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**PUBLIC VERSION – CONFIDENTIAL INFORMATION
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May 31st, 2017

Brad Botwin
Director,
Industrial Studies, Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue NW
Room 1093
Washington, DC, 20230

**Re: Section 232 National Security Investigation of Imports of Steel:
Comments from Cogent Power Inc., Burlington, ON Canada**

Dear Director Botwin,

These comments on the Section 232 investigation of steel imports are submitted on behalf of Cogent Power Inc (CPI), which provides steel components for a wide range of electrical transformers to US transformer OEMs, and specialty services and engineering to the US power and distribution sector. Whereas CPI fully supports the right of the United States, or other nations, to determine whether imports of any product category meet national security needs, CPI wishes to offer the following comments and information for the Department's consideration.

CPI has been a Canadian-operated company for over forty years, and has supplied steel and steel components to transformer, motor and generator manufacturers in the USA for over thirty years. These components use Non-Oriented and Grain-Oriented electrical steels (NOES & GOES) as their primary raw material, and make up critical components for the efficient generation, distribution and use of electrical energy in the USA and Canada. These parts are designated under NAFTA as duty free, and we believe that it is important to maintain this status in order to enable CPI to continue to support these US transformer, motor and generator manufacturers of components for both the US and Canadian electrical grids.

Canadian Support for US National Security

Canada and the U.S. are integral partners in one another's national security. Examples of this abound, notably in the areas of foreign relations, defense relations, defense industrial cooperation, public safety, public health, surveillance (the "five eyes" surveillance sharing agreement) and energy. Our bilateral cooperation in these areas is longstanding and codified by thousands of bilateral agreements and arrangements that touch on every element of national security. In prior Section 232 proceedings, the Department of Commerce has recognized that imports from a trusted and reliable source, particularly sources with extensive networks of bilateral security treaties, such as Canada, should not be considered as a possible threat to the US national security interests.¹ On the basis of the longstanding security, economic, energy, and public health and safety treaties and agreements of cooperation, therefore, any Section 232 investigation must conclude, as the Department has in the past, that imports from Canada are not detrimental to U.S. national security interests, but in fact support it.

Canada's specific importance to the national security of both the United States and Canada is most evident in the support of the electrical grid in both countries. The Canadian/US electrical grid is one of the most interdependent systems in the world. Sharing both generation capacity and operation of the grid is critical to both countries. CPI is an important supplier to both countries' electrical systems. The strong and necessary supply chain that CPI has created with US and Canadian electrical manufacturers is regularly tested during national disasters, where the need to quickly recover is critical. Hurricanes and tornados can, and have, done significant damage to the US electrical grid. With these natural disasters, urgent and immediate recovery programs are required. Although by no means the dominant player in this market, CPI is critical to those efforts. CPI is part of the supply chain for distribution transformers to utilities, enabling them to quickly recover the electrical supply to affected areas. During those periods, rapid response is essential, and the entire supply chain is often called upon to move within hours. As a critical part of both the regular supply chain for transformers, and particularly during storm recovery periods, it is important that critical supply chains like CPI are not adversely impacted by this investigation and any measures that may be imposed. This will not serve the US public

¹ In the Department's finding of no threat to U.S. national security in Iron Ore and Semi-finished Steel (2001), the Department specifically concluded that imports from Canada were considered supply from a safe and reliable source on the basis of shared membership in NATO and in NAFTA, and in light of the fact that both countries are significant trading partners.

interest, nor will it strengthen the national security. As a simple example, after Hurricane Matthew subsided in 2016, CPI supplied thousands of GOES steel cores to several US clients within five days. Although there was a relatively modest storm impact from Hurricane Matthew, CPI was able to fill these needs which were supplemental to, not in place of, the demands being placed on AK Steel at that time. CPI could meet these needs because we have storm demand requirements imposed on us by several of our US clients that are well above these levels. A similar but larger response was required for larger storms like Hurricane Sandy, and today it is essential that the supply chain have capacity and capability to meet the needs and response of these types of storms immediately. A shortage of capacity of either raw material or component production could be life threatening.

There are industry concerns that AK Steel does not have sufficient capacity to fulfill all the requirements of electrical steel demand during normal periods and is highly unlikely to be able to meet the demands if a large storm requirement were to hit, such as another Super Storm Sandy. Clearly, it is in the national security interest to have another safe and reliable partner to satisfy those needs and concerns. It is probably for these reasons that Mr. Roger Newport, CEO of AK Steels testified in your public hearing on May 24th, 2017 that they were not against imports, and were not after measures eliminating imports; but managed, reliable and respectful imports. CPI has been this reliable, safe, and respectful supplier to the US of NAFTA designated products for over thirty years. It is in the US national security interests that we remain so.

US Defense Supplier

Cogent Power also is an important supplier to the US Defense industry as a tier 2 supplier. CPI has 8-10 US transformer and motor OEMs that have contracts to supply critical electrical devices to US military and naval applications. These are typically highly specialized devices that are more complex and critical than industrial or utility transformers or motors. Clients like [redacted]; [redacted]; [redacted]; [redacted], amongst others, rely on CPI to supply them critical materials and components for their machinery. They do so because in most instances the US industry has refused to provide them with the same materials and service that they need and get from CPI.

Value to US Clients

CPI has developed strong strategic relationships with a number of US OEMs that rely heavily on a strong, reliable and efficient supply chain; in-depth electrical steel materials and application engineering capacity; and the ability to guide and advise US clients on transformer, motor and generator engineering and designs. This vital strategic role is valued by US companies, enabling them to focus their resources on efficient assembly and design directed towards the needs of utility, military and industrial clients. OEMs rely on CPI to provide high quality and cost effective material and component solutions, from highly reliable suppliers in strategic economic and security partners/regions.

Over the past fifteen years CPI has provided an increasingly valued service to these US OEMs, as they have sought components from CPI owing to the specific capabilities of our company. For example, we routinely provide product in smaller lot sizes that are below the minimum order requirements imposed by the US industry, and do so within a few days of ordering. We are also willing to guarantee continued supply of product meeting the specifications mandated by our customers as a result of the critical applications in which their products are being used. This enables our customers to avoid costly re-certifications or redesigns because specific materials, like coatings, specific magnetic performance, or tight physical tolerances have been changed by the supplier – or made unavailable for a period. Customers turned to CPI because US producers were unwilling to give them these product and service performance guarantees. As a result, CPI has become an integral part of the US manufacturing supply chain to produce power and distribution transformers, and now serves more than 75 US based companies – from small family run OEMs to large multinationals. In most cases, as noted above, we provide both products and services that US firms refuse to, or cannot supply with the level of performance, capacity or reliability needed. As well, many of these clients have been supplied by CPI for more than 5-10 years in long term, strategic, supply relationships; that are critical to their ongoing existence and, with that, their continued ability to service this industry.

Interdependent Two-Way US Supply Chain

Over the past ten years our largest purchases of GOES raw material has been sourced from the USA. As such, we have created a two-way trade flow that has created significant value for both the US transformer OEMs, and the US steel suppliers. In 2016 alone, CPI's purchases from US sources exceeded \$50M.

Disruption of this large and important two-way trade flow from CPI would be devastating to US owned and operated manufacturers, and limit and potentially disable their ability to gain access to the GOES/NOES materials and components required to meet their design requirements.

Canada and the UK Are Safe and Reliable Sources for Electrical Steels and Do Not Threaten the US National Security Interests

In 2016, as noted above, CPI's largest sources of GOES supply were from the United States. CPI's sister company Cogent-Orb Electrical Steels (OES), of Newport, SW United Kingdom was the second largest supplier by volume to CPI. US clients value the internal and interdependent supply of GOES from our UK GOES steel mill operations, and look for it as an important and reliable alternative and supplement to domestic US GOES sources. Sales from CPI to US clients of UK-based GOES are typically reported with the highest import value on the official US government import statistics and are of a volume that is supplemental, not disruptive, to US domestic GOES markets and supplies. CPI and OES do not sell on the spot markets in the USA, and do not put materials into the USA in low prices. UK-based GOES is primarily supplied to strategic clients, who buy under long term supply agreements. This reliable and respectful position of import supply into the US market was demonstrated in 2013, when the US GOES anti-dumping complaint, filed by AK Steel and others in the US industry, did not include UK-based supply, even though GOES from the UK was regularly supplied to US clients.

Given the strategic relationship between Canada and the UK with the USA – as evidenced by numerous economic, national security and defense agreements – it is our strong belief and recommendation that CPI's imports support, not threaten, the national security interests of the United States. This deep interdependent and reliant security relationship is no better illustrated than by the trust that exists with the US officials in the Five Eyes agreement. US national security, and the reliability and efficiency of the US electrical grid, and the supply chain for strategic equipment (electric transformers, motors and generators) are best served and achieved through strategic allies like Canada and the United Kingdom. CPI and OES have been trusted suppliers and partners of the US electrical equipment manufacturing network and electrical grid for decades, and as such we believe it is critically important that our position be maintained as it is today, which will strengthen, not hurt the US domestic GOES mill.

This important, interdependent relationship was echoed in the testimony of Mr. Leo W. Gerard, International President of the United Steelworkers Union, when he asked the Department to exclude Canada from any Section 232 remedies on the strength of these extensive and significant relationships. He characterized the Canadian steel industry as a part of the US steel industry because of these shared relationships (NATO and Five Eyes) and given the extensive trade in steel between the two countries that has resulted in a trade surplus for the United States.

Support for Action

We believe that the investigation needs to respect and exclude from any measures for those long term and trusted partners who have helped build the current US electrical supply chain and infrastructure – like CPI and OES. The continued viability of CPI and the supply chain that it provides and supports is just as important to the security of the US electrical grid as it is to Canada, given the strong connection that CPI has for over 75 US OEMs.

In summary, I would first like to thank you for permitting us to contribute our views and feedback as part of this investigation. We share and wish for the same reliable and secure status for our two countries national security and economic prosperity. We do believe that we are a safe, reliable and responsible importer of products to the USA, be they from NAFTA component parts or GOES from the United Kingdom, and that the USA electrical grid, supply chain and national security are best served by allowing us to continue to provide the products and services that we do today. Our clients will tell you the same thing, and I do believe many of them have chosen to participate in this investigation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ron Harper', with a stylized flourish at the end.

Ron Harper
President, Cogent Power Inc.
Burlington, ON Canada