

## **Why the antidumping Minimum Import Prices (MIPs) on GOES should not be extended beyond October 2020**

T&D Europe, the European Association of the Electricity Transmission and Distribution Equipment and Services Industry T&D Europe notes that the antidumping Minimum Import Prices (MIPs) on GOES<sup>1</sup> are due to expire at the end of October 2020. In this paper, T&D Europe sets out its view that the MIPs should be allowed to lapse and not be extended.

### **Key messages**

GOES is almost exclusively sold as an input for transformer production. Transformers are used for all forms of electricity transmission and distribution, for example by public utility providers in member states.

The expiration of antidumping duties on GOES (Regulation 2015/1953 of 29 October 2015) will occur after five years, i.e. on 31 October 2020.

The view of T&D Europe members is that there is no need for a review and the measures should be allowed to lapse in October 2020.

### **1. Transformers are a key component of a critical infrastructure and an essential part of the energy transition**

Transformers are used to increase or decrease the alternating voltages in electric power applications. Transformers are vital for the operation of the electricity network. They are also used in a large range of industrial processes.

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<sup>1</sup> COMMISSION IMPLEMENTING REGULATION (EU) 2015/1953 imposing a definitive anti-dumping duty on imports of certain grain-oriented flat-rolled products of silicon-electrical steel originating in the People's Republic of China, Japan, the Republic of Korea, the Russian Federation and the United States of America, *Official Journal* L284/109, 30.10.2015

The turnover of the EU market for transformers is approximately EUR 3,7 billion, about 10% of which is made up of imports. EU transformer production is worth approximately EUR 4,7 billion, making the EU a net exporter of transformers.

T&D Europe members estimate that there is around a double digit percentage increase in the costs for transformers arising from the MIPs. This cost surcharge is even higher for more efficient transformers. Such cost and price increases impact the viability and competitiveness of the EU transformer industry. Ensuring an adequate and reliable supply of transformers to critical infrastructure projects is of importance for the energy transition and the EU independence of such critical infrastructure.

## 2. European transformer manufacturers are very dependent on imports of GOES

The demand for transformers incorporating high-permeability GOES is increasing due to a growing awareness of life-cycle energy losses of transformers, as well as EU measures to decrease energy costs and improve the environmental performance of transformers, especially the upcoming implementation of tier two of the EU's EcoDesign Regulation on Transformers.<sup>2</sup>

The transformer industry is particularly dependent on imports of high-permeability domain refined GOES, which is a premium category of GOES that leads to lower energy losses, more compact transformers and a lower environmental impact e.g., by achieving the same performance while using less natural resources. There is only one EU producer that is able to manufacture high-permeability domain-refined GOES that is required to meet the Tier II requirements. It is only able to supply a minor share of the EU demand for the foreseeable future, and it is not able to manufacture the highest-permeability grades that are available in the global market. As a consequence, prices of the product concerned have increased significantly compared with markets outside the Union.

European transformer manufacturers are still obliged to source outside of Europe (e.g. Japan) for higher prices due to the MIP, which results directly in competitive disadvantages for them and competitive advantages for the non-European transformer industry. It should be noted that it is the highest quality GOES (such as 075-23DR or better grades) that are in short supply

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<sup>2</sup> COMMISSION REGULATION (EU) No 2019/1783 amending Regulation (EU) No 548/2014 on implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to small, medium and large power transformers, *Official Journal* L272/107, 25.10.2019 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R1783&from=EN>

from European manufacturers, lower grades, such as 080-23DR, are available but not applicable to Tier II transformer manufacture.

### 3. The measures have had a negative impact on European transformer manufacturers without improving the situation of European GOES manufacturers

The imposition of MIPs has not stabilized the situation of most of the European GOES-suppliers and European steel producers took little advantage of the 5-years protective period to strengthen their GOES-business. There is now significantly less GOES volume available from EU mills than 5 years earlier. Cogent EU UK mill permanently shut down in Nov 2019 removing 60,000 MT p.a. capacity from the EU market. TKES Isbergues FR mill with 76,000 MT capacity has temporarily shut down for several weeks due to COVID-19.

The EU mills still do not have sufficient capacity to supply the EU transformer manufacturers. Therefore, EU transformer manufacturers are paying MIP for GOES that must be imported because it is not available in the EU. EU mills are still not manufacturing, in commercial quantities, the best performing low iron loss grades that are being manufactured by non-EU mills and which are necessary to manufacture transformers that comply with the Eco Efficiency Tier II and to satisfy customers in strategically important EU leading markets such as Wind Energy and HVDC.

In GOES markets without artificial import measures (such as India) the price of GOES has declined to historically low price levels in Q1 2020. The MIP increases costs for EU transformer manufacturers and mostly benefits non-EU mills that sell GOES into EU at higher prices.

### 4. T&D Europe recognises the importance of European GOES supplies but the competitiveness of the European Transformer industry is critical.

T&D Europe members strongly support having a domestic European production of high quality GOES but this cannot be subsidised by European transformer manufacturers. We ask the European Commission to seek other mechanisms to support European manufacturers of GOES. It makes no sense to protect European GOES producers by sacrificing the European transformer manufacturers who are their only local customers. The Commission should seek to protect the interests of both. The general principle of free trade should be followed unless there is a specific need for special measures to protect the market of GOES.

The EU GOES industry consists of only two undertakings and we estimate employs less than 3,000 people within the EU. The EU transformer industry is made up of hundreds of

undertakings and employs more than 30,000 people within the EU, not including sub-contractors and other industries benefitting from the EU transformer industry.

The largest beneficiaries of the MIP are foreign GOES suppliers, for whom the EU has become a high-margin market, at the expense of EU transformer producers. The MIP has resulted in some European transformer manufacturers transferring the production of cores (completely or in parts) to countries outside the European Union and has most likely led directly to the loss of jobs in the EU.

The impact of the measures on the small and medium-sized transformer manufacturing companies, which generally produce exclusively in Union Member States has been underestimated, in particular, by understating the impact of the product concerned in the total cost of production.

**In conclusion, the view of T&D Europe members is that there is no need for a review and the measures should be allowed to lapse in October 2020.**

#### ABOUT T&D EUROPE

T&D Europe is the European Association of the Electricity Transmission & Distribution Equipment and Services Industry, which members are the European National Associations representing the interests of the electricity transmission and distribution equipment manufacturing and derived solutions. The companies represented by T&D Europe account for a production worth over € 25 billion EUR, and employ over 200,000 people in Europe. Further information on T&D Europe can be found here: <http://www.tdeurope.org>

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