

**Before the
UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

IN THE MATTER OF)	
)	
MELAMINE FROM CHINA)	ITC Inv. Nos. 701-TA-526-527 and
AND TRINIDAD AND TOBAGO)	731-TA-1262-1263 (Final)
)	

TESTIMONY OF PAUL MIKESELL

November 3, 2015

Good morning. My name is Paul Mikesell. I am Chief Operating Officer of Cornerstone Chemical Company. I have worked for Cornerstone and its predecessor companies for 28 years. I have over 25 years of experience in business development and manufacturing operations. At Cornerstone, I have overall responsibility for manufacturing, turnarounds, new business development, and technical support.

At its basic level, melamine is produced by first reacting ammonia and carbon dioxide under heat and extreme pressure to produce urea in water solution. This urea is then concentrated and heated via molten salt circulation to produce melamine.

Our melamine plant is shown on **Hearing Slide 2**. The plant was designed, built, and licensed specifically for the production of melamine. It cannot be modified to manufacture any other products. At our Fortier Manufacturing Complex, we have developed less than 25% of the property owned by Cornerstone. Further, the underlying infrastructure, primarily the steam system and associated

utilities, operates below its capacity as a result of efficiency improvements we have made over the years to reduce energy consumption across the site. As a result, in addition to having more than ample space to expand, we also have the necessary infrastructure to enable a cost-effective brown-field expansion for the production of melamine. The Fortier Manufacturing Complex is shown on **Hearing Slide 3**.

As we operated the plant at near full capacity in 2010, we engaged Stamicarbon and Casale, two chemical engineering design firms, to develop expansion proposals for the melamine plant. With their help, we identified a bottleneck in the quench system of the plant where the melamine in the reactor effluent is separated from the other off-gases prior to purification. By addressing this bottleneck, we could make a substantial addition to existing capacity. We had to place those expansion plans on hold in 2012, however, when imports of melamine from Trinidad jumped to 38 million pounds and were undercutting our prices by large margins. The harm we suffered from Trinidad made any reinvestment to expand capacity financially unattractive.

Our melamine facility was designed to produce melamine 24 hours per day, 7 days per week and to produce most efficiently in a continuous operation and at full capacity. Violating either of these tenets results in sub-optimal performance.

Although we continue to operate the plant on a continuous basis, unfairly-traded imports forced us to scale back our production rates starting in 2011. This negatively impacted our output and capacity utilization. Because melamine production is highly capital-intensive, any reduction of production below full capacity utilization has a direct and significant effect on our per unit fixed costs and profitability. In fact, melamine production has a much higher fixed cost

structure, relative to raw materials and energy, than other commodity chemical products. Thus, any declines in capacity utilization result in an even more significant impact on our cost structure as compared to such other chemicals.

Our capacity utilization was negatively impacted by a large increase in subject imports. We operated near full capacity in 2010, when imports from Trinidad were 9.1 million pounds. But our capacity utilization fell sharply in 2011, when imports from Trinidad increased to 35.2 million pounds. With the continuing influx of subject imports during the POI, Cornerstone lost further sales to dumped and subsidized melamine and had to reduce its production rates to avoid excess inventories. As a result, our capacity utilization remained very low during the POI, reaching a low point during January-September 2014. It only started to improve when Trinidad and China began to withdraw from the U.S. market due to these investigations.

Bottom line, we need more output to optimize the intended operation of our plant and to achieve a reasonable profit. From 2011 to 2014, we should have been increasing production and expanding capacity as the economy rebounded from the Great Recession and home construction and auto sales were increasing. Instead, we had to reduce output as we lost sales to dumped and subsidized imports. We suffered injury during all of 2011 to 2014 from the volume of the imports alone, without even considering the adverse price effects.

The melamine industry in Trinidad is relatively new. Methanol Holdings (Trinidad) Limited, or MHTL, was formed in 1999 and is one of the largest methanol producers in the world. In the late 2000s, MHTL invested \$300 to \$350 million in the construction of two melamine plants in Trinidad, which were

commissioned in 2010. Each plant has an annual capacity of 30,000 MT, for a total annual capacity of 132.3 million pounds per year.

These two plants are part of the broader AUM Complex, which also includes a urea plant and a urea ammonium nitrate (“UAN”) plant. The AUM Complex is supplied with ammonia via pipeline from MHTL’s ammonia plant or from other sources. The complex is integrated with the melamine plant taking urea and ammonia from sister plants, returning ammonia to the urea plant, and taking utilities from the common utilities plant shared across the complex.

MHTL’s substantial capital investment requires it to operate these plants at near full capacity to earn a sufficient return on its investment. Given the absence of a local melamine market, MHTL must export all of its production. MHTL has the closest foreign melamine plant to the U.S. market.

While Cornerstone has no reason to complain about MHTL’s establishment of what is only the second melamine plant in the Western Hemisphere, we are very troubled by the level at which MHTL is dumping melamine into the U.S. market. We also object to the unfair support that MHTL has received from the Trinidad Government in the form of subsidies for natural gas, which MHTL has stated is “the single most significant input in MHTL’s production process.” The Government has also provided subsidies in the form of company-specific legislation to exempt MHTL from corporate tax and other obligations.

Respondents argue in their prehearing brief that MHTL was forced to reduce production capacity and suspend operations at one of its melamine plants in November 2014 “as a direct consequence” of the natural gas curtailment situation in Trinidad. According to MHTL’s brief, this plant will not resume production

until at least 2017, resulting in a 50 percent contraction in capacity “for reasons entirely unrelated to this pending investigation.”

Contrary to MHTL’s allegations, its recent declines in production and exports to the United States cannot be attributed to natural gas curtailments. Rather, MHTL is simply reacting to the filing of the petition and the imposition of preliminary duties in these investigations.

First, natural gas curtailments were continuing and periodic since MHTL started production and began aggressively exporting to the U.S. market from 2010 onward. According to the Trinidad Ministry of Energy’s Consolidated Monthly Bulletins, from 2010 to 2012, Trinidad’s average daily natural gas production did fall by 4.8 percent, but this actually corresponded to MHTL significantly increasing production, as evidenced by its exports to the United States increasing by over 300 percent.

Second, MHTL stated in Exhibit 1 of its Prehearing Brief that none of the downstream plants at the AUM complex can operate if the Ammonia Plant is out of service unless ammonia and carbon dioxide are imported from a separate company. According to the Trinidad Central Bank, MHTL’s ammonia plant experienced maintenance disruptions in 2014, and two additional ammonia plants in Trinidad were shutdown for maintenance and turnaround in 4Q2014. MHTL responded by shifting its available ammonia and urea to substantially increase its production of UAN, at the expense of melamine. MHTL made this shift to higher production and export of UAN, presumably because UAN had better returns than melamine due to the pendency of these investigations.

Notably, MHTL experienced similar production-related problems in the fourth quarter of 2013 but responded strongly in early 2014 to restore its significant import volumes for the first three quarters of 2014, as shown in **Hearing Slide 4**. MHTL would have reacted similarly in early 2015 but could not do so due to the filing of these investigations and imposition of preliminary duties.

Third, MHTL sharply dropped its exports in the second quarter of 2015, the quarter in which the CVD cash deposits were imposed. MHTL has not exported a pound of melamine to the United States since April 2015.

In short, it is very clear that MHTL's decision not to restart its second melamine plant in 2015 is due to the cost prohibitive antidumping and countervailing duties, not the ever-present and periodic natural gas curtailments.

Thank you.