

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation No.:
DIFLUOROMETHANE (R-32) FROM CHINA) 731-TA-1472 (PRELIMINARY)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation No.:
DIFLUOROMETHANE (R-32) FROM CHINA) 731-TA-1472
) (PRELIMINARY)

Thursday, February 13, 2020
Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:30
a.m., before the Investigative Staff of the United States
International Trade Commission, Nannette Christ, Director of
Investigations, presiding.

1 APPEARANCES:

2 Staff:

3 Tyrell T. Burch, Management Analyst

4 Anthony Courtney, Program Specialist

5

6 Nannette Christ, Director of Investigations

7 Nathanael N. Comly, Supervisory Investigator

8 Ahdia Bavari, Investigator

9 Jennifer Catalano, International Trade Analyst

10 Sara Ashley, International Trade Analyst

11 Natalia King, International Economist

12 David Boyland, Accountant/Auditor

13 Patrick Gallagher, Attorney/Advisor

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1 Opening Remarks:

2 In Support of Imposition (Sydney H. Mintzer, Mayer Brown
3 LLP)

4

5 In Support of the Imposition of Antidumping Duty Orders:

6 Mayer Brown LLP

7 Washington, DC

8 on behalf of

9 Arkema Inc.

10 Anthony O'Donovan, Regional President,

11 Fluorochemicals, Arkema Inc.

12 Scot A. Swan, Global Market Manager, Air Conditioning &

13 Refrigeration, Fluorochemicals, Arkema Inc.

14 Seth Kaplan, President, International Economic

15 Research, LLC

16 Isaac Kaplan, Research Analyst, International Economic

17 Research, LLC

18 Sydney H. Mintzer and Timothy Lee - Of Counsel

19

20 Closing Remarks:

21 In Support of Imposition (Sydney H. Mintzer, Mayer Brown
22 LLP)

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1 P R O C E E D I N G S

2 9:30 a.m.

3 MR. BURCH: Will the room please come to order?

4 MS. CHRIST: Good morning and welcome to the
5 United States International Trade Commission's Conference in
6 Connection with the Preliminary Phase of Antidumping Duty
7 Investigation No. 731-TA-1472 concerning Difluoromethane
8 R-32 from China

9 My name is Nannette Christ. I am the Director of
10 Investigations and I will preside at this conference. Among
11 those present from the Commission Staff are from my far
12 right Nate Comly the Supervisor Investigator, Ahdia Bhavari
13 the Investigator, Patrick Gallagher is expected the Attorney
14 Advisor, Natalia King the Economist, David Boyland the
15 Accountant/Auditor, Jennifer Catalano the Industry Analyst
16 and Sara Ashley the Industry Analyst.

17 I understand that the parties are aware of the
18 time allocations. Any questions regarding the time
19 allocations should be addressed with the Secretary. I would
20 remind speakers not to refer in your remarks to business
21 proprietary information and to speak directly into the
22 microphones.

23 We also ask that you state your name and
24 affiliation for the record before beginning your
25 presentation or answering questions for the benefit of the

1 court reporter. All witnesses must be sworn in who are
2 presenting testimony. Are there any questions? Mr.
3 Secretary, are there any preliminary matters?

4 MR. BURCH: Madam Chairman, I would like to note
5 that all witnesses have been sworn in and there are no other
6 preliminary matters.

7 MS. CHRIST: Thank you. Very well, let us begin
8 with opening remarks.

9 MR. BURCH: Opening remarks on behalf of those in
10 support of imposition will be given by Sydney H. Mintzer of
11 Mayer Brown. Mr. Mintzer, you have five minutes.

12 OPENING STATEMENT OF SYDNEY H. MINTZER

13 MR. MINTZER: Great. Thank you very much. Good
14 morning. My name is Sydney Mintzer. I'm a partner from the
15 law firm of Mayer Brown. I'm appearing today on behalf of
16 Arkema. The lone U.S. producer of difluoromethane, which is
17 much more easily referred to as R32, that's the subject of
18 this investigation.

19 This may seem familiar territory to some or all
20 of you. As you all know, R32 was included in the scope of
21 the HFC blends and components investigation that went final
22 in August of 2016. Indeed, several facts remain the same.
23 The product specifications, the R32 manufacturing process,
24 its end uses. But what's far more important is what's
25 changed. The blend's order fundamentally shifted the

1 conditions of competition in the US R32 market.

2 With an AD order imposed on HFC blends, blends
3 production in the US grew significantly. Existing U.S.
4 Blenders increased production and there was a flurry of new
5 entrants into the U.S. Market. You would think that would
6 sound pretty good to the lone R32 producer in the United
7 States which manufactures a chemical included in these
8 blends that are used in almost all modern air conditioning
9 systems for residential purposes.

10 The change in market dynamics should have
11 resulted in explosive growth in the U.S. R32 Industry, it's
12 sales and profitability but that never happened. R-32
13 imports from China have skyrocketed, captured significant
14 market share and caused a decline in profitability over the
15 course of the period.

16 Without relief in the form of an antidumping duty
17 order, the U.S. R-32 Industry will continue to hemorrhage.
18 China is the global giant in R-32 production comprising
19 approximately 85 percent of global capacity. Arkema's U.S.
20 Plant in Calvert City, Kentucky accounts for the majority of
21 the remainder and indeed there is very little active
22 production of r32 outside of china or the United States.

23 During the POI Chinese capacity already enormous,
24 grew by over 80 percent and Chinese Production far outpaces
25 Chinese domestic demand. Inevitably Chinese domestic R-32

1 prices crashed and Chinese R32 is now entering the market in
2 the United States at lower and lower prices.

3 Now as a practical matter given the pace of the
4 preliminary phase in the investigation we recognize that the
5 data collected by the Staff is still a work in progress and
6 that several large importers have yet to submit information.
7 Our testimony today will rely on the best information
8 available to describe the material injury caused by unfairly
9 traded Subject Imports and the continuing threat that they
10 pose.

11 With that, thank you very much and we look
12 forward to providing you with testimony today.

13 MR. BURCH: Thank you, Mr. Mintzer. Will the
14 panel in support of imposition of the anti-dumping duty
15 orders make their way forward and be seated. And I would
16 like to note this panel has 60 minutes for their direct
17 testimony.

18 MR. MINTZER: Good morning again. This is
19 Sydney Mintzer from Mayer Brown and we look forward to
20 providing you with testimony today. We will go ahead and
21 get started. Everyone will be able to introduce themselves,
22 so to begin with we'll start with our industry or company
23 testimony and then we'll move on to our consultant
24 testimony.

25 MS. CHRIST: Thank you.

1 MR. MINTZER: Tony, you can go ahead and begin.

2 STATEMENT OF ANTHONY O'DONOVAN

3 MR. O'DONOVAN: Good morning and thank you for
4 the opportunity to testify today. My name is Anthony
5 O'Donovan and during the period of investigation I was first
6 global supply chain director until June 30 2017 and then
7 regional group president for the Americas for the
8 florochemicals business at Arkema, Inc.

9 As the Global Supply Chain Director, I was
10 responsible for the global strategy for sourcing raw
11 materials and supply finished goods. As the Regional Group
12 President, I'm responsible for the Florochemicals business
13 operations of all the Americas. As part of my
14 responsibilities, I regularly travel to Europe and Asia and
15 I've been with Arkema for six and a half years.

16 R-32 is one of the products of the
17 Florochemicals business unit, which is one of several
18 business units comprising Arkema, Inc. Arkema is based in
19 King of Prussia, Pennsylvania and employs nearly three and a
20 half thousand people in the United States. It is the only
21 U.S. producer of difluoromethane; otherwise, known as R-32,
22 which is produced in our manufacturing plant in Calvert
23 City, Kentucky.

24 The Calvert City plant is our flagship facility
25 and has been active for over 70 years. It is one of the

1 most important employers in southern Kentucky, providing
2 high waged, union jobs to 265 residents in the area. R-32
3 is manufactured by the reaction of a chlorinated sulfate
4 with hydrochloric acid. This reaction, known as
5 hydrochlorination yields a carbon hydrogen fluorine compound
6 and hydrochloric acid, the production of R-32, as well as
7 the reaction of difluoromethane, also known as methane
8 chloride, with chlorine gas and hydrochloric acid.

9 I would like to talk to you today about how the
10 domestic R-32 market works. R-32 is a gaseous chemical that
11 is typically blended with other chemicals that are then used
12 in various residential and commercial refrigerate and
13 cooling application. A few of the unique features of R-32
14 are that it has no ozone depletion potential and has a low
15 global warming potential compared to other HFC compounds.

16 R-32 is a commodity product that is produced to
17 a well-established standards published by the Air
18 Conditioning, Heating, and Refrigeration Institute, known as
19 the HRI. This means that R-32 is interchangeable,
20 regardless of who the manufacturer is because all R-32
21 conforms to the same chemical composition as defined by the
22 CAS number and meet the same HRI standard known as HRI 700.
23 R-32 is not interchangeable with other HFC components, such
24 as 143-A, 125, and 134-A. These other components have
25 distinct chemical compositions and each must be used in

1 precise quantities to produce downstream blends.

2 For example, a common HFC blend that contains
3 R-32 is R-410-A, which is a gas that is used in all modern
4 air conditioning units. 14-A is comprised by volume of 50
5 percent R-32 and 50 percent 125. There is no substitute for
6 R-32 that can be used to produce 14-A. Also, there are many
7 downstream blends that do not contain R-32 at all;
8 therefore, none of these components compete against each
9 other in the market. These components also do not share
10 common manufacturing facilities. For example, the equipment
11 at the Calvert City plant that is used to manufacture R-32
12 cannot produce other components, such as 143-A, 125, and
13 134-A.

14 Arkema primarily sells R-32 to HFC blenders or
15 consumes it internally to produce its own blends. Since
16 R-32 is interchangeable, regardless of source, the R-32
17 market is highly competitive and R-32 is sold primarily on
18 the basis of price. Moreover, because there are only
19 minimal volumes of non-subject imports in the U.S. market,
20 our main competition in the market has always been the
21 Chinese imports.

22 During the period, Chinese imports flooded into
23 the U.S. market and it undoubtedly did it based on price.
24 Chinese imports increased significantly during the period
25 and have unquestionably driven the price in the U.S. market

1 throughout the period and were the primary force behind the
2 material injury in the U.S. industry.

3 Generally speaking, the sales in the R-32 market
4 are negotiated on a spot basis through short-term contracts
5 of less than a year and longer-term contracts. Even under
6 contracts, price can usually be renegotiated; therefore,
7 unfairly priced Chinese R-32 impacts our sales regardless of
8 sales (0:05:36.8).* For example, during the period Arkema
9 reduced price offered to short and short-term contract
10 customers on several occasions because of competing low
11 Chinese prices for R-32 and some of its efforts were
12 outright rejected by these customers for the same reason.
13 Even long-term contracts can have need-to-release provisions
14 that allow for price renegotiation during the contract term.

15 A need-to-release provision allows a customer to
16 renegotiate a lower price if it is able to obtain a quote
17 from another supplier that is lower than the contracted
18 price. During the period, a significant percentage of our
19 sales volume was subject to a need-to-release clause and
20 quotes from Chinese R-32 suppliers were relied on to
21 renegotiate contract prices to a lower level. Moreover,
22 even the mere availability of Chinese R-32 can form the
23 basis for renegotiating contract pricing.

24 China is the elephant in the room when it comes
25 to the R-32 industry. It controls the vast majority of

1 global supply and has more unused capacity than there is
2 demand in the U.S. market. The availability of unfairly
3 priced Chinese R-32 hangs over the U.S. R-32 market and has
4 lead to poor financial results over the course of the
5 period.

6 To continue with the discussion on the
7 conditions of competition and injury Arkema experienced the
8 period, I'd like to defer to my colleague, Scott Swan.

9 STATEMENT OF SCOT A. SWAN

10 MR. SWAN: Good morning, and thank you for the
11 opportunity to testify today. My name is Scot Swan and I am
12 the Global Market Manager, Air Conditioning and
13 Refrigeration at Arkema. In that capacity, I am responsible
14 for global coordination of business strategy in connection
15 with air conditioning and refrigeration, as well as new
16 product development. I have been at Arkema for twenty-two
17 years.

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

22 There are several conditions of competition in
23 the U.S. market that are critical to understanding market
24 dynamics -- they will be discussed in more detail during Dr.
25 Kaplan's presentation. That said, Tony has already

1 mentioned one -- China's dominance in the global market.
2 China is the world's largest producer of 32 and there are no
3 apparent limits to its ability to meet demand with its
4 seemingly limitless supply. We understand that Chinese
5 production outpaces Chinese domestic demand and China is
6 heavily export-oriented.

7 A second condition of competition unique to the
8 U.S. 32 market arose in 2016. Through 2016, we really did
9 not see much Chinese 32 in the U.S. market. At least for
10 its exports to the United States, China was mostly focused
11 on using 32 and other components to produce HFC blends,
12 which were exported in increasing quantities through 2015
13 and 2016.

14 Of course, those imports dried up as a result of
15 the HFC blends' anti-dumping order, which was issued in
16 August, 2016. That order, however, did fundamentally change
17 the conditions of competition in the U.S. 32 market. Arkema
18 was poised to grow its 32 operations following the
19 imposition of the anti-dumping duty order on HFC blends.
20 Demand for domestically-produced 32 should have surged as
21 blending switched from China to the United States.

22 However, that significant growth never
23 materialized. Instead, dumped subject imports flooded the
24 market. As a result, Arkema never realized the benefits of
25 this increased demand because Chinese imports simply

1 undermined Arkema's ability to take advantage of the growing
2 market. Our profitability declined dramatically. Arkema's
3 operation margins actually declined from 2016 to 2019.

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

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

20 Without any anti-dumping order, Chinese 32 is
21 poised to capture more market share and continue to drive
22 down U.S. industry profitability. An affirmative finding is
23 the only line of protection for the domestic 32 industry as
24 there are currently no other domestic barriers to entry.

25 To conclude, Arkema has been materially injured

1 by significant volumes of unfairly-traded 32 from China
2 throughout the POI, which significantly undersell U.S.
3 product. All this occurred against a backdrop of overall
4 market growth and the increased demand for 32. Without an
5 affirmative determination, this injury will undoubtedly
6 continue.

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

9 STATEMENT OF SETH KAPLAN

10 MR. KAPLAN: Good morning. I'm Seth Kaplan of
11 International Economic Research here to discuss the
12 economics of the R-32 industry. I think at a high level
13 you've heard the same story several times and that is there
14 was an Order against blends in 2016 which brought the blends
15 industry to the United States that should've increased
16 demand for domestic component R-32 and lead to a very
17 profitable industry. Instead, imports from China that are
18 dumped came in, in very large quantities and undercut what
19 should've been the benefit to the domestic industry.

20 So, let me run through this. You've heard some
21 of this before. I will try to put it in a form that the
22 Commission oftentimes digests these particular issues, so
23 let me turn first to the conditions of competition. There
24 are five I'll discuss. The domestic and subject R-32 are
25 highly substitutable and interchangeable commodity-like

1 products. The demand for R-32 is highly inelastic, making
2 the domestic industry especially susceptible to injury; that
3 China is the dominant global supplier of R-32; that unfair
4 R-32 imports face no barriers to entering the U.S. market,
5 an issue that was in question during the last
6 investigation. And finally, the increase in R-32 demand
7 resulting from the Brine's Order was large layoffs set by
8 new entrants importing unfairly traded subject merchandise.

9 First, on the next slide shows that R-32 or
10 difluoromethane has the chemical formula CH_2/F_2 and is
11 registered as Cast Number 75-10-5. Basically, we are
12 dealing with a chemical. It has a formula. This is not a
13 differentiated product, but a particular product and
14 particular chemical. And that means that chemicals produced
15 to the standard are highly interchangeable, having the same
16 formula, so they're highly substitutable.

17 Demand is inelastic. As we've heard, there are
18 no substitutes for R-32 in its end uses. R-32 is blended
19 with other components into other chemical formulas and those
20 formulas require these chemicals in particular proportions.
21 Second, R-32 is a small cost share in its ultimate end use
22 applications. And I emphasize the word "ultimate" because
23 the share that was discussed in 410 is 50/50, but that's not
24 the ultimate end use because that goes into residential air
25 conditioning systems and that's the ultimate end use. The

1 ultimate end use is air conditioned residencies and a small
2 change in the price of R-32 is not going to affect the
3 demand for purchases of air conditioned residencies even
4 taking it a level down with respect to the air conditioning
5 units, but I want to emphasize the inelastic demand of the
6 product.

7 Next, you see that China is the dominant
8 supplier of R-32, and I'll talk more about this later, but
9 they dominant supply and they have increased their capacity
10 and they have enormous amounts of excess capacity as a
11 preview of what I'll discuss in threat.

12 Unfair R-32 imports face no barriers to entry to
13 the U.S. market. There are no barriers to sale and there
14 are no barriers to distribution. In the other
15 investigation, the Commission expressed the opinion that
16 there would be no imminent threat of entry of components.
17 It took a little while. The Commission may have been right
18 that it wasn't imminent in the sense of a year, but after
19 that there was an enormous increase in the amount of Chinese
20 imports entering the United States, as the record shows, and
21 that those imports have had no problem finding a home in
22 the market and they have found that home by lowering the
23 price to the level they need to, to find that home.

24 The next slide shows essentially in arrows what
25 you've heard several times from the witnesses that before

1 there was not much R-32 coming in, the red arrow at top, and
2 there were lots of blends. Following the blend order, the
3 blends reduced or practically disappeared and R-32 imports
4 surged. Those R-32 imports are replacing the R-32 that
5 could be produced domestically by Arkema and they have
6 entered in a way at such prices that have also caused
7 injury.

8 So, let's discuss the injury. Imports are
9 increasing absolutely. The next slide shows they are
10 increasing as a share of production and they're increasing
11 as share of consumption, so the volume factor passes all
12 three tests. Next, let's return to price. We are waiting
13 for the data to arrive and I will discuss that in the
14 post-conference brief, but the record clearly shows price
15 suppression from either 2016 through 2019 or 2017 through
16 2019.

17 The Commission typically looks to see if there
18 is a cost price squeeze, meaning that the share of cost of
19 goods sold has risen relative to price or stated the same
20 way the gross profits have fallen. The gross margins have
21 fallen and the share of COGs to revenues has increased.
22 This is a cost price squeeze. This is evidence of price
23 suppression. This is evidence that the second factor, as
24 well as the first factor, has been met in the sense that it
25 could cause injurious effects.

1 The next slide shows graphically the cost price
2 squeeze. Also, under the "Price" are the issues of lost
3 sales and lost revenues and there have been documented lost
4 sales in this industry based on price and there have been
5 price suppression due to contract negotiations that have
6 formally offered import prices to lower the domestic prices.
7 And as you often see, informally, whereas, people get on the
8 phone and they say, hey, this is what I've heard from your
9 competitor and they are forced to lower prices as well or
10 not be able to increase prices to offset increases in the
11 cost of raw materials.

12 Finally, let's turn to the injury effects, and
13 the injury effects are typically classified as financial
14 effects, trade effects, and employment effects. The
15 financial effects all show an industry that is injured
16 absolutely, but also, in particularly, in the context of the
17 conditions of the competition distinctive to this industry
18 and those competitions, once again, are a large increase in
19 demand for the product due to the relocation of the blends
20 industry to the United States consequent to the blends
21 Order. And so, where you should've seen rising profits and
22 rising profit margins you did not. Operating margins are
23 down. Net margins are down. You'll see that while
24 consumption has increased in the market that production has
25 remained -- I don't want to give anything away, but check

1 the production results in our questionnaire. You would
2 expect to see -- if you do see a rise in the market, the
3 question you should ask is how much relative to what demand
4 increased and that's looking at market share.

5 Capacity utilization in the industry is not full
6 and has remained relatively constant. And that in an
7 industry, once again, which has seen a large increase in
8 domestic demand and an industry that is designed to run its
9 facilities at high levels of capacity utilization. They are
10 running chemicals through a very large and very expensive
11 chemical facility and it's set up to operate near and at its
12 capacity levels and it has been deprived of doing that
13 despite the increase in demand for R-32.

14 Finally, let me turn to threat. Often the
15 Commission looks at the foreign country to see if trends
16 will continue. The Chinese R-32 industry, which dominates
17 the market, is underutilized. Chinese capacity to produce
18 R-32 increased throughout the period of investigation and
19 continues to grow. It had tightened at one point and in
20 sometimes typical Chinese fashion an enormous amount of
21 capacity was put on the market again. That excess capacity
22 has no limits to the near and mid future, given how much was
23 put online. As you could see, between the second quarter
24 of 2017 and November 2019, Chinese capacity grew by an
25 enormous 81 percent. The world's largest producer became

1 even larger.

2 The Chinese industry is export oriented; another
3 factor that the Commission looks at in the context of
4 threat. Chinese exports of R-32 increased over the POI, net
5 exports were more than double, R-32 consumption in Chinese
6 in 2017, so an export-oriented industry and the United
7 States is a large export market for R-32.

8 Turning to the next slide, R-32 will likely
9 continue to enter the market at low prices. As long as
10 there is a market in the United States and as long as they
11 have excess capacity they will come and you've seen that
12 over the period of investigation as the data we've provided
13 shows. And we encourage you strongly to track down and find
14 the importers of this product that we have identified and
15 that you are already seeking. The Commission deserves a
16 complete record. And I know from my experience that the
17 Commission insists upon a complete record and we have full
18 faith that you will create a full record in this
19 investigation.

20 Inventory of R-32 in the United States is
21 significant. Unfairly priced imports will inhibit R&D and
22 investment. This is an industry that is looking forward to
23 new products, as was mentioned earlier, and the profits from
24 this product are the profits that go into developing more
25 products. That is harm as well. New and potential new

1 blenders threaten the market if they are supplied by imports
2 and that is what happened. There's excess capacity in
3 China. There's no entry.

4 Contrary to the Commission's view or
5 inconsistent with the Commission's view that there was no
6 imminent threat of this happening within a year and a half
7 or afterwards it did happen. Blenders relocated here and
8 there were new sources of importers that then blend the
9 product and they are large and they are growing and they
10 have a limitless supply coming from back home at low
11 prices. So, while you've seen the injury in the market,
12 there is no reason to believe these trends should not
13 continue. There is no barriers for this to happen and that
14 is why we are here today.

15 With respect to looking at this in a "but for"
16 context, my final slide will tell you that when you have a
17 large market share, high substitutability, inelastic demand
18 that you're going to get a large negative effect on demand
19 from increased dumped imports or from just an existing
20 volume of dumped imports. But for that volume, we would be
21 better off and because of that volume demand for our product
22 decreased. And that decrease in demand caused lower
23 shipments and lower prices. And because of those lower
24 shipments and lower prices there were lower profits and
25 that's what the record shows, even in the context of

1 increase in demand in the market. I'd be happy to answer
2 any of your questions. That concludes my presentation.

3 MR. MINTZER: And this is Sydney Mintzer from
4 Mayer Brown. That concludes our testimony for this morning.

5 MS. CHRIST: Thank you very much. I appreciate
6 everybody showing up on a dark and dreary, wet day. We'll
7 now turn to staff questions and start with Ahdia Bavari, the
8 investigator.

9 MS. BAVARI: Good morning. Thank you, Mr. Swan
10 and Mr. O'Donovan for providing testimony this morning. It
11 was very helpful. I wanted to touch--before I jumped into
12 my questions--on a remark that Mr. Mintzer, you made, and
13 Dr. Kaplan, that you made, regarding any outstanding
14 importers and their responses. I would encourage you to go
15 through the contact list that you provided. I would note
16 that there were several importers for which we had no
17 contact information. That is a requirement of the petition,
18 so please double-check that. If you have any contact
19 information for any outstanding importers, particularly
20 those that are large, I would appreciate that. Thank you.

21 We know that the HTF number under which R-32 is
22 imported, is a basket category. Are there any estimates as
23 to the share of imports coming in that are actually R-32, as
24 opposed to the other HFC components?

25 MR. MINTZER: You mean within the tariff, the

1 import data, the customs' data, are we able to determine the
2 percentage of the total basket?

3 MS. BAVARI: Yes.

4 MR. MINTZER: We have no systematic way of
5 determining what the percentage is, which is why we ended up
6 relying on the best available data we could, which at the
7 time, was Piers. And so we have sort of, we can look at the
8 Piers data and we can look at sort of tariff trends and we
9 see similarity. But it's difficult for us, with different
10 data sets, to determine percentages.

11 DR. KAPLAN: Seth Kaplan, IER. I would add that
12 we did take apart the basket, as it were, using Piers data,
13 to identify each of the components that are in that basket.
14 And then we added up what we found in that data and compared
15 it to trends in the basket, and they were highly consistent.
16 So that gives us confidence that the data we provided you is
17 consistent with the data in the HTF code. So that checked.

18 And it's completely consistent with what has been
19 seen in the market place. So we've triangulated what we
20 could and it seems to point to the testimony that we have
21 given today. Also, we will provide information about Piers
22 and match that up to the data that's been provided to the
23 Commission, and I believe that would give the Commission
24 confidence that the information provided in the petition was
25 accurate and particularly that the trends and levels are

1 accurate.

2 And we will do our best to further identify the
3 others, whether they are hiding or not, and we encourage the
4 Commission to do the same thing that noncooperative
5 importers should not be given a quarter because of their
6 noncooperation.

7 MR. MINTZER: I would add just one thing. You
8 have to differentiate between standard bearers in the
9 industry and pop-ups. It's very difficult to identify
10 contacts at a pop-up, and by that, I simply mean an importer
11 who, all of a sudden, shows up in the market and then, by
12 the time we're, you know, trying to figure out who they are
13 and where they are, they disappear. So these aren't
14 traditional market participants in all cases, and so it can
15 be very difficult to provide you with contact information.
16 Because we're just Googling and that's not always a
17 productive way of searching for that information.

18 DR. KAPLAN: At the same time, your own records
19 show that certain groups have multiple names. So it's not
20 as if twenty anonymous people keep showing up and
21 disappearing. And I would investigate further that pattern
22 that exists that we will provide evidence for. So I would
23 very carefully to see if you could find the man behind the
24 curtain.

25 MS. BAVARI: Thank you. Mr. Swan, I believe you

1 kind of first touched on this, and Dr. Kaplan, in your
2 testimony as well, that there are no domestic barriers to
3 entry of R-32, is that correct?

4 MR. SWAN: Yes, that's correct.

5 MS. BAVARI: Does this also apply to other U.S.
6 producers? So, in other words, if, let's say, Chemours or
7 Honeywell wanted to start up an R-32 line of production.
8 What would that take and why haven't they done that so far?

9 MR. SWAN: I'm not aware of any domestic barriers
10 that would prevent them from setting up their own 32
11 manufacturing. And it would involve the capital resources
12 to implement that.

13 MR. O'DONOVAN: Anthony O'Donovan. One of the
14 restrictions, the same as with us, I think we mentioned
15 earlier, the big capital investments that it takes to build
16 a chemical plant to manufacture. They would have to
17 undertake a significant capital investment in order to enter
18 the market. So the market conditions would have to be
19 sufficient to get them an investment payback on that. We're
20 talking volumes in the order of \$100 million for a capital
21 investment, or in that neighborhood.

22 MS. BAVARI: It's my understanding that R-32
23 eventually is slated to replace R-410A as a refrigerant. Do
24 I have that understanding correct? Or is that --

25 MR. SWAN: Again, that is one of the

1 possibilities for replacement. There are other options that
2 are also being considered in the market place.

3 MR. O'DONOVAN: A lot of it is still up in the
4 air. There is no regulation apparently in place, which is
5 mandating the change. International trends are looking at
6 such, but there are barriers still, in looking for
7 alternatives in the future such as dealing with flammability
8 of new components, etcetera, so we are still some distance
9 away, it's not on the immediate horizon and that there will
10 be a change in the industry.

11 MS. BAVARI: So there's no definite timeline as
12 to when this would happen or --

13 MR. O'DONOVAN: No. Our guess is that it could
14 potentially start to happen at some point, but changes in
15 this industry take a long time to become in place because
16 after the 410A, for instance, is a refrigerant in a system
17 that is part of an equipment, the equipment needs to be
18 designed, because manufacturers are looking at alternatives.
19 And overseas, there are equipment in place, nothing that
20 matches the U.S. industry or meets U.S. building code today.

21 MS. BAVARI: Thank you.

22 MS. CHRIST: Thank you. We will now turn to the
23 attorney/advisor, Patrick Gallagher.

24 MR. GALLAGHER: Thank you. It's a few questions.
25 This goes back to the question that was just asked. In the

1 past, in the previous investigation on blends, there was
2 some evidence that there was a R-32 had been approved for
3 some uses. The classification adopted into three building
4 codes. They were trying to get it fully adopted and there
5 was some talk about how that could happen in two to three
6 years, or eight to ten years, depending on who you talked
7 to, in that particular case. Is there any -- do you have
8 any information on that?

9 MR. O'DONOVAN: So that is correct and when we
10 talk about long-term trends, that's still a possibility.
11 And we were obviously as a R-32 producer, would encourage
12 moving that direction. But that hasn't progressed as
13 quickly with regulation in place yet. We hope it will grow
14 in the future, but it is still a very, very small
15 application with very low charge sizes and not significant
16 to the general market at the present.

17 MR. GALLAGHER: Is that generally cause it's
18 flammable?

19 MR. O'DONOVAN: In general, yes, it has mild
20 flammability. And so new building codes have to be written
21 and adopted. Equipment would have to be changed. And this
22 would have to happen at local municipality level. Township
23 codes would have to change across the U.S. in order to allow
24 for this.

25 MR. GALLAGHER: Is R-32 used as an independent

1 refrigerant in the United States? I know it's used in other
2 countries, but is it used here?

3 MR. O'DONOVAN: Yes.

4 MR. GALLAGHER: And to what extent?

5 MR. SWAN: Yes, it's used in a few limited
6 applications. These are small, what we call small charge
7 units. So these would be like a window unit air
8 conditioner. These will be portable air conditioners that
9 you might move around from room-to-room. Those types of
10 applications. There are proved uses for 32, but those are
11 really the only ones today.

12 MR. GALLAGHER: Thank you. You fashioned a case
13 principally as a component to HFCs and you talked a little
14 bit about what the future, I guess, blend. Now R-32--and
15 correct me if my basis are incorrect--R-32 is used for other
16 nonrefrigerant blends, or other non-HFC refrigerant blends
17 and it's used for HFOs, right? So how much R-32 during the
18 POI is being used for what you're classifying as HFC, that's
19 essentially the stuff covered by the scope of the prior
20 order and the rest?

21 MR. O'DONOVAN: We can give you market estimates,
22 maybe after the conference, in terms of that.

23 MR. GALLAGHER: Or you can do it in your
24 submission.

25 MR. O'DONOVAN: We can do that in our submission.

1 Just to say that it is most of the samples that are going on
2 now, are ready for sampling ongoing. We're still undergoing
3 research and development, we have larger research and
4 developments programs defined, have projects to make R-32
5 non-flammable for instance, or anything in those areas,
6 which would also throw the application quicker. I would say
7 it's in its infancy right now and we can submit more data on
8 how we analyze the market after the conference -- in
9 post-conference as well.

10 MR. GALLAGHER: Okay, I'd be interested in some
11 estimations, if you have them, about how much non-HFC use --
12 HFC blend use you've experienced or in terms of your
13 purchasers. That's all I have right now. Thank you.

14 MS. CHRIST: Thank you. We'll now turn to
15 Natalia King, the Economist.

16 MS. KING: First of all, thank you all for
17 coming. If anything I ask touches upon VPI, please answer
18 it in your post-conference brief and that's fine.

19 My first question is about the ultimate
20 downstream product that you discussed. I understand that
21 it's air conditioning units and air conditioning
22 residencies, but are there substitutes for the blends in
23 those ultimate downstream products? I understand that
24 you're saying that there's no substitute for R-32 in the
25 blends, but could you use other types of blends in those

1 downstream products?

2 MR. O'DONOVAN: The equipment, as I mentioned
3 before, is designed to work with a particular resident. At
4 the moment, if you have a 14-A domestic air conditioning at
5 your home, you cannot replace it with another blend. It
6 will not work to the same degree. Blends have different
7 pressures and efficiencies, so if the equipment is designed
8 for a particular blend, that is the limitation of
9 substitution.

10 MS. KING: Thank you. In the HFC Blends and
11 Components, Respondents reported that R-32 can be used in
12 semiconductors silicon wafer manufacturing for etching
13 silicon. That's on page 2-1 of the publication. Has that
14 changed since the 2016 investigation? Is that still an end
15 use, and if so, do you guys sell to the semiconductor
16 markets?

17 MR. O'DONOVAN: It's still the case. It's a
18 very tiny application for high purity R-32. We do sell into
19 that space, but it is very, very small compared to the
20 general applications market.

21 MS. KING: Thank you. So, I'm going to move to
22 some quick questions about supply. So, with the information
23 we received so far, we have multiple importers reporting
24 that they've been unable to source R-32 domestically, which
25 is why they import themselves. Some importers have noted

1 there's either no domestic supply available or that they've
2 reached out to Arkema for a quote and either didn't receive
3 a response or you guys didn't have product available.
4 Again, feel free to answer this in your post-conference
5 brief, but have you been unable to supply a customer in the
6 United States or have you refused to provide a quote to a
7 customer?

8 MR. O'DONOVAN: We'd like to answer that in
9 post-conference brief.

10 MS. KING: And along the same lines, some of the
11 importers reported that one of the benefits is that they can
12 use their own ISO tanks, so how do you guys ship and
13 transport the R-32 to your customers and what are the terms
14 and conditions for shipment and transport?

15 MR. O'DONOVAN: We ship in various modes. We
16 ship by railcar, by tank trailer, by acid tank, and in
17 packaged cylinders, as well.

18 MS. KING: And my last question relates to
19 supply. Again, some of the importers noted they can get
20 multiple components from the same supplier in China. Do you
21 sell other components, other than R-32? Do you try to
22 bundle them in a package? Are there any discounts if you
23 buy multiple components or anything like that?

24 MR. O'DONOVAN: Again, I'd like to answer in
25 detail post-conference brief. I don't want to get into

1 current sale of current customers.

2 MS. KING: That's all the questions I have for
3 now.

4 MS. CHRIST: Thank you. We'll turn to David
5 Boyland, the Accountant/Audit.

6 MR. BOYLAND: Good morning and thank you for
7 your testimony. And I've sent the company questions already
8 which I appreciate your time. I do have questions here
9 which I just want to preface it's difficult to ask some of
10 these questions because the underlying information is BPI,
11 but I'll try to basically refer to amounts in terms of just
12 directionally -- not directionally, but in terms of just how
13 the pattern is changing during the period.

14 So, with that, first question is the income
15 statement has various line items for revenue and each amount
16 that's being reported for volume by the company for 2016 --
17 excuse me, '17, '18, and '19 -- each volume amount is
18 directionally different. I'm not going to say how it's
19 different, but each one is different and I would appreciate
20 your perspective, post-conference I'm assuming, as to why.
21 Why is one different than the other?

22 In terms of product mix, does R-32 vary in terms
23 of specs? Would we expect to see differences in average
24 unit value being affected by product mix differences and
25 what would a product mix difference mean for this product?

1 MR. O'DONOVAN: In terms of specification of the
2 chemical, there is only one differentiated product that
3 we're aware of, which is for the semiconductor industry,
4 which is based on a purity level; other than that, which,
5 like I said, we can provide the percentages post-conference.
6 The bulk of the R-32, chemically, is the same. There are
7 differences in package type which do affect pricing if
8 you're putting it into a cylinder for package versus
9 sending it in bulk.

10 MR. BOYLAND: Gotcha. So, from your
11 perspective, it would be mainly how the product is being
12 distributed and packaged as opposed to the underlying
13 chemical nature.

14 MR. O'DONOVAN: Correct. There's no difference
15 in the chemical nature. It's all in delivery and packaging
16 costs.

17 MR. BOYLAND: Okay, thank you.

18 I think your testimony kind of confirmed this,
19 but just to get it on the record, is there a pass through of
20 raw material costs in R-32 sales?

21 MR. O'DONOVAN: I wish there was. It is a very
22 commodity-like chemical. We're being squeezed right now
23 with rising raw material costs and the market prices coming
24 down.

25 MR. BOYLAND: Gotcha. Thank you.

1 The testimony didn't touch on this directly, so
2 I'm not sure exactly how I can ask this question, but the
3 question Ahdia had about the extent to which other producers
4 could, in theory, produce R-32 and your response, Mr.
5 O'Donovan, was, yes, they could, but the expenditures is
6 very large. And my general understanding in this industry
7 is that that's why producers focus on a particular -- R-32,
8 for example, in this case -- and other producers would
9 handle another component. That's generally that's true;
10 correct? In other words, they don't incur that expense
11 because essentially they're relying on you, as a U.S.
12 producer and other sources as well perhaps.

13 MR. O'DONOVAN: Not just that, but it is a large
14 investment to put in. That doesn't mean that there aren't
15 considerations to do that and evaluations that are done, but
16 it depends on market conditions whether that would be
17 profitable and have a payback that would be reasonable for a
18 U.S. company to make.

19 MR. BOYLAND: Okay.

20 MR. KAPLAN: When I spoke of entry, you could
21 look at two alternatives. One is to spend \$100 million to
22 build a facility and incur the cost and time. And the other
23 is to import it from an existing facility. And so, you have
24 to feel quite confident that demand would fill up a facility
25 with such a large investment. And given the high capital

1 expense, operate at a high level of capacity. And when
2 there is such levels of excess capacity, I just ask you to
3 consider that market. This is not anything specific to any
4 particular producer, but just the general dynamics of an
5 industry when you could look also at a country in this space
6 that is in this end under industries has built enormous
7 amounts of capacity in a short amount of time, so the entry
8 for imports no barriers; for the domestic industry, all the
9 issues involved in building a capital-intensive plant.

10 MR. MINTZER: The one thing I would just add is
11 regardless of the channel of distribution, so to speak,
12 import competition is there. Whether it's spot, contract,
13 or any other type of channel, you know one of the big,
14 significant differences, perhaps, from the prior
15 investigation to this one is the tremendous amount of R-32
16 in the market. And the idea that that import competition
17 doesn't influence every channel, from spot to contract and
18 beyond, it simply would be untrue. I mean it influences --
19 and we can demonstrate that in our post-conference brief as
20 well.

21 MR. BOYLAND: Thank you. I appreciate that.
22 And moving on, I think I'm going to skip this category of
23 questions because, again, you haven't talked about it
24 specifically, so I think this will be a follow up I can send
25 separately. So, sticking to things I can actually ask a

1 question about directly, you did discuss raw material costs
2 going up. And I guess for post-conference if you could
3 describe specifically which of the components or inputs are
4 increasing I'd appreciate that.

5 And this is more of an accounting-related
6 question, but in the income statement we have raw materials,
7 direct labor, and overhead and you've provided amounts for
8 each category. For the raw material amount that's being
9 reported in the two income statements, could you confirm or
10 indicate the extent to which overhead from previous cost
11 centers are being included in that raw material? And I
12 guess here's the -- I should've asked this question first,
13 but the inputs themselves, which you discuss in the
14 petition, the hydrochloric acid, the chlorinated components,
15 are those produced in Calvert City by the company?

16 MR. O'DONOVAN: We purchase the key raw
17 materials that make up 95 percent of the cost, externally,
18 directly across buys.

19

20 MR. BOYLAND: Okay, so these are third-party
21 transactions?

22 MR. O'DONOVAN: Third-party purchasers.

23 MR. BOYLAND: Okay. So, I guess where I was
24 going with the first part of that question was the extent to
25 which overhead is being reflected. I guess I would be

1 expecting a response in post-conference to be, no, it's
2 purchased raw material, the extent to which they've included
3 that in their own costs and sales values. And presumably,
4 they have, et cetera, but it's not -- we're not looking at a
5 trend where the raw material costs itself is being affected
6 by your capacity utilization or production factors
7 upstream. I guess that's where I was going with the
8 question.

9 MR. O'DONOVAN: I think we can give you more
10 detail in the post-conference brief, but you're correct in
11 your assumption that we're not adding overhead to raw
12 materials within Arkema. We don't produce them.

13 MR. BOYLAND: Okay, thank you. The follow on to
14 that would be just to confirm the overhead that is being
15 reported is specific to R-32.

16 MR. O'DONOVAN: Again, we'll provide details to
17 that in the post-conference brief.

18 MR. BOYLAND: Okay, thank you. And I'm going to
19 leave the chemical formulas to the chemist here. The
20 question really is about the narrative in the petition
21 describing the process. And I think you even referenced
22 this in your testimony, the hydrochloric acid part that
23 generated during the production of crude that can be sold as
24 a food grade, the hydrochloric acid, in the petition that's
25 what it's stating.

1 The question here is basically from an
2 accounting standpoint. Is that being treated as a
3 co-product?

4 MR. KAPLAN: We'll answer that in the
5 post-conference in detail.

6 MR. BOYLAND: Okay, I appreciate that. You know
7 we formatted the income statement and sort of with that in
8 mind, so just basically confirming how that product is
9 treated. I mean I think I can make some assumptions based
10 on what was reported, but I'd prefer to just confirm.

11 MR. KAPLAN: We will lay it out in detail so
12 there will be no question about how it's being treated.

13 MR. BOYLAND: Thank you. And I believe your
14 testimony has already pretty much confirmed the idea that
15 this is a fixed cost manufacturing operation. And during
16 the period you would be -- the testimony indicated that
17 there was under utilization. I guess now or in
18 post-conference just describe the extent to which that's
19 impacting the overhead amounts that are being reported and
20 direct labor as well, to the extent those were impacted by
21 the level of utilization.

22 MR. KAPLAN: We'd be happy to. We'll put that
23 in the post-conference brief.

24 MR. BOYLAND: Thank you. And this is just a
25 general question. SG&A expenses and the breakout that we

1 asked for we have overall and we have commercial only. In
2 post-conference, I'm assuming could you provide a little
3 more explanation or explanation regarding the levels that
4 are being reported for both categories. And the reason I'm
5 asking is that when I'm calculating the SG&A expense ratio
6 in both income statements I wouldn't necessarily expect them
7 to be identical or anything, but they are different and I
8 would like your perspective as to why? What would account
9 for one being this and one being that?

10 MR. KAPLAN: Absolutely. And the hint, I would
11 look at where the product goes and think about what expenses
12 would be incurred in the various channels, and we'll explain
13 that in detail. We've thought about it a lot and we spoke
14 to the company about it as we put this together.

15 MR. BOYLAND: Thank you. That would help sort
16 of explain how the two should be considered.

17 With regard to both income statements, below
18 operating results we have "Other Income and Expenses"
19 section and the company reported amounts for one line item
20 in each table. I would just appreciate a brief narrative
21 description of what that represents. I'm not expecting that
22 here.

23 MR. KAPLAN: Once again, we'd be happy to do
24 that. I apologize, but we were in a situation with hardly
25 anything could be public because it's one company and one

1 statement. So, we will provide all your information in the
2 post-conference.

3 MR. BOYLAND: I appreciate that. And one final
4 question, again, sort of looking at the income statement;
5 specifically, 3.9-A, the overall, with respect to the amount
6 of depreciation that's being reported as a separate line
7 item at the bottom of the income statement, if you could
8 look at 2017 and then 2018 and just provide me a description
9 of why the amounts -- why there's sort of that difference.

10 MR. KAPLAN: We will. And there's an
11 explanation that we looked closely at when I first received
12 the data and we'll explain it to you. It makes perfect
13 sense.

14 MR. BOYLAND: Thank you. I appreciate that, and
15 just one final question. I wasn't sure if I was going to be
16 able to ask this, but your testimony did sort of refer
17 throughout about the financial results for this product and
18 characterizing it. And I guess I'm just curious to what
19 extent and how the company looks at R-32 from a management
20 perspective? Does it consider this product as essentially
21 we're asking for financial results or what would the
22 difference be; in other words, how would management be
23 considering R-32? Is it part of a broad family or is it
24 really looking specifically at this product?

25 MR. O'DONOVAN: So, we can get into a little

1 more detail maybe in post-conference brief, but we look at
2 the unit typically as a production of R-32 and blends and
3 components, typically, in one category at a very high level
4 in one of our market statements.

5 MR. BOYLAND: I appreciate your responses and
6 thank you.

7 MS. CHRIST: Thank you. We'll now turn to Sara
8 Ashley, the Industry Analyst.

9 MS. ASHLEY: Good morning. So, my first
10 question, are you aware of any anti-dumping or
11 countervailing duty Orders on R-32 in third-country markets?

12 MR. MINTZER: No, we're not.

13 MS. ASHLEY: Okay, thank you. And then, it
14 looks like non-subject countries comprise about 14 percent
15 of the global capacity. What are these non-subject
16 countries and their estimated percentages of global capacity
17 and do these non-subject countries produce the same quality
18 of R-32 following the HRI standards?

19 MR. MINTZER: We have data on sort of the
20 individual, non-subject producers, so we'll go ahead and
21 supply that information. Some of it's in the petition
22 already, but we can go ahead and supply that information in
23 response to that post-conference.

24 MS. ASHLEY: Thank you. You had mentioned
25 earlier that there are no substitutes for R-32 and I just

1 wanted to confirm.

2 MR. SWAN: Yes, that's correct. There are no
3 substitutes for R-32.

4 MS. ASHLEY: Okay. And lastly, the scope is
5 said to include all R-32 regardless of the purity level, so
6 both purified and unpurified. What is the difference
7 between these two in terms of manufacturing and costs and
8 who purchases it?

9 MR. MINTZER: The scope was crafted in a manner
10 that takes into account prior chemicals cases and also
11 discussions with Commerce. You know in chemical cases there
12 have been evasion and sometimes -- there is no market for
13 unpurified R-32, as we know it, but could unpurified R-32
14 end up in a third country where it gets purified and
15 exported to the U.S., maybe. I mean we don't -- we crafted
16 the scope in a way to button it up so that we could prevent
17 obvious methods of evasion.

18 MR. KAPLAN: Were you referring to the
19 semiconductor versus the more commodity purity level?

20 MS. ASHLEY: Any end use.

21 MR. KAPLAN: Any end use, okay, we'll answer
22 that in any further way we need to in the post-conference
23 brief.

24 MS. ASHLEY: Thank you very much.

25 MS. CHRIST: Thank you. We'll now turn to

1 Jennifer Catalano, the Industry Analyst.

2 MS. CATALANO: Good morning. I would like to
3 talk about the scope a little bit. And I know that my
4 colleague had referred to the scope earlier, but I just want
5 to clarify. So, there are a couple of HTS numbers that I
6 want to talk about. Some are in chapter 29 and some are in
7 chapter 38. So, what I see in the petition is that R-32 is
8 classified under HTS 2903.39.2035 and under that category we
9 have pentafluoromethane and we have 111 trifluoromethane as
10 "Other Chemicals." And I know Mr. Kaplan that you spoke
11 about having peers data and that you had been trying to
12 analyze and understand how the basket category may reflect
13 R-32 or not, and I just wanted to clarify. When we were
14 speaking earlier, I guess you were talking about chapter 29
15 and not chapter 38, so I'll ask you that question. And when
16 you say you have peers data, do you mean it's on the
17 pentafluoroethane and the trifluoroethane?

18 MR. MINTZER: So we have Piers data for the
19 tariff number, but the reason other -- so R-32 is in Chapter
20 29 and that's how we would expect it to normally be imported
21 if it were being imported on its own and accurately. Some
22 of the reason the scope does include potential blends that
23 include R-32 as the majority product. And in that instance
24 it's conceivable they could end up in a different tariff
25 number, and so that's why we've included it. But again, in

1 the normal course, what we would expect is if imported
2 accurately and honestly and truly, that it would be Chapter
3 29.

4 MS. CATALANO: So I do want to talk about that
5 other statement. So in the petition, I did read about it
6 and I'm just gonna clarify what I'm referring to. On Page 6
7 it says, "other merchandise subject to the current scope
8 including the above-mentioned blends that are outside of the
9 scope of the blends order, may be classified under
10 2903.39.2045 and 3824.78.0020."

11 And so I got to thinking -- I mean I know R-32
12 would be categorized in Chapter 29, but I wondered about
13 Chapter 38 and if there's anything currently on the market
14 that you could point to or talk about to give an idea of
15 what could currently be in the market that would be
16 classified under Chapter 38 that's outside the scope of the
17 blends order.

18 MR. MINTZER: I'm not in a position to talk about
19 what could be in the market or is in the market, but I can
20 tell you why it was crafted that way. And it was crafted
21 that way to avoid evasion. Because if you bring in a
22 product that is 60% R-32 and 40% R-125, that could just be
23 topped off in the U.S., right? So it's technically and
24 perhaps, not subject to the blends order, but we wanted to
25 capture that R-32 if that were a pattern that would develop

1 over time. Again, we're trying to deal with methods of
2 evasion. And we did that in concert with discussions at
3 Commerce. So that's how we ended up capturing that.

4 MS. CATALANO: Thank you, that's helpful. So I
5 don't have to do so much research about what's used in
6 Chapter 38. It's more of a "could-be" in Chapter 38, and
7 that's helpful.

8 So I have an air conditioner at home and I had a
9 specialist come out and visit me and I believe he told me
10 that R-32 is no longer going to be used in my decaying old
11 air conditioning unit. And I believe he said he wants me to
12 buy a new one. Now that could be a sales pitch, right? But
13 I wondered, what if R-32 did go away. Would all the air
14 conditioners stop functioning? Or what? Will we need to
15 buy new air conditioners or what would we put in there?

16 MR. O'DONOVAN: Your contractor probably just
17 made a slight error. It probably is an R-22 unit, not an
18 R-32 unit. The last installed went back to 2010. Since
19 then, you have had to -- you were no longer allowed to put
20 in R-22. R-22 is an ozone-depleting substance. R-32 is not
21 as ozone-depleting substance and nor is R-125 which
22 comprised 410A. So you could replace it, which should be
23 your choice. You would be replacing it with something on
24 which would be 410A, which would require it to be filled
25 with a blend, 50-50, of R-32 and R-125. R-125 is

1 Pentafluroethane, that you spoke about -- .

2 MS. CATALANO: That's helpful. And it does sort
3 of get at the market. I know it's a story, but it does get
4 at the market. Why couldn't I just take my old air
5 conditioner unit and put the new R-32 in there? And I was
6 told I couldn't do that. No, I had to buy a \$10,000 new air
7 conditioner.

8 MR. SWAN: First, my advise is to get a different
9 contractor, because he is, perhaps, misleading you a little
10 bit. The reason why you can't put, let's say, R-32 or
11 R-410A in that R-22 unit that you have today at your home,
12 is because the equipment was designed for R-22, okay? If
13 you put a different refrigerant in there, you'll have
14 different pressures that will basically make the unit not
15 operate correctly. So, for that reason, you cannot
16 substitute one refrigerant for another in a current existing
17 unit.

18 MR. O'DONOVAN: I guess the analogy would be a
19 car that takes diesel versus a car that takes gasoline. It
20 won't work the same way. As a chemical, the cooling cycle
21 requires evaporation and condensation and heat transfer
22 between the two modes and because the chemicals are
23 different, they become gaseous or become liquid at different
24 pressures, and so it wouldn't be sustainable. You'd need a
25 complete redesign. The capacity will also change, you'll

1 need to change charge size.

2 So you'd need a complete overhaul. So there are
3 some retrofits that you can use. I can recommend 427A
4 because that's ours. But that will still require some
5 adjustments on pressures and changes. But to go to where
6 you could rely, we have an air conditioning unit that could
7 be there for decades to come, that would require 410A.
8 Currently that's the technology that's available for
9 domestic air conditioning unit.

10 MS. CATALANO: So what percentage of home air
11 conditioners out there would you say are R-32 at the moment?

12 MR. SWAN: So there really are no R-32 large
13 central air, air conditioners today. Because as we alluded
14 to earlier, the codes and standards are not in place today
15 to allow that. The R-410A, which 32 is part of that
16 composition, is the dominant technology today and is the
17 major one available. There are still older units that are
18 R-22 and I'm in the same boat as well. I have an R-22 unit
19 at home as well. So they do exist, and as long as they're
20 still operating, they still can be serviced.

21 MS. CATALANO: Thank you. That's all of the
22 questions I have.

23 MS. CHRIST: Thank you. We'll now turn to the
24 supervisory investigator, Nate Comly.

25 MR. COMLY: I'd like to thank you all for coming

1 today. It's been very helpful an enlightening and
2 fortunately, my air conditioner is not an R-22. I just have
3 a couple of clarifying questions. You spoke about
4 nonsubject production. I was wondering if there are
5 nonsubject imports into the U.S. market? Nonsubject as
6 being R-32, but from nonsubject sources just to clarify.

7 MR. MINTZER: Right. It's very, very tiny. I
8 mean I think, we calculated it -- when we looked at the
9 data, the Piers data that we had, we found very, very tiny
10 quantities and not even in each year. So I mean, in all
11 honesty, the vast majority of global capacity and production
12 is in China and then Arkema in the United States. And
13 there's a little bit out there in Western Europe. But
14 that's about it.

15 MR. COMLY: So why is that? Why have other
16 companies not got into it? Or other companies in other
17 countries not gotten into the market?

18 MR. O'DONOVAN: One reason is that the price from
19 China is so low, it's not profitable for them to ship into
20 the U.S. Which is the obvious choice. And in fact, we,
21 during the period, we've exported to other areas, you know
22 *09:17 as well, in some regards. But it's a very limited
23 market outside of the U.S.

24 MR. COMLY: So does that mean that there's no
25 market outside of the U.S.? Or is just that China's such a

1 dominant player?

2 MR. O'DONOVAN: That means the Chinese exports
3 are such a dominant player in every market outside the U.S.,
4 it's very difficult to even move product into those other
5 markets.

6 MR. COMLY: Okay. Thank you. Then, I know we've
7 spoken about the unpurified R-32 and how there is, I believe
8 he said there is none being exported to the U.S., are you
9 aware of any unpurified R-32 that's been processed in a
10 third country and then subsequently exported to the U.S.?

11 MR. MINTZER: I'll answer that from sort of the
12 perspective of scope drafting, and then my colleagues can
13 answer it from a business perspective. I mean it was
14 dropped -- my understanding is that in order to be HRI
15 qualified, the finished good needs to be purified. And
16 that's normally done in Arkema's production process. So the
17 only reason it was crafted that way was to prevent
18 diversion, so that's why the scope is crafted that way.

19 MR. O'DONOVAN: I think there's a difference
20 between purposefully unpurified R-32 and nonpurposefully
21 unpurified R-32. When you make R-32 as a chemical, normally
22 it comes out as pure as HR700, which is edible. It has been
23 in some cases that R-32 has been blended with R-125 and then
24 picked to become R-10A. That has happened over the course
25 of the last few years. And that has been a case in front of

1 the Department of Commerce. It's a strength that does
2 exist. And it's potential for Chinese R-32 to be purposely
3 impurified in partial way to make the blend, and then the
4 blend corrected to be R-410A in scope for the -- duty in the
5 U.S. potentially.

6 MR. COMLY: Okay, just so I'm clear. This is
7 more of a potential thing than an actual, something that's
8 happening now in any sort of significant volume; is that
9 correct? Imports into the U.S. of this product?

10 MR. MINTZER: Yes, that's correct.

11 MR. COMLY: Okay, thank you. Are there any
12 differences in production between how R-32's produced in the
13 U.S. versus China? In particular, are there any
14 technological differences in how it's produced here?

15 MR. O'DONOVAN: At a high level, no. You need to
16 chlorinate the chloro solvent in order to make it, and the
17 chloro solvent, it can't be chosen, comes into that. There
18 may be subtle differences in terms of energy, couple of
19 steps, but on the macro scale, there's no substantial
20 difference.

21 MR. COMLY: So there would be very little
22 differences in production costs going into this?

23 MR. O'DONOVAN: Correct. The other production
24 costs, which is a small amount, may vary depending on
25 whether you're using coal or natural gas to produce steam,

1 etcetera, but are not significant in the main components of
2 R-32.

3 MR. COMLY: So, Mr. O'Donovan, and then also Mr.
4 Kaplan, you noted that there have been rejections of
5 renegotiation, price renegotiation for your contract due to
6 lower Chinese prices. Can you, have you, or can you provide
7 some documentation on that? Post-conference of course.

8 MR. O'DONOVAN: Yeah, I can do it
9 post-conference.

10 MR. COMLY: Thank you. That'd be very helpful.
11 And then looking at Mr. Kaplan's presentation, I'm looking
12 particularly at Slide 11, which shows the increasing
13 imports, and then I turn to Slide 14, which shows your gross
14 margin, and I noticed that in 2018, the gross margin
15 increased and then decreased in '19. So can you explain
16 either now or in your post-conference, why the gross margin
17 increased in 2018? At the time the imports are also
18 increasing.

19 DR. KAPLAN: First, you'll note that none of the
20 slides have units. And I would say that, for purposes of a
21 public document, what you should be aware of is that '19 is
22 lower than '17. Because that's the statement I made, that
23 there was as cost-price squeeze over the period. So we will
24 discuss '18, but I would say that this graph says--and none
25 of the graphs really say anything about '18 in a way that

1 would reveal any confidential business information. They're
2 indicative of the trend over the period of investigation.
3 And we will definitely discuss 2018 in the post-conference.

4 MR. COMLY: Completely understandable. And thank
5 you. So then, again, staying with Mr. Kaplan's presentation
6 documents, you don't really have to turn to this, but it
7 does say that capacity of R-32 increased over the period of
8 investigation and continues to grow. For those documents in
9 which you are--so that's Slide 19--so for those, the
10 underlying documents, when you're looking at, are those
11 specifically for the R-32 industry? Or does that cover
12 capacity production for other chemicals?

13 DR. KAPLAN: Well, first, this refers to the
14 Chinese industry.

15 MR. COMLY: I meant Chinese industry, I'm sorry.

16 DR. KAPLAN: No, I'm just clarifying or reading
17 it. But just for the record, and we will provide that
18 information. I don't know if you wanna discuss this at all.
19 Or we'll definitely -- some of it's in the petition and we
20 will point you to any documents we think are helpful and
21 provide any more documents if there's any lack of clarity in
22 what we've already provided in the petition.

23 MR. COMLY: That would be very helpful.
24 Especially clarity when we're talking about a general
25 chemical plant, right, that's coming online versus a

1 chemical plant that is specifically for R-32.

2 And then my last question is, do you know why
3 there was a delay in imports from China of R-32 after the
4 HFP blend order went into effect? So there was a slight,
5 you noted a slight lag between when imports started coming
6 in and when the AD order went into effect. Do you know why
7 there was that lag?

8 MR. O'DONOVAN: I think from our point of view,
9 the way we understand it, was that it took time to set up
10 the business operations of all that. Unfortunately, we
11 weren't approached to sell into that application so we
12 didn't know that was being planned. So we found out about
13 it after the event. But we assume it took some time to get
14 that amount of volume arranged and, you know, materials and
15 set up the supply chain and the operations involved.

16 MR. COMLY: Thank you. That's all the questions
17 I have.

18 MS. CHRIST: Thank you very much. I'll just do a
19 quick scan to see if there's some follow-up questions, and
20 we have some, hold on. Sorry, we'll start with Ahdia
21 Bavari.

22 MS. BAVARI: Thank you. I'm gonna try to find a
23 way to ask this without referring to any BPI. So in the
24 petition, let me find the exact page, or rather the exact
25 exhibit. I believe it was Exhibit I-13, it referenced an

1 importer currently undergoing litigation for nonpayment. If
2 you could please address post-conference if we receive any
3 value data from this particular importer or any other
4 importers, how we should treat value data.

5 MR. MINTZER: We'll be happy to.

6 MS. BAVARI: One other quick clarification. I
7 know that, or I believe that there is an intercircumvention
8 inquiry currently going on at the Department of Commerce,
9 pertaining to R-32 and R-125. How would that inquiry affect
10 the scope of this investigation, if at all?

11 MR. MINTZER: So as you may or may not know, we
12 are not counsel in that proceeding, so it's a little -- and
13 that proceeding is ongoing and still very preliminary. So
14 at this stage, we're proceeding, Arkema is pursuing all
15 legal strategies available. So they're at Commerce, they're
16 also here. If there were ever a situation where there was a
17 scope issue, we would obviously -- that would have to be
18 addressed at that time.

19 MS. BAVARI: Thank you. I think that's all my
20 questions.

21 MS. CHRIST: Hold on. Follow-up question from
22 Patrick Gallagher.

23 MR. GALLAGHER: I saw that the Commerce issue,
24 the preliminary affirmed determination on the R-32, R-125,
25 recently, end of last month. The letter came to us, the

1 notification came to us. I don't know if it's published in
2 the federal registry yet, I think it has. But between that
3 and your scope, I can see how you're trying to be creative
4 to cover every possible impurity issue that you might wanna
5 cross. So I appreciate what you're trying to do.

6 But that being said, I have some purity questions
7 anyway. I thought Professor Kaplan was gonna answer this
8 one before, but he stopped. With respect to the
9 semi-conductor, I realize it must be a very small
10 percentage, do the Chinese sell into that? Or is it just
11 not big enough and you have it all, or how does that work?

12 MR. O'DONOVAN: It's not -- we don't have the
13 sole access, that is, access, we sell to purifiers who then
14 purify R-32. We produce some R-32, depending on
15 application, requires different qualification. Some is
16 being supplied by Chinese to purify, some are being supplied
17 by us to purify. The original R-32, that is -- two
18 purifies, is not all distinctly different. It does require
19 a much higher level of purity than HR700, so depending on
20 the application, Chinese producers could supply through a
21 purifier in the U.S. or purify themselves, or purify in
22 another country.

23 MR. GALLAGHER: So essentially, in terms of the
24 purity, there must be roughly a scale, a band in which the
25 commodity product is sold. Is that true across all the

1 different variations of usage? Like, HFC, non-HFCs, HFOs,
2 whatever else you're talking about, they all fit roughly
3 within the purity requirement standards, is what I'm trying
4 to --

5 MR. O'DONOVAN: So, yes, HR700 defines the purity
6 level. You have to have a designation to have it as a
7 component into a blend and that is defined. And that is
8 standard across every application for R-32 in heating and
9 cooling, no matter whether there's a HFC blend, stand alone
10 or HFO.

11 MR. GALLAGHER: Thank you, that's all.

12 MR. MINTZER: If I could just could, on the
13 anti-circumvention grade, just to clarify, there are
14 actually four inquiries going on at the Department, so the
15 one you're referring to is actually a very, very, much
16 narrower inquiry that I believe was resolved. In that case,
17 there was no cooperation, I believe, by the respondents. So
18 it was a very narrow question and/or issue in that
19 particular inquiry. It doesn't really relate to the other
20 three that are continuously ongoing.

21 MS. CHRIST: Thank you. We'll have another
22 question from Natalia King.

23 MS. KING: Few questions, sorry. It's my
24 understanding that R-32 is put into these blends that are
25 then put into air conditioning units. So what are the major

1 demand indicators for R-32. Should we be looking at housing
2 starts, what type of things would drive demand for this
3 product?

4 MR. SWAN: Typically housing starts would be a
5 good indicator. Anything on GDP. Typically we're looking
6 for somewhere very similar to GDP or even a little bit
7 higher than GDP in terms of growth. But GDP is a good
8 indicator as well.

9 MS. KING: Okay. And as a follow-up to David's
10 questions regarding raw materials, are there any price
11 series available for the raw material inputs that you guys
12 use? If so, would you be able to provide them in the
13 post-conference?

14 MR. O'DONOVAN: We could provide pricing data.
15 But all of our pricing is negotiated with suppliers. So it
16 depends on the demand. There are trends which are referred
17 to in negotiations and we can provide details on that
18 post-conference.

19 MS. KING: Thank you. And do you know if any of
20 the inputs for R-32 are subject to the 301 tariffs? And if
21 so, has that impacted the price of R-32 in any way?

22 MR. O'DONOVAN: HFC components are not subject to
23 301 tariffs. And so they aren't impacted.

24 MS. KING: But it should be the inputs to that,
25 so the raw material for R-32?

1 MR. O'DONOVAN: None of our raw materials are
2 imported, so they're not impacted. None of our raw
3 materials are imported from countries subject to 301
4 tariffs.

5 MS. KING: Okay. And just some quick questions
6 on the pricing product. Can you just elaborate in the
7 post-conference brief what you mean by bulk sizes. I mean,
8 are there standard sizes you sell? And also, do the Chinese
9 also sell in these same standard sizes?

10 MR. O'DONOVAN: I can answer publicly now. So
11 the majority of bulk sales in size lots that are enough to
12 fit into an acidtainer or a tank truck trailer take
13 typically the same amount which would be roughly depending
14 on the weight of the rest of the car and would be about 15
15 to 17 tons, metric tons, 36,000 pounds and that is a
16 typical size.

17 We also sell in railcar sizes, which would be
18 about 4 times that amount and then we sell in package sizes.
19 Package sizes could be by half-ton, one-ton sizes or
20 equal-slatted cylinders which is 125 pounds and then also we
21 have some smaller sizes which is 20 pounds in a small
22 cylinder.

23 MS. KING: And the Chinese sell the same?

24 MR. O'DONOVAN: The Chinese typically, most of
25 the imports that we sell is in acid tanks but they have

1 access to sell in any package that they have; obviously rail
2 would not be possible from China.

3 MS. KING: I believe that's the end of my
4 questioning, thank you.

5 MS. CHRIST: Thank you. We will now turn to
6 David Boylan.

7 MR. BOYLAND: Thank you. Again, just one quick
8 question. Table 313 has narrative and footnote to and again
9 without getting into any of the specifics if you could
10 expand on the narrative to describe the extent to which this
11 is directly and or indirectly related to R32? Essentially
12 just expand on how this is actually connecting back to the
13 product.

14 MR. KAPLAN: We will just write more about
15 accounting in our post-hearing brief.

16 MR. BOYLAND: Thank you.

17 MS. CHRIST: And we will turn to Jennifer
18 Catalano.

19 MS. CATALANO: So I'm going to read something
20 from the Petition that I read and I'm going to ask you about
21 it. it says "according to AHRI standards" this is on page
22 12, "R32 may have a maximum level of contaminants of 1.5% by
23 weight" and I was wondering what are these contaminants?
24 Could you define them?

25 MR. O'DONOVAN: The typical contaminants that you

1 would expect to see are what we typically call NCGs or
2 non-compressible gasses, nitrogen basically that gets into
3 the gas. Moisture is another high contaminant and there
4 could be impurities that come through the process as well.
5 By and large all specifications of impurity is typically
6 because of either NCGs or moisture; air, nitrogen or
7 moisture. Nitrogen and oxygenated air getting into the
8 container or moisture getting into the container.

9 MS. CATALANO: And how would that affect, would
10 that affect how the product works downstream? Like let's
11 say it came from China and it had 30 percent contamination?
12 What would happen to your air conditioner?

13 MR. O'DONOVAN: If it, so I don't want to
14 speculate necessarily what can happen to your air
15 conditioner but it would not be good. So if you're trying
16 to compress a gas and it's not compressible it could end up
17 with damage to your comfort for sure. Definitely, I think
18 the biggest issue before you see that would be lack of
19 efficiency. You would notice the air conditioner wasn't
20 working, excessive heating of the air conditioner, energy
21 usage. You would probably be calling a different contractor
22 after that.

23 MS. CATALANO: Thank you.

24 MR. SWAN: This is Scot Swan. I just want to add
25 to that. The moisture is also extremely important. That's

1 why it's closely watched in the specification. There's oil
2 that's in your unit that keeps everything lubricated, the
3 compressor and oil and water of course don't mix very well
4 so for that reason they actually have filter dryers that are
5 on your unit to make sure if there is any moisture in there
6 that it gets captured.

7 MS. CHRIST: Thank you all. I will just quickly
8 check to see if there is any follow up? Okay, thank you
9 very much for coming today and for taking the time to update
10 us and provide this information on how the industry has
11 changed since we took a look at this. Staff has asked
12 pretty much all the questions that I had so I kind of
13 crossed them off.

14 I did have one question. It was in opening
15 remarks. It was a mention of the price. I believe if I
16 heard it the price in China had declined. If I did hear
17 that correctly could you elaborate whether it was a function
18 of something happening domestically in China or in other
19 potential export markets that they have.

20 MR. MINTZER: Sydney Mintzer, Mayer Brown. There
21 is information actually attached to the Petition, all the
22 reports that we had received on the Chinese Market to
23 explain the trends. We can either provide more detail on
24 that in our post-conference brief.

25 MS. CHRIST: Is it primarily a supply-driven

1 capacity or potentially a demand -- changes in export
2 markets? That's pretty much, I was just trying to figure
3 out whether it was supply driven or demand driven in terms
4 of the price changes.

5 MR. MINTZER: Yes, my recollection is not so
6 clear so we'll address that in post conference brief.

7 MS. CHRIST: No problem. Thank you. Those are
8 all the questions that I have and I do want to again thank
9 everybody for showing up. As you can see, one of the
10 wonderful indirect benefits of working at the Commission is
11 that we take away from here information that can surprise
12 people in many parts of our lives outside whether it's the
13 contractor or showing up looking at ingredients on a label;
14 all of a sudden we -- I say teach but other people may say
15 bore our friends and families with all this additional
16 information.

17 So I do want to thank you and unfortunately one
18 of the side effects of the limitations of being able to
19 answer questions in an open forum means we get to task you
20 with more stuff so we appreciate your time and attendance to
21 following up on all of those questions in the
22 post-conference brief.

23 Alright. So we will go ahead and turn to closing
24 remarks.

25 CLOSING STATEMENT OF SYDNEY H. MINTZER

1 MR. MINTZER: Sydney Mintzer, Mayer Brown. So
2 I'm going to keep this quite short in terms of closing
3 comments. The one thing I'd like to speak to. First off,
4 just thank you for your time today. We appreciate all of
5 your questions. We understand the questions. Wish we could
6 have been more responsive but it's hard to aggregate and
7 talk about these issues when there's only a single
8 Petitioner.

9 A couple things I just wanted to mention in
10 closing. We've talked about the data gaps and we will
11 address those in more detail. We will do our best to
12 provide contact information. It's not always easy to do
13 that. We will provide as much ancillary information on what
14 some of these companies import in case they don't respond to
15 questionnaires. We will make every effort to provide you
16 with that information.

17 The only other thing I talk about, wanted to
18 mention is the captive production provision. I know in the
19 original investigation that was an issue. You had all these
20 components in one case and they rolled up into blends and
21 they were the primary costs associated with those blends.

22 This is a different case and it's a more
23 traditional case. It's a single component and really I
24 think one thing that I can say from the data I've seen
25 without disclosing anything is that it pretty consistently

1 describes the relative cost of R32 compared to the blends
2 it's incorporated in.

3 I think under any measure that wouldn't satisfy
4 the statute and it wouldn't lead you to be looking at the
5 merchant market per say. So I think this is more a plain
6 vanilla case thankfully than the original investigation. So
7 you've asked the questions in the questionnaires about
8 percentage of cost of R32 versus all the downstream products
9 and I would just encourage you to look at how consistent the
10 responses are.

11 I think that, by itself should address the
12 utility of the captive production provision. With that, I'm
13 going to go ahead and close. Everyone can get out of here a
14 lot earlier than usual. Thank you very much. We appreciate
15 your time.

16 MS. CHRIST: On behalf of the Commission and the
17 Staff, I would like to thank the witnesses who came here
18 today as well as counsel for helping us gain a better
19 understanding of the product and conditions of competition
20 of the Difluoromethane R32 Industry.

21 Before concluding, please let me mention a few
22 dates to keep in mind. The deadline for submission of
23 corrections to the transcript and for submission of post
24 conference briefs is Wednesday, February 19, 2020. If
25 briefs contain business proprietary information the public

1 version is due Thursday February 20, 2020. The Commission
2 has tentatively scheduled its vote on this investigation for
3 Friday, March 6, 2020 and it will report the determinations
4 to the Secretary of the Department of Commerce on Monday,
5 March 9, 2020.

6 Commissioners' opinions will be issued on Monday
7 March 16, 2020. Thank you all for coming. The Conference
8 is adjourned.

9 (Whereupon the hearing was adjourned at 11:12
10 a.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Difluoromethane (R-32) from China

INVESTIGATION NO.: 731-TA-1472

HEARING DATE: 2-13-20

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: 2-13-20

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: Duane Rice
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
Court Reporter