

U.S. International Trade Commission

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**1,1,1,2-Tetrafluoroethane (R-134a) from China**  
**Inv. No. 731-TA-1313 (Preliminary)**

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Staff Conference, March 24, 2016

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Testimony of Glenn Haun

Good morning Mr. Anderson and members of the Commission Staff.

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

Arkema is one of three U.S. manufacturers of R-134a, and a member of the American HFC Coalition. Arkema joined with Chemours, Mexichem, and other members of the Coalition to combat the unfairly traded imports that are destroying our industry. Our antidumping petition documents the fact that imports of R-134a from China are being dumped in the United States at margins of over 100 percent. As a result, the entire U.S. industry has suffered declining sales, falling production, unused capacity, and substantial financial losses. Without relief from a rising volume of Chinese imports, prices will continue to fall, our market share will decline, and U.S. jobs and investment will be destroyed.

Arkema did not appear before the Commission in the first investigation concerning R-134a from China. However, we did submit questionnaire responses and answer all inquiries from staff. I am appearing today because the situation in the market is substantially worse than it was in 2013, when the first petition was filed. In the current market, we cannot be neutral any longer.

Since 2013, Arkema's R-134a net sales revenues have fallen dramatically. Our U.S. commercial shipments have declined significantly by volume and even more by value. Our loss of sales volume and the decline in our prices are the direct result of competition with Chinese imports.

Let me first address the conditions of competition in the U.S. market. Most importantly, R-134a is essentially interchangeable. It is a chemical commodity. For example, when we sell to OEM customers or to major repackagers and distributors, we will ship R-134a in a tanker truck or by rail. The bulk containers do not distinguish Arkema's product from our competitors. When we ship R-134a, the customer receives a certificate of assay attesting that the product meets AHRI 700 specifications. That is the industry standard. However, our Chinese competitors also ship in bulk and

also provide a certificate stating that the R-134a meets AHRI 700 specifications.

Even when we sell to distributors for the automotive replacement market, R-134a is typically packaged in a 30-pound cylinder, as you can see from the example that we have provided. To distinguish R-134a from other refrigerants, the cylinders are painted light blue. In my experience, customers are typically looking for a light blue cylinder, and not a brand name. As a result, we compete with Chinese R-134a on the basis of price. Whether they are buying on the spot market or on a contract basis, our customers insist on the lowest price.

Next, we generally sell into the market through large distributors, such as Airgas, National Refrigerants, or Technical Chemical. These customers typically buy R-134a in bulk and repackage into smaller cylinders or cans for sale in various market segments. We also sell to original equipment manufacturers, including manufacturers of air conditioning and refrigeration equipment, chemical companies that produce foam, as well as companies producing aerosol products.

We encounter Chinese imports in all of these channels. At the large distributor accounts, I frequently compete with Chinese producers that sell direct to distributors and repackagers. In some cases, the Chinese producers

will ship R-134a in bulk in ISO containers. In other cases, the Chinese exporters will ship R-134a in 30-pound, or disposable D-I-Y cans. In fact, the prices for Chinese R-134a in cylinders have fallen so low that many repackagers are no longer buying in bulk. They are instead buying Chinese R-134a already packaged for resale, and they are not running their packing lines.

Competition with Chinese imports of R-134a is particularly fierce in the automotive aftermarket. For many years, this market segment was one of the largest segments served by Arkema. For example, our producer questionnaire response shows that the automotive aftermarket was our top market segment in terms of sales as recently as 2014. However, after the negative antidumping determination in late 2014, Chinese imports surged back into the automotive aftermarket. Prices very quickly fell to low levels that we cannot match. As a result, our 2015 sales to the automotive aftermarket were only a fraction of our sales in 2014.

Chinese R-134a imports also aggressively compete for sales to OEMs. We have identified lost sales to a major air conditioning manufacturer in our questionnaire response. We have also identified lost sales to major manufacturers of foam and aerosol products. When we call on these accounts to negotiate contracts or spot purchases, the customers are always

aware of the low prices offered by Chinese imports. Even our longstanding customers force us to match those low prices or lose the business.

In addition to the direct sales of Chinese R-134a to end users, a more recent development has been the growth of various distributors of Chinese refrigerants that sell at uniform low prices to all market segments. These distributors include Southcorp Sales, Jack McAdams and BMP International, Inc. Jack McAdams distributes R-134a identified as the "Sinochem Ningbo" brand. These imports are offered in various market segments, both to the automotive market and the HVAC market. The price lists will be circulated weekly or monthly and will show prices for R-134a, as well as other refrigerants.

As shown by the exhibits to our testimony, the "Icool" brand, imported by Sinochem Ningbo, is offered to automotive and HVAC distributors at the identical low price. And, on the same price list, Icool offers 30-pound cylinders intended for the after-market and 12-ounce cans intended for retail consumers. Price lists are also circulated by Southcorp and BMP International. BMP also circulates offers for low-priced Chinese R-134a, as well as other refrigerants, throughout the market. BMP supplies both the automotive market and the HVAC replacement market.

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. In fact, in many cases, the Chinese prices for R-134a in 30-pound cylinders have driven down the price for R-134a in bulk rail cars or tank trucks.

At many of our OEM accounts and our largest distributor accounts, we negotiate annual or longer-term contracts. Typically, our long-term contracts will specify the price and quantity to be supplied. However, in almost every case we have a “meet-or-release” clause. We therefore must renegotiate even our contract sales in order to match the low prices offered by Chinese imports. We cannot escape the downward pressure on prices that is the result of increasing, unfairly traded imports.

I understand that an important reason for the Commission’s 2014 decision was the supply shortage that occurred in 2010 and 2011. Today, however, there is no shortage in the U.S. market. Arkema’s questionnaire response shows that we have been operating at well below our effective capacity since 2013. The loss of sales in the automotive aftermarket, in particular, was a major blow to our business. We did increase shipments for a few months in 2014, when preliminary antidumping duties were imposed on Chinese imports. But, following the Commission’s negative decision,

our sales declined and market prices again fell. As a result, we have substantial excess capacity to supply the market.

In short, our industry has been materially injured by Chinese imports of R-134a over the past three years. For these reasons, we ask the Commission on behalf of our employees to make an affirmative determination.

Thank you.