UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation No.:**
HYDROFLUOROCARBON BLENDS AND	**)**	**731-TA-1279**
COMPONENTS FROM CHINA	**)**	**(Preliminary)**

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IN THE MATTER OF:	) Investigation No.:
HYDROFLUOROCARBON BLENDS AND	) 731-TA-1279 (PRELIMINARY)
COMPONENTS FROM CHINA	)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, July 16, 2015

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, James McClure, Supervisory Investigator, presiding.

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Sharon Bellamy, Program Support Specialist

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Joanna Lo, Investigator

Jeffrey Clark, International Trade Analyst

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Opening Remarks

Petitioner (James R. Cannon, Jr, Cassidy Levy Kent (USA) LLP)

Respondents (Ned H. Marshak, Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP and Jarrod M. Goldfeder, Trade Pacific PLLC)

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Washington, DC on behalf of
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Maureen Beatty, Vice President of Operations, National Refrigerants, Inc.
Jarrod M. Goldfeder and Jonathan M. Freed - Of Counsel

Interested Party
The New ERA Group
Kenneth M. Ponder, President, Choice Refrigerants

Closing Remarks:
Petitioner (John D. Greenwald, Cassidy Levy Kent (USA) LLP
Respondents (Jonathan M. Freed, Trade Pacific PLLC)

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P R O C E E D I N G S

(9:30 a.m.)

MR. BISHOP: Will the room please come to order?

MR. McCLURE: Good morning and welcome to the United States International Trade Commissions' conferencing connection with the preliminary phase of antidumping investigation 731-TA-1279 concerning hydrofluorocarbon blends and components from China.

My name is Jim McClure, contrary to what the script says. I am the supervisor investigator and I will preside at this conference. Among those present from the commissions' staff are, from my far right, Russell Duncan. Russ will be handling the statistics in this. He's from the office of analysis and research services. Joanna Lo, who is our investigator. To my left, Karl von Schriltz, our attorney/advisor. Michele Breaux, our economist. David Boyland, our accountant, and Jeffrey Clark, our commodity industry analyst.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information, and to speak directly into the microphones.

When you do speak in response to a question or as you start your testimony, for the sake of our court reporter, who has a hard time seeing over us, please state

your name and your affiliation.

All witnesses must be sworn in before presenting testimony. I understand parties are aware -- .

Any questions regarding the time allocations should be addressed with the secretary. Are there any questions?

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Yes, Mr. Chairman. With your permission, we will add the New Era Group, Mr. Kenneth M. Ponder, President of Choice Refrigerants, as an interested party at the end of the respondents' panel.

MR. McCLURE: Thank you, Mr. Secretary. Let's proceed with the opening statements.

MR. BISHOP: Opening remarks on behalf of Petitioner will be by James R. Cannon, Jr., Cassidy Levy Kent.

OPENING REMARKS BY PETITIONER

MR. CANNON: Good morning. I'm Jim Cannon of Cassidy Levy Kent. I'm here on behalf of the American HSC Coalition and its' individual members.

This morning we hope to dive into a rather complex, but interesting, industry. They make a nice, interesting family of products. You will learn a little history about the refrigerant business. There is a

refrigerant that for decades was the major refrigerant used in residential air conditioning, commercial air conditioning and other applications, called R-22. That refrigerant damages the ozone layer and has been phased out.

So, to address all of those applications, this industry developed a family of blends. All of these blends used the same component refrigerants. In fact, every one of the blends has a common component, R-125.

The blends were developed to be used in the same applications as R-22, and those applications are to span a continuum of uses. Indeed, there are no clear dividing lines between these products, and, interestingly, the industry that makes them is immigrated to a degree that you don't often see. These producers each have to invest such an enormous amount of money to make a single component, that what they've elected to do is, each of the producers will make one or two of the components. But none of them make all the components.

And yet, the only application for the components of any significance, the only reason even to invest, is to make the blends. So you have an industry where none of the companies make all of the components that they need because the investment is so large. They have to rely on each other.

And so, somewhat uniquely for the commission,

you only can see the condition of the industry by aggregating all the companies together. This industry which formed -- organized to make blends to replace R-22, despite the substantial investment of these companies, and despite producing in the most efficient manner possible, in a manner in which each one focuses to get high capacity utilization, as high as possible, efficient production -- they have been suffering material injury throughout the period of investigation.

By reason of Chinese imports that are being dumped. The volume of imports is significant, both in terms of apparent consumption and production. We haven't seen all the data yet, but what we've seen so far indicates that, in our view, what you will find on the record here will very much mirror what is in the petition, in terms of expectation about the increase in the volume of blends.

Now, although demand for blends is increasing, imports are increasing at a far higher rate. And capturing not only the increase in demand, but taking market share from the U.S. producers.

Interestingly, in a time when demand is rising, prices are falling. In ordinary economics, you might expect the reverse, but what is happening here is that imports are underselling domestic producers virtually at every count, pervasively. When you look at the pricing data, you will

see underselling across all products.

Moreover, domestic producers' prices in essentially a three-year period have fallen by roughly twenty percent. Price levels where demand is rising are falling twenty percent. At the same time, raw material costs are rising.

And so, the impact of the imports is really on the topline revenue. The revenue of this industry is falling, and as their costs rise, year by year, through the period, what you see is the bottom line looks worse every year.

We go from a position of profitability at the beginning of the period to losses at the end of the period. The lost sales and the lost revenues that we've documented affect us in every channel -- all customer channels, OEM customers, the replacement market, the aftermarket, in every segment of the business.

On top of the lost sales data and the evidence that you will find in your underselling tables, you will also see there is a very impressive amount of evidence in this case, some thirty-five pages of individual price sheets, an impressive amount of evidence that offers are circulating throughout the U.S. market every week, every month, at every customer account, there are an increasing number of traders in the market who are simply offering the

product.

And on the offer sheets, they offer the whole family of blends, not just one of another. They look at the blends also as a group.

Now on these offers, they are setting the market price level. At these low prices, the industry simply can't afford to reinvest. The economics, the return on investment, is inadequate. And so, when it comes time for this generation of refrigerants to be replaced by a new generation, the problem industry faces is, the return on investment they're earning now is simply too little to meet that challenge for the future.

So for these reasons, industry believes the commission should find the industry is materially injured by imports. And we ask you to make an affirmative determination. Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be by Ned H. Marshak, Grunfeld Desiderio, and Jarrod M. Goldfeder, Trade Pacific.

OPENING REMARKS BY RESPONDENTS

MR. MARSHAK: Good morning. I'm Ned Marshak of Grunfeld Desiderio. We agree this case is not simple. Petitioners have raised a lot of issues for, at this point, we really don't have answers. What's the class or kind, the components separate, blends separate? Do we have one, two

or eight? Domestic light product should be co-extensive with the class or kind. Why not R-134as? Is it really that different? Why not HFC still under patent? Are they really that different?

The domestic industry and interested parties are all members of the coalition interested parties. Mexichem, Hudson, Amtrol, Worthington today have obsceded in this case. What is import penetration? There's no census data in this case.

Domestic producers also import. Do they import in significant quantities? Why? Were there shortages of components in the U.S. in the matter? There were shortages in the R-134a case. What is the significance of the fact that the products are coming off patent protection? That wasn't mentioned in the petition. That may be very important in this case.

What are the reasons in the increase of Chinese capacity production? Capacity increased and production increased. But the reasons, we believe that the reasons are because of whole market and third country demand and not because of a desire to export increased quantities into the United States. Thank you.

OPENING REMARKS RESPONDENTS

MR. GOLDFEDER: Good morning. My name is Jarrod Goldfeder of the law firm Trade Pacific, and I am here today

with my colleague Jonathan Freed. We appreciate the opportunity to speak to you on behalf of our client, National Refrigerants, which is both a U.S. producer and packager of HFC blends, as well as a U.S. importer of HFC components. National's executive vice president, Maureen Beatty, will share with you her extensive experience on the U.S. HFC market.

National's focus in this preliminary phase investigation is solely on the allegation that imports of HFC components from China are injuring the domestic industry. The Petitioners urge the Commission to find here a single like product that consists of five specific HFC blends and three specific single-component HFCs.

These component HFCs are R-32, R-125 and R-143a. Their petition refers to a fourth component, R-134a, but they have excluded this particular component from their domestic like product definition.

What you will hear from us today is that contrary to the petitioner's claim, HFC components and HFC blends constitute separate like products, and there is a clear dividing line in between them.

This is true under both the Commission semi-finished like product analysis and its traditional like product analysis. And similar to the Commission's recently concluded investigation against our 134a imports from China,

these three HFC components have neither caused nor are a threat of material injury to the domestic producers that brought this petition.

How could they be when the domestic producers of HFC components have historically refused or have been unable to offer their components for sale to blenders such as National? Instead, either internally consuming components in their own blending operations, or swapping or selling components amongst themselves.

To have experienced injury, there must be a meaningful open market with head-to-head competition and that simply does not exist here for HFC components with a domestic industry that controls, but will rarely sell their supply of domestically produced components outside their little club of three.

Component imports are not taking sales or market share away from domestic producers, but rather are creating their own markets that blenders like National can have the material they need to sustain their U.S. operations.

The well-known prevalence of swap arrangements for HFC components amongst domestic producers means that they are more or less insulated from price competition for components. And without head-to-head competition, subject imports could not possibly have adversely impacted the domestic producers' trade and financial performance for HFC

components.

In short, this petition does not support the existence of a reasonable indication of injury as to subject imports of HFC components from China. We look forward to discussing these issues with the staff and addressing your questions. Thank you very much.

MR. BISHOP: Would the first panel, those in support of the imposition of the antidumping duty order please come forward and be seated. Mr. Chairman, I would note that all witnesses for today's conference have been sworn in.

MR. McCLURE: Okay. I'm going to step out for a minute. I forgot my inhaler and you aren't gonna want to hear me wheezing into the microphone, so I will be back momentarily, but go ahead.

STATEMENT OF JAMES R. CANNON, JR.

MR. CANNON: Thank you. It's Jim Cannon again on behalf of the petitioners, the American HFC Coalition. Good morning.

I realize you need to get straight to the witnesses and hear, sort of, from the "mouth" of the industry about the case. And I'm gonna indulge myself or test your patience a little by making a few remarks at the outset about like product, sort of talk about the issue and maybe put a little framework here.

We think the real issue here in regards to the like product is whether there are clear dividing lines between the blended products. After all, the case is about blends. We should understand that components are in the case because, and should be included by the Commission because, if there's an antidumping duty order on components -- I mean, I'm sorry -- on blends. And components are not covered. It is so simple to blend that the order would be meaningless.

Within a year after the ink is dry, there will just be imports of components instead of blends. And these components are only used to make the blends. So under your downstream product test we believe -- and we'll talk about that in some detail -- we believe the components are clearly a like product, but only looking through the lens of the starting point here -- blends.

Now, as to whether blends are a like product, whether there are clear dividing lines between them, the traditional test looks at physical characteristics first. As I've stated at the outset, all the blends use the same components, and every blend uses 125. They are all low- or medium-temperature refrigerants. None of them deplete the ozone layer.

These aspects and others are the common physical characteristics. Those physical characteristics suit the

blends for particular uses. And those uses, or applications, are all the applications formerly addressed by R-22 -- air-conditioning, residential and commercial refrigeration, commercial process gas, transport refrigeration.

Within each of those different applications, there is overlap between the blends. So, for a 407A and 407C will and do replace R404A in commercial refrigeration. 407C will compete with R-410A in residential A/C in different system, but in the same application. All of the blends, all five, can be used in process gas applications.

Next, let's look at manufacturing facilities. The blending itself takes place in the same facilities. The components, however, cannot be made in the same plants. They are not made on the same equipment. Each component, each separate chemical component is a somewhat different process. You don't use the same equipment.

However, you need multiple components to make even a single blend. So you need more than one plant to make the product here which is a blend. In this regard, there is no clear dividing line. To the contrary, it's really sort of a unifying principle about the industry. They need each other. They need to be able to swap their components in order to produce blends.

Next, the Commission looks at channels of

distribution. The channels are the same for all of the blends. Moreover, the channels are unique to, or largely unique to HFC blends, as opposed to other types of refrigerants. Other types of refrigerants, you heard reference in the opening remarks to R-134a, are sold in different channels for different end uses.

Now, they're sold in the same channels and the next factor the Commission looks at is customer expectations. What do the customers expect? Well, the physical characteristics dictate customer expectations. One goes from the other. There are low- or medium-temperature. Therefore, they're used in residential/commercial A/C and commercial refrigeration.

They're not ozone-depleting. Therefore, they've taken the place of the earlier generation. But the customers importantly, in this case, expect producers to supply a full range. When the customer comes to buy, they want all the blends. The customer approaches their customers and downstream in the replacement market when a distributor sells, on the price list you will see they list all the blends. They sell them as a family.

So next the Commission looks at the price. The prices for the blends are basically within a range of about forty cents a pound. Now the price is a function of market conditions -- what the market will pay. But the producers

will try to set the price or determine it in relation to the cost of the components. So some components, particularly I think R-143a, are more expensive than others. So if your blend happens to have more R-143a then the price will tend to be higher because the manufacturers are essentially desperately trying to cover their variable costs.

The price list then will show a range of price for the blends, which is comparable in the terms that the Commission has seen in the past. So here you might think about Commission precedent. There's a case going on right now, there's a vote today, corrosion-resistant steel. It has been argued historically that galvanneal should be excluded from the like product because it's only sold to the automotive industry. And galvanize is sold in construction. And these are totally different uses, totally different products. The Commission consistently has included those as one family product because they address a continuum or a range of uses. And you have many cases like this.

Bearings are sold in sizes from less than an inch in diameter to twenty feet or more in diameter. You don't put the twenty foot bearing in your car in the wheel. You put the two inch bearing, or a one inch. They are all one like product. They address a range of applications.

Same thing with the tow-behind lawn groomers, right? Behind your ride-on lawn mower, you can pull little

wagons, you can pull a aerator, a rake, what have you, these are different implements, and yet, they are considered one like product because they're sold in the same manner this product is sold, by customers, in that case, big box stores like Home Depot and so forth.

They approach a producer, what do they want? They want all the tow-behind grooming equipment, not just one piece. They look for the producer to produce all of it. Or think about bedroom furniture. Beds are not like chest of drawers. But in the furniture store they want to be able to offer a matching set. The producers produce that matching set, the sellers look for it and buy that.

So case after case, the Commission has considered this issue and it does not drill down to sort of this fine line. At a certain level you can distinguish every product. In the wire rod case, the Commission said, "If we were to find a separate like product for tire cord wire, because you can't use it for music spring wire in a piano," we would be obliged to find a separate domestic like product for music spring wire, which cannot be used for tire cord wire.

The foregoing approach could be applied repeatedly across the spectrum of all wire rod products, thus the continuum itself constitutes the domestic like product. In other words, in every case, you can reduce this

to sort of a ridiculous level. Here, you have an industry that set out to make a product to fit an application. The product is a blend. All the blends, taken together, are the answer, the solution to the end use we're looking for. For these reasons, the Commission should find blends are a single like product.

The next issue then becomes, what industry produces the like product? Here it's sort of crystal clear. These producers are the producers of the domestic like product. We have a common industry that produces the blends, which are sold through the common channels. We have a common industry that produces individual components and then swaps them with each other.

In that regard, it's easy to see there's a single industry. The question that arises then is what to do with blenders who don't produce components, but rely on imported components? In the statute, under the related party provision, it's pretty straightforward. They relay the party or an importer may be excluded from the domestic industry.

The Commission, when it looks at that issue, they looked at several factors. A primary factor the Commission has looked at is, to what degree does the blender rely on imports? So here we think the record will show that blenders that primarily rely on imports for their components

should be excluded from the domestic industry.

The other factor that at least some of the commissioners look at, is whether including the blender would distort the rest of the industry. In other words, if you look at a blender who relies on imports, and you hold up their P&L statement, would that distort the performance of the rest of the industry? And on that litmus test, quite clearly you'll see in the post conference brief, they have blenders that rely on imports have a totally different performance than the U.S. producers who rely on components.

So for those reasons, blenders that rely on imports for their components should be excluded.

Next, I would like to talk about R-134a. I started the like product discussion talking about clear dividing lines.

There are clear dividing lines. We hope we get questions about this. You will hear in the testimony. There are clear dividing lines between the blends and R-134a.

First off, probably most outstanding, there's a separate stand-alone market for R-134a. So R-134a, as a single stand-alone component, not in the form a blend, as a single component, has a huge market. A large market for R-134a -- automotive, refrig -- , air conditioning. It's foam. It's propellants, an aerosol. Those are the markets

the Commission found in the R-134a case. Those are the markets for the stand-alone product R-134a.

The other components, R-32, R-125, R-143a, there are no markets for those products, of significance. The markets for those three products would not support investment to build a plant. If all you were going to do with your 125 is sell it for sprinkler applications, fire sprinklers, the demand is so small you would never spend the money to build the plant.

If you look at the ratio of our sales of that product to our capacity, you'll see that it is negligible. Now the second point to make about R-143a is that in that stand-alone market for R-143a the uses are very different. The blends address low-, medium-temperature uses across a range of applications -- residential, commercial air conditioning, commercial refrigeration.

R-134a addresses entirely different applications -- automotive air conditioning, foam, propellants. The uses are not the same.

Next the production in economics is fundamentally different. As I said, you build a R-32 plant or an R-125 plant to make blends. You don't blend the plant to make R-125. You build it to make blends because that is the primary, the dominant, the vastly dominant use of it. You build an R-134a plant because the market for automotive

air conditioning is huge. So you don't need blends to justify the investment to put up an R-134a plant.

That's a fundamental distinction between those products. For those reasons, there are clear dividing lines between R-134a, which, by the way, the Commission found was a separate, single like product in the prior case. There are clear dividing lines between R-134a and the blends.

So, Commission should conclude there's a single like product that consists of HFC blends. The components the Commission should conclude are part of that like product by virtue of the downstream product analysis. And I've taxed your patience enough, so I'm gonna only have one more sort of indulgence which is for the record to state we are making also a threat-134a argument. We believe the record will show that. In addition to being materially injured, the industry is threatened with injury. There is a massive Chinese capacity and it has nowhere else to go but the United States. There are Chinese producers who are major who are not sending in, at least that we've seen in questionnaire responses, who are not appearing here today or represented. There are conditions in the third country markets for this product which are going to limit their sales. So you've heard this morning that they're building this capacity in China to address the whole market and other markets. In fact, in Europe, effective January, they've

imposed a regulation which limits imports, country by country, it is a quota system.

The Chinese have a tiny piece of the quota into Europe and it will shrink over time. Likewise, in Japan, same regulatory regime.

So the Chinese are locked into today's level in Europe and Japan and it will decline over time. So this capacity they have built, the only open market for it is the United States market, and so what we will see without relief is absolutely what we're seeing now. We will see more trading companies. We will see more price lists. We will have our customers calling us daily, if not weekly, to match those prices and economics for our business will be gone. So I'll quit. At this point, I think I'll turn it over to, who comes next?

MS. SASSANO: Me.

MR. CANNON: Beth.

STATEMENT OF ELIZABETH MARY SASSANO

MS. SASSANO: Good morning. Thank you for the opportunity for allowing me to speak with you today. I am Beth Sassano. I'm the Refrigerants Global Business and Market manager with the Chemours Company.

I have been in the fluoro products industry for over ten years. I am joined here today along with the American Hydro fluorocarbon or HFC Coalition which is made

up of the four domestic producers of the HFC components and blends that you heard Jim speak about.

We formed the American Coalition to defend our industry and our future investments in the U.S. market. Despite being competitors, we do cooperate on the HFC component side of the business. Again, which you've heard Jim describe. But I'm going to describe it further in detail.

What I would like to do with you this morning is first cover a brief background of the industry which would include the products, the manufacturing processes, and the sales channels. But I'm going to discuss the Chinese imports and their resulting impact on the U.S. industry.

First, let's start with a quick history of the refrigerant market which sometimes can seem complicated to people. So I'm going to try to break it down for you.

Hydro fluorocarbon blends known as HFCs are the key thing to remember is that they're non-chlorine containing compounds that have no ozone depleting potential. It's a family of products that started to be developed way back in the 1990's as the phase out of CFCs, chlorofluorocarbons and then later around the year 2010 HCFCs, hydro chlorofluorocarbons began to be phased out. The key link for CFCs and HCFCs is that they are chlorine-containing compounds and they do deplete the ozone

layer.

The key HCFC was R22. It was a workhorse grade that had a very wide range of thermodynamic properties that allowed it to span many applications.

As R22 was began to be phased out, there was no single HFC blend that had thermodynamic properties to span all the applications like the R22 did. The industry worked on a variety of solutions modeling, testing, and converged on the HFC blend solutions and therefore the U.S. producers began to build HFC component facilities to supply the building blocks for these HFC blends.

As you're going to hear from the coalition today, and you've already heard a little bit from Jim, there is essentially no direct market for the HFC components. They were created and exist today for the HFC blends market.

Let's go in now a little bit into the product characteristics of the HFC blends starting with their physical characteristics. And I want to reflect the fact again that the HFC blends were designed again to replace the chlorine-containing compounds CFCs, and HCFCs. All of these HFC blends are non-ozone depleting, they were formed to be non-toxic and non-flammable. If I can flip and have you look at Chart 2, and Jim began to mention this, in terms of applications, the blends have a significant overlap as they are designed for low and medium temperature applications.

And you can refer to slide 2.

Four of the five blends can be used in low temperature applications. We commonly refer to that as commercial refrigeration. And in medium temperature applications which can span residential air conditioning and process refrigeration. You can see that all five of those blends can be used. Again, a very high overlap in the way these products can be used.

If I move you now to the next slide, you can see that these blends all use at least two of the same four building blocks for these HFC components that we've been talking about. And all five of them use significant amounts of R125 varying from 20 percent of the composition -- sorry, 25 percent of the composition to 50 percent of their composition.

If you look at the chart and focus to the left side, you will see that 410A and 404A are the largest volume of the HFC blend market used in air conditioning and refrigeration and they make up about 80 percent of the U.S. market and are composed mainly of the HFC components R32, and 125 and 143a. Relatively the three blends to the right side of the chart, 507, 407C, 407A are less -- about 20 percent of the market in the U.S.

Jim had already mentioned the HFC components R32, 143, and 125 looking down the left side of the chart do not

have market as individual components but they're dedicated to the production of the HFC blends. However, 134a you can see at the bottom of the chart was excluded from this case because it is the only component listed here that has a market for a standalone product in the automotive air conditioning segment. And we call that NEAT134a, it's sold by itself in large quantities to the automotive market.

Let's move on the manufacturing process. We do consider the production of HFC components and the blends to be one single industry producing a range, as I mentioned, of overlapping, and similar products. But there is a big distinction between the way HFC components are produced and the HFC blends are made.

Let's start with the components which each require a dedicated production line which is an investment of hundreds of millions of dollars in equipment needed to handle these high-hazard processes. Their multistage reactor processes with reactors that could be 40 feet long minimum, multistage removing chlorine and fluorinating the product to again take away that ozone depleting potential. They are run at very high temperatures and high pressures and they create hazardous bi-products like hydrochloric acid which is a very dangerous substance. There is this substantial investment required to produce these HFC components, not only in the initial building of the plant

facility, but also significantly in trying to maintain that facility and run it over time and operate it safely.

Because of this investment, the U.S. producers' industry is much more integrated than maybe some of the other industries you're familiar with. The industry has worked together in terms of the production of these HFC components due to this large investment I've just explained.

The word "swap" I think was mentioned by Jim and that is a way the U.S. producers have integrated in terms of the HFC component production. So I wanted to explain that a little bit. You might have one company, A, that makes HFC component R32. And another company, company B, that makes HFC component 125. And company A and B swap the 32 for the 125, in a specific ratio in order to meet each other's HFC component needs. This helps in two ways. Not only to optimize the HFC component production in terms of economies of scale, but also in higher capacity utilization which helps the U.S. producers try to keep their costs down.

It is important to note that while the U.S. producers are integrated in terms of the HFC components, that all the U.S. producers have lending facilities. This is why, again, we view this as a single industry consisting of both the HFC components and the HFC blends.

Let me now talk to you about HFC blending.

Unlike the components, the HFC components which require dedicated, high-sophisticated, separate lines and large capital investment, the blends can all be made with the same blending equipment with low investment. It's a very simple process. It's a mixing operation not under high temperature, not under high pressure, no hazard bi-products, very distinct from HFC components.

Okay. Moving on to distribution channels. All the HFC blends reach the market through very similar channels. Let me describe that.

So all five HFC blends are sold to original equipment manufacturing customers that make equipment like supermarket refrigerator cases, standalone units, air conditioning for residential. All five of these blends are also sold to these same OEM customers as well as downstream players like distributors and contractors for sales in the service side; when a piece of equipment needs to be serviced or retrofit, we call that the aftermarket. And many of the OEMs have service branches, so they straddle both the OEM side and the aftermarket side.

Distributors themselves, and Jim mentioned this earlier, like to offer this full-range of HFC blends to their customers, the contractors. They come in, they want to carry the full suite of HFC blends for the jobs that they need to carry out throughout the day. So they're seeking

the same full range of blends from their suppliers and distributors become a one-stop shop carrying the full range of HFC blends.

Let me move you on to the next slide. I'm going to show you an example -- two examples of price lists which we have many other examples we can share that are circulating and have been circulating throughout the market by importers. You can see here on the slide, and I, in this case have 410A, and 404A circled. They're again the big volume products in the market. And you can see even the importers from China are selling the full suite of products to the distributors and the downstream contractors.

If you move on to the next price list, another one, again, circling 410A and 404A, you can see again the full range suite of products being offered, again because this is how the market works, and the distributors and contractors need access to these blends for their work.

If you do look at the prices of the blends, they're all within the same range. And the prices circulated by these Chinese importers are then setting this prevailing price in the market. The OEMs because they have aftermarket service arms as well as the aftermarket channels see this broad distribution of price list and the low prices and then we feel the impact of these prices in both the aftermarket and in the original equipment manufacturer space.

For all these reasons which I have described, that HFC components are produced for the HFC blend market, that the HFC components are used in all the HFC blends, thirdly, that all the HFC blends are used in refrigeration and air conditioning applications, and lastly that they're offered as a portfolio and sold through the same sales channels. We consider the HFC component and the HFC blend market as one integrated industry.

Let's turn the page now and talk about the impact of the imports on our business. First let's look at volume. Let's move to the next slide. And this is just one example, but we can show you for all the blends in question, the volume of imports of the HFC blends has been steadily and substantially increasing. If I look at all five blends coming into the U.S. market, the Chinese imports of these blends, they have increased 100 percent from 2012 to the end of 2014. This rise in volume of inputs at below fair market value, has caused us to lose large and small accounts alike, some longstanding customers that we have had for decades. Our customers come to us and say you have to help us with relief, we can't compete in this market. We're going to have to source from the Chinese, and we're already below our costs.

We have estimated that the Chinese have now over 40 percent market share in the HFC blends in the U.S.

market.

I'd like to give you one example that we can put more confidential information in the post-hearing brief that Chemours as a company lost a major customer to Chinese imports of 410A in 2015 to Signochem, multi-millions of dollars of business and, again, we'd be happy to disclose more of the confidential details about that in the post-hearing brief.

I also want to emphasize that the Chinese imports impact us both again in the OEM, original equipment manufacturers side and in the service aftermarket accounts. We've lost business at the OEM, original equipment manufacturer accounts, we've also been forced to lose revenue because our prices are forced down in the other OEM accounts because of this prevalence of the pricelists that flow into the OEMs. The price levels set by the Chinese imports again at below fair market value spread rapidly between the channels OEM and aftermarket.

Let me take you to the next slide which again is highlighting one product 410A, but you can see this in all the blends in the case. You can see the steady decline in price since the beginning of 2012. You also note on the chart that we've repeatedly tried to raise prices to cover our increasing raw material costs without success.

For example, in July of 2012, we tried to raise

price on 410A by a 10 percent increase. Following that announcement, our average prices fell three months in a row and continued to decline. Then again in April 2013, we attempted to increase prices by 15 percent but by September of that same year, prices have fallen yet again. We continue to see the price levels from the Chinese imports below our variable cost position not even covering our fixed costs.

In conclusion, with rising raw material and fixed costs, combined with these falling prices, the impact of the dumped Chinese imports on our bottom line has been substantial. At the prevailing price levels set by Chinese imports, our profits have fallen year over year over year to the place that in 2014 we couldn't even make a positive profit. These low-priced Chinese imports are driving the low profitability of the HFC blends in the U.S. industry resulting in the shutdown of component facilities and loss of U.S. jobs. We have one example from Chemours that we can put in the post-hearing brief with all the confidential details about that.

It's not only impacting us now, but will continue to impact our future ability to invest in next-generation refrigerants as well as our continued investment and presence quite frankly in the U.S. HFC blends and components market.

Here we ask today, we really need your help. The U.S. industry for HFC blends and components desperately need your help. We need the Commission to address the conditions that have been created by the significant levels of these low-priced Chinese imports that are destroying, literally, the U.S. industry.

Thank you for your time and attention.

MR. CANNON: Thank you, Beth. Next we'll hear from Omar Irani.

STATEMENT OF OMAR IRANI

MR. IRANI: Good morning and thank you for the opportunity to speak with you today. My name is Omar Irani. I'm a Global Director of Product Management for Honeywell International working in the Flourine Products Division.

I've worked for this group from 2006 to 2010 and recently joined the team again in November of 2014. I run the product management function that covers the full span of the products that we're discussing today.

Honeywell supports the antidumping duty petition filed in this case and requests that the International Trade Commission make an affirmative determination.

I guess if I were to summarize our message very clearly, we cannot continue to maintain our U.S. operations in the face of these dumped imports.

I'm going to start by giving you a little bit of

background on Honeywell HFCs. We sell our products under the Genetron brand name. We manufacture all of the HFC blends that are covered by this petition, but we do not manufacture all of the components -- individual components that are needed to make these HFC blends.

We manufacture HFC125 and HFC143a in Geisner and Baton Rouge, Louisiana respectively. These are two of the four components that you saw earlier that are required to make HFC blends.

We built these facilities for the specific purpose of producing HFC blends for the air conditioning and refrigeration applications. And we are the only remaining manufacturer of these components in the United States. Again, it's vitally important to understand that we manufacture these components to be able to produce HFC blends. There is no market application for HFC143a outside of HFC blends. And the total U.S. demand for HFC125 is negligible beyond HFC blends.

The investment in the plant and equipment to produce these HFC components exceed a quarter of a billion dollars. Certainly not insignificant. If we continue losing share to low HFC blend and prices from China, it will continue to impact our ability to run these plants.

I'd like next to explain the role of repackagers and blenders or blenders and repackagers within this market,

differentiate them and explain. Blenders and repackagers that rely on Chinese components to supply their operations are effectively an extension of Chinese importers. They purchase HFC components and blend them prior to sale based on customer demand for one blend or another. They are further differentiated by the fact that they don't have to worry about an investment in an HFC component plan.

Some addition background on how they operate. Demand for residential and commercial air conditioning, as you can imagine, is seasonal. The hotter the weather is, the greater demand is. To maximize their flexibility based on demand, blenders will maintain and inventory of the components and blend them as needed. They can then package the HFC blend into cylinders for sale into the replacement market.

Blending itself is a relatively simple process. It only requires a fraction of the investment needed to manufacture the components.

We cannot compete and we cannot compete with blenders that simply mix Chinese sourced components before reselling the product in the United States.

As a result of their limited investment and extensive use of Chinese imports, our ask is that the Commission consider blenders and repackagers an extension of the Chinese HFC importers and exclude them from U.S.

industry.

Next I'd like to address the OEM market. Honeywell has several major customers that are OEM producers of air conditioning equipment. You're probably familiar with these companies, you probably have a piece of their equipment in your home today. As you've heard, Chinese imports have flooded the replacement market with their offers to sell all of these HFC blends on a weekly basis. However, the Chinese imports have also had a serious impact on the OEM market as well. There are two key reasons for this.

One, many OEM customers also participate through their dealers in the replacement market. Importers from China call on these OEM customers and they are very aware of price levels being offered.

Second, OEM customers will quote these Chinese prices when they have to negotiate contracts -- supply contracts on the OEM side of their business. As a result, we typically have to reduce price -- we do have to reduce price or walk away as a result.

In the replacement market we sell on a spot basis and competition with Chinese imports is intense. As noted, several imports that offer all of the HFC components regularly circulate price lists nationwide. Our customers make us aware of these price lists on a regular basis.

These price offers are provided to distributors that sell to service contractors in the residential air conditioning and commercial refrigeration markets.

What is the offshoot of this? We consistently hear from our customers that we need to reduce our prices to allow them to compete.

In summary, dumped Chinese imports have captured a rising share of the U.S. market by offering prices well below prevailing U.S. market levels. As a result our prices have steadily declined and our profits have disappeared. If this situation continues unabated, we will be placed in a position where we will have to continue to reduce our investments impacting our workforce, as well as purchases from supporting providers of services and cylinders for our products. As a result, we ask for a favorable determination or a determination in favor of industry.

Thank you very much.

MR. CANNON: Thank you Omar, and next we'll hear from Alison Clark.

STATEMENT OF ALISON CLARK

MS. CLARK: Good morning and thank you for this opportunity to address the Commission regarding our industry. My name is Alison Clark, and I'm the Global Business Director for Arkema, Inc. in the fluorochemicals business. I've been in this business for 13 years. As

global business director, I have personal responsibility for the management of our fluorocarbon business, including P&L responsibility for the HFC blends and components covered by the anti-dumping petition.

HFC blends were developed to replace R-22, which you heard earlier, which was the previous generation cooling gas found to be an ozone-depleting substance. R-22 is under a cap and facedown regulation in the U.S., and the blends volume will continue to grow as the R-22 volume continues to shrink.

First, I'd like to address the channels of distribution. As both Omar and Beth have explained, we have OEM, original equipment manufacturers as our customers, which are companies that you know probably as Carrier and Trane and companies like that. We also have an aftermarket business, which is primarily distribution and service contractors. They're serving the installed base of the existing equipment in the U.S. market.

So for example, recharging equipment with gas if it leaked out, and many OEMs, as Omar just explained, also have a service business, and are therefore well aware of the aftermarket prices and pressure us to compete at those levels even on the OEM level.

The largest of the two channels is the aftermarket. The aftermarket has seen the most penetration

by the Chinese imports, and we estimate the share of Chinese imports in that market to be 40 percent today, and it continues to increase every year. Over the past three years, imports into the aftermarket have increased by almost 100 percent. Prices to our aftermarket have been falling every year, and are currently at unsustainable levels.

Prices for Chinese blends and components are in many cases below our variable cost. In order to compete, we would have negative variable margin, not gross margin. That's without even including any of the fixed costs associated with doing the business. We've also seen penetration of imports into the OEM channels.

Because most of the OEM accounts are also in the replacement market, they use the Chinese prices to force our pricing down. OEMS are routinely entertaining bids from the Chinese importers today, and in 2014, the loss of sales to Chinese imports at an OEM account for the first time occurred to Arkema. From the standpoint of reinvestment, we cannot sustain the business at the price levels that characterize the market today.

Next, I'd like to explain how we conduct business. A large portion of the market is spot sales, and pricing is done at the time the request is made. It's largely aftermarket and the majority of imports are sold into this spot market. For Arkema, our portion of OEM

business is conducted by contracts, typically lasting from one to three years, and they're characterized by target, quantity and price.

However, in some cases, we may be forced to renegotiate to meet Chinese prices. In particular, OEM volume is usually large, and these customers have leverage to open negotiations based on their contract length. In other contracts, we have meet or release clauses. For the first time in history, we were forced to release a large volume customer from its contract obligation because the Chinese price was below economic viability.

In my capacity as global business director, I hear from our customers almost daily that one or another importers is circulating price lists to distributors and service contractors in the market. Prices have been consistently falling for three years. Even our long term customers, 20 to 30 year relationships, have shifted their business to Chinese imports.

Other long-term customers force us to price lower so that they compete against these other distributors that are sourcing HF blends from China. The effect of these regular offers to sell low-priced Chinese blends is a reduction in the price and profitability throughout the entire U.S. market.

When we lose sales volume because our customers

switch to Chinese imports, it has a negative impact on our capacity utilization at the plant, it creates an inability to cover our high, fixed costs associated with manufacturing and specialty chemical products, and it creates an inability to address rising raw material costs. We can't push any of those costs through and have to absorb it.

The combined impact of low prices, reduced volume and higher raw material prices for Arkema means that our financials have gotten progressively worse over the last three years. Fixed costs in a manufacturing facility cannot be supported at the current price levels, threatening jobs and productivity.

Our ability to reinvest in the current or next generation of refrigerant products is impaired. Today, there is an enormous excess capacity in China for components and blends, and based on our current projections, we expect the market to remain long and components to continue to be offered at very low prices in both Chinese domestic market and export market.

Fluorogas regulations have been put in place in Europe and Japan, which will heavily impact China's ability to work in those markets in the near future. These regulations enforce a quota system, and the Chinese producers do not have much quota in these markets, and therefore cannot sell major quantities into these markets as

the regulations go into effect. Europe is in 2015 and Japan is step-wise through 2020 for the regulations.

Therefore, the expectation is that the Chinese producers will continue to target the U.S., and aim to increase share to replace lost share in Europe and Japan. Each time we think there's a new floor to the Chinese price, a new lower price is advertised. Without relief from the dumped imports, our industry will be unable to support our U.S.-based activities.

The American HFC Coalition has come together because dumping in the U.S. market is a threat to our plants, to our jobs and to the future investment in this country by the fluorochemicals producers. We are not even close to reinvestment economics, and today, it's making it hard to justify spending on the next generation of environmentally friendly products.

At the same time, we're under pressure from the EPA and the DOE to commercialize next generation products faster, a prospect that requires hundreds of millions in capital spending for the U.S. in both R&D and manufacturing plants. We need relief to bring the market back to a normal, competitive level, so that all manufacturers, including the Chinese producers, can compete at fair market value in the U.S.

We are asking the Commission to find an

affirmative opinion on our petition to level the playing field. Thank you.

MR. CANNON: Thank you Alison, and with that, we are open for questions.

MR. McCLURE: Thank you. Mr. Cannon and the panel, we will begin the questioning with Joanna Lo, our Investigator.

MS. LO: Thank you all for coming. We really appreciate the opportunity to learn more about your industry. I have some fairly basic questions probably for you guys, but there are things I need to know to understand your industry.

First of all, there are five blends included in the scope, and I understand there are patented blends and other proprietary blends out there that are not part of the scope. Could you help me understand how many blends there are that go into the same refrigeration and what was it, HVAC and refrigeration systems? Can you understand how many blends are potentially out there using the same components?

MS. SASSANO: Hi. This is Beth Sassano from Chemours. There are a few more than the five that are listed, but it's pretty much there. They're workhorses in the industry. There is some patent-protected blends that are used for very niche applications. We have one in fact called NO-99, which is a no oil change solution, which is

why it's under patent protection, that can replace R-22 in existing AC systems. But by and large, you're looking at the five that are the main products in the industry.

MS. LO: Okay, thanks. So I'm just trying to get a better understanding. How would blenders who make this out of scope blends, how would they fit into this industry, and the order potentially? So say you're a company that makes something that's not patented but perhaps proprietary, and you're importing Chinese components for your blends, but they don't fall into these -- you're saying that that's a tiny part of the market and not to be -- not something that we need to be concerned with?

MS. CLARK: It's an immaterial of the refrigerants market for HVAC and refrigeration.

MS. LO: Okay, great. Thanks.

MR. CANNON: There could be -- so you guys fix what's gone wrong.

MR. McCLURE: Please identify yourself.

MR. CANNON: This is Jim Cannon. Sorry Jim. There could be some confusion in that the industry standard-setting organization, the AHRI, Exhibit Roman numeral I-4, lists like a whole bunch of 400 series blends. First, many of those blends are registered, as I understand it, but nobody makes them. Like they don't exist. They just register the blend, at least commercially.

Second, a large number of those blends, in fact every blend we left out of the case has a cloning molecule. It has a HFC or a CFC, so it's ozone-depleting. So the blends here are the HFC blends, and these are all of them. Eighty percent of the market is 410A and 404; maybe 19 percent is the other three, and the patented blends are the balance. Is this fair?

MS. SASSANO: Yes, this is Beth. That's very accurate.

MS. LO: Well that's helpful. So the other non-subject blends are about one percent of the market?

MS. SASSANO: I would agree with that, yes.

MS. LO: Thanks. That's helpful. In terms of capital investment, we talked a little bit about this blenders, roughly how much does it cost to start a blending operation?

MS. CLARK: It could be as low as -- oh sorry. Alison Clark from Arkema. It could be as low as a million, maybe up to three million or so, depending on what you're doing. There's a very easy way to blend at very low cost. If you're putting in fixed equipment, it would cost a little bit more.

But it's -- when you compare that to the price of putting in a components plant that's running in the hundreds of millions of dollars, there's no comparison

between the two.

MS. LO: And I just want to make sure that your testimony today is that a blender can shift from any blend pretty much, using these components easily?

MR. IRANI: That's correct. Omar Irani with Honeywell. Correct.

MS. LO: Yes. Great, thank you. I just have an issue that -- or a question that Ms. Clark had mentioned, when you touched on the environmentally friendly pressure. I want to understand, these blends, they go into say residential AC systems. That includes the mini-duct system that I think Spacepak is one, and what about the ones that you see in Asia very often, like the Hitachi systems, the Mitsubishi systems, the Fujitsu. Are they all the OEMs that you work with that have --

I'm just trying to understand in a practical way how this market works.

MS. CLARK: Yes. So in the U.S., in order to have any air conditioning equipment charged with gas, it has to go through a whole process of codes and standards boards that has to approve it, and that goes all the way down to every fire marshal in every town has to know how to handle it. So it takes a very long time to get a new gas through the market.

Today, there is a gas called 32, the stand-alone

32, that is -- has been listed in the latest what they call SNAP regulation by the government, that can be used as a gas, but it has not gone through all of the codes and standards boards. So it takes a very, very long time to get all the way through. We anticipate it will take between eight to ten years for it to become any kind of accepted substance, if it does in fact become an accepted substance.

So what you're talking about in the small charge equipment, if the charge is less than, I think it's three kilo?

MS. SASSANO: Yeah.

MS. CLARK: Three kilograms, then you can use it, but it's a very small charge equipment, because R-32 is flammable. Unlike the gases today, it's a flammable gas. So you can imagine it's got to go through a whole process to be approved, and most people don't want flammable gas pumped into their house. It's that simple.

So there's also the market acceptance portion of this that needs to take place. In Asia, it's different. So there is a push, in particular in Japan -- you see this more than anywhere else. But there's a push by the Japanese companies that are big manufacturers of these mini-split systems and other systems as well, to use 32 as a stand-alone gas.

But again, the market acceptance in Japan is

very different than how it has been here. There is some traction in Japan, and they don't have the same regulatory codes and standards boards that they have to face in Japan in order to get that product through. So they're very different markets, but you do see -- in some cases in Asia, you will see some small systems with the base component 32. But that's not the case in the U.S. today.

MS. LO: Thanks. That's all I have for now. Thank you very much.

MR. McCLURE: Can I jump in here, and then we'll go to Mr. von Schriltz, because I've arrived at an age that if I don't ask a question when I think of it, I'll forget it. On this price list of Ice Loong, and I ask this in the context of regulatory approval, I just note that it says these prices are only for Texas, Florida, Georgia, Alabama, you know, red states.

And then it says "Above prices not applicable in California, Nevada, Washington" and so on, and obviously California has -- generally has stricter environmental regulations. Are there differences in the regulatory bannals you have to deal with from state to state?

MS. CLARK: For the blends that are listed, no. But what you do is different markets and, you know, if you think of the housing market, the Northeast is far more expensive than if you go down to the South. It's the same

in refrigerants. There is some price difference depending on where you are and the demand, because in the South obviously it's very hot for a longer portion of the year. So there's a different pricing. It's a different pricing mechanism that's used in different portions of the market.

MR. McCLURE: Okay, thank you. Now we'll go to Karl von Schriltz, our attorney.

MR. VON SCHRILTZ: Thank you Jim, and thank you to this panel for appearing here and educating us about this fascinating industry. I'd like to begin with a like product question concerning R-134a, which is not within the scope of the petition, but it is used as a component in the production of HFC blends.

So I'm wondering, since R-134a is primarily sold for use in automotive air conditioners, which would seem to be at the same level of processing as HFC blends used in residential and commercial air conditioners, should the Commission consider whether to include R-134a in the domestic like product using its six factor like product analysis?

MS. SASSANO: Hi, this is Beth Sassano from Chemours. My view on that is that the 134a, as it's a part of the blend, should be included. But because, as Jim mentioned and we've talked about, R-134a is a stand-alone market in AC, and it requires the capital investment like

the other HFC single components.

So I would say it shouldn't -- it should not as a meet product considered in this case. It goes through different channels, you know. It doesn't need to be post-blended. It is that multi-stage reactor process we talked about and then gets purified. So it's a very different animal because of its physical characteristics.

It was built -- it was designed as a replacement for R-12, which was another CFC years ago, and that's how 134a kind of came into being originally.

MR. VON SCHRILTZ: And I'll just footnote that. Yes. Excellent. Please address that in your post-conference brief for me. Thank you, because it wasn't clear from the petition whether it was a semi-finished analysis or a like product analysis. It seems like -- well anyway, say you said, yes.

Now a question regarding the domestic industry. I'm very interested about blenders, and you argue that the independent blenders should be excluded from the domestic industry as related parties, because they're more interested in importing than in domestic production. Their inclusion in the review would distort the industry's performance, apparently because they allegedly benefit from importation of the subject merchandise.

But today and in your petition, it seems like

you're arguing that the blends produced by the independent blenders should be treated like subject imported blends. Does this conflict with your argument that the blenders should be excluded as related parties, given that the related parties provision only applies to producers of a domestic like product?

MR. CANNON: No.

MR. McCLURE: Name.

MR. CANNON: Jim Cannon.

MR. McCLURE: Two strikes. He can see me.

MR. CANNON: Right. No, the distinction here -- so think of it as a spectrum. If I had 100 percent imported components and all I did was stir them together after they got here, then our view is absolutely that's not part of the domestic industry. That output is Chinese, as far as we're concerned. Customs would consider -- the country of origin of that product was China, not the United States.

Okay. Now, if you're on a spectrum, then our view is the best analysis approach to this is the related party provision, because under that provision, you look at to what extent do they rely on imports versus what extent do they rely on domestic product? Blenders who rely majority on imports, or a vast majority, should be excluded from the domestic industry, in terms of looking at output, shipments, performance, P&L.

Because you'll see that in the record, there are some importers -- there are some blenders, some of these companies who also import. But the magnitude is completely different. It's worlds apart, and so the related party provision provides the best sort of intellectual basis in the statute for looking at the issue.

MR. VON SCHRILTZ: But what about -- what about sufficient production-related activities? I mean the Commission has excluded potential domestic producers from an industry because the producer doesn't engage in sufficient production-related activities. I'm hearing here that setting up a blending operation is a very simple matter.

It just costs a million, maybe three; you just blend a bunch of stuff together, it doesn't require all that much expertise. I mean it sounds to me like even if a blender uses some domestic components, perhaps all independent blenders should be -- or should the Commission consider whether to exclude independent blenders, because they don't engage in sufficient production-related activities?

MR. CANNON: I think certainly they will look at that issue, and I think you have in the staff report -- you will have in the staff report, because the questioners ask the questions. You will have collected data to look at that. You will have the ratio of assets devoted by blenders

versus U.S. producers. You will have the ability, because of your breakouts in your P&L, you've got line items that say how much value do you add by blending.

But as always, and particularly at this stage, those categories -- it's unclear, for example, what people did with packaging. It's unclear how this data will come out in terms of bright lines, and I know that in the past, this particular issue of further processing has become sort of in vogue. And so here, we look at it from the spectrum of what is the essence of their business, and if the essence of their business model is to use imported components, then on that basis we think the answer is easy, and we don't have to haggle about nuance of magnitudes in the data that you've collected.

MR. VON SCHRILTZ: Okay. Please address that issue in your post-conference brief if you would. Thank you. Now I'd like to ask a few questions about conditions of competition in the industry.

I'm wondering in particular why some HFC blenders, independent blenders primarily use components produced domestically. I believe one was mentioned in the petition, while others primarily use components imported from China. Is there an explanation for that?

MS. CLARK: In many cases, the blenders in the U.S., there are not very many of them first of all. The

ones that are in the U.S. have long-term relationships with more than one of the U.S. producers. They not only buy the blends or components from our companies, but they also buy other products such as R-22, and Arkema is the largest R-22 rights holder in the U.S.

So in order to maintain the relationship, I think in many cases we have a spectrum of blends, but that includes sales of 22 and it's a relationship issue. But in many cases, our volume has gone down. We still have relationships with certain blenders, but they've moved to Chinese product in large part.

MR. IRANI: This is Omar Irani with Honeywell. I'd like to actually reiterate what Ms. Clark said, in that many of the blenders have moved to Chinese, I would imagine pretty much the vast majority, have moved to Chinese imports and use Chinese imports at this point.

MR. VON SCHRILTZ: Thank you. In a related question, I understand that three of the four domestic producers of the HFC components also produce the family of HFC blends, and would therefore compete with the independent blenders for sales of HFC blends to OEMs and to aftermarket customers.

Does this make it more difficult for independent blenders to source HFC components domestically? I mean they're purchasing components from their competitors for

sales of HFC blends.

MS. CLARK: I'll take that one. I think that in many cases some of the blenders are providing the material to downstream applications that they also own. So they are providing it to their own store locations and storefronts, which then in turn sell to the contractors. So it's not a direct competition in certain cases, because they simply are providing their downstream application.

MR. CANNON: I think another observation sort of from the outside that I had about this is you're talking about an industry who -- these are all fierce competitors, all of the companies, and yet they actually swap with each other. So as a way of doing business, they accommodate this aspect of what you're talking about. In other words, they supply their competitors every single day as a normal course of business.

So the notion that they wouldn't supply independent blenders with the product, really the facts belie that notion. What really is happening is that the price of these components or better yet, the price of the blends, has gotten so low it's below their variable cost. And so the blenders don't want to buy from them, because the price is too high.

MR. HAUN: Yeah. My name's Glenn Haun with Arkema. I'd like to add to those answers. The growth that

you've seen in the imports has come as a result of blenders selling more product in the U.S. with products or with components that come from China, but it's also growth from the level of imports that come in in finished product.

So if you look at either side of the table, we brought these cylinders here to explain to you and show you, you know, what's coming in from China today and what we also produce in the U.S. The two cylinders, you know, are 410A, the one on the left, you know, clearly is marked "Made in China."

The one on the right is in a box and it's probably inside that has the same cylinder. The growth in imports has come from, as I said earlier, both the components coming in and then the products coming in as finished product. What you're seeing is the barriers to entry for companies in the U.S. selling these products has come down significantly in the last three years, as the growth imports came up.

It used to be many years ago that there were very few producers in the U.S. There were a small number of blenders. The number of blenders in the last three to five years has increased. The number of people that bring in these products that you see on the tables has increased significantly, because the Chinese are now selling the Chinese manufacturers and the brokers who broker these deals

are now offering these products in containers to set somebody up in business.

This Ice Loong, the company you saw before, Sani Koningbo, all they need to do is bring in one container from China, and they can load it with all the different products. It used to be that you had to buy one container of 410A, one container of 407A, etcetera, to sell the products in the U.S.

They don't even do that anymore, and the product pricing has come down so far that it allows people to get into the business much easier, and in effect, you know, has continued to bring the price down, because each time a container comes over, that price is now advertised, and even though they don't have enough volume to sell to the U.S. industry, everybody and their brother gets the prices, because it circulates in email now within minutes.

MR. IRANI: This is Omar Irani with Honeywell. I'm sorry. Are you -- okay. Mr. Cannon knows I don't like making blanket statements. He's mocked me repeatedly for it, but that said, this in my mind is not a function of an unwillingness to sell. It's a function of our ability to sell at prices that are viable for us. The prices you see on those lists are not viable prices for us.

MR. HAUN: Glen Haun with Arkema again. I'll just add to that. We have, over the years, sold to many

companies in the industry. Many of the companies, you know, that were being discussed right now and we'll provide additional information in our post-hearing brief, and I think you can see that the level of product that we sold to these companies in the period that we're talking about has declined with some if not most of these customers, because of the price points.

We've refused to meet the price points that they've presented to us with product from China, because as Alison said, in our case, you know, it's below our variable cost.

MR. VON SCHRILTZ: Thank you for that. Another related -- question related to the market for components sold to blenders. I'm wondering, since the domestic producers of the HFC components swap those components with one another for the production of HFC blends, I'm wondering what proportion of domestically produced HFC components end up being sold on the merchant market?

MS. CLARK: There are very few blenders in the U.S. market today, and primarily we swap between ourselves. We have done some merchant sales in some cases. But there's really not a merchant market for these components. They're used exclusively for blends. So the producers that can actually blend them are the ones that are using them, and there are not many blenders in the U.S. outside of the

producers.

MR. VON SCHRILTZ: Well, I think I just heard from Mr. Haun that because the subject -- the prices of the subject imported HFC components are so low, you've got -- blenders are starting to multiply, that there are more blenders now, because of the cost of opening a blending operation is so low, and the cost of the subject imported components has gone down so much, that there are more blenders out there now.

So I'm wondering, now Ms. Clark you say that you mostly -- that the components produced by your company are mostly just swapped. You don't sell them on the open market to so-called independent blenders who don't also produce components.

So how do these independent blenders get the components they need? I mean are there other producers of HFC components who do offer them, and Mr. Irani, you seem to suggest that perhaps Honeywell did sell HFC components on the merchant market to independent blenders?

MR. IRANI: Omar Irani from Honeywell. We have.

MR. HAUN: And to follow-up the question relative to my comments and Alison's comments, the growth in volume in the U.S. is not attributable to as much the blenders as it is the finished product coming in from China.

So the growth that you're seeing in all the product coming in is primarily coming in in cylinders like you see on the table.

In addition to that we have, you know, we have also sold to blenders and we'll address additional details in the post-hearing brief.

MR. GREENWALD: Mr. Von Schriltz, if I can add to that, what's been going on is a degradation in price, both of the blends, which dictates how much people can pay for the components, and then the components. You do have sales to blenders that are in the open market, but it's not the majority of the sales of the components.

Nor do you have a situation where the domestic industry is asking that supply be denied to any blender that wants that supply. The issue here is one of price. The industry has been destroyed by a downward spiral in price, and unless this case succeeds, it seems to me that there is very little prospect for bringing rational pricing of both components and the blends into the market.

MR. VON SCHRILTZ: All right. Thank you for your responses to my question. Ahh, in the petition, you indicate that HFC blenders that primarily use domestic components, including the domestic producers of both components and HFC blends, may use U.S. and imported components. It's in a footnote. Why would they do that, if

the domestic industry has the capacity to satisfy the requirements?

MS. SASSANO: Hi. This is Beth Sassano from Chemours. Just because of what we've just been talking about the past hour, in some cases some of the domestic producers have had to source from China to get our costs, to attempt to get our costs at a level that we can continue to compete in the market, and that's what's going on.

We try to use the domestic source, but we are not even able to, you know, price above our fixed, you know, on a fixed cost basis. We're below variable. So sometimes we have to supplement our components from China.

MR. VON SCHRILTZ: All right. Thank you for answering my question. A question about volume, and you know, I haven't seen the information put together by our staff on subject import volume, but looking at Table 4 in the petition, and looking at the imports of HFC blends and components from China by volume and value, you notice that the volume of subject imports of HFC components during the period fluctuates, in contrast to the trend in subject imports of HFC blends. Could you explain that? You can do it in your post-conference brief it it's confidential.

MS. CLARK: If I understand the question correctly, I believe it's what Glen was talking about before, is that a large number of imports that are coming in

are the blended, packaged products, because today, if you bring in the components and blend them, you've got no better cost position than bringing it in prepackaged.

So in effect, people are better off -- it's a simpler procedure to bring it in prepackaged and ready to sell into the aftermarket, rather than bring in the components and blend them themselves. So you'll see a fluctuation between perhaps some of the producers bringing in a little bit of Chinese product to supplement and bring down the cost of inventory so they can try and compete in this market.

But the market is in a very bad place right now. But that's the reason you'll see a fluctuation, is because a lot of it is packaged product.

MR. CANNON: This is Jim Cannon. I would just observe, because I know in your question you're thinking of the petition these are confidential data. But what you see there is what Alison is referring to. In other words, there's somewhat of a decline in components and an increase in blends, and that's because the blends are so cheap that it doesn't make sense to import components anymore, as I understand it.

MR. HAUN: This is Glen Haun. Just one other point of I guess clarification and education. If you look at the two cylinders on the market, on the table, and you

reference the price list that's in front of you and on the screen, the 410A on Ice Loong's price sheet, the truckload price there was $48 a cylinder. So as a point of reference, that cylinder from Ice Loong, they're telling you would be sold for $48 by them in the States, and I believe back to your question about regulation.

The only reason it's not sold across the country is because they're probably just regional. It costs too much money to ship into other areas. The price range for that same product three years ago, so let's say, you know, in the beginning of 2012 it was 2X what it is today. So it was somewhere in the $100 price range, and that was, you know, the industry price, not an Arkema price.

But we have price lists from, you know, competitors like that, and what's happened is over that period of time, over the three years each time it seemed like more competition came in. The only thing they did was because, you know, it was the same product in many customers' eyes, they would just go ahead and lower the price. So the next truckload came in at a different price. Another broker would come in and establish a new low.

MR. VON SCHRILTZ: Thank you for that. I'm wondering if there were other factors, factors other than subject import competition, that contributed to declining HFC blend prices. For example, I heard from Respondent's

counsel during their opening statement, they posited that maybe some of these products came off the patent protection, and that this may have contributed to declining prices. Was that a factor? Are there other factors?

MS. SASSANO: This is Beth Sassano from Chemours. So the suite of the HFC blends you're looking off came off patent at the end of 2010. The last one was, I think, January of 2011. So the Period of Investigation we're talking about is 2012. So a whole year had already gone by before you're seeing the start of the pricing that we're looking at here.

So I would say coming off patent was not a factor. A whole year transpired before the Period of Investigation.

MR. VON SCHRILTZ: Well, looking at some of the figures in the petition, I'm thinking about Figure 1 on page 47 and the similar charts in Exhibit II-10, show price, certain price trends that are confidential. But if you could address the timing that the HFC blends came off the patent protection and the trends showing those figures, maybe in your post-conference brief, I would appreciate it.

MR. CANNON: Sure, and for the witnesses, so we had a chart that showed the price, attempts to increase prices with the price trend.

MS. SASSANO: Yes, uh-huh.

MR. CANNON: And what's talking about if you extend that line backwards into 2011, you'll see that prices were even higher. I think the testimony is that, you know, coming off patent, it started coming off in 20 -- actually, a lot of it came off in 2010.

MS. SASSANO: 2010, yeah.

MR. CANNON: That has washed through before we get to our Period of Investigation, and it's now that we're seeing prices are still going down. So we are beyond the patent protection sort of era.

MR. VON SCHRILTZ: All right. Another sort of related question, I'm wondering how the ban on R-22 for use in equipment in 2010 and I guess the continued phase-out of R-22 in existing equipment has affected the prices of HFC blends? I mean did the ban cause prices to spike, or did it not have much of an effect because everybody anticipated it or was there an effect?

MR. IRANI: This is Omar Irani of Honeywell. Just to clarify, you're talking about the prices of HFCs --

MR. VON SCHRILTZ: HFC blends, that's correct. What happened to the prices of HFC blends when R-22 was banned in new equipment --

MR. IRANI: In a nutshell, they're not related.

MR. VON SCHRILTZ: Okay. I now have a question,

a question about capacity utilization, because I heard today that the industry's capacity utilization rates have been depressed as the industry has lost market share to subject imports in the petition. You say capacity utilization rates are low for the industry with high, fixed costs, and that the industry's overall capacity is persistently under-utilized.

But if that is the case, how did the industry earn the operating profits in 2012 that are indicated in Table 10 of your petition? It's confidential but --

MS. CLARK: We'll address that in the post-hearing brief.

MR. VON SCHRILTZ: Okay, thank you. Those are all the questions I have at this time. Thank you.

MR. McCLURE: Thank you. I do note looking at these cylinders, I was rather amazed that they got by our crack security unit out there. It really makes you feel nice and safe as a federal employee. Anyway, moving right along, let's go to Michelle Breaux, our Economist.

MS. BREAUX: Good morning, and thank you for coming out today. My first series of questions has to deal with raw materials, and the first one is very basic, at least probably for y'all. What are the raw materials used to produce HFC components, and are energy costs significant in the overall cost of goods sold?

MS. CLARK: I'll take that. It depends on which material you're producing. But the base component for all of them is hydrofluoric acid, HF. In the case of 32, there's also methylene chloride.

MS. BREAUX: Okay. So the next question I have, is there any -- does that differ for components versus blends, or is it just -- are energy costs more significant in producing blends, or is there anything that you would do differently?

MR. IRANI: Omar Irani with Honeywell. The cost of energy to manufacture the components is greater than the cost of blending.

MS. BREAUX: Okay.

MR. IRANI: As you might imagine, the cost to essentially convert raw materials through a plant where there are distillation columns, it's a very complex process. It's a substantial investment, not just in the equipment itself but also in energy and other elements. So that is a substantial, ongoing cost versus the cost of blending, which is not by any means the same level of complexity.

I think the other important part on the raw materials is that when you're dealing with HF, it's a very dangerous substance to be handling. Once it's converted into a component, it's no longer dangerous. So dealing with the blending operation, taking non-flammable safe products

versus the producers that are handling very dangerous, high safety requirements, it's a very different cost scenario to be managing.

MS. BREAUX: All right. My next question comes, and this might be business confidential, so feel free to address it in your post-conference briefs. But how do you typically purchase -- purchase your raw materials? Do you purchase on the spot market or are there contracts, and if there are contracts, are they long or short-term?

MS. CLARK: I think we'll answer that question in the brief.

MS. BREAUX: Understandable, and so in the testimony, you had mentioned that the raw material prices are rising. Can you give me an idea about how the price of these raw materials affect the price of HFC blends and components?

MS. CLARK: If there -- theoretically, if there was a rise in the price of HF, it comprises about 90 percent of the cost of the component. Depending on the component it could be more or less. But it's the majority of what goes in, so depending on which raw material goes up, it can have a huge effect.

MR. CANNON: So let me make an observation. This is Jim Cannon. They're competitors. They produce different components, 125 over here, 32 over there. They're

not reluctant to tell you the answers. They're reluctant to talk about the raw materials they use, their secret recipe and their cost experience in front of each other. But we got the question.

MR. McCLURE: By all means, I mean don't feel obligated to provide an answer if it even gets remotely close to business proprietary or competitive information. We can always -- a standard answer at the Commission, whether it's us or the Commissioners, is we'll supply it in our post-hearing or post-conference submission. So don't feel you have to say something.

MS. BREAUX: All right. The last question on the raw materials, if there's public information that's available, particularly sometimes with energy cost and the like, that would be incredibly helpful for us.

All right. So my next questions come from disposal, disposing of the containers that you see to my left and right. So if an end user is finished with a cylinder and HFC blend is still within the container, what happens with the leftover blend? Is it disposed of or is it recycled in any sort of way?

MS. SASSANO: Hi. This is Beth Sassano from Chemours. We're not in the reclaiming business, but there is a procedure in the U.S. that's been adopted, that if there is chemical left in the cylinder itself that it can be

sent back to a reclaimer to be, you know, evacuated and the cylinder is basically punched a hole, once it's empty, and goes to basically a metal processing facility. That's not the standard in all the other countries, but that's what we practice here.

MS. BREAUX: Sorry. To repeat again, what happens to the blend?

MS. SASSANO: The blend can be recovered and I'm not a reclaimer myself, but I know there's like a company called Hudson that will take back whatever's left in the cylinder and pull the contents of the chemicals out. If it probably can be purified and reused, I'm just not -- I don't know. That's not our business, but can anybody else comment on that? I don't know.

MR. HAUN: It's Glen Haun. I would just say it's standard practice and procedure that the contractor is supposed to follow, that is basically driven by the procedures set out by the EPA.

MR. CANNON: If you would like, we can get some information from Hudson on this topic in post-conference.

MR. McCLURE: Thank you. I think that would help fill in some information. Anyway, Michelle.

MS. BREAUX: All right. My next question has to deal with demand. What do you look for as indicators for demand for HFC blends and components in the U.S., and how

has that changed since the -- during the Period of Investigation and where do you see it going in the next couple of years?

MS. SASSANO: This is Beth from -- Beth Sassano from Chemours. One of the indicators that we look for is the housing market, because that's where residential AC units will be installed. So that's one of the places we would turn to, and then that would be factored in with if there is somebody's phase-downs going on with R-22. We'll know that the new units need to be produced with 410A.

So that might be a signal to us about how the housing market's going to grow, if 410A with grow. That's just one indicator we use.

MR. IRANI: Omar Irani with Honeywell. I think, as noted earlier, the weather usually plays a function. Certainly as the weather gets warmer, imagine in the summer you turn on your air conditioner on a hot day. If the gas, let's say is empty, then certainly people will be more say inspired to go out and purchase or get that charge refilled. So the weather will drive it as well.

MR. HAUN: And Glen Haun from Arkema again. Two other sources that, you know, are common knowledge in the industry. AHRI publishes monthly updates on the number of air conditioning and heat pumps shipped month to date and then year to date, and they've been doing that for many

years.

I believe most of the air conditioning manufacturers publish that information or provide that information to AHRI. So we have a high degree of confidence that what they publish tells us what the trend is. They've been publishing it for so long. We're able to track that data then over a long period of time estimate, you know, the useful life of an air conditioner, when the leak rate will start, and come up with demand.

Separate from that, you know, we and I believe most in the industry also track imports through different services that are available. So we're able to see what we believe to be a, you know, a close trend on what imports are doing, and we of course know what we're doing and we guesstimate what our competitors are doing from a U.S. standpoint. So all of that comes together on what we believe demand to be.

MS. BREAUX: Thank you. I know being from Texas, I definitely can appreciate the seasonality of this product. I do have a question more along the lines of shelf life. How long, and this might be dangerous territory, so feel free to punt that to the post-conference briefs.

But how long does -- how long is the shelf life for components, before they are made into blends, and then moving down along the chain, how long do blends have before

being packaged, and then how long do we have for blend packages before they hit the end use?

MS. SASSANO: I would say generally speaking, they have a long shelf life. But we'll provide you the details in the post-hearing brief.

MR. McCLURE: You're learning.

MS. BREAUX: So the next question has to deal with what your purchasers particularly want. What factors do your purchasers or your customers consider when making their purchasing decision, and are there any advantages to buying the U.S. produced HFC blends?

MS. CLARK: I can say that one of the factors that would probably be taken into consideration is the supply chain. So having a secure supply in the U.S. is important to certain customers. It also has an effect on working capital, because obviously if you're bringing in product from China, you have it on the water for a very long time. It takes approximately four to six weeks for product to get here.

So in the meantime, you're financing that. Now that's offset by the differential in what the cost is to buy U.S. product versus Chinese product. But there are some benefits to buying U.S. product certainly.

MS. SASSANO: And this is Beth from Chemours. Let me add a little bit to what Alison is saying. You know,

in the past there might have been a majority of different factors that would have influenced, you know, what our customers want. But right now we're really in a price game, and really what it has come down to is a leading factor, what's happening.

MR. HAUN: And it's Glen Haun again. I would just add to that, you know, the challenge has been the number of people now offering these products has increased significantly in the last five years. So you know, price and service -- price and lead time really come down to the primary factors on what people make a purchasing decision.

MR. IRANI: Omar Irani with Honeywell. I'll reiterate that point. We'd like to believe that our brand name maybe would be worth something. But in this environment, prices as they are, it's not really a relevant factor.

MS. BREAUX: My next couple of questions, this -- a lot of industries deal with this, but I'm not sure if your industry deals with this. Is there any role that Buy America plays in this industry, or any preferences given to buying American?

MS. SASSANO: This is Beth from Chemours. I would say at this time, we're not seeing that difference, at least in this market segment.

MR. CANNON: I believe you have a questionnaire

response from a supplier that supplies the Army or the military or something. So in the post-conference, we'll take a look and see if we can pull something out of that for you. I think you've got something in the record on this, at least I got a phone call. Should I fill this out? Yes.

MS. BREAUX: All right. The next question is do your customers require that your facilities, either your component facilities or your blend facilities, be certified or qualified to sell HFC blends or components, and if so, and maybe this part is definitely post-conference brief? But tell us a little bit about that process.

MR. HAUN: I can't speak to the manufacturing process that, you know, we have. But the challenge as an industry we have is AHRI has set standards for what the products have to be manufactured to. But to my knowledge, there's no incoming quality inspection that customers use to confirm that it was provided and produced under the standards.

So if it says 410 on it, they assume it's 410 on it, and I would, you know, make this a note on the record. You know, there is -- there have been numerous incidents, you know, overseas, where some products have been mislabeled and it's been uncovered after the fact, where injuries and/or fatalities occurred.

So you know, we encourage all of our customers

to buy from a trusted source. Buy from us, buy from another producer in the U.S., buy from somebody that you have a high degree of confidence in what they're selling is what it says on the cylinder, because in effect now there are no regulations, to my knowledge, that if it comes into the U.S., and again, this is primarily on imported product.

When it comes in and it says 410A on the cylinder or it says 407C, a contractor assumes that's what it is and us as homeowners end up getting that installed in our air conditioner and we really don't know.

MS. SASSANO: This is Beth Sassano from Chemours one more time. So--and I know 134-A is out of scope, but in our facility for 134-A, because of the rigors of the automotive industry, we have to be ISO 9000 certified, et cetera, et cetera. And that is, you know, audited and viewed, and we have the very rigorous documentation about keeping our certs up for the automotive industry. But that's outside of the scope, but I just wanted to add that in.

MR. CANNON: This is actually an opportunity for another clear dividing line.

(Laughter.)

MS. BREAUX: So in your testimony you mentioned that both Europe and Japan has put quotas, if I'm not mistaken, on the amount of HFC blends that are allowed to be

exported to the respective blocks, trading blocks. How does this affect the U.S.? Are we exporting to these markets? And are we exporting to any markets, in general?

MS. CLARK: The regulations that were put in Europe are called F Gas regulations. So people who have been selling on the European market in the past were granted quota rights to continue to sell based on CO2 equivalents. It is a very complicated regulatory discussion, and I'm pretty sure we can't get into that today--nor do you want to.

But we can provide some detail on how that works in Europe and what that would mean. We are not currently exporting anything to Europe from the U.S. We are a European-based company.

MS. BUTERBAUGH: This is Magen Buterbaugh. Since I didn't get a chance to introduce myself, I'm the Global Business Manager for All Flurochemicals for Chemours.

I just want to address that F gas regulations, a broad-based regulation covering a number of products going into the European Union, including the products in discussion today.

As Alison commented, the quota system is set up that if you are an importer of record and legitimately reported those imports, you were then granted quota. Which is why Jim has commented on the fact that the Chinese are

essentially locked out of that market.

Of the five major flurochemical producers, four of them are part of the American Coalition and one other own greater than I believe 85 percent of the quota rights, to give you a perspective.

It doesn't mean, necessarily, that we couldn't bring in Chinese material if anybody could do that, but you have to be the importer of record who has the quota to do that.

So at Chemours we do export other products--for example, Fire Extinguishants 227, we would export because we produce here, into the European Union. So it's a matter of having that quota of record.

These HFC blends, some have European production; some have U.S. production; both of components of those, and you could export of course to Europe--if that helps at all to address the question.

So we do export flurochemicals in general to the European market that we would produce here. In terms of the blends, we do a number of things that we would be glad to discuss in the post-hearing brief, as well.

MR. GREENWALD: Just so you all have it for your report purposes, the real significance of the gas regulation is going to be to cut back substantially on Chinese access to both European and Japanese markets.

So when you hear testimony--if you hear testimony--that the capacity in China is going to find outlets other than the United States, particularly in terms of what the future holds, bear in mind that the Chinese are going to be effectively barred from most of their current sales to both Europe and Japan.

MS. SASSANO: And this is Beth Sassano from Chemours. If--we can add like specific details in the post-hearing brief, but in our analysis the capacity of the three HFC components, 32, 125, and 143-A are such a big volume in China, it can handle the whole world market for the needs for those components.

MS. BREAUX: So my next questions deal with pricing. And specifically this question deals with the last slide as shown. And this might be, again, post-conference but from what I'm looking at here I see a huge difference in the trends from March 2012 to September 2012. And this is kind of piggybacking on what maybe Karl was getting at.

But in your post-conference brief, can you kind of maybe give us an idea what was happening during that time? And this might look insignificant if, you know, the trend was out further, maybe back to 2012 or whatnot.

MS. SASSANO: We would be happy to comment for you, yes.

MR. HAUN: I will address some of that here. I

think if you look at the capacity expansion that occurred in China, a significant amount of that capacity expansion came online just prior to that.

So as a result, you know, they had big plants. They wanted to sell it. They put it in those cylinders and they ship it to the U.S--at low prices.

MS. BREAUX: Alright. And my last question has to do with the pricing products that were requested in the petition. I see here, and you've mentioned the R-410-A and R-404-A make up 80 percent of the market. But the component R-143-A was not requested to be a pricing product.

Can you give me an idea of why that was excluded?

MR. CANNON: Because of the volume of 143-A. 143-A is a component in 404-A, but overall out of these products the overall volume of 143-A wasn't perceived that we were going to have a lot of imports of that product. In fact, we were trying to look for where there would be good coverage, we would get lots of quarters of price data. We were trying not to give you like void columns.

But as you know, we always learn as we go along and, you know, we need to tweak our products for the final, assuming there is one.

MR. McCLURE: The next questioner will be an auditor, David Boyland.

MR. BOYLAND: Good morning. Thank you for your

testimony. I think a lot of my questions have already been asked at this point, but I do have a few.

In terms of marketing the product, are there company-specific differences in terms of how each company approaches the product and sells it?

(Pause.)

This may be more qualitative, too. I mean, is there more of an emphasis by some companies on logistical support? Tactical support? I mean do those aspects vary from company to company?

MS. SASSANO: This is Beth from Chemours. I'll start. I would say we each maybe approach it slightly differently. Chemours always viewed itself as a technology leader and maybe puts that forward when they're going to sell their products, but I think at the end of the day where we stand within this industry today it's really coming down to price point. And all these other factors might make you keep in the game with your distributor or such, but it's not going to be, you know, a winning proposition any longer.

MR. IRANI: Omar Irani with Honeywell.

Mr. Boyland, with all due respect, there's probably a confidentiality aspect I would prefer not to discuss in front of our competitors. So we will be happy to--I'm sorry--yes.

MR. BOYLAND: If you could provide any additional

detail in the post-conference, that would be very helpful.

And I guess along those lines, just to the extent that logistical support and technical support is provided, if you could, you know, provide a summary of what those reflect.

MR. HAUN: Yes, this is Glen Haun from Market. I will take a stab at the answer from our standpoint, anyway. I mean, we market ourselves as Arkema, and our brand is Forane. You know, we believe we had a sustainable advantage and, you know, a preferred position in the market for a number of years. But as price came down so quickly, and as I mentioned, you know, the products that you see on the desk today are selling for 50 percent of what they were three years ago.

Any real qualitative and preferred position we had is basically gone because, you know, our customers stayed with us for a long time, but each time that new price came up they said to us, hey, you've got to keep me competitive in the market. And at some point, you know, to many customers and to most customers we've had to walk away and say we can't do that anymore. The prices are too low.

MR. BOYLAND: Thank you. And again, sort of along the same lines, do the companies have their own sales network? Or do you work through independent distributors, or sales representatives?

MR. HAUN: It's Glen Haun. As far as Arkema goes, we sell through a--we'll file--I've been asked to make sure we file that in the post-hearing brief.

(Laughter.)

MR. BOYLAND: Sounds good. Thank you.

Is production 24/7 of the component? In other words, to produce the component itself is the plant running 24/7?

MR. IRANI: Omar Irani with Honeywell. That is typical of a HFC component manufacturing facility.

MR. BOYLAND: Okay. Would the other producers agree generally that essentially it's either on or it's off?

MR. HAUN: Glen Haun. Yes, for Arkema.

MR. BOYLAND: Okay. Thank you.

This is kind of getting back to a question that I think was already asked, but it's a little different. In terms of 2012 and the profitability levels, if I look at that number should I consider that kind of the normal profitability level for this product? Or was it high relative to historical standards?

I guess since we're only looking at a relatively short period of time, and that it's a fairly distinct change in profitability, I guess I would like to know is that profitability level with the company the industry would generally expect?

MS. SASSANO: This is Beth Sassano from Chemours. Can we put that in the post-hearing brief, because I think it might be company specific and how we thought about our profitability back then versus now.

MR. BOYLAND: That would be great, thank you.

This is a question for Chemours specifically. The spinoff, is it correct that the company became a public company at the end of June of this year?

MS. BUTERBAUGH: Magen Buterbaugh, Chemours. Yes. On July 1st of 2015 we became an independent, completely independent stand-alone company under the name The Chemours Company. So we are no longer affiliated in any way, a subsidiary of, nothing, with the DuPont Company. But as you are aware, we were part of DuPont Company prior.

MR. BOYLAND: Okay. In terms of the impact on the product we're looking at and the operations, did the spin off before, during, after, impact the operations?

MS. BUTERBAUGH: This is Magen Buterbaugh again. I would say that the impact--let me start by saying, the Performance Chemicals Division, which is now Chemours, was clearly looked at from a strategic investment by DuPont.

I would say, given the market conditions in the flurochemicals industry, particularly in the refrigerant business that we're talking about, clearly had an impact on their decision to evaluate whether to continue to invest in

that at the levels that DuPont was, given where DuPont was going.

I would say now, July 1st onward, there has been no impact relative to the spinoff of the existing businesses that are in Chemours. The assets for flurochemicals have come with Chemours, the people, the management team. So there's been no change relative to that as it reflects the spinoff itself.

MR. BOYLAND: That is actually kind of the question in terms of day-to-day operations. If I look at the performance, that there wasn't a distinct change in--

MS. BUTERBAUGH: The day-to-day operations are unimpacted by the separation.

MR. BOYLAND: Okay. Thank you.

This is just sort of a general question in terms of the average value that we calculate. It's obviously a combination of a couple of companies, divided by sales, divided by volume, and we arrive at an average value.

My general understanding is that the companies are showing a family of blends. So we sort of have a--it's an average of a number of different products.

During the period, did each company's profile of the types of blends that were being sold change significantly such that the average value itself would have been impacted?

MR. GREENWALD: I think that is something that we are going to have to address in the post-conference brief.

MR. BOYLAND: Okay. Thank you. And the question really is more along the lines of we do look at an average value. It's giving us an indication of a trend. And I guess I would like to be confident that what I am seeing is the actual underlying trend, as opposed to maybe a change in product mix.

MR. GREENWALD: It's a legitimate question.

MR. BOYLAND: Yeah, and thank you, if you can answer that in the post-conference that would be great.

Ms. Sassano, you referred to fixed costs in your testimony, and I kind of wanted to circle back to that in terms of my impression of what you were saying: that fixed costs are increasing, and that would be a function of reduced fixed cost absorption? I mean, as opposed to an actual absolute increase in fixed costs.

MS. SASSANO: Yeah, if I may, maybe I could ask my partners to comment on it. Because 134-A is our main production in DuPont. So it is out of scope. So maybe, I don't know if any of the others could address the exact...

MR. HAUN: We will address that in the post-conference brief.

MR. BOYLAND: Thank you.

And this is asking sort of a question that was

already asked maybe a little differently now, but in terms of energy what is the energy in terms of, is it electricity? Is it natural gas? In terms of producing the component, could you identify what the energy is?

IRANI: Omar Irani with Honeywell. Both. We use electricity and natural gas.

MR. BOYLAND: And natural gas, okay. I'm assuming it's going to be the same for--

MS. CLARK: Alison Clark for Arkema, yes, both.

MR. BOYLAND: Okay. Do the companies use derivatives, or hedges, with regard to energy in terms of cost control?

MR. HAUN: We will provide that in the post-hearing brief.

MR. BOYLAND: Okay. Thank you. Sorry, maybe these are--um, sort of a final question, and circling back to the raw material costs, I know Michele had asked for what I took to be sort of a benchmark, that there's pricing costs that we can actually get a feel for what the trend was. And I just wanted to confirm.

The primary inputs, the raw material--when I'm looking at the internal "we produced" components as we outlined it in the questionnaire--and this was maybe getting to some of the specific questions that I had for the companies that I sent earlier-- in terms of how I interpret

that breakout, we obviously have raw material, direct labor, other factory costs, and my challenge now is to interpret what I'm looking at in terms of are we reporting the same basic categories but assigning them in different categories?

And so I guess that would be sort of background to why I asked that question specifically. And I'm not asking for a response right now, but just so you can understand why I believe it is important, because we're looking at those numbers and making some additional calculations. So it would be helpful to understand that when you say raw material, that is what it is, as opposed to raw material as it is flowed through the system, and additional costs attaching to it.

But back to the question about raw materials itself, the primary raw material is hydrofluoric acid for all of the components?

MS. CLARK: HF is base.

MR. BOYLAND: Okay. And then you mentioned, Ms. Clark, that methyl chloride is used for R-32?

MS. CLARK: Yes, methyl chloride.

MR. BOYLAND: Is that the only other raw material?

MS. CLARK: I would say it's the only other significant raw material. There are other things.

MR. BOYLAND: Okay.

MR. IRANI: This is Omar Irani with Honeywell.

The basic production of a hydrofluorocarbon involves hydrofluoric acid and a chlorocarbon, so methylene chloride for R-32, perchloroethylene for R-125, what we call 1,1,1-tri, which I am not going to even try to pronounce the full name of for--and so on and so forth, but those do differentiate, but those are the two basic building blocks of hydroflurocarbon.

MR. BOYLAND: Okay. And I think, to the extent you could provide benchmarks for both of those inputs, even though I take it that HF being the base would probably be the dominant raw material when we're looking at the total.

Okay, the final question would be capital expenditures during the period. In the post-conference brief could you--I know the questionnaire response was that there was some narrative in terms of what those represented, but I guess I would like to confirm my basic understanding, which is that those capital expenditures represent maintenance--there isn't any, as you were referring to, reinvestment into the second generation. This doesn't--we're not seeing any of those capital expenditures. These are capital expenditures specific to--and, again, confirm my understanding that these are maintenance, you know, to keep the equipment and facilities operating.

MS. SASSANO: We can address that in the post-hearing brief for you.

MR. BOYLAND: Thank you.

MS. SASSANO: And in those questions you've sent.

MR. BOYLAND: Thank you. And one final question. And this is again more background. But the testimony in this whole swap arrangement, is it correct to interpret that the swap arrangement sort of was there from the beginning in terms of this HFC product? Or was it such that the industry sort of moved to that later? In other words, was there ever a point when the producers were attempting to produce all of the components themselves, but then only later migrated?

Or was it one of those where you figured that would make sense from the beginning?

MR. GREENWALD: You are going to hear a constant refrain simply because they are very wary of discussing anything that is company confidential in a public forum. So again, if we could address that in the post-conference brief we will.

MR. BOYLAND: That would be very helpful. And I guess part of it is also just for me to understand that whatever this rationalization of production took place prior to the period we're looking at.

So thank you for your responses to my questions.

MR. McCLURE: The next questioner will be Jeff Clark from our Office of industries.

MR. CLARK: Good morning. Thank you for coming.

I have a couple of basic questions about how the product is handled and the differences between the components and the blends.

Obviously there's quite a bit of difference in the manufacture of the two, but once you have the components made is there any significant difference in the way you handle a component versus the way you would handle a blend?

I know there are different tanks that you-- specific tanks that require different technical specifications. How about shipping? If a product is shipped, is it easier to ship it as a blend or as a component, you know, coming from China?

MS. ALISON CLARK: I think clearly because R-32 is a flammable product, we put 125 in the 32 and that makes it nonflammable, which is why 410-A is a mix of 125 and 32. It's easier to ship the blend than to ship straight 32. With 125, I'm not sure there's a big difference but I'll let Honeywell comment on that.

MR. IRANI: Omar Irani with Honeywell. I think the real fundamental difference is differences in pressure. So the tanks may have different pressures depending on what is put in them to ensure that they are properly stored and maintained.

MR. CLARK: Would that be a difference between blend versus component? Or just different components,

different blends?

MR. IRANI: Certain components certainly will have pressure differences versus the blends they go into as a finished good.

MR. CLARK: But would a blend need to be at a higher pressure to maintain--so that the mix stays, and so that you don't have the thing become volatile and go into gas and perform something in whatever it's being--

MR. IRANI: I wouldn't say that I'm the ultimate expert as it relates to that, but it certainly is a higher pressure requirement.

MR. CLARK: So I assume with that, then, if you're requiring a higher pressure it's going to be--the container may need to be different, perhaps a different sized contained, so the costs would be somewhat higher to ship that as opposed to a component? Does that seem reasonable?

MR. HAUN: Yes. Yes, that's a reasonable answer. Glen Haun from Arkema.

MR. CLARK: You know, you guys included the components as part of this to avoid certain events, and so I'm trying to get at how somebody would avoid some of this stuff. Okay, is that feasible? Is it reasonable for somebody to do that? It seems like it would be less likely for somebody to want to ship R-32 overseas than to ship a blend. I guess it seems to be so cheap to buy and store

blends, that they are less, certainly at the moment, less likely to import a component. But once the items are here, whether it's a component or a blend, is the tank any different than somebody storing blend, or doing the blending? Is this going to be any different? Is this going to be a difference in expenses or the technical requirements?

MR. HAUN; Yes, this is Glen again. I'm the sales director so I'm not a technical expert, but I will attempt to give you some insight.

So typically what you're talking about then, if components are coming in from China in this case, they would be imported in an ISO most likely. So 30- to 40,000 pounds in an ISO.

Depending on the component that's coming in, as we discussed, 32, 125, or 143, you know, they all have different pressures, and the 32 if flammable. So you've got that as a separate issue to deal with.

The 410 generally speaking is a higher pressure gas than the other four, 404, 507, 407-A and 407-C. So the container that we're talking, that you have on the desk there, you know, is a higher pressure cylinder than the other cylinders.

So the handling of the product is much easier, and is much less complicated when it is in a cylinder. And

that's why, again, you've seen a rapid increase in the number of imports that have come in in cylinders from China.

MR. CLARK: Okay. Thank you.

If somebody is going to buy the blend, or I guess if somebody is distributing blend so they have a tank to store the blend, whatever, let's say that they are someone who is doing a large volume and not doing small tanks, individual tanks like this, would they--what would prevent them from kind of switching back and forth between just buying product, buying the blend, and buying components and blending themselves? How hard is that to go back and forth? Is there, you know, whatever, so much capital already involved in preparing two blends that they would prefer to do that?

Again, you're saying right now the price is so low with blends that it doesn't seem to make sense, but how hard would it be to go back and forth? And what other obstacles would there be to someone just going back and forth between, you know, just buying and distributing, or blending on their own and then distributing the product?

MR. HAUN: This is Glen Haun. So if you refer to the chart behind you, you know, the AHRI specification requires a specific percentage of each component to go into the blend.

So, yes, in theory it is easy to go back and

forth. If you're producing 410 today, to go back and forth using some of the same components. But you have to accurately measure and make sure what's going into the ultimate cylinder has the correct percentage. So that's, you know, first and foremost.

Secondly then, it's a function of supply and demand. You know, you may have a forecast, or an importer may have a forecast, or anybody who is producing the product may think they need, you know, 50,000 pounds of 410 next week, and all of a sudden you get in an order for 30,000 pounds of 407-C.

It may be easy for you to switch that, or it may not be. If you don't have the components on hand, you may then go ahead and just bring in finished product--i.e., the blend. So there's a lot of variables that go into this.

Again, this is a much more complex process than was in place many years ago, as we talked about originally, because R-22 was what fit almost all of these applications.

So the complexity of what we're dealing with today as manufacturers is much more so than was done in the past. And it also goes back to the point that Mr. Boyland and the question about the swap agreements.

The investment needed for each of these components, the plan itself, is in the hundreds of millions of dollars. The demand, as we said, for 410 and 404-A is

most of what we're talking about in the U.S. today.

So for each manufacturer to go out and build a plant to the extent that we're talking about, invest $200 million for all four components, it's just not feasible.

I hope that answered your question and gave you a little more clarify.

MR. CLARK: Mr. Cannon.

MR. CANNON: This is Jim Cannon. So I actually heard a very different question, but maybe I'll just let that go and attribute it to old age or something.

I heard you ask a different question which is why someone who is a blender would shift between those blends, but would shift their operation between being a blender at all versus just selling already blended components, already in the container. And I think the testimony so far has been that if you can buy these containers in the pink cylinder in a container/40-foot container from China at 48 bucks, actually, it's going to be less, FOB China, then it doesn't really make sense to even be in the blending business anymore because the components in the ISO tank cost as much or more as just buying the finished product and then you don't have to blend, and you don't have to put it in the pink tank, and you're set, and you're good to go. And so a reason that maybe we perceive, maybe what you're going to see in the data are that there's not that much blending

going on. And the reason could very well be that we didn't even appreciate the full extent to which it's not economical to keep on blending versus just importing. Is that what you're asking?

MR. CLARK: Thank you. That certainly gets that part of it. But I thought we also had a discussion earlier about how there was an increase in blenders of late and so -- I'm just trying to figure out, these are clearly going to be low-cost blenders. These are not the major producers of components. These are entrants who they're not spending a lot of money. They're getting a storage tank, they're finding a way to mix the two materials or three materials and then put that into one of the smaller tanks for sale. So, I'm just trying to reconcile all of that. So, you know, I understand that these are very cheap now and this is what people are going to want to go with, but we still do have an increase in the number of blenders. And so, that segment of the market, you know, I'm just trying to understand it, okay, technically. I'm not getting into all the economics of it. I'm just trying to get at it technically how difficult is it for somebody to go back and forth and is it continually a small bit of the economics, it's like, okay, why would it be feasible, economically feasible for somebody to go back and forth between being a blender and just essentially a distributor?

MR. CANNON: So would anyone like to address that? Other than sort of the obvious, I spent money on some blending equipment and some repackaging equipment and now it's going to be idle. And I'm guessing it's going to be fair to say that there are some repackers who might repackage down and some distributors who could also blend. Some have invested maybe more than others in blending equipment. So they just might have more equipment. So there will be a range of experience by different folks in the industry. None of them are at the level of investment of these folks who are back integrated all the way to get the molecules. They're starting from HF and so forth and running manufacturing operations.

MR. CANNON: Thank you.

MR. GREENWALD: But as I understand your question is why -- is it easy to switch back and forth, the answer is sure. If you have your blending equipment and it turns out that the blended product is priced so low that there's no economic data of blending here, you bring in the finished cylinder. If, on the other hand, it turns out for whatever reason that the price of the finished cylinder goes up, what you can do very easily is restart your blending operations and unless you cover both ends, there is no way of dealing with the problem that we're bringing before you.

MR. CANNON: I guess the other thing, what do I

do different is if you have labor costs, somebody who is available to -- I assume blending does require some involvement whereas just being able to repackage is this going to feel any easier, perhaps even more automated and so you would require fewer people and so you would be idling people for a while, laying them off and then having to bring them back. And I assume it wouldn't take a lot to train them though. It sounds like it's a fairly simple procedure for someone to blend. So it doesn't require anywhere near the level of training as somebody on the component plant. Is that correct?

MS. SASSANO: Yeah, this is Beth, that's absolutely correct.

MR. CLARK: Okay. I just have a couple of other questions about -- just about the EPA regulations and so the announcement that just came out earlier this month that things are being accelerated, did that catch any of you by surprise? I know this has been in the works for about a year and it was finalized earlier this month. Are there any surprises in what was announced for the products that we're discussing here today?

MR. HAUN: This is Glen Haun. Very few surprises, to answer your question.

MR. CLARK: Okay.

MR. HAUN: There -- and, again, I believe there

was no impact on 410 in the EPA delisting, 404A has been addressed, so there are some applications that will be affected by that in the near term, 507A as well and 407C and 407A to a small extent. You may actually see a small increase. But the usage of primarily 404A and 507A in the near term will decrease based on the EPA snap delisting process that you referenced.

MR. CLARK: Okay.

MS. SASSANO: This is Beth. I agree with Glen that I don't think there were many surprises to us at all and, you know, we looked at those regs as they were being developed and anticipated what we thought was going to happen.

MR. CLARK: So you guys probably had a fair bit of input.

MS. SASSANO: Input as well. Yes.

MR. CLARK: Okay.

That's all I have for now. Thank you for answering my questions.

MR. McCLURE: The next questioner will be Rusty Duncan from our Office of Analysis and Research Services. He has a couple of questions, I believe.

MR. DUNCAN: Hi, Russell Duncan, Office of Analysis and Research Services. My first question is just a clarification question. And forgive me, there are all these

different component and blend names, but there's one that has appeared in a number of location s that's obviously not within the merchandise being envisioned as part of the order. It's an R113 or an R111, I forget which. Is that a HCFC blend or a HCFC component?

MS. CLARK: Are you talking about R11 and R12?

MR. DUNCAN: Maybe that's -- is that an HCFC component?

MS. CLARK: CFC.

MR. DUNCAN: Okay.

MS. CLARK: It's prior to HCFC. And that's no longer on the market.

MS. SASSANO: And this is Beth, as we explained, if you're talking about R12 that was the automobile air conditioning choice in the CFC's days. And as that phased out 134a took its place in automobile air conditioning. It was an HFC.

MR. DUNCAN: One other product group that had been mentioned in the petition that I don't think anyone has really discussed here today much is the HCFO group. Do you want to touch on that?

MR. IRANI: I'm sorry, could you repeat the question?

MR. DUNCAN: The HCFO, I believe, the -- HFO?

MR. IRANI: I'm sorry, is there a specific

question related to HFO?

MR. DUNCAN: The issue of why it's not included in the market analysis associated with the products of these investigations?

MR. IRANI: This is Omar Irani with Honeywell, by the way. I believe there are some IP surround HFOs that limits the ability of other use, let's say, or other producers.

MS. SASSANO: And this is Beth Sassano from Chemours to build on that. HFO is hydro fluoro olefin technology. The CFCs and the HCFCs, the pregeneration were chlorine-containing compounds, ozone depleters. The HFC blend you're looking at here are no ozone depleting, but they're still global warmers, which is why 404A is being SNAP delisted. HFOs are no ODP and very low to no GWP. So it is this next generation of refrigerants that we speak of. There's been development by an IP by many companies trying to develop these more green sustainable chemistries but we thought, you know, for a number of reasons, they're still newly under development. There's a lot of patent estate being worked on because of the innovation that went along with them and because they are very low to no GWP that they didn't really fit within the scope of this, you know, based on their product characteristic, essentially. But they will be used eventually in some of these same applications when

they come to market.

MR. DUNCAN: As replacements for the current HFCs?

MS. SASSANO: Yes.

MS. CLARK: And I would just add, this is Alison Clark from Arkema. I would just add that this SNAP delisting did not address R410A which is the single largest market and that in that 410A the HVAC air conditioning market there are emerging technologies in HFOs, but it's at that development point. So when we were speaking earlier about not having the economics for reinvestment into next generation HFOs is what we were talking about.

MR. DUNCAN: A different question, a different track. It was mentioned in testimony earlier that members of the industry monitor the imports of the products subject to these investigations. What is the data source for that monitoring?

MS. SASSANO: This is Beth Sassano from Chemours. I can just speak for our company. The source that we use is Zepple. I don't know if you're familiar with that. That shows us the U.S. import -- the imports coming into the U.S. from any country.

MR. DUNCAN: And is this based on public census data classifications?

MS. SASSANO: My knowledge of it is you're

actually looking at bill of lading data that's coming in. We would have to check with exactly how they, you know authorize --

MR. DUNCAN: The reason I ask these questions is the petition lays out two HTS numbers for the subject merchandise, both of which appear to be basket categories. And in some instances, perhaps not even capturing all of the HFC blend data that are being imported. So, I was wondering if the industry had any market materials that tracked imports of these products that's not available to us currently.

MR. CANNON: The different producers all essentially track the same thing. They track -- they look at bills of lading which are sold by Piers or by Zepple. And they work through the product descriptions in those bills of lading. They then triangulate those data against other sources of information and in the petition we, for example, looked at the Global Trade Atlas data which give you Chinese exports to verify the overall quantities reported by Global Trade Atlas which is another subscription you can buy. I mean, Commerce buys it. It's not cheap. But we have spoken with Customs, we met with them to talk about this issue that the reporting of blends in the blend category in particular in Chapter 38, does not appear to be correct because that particular category only has in it

blends of HFCs and I think PFCs. And usually what you see is the customs categories, the census data give you a larger volume than what you get out of Piers or the bills of lading. Usually the Piers data understate because they are only ocean freight and because people can suppress the data. In this case the bills of lading were reporting a far larger quantity than the census data in Chapter 38 which makes no sense given the category that pretty much fits around our ears with exception of some PFCs.

The other category, the category for the single components, is a basket category. And the imports there are huge, but they seem to be too large. And so our impression of what was happening is that it could be that maybe some of the blends are being put into the component category and vice versa. But the bottom line is, the customs data are not particularly reliable for either category. The component category is too big of a basket and the blend category clearly understates the volume.

MR. DUNCAN: Obviously within your post-conference submission -- your briefs, you'll be addressing import coverage. If you can look at the questionnaire data, look at any market data that you have on these imports using these other sources, Zepple, Piers, and of course the public census data and try and get a sense of what the best import data series is to use.

MR. CANNON: Okay. We will. We can comment on our perception of how -- what the volume we thought it would be and how it should be compared to the data you're getting and we have actually been monitoring that as the importer questionnaires come in. We sort of have a running tally.

MR. McCLURE: Likewise, I'll just go ahead and ask Respondent parties to do the same as what's our best bet with regard to import data.

MR. DUNCAN: The next question I have is obviously an industry comes, they know they're being injured, or they feel they're being injured. They bring these petitions and then we have to translate that market reality into the lens that we analyze it here at the Commission. And one of the things that we do is a market analysis, and apparent consumption analysis. Here we have industry where there's a pretty clear and complicated dividing line between component production and then blending. And it's the blends that are actually being sold into the merchant market, most of the components are being internally consumed by the petitioning group. For the purpose of making those blends, there's some activity of imported components that go then into further blending domestically with the imports of components and also some purchases of domestically produced components. How should the Commission approach its analysis on apparent consumption

given both the level of trade issue we cannot change what is subject imports. Subject imports by definition is what you've brought into the scope of the merchandise which includes both levels of trade. You have the component imports and the blend imports. Jointly together they are subject imports. But some of those subject imports are being further processed and included in sales by the U.S. producers.

MR. CANNON: So I think we can address this in our post-conference brief. The Commission has encountered this issue before. It happens whenever you have a product that arrives sort of in different grades of finished like raw sugar comes in or finished sugar comes in. And after the raw sugar gets here, it has to be finished. Okay. So that was the analogy on the top of my head. But apparently there will be double counting when you have some blends which are made with imports. But the Commission sort of looked at that and been able to essentially cope with the fact, that, well, there's some double counting, so we might be understating the import penetration to some degree. Nevertheless, we can still see that the market share of the imports is significant, it's increasing, so I don't think that will be a problem in essence for us.

Although I recognize there will be double counting and I haven't seen all the data yet. So I could be

ruing the day I said this. But I think it will work out.

MR. DUNCAN: Okay. And my final question goes to a similar issue, also related to this analysis in the market when you try and create a consumption number and take into account the effect of the subject imports which includes both the components and the blends. And we've had testimony here today where you have the people sitting around this table plus the independent blenders bringing in the HFC components and how will that factor into the Commission's analysis of injury if, you know, the domestic producers are controlling some percentage of subject imports? And if you break out the imports controlled by domestic interests versus not domestic interests, and whether you define the domestic interests as the petitioning group that has the actual component production by itself or if you expand that definition to include blenders, either data set, some volume of the components are controlled by the U.S. producers. How is the Commission going to approach that analysis?

MR. CANNON: So once again, I think in the Commission's precedent the Commission is familiar with the situation in which some one or other U.S. company in an industry may to some degree, small or large, also import. Those imports represent for the industry as a whole and for another U.S. producer an opportunity lost. They represent lost sales. That's sales volume that another U.S. producer

could be filling its capacity and it is not. So that volume of imports is a volume of imports. And the imports looks at -- the Commission looks at the industry as a whole. And so you should not exclude any import from your import volume simply because one of the petitioning companies found itself in a situation where the only way to stay in a market where the blend prices had dropped to the levels that they are now, is to at least cut some of its costs by getting some cheap Chinese feedstock. I mean, that's bluntly the decision they face. But legally when the Commission looks at the impact on U.S. employment and U.S. assets and U.S. profitability, it looks at the industry as a whole and if there is capacity that is not being used because Chinese imports replaced it, it doesn't matter who brought it in. It didn't matter in any number of cases. Ribbons off the top of my head.

MR. DUNCAN: No, I hear your arguments. I would just look at and try and make sense of, if you look at the volume of imports controlled by U.S. producers versus the volume of imports at large and the different trends that they may or may not show, and how that would relate to the storage profitability.

MR. CANNON: We will. And I would observe that if anything, having a little bit of low-priced imports in your mix actually helps your profitability. And when you

look at the levels of their profitability they need a lot of --

MR. DUNCAN: So you need to tell that story.

MR. CANNON: Okay.

MR. DUNCAN: That's all I have.

MR. McCLURE: Thank you, Mr. Duncan. I think Ms. Landowner has a couple of questions.

MS. LO: Yes. Thank you.

My question is more about the market segment internal. I just want you to help me with some terminology so that the reclaimers and the recyclers are different than the replacement market; correct?

MR. HAUN: It's going on. Yes. Correct.

MS. LO: So I believe Ms. Sassano said that you guys are not involved in the relcaiming -- or recycling market; correct? All three?

MS. SASSANO: Yeah. Well, Chemours is not. No.

MR. HAUN: This is going on with Arkema. We are involved.

MS. LO: In the recycling?

MR. HAUN: In the reclaiming market. Although it's a small portion.

MR. IRANI: Omar Irani with Honeywell. We are as well. Small.

MS. LO: Okay. Related to that, I know this

market goes to OEMs and service contractors. And the testimony earlier today was that the Chinese imports are mostly gaining shares in the service contract market. So when I have a Carrier system installed in my home, brand-new system, they're supposed to last about ten years, brand-new original equipment, right, for whether commercial or residential applications. So I don't see a lot of supermarkets changing their refrigeration or refrigerators; right? Correct? About ten years, 20 years?

MR. HAUN: This is Glen Haun. Correct in both of those assumptions.

MS. LO: So I would assume that the service contract market is a larger percentage of your business; correct?

I know you mentioned that Chinese imports were gaining -- has about 40 percent of the market, I think earlier I wrote that down. But what is that overall in your business, the service contract market versus the OEM market? If -- I don't know if that business sensitive.

[SIMULTANEOUS CONVERSATION]

MS. CLARK: It is, but the service market is significantly bigger than the OEM market.

MS. LO: And in that market, I'm just trying to understand that market.

MS. CLARK: Sorry. Alison Clark.

MS. LO: I'm sorry.

MS. CLARK: It was Alison Clark. I saw him looking over at me. Sorry about that.

MS. LO: So you don't -- so these cylinders, right, they go into Carrier system; is that correct? Or whatever the OEM brand is.

MR. McCLURE: They're used to charge it.

MS. LO: Right. So is it kind of like a gas grill where although it's not sold at Home Depot or Wal-Mart, I understand like on 134a, where say a Carrier Service contractor and I have a homeowner whose AC is not working anymore, they don't swap out the actual cylinders; do they? Do they just refill the cylinder or how does that work?

MS. SASSANO: Let me take that one. This is Beth Sassano from Chemours. Let me step back for a minute. So say you're talking about Carrier, they're going to have a huge production facility, and you can imagine air conditioning units going down a conveyor, big, big conveyor. And there will be a tank that will be then dispensing the refrigerant into each of those units when it's the original equipment manufacturer. That unit then will go into a home. Okay.

But then if there's some issue with the system, a leak, and the cooling in the house, the homeowner is going

to say something is wrong. A contractor could be dispatched to that home owner's house to look at the unit. They'll see what refrigerant is in there and fill it, fix it, and these are the cylinders they will use. And if you opened up the back of a contractor's truck, you'll see a rainbow of different cylinders because each of the blends has a different color for a national standard and they'll have that on their jobs because they're not sure, maybe what type of equipment they're going to come in contact with each day.

MS. LO: So if the system has 410A, it definitely cannot be swapped out with 404A?

MS. SASSANO: Some of them can be. Normally what we see happening in the supermarket side. In the supermarket side, 404A had been -- it's a high global warming potential. You can sometimes keep that same supermarket design, piping with some minor modifications to the equipment and flush that system out and say, use 407A or 407C. So it really just depends on what type of unit you're talking about and where it's installed if that makes sense.

MS. LO: Yeah, that's the problem, thank you.

MR. HAUN: And Glen Haun, just to clarify that a little bit more. Relative to the air conditioning, again, which is in 410A. 410A is the primary refrigerant of all those that's being consumed and used in the U.S. It would be very, very, very unlikely that somebody would use another

refrigerant to replace a 410A or to replace the 410A that's in the system. It was designed for that and it's being used with that, I would say, 99.9 percent of the time.

MS. LO: Related to that, you said 410A and 404A are 80 percent of the market. But it seems to be that 410A is kind of the focus. In our data we did break out -- well, we did a little bit, but we can't get into that. So out of the 80 percent that you mentioned that 410A and 404A is part of the market, so would it be safe to say that most of it is 410A out of that 80 percent?

MS. CLARK: 410A is the larger share, but 404A is a significant market.

MR. CANNON: You have in like table 2-8 if you aggregate you will have it. You'll have our shipments of 410A versus 404; right? No, that's all components. It's separate by component. Is that in 2A? I'm talking about components. That's 2A; right?

I'm pretty sure. It's one of them. If it isn't 2A, I'll tell you. Isn't 2A by channel?

[PAUSE]

MS. LO: That's okay. We don't have to get into specifics. I just wanted to see because both of these cylinders are examples of 410A. I just wanted to see if there's a reason that they're the examples.

MR. CANNON: So they make different components

and see the market differently. Maybe their blend pattern is a little different too. In 210, I think, you have blends. The same thing. You'll be able to see the aggregate of all of them. Or we can do it. I think it would be a helpful table in the staff report.

MS. LO: And I just had kind of a common sense question. Or I don't understand. So these large, like you were saying, Ms. Sassano about these -- like a Carrier getting these fully assembled units that have the subject product in them, are fully assembled units being imported say from Mexico which would have a low transportation cost?

MS. SASSANO: Sometimes that is happening. Some of the producers are moving their production facilities into Latin America and then importing the product into the country.

MS. LO: The entire refrigerant or AC system; correct?

MS. SASSANO: Yes, as far as I know.

MS. LO: Thank you very much.

MR. McCLURE: Okay. I've just got one item. With regard to the membership of the coalition, and in particular you, not that Amtrol and Worthington manufacturers cylinders and tanks and whatnot. Do they manufacture tanks for other industries like what we would use in a gas grill? Is this just part of what they do?

MS. SASSANO: This is Beth Sassano from Chemours. So from my experience those cylinder manufacturers make cylinders that go into the other end uses like propane tanks, et cetera, helium for balloons and stuff like that, yeah.

MR. McCLURE: Okay. So what does the Commission do with your mention of Amtrol and Worthington? Do we tell them they aren't a producer of subject product so --

MR. CANNON: Correct.

MR. McCLURE: What do we do with those?

MR. CANNON: Correct. I think you've already done that. I got a letter, I think, from a lawyer explaining that they were not domestic producers. And that's fine. And I don't -- in the statute a petition can be brought by an association so long as a majority of its members are producers of the product. They have a vested interest in this industry. They supply these containers. It's a significant cost. They have a stake because the containers are arriving already packaged from China as the pink container, they're looking at their demand evaporating with the domestic suppliers. So they care. They have joined the association but we didn't keep adding too many people so that we would have more or less of a majority of producers. We're still okay both legally as an association, we have standing and in front of the Commission you have

everything you need. You have all the producers.

MR. McCLURE: But caring doesn't make them a producer; right?

MR. CANNON: Correct. I'm not saying they are.

MR. McCLURE: Okay. Okay.

PARTICIPANT: You've already ruled, Jim.

MR. McCLURE: It's nice to care, but --

PARTICIPANT: You've already ruled.

You already ruled.

MR. McCLURE: Anyway, I'm --

MR. CANNON: It's a little stronger than that. I'm being somewhat facetious. They have a financial stake.

MR. McCLURE: My, you being facetious, I can't imagine.

I want to thank everybody great testimony. And we certainly appreciate you trekking in from out of town.

And, finally, just one thing. I want to give the gold star for name identification to Mr. Irani. You hit it every time. Mr. Haun, you came close.

Anyway, thank you. We're going to break for ten minutes.

Grab a power bar or whatever you can and we will come back and pick up Respondent's testimony. See you then.

Remember the room is not secure. So take your stuff with you, or leave somebody in here to protect it.

(Brief recess taken.)

MR. BISHOP: Will the room come to order.

Mr. Chairman, the panel in opposition to the imposition of the anti-dumping duty order have been seated.

MR. McCLURE: Thank you, Mr. Secretary. Gentlemen, ladies, please proceed.

STATEMENT OF NED MARSHAK

MR. MARSHAK: Good afternoon. I'm Ned Marshak of Grunfeld Desiderio. I'm appearing here today with Kavita Mohan from our firm and Jim Dougan of ECS. We're representing 11 foreign producers in the Chinese Chamber. We've previously represented several of these companies in the R-134 rate investigation, where the ITC recognized that importers had no choice but to import from China because of severe shortages of product in the United States.

That case was child's play compared to issues raised in this eight product investigation. In R-134a, we knew the class or kind, we knew the domestic like product, we knew who produced the domestic like product in the USA, and were qualified as an interested party, and we knew the quantity of value of import penetration from census data.

In this case, the petition raises many issues and provides no answers. We have forwarded our responses to the foreign producers' questionnaires, and we've reviewed the questionnaire responses field under APO. We had many

questions, but we still don't any answers at this point in time. Hopefully, by the time we file our post-hearing brief, we'll know a little bit more about the industry.

We hope that there will be sufficient information on the record for the Commission to reach an informed decision in this preliminary determination. The standard may be lower than your final determinations, but Petitioners had an obligation to place sufficient information on the record for the ITC to decide if a reasonable possibility exists.

If not, the Petitioners should be required to refile, so the ITC decision will not be based on just not knowing what's out there, not knowing what's on the record, not knowing what information should be considered.

So let's look at the issues in this case. First, we have the class or kind of merchandise. We have components, we have blends. Do we have one class or kind or two or three or eight? For the Commission, we have the domestic like product issue, which is very important. Should the domestic like product be co-extensive with the class or kind of merchandise subject to investigation?

It doesn't have to be. Why shouldn't R-134a be part of the domestic like product? There's differences, but are they really that substantial? Look at the chart that Petitioners placed on the wall this morning, where they had

price lists. The price lists included 134a in both price lists. There's a continuum. R-134a probably is part of that continuum.

And just as significantly, what about HFCs that are still under patent? They're HFCs. What's the difference between the HFC under patent and the HFCs that are not under patent here that are subject to this investigation? There's a difference, because when merchandise is under patent, you can command a higher price because of the patent. You know, we really should be looking at that, to see if that merchandise is part of the same continuum, the merchandise that is an HFC and still remains under patent.

Then we look at the domestic industry and interested parties. We have, you know, several -- three members of the Coalition were here today. They're producers in the United States. They're interested parties. They have standing, you know, there's not an issue. But we have Armtrough and Worthington. They make cylinders. They don't make the domestic like product. You know, I don't believe they should be interested parties.

What about Hudson? Does Hudson blend merchandise in the United States? Is it a blender? Should a blender in the United States be part of the domestic industry? We would say yes, but the question is does Hudson

blend? What about Mexichem? They were here today. Does Mexichem producer the class or kind of merchandise in the United States? Do they produce a like product in the United States?

They were a petitioner in the R-134 rate case. So we know they make R-134a, but do they make any other products in the United States? And if what's, you know, potentially possible, if we kick out four members of the Coalition, the question is does the Coalition have standing? We don't know. You know, we know there's a petition. We know there's standing. We know there are three companies who are producers in the United States, but we don't know about the other four companies.

Another issue is import penetration. You know, we know the census data doesn't work in this case. The ship manifest data, you know, we have problems with relying on that in this case and other cases. So we're going to have to look at the foreign producers' questionnaires or importers' questionnaires. We're going to look, where we get all the information that's been submitted to the Commission.

We're going to hopefully come up with something accurate, but it's a tough issue, because we have to know what the imports are and we have to know what apparent domestic consumption is. And what about domestic producers

who also import the merchandise? Are there domestic producers who are also importers of components, and if so, do they import significant quantities?

We believe if you're importing a significant quantity of a component, you are part of the problem and not part of the solution. And also, were there shortages of components in the USA in the same manner as there were shortages of R-134a? You know, if there's shortages in the United States and the prices spike in 2011 and potentially at the beginning of 2012, that's a critical condition of competition, and that's something we don't know.

You know, were there shortages? Was there a spike when we started at 2012 or look at 2011? We have to consider that. That could be very significant in this investigation. Then the other issue that we're raising is what is the significance of the fact the products are coming off patent protection? We asked our clients in China, you know, why did they start, you know, producing merchandise? What led to the fact that there's definitely, you know, more capacity in China, more production in China?

What they came back and told us was, you know, from 2011 to 2013, many patents of HFC blends, including R-410A, 407A and other HFC blends expired, lowering your production costs of HFC to a significant degree. Thus, the Chinese production components and blends expanded, and the

reason was because the merchandise was coming off patent protection.

That's a significant issue in this case. So what -- you know, for us also, for threat and for injury, what are the reasons for the increase in Chinese capacity and production? We looked at our clients' questionnaire responses. We were told there was no more patent protection. We were also told that there's not going to be an increase in China in HCFC demand, and we'll submit this in our post-hearing brief. In August 7th, 2013, China issued a notice of strengthening the management and production and use of HCFCs, and what we were told is the production quota in 2014 is the same as 2013, and it's going to be reduced in 2015.

So the Chinese producers know that demand for HFCs is going to increase in China by a significant amount, and they're producing more and they've increased their capacity to sell this product in the home market, and also to third country export markets. We were told this morning about a possible restriction in Japan and the EU. As soon as we get out of the hearing, we're going to send an email to China, and we're going to find out if that really exists, and what's the significance for our clients.

But this is information that we're going to try to develop and try to get to you by Tuesday for our brief.

We know that the Chinese producers, when you look at their foreign producer questionnaire responses, they don't really depend on the United States as much as they depend on their home market sales and their third country sales.

We believe that because of these facts, there's going to be a lot of information that gets to you and hopefully in this early stage even, you'll be able to make a decision that there's no reasonable possibility of material injury and no reasonable possibility of threat. Thank you.

STATEMENT OF JONATHAN M. FREED

MR. FREED: Hi. This is Jon Freed of Trade Pacific. I'm joined by counsel Jared Goldfeder, also of Trade Pacific, on behalf of National Refrigerants. Before I introduce Maureen Beatty from National, you had a lot of industry witnesses up here this morning, and I know her experience will balance theirs.

I think she can address most or all of the same questions that you're asking, and we thought that a lot of those questions were exactly what we want to talk about. So I hope we have time after testimony to get to those issues. With that, I'll let Maureen speak.

STATEMENT OF MAUREEN BEATTY

MS. BEATTY: Good afternoon. My name is Maureen Beatty. I'm the Executive Vice President at National Refrigerants, and have been with National for more than 25

years. I appreciate the opportunity to speak with the Commission staff, and welcome any questions that you might have.

For purposes of the preliminary phase of this investigation, National opposes the imposition of anti-dumping duties on the HFC components included in the petition. Established in 1983, National is an independent producer and packager of refrigerants headquartered in Philadelphia. With over 150 employees today, our blending operations and packaging facility is just up I-95 in Rosenhayn, New Jersey.

We welcome the staff and the Commissioners to visit our facility at their convenience, to tour our blending operation, packaging facility and certified refrigerant testing laboratory.

National first began producing two of the blends covered by this petition in 2008, after we obtained a license from the patent holders of R-407A and R-407C. To produce those HFC blends, National needed the components R-125, R-32 and R-134a. We tried to source the R-125 and R-32 components from the domestic producers then, but they were unwilling or unable to supply us.

It was not part of their marketing or business plan to sell these components, but only the higher value blends. So National had to import the components from

foreign suppliers. Leading up to this investigation period, we see two big factors that shape the landscape of the industry: Patent expirations and the 2010-2011 R-125 shortage.

Although the R-125 shortage immediately preceded the period of this investigation, it is significant because of the hangover effect from the shortage, meaning when you have an acknowledged shortage of a critical component, it takes some time for the market to recover from a supply standpoint, and for the high prices to normalize as the available supply begins to meet the increasing demand.

Those facts are supported by letters issued by the Petitioners, which we will include in our post-conference brief. In addition to the R-125 shortage, from the end of 2009 until the end of 2011, the individual patents on R-410A, R-407A, R-407C, R-404A and R-507A all expired.

With the expiration of the patents, National began producing these other blended products in addition to the R-407A and 407C that it was already producing under license. But still, National had to use imported components, because the domestic component producers would not sell or, if they would sell, it would only be in quantities that were insufficient to meet our production needs.

In some instances, they did not want to sell us components because they'd rather sell us blends. In others, they were prohibited by contract from selling a component to us that they may have obtained from another domestic producer. From 2009 through 2013, National was unable to obtain an agreement with any domestic component producer.

2014 was the first time that National was able to obtain an agreement to purchase a small quantity of domestic components, but even then, the domestic producer was unable to guarantee that the supply would be entirely of U.S. origin. That leads to another issue that should be understood. We believe that all of the U.S. component producers must also rely on imports to some degree, because the three covered components are only made by two U.S. producers.

It is National's understanding that two of the producers in the petition do not domestically produce any of the components covered by this investigation in a commercially meaningful way. Further to this point, it is National's understanding that the R-125 plant referred to in the petition was a small pilot plant intended to supply fire suppression applications.

Therefore, just like National, their U.S. refrigerant operations are limited to blending components, whether sourced through swaps within other U.S. component

producers or imported from their overseas factory. In our view, there is no domestic merchant market for the HFC components covered by this petition.

The domestic component producers swap individual components with each other, and restrict the resale of those swapped components unless in a blended product. We have to import the components. We cannot run our business built around sourcing domestic components, because the domestic component producers will not sell to us, or at most they will sell whatever might be leftover from fulfilling their co-producer commitments and their own blending needs.

We understand that it makes sense for them to focus their sales efforts on the blended refrigerants that sell at higher prices rather than on the components. But this is where we see a real unfairness in what they are trying to do. If duties on components restrict or prohibit import of the components and U.S. component producers only sell or swap components with each other, then they will have forced the market back to the days when these HFC blends carried patent protection, and we would not be able to produce these blends and remain competitive.

But in addition, duties on HFC components would also restrict or prohibit us from producing a wide range of other HFC blends that are not included in the petition. R-32, R-125 and R-143a are the components to more than 20

other HFC blends. The petition has not alleged any unfair trade or injury on these other HFC blends, yet this case could potentially destroy how we do business in those HFC blend markets.

For example, National produces the R-422 series of HFC blends using R-125. By our estimation, the R-422 series already occupies a larger space in the market than R-407C, which is included in the petition. National does not believe there is unfair competition resulting from imported HFC components.

If anything, the unfairness might lie in the lack of competition between the U.S. component producers and their refusal to sell components on a meaningful scale. How can there be unfair competition from imported components when they do not compete to sell components in the U.S. market? The HFC components simply should not be included in this petition. National's business in both the covered HFC blends and HFC blends outside the scope of the petition would be unfairly altered or restricted if duties are placed on components.

Again, I appreciate this opportunity to be here and welcome any comments or questions that you might have. Thank you.

STATEMENT OF JARED GOLDFEDER

MR. GOLDFEDER: Good afternoon. For the record,

I am Jared Goldfeder from Trade Pacific, counsel to National Refrigerants, and again we appreciate the opportunity to appear here today. We know well that the Commission faces a difficult burden to build a record in these investigations, especially during a preliminary phase where the deadlines are so tight.

In that regard, we commend the staff for taking additional time here to step back and review this petition closely, and to then tailor its preliminary questionnaires to address several fundamental issues in this case. One such area is the Petitioners' assertion, for which it provided a dearth of support in its petition, that HFC blends and the three covered components constitute a single like product.

As the remarks that you just heard from Ms. Beatty make clear and as our post-conference brief will address in much further and excruciating detail, HFC blends and components do not constitute a single like product under either a semi-finished like product analysis or the Commission's traditional like product analysis.

Furthermore and critically, there is no reasonable indication that imports of HFC components from China have either caused or threatened to cause material injury to this domestic industry. While the petition does raise many, many questions, as Mr. Marshak noted, this issue

is very clear-cut.

Let me begin with the five criteria of the semi-finished like product analysis. The first is whether the upstream article is dedicated to the production of the downstream article. Importantly, the discussion on page 33 of the petition never uses the word "dedicated" when referring to the uses of R-32, R-125 and R-143a.

Instead, it says that these components are "predominantly used to produce HFC blends." At a minimum, this characterization reflects the Petitioners' recognition that these components have some independent uses. But their statement also reflects an important mischaracterization. The focus here is not on whether these three upstream components are dedicated to the production of some general category of HFC blends, as the Petitioners' line of arguments suggests.

Rather, the Commission's like product criterion refers to "the downstream article," emphasis on the word "the," and here the downstream article is just five specific blends that the Petitioners decided to include in their petition. At least one of these three components may be found as an input in more than 20 additional HFC, HFO or HCFC blends that are currently sold in the U.S. market.

That is more than just a few and it's not an immaterial amount, and that tally does not include the five

blends that this petition covers. R-125 can also be used on its own as a fire suppressant, in metal smelting applications, foam blowing and in certain medical applications for equipment that require a non-flammable, inert, pressurized gas.

Both R-125 and R-32 are used in semiconductor silicon wafer manufacturing as a gas for etching silicon. Certainly, these components are not fully dedicated to the production of the five downstream HFC blends that have been included in this petition.

A second criterion is whether separate markets are perceived to exist for the upstream and downstream articles. The Petitioners posit that blends and components ultimately supply the same market, so there's really no distinction in the market segments. But that is not the case.

As I just explained, R-32, R-125 and R-143a are not exclusively used to make the five covered HFC blends, and as Ms. Beatty explained and as we will show post-conference with record data, only the limited head to head competition exists for HFC components, because the domestic producers have historically been unable or unwilling to supply R-32, R-125 and R-143a to outsiders except in rare instances.

In addition, these companies do not compete with

each other on the three covered components, given that little or not overlap exists for domestic production of the same component, as you heard Mr. Cannon acknowledge in his opening remarks.

Moreover, these companies do not advertise or hold themselves out as vendors of these HFC components. Unlike HFC blends, there is virtually no open market for domestic production of the HFC components, and Arkema's witness confirmed that there is in fact no merchant market or virtually none.

The third criterion is whether differences exist in the physical characteristics and functions and upstream and downstream articles. HFC components and blends included within this investigation have different chemical structures and functions. R-32, R-125 and R-143a are frequently but not always used as intermediate inputs, while the five HFC blends are finished products used for a variety of refrigeration or air conditioning applications.

In addition, R-32 and R-143a are both flammable, whereas the finished HFC blends are not, which is a relief to know, and R-125 is generally regarded as having poor refrigeration performance when used as a single component refrigerant, so it's not used as such.

The fourth criterion is whether there are differences in the cost or value of the vertically

differentiated articles. The process to manufacture HFC blends at substantial value to the value of the purchased components, due to the added costs that result in a new and different finished product that can be used for specific cooling or refrigeration applications.

We will address this further post-conference as best as we can, although there are some limitations on finding reliable data for commercial U.S. sales of domestically produced HFC components.

The fifth and final criterion is the significance and extent of the processes used to transform the upstream into the downstream articles. This morning's panel somewhat suggested that blending is just a simple process that anyone can do. But that is not the case. As we will document in our forthcoming brief, the blending process is not just a simple matter of sticking components into a tank and then packaging what comes out into a cylinder.

Rather, there are unique skills involved in blending efficiently and accurately, as a blender must have the right production controls in place to ensure that flammable compositions are not created in the blending tank. Blenders also must undertake laboratory analyses to ensure that the components meet the necessary quality requirements.

Once blended, the individual components cannot

be separated from the other components without significant engineering capabilities, that to the best of our knowledge do not exist and would not be economically feasible if they did exist.

These five criteria strongly suggest a finding of separate like products. If on balance the Commission ultimately finds the semi-finished product analysis is mixed or inconclusive, then it should next examine the issue under the traditional like product criteria.

We will address this post-conference, as I'm sure particularly at this point in the conference you don't want to hear a discussion of another six criteria. But we will show in our brief that these three HFC components and five HFC blends covered by the investigation do have different physical characteristics, uses, channels of distribution, manufacturing facilities and production methods, and they are certainly not interchangeable as any purchaser will attest.

Again, we will do our best to show that the pricing of the products is different, given the limitation of having meaningful and reliable pricing data for domestically produced HFC components. Assuming that the Commission agrees that HFC components constitute a separate like product, the preliminary record of this investigation will support a negative determination as to the components.

It may be the case that the volume of HFC components have been high over the course of the Period of Investigation, although we need to see the data compilations to confirm that. But in any event, the input volumes of components have been non-injurious. As an initial matter, it is not clear the extent to which the Petitioners themselves have contributed to this increase, although the confidential record should clarify this fact.

Leaving that aside, companies that engage in U.S. blending operations such as National have had no choice but to resort to imports of HFC components, when the domestic producers decided that they would not or could not sell them sufficient quantities of domestically produced components.

In fact, to the extent that the domestic producers have sold any components to National, it is not even clear that such components are domestically produced, as opposed to the suppliers' own imports from China. But in the rare instances in which domestically sourced components were made available to National, National has almost always purchased them.

But still, these small quantities came nowhere near what National needed to sustain its U.S. operations. Having been shielded from competition until their patents expired a few years ago, these domestic producers have

sought to limit new competition from U.S. blenders by blocking access to their domestically produced components, instead swapping or selling them primarily amongst themselves, internally consuming them in their own operations, or possibly exporting them to their overseas blending operations.

As you heard earlier from the Petitioners' panel, the three companies "work together" to integrate their operations, to keep down their costs. But to do this, they have excluded others from access. Now, they are working together to exclude Chinese components from the U.S. market through the imposition of anti-dumping duties.

As you heard from Mr. Cannon, the reason is so that the companies will not establish new U.S. blending capacity which would have with it new U.S. jobs, that would then compete against Arkema, Honeywell and DuPont Chemours for sales of blends in the U.S. market.

The Commission should not reward the domestic producers' continuing and coordinated anti-competitive behavior with a finding that they have been injured by HFC components from China when frankly their historical unwillingness or inability to sell components is why companies like National had to turn to imports, so that they could ensure access to the materials they needed to keep their factories running and safeguard American jobs.

In short, the Commission should view the quantity and market share of subject imports of HFC components from China, in light of the prevailing conditions of competition, and find that any increase during the Period of Investigation did not compete directly with domestically produced HFC components, and thus was not significant.

We will address price and impact further in post-conference brief, as these issues rely largely on confidential information. But as we've explained, swapping arrangements and internal consumption are very common among the three main Petitioners, which have organized themselves in a particular manner that restricts access to domestically produced HFC components on the open market, and the morning panel even conceded that there is virtually no domestic merchant market sales of HFC components.

If these companies are not selling components to outside customers, then certainly they have not lost any sales or revenues for their components to imports. If they are swapping components to each other or internally consuming them, then certainly the subject imports of HFC components could not have significantly undersold them or directly caused any price depression or suppression to a significant degree.

If subject component imports have not caused adverse volume effects and there's no direct price -- no

direct head to head price competition, then certainly imports of Chinese components have not been a significant cause of any deterioration to their trade or financial performance for these three components.

For these reasons, the record of the preliminary phase investigation compels a negative determination as to subject imports of HFC components. I'd like to make one final point regarding the definition of the domestic industry. As we've already said, National takes no position as to the Petitioners' injury allegation with respect to HFC lends as a separate like product.

However, if the Commission evaluates the domestic industry's commission for HFC blends or treats blends and components as a single like product, we submit that National should be regarded as a member of the domestic industry. National is a significant U.S. producer of HFC blends that are covered by this investigation, and it does not import them from China.

We've already explained that National has decided to import HFC components because it had no choice. It needed to be able to continue its HFC blend production in the United States, given the restricted access to domestically produced components. That decision to import components had nothing to do with price.

Furthermore, including National in the domestic

industry will not skew the data but rather will give the Commission a complete and real picture of the domestic industry's condition for HFC blends. But if the Commission does exclude National from the domestic industry, then it must also examine closely the domestic producers' status of all other U.S. companies that engage in blending, but which have no meaningful U.S. production of R-32, R-125 or R-143a for blending purposes, and which also had significant component imports from China. Thank you very much for your consideration.

And we look forward to answering your questions.

MR. McCLURE: Okay. Is this panel finished? Okay. We will now turn to Kenneth Ponder. You have five minutes, and if you would state your name and affiliation.

STATEMENT OF KENNETH PONDER

MR. PONDER: Thank you, Mr. McClure. My name is Ken Ponder. I'm the owner of Choice Refrigerants RMS of Georgia. We're a large reclamation facility, one of the first 13 in the U.S. when all this started back in late '92. I'm also the inventor and patent holder of two HFC blends and one HCFC blend. So I have a unique position here today, in that I can make an argument both for support and not support of this petition. But by the same token --

MR. McCLURE: Gee, you should be a lawyer.

MR. PONDER: I understand. But I'm here today

because I'm interested in my business and because I'm needing clarity going forward in the future to come. We've made significant infrastructure investments, but by the same token nowhere near to the HFC Coalition. We tip our hat to those guys that's got steel in the ground and help invent molecules. I didn't do that.

What I did was put molecules together that was commercially produced in the United States at the time, and we've had a very nice career of that all this time. The reclamation portion of my industry is unique in that going forward with HFCs, we're going to be required to fix what's recovered into the marketplace. Without inclusion of 32 and some of the other components specified in this petition, we won't be able to fix them.

That leads the market to believe that they can be vented. If they're vented, they hurt our -- they produce more global warming problems for us. So we -- while we're not a tree hugger by design, we've become a pretty good tree hugger, because the environment is really what we're most interested in. Our two blends, specifically R-421A and R-421B, were invented because the industry was hollering that we had to have something to replace the HCFCs.

So we became in that industry one of the groups that -- one of the guys that helped to invent something that is commercially accepted today. Market penetration, I'm not

real good at those kind of things. I'll defer to some of my colleagues in this room that's already spoken earlier today, and just a few minutes ago.

They're going to always do a lot better job than I'm doing. I can just tell you that we produce a lot of this product, several million pounds a year, and we have a customer base that I'll compare with anybody's. It's the only two component product on the market that doesn't contain a flammable hydrocarbon. We're the only company that uses a synthetic lubricant, for instance, within our blend.

So while I want to buy American, I'll be the first to tell you that. I would love to buy American every single time. My fear is long-term I possibly would be excluded if there was a shortage, if there was a plant that goes down. I learned a long time ago that you can't put all your eggs in one basket.

I want the flexibility to buy abroad is a better way for me to say it, because we deal with other people besides China. As far as the cylinder manufacture portion of this, it was kind of interesting to hear y'all talk about that a few seconds ago or just a little while ago, I produced outside the United States and sent cylinders from here to that country.

We're going to support as much as we can the

domestic United States of America.

MR. McCLURE: Thank you, Mr. Ponder. We'll begin the questioning first with Joanna Lo, our Investigator.

MS. LO: Thank you for coming, especially Ms. Beatty and -- Beatty, Beatty and Mr. Ponder. So since Mr. Ponder's testimony is fresh in my mind, Mr. Ponder, you'd be considered a purchaser in this market, in the United States?

MR. PONDER: Ken Ponder, by the way. I'm trying to win that award at the end.

MR. McCLURE: You're off to a good start.

MR. PONDER: I am a consumer.

MS. LO: But you mentioned that you produce, so you would not be a producer or blender in the United States?

MR. PONDER: By this -- by the definition that seems to be applicable today, I'm not a producer in that I can't replace Honeywell or Chemours or Arkema.

MS. LO: Or even blending.

MR. PONDER: For blending, we do as good a job as anybody can on blending, because my patented products, for instance, are a blend of two of the HFCs in question.

MS. LO: And your two patented products, 421A and 421B are not subject, so you would not be part of the domestic blenders; correct?

MR. PONDER: Correct. But as a reclaimer, when we take 410, dirty 410 in from the market, for instance, and we have to reconstitute it, we would have to have R-32, for instance, an additional supply of R-125 in order to fix that blend.

MS. LO: Thank you for -- I wanted to get at what a reclaimer does. So you take used up R-410 or 404, any of those?

MR. PONDER: All of them.

MS. LO: All of them?

MR. PONDER: Yes ma'am.

MS. LO: And then you do something at your facility, and then you reconstitute it into 421A and 421B?

MR. PONDER: No. Close, almost. You was doing great there just for a second. Let me straighten that out real quick. As a reclaimer, we take in all types of refrigerants, all types, all of the ones that's listed on the slides today, all the ones that are named in this petition, along with 50 other flavors we'll call them. R-22, some of the stuff that's being -- the escalation and phase-out of that particular product. We do a lot of reclamation of 22.

We still do reclamation of R-12 that hadn't been produced since the early 90's. So that's what a reclamation center does. It takes in dirty refrigerant or refrigerants

that are used in the marketplace, that can't be vented any longer, that are then collected, recovered and sent back into facilities like mine, and then we clean back to an ARI 700 standard. By law, we have to do that in order to reintroduce them into the marketplace.

Now that's one issue. But the other issue is the three patents that I own that are dependent upon R-134a and R-125 and R-142B.

MS. LO: So you do have a facility that does this cleaning of dirty gases?

MR. PONDER: We have. We've been accused of doing it in my bath tub. But I'll promise you it's a fairly large facility.

MS. LO: Okay, that's helpful. Does your facility, can it make the blends that are in question?

MR. PONDER: Yes ma'am, it can.

MS. LO: Have you made the blends in question during the period since 2012?

MR. PONDER: I have made some of them, yes I have.

MS. LO: Okay. You'll be hearing from me after the conference. But so just I want to step aside and ask Ms. Beatty a question. So to whatever extent you can in the post-conference brief, I know this is going to be most likely business sensitive, please try to document as much as

you can on the inability to source domestically, your claim or your testimony that two domestic producers do not qualify or does not constitute commercial production of these components.

Let's see, and this is related early morning, this morning's panel about looking at price areas since the patents expired too. So whatever you guys can provide on that would be helpful. I think that was 2010-2011.

Oh so Ms. Beatty and Mr. Ponder, how many other independent blenders do you believe are out there for the subject five blends that you're aware of? The petition lists a couple, but I wanted to see what -- if you guys think it's more than the number listed there.

MS. BEATTY: Well, I certainly don't disagree with the ones that were included in the petition. I'm not really aware. I thought that maybe Hudson also had been, you know, doing that as well. We could certainly look back. We don't necessarily look if those folks is competition to us as far as our blending operations. So we don't necessarily track their market activity, from a blending perspective.

MR. PONDER: I do not know how many there are. I would imagine there's certainly more than what's named. You really -- I could make an argument that with the roughly 53 reclamation facilities in the United States licensed by

the EPA, that all of them have the wherewithal I would hope, I would like to believe, to do some light blending.

Whether or not they're going to blend on the level that myself or Ms. Beatty's company does, I don't know. I just -- I don't know of anybody keeping those kind of records, so it's kind of a moving number.

MS. LO: So related to that, do you agree with this morning's testimony that a blending facility costs about one to three million dollars to start?

MR. PONDER: I remember when that number came out. I instantly wanted to put a for sale sign on mine. I think it's a lot lower than that. Certainly you can spend that amount of money, there's no doubt. It just depends on how egregious you want to become, and how good of a job you want to do. I mean if you like bells and whistles and state of the art things, you could spend that easily.

MS. BEATTY: Actually, I think the number that was provided this morning, at least on some level is probably a minimum entry level, and I think the ability of a particular blender and the level of activities that they're involved in may actually have that number grow.

MS. LO: So if you could give us an estimate, that would be great.

MS. BEATTY: We will certainly include that in the post-conference brief.

MS. LO: I just want to understand that you -- National does not take a position, Mr. Goldfeder hadn't mentioned, about whether the Chinese imports of blends are being dumped; correct?

MS. BEATTY: That's correct.

MS. LO: Okay, thank you.

MR. GOLDFEDER: This is Jared Goldfeder. As I mentioned, National is not importing HFC blends, only the components. So we didn't want to take a position on that issue, since imported to blends are not their business.

MS. LO: And talking about the documentation, I wanted to see if you guys can provide post-conference any evidence, either direction, about this allegation that purchases of domestically produced components could have been possibly imported material, that would be very helpful.

MS. BEATTY: Certainly we can do that.

MS. LO: Thank you. That's all my questions for now. Thank you very much.

MR. McCLURE: Jumping in under the notion I forget my questions after 15 minutes, I've got a couple. Ms. Beatty, I believe you said you'd been in the business 25 years, and something in the way you phrased about how they're, you know, one firm produces this, one produces that, and they swap and that's the way it works.

Has that -- in your 25 years in the business was that always the case, and if not, when did this business model start?

MS. BEATTY: Several of the producers when CFCs were produced, produced the same products. So as an evolution over time, as some of the factories may have shut down, the facilities shut down, they would have done additional swapping arrangements. It may have been not necessarily in like class products. It might have been 22 for 134a.

So there has been some history to it. It seems to be more extensive and exclusive once the HFC blend components that were primarily designed to replace the CFCs on the refrigeration side of the market, and to replace R-22 in the air conditioning side of the market. That seems to be when those plants started being manufactured, because that's when the demand was for those components.

MR. McCLURE: Okay. Mr. Freed.

MR. FREED: I wanted to follow up, because I think it ties into a point, a question that was raised this morning about the way patents interact here, and Mr. Cannon's testimony this morning also said that a component producer has to invest millions and millions of dollars, and that that's the reason why they don't produce 125, 32 and 143a, and they swap them.

And I think they're comfortable making that investment, knowing they have the IP, that they're going to be able to recover that investment. So I think those things in our view, talking with National, trying to understand what's going on, that that has been going on for a while, that these -- while these things were under patent, they are going to focus on their different components and then swap them to make the other products.

MR. McCLURE: Okay. Ms. Beatty, you also mentioned an R-125 shortage. Why was there a shortage?

MS. BEATTY: There was a worldwide shortage in some of the raw materials, and it also speaks to the 134a case. It was sort of tied in, as far as the raw materials to the extent that some of those raw materials are used to make the same products, and it also affected potentially another product called R-22.

So we have letters that clearly show and explain that certainly much better than I could explain it to you in verbal words.

MR. McCLURE: Okay, fine. Thank you, and one last thing. I think somebody mentioned that with these component parts, there were many as say 20 other products that used these components. In the post-conference, if you could provide a list or just give us a time estimate to the best of your ability, I would ask Petitioners to, you know,

let us know what other products are going to use these three components.

And with that, I will turn to my colleague, Karl von Schriltz of the General Counsel's office.

MR. VON SCHRILTZ: Thank you Jim, and thank you to everyone on this panel for being here, and sharing your views with us and answering our questions. I have a couple of questions. Mr. Goldfeder, you were discussing your intention that the HFC component should be -- should not be included in the same like product with the blends.

You focused on the semi-finished analysis, and you said that you'd address the six like product factors in your post-conference brief. Is it appropriate to consider the like product factors with HFC components? I mean are they at the same level of processing as the HFC blends? Certainly not with respect to HFC blends.

MR. GOLDFEDER: I think we heard this morning the scoping described as a continuum of products, that it's all one, and the traditional like product analysis tends to look at a continuum, what has been characterized as a continuum and separates, you know, finds those clear -- or evaluates whether there are the clear dividing lines between any subsets of products within them.

So that's why they're the two analyses. You start with the semi-finished product analysis, because the

components do feed into the process. But the Commission also does have the traditional analysis to sort of look at, you know, subsets of products and see when you look at it at that sort of claimed continuum that way, are there dividing lines when you look at it?

MR. VON SCHRILTZ: Yes. Well, the Commission usually uses its six like product factors to consider whether there are clear dividing lines between products within the scope with the same level processing, whereas here, I think there was some discussion. In fact, one of my questions this morning was about 134a, because it seemed like 134a is sometimes sold as a finished product for automotive air conditioning applications, just like the HFC blends are.

But these other components R-32 that are within the scope, R-125, R-143a, I mean I know that for some of them there are -- they're sold as a finished product like fire suppression. But isn't that just a teeny-tiny portion of the market for these? Aren't they primarily consumed as components to produce downstream products?

MR. GOLDFEDER: Yes. I mean that is true, that 125, you know, a large part of it is used in the production of blends. Not just the five blends but, you know, other HFC blends, other different blends for cooling process. Now we want to -- we'll address sort of your specific question

more.

But you know, one of the six criteria is are there differences between these products in manufacturing facilities and processes, and I think what you'll see, in terms of the equipment, the processing that is needed to produce a component versus blends, that there are significant differences between the two.

That's one area that would establish a clear dividing line and we'll, you know, address the other five factors as well.

MR. FREED: If I could jump in, John Freed of Trade Pacific, you mentioned 134a having an independent use, and I don't know if Maureen can talk about whether the potential for independent use on 32.

MS. BEATTY: Well R-32 was approved in February by the EPA under this SNAP program for use in some self-contained air conditioning units. It was discussed a little bit this morning, and really what -- in our view what we are seeing is in the U.S. desire to put forth climate change measures, that they are looking to move into low GWP products, and R-32 is one of the low GWP components.

It does have an application now in air conditioning that traditionally had not been utilized in this country, as was mentioned earlier, because of its flammability, although there are significant efforts

underway collectively within the industry to have acceptance of flammable products that are getting used in various applications, both in the home as well as in the refrigeration.

Several of these HFO blends that the -- that are expected to be coming forward in the future with low GWP values, some of those also may have what they've been calling A2O or a flammable rating according to industry standards. So there are additional hurdles for those products as well, but it does seem to be a way that the industry is looking to meet EPA's mandate to get low GWP refrigerants out there.

MR. VON SCHRILTZ: Have there been significant sales of R-32 to the self-contained air conditioning market?

MS. BEATTY: It just got approved in February, so I'm not really sure that there's enough time yet to actually have an analysis of that complete.

MR. VON SCHRILTZ: Okay.

MR. GOLDFEDER: I just wanted to add one point from my earlier discussion, Jarrod Goldfeder. There was a decision back in -- the Commission decision back I think in 2003 for a chemical product with one of those very long names that I couldn't pronounce if I had it right in front of me, much less remember it off the top of my head.

But in that determination, there was a

preliminary negative determination and which also -- which raised significant like product analyses, where you had a finished product and components.

It was a split Commission vote analysis, even though ultimately a negative determination. But two of the Commissioners at that time had looked at the semi-finished like product analysis and said, you know, looking at the five criteria, you know, some support one like product; some support separate.

So we're actually giving them mixed results from our view. We're going to go and proceed to a traditional like product analysis. So in our post-conference, we'll highlight that case as part of our response to your question. And we look forward to answering your questions.

MR. VON SCHRILTZ: Great.

MR. SCHRILTZ: Thank you. I also wanted to ask the question that I asked the panel this morning about blenders, you know, do blenders engage in sufficient production related activities to qualify as domestic producers of the like product. If you could address that question. You don't have to address it now, but if you could address that in your post conference briefs, I would appreciate it.

MS. BEATTY: Well, we certainly will address it in more depth, but I would like to at least just mention --

Maureen Beatty -- I'm gonna lose that contest. I'll just concede it right now. But we do feel like that blenders actually do play a significant role, and that's we invited you to tour our facility because we realize that it may be difficult for you to imagine. Picture in your mind what such an operation may look like.

Admittedly, I have not seen Mr. Ponder's facility, but I will admit that they probably are quite different, both from a scale perspective and also in the product offerings that we are able to make available.

But what the blenders actually do offer into the marketplace is, as the patents expire and now more competitors are able to enter into the market and offer products that traditionally had only had a very limited channel of distribution, so we feel that the blenders are a significant role in the domestic market.

MR. SCHRILTZ: Wanted to ask Mr. Ponder, now you said that you need to purchase certain HFC components that are subject to this investigation. Which components are those that you need to purchase for your operations?

MR. PONDER: R-125, R-32 and I'll go ahead and name 134a, although I don't think it's a part of this particular proceeding, but --

MR. SCHRILTZ: No. And you used those components to -- you blend them to make your proprietary

products and also to reclaim used refrigerants?

MR. PONDER: That's correct.

MR. SCHRILTZ: Now have you had any problems purchasing these components from domestic producers?

MR. PONDER: Well, I've spent a whole career trying to fly under the radar, trying to not alienate any one group. I have a tremendous amount of respect for everybody that's in this case, both for and against. I've dealt with a lot of 'em that are both for and against.

So subsequently, I've -- most of my stuff has been purchased indirectly so that I wasn't on the forefront of everybody's mind.

MR. SCHRILTZ: So you don't purchase directly from the domestic manufacturers of the components. You might purchase domestically produced components indirectly.

MR. PONDER: Sometimes we do. We do both --

MR. McCLURE: Mr. Ponder, just to protect yourself, if any of this is stuff you want to put in in a post conference submission, you know, we are happy to receive it that way, so just -- you may want to think --

MR. PONDER: I was fixing to ask you a question anyway, because since I'm not represented by counsel, we were not able to find --

MR. McCLURE: You can submit an independent statement the same day the post conference briefs are --

MR. PONDER: Okay, fair enough. I've been able to purchase both ways. I'm not one of these big CBI guys. [laughter] If you want to know what I think, just ask me a question.

MR. SCHRILTZ: Okay, excellent. Do you think that Ms. Beatty justified that she -- she -- her company's been unable to purchase these HFC components from the producers. You seem to have been able to purchase through distributors. I mean, have you heard that maybe other blenders had trouble acquiring domestically produced components or purchasing the components directly from the domestic producers?

MR. PONDER: Ken Ponder. You know, in this industry you hear rumors all the time. You know, find the bar, hand us a beer and put two of us in there and we come up with all kinda stories. So, having said that, I think Ms. Beatty is well qualified to speak on her own behalf and I know them to be very credible. Have I been able to -- you know, when all this started two or three weeks ago, I started calling producers going, "Hey, what side of the line do I fall on?" On somebody's drawing lines in the dirt, which direction am I supposed to go? And one of 'em said, "We'll be glad to sell to ya." So, does this situation exist? I'm positive it does, that somebody's gonna wanna sell somebody and somebody's not gonna wanna sell somebody

else. Which one am I? I'm not really sure.

MR. SCHRILTZ: Thank you. Thank you for your answer. And for your candor.

Ms. Beatty, I understand you're taking no position on the petition with respect to HFC blends. Have imports of HFC blends from China driven down the market price of HFC blends? The HFC blends that your company produces?

MS. BEATTY: I don't know if I would directly attribute that to the imports from China. What we do see in the marketplace certainly are competitive pressures in the finished goods, i.e., the cylinders that were shown this morning. Certainly in the 410A market, it already was discussed, you know, very much in depth, and you guys are probably often get hired now as salespeople in some of these companies to sell, but we know that 410A, mainly air conditioning, large part of the market, it's easy for imports to come in once a cylinder manufacturer was approved by the US Dot to manufacture cylinders in China, once the patents on 410A expired in China, as well as in the U.S., that certainly goes without saying that it's logical that now you would see that package product coming in, so -- so we saw competition in the marketplace, but we saw competition from domestic suppliers as well.

When you look at the other products in the scope

on the refrigeration side, that's a different channel of distribution in our minds, because you can have just air conditioning wholesalers who are purchasing 410A. They are not buying products like 404A, 507, 407A, those are going to be refrigeration wholesalers, who also would carry 410A. So that the competitive issues there might be a little bit of a different dynamic than from the 410A coming in from China.

MR. SCHRILTZ: So this morning, from the petitioners' panel, I heard a testimony that it's the subject imports that are setting the price, that the price lists are widely available from importers and distributors and that customers were brandishing these price lists trying to get lower prices. Do you agree with that? Are subject imports setting the prices? Do your customers come to you with these price lists from importers and demand lower prices from you?

MS. BEATTY: What I'd prefer to do is address it in the post conference briefs so that I don't actually divulge any of the way we might go to market and how we have those discussions with --

MR. SCHRILTZ: Of course. That would be fine.

MS. BEATTY: Thank you.

MR. SCHRILTZ: Would you say that the prices of components, HFC components, imported from China track the prices of HFC blends imported from China pretty closely? I

mean do they move in the same direction? Do the component prices -- for instance, if the blend -- if the price of blends is going down, do the component prices go down at about the same rate? Or not always? Or --

MS. BEATTY: I'll be honest. I do not track the prices of the imported blends from China. But regarding the price of components relative to the price of the finished goods, they do not necessarily track the same. The component prices are set, you know, in the market from the domestic producers, right, one producer of each of those, and the Chinese offer price, but the selling price of the finished goods, at least from our perspective, is determined more from a market base, and not necessarily from the cost of the component.

MR. SCHRILTZ: All right. Thank you. I wanted to ask a question about the R-125 shortage. You said that was in 2010 and 2011? When would you say the shortage was resolved? When was there an adequate supply of R-125 again?

MS. BEATTY: We started to see -- Maureen Beatty -- we started to see improvement and additionally there are letters from the petitioners that do indicate that there was more supply. The issue was starting to resolve itself by the middle of 2012, so by the time that fully gets realized into the marketplace, there would obviously be some delay, because you don't instantaneously obtain product that you

may not actually obtain the level of inventory that you need to sort of return back to your normal inventory levels.

MR. SCHRILTZ: What did the shortage do to HCF blend prices? Because it seems like the cost of R-125 would have gone up and producers of HFC blends such as yourself, you would have wanted to pass those costs along to consumers, right? Through higher prices? Were you able to do that? Or did it squeeze your margins? And this may be confidential.

MS. BEATTY: I was just going to ask you if you would mind if we addressed that in the post conference brief?

MR. SCHRILTZ: Not at all.

MS. BEATTY: Thank you.

MR. SCHRILTZ: This is all the questions that I have at this time. Thank you very much for your answers.

MR. McCLURE: Our next questioner will be Michele Breaux from our office of economics.

MS. BREAUX: Well, good afternoon. I'm going to start off and kind of continue on the questioning on the reclaimed part of this industry. And the reason why I'm asking is I'm trying to get an idea about who you sell to and who would -- I'm gonna say "want" -- this product, but how is it different from the blends that come out without having to be claimed?

So just start out with, my first question would be, so you said you -- Do you claim what -- We'll just start with inscape, because I feel like if we go outside of scope we might open the door wide open. So with inscape, do you claim those components?

MR. PONDER: Ken Ponder. No. We don't have to claim those individual components.

MS. BREAUX: All right. So next, you definitely claim the blends and the question I wanted to know is that, once the blends are cleaned, where do you -- do you just sell them on your own? Do you sell them to the original equipment manufacturers? Do you sell them to the placement service industry?

MR. PONDER: We're a little bit different in the way that we set our company up, in that you give me a pound, we're gonna clean as much of that pound or all of that pound and give you as much of it back as is humanly possible. So we've not spent -- we are rare in that we spend virtually no time trying to amass quantities of refrigerant.

So if we've got a wholesaler or a large industry facility that says, "Hey, I've got a large chiller that's -- that's -- that needs to be repaired, and we're gonna have you clean the refrigerant," for instance, it's not uncommon to get in thousands of pounds. We'll clean it, respec it, bring it back to ARI700 standards and send it right back to

the very guy that sent it to us to begin with.

MS. BREAUX: All right. And you had said that they -- the blends that you claim are completely interchangeable than with what's coming out of, let's say, Arkema, Honeywell and Kamors.

MR. PONDER: Well, you know, obviously as a reclamation facility, we've never tried to clean a patented product. Certainly without conversation with the patent holder which, in this case is most of the time is the Big 3 or 4 chemical producers, so -- and there have been occasions we brought some of their product in and just sent it to them, and they do with it whatever they want to do with it. But if it's not -- if it's not a patented product like 410 has been off patent for a number of years now -- you know, we would clean that product back to ARI700 standards and if we need to adjust the blend components, then it would be done at the end of that process.

MS. BREAUX: All right. Thank you very much. So now moving more onto the Chinese producers' side of things. So I asked this question earlier and you can feel free to keep it for your post conference briefs, but I wanted to know more about raw materials. I am going to assume, and you may correct me if I'm wrong, that you use the same raw materials as the U.S. producers. Is that -- am I correct in that assumption?

MR. MARSHAK: Correct.

MS. BREAUX: So what I want to know, is there any publicly -- public information, or even confidential information that we can have to benchmark what has been going on over the period of investigation? I also want to know how the price of these raw materials has affected the price of the HFC blends and components. And how does -- how the raw materials, I mean energy costs, are procured? And any expected trends over the next one to two years.

MR. MARSHAK: We'll address these issues in our brief.

MS. BREAUX: Thank you. All right. The next question I have deals with demand. And this is for anyone who wants to answer.

So what indicators do you look for -- what indicators or demand for HFC blends and components in the United States do you look for?

MS. BEATTY: Maureen Beatty. What we do look for is what we feel like we are -- we look what the contractors are using. We primarily serve the aftermarket, so once the equipment has been sold and installed. So we do track, just as was mentioned earlier this morning, the HRI shipments of the air conditioning equipment, so that we can understand what the install base looks like, and then forecast out what that service requirement would be expected

to be, under normal operating conditions over several years. When you look at the refrigeration equipment, that is a little bit different, because that is typically manufactured onsite, meaning the refrigerant does not necessarily get charged until the equipment is installed. So we participate in industry organizations and on technical committees to see where the industry is having, and what those industry supermarkets, and those who are using refrigeration, the products that they are going to. And that's how we look to see what those trends are, and then develop what the demands are based on the size of the equipment, there's ways to go ahead and do that.

MS. BREAUX: Thank you. The next question I have deals with purchasing factors. What factors do your customers consider when making their purchasing decisions, and what advantages are there to buying Chinese produced HFC blends and/or components?

[silence]

Sorry if I went too fast. So what factors do your customers consider when making purchasing decisions, and why I kind of wanted to use that is, are there advantages or disadvantages from importing versus just buying domestically?

MS. BEATTY: I think that what customers are looking for is product that meets industry specifications.

That's been mentioned several times. HRI700 specifications. And they're looking for a supplier who will guarantee that the product does meet the specifications. That's why we feel like our customers do business with us. And, of course, I'd be lying if I didn't say the customers were not price-sensitive, because certainly they are, especially when you're servicing, let's say, the refrigeration market. The margins are very low, you know, on milk, so they really need to keep their operating costs low, and the refrigerant is a large portion of that, and so they do -- are sensitive to that.

MR. FREED: It may be Mauri -- sorry, John Freed, Trade Pacific -- and we can turn this back to Mauri for more discussion, but I think you're also asking about, in terms of the components, do you care whether it's an imported component or a domestic component, and what National, as a buyer of components, is there any difference? And one thing that was clear this morning was that U.S. producers only produce one component that you need to make any blend. So I think that same structure hasn't developed in China. And that may also be a difference from a purchaser standpoint whether you need to go to Party 1 for 125, Party 2 for 32, or you can go to one supplier and say, "I can buy both components to plan for my production of all these various blends of product."

MS. BREAUX: All right. Thank you very much. My next question deals with certification. Do your customers require your firms to be, or to become certified or qualified to sell HFC blends and/or components?

MS. BEATTY: Maureen Beatty. No. And they did mention earlier today, typically it is if you are working in the government contracts they may actually require the "Buy American" aspect of that. But that's typically -- there's no regard or consideration of the source of the components because there's no difference in the purity, you know, with the specification of that material.

MS. BREAUX: Thank you very much. And as for the Chinese producers, are they required to be certified?

MR. MARSHAK: We'll put that in our post hearing brief.

MS. BREAUX: All right. Thank you. All right, my next question comes from the -- I asked this before to the U.S. Producers, but I'm wanting to know about the shelf life for the components and the blends, and in particular as it's affected by being shipped over from China to the United States. And you said -- particularly to New Jersey, so I imagine that's a particularly long journey, so just if you can give any information, I understand that that would probably be in the post conference brief.

MS. BEATTY: Certainly, we will do that.

MS. BREAUX: Thank you. And do you either export -- oh yeah, do you export any of your blends overseas, either -- yeah, actually that's BPI, but if you -- do you -- if you can tell us where you export and if that's a significant part of your sales.

MS. BEATTY: Yes, we will include that.

MS. BREAUX: All right. I have two more questions. One would be about the pricing products and this is also again -- the next two are probably going to be BPI -- if you can give us an idea of how, I mean in more of a qualitative since you know the industry, about -- do you believe that these pricing products are capturing the industry and the competition that's happening between imports and U.S. produced product?

MS. BEATTY: Maureen Beatty. So the question is, do the -- are the five blends represented? Is that --

MS. BREAUX: Pricing products -- so that would be 410, 404 and I think 407.

MS. BEATTY: 407C?

MS. BREAUX: Yes, 407C.

MS. BEATTY: That's a good question. (Laughter.) Maureen Beatty. Yes and no. We do think that the -- since we are importing the components, we did feel that it was an omission not to include the 143a. Just because that is certainly a component that has value in the

products, the finished goods.

The 420 -- the 410A, yes, because those are probably significant imports coming in. 404A -- was that what was one of the other ones that was in there? So that could be partially representative, but only including 407C and not 407A, different markets, so not really sure we feel that 407A has a larger market share than 407C does, and 407C straddles the two markets with medium temp refrigeration and some air conditioning aspects where 407A and 404 are both low temp applications for refrigeration, so -- And 404A does have probably their comparable market share as far as, you know, the 407A product goes, although we're starting to see growth in that.

We weren't really sure what the rationale honestly was behind the selection of those particular products, to the exclusion of the others. Although I'm not asking to put more data together.

(Laughter.)

MR. GOLDFEDER: Jarrod Goldfeder. Just wanted to add on. As we -- by now our case that we're making -- it's clear there's -- two of the pricing products are the R-32 and the R-125 and what National has explained is that the three companies are basically, either internally consuming it themselves or swapping it with each other, so, you know, one thing we haven't had a chance yet to do, but

will by Tuesday, is just look at how they've reported the pricing data for those two products, and to try to get a sense as to what is -- what prices are we really looking at? 'Cause I think the pricing products are only limited to the R-32 and 125 in bulk containers. And sort of the -- if the domestic producers' prices are just really reflecting component sales amongst each other, is that really meaningful? I mean our position is that there is no true head-to-head competition on price between Chinese imports and domestic reproduced components for -- on the 32 and 125, so, you know, we'll flush that out more in post conference.

MS. BREAUX: All right. My last question, and it was mentioned in your testimony that the components have independent uses, and it was also mentioned in the petition, if there is any way you can give me a figure about how much of this has an independent use outside of blending, that would be great. Thank you.

MR. McCLURE: Next questioner is David Boyland from our financial shop.

MR. BOYLAND: Good afternoon. Thank you for your testimony.

Ms. Beatty, I have already sent questions specific to your U.S. Producer Questionnaire. I appreciate the time you're going to spend responding to those.

I had a couple of questions sort of along the

lines of what we asked the U.S. producers in the morning panel. With regard to your sales, is there any specific aspect that distinguishes your operations from theirs in terms of selling your product?

MS. BEATTY: Maureen Beatty. National certainly offers a much broader range of product offering. Since National sells into the aftermarket, we still have a full line of CFC and HCFC products available, HCFC blend products available, and then HFC and the HFC blend both covered and not covered.

So it really just has to do with the way we have chosen to go into the market, which is really the aftermarket service market. Whereas the Petitioners, because they do manufacture the components, as Mr. Ponder mentioned, you know, they actually develop and create, you know, the molecules, and they are more forward looking to the future to accommodate what will the next generation of refrigerants look like.

And we work with them to help get them into the marketplace, but we also still have that other full line of products that we make available. Because I think, as Ms. Lowe had alluded to earlier, there is equipment that can run 10, 20, or more years, especially if it is well maintained, and we want to make sure that we have those products available to our customers if they still are, you know,

maintaining that equipment.

MR. BOYLAND: In terms of logistical support, technical support, does National Refrigerants provide those?

MS. BEATTY: Maureen Beatty. Yes, we do. We do have technical folks on staff. We do provide--and we will expand on this a little bit more for you in the post-conference brief--but, yes, we have the same offering as the Petitioners.

MR. BOYLAND: And do you sell through your own sales force? Or through independent sales representatives? Or both?

MS. BEATTY: We will address that in the post-conference brief, if that's okay with you.

MR. BOYLAND: That's great.

MS. BEATTY: But, yeah, we do have some sales people as well, but...

MR. BOYLAND: Okay. Thank you.

And this is sort of along the lines of product mix during the period we calculate an average sales value. And I realize some of the questionnaire data might allow us to get an idea of if product mix changed. But from your perspective, period to period, were there any substantial changes in the family of products being sold? I mean, specific to what we're looking at here.

MS. BEATTY: Maureen Beatty. From our

perspective, certainly when the patents expired, which of course covers now--the patents expired, all of them were off-patent by December of 2011, which meant that in your period of investigation now all of those products are off-patent.

So certainly that gave us the ability to broaden our product offering in a much larger way.

MR. BOYLAND: Okay. So if we were looking at '11 and '12, maybe there might be a more notable shift; but 2012 forward--

MS. BEATTY: For the products that were under patent certainly we could only purchase them in their packaged form from either the patent holders or the licensees of those products.

MR. BOYLAND: Okay. And similar to the question I asked earlier about profitability, during the period was the company's profitability in what you would consider a normal range? Above? Below?

And this may be BPI, but I guess I am just trying to get a sense of from your perspective was there any aberration in terms of the level of profitability above or below--not characterizing one way or the other--but again, if there was a supply shortage in 2012, should I be factoring that into the analysis in terms of what profitability was being reported?

What's your perspective on that?

MS. BEATTY: Without getting into too much confidential information--but we will certainly expand on this in the post-conference brief--but certainly when I mentioned, you know, the hangover effect, shall we say, of what was happening with the R-125 shortage, so certainly there were higher prices associated with the purchase of 125 during that period which translated into higher purchase prices of those blended products as well.

`So I think it stands to reason that in combination with the patent expiration certainly led to more competition in the marketplace, and you guys are economists and smart people so you know what that trend would look like.

MR. BOYLAND: I think that's all I have. Thank you.

MR. McCLURE: Our next questioner is Jeff Clark from our Office of Industries.

MR. CLARK: Good afternoon. Thanks for coming and answering our questions.

My first question is about again the difficulty of operating a blender, operating a blending facility. Mr. Goldfeder, you seemed to take exception with the way it was characterized this morning. Would you like to discuss that some more, or perhaps Ms. Beatty, one of you, discuss how

difficult that is to set up or be a blender?

MR. FREED: I'm just kind of looking--I'm sorry, Jonathan Freed, Trade Pacific. I know this morning's panel kind of wants to diminish what it takes to be a blender, and Maureen's testimony kind of confirmed that from an investment standpoint. She kind of agreed that that was accurate testimony.

But I think a witness from Arkema was talking about--when he was talking about the 410 package, and it's like, you know, it says 410-A on the side; it better be 410-A because the machine's not going to work. It may be, you know, worse things happen.

But the blenders definitely add an important service both in terms of getting the specification right, but also in hitting the market demand right, I think. And Maureen can expand on this, but a component--a blender doesn't--they can take the component and make this wide range of products. If you're bringing in this already blended product, then, you know, you forecast what you're going to use for 410-A, and you bring it in blended, well that forecast might miss how the market turns out.

So I think those are some distinctions that I wanted to make from this morning's testimony in response to that same questions.

MR. CLARK. Okay. Thank you.

MS. BEATTY: We can go into more of this in the post-conference brief, but I do believe that there is more to a blending operation than simply, you know, putting eggs in a bowl with, you know, the flour and out comes a cake that may or may not taste good.

When you look at blending refrigerants because you are dealing with flammable--two of these covered components are flammable--so we do have to consider safety, additional equipment and pumps that can handle flammable components.

You have to also train your folks with safety, so those are very similar to what the manufacturers are doing in the manufacturing of the components as well.

Another critical part is having the staff on hand to analyze the product as you are blending it together because these products do have different characteristics relative to their pressure at specific temperatures. So you want to make sure that those products are--and that's when we keep talking about in-specification. It has to do with maintaining those percentage of ratios that were included in the petition, making sure that they meet the specifications, not just in the bulk blend but certainly in that package cylinder as well because there could be a shift in that, and that's pretty important because, one, if you move off of a certain ratio it's not the product that you're selling

anymore, you could be violating someone else's patent if you don't, you know, meet it in that ratio as well and it will not perform in the customer's system.

So there is more to that, which is why we actually do some tolling work for some other folks, as well.

MR. CLARK: Now if, let's say you're weren't blending it, you were just buying blended product in bulk and then distributing it. Wouldn't you also need to have somebody on hand to analyze to make sure that it hasn't separated or, again when you're packaging it into smaller package that again the blend would still be appropriate for that particular product?

How is that different from what you would do as a blender? I'm just trying to see what the difference is there. You're saying as you're blending it originally, but I'm saying if somebody is just a distributor and they buy it in bulk, wouldn't they be doing many of these same functions?

MS. BEATTY: I would hope so.

MR. CLARK: Okay.

MS. BEATTY: I haven't really thought of it from that perspective. You know, we do purchase--in order to not get into some confidential information, how about if we just address that in the post-conference.

MR. CLARK: Okay. Thank you.

I asked questions about handling the components versus the blends earlier. Does anybody have any objection with what the responses were earlier today, that essentially, yes, it might require things that are flammable would need to be handled totally differently, and perhaps things that are under pressure would need stronger tanks, or things like that. Is there anything else, any of the technical issues that would be--cause a difference between handling blends as opposed to handling components?

MR. PONDER: Ken Ponder. Sometimes the components will be at one pressure, the individual components. And then when you put them together in their proper ratios, the pressure completely changes. It becomes a new product. It's a different product. That was one of the--

MR. CLARK: Do you sustain it at the different pressure, or you're saying that as you're mixing it it ends up, you need to maintain it at this different pressure in order to maintain the proper ratio of the blends--of the components in the blend?

MR. PONDER: Well, like if you go to the ASHRAE and you look up what the ASHRAE says that 410 is going to be, you have a tolerance that you have to be within in order for it to be even considered 410.

But I can tell you that the pressure of R-32, which is 50 percent of the component, and the other pressure

of R-125, are in fact different pressures. Each gas is completely different. And when you put them together, they then exhibit a completely different pressure.

MR. CLARK: Does it require any different technical expertise, or different materials for handling these? Or are the pressures close enough--

MR. PONDER: Well in that example--

MR. CLARK: --that you could use similar--

MR. PONDER: --vessels?

MR. CLARK: Similar tanks?

MR. PONDER: Sure you could. And using that as an example of 32 and 125, you virtually would use the exact same vessel to transport both of them.

MR. CLARK: Okay. Thank you.

MR. PONDER: Individually.

MR. CLARK: That's all I have for now. Thank you.

MR. McCLURE: Thanks, Jeff. Rusty Duncan, you're up.

MR. DUNCAN: Thank you, and I've been advised to keep this quick. I know we're trying to get out of here by 3:00. I only had a couple of--

MR. McCLURE: That's because we have a vote. It's not that we don't love you folks, but if the Commission comes in and sees us still here...

MR. DUNCAN: My question is going to be rather

targeted. Ms. Beatty, what is your largest blended product that you sell, within the scope that's BPI, if it's public knowledge. If it's BPI--

MS. BEATTY: We'll cover that in the post-conference brief.

MR. DUNCAN: Okay. Well, then, what I'm trying to get at is what share of that product's price is accounted for by the cost of the components?

MS. BEATTY: Again, we will defer that to the post-conference brief.

MR. DUNCAN: Okay. Another question. You had mentioned that your company has 150 employees? Is that correct?

MS. BEATTY: Yes.

MR. DUNCAN: Okay. Are those employees specific to the blending operations in question in this proceeding? Or does that cover a larger universe of operations?

MS. BEATTY: Maureen Beatty. If it's okay with you, I will cover that in the post-conference brief.

MR. McCLURE: Always a good answer.

MR. DUNCAN: My other question related to this issue of, all right, you're making an argument for a separate like product on the basis of the components as a group, separate from the blends as a group.

In that type of analysis, how would you propose

that the Commission analyze the financial performance of the industry if you have the three chemical molecule producers not reporting that data of those operations separately from the overall sales of the blends?

MR. GOLDFEDER: Jarrod Goldfeder. I guess two thoughts come to my mind.

First, our position is that in the absence of head-to-head competition between--in the absence of meaningful head-to-head competition between domestic producers and subject imports for components, there really cannot be any adverse volume price or impact to the domestic industry.

So, you know--and obviously we want to look at the data closely, but I think you really don't need that breakdown to find no injury on components.

That being said, since there's a limited pool you could always ask them to provide separate data.

MR. DUNCAN: And then in the opposite direction. Should the Commission decide that this universe of products is a single domestic-like product, how would you propose the Commission to handle what the Petitioners I believe had advocated in relation to the treatment of blender only pricing product data, as whether to see past it on a content value of the imported components used to produce those products and not analyze them as domestic products?

MR. FREED: Well I think that leads to a question of who do you include in which group. From the testimony today, we understand that there are two producers of domestic components covered by this petition.

So I think you have to look at whether there were significant quantities of the 125 plant that closed in 2014 that were ever intended to be a blended refrigerant.

And if that's the case, if you don't include the blenders who relied on imports, I think you're looking at everybody in the room, is my guess. You know, we've pointed out that each producer only produces one. So to some extent they--we suspect they rely on imports. But some of them must only rely either on a swapped material or an importer product they didn't produce themselves.

So in that regard, National would be no different than those companies that didn't produce the components; they're all blenders.

MR. DUNCAN: So--

MS. BEATTY: Can I?

MR. DUNCAN: Yes, go ahead.

MS. BEATTY: Maureen Beatty. I just wanted to clarify one thing: That when the discussion talks about reliance on imported components, we have to rely on them because we cannot get domestically our full requirements from the domestic producers.

MR. DUNCAN: Okay. Thank you.

And my very last question and then I'll pass the mike on to Jim, and I'm sorry to put you on the spot, Ms. Beatty, but a comment that you had stated earlier in your testimony sort of struck me as bizarre.

You had indicated that there were other blenders in the states who were importing components and mixing it and selling those blends, but that you did not see them as competitors. Can you expound on what you meant by that?

MS. BEATTY: Can I address that in the post-conference brief, please? Thanks.

MR. McCLURE: Okay, Karl von Schriltz has one follow-up question.

MR. VON SCHULTZ: A quick question. I just can't resist, Ms. Beatty. So we heard testimony about these products coming off patent. I think they were all off patent by the end of 2011.

We heard testimony about R-125 where you stated that there was an R-125 shortages that was resolved by the middle of 2012. So demand for HFC blends is up, apparently, over the period of investigation here.

So what accounts for the continued decline of HFC blend prices over the period of investigation?

MR. DOUGAN: Mr. von Schultz, Jim Dougan from ECS, if I can just reply while you're thinking of what you're

going to say, Ms. Beatty, if you take into account the factors that you're described--the off-patent, and the shortage in R-125--and by the way, looking at these charts, I was very much reminded of the R-134 case where we saw a similar pricing trend that also in that case resulted from a severe shortage and supply shock, and a peak in prices in 2010 and 2011 for R-134-A, which I, while not subject to this investigation, is a very significant input in two of the five blends. So that effect of that shortage would have a similar effect on the cost of producing those blends as 125 would in all of the blends.

But if you look at the timing of this, and either you or someone else mentioned this before, when you compare I think it's a table on page 47 of the Petition which goes back to 2011, and I don't want to get into what that shows versus what this shows, but I mean almost all of the decline you're seeing is in 2012.

If you start that time series in the beginning of 2013, the amount of decline that you're seeing, the continued decline that you observe is not very significant.

And so, now this again is just for one of the products, one of the producers, we'll see how all the data play out. But this, you know, kind of mountain top to the bottom of the valley kind of chart that you're seeing is much earlier in the period, and in fact precedes the period

in some instances, and can very well be explained by these products coming off of patent and the supply shocks for these very two key raw material inputs.

MS. BEATTY: Maureen Beatty. We would agree with that. But, yes, we do see it as with the patents going off and the 125 shortage. When you look at the chart that was provided, you do actually see the biggest decline occurring after 2012, which we would actually call more of a return to a normalization in the marketplace. And now demand for the 410-A in particular is starting to increase and the supply is just meeting that.

MR. VON SCHULTZ: Thank you for your answers.

MR. McCLURE: Okay. Thank you to the panel. Great testimony, and we appreciate your putting up with us. I didn't get a perfect score by anybody on the names, but I'm going to give Mr. Ponder a gold star because he acknowledged the existence of the award, and also in answering one of his questions he mentioned my favorite word, which sounds pretty good right now, "beer."

Anyway, we will now go to closing remarks. We can take five minutes, or are you guys ready? Two minutes for Mr. Greenwald. Okay.

(Whereupon, a brief recess was taken.)

MR. McCLURE: Okay. Closing arguments. Welcome, Mr. Greenwald and Mr. Cannon.

CLOSING REMARKS BY PETITIONER

MR. GREENWALD: Thanks an awful lot. It's been a long day and I know we have about 15 minutes before we have to vacate this room. So we intend to take a very little of that time.

You are now all going to retire after this -- I mean, not retire, yes, it may not be a serious retirement, but other than that retire to your offices and begin to think about the staff report and the issues that have been raised and the extent they have been answered by the testimony.

Let me start off then with Mr. Marshak's notion that there are many questions and no answers. In fact, there are answers and after this hearing there ought to be less questions than I think certainly he supposes. He mentioned there's no definition of class and kind. That is no longer true. Commerce Department has initiated the investigation class and kind as it is in the petition, the dumping margins are between roughly 111 percent, and I think a little over 300 percent. And with that a presumptive like product, and I know there are like product issues that you have to think and we have to address some of the questions raised, but presumptively the like product is coextensive with the class and kind as defined by the Department of Commerce.

Once you get by these issues, it seems to me the basics -- the basics really aren't in dispute. What you heard from our side this morning was an industry that has seen its economics destroyed. You have the data before you. The idea that what has happened in this market is a return to normal after patents that expired in what, the end of 2011 and a nominal supply shortage, we elicited that testimony with skepticism. But that is long over. That somehow the market has returned to normal and you're willing to define normal as sea of red ink doesn't compute. You can't say that material injury is the norm frankly for this or any other industry.

The second point over which there is now no dispute, there are two sources of supply to the U.S. market, whether you're talking about components or whether you're talking about blends. It's the United States, the domestic industry, and its imports from China. Imports from China have been rising. There was no contradictory evidence to that. They seemed to accept that as an operating assumption and it's one with which we concur. And then when Ms. Beatty in particular was asked about pricing, it was perfectly clear that while she never answered the question unequivocally, implicit in everything she said was an acknowledgement of this drop in prices from China over the period of investigation.

Suppliers to the U.S. market are dealing with a product that is essentially interchangeable. When prices from China and nobody disputed the accuracy of those prices, when prices from China are circulated, the only option the United States has, or the U.S. industry has, is to at least approximate those prices or lose the business.

There was one final point that I want to address just because it's going to matter. In discussing whether or not the components should be part of this injury story as opposed to the like product, the argument on the other side was there is no head-to-head competition on price. That is simply false and it's false for two reasons.

One is when the price of the components fall, you can't maintain the price -- I'm sorry, when the price of the blends fall, you cannot maintain the price on the component. The demand for the component is entirely derived from the demand for the blends. And the ability to participate in that market ultimately depends on what happens to prices for the blends and then component prices coming down to at least allow a margin.

One of the questions that Ms. Beatty was not asked, but I wish the Commission would, perhaps in a follow-up question, is, is there a price differential between the pricing -- the prices she pays for domestic components and the prices she pays for imported components

from China, what has happened to those two prices over time and how does she explain what I expect will be a fall first in the Chinese price and then in pushing down the U.S. price, except for the fact that competition in reality occurs and is a powerful drive, not only because it occurs directly in terms of supply of the components, but also because the component price has to make sense relative to the price of the blends.

And it's on those major issues that we want you -- we certainly want you to reflect on those major issues. You go back you do your report, you brief the Commission. But the last thing I want to sort of close on is another topic in which there was not dispute. And that is on this question of threat, what's happening in the future? The fact of the matter is, under present conditions, it is very much a material injury. But with the change in the regulatory field in Europe, and in Japan, it is only going to get worse. As far as I heard, no body disputes the fact that the Chinese are going to be progressive squeezed out of both those important markets. And that exacerbates a problem frankly which can't bear anymore exacerbation.

CLOSING REMARKS BY PETITIONER

MR. CANNON: He's giving me the opportunity. The day is running late. I totally agree with what John said. He made all the points I would make about the merits and the

overall important issues here. You also, though, on the like-product issue which we heard about all day, which is why I'm even reluctant to keep going on this, you heard a lot of agreement on some important issues. For example, you heard testimony from the panel this afternoon, there's really no other significant use for R125. You heard testimony that for R32 it wasn't even allowed to be used until February of this year. No one built a plant to make R32 years ago and spent $300 million against the potential that some day in 2015 R32 might be allowed to be used in very small air conditioning units in windows in your house. And once that demand trickles down to the state level and gets approved, a decade from now, that's not the volume to support that plan.

And so those are just two examples. But if you think about what you heard today, there was actually quite a bit of agreement about the core of all of our points about there being a single like product. So with that --

MR. GREENWALD: Thank you for your patience.

MR. McCLURE: Thank you, gentlemen.

Mr. Freed, your --

CLOSING REMARKS BY RESPONDENTS

MR. MARSHAK: I'm just going to be -- this is Ned Marshak. I remembered to say my name. I'm just going to be a couple of seconds. We really had very little to say

today. We're new to the case. It's a very complicated case. We read the petition. We didn't hear anything about -- we didn't read anything about patent expirations. We didn't read anything about shortages. We didn't read anything about a problem that we potentially had in the EU and Japan.

We're finding things out and I think the more we find out, the more we realize that this case is probably a lot more like the R134 rate case than we thought it was at the beginning. We have prices that were high when the project was under patent. We had prices that were high when there were shortages. Prices came down, patents expired, there are no more shortages. These are reasons. There are real causation issues here. As far as the EU and Japan goes, we're going to go back to our client tonight and we're going to find out if that's a problem. From what we've heard from them before the home market is booming. Other export markets are booming. And the United States is not the primary market for the Chinese Respondents.

Thank you.

CLOSING REMARKS BY RESPONDENTS

MR. FREED: Thank you. This is John Freed from Trade Pacific. Everyone's acknowledged we started with a lot of questions this morning. And I know everyone learned a lot today and I hope that our panel did fill some gaps in

what we think is some misinformation that was presented in the petition and testimony.

For example, again, they've characterized that nonsubject blends are an insignificant portion of the market. And while we acknowledge that they're much smaller than these five, we will address, in our post-conference brief our distinction on that point. They characterize other applications as insignificant applications like fire suppression as insignificant portions.

We don't -- it will be maybe difficult to quantify what those portions are, but we will do our best in the petition. But as we said in our panel testimony, the petitioner side should -- we suspect that the 125 plant perhaps wasn't ever intended for -- or wasn't intended for blending refrigerants and that it was a fire suppression application. So that might give you an idea of what the capacity was. And if it turns out that our understanding was correct, I would submit that presenting a factory shuttering that's dedicated to fire suppression application and claiming that it's the imported refrigerants from China that are the cause of that. It calls into question legitimacy of this petition.

One thing that we seem to be in agreement on is that there is no merchant market for the components. And we heard counsel on this morning's panel say that the domestic

component producers it's not a situation where they restrict the sale of components.

We will submit an affidavit in the post-conference, but I think if the staff is interested in this question, they can ask the domestic component producers directly if there are restrictions on the components that are swapped with each other. We think that that type of term would be included in a swap agreement.

We were encouraged that the staff seemed to focus. That out of the gate we see that there's a domestic-like product issue and as our panel presented this morning, there is no market for components. National has to import. And if we go back to the beginning of the story when they first started producing a blended refrigerant they have never been able to supply as far as domestically in a meaningful quantity. And there might be distinctions between small scale blenders and a large scale blender like National. There might be some 125 and 32 that's sold to small blenders. But if we look at the capacity data and what National's requirements are for them to meet their market, they've never had domestic supply available to meet that demand.

We look forward to submitting our post-conference brief.

MR. McCLURE: Thank you, gentlemen. We will have

an APO release tomorrow. That will be the last one before the post-conference submissions.

Finally, on behalf of the Commission and our staff, I would like to thank the witnesses who came here today, especially those who had to travel from out of town as well as counsel for helping us gain a better understanding of the product and the conditions of competition in the hydrofluorocarbon blends industry.

Before concluding, let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Tuesday, July 21. If the briefs contain business proprietary information, a public version is due on Wednesday, July 22.

The Commission is tentatively scheduled to vote in these investigations for Friday, August 7th, and will report its determination to the Secretary of the Department of Commerce on Monday, August 10. Commissioners' opinions will be issued on August 17.

If you've not fully completed your questionnaire, please get them in. If you have outstanding requests for revisions, please get those in by tomorrow.

With that, thank you all for coming. The conference is adjourned.

(Whereupon, at 2:45 p.m., the hearing was

adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Hydrofluorocarbon Blends and Components from China

INVESTIGATION NO.: 731-TA-1279

HEARING DATE: 7-16-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 7-16-2015

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

_____

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter