Good morning, and thank you for the opportunity to testify today. My name is Anthony O'Donovan, and during the period of investigation ("POI" or "period") I was first Global Supply Chain Director until June 30th 2017 and then Regional Group President, America's for the Fluorochemicals business at Arkema Inc. As the Global Supply Chain Director, I was responsible for the global strategy for sourcing raw materials and supply of finished goods. As the Regional Group President I am responsible for the fluorochemicals business operations for all of the Americas. As part of my responsibilities I regularly travel to Europe and Asia. I have been at Arkema for six and a half years.

R-32 is one of the products of the Fluorochemical business unit which is one of several business units comprising Arkema Inc. Arkema is based in King of Prussia, Pennsylvania, and employs nearly 3,500 people in the United States. It is the only U.S. producer of difluoromethane, otherwise known as R-32, which is produced at our manufacturing plant in Calvert City, Kentucky.

The Calvert City plant is our flagship facility and has been active for over 70 years. It is one of the most important employers in Southern Kentucky, providing high-wage union jobs to 265 residents in the area. 32 is manufactured by the reaction of a chlorinated solvent with hydrofluoric acid. This reaction, known as hydrofluorination, yields a carbon-hydrogen-fluorine compound, and hydrochloric acid. The production of 32 involves the reaction of dichloromethane (also known as methylene chloride) with chlorine gas and hydrofluoric acid.

I would like to talk to you today about how the domestic 32 market works.

32 is a gaseous chemical that is typically blended with other chemicals that are then used in various residential and commercial refrigerant and cooling applications. A few of the unique features of 32 are that it has no ozone depletion potential and has a low global warming potential compared to other HFC components. 32 is a commodity product that is produced to well-established standards published by the Air Conditioning, Heating, and Refrigeration Institute ("AHRI"). This means that 32 is interchangeable

regardless of who the manufacturer is because all 32 conforms to the same chemical composition, as defined by the CAS number, and meet the same AHRI standard, known as AHRI 700.

32 is not interchangeable with other HFC components such as R-143a, R-125, and R-134a. These other components have distinct chemical compositions and each must be used in precise quantities to produce downstream blends. For example, a common HFC blend that contains 32 is R-410A, which is the gas used in all modern air conditioning units. R-410A is comprised by volume of 50 percent 32 and 50 percent R-125. There is no substitute for 32 that can be used to produce R-410A. Also, there are many downstream blends that do not contain 32 at all. Therefore, none of these components compete against each other in the market. These components also do not share common manufacturing facilities. For example, the equipment at our Calvert City plant that is used to manufacture 32 cannot produce other components such as R-143a, R-125, and R-134a.

Arkema primarily sells 32 to HFC blenders or consumes it internally to produce its own blends. Since 32 is interchangeable regardless of source, the 32 market is highly competitive and 32 is sold primarily on the basis of price. Moreover, because there are only minimal volumes of non-subject imports in the US market, our main competition in the market has always been Chinese imports. During the period, Chinese imports flooded the US market and it undoubtedly did it based on price. Chinese imports increased significantly during the period, and have unquestionably driven the price in the US market throughout the period, and were the primary force behind the material injury to the U.S. industry.

Generally speaking, sales in the 32 market are negotiated on a spot basis, through short term contracts of less than a year, and longer term contracts. Even under contracts, price can usually be renegotiated. Therefore, unfairly priced Chinese 32 impacts our sales prices regardless of sales type. For example, during the period, Arkema reduced the price offered to spot and short-term contract customers on several occasions because of competing low

Chinese prices for 32 and some of its offers were outright rejected by these customers for the same reason. Even long term contracts can have have "meet or release" provisions that allow for price renegotiation during the contract term. A meet or release provision allows a customer to negotiate a lower price if it is able to obtain a quote from another supplier that is lower than the contracted price. During the period, a significant percentage of our sales volume was subject to a meet and release clause, and quotes from Chinese 32 suppliers were relied on to renegotiate contracted prices to a lower level.

Moreover, even the mere availability of Chinese 32 can form the basis for renegotiating contract prices. China is the elephant in the room when it comes to the global 32 industry. It controls the vast majority of global supply and has more unused capacity than there is demand in the US market. The availability of unfairly priced Chinese 32 hangs over the US 32 market and has led to poor financial results over the course of the period.

To continue with a discussion on the conditions of competition and injury Arkema experienced during the period, I'd like to defer to my colleague Scot Swan.

Good morning, and thank you for the opportunity to testify today. My name is Scot Swan, and I am the Global Market Manager, Air Conditioning and Refrigeration at Arkema. In that capacity, I am responsible for global coordination of business strategy in connection with air conditioning and refrigerating, as well as product development. I have been at Arkema for 22 years.

As my colleague Tony just mentioned, I would like to talk to you today about the dynamics of the domestic 32 market and the injury Arkema suffered throughout the POI as a result of unfairly traded imports of 32 from China.

There are several conditions of competition in the US market that are critical to understanding market dynamics – they will be discussed in more detail during Dr. Kaplan's presentation. That said, Tony has already mentioned one – China's dominance in the global market. China is the world's largest producer of 32 and there are no apparent limits to its ability to meet demand with its seemingly limitless supply. We understand that Chinese production outpaces Chinese domestic demand and China is heavily export oriented.

A second condition of competition unique to the US 32 market arose in 2016. Through 2016, we really did not see much Chinese 32 in the US market. At least for its exports to the United States, China was mostly focused on using 32 and other components to produce HFC blends, which were exported in increasing quantities through 2015-2016. Of course, those imports dried up as a result of the HFC blends AD order, which was issued in August 2016. That order, however, did fundamentally change the conditions of competition in the US 32 market. Arkema was poised to grow its 32 operations following the imposition of the AD duty order on HFC blends. Demand for domestically produced 32 should have surged as blending switched from China to the United States. However, that significant growth never materialized. Instead, dumped subject imports flooded the market. As a result, Arkema never realized the benefits of this increased demand because Chinese imports simply undermined Arkema's ability to take advantage of the growing market. Our profitability declined dramatically. Arkema's operating margins actually declined from 2016 to 2019.

A third condition of competition relates to rising raw material costs during the POI. Typically, in a growing market, we would have been able to raise prices to capture those increased costs. But that wasn't possible during the POI – most dramatically in 2019 – as Chinese 32 was priced so low that it capped our ability to raise prices.

Finally, our declining profitability is making it more difficult to invest in the future. As Tony mentioned at the outset, 32 is a preferred HFC component because it does not deplete the ozone and it has low global warming potential compared to other HFC components. This makes 32 a critical HFC component in future refrigerant applications. The only way Arkema can make these investments is if it can sustain a profitable 32 business, and that is very difficult to do when we have to compete against unfairly traded imports.

Without an antidumping duty order, Chinese 32 is poised to capture more market share and continue to drive down US industry profitability. An affirmative finding is the only line of protection for the domestic 32 industry as there are currently no other domestic barriers to entry.

To conclude, Arkema has been materially injured by significant volumes of unfairly traded 32 from China throughout the POI, which significantly undersell US product. All this occurred against a backdrop of overall market growth and increased demand for 32. Without an affirmative determination, this injury will undoubtedly continue.

Thank you for your attention. We would be happy to answer any questions you may have.