in the application Customs and Border Protection considers that there are reasonable grounds for the publication of a countervailing duty notice in relation to the following subsidy programs. Note that the numbering used reflects the numbering proposed to be used in the current investigations:

Program Number[30]	Program Name	Program Type	Case 177 Program Number
1	Hot rolled steel provided by government at less than fair market value	Remuneration	20
2	Coking coal provided by government at less than adequate remuneration	Remuneration	N/A
3	Coke provided by government at less than adequate remuneration	Remuneration	N/A
4	Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Income Tax	1
5	Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Income Tax	10
6	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Income Tax	11
7	Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai	Income Tax	12
8	Preferential Tax Policies in the Western Regions	Income Tax	13
9	Land Use Tax Deduction	Income Tax	29
10	Preferential Tax Policies for High and New Technology Enterprises	Income Tax	35

[30] Refers to the program number that will be used in this investigation

Program Number[30]	Program Name	Program Type	Case 177 Program Number
11	Tariff and value-added tax (VAT) Exemptions on Imported Materials and Equipments	Tariff & VAT	14
12	One-time Awards to Enterprises Whose Products Qualify for 'Well-Known Trademarks of China' and 'Famous Brands of China'	Grant	2
13	Matching Funds for International Market Development for Small and Medium Enterprises	Grant	5
14	Superstar Enterprise Grant	Grant	6
15	Research & Development (R&D) Assistance Grant	Grant	7
16	Patent Award of Guangdong Province	Grant	8
17	Innovative Experimental Enterprise Grant	Grant	15
18	Special Support Fund for Non State-Owned Enterprises	Grant	16
19	Venture Investment Fund of Hi-Tech Industry	Grant	17
20	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment.	Grant	18
21	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant	19
22	Water Conservancy Fund Deduction	Grant	21
23	Wuxing District Freight Assistance	Grant	22
24	Huzhou City Public Listing Grant	Grant	23
25	Huzhou City Quality Award	Grant	27
26	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant	28
27	Wuxing District Public List Grant	Grant	30
28	Anti-dumping Respondent Assistance	Grant	31
29	Technology Project Assistance	Grant	32

Consequently, Customs and Border Protection considers that investigations into these programs should be initiated.

It is noted that the initiation of investigations into the above-listed programs does not preclude Customs and Border Protection from examining additional subsidy programs should further information be provided or otherwise come to light within a reasonable timeframe.

6 REASONABLE GROUNDS – MATERIAL INJURY CAUSED BY DUMPED AND SUBSIDISED IMPORTS

6.1 Finding

Customs and Border Protection is satisfied that there appears to be reasonable grounds to support the claim that aluminium zinc coated steel and galvanised steel exported to Australia from China at allegedly dumped and allegedly subsidised prices have caused material injury to the Australian industry.

Customs and Border Protection considers it reasonable to cumulate the injurious effects from dumped imports of galvanised and aluminium zinc coated steel from China, Korea and Taiwan in INV 190a and INV 190b with subsidised imports from China due to the proximity of time between the investigation periods for INV 190a and INV 190b and the proposed investigation periods for investigations into subsidisation of aluminium zinc coated steel and galvanised steel.

6.2 Legislative framework

Subsection 269TC(1) requires that the CEO must reject an application for a dumping duty notice or a countervailing duty notice if, inter alia, he is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice or a countervailing duty notice respectively.

Under section 269TJ, one of the matters that the relevant Minister must be satisfied of to publish a countervailing duty notice is that, because of the goods being in receipt of countervailable subsidies, material injury has been or is being caused or is threatened to the Australian industry producing like goods.

(i) Galvanised steel

In respect of galvanised steel, BlueScope claimed that the Australian industry has been injured through:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting[31];
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

[31] Customs and Border protection considers price undercutting is a causation factor rather than a factor impacting on the economic condition of the industry.

(ii) Aluminium zinc coated steel

In respect of aluminium zinc coated steel, BlueScope claimed that the Australian industry has been injured through:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment;
- reduced ability to raise capital for re-investment; and
- reduced employment.

6.3 Commencement of injury

The applications claim that material injury to the Australian industry caused by dumped and subsidised imports commenced in 2010-11 and has been exacerbated in 2011-12. In their application in respect of aluminium zinc coated steel, BlueScope claim that the dumped imports from China, Korea and Taiwan commenced in 2008-09 (and there was a delay in the injury experienced by the Australian industry).

6.4 Injury approach

The injury analysis detailed in this section is based on the financial information submitted by BlueScope and import data from Customs and Border Protection's import database.

BlueScope provided the same injury information in its application for countervailing duties as that provided in the applications for INV 190a and INV 190b, claiming that the injury from dumping and the injury from subsidisation is cumulative and should be considered together.

As the same injury information has been provided in respect of the current applications as that provided in INV 190a and INV 190b, it has not been repeated in this consideration report as no additional injury analysis in terms of injury suffered by the Australian industry has been required, as no new claims have been made by the applicant. Interested parties may wish to refer to CON 190 for detailed injury analysis.

6.5 Cumulation of injury

Subsection 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and

- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Minister is satisfied that it is appropriate to consider the cumulative effects.

Based on the information provided in the applications, Customs and Border Protection is satisfied that in respect of galvanised steel and aluminium zinc coated steel, in respective markets, the conditions of competition between imported and domestically produced like goods appear to be similar.

BlueScope claimed that it has been unable to increase prices to recover increased costs as a result of price undercutting by imports of galvanised steel and aluminium zinc coated steel from each of the nominated countries.

The information contained in Customs and Border Protection's imports database indicates that several importers of galvanised steel and aluminium zinc coated steel imported from a number of the nominated countries. Customs and Border Protection considers that this indicates that the products are used by the same or similar customers.

As discussed at Section 6 of CON 190, Customs and Border Protection is satisfied that for each application, the goods are alike, have similar specifications (in terms of width), have similar end-uses, and compete in the same primary market segments.

Customs and Border Protection considers that it is appropriate to consider the cumulative effect of the allegedly dumped imports from China, Korea and Taiwan and the alleged subsidisation of imports from China.

6.6 Conclusion on material injury caused by dumped imports

As discussed in CON 190, Customs and Border Protection has made the following observations and conclusions in relation to the injury caused by dumped and subsidised imports of aluminium zinc coated steel and galvanised steel exported from China:

'There appear to be reasonable grounds to support the claim that BlueScope has experienced injury from 2010-11 to 2011-12 in the form of:

(i) Galvanised steel

- *loss of sales volume;*
- *reduced market share;*
- *reduced sales revenues;*
- *price depression;*
- *price suppression;*
- *reduced profit and profitability;*

(ii) Aluminium zinc coated steel

- *loss of sales volume;*
- *reduced sales revenues;*
- *price depression;*
- *price suppression; and*
- *reduced profit and profitability.'*

7 CAUSATION FACTORS

7.1 Findings

Having regard to the matters contained in:

- the applications for countervailing duties in respect of aluminium zinc coated steel and galvanised steel,
- the applications for dumping duties in respect of aluminium zinc coated steel and galvanised steel, and
- to other information considered relevant,

Customs and Border Protection is satisfied that galvanised steel and aluminium zinc coated steel exported to Australia from China at allegedly subsidised prices appear to have caused material injury to the Australian industry. Customs and Border Protection considers that injury is cumulative with the injury identified arising from allegedly dumped imports of aluminium zinc coated steel and galvanised steel exported from China, Korea and Taiwan.

7.2 Causation approach

BlueScope provided the same injury information in its application for countervailing duties as that provided in the applications for INV 190a and INV 190b, claiming that the Australian industry has been injured by dumping and from subsidisation.

As the same injury information and causation arguments have been provided in respect of the current applications as that provided in INV 190a and INV 190b, it has not been repeated in this consideration report as no new or additional information has been provided by the applicant.

The conclusions reached in CON 190 remain the position taken by Customs and Border Protection in relation to injury causation factors in respect of aluminium zinc coated steel and galvanised steel, and find them applicable to subsidisation as well as dumping:

(i) Galvanised steel

Customs and Border Protection is satisfied that, based on the information submitted in the application in respect of galvanised steel, BlueScope has demonstrated that it appears to have suffered injury in respect of galvanised steel and that there appear to be reasonable grounds for concluding that the dumping and/or subsidisation of galvanised steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

Customs and Border Protection notes that notwithstanding the conclusion above, other causes of injury, including the impact of BlueScope's restructure (especially as it relates to the metal coating businesses), downturn in the global economic climate and the impact of Australian dollar on increasing the competitiveness of imports will also be investigated further.

(ii) Aluminium zinc coated steel

Customs and Border Protection is satisfied that, based on the information submitted in the application in respect of aluminium zinc coated steel, BlueScope has demonstrated that it appears to have suffered injury in respect of aluminium zinc coated steel and that there appear to be reasonable grounds for concluding that the dumping and/or subsidisation of aluminium zinc coated steel exported to Australia from China, Korea and Taiwan has caused material injury to the Australian industry producing like goods.

Customs and Border Protection notes that notwithstanding the conclusion above, other causes of injury, including the impact of BlueScope's restructure (especially as it relates to the metal coating businesses), downturn in the global economic climate and the impact of Australian dollar on increasing the competitiveness of imports will also be investigated further.

8 CONCLUSION

Customs and Border Protection has examined the applications and is satisfied that:

- the applications comply with subsection 269TB(4); and
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of countervailing duty notices in respect of the goods the subject of the applications exported from China.

Accordingly, it is recommended that the delegate of the CEO not reject the applications for the publication of countervailing duty notices under subsection 269TB(1).

If the delegate of the CEO agrees with the recommendation, for the purposes of the investigations it is recommended that:

- the investigation period to determine whether subsidisation has occurred be from 1 July 2011 to 30 June 2012; and
- the Australian market and the economic condition of the industry be examined from 1 July 2007 to 30 June 2012 for the purposes of injury analysis.

9 ATTACHMENTS

Attachment No.	Title
Appendix 1	Delegate's notice
Non-confidential Attachment SUB 1	Written submission of the Government of China
Non-confidential Attachment SUB 2	Responses of the Government of China to Customs and Border Protection queries
Non-confidential Attachment SUB 3	BlueScope's response to Government of China submission
Confidential Attachment CA 1	Imports of galvanised steel and aluminium zinc coated steel from Customs and Border Protection's import database
Confidential Attachment CA 2	Export prices (based on Customs and Border Protection's import data)
Confidential Attachment CA 3	Normal values (revised by Customs and Border Protection)
Confidential Attachment CA 4	Injury analysis (including volume, price and profit effects) and NIP calculations

APPLICATION FOR COUNTERVAILING DUTIES ON ZINC COATED (GALVANIZED) STEEL AND ALUMINIUM ZINC COATED STEEL FROM CHINA

CONSULTATIONS UNDER ARTICLE 13.1 OF THE WTO AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

19 NOVEMBER 2012

POSITION PAPER OF THE GOVERNMENT OF CHINA

A INTRODUCTION

1 In an undated letter received by officials of our Embassy in Canberra on 23 October 2012， the Australian Customs and Border Protection Service ("Australian Customs") advised the Government of China ("GOC") that "properly documented applications" had been received by Australian Customs requesting that the Minister for Home Affairs publish countervailing duty notices relating to zinc coated (galvanised) steel and aluminium zinc coated steel exported to Australia from China ("the applications"). The letter invited representatives from the GOC for consultations "in line with Article 13.1 of the WTO Subsidies and Countervailing Measures Agreement ("the SCM Agreement"), with the aim of clarifying the matters raised in the applications and arriving at a mutually agreed solution".

2 The letter stated that Australian Customs sought to consult only on certain "newly-claimed programs", being:

(a) "Coking coal provided by Government at Less Than Adequate Remuneration";

(b) "Coke provided by Government at Less Than Adequate Remuneration"; and

(c) "Scrap Steel at Less Than Adequate Remuneration".

3 In response, by way of email dated 26 October 2012, the GOC expressed its concern about the suggestion that consultations were intended to take place only in relation to the "newly-claimed programs", and about the implications of that suggestion under the SCM Agreement. The GOC objected to that course of action, and requested that Australian Customs reconsider its

position.

4 Subsequently, by way of email from Australian Customs to the GOC dated 29 October 2012, Australian Customs helpfully clarified its position and reoriented its invitation for consultations. Australian Customs advised the GOC that:

(a) Australian Customs had not yet formed an opinion on any of the subsidy programs alleged in the applications;

(b) it was not Australian Customs intention to restrict consultations in any way;

(c) it is open to the GOC to provide additional comments or the same comments in relation to the programs which were not "newly-claimed", and that those comments would be accepted.

5 The GOC welcomes the clarification and reorientation provided by Australian Customs. It is both correct, in terms of the SCM Agreement, and comforting, in terms of the impartiality and due process required to be shown by an investigating authority in matters such as this. In particular the GOC notes footnote 44 to the SCM Agreement, which emphasises:

> *It is particularly important, in accordance with the provisions of [Article 13.1], that no affirmative determination whether preliminary or final be made without reasonable opportunity for consultations having been given.*

6 The GOC believes that an affirmative determination, in the context of Article 13.1, extends to any important determination which affects the interests of an interested party. For our purposes, this definitely includes a determination that the evidence provided in an application is accurate enough, and adequate enough, to justify the initiation of the investigation which is sought by the application. Thus, it is particularly important that the consultations which are called for under Article 13.1 are properly and fully requested and that they are conducted in relation to all of the allegations contained in an application *before* any affirmative decisions are made by an investigating authority to initiate an investigation.

7 Furthermore, reports of panels and of the Appellate Body under the WTO *Understanding on Rules and Procedures Governing the Settlement of Disputes* (referred to as the Dispute Settlement Understanding, or "DSU"), consistently emphasise the importance of consultations as a precursor to the request for establishment of a panel. Although those consultations are in a different context – the procedures for the making of findings in disputes between Members arising under the covered agreements – and cannot be applied directly to the present circumstances, the theme is still highly relevant. The obligation to consult under the DSU is of such importance that a clear failure

to consult on any matter without consent will exclude that matter from the jurisdiction of the panel or Appellate Body hearing the dispute.

8 Consultations on the applications were then scheduled for 2 November 2012. However, by way of email dated 1 November 2012, the GOC was advised that the date for consultations on the applications would need to be changed. The GOC was informed that this was because *"the applicants for the countervailing investigations… intend to submit new information in relation to the applications"* and that *"[i]n accordance with Australian legislation this will have the effect of re-starting the 20-day time period for consideration from the date that new information is provided"*.

9 The GOC has since been provided with the applications said to contain the new information submitted by the applicants,[1] and that has now brought us to the occasion of these consultations.

B INCORPORATION OF MATERIAL SUBMITTED BY THE GOC DURING CONSULTATIONS HELD ON 17 AUGUST 2012

10 The applications are largely in the same terms as those that were the subject of consultations on 17 August 2012. The GOC therefore wishes to repeat the submissions it made at that time in their entirety, and to have them fully considered by Australian Customs in relation to these applications. In order to incorporate those submissions in the record of these consultations, they are comprised in Attachment A to this paper.

C THE APPLICATIONS ARE NOT TECHNICALLY COMPLETE

11 The letter from Australian Customs to which we have referred in paragraph 1 above states that the applications are "properly documented". With respect, the GOC does not agree with that statement, and asks that Customs consider these technical matters:

(a) In the applicant's response to question A-2.9, it is stated that the 2012 Annual Report and Full Financials will be available from mid-September 2012. That month was prior to the date on which the applications must have been lodged with Australian Customs. It is now November 2012. The GOC asks whether these latest financial statements were provided to Australian Customs, and whether they have been considered by Australian Customs. The GOC notes that they have not been provided to the GOC.

[1] The GOC notes that the Australian legislation to which Australian Customs has referred allows an application to be continued in effect after 20 days of receipt – if a decision to reject the application has not been made in the meantime – only where the further information in support of the application is given to Australian Customs by the applicant *"without having been requested to do so"*.

(b) In the applicant's response to question A-4.6, a table is provided which makes no reference at all to sales quantities of allegedly subsidised goods. It refers only to allegedly dumped imports, when the applications are not related to dumping.

(c) In the applicant's response to question A-9.2, the applicant claims as confidential the percentages of "undercutting" alleged by "exports from China, Korea and Taiwan". However we find that these are already disclosed, in the versions of the applications for anti-dumping measures against the same products which are on the public record of Australian Customs' present investigation/s concerning these same coated steel products.

(d) The applicant has completed the questions in Part B – which relates to dumping – despite being advised by the instructions in the text box to Part B that this is not needed in an application for countervailing duty only. The relevance of this is not apparent to the GOC.

(e) In the applicant's response to question C-1, the applicant claims to have referred to *"the 'market situation' findings in Report No. 177 at Section B-4.1 above"*. However that Section makes no reference to those findings, and the GOC has no idea of what it is about those dumping findings – which the GOC rejects – that is claimed to be relevant to these countervailing investigation applications.

12 In isolation, errors in an application may not be considered to deprive an application of its sufficiency, accuracy and adequacy for the purposes of initiating an investigation. However when there are many departures from the technical accuracy and logical explanations that are required to be presented in an application, an investigating authority should very carefully assess whether it is acting on the information in the application. An investigating authority must not decide these matters by acting on its own "assumptions" about what is meant or about what the non-provided information might demonstrate.

D THE APPLICATIONS DO NOT COMPRISE SUFFICIENT EVIDENCE TO INITIATE INVESTIGATIONS

13 As per Article 11.2 of the SCM Agreement:

> *An application under [Article 11.1] shall include sufficient evidence of the existence of (a) a subsidy and, if possible, its amount, (b) injury within the meaning of Article VI of GATT 1994 as interpreted by this Agreement, and (c) a causal link between the subsidized imports and the alleged injury. Simple assertion, unsubstantiated by relevant evidence, cannot be considered to meet the requirements of this paragraph.*

14 Article 11.2 relates directly to Article 11.3, which requires an investigating authority to:

> *...review the accuracy and adequacy of the evidence provided in the application to determine whether the evidence is sufficient to justify the initiation of the investigation.*

15 Importantly, Article 11.2(iii) speaks of *"evidence with regard to the existence, amount and nature of the subsidy in question"*. The GOC therefore submits that evidence of the elements of a subsidy – identifying the financial contribution, its provision by a government or public body, the benefit it confers, and its specificity – is at least required. That evidence does not need to be conclusive. However, at a minimum the evidence of these things does need to appear in the application concerned, and it must be accurate and adequate. Further, WTO authority provides that "evidence" cannot be accepted where it is contradicted by other evidence which is before the investigating authority concerned – such as might be provided to an investigating authority through a consultation process such as this.

16 In relation to the newly-claimed programs referred to in C-1.2.4, C-1.2.5 and C-1.2.6 of the applications, the GOC notes:

(a) **Financial contribution** – The "financial contribution" is not identified. The mention of the words "provides goods", in terms of Article 1.1(a)(1)(iii) of the SCM Agreement, could be expected to identify the financial contribution alleged and to point the reader in the direction of the evidence relating to the elements of the alleged financial contribution. However the GOC finds that the legal claim is not clearly articulated or supported in the applications. The words "less than adequate remuneration" are used in the headings to two of the three newly claimed programs and in one or two other places, such as in describing the agency responsible for administering the "programs". However, for one program the agency is *"unknown"* and for the other two it is merely asserted that a "Coking Coal Industry Association" might *"have been involved with the closure of certain coking facilities in recent times"*. The applicant admits that it is *"not familiar"* with any agency that might be responsible. Closing coking facilities is not a financial contribution, and in any event where is the evidence of that? Moreover the CCIA's name indicates it is an association. This contradicts the allegation that the CCIA is a government body – because government bodies do not normally call themselves "industry associations" – and the GOC advises Australian Customs that the CCIA is not a government body. It is asserted that there are low costs in China, however we presume that these are low costs prevailing in the Chinese market generally. Market prices cannot be a "financial contribution". Accordingly, we see no identification in the application

of a financial contribution, and certainly no evidence of it.

(b) **Government or any public body** – The *"government or… public body"* that provides the unidentified "financial contributions" involved with the newly-claimed programs is not identified. The headings to two of the three sections relating to the newly-claimed programs say *"provided by Government"*. That is all. No government is identified. Following on from our comments on the CCIA, no agency is identified. And if it is claimed that State-invested enterprises are public bodies providing such subsidies – a proposition that the GOC absolutely and flatly rejects – not one is mentioned by name. The applications briefly assert that:

> *The GOC is able to provide for low cost materials in the production of steel through its ownership and control of SIEs in the Chinese steel industry.*

and that:

> *SIEs… play a lead role in implementing the GOC's policies…*

This assertion does not tell us who the actual enterprises are. It does not even provide an example. The applications do not indicate the government function which is said to have been bestowed on SIEs, and which they "exercise", such that could constitute them as "public bodies". It is an example of the barren reasoning that has been rejected by the WTO, and by the Trade Measures Review Officer in Australia, in relation to the labelling of enterprises in China as "public bodies" where there is no evidence to prove that that is the case.

(c) **Benefit** – The applications assert that a benefit can be measured by selecting a price from some market outside China and then comparing that with the Chinese price. In the case of coking coal, a graph headed *"Domestic China vs World Contract HCC prices"* turns out – on closer inspection – to be nothing of the sort, because it charts a Chinese hard coking coal price against an "Australian annual/quarterly contract HCC $USD C&F China". Moreover, hard coking coal is only one type of coal that can be used in steel production, and it is the most expensive type. In the case of scrap steel, a "North American" scrap steel price is charted – and in any case the prices change quite often and alternate in being more expensive or cheaper than the Chinese price. In the case of coke, no price information about an alleged "benefit" was provided in the applications initially submitted to Australian Customs, and a newly submitted graph[2] has no detailed attribution, source information or comparison basis identified. It is footnoted as *"Steel Strategist Report,*

[2] Graph C-1.2.5.

World Steel Dynamics, November 2012, P. 133". The GOC cannot find any such report. The GOC cannot understand, check and assess the information provided by the applicants in this regard. In E below the GOC demonstrates that the applicant has presented distorted information in the applications in respect of both coking coal and scrap steel. Thus, Australian Customs should not accept what the applicant has submitted in relation to coke prices either.

(d) **Specificity** – The applications effectively assert that there is *no* specificity. This is because the raw materials concerned – coking coal, coke and scrap steel – are apparently sold at the allegedly "artificially low" prices to all-comers. Should it be relevant, coking coal and coke are not even specifically used by any one industry. We see no evidence that the steel industry falls within a category of "certain enterprises" to which the subsidy is specific. Such evidence must be required.[3] A WTO panel has said that where a subsidy is provided in the form of the provision of a good by the government, where the good is in the form of a natural resource, there is no implication that such a subsidy is necessarily specific, precisely because such goods may be used by an indefinite number of industries.

> *In the case of a good that is provided by the government - and not just money, which is fungible – and that has utility only for certain enterprises (because of its inherent characteristics), it is all the more likely that a subsidy conferred via the provision of that good is specifically provided to certain enterprises only. We do not consider that this would imply that any provision of a good in the form of a natural resource automatically would be specific, precisely because in some cases, the goods provided (such as for example oil, gas, water, etc.) may be used by an indefinite number of industries.*[4]

17 In some of the respects dealt with above, the applications attempt to rely on the findings in Report No. 177. The GOC rejects those findings. But, putting that objection to one side for the purposes of argument, how can that previous Report possibly assist when the particular raw materials being considered there were not the ones referred to in the newly-claimed programs, and where the investigation period was different, and where market conditions, laws, and regulations are continually changing? Furthermore, it is the application that must include the evidence. The applications effectively request Australian Customs to make out the case against the Chinese exporters concerned, by suggesting to Customs that the evidence is in another place to which Customs

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3 For example, see *China – Countervailing and Anti-Dumping Duties on Grain Oriented Flat-Rolled Electrical Steel from the United States*, WT/DS414/R, 15 June 2012 at para 7.128 .

4 Panel Report, *US – Softwood Lumber IV*, para. 7.116.

itself should go to "piece it together".

18 The GOC concludes that the applications manifestly fail any reasonable test of sufficiency. We see no principled or logical "tracking" of the elements required to establish that a subsidy exists. The legal basis for establishing that a subsidy practice needs to be investigated is not present. We see no evidence supporting the proposition that the necessary elements are present. The GOC has shown that the claimed "evidence" of lower prices in China – which is not the test of a subsidy in any case – is improper and misleading. Australian Customs cannot initiate an investigation if it has evidence before it which disproves the claims made. The GOC has provided Australian Customs with such information in this document.

19 *"Simple assertion unsubstantiated by relevant evidence"* is not sufficient for initiation of an investigation under the SCM Agreement. The applicant is required to provide evidence which provides an evidentiary basis to indicate that the GOC is providing subsidies of the type alleged. That has not been done.

E EVIDENCE IN THE APPLICATIONS IS MISLEADING AND DOES NOT ESTABLISH THE PROPOSITION TO WHICH IT IS DIRECTED

20 We have referred above to a graph headed *"Domestic China vs World Contract HCC prices"*. It purports to chart a Chinese coking coal price against an "Australian annual/quarterly contract HCC $USD C&F China". The applicant obviously hopes that the distance between the lines charted on the graph will give oxygen to the concept that prices in China are "artificially low" and that this fallacy will justify – in combination with a number of other fallacies – a finding that a subsidy exists by reason of a sale of coking coal at that price.

21 The *"World Contract HCC price"* referred to by the applicant is, in fact, an *"Australian annual/quarterly contract HCC $USD C&F China"* price. The China price referred to is said to be a "Shanxi premium coking coal USD$/tonne exc VAT – Delivered". Without giving any credence to the fallacy that lower costs in China are subsidies – which the GOC rejects outright – we wish to draw Australian Customs attention to the following matters:

(a) The so-called *"World Contract HCC price"* is an export C&F price – the Chinese price is a domestic "delivered price". In this regard Australia has some of the most expensive stevedoring and freight costs in the world.[5] China has one of the largest road and railway systems,

[5] See, for example, this reportage in *The Australian Financial Review*:

and consistently low cost labour.

(b) It is well known that China's coking coal is on average a lower quality coking coal compared to Australian hard coking coal, which is a higher quality hard coking coal. Different types of coking coal from different suppliers will have very different prices.

(c) Even the applicant acknowledges that China produces 60% of the world's coking coal. This is four times the volume of Australian production.

(d) Coking coal has a storage life of three to six months. The time taken up by shipment reduces the in-storage life of the coking coal once it is received by the buyer, and increases the risk of it losing its value. Thus Chinese buyers can be expected to prefer domestic supply.

(e) China's imports of thermal coking coal and of metallurgical coking coal respectively account for 12.7% and 8.1% of Australia's total exports of those products in 2011.

(f) The graph shows little difference between the "World" (Australian) price and the Chinese price from January 2012. If VAT is included or the C&F costs are excluded, the Chinese price would exceed the Australian price.

(g) The gap between the Australian price and the Chinese price is obvious only during the period from July 2011 to December 2011. It is well known that Australia's coking coal exports, and prices of those exports, were significantly affected by the floods in Queensland at the beginning of that year. Australian coking coal prices were inflated because the flood disrupted production and transportation.

(h) Indeed, the Australian price during the comparison period chosen by the applicants was at a record high as it was affected by what has been referred to as possibly the second strongest "La Nina" event since 1917-1918:

Labour costs rose 7.5 per cent at container stevedores during 2011-12, the highest annual percentage rise since the ACCC began monitoring 14 years ago. "There were quite large wage increases and we're not sure if there were any productivity offsets in those increases," Mr Sims said.

…

The regulator also noted the stevedores' profitability was "significantly above average" for the top ASX 200 companies and "almost all" comparable overseas container operators, creating scope for users of stevedoring services to benefit from lower prices or investment in more productive services.

Industry rates of return on average tangible assets has increased to 29.2 per cent in 2011-12 from 10.6 per cent in the late 1990s, the highest level since the ACCC began monitoring.

http://www.afr.com/p/national/ports_back_to_the_bad_old_days_accc_ zAiIe9kBPJZw4bXrDMbGYI

The record rains that flooded Australia and led to surging coking coal prices last year are brewing again.

The chances of above-average rainfall in parts of Northern Queensland in the rest of the year are 65 per cent to 70 per cent, Australia's Bureau of Meteorology said September 19. One contributor is the returning La Nina weather event that cooling ocean temperatures and stronger trade winds are indicating may return this quarter.

The prospect of disrupted supply from the world's biggest exporter led Citigroup Inc. analyst Daniel Hynes to say coal may "spike" more than 20 per cent to about $US350 a metric ton, if the disruption is as severe as last summer. The previous La Nina, Australia's most expensive natural disaster, shut mines and sent coal to a record $US330 a ton in the June quarter.

"Last year was a near record La Nina event, possibly the second strongest since 1917-1918," Andrew Watkins, the bureau's manager of climate prediction, said by phone from Melbourne. "About 50 per cent of the time a La Nina follows a La Nina, so it's not that uncommon to have a double whammy."[6]

(i) The price advanced by the applicant as a relevant comparator is nothing of the sort. It cannot support an allegation that China's coking coal is "subsidised" or "artificially low when contrasted with global coking coal prices", as alleged by the applicant. Australian prices themselves were artificially high – and the Queensland floods did not affect China's coal production:

In April 2011, Japanese steel mills and Australian suppliers negotiated high-quality hard coking coal contract prices for the April-June quarter at $330/mt, representing a 47% rise from the previous quarter and largely reflecting the effect of floods on metallurgical coal supply from Queensland.

But in third and fourth quarters of this year, hard coking coal contract prices are likely to ease to $315/mt and $265/mt, respectively, as production and exports from Queensland ramp back up toward capacity, said ABARES.

In 2012, ABARES is forecasting that hard coking coal contract prices would soften further to an average $241/mt, with increased supply from Australia and North America pressuring

[6] http://www.smh.com.au/business/markets/coal-prices-on-the-rise-as-more-rain-looms-20111012-1ljpm html

prices.[7]

(j) Further, the GOC urges Australian Customs to ensure that intentionally misleading and false information is not accepted, for the purposes of initiating a countervailing investigation. The applicant claims that there exists a "subsidy program" by way of the sale and purchase of coking coal in China. However the applicant attempts to support its allegation by providing the price of one of the most expensive types of coking coal - Australian hard coking coal – as a comparison point with a Chinese domestic price. According to the applicant's graph, the "world contract HCC prices" ranged between about USD220 and USD320 in the period covered. According to the GOC's own data, the average price of coking coal imported into China for steel manufacturing purposes during 2011 was approximately USD147. This suggests two things:

- first, the price of hard coking coal cannot represent the general price of coking coal - which is the subject of the alleged program;
- secondly, the "Australian annual/quarterly contract HCC C&F China" price cannot represent any so-called "World" price.

Therefore, the out-of-country evidence provided by the applicant is at best evidence about a hard coking coal price of a particular type in a particular region. This not only lacks relevance to the claim in an absolute legal sense, but it is also misleading in a factual sense.

22 Information which creates entirely misleading impressions is also provided in the case of scrap steel. A chart[8] in the applications is said to show that China scrap steel prices are lower than US scrap steel prices.[9] For some reason unknown to the GOC, this chart now looks slightly different to the one which was originally provided to Customs in the applications. We assume that the applicants intended to suggest to Customs that the two values chosen – a "Heavy Scrap" price for China, and a "#1 Scrap" price for the USA – are for the same kind of scrap steel, and are therefore comparative. Simple research indicates that this is not the case at all.

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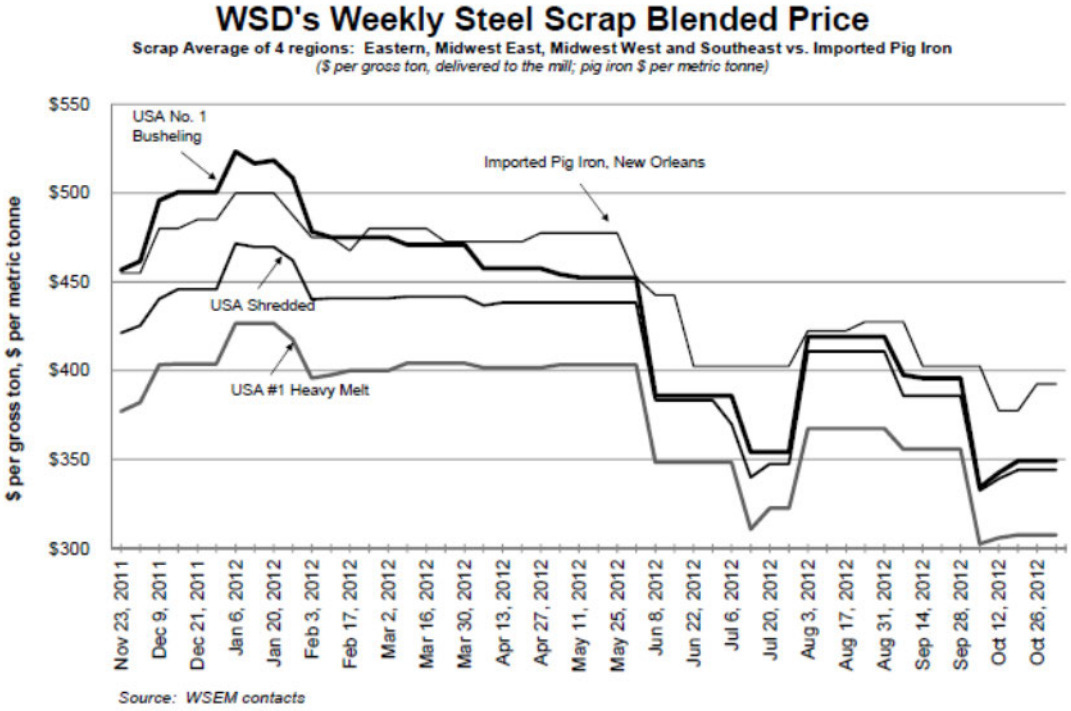
7 http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Coal/8024194

8 Chart C-1.2.6 in both applications.

9 The GOC maintains its strongest objection to the criticisms of Chinese prices simply because they might be lower than in other places. This is entirely impermissible and is not a proper basis for subsidy determination and analysis. And in this case it is quite apparent that the applications attempt to mislead Australian Customs, because as we have explained in the text above more detailed information indicates that Chinese market prices were not lower.



This graph is taken from another source of information quoted by the applicant for the purpose of the applications.[10] It is readily apparent that the USA prices selected by the applicant for its chart are the highest scrap prices of the four different scrap prices charted by that source. In fact the "USA #1 Heavy Melt" prices shown in the above chart were at all times significantly lower than the "China Heavy Scrap" prices shown in the applicant's charts. We submit that this is plainly misleading. Given the applicant's state of knowledge of these matters, Australian Customs could consider this to be a deliberate contrivance.

23 The GOC submits that the applicant's focus on "low prices" is entirely misguided. Different prices exist in different markets in the world. Take this statement, for example:

> *In recent years, China's domestic market prices have typically been lower than the world export FOB prices. For example, in early 2012, the average ex-work price of HRB 5mm in China domestic market was $558 per tonne, versus the price in the USA of $802; in Western Europe of $645 and on the world export market $629 per tonne.*

24 This statement is made in the applications themselves.[11] In it, we see reportage of significant price variations in different markets. Does that mean that the circumstances existing in all but the highest priced market – local conditions, supply and demand, production levels, regulations, market entry, product quality, environmental standards – are creative of "artificially low prices"

[10] "World Steel Dynamics" website - http://www.worldsteeldynamics.com/marley/Marleys%20Heavy%20Melt%20%2350.pdf/view?searchterm=world steel dynamics november 2012

[11] Page 33, said to have been sourced from "World Steel Dynamics Report, P. 25".

constituting “subsidies” in those lower priced markets? We think not.

25 The “subsidies” case that the applicant tries to make out against China and its exporters in relation to the newly-claimed programs has no merit whatsoever. Whether the applicant tried to get the information to support its claims or not is of no consequence - the evidence does not exist, so the case cannot be substantiated by clear and relevant evidence in any event. In particular, if the “new information” was provided because Australian Customs indicated to the applicant that it could not initiate an investigation if it did not have evidence of a “benefit” – then Australian Customs still does not have evidence of any benefit in the case of the newly-claimed programs. This is because the GOC has shown that the applicant’s coal price allegations cannot be accepted; that its scrap steel price allegations are wrong; and that its coke price allegations are not attributed, sourced or detailed to an even vaguely satisfactory level.

F CONCLUSION

26 We submit that an unbiased and objective investigating authority could not conclude that there is sufficient evidence of the existence of the claimed subsidies relating to the newly claimed programs to justify initiation.

27 For all of the above reasons, and for all of the reasons set out in Attachment A, the GOC again submits that the applications should be rejected by Australian Customs in their entirety.

ATTACHMENT A

APPLICATION FOR COUNTERVAILING DUTIES ON ZINC COATED (GALVANIZED) STEEL AND ALUMINIUM ZINC COATED STEEL FROM CHINA

CONSULTATIONS UNDER ARTICLE 13.1 OF THE WTO AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

17 AUGUST 2012, CANBERRA

POSITION PAPER OF THE GOVERNMENT OF CHINA

1 The Australian Customs and Border Protection Service ("Australian Customs") has provided with copies of two documents which complain about the alleged dumping and subsidisation of galvanized steel and aluminium zinc coated steel ("coated steel products"). They are:

(a) *Application for Anti-Dumping Duties Zinc Coated Steel exported from the People's Republic of China, Republic of Korea and Taiwan*[12] *and Application for Countervailing Duties Zinc Coated Steel exported from People's Republic of China* ("the galvanized steel application"); and

(b) *Application for Anti-Dumping Duties Aluminium Zinc Coated Steel exported from the People's Republic of China, Republic of Korea and Taiwan*[13] *and Application for Countervailing Duties Zinc Coated Steel exported from People's Republic of China* ("the aluminium zinc coated steel application),

each undated except as "August 2011" ("the Applications").

2 Under Article 5.5 of the WTO Anti-Dumping Agreement ("the AD Agreement"), the GOC has the right to be notified of the receipt of a properly documented application for an investigation to determine the existence, degree and effect of any alleged dumping.

3 Under Article 13.1 of the Subsidies and Countervailing Measures Agreement ("the SCM Agreement"), the GOC has the right to consultations on the

[12] Under the framework of the WTO, the Region of Taiwan should be addressed as "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)", or simply as "Chinese Taipei".

[13] See footnote 1.

acceptance of an application for an investigation to determine the existence, degree and effect of any alleged subsidy, and before initiation of such an investigation.

4 The Applications rest entirely on fallacies. Those fallacies are as imaginative as they are baseless. They are to be found in *Report to the Minister No. 177 Certain Hollow Structural Sections exported from the People's Republic of China, the Republic of Korea, Malaysia, Taiwan and the Kingdom of Thailand* ("the HSS Report"). Those fallacies are:

(a) that there is a particular market situation in the hollow structural section ("HSS") market in China such that sales of HSS in the Chinese market do not permit a proper comparison with export sales;

(b) that the records of Chinese exporters of HSS do not reasonably reflect the costs - in that case, the steel costs - associated with the production and sale of HSS, and can be substituted by another cost (ie a "surrogate cost");

(c) that State-invested enterprises ("SIEs") which supply steel to HSS producers are public bodies; and

(d) that those SIEs make a financial contribution to HSS producers in the form of a provision of goods that confers a benefit on those producers, because the provision is made for less than adequate remuneration.

5 Not only do the Applications rest on these legally unsound principles – they also offer no new and updated evidence to establish that the circumstances in 2010/2011 - which led to the findings in the HSS Report - exist in 2011/2012. The Applications do nothing more than recite the HSS Report. Moreover, the HSS Report from which the Applications exclusively draw their assumptions and justifications for claiming that there has been dumping and subsidisation of coated steel products was purportedly about HSS, and was not about coated steel at all.

6 Additionally, we are of the opinion that the applicant BlueScope Steel ("the Applicant") has not told Australian Customs everything it knows about market conditions and costs in China, and has not openly identified the causes of its injury.

7 The GOC recognises that the invitation of Australian Customs for these consultations is made under the SCM Agreement, and not the AD Agreement. Nonetheless, we do not intend to remain silent on the blatant misuse of the anti-dumping trade remedy against our producers and our exporters.

8 In our position paper for these consultations we intend to expose each of the fallacies relied upon by the Applications in support of their claims, and to draw attention to both the inadequacies in the Applications and some of the more egregious examples of misinformation that have been placed before

Australian Customs in the Applications.

9 The GOC submits that Australian Customs cannot initiate investigations against Chinese exporters based on these Applications, and requests Australian Customs to reject them.

B THE PARTICULAR MARKET SITUATION FALLACY

10 A "particular market situation" under Article 2.1 of the AD Agreement can only be invoked in extreme cases. The key determinant is whether there are "sales" in the "market" for the product concerned that render the sales non-comparable with export sales. This test goes to the identification of whether there are transactions which are properly recognisable as "sales" in the domestic market such that they can be "compared" to "sales" in the export market. Serious interventions in markets, such that the conditions of competition do not operate to permit "sales" to take place – which in turn means that "prices" are not generated by those conditions – can constitute a "particular market situation". This is roundly acknowledged amongst WTO Members, and by the available Australian legal and administrative precedent.[14]

11 The finding in the HSS Report was *that prices of HSS in the Chinese market are not substantially the same (likely to be artificially low) as they would have been without the GOC influence*. This is entirely unspectacular – regardless of whether the GOC agrees with it or not – and was not a finding of the existence of a situation in the Chinese market that rendered domestic sales unsuitable for price determination. The Applications simply rely upon and restate that finding – swapping the acronym "HSS" with the words "galvanized steel" in the galvanized steel application, and with the words "aluminium zinc coated steel" in the aluminium zinc coated steel application. The Applications thus fail to justify the proposition on which the dumping allegations made in them are based.

12 The GOC fails to understand how a "particular market situation" can be said to exist in a market for a particular product, when there is no analysis of the operation of that market. The HSS Report failed to undertake such an analysis. The Applications aggravate that failure by ignoring the need to present any evidence of the operation of the Chinese market for coated steel products.

C THE FALLACY OF COST SUBSTITUTION IN NORMAL VALUES

13 The AD Agreement is quite clear as to what the implication is of a finding that a "particular market situation" exists – namely, that *the margin of dumping*

[14] Such as it was prior to the development of the flawed policies on this topic which were applied in the HSS Report.

shall be determined by comparison with a comparable price of the like product when exported to an appropriate third country, provided that this price is representative, or with the cost of production in the country of origin plus a reasonable amount for administrative, selling and general costs and for profits. The Applications, however, do not accept that that should be the case. Instead, they proceed on the basis that the particular market situation fallacy allows the normal values to be completely "made up".

14 The GOC rejects the proposition that Regulation 180(2)(b)(ii) of the Customs Regulations is a proper implementation of the AD Agreement. Article 2.2.1.1 says that an investigating authority must use the records of exporters to calculate costs if those records *reasonably reflect the costs associated with the production and sale of the product under consideration*. Australia has improperly chosen to change those words. Regulation 180(2)(b)(ii) says the records must *reasonably reflect competitive market costs associated with the production or manufacture of like goods*.[15] The GOC can confidently state that the records of Chinese coated steel producers will exactly state the costs of the steel used in the production of the coated steel products concerned and - even though the GOC disagrees with that manner of implementation - that they are highly competitive market costs.

15 And what do the Applications suggest that Customs should do in light of the assertion that a "particular market situation" exists? So far as the GOC can tell, the suggestion is that the normal values can be made up from Korean and Taiwanese hot-rolled coil costs, plus the Applicant's own Australian conversion costs, and its selling and general administration costs. As well, it is claimed that a 4% profit margin should be added, for no declared reason and without any origin or source indicated.[16]

16 This kind of approach is blatantly WTO-illegal. It replicates the non-market economy discrimination against China ("surrogacy") that our two countries left behind over 15 years ago. The GOC submits that Australian Customs cannot possibly initiate investigations on the basis of these unprincipled and unlawful allegations. They are a throwback to the last century and should be rejected.

17 Lastly, the GOC notes that the Applicant itself has an international affiliate in China involved in coated steel, namely BlueScope Steel (Suzhou) Limited, producing the subject product with a capacity of 250k MT of coated steel. See a briefing on Bluescope's website. [17] The GOC would request the Customs to check closely and ascertain that the applicant has a legitimate standing as an

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15 For the avoidance of any doubt whatsoever, the GOC emphasises that Chinese steel prices are competitive market costs.

16 Galvanized steel application, page 54; zinc aluminium steel application, page 55.

17 http://www.bluescopesteel.com/about-bluescope-steel/our-company/north-asia/china/china and http://www.bluescopesteel.com.cn/suzhou/products/zincalume.asp

applicant. Whether it has exported the subject products to Australia during the past year or not, it constitutes part of Chinese industry of the subject products, and contributed to development in trade of the subject products between the two countries. It is unfair and unreasonable for a producer to claim any injury to itself by an industry of which it itself constitute an indispensable part, and to request for any trade remedy thereby.

18 And despite declaring that it operates *coating lines - coating of cold rolled steel products with zinc and / or zinc and aluminium to provide corrosion protection* - ie the very products here under consideration – no information about costs for normal values or for benefit analysis, or about the business practices of its own hot-rolled coil suppliers, or about the actual market conditions for coated steel in China, are provided. This is a substantial omission, and is another example of the holding back of information that would presumably affect the Applicant's prospects of establishing its case.

D THE FALLACY THAT STATE INVESTED ENTERPRISES ARE PUBLIC BODIES

19 The Applications rely on findings made in the HSS Report in order to allege that SIE steel producers in China are "public bodies". That finding was manifestly flawed. We urge Australian Customs to recant its view that State investment in commercial enterprises operating in China constitutes them as public bodies on the basis of nothing more than their compliance with Chinese laws and their existence within the framework of social, environmental and industrial policies of the GOC.

20 SIE steel producers in China are not public bodies. The term "public body" has been carefully considered within the WTO's dispute settlement system. The judgement of the Appellate Body in *United States – Definitive Anti-Dumping and Countervailing Duties of Certain Products from China* ("DS379") makes clear that there two ways in which an entity can be considered to be a public body. These are where an entity is expressly vested with or exercises government authority, and where an entity is in fact vested with or exercises government authority. Neither of these apply to Chinese steel producers with some amount of State investment, and in any case it is simply not possible to make "blanket" accusations against all such enterprises.

21 In the HSS Report, Australian Customs did not correctly appreciate that compliance with laws and conduct which accords with GOC policies – whether occurring with knowledge of those policies, or coincidentally – is not evidence of a factual vesting of government authority, nor of the undertaking of government functions. SIEs do not make policies or laws, and if they do comply with them they are not thereby vested with government authority and are not carrying out governmental functions. They are commercial entities that

vigorously compete in their sourcing of materials, contracting for services, production of goods, and sales and investments. They are supported by commercial and private entities and individuals – such as banks and investors – and are audited in accordance with generally accepted accounting principles.

E THE FALLACY THAT A BENEFIT IS CONFERRED BY STEEL SIEs

22 It is not clear what the Applications claim in relation to the question of whether a benefit is provided to coated steel producers. However, what is clear is that the HSS Report is again advanced by the Applications as being some kind of incontrovertible authority – a bible, if you like - for everything that is said in them. The Applicant would have you believe that the biblical quality of the HSS Report is so strong, that no actual, contemporary evidence needs to be offered that would be relevant to coated steel producers (as opposed to HSS producers) in the later period to which the Applications must necessarily refer.

23 The GOC again maintains that Chinese SIE steel producers are not public bodies. Without resiling from that proposition at all, we also stress that it is impossible for those SIEs to confer a benefit on steel buyers when private enterprises compete with SIEs. Private enterprises also sell their own steel products at the market clearing prices which are discovered by the forces of supply and demand in the Chinese steel market. It is a very large market – the largest in the world – and is populated by thousands and thousands of highly profit-motivated buyers and sellers.

24 The participation of private producers and sellers in the market who sell the same products proves that there is no relevant financial contribution; that no benefit is conferred; that the remuneration paid to all participants is "adequate" in market terms; and that prevailing market conditions in China will simply deliver exactly the same prices as those the Applications seek to impugn as conferring a "benefit". It certainly proves that there is no "Program" – and we assure you that no attempt whatsoever has been made by the GOC to subsidise any producers by selling them cheap hot-rolled coil.

25 The GOC also points out that the factual situation in the HSS Report was entirely different from that which confronted the Appellate Body in *United States – Final Countervailing Duty Determination with respect of certain Softwood Lumber from Canada* ("DS257"). Furthermore Australian Customs did not fully extract relevant parts of the Appellate Body report in DS257 in writing the HSS Report, and accordingly did not appreciate both the precedent of that case and the rules and the caveats that it advised.

26 In brief, we understand that Australian Customs did not use private seller prices for hot-rolled coil and narrow strip as a relevant benchmark in the HSS Report *because Customs and Border Protection has undertaken a detailed assessment of the Chinese HRC and narrow strip markets and has found them*

to be distorted by significant influence from the GOC during (and prior to) the investigation period. The GOC challenged this finding, and continues to challenge it, both on factual and legal grounds. In a factual sense, DS257 involved the provision of timber through government licenses – called stumpage rights – issued to timber fellers. These were government set prices. In a legal sense, DS257 only allowed private seller prices to be ignored in cases where prices were distorted because of the predominant role of the government in providing the goods concerned. Australian Customs did not find such predominance in the HSS Report, and expressly denied that it was necessary in order to ignore private seller prices.

27 Therefore, neither a comparison of the facts considered in DS257 and the HSS Report, nor the legal precedent of DS257, support what Australian Customs decided to do in the HSS Report. And, returning to our comment that it is not clear what the Applications claim in relation to the question of whether a benefit is provided to coated steel producers, we see no chain of reasoning or facts which support what the Application proposes should be decided in the case of the alleged subsidisation of complained-of Chinese coated steel products. The Applications obviously imply that a subsidy benefit should be worked out by comparing averaged Korea-Taiwan hot-rolled coil costs – but why private seller prices are not appropriate, and how any external benchmark is to be adjusted for prevailing market conditions in China, are not dealt with at all.

F NO SUBSIDY INFORMATION HAS BEEN PROVIDED

28 The Applications allege that coated steel products produced in China benefited from numerous GOC subsidies. On close inspection it is apparent that no evidence has been provided for these claims apart from a "copy and paste" of information from the HSS Report into the Applications. All of the information provided in relation to the HSS investigation would be outside any usual investigation period for the current claims were investigations to be initiated based on the Applications. Furthermore, the HSS Report related to HSS, and not coated steel. Therefore, the GOC submits that Australian Customs should find the Applications to be deficient and reject them accordingly – on the basis that they do not provide any new, contemporaneous or relevant information to substantiate the subsidy claims which are now being made.

29 The GOC also notes that the actual benefits from programs alleged to constitute financial contributions in relation to producers in the HSS investigation – excluding the so called *Program 20 – Hot Rolled Steel provided by Government at less than adequate remuneration*, which the GOC denies – did not provided "benefits" at all, or in the few cases in which contributions were made the amounts were only nominal.

30 These non-existent and nominal subsidies are in stark contrast to grants recently made and to be made in the future by the Australian Government to the Applicant. The GOC has learnt that AUD180 million in grant moneys has been allocated to the Applicant. This would account for about 3.5% of its total revenue from Australia operations in FY2011! We also understand that another AUD19 million has been granted to the Applicant under an Australian Government carbon permit program.[18]

31 The GOC is seriously concerned by the inconsistencies in treatment that would be displayed should Chinese exports be "countervailed" by reason of non-existent subsidies, when at the same time the Australian side itself makes huge cash subsidies itself to its protected industry.

G THE APPLICATIONS IGNORE OR DOWNPLAY OTHER INJURY FACTORS

32 The GOC now turns to consider the proposition that exports of coated steel products to Australia have caused material injury to the Australian industry, as the Applications would have you believe. The most troubling aspect of this is that the Applications do not wish to admit to any other causes if injury whatsoever. This is an amazing omission, given the experience of the Applicant concerned in its own industry, and the amount of publicly available information and analysis of that industry.

33 Aluminium zinc coated steel is mainly sold for construction purposes, whereas galvanized steel is sold for construction purposes and to other manufacturing industries, including the automotive industry. The recent slide in housing construction starts and the declining production levels of the Australian car industry obviously would have had significant impacts on the Applicant's business.

34 The GOC notes that the Applications claim that production, capacity utilisation, profitability, revenue and employment in aluminium zinc coated steel have all declined, and that its costs have increased. It has made similar claims relating to its galvanized steel business. However, for that business, the Applications do not appear to include profit/profitability information – an issue to which we will return.

35 It is not clear to what extent these claims - and the index figures which are said to support them - actually relate to the Australian market. In particular, reductions in production, capacity utilisation, employment numbers and revenue cannot be attributed to goods exported from China or other countries when such reductions result from other significant causes, such as the Australian industry's poor export performance and its decisions to shut down

[18] BlueScope Annual Report FY2011

facilities because of export losses and to pursue restructuring objectives. There is no indication as to whether the significant amount of restructuring and shut-down costs have been excluded from the "index of costs" or "index of profitability".

36 The Applicant should be open and transparent in its Applications – this is both required and possible, even in a non-confidential sense – and should describe the factors which have clearly caused it to be financially "injured". The Applicant should not exclusively "blame" its "injury" on goods exported to Australia when it is publicly known that it has been adversely affected by its own restructuring and production line shutdowns; by transferring coated production lines to its joint venture partners or related companies overseas; and by its workplace relations issues.

37 As we have already mentioned, the Applicant has apparently refused to provide index information regarding "profit/profitability variation" for its galvanized steel business. The galvanized steel Application attempts to "explain this away" by saying that the profit at *the base year 2008/09 was negative* due to the impact of the global financial crisis on market demand. This omission in the information provided demonstrates an unwillingness on the part of the Applicant to provide information which might prove to be prejudicial to its case, and goes to its credibility.

38 The GOC also notes that at A-9.6 of each Application the Applicant mentions currency issues in the context of the question relating to factors other than dumping that may have caused injury to the industry:

> *BlueScope recognises that the appreciation of the Australian dollar against other currencies has made imports cheaper – however, BlueScope's sensitivity analysis on the impact of the Australian dollar on the dumping from each of the nominated exporting countries is estimated to represent approximately 2 per cent of the dumping margins determined for exports during 2011/12*

39 This is a curious answer and we do not know what it means. Is it suggested that the appreciation of the Australian dollar has contributed to a higher dumping margin? This would make no sense at all. Or is it saying that 2% of the dumping margin is not really a dumping margin at all? Again, that would be a nonsense.

40 Quite apart from that confusion, we note that the question in the Applications relates to other causes of injury, and not to dumping margins of the exported goods. The admission that obviously should have been made by the Applicant was that the high Australian dollar value has made imports much more competitive in the Australian domestic market, and has made the Applicant's export business so uncompetitive that it decided to exit from those markets. In each case, these are causes of injury unrelated to dumping.

41 Other important non-dumping factors that the Applications do not disclose include the *soaring increasing in iron ore and coking coal prices.*[19] It has been reported that the Applicant's coking coal price increased from USD147 to an average of USD248 during FY2011. The impact of the coking coal price increase was a negative AUD428million variance of EBIT in FY2011, compared to FY2010. In a submission made to Australian Customs in the current hot-rolled coil anti-dumping investigation, the Australian Steel Association states that the combined effect of the appreciation of the AUD and the rapid increase in raw material costs has had a profitability impact on the Applicant of over AUD1 billion since early 2011.

42 The GOC also wishes to express its concern over the wording of question A-9.6 in the Application form issued by Customs. It states:

> *Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping.*

43 We submit that this wording is clearly inconsistent with the meaning of the WTO agreements and the Australian legislation regarding the treatment of factors other than dumping in causal analysis. The WTO Agreements and Australian law plainly state that injury caused by non-dumping factors must not be attributed to the allegedly dumped or subsidised goods. However what has been implied in A-9.6, and in the Applicant's response to the question, is that non-dumping factors will actually make the injury <u>even more attributable to dumping or subsidisation</u> than it otherwise would be. This is an incorrect mindset. The GOC cautions Australian Customs not to "reverse" its consideration of other injury factors into justifications to impose measures. That kind of thinking is diametrically opposed to the real reason for analysing other injury factors – which is to decide whether any injury caused by dumping and/or subsidisation can itself be said to have been "material".

H CONCLUSION

44 The Applications fall far short of the evidentiary standard required for the initiation of investigations of the type they request. The justifications which are offered for considering that Chinese exports of coated steel are dumped or subsidised are unsound. Relevant information has been held back from Australian Customs.

45 The GOC is very seriously concerned by the backward-looking attitudes

[19] BlueScope AGM, 2011

expressed in the HSS Report.[20] The ways in which Chinese prices and costs have been rejected in normal value determination, and how subsidies have been invented and their amounts exaggerated, are not compliant with WTO norms. Recent developments in trade remedy practices and procedures in Australia cause the GOC to question the good faith of the Australian side, and seriously undermine our trading relationship.

46 For all of the above reasons, the GOC submits that the Applications should be rejected by Australian Customs.

[20] And also in the similar and recent *Report to the Minister No. 181 Aluminium road wheels exported from the People's Republic of China.*

platts

[STEEL]

METHODOLOGY AND SPECIFICATIONS GUIDE

Metallurgical Coal

(Latest Update: August 2012)

PLATTS METHODOLOGY GUIDES

Platts publishes a methodology guide for each of the markets in which it produces price assessments. The guides are intended to provide market participants with general and specific criteria that underpin Platts assessments.

Methodology guides are updated periodically to reflect changes in market structure or trading practice. Platts engages with market participants and values feedback on any aspect of its assessment methodology.

Platts recognizes that markets are constantly evolving and it seeks to ensure that its assessments keep in step with evolving market requirements.

Changes to the methodology and/or specifications are typically advised in Subscriber Notes published on the Platts website www.platts.com and in its electronic and print publications.

Platts is completely impartial and independent in its role as a market observer. Platts welcomes dialogue with all credible, active market participants.

For any questions or comments relating to Platts metallurgical coal assessment methodology please contact Julien Hall, Team Leader, Steel Raw Materials (Email: Julien_Hall@platts.com. Tel: +65 6530 6538), or James O'Connell, Senior Managing Editor, International Coal (Email: James_OConnell@platts.com. Tel: +65 6530 6476), or pricegroup@platts.com.

ASSESSMENT PRINCIPLES

CONVERGENCE WITH MARKET VALUE

Platts assessments reflect the transactable value of products and commodities traded in the open market. Platts' objective is to publish assessment values that converge with market values for the product or commodity reflected.

As a publisher owned by The McGraw-Hill Companies, independence and impartiality are at the heart of what Platts does. Platts has no financial interest in the price of the products or commodities on which it reports.

To ensure that assessments are as robust as possible, Platts editorial systems are backed by a strong corporate structure that includes managerial and compliance oversight. Platts has compliance staff independent of the editorial group. For more information, contact Director of Compliance John Burnett, 212-904-6943 (john_burnett@platts.com).

TRANSACTION-BASED

Platts assessments are based on actual transactions, and/or on specific firm bids and offers in the market.

Platts aim is to determine the full circumstances surrounding each deal, including details of quality specifications, volume, location, loading/delivery timing, and terms of trade. Platts uses this objective information to determine the typical and repeatable market level for metallurgical coal of the published grade.

Platts bases its assessments on transparent deals, bids and offers in the market, and reflects the traded or tradable value at market close.

Platts monitors activity throughout the day and uses the information gathered in its assessments. Platts assessments do not reflect an average of the deals reported over the day.

In general, volume-weighted averages can be distorted by the pattern of trading over the day, the parameters of individual deals submitted for assessment, and by statistical aberrations relating to sample size, for instance if there is a lack of disclosure of all deals done over a particular day.

NORMALIZATION / EFFECTIVE PRICING

Transactable values are determined by many factors including the quality and chemical specification of materials, the size of the order, timing and delivery terms, and options held by the seller or buyer relating to the deal parameters.

Platts where possible seeks to align its assessment processes with industry practice. Platts takes bid, offer and deal information and relates these to the base standard reflected in its assessments. These base standards are defined under each individual assessment (*see below*).

Platts actively seeks to normalize individual transactions to its published specifications, in order to consistently determine the true and accurate market value of the product or commodity. Platts will strip out the value of unusual optionalities or conditions of trade, where possible.

For further details of how Platts normalizes prices for quality, volume, location and delivery terms, timing and other parameters, see the section below in this guide on normalization procedures.

TIME SENSITIVE ASSESSMENT

Platts recognizes that price is a function of time, and that prices change constantly. All Platts assessments are time-stamped, to provide a consistent price basis even at times of volatility in the market. Platts time-stamps its assessments to reflect market value at the close of business in each trading region.

Platts considers in its assessments all the information provided to it over the day, particularly deals, bids and offers in the market. The value reflected in its assessment is the traded or tradable value prevailing at market close.

Platts does not reflect in its assessments one-off (non-repeatable) deals at off-market levels.

TRANSPARENCY

Platts applies the principles of market-on-close (MOC) price discovery to its assessment processes for oil, petrochemicals, iron ore and coking coal.

While Platts recognizes the reality that some markets are opaque while other markets are more transparent, Platts bases its assessments on the information that is the most transparent and therefore most fully verifiable, in any given marketplace.

Typically, markets go through a three-stage evolution before full transparency is achieved.

Phase 1: First-tier counterparties (producers, traders, consumers) are active as market-makers and price assessment is achieved via phone survey of all active and credible market participants. Platts publishes daily assessments, time-stamped to the close of day, but initially it is likely that some intra-day or contractual verification information may be lacking in details.

Phase 2: Market making and price taking activity is more visible from first and second-tier counterparties, including new market entrants such as banks and independent trading houses, with trade facilitated by brokerages. Market activity is published in real time, and this encourages greater transparency of trade details. Platts confirms transactions, confirms the details of deals and examines the context in which a deal took place, including the time of day, and the market relationships that prevailed at that time.

Phase 3: Price assessment 'windows' are introduced. Market participants are named, and only firm bids and offers are published on the Platts electronic screens in real time, which are open to the market at large. Transactions are confirmed with full post-trade performance expectations. Price formation is achieved in real time, and a defined audit trail emerges allowing full verification of deals, as well as access to relevant deal documentation if required.

MARKET ON CLOSE

Platts has defined rigorous procedures for bidding and offering in a transparent manner in its Market on Close process.

These procedures define strict cut-off times for entry of bids, offers and deals information. These are designed to ensure that bids and offers which are used in the assessments are executable, and that an orderly process is followed to establish that each market level is tested by the market at large, and that deals resulting from these bids and offers are repeatable.

VERIFICATION OF DATA

Platts seeks to confirm all information on deals, bids and offers provided to it. Platts checks deal information with the seller, the buyer, any intermediary, and the market at large. Platts transparency standards require that all information submitted to Platts for assessment purposes be fully verifiable. Platts also seeks to verify as needed the performance of transactions used in the assessment process.

Platts bases its assessments on information from sources deemed reliable. Where Platts has doubts about the reliability of information provided by a market source, it may exclude that information from its assessment processes.

SPREADS

When Platts considers deal information, it seeks not only to confirm the details of a deal, but also examines the context in which a deal took place. Platts monitors spreads between the different specifications/grades of product reported and uses these in the alignment of its assessments.

DATA CODES

Each Platts assessment is identified using a unique 7-alphanumeric data code. Platts assessments are identified in this methodology guide using these data codes. These codes can be matched up with Platts published symbols directories to identify price history for specific assessments in Platts price databases.

GENERAL METHODOLOGY & NORMALIZATION PROCEDURES

TIME OF ASSESSMENT

Platts metallurgical coal assessments aim to reflect the latest range in which a standard repeatable transaction takes place or could take place at arms length. Platts monitors market activity through the day and deal, bid and offer information submitted to it through the day may be used in its assessments. Where there is evidence of intraday volatility, this is incorporated in the assessment which reflects the normalized value at market close.

Platts metallurgical coal assessments reflect the transactable value prevailing at 18.30:00 Singapore time. The assessment methodology reflects values on a market-on-close basis. Trading activity, including bids/offers and transactions, is covered during the typical operating day with data cut off for inclusion in the assessment precisely at 18.30.00 Singapore time.

All market activity is viewed in light of its market relevance, repeatability and transparency. Transactions between related parties or transactions that do not meet Platts high standards for transparency, verifiability and repeatability may not be taken into account.

PRICE UNITS

All units for assessments are stated below for each individual data code, with a minimum fluctuation price of one unit. Metallurgical coal assessments are expressed in dollars and cents per metric ton, unless otherwise stated.

QUALITY

Platts defines a base quality specification and normalizes deals or bids/offers to that standard. Platts' aim is to reflect market value for the quality specifications described. Standard quality parameters for each assessment are defined below.

No distinction in principle is made in terms of origin of the material. Platts does however recognize that market practice may distinguish price between materials of similar quality specifications from different sources, and accounts for this in its normalization process.

Platts will monitor differentials in prices for similar grade material and may exclude from its assessments deals or offers from participants that are regarded by the market as offering non-prime material or service levels. Platts aim is to reflect commodity value based on the fitness of a commodity in terms of the quality and delivery standards.

Platts assesses the premia / penalties for the most important chemical and physical properties and impurities, by surveying industry calculations of current market value-in-use.

QUANTITY / ORDER SIZE

Platts assessments reflect bids/offers and transactions typical in the marketplace. Platts defines a typical order size or shippable quantity for each of its assessments. Platts assessments reflect the quantity specified under each data code.

Deals reported that differ from the standard may be normalized if market structures indicate there is a price differential to the standard, or they may be excluded from assessment if regarded as unusual transactions.

Any premium for small cargo lots or discount available for larger than standard volumes are stripped out of price assessments. Offers or bids on non-standard terms that Platts determines to be restrictive, making a deal logistically or financially difficult to execute, may be disregarded in the assessment process.

TIMING

Assessments reflect typical loading and delivery schedules for each market and product grade assessed. Standard loading and delivery windows are specified under the individual data codes.

Please note that Platts will not reflect in its assessments any loadings or deliveries that are deemed distressed in nature; when a seller or buyer has left it too late for execution of the trade under normal vessel and product scheduling timeframes.

Assessments reflect market value for the specified loading/delivery window after taking into consideration the difference in prices prevailing along the time curve. Platts normalizes to the middle of the loading/delivery window specified for each assessment. Platts assessments fully take into account any time value of a backwardated or contango market structure.

Deals, bids or offers for loading or delivery outside the date ranges specified by Platts may be disregarded in the assessment process. Transactions that are negotiated within the framework of longer-term contractual arrangements (term deals) are excluded from the assessments.

LOADING / DELIVERY LOCATION

Platts defines specific FOB loading or CFR delivery locations in its price assessments. Deals or bids/offers reported on different loading / delivery port basis may be normalized to the assessed location, using prevailing spot market freight rates.

FREIGHT DIFFERENTIALS

Platts takes into account prevailing seaborne freight in establishing CFR values. In the absence of specific CFR based deals, bid or offers, Platts may determine a CFR value from FOB values, by applying the prevailing net forward freight cost.

EMBEDDED OPTIONS

Platts objective is to reflect the transactable value of the commodity assessed. In cases where the apparent value of the commodity includes extra optionalities, the intrinsic value of the commodity may be masked.

Bids, offers or deals that contain excessive optionalities for either the buyer or seller may likewise be disregarded in the assessment process.

Examples include loading or delivery options held by the buyer or seller, volume tolerances exercisable by the buyer or seller, or non-standard quality specifications.

GT&CS

Platts assessments reflect trades in the metallurgical coal market concluded under normal contractual terms, including widely accepted General Terms & Conditions and INCOTERMS.

Where companies express bids or offers, these are understood to be on INCOTERMS unless otherwise stated. Platts' use of terms such as FOB, CFR, CIF, ex-works and so on are based around definitions provided by the International Chamber of Commerce which publishes the INCOTERMS.

Definitions of such terminology are available through the following web link: http://www.iccwbo.org/incoterms/

Please note that the text of INCOTERMS in whole or in part is subject to ICC's copyright. Other related ICC publications, in printed or electronic form, are also subject to copyright.

CREDIT / PAYMENT TERMS

Payment terms are as per standard commercial practice.

All credit variations are normalized to 100% Letter of Credit, payable at sight. Wherever greater credit is given, this will be factored out of the price assessment process. Where a seller is prepared to discount the price for prompter payment, this will also be factored into the assessment.

Where transactions are reported with non-standard credit terms, Platts normalizes these based on prevailing commercial interest rates and typical credit payment terms in the industry at the time of the transaction.

METALLURGICAL COAL ASSESSMENT SPECIFICATIONS

PLATTS DAILY METALLURGICAL COAL ASSESSMENTS

Platts publishes daily assessments for three grades of hard coking coal, two assessments for PCI coal, one assessment for semi-soft coking coal and one assessment for metallurgical coke, for locations of loading/delivery detailed in the table below

$/mt	FOB Australia	CFR China	CFR India
Peak Downs Region	■	■	■
Premium Low Vol	■	■	■
HCC 64 Mid Vol	■	■	■
Low Vol PCI	■	■	■
Low Vol 12 Ash PCI	■	■	■
Semi Soft	■	■	■
Met Coke	-	-	■

Assessed specifications

	CSR	VM	Ash	S	P	TM	Fluidity
Peak Downs Region:	74%	20.7%	10.5%	0.60%	0.030%	9.5%	400
Premium Low Vol:	71%	21.5%	9.3%	0.50%	0.045%	9.7%	500
HCC 64 Mid Vol:	64%	25.5%	9.0%	0.60%	0.050%	9.5%	1700

HCCAU00 HARD COKING COAL (HCC 64 MID VOL) FOB AUSTRALIA

Platts launched on March 15, 2010, daily spot Hard Coking Coal (HCC 64 Mid Vol) price assessments basis FOB Australia.

Price Assessment: Platts publishes the transactable value for Hard Coking Coal (HCC 64 Mid Vol), indicating the price at which a cargo could be traded on FOB Australia basis at the close of the assessment period on the day of publishing. These assessed values are based on confirmed spot transactions, firm bids / offers, or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Spot price bids/offers or trades in key consumer markets basis CFR China, India or Japan/Korea/Taiwan may be netted back to FOB Australia basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB Australia. For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Qingdao port in North China, and from Hay Point port in East Australia to Paradip port in East India.

Platts assessments also take into account hard coking coal demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: thermal coal (benchmark FOB Newcastle, Australia), iron ore (benchmark IODEX 62 Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Hard Coking Coal (HCC 64 Mid Vol) FOB Australia spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD)and in Platts Coal Trader International (CTI).

Frequency: Price assessments FOB Australia are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time (1030 GMT). The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports in Queensland: Gladstone, Dalrymple Bay, Hay Point, Abbott Point and Brisbane; and in New South Wales: Newcastle and Port Kembla. Freight rates for hard coking coal from any of these ports are normalized to Hay Point port for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB Australia 7-45 days forward from the date of publication. For instance, on January 1, Platts assesses cargoes for loading between January 8 and February 14. Platts' benchmark assessment for Hard Coking Coal reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Traded prices for cargoes of hard coking coals and premium hard coking coals will be normalized using observed market differentials or, in the absence of these, implied Value In Use (VIU) differentials, to the following precise Hard Coking Coal (HCC 64 Mid Vol) benchmark specifications for assessment:

Coking properties:
- Coke Strength after Reaction (CSR): 64%
- Maximum fluidity: 1700 ddpm

Proximate analysis:
- Volatile Matter (VM): 25.5% air dried
- Ash: 9.0% air dried
- Phosphorous (P): 0.05% air dried

Chemical analysis:
- Sulfur (S): 0.6% air dried

Moisture:
- Total Moisture (TM): 9.5% as received

These specifications represent physical and chemical characteristics for the typical target box of blended hard coking coals sought by blast furnace operators, or in the case of impurities, the median value of all assessable hard coking coals mined and shipped from Australia.

Quality Normalization: Neither PCI, semi-soft coking coal nor thermal coal cargo prices will be normalized to Hard Coking Coal standards, but will be analyzed for pricing consistency.

Price normalization escalator/de-escalators: will be re-assessed on a periodic basis for normalization purposes, given the absolute price level of coking coal traded in the spot market. Effective 3 October 2011, a ratio of 1% for CSR, VM, ash and moisture and 0.1% sulfur per 1% of Platts published spot price for Hard Coking Coal (Premium Low Vol) is used. Published factors (the ratio of quality parameters such as ash to the HCC spot price) which determine the normalization escalator/de-escalators may change over the course of the year.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications lying outside the typical min/max quality ranges for Hard Coking Coal. This particularly applies to unusual ash chemistry (A/B ratio) or fluidity characteristics, or an unusual level of oven wall pressure (OWP) or phosphorous.

Min / Max quality parameters for consideration in assessments:

Price assessments of HCC 64 Mid Vol reflect Hard Coking Coal quality. Only hard coking coals meeting the following quality parameters are considered for assessment:

Coking Properties:
- Coke Strength after Reaction (CSR): 60% min
- Maximum fluidity: 40 to 6000 ddpm

Proximate analysis:
- Volatile Matter (VM): Min 18.8-27.5% max air dried
- Ash: 8.5-9.8% max air dried
- Phosphorous (P): 0.015-0.07% max air dried

Chemical analysis:
- Sulfur (S): 0.4-0.7% max air dried

Moisture:
Total Moisture (TM): 9.0-11.0% max as received

Maceral analysis:
Maceral Composition Vitrinite: 48-79%

Rank:
Mean Max Vitrinite Reflectance: Ro 1.17-1.52%

Physical analysis:
Sizing: 50 mm max

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

PLVHA00 HARD COKING COAL (PREMIUM LOW VOL) FOB

Platts launched on October 1, 2010, daily spot Hard Coking Coal (Premium Low Vol) price assessments basis FOB Australia.

Price Assessment: Platts publishes the transactable value for Hard Coking Coal (Premium Low Vol), indicating the price at which a cargo could be traded on FOB Australia basis at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of premium hard coking coals (see minimum quality specifications below) normalized to the exact Premium Low Vol specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Spot price bids/offers or trades in key consumer markets basis CFR China, India or Japan/Korea/Taiwan may be netted back to FOB Australia basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB Australia. For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Qingdao port in North China, and from Hay Point port in East Australia to Paradip port in East India.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Hard Coking Coal (Premium Low Vol) FOB Australia spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD)and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time (1030 GMT). The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports in Queensland: Dalrymple Bay, Hay Point; and in New South Wales: Port Kembla. Freight rates for hard coking coal from any of these ports are normalized to Hay Point port for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB Australia 7-45 days forward from the date of publication. For instance, on January 1, Platts assesses cargoes for loading between January 8 and February 14. Platts' benchmark assessment for Hard Coking Coal reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Price assessments reflect the value of Hard Coking Coal (Premium Low Vol) quality, matching the following specifications:

Coking properties:
Coke Strength after Reaction (CSR): 71%
Maximum fluidity: 500 ddpm

Proximate analysis:
Volatile Matter (VM): 21.5% air dried
Ash: 9.3% air dried
Phosphorous (P): 0.045% air dried

Chemical analysis:
Sulfur (S): 0.50% air dried

Moisture:
Total Moisture (TM): 9.7% as received

Quality Normalization: Neither PCI, semi-soft coking coal nor thermal coal cargo prices will be normalized to Hard Coking Coal standards, but will be analyzed for pricing consistency.

Price normalization escalator/de-escalators: will be re-assessed on a periodic basis for normalization purposes, given the absolute price level of coking coal traded in the spot market. Effective 3 October 2011, a ratio of 1% for CSR, VM, ash and moisture and 0.1% sulfur per 1% of Platts published spot price for Hard Coking Coal (Premium Low Vol) is used. Published factors (the ratio of quality parameters such as ash to the HCC spot price) which determine the normalization escalator/de-escalators may change over the course of the year.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications lying outside the typical min/max quality ranges for Hard Coking Coal (Premium Low Vol). This particularly applies to unusual ash chemistry (A/B ratio) or fluidity characteristics, or an unusual level of oven wall pressure (OWP) or phosphorous.

Min / Max quality parameters for consideration in assessments: Only premium Hard Coking Coals meeting the following minimum quality parameters are considered for normalization to the Premium Low Vol specification (of 71% CSR, 21.5% VM, 9.3% Ash, 0.50% S, 0.045% P, 9.7% TM):

Coke Strength after Reaction (CSR): 67% min
Max Dilatation: 50% min
Volatile Matter (VM): Min 18.8-24.5% max air dried

Semi-hard, PCI, semi-soft coking coal and thermal coal cargo prices will not be considered for assessment of Hard Coking Coal (Premium Low Vol) prices.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

HCCGA00 HARD COKING COAL (PEAK DOWNS REGION) FOB AUSTRALIA

Platts launched on August 23, 2010, daily spot Hard Coking Coal (Peak Downs Region) price assessments basis FOB Australia.

Price Assessment: Platts publishes the transactable value for hard coking coal Peak Downs® indicating the assessed price at which a cargo could be traded on FOB Australia basis at the close of the assessment period on the day of publishing. Assessed values are based on normalizing the values of a range of hard coking coals with similar properties (see minimum quality specifications below).

Spot price bids/offers or trades in key consumer markets basis CFR China, India or Japan/Korea/Taiwan may be netted back to FOB Australia basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB Australia. For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Qingdao port in North China, and from Hay Point port in East Australia to Paradip port in East India.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: iron ore (benchmark IODEX 62 Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Hard Coking Coal (Peak Downs Region) FOB Australia spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD)and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time (1030 GMT). The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports in Queensland: Dalrymple Bay, Hay Point; and in New South Wales: Port Kembla. Freight rates for hard coking coal from any of these ports are normalized to Hay Point port for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB Australia 7-45 days forward from the date of publication. For instance, on January 1, Platts assesses cargoes for loading between January 8 and February 14. Platts' benchmark assessment for Hard Coking Coal reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Price assessments reflect the value of Hard Coking Coal (Peak Downs Region) quality, matching the following typical specifications:

Coking properties:
- Coke Strength after Reaction (CSR): 74%
- Crucible Swell Number (CSN): 8.5
- Maximum fluidity: 400 ddpm

Proximate analysis:
- Volatile Matter (VM): 20.7% air dried
- Ash: 10.5% air dried
- Phosphorous (P): 0.030% air dried

Chemical analysis:
- Sulfur (S): 0.60% air dried

Moisture:
- Total Moisture (TM): 9.5% as received

Maceral analysis:
- Vitrinite: 68.0%

Rank:
- Mean Max Reflectance: Ro Max 1.42%

Physical analysis:
- Sizing: 50 mm max

Quality Normalization: Neither PCI, semi-soft coking coal nor thermal coal cargo prices will be normalized to Hard Coking Coal (Peak Downs Region) standards, but will be analyzed for pricing consistency.

Price normalization escalator/de-escalators: will be re-assessed on a periodic basis for normalization purposes, given the absolute price level of coking coal traded in the spot market. Effective 3 October 2011, a ratio of 1% for CSR, VM, ash and moisture and 0.1% sulfur per 1% of Platts published spot price for Hard Coking Coal (Premium Low Vol) is used. Published factors (the ratio of quality parameters such as ash to the HCC spot price) which

determine the normalization escalator/de-escalators may change over the course of the year.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications lying outside the typical min/max quality ranges for premium Hard Coking Coals. This particularly applies to unusual ash chemistry (A/B ratio) or fluidity characteristics, or an unusual level of oven wall pressure (OWP) or phosphorous.

Min / Max quality parameters for consideration in assessments:

Only premium Hard Coking Coals meeting the following minimum quality parameters are considered for normalization to the Peak Downs Region specification (of 74% CSR, 20.7% VM, 10.5% Ash, 0.60% S, 0.030% P, 9.5% TM):

Coke Strength after Reaction (CSR): 67% min
Max Dilatation: 50% min
Volatile Matter (VM): Min 18.8-24.5% max air dried

Semi-hard, PCI, semi-soft coking coal and thermal coal cargo prices will not be considered for assessment of Hard Coking Coal (Peak Downs Region) prices.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

HCCCH00 HARD COKING COAL CFR CHINA

Platts launched on March 15, 2010 daily spot Hard Coking Coal (HCC 64 Mid Vol) price assessments basis CFR China. Platts launched on August 23, 2010 daily spot Hard Coking Coal (Peak Downs Region) price assessments basis CFR China. Platts launched on October 1, 2010 daily spot Hard Coking Coal (Premium Low Vol) price assessments basis CFR China.

Price Assessment: Platts publishes a single assessed price for each of three different quality grades: Hard Coking Coal (HCC 64 Mid Vol), Hard Coking Coal (Premium Low Vol) and Hard Coking Coal (Peak Downs Region), indicating the price at which cargoes could be traded on a CFR China basis at the close of the assessment period on the day of publishing. These assessed values are based on confirmed spot cargo transactions, firm bids/offers, or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: thermal coal (benchmark FOB Newcastle), iron ore (benchmark IODEX 62 Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments).

Availability: Hard Coking Coal (HCC 64 Mid Vol), Hard Coking Coal (Premium Low Vol) and Hard Coking Coal (Peak Downs Region) CFR China spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), Platts Steel Markets Daily (SMD), and in Platts Coal Trader International (CTI).

Frequency: CFR China assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time (1030 GMT). The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in North China: Qingdao, Dalian, Qinhuangdao, Caofeidian, Jintang. Hard Coking Coal prices from any of ports in East China (Shanghai, Fujian) or South China (Guangzhou) are normalized to the northern port of Qingdao for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes delivered CFR China between 30-75 days forward from date of publication. For instance, on April 1, Platts assesses cargoes for delivery between May 1 and June 15. Platts' benchmark assessment for Hard Coking reflects the mid-point of the delivery window. Cargoes traded with more prompt or further forward timings are normalized for assessment purposes.

Quality: Price assessments and quality normalization processes are as defined for assessments of Hard Coking Coal (HCC 64 Mid Vol), Hard Coking Coal (Premium Low Vol) and Hard Coking Coal (Peak Downs Region) basis FOB Australia (see above for details).

Quality inspections: are typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

HCCIN00 HARD COKING COAL CFR INDIA

Platts launched on July 5, 2010 daily spot Hard Coking Coal (HCC 64 Mid Vol) price assessments basis CFR India. Platts launched on August 23, 2010 daily spot Hard Coking Coal (Peak Downs Region) price assessments basis CFR India. Platts launched on October 1, 2010 daily spot Hard Coking Coal (Premium Low Vol) price assessments basis CFR India.

Price Assessment: Platts publishes a single assessed price for each of three different quality grades: Hard Coking Coal (HCC 64 Mid Vol), Hard Coking Coal (Premium Low Vol) and Hard Coking Coal (Peak Downs Region), indicating the price at which cargoes could be traded on a CFR India basis at the close of the assessment period on the day of publishing. These assessed values are based on confirmed spot cargo transactions, firm bids/offers, or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts assessments also take into account demand/supply fundamentals in Australia, Canada, the USA and other key producer markets. Spot prices bid/offered or traded on FOB basis may be netted forward to CFR India basis using assessed

spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis CFR India. For net-forward calculations from FOB origins, differing Capesize, Panamax or Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Paradip port in East India.

Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: thermal coal (FOB Indonesia and FOB Richard's Bay, South Africa), coke (FOB China), iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (domestic Indian and global steel price benchmarks) as published by Platts.

Availability: Hard Coking Coal (64 Mid Vol), Hard Coking Coal (Premium Low Vol) and Hard Coking Coal (Peak Downs Region) CFR India spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD), and in Platts Coal Trader International (CTI).

Frequency: CFR India assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time (1030 GMT). The assessment is published following editorial engagement with producers, consumers, traders, shippers and other active spot market participants.

Basis & Location: Cargoes delivered to the following main ports of India: Paradip, Vizag and Haldia. Hard Coking Coal prices delivered into any ports in West India are normalized to the eastern port of Paradip for assessment purposes.

Unit: All prices are quoted in US dollars per metric ton ($/mt).

Timing: Platts assesses cargoes delivered CFR India between 21-60 days forward from date of publication. For instance, on April 1, Platts assesses cargoes for delivery between April 22 and May 31. Platts' benchmark assessment for Hard Coking reflects the mid-point of the delivery window. Cargoes traded with more prompt or further forward timings are normalized for assessment purposes.

Quality: Price assessments and quality normalization processes are as defined for assessments of Hard Coking Coal (HCC 64 Mid Vol), Hard Coking Coal (Premium Low Vol) and Hard Coking Coal (Peak Downs Region) basis FOB Australia (see above for details).

Quality inspections are typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCLVA00 LOW VOL PCI FOB AUSTRALIA

Platts launched on October 3, 2011, daily spot Low Vol PCI (Pulverized Coal Injection) price assessments basis FOB Australia,

Price Assessment: Platts publishes the transactable value for Low Vol PCI (Pulverized Coal Injection), indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of PCI (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade. Platts also considers on normalized basis, bids / offers or trades of comparable PCI traded FOB Canada, FOB Russia, FOB Indonesia or FOB China.

Platts will also monitor the opportunity cost of high quality Australian PCI. Opportunity cost may be derived by observing spot trades of run-of-mine material and of by-product thermal coal.

Spot price bids/offers or trades of PCI in key consumer markets basis CFR China, India or Japan/Korea/Taiwan will be netted back to FOB Australia basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB Australia. For netback calculations from CFR destinations, differing Capesize, Panamax, Supramax and Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Qingdao port in North China, and from Hay Point port in East Australia to Paradip port in East India.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, metallurgical coke, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Low Vol PCI (Pulverized Coal Injection) spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports in Queensland: Hay Point Coal Terminal, Dalrymple Bay Coal Terminal, Gladstone, Abbot Point as well as major ports in New South Wales. Freight rates for PCI from any of these ports are normalized to Dalrymple Bay Coal Terminal port for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB Australia 7-45 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for loading between August 8 and September 14. Platts' benchmark assessment for PCI reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Price assessments reflect the value of PCI quality matching the following specifications:

Proximate analysis:

Volatile Matter (VM): 13.0% air dried
Ash: 8.5% air dried

Sulfur (S): 0.55% air dried
Calorific Value (CV): 7800 kcal/kg (gross, air-dried)
Hardgrove Grindability Index (HGI): 78

Ultimate analysis:
Total Carbon 90.5% dry, ash-free

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as phosphorus, may also be considered.

Hard Coking Coal cargo prices will not be normalized to PCI standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications lying outside the typical min/max quality ranges for PCI.

Min / Max quality parameters for consideration in assessments: Only Low Vol PCI (Pulverized Coal Injection) meeting the following minimum quality parameters are considered for direct normalization to the Low Vol PCI specification (of 13.0% VM, 8.5% Ash, 0.55% S, 7800 kcal/kg CV, 78 HGI):

Volatile Matter (VM): Min 11.5-16.0% max air dried
Ash: Min 8.4-10% max air dried
Sulfur (S): Min 0.40-0.60% max air dried
Calorific Value (CV): Min 7500-7850 max kcal/kg (GAD)
Hardgrove Grindability Index (HGI): Min 70-84 max
Total Carbon: Min 88-93.0% max dry, ash-free

Other higher volatile PCI grades may be normalized to the Low Vol PCI specification.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCLVC00 LOW VOL PCI CFR CHINA

Platts launched on October 3, 2011, daily spot Low Vol PCI (Pulverized Coal Injection) price assessments basis, CFR China

Price Assessment: Platts publishes the transactable value for Low Vol PCI (Pulverized Coal Injection), indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of PCI (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, metallurgical coke, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Low Vol PCI (Pulverized Coal Injection) spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in North China: Qingdao, Dalian, Qinhuangdao, Caofeidian, Tianjin, Jintang, Rizhao and Bayuquan. PCI prices from any ports in East China (Shanghai, Fujian) or South China (Guangzhou) are normalized to the northern port of Qingdao for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes delivery CFR China 30-75 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivery between August 31 and October 15 Platts' benchmark assessment for PCI reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of PCI quality matching the following specifications:

Proximate analysis:
Volatile Matter (VM): 13.0% air dried
Ash: 8.5% air dried
Sulfur (S): 0.55% air dried
Calorific Value (CV): 7800 kcal/kg (gross, air-dried)
Hardgrove Grindability Index (HGI): 78

Ultimate analysis:
Total Carbon 90.5% dry, ash-free

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as phosphorus, may also be considered.

Hard Coking Coal cargo prices will not be normalized to PCI standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications lying outside the typical min/max quality ranges for PCI.

Min / Max quality parameters for consideration in assessments: Only Low Vol PCI (Pulverized Coal Injection) meeting the following minimum quality parameters are considered for direct normalization to the Low Vol PCI specification (of 13.0% VM, 8.5% Ash, 0.55% S, 7800 kcal/kg CV, 78 HGI):

Volatile Matter (VM): Min 11.5-16.0% max air dried
Ash: Min 8.4-10% max air dried
Sulfur (S): Min 0.40-0.60% max air dried
Calorific Value (CV): Min 7500-7850 max kcal/kg (GAD)
Hardgrove Grindability Index (HGI): Min 70-84 max
Total Carbon: Min 88-93.0% max dry, ash-free

Other higher volatile PCI grades may be normalized to the Low Vol PCI specification.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCLVC00 LOW VOL PCI CFR INDIA

Platts launched on October 3, 2011, daily spot Low Vol PCI (Pulverized Coal Injection) price assessments basis CFR India.

Price Assessment: Platts publishes the transactable value for Low Vol PCI (Pulverized Coal Injection), indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of PCI (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, metallurgical coke, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Low Vol PCI (Pulverized Coal Injection) spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in East India: Haldia, Paradip, Vizag. PCI prices from any ports in West India (Mundra, Kandla, Okha, Mormugao, New Mangalore) or South India (Chennai) are normalized to the East Indian port of Paradip for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes delivered CFR India 21-60 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivery between August 22 and September 30. Platts' benchmark assessment for PCI reflects the mid-point of the delivery period

Quality: Price assessments reflect the value of PCI quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 13.0% air dried
- Ash: 8.5% air dried
- Sulfur (S): 0.55% air dried
- Calorific Value (CV): 7800 kcal/kg (gross, air-dried)
- Hardgrove Grindability Index (HGI): 78

Ultimate analysis:
- Total Carbon 90.5% dry, ash-free

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as phosphorus, may also be considered.

Hard Coking Coal cargo prices will not be normalized to PCI standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications lying outside the typical min/max quality ranges for PCI.

Min / Max quality parameters for consideration in assessments: Only Low Vol PCI (Pulverized Coal Injection) meeting the following minimum quality parameters are considered for direct normalization to the Low Vol PCI specification (of 13.0% VM, 8.5% Ash, 0.55% S, 7800 kcal/kg CV, 78 HGI):

Volatile Matter (VM): Min 11.5-16.0% max air dried
Ash: Min 8.4-10% max air dried
Sulfur (S): Min 0.40-0.60% max air dried
Calorific Value (CV): Min 7500-7850 max kcal/kg (GAD)
Hardgrove Grindability Index (HGI): Min 70-84 max
Total Carbon: Min 88-93.0% max dry, ash-free

Other higher volatile PCI grades may be normalized to the Low Vol PCI specification.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCLAA00 LOW VOL 12 ASH PCI FOB AUSTRALIA

Platts launched on October 3, 2011, daily spot Low Vol 12% Ash PCI (Pulverized Coal Injection) price assessments basis FOB Australia CFR China and CFR India.

Price Assessment: Platts publishes the transactable value for Low Vol, higher ash PCI (Pulverized Coal Injection), indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of PCI normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade. Platts also considers on normalized basis, bids / offers or trades of comparable PCI traded FOB Canada, FOB Russia, FOB Indonesia or FOB China.

Platts will also monitor the opportunity cost of PCI, as a guideline for its assessments of spot market value. Opportunity cost may be derived by observing spot trades of run-of-mine material and of by-product thermal coal.

Spot price bids/offers or trades of PCI in key consumer markets basis CFR China, India or Japan/Korea/Taiwan may be netted back to FOB Australia basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB Australia. For netback calculations from CFR destinations, differing Capesize, Panamax, Supramax and Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Qingdao port in North China, and from Hay Point port in East Australia to Paradip port in East India.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, metallurgical coke, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Low Vol 12 Ash PCI (Pulverized Coal Injection) spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports in Queensland: Hay Point Coal Terminal, Dalrymple Bay Coal Terminal, Gladstone, Abbot Point as well as major ports in New South Wales. Freight rates for PCI from any of these ports are normalized to Dalrymple Bay Coal Terminal port for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading 7-45 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for loading between August 8 and September 14. Platts' benchmark assessment for PCI reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Price assessments reflect the value of PCI quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 15.0% air dried
- Ash: 12% air dried
- Sulfur (S): 0.55% air dried

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as phosphorus, may also be considered.

Hard Coking Coal cargo prices will not be normalized to PCI standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCLAC00 LOW VOL 12 ASH PCI CFR CHINA

Platts launched on October 3, 2011, daily spot Low Vol 12% Ash PCI (Pulverized Coal Injection) price assessments basis CFR China.

Price Assessment: Platts publishes the transactable value for Low Vol, higher ash PCI (Pulverized Coal Injection), indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of PCI normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts will also monitor the opportunity cost of PCI, as a guideline for its assessments of spot market value. Opportunity cost may be derived by observing spot trades of run-of-mine material and of by-product thermal coal.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, metallurgical coke, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Low Vol 12 Ash PCI (Pulverized Coal Injection) spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in North China: Qingdao, Dalian, Qinhuangdao, Caofeidian, Tianjin, Jintang, Rizhao and Bayuquan. PCI prices from any ports in East China (Shanghai, Fujian) or South China (Guangzhou) are normalized to the northern port of Qingdao for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes delivery CFR China 30-75 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivery between August 31 and October 15 Platts' benchmark assessment for PCI reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of PCI quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 15.0% air dried
- Ash: 12% air dried
- Sulfur (S): 0.55% air dried

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as phosphorus, may also be considered.

Hard Coking Coal cargo prices will not be normalized to PCI standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCVAI00 LOW VOL 12 ASH PCI CFR INDIA

Platts launched on October 3, 2011, daily spot Low Vol 12% Ash PCI (Pulverized Coal Injection) price assessments CFR India.

Price Assessment: Platts publishes the transactable value for Low Vol, higher ash PCI (Pulverized Coal Injection), indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of PCI normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts will also monitor the opportunity cost of PCI, as a guideline for its assessments of spot market value. Opportunity cost may be derived by observing spot trades of run-of-mine material and of by-product thermal coal.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, metallurgical coke, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Low Vol 12 Ash PCI (Pulverized Coal Injection) spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in East India: Haldia, Paradip, Vizag. PCI prices from any ports in West India (Mundra, Kandla, Okha, Mormugao, New Mangalore) or South India (Chennai) are normalized to the East Indian port of Paradip for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes delivered CFR India 21-60 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivery between August 22 and September 30. Platts' benchmark assessment for PCI reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of PCI quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 15.0% air dried
- Ash: 12% air dried
- Sulfur (S): 0.55% air dried

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as phosphorus, may also be considered.

Hard Coking Coal cargo prices will not be normalized to PCI standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCSSA00 SEMI SOFT COKING COAL FOB AUSTRALIA

Platts launched on October 3, 2011, daily spot Semi Soft Coking Coal price assessments basis FOB Australia

Price Assessment: Platts publishes the transactable value for Semi Soft Coking Coal, indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of semi soft coking coals (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade. Platts also considers on normalized basis, bids / offers or trades of comparable semi soft coking coal traded FOB Indonesia and FOB New Zealand.

Spot price bids/offers or trades of semi soft coking coal in key consumer markets basis CFR China, India or Japan/Korea/Taiwan may be netted back to FOB Australia basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB Australia. For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration. Platts publishes daily Panamax spot freight costs between Hay Point port in East Australia and Qingdao port in North China, and from Hay Point port in East Australia to Paradip port in East India.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, PCI, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Semi Soft Coking Coal spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports in Queensland: Hay Point Coal Terminal, Dalrymple Bay Coal Terminal, Gladstone, Abbot Point as well as major ports in New South Wales. Freight rates for SSCC from any of these ports are normalized to Dalrymple Bay Coal Terminal port for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading 7-45 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for loading between August 8 and September 14. Platts' benchmark assessment for Semi Soft Coking Coal reflects the mid-point of the loading period.

Quality: Price assessments reflect the value of Semi Soft Coking Coal quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 34.0% air dried
- Ash: 9.25% air dried
- Sulfur (S): 0.58% air dried
- Phosphorous (P): 0.025% air dried
- Fixed Carbon 53.0% air dried
- Total Moisture (TM): 9.5% as received

Coking properties:
- Crucible swelling number (CSN): 5.5

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as fluidity may also be considered.

Hard Coking Coal cargo prices will not be normalized to Semi Soft Coking Coal standards, but will be analyzed for pricing consistency.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCSSC00 SEMI SOFT COKING COAL CFR CHINA

Platts launched on October 3, 2011, daily spot Semi Soft Coking Coal price assessments basis CFR China.

Price Assessment: Platts publishes the transactable value for Semi Soft Coking Coal, indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of semi soft coking coals (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, PCI, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Semi Soft Coking Coal spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in North China: Qingdao, Dalian, Qinhuangdao, Caofeidian, Tianjin, Jintang, Rizhao and Bayuquan. SSCC prices from any ports in East China (Shanghai, Fujian) or South China (Guangzhou) are normalized to the northern port of Qingdao for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing Platts assesses cargoes delivery CFR China 30-75 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivery between August 31 and October 15 . Platts' benchmark assessment for Semi Soft Coking Coal reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of Semi Soft Coking Coal quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 34.0% air dried
- Ash: 9.25% air dried
- Sulfur (S): 0.58% air dried
- Phosphorous (P): 0.025% air dried
- Fixed Carbon 53.0% air dried
- Total Moisture (TM): 9.5% as received

Coking properties:
- Crucible swelling number (CSN): 5.5

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as fluidity may also be considered.

Hard Coking Coal cargo prices will not be normalized to Semi Soft Coking Coal standards, but will be analyzed for pricing consistency.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCSSI00 SEMI SOFT COKING COAL CFR INDIA

Platts launched on October 3, 2011, daily spot Semi Soft Coking Coal price assessments basis CFR India.

Price Assessment: Platts publishes the transactable value for Semi Soft Coking Coal, indicating the price at which a cargo could be traded at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of semi soft coking coals (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade. Platts also considers on normalized basis, bids / offers or trades of comparable semi soft coking coal traded FOB Indonesia and FOB New Zealand.

Platts assessments also take into account demand/supply fundamentals in Australia and key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, PCI, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Semi Soft Coking Coal spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in East India: Haldia, Paradip, Vizag. SSCC prices from any ports in West India (Mundra, Kandla, Okha, Mormugao, New Mangalore) or South India (Chennai) are normalized to the East Indian port of Paradip for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading CFR India 21-60 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivery between August 22 and September 30. Platts' benchmark assessment for Semi Soft Coking Coal reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of Semi Soft Coking Coal quality matching the following specifications:

Proximate analysis:
- Volatile Matter (VM): 34.0% air dried
- Ash: 9.25% air dried
- Sulfur (S): 0.58% air dried
- Phosphorous (P): 0.025% air dried
- Fixed Carbon 53.0% air dried
- Total Moisture (TM): 9.5% as received

Coking properties:
- Crucible swelling number (CSN): 5.5

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Additional quality parameters, such as fluidity may also be considered.

Hard Coking Coal cargo prices will not be normalized to Semi Soft Coking Coal standards, but will be analyzed for pricing consistency.

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

AAWWR00 LOW VOL HARD COKING COAL FOB UNITED STATES EAST COAST

Platts launched on August 1, 2012, daily spot US Low Vol Hard Coking Coal price assessments basis FOB US East Coast.

Price Assessment: Platts publishes the transactable value for US Low Vol Hard Coking Coal (US LV HCC), indicating the price at which a spot cargo could be traded on a FOB US Atlantic Coast basis at the close of the assessment period on the day of publishing. These assessed values are based on confirmed spot transactions, firm bids / offers, or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Spot price bids/offers or trades in key consumer markets basis CFR Europe, Brazil, China, India or Japan/Korea/Taiwan may be netted back to FOB US East Coast basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB US East Coast.

For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration. Platts assessments also take into account hard coking coal demand/supply fundamentals in the US, Australia and key consumer markets.

Assessments also take into consideration daily US, European, Asia-Pacific price movements in associated commodity markets: Thermal coal (CAPP), iron ore (benchmark IODEX 62 Fe basis CFR Qingdao, China) and steel (Europe, China and US HRC price assessments) as published by Platts.

Availability: Hard Coking Coal (US LV HCC) FOB East Coast spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments FOB US East Coast are published daily and reflect market values prevailing at the close of European markets, typically at 4.30 pm London time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports: Hampton Roads, Baltimore, Mobile, New Orleans and other facilities on the US East Coast and US Gulf Coast.

Freight rates for hard coking coal from any of these ports are normalized to Hampton Roads for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB US East Coast 14-45 days forward from the date of publication.

For instance, on January 1, Platts assesses cargoes for loading between January 15 and February 14. Platts' benchmark assessment for Hard Coking Coal reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Traded prices for cargoes of hard coking coals will be normalized using observed market, and brand differentials to the following precise Hard Coking Coal (US LV HCC) benchmark specifications for assessment:

Proximate analysis:

Volatile Matter (VM): 19%
Ash: 8% air dried
Chemical analysis:
Sulfur (S): 0.8% air dried
Total Moisture (TM): 8% as received

Maceral analysis:

Mean Max Vitrinite Reflectance: Ro 1.5%

Additionally for reference, implied Value In Use (VIU) differentials will be observed.

Platts will also track differentials between typical spot US hard coking coals with other US, Australian, Canadian and CIS-origin coals to examine pricing correlations with coals valued in part by their Coke Strength after Reaction (CSR) characteristics.

Quality Normalization: Neither PCI, semi-soft coking coal nor thermal coal cargo prices will be normalized to Hard Coking Coal standards, but will be analyzed for pricing consistency.

Platts applies selective price premia / discounts for quality specifications lying outside the typical min/max quality ranges for Hard Coking Coal. This particularly applies to unusual ash chemistry (A/B ratio) or fluidity characteristics, or an unusual level of oven wall pressure (OWP) or phosphorous.

Min / Max quality parameters for consideration in assessments:

Price assessments of HCC US Low Vol East Coast reflect Hard Coking Coal quality. Only hard coking coals meeting the following quality parameters are considered for assessment:

Proximate analysis:

Volatile Matter (VM): Min 15-20% max air dried
Ash: 5-10% max air dried
Sulfur (S): 0.7-1% max air dried
Total Moisture (TM): 6-10% max as received

Maceral analysis:

Mean Max Vitrinite Reflectance: Ro 1.4-1.7%

Physical analysis:

Sizing: 50 mm max

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

AAWWS00 HIGH VOL A HARD COKING COAL FOB UNITED STATES EAST COAST

Platts launched on August 1, 2012, daily spot US High Vol A Coking Coal price assessments basis FOB US East Coast.

Price Assessment: Platts publishes the transactable value for US High Vol A Coking Coal (US HV A HCC), indicating the price at which a spot cargo could be traded on a FOB US East Coast basis at the close of the assessment period on the day of publishing. These assessed values are based on confirmed spot transactions, firm bids / offers, or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Spot price bids/offers or trades in key consumer markets basis CFR Europe, Brazil, China, India or Japan/Korea/Taiwan may be netted back to FOB US East Coast basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB US East Coast .

For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration.

Platts assessments also take into account hard coking coal demand/supply fundamentals in the US, Australia and key consumer markets.

Assessments also take into consideration daily US, European, Asia-Pacific price movements in associated commodity markets: Thermal coal (CAPP), iron ore (benchmark IODEX 62 Fe basis CFR Qingdao, China) and steel (Europe, China and US HRC price assessments) as published by Platts.

Availability: Hard Coking Coal (US HV A HCC) FOB East Coast spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments FOB US East Coast are published daily and reflect market values prevailing at the close of European markets, typically at 4.30 pm London time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports: Hampton Roads, Baltimore, Mobile, New Orleans and other facilities on the US East Coast and US Gulf Coast.

Freight rates for hard coking coal from any of these ports are normalized to Hampton Roads for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB US East Coast 14-45 days forward from the date of publication.

For instance, on January 1, Platts assesses cargoes for loading between January 15 and February 14. Platts' benchmark assessment for Hard Coking Coal reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Traded prices for cargoes of hard coking coals will be normalized using observed market and brand differentials to the following precise High Vol A Hard Coking Coal (US HV A HCC) benchmark specifications for assessment:

Coking properties:

Total Dilatation: 220%
Fluidity: 30,000 ddpm

Proximate analysis:

Volatile Matter (VM): 32%
Ash: 7% air dried
Sulfur (S): 0.85% air dried
Total Moisture (TM): 8% as received

Maceral analysis:

Mean Max Vitrinite Reflectance: Ro 1.1%

Additionally for reference, implied Value In Use (VIU) differentials will be observed.

Quality Normalization: Neither PCI, semi-soft coking coal nor thermal coal cargo prices will be normalized to Hard Coking Coal standards, but will be analyzed for pricing consistency.

Platts applies selective price premia / discounts for quality specifications lying outside the typical min/max quality ranges for Hard Coking Coal. This particularly applies to unusual ash chemistry (A/B ratio) or fluidity characteristics, or an unusual level of oven wall pressure (OWP) or phosphorous.

Min / Max quality parameters for consideration in assessments:

Price assessments of High Vol A HCC East Coast reflect Hard Coking Coal quality. Only hard coking coals meeting the following quality parameters are considered for assessment:

Coking properties:
Total Dilatation: min 200%
Fluidity: min 25,000 ddpm

Proximate analysis:
Volatile Matter (VM): Min 29-34% max air dried
Ash: 6-9% max air dried
Sulfur (S): 0.7-1% max air dried
Total Moisture (TM): 6-10% max as received

Maceral analysis:
Mean Max Vitrinite Reflectance: Ro 1.0-1.2%

Physical analysis:
Sizing: 50 mm max

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

AAWWT00 HIGH VOL B HARD COKING COAL FOB UNITED STATES EAST COAST

Platts launched on August 1, 2012, daily spot US High Vol B Coking Coal price assessments basis FOB US East Coast.

Price Assessment: Platts publishes the transactable value for US High Vol B Coking Coal Hard Coking Coal (US HV B HCC), indicating the price at which a spot cargo could be traded on a FOB US East Coast basis at the close of the assessment period on the day of publishing. These assessed values are based on confirmed spot transactions, firm bids / offers, or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Spot price bids/offers or trades in key consumer markets basis CFR Europe, Brazil, China, India or Japan/Korea/Taiwan may be netted back to FOB US East Coast basis using assessed spot freight rates for dry bulk carriers on the day of assessment, for comparison with spot prices basis FOB US East Coast .

For netback calculations from CFR destinations, differing Capesize, Panamax and Handymax freight costs are taken into consideration.

Platts assessments also take into account hard coking coal demand/supply fundamentals in the US, Australia and key consumer markets.

Assessments also take into consideration daily US, European, Asia-Pacific price movements in associated commodity markets: Thermal coal (CAPP), iron ore (benchmark IODEX 62 Fe basis CFR Qingdao, China) and steel (Europe, China and US HRC price assessments) as published by Platts.

Availability: Hard Coking Coal (US HV B) FOB East Coast spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD)and in Platts Coal Trader International (CTI).

Frequency: Price assessments FOB US East Coast are published daily and reflect market values prevailing at the close of European markets, typically at 4.30 pm London time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded free on board at the following ports: Hampton Roads, Baltimore, Mobile, New Orleans and other facilities on the US East Coast and US Gulf Coast.

Freight rates for hard coking coal from any of these ports are normalized to Hampton Roads for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: Platts assesses cargoes loading FOB US East Coast 14-45 days forward from the date of publication.

For instance, on January 1, Platts assesses cargoes for loading between January 15 and February 14. Platts' benchmark assessment for Hard Coking Coal reflects the mid-point of the loading period. Cargoes traded with more prompt or further forward laycans are normalized to the middle of the month for assessment purposes.

Quality: Traded prices for cargoes of hard coking coals will be normalized using observed market and brand differentials to the following precise Hard Coking Coal (US HV B HCC) benchmark specifications for assessment:

Coking properties:
Total Dilatation: 180%
Fluidity: 25,000 ddpm

Proximate analysis:
Volatile Matter (VM): 34%
Ash: 8% air dried
Sulfur (S): 0.95% air dried
Total Moisture (TM): 8% as received

Maceral analysis:
Mean Max Vitrinite Reflectance: Ro 0.95%

Additionally for reference, implied Value In Use (VIU) differentials will be observed.

Quality Normalization: Neither PCI, semi-soft coking coal nor thermal coal cargo prices will be normalized to Hard Coking Coal standards, but will be analyzed for pricing consistency.

Platts applies selective price premia / discounts for quality specifications lying outside the typical min/max quality ranges for Hard Coking Coal. This particularly

applies to unusual ash chemistry (A/B ratio) or fluidity characteristics, or an unusual level of oven wall pressure (OWP) or phosphorous.

Min / Max quality parameters for consideration in assessments:

Price assessments of HCC US High Vol B East Coast reflect Hard Coking Coal quality. Only hard coking coals meeting the following quality parameters are considered for assessment:

Coking properties:
- Total Dilatation: min 170%
- Fluidity: min 20,000 ddpm

Proximate analysis:
- Volatile Matter (VM): Min 32-38% max air dried
- Ash: 6-10% max air dried
- Sulfur (S): 1% max air dried
- Total Moisture (TM): 6-10% max as received

Maceral analysis:
- Mean Max Vitrinite Reflectance: Ro 0.9-1%

Physical analysis:
- Sizing: 50 mm max

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MCCEI00 MET COKE CFR EAST INDIA

Platts launched on August 1, 2011, daily spot Met Coke price assessments basis CFR East India.

Price Assessment: Platts publishes the transactable value for Met Coke indicating the price at which a cargo could be traded on CFR East India basis at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of metallurgical coke (see minimum quality specifications below) normalized to the published specification; or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade.

Platts assessments also take into account demand/supply fundamentals in India and other key consumer markets. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, low-vol PCI, thermal coal, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Met Coke CFR East India spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published daily and reflect market values prevailing at the close of Asian markets, typically at 6.30 pm Singapore time (1030 GMT). The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to the following ports in East India: Haldia, Paradip, Vizag. Metallurgical coke prices from any ports in West India (Mundra, Kandla, Okha, Mormugao, New Mangalore) or South India (Chennai) are normalized to the East Indian port of Paradip for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt). Platts converts US dollar lump-sum and per day rates into $/mt equivalent assessments.

Timing: : Platts assesses cargoes delivered CFR India 21-60 days forward from the date of publication. For instance, on August 1, Platts assesses cargoes for delivered between August 22 and September 30. Platts' benchmark assessment for Met Coke reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of metallurgical coke quality matching the following specifications:

CSR: 62%
Ash: 12.5% air dried
Micum 40: 82% min
Micum 10: 8% max
Size: 30-80 mm
CRI: 25-26%
Total Moisture: 5%

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Other quality parameters may also be considered.

Coking coal prices will not be normalized to Met Coke standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications

Quality inspections: Typically made at loading port. Differing quality results upon inspection at delivery port will not be taken into consideration.

Quantity: Minimum parcel size 5,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MET COKE DDP NORTH CHINA

Platts launched on July 5, 2012, weekly spot domestic Chinese Met Coke price assessments basis DDP North China

Price Assessment: Platts publishes the transactable value for Met Coke indicating the price at which a cargo could be traded on a DDP North China basis at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of metallurgical coke normalized to the published specification (see below); or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade. Platts assessments also take into account demand/supply fundamentals in China. When applicable, assessments also take into consideration weekly Chinese Met Coke export prices and Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, low-vol PCI, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Met Coke DDP North China spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published weekly and reflect market values prevailing at the close of Asian markets every Thursday, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes delivered to provinces in North China are normalized to Tangshan in Hebei Province, for assessment purposes.

Units: All prices are quoted in Chinese Yuan per metric ton (Yuan/mt), inclusive of 17% VT.

Timing: Platts assesses cargoes dispatched within 30 days from the date of publication. For instance, on July 5, Platts assesses cargoes dispatched between July 5 and August 4. Platts' benchmark assessment for Met Coke reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of metallurgical coke quality matching the following specifications:

- CSR: 62%
- Ash: 12.5% air dried
- Micum 40: 82% min
- Micum 10: 8% max
- Size: 30-80 mm
- CRI: 25-26%
- Total Moisture: 5%

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Other quality parameters may also be considered. Coking coal prices will not be normalized to Met Coke standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications

Quantity: Minimum parcel size 300 metric tons.

Payment terms: Letter of Credit 90 days after sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

MET COKE FOB NORTH CHINA

Platts SBB launched on July 5 the weekly spot Chinese Met Coke export price assessments basis FOB North China.

Price Assessment: Platts publishes the transactable value for Met Coke indicating the price at which a cargo could be traded on an FOB North China basis at the close of the assessment period on the day of publishing. Assessed values are based on confirmed spot transactions, firm bids / offers of metallurgical coke normalized to the published specification (see below); or in the absence of liquidity, where spot transactions would have been concluded for the benchmark grade. Platts assessments also take into account demand/supply fundamentals in China and in key international consumer markets such as North Asia, India and Brazil. Assessments also take into consideration weekly domestic Chinese Met Coke prices, and Asia-Pacific price movements in associated commodity markets: hard coking coal, semi soft coking coal, low-vol PCI, iron ore (benchmark IODEX 62% Fe basis CFR Qingdao, China) and steel (FOB China and domestic China price assessments) as published by Platts.

Availability: Met Coke FOB North China spot price assessments are published on the Platts real-time service Platts Metals Alert (PMA), in Platts Steel Markets Daily (SMD) and in Platts Coal Trader International (CTI).

Frequency: Price assessments are published weekly and reflect market values prevailing at the close of Asian markets every Thursday, typically at 6.30 pm Singapore time. The assessment is published following editorial engagement with market participants such as producers, consumers, traders, shippers and other active spot market participants.

Basis and Location: Cargoes loaded from any port in North or South China are normalized to Tianjin in North China, for assessment purposes.

Units: All prices are quoted in US dollars per metric ton ($/mt).

Timing: Platts assesses loading within 7-45 days from the date of publication. For instance, on July 5, Platts assesses cargoes loaded between July 12 and August 16. Platts' benchmark assessment for Met Coke reflects the mid-point of the delivery period.

Quality: Price assessments reflect the value of metallurgical coke quality matching the following specifications:

- CSR: 62%
- Ash: 12.5% air dried
- Micum 40: 82% min
- Micum 10: 8% max
- Size: 30-80 mm
- CRI: 25-26%
- Total Moisture: 5%

Quality Normalization: Platts applies price escalator/de-escalators to determine implied impurity premia/penalties at the point of trade. These differentials are determined with reference to current spot prices, to current value-in-use estimates, and to typical industry practices for impurity penalties under contract invoicing. Other quality parameters may also be considered. Coking coal prices will not be normalized to Met Coke standards, but will be analyzed for pricing consistency.

Non-standard quality: Platts also applies selective price premia / discounts for non-standard quality specifications.

Quantity: Minimum parcel size 10,000 metric tons.

Payment terms: Letter of Credit, payable at sight.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

PLATTS DRY BULK FREIGHT ASSESSMENT METHODOLOGY

Platts assesses dry bulk freight assessments for coking coal cargoes shipped around the Asia-Pacific region on standard vessels of the specified vessel class. The following specifications apply for assessment of key shipping lanes:

Route: Australia-China

Launch date: March 15, 2010

Port to Port: East Australia main ports (Gladstone, Dalrymple Bay, Hay Point, Abbott Point, Brisbane, Newcastle and Port Kembla) normalized to Hay Point port, Queensland state; to North China main ports (Qingdao, Dalian, Qinhuangdao, Caofeidian, Jintang), East China main ports (Shanghai, Fujian) or South China main ports (Guangzhou), normalized to Qingdao port, North China.

Vessel Class: The assessment represents the cost of freight for cargo carried on a standard Panamax class vessel of 72,000-77,000 dwt.

Vessel Quality: Well approved modern tonnage only, not exceeding 10 years of age.

Gearing: Assessments consider gearless vessels as standard. Spot prices for geared vessels will be normalized.

Timing: Platts assesses spot market freight costs for vessels loading FOB Australia (bound for India) from 7 to 45 days forward from the date of publication. For instance, on July 1, Platts assesses rates for vessel loadings between July 8 and August 15. Fixtures for more prompt timings, or further forward timings, are not considered for spot price assessment.

Timestamp: Close-of-market data for assessments is 6.30 pm Singapore time(1030 GMT), coinciding with Platts other daily coking coal and dry bulk freight assessments.

Route: Australia-India

Launch date: July 5, 2010

Port to Port: East Australia main ports (Gladstone, Dalrymple Bay, Hay Point, Abbott Point, Brisbane, Newcastle and Port Kembla, normalized to Hay Point port, Queensland state); and India main ports (Paradip, Vizag and Haldia, normalized to Paradip port, Orissa state in eastern India).

Vessel Class: The assessment represents the cost of freight for cargo carried on a standard Panamax class vessel of 72,000-77,000 dwt.

Vessel Quality: Well approved modern tonnage only, not exceeding 10 years of age.

Gearing: Assessments consider gearless vessels as standard. Spot prices for geared vessels will be normalized.

Timing: Platts assesses spot market freight costs for vessels loading FOB Australia (bound for India) from 7 to 45 days forward from the date of publication. For instance, on July 1, Platts assesses rates for vessel loadings between July 8 and August 15. Fixtures for more prompt timings, or further forward timings, are not considered for spot price assessment.

Timestamp: Close-of-market data for assessments is 6.30 pm Singapore time (1030 GMT), coinciding with Platts other daily coking coal and dry bulk freight assessments.

Contacts: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

PLATTS MONTHLY GLOBAL METALLURGICAL COAL ASSESSMENTS

Availability: Platts' monthly global metallurgical coal (MetCoal) assessments have been published in International Coal Report since April 2009, superseding quarterly assessments started April 2002 published for the same range of met coal markets.

Methodology: Assessments are published following editorial engagement with producers, consumers, traders, shippers and other active spot market participants. Traded and tradable values based on bids and offers are used along with editorial judgment to arrive at the published price ranges.

Frequency: Assessments are published monthly, based on spot market information collected from active global market sources by 5 pm London time on the last Friday of each prior calendar month. Prior to April 2009, Platts published these assessments quarterly (January, April, July and October), with a historical data series available for the period of April 2002 to January 2009

Basis and location: Seaborne coking coal FOB Hampton Roads (US) and FOB East Coast US (blend); FOB West Coast Canada; FOB News South Wales (NSW) and Queensland, Australia; FOB Poland; FOB Pacific Coast and Baltic Russia; CFR China; FOB South Africa; FOB Indonesia; FOB Colombia; and FOB Venezuela. Loadings and deliveries from/to terminals in all major coal ports in these locations are considered for assessment.

Timing: Cargoes traded for loading / delivery within the next 90 days. Term (contract) prices are not included for assessment.

Quality: All coking coal assessments in the pricing table are for hard coking coal except as noted for semi-soft coking coal and PCI. Specifications for volatile matter

(Vol., in a range of % content, air dried) and for ash (max %, air dried) and total sulfur (max %, air dried) represent the range of quality characteristics of available coals in the region. Quality specifications do not represent any particular grade or brand of coking coal.

Volume: Standard full shipments of hard coking coal, semi-soft coking coal and PCI loaded onto Capesize, Panamax and Handymax vessels. Shipments in smaller vessels than Panamax are price normalized to Panamax class freight costs.

Unit: All prices are quoted in US dollars per metric ton ($/mt) including moisture content. Prices are published as a low-high range of the tradable value on the day of publication.

Contact: For comments or queries please contact cokingcoal@platts.com and pricegroup@platts.com

中国五矿集团公司
CHINA MINMETALS CORPORATION

Coking

China National Minerals Co. Ltd.

2009-09-15 [E-Sales & Procurements]

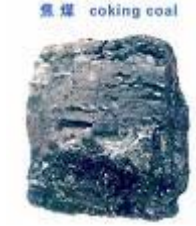
Anthracite coal

Characteristics: It has highest carbon count and contains the fewest impurities of all coals, in which the carbon content is between 92% and 98%; a harder, higher relative density, glossy, black coal used primarily for residential and commercial space heating. Anthracite ignites with difficulty and burns with a short, blue, and smokeless flame.

Uses: fertilizer (nitrogenous fertilizer, synthesized ammonia), ceramic, foundry; used mainly in metallurgical sector as Pulverized Coal Injection (PCI consists primarily of anthracite, meager coal, lean coal, gas coal).

Uses: fertilizer (nitrogenous fertilizer, synthesized ammonia), ceramic, foundry; used mainly in metallurgical sector as Pulverized Coal Injection (PCI consists primarily of anthracite, meager coal, lean coal, gas coal).

Meagre coal

	Uses: power generation
	**Meagre-lean coal** **Characteristics:** Meagre-lean coal has undergone highest metamorphic grades amidst coking coals with relative low Vdaf and Baking index (G) is immediately lower than typical lean coal. It can be used to produce coke, ideal proportion of meager-lean coal blending will certainly lead to the formation of quality coke lumps.
	Uses: coke blending, power generation, fuel, industrial kiln
	**Lean coal** **Characteristics:** Lean coal is one type of coking coal with relative low Vdaf and medium G that can produce large lumps of coke with small fractures and strong resistance to crash.
	Uses: coke blending, power generation, blast furnace fuel
	**Coking coal** **Characteristics:** Bituminous coal must meet a set of criteria for use as coking coal, determined by particular coal assay techniques. These include moisture content, ash content, sulfur content, volatile content, tar, and plasticity. When used for many industrial processes, bituminous coal must first be "coked" to remove volatile components. Coking is achieved by heating the coal in the absence of oxygen, which drives off volatile hydrocarbons such as propane, benzene and other aromatic hydrocarbons, and some sulfur gases. This also drives off a considerable amount of the contained water of the bituminous coal. Coking coal is used in the manufacture of steel,

	where carbon must be as volatile-free and ash-free as possible.
	Uses: primary coking coal, coke blending
	**Fat coal** **Characteristics:** Fat coal is a collective notion of medium rank bituminous coals with quite strong baking index. In order to improve the quality of coke, gas coal and lean coal are usually required to blend with fat coal during the coking processes.
	Uses: basic coke blending
	**1/3 Coking coal** **Characteristics:** 1/3 coking coal is transition coal between coking coal, fat coal as well as gas coal with medium to high Vdaf, relatively high baking index.
	Uses: basic coke blending
	**Gas fat coal** **Characteristics:** Gas fat coal is one category of fat coal that has strong baking rate and high volatile; it has been identified as liquid fat coal sometime. It can be placed somewhere between fat coal and gas coal in terms of its properties concerning coke production.
	Uses: coke blending, high temperature distillation
	**Gas coal** **Characteristics:** Gas coal may be used in coal blending to produce coking coal, for oil refinery, coal gas production and nitrogenous fertilizer manufacture or as power-generating fuel. Gas-fat coal is suitable for high-temperature dry distillation to produce coal gas and also is a good raw material in coal blending for manufacturing coke.
	Uses: distillation, gas supply for urban residents, coke blending (in attempt to improve output of gas and chemical products)

1/2 Medium baking coal

Characteristics: Vdaf of 1/2 medium baking coal varies significantly from a wide range of values with medium baking index, coke produced by 1/2 medium baking coal alone is featured with low strength and high proportion of coke powder.

Uses: gasification, fuel, coke blending

Weak baking coal

Characteristics: Weak baking coal is low to medium grades metamorphic non-coking coal with relative weak baking index.

Uses: gasification, fuel

Non-baking coal

Characteristics: Weak baking coal featured with low ash, low sulphur, low caloric value and low ash melting point is low to medium grades metamorphic non-coking coal, which experienced considerable oxidizations during coalification.

Uses: gasification, power generation, fuel (in combination with others sorts of coal is preferred)

Long flame coal

Characteristics: Long flame coal is a kind of bituminous coal with lowest coal rank that is slightly higher than lignite but lower than any other coal products. It has weak baking, low caloric value, high volatile and high tar production rate.

Uses: power generation, machine fuel, industrial kiln, fuel, gasification

Lignite

Characteristics: Often referred to brown coal, is soft brown fuel with characteristics that put it somewhere between coal and peat. It is considered the lowest rank of coal; and it is used almost exclusively a fuel for steam-electric power generation. Lignite is

	brownish-black in color and has carbon content of around 25-35%, a high inherent moisture content sometimes as high as 66%, and an ash content ranging from 6% to 19%.
	Uses: gasification, power generation
	**Coke** As an important fuel for iron-making, coke is widely used in the industry for its good performance in the improvement of ore reduction, melting and air permeability while providing thermo energy. China National Minerals Co Ltd has witnessed a yearly export of cokes of more than 150 tons for consecutive 5 years, covering 10% of total coke export of the country. Its major clients are world famous steel-making enterprises.

进口煤明年将不再优势 进口量将减少

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海关总署近日公布的数据显示，今年10月，我国进口煤炭1110万吨，同比增长2.2倍。照此计算，我国前10个月煤炭进口总量达9683万吨。业内人士预计，今年全年煤炭进口量将达到1.1亿吨以上，同比增长超过1.7倍，而明年国际煤炭价格的涨幅可能超过国内，煤炭进口量将下降。

价格优势不再

价格对煤炭进出口的影响往往是立竿见影的。国内外煤炭价格差导致了在今年上半年的一段时间里，我国南方用户购买澳大利亚煤炭（计入运费及有关税收后）的成本低于从秦皇岛港购买煤炭的成本，很多南方港口在今年突然进口了相当多的

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动力煤。 类似的情况也出现在南非、俄罗斯及加拿大等国对我国的煤炭出口上，这些以前很少向我国大量出口煤炭的国家，在今年也动辄向我国出口数十万吨、上百万吨煤炭。

当然，价格因素的影响很不稳定。据某交易平台的最新数据显示，11月20日纽卡斯尔港动力煤价格已升至每吨82.25美元。中国产业研究院（www.ciedr.com）分析师认为，随着冬季用煤高峰的到来，国内和国际煤炭价格在明年4月之前都会呈上涨趋势。随着国际煤价和海运费走高，国内、国际煤炭价差有缩小的趋势，明年进口煤可能不再具有价格优势。

煤炭出口国政策收缩

明年国际市场的煤炭供应增量可能不大，因为越南、印度尼西亚等煤炭出口国都在收缩煤炭出口政策，澳大利亚和南非可能会有一些增量。 印尼是我国进口煤炭的重要来源之一。根据印尼煤炭工业协会的估计，今年印尼煤炭总产量同比增加1500万吨，而其国内的需求量却不会有明显增加，这部分多生产出来的煤炭迫使印尼矿主以相对低的价格销往国外，我国就是对象之一。不过印尼煤炭工业协会也预计，这种情况明年不会再出现了：因为明年其国内煤炭需求量将增加，不会有太多富余煤炭用于出口。

越南国内煤炭需求在逐年递增，而其煤炭产能及运输却存在瓶颈，因此很多人预计越南可能会在近几年由煤炭出口国变为煤炭进口国。越南的进出口变化会对国际煤炭市场，尤其是我国煤炭进口有相当大的影响。 考虑到国际市场可供煤炭资源有限，如果明年亚太其他国家经济复苏，我国继续保持大量进口，国际煤价将大幅上涨。有分析机构已经预测，明年国际动力煤价格将达到每吨100美元，而国际炼焦煤价格将达到每吨200美元至250美元。

国内企业减少煤炭出口

我国煤炭资源虽然非常丰富，但分布不均，煤炭要经过长距离运输才能到达消费地。在运输瓶颈仍然存在的情况下，南方煤炭用户进口煤炭可以解燃“煤”之急。

我国炼焦煤品种及质量参差不齐，大多数国产炼焦煤的质量都低于国际标准的硬焦煤（Hard Coking Coal, HCC）。我国最好品质的硬焦煤是短缺的。以今年为例，钢材市场在8月之前是一片大好形势，钢厂利润丰厚，促发了对优质炼焦煤的大量需求，国内优质炼焦煤（柳林煤等）一时供不应求，价格居高不下，而澳大利亚优质炼焦煤比国内便宜，这两种情况一拍即合，导致我国今年上半年炼焦煤进口量大增。

今年的大部分时间，国内外煤炭价格倒挂，一方面日本和韩国减少了从我国的购买量，转而定购更便宜的澳大利亚等国的煤炭，另一方面在我国政策的影响下，国内企业主观上也逐步减少了煤炭出口。

当然，我国煤炭出口商也不会完全放弃国外市场，毕竟当初国外销售渠道的建立来之不易，因而预计明年我国煤炭出口仍会维持相对较低的水平。

无可否认，导致今年我国煤炭进口量剧烈增加的另一重要原因，是今年漫长的“煤电谈判”。今年初谈判悬而未决时，

解析煤炭行业信息化管理建设
解读煤炭行业政策
煤炭行业发展战略
煤炭行业经济运营情况分析

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《中国变压器行业每周竞争情报》...

市场一直传闻南方主要用户即将开辟东南亚及澳大利亚等更广泛的煤炭供应渠道，后来的进展也验证，这不仅仅是传闻。从结果看，足量进口固然缓解了国内煤炭市场的压力，但大量采购外煤也直接或间接地抬高了国际价格（直至逼近国内价格），变相提高了我国煤炭的进口成本。

现货实际价格排名（部分煤源）

- 国内17种：山西14，河北1，内蒙1，新疆1；　　国外24种：澳洲16，蒙古2，加拿大3，美国2，哥伦比亚1

数据来源：进口，联合金属网；国产，某大型焦化企业

名称	产地	基准地价格	价格名次	名称	产地	基准地价格	价格名次
柳林	山西省	1840	1	Collnsville Super	澳大利亚	1650	22
Riverside coking coal	澳大利亚	1800	2	融鑫	山西省	1650	23
河畔	澳大利亚	1790	3	Cook	澳大利亚	1640	24
Goonyella coking coal	澳大利亚	1770	4	贡耶拉	澳大利亚	1630	25
萨阿吉	澳大利亚	1765	5	哥伦比亚煤	哥伦比亚	1630	26
Hail Creek 8.5% Ash Hard coking coal	澳大利亚	1760	6	EVCC Premium coal	加拿大	1628	27
峰景	澳大利亚	1750	7	Carborough Downs Coking Coal	澳大利亚	1608	28
诺唯驰	澳大利亚	1730	8	EVCC Elkview Standard coal	加拿大	1600	29
不里	澳大利亚	1720	9	蒙古焦煤	蒙古	1600	30
Wollombi Coking Coal	澳大利亚	1720	10	太原西	山西省	1560	31
Curragh	澳大利亚	1710	11	Blue Creek No.7	美国	1550	32
镇城底	山西省	1710	12	灵石焦	山西省	1550	33
伊拉瓦拉	澳大利亚	1700	13	介休焦煤	山西省	1550	34
神华	内蒙古	1700	14	孝西	山西省	1550	35
古交	山西省	1700	15	孝义焦煤	山西省	1520	36
邯郸	河北省	1690	16	太原西焦煤	山西省	1510	37
EVCC standard coal	加拿大	1680	17	清徐1＃	山西省	1500	38
二渡	山西省	1680	18	外蒙3#	蒙古	1450	39
古交（J）	山西省	1660	19	新疆主焦	新疆	1300	40
Poitrel coking coal	澳大利亚	1650	20	Quecreek/Twinrocks Mix	美国	1300	41
朱家店	山西省	1650	21				

高价与“高CSR+低灰低硫”有关

CSR均值 71.5，硫均值0.56 ——“一线”澳煤居高

名称	产地	灰分	全硫	CSR	运费	价格	基准地价格	价格排名
柳林	山西省	7.27	0.76	73.2	300	1540	1840	1
Riverside coking coal	澳大利亚	9.85	0.54	71.6	0	1800	1800	2
河畔	澳大利亚	9.9	0.56	72	0	1790	1790	3
Goonyella coking coal	澳大利亚	9.61	0.55	71.4	0	1770	1770	4
萨阿吉	澳大利亚	9.8	0.63	74	0	1765	1765	5
Hail Creek 8.5% Ash Hard coking coal	澳大利亚	8.84	0.31	70.8	0	1760	1760	6
峰景	澳大利亚	9.8	0.61	74	0	1750	1750	7
诺唯驰	澳大利亚	10	0.66	67	0	1730	1730	8
不里	澳大利亚	9.6	0.38	70	0	1720	1720	9
Wollombi Coking Coal	澳大利亚	9.89	0.57	71.3	0	1720	1720	10

低价与“较低CSR”+“高灰高硫”有关

CSR均值 63，硫均值1.2，灰均值10.4 ——部分山西煤靠后

名称	产地	灰分	全硫	CSR	运费	价格	基准地价格	价格名次
Blue Creek No.7	美国	8.87	0.58	64.8	0	1550	1550	32
灵石焦	山西省	**10.31**	**1.09**	65.1	200	1350	1550	33
介休焦煤	山西省	**9. 8**	**1. 2**	66	200	1350	1550	34
孝西	山西省	**11.16**	**1.07**	56.8	200	1350	1550	35
孝义焦煤	山西省	**10**	**1.3**	65	200	1320	1520	36
太原西焦煤	山西省	**11.36**	**1.14**	70.2	200	1310	1510	37
清徐1#	山西省	**9.77**	**1.38**	70.5	200	1300	1500	38
外蒙3#	蒙古	11	0.65	62	450	1000	1450	39
新疆主焦	新疆	9.59	0.6	56.4	800	500	1300	40
Quecreek/Twinrocks Mix	美国	7.86	1.12	57.1	0	1300	1300	41

APPLICATION FOR COUNTERVAILING DUTIES ON ZINC COATED (GALVANIZED) STEEL AND ALUMINIUM ZINC COATED STEEL FROM CHINA

CONSULTATIONS UNDER ARTICLE 13.1 OF THE WTO AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

19 NOVEMBER 2012, CANBERRA

RESPONSE OF THE GOVERNMENT OF CHINA TO FURTHER QUESTIONS OF THE AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

A INTRODUCTION

1 Following the consultations in this matter held on 19 November 2012, the Australian Customs and Border Protection Service ("Australian Customs") addressed four questions to the Government of China ("GOC") for the purposes of clarifying and further informing Australian Customs as to the position of the GOC.

2 The email from Australian Customs, received on 19 November 2012 at 14:06 Beijing time, requested that the GOC provide its responses to the questions by close of business 20 November 2012.

3 The questions were as follows:

(a) *At paragraph (c) on page 6 there is a statement that 'hard coking coal is only one type of coal that can be used in steel production, and it is the most expensive type.' Does the Government of China have any evidence that it could provide in support of this statement, or further information in relation to what types of coal are used in steel production and the cost differences?*

(b) *At paragraph (d) on page 7 there is a statement that 'coking coal and coke are not even specifically used by any one industry'. Can the Government of China advise what industries use these products?*

(c) *At paragraph (b) on page 9 there is a statement that 'It is well known that China's coking coal is on average a lower quality coking coal compared to Australian hard coking coal.' Does the Government of*

China have any evidence that it could provide in support of this statement?

(d) *At paragraph (j) on page 11 the Government of China refers to its own data on the average price of imported coking coal. Is it possible to provide this data to Customs and Border Protection (in confidence of course)? If not, can the Government of China advise from which countries coking coal was imported, the percentage volume from each, and the basis of the average price quoted (eg delivered, inclusive of tax etc)?*

3 The GOC now addresses each of these questions, to the best of its ability in the time made available to it by Australian Customs for this purpose.

B QUESTION 1

At paragraph (c) on page 6 there is a statement that 'hard coking coal is only one type of coal that can be used in steel production, and it is the most expensive type.' Does the Government of China have any evidence that it could provide in support of this statement, or further information in relation to what types of coal are used in steel production and the cost differences?

4 As indicated in the Application, the coking coal used for steel making process is "metallurgical coal", or "coking coal". Metallurgical coal or coking coal can be broadly categorised as "hard coking coal", "semi soft coking coal" and PCI coal. Attachment A - *Platts Methodology and Specifications Guide Metallurgical Coal (Latest Update: August 2012)* - clearly identifies different types of coking coal available from Australian suppliers. As indicated in the Platts document, each category of coking coal can be further differentiated according to grade and specifications. As can be seen in Attachment B – which is a China Minmetals Corporation information page - the main types of metallurgical coal in China are primary coking coal, fat coking coal, and 1/3 coking coal. Price varies between different types and grades of coking coal, as well as between the mines and the locations of the producers.

5 The concern that the GOC has expressed in its Position Paper is that the Applicant seems to have equated metallurgical coal with "hard coking coal". This is incorrect. Hard coking coal is the highest quality type of coking coal.

C QUESTION 2

At paragraph (d) on page 7 there is a statement that 'coking coal and coke are not even specifically used by any one industry'. Can the Government of China advise what industries use these products?

6 Coking coal is made into coke. Coke then has many applications and is used in many industrial and domestic settings.

7 Primarily, coke is used in the production of iron and steel. Coke is also used:

(a) for the smelting of phosphate rock in the production of elemental phosphorous;

(b) in the production of calcium carbide;

(d) in ferrochrome production;

(e) in the production of manganese alloys;

(f) in producing soda ash;

(g) for making carbon electrodes.

Coke is also used as a domestic fuel. Coke may itself be used – instead of being consumed – for conductive flooring, friction materials, foundry carbon raiser, corrosion materials, reducing agents, and ceramic packing media.

D QUESTION 3

At paragraph (b) on page 9 there is a statement that 'It is well known that China's coking coal is on average a lower quality coking coal compared to Australian hard coking coal.' Does the Government of China have any evidence that it could provide in support of this statement?

8 The proposition that the Chinese coal resources are on average a lower quality than Australian hard coking coal – and indeed are of a lower quality than the resources available from many major producers - is common knowledge in the coal industry. Whilst China produces 60% of world coking coal, it lacks high quality coking coal. Part of the reason that China is also such a large coking coal importer (the second largest coking coal importer in the world during 2011) is because of the higher grade and competitively priced imports of coking coal available from other countries.

9 It is noteworthy that Mongolia has been a steadily increasing supplier of coking coal to China. Australian producers were previously the biggest suppliers to China, who once dominated the sector. In 2008/09, it was reported that Australia supplied 65% of China's demand, and Mongolia supplied about 11%. Expansion of production in Mongolia has reversed the position. Mongolia now supplies 45% of China's demand, and Australia 23%. With mines yet to be commissioned and improvements in infrastructure, Mongolia's market share can only further increase.

10 The Australian media recently commented on this trend as follows:

Access to high-quality, large-scale mineral resources in a neighbouring country has three attractions for China. First, because of shorter supply lines regional deposits enjoy greater security than more distant suppliers. Second, being in a developing country, China is not disadvantaged by having to compete with long-established global champions. Finally, the development of new large mines can push down prices by restoring market balance - which benefits all consumers, especially one as large as China.[1]

11 Attachment C comprises part of a presentation given by the Dalian Commodity Exchange in June of this year. Although it is mostly in Chinese, we will do our best to explain the main features for your better understanding:

(a) the first page of the presentation lists the prices of contracts for coking coal from 41 sources, in their price order (as at a particular date);

(b) the second and third pages are the top and bottom 10 of the sources listed on the first page, but with grade and quality information also included;

(c) of the top 10 shown on the second page, only the first listed is a Chinese coking coal – the other nine sources are all Australian;

(d) of the bottom 10, seven are from Chinese sources, with two of the others being from the United States and the third being from Mongolia.

12 Quality of coking coal is determined by three factors – ash content; sulphur content; and "CSR" (coke strength after reaction). Of these, sulphur content is very important, with a low sulphur content being a more desirable trait. On the second and third pages, the sulphur content is shown in the fourth column. Of the top 10 sources shown on the second page, the Chinese source has the highest sulphur content of all the sources listed. Similarly, of the bottom 10 shown on the third page, 6 of the 7 Chinese ones (33 to 38) have far higher sulphur content than the imported sources.

13 Attachment D is a CIEDR article regarding coking coal quality. In that source, prepared by China Industry Research Network, this is said:

> 我国炼焦煤品种及质量参差不齐，大多数国产炼焦煤的质量都低于国际标准的硬焦煤（Hard Coking Coal, HCC）。

Translated, this states:

> *Our country's coking coal grades and quality varies, most of the domestically produced coking coal has an inferior quality compared to the international standard for hard coking coal.*

14 The GOC also refers Australian Customs to the following extracts from a

[1] http://www.smh.com.au/business/china-lines-up-supplies-much-closer-to-home-20120823-24oyf.html#ixzz2Cjm5xUlv

scientific research paper research paper entitled *A Preliminary Comparison of Coal Classification and Processing Between Canada and China*:[2]

> *The ratio of the base coking coal in China is not high with an estimated value of 35%, and the contained sulphur can be high which in some cases is difficult to be removed effectively using conventional coal washing technologies. These factors determine that high quality coking coal will be in a high demand from the iron and steel industry in China.* (underlining supplied)

and:

> *China has 15% of the metallurgical coal resource (including anthracite) in the world (World Energy Council, 2010). The metallurgical coal distribution in China is in Shanxi province which contains over 50% metallurgical coal. Although metallurgical coal production in China was more than 1.1 billion tonnes in 2009 and 2010, respectively, China is an importing country of metallurgical coal. Australia, Mongolia, Canada, Russia, and Indonesia are the top five countries which exported about 42.8 million tonnes of coking coal in 2010. Some clean coal qualities of prime coking coal in China are listed in Table 10. As a comparison with that in Canada, the sulphur content is higher.* (underlining supplied)

E QUESTION 4

> *At paragraph (j) on page 11 the Government of China refers to its own data on the average price of imported coking coal. Is it possible to provide this data to Customs and Border Protection (in confidence of course)? If not, can the Government of China advise from which countries coking coal was imported, the percentage volume from each, and the basis of the average price quoted (eg delivered, inclusive of tax etc)?*

15 In the time available MOFCOM has not been able to collect the requested data. We hope to follow-up with this information as soon as we can do so.

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[2] http://www.tetratech.com/pdfs/66/Coal_Classification_CMP2012_Ting_Lu.pdf

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21 November 2012

Ms Joanne Reid
Director, Operations 2
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Ms Reid

PUBLIC FILE

Re: Applications for Countervailing Duties - Aluminium zinc coated steel and Galvanized steel exported from P R China

1. Introduction

I refer to the above applications for countervailing measures on exports of aluminium zinc coated steel and galvanized steel exported from the People's Republic of China ("China").

It is understood that Customs and Border Protection received a submission by the Government of China ("GOC") dated 19 November 2012 as part of Consultations under Article 13.1 of the WTO Agreement on Subsidies and Countervailing Measures in relation to BlueScope's applications for countervailing measures in respect of the nominated products. The consultations included discussion concerning new programs not previously raised with the GOC. These new programs were:

- Coking coal provided by Government at less Than Adequate Remuneration;
- Coke provided by Government at Less Than Adequate Remuneration; and
- Scrap Steel at Less Than Adequate Remuneration.

2. Coking Coal

Section E of the GOC submission is critical of the benchmarks used by BlueScope to demonstrate that sales of coking coal and scrap steel are sold in China at Less than Adequate Remuneration. In respect of coking coal the GOC suggests that the "Australian annual/quarterly contract HCC $USD C&F China" price cannot be considered a relevant "comparator" as the prices are "artificially high" due to the impact of the Queensland floods of early 2011. The GOC further suggests that the price benchmark used by BlueScope is an export C&F price and that "*Australia has some of the most expensive stevedoring and freight costs in the world*".

BlueScope rejects the GOC's assertions that the benchmark hard coking coal price is not a representative benchmark. In support of this, BlueScope has attached a graph that includes the export selling prices for the Canadian hard coking coal producer Teck Coal over the period July 2011 to June 2012. Teck Coal "*is the world's second largest exporter of metallurgical coal to the seaborne market, by managed share, after BHP Billiton*[1]". In 2011, Teck Coal produced 22.8 million tonnes of metallurgical coal.

[1] Independent Authority (Confidential Attachment 1).

BlueScope is aware that Teck Coal agreed to a supply contract with POSCO for the second quarter of 2012, supporting Teck Coal's position as a key supplier of hard coking coal[2].

BlueScope has included Teck Coal's FOB export price over the July 2011 to June 2012 period (See Graph 1 below[3]). The Australian annual/quarterly contract HCC in the graph is a C&F price. Once account is made of overseas freight in China is included in the Teck Coal export price, it will closely align with the Australian HCC C&F price.

The important consideration for Customs and Border Protection is that the benchmark HCC price as reflected in the Australian quarterly price is strongly supported by the prices of the second largest seaborne supplier – Tech Coal - FOB price over the nominated period (i.e. the Australian and Canadian export prices for HCC track one another).

BlueScope considers that its assertion that China's domestic prices for coking coal are at 'Less Than Adequate Remuneration" due to the impact of the 10 per cent export tax on coking coal (and the 40 per cent export tax on coke, that discourages Chinese coke producers from exporting coke and channelling all supplies domestically) is well supported.

Graph 1 – Australian annual/quarterly contract HSS $USD C&F China, Teck Coal Av selling price – quarterly contract, and Shanxi premium coking coal US$/MT excluding VAT, delivered.

Source: Teck Coal Quarterly prices.

[2] SBB (refer Confidential Attachment 2).

[3] Data included at Confidential Attachment 3.

BlueScope considers that it should also be recognised that the impact of a shortage of supply of metallurgical coking coal in early 2011 is reflected in both the Australian and Canadian export prices. The Chinese domestic price, however, does not reflect any change in supply in 2011 and evidences that domestic prices in China are insulated from global impacts.

3. **Scrap Steel**

The GOC has also suggested that the benchmark used for contrasting Chinese domestic scrap steel prices with certain USA steel scrap prices is "misleading". It is claimed by the GOC that the USA prices "*are the highest scrap prices of the four different scrap prices charted*" in the World Steel Dynamics graph.

For clarity, BlueScope has aggregated the three USA prices (i.e. Bushelling, Shredded and Heavy Melt) into an average USA price.

To assist in an understanding of the different types of scrap steel, the following definitions are provided:

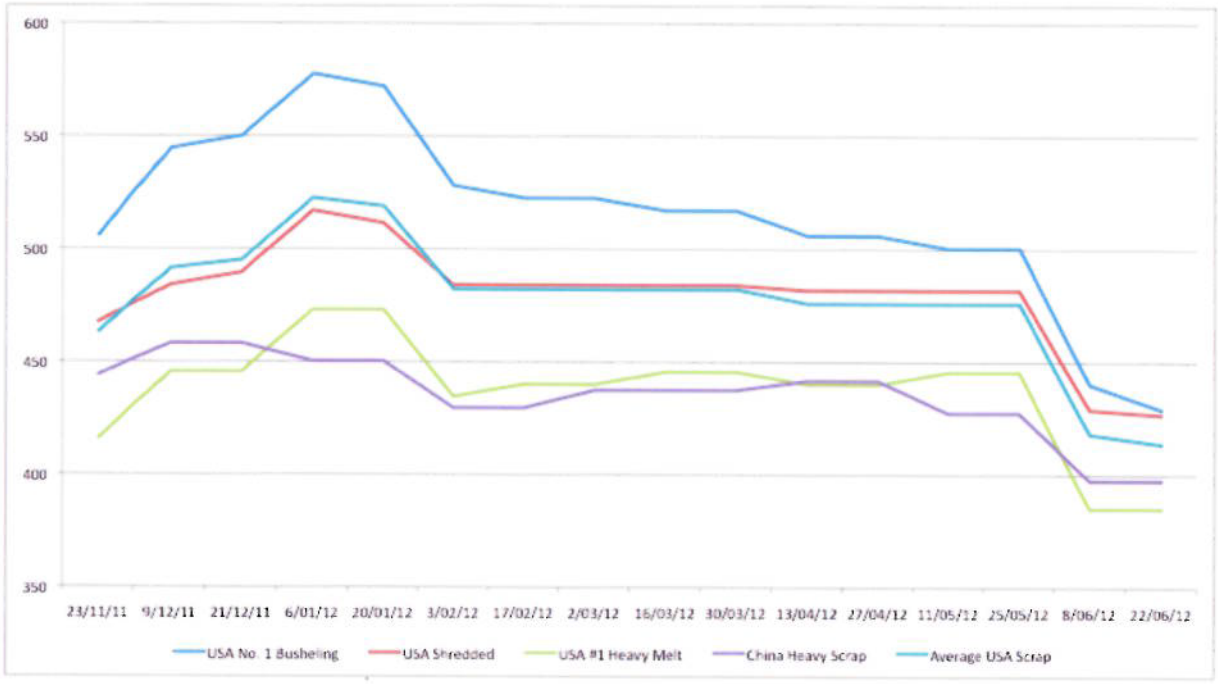
- shredded – usually automotive steel, whitegoods and the like – available in economies with good collection/recycling infrastructure. A consistent level of chemistry;
- bushelling – generally thin off-cuts ex automotive industry with very low level of residual elements (i.e. high quality) – often bailed/made into a block to make a size parcel, rather than small pieces (for handling purposes);
- HMS1 – heavy metal scrap generally > 6mm in size. Most HMS is actually a blend of HMS1 and HMS2 grade (i.e. 80:20, 60:40). HMS1 is a clean medium residual scrap;
- HMS2 – heavy metal scrap of between 3 and 6mm in size, and has higher residuals than HMS1.

The bushelling price was used as an appropriate benchmark due to its high quality that is important for steel production.

It should be noted that the prices for three USA grades as shown in the World Steel Dynamics graph on P.12 of the GOC submission reflects US prices on a US$ per "short" ton basis, and require conversion to US$ per metric tonne equivalents. A comparison of the average USA scrap price (i.e. US$/MT) over the period reflected in the GOC's submission indicates that the China Heavy scrap price remains significantly below the average USA average scrap steel price.

On the basis that the scrap steel used in steel production is a combination of high and medium quality products, BlueScope has contrasted the average USA scrap steel price with the China heavy scrap steel domestic price (both on a US$ per metric tonne basis). The price differential between the China domestic and USA blended average is $US42/MT over the period identified by the GOC (i.e. November 2011 to June 2012). The Chinese domestic price is approximately 10 per cent below the USA blended price.

Graph 2 – SBB Steel prices North America v China Heavy Scrap domestic ($US per metric tonne)



Source: World Steel Dynamics Prices[4]

The information reflected in Graph 2 above supports BlueScope's assertion that scrap steel sold domestically in China is impacted by the 10 per cent export tax on scrap steel and that Chinese domestic prices for scrap steel were sold at Less Than Adequate Remuneration during the period July 2011 to June 2012.

Conclusions

BlueScope has demonstrated that the information included in its applications for countervailing measures in respect of the subsidy programs:

- Coking coal provided by Government at Less Than Adequate Remuneration; and
- Scrap Steel at Less Than Adequate Remuneration

are supported by independent information that evidences Chinese domestic prices for both coking coal and scrap steel sell at substantial discounts to globally traded price-equivalents of both products.

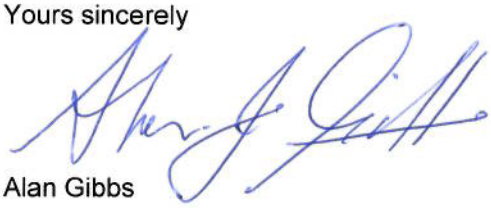
It is also evident that the Chinese domestic price for coke provided by the Government at Less Than Adequate Remuneration is as a direct consequence of the GOC's 40 per cent export tax on coke that results in suppressed domestic selling prices for coke.

[4] World Steel Dynamics prices – refer Confidential Attachment 4.

BlueScope rejects the assertions of the GOC that it failed to demonstrate that coking coal and scrap steel in China are sold at Less than Adequate Remuneration. BlueScope considers that reasonable grounds do exist for the publication of countervailing notices in respect of aluminium zinc coated steel and Galvanized steel exported from China.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4275 3859.

Yours sincerely



Alan Gibbs
Development Manager – International Trade