

**U.S. International Trade Commission
Staff Conference**

1,1,1,2-Tetrafluoroethane From the People's Republic of China
Thursday, March 24, 2016 - 9:30 AM

Testimony of Peter Geosits, Mexichem Fluor Inc.

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

My name is Peter Geosits and I am the Americas Commercial Director for Mexichem Fluor Inc. I have been in the chemical industry for over thirty years and I have nineteen years of experience in the refrigerants business.

I would like to go into greater detail than Mr. Haun regarding the various market segments for R-134a. The largest use for R-134a is as a refrigerant in vehicle air conditioning systems. Almost 99% of motor vehicles in the replacement market at this time operate with R-134a as a refrigerant. The vehicle market is composed of sales to OEM producers who generally have yearly or multi-year contracts and who receive the product in bulk tank trucks on a just in time delivery basis. We sell to all of the Big Three. OEM buyers for the major auto companies are among the most knowledgeable purchasers in American industry and they have utilized the pricing in the spot market to reduce prices when negotiating

these contracts. They also buy from manufacturers, foreign or domestic, to resell for the replacement market to their dealerships.

As a result of the U.S. automotive fleet size, aftermarket sales of R-134a for vehicle air conditioning are approximately three times the size of the OEM market. Sales in the aftermarket can typically be to distributors who will purchase R-134a in bulk (tankcars or tank trucks) and then repackage the gas into thirty pound cylinders or twelve ounce containers for resale to auto dealerships, service centers, service stations, or to the large auto parts chains and big box retailers. Competition with the Chinese is severe in the aftermarket, which is the largest market sector for R-134a. Sales for the aftermarket are generally done on a spot basis, although some large customers may secure longer price guarantees for a specified volume of purchases.

Another segment of the market for R-134a is in stationary or commercial air conditioning. These are typically large units that would provide cooling for office buildings, stores or airports. Sales are made to large OEMs who produce and fill the units. There are also sales through distribution to the HVAC maintenance companies that service the

refrigerant gases in these building units. There is an overlap in distributors who would sell R-134a to both the vehicle aftermarket and the HVAC aftermarket. We believe that the largest national distributors for the aftermarket are now making significant direct purchases of R-134a from Chinese suppliers such as Sinochem in both bulk and 30 pound cylinders, and our sales have suffered as a result.

R-134a is also used as a propellant and as a blowing agent. Since R-134a is non-flammable, it is used as an aerosol propellant in lubricants, freeze sprays and insecticides as well as aerosol dusters that are used for electronic circuit board cleaning. R-134a is also used as a refrigerant in domestic appliances like refrigerators, freezers and dehumidifiers and is sold direct to large OEMs or through distribution. The Chinese have definitely made more inroads in the propellant market and we have lost the business of several customers last year.

As the head of our marketing efforts for the Americas, I supervise our team of four salespeople. Let me now focus on what has changed since your negative determination two years ago. First, the market for R-134a in new cars is shrinking because more new car models are shifting to R-1234

yf. The EPA SNAP rules require that all new cars make the shift by 2021. Through below market pricing, the Chinese are quickly increasing their share of the auto after market and I have to fight back on price. Let me be as clear as I possibly can. Chinese exporters undercutting my prices are causing prices for R-134a to fall in the market, not Chemours or Arkema.

Second, as you heard from John Pacillo, I have to sell the plant's production at some price to maintain loading on the plant. Otherwise, the cost of operation will not be covered and ultimately, rather than sacrifice safety, the plant will close.

As I testified in your final investigation last time, the imposition of duties helped pricing in the market. However, as soon as your negative determination was made, distributors demanded rebates of price increases or threatened they would take their business elsewhere. Those rebates cost us several million dollars. I cannot think of any clearer proof of causation of injury than the direct impact on our prices of unfair Chinese prices in the market.

Exports represent a significant portion of the sales from our St. Gabriel, LA plant. There are no R-134a production plants in North and

South America outside of the U.S. Therefore, these markets have long been served by plants located in the United States or in Europe. However, as you can see from our questionnaire, the Chinese are destroying our export markets.

We have made a major effort to stay abreast of the Chinese industry as a competitor. Over the past several years, a number of new plants or expansions have been built in China for the production of R-134a. In contrast, the last new U.S. plant to be constructed was built almost 20 years ago. Even though China may have the fastest growing auto market in the world, the growth in capacity to produce R-134a in China greatly exceeds the demand in China. In fact, we believe the entire Chinese R-134a industry is operating at much lower utilization rates than we do and that the excess capacity in China could serve the entire demand in the U.S. for R-134a.

It is unfortunate that we have had to return to the ITC again to seek relief. As you can see from the import data, the Chinese did not return to the market at just the high levels they were at before, but exceeded them in a market where demand is shrinking. Without the duties against subsidized and dumped imports I do not foresee Mexichem Fluor being

able to remain in the R-134a business. Therefore, on behalf of our company and our valued employees I ask that you make an affirmative determination so that duties can be imposed. Thank you.