INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

March 8, 2018

President Donald Trump
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Trump:

As the Trump Administration has so clearly identified and stressed, America is now poised to enter an era where it can exert an energy dominance in the world energy marketplace. The growth and potential growth of American oil and natural gas production creates this opportunity. Yet, as the past few years of low commodity prices have shown, this future can be vulnerable. International trade policies present a similar challenge and the current initiatives on steel tariffs are a specific example.

At a time when American oil and natural gas production can not only supply resources to the U.S. but its export can support the nation's larger international interests, the federal government should not be executing policies that contravene these objectives. The steel import actions under Section 232 should not generate these adverse consequences.

The Independent Petroleum Association of America believes that Line Pipe and OCTG should not fall under the tariff provisions being considered. IPAA requests the Administration to continue using Anti-dumping and Countervailing Duty Orders to address those specific issues where there are demonstrated abuses of the line pipe and OCTG markets.

American oil and natural gas extraction hinges on the availability of steel – particularly the steel needed for well construction, for surface management and for pipelines to gather and move its production. IPAA represents the thousands of American producers who drill 95 percent of U.S. wells, produce 54 percent of American oil and 85 percent of American natural gas.

The reality facing American oil and natural gas producers is that domestic manufacturing of Line Pipe and Oil Country Tubular Goods (OCTG) – the characterization of oil and natural gas production related steel products – cannot fully supply the market. Imports are essential and imports comprise as much as half of the U.S. supply for the specific quality of steel in the Line Pipe and OCTG marketplace. No matter how beneficial it might be for domestic steel to be the total supplier of Line Pipe and OCTG, it simply cannot be done. A steel import policy that limits the availability of Line Pipe and OCTG will prevent the oil and natural gas production essential to meeting energy dominance objectives. And, it could present a more daunting national security challenge than the steel issues in the Section 232 analysis developed to analyze steel import risk.

OCTG span a broad spectrum ranging from carbon steel pipe used for the portion of the wellbore to protect against ground water contamination to highly alloyed tubing that must withstand the temperatures, pressures and corrosive chemicals associated with oil and natural gas production. Additionally, Line Pipe is essential to move production around the well site and to connect with pipelines linking to downstream markets. Historic demand for OCTG shows that imports provide 35 to 55 percent of the market over the past years. Significantly, the U.S. has in effect

Anti-dumping and Countervailing Duty Orders for Line Pipe (26) and OCTG (14) demonstrating active federal oversight of this market. While reported U.S. capacity suggests that it could supply more, it has not been utilized. Moreover, some specific products are just not available domestically. For example, oil and natural gas production facilities require certain quality surface, intermediate and completion tubing, but as much as 30 percent of specific products are simply not made in the U.S. and must be imported.

Recently, the mere suggestion of action under Section 232 has triggered domestic OCTG price increases of $50 to $180 per ton. Correspondingly, the same threat has resulted in foreign manufacturers reducing or shutting down production as they fear federal action to exclude them from the U.S. marketplace through high tariffs or quotas. In fact, the recent Section 232 announcement places OCTG en route to the U.S. in limbo regarding how it will be treated when it reaches U.S. ports.

The consequences to American producers have been adverse. As they are trying to expand production – coming off of several years of low prices, their domestic OCTG is costing more and their foreign supply may never arrive. Consequently, at the same time prices are increasing, OCTG supply is becoming so tight that finding adequate pipe is more and more difficult. The inevitable result will be a reduction in the pace of U.S. oil and natural gas development – not because of commodity prices, not because of federal regulatory delays, but because of federal trade restrictions.

IPAA would appreciate the opportunity to work with the Administration in a manner that achieves our common objectives associated with expanded American oil and natural gas production.

Sincerely,

Barry Russell
President and CEO