

European Commission

Directorate General for Trade

Directorate G, CHAR – office 04/039

B-1049 Brussels, BELGIUM

Brussels, August 12, 2021

Subject: **Anti-dumping proceeding concerning the imports of Aluminium flat-rolled products originating in People's Republic of China, AD668**

Request for post-IP data in view of assessing the conditions under Article 14(4) of the basic Regulation

NON-CONFIDENTIAL VERSION – for inspection by interested parties

Dear Madam/Sir,

EURANIMI is a Brussels-based European association, representing the interests of several European importers, traders and processors of aluminium products which are directly concerned by the a.m. antidumping proceeding. A non-exhaustive list of the members of EURANIMI can be found at www.euranimi.eu/member/.

In the context of the ongoing anti-dumping proceeding concerning imports of aluminium flat-rolled products, EURANIMI wishes to offer its market-testimony on the severity of the post-IP material shortage, that is the cause of abnormally long delivery times, insufficient supply, and a general price increase of the products concerned. On behalf of the downstream sectors of the stockholding distribution and the flat aluminium processing industry, EURANIMI would welcome a suspension of measures under Article 14 (4) of the basic Regulation as this could offer some relief to the current unbearable market pressure.

EURANIMI reminds the commission that the vast majority of its member-companies are buying the lion's share of their procurement from inside the EU. Only a small fraction of their procurement is imported from outside the EU. The captioned antidumping measure is however very seriously reducing the economic viability of imports of aluminium flat-rolled products from the People's Republic of China.

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EURANIMI begs the Commission to bear in mind that the members of EURANIMI are small to medium sized companies or groups, ranging from 50 to 1500 employees. Most of these companies are operating on a skeleton staff in the middle of the summer holidays, so that, in the absence of most key-personnel, the testimony of EURANIMI, though accurate, is to be considered as partial and uncomplete.

With this document, EURANIMI wishes to provide the Commission with concrete market information and bring a fair and balanced testimony of today's aluminium market as it is perceived by the downstream aluminium distributing and processing sector. EURANIMI does not have the financial and human means to provide the Commission with a complete and exhaustive encyclopaedic guide to the European aluminium market, while proving each and every given information with factual evidence. EURANIMI remains however at the total disposal of the Commission to further clarify – and factually prove where necessary – the information put forward in this submission.

Preamble

In this document, EURANIMI will among others describe the situation affecting aluminium sheets in the qualities 1050 H14/24, 5754 H22/111 and 5005 H14/24. These qualities 1050, 5754 and 5005 can be considered as the commodities for the aluminium rolling mills as they have the lowest added value of all alloys available.

Since the production of these “basic” qualities brings little added value to the mills, many European production plants have ceased the production of these grades in the recent years, such as Alcan Falkirk and Alcan Rogerstone. For obvious and understandable profitability reasons, the European mills that are still able to produce such grades, prefer to allocate their capacity to produce alloys wherein a higher added value can be reached. For this reason and in normal times, it is becoming more and more difficult to purchase such qualities from European mills. In times of high demand, as is the case nowadays, this has become utterly impossible.

Since a few years Hydro has remained almost the sole European rolling mill offering these qualities on a steady basis, but the practical quantities proposed by Hydro and the few other rolling mills still willing to allocate capacity to produce grades 1050, 5754 and 5005 could not meet the European demand for these alloys. Hence, many European distributors and processors have also turned to Turkey, Russia and the Middle East to source these qualities. Since 2006/2007, also China started offering alloys 1050, 5754 and 5005 so that European distributors started buying from Chinese mills as well. The latter offered prices that were generally about 7 to 8% lower than the European, Turkish and Middle Eastern mills.

Considering the fact that, as a European buyer in China, one has to accept unfavourable minimum order quantities, pay orders in advance, and add the increasing freight costs on top of the price of the material, the real advantage is even lower than 7 to 8%. In some periods, there was not even any price advantage at all, which resulted in the situation that European distributors or processors would temporarily discontinue buying from China. One should also consider the fact that in China, quality claims are traditionally solved with new orders at a discounted price, because Chinese mills never accept to release refunds on paid orders.

Besides the above *common* products, EURANIMI also considers flat rolled aluminium sheets and coils in thickness 0,5 – 5,0 mm in various alloys as well as hot rolled aluminium plates in thickness 6 – 200 mm in various alloys. For these types of products, the European market is now missing around 300.000

– 500.000 ton, that was formerly delivered from China. This quantity cannot be substituted by European products, because the necessary capacity thereto is not available.

Question 1: What are the causes for the changes in market conditions between the investigation period and the period of analysis?

The investigation period, from the 1st of July 2019 till the 30th of June 2020, did not cause much effect on the market situation.

Only after the Notice of initiation of an anti-dumping proceeding concerning imports of aluminium flat-rolled products originating in the People's Republic of China, pronounced on August 14, 2020, the market started to strongly react and European importers and processors started avoiding placing orders from the PRC for flat aluminium products that were likely to reach Europe after December 2020 as a consequence of the fear that they might have to pay anti-dumping duties that were at that time estimated around 48%, with possible retroactive effect.

Due to insufficient combined production capacity to face the increased demand after the first covid19-recovery, the rolling mills in Europe, Turkey, Russia, and the Middle East were unable to absorb the quantities diverted from China. Consequently, lengthening delivery times and price jumps have been observed like never before. This "perfect storm" situation in the market was not only caused by smaller producer output in Europe due to the covid19 pandemic, but also by technical and financial problems with producers in Russia, Spain, and Italy.

Today, all the rolling mills in the named areas have completely filled their capacity until the first or second quarter of 2022. They now refrain from issuing new offers as they expect further price increases and therefore prefer to wait before articulating new offers and lead times.

Since the end of 2020, the price for the processing operation (conversion), that rolling mills charge on top of the cost of the aluminium ingots/slabs, have more than doubled.

The main reason of this situation is to be found in the fact that the Chinese supply has dramatically decreased due to the announcement and implementation of anti-dumping measures, so that the demand and supply situation in Europe became completely out of balance.

More schematically, seen from a wider angle and shown in a sort of timeline, the situation can be summarized as follows:

Main changes between these 2 periods:

- reduced volumes from Chinese suppliers in Q3/Q4 2020 due to covid19 hesitation and later reinforced by anti-dumping threat
- lack of rolling capacity in Europe, partly initiated by lack / shortage of primary aluminium in Europe

Market conditions - investigation period (IP):

- Surge in imports into EU from China
- Slowdown in automotive in EU
- EU mills exporting substantial volumes to US to fill up gap in US market since Chinese suppliers were banned from US market
- Increased availability from EU mills from July onwards for local EU markets which resulted in lower conversions / rolling margins and depot stocks at EU mills.
- From March 2020: the covid19 pandemic hits the EU resulting in further reduction in demand

Market conditions - period of analysis (POA):

- Increased market prices in US, keeping US market attractive for EU rolling mills despite US import duties (trade war)
- Continued covid19 crisis resulting in reduced activity levels – material on order with overseas suppliers were reduced to minimum level only
- Upcoming threat of anti-dumping against China resulting in complete stop of ordering material in China since June 2020.
- China / Asia economies opening up earlier than EU / US markets diverting raw material away from EU/US markets towards China / Asia.
- During the 2nd half of November and in December 2020, first signals that demand levels in EU start to increase resulting in further stock reductions.
- Local EU mills facing insufficient access to primary aluminium resulting in lost rolling capacity and delivery times running out quickly.
- Credit issues reinforced by covid19 slow down make it for EU rolling mills more difficult to source sufficient primary aluminium

Question 2: Do you expect these changes to last? If yes, please indicate for approximately how long and justify your answer.

Under the current conditions where the capacity of the European, the Turkish, the Russian and the Middle Eastern aluminium rolling mills is by far insufficient to meet the demand in western Europe, we believe these changes to last at least until the end of 2022, as the technical issues in Russia and Spain and the financial issues in Italy will only have been resolved mid 2022 at the earliest, after which a huge backlog will have to be reduced first. All this, while market demands are not expected to slow down and while other alternative sources for rolled products outside the EU are also handicapped by covid19 restrictions (less personnel available, local lockdowns) and dramatically (!!) increased sea freight conditions.

Question 3: What is the effect of these changes on the overall performance of your company / sector, on the EU market, with regard to the use / importation of the product under investigation?

In the last few months, the average member of EURANIMI - distributor or processor alike – is reporting seeing its own business volume (activity) reduced by 10 to 20%, whereas each has to decline around 10 to 20 enquiries per day, simply because they cannot get hold of the required quantity of rolled aluminium sheets. Of course, all the distributors and processors had built up some extra stocks in the beginning of the year, in expectation of the likelihood of this situation, but such stocks are all sold by now. Resupply is becoming extremely challenging as rolling mills have completely stopped offering.

Members of EURANIMI are now witnessing that several of their customers, especially in the building and industrial non-automotive industry, have to put projects on hold or refuse orders from their own customers due to the non-availability of the necessary aluminium sheets. The latter situation only seems to worsen as many EU rolling mills have invested mainly in cold rolling capacity for automotive in recent years, but hardly invested in cold capacity for industrial applications.

Question 4: Within the scope of the product under investigation, have all product types been affected by the changed market conditions? Please identify the product types that were the least / most affected and provide supporting evidence / sufficient explanations.

All the products in Aluminium sheets mentioned in our preamble have been affected: cold rolled aluminium sheets and hot rolled aluminium plates alike. Material for the aircraft industry is less affected as this segment is still facing a lower activity level (but such material is partly left outside the scope of products under investigation). As mentioned under question 3, cold rolled sheets for e.g. building and industrial non-automotive applications are heavily affected.

For instance, the complete range of 1050, 5754 and 5005 mill finish is affected by this situation along with 5005 anodising quality from European mills in thickness between 1 and 6mm. This also includes the painted rolled products, since these products initially come from the same rolling mills.

Not only all these rolling mills are sold out for the rest of this year, but some of these producers are also no longer respecting their volume commitments that were agreed late 2020 or early 2021.

Question 5: How did raw material availability and prices develop since the end of the investigation period? Please support your statement with internal / external reports, if available.

During the investigation period (IP) no particularity could really be observed. However, from the start of the period of analysis (POA), one year ago, the market started to react strongly: European distributors and processors all at once avoided buying flat-rolled aluminium products from China that was not likely to reach Europe before the end of the year 2020.

Currently in the European aluminium market, there is such a shortage of raw material that mills state that they cannot make any offers for rolled aluminium until the 1st or the 2nd quarter of 2022. In most cases, mills decline inquiries or reduce the offered volumes to an insignificant fraction of the originally requested quantity.

In the recent past, European rolling mills used to offer a lead time of 4 – 8 weeks. Today, they cannot offer for the coming 6 – 8 months.

As a result of this imbalance of supply and demand, prices have almost doubled since the end of 2020, and they seem to keep on rising every new month.

The price of flat-rolled aluminium products is consisting of 2 parts:

1. The price of the aluminium ingots/slabs which is noted in the London Metal Exchange (LME). The LME quotation went up by more than 45% since the date of Notice of initiation of an anti-dumping proceeding concerning imports of aluminium flat-rolled products originating in the People's Republic of China on August 14, 2020 (from € 1480 up to € 2160,-/ton)
2. The conversion is the amount that the mills charge to roll the slabs/ingots into plates or sheets and deliver it to their customers. This conversion-cost more than doubled since the end of last year (from € 800 to approximately € 1650,-/ton at present)

As a very concrete example:

- a. Mill rolling conversion sheets 5754 H111 – 1 – 3 mm in July 2019: 900 €/ton – delivery time: 4-5 weeks
- b. Mill rolling conversion sheets 5754 H111 – 1 – 3 mm in August 2021: 1650 €/ton – delivery time: +7 months

More exhaustively, EURANIMI's members have witnessed the following price evolution in the last year:

Aluminium plates (thickness >8mm):

Note:

- Many European mills do not produce larger sizes (2000 x 3000mm and more)
- Many European mills do not produce thicknesses above 50mm
- Many European mills do not offer the full range of alloys
- Current delivery time: minimum 10 months

Prices for plates alloy 5083:

➤ July 2020	LME + 1020 €
➤ September 2020	LME + 1150 €
➤ January 2021	LME + 1400 €
➤ March 2021	LME + 1500 €
➤ July 2021	LME + 1750 €

Prices for plates alloy 2017 HT / alloy 2XXX:

➤ July 2020	LME + 1300 €
➤ September 2020	LME + 1450 €
➤ January 2021	LME + 2000 €
➤ March 2021	LME + 2140 €
➤ July 2021	LME + 2850 €

Prices for plates alloy 6082 HT / alloy 6XXX

➤ July 2020	LME + 1150 €
➤ September 2020	LME + 1350 €
➤ January 2021	LME + 1650 €
➤ March 2021	LME + 1800 €
➤ July 2021	LME + 2350 €
➤ Today	LME + 2.400 € - 2.600 €

Prices for plates alloy 7075 HT

➤ July 2020	LME + 1650 €
➤ September 2020	LME + 1850 €
➤ January 2021	LME + 2100 €
➤ March 2021	LME + 2600 €
➤ July 2021	LME + 3600 €
➤ Today	LME + 3.400€ - 3.800 €

Aluminium sheets and coils:

Note:

- The price for coils is 70€ less than for sheets
- Many European mills do not produce sizes wider than 2000mm
- Many European mills do not offer the full range of alloys
- Current delivery time: minimum 7 months

Prices for sheets alloy 1050:

- July 2020 LME + 720 €
- September 2020 LME + 800 €
- January 2021 LME + 900 €
- March 2021 LME + 1000 €
- July 2021 LME + 1250 €
- Today LME + 1400€ - 1600€

Prices for sheets alloy 3105 or 3XXX

- Same prices as 1050 alloy + 100€

Prices for sheets alloy 5754 or 5XXX

- July 2020 LME + 750 €
- September 2020 LME + 820 €
- January 2021 LME + 980 €
- March 2021 LME + 1250€
- July 2021 LME + 1650 €
- Today LME + 1700 € - 1800 €

Prices for sheets alloy 6082 HT or alloy 6XXX

- July 2020 LME + 1220 €
- September 2020 LME + 1360 €
- January 2021 LME + 1650 €
- March 2021 LME + 1800 €
- July 2021 LME + 2000 €
- Today LME + 2.100€ - 2.200€ all mill tell this

Price development of the billet premium



Sourc: Fastmarkets

Question 6: Do you consider that market conditions have changed temporarily since the end of the investigation period to an extent that would justify the suspension of measures?

Since the 2nd half of 2020, market conditions have deteriorated rapidly. If nothing happens, this situation is bound to worsen and will cause lasting damage to our industry. Alternative material to replace aluminium will have to be looked for and will be found. A much larger number of finished end-products produced outside the EU will flood into our market instead of being produced here in Europe. EURANIMI believes that this is already more than enough reason to suspend the AD668 measures.

The changes in the market conditions are not just temporary. Chinese and Asian economies are growing further thanks to their size of population and the growing share of middle class. They become importer instead of exporter of raw materials. Recent Russian export duties on primary aluminium towards the EU is reinforcing supply and price tensions.

Today's situation in the EU in the flat-rolled aluminium market has become unbearably tight: the product is so difficult to obtain and has reached such high prices that many projects are put on hold. This means each time that downstream manufacturers must (partly) discontinue their activities, delay the execution of orders, refrain from accepting new ones - and face serious financial problems if this situation would continue into 2022 and beyond.

It is clear and obvious that the anti-dumping duties levied under AD668 on the imports of aluminium flat-rolled products originating in the People's Republic of China is not the main cause of the current totally abnormal situation. The origins of this difficult situation are more likely to be found in the economic growth that compensated the economic slow-down caused by the covid19 pandemic. It is however also clear and obvious that these anti-dumping measures were investigated and implemented at the worst possible timing in this respect. Its effect was like pouring hot oil on fire.

Given the current situation, it is also clear and obvious that the initial cause of the introduction of these anti-dumping measures has totally evaporated: in the current market shortage, who could reasonably fear "dumping prices" - from China or from elsewhere ???

Suspending the anti-dumping measures adopted under AD668 would probably not offer an immediate solution to the problem that has already reached too severe proportions, but it would certainly offer some relief to the market and partly restore the supply balance for flat rolled aluminium products, in particular for the building and industrial applications.

The undersigned certifies that all information supplied in response to the questionnaire is complete and correct to the best of his/her knowledge and belief and understands that the information submitted may be subject to audit and verification by the European Commission.

Date: August 12, 2021

Association name: EURANIMI



Christophe LAGRANGE DERACHE
Executive board member