

Submitted via steel232@bis.doc.gov

31 May 2017

Brad Botwin
Director, Industrial Studies, Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue NW, Room 1093
Washington, DC 20230

Subject: Oil & Natural Gas Industry Response to Request for Public Comments on Section 232 National Security Investigation of Imports of Steel

Dear Mr. Botwin:

The American Petroleum Institute (API), American Fuel & Petrochemical Manufacturers (AFPM), American Exploration and Production Council (AXPC), American Gas Association (AGA), Association of Oil Pipe Lines (AOPL), Independent Petroleum Association of America (IPAA), International Association of Geophysical Contractors (IAGC), Interstate Natural Gas Association of America (INGAA), Society of Independent Gasoline Marketers of America (SIGMA), US Oil & Gas Association (USOGA) and Western Energy Alliance welcome the opportunity to respond to the Request for Comments on Section 232 National Security Investigation of Imports of Steel. Together, the signatory trade associations (hereafter, “the Associations”) represent the vast majority of the oil and natural gas industry in the United States, across exploration and production (the “upstream”), transportation (the “midstream”) and manufacturing/refining (the “downstream”).

The Associations acknowledge the underlying objective for the nation to assess whether US imports of steel impair national security, per Section 232 of the Trade Expansion Act of 1962, as amended (hereafter referred to as “Section 232”). In doing so, the Associations urge the Department of Commerce to define “national security” narrowly so as to exclude steel supplied to the US oil and natural gas industry. The Associations remind the Department of Commerce that “national security” for this current Section 232 investigation is defined in [15 CFR § 705.4](#) with reference to eight specific factors. Most of these factors naturally focus specifically on considerations particular to “national defense;” it also includes certain catch-all language that would permit consideration of any “relevant” factors. However, the Associations caution the Department of Commerce to strictly limit its reliance on any “relevant” factor, which could dilute the strength – and legal defensibility – of the Department of Commerce’s analysis, and divert it from its core assessments related to national defense.

This conclusion is consistent with the way in which “national security” was defined in the Department of Commerce’s 2001 report [The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security](#).¹ In this report, the Department of Commerce acknowledged the primacy of Department of Defense requirements for steel and applied the “national security” factors in the context of steel as (a) the Department of Defense’s total projected needs for finished steel, and (b) the needs of certain critical industries for finished steel and based thereon, for iron ore and semi-finished steel as inputs, that are critical to minimum operations of the economy and government. Such a definition of national security is consistent with the statutory scope of Section 232 of the

¹ See US Department of Commerce Bureau of Export Administration. October 2001. [The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security](#).

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Trade Expansion Act of 1962, as amended, and with 15 CFR § 705.4. In addition, applying “national security” factors in a manner that is narrow and precise, for the purposes of Section 232 investigations, prevents such evaluations from undertaking an unduly broad scope, which could result in a definition of “national security” that would essentially mean any uses or imports of a product such as steel in any industrial or related application. This is not the intent of Section 232. The Bureau of Industry and Security (BIS) will have to address any departure from the 2001 definition on an extremely strong record, particularly given the monumental shifts in the domestic oil and gas industry since 2001, and cannot do so arbitrarily or capriciously.

From a policy perspective, a narrow interpretation of national security would also limit unintended impacts that could occur from a broad application. The Associations urge the Department of Commerce not to equate US imports of steel, whether for the oil and natural gas industry or other uses in the US economy, as inherently negative. This is a false determination. In the oil and gas industry, the availability of multiple domestic and foreign sources of steel has provided supplies that have led to the US becoming the world’s largest producer of oil and natural gas. The Associations urge the Department of Commerce to consider the ways in which US energy security is enabled, not hindered, by imports of steel. The US oil and natural gas industry, which supports 9.8 million US jobs, uses steel in a variety of ways. As illustrative examples, the US oil and natural gas industry uses steel in the upstream for drilling and in production facilities and terminals (both onshore and offshore); in the midstream for pipelines, gas processing facilities and vessels; and in the downstream for refineries and petrochemical plants.

In fact, several of the trade associations signatory to this letter, representing the midstream segment of the US oil and natural gas industry, have recently provided comments and a report to the Department of Commerce that details the pipeline-grade steel, line pipe and equipment manufacturing that represent the steel inputs to US oil and natural gas pipelines. As stated in these [previous comments](#) and report, the Associations urge the Department of Commerce, in this Section 232 investigation, to ensure that proposed government action does not have the unintended result of reducing or significantly delaying oil and natural gas industry projects and limiting US oil and natural gas industry job growth.

In fact, limitations on steel imports to the US may hinder the US energy revolution and may hurt US geopolitical standing abroad. The oil and natural gas industry involves complex operations that benefit from a strong and diverse supply chain. Broadly applied trade restrictions would significantly undermine that supply structure and potentially compromise our member companies’ oil and natural gas production, refining and transportation of energy to consumers, including the US military. Limitations on US imports of steel could also constrain US exports of crude oil, natural gas (both pipeline gas and liquefied natural gas), and refined products, petrochemicals, and other energy intensive manufactured goods reliant on natural gas.

We firmly believe that general concerns about trade imbalances should be addressed through other means. In that vein, the US Government has taken recent actions to address the conclusions of US trade remedy cases that point to the underlying causes of global steel market distortions as particular practices of certain foreign governments with respect to specific types of steel products.² The Associations urge that any recommendations for additional action prompted by this Section 232 investigation, if warranted according to a narrow definition of harm to “national security,” be targeted to address specific actions by specific foreign governments with respect to specific steel products that are not already addressed by existing US trade remedies and that the Administration also

² See US International Trade Commission. [Antidumping and Countervailing Duty Investigations](#).

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consider the potential negative effects of US tariffs, quotas or other measures that would raise the cost of steel inputs for the oil and natural gas industry.

The Associations urge the Department of Commerce to consider the potential negative effects of policies to address this Section 232 investigation on affordable energy for consumers, including the US government and US military. In addition to the direct effects of potential US policies such as tariffs or quotas, US actions may also invite retaliation by trade partners and/or challenges at the WTO that could have the similar negative effects on affordable energy. The Associations believe that any policy recommendations to address the findings of this Section 232 investigation should be narrowly tailored to the proper findings of this Section 232 investigation and avoid broad applications which sweep in all imported steel products from all countries.

In summary, the Associations urge the Department of Commerce to use the following criteria to determine the appropriate policy recommendations to address the findings of this Section 232 investigation of steel imports:

1. When determining harm to national security, employ a narrow definition of “national security” that conforms with 15 CFR § 705.4 and that does not include steel supply to the US oil and natural gas industry.
2. Consider the extent of existing trade remedies already in place to address the unfair steel trade practices of US trade partners and only put forward new actions that are targeted precisely and narrowly to any previously unaddressed underlying causes of distortions in the global market for steel.
3. Consider the ways in which new US tariffs, quotas or other measures could have a potential negative effect on US energy security beyond their initial and direct effects on steel, such as how they may increase costs for oil and natural gas industry by being passed through the chain of distribution, and how they could potentially affect affordable energy for consumers, including the US government.

In addition, the Associations also urge the Administration to continue to focus on any US regulatory or tax policies that currently present barriers to US companies developing steel, pipe, and equipment production capacity and competing for oil and natural gas industry projects.

The member companies represented by the signatory associations to this letter commit to engaging with the appropriate executive branch officials and other vital partners, particularly steel manufacturers, to forge solutions that will address underlying trade-distorting practices of certain US trade partners and to promote US job growth and affordable energy in the US.

Sincerely,



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American Petroleum Institute (API)



David Friedman
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American Fuel & Petrochemical Manufacturers
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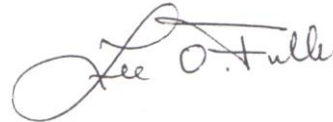
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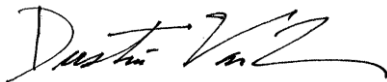
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About the Signatory Trade Associations



AMERICAN PETROLEUM INSTITUTE

The American Petroleum Institute (API) is the only national trade association that represents all aspects of America's oil and natural gas industry. Our more than 625 corporate members, from the largest major oil company to the smallest of independents, come from all segments of the industry. They are producers, refiners, suppliers, marketers, pipeline operators and marine transporters, as well as service and supply companies that support all segments of the industry.



AXPC is a national trade association representing 33 of America's largest and most active independent natural gas and crude oil exploration and production companies, each with considerable experience drilling, operating, and producing oil and natural gas on federal lands. AXPC members are "independent" in that their operations are limited to exploration for and production of oil and natural gas. Moreover, its members operate autonomously, unlike their fully integrated counterparts, which operate in additional segments of the energy business, such as downstream refining and marketing. AXPC members are leaders in developing and applying innovative and advanced technologies necessary to explore for and produce oil and natural gas,



AFPM is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of vital products in daily life. AFPM members make modern life possible and keep America moving and growing as they meet the needs of our nation and local communities, strengthen economic and national security, and support over 3 million American jobs, both offshore and onshore, from non-conventional sources.



The American Gas Association, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 73 million residential, commercial and industrial natural gas customers in the U.S., of which 95 percent — more than 69 million customers — receive their gas from AGA members. Today, natural gas meets more than one-fourth of the United States' energy needs.



The Association of Oil Pipe Lines (“AOPL”) represents the interests of owners and operators of America’s liquid pipelines. Liquid pipelines bring crude oil to the nation’s refineries and important petroleum products to our communities, including all grades of gasoline, diesel, jet fuel, home heating oil, kerosene, propane, and biofuels. AOPL members also transport carbon dioxide to oil and natural gas fields, where it can be used efficiently to enhance production.



The International Association of Geophysical Contractors is the global trade association representing all segments of the geophysical industry, essential to discovering and delivering the world’s energy resources. We are the global leader in geophysical technical and operational expertise for both land and marine operations. The IAGC works vigorously on behalf of the membership on issues of common interest and industry-wide topics and initiatives that support the continued vitality of the geophysical industry. Through advocacy, outreach and development of industry guidelines, the IAGC focuses on issues that affect the core businesses of the geophysical industry: data acquisition, data processing and data ownership. For more than 45 years, IAGC has been the global voice of the geophysical industry and is the only trade organization solely dedicated to the industry.



IPAA represents the companies that drill 90 percent of the nation’s oil and natural gas wells. These companies produce 82 percent of American natural gas and 68 percent of American oil. IPAA members represent the full range of producers, from small family-owned businesses, to the large independent companies that are some of the largest domestic natural gas producers.



The Interstate Natural Gas Association of America (INGAA) is a trade organization that advocates regulatory and legislative positions of importance to the natural gas pipeline industry in North America.

INGAA is comprised of 25 members, representing the vast majority of the interstate natural gas transmission pipeline companies in the U.S. and comparable companies in Canada. INGAA’s members operate approximately 200,000 miles of pipelines, and serve as an indispensable link between natural gas producers and consumers.



Founded in 1958 as the Society of Independent Gasoline Marketers of America (SIGMA), SIGMA has become a fixture in the motor fuel marketing industry. After more than fifty years of leadership, SIGMA is the national trade association representing the most successful, progressive, and innovative fuel marketers and chain retailers in the United States and Canada. From the outset, the association has served to further the interests of both the branded and unbranded segment of the industry while providing information and services to members. SIGMA's approximately 260 corporate members command nearly 50 percent of the petroleum retail market, selling approximately 80 billion gallons of motor fuel each year. These member companies operate throughout the United States and Canada.



The US Oil & Gas Association (originally the Mid-Continent Oil & Gas Association) was founded in October 1917 in Tulsa, Oklahoma, following the United States' entry into World War I. A principal purpose of the Association's foundation was to provide essential supplies of petroleum and petroleum product to the allied forces, helping the Allies, "...to float to victory upon a wave of oil." The US Oil & Gas Association's contribution to that success helped establish it as an Association in which individuals working cooperatively could resolve mutual problems and achieve great results. For more than nine decades, in good times and bad, the Association has been a strong advocate for the individuals who built and sustain the U. S. petroleum industry. The Association's long history is one of distinguished service to the petroleum industry and to our country's economic and strategic stability. It is recognized today as "...a proven and respected advocate for producers of domestic oil and gas."



Western Energy Alliance, founded in 1974 as the Independent Petroleum Association of Mountain States (IPAMS), is a nonprofit trade association representing more than 300 companies, headquartered in 25 states in the U.S. and two Canadian provinces, engaged in all aspects of environmentally responsible exploration and production (E&P) of oil and natural gas in the West.