

U.S. International Trade Commission

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**Hydrofluorocarbon Blends and Components Thereof from China  
Inv. No. 731-TA-1279 (Final)**

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**Commission Hearing, June 21, 2016**

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**Testimony of Glenn Haun**

Good morning. I am Glenn Haun, Director of Fluorochemical Sales for Arkema Inc. I am the senior manager of Arkema's sales force in North and South America, I started in the HVAC and fluoro chemicals business in 1984.

I want to add briefly to the testimony you just heard from Rich Rowe. First I will address the conditions of competition in the U.S. market. Most importantly, HFC blends from all producers and countries are interchangeable. These refrigerants are chemical commodities. We ship bulk HFC components and blends in tanker trucks or by rail. The bulk containers do not distinguish Arkema's product from our competitors.

When the product is packaged in disposable cylinders, such as you see here on the table, the refrigerants are identified by the color of the cylinder. Every refrigerant blend meets AHRI 700 specifications, which is printed on the label on each cylinder. That is the industry standard. Our Chinese

competitors ship in the same pink or orange cylinders with the same AHRI 700 certification. And you can even buy Chinese HFC blends on Amazon.

In my experience, customers are typically looking for a pink cylinder of R-410A, not a brand name.

Next, the largest volume of our sales reaches the market through large distributors, such as Johnstone Supply, Watsco, National Refrigerants, Airgas or Coolgas. Several of these distributors used to buy in bulk tank trucks and repackage or blend and repackage into the disposable cylinders. This allows the distributors to adjust to demand for particular blends without holding a huge inventory. However, today, very few of the distributors continue to blend or even to buy in bulk and repackage into disposable cylinders.

Blending itself is a simple operation. I have been in the tank yard at Coolgas when they unloaded one tank of R-32 and one tank of R-125 into a larger holding tank. All they needed to do was attach some valves and pipes to each of the ISO tanks and then pump the components into a common tank. The result was a 50 / 50 blend of R-32 and R-125 – which is the R-410A blend.

Even though blending is a low-cost operation, Chinese imports of blends that arrive already packaged in disposable cylinders are eliminating

this level of trade. Except for National, most of the distributors no longer blend components or fill disposable cylinders. Their equipment to fill cylinder is idle because it is cheaper to buy Chinese blends than to buy components and fill the cylinders themselves.

The exhibits to my testimony include price sheets that are circulated in the market by importers such as Jack McAdams, BMP International, Inc., and Southcorp Sales, which sells the blends imported by LM Supply. These importers distribute HFC blends exported from China by T.T. International and other Chinese companies. These price lists are published every week or every month and circulate quickly throughout the market. The importers offer HFC blends in 24-pound or 25-pound disposable cylinders that are below our prices for components in bulk tanks.

For example, the "Icool" brand, imported by Sinochem Ningbo, is offered to HVAC distributors throughout the United States at the identical low price. Icool offers R-410A, R-404A, R-407C and other HFC blends on the same price list. Similar price lists are circulated by many brokers including Southcorp and BMP International. Because these low prices are circulated throughout the market, the Chinese prices set the market. It is difficult to find any customers that are not aware of the Chinese prices.

Our customers force us to meet the Chinese prices or lose business. As a result, we have been forced to cut prices repeatedly. Rich Rowe explained that we cannot reduce our production below the “turn-down” rate. So, to fill our capacity and operate our plant, we are forced to find customers and meet the Chinese price. Not until we filed the antidumping case have we seen any increase in market prices.

In fact, we have even lost sales at our OEM accounts. We have suffered lost sales to a major air conditioning manufacturer identified in our questionnaire response. In addition, one of our largest customers for HFC components, one of the companies testifying here today, exercised a meet or release clause in our supply contract. When they told us the price at which they could purchase Chinese HFC components, we could not meet that price and released them from the contract to buy the imports.

In these circumstances, our industry has been materially injured by Chinese imports.

Thank you.