Coalition for Sustainable Cement Manufacturing & Environment
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September 19, 2016

Ms. Mary Nichols
Chairman
California Air Resources Board
1001 "I" Street
Post Office Box 2815
Sacramento, California 95812

Subject: **Comments on Draft Regulation and Initial Statement of Reasons**

Dear Ms. Nichols:

The Coalition for Sustainable Cement Manufacturing and Environment ("CSCME"), a coalition of all five cement manufacturers in California,[1] provides these comments on the California Air Resources Board's ("CARB's") Draft Regulation and Initial Statement of Reasons ("ISOR") released on August 2, 2016.

Under AB 32, CARB is required to design and implement its cap-and-trade program to limit greenhouse gas ("GHG") emissions in a manner that minimizes emissions leakage.[2] CARB's primary means for minimizing leakage in the manufacturing sector is the allocation of allowances to at-risk industries. In its ISOR, CARB confirmed that it will "[c]ontinue to prevent emissions leakage in the most cost-effective manner through appropriate allowance allocation for the post-2020 program."[3] CSCME strongly supports the continuation of the allowance allocation program as an essential ingredient for promoting the long-term success of California's efforts to address global climate change.

However, for the reasons set forth in the following sections, CSCME opposes CARB's proposed approach to revising assistance factors for the post-2020 period. As a threshold matter, CARB's methodology cannot be adequately assessed and understood due to a combination of factors, including the fundamental lack of transparency associated with the underlying studies, the complexity of the empirical methods used, and CARB's failure to disclose data that is the proposed basis for regulation (e.g., the international market transfer rate). Nevertheless, based solely on the limited information provided to date, we have serious concerns regarding the proposed approach, and we strongly recommend that CARB reevaluate the appropriate path forward. We welcome the opportunity to work closely with CARB in order to resolve our concerns and develop an allowance allocation framework for ensuring that the post-2020 framework minimizes the risk of leakage to the California cement industry.

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[1] The Coalition includes CalPortland Company, Cemex, Inc., Lehigh Southwest Cement Company, Mitsubishi Cement Corporation, and National Cement Company of California Inc. There are ten cement plants located in California, eight of which are currently operating.

[2] AB32, Section 38562(b)(8).

[3] ISOR at ES-5.

I. THE IMPORTANCE OF MINIMIZING LEAKAGE THROUGH ALLOWANCE ALLOCATIONS

Leakage can have diverse, profound, and potentially irreversible consequences for the economic viability of entire industries, for the environmental integrity of the cap-and-trade program, and for the long-term political durability of AB 32. Accordingly, it is imperative that CARB develop an allowance allocation framework that effectively and efficiently minimizes leakage, particularly in high-risk industries.

The imperative to minimize leakage is illustrated and underscored by certain key findings in the recently released leakage studies, which were commissioned by CARB and now serve as the centerpiece of its proposed approach. For example, the domestic leakage study suggests that the average California industry will experience an 11% decline in output if forced to fully absorb a $22.62 carbon price.[4] Under a similar carbon price assumption, the international leakage study suggests that the average industry would experience an 18% decline in output.[5]

These projections are alarming by almost any measure. Consistent with CARB's view that the domestic and international leakage estimates can be applied in an additive fashion, the studies effectively imply that a $22.62 carbon price will result in a 29% output decline for the average California industry in the absence of allowance allocations.[6] To put this result into perspective, U.S. industrial production tends to fall by roughly 5% per year during a "typical" recession and declined by as much as 18% per year during the Great Recession of 2008-09 (see Figure 1). Simply put, the results of the leakage studies predict that, absent high levels of leakage assistance across most industries, the cap-and-trade program could push California into an industrial recession on an unprecedented scale.

These projections are even more alarming for industries that are at a high risk of leakage, such as cement (see Box 1). For instance, the international leakage study estimates that, under a carbon price of $10 per metric ton, the California cement industry's output will decline by 72% — a decline far greater than that experienced during the bursting of the housing bubble and the onset of the deep recession in the mid-2000s.[7]

In addition to highlighting the importance of minimizing leakage through allowance allocations, the general thrust of the studies creates a dilemma for CARB. On the one hand, CARB has indicated that it intends to reduce allowance allocations for the industrial sector in the post-2020 timeframe. On the

[4] Gray, Wayne et al., Resources for the Future, "Employment and Output Leakage under California's Cap-and-Trade Program" (May 2016), Table A1.

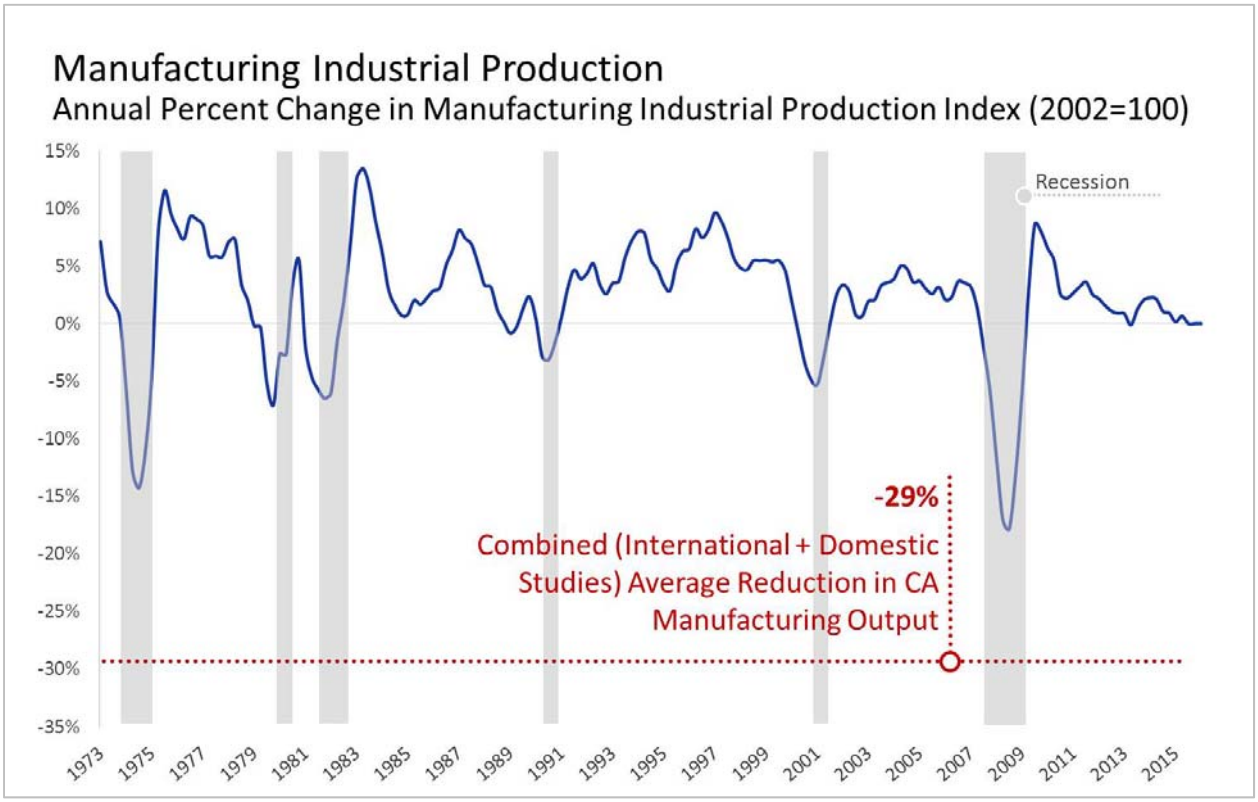
[5] The international leakage study estimates industries' output response to a carbon price of $10 per metric ton, while the domestic leakage study estimates the output response under a carbon price of $22.62 per metric ton. We have adjusted the results of the international leakage study to allow an "apples-to-apples" comparison and to simulate the effects of a more realistic carbon price in the post-2020 timeframe. Specifically, the median output decline for each industry under a $10 carbon price (see Table 10) was multiplied by a factor of 2.62 ($22.62 / $10.00), resulting in an average output decline of 18% across all industries. This adjustment assumes that there is an inverse linear relationship between the change in an industry's output and the magnitude of the carbon price, which is consistent with the assumptions used in the leakage studies.

[6] These results are even more alarming given that they do not include the impact of process emissions and they are based on a carbon price assumption of $22.62, which is consistent with the expected "price floor" post-2020.

[7] Fowlie, M.L. et al., "Measuring Leakage Risk" (May 2016), ("International Leakage Study"), Table 11.

other hand, the results of the studies suggest that anything short of ample allowance allocations will result in a swift and severe recession in the manufacturing sector, and potentially the demise of high-risk industries, such as cement.

Figure 1. Historical Manufacturing Industrial Production



BOX 1. LEAKAGE RISK FACTORS IN THE CALIFORNIA CEMENT INDUSTRY: A PRIMER

As described in its March 2016 comment letter to CARB, the California cement industry is at an extreme risk of leakage in both absolute and relative terms.[8] CARB has recognized the cement industry's extreme risk of leakage in at least two critical respects. First, CARB classified cement in the "high leakage risk" category for the purpose of allocating allowances during the first three compliance periods. Second, CARB directed its staff to consider a border adjustment measure ("BAM") for cement to address the additional risk of leakage associated with the existing allowance allocation approach.[9]

The cement industry's extreme leakage risk is based on a confluence of risk factors, including but not limited to:

- An extraordinarily high exposure to the compliance costs associated with a cap-and-trade program due to the industry's high emissions intensity. In fact, according to CARB's analysis that was used to support the current allowance allocation framework, the cement industry has a GHG intensity that is more than three times greater than that of the next most emissions-intensive industry.
- An exceptionally low ability to reduce its GHG intensity primarily because more than half of the industry's GHG footprint is associated with process emissions, but also because existing plants already utilize the most advanced and energy efficient production technology and are constrained in their ability to substitute lower carbon fuels in the future due to market, technical, and regulatory barriers.
- A severely limited ability to pass through realized compliance costs to consumers without suffering a loss of market share or profitability due to the fact that cement is a commodity that competes almost exclusively on the basis of price; cement is a fungible product that is highly substitutable with imported supply; the California cement industry is a highly contestable market that is logistically and economically accessible to competitors throughout the Asia Pacific region; and the global cement industry is capital-intensive by nature and currently plagued by overcapacity, which gives international competitors both structural and cyclical motives to aggressively exploit the cost advantages that could materialize under the California cap-and-trade program.

This risk threatens to offset reductions of GHG emissions in the California cement industry with increases in GHG emissions outside of the state – thereby frustrating and undermining CARB's ability to achieve California's climate change objectives.

[8] *See* CSCME, "Comments Related to the Risk of Leakage in the Cement Sector" and Appendix, March 10, 2016, attached to CSCME, "Comments on May 18, 2016 Public Workshop on Emissions Leakage Potential Studies," June 10, 2016, at **Attachment 1**.

[9] CARB Resolution 10-42, December 16, 2010. Unfortunately, CARB has not developed a BAM to address the increasing risk of leakage to the California cement industry and is now proposing fundamental changes to the allowance allocation framework.

II. GUIDING PRINCIPLES FOR ALLOWANCE ALLOCATION

Given its importance to the sustainability of California's cement industry and California's overall climate change program, CARB's allowance allocation framework must be designed in a careful, deliberate, and thoughtful fashion. CSCME believes that any allowance allocation framework to minimize leakage must uphold at least eight fundamental principles:

- **Transparency**: The framework should be based on verifiable data and methods so that stakeholders can confirm the accuracy of inputs and calculations.
- **Accountability**: The framework should, at a minimum, be based on data and analysis that can be fully verified and vetted by CARB so that the agency is accountable for its regulatory responsibilities.
- **Accessibility**: The framework should be as simple as possible and avoid unnecessary complexity so that stakeholders understand the basis on which they are being regulated.
- **Compatibility**: The framework should be easily adaptable by and integrated into other cap-and-trade programs so that CARB successfully achieves its goal of creating a broader, deeper, and more integrated carbon market.
- **Applicability**: The framework should allocate allowances in a manner that recognizes the applicable characteristics of individual industries.
- **Equity**: The framework should allocate allowances to industries according to relative leakage risk.
- **Predictability**: The framework should reduce policy uncertainty so that investors have clear "rules of the road" and can make long-term investments with confidence.
- **Durability**: The framework should be defensible against legal challenges and sustainable across multiple political and policy cycles.

CSCME believes that CARB's proposed approach, as described in Appendix E of the ISOR, is inconsistent with all of these principles. Specifically, as demonstrated in the following sections, the approach:

- Relies on opaque data sources and inadequate oversight controls that violate basic principles of good governance, especially transparency and accountability.
- Embraces unnecessarily complex methods that render it inaccessible to the vast majority of stakeholders and virtually ensures that it will be incompatible with other cap-and-trade programs.
- Fails to adequately recognize the applicable characteristics of certain industries, including cement, and, therefore, is unlikely to result in allocating allowances in proportion to leakage risk.
- Reflects a rulemaking process that is likely to generate additional policy uncertainty and create legal and political vulnerabilities that will threaten the long-term viability of the allowance allocation system, the cap-and-trade program, and California's overall efforts to reduce GHG emissions.

III. PROCESS CONSIDERATIONS

Although the majority of these comments focus on the technical aspects of the ISOR, CSCME has serious concerns about the regulatory rulemaking process itself, including the timing, the scope, and the sequencing of the process.

3.1 Concerns About the Timing of the Rulemaking Process

Given the importance of the allowance allocation framework to the economic viability of industries, the integrity of the cap-and-trade program, and the durability of the state's overall approach to reducing GHG emissions, CARB should ensure that all parties have sufficient time and information available to provide meaningful input into the rulemaking process.

Accordingly, CSCME strongly supports CARB's decision not to implement any revised assistance factors ("AFs") for the third compliance period. This delay in implementation provides an opportunity for CARB to continue discussions regarding the allocation framework so that stakeholders have more time to review the leakage studies, reproduce relevant calculations, assess the studies' limitations, and consider the advantages and disadvantages of alternative approaches to measuring leakage risk. This additional time is particularly important given that CARB has not released critical information necessary for stakeholders to assess the proposed regulatory framework, including but not limited to the international market transfer rates estimated in the international leakage study and emissions intensity data.[10]

Despite the fact that revised AFs will not be implemented during the third compliance period, CARB appears to suggest in the ISOR that the revised AFs may be proposed as part of a 15-day rulemaking in advance of consideration of the proposed regulatory amendments at the Board meeting in Spring 2017. Given the complexity of the proposed methodology, the significant impact of any change on California industries, and the failure to release key data, a 15-day rulemaking is an inadequate amount of time for stakeholders to understand how the methodology will translate into the actual AFs that will apply to industries and provide CARB with substantive comments. CARB's decision not to implement revised AFs during the third compliance period eliminates the need for a compressed 15-day process and creates an opportunity to adopt a more deliberate process that would provide stakeholders with more time to review and provide meaningful comments on the revised AFs. CSCME encourages CARB to take full advantage of this opportunity.

3.2 Concerns About the Scope of the Rulemaking Process

CARB also confirmed that the current regulatory package does not include proposed revisions to other variables in the allowance allocation equation. As CARB is aware, the allocation of allowances to industries is a function of an equation that includes the assistance factor, applicable industry

[10] In its June 10, 2016 Comments on the Public Workshop on Emissions Leakage Potential Studies and in discussions with CARB, CSCME expressed significant concerns and requested additional data relating to the international market transfer rate and other data necessary to fully understand the leakage studies and the implications for the cement industry. *See* **Attachment 1**. On September 14, 2016, CSCME filed a request for information from CARB under the California Public Records Act. *See* **Attachment 2**. Thus far, CARB has not provided any data or information in response to these requests.

benchmarks, and the cap adjustment factor. Changes to any of these variables will affect the overall allocation of allowances to industries. In the absence of transparency regarding changes to all three of the allowance allocation variables, stakeholders will be unable to determine the overall level of assistance provided to each industry and, therefore, provide meaningful comments about the extent to which the allowance allocation framework is likely to minimize the risk of leakage.

Although CARB confirmed that it will not propose changes to industry benchmarks for the third compliance period (other than those already specified),[11] it also indicated that all benchmarks would need to be changed in order to allocate allowances for purchased electricity and that such changes would be part of separate regulatory package.[12] In addition, CARB stated that it may be proposing cap adjustment factors for the post-2020 period as part of a 15-day comment period.[13]

Given that the new allowance allocation framework will not be implemented until after 2020, CSCME urges CARB to undertake a separate regulatory rulemaking covering the entire allowance allocation framework, including any proposals relating to all three variables in the allowance allocation equation.

3.3 Concerns About the Sequencing of the Rulemaking Process

CARB has indicated that the 2030 Target Draft Scoping Plan will be considered by the Board in early 2017.[14] According to CARB, the Plan will "serve as the framework to define the State's climate change priorities for the next 15 years and beyond" and "chart the path to achieving the 2030 target and describe the potential role of a post-2020 Cap-and-Trade Program."[15]

In the absence of guidance provided by the Scoping Plan and its associated analysis, any regulatory development for the post-2020 program is premature. By engaging in a highly complex and piecemeal regulatory process, CARB is not sending a clear "investment signal"[16] but rather is making a presumption about the scope and methodology under the post-2020 framework, which is creating more uncertainty rather than less.

Accordingly, CSCME urges CARB to present a new regulatory package after the adoption of the final 2030 Target Scoping Plan that addresses all elements of the post-2020 allowance allocation framework as well as other aspects of the cap-and-trade program that must work together to satisfy the requirement under AB32 to minimize leakage.

[11] ISOR at 32.

[12] ISOR at 33.

[13] ISOR at 30.

[14] ISOR at E-2.

[15] ISOR at E-2.

[16] ISOR at E-2.

IV. CROSS-CUTTING OBSERVATIONS ABOUT CARB'S PROPOSED APPROACH

4.1 CARB's Proposed Approach Lacks Transparency & Accountability

CARB's proposed approach relies almost exclusively on the results of the leakage studies, which were conducted using confidential data from the U.S. Census Bureau that cannot be accessed, inspected, or verified by anyone other than the authors. Although this may be an acceptable practice for intellectual and academic pursuits, it is an inherently flawed basis for crafting public policies that can have profound consequences on manufacturing facilities, their employees, and the communities that they support.

The fundamental flaws of this approach are apparent in at least two respects.

- Given the confidential nature of the data, the regulated community has no ability to verify the accuracy of the underlying data, the analytical methods used, or the results. Consequently, CARB's proposed approach to addressing leakage rests in a "regulatory black box" that, by design, lacks transparency and effectively denies the regulated community any possibility of due process.
- Given that CARB has indicated that even its own staff does not have access to all of the data, the regulatory authority itself has no ability to verify the accuracy of the data, methods, or results. In short, CARB has abdicated its regulatory responsibilities and effectively outsourced them to unaccountable third parties.

Although CSCME has many other concerns, as outlined below, we believe that the lack of transparency and accountability are fatal flaws that make CARB's proposed approach unsuitable for formulating policy and that place it on inherently unstable regulatory, legal, and policy grounds.

4.2 CARB's Proposed Approach Relies on Studies that are Conceptually Flawed

In the simplest of terms, both the domestic and international leakage studies undertake a two-step process: (1) analyze historical data to estimate the relationship between energy prices and key outcomes for individual industries and (2) simulate the effect of a given carbon price on individual industries assuming that the historical relationships remain unchanged. In short, they attempt to "analyze by analogy." However, for a variety of reasons, the analogy is unlikely to hold true in practice, particularly for the cement industry. Specifically,

- **The past is unlikely to be a reliable predictor of the future.** The economic circumstances during the studies' timeframes (1997-2012) encompass the bursting of an unprecedented housing bubble, the sudden onset of a global financial crisis, and one of the most severe recessions in U.S. history. Since the end of the recession, the U.S. economy has been locked in a so-called "new normal" that includes a slow and sluggish economic recovery, ultra-low interest rates, an unusually strong dollar, and historic levels of overcapacity in key commodities, including cement, aluminum, steel, and petroleum. Simply put, the conditions of competition have radically changed. As a result, even if the economic relationships during the 1997-2012 timeframe could be accurately estimated, they are unlikely to be bear any resemblance to today, much less 2021 and beyond.

- **Positive cost shocks are not equivalent to negative cost shocks.** An industry's response to a positive energy cost shock (e.g., a decline in natural gas prices) is likely to be different than its response to a negative energy cost shock (e.g., an increase in carbon prices).[17]

- **Gradual cost shocks are not equivalent to sudden cost shocks.** An industry's response to energy prices that have gradually evolved over many years is likely to be different than its response to a sudden and severe cost increase that would occur for industries that experience a significant reduction in their leakage assistance.

- **Transitory cost shocks are not equivalent to permanent cost shocks.** An industry's response to a potentially temporary cost shock (i.e., a market-driven cost decrease in natural gas prices) is likely to be different than the response to an unambiguously permanent cost shock (i.e., a policy-driven cost increase via carbon pricing).

- **Private cost shocks are not equivalent to public cost shocks.** A competitor's response to a relatively private cost shock, such as small and highly uncertain changes in a California producer's energy cost structure, are likely to be different than the response to a very public cost shock, such as a large and highly certain increase in carbon costs. Put differently, a highly visible, policy-induced carbon price shock will more clearly signal an opportunity for out-of-state producers that can logistically and economically access the California market.

4.3 CARB's Proposed Approach is Not Relevant to the Cement Industry

Despite CARB's assertions that its revised methodology "more precisely" measures an industry's leakage risk, there are several reasons to believe that its estimates of leakage risk for the cement industry are "precisely" wrong. Both studies fail to take critical features of the California cement industry into account in their analysis, which raises serious questions about their ability to more accurately assess leakage risk in the cement industry.

- **Neither study formally considers the impact of process emissions.** Process emissions constitute the majority of GHG emissions in the cement industry, and neither study considers the impact of process emissions in their formal modeling work. As a result, the modeling results will understate the impact of a given carbon price on the cement industry by at least half, and perhaps more if impacts are found to be non-linear at much higher values.

- **Neither study accurately captures the cement industry's energy costs.** Coal constitutes the vast majority of energy consumed in the California cement industry, and electricity and natural gas comprise only a small share of the industry's cost structure. Nevertheless, both studies focus on the impact of electricity and natural gas prices, and there is no indication that they include or otherwise control for variation in coal prices or the impacts of the use of alternative or biogenic fuels in their models. As a result, the modeling results are unlikely to accurately estimate the impact of a given carbon price on the cement industry.

[17] For example, see Engemann, Kristie et al. (2012) at 1, which notes that there is "general acceptance that oil price shocks are directionally asymmetric: large positive oil-price shocks matter, but negative ones do not."

- **Neither study accurately captures the potential for inter-industry leakage.** In addition to imported cement, California cement producers compete for market share against other construction materials, including asphalt, glass, steel, and lumber. Although both studies attempt to assess the potential for intra-industry leakage (e.g., shifts in production from California cement producers to non-California cement producers), neither seems to consider or evaluate the potential for inter-industry leakage (e.g., shifts in production from California cement producers to non-California producers of cement substitutes). To the extent that a carbon price results in a shift in market share toward substitute products that are manufactured outside the state and transported to California for consumption, the modeling results are likely to understate the impact of a given carbon price on the cement industry.
- **The international leakage study does not accurately capture the conditions of competition in the California cement industry.** The international leakage study is effectively an analysis of industries at the national level, yet the national cement industry and the California cement industry are fundamentally different in important respects. As evidenced by more than two decades of U.S. International Trade Commission rulings, the California cement industry is a distinct regional market that operates in a competitive environment that is fundamentally different than cement industries in other U.S. regions or in the United States as a whole. Unlike inland states, the California market is logistically and economically accessible by seaborne vessels from virtually every port in the Asia Pacific region, which amplifies the mere threat of imports and forces domestic producers to proactively suppress prices, profits, and investment to maintain market share and achieve the high utilization rates needed in a capital-intensive industry. On the other hand, the California cement industry exports very little cement due to structural, geographic, and political barriers. As a result, the international leakage study's inherently national approach is unlikely to accurately simulate the impact of a given carbon price on the California cement industry.

4.4 CARB's Proposed Approach Represents a Misapplication of the Leakage Study Results

CARB's proposed approach not only assumes the conceptual, analytical, and practical flaws of the underlying leakage studies, but also amplifies and compounds them by misapplying the results of the studies to generate a single estimate of an industry's leakage risk.

First, CARB proposes to apply the studies in a manner that ignores the explicit warnings of the authors themselves. For instance, CARB proposes to use estimates of the so-called "International Transfer Rate" as a key factor in determining each industry's leakage risk, despite a series of clear statements by the authors that indicate that this is an inappropriate application of the results, including but not limited to:

> "The natural next step…is to translate these responsiveness measures to corresponding measures of market transfer and associated emissions leakage. However, pushing on to this next step amounts to pushing up against the limits of available data." [emphasis added]
>
> "A ratio of noisy numbers can be very noisy; our industry-specific estimates of market transfer rates are sensitive to changes in how the underlying estimating equations are specified." [emphasis added]

> "Given the noisiness of these estimates, we cannot estimate the transfer rate for any given industry with any degree of confidence." [emphasis added]

By making the international market transfer rate a key element of its proposed approach and introducing "alternative" regressions that are themselves based on the same study estimates, CARB effectively ignores the authors' warnings and ensures that these admittedly "noisy" estimates will be applied to every given industry with every degree of confidence.

Second, CARB's proposed approach attempts to combine two measures that are "apples and oranges." This challenge arises because of CARB's choice to evaluate "domestic leakage" and "international leakage" independently of each other, despite the fact that their impacts are highly interrelated as a practical matter and their distinction is largely irrelevant as a policy matter. Nevertheless, due to the "two study" methodology, CARB is left with the difficult task of transforming the results from one study so that they are comparable to the other study.

CARB attempts to resolve this issue by transforming the results of the domestic leakage study so that they are comparable to the results of the international leakage study, though it fails to execute this task on multiple fronts. For instance:

- CARB's proposed approach does not appear to account for the fact that the international leakage study assumes a $10 carbon price while the domestic study assumes $24.88.[18]
- CARB's proposed approach appears to apply the international market transfer rate, which is a per unit measure, to calculate leakage risk without taking into account the size of the output drop (e.g., a 50% transfer of a 50% output drop will result in significantly more leakage than a 50% transfer of a 10% output drop).
- CARB's proposed methodology calls for imposing a "cutoff domestic drop" for the domestic leakage estimates in an apparent attempt to simulate the effect of the international market transfer rate on the international leakage estimates, despite the fact that it has no sound analytical basis for estimating an appropriate cutoff for any given industry.

This attempt to artificially adjust the results of one study to be comparable to the results of another study results in a methodology that is overwrought with arbitrary choices and overburdened by unnecessary complexity.

[18] In the ISOR at E-12 CARB states that "The domestic study simulated increased electricity and natural gas prices for a marginal compliance cost of $24.88 per $MTCO_2e$ in 2016 dollars…" However, the domestic leakage study's authors state that their analysis assumes a $22.62 carbon price (see Table A-1, p 51). We are unable to explain the discrepancy between CARB's reported price assumption and the price assumption documented in the domestic leakage study.

4.5 CARB's Proposed Approach is Not "Inherently Conservative"

CARB repeatedly asserts in the ISOR that its proposed approach results in "inherently conservative" assessments of leakage risk.[19] For instance, CARB asserts that its proposed approach makes "conservative assumptions" and uses a "conservative approach to translate the study findings into revised AFs" resulting in "maximum possible potential emissions leakage risk levels" and "allocation in excess of the amount needed to prevent potential leakage."[20] Despite CARB's assertions, its proposed approach is not inherently conservative. Although CARB goes to great lengths in the ISOR to highlight aspects of the analysis that are likely to overestimate leakage risk, it makes no discernable effort to balance this with a discussion of a number of aspects that are likely to underestimate leakage risk.

First, given that the studies estimate economic leakage (as opposed to emissions leakage), CARB is implicitly assuming that the GHG footprint of imported products is identical to the GHG footprint of products produced in California. However, this implicit assumption is unlikely to be true for at least three reasons:

- The California industrial sector is already highly energy efficient, which means that (on average) California goods are likely to have a lower direct GHG footprint than imported goods.

- The California grid is one of the most GHG efficient in the world, which means that (on average) California goods are likely to have a lower indirect GHG footprint than imported goods.

- Many imported goods are shipped to the California market from distant locations, which increases their GHG footprint relative to those produced inside the state.

Simply put, there are multiple reasons to believe that (on balance) the total GHG footprint of an imported good is likely to be greater than if that good was produced inside the state. To the extent true, CARB's implicit assumption of identical GHG footprints would place a downward bias on the results.

Second, CARB's proposed approach is based on results from studies with inherently un-conservative, unrealistic allowance price assumptions. Specifically, the international leakage study assumes a $10 per metric ton carbon price, which is unrealistic given that the allowance price floor was set at $10 in 2012. On the other hand, the domestic leakage study assumes an allowance price of $22.62 per metric ton, which is a slight improvement from $10 but is likely to be below the price floor by 2025.[21] The assumption of an allowance price that is likely to be below the future price floor faced by regulated industries is fundamentally inconsistent with a conservative approach to estimating leakage risk or determining allowance allocations.

[19] ISOR at E-8.

[20] ISOR at E-6.

[21] This assumes a 5% per year adjustment to the price floor, plus 2% average annual inflation.

Third, CARB's adoption of the international market transfer rates, which only reflect imports and exports of the same product, essentially assumes that there is no inter-industry leakage (e.g., a shift in market share to imports of substitute products). To the extent that an industry competes with other products that serve a similar need, CARB's implicit assumption of no inter-industry leakage would place a downward bias on the results.

Finally, many of CARB's assertions about the conservative nature of the methodology revolve around the assumption that each unit of lost output in a California industry translates into a one-for-one increase in output outside the state. However, CARB proceeds to effectively "unwind" this conservatism by using the international market transfer rate (which attempts to measure the portion of the loss that is transferred internationally) as the foundation of its proposed approach and applying a "cut off" to the domestic drop estimates (which is intended to simulate a similar effect). In fact, given that CARB has ignored the authors warnings about using the international market transfer rate and that it has no objective basis for selecting an appropriate "cut off" for the domestic drop estimates, it is conceivable that CARB could not only fully offset but also potentially invert whatever conservative bias might have been associated with the one-for-one transfer assumption that was initially used in the studies.

In short, CARB's assertions that the proposed approach is conservative cannot be substantiated on the current record. In order to reach such a conclusion, one must conduct a systematic and balanced assessment to identify all of the aspects of the analysis that might bias the results upward or downward, and weigh those factors against each other to determine the most likely direction. There is no evidence in the ISOR that suggests that CARB conducted such an assessment and, given the implicit assumptions and methodological choices noted above, it is possible if not probable that the results for many industries will be biased in the downward direction.

4.6 CARB's Proposed Approach is Unlikely to be Legally or Practically Durable

CARB's process for developing its revised methodology has been neither transparent nor independently verifiable, which is likely to undermine stakeholder confidence in the rulemaking process and erode the durability of CARB's proposed approach across policy and political cycles. Specifically, CARB has proposed to replace its existing metrics (greenhouse gas intensity and trade exposure), which are based on publicly available and verifiable data, with two new metrics ("domestic drop" and international market transfer), which are constructed using data that cannot be publicly accessed and a process that has not yet been replicated or verified. Indeed, by CARB's own admission, the studies that produced these metrics break new ground in existing research, which is all the more reason that regulated industries and independent third parties must be given the time and data necessary to replicate their results and stress test key conclusions according to a range of assumptions and model specifications. Without providing adequate time and applying the appropriate level of analytical rigor and skepticism to verify untested research methods and methodologies, neither CARB nor regulated entities can have confidence in the durability of the revised leakage metrics or the associated assistance levels.

Moreover, in addition to regulating California industries according to a policy framework and metrics that they are unable to fully understand, evaluate, or vet, CARB's revised approach would also lock

industries into a leakage classification system that cannot be updated without commissioning new studies. Such an approach to providing leakage assistance is inherently unstable and bound to generate skepticism among regulated industries, because it precludes the timely integration of new data and information as they become available and because it is subject to the particular assumptions and unique modeling choices of the individual authors and researchers producing the studies.

4.7 CARB's Proposed Approach is Likely to Reduce the Compatibility of the Cap-and-Trade Program

CARB's proposed approach for assessing leakage risk not only threatens the durability of its allowance allocation framework, but it also undermines the ease and extent to which the California cap-and-trade program can be used as a model for other jurisdictions or integrated with similar programs to create a broader, deeper, and more efficient carbon market. CARB's commitment to these goals is clear. According to CARB,

- "the intended outcome of the harmonization and integration [with Quebec] is to enable each Party under its own legislative or regulatory authority to achieve the harmonization of its…regulation for the cap-and-trade program for reducing greenhouse gas emissions and that such regulations will be compatible between the parties;"[22]
- "by successfully linking cap-and-trade programs across jurisdictions and increasing opportunities for emission reductions, this linkage [with Quebec] represents another important step in California's efforts to collaborate with other partners around the globe to address climate change;"[23] and
- "many others throughout the world look to adopt or mimic California's leading policies and build similar markets for clean technologies. California is regarded as a global leader for developing successful policy solutions to deal with pressing environmental problems."[24]

Unfortunately, CARB's proposed approach undermines these goals. Specifically, by relying on leakage studies that use non-transparent data and methodologies, CARB's proposed approach cannot be easily understood or replicated by other jurisdictions. Rather than rely on CARB's approach as a model, other jurisdictions will be forced to adopt their own unique and parochial methods for determining leakage risk, which is likely to result in different treatment for similar industries and create competitive distortions between linked programs.

[22] Agreement between the California Air Resources Board and The Government of Quebec Concerning the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions, p 4.

[23] Climate Change Scoping Plan, ES-4.

[24] Climate Change Scoping Plan, 3.

4.8 CARB's Summary Justification for the Proposed Approach is Unsubstantiated

CARB summarizes its AF development methodology as follows:

> Staff believes that the IMT and DD metrics more precisely identify leakage risk from the Cap-and-Trade Program compared to the previous metrics and provide solid footing for minimizing leakage due to the Program. Basing AFs on historical California, national, and international sector-specific economic decisions that are observable and verifiable is the best approach to quantifying leakage risk. Alternative methods such as simulation-only or computable general equilibrium models may give results that are driven by subjective and opaque formulations of theoretical market behavior. Application of the commissioned, statistically based emissions leakage studies to assign specific AFs would help provide appropriate emissions leakage prevention for each industry in a fair and consistent manner. Staff is proposing to take a conservative approach and would apply the new methodology such that the proposed AF values would be higher than the levels deemed to be necessary to prevent emissions leakage.[25]

As demonstrated in the sections above, CARB' summary justifications are unsubstantiated and appear to be inaccurate based on the information, data, and analysis provided in this rulemaking. For instance,

- Although the new metrics may be "more precise" than the current metrics, the key question is whether they are more accurate. CARB offers no evidence regarding accuracy, which leaves stakeholders to wonder whether the new metrics are precisely right or precisely wrong. The authors of the international leakage study appeared to volunteer an answer when they noted that it is "difficult to estimate leakage potential for *any particular industry* with *any degree of precision*."[26]
- Rather than providing "solid footing", the proposed approach actually places the entire allowance allocation framework on unstable regulatory, legal, and policy grounds by relying exclusively on the results of conceptually flawed studies that lack transparency and applies the results in a way that outsources CARB's regulatory responsibilities to unaccountable third parties.
- CARB's proposed approach is based almost exclusively on the results of studies that utilize confidential data from the U.S. Census Bureau that, by its very nature, are not "observable and verifiable" by stakeholders — including CARB staff. In contrast, the current leakage assessment framework is based on transparent data that can be verified by stakeholders — including CARB staff, regulated entities, and other stakeholders.
- Despite CARB's assertions that its proposed approach is less "opaque" than alternatives, its use of unverifiable data and an unnecessarily complex methodology results in a regulatory "black box" that is literally and figuratively inaccessible to all stakeholders. In contrast, the current leakage assessment methodology applies transparent data in a straightforward fashion to arrive at results

[25] ISOR at 40 (underlining added).

[26] International Leakage Study at 7.

that, according to both CARB staff and the study's authors, are consistent with the results of the studies, suggesting that the current approach arrives at the same general set of conclusions in a more transparent, more accessible, less time consuming, and less resource-intensive manner.

- CARB's proposed application of the study results is, in fact, highly "subjective" in that it is based on a series of vague and unsubstantiated decisions, including an undefined adjustment to account for process emissions and an arbitrary selection of a "cut off" for domestic drop.
- The studies do not provide a "fair and consistent" approach to leakage prevention, as certain factors that are known to be relevant indicators of leakage risk are implicitly or explicitly ignored by the methodology, including the presence of process emissions, differences in the GHG footprint of domestic and imported products, and the potential for inter-industry leakage. Consequently, the studies are unlikely to provide a "fair and consistent" approach when it comes to industries that are subject to those factors.
- Finally, despite CARB's repeated assertions, its proposed approach is simply not "conservative." Although the assumption that output losses are displaced by out-of-state output gains on a one-for-one basis is a conservative assumption, CARB's subsequent use of the international market transfer rate and a domestic drop "cut off" is likely to eliminate whatever conservatism may have existed in the studies, and could actually have the opposite effect. Furthermore, CARB fails to provide a balanced accounting of potential biases and, in doing so, overlooks a number of implicit assumptions that would logically bias the results in a downward direction.

V. DISCUSSION OF SELECT TECHNICAL ISSUES

5.1 Accounting for Process Emissions

As an industry with a process emissions intensity of more than 50%, the cement industry supports CARB's commitment to "[c]ontinue to prevent emissions leakage in the most cost-effective manner through *appropriate* allowance allocation for the post-2020 program,"[27] and would like to emphasize the importance of fully accounting for process emissions in providing "appropriate" allowance allocations. Unfortunately, technical flaws in CARB's proposed approach, and in the studies on which its approach is based, fail to adequately account for process emissions.

For instance, because neither the international market transfer rate nor the domestic drop measure account for process emissions, CARB must make ex-post adjustments when applying the studies' results. In describing those necessary adjustments, CARB states that "for sectors that have…process emissions in addition to energy-related emissions, staff would use an adjustment to the sector's regression IMT"[28] and "for sectors with…process emissions – variables used to calculated the regressed value added and regressed output (i.e., in two of the four DD estimation methodologies) – would be adjusted upward *as appropriate* under the revised methodology."[29] Aside from these general statements about making

[27] ISOR at ES-5 (emphasis added).

[28] ISOR at E-11.

[29] ISOR at E-17 (emphasis added).

upward adjustments "as appropriate", CARB does not provide any detail or propose any specific framework for how it will account for process emissions. In the absence of a more specific and rigorous methodology, the cement industry has no basis for commenting on whether CARB's ex-post adjustments for process emissions will be either appropriate or sufficient to prevent leakage.

For example, CARB does not explain why the adjustment for process emissions would be limited to the regressions and not be made to the underlying study data. Given that the studies' output metrics are used as left-hand variables in CARB's alternative estimate regressions, the methodologically superior approach would be to make the process emissions adjustment beforehand, rather than basing the regressions on flawed measures and making ad-hoc adjustments afterward. In the case of the domestic leakage study, this adjustment would be fairly straightforward: domestic drop estimates increase in a linear fashion with respect to price shocks, and there is no true distinction between fuel emissions and process emissions. As a result, the following formula can be used to scale up the domestic drop measures according to each industry's process emissions intensity:

$$DD_{Adj.} = \frac{DD}{1 - PE_{Ratio}}$$

Where,

DD_{Adj} = The estimated domestic drop, adjusted for process emissions

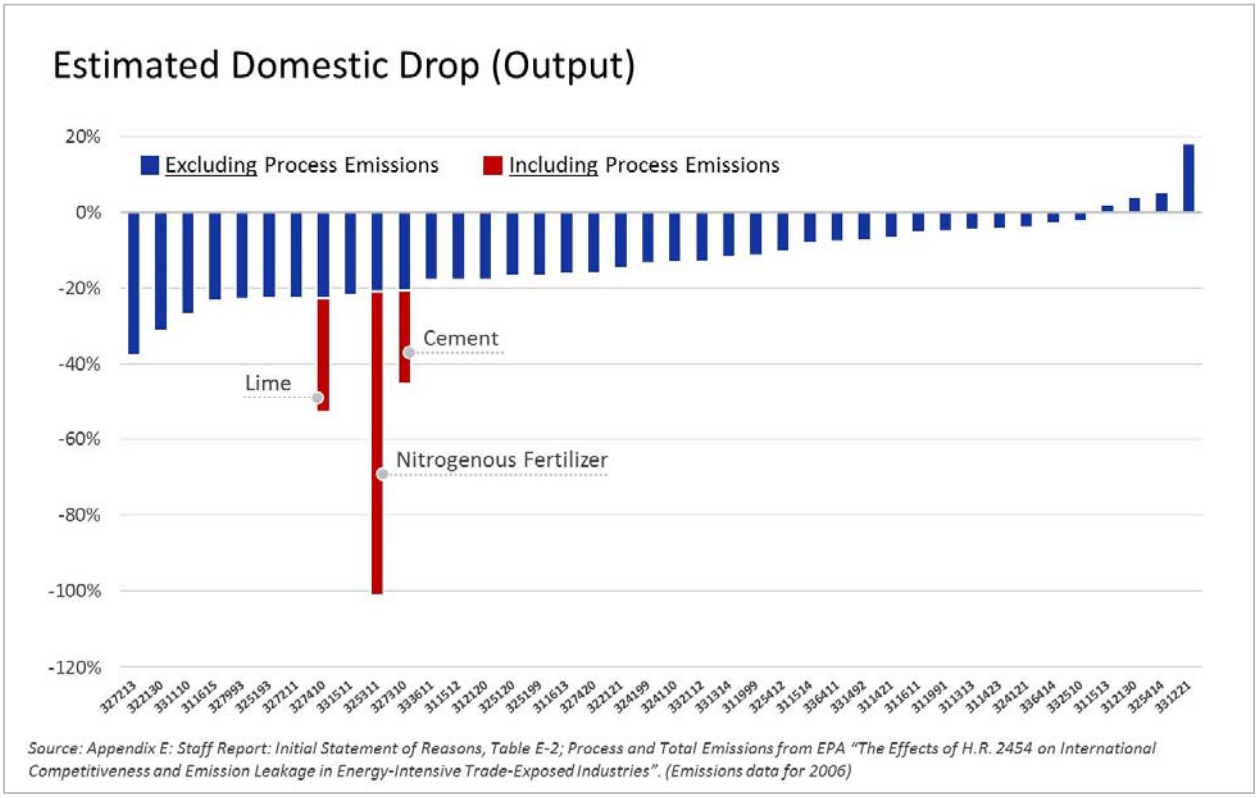
DD = The estimated domestic drop, ignoring process emissions

PE_{Ratio} = The ratio of process emissions to total emissions

As shown in Figure 2, making this adjustment can result in dramatically different estimates of domestic drop for certain industries. For the cement industry, fully accounting for process emissions roughly doubles the estimated domestic drop in output associated with a carbon price.[30]

[30] In a back-of-the-envelope calculation, CSCME used the industry emissions data included in EPA's analysis of the effects of H.R. 2454 (Waxman-Markey) on emissions leakage in energy-intensive trade-exposed industries. CARB could likely improve upon these estimates by using state-level industry data obtained through MRR submissions.

Figure 2. Domestic Drop in Output, Process Emissions versus No Process Emissions



Source: Appendix E: Staff Report: Initial Statement of Reasons, Table E-2; Process and Total Emissions from EPA "The Effects of H.R. 2454 on International Competitiveness and Emission Leakage in Energy-Intensive Trade-Exposed Industries". (Emissions data for 2006)

Regarding the international market transfer rate, CSCME is unable to comment on an appropriate adjustment to account for process emissions, as CARB has yet to make the rates public. Although the study does appear to make a post-hoc adjustment to the output response estimates to account for process emissions in some industries, it does not describe the data or methods used to make these adjustments.[31] Therefore, CSCME is not able evaluate that adjustment process and confirm that it accurately accounts for the impact of process emissions in the cement industry.

5.2 CARB's "Alternative" Estimates via Regression Analysis

Regarding its application of the domestic and international leakage studies, CARB's stated intention is to "ensure industries receive a minimum international [and domestic] AF component relative to key industry characteristics,"[32] as a way of maintaining a "conservative approach" to allowance allocation such that "proposed AF values [will] be higher than the levels deemed to be necessary to prevent emissions leakage."[33] Although CSCME endorses CARB's intent, the approach that CARB has proposed for ensuring that a conservative degree of leakage assistance is provided to all industries contains significant conceptual and technical flaws.

[31] International Leakage Study at Table 11.

[32] ISOR at E-9.

[33] ISOR at 40.

- From a conceptual perspective, CARB's regression approach uses the studies' international market transfer and domestic drop estimates as the left-hand variables, which means that this so-called "alternate" approach is really just a slight variant. Ultimately, the alternative approach is still fundamentally rooted in the results of non-transparent and unverifiable studies, whose assumptions do not apply to the cement industry and, as such, do not do enough to ensure that CARB's revised approach will be either conservative or appropriate.
- From a technical perspective, CARB's inclusion of both emissions intensity and energy intensity as right-hand variables is difficult to justify. Given that emissions intensity is the more directly related metric to emissions leakage, energy intensity should only be used in the absence of reliable emissions intensity data. The inclusion of both metrics, without a clearly stated rationale, suggests that CARB has not carefully thought through the mechanics or logic of its alternate approach.
- From a policy application perspective, CARB's regression approach will effectively result in alternative leakage estimates that reflect the industrial sector in general rather than the specific characteristics of individual industries. As a result, CARB will have spent several years and significant resources on studies that attempt to estimate response rates that are specific to individual industries, only to turn around and calculate "alternative" measures that reflect the average response across all industries.

Ultimately, CARB's proposed approach does not produce true "alternatives" to the results of the leakage studies. Rather, it amounts to a complex and unconstructive attempt to slightly modify the results of the studies based on the average response across the entire industrial sector — thereby unwinding the researchers' efforts to estimate industry-specific impacts.

5.3 Application of the Domestic Drop Cutoff

CARB's decision to base its proposed framework for leakage assistance on two studies that were conducted independently of each other using distinct methodologies introduces several technical and implementation challenges. One of the most significant of these challenges is that, unlike the international leakage study's international market transfer rate, the domestic drop measure does not calculate or assume a "transfer rate" on top of its estimated output response.[34] As a result, CARB cannot simply add the two measures together to create a "complete" leakage estimate for each industry without making an adjustment to one measure or the other.

According to CARB, "because of [the domestic study's] one-for-one assumption, staff cannot simply translate the DD values…into the domestic AF component for each sector in the same way that the IMT values could be translated into the international AF component."[35]

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[34] To be clear, we are not suggesting that the international market transfer rate is an appropriate measure of leakage risk in general or for the cement industry in particular. Indeed, as discussed in prior sections, there are a number of significant conceptual and technical flaws with the measure. Rather, we are merely pointing out that the measures from the two studies are not equivalent and cannot be combined unless one of them is transformed.

[35] ISOR at E-15. It does not appear as though CARB has fully considered that both studies provide estimates of the output effect from a carbon price, which (after adjusting for differences in carbon price assumptions) are directly

CARB's solution to this "apples and oranges" problem is to apply a "cutoff" rate to the domestic study's domestic drop measures. Unfortunately, this post-hoc attempt to convert the domestic drop estimates into "IMT-like" measures is unsupported and misapplied:

- **Lack of Specificity.** First, CARB's description of its methodology for developing the domestic drop cutoff rate lacks specificity and leaves several important methodological questions unanswered. For instance, given the wide variation in market structure, capital-intensity, energy-intensity, and other characteristics across industries, will CARB set different cutoff rates for different industries, or apply a uniform rate? Similarly, if the cutoff rate will be industry-specific, what factors will CARB consider in setting sector-specific cutoff rates? The lack of specifics and transparency regarding this important element of CARB's proposed approach raises significant concerns regarding whether the cutoff concept will treat the California industries fairly and appropriately.

- **Lack of Data.** Not only has CARB failed to specify a methodology for developing the cutoff rate, it has also failed to provide the data that it will use to set the rate. Leaving aside the question of whether the proposed cutoff rate will be uniform or industry-specific, CARB's failure to specify the data that have been or will be used to set the rate leads CSCME to believe that the domestic drop cutoff will be arbitrary rather than based on quantitative evidence and rigorous analysis.

- **Misapplication.** Finally, to the extent that CARB has elaborated on its methodology, its proposed application of the domestic drop cutoff is logically inconsistent with the domestic leakage study's methodology and key results. Specifically, the relationship between the study's domestic drop estimates and the level of leakage assistance provided is clearly linear.[36] However, despite the simple linear relationship presented in the study, CARB appears to apply a "stepwise" approach to determining industries' level of leakage assistance, ratcheting up the assistance level in fixed increments until the cutoff is exceeded.[37] Such an approach is clearly suboptimal relative to selecting the precise level of leakage assistance – to the decimal point – that would maximize the assistance provided relative to the cutoff threshold. In addition, charts in Appendix Figures E-3 and E-4 suggest that each additional increment of leakage assistance does not result in a constant or fixed reduction in an industry's domestic drop. Again, this implication is completely inconsistent with the domestic study's results, which posit a constant, linear relationship between domestic drop and the degree of leakage assistance. This misapplication of the domestic drop measure raises concerns that CARB does not fully consider the study's methodology or key results.

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comparable and provide a stronger basis for integrating the results of the two studies. By using the combined output effects as the basis for its leakage assessment, CARB would avoid the need to make arbitrary adjustments (e.g., selecting a domestic drop cutoff rate) and would apply results that are more likely to result in a truly conservative approach to allowance allocation (via the assumption that output losses are replaced by out-of-state production on a one-for-one basis).

[36] ISOR at E-23, Table E-2.

[37] ISOR at E-9, Figures E-3 and E-4.

VI. RECOMMENDATIONS

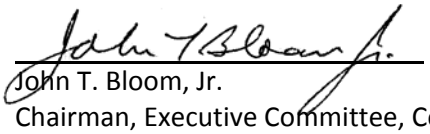
CSCME recommends that CARB reevaluate its proposed approach, including whether to retain its existing framework, to ensure that its post-2020 allowance allocation framework is consistent with the guiding principles outlined above and is effective in minimizing the risk of leakage.

In the context of its proposed approach, we recommend that CARB:

- Revise its regulatory process and timelines so that all stakeholders, including CARB staff, have sufficient opportunity to fully understand the strengths, weaknesses, and limitations of the leakage studies;
- Release the information necessary for stakeholders to assess the data, methods, and results of the studies, including but not limited to data on international market transfer rates estimated by the international leakage study;
- Engage stakeholders in a more robust conversation about measuring leakage risk, including but not limited to additional workshops in which stakeholders may ask substantive technical questions about the studies to CARB staff and the authors of the studies; and
- Consider analytical frameworks that do not rely on the results of the leakage studies as the sole determinative basis for measuring relative leakage risk but, instead, view them as one of several potentially useful data points for a framework that is consistent with the guiding principles outlined above.

CSCME appreciates the opportunity to provide these comments and recommendations, which are intended to provide constructive and detailed input on CARB's Draft Regulation and ISOR. As in the past, CSCME welcomes the opportunity to work with CARB toward successful implementation of AB 32.

Sincerely yours,



John T. Bloom, Jr.
Chairman, Executive Committee, Coalition for Sustainable Cement Manufacturing & Environment
Cemex

cc:

Richard Corey, California Air Resources Board
Rajinder Sahota, California Air Resources Board
Jason Gray, California Air Resources Board
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ATTACHMENT 1

Coalition for Sustainable Cement Manufacturing & Environment
1107 9th Street, Suite 930 | Sacramento, CA 95814 | (916) 447-9884

June 10, 2016

Ms. Mary Nichols
Chairman
California Air Resources Board
1001 "I" Street
Post Office Box 2815
Sacramento, California 95812

Subject: **Comments on May 18, 2016 Public Workshop on Emissions Leakage Potential Studies**

Dear Ms. Nichols:

The Coalition for Sustainable Cement Manufacturing and Environment ("CSCME"), a coalition of all five cement manufacturers in California,[1] provides these comments on the California Air Resources Board's ("CARB's") May 18, 2016 Public Workshop on Emissions Leakage Potential Studies.

Based on the data and information provided in the leakage studies and in CARB's workshop presentation, CSCME is unable to comment fully on the quality of the leakage studies, their relevance to the California cement industry, and their utility to a transparent, robust, and valid classification framework necessary to minimize the risk of leakage under AB 32. The data and information presented in the studies and the workshop are incomplete and insufficient for this task. Accordingly, CSCME must necessarily limit its comments to (1) a summary of several fundamental and immediate concerns based solely on the information presented in the studies and the workshop and (2) an initial set of data and information requests regarding the domestic and international leakage studies, and further reserves the right to provide additional comments on CARB's proposals.

CSCME looks forward to receiving additional data and information in response to its requests and to providing substantially more detailed comments regarding the leakage studies and their proposed role in addressing the California cement industry's significant risk of leakage.

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[1] The Coalition includes CalPortland Company, Cemex, Inc., Lehigh Southwest Cement Company, Mitsubishi Cement Corporation, and National Cement Company of California Inc. There are ten cement plants located in California, eight of which are currently operating.

A. FUNDAMENTAL AND IMMEDIATE CONCERNS WITH THE LEAKAGE STUDIES

According to CARB, the leakage studies presented at the May 18, 2016 workshop "will inform staff's proposal for assessing leakage risk and updating assistance factors for allocation starting in the third compliance period (vintage 2018 allowances)."[2] CARB also indicated that it will be "{r}eplacing old metrics with new metrics" developed in the studies.[3] Based solely on the limited data available in the studies and the limited time provided to review and analyze the studies, CSCME has fundamental and immediate concerns with CARB's approach, including:

- CARB is proposing to replace two existing metrics (greenhouse gas ("GHG") intensity and trade exposure) that are transparent and independently verifiable with two new metrics (domestic value added loss and international market transfer rate) that are neither transparent nor independently verifiable. CSCME believes that any leakage classification framework must be based on data that is transparent and can be independently verified by regulators, the regulated community, and other interested parties.

- CARB is proposing to issue revisions to the allowance allocation methodology in July 2016 for the third compliance period based solely on the results of two studies that took five years to conduct and were just released in May 2016. This timetable raises critical questions about whether CARB staff and interested parties are being provided sufficient time to review the studies, ask clarifying questions, understand the data sources and methodologies employed, consider the results, and assess their value and application in the context of an allowance allocation framework.

- According to CARB, these studies break new ground in existing research. Although CSCME applauds CARB and the researchers for pushing the boundaries of existing research, it raises critical questions about the robustness of the results and whether the conclusions will stand the test of time. CSCME believes that, at a bare minimum, prudent policymaking should be based on analysis that has been subjected to an objective peer review process, results that have been replicated by other research, and conclusions that are relatively insensitive to assumptions, model specifications, and the range of other decisions made by the individual researchers.

- According to CARB, the proposed new metrics "more precisely measure leakage."[4] CARB's conclusion and its proposal to apply the results of the studies effectively ignore the studies' limitations, as openly acknowledged by the studies' authors. This is especially true with respect to applying the results of the international leakage study and, in particular, the international transfer rate. For instance, CARB proposes to use the international transfer rates as the basis of allowance allocation decisions despite the extensive caveats offered by the authors of that study, including:

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[2] CARB Workshop Presentation, Cap-and-Trade Regulation 2016 Amendments: Public Workshop on Emissions Leakage Potential Studies, May 18, 2016 ("CARB Workshop Presentation"), at 11.

[3] CARB Workshop Presentation at 18.

[4] CARB Workshop Presentation at 18.

- *"The natural next step, from the perspective of a policy maker looking to assess leakage risk and target leakage mitigation measures, is to translate these responsiveness measures to corresponding measures of market transfer and associated emissions leakage.* ***However, pushing on to this next step amounts to pushing up against the limits of available data****."*[5]

- *"One complication is that calibrating the measures of leakage risk implied by the theory* ***requires dividing one noisy estimate by another****. Other caveats include the fact that we cannot directly observe foreign production and instead* ***employ an imperfect proxy****. In what follows, we describe a conceptually consistent,* ***albeit noisy and caveated****, derivation of leakage risk measures."*[6]

- *"****Given the noisiness of these estimates, we cannot estimate the transfer rate for any given industry with any degree of confidence****."*[7]

- *"****A ratio of noisy numbers can be very noisy****; our industry-specific estimates of market transfer rates are sensitive to changes in how the underlying estimating equations are specified."*[8]

- *"Finally, we use our elasticity estimates to calibrate upper bounds on market transfer rates and associated leakage potential.* ***The imprecision of our estimates makes it difficult to estimate leakage potential for any particular industry with any degree of precision****. That said, looking across industries, clear patterns emerge. Consistent with CARB's policy, this study's leakage estimates are highest for those industries classified as 'high' risk of leakage[.]"*[9]

CARB should avoid applying the results of the studies in a manner that ignores their known limitations and goes beyond their practical utility.

- In discussing the studies during the workshop, CARB offered the blanket assertion that their proposed approach is "conservative" with respect to leakage risk.[10] Although CSCME does not have a view on whether this assertion is true for other industries, it is certainly not true for the California cement industry. For instance, neither study fully considers the impact of process emissions, which constitute the majority of GHG emissions in the California cement industry.[11] As a result, the effects

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[5] Meredith Fowlie, Mar Reguant, and Stephen P. Ryan, "Measuring Leakage Risk," May 2016 ("International Leakage Report"), at 38 (emphasis added).

[6] International Leakage Report at 38 (emphases added).

[7] International Leakage Report at 39 (emphasis added).

[8] International Leakage Report at 39 (emphasis added).

[9] International Leakage Report at 7 (emphasis added).

[10] CARB Workshop Presentation at 25.

[11] The International Leakage Report casually considers the impact of process emissions in an ancillary analysis (see Table 11), while the Domestic Leakage Report implicitly assumes that there is no compliance cost associated with process emissions (see discussion at 16).

of a given carbon price on the cement industry is likely to be at least twice as large as the primary estimates presented in the studies. It is critical that process emissions be fully considered when assessing an industry's exposure to leakage.

- The studies are based on historical relationships and observed outcomes. It is not clear that the conditions that prevailed during the timeframes studied, which encompass an unprecedented bursting of the housing bubble and severe economic recession, remain or will remain applicable to the California cement industry, which is still wrestling with the remnants of a sluggish economic recovery and operating in a global marketplace that is plagued by overcapacity. Accordingly, CARB should be especially sensitive to the fact that past performance (i.e., "what has happened") is not necessarily a good predictor of future outcomes (i.e., "what will happen"), especially if the underlying conditions of competition have substantially changed.

- Both studies effectively assume that an industry's response to a given decline in energy costs will be similar to its response to an identical increase in carbon costs. However, an industry's response could be fundamentally different if decision makers believe that changes in operating costs are more likely to be temporary (e.g., changes due to market-driven fluctuations in energy costs) as opposed to permanent (e.g., changes due to a policy-driven increase in carbon costs). Neither study appears to substantiate the critical assumption that the response to these fundamentally different types of operating cost "shocks" is likely to be symmetrical.

- Finally, regardless of whether CARB maintains the existing two metrics or substitutes them with results from the studies, it will still be taking an exceptionally narrow view of the various factors that contribute to leakage risk. CSCME recommends that CARB develop a more robust leakage assessment framework that considers a wide range of factors, including:

    - an industry's exposure to compliance costs;

    - an industry's ability to reduce its exposure to compliance costs by the availability of technologically feasible and cost effective abatement opportunities; and

    - an industry's ability to pass through realized compliance costs, which is dictated by a range of factors, including:

        - the substitutability of the product,

        - the price sensitivity of customers,

        - the contestability of the market, and

- competitor incentives and behavior, which – for the cement industry – are characterized by the capital-intensive nature of the industry and the existence of worldwide overcapacity in the industry.[12]

B. PRELIMINARY QUESTIONS

CARB announced that it will propose updates to assistance factors in the initial regulatory change proposal to be released in July 2016 and will present proposed changes to the Board at the September 2016 Board hearing. In order to facilitate the necessary transparency in the regulatory development process and to enable CSCME to comment effectively, we provide the following requests to CARB for data and information used in the leakage studies. CSCME requests this data and information as soon as possible given the substantial scope and complexity of the leakage studies and the compressed timeframe in which CARB plans to apply the results of the studies to change the methodology applied to minimize the risk of leakage to the California cement industry.

Domestic Leakage Study (Gray et al.)

1. Can you identify/confirm which table contains the data series that CARB intends to use to assess "Domestic Value-Added Loss" (e.g., Table 5, Table A1, or some other table)?

2. How is CARB planning to adjust the data to account for process emissions?

3. How are coal prices considered in the analysis? To what extent are the results applicable to an industry that primarily relies on coal (i.e., electricity and natural gas prices constitute a relatively small share of energy and operating costs)?

International Leakage Study (Fowlie et al.)

1. Figure 8 provides a heat map of international market transfer rates, but there does not appear to be a table that reports the rate for each industry. Could you please provide that data by industry?

2. Figure 8 uses energy intensity along the y-axis, but there does not appear to be a data table that reports energy intensity for each industry. Could you please provide that data by industry?

3. Figure 8 uses trade exposure along the x-axis, but there does not appear to be a data table that reports trade exposure by industry. Could you please provide that data by industry?

4. There does not appear to be a table in the study that reports production for each industry, which makes it impossible to verify the calculation of the international market transfer rate. Could you please provide that data by industry (similar to the data on exports and imports provided in Table 3)?

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[12] *See* CSCME's "Comments Related to the Risk of Leakage in the Cement Sector" and Appendix submitted to CARB on March 10, 2016 (see attached).

5. Table 3 does not appear to list the units for export and import value. Please identify the units or confirm that the export and import value is specified in millions of dollars.

6. Table 11 provides estimated impacts for certain industries with and without process emissions. Could you please provide data on the process emissions used in those calculations, as well as the source(s) for that data?

7. CARB released an updated/revised version of the study, noting that "Revised International Report updates Figure 8 and corrects miscellaneous typos." However, we noticed that there were additional industries added to the charts in Figure 7. Were there any other material revisions to the paper?

8. Tables 6 and 7 report statistical results for the pooled dataset across output, import, and export values and a variety of specifications. Our understanding is that the industry-specific results were estimated in a similar fashion.

   a. If our understanding is correct, could you please provide a similar table for the cement industry, including coefficients, t-stats, R2, and number of observations for output, imports, and exports?

   b. If our understanding is incorrect, could you please elaborate on the analytical process and mechanics used to generate industry-specific estimates, as well as provide the relevant statistics that support any degree of confidence in those estimates.

   (Note: To the extent that providing industry-specific data may trigger a review regarding data disclosure, we would appreciate a qualitative explanation of the estimation process for industry-specific results and/or the number of observations used in estimating results for the cement industry.)

9. The study does not appear to include an explicit statement regarding the data timeframes. Based on various figures in the study (e.g., Figure 4), it appears that the dataset begins in 1997 and ends in 2012, but we could not find an explicit reference to the specific data timeframes in the text of the study. Could you please provide the data timeframe used to estimate the industry-specific elasticities?

10. The note in Table 3 suggests that the table summarizes trade data for 2010-15. Why is the import and export data represented in this table not from the same timeframe as that used to conduct the analysis? In addition, could you please clarify whether the data in this table was used in the analysis or is simply presented in Table 3 for illustrative purposes only?

11. How are coal prices considered in the analysis? To what extent are the results applicable to an industry that primarily relies on coal (i.e., electricity and natural gas prices constitute a relatively small share of energy and operating costs)?

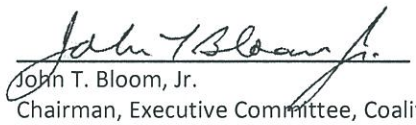
12. Does the analysis use or consider demand elasticities in any fashion? If so, what was the demand elasticity used for the cement industry?

C. CONCLUSION

As noted above, CSCME has fundamental and immediate concerns with CARB's proposal to apply the results of the leakage studies to revise the allocation methodology applicable to the cement industry. CSCME also requests that CARB facilitate CSCME's ability to comment effectively on the leakage study and CARB's proposal by providing additional data and information as highlighted in the above questions.

CSCME continues to look forward to working with CARB to achieve California's climate change objectives while minimizing the significant adverse effects of leakage on the California cement industry.

Sincerely yours,



John T. Bloom, Jr.
Chairman, Executive Committee, Coalition for Sustainable Cement Manufacturing & Environment
Vice President & Chief Economist, U.S. Operations, Cemex

CC:
Mr. Richard Corey, California Air Resources Board
Dr. Steven Cliff, California Air Resources Board
Ms. Rajinder Sahota, California Air Resources Board
Ms. Mary Jane Coombs, California Air Resources Board
Ms. Mihoyo Fuji, California Air Resources Board

ATTACHMENT

COALITION FOR SUSTAINABLE CEMENT MANUFACTURING & ENVIRONMENT
1107 9th Street, Suite 930, Sacramento, CA 95814, (916) 447-9884

March 10, 2016

Mr. Richard Corey
Executive Officer
California Air Resources Board
1001 "I" Street
Post Office Box 2815
Sacramento, California 95812

Subject: **Comments Related to the Risk of Leakage in the Cement Sector**

Dear Mr. Corey:

The Coalition for Sustainable Cement Manufacturing and Environment ("CSCME"), a coalition of all five cement manufacturers in California,[1] provides these comments regarding the cement industry's risk of leakage as a result of AB 32.[2] CSCME requests that the California Air Resources Board ("CARB") consider these comments in developing any regulatory changes to the Cap-and-Trade program for the third compliance period, in preparing the post-2020 Scoping Plan, and in designing Cap-and-Trade and other regulations applicable to the California cement industry in the post-2020 period. CSCME looks forward to continuing to work with CARB in achieving California's climate change objectives while minimizing leakage to ensure that California's cement industry remains a vital engine of economic growth and a valuable contributor to climate change solutions.

The risk of leakage is driven by the impact of greenhouse gas ("GHG")-reduction regulations on an industry's production costs, as well as the industry's ability to mitigate, transfer, or absorb those costs. Specifically, the risk of leakage in any given industry is driven by three factors:

(1) The industry's exposure to costs associated with complying with GHG-reduction regulations;

(2) The industry's ability to reduce its exposure to those compliance costs by implementing technologically feasible and cost-effective abatement measures; and

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[1] The Coalition includes CalPortland Company, Cemex, Inc., Lehigh Southwest Cement Company, Mitsubishi Cement Corporation, and National Cement Company of California Inc. There are ten cement plants located in California, eight of which are currently operating.

[2] AB 32 defines leakage as "a reduction in emissions of greenhouse gases within the state that is offset by an increase in emissions of greenhouse gases outside the state." Health and Safety Code § 38505(j).

(3) The industry's ability to pass through realized compliance costs to customers without suffering a loss in market share and/or profitability.[3]

This comment letter explores those three factors in the context of the California cement industry. Drawing on an extensive body of evidence, including analysis by CARB and findings from the U.S. International Trade Commission ("ITC"), it demonstrates that the California cement industry's exposure to compliance costs are extraordinarily high, its ability to reduce that exposure is exceptionally low, and its ability to pass realized compliance costs on to customers is severely limited. Accordingly, it establishes that the risk of leakage in the California cement industry is extreme in both absolute and relative terms.

Furthermore, it is important to recognize that the California cement industry's extreme risk of leakage is multi-dimensional. The most obvious risk of leakage is that California's GHG regulations result in a shift in economic activity and associated GHG emissions to cement manufacturers that reside outside the state's borders and, therefore, beyond the scope of regulation (i.e., intra-industry leakage). The less obvious but equally significant risk is that California's GHG regulations result in a shift in economic activity and associated GHG emissions to out-of-state producers of alternative construction materials (e.g., asphalt, steel, lumber) that may be used as substitutes for cement-based products (e.g., concrete) in certain downstream applications, including roads, highways, bridges, and buildings. To the extent that alternative construction materials have a GHG footprint that is greater than cement-based products on a lifecycle basis (including the use of those materials throughout their lifetimes), the magnitude of this "inter-industry" leakage may be significant.

Regardless of whether the shift in economic activity is intra-industry or inter-industry in nature, the result is the same: an offsetting increase in GHG emissions from sources outside California. Although this comment letter focuses on the risk of intra-industry leakage, the multi-dimensional nature of risk in the California cement industry heightens the importance of adopting a multi-faceted approach to minimizing leakage on all fronts.[4]

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[3] For an example of a reputable study that used similar factors to analyze leakage risk in the European Union ("EU"), *see* Vivid Economics with Ecofys, *Carbon Leakage prospects under Phase III of the EU ETS and beyond,* report prepared for the U.K. Department of Energy & Climate Change (Dec. 2013) at 143 (Table 8), cited extract attached as **Exhibit 1** (identifying the following factors to consider with respect to leakage risk: aggressive or passive behavior by non-EU rivals, number of non-EU rivals, cost of carbon relative to profits, abatement opportunities, price sensitivity of customers, and homogenous versus differentiated goods).

[4] For instance, under a cap-and-trade program, a border carbon adjustment has the potential to minimize intra-industry leakage (i.e., level the playing field between California and imported cement). However, it does not minimize inter-industry leakage (i.e., level the playing field between California cement and imported alternative products). Therefore, to sufficiently address both forms of leakage, any reduction in allowances below a 100% allocation rate should, at a minimum, be paired with an "incremental" border carbon adjustment.

A. DRIVERS OF LEAKAGE RISK IN THE CEMENT INDUSTRY

1. Exposure to Compliance Costs

An industry's exposure to compliance costs under AB 32 is primarily dictated by its GHG intensity. As stated by CARB staff, "sectors with higher emissions intensities are likely to face higher compliance costs under cap-and-trade."[5]

CARB measures GHG intensity based on GHG emissions per million dollars of value added.[6] Based on CARB's analysis, the California cement industry's GHG intensity far exceeds that of virtually every other California industry on both an absolute and relative basis.

For instance, according to CARB analysis, the California cement industry's GHG intensity is 13,744 metric tons ("MT") of CO_2e per million dollars of value added. Put differently, given a price of $10-$25 per ton of CO_2e, the California cement industry's gross compliance costs would equal approximately 14%-34% of its value added. Thus, in the absence of offsetting measures such as allowance allocations or a border carbon adjustment, the California cement industry would be placed at a severe disadvantage to any cement producer who can economically land cement in the California market.

CARB's analysis also demonstrates that the cement industry is estimated to have a GHG intensity that is higher than virtually every other California industry.[7] Specifically, CARB estimates that the California cement industry has a GHG intensity that is more than three times the GHG intensity of the next most emissions-intensive industry (iron and steel mills).[8] Simply put, a given carbon price has a more substantial and disproportionately negative impact on the economic competitiveness and financial viability of a California cement producer than it does on virtually any other manufacturer in California.

2. Ability to Reduce Exposure to Compliance Costs

An industry's ability to reduce its exposure to compliance costs under AB 32 is primarily dictated by the availability of technologically feasible and cost effective abatement opportunities. According to a report prepared for the U.K. Department of Energy & Climate Change, low abatement opportunities in a given industry are indicative of high carbon leakage.[9]

The availability of technologically feasible and cost effective abatement opportunities in the California cement industry is limited by a variety of factors. The dominant constraint is that a majority of the

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[5] CARB Appendix K at K-14.

[6] CARB Appendix K at K-8–K-15.

[7] Only the sole lime manufacturing plant in California is estimated to have a higher GHG intensity than cement manufacturing. CARB Appendix K at K-15.

[8] CARB Appendix K at K-15.

[9] *See* Vivid Economics with Ecofys, *Carbon Leakage prospects under Phase III of the EU ETS and beyond,* report prepared for the U.K. Department of Energy & Climate Change (Dec. 2013) at 143 (Table 8).

cement industry's direct emissions are process emissions, which are an unalterable consequence of the chemical process required to convert limestone into cement clinker.[10] In fact, according to 2009 data collected by CARB under the Mandatory Reporting Regulation, the cement industry is one of only three sectors in which process emissions account for over 50% of direct GHG emissions.[11] Put differently, less than half of the cement industry's direct GHG emissions are potentially subject to reduction — a fact that places cement manufacturing at a far higher risk of emissions leakage than the vast majority of other industries, regardless of the prevailing carbon price.

Of the direct GHG emissions that are potentially subject to reduction, the vast majority are associated with the combustion of fuel in the cement kiln. There are three primary pathways to reduce such emissions: (1) improve energy efficiency; (2) substitute lower carbon fuels; or (3) reduce the proportion of clinker used to produce a unit of cement. Although California cement manufacturers have made significant investments in each of these three pathways since the adoption of AB 32, resulting in lower GHG intensity per ton of cement produced, there are substantial barriers to making additional improvements through each of these three pathways moving forward.

With respect to energy efficiency, all eight cement plants operating in California currently utilize preheater/precalciner kilns (the most energy-efficient technology available). Moreover, because cement manufacturing is a highly mature process, the prospects for large-scale breakthroughs in more energy efficient production technologies are extremely limited.

Furthermore, given that fuel costs constitute a substantial percentage of total operating costs, cement manufacturers always have a strong economic incentive to invest in cost-effective energy efficiency improvements whenever they exist. Consequently, the California cement industry's opportunities to improve its energy efficiency are exceptionally low.

Likewise, the cement industry's ability to substitute lower carbon fuels in the future is constrained by a mix of market, technical, and regulatory barriers. The vast majority of cement kilns in the United States, including California, currently use either coal or petroleum coke as the primary fuel. In theory, California cement manufacturers could use natural gas as a primary fuel and introduce other alternative fuels to reduce their GHG emissions: (1) scrap tires; (2) wood; and (3) engineered municipal solid waste. In practice, however, each option suffers from its own technical or regulatory barrier. For instance:

- With respect to natural gas, any switch may result in higher NOx emissions, which makes it difficult or impossible to comply with limits applicable in non-attainment areas where cement plants are

[10] Process emissions are defined in CARB's cap-and-trade regulations as "the emissions from industrial processes (e.g., cement production, ammonia production) involving chemical or physical transformations other than fuel combustion. For example, the calcination of carbonates in a kiln during cement production." Cap & Trade Regulations at 95802(a)(290).

[11] *See* Cap & Trade Regulations at p. 184 (Table 9-2).

located.[12] In addition, certain calciners are not amenable to burning such fuels, existing building codes can prohibit modifying calciners, and the cost of delivered natural gas is too high at current prices;

- With respect to scrap tires, the cost of sampling and testing the fuel to determine its biogenic content (primarily for the purpose of accurately reporting GHG emissions) is often prohibitive;[13]

- With respect to wood, it is difficult to obtain a fuel of sufficient quality at an acceptable cost, especially given the increased demand for wood in other industries due to AB 32; and

- With respect to engineered municipal solid waste, there are regulatory limits on how much of the fuel can be burned.[14]

Moreover, substitution toward lower-carbon fuels in a cement kiln can often come at the expense of energy and/or production efficiency, which can place an overall limit on the progress that can be made in reducing GHG emissions by switching fuels. As a result of these technical, regulatory, and economic barriers, the California cement industry's opportunities to reduce the GHG intensity of its combustion emissions are exceptionally low.

Finally, the cement industry's ability to substitute cement clinker for other materials, such as limestone or gypsum, is limited by regulatory barriers. Specifically, California regulations limit the proportion of limestone in final cement product to 5% (however, attainment rates are generally lower than the maximum allowance in order to remain within limits). Certain American Society for Testing and Materials ("ASTM") specifications permit blends with a higher proportion of limestone. Those specifications are utilized in other states and countries, but they have not been approved for use in California. As a result of this "limestone blend wall," the California cement industry's opportunities to reduce its GHG emissions by reducing the proportion of clinker in cement are exceptionally low.

3. Ability to Pass Through Realized Compliance Costs

An industry's ability to pass through realized compliance costs is dictated by a range of factors, including the substitutability of the product, the price sensitivity of customers, the contestability of the market, and competitor incentives and behavior. Industries that are unable to pass through costs are forced to choose between two unattractive strategies: (1) increase product prices and suffer a reduction in sales volumes, resulting in a shift in market share to imported product or (2) maintain prices and suffer a reduction in profitability, resulting in disinvestment in local capacity over time. In either case, the

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[12] *See, e.g.*, U.S. Environmental Protection Agency, "Available and Emerging Technologies for Reducing Greenhouse Gas Emissions from the Portland Cement Industry" at 39 (Oct. 2010).

[13] Tires and municipal solid waste only contain 5% - 30% biofuel, and thus, they can have only limited effectiveness in reducing GHG emissions.

[14] *Id.* In addition, negative public perceptions associated with the use of solid waste (and other fuels mentioned above) often cause problems during the permitting process.

ultimate result is the same — a reduction in GHG emissions within the scope of regulation that is offset by an increase in GHG emissions outside the scope of regulation (i.e., leakage). As demonstrated below, the California cement industry has a range of characteristics that severely limit pass-through ability, including a highly substitutable product, highly price-sensitive customers, a highly contestable domestic market, and a highly motivated and aggressive set of foreign competitors.

a. Product substitutability

An industry's ability to pass through realized compliance costs is driven, in part, by the degree to which customers can easily substitute products from competing sources, including imports.[15] The degree of substitutability is driven, in turn, by the extent to which suppliers are able to successfully distinguish their product along attributes that customers value most, such as quality and price. The most substitutable products tend to be commodities that, by definition, are relatively indistinguishable in terms of non-price factors.

Cement is the textbook example of a highly substitutable product. According to the ITC, cement is "a fungible product, with domestically produced product and imported product being readily interchangeable."[16]

The ITC also found that all cement sold in California "generally conforms to the standards established by the American Society for Testing and Materials (ASTM)."[17] Moreover, cement is sold primarily in bulk form without distinctive packaging or labeling, making domestic and imported cement indistinguishable

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[15] The discussion of product substitutability in this section focuses on the substitutability of cement produced in California and cement produced outside California. Other materials, including asphalt and wood, can be functionally equivalent to cement to some extent for particular end uses, and thus also can impact cement manufacturers' ability to pass through compliance costs. We briefly address this potential "inter-industry" leakage in the Introduction to these comments. Although "inter-industry leakage" is a significant risk, these comments focus on "intra-industry" leakage.

[16] *Gray Portland Cement and Cement Clinker From Japan*, Inv. No. 731-TA-461 (Second Review), USITC Pub. 3856 (May 2006) at I-14 ("*Cement from Japan, Second Review*"), cited extracts attached as **Exhibit 2**; *see Gray Portland Cement and Cement Clinker From Japan, Mexico, and Venezuela*, Inv. Nos. 303-TA-21 (Review) and 731-TA-451, 461, and 519 (Review), USITC Pub. 3361 (Oct. 2000) at 32 ("*Cement from Japan, Mexico, and Venezuela Review*"), cited extracts attached as **Exhibit 3**. Cement is routinely found by national antidumping authorities to be a commodity product. As recently found by the investigating authority in Jamaica in a case involving cement from the Dominican Republic, "{a}n examination of the physical and chemical characteristics revealed that the domestically produced goods appear to be identical to or closely resembling the investigated products based on the technical industry standards, composition and physical characteristics." *Ordinary Portland (Grey) Cement from the Dominican Republic*, Jamaica Case No. AD-01-2010, Preliminary Determination, Statement of Reasons (Sept. 13, 2010) at 6, cited extracts attached as **Exhibit 4**.

[17] *Cement from Japan, Second Review* at I-10; *id.* at 19. "The fact that all cement generally conforms to the standards established by the American Society for Testing Materials (ASTM) also suggest that the products are excellent substitutes." *Gray Portland Cement and Cement Clinker From Mexico*, Inv. No. 731-TA-451 (Final), USITC Pub. 2305 (Aug. 1990) at 64 (Views of Commissioner Lodwick) ("*Cement from Mexico*"), cited extracts attached as **Exhibit 5**.

and highly substitutable.[18] Thus, all gray Portland cement sold in the California market, whether domestically-produced or imported, exhibits no significant distinctions between cement from different sources in terms of quality, delivery, marketing, or terms of sale.[19]

b. Customer price sensitivity

An industry's ability to pass through realized compliance costs is also driven by the price sensitivity of its customers. Purchasers in any sector will focus on price when selecting a supplier unless they have developed loyalty to particular suppliers based on product characteristics, delivery time, technical support, or some other non-price factor. Industries in which purchase decisions are based primarily on price are unable to pass on compliance costs, as a small increase in price can result in a swift and severe shift in market share to competitors that are outside of the scope of regulation.

Given that cement is highly substitutable, cement producers compete almost exclusively on the basis of price. Indeed, according to findings from the ITC, purchasers rank price as the most important purchase factor by far, with quality ranking as a distant second.[20] Thus, the ITC found that "cement is a fungible commodity, which competes largely on the basis of price."[21] It also found that a small price differential is usually sufficient to induce customers to shift suppliers, whether domestic or foreign.[22]

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[18] *Cement from Japan, Second Review* at I-14-I-15, quoting Response of Domestic Producers to Notice of Institution at 7.

[19] *See Gray Portland Cement and Cement Clinker From Japan*, Inv. No. 731-TA-461 (Final), USITC Pub. 2376 (Apr. 1991) at 41-42 ("*Cement from Japan*"), cited extracts attached as **Exhibit 6**. This also is not unique to California. As noted by the Taiwanese investigating authority in a case involving cement from the Philippines and South Korea, "the domestic product and imported product are highly fungible, in terms of product quality, packaging, sales target," making it a highly "price sensitive" product. *Portland Cement and of its Clinker from Philippines and South Korea* (Final Report) (June 13, 2002), Chinese original and translation extract attached as **Exhibit 7**.

[20] *Cement from Japan, Second Review* at II-8 (Table II-1); *see id.* at II-7 ("in the first review, when gray Portland cement purchasers were asked to list the three most important factors considered when choosing a supplier, price was ranked first most often by a wide margin").

[21] *Cement from Japan* at 30; *Cement from Japan, Second Review* at 19 ("price is an important factor in purchasing decisions"); *Cement from Japan, Mexico, and Venezuela Review*, at 32 (same).

[22] "In a product such as cement, however, even small levels of underselling must be considered significant." *Cement from Japan* at 64 (Separate Views of Commissioner Rohr); *see Cement from Japan, Second Review* at I-14-I-15, quoting Response of Domestic Producers to Notice of Institution at 7; *Cement from Japan, Mexico, and Venezuela Review* at 39 n.238 (a cost savings of "$3 per ton is substantial, particularly for a highly-substitutable, price-sensitive product, such as cement"). As noted in a Jamaican investigation of cement imports from Indonesia, "{i}n absolute terms, a price differential of 1.06 percent does not suggest significant price undercutting," but information from "verification visits" to the parties indicated that, "in relative terms, small variations in cement prices may be significant, as cement is typically purchased in large quantities and so even a small price differential may represent a significant saving to the consumer." *Ordinary Portland Grey Cement from Indonesia*, Jamaica Case Ref.: AD-01-2002, Statement of Reasons (July 2, 2002) at 16, cited extracts attached at **Exhibit 8**. Thus, the Jamaican administering authority likewise found that "cement is a product for which small differentials in price can have a significant impact on sales." *Ordinary Portland Grey Cement from the People's Republic of China*, Jamaica Case Ref.: AD-01-2003, Statement of Reasons (June 14, 2004) at 43, cited extracts attached at **Exhibit 9**.

c. Market contestability

An industry's ability to pass through the realized compliance costs associated with GHG-reduction measures is also governed by the extent to which its market is contestable by producers outside of the regulated jurisdiction. A contestable market is one that is logistically and economically accessible by competitors, regardless of the extent to which that has occurred in the past. In some cases, a historical track record of imports may make the market's contestability readily apparent. In other cases, however, the mere presence of a credible import threat may be enough to adversely influence a firm's ability to pass compliance costs through to customers, regardless of whether a track record of imports exists.

Due to its coastal location and deepwater ports, the California cement market is logistically and economically accessible to cement manufacturers throughout the Asia Pacific region. A history of imports confirm the ability of foreign producers, particularly in Asia, to compete aggressively in California (e.g., imports totaled 6.9 million MT in 2006).[23]

The geographic scope of the ITC's investigations of imports of cement demonstrates the highly contestable nature of the cement industry. The ITC almost always makes its determinations of injury to a domestic industry on a national basis, reflecting the traditional notion that imports represent a competitive option throughout the U.S. market. In twelve of its thirteen antidumping investigations of cement imports,[24] however, the ITC made its determination on a "regional industry" basis because "the market for cement tends to be regional in nature."[25] Thus, the ITC recognized that certain industries are isolated in regional markets where domestic production is highly contestable with imports.

In California, producers sell most of their cement production within the state, and producers in other states sell very little of their production in California.[26] As a result, the California cement market is isolated from the rest of the U.S. market, and California cement producers compete almost exclusively with foreign imports. In the second review of the antidumping order on imports of cement from Japan, the ITC found that the majority of producer shipments within California "were shipped to customers within 200 miles of the manufacturing plant and the majority of importer shipments within the region

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[23] *See* Official Import Data for Imports into California, attached at **Exhibit 10**. The ITC's multiple investigations over the past few decades involving imports of cement into California demonstrate that foreign producers are able to logistically and economically access the California market. *See, e.g., Cement from Mexico* (1990) and *Cement from Japan* (1991).

[24] In the one case that was not based on a regional analysis – *Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain, and Venezuela*, Inv. Nos. 731-TA-356-363 (Preliminary), USITC Pub. 1925 (1986) – the petitioner "noted that cement was produced and sold in a series of regional markets, but argued that regional markets were all being injured by imports and therefore injury could be assessed on a national basis." *Cement from Japan* at 16 n.32.

[25] *Cement from Japan, Second Review* at 19, *see id.* at 9 and I-5 n.13; *Cement from Japan, Mexico, and Venezuela Review* at 32 (same); *Cement from Japan* at 16-17 ("high transportation costs tend to make the areas in which cement is produced and marketed isolated and insular").

[26] *Cement from Japan Remand* at 2.

were shipped to customers within 200 miles of the port of entry."[27] Accordingly, competition between domestic production and imports in California is intensified by the concentrated geographic region in which producers are making sales. This makes the California cement market highly contestable.

d. Competitor incentives and behavior

Finally, an industry's ability to pass through the realized compliance costs associated with GHG-reduction measures depends on the incentives that competitors have to aggressively contest the market under certain conditions.

As set forth below, there are two factors that suggest that out-of-state cement producers have the means and the motivation to aggressively exploit a cost advantage to acquire a greater market share in California: (1) the capital-intensive nature of the industry and (2) the existence of worldwide overcapacity in the industry.

Capital intensity is a measure of the scale of investment required to compete in a given industry. Manufacturers in capital-intensive industries, such as cement, have significant fixed costs to obtain and maintain the necessary facilities and equipment. Due to high fixed costs, production facilities must operate at high capacity utilization levels in order to maximize the return on investment and facilitate future capital expenditures. High capital intensity contributes to leakage risk because it motivates foreign producers to seize any potential cost advantage in the California market to make more export sales and increase their capacity utilization.

Cement plants are enormous, dedicated facilities,[28] leading the ITC to routinely find that "the cement industry is highly capital intensive."[29] Because of the industry's high fixed costs, production facilities must operate at high capacity utilization levels in order to maximize the return on investment and facilitate future capital expenditures.[30] Low capacity utilization levels make cement plants uneconomic to operate.[31] When cement manufacturers attempt to maintain capacity utilization by reducing prices to

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[27] *Cement from Japan, Second Review* at 9.

[28] For example, a new cement plant's annual capacity would not be less than 1 million tons and the plant would cost in excess of $350 million. Moreover, "cement facilities generally cannot be used to produce other products." *Cement from Japan, Second Review* at 9.

[29] *Cement from Japan, Second Review* at 20; *see Cement from Japan, Mexico, and Venezuela Review* at 35.

[30] *Cement from Japan, Mexico, and Venezuela Review* at 35. "{A}s production increases and approaches the limits of capacity unit costs would decline." *Gray Portland Cement and Cement Clinker from Japan*, Inv. No. 731-TA-461 (Remand), USITC Pub. 2657 (June 1993) ("*Cement from Japan Remand*") at 4, cited extracts attached as **Exhibit 11**. Similarly, as noted by Taiwanese cement producers, the capital-intensive cement industry "has to maintain production to allocate high investment on fixed assets." Hearing Minutes in Final Injury Investigation, *Portland Cement and of its Clinker from Philippines and South Korea* (May 9, 2002), cited extracts attached as **Exhibit 12**.

[31] Demand for cement "tends to be cyclical in nature." *Cement from Japan, Second Review* at 19. During periods of high demand, "relatively high levels of profitability are needed to justify investments and capital expenditures." *Cement from Japan, Mexico, and Venezuela Review* at 41. "It was generally conceded that, due to the capital intensive nature of cement and the effects of the business cycle on cement that operating income margin levels

compete with low-priced imports, the result is a diminished ability to invest in production facilities and capital equipment.[32]

In competitive cement markets, producers have a strong incentive to sell as much cement as possible as long as the price of the last unit sold exceeds the marginal cost of producing that unit.[33] The ITC has recognized that foreign producers (such as Japanese producers found to be dumping cement in California), like U.S. producers, operate under an imperative to maintain high capacity utilization rates.[34] As stated by the ITC, "the high fixed costs faced by cement producers provide significant incentive to the Japanese producers to sell their additional excess product even at low costs in order to meet their fixed costs."[35]

Due to the imperative to "maintain and maximize capacity utilization in order to be profitable, the existence of significant unused capacity gives {foreign} producers the incentive to substantially increase their exports."[36] Moreover, foreign producers that rely on exports to maintain high levels of production possess the incentive to ship to California even in a declining demand environment, particularly if shipments to alternative export markets are impeded by depressed demand, increased competition from other countries, or political/structural barriers to entry.[37]

Faced with higher costs resulting from GHG regulations, domestic producers would either have to raise prices and lose market share to lower priced imports or forgo price increases and suffer lower profits in an effort to maintain market share.[38] A loss in market share and subsequent decrease in capacity utilization "would be particularly harmful in this capital intensive industry."[39] Domestic producers are

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should be relatively high compared to a non-capital intensive industry." *Cement from Japan* at 58 (Separate Views of Commissioner Rohr). "Because all cement producers have good and bad times dependent upon demand in their local markets, firms must...earn higher returns on capital in the good times to offset lesser or negative returns on capital in the bad times in order to obtain long-term return on investments." *Cement from Mexico* at 55 (Views of Commissioner Lodwick).

[32] *See Cement from Mexico* at 54, 65 (Views of Commissioner Lodwick).

[33] *Cement from Japan, Second Review* at II-3, quoting Japanese Cement Committee response to Notice of Institution at 6-7.

[34] "For both the imported and domestic products, the production process for gray Portland cement is standardized, with no significant technological advances since the original investigation in 1989-91." *Cement from Japan, Second Review* at I-12.

[35] *Cement from Japan, Mexico, and Venezuela Review* at 45.

[36] *Cement from Japan, Second Review* at 22.

[37] As noted by the ITC, maintaining high capacity utilization rates due in part to reliance on export markets creates an incentive for foreign producers to shift at least some of their exports to California in light of increasing competition among foreign cement producers in third-country markets. *Cement from Japan, Second Review* at 22.

[38] *See Cement from Japan* at 42.

[39] *Cement from Japan, Second Review* at 25; *see Cement from Japan, Mexico, and Venezuela Review* at 40-41, 45-46.

required to match prices offered by importers or lose sales on a ton-by-ton basis.[40] Matching the lower import price, however, inevitably causes domestic producers to suffer price depression, price suppression, and lower profits.[41]

The structural motivation to maximize capacity utilization and seek out export markets is only amplified by the current global excess capacity of cement, which is expected to continue for the foreseeable future. As explained in the **Appendix** to these comments, current excess cement production capacity in China is approximately 920 million MT, which is 77 times total production capacity in California of 12 million MT, 102 times total production in California of 9 million MT, and 115 times total consumption in California of 8 million MT.[42] Cement manufacturers in other countries in Asia, including Vietnam, Taiwan, Thailand, Indonesia, South Korea, Malaysia, and Japan, also have substantial excess capacity and are highly focused on exports.[43]

Excess capacity in China is projected to remain high for many years, and it is fueled in part by continued government subsidies.[44] The recent experiences of the U.S. steel and aluminum industries, which like cement are commodity-type products in which there is significant global excess capacity that has been fueled in large part by increasing excess capacity in China, are highly relevant to the likely experience of the cement industry if the cost of AB 32 compliance locks in a long-term cost advantage for imports that are subject to less stringent GHG regulations.[45] Both the steel and aluminum industries have faced rapidly increasing imports that have severely injured the U.S. industry. The fact that there were 11 plants when AB 32 was passed and now only 8 are operating is stark evidence of the cement industry's vulnerability to such injury.

B. CONCLUSION

The California cement industry is at an extreme risk of leakage in both absolute and relative terms. The industry's extreme leakage risk is due to a confluence of factors, including an extraordinarily high

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[40] *See Cement from Japan, Second Review* at I-14-I-15. Failure of the domestic industry to match dumped import prices "would result in large drops in domestic output and contribution profits." *Cement from Mexico* at 65 (Views of Commissioner Lodwick).

[41] "When the import market share is significant, this substitution effect tends to lower domestic prices as domestic producers reduce their own prices to meet import competition, in an effort to maintain sales volume and market share." *Cement from Japan* at 41. "Generally, imports have the greatest impact on domestic prices when they are available in significant volumes, when consumers are unwilling to purchase significantly more of the product even if the prices go down, and when consumers view the imported and like product as close substitutes. Under such circumstances, a decrease in the price of the import is likely to result in direct substitution of the import for the domestic like product, rather than increased overall purchases of the product." *Id.*; *see Cement from Mexico* at 63 (Views of Commissioner Lodwick).

[42] *See* Appendix at 1-2.

[43] Appendix at 2-3.

[44] Appendix at 3-6.

[45] Appendix at 7-11.

exposure to compliance costs, an exceptionally low ability to reduce that exposure, and a severely limited ability to pass through realized compliance costs to consumers without suffering a loss of market share or profitability. This risk threatens to offset reductions of GHG emissions in the California cement industry with increases in GHG emissions outside of the state – thereby frustrating and undermining CARB's ability to achieve California's climate change objectives. Accordingly, CARB should adopt policy measures that minimize the risk of both inter-industry and intra-industry leakage in the California cement industry. CSCME looks forward to continuing to work with CARB to achieve California's climate change objectives while minimizing leakage in the cement sector so that California cement manufacturers can continue to be valuable contributors to climate change solutions.

Sincerely yours,

John T. Bloom, Jr.
Chairman, Executive Committee, Coalition for Sustainable Cement Manufacturing & Environment
Vice President & Chief Economist, U.S. Operations, Cemex

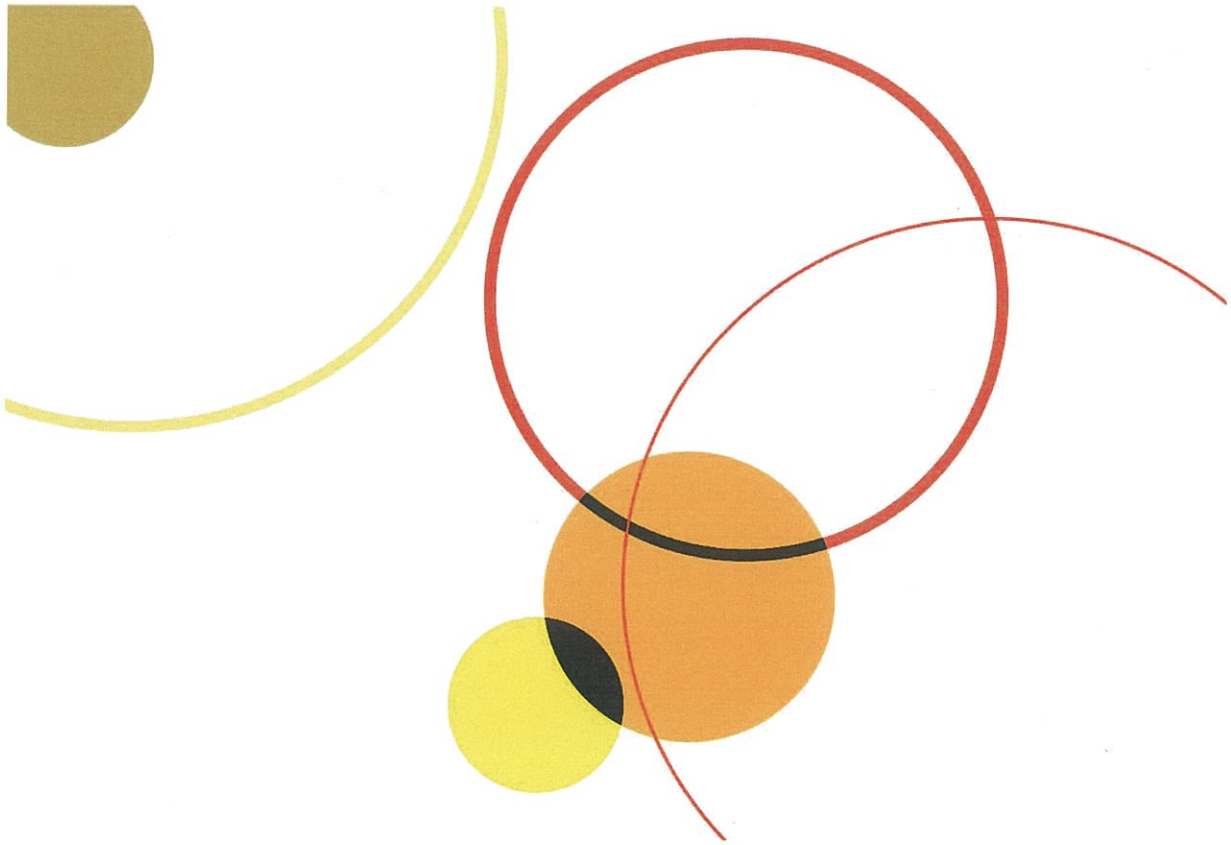
CC:
Ms. Mary Jane Coombs, California Air Resources Board
Ms. Mihoyo Fuji, California Air Resources Board
Ms. Rajinder Sahota, California Air Resources Board

EXHIBIT 1

Carbon leakage prospects under Phase III of the EU ETS and beyond

Report prepared for DECC

Final report
June 2014



opportunity arises. Fortunately for the rivals and unfortunately for the EU firms, the product is homogenous and customers are unable to distinguish between goods made within and outside the EU. To compound the problem in this hypothetical most exposed sector, consumers are price sensitive, making it harder for firms to pass costs through to them. In this case, the output leakage rate is high. If the external firms have higher carbon intensity than the internal firms, the carbon leakage rate will be even higher.

In contrast, consider the factors that would make a sector well protected. A well protected sector will face few rivals from outside the EU and those that it does encounter will have low market shares, reflecting their poor competitiveness in selling to EU consumers. The protected sector will sell little of its output outside the EU and thus overall encounter little extra-EU competition. This hypothetical sector will further benefit from consumers who are quite insensitive to price increases, allowing a greater proportion of costs to be passed through into prices. However, those cost increases will be small because the sector has low carbon intensity. To make the firms' situation even more secure, the product is also bespoke, enabling EU firms to make many varieties and to establish customer loyalty and niches, which diminish the effective strength of competition. In this case, the output leakage rate is low, see Table 8.

As noted, this study has not examined costs of abatement nor factored them into carbon leakage estimates, but the foundations have been laid for those estimates to be prepared. This will make it easier to develop value for money assessments of policy options for mitigating carbon leakage.

Table 8. **Characteristics of sectors with high and low rates of carbon leakage**

Characteristic	Indicative of high carbon leakage	Indicative of low carbon leakage
Non-EU rival behaviour	aggressive	passive
Non-EU rivals	numerous	few
Cost of carbon relative to profits	high	low
Abatement opportunities	low	high
Customers	price sensitive	price insensitive
Goods	homogenous, indistinguishable	differentiated, niches, brand value

Source: Vivid Economics

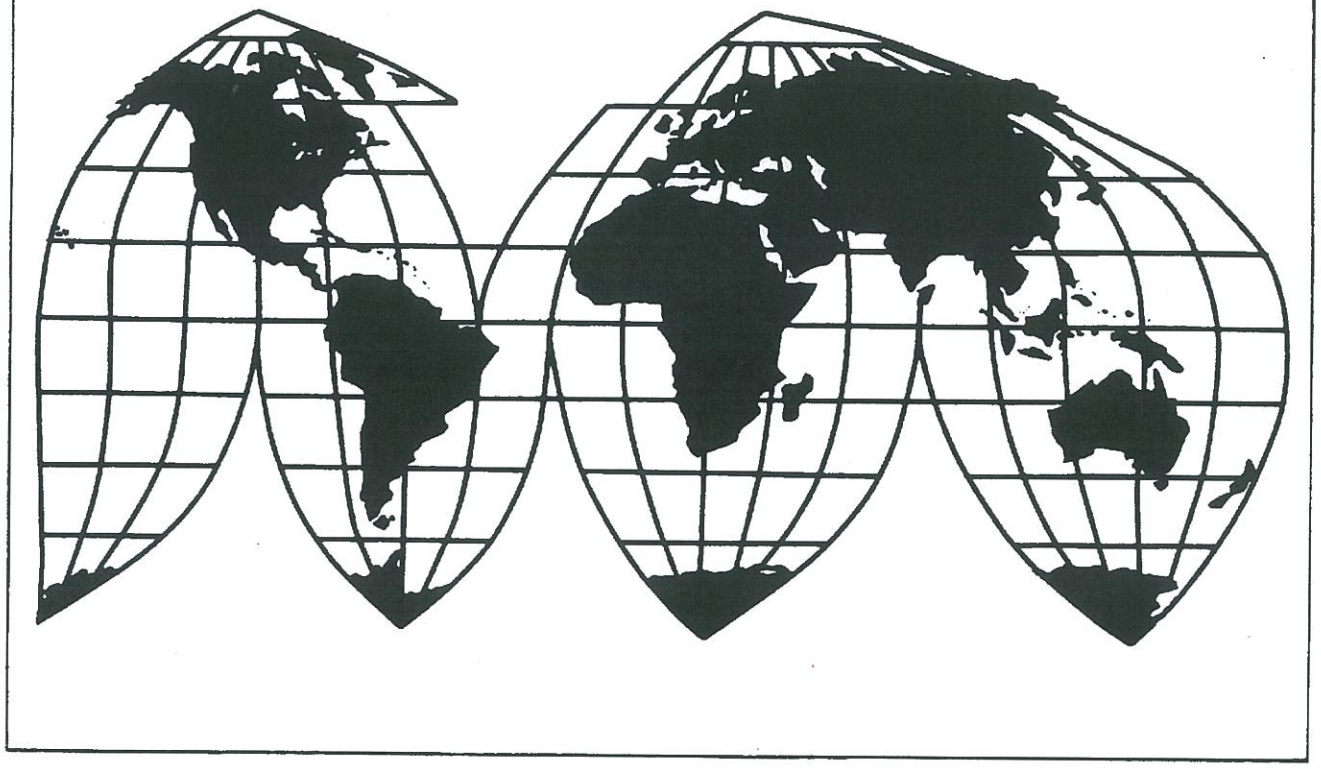
EXHIBIT 2

Gray Portland Cement and Cement Clinker From Japan

Investigation No. 731-TA-461 (Second Review)

Publication 3856 **May 2006**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Southern California.[27] In the first five-year review, the Commission revisited its regional industry definition, and found that there had been integration of the Northern and Southern regions of California. As such, having found that the market isolation criteria were satisfied, the Commission defined the region as the State of California.[28]

In this second review, the domestic interested parties advocate that the regional industry analysis continues to be appropriate and that the Commission again define the region as the State of California.[29]

C. Analysis

For the reasons discussed below, we determine that the record in this review supports a finding of a regional industry corresponding to the region of the State of California.

In five-year reviews involving regional industries, according to the SAA, the Commission should take into account any prior regional industry definition and whether the subject product has characteristics that naturally lead to the formation of regional markets (e.g., whether the product has a low value-to-weight ratio and is fungible).[30] According to the record in this review, cement is a low value-to-weight product and a fungible product, as the domestically produced product and subject imports are highly interchangeable.[31] The relatively low value-to-weight ratio of cement and relatively high transportation costs appear to limit the distances to which cement is shipped.[32] In this second period of review, as during the periods examined in the original investigation and first five-year review, the majority of producer shipments within the region were shipped to customers within 200 miles of the manufacturing plant and the majority of importer shipments within the region were shipped to customers within 200 miles from the port of entry.[33] Moreover, the practice of "freight equalization" or "freight absorption" is still performed in the industry, making transportation costs an important component of cement sales.[34]

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[27] Original Determination, at 13, 17-20, and 47-50.

[28] First Five-Year Determination, at 14, 17-18.

[29] Domestic Industry Comments on the Merits ("Domestic Industry Comments") at 6.

[30] SAA at 888. The Commission has found, in the past, that "appropriate circumstances" exist for the Commission to engage in a regional industry analysis for products with low value-to-weight ratios and where high transportation costs make the areas in which the product is produced necessarily isolated and insular. See, e.g., Gray Portland Cement and Cement Clinker From Japan, Mexico, and Venezuela, Invs. Nos. 303-TA-21 (Review) and 731-TA-451, 461, and 519 (Review) USITC Pub. 3361 (October 2000) at 12; See also Limestone, USITC Pub. 2533; Nepheline Syenite from Canada, Inv. No. 731-TA-525 (Final) USITC Pub. 2502 (April 1992)("Nepheline Syenite"); Gray Portland Cement and Cement Clinker from Venezuela , Inv. No. 731-TA-519 (Preliminary) USITC Pub. 2400 (July 1991)("Venezuela Cement"); Gray Portland Cement and Cement Clinker from Japan, Inv. No. 731-TA-461 USITC Pub. 2376 (April 1991)("Japan Cement,"); Gray Portland Cement and Cement Clinker from Mexico, Inv. No. 731-TA-451 (Final) USITC Pub. 2305 (August 1990)("Mexico Cement") .

[31] CR at V-1, I-11/ PR at V-1, I-9.

[32] CR/PR at V-1.

[33] CR/PR at V-1.

[34] CR/PR at V-3.

review, we consider the performance of individual regional producers as well as the performance of the regional industry in the aggregate, although we lack current data on individual producer performances in this expedited second review.

C. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[92] The following conditions of competition are relevant to our determination.

As at the time of the original investigation and first five-year review, cement continues to be a highly fungible, commodity product, and cement is readily interchangeable regardless of the country of origin.[93] Cement generally conforms to the standards established by the American Society for Testing and Materials ("ASTM"). In the first review, nearly all responding purchasers reported that U.S. produced cement and imported Japanese cement were used in the same applications.[94]

Price is an important factor in purchasing decisions.[95] Due to cement's low value-to-weight ratio, U.S. inland transportation costs account for a relatively large share of the delivered price of cement and are a limiting factor as to the distances to which cement is shipped.[96] As a result, the market for cement tends to be regional in nature.

Given that cement is used almost exclusively in concrete, the demand for cement is dependent on the demand for concrete.[97] Concrete, in turn, is essential to all types of construction, namely residential and commercial building as well as highways.[98] Because demand for cement is derived entirely from the demand for concrete and cement accounts for only a small measure of the cost of construction, demand for cement is relatively inelastic.[99] Moreover, because demand for cement is tied closely to construction activity, demand for cement tends to be cyclical in nature.[100] However, the overall demand for cement is somewhat less volatile than any particular construction market since cement is used in every type of construction. Demand for cement also tends to be seasonal, with peaks in consumption occurring in the summer months when the level of construction is highest.[101]

Apparent consumption in the State of California region declined from 12.2 million tons in 1990 to 10.0 million tons in 1997.[102] However, from 1997 to 1999, apparent consumption increased from 10.0 million tons to 13.0 million tons,[103] near the peak level of 13.2 million tons reached in 1989.[104] This increase in demand in the region was attributable to changes in the California construction market. Specifically, demand for cement increased as construction activity increased as a result of the growth in

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[91] (...continued)
918 F. Supp. at 427 (CIT 1996).
[92] 19 U.S.C. § 1675a(a)(4).
[93] CR at I-11/PR at I-10.
[94] First Review Report at I-26-I-27, I-33, and II-27-II-28.
[95] First Review Report at II-26.
[96] CR at I-24, II-1, V-1/PR at I-20, II-1, V-1.
[97] CR at II-7/PR at II-5.
[98] CR/PR at II-1.
[99] CR at II-8/PR at II-5.
[100] CR at II-8/PR at II-5.
[101] CR at II-8/PR at II-5.
[102] CR/PR at Table I-4B.
[103] CR/PR at Table I-4B.
[104] CR/PR at Table I-4B.

population and the state economy, low interest rates, and significantly improved government fiscal conditions that supported increased public works projects such as major highways.[105]

A number of industry forecasts at the time of the first review suggested that demand for cement in the California region would likely increase at relatively modest rates from 2001 to 2003.[106] According to the domestic interested parties in this second review, there has been increased demand in the region "in recent years that resulted principally from record levels of new residential construction."[107]

From the period examined in the original investigations to the period of the first review, approximately one-half of the regional cement operations underwent a change in ownership, with the share of foreign ownership increasing substantially.[108] In the original investigation, approximately 50 percent of domestic cement operations were owned by foreign corporations, while in the first review period approximately 65 percent were foreign-owned.[109] In addition to foreign ownership, there was a significant degree of vertical integration between regional cement producers and the downstream ready-mix concrete operations.[110]

As was true at the time of the original investigation and first period of review, the cement industry is highly capital intensive.[111] Because of the industry's high fixed costs, production facilities must operate at high capacity utilization levels in order to maximize the return on investment.[112] Cement facilities generally cannot be used to produce other products.[113]

Cement production capacity in the State of California region increased less than two percent from 1990 to 1997.[114] This increase in capacity was far less than the increase in apparent consumption in the region for the same period. At the time of the first period of review, regional cement producers indicated that they were in the process of increasing, or had plans to increase, production capacity by some 3.5 million tons by 2004.[115] Although regional production capacity increased slightly from 1990 to 1999, regional production increased by 16 percent.[116] In 1999, reported regional production was 8.2 million tons.[117] Domestic interested parties in this second review indicate that regional cement production rose to 12.8 million tons in 2003.[118]

During the first review period, the regional industry's share of the California market decreased from 88.9 percent in 1997 to 73.9 percent in 1999.[119] Domestic producers' loss in market share was the result of increasing volumes of nonsubject imports as well as marginal but increasing volumes of subject imports during the first period of review. The share of the California market held by Japanese imports was 0.0 percent in 1997, 0.1 percent in 1998, and 0.2 percent in 1999, while the share of nonsubject imports was 10.9 percent in 1997, 20.6 percent in 1998, and 25.5 percent in 1999.[120] In both the original investigation and first five-year review, U.S. producers and their foreign affiliates were responsible for

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[105] Original Staff Report at Table 7; CR at II-9/PR at II-6.
[106] First Review Determination at 31-32.
[107] Domestic Industry Response at 56-57.
[108] First Review Report at I-39.
[109] First Review Report at I-34, Table I-1A; Original Staff Report at Table 7.
[110] First Review Report at I-II-4.
[111] Domestic Industry Response at 8-9.
[112] Domestic Industry Response at 8-9.
[113] First Review Report at II-7.
[114] First Review Report at Table C-6; Original Staff Report at Table 7.
[115] CR at I-29/PR at I-23.
[116] First Review Report at Table C-6; Original Staff Report at Table 7.
[117] CR/PR at Table III-1B.
[118] CR at III-2/PR at III-1.
[119] CR/PR at Table I-4A.
[120] CR/PR at Table I-4A.

production capacity remained substantial. [129] In 1999, the most recent year for which we have data, Japanese subject producers' average production capacity for gray portland cement was 90.0 million tons.[130] Morever, in 1999, Japanese subject producers' reported capacity utilization rate for gray portland cement was 88.7 percent.[131] In 1999, Japanese subject producers' unused capacity was equivalent to 75 percent of California apparent consumption,[132] and 80 percent of regional production for the same year. Given that cement producers must maintain and maximize capacity utilization in order to be profitable, the existence of significant unused capacity gives Japanese subject producers the incentive to substantially increase their exports to the region if the order were lifted.

In addition to unused capacity, Japanese subject producers' ability to maintain fairly high capacity utilization rates is due in part to their reliance on its export markets. Although most cement shipments of Japanese producers were consumed by their home market during the first period of review, Japanese subject producers shipped between 9.2 million and 6.3 million tons of gray portland cement to third-country markets.[133] If the order were revoked, there is an incentive for Japanese producers to shift at least some of their exports to the U.S. regional market as the record indicates that Japanese producers are facing increasing competition from cement producers in both China and India in third-country markets.[134]

We note that during both the original investigation and first period of review, Japanese subject producers owned or controlled cement production facilities in the region.[135] While this ownership/control may impact somewhat the volume of subject imports from Japan if the order is revoked, the volume of the subject imports is nevertheless likely to increase significantly. Indeed, substantial ownership of California production facilities did not prevent Japanese subject producers from exporting significant volumes of subject merchandise to the region during the original investigation. Moreover, the Japanese subsidiaries' established customer base and distribution system would enable Japanese subject producers to quickly increase sales of subject merchandise in the region if the order was lifted. Finally, at the end of first review period, Taiheiyo, a Japanese subject producer, had invested in a new permanent import terminal in California.[136]

Given the subject producers' substantial production capacity and unused capacity, their continued reliance on export markets, increasing competition in third-country markets, the increase in subject exports to the United States in the original investigation, as well as such producers' need to maximize production capacity to be profitable, subject producers are likely to increase exports significantly to the region upon revocation of the antidumping duty order. Consequently, based on the record in this review, we conclude that the volume of subject imports likely would increase to a significant level and regain significant regional market share if the orders were revoked. Accordingly, we conclude that the likely volume of the subject merchandise, both in absolute terms and relative to consumption in the State of California region, would be significant, absent the restraining effect of the order.

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[129] CR at IV-12/PR at IV-9-IV-10.

[130] CR/PR at Table IV-3. We note that the domestic interested parties submitted figures pertaining to Japanese production capacity and Japanese apparent consumption in 2004. Domestic Industry Response at Attachment 36. However, since there is no indication in the record as to the source of these figures or how they were calculated, we rely instead on the data collected by the Commission in the first review.

[131] CR/PR at Table IV-3.

[132] Compare CR/PR at Tables I-4A and IV-3.

[133] CR/PR at Table IV-3.

[134] Domestic Industry Response at 46-47.

[135] First Review Report at I-51-I-52 and IV-38-IV-40.

[136] CR at IV-13, n.25/PR at IV-10, n.25.

is in a weakened state as contemplated by the statute. Therefore, given the limitations of the record, we are unable to reach a determination as to whether the regional industry is currently vulnerable.

As discussed above, revocation of the antidumping duty order would likely lead to a significant increase in the volume of subject imports into the State of California region, and these subject imports would likely undersell the domestic product and significantly depress or suppress the regional industry's prices. In addition, the volume and price effects would likely cause the regional industry to lose market share. This loss in market share and subsequent decrease in capacity utilization would be particularly harmful in this capital intensive industry, as cement producers must maintain high capacity utilization levels and operating margins to meet fixed costs and to justify capital expenditures. Morever, given the recent capacity expansions by the regional industry over the period of review, the decline in capacity utilization and revenue would likely be accelerated. In addition, the volume and price effects of the subject imports would likely have a significant adverse impact on the domestic industry's production, shipments, sales, and revenue levels.

Reductions in the regional industry's production, shipments, sales, and revenue levels would have a direct adverse impact on the industry's profitability as well as its ability to raise capital and make and maintain necessary capital investments. In addition, we find it likely that revocation of the order will result in employment declines for the regional firms commensurate with reduced production and profitability.

While we analyzed the statutory factors regarding the aggregate data for the regional industry, we also examined the performance of individual regional producers to look for anomalies as a safeguard "to assure that the 'all or almost all' standard [was] met."[145] As discussed above, a substantial percentage of California cement production is owned or controlled by Japanese subject producers. While the volume of likely imports may be limited somewhat as result of this ownership, if the order were revoked, subject imports would likely enter the California region at volumes or price levels that likely would injure regional producers including their regional subsidiaries. As discussed above, the substantial production capacity of the Japanese cement industry, with its low capacity utilization levels and need to meet high fixed costs, would provide necessary incentive for the Japanese producers to increase shipments to the California region if the order is revoked. Without the discipline of the order, the interests of the Japanese operations likely would not be secondary to those of their comparatively small California subsidiaries. Ownership of California facilities did not prevent Japanese producers from shipping significant quantities of cement at low prices to the California region in the original investigation. Moreover, even if an individual subject producer attempted to direct its imports to shield its regional affiliate's production, that regional affiliate likely would still be adversely affected by imports from other subject producers.

Accordingly, based on the limited record in this review, we conclude that, if the antidumping duty order is revoked, subject imports from Japan would be likely to have a significant adverse impact on the State of California industry within a reasonably foreseeable time.

CONCLUSION

For the foregoing reasons, we conclude that revocation of the antidumping duty order on gray portland cement and cement clinker from Japan would be likely to lead to continuation or recurrence of material injury to the California regional industry within a reasonably foreseeable time.

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[145] Cemex, 790 F. Supp. at 296. CR/PR at Tables at D-1-D-9.

Southern California.[11] [12] [13] After receipt of the Commission's determination, Commerce issued an antidumping duty order on imports of gray portland cement and cement clinker from Japan.[14]

On August 2, 1999, the Commission instituted the first five-year sunset review.[15] On November 4, 1999, the Commission determined that it would conduct a full review.[16] On March 3, 2000, in an expedited review, Commerce found that revocation of the antidumping duty order on gray portland cement and cement clinker from Japan would likely lead to continuation or recurrence of dumping as follows: Nihon, 69.89 percent; Onoda, 70.52 percent; and "all others," 70.23 percent. Given the fact that Nihon and Onoda no longer existed,[17] the margin determined to be most relevant was the 70.23 percent "all others" margin.[18] On November 1, 2000, the Commission completed a full five-year review of the antidumping duty order in which it determined that revocation of the order on gray portland cement and cement clinker from Japan would be likely to lead to continuation or recurrence of material injury to an

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[11] *Original Report*, p. 19-20. The region of "Southern California" was based on the U.S. Geological Survey (USGS) definition of Southern California for statistical and analytical purposes in considering the cement industry, defined as the counties of San Luis Obispo, Kern, Inyo, Mono, Santa Barbara, Ventura, Los Angeles, San Bernardino, Orange, Riverside, San Diego, and Imperial. *Id.*, p.13, n. 25.

[12] The Commission considered whether domestic producers that either were owned by a foreign producer, imported subject product, or ground imported subject product should be excluded as related parties, and found that appropriate circumstances to do so did not exist. *Original Report*, p. 13, n. 24. This simply reaffirmed the Commission's finding in the preliminary phase of the original investigation. Producers that were importers, or were related to exporters and/or importers of Japanese cement were: Mitsubishi Cement Co., owned by Mitsubishi Mining & Cement Co., Ltd. of Japan; California Portland Cement Co., owner of a 50 percent interest in CalMat Terminals an importer of Japanese cement; Riverside Cement Co., a joint venture partner with RIC Co., an importer of Japanese cement; and, RMC Lonestar, owner of a 50 percent interest of Pacific Coast Cement Corp., an importer of Japanese cement. *Gray Portland Cement and Cement Clinker from Japan (Preliminary)*, Publication 2297, July 1990, pp. 51-52. In the original investigation and the first review, the Commission found a number of related parties, either through ownership by Japanese firms or as importers of Japanese product, but concluded that appropriate circumstances did not exist to exclude any of the producers from the domestic industry. *Original Report*, p. 13 and *First Review Report*, p. 8. With respect to this review, Mitsubishi Cement Corp. and California Portland Cement appear to be related parties. Mitsubishi Materials, a Japanese producer and exporter, directly or indirectly controls Mitsubishi Cement Corp., which operates a plant at Lucerne Valley, CA. Taiheiyo Cement Corp. (Taiheiyo), a Japanese producer and exporter, directly or indirectly controls California Portland Cement, which operates cement plants at Colton, CA, and Mojave, CA. Taiheiyo also directly or indirectly controls U.S. producers Arizona Portland Cement Co.; Taiheiyo Cement USA, Inc.; and Glacier Northwest/Taiheiyo Cement USA, Inc. Japanese Cement Committee response, p. 54.

[13] In all but one of the 15 investigations (including the *First Review*) concerning gray portland cement, the Commission has used a regional industry analysis. In the 1986 investigation concerning imports from eight countries, petitioner, while noting that cement was sold in regional markets, argued that producers in all regional markets were being injured, and the Commission could, therefore, view injury on a national basis. The Commission made a unanimous negative determination at the preliminary stage of the investigation. *Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain, and Venezuela*, Investigations Nos. 731-TA-356 through 363 (Preliminary), USITC Publication 1925, December 1986.

[14] 56 FR 21658, May 10, 1991 This order required the posting of cash deposits equal to the estimated weighted-average antidumping duty margins, which were: Onoda, 47.79 percent; Nihon, 84.70 percent; and "all others," 65.22 percent.

[15] 64 F.R. 41958.

[16] 64 FR 62689, November 17, 1999. At the same time, the Commission determined it would conduct full reviews concerning gray portland cement and cement clinker from Mexico and Japan. Ibid.

[17] In 1998, Onoda and Nihon merged to form Taiheiyo.

[18] 65 FR 11549.

retard water absorption and allow for easier handling. This grinding step and the materials added are very important in determining the specifications and type of finished cement.

Portland cement is the most important of the four major categories of hydraulic cements,[35] accounting for just over 95 percent of domestic production in 2003.[36] All cement, including imports from Japan, generally conforms to the standards established by the American Society for Testing and Materials (ASTM).[37] General descriptions of the five standard types of portland cement are defined by ASTM as follows:[38]

> Type I–For use when the special properties specified for any other type are not required;
>
> Type II–For general use, especially when moderate sulfate resistance or moderate heat of hydration is required;
>
> Type III–For use when high early strength is required;
>
> Type IV–For use when a low heat of hydration is required; and
>
> Type V–For use when high sulfate resistance is required.

In 1998 and 2003, types I and II portland cement together accounted for just over 90 and just under 83 percent, respectively, of the quantity of all shipments of portland cement from U.S. plants (table I-2).[39] Although specifications for type I and type II portland cement are very similar, they differ in that type I has no specifications for several items that are specified for type II. Thus, type II cement meets all the requirements of type I cement and may be used in lieu of type I. In addition to the standard portland cements, there are a number of special cement blends that contain portland cement.[40]

Cement is hygroscopic; that is, it has a tendency to absorb water. Because cement is hygroscopic, it must be handled and stored in a manner that minimizes the possibility of contamination by water. Thus, both domestic producers and importers must use some type of enclosed system or storage silo and relatively sophisticated equipment to handle finished cement.

Gray portland cement is used predominantly in the production of concrete, which in turn is consumed almost wholly by the construction industry. The chief end users are highway construction using ready-mix concrete and building construction using ready-mix concrete, concrete blocks, and precast concrete units. In many building applications, concrete is used with steel reinforcement to obtain greater strength and durability. One ton of portland cement is used to make about 4 cubic yards of concrete.

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[35] Portland, masonry, pozzolanic, and natural or Roman cement are the four major categories of hydraulic cements.

[36] USGS, *Annual Mineral Industry Survey, Cement, 2003*. In 1998, portland cement accounted for about 95 percent of domestic production. USGS, *Annual Mineral Industry Survey, Cement, 1998*.

[37] *First Review Report*, p. I-23 and Japanese Cement Committee response (Second Review), p. 7.

[38] Norman L Weiss, ed., *SME Mineral Processing Handbook* (Society of Mining Engineers, American Institute of Mining, Metallurgical, and Petroleum Engineers, Inc., New York, NY, 1985), volume II, p. 26-3.

[39] USGS, *Annual Mineral Industry Survey, Cement, 2003 and* USGS, *Annual Mineral Industry Survey, Cement, 1998*.

[40] Blended cements are not portland cements, but are inter-ground mixtures of finished portland cement (ground clinker plus gypsum) and cementitious additives, with the proportion of additives commonly ranging between 15 and 50 percent by weight. USGS, *Annual Mineral Industry Survey, Cement, 1998*.

Table I-3
Gray portland cement:[1] U.S. producers' estimated shipments[2] as a percentage of total shipments, by types of customers, 1998 and 2003

Type of customer	Percent of total	
	1998	2003
Ready-mixed concrete	74.2	74.2
Concrete product manufacturers	11.9	13.8
Road paving contractors	4.8	3.3
Building material dealers	3.8	3.8
Other contractors	3.1	3.0
Oil well drilling, mining, and waste stabilization	1.1	1.3
Federal, state, and other government agencies, and miscellaneous	1.1	0.9
Total	100.0	100.0

[1] Includes cement imported and distributed by domestic producers.
[2] Includes Puerto Rico.

Source: Compiled from data provided by the USGS, *Mineral Industry Survey, Cement 1998.*

Manufacturing Process[41]

For both the imported and domestic products, the production process for gray portland cement is standardized, with no significant technological advances since the original investigation in 1989-91. Gray portland cement is manufactured from a properly proportioned mixture of raw materials containing chemical components of calcium carbonate, silica, alumina, and iron oxide that react when combined with aggregate and water to form concrete. The raw material mixture usually consists of limestone (a source for calcium carbonate), clay (for silica and alumina), and iron ore (for iron oxide). In cases where the common materials are not available or contain an insufficient amount of the chemical components, other mined materials or industrial products may be substituted or used as additives to correct the deficiencies. The mixture is crushed, ground, and blended into a mill feed that is sintered at about 2,700 degrees Fahrenheit in refractory-lined, cylindrical, steel rotary kilns to make cement clinker.

There are basically two processes used to blend the raw materials to produce cement: a wet and a dry process, which are both depicted in figure I-1. The differences between wet and dry blending are procedural; there are no chemical or physical characteristic differences between the end products. In the wet process, the raw materials are ground, blended, and mixed with water to produce a slurry. This slurry is fed into rotary kilns in which it is heated to induce chemical reactions that convert the raw material into cement clinker. The wet process has typically been used where some of the raw materials are very moist; it is also the older process.

In the dry process, all grinding and blending are done with dry materials in a roller mill. The more technically advanced facilities in the United States and Japan improve the efficiency of the dry process by feeding the blended raw material through a preheater and precalciner in which it is partially heated using vented kiln gases and partially calcined by direct firing in a blast furnace before entering the rotary kiln. In those dry process facilities that do not include preheater/precalciner technology, the raw material is fed directly into a rotary kiln in which it is calcined into clinker.

The main advantage of the dry process is that it is more fuel efficient, depending on the moisture content of raw materials economically available; preheaters and precalciners further improve this

[41] *First Review Report*, p. I-25-I-27.

efficiency. In general, the dry process with preheaters consumes 19 percent less fuel than the national average of fuel consumed by all kilns per short ton of clinker production, whereas the wet process consumes 12 percent more than the national average. Kiln size is also a factor in fuel efficiency, with larger kilns being more efficient than the smaller ones. However, the dry process requires more electricity per unit of output than the wet process. Although electricity is used mostly for grinding clinker and pollution control, it is also used to operate the fuel conservation equipment (i.e., preheaters and precalciners). Some in the industry have expressed concern that increasing electrical costs (which vary nationwide), compared with fuel costs, could reduce the fuel cost advantage of the dry process.[42] In 2003, the USGS reported that the dry process production lines utilizing preheaters and/or precalciners consumed more electricity than equivalent capacity wet process lines.[43]

In 2003, approximately 78 percent of U.S. cement clinker production facilities used the dry process;[44] many domestic producers converted their facilities to the dry process to counter higher fuel costs as a result of the energy crisis in the mid-1970s. In Japan, the dry process reportedly is used for all of the cement clinker production.[45]

For both the wet and dry processes, the major sources of energy to operate the kiln include coal, fuel oil, and natural gas.[46] In the United States, the fuel predominantly used is coal; in the original investigations, the Japanese industry reported using mostly fuel oil. The choice of fuel is generally determined by the economics of fuel prices; transportation cost to the production site; efficiency cost in using one fuel over another; and, for already established facilities, the additional capital cost for handling equipment to convert from one fuel to another.[47]

Channels of Distribution

As noted in table I-3, nearly three-quarters of gray portland cement is distributed to readymix concrete operations. In many instances, the readymix operations are owned by or related to U.S. producers and importers.

Customer and Producer Perceptions

As noted earlier, gray portland cement is a fungible product, with domestically produced product and imported product being readily interchangeable.[48] During this review, the Japanese Cement Committee commented on this fact.

> "It {cement} is sold in the United States primarily in bulk form without distinctive packaging or labeling. Thus, domestic and imported cement are indistinguishable and are highly substitutable. There is little or no brand consciousness and little or no loyalty to any particular supplier. As a result, the prices offered by all suppliers in the competitive regional markets of the United States are dictated by competition based almost exclusively on price. Only a small price differential is usually sufficient to induce customers to shift suppliers, whether domestic or foreign. Consequently, domestic

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[42] U.S. Department of Commerce, *A Competitive Assessment of the U.S. Cement Industry*.

[43] USGS, *Annual Mineral Industry Survey, Cement, 2003* and USGS, *Annual Mineral Industry Survey, Cement, 1998.*

[44] USGS, *Annual Mineral Industry Survey, Cement, 2003*. In 1998, approximately 69 percent of U.S. cement clinker production facilities used the dry process. USGS, *Annual Mineral Industry Survey, Cement, 1998.* In 1988, approximately 59 percent of cement clinker was produced by the dry process. *Original Report*, p. A-9.

[45] *Cement in Japan 1999*, Japan Cement Association.

[46] In 2003, there was a "large, possibly cost-related decrease in the amount of natural gas consumed, particularly by dry process plants." USGS, *Annual Mineral Industry Survey, Cement, 2003*.

[47] U.S. Department of Commerce, *A Competitive Assessment of the U.S. Cement Industry*, p. 150.

[48] *First Review Report*, p. I-28 and Japanese Cement Committee response (Second Review), p. 7.

producers are required to match lower prices offered by importers or lose sales on a ton-by-ton basis. Matching the lower import price, however, inevitably causes domestic producer producers to suffer price depression and suppression."[49]

Additional information with respect to customer and producer perceptions is found in Part II of this report, *Conditions of Competition in the U.S. Market*.

Price

The only pricing data available for this report are from the original investigation owing to the fact that the Japanese essentially dropped out of the Southern California and California markets after the original investigation and, in the first review, no importers of Japanese product provided price data. During the original investigation, weighted-average delivered prices for U.S.-produced gray portland cement sold in California generally declined in all market areas from January 1986 to March 1990. Trends in weighted-average delivered prices for Japanese cement were mixed, but generally also declined.[50] Additional information with respect to pricing comparisons of products from the subject countries and the United States is found in Part V of this report, *Pricing and Related Data*.

SUMMARY DATA

Tables I-4A and I-4B present a summary of data from the original investigations and from the first review for Southern California and California, respectively.[51] In this report, all tables concerning "Southern California" end in the capital letter **A**, while all tables relating to "California" end in the capital letter **B**. As noted earlier, in all but one of the 15 investigations (including the *First Review*) concerning gray portland cement, the Commission has used a regional industry analysis. In the 1986 investigation concerning imports from eight countries, petitioner, while noting that cement was sold in regional markets, argued that producers in all regional markets were being injured, and the Commission could, therefore, view injury on a national basis. The Commission made a unanimous negative determination at the preliminary stage of the investigation.[52] In the first review, the Commission presented data on a national industry. Such data are found in table C-3 of this report.[53]

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[49] Japanese Cement Committee response (Second Review), p. 7.

[50] *Original Report*, p. A-65.

[51] In its response in this review, the Japanese Cement Committee provided 2004 production and shipment, but no financial data for the following firms: Southern California firms -- ***. California firms -- the aforementioned firms plus ***. Japanese Cement Committee response (Second Review), attachment 49 and Japanese Cement Committee supplemental response (Second Review), exhibits 2 and 3. .

[52] *Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain, and Venezuela*, Investigations Nos. 731-TA-356 through 363 (Preliminary), USITC Publication 1925, December 1986.

[53] See also, table C-4, *First Review Report*.

With respect to production levels of cement production, the Japanese Cement Committee noted that producers strive to maximize production, stating:

> "All firms in the cement industry are driven to maximize production. In competitive cement markets, producers have a strong incentive to sell as much cement as possible as long as the price of the last unit sold exceeds the marginal cost of producing that unit. As discussed below, given the fungible nature of cement and the market realities in Mexico and Japan, the drive to maximize production compels Mexican and Japanese producers to sell in the United States at whatever price covers their marginal cost plus transportation, while domestic producers are equally compelled to match these lower prices to try to maintain market share and capacity utilization."[15]

Japanese Imports

Based on available information during the first review, Japanese exporters were likely to respond with a significant increase in shipments of gray portland cement to the Southern California/California market if the antidumping order was removed. The main reasons for Japanese exporters' supply responsiveness was the existence of *** levels of excess capacity, and *** alternative markets, from which Japanese exporters could shift sales. However, the supply response was significantly constrained by high U.S. inland transportation costs from import terminals to Southern California/California customers and infrastructure constraints in both Japan and Southern California/California. *** levels of inventories, and the lack of significant production alternatives further constrained Japanese exporters' supply response. Additional information with respect to the Japanese industry is found in Part IV of this report, *U.S. Imports and the Foreign Industry*.

Japanese industry capacity

During the first review, Japanese producers' capacity to produce gray portland cement fell marginally from 1997 to 1999, while production declined at a greater rate. As a result, capacity utilization fell from 98.8 percent in 1997 to 88.7 percent in 1999. Although Japanese producers' capacity utilization rates were high, the absolute levels of excess capacity were substantial (1.0 million short tons in 1997, 9.6 million short tons in 1998, and 9.4 million short tons in 1999).[16]

Alternative markets

The vast majority of Japanese-produced gray portland cement was shipped to its home market during 1997-99. Home market shipments accounted for 89.4 percent of total Japanese shipments in 1997, 91.6 percent in 1998, and 91.7 percent in 1999. Nearly all of the remaining Japanese gray portland cement was shipped to export markets other than the United States, or was internally consumed. For further discussion of alternative markets, as it relates to this review, the Japan Cement Committee's remarks are found in Part IV of this report, *U.S. Imports and the Foreign Industry*.

Japanese producers' inventories

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[15] Japanese Cement Committee response (Second Review), pp. 6-7.
[16] See, table IV-3 of this report.

SUBSTITUTABILITY ISSUES[26]

Purchase Factors

In the first review, nearly all gray portland cement purchasers reported making daily purchases. Most purchasers reported in the first review that their purchasing patterns had not changed significantly since 1990, and they did not expect them to change in the next two years. Most purchasers reported that gray portland cement purchases are seasonal, following construction activity. Purchasers tended to buy more gray portland cement during the spring, summer, and fall than they did in the winter. Before making a purchase, most purchasers contacted between one and four suppliers. Most purchasers reported that they changed suppliers only infrequently; those that changed cited factors such as price, quality, and geographic location as reasons for changing. Most purchasers reported that they did not vary their purchases from a given supplier (within a given quarter) based on the price offered for that quarter. Eight of the 48 responding purchasers reported buying gray portland cement subject to "Buy American" policies.

In the first review, when gray portland cement purchasers were asked to list the three most important factors considered when choosing a supplier, price was ranked first most often by a wide margin (table II-1). Quality and availability were ranked second most often, and price and availability were ranked third most frequently. Other factors listed include delivery, traditional supplier, and location.

Twenty-three of the 46 responding gray portland cement purchasers in the first review reported that they required their suppliers to become certified or prequalified. Twenty of these purchasers reported that 100 percent of their gray portland cement was bought subject to qualification. In general, gray portland cement must meet ASTM-C150 standards. Other factors considered by purchasers in their qualification process include state Department of Transportation approval, price, availability, delivery, consistency of product, and reliability. The qualification process can take anywhere from 1 day to 6 months. Forty-four of 48 responding purchasers reported that no domestic or foreign producers ever failed in their attempts to qualify their gray portland cement, or lost their approved status.

Comparisons of Domestic Products, and Subject and Nonsubject Imports

During the first review, nearly all responding Southern tier producers reported that U.S.-produced and imported Japanese, Mexican, Venezuelan, and nonsubject gray portland cement were always used interchangeably (table II-2). Importers were split between U.S.-produced and imported Japanese, Mexican, Venezuelan, and nonsubject gray portland cement always or frequently being used interchangeably (table II-3).

[26] Unless otherwise noted, discussion in this section is taken from the *First Review Report*, pp. II-13-II-19.

Table II-1
Gray portland cement: Most important factors considered when selecting a gray portland cement supplier

Factor	First	Second	Third
Price	26	4	12
Quality	8	17	4
Availability	3	11	10
Delivery	0	1	4
Traditional supplier	4	1	0
Location	1	1	1
Other	3	3	3
Total	45	38	34

Note: Figures indicate the number of purchaser responses in each category.

Source: Compiled from data submitted in response to Commission questionnaires in conjunction with the *First Review*. See also, *First Review Report*, table II-2.

Table II-2
Gray portland cement: Interchangeability between country pair products, as reported by Southern tier producers

Comparisons	Firms reporting always	Firms reporting frequently	Firms reporting sometimes	Firms reporting never
U.S. vs. Japan	17	-	-	-
U.S. vs. Mexico	19	-	-	-
U.S. vs. Venezuela	17	1	-	-
U.S. vs. nonsubject	16	1	-	-
Japan vs. Mexico	15	-	-	-
Japan vs. Venezuela	15	-	-	-
Japan vs. nonsubject	15	-	-	-
Mexico vs Venezuela	15	-	-	-
Mexico vs. nonsubject	15	-	-	-
Venezuela vs. nonsubject	15	-	-	-

Source: Compiled from data submitted in response to Commission questionnaires in conjunction with the *First Review*. See also, *First Review Report*, table II-3.

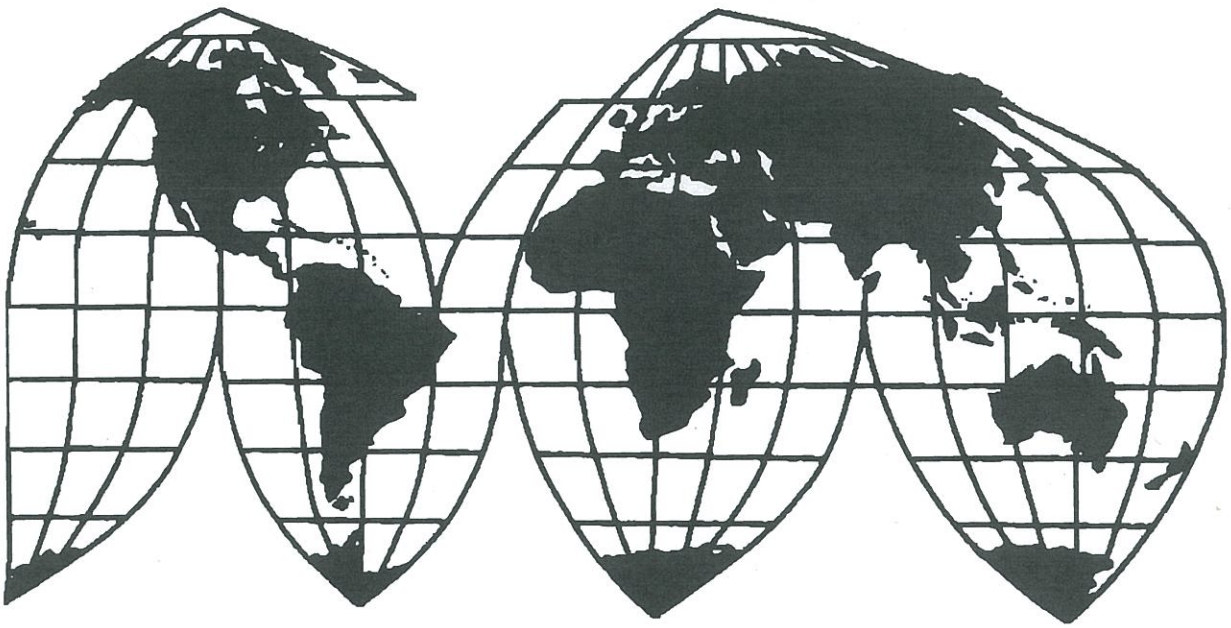
EXHIBIT 3

Gray Portland Cement and Cement Clinker From Japan, Mexico, and Venezuela

Investigations Nos. 303-TA-21 (Review) and
731-TA-451, 461, and 519 (Review)

Publication 3361 **October 2000**

U.S. International Trade Commission



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Commission's application in an affirmative threat determination.[176] In these reviews, the parties disagreed on how the "all or almost all" standard should be applied in a five-year review.[177]

C. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[178] The following conditions of competition in the gray portland cement and cement clinker industry are relevant to our determination.

Gray portland cement is a fungible, commodity product, with domestically-produced product and imported (subject and non-subject) product readily interchangeable.[179] Price is an important factor in purchasing decisions.[180] Due to cement's relatively low value-to-weight ratio, U.S. inland transportation costs account for a relatively large share of the delivered price of gray portland cement and are a limiting factor on the distances to which cement is shipped.[181] As a result, the market for gray portland cement tends to be regional in nature.[182]

Demand for gray portland cement in the Southern Tier and the California regions has increased substantially since the original investigations and during the period of review. In the Southern Tier region, apparent consumption increased by 30.7 percent from 1989 to 1999 and by 19.3 percent from

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[176] In affirming the Commission's affirmative threat determination on remand in Japanese Cement, the Mitsubishi Materials court stated:

> This Court does not need to determine, however, whether the Commissioners' analysis in this regard was sufficient to satisfy the all or almost standard because their use of aggregate data in this case was appropriate. The factors supporting imminent threat to all or almost all of the industry are based on industry conditions common to each and every domestic producer in the Southern California market.

918 F. Supp. at 427 (CIT 1996).

[177] Domestic Producers contended that "[w]here the Commission's analysis is prospective -- as in a threat case or a sunset review -- there is no basis whatsoever for conducting a plant-by-plant analysis. . . .[since] the Commission does not need to make a 'separate determination regarding current material injury.'" Domestic Producers' Response to Commission Questions at 60-65. In contrast, Mexican Respondents - CEMEX and GCCC maintained that the "counter-factual nature of a sunset review makes an aggregate analysis particularly susceptible to disguising anomalies that examination of individual plant information would otherwise highlight" and that a plant-by-plant analysis is required of all or almost all producers in a regional industry sunset review. Mexican Respondents -- CEMEX and GCCC's Response to Commission Questions at 41-44. The Japanese respondents contended that operational differences between the different producers compels "the Commission to examine the data on both a plant-by-plant and aggregate basis." Japanese Respondents' Prehearing Brief at 30-33; Japanese Respondents' Response to Commission Questions at 8.

[178] 19 U.S.C. § 1675a(a)(4).

[179] CR at I-26 - I-27, I-33, and II-27 - II-28; PR at I-23 - I-24, I-28, and II-14 - II-15. All cement generally conforms to ASTM standards.

[180] CR at II-26; PR at II-14. More than half of responding purchasers ranked price as the most important factor in purchasing decisions.

[181] CR at I-15, II-1, V-1, and Table 1-2; PR at I-13, II-1, V-1, and Table 1-2. Average inland transportation costs per ton nearly double if cement in either of the two regions is shipped from 100-199 miles compared with less than 100 miles. Id. at Table I-2. Conversely, ocean freight transportation is relatively inexpensive and does not result in substantial additional costs for shipping further distances.

[182] CR/PR at II-1.

nonsubject cement.[198] Producers in both regions are in the process of increasing, or have plans to increase, production capacity in both regions. Expansions generally take from three to five years from planning to production.[199] We recognize that all announced expansion plans will not necessarily be completed and have considered that those in the construction phase, generally two years in duration, are more certain of completion than those in the planning or permitting phases. In the next two years alone, over 5 million short tons in production capacity is expected to come into service in the Southern Tier region and about *** short tons in the California region.[200]

The gray portland cement and cement clinker industry is highly capital intensive. Because of the industry's high fixed costs, production facilities must operate at high capacity utilization rates in order to maximize return on investment. The Southern Tier regional producers' capacity utilization for cement grew from 75.1 percent in 1989 to 92.6 percent in 1999.[201] The California regional producers' capacity utilization for cement grew from 84.1 percent in 1990 to 95.5 percent in 1999.[202] Gray portland cement facilities generally cannot be used to produce other products.[203]

A substantial amount of the cement industry in both regions is owned by large international corporations. About half of the regional operations have changed ownership since the original investigations, with the share of foreign ownership increasing substantially.[204] During the period of review, foreign ownership accounted for 63 percent of Southern Tier production capacity and 65 percent of California production capacity as opposed to roughly 50 percent in each region during the original investigations.[205] Similar to the original investigations, most imports of gray portland cement and cement clinker are controlled by U.S. producers and their affiliated foreign producers.[206] Overall, 13 of the 23 Southern Tier producers reported imports of cement and cement clinker, mostly from non-subject sources, during the period of review.[207] Southern Tier regional producers with foreign affiliations owned or controlled 38 of the total 44 import terminals in the region; 19 of these terminals were owned by producers affiliated with Mexican producers and one import terminal was affiliated with a Japanese producer.[208] Finally, there is a significant degree of vertical integration between regional cement producers and the downstream ready-mix concrete operations. The share of regional producers' gray

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[198] CR at I-53.

[199] CR at I-35; PR at I-29, and Tr. at 73-74 and 98-99. The permitting process can take as long as two and a half years for approvals and the construction phase takes two years, with construction for some projects completed in separate phases. Id.

[200] CR at I-35 and Table I-7; PR at I-29 and Table I-7. Additional production capacity announced by Southern Tier regional producers by year are: *** in 2004. Additional production capacity announced by California regional producers by year are: *** short tons in 2003. CR/PR at Table I-7.

[201] CR/PR at Table I-1A.

[202] CR/PR at Table C-6 and Japan Cement, USITC Pub. 2376 at A-36, Table 7.

[203] CR at II-7; PR at II-4.

[204] CR at I-39; PR at I-32.

[205] CR at I-34; PR at I-28-29, and Questionnaire responses. By comparison, in 1989, foreign ownership accounted for approximately 47 percent of Southern Tier production capacity and 53 percent of California production capacity. CR at I-34; PR at I-28-29 and Table I-1A, Questionnaire responses, and USITC Pub. 2376 at Table 7.

[206] CR at I-46; PR at I-38.

[207] CR at I-53; PR at I-42.

[208] CR/PR at Table I-9. Of the 19 import terminals affiliated with Mexican producers, 14 terminals were considered active. California regional producers with foreign affiliations owned or controlled 6 of the total 7 import terminals in the region; 4 of these terminals were owned by producers affiliated with Mexican producers and one import terminal was affiliated with a Japanese producer. Id.

The pricing data collected in this review do not give clear evidence of patterns of underselling or overselling, though the data do indicate that some underselling occurred, even with the orders in place and the substantial increases in demand during the period of review.[234] While prices generally increased slightly during the period of review, an increase in prices, and possibly even a substantial one, would have been likely due to the substantial increases in demand from 1997-1999.[235]

We find that without the discipline of the antidumping duty order, there is a substantial likelihood that Mexican cement would be priced aggressively in the Southern Tier market in order to gain market share. The likelihood of price depression or suppression in this market is accentuated by the substantial excess capacity in Mexico. The high fixed costs faced by cement producers provide significant incentive to the Mexican producers to sell their additional excess product even at low costs in order to meet their fixed costs. Moreover, increasing Mexican imports have been subject to high cash deposit rates under the order; in their absence Mexican imports could be priced significantly lower in the United States, including the Southern Tier region.[236] Mexican producer CEMEX has indicated that it likely would substitute Mexican imports for the large volumes of non-subject imports that it has imported into the Southern Tier region with the order in place.[237] Such a substitution would allow CEMEX to lower its prices in the Southern Tier region to reflect decreases in transportation costs for Mexican imports compared to those for more distant non-subject sources.[238] Conversely, the regional domestic industry's capacity expansion projects, and the resultant increase in supply, is likely to increase price sensitivity in the market.

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[234] Subject imports from Mexico undersold domestic product in 71 months and oversold domestic product in 85 months. Price comparisons of Mexican and domestic product were only possible in four markets -- Phoenix, AZ, Tuscon, AZ, Albuquerque, NM, and San Diego, CA. Subject imports from Mexico predominately undersold the domestic product in the Phoenix, AZ market (36 of 39 months), with consistent underselling from August 1998 to March 2000, and had mixed underselling in the Tuscon, AZ market (20 of 39 months). The predominant underselling in the Arizona market where subject imports from Mexico face competition with two domestic producers, California Portland and Phoenix Cement, even with the order in place, provides an indication of the likely pricing patterns for subject imports from Mexico if the order is revoked. Tr. at 177 (CEMEX official acknowledged excess capacity at CEMEX's Hermosillo plant, which supplies customers in Arizona). Moreover, in Albuquerque, NM, where the subject imports compete with a regional producer owned by a Mexican producer, subject imports undersold the domestic product in 15 of 39 months. Subject imports from Mexico consistently oversold the domestic product in the San Diego market. CR/PR at V-8 and Tables V-4, F-15, F-16, F-17, and F-18.

[235] CR at V-7; PR at V-5.

[236] In reaching our conclusion on likely price effects, we have weighed all the pertinent evidence on price and taken into account Commerce's duty absorption finding on Mexico, although we note respondents' argument that a recent CIT decision calls into question the validity of Commerce's duty absorption findings with respect to transition orders. 65 Fed. Reg. 13943 (March 15, 2000); see also Issues and Decisions Memo for the Administrative Review of Gray Portland Cement and Clinker from Mexico -- August 31, 1997 through July 31, 1998 from Richard W. Moreland to Robert S. LaRussa, Assistant Secretary for Import Administration, dated March 15, 2000 at 47 and 48; 65 Fed. Reg. at 41050 (July 3, 2000); see also Issues and Decisions Memo for the Sunset Review of Gray Portland Cement and Cement Clinker from Mexico; Final Results from Jeffrey A. May to Troy H. Cribb, Acting Assistant Secretary for Import Administration, dated June 27 at 8-15; SKF USA, Inc. v. United States, 94 F. Supp.2d 1351 (CIT 2000), remand aff'd, Slip Op. 00-101 (CIT, Aug. 18, 2000). However, we do not rely on the duty absorption findings in making our determination that significant effects are likely upon revocation of the order.

[237] Tr. at 154 (Clyburn).

[238] Tr. at 172 and 175. CEMEX stated that it would realize a cost savings of $3 per ton if it were to replace the cement imports from China that it is currently selling in the United States with cement from Mexico if the antidumping duty order were removed. Id. The difference of $3 per ton is substantial, particularly for a highly-substitutable, price-sensitive product, such as cement. These reduced transportation costs provide CEMEX with the flexibility to lower its price for cement imports from Mexico in the U.S. market without reducing its profit margins.

For the foregoing reasons, we find that revocation of the antidumping duty order on gray portland cement and cement clinker would be likely to lead to significant underselling by the subject imports of the domestic like product in the Southern Tier region, as well as significant price depression and suppression, within a reasonably foreseeable time.

3. Likely Impact

In the original investigation, the Commission found material injury by reason of subject imports due to the volume of imports, the relatively high market penetration, and the effect of the dumped imports on prices.[239] The Commission particularly noted the effects of the dumped imports on the condition of the regional industry and that it examined the record pertaining to individual producers in the region.[240]

We find that the likely significant volume of subject imports would adversely impact the regional industry if the antidumping duty order is revoked. The order appears to have had a beneficial effect on the regional industry's performance. The condition of the regional industry has improved since imposition of the order. While production capacity in the Southern Tier region increased by less than five percent from 1989 to 1999, regional production increased by almost 30 percent for the same period.[241] Thus, the regional producers' capacity utilization has increased from 75.1 percent in 1989 to 92.6 percent in 1999.[242] However, while regional producers' shipments in absolute terms have increased since the original investigation, the increases for these shipments during the period of review have not been at the same rate as the substantial growth in apparent consumption in the Southern Tier region.[243] Therefore, the regional industry's share of apparent consumption in the Southern Tier declined, from 75.6 percent in 1997 to 65.1 percent in 1999.[244] The regional industry's market share in 1999 was lower than its market share of 69.7 percent in 1989.[245] The strong demand for gray portland cement during the period of review has contributed to the regional industry's positive financial performance. The regional industry's operating income margin was 5.6 percent in 1989 as compared to 29.0 percent in 1997, 30.5 percent in 1998, and 32.4 percent in 1999.[246] Based on the industry's recent overall performance, we do not find that the regional industry is currently in a vulnerable state.

As discussed above, revocation of the antidumping duty order would likely lead to a significant increase in the volume of subject imports into the Southern Tier region, and these shipments would likely undersell the domestic product and significantly depress or suppress the regional industry's prices. With demand in the Southern Tier region projected to increase at slower rates or remain flat in a price-sensitive market, the increase in subject imports is likely to cause decreases in both the prices and volume of regional producers' shipments. In addition, the volume and price effects of subject imports would likely cause the regional industry to lose further market share. This loss in market share and subsequent decrease in capacity utilization would be particularly harmful in this capital intensive

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[239] USITC Pub. 2305 at 46-51 and 65-67.

[240] USITC Pub. 2305 at 47-51 and 67.

[241] CR/PR at Table I-1A.

[242] CR/PR at Table I-1A.

[243] CR/PR at Table I-1A. Regional producers' shipments within the Southern Tier region and to the entire U.S. market increased by 2.8 percent and 4.2 percent, respectively, from 1997 to 1999. By comparison, apparent consumption in the Southern Tier region increased by 19.3 percent from 1997 to 1999. Id.

[244] CR/PR at Table I-1A.

[245] CR/PR at Table I-1A.

[246] CR/PR at Tables I-1A and III-6A, III-7A, and III-8A.

industry -- producers require high capacity utilization levels and operating margins to meet fixed costs and to justify capital expenditures.

The Southern Tier regional producers have undertaken, or have announced plans to begin, a number of production capacity expansion projects in order to meet increased demand.[247] As discussed above, the process of expanding production capacity takes three to five years for planning, permitting, and construction. Thus, these extremely capital intensive projects were begun as demand accelerated and have begun to be placed on line, or will be placed on line in the reasonably foreseeable future.[248] The evidence shows that capital expenditures by Southern Tier regional producers have increased substantially from 1997 to 1999.[249] Moreover, the demand cycle appears to have reached a peak with slower growth or constant demand expected in the Southern Tier region in the reasonably foreseeable future. Thus, the regional producers' investments in additional capacity will be particularly susceptible to the likely significant increases in subject imports if the order is revoked, and the result likely would be an adverse impact on the regional industry's capacity utilization levels and profitability due to high fixed costs.

We do not find that the regional industry's current level of operating income indicates that it likely would not be materially injured upon revocation of the order. Due to the cyclicality of the cement industry, high profits at the peak of a cycle are typical and do not indicate that the industry is immune from material injury. Moreover, due to the high fixed costs in this industry, relatively high levels of profitability are needed to justify investments and capital expenditures.[250]

While we analyzed the statutory factors regarding the aggregate data for the regional industry, we also examined the performance of individual regional producers to look for anomalies as a safeguard "to assure that the 'all or almost all' standard [was] met."[251] Mexican respondents have argued that the regional producers representing all or almost all of the production in the Southern Tier region would not experience continuation or recurrence of material injury if the order is revoked.[252] First, we are not convinced that the Mexican producers would refrain from using their excess capacity to ship cement to the Southern Tier region at volumes or price levels that would injure regional producers including their regional subsidiaries. As discussed above, the large capacity of the Mexican cement industry with its low capacity utilization levels and need to meet high fixed costs would provide necessary incentive for the Mexican producers to increase shipments to the Southern Tier region if the order is revoked. Without the discipline of the order, the interests of the Mexican operations likely would not be secondary to those of their smaller Southern Tier subsidiaries, which are running ***.

Second, we also are not convinced by respondents' arguments that, due to the regional nature of the cement industry, certain markets are insulated from competition with subject imports from Mexico and thus producers of all or almost all regional production would not be materially injured. While transportation costs tend to limit the distances that cement is shipped, we note that 20 percent of

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[247] CR/PR at Table I-7; Domestic Producers' Final Comments at 4-7; Domestic Producers' Prehearing Brief at 78-83.

[248] As noted earlier, we recognize that all announced expansion plans will not necessarily be completed and have considered that those in the construction phase, generally two years in duration, are more certain of completion than those in the planning or permitting phases. In the next two years alone, over 5 million short tons in production capacity is expected to come into service in the Southern Tier region. CR/PR at Table I-7.

[249] CR/PR at Table III-10A. Capital expenditures reported by Southern Tier regional producers were: $159.1 million in 1997, $277.9 million in 1998, $620.8 million in 1999, $93.5 million in interim period (Jan.-Mar.) 1999, and $145.6 million in interim period (Jan.-Mar.) 2000. Id.

[250] Tr. at 49

[251] Cemex, 790 F. Supp. at 296. CR/PR at Tables E-1 - E-8.

[252] Mexican Respondents' Posthearing Brief at 16-21.

We find that without the discipline of the antidumping duty order, there is a substantial likelihood that the Japanese cement would be priced aggressively in the California market in order to gain market share. The likelihood of price depression or suppression in this market is accentuated by the substantial excess capacity in Japan. The high fixed costs faced by cement producers provide significant incentive to the Japanese producers to sell their additional excess product even at low costs in order to meet their fixed costs. Conversely, the regional industry's capacity expansion projects and the resultant increase in supply is likely to increase price sensitivity in this market.

For the foregoing reasons, we find that revocation of the antidumping duty order on gray portland cement and cement clinker would be likely to lead to significant underselling by the subject imports of the domestic like product in the California region, as well as significant price depression and suppression, within a reasonably foreseeable time.

3. Likely Impact

We find that the likely significant volume of subject imports would adversely impact the regional industry if the antidumping duty order is revoked. The order appears to have had a beneficial effect on the regional industry's performance. The condition of the regional industry has improved since imposition of the order. While production capacity in the California region increased by less than two percent from 1990 to 1999, regional production increased by almost 16 percent for the same period.[275] Thus, the regional producers' capacity utilization has increased from 84.1 percent in 1990 to 95.5 percent in 1999.[276] However, while regional producers' shipments in absolute terms have increased since the original investigation, the increases for these shipments during the period of review have not been at the same rate as the substantial growth in apparent consumption in the California region.[277] Therefore, the regional industry's share of apparent consumption in the California region declined from 88.9 percent in 1997 to 73.9 percent in 1999.[278] The regional industry's market share in 1999 was the same as its market share of 73.9 percent in 1990.[279] The strong demand for gray portland cement during the period of review has contributed to the regional industry's positive financial performance. The regional industry's operating income margin was 18.6 percent in 1990 as compared to 23.1 percent in 1997, 26.9 percent in 1998, and 28.2 percent in 1999.[280] Based on the industry's recent overall performance, we do not find that the regional industry is currently in a vulnerable state.

As discussed above, revocation of the antidumping duty order would likely lead to a significant increase in the volume of subject imports into the California region, and these shipments would likely undersell the domestic product and significantly depress or suppress the regional industry's prices. With demand in the California region projected to increase at slower rates or remain flat in this price-sensitive market, the increase in subject imports is likely to cause decreases in both the prices and volume of regional producers' shipments. In addition, the volume and price effects of subject imports would likely cause the regional industry to lose further market share. This loss in market share and subsequent decrease in capacity utilization would be particularly harmful in this capital intensive industry --

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[275] CR/PR at Table C-6 and USITC Pub. 2376 at Table 7.

[276] CR/PR at Table C-6 and USITC Pub. 2376 at Table 7.

[277] CR/PR at Table C-6. Regional producers' shipments within the California region and to the entire U.S. market increased by 8.6 percent and 1.1 percent, respectively, from 1997 to 1999. By comparison, apparent consumption in the California region increased by 30.6 percent from 1997 to 1999. Id.

[278] CR/PR at Table C-6.

[279] CR/PR at Table C-6 and USITC Pub. 2376 at Table 6.

[280] CR/PR at Tables C-6 and USITC Pub. 2376 at Table 17.

producers require high capacity utilization levels and operating margins to meet fixed costs and to justify capital expenditures.

The California regional producers have undertaken, or have announced plans to begin, a number of production capacity expansion projects in order to meet increased demand.[281] As discussed above, the process of expanding production capacity takes three to five years for planning, permitting, and construction. Thus, these extremely capital intensive projects were begun as demand accelerated and have begun to be placed on line, or will be placed on line in the reasonably foreseeable future.[282] The evidence shows that capital expenditures by California regional producers have increased substantially from 1997 to 1999.[283] Moreover, the demand cycle appears to have reached a peak, with slower growth expected in the California region in the reasonably foreseeable future. Thus, the regional producers' investments in additional capacity will be particularly susceptible to the likely significant increases in subject imports if the order is revoked, and the result likely would be an adverse impact on the regional industry's capacity utilization levels and profitability due to high fixed costs.

We do not find that the regional industry's current level of operating income indicates that it likely would not be materially injured upon revocation of the order. Due to the cyclicality of the cement industry, high profits at the peak of a cycle are typical and do not indicate that the industry is immune from material injury. Moreover, due to the high fixed costs in this industry, relatively high levels of profitability are needed to justify investments and capital expenditures.[284]

While we analyzed the statutory factors regarding the aggregate data for the regional industry, we also examined the performance of individual regional producers to look for anomalies as a safeguard "to assure that the 'all or almost all' standard [was] met."[285] Japanese respondents have argued that the regional producers representing all or almost all of the production in the California region would not experience continuation or recurrence of material injury if the order is revoked.[286] First, we are not convinced that the Japanese producers would refrain from using their excess capacity to ship cement to the California region at volumes or price levels that would injure regional producers including their regional subsidiaries.[287] As discussed above, the extremely large capacity of the Japanese cement industry, with its low capacity utilization levels and need to meet high fixed costs, would provide necessary incentive for the Japanese producers to increase shipments to the California region if the order is revoked. Without the discipline of the order, the interests of the Japanese operations likely would not be secondary to those of their small California subsidiaries, which are running at ***. Ownership of California facilities did not prevent Japanese producers from shipping significant quantities of cement at

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[281] CR/PR at Table I-7; Domestic Producers' Final Comments at 4-7; Domestic Producers' Prehearing Brief at 78-83.

[282] We recognize that all announced expansion plans will not be undertaken and have considered that those in the construction phase, generally two years in duration, are more certain of completion than those in the planning or permitting phases. In the next two years alone, over *** in production capacity is expected to come into service in the California region. CR/PR at Table I-7.

[283] CR/PR at Table III-10B and Questionnaire responses. Capital expenditures reported by California regional producers were: $59.9 million in 1997, $51.8 million in 1998, $103.9 million in 1999, $21.4 million in interim period (Jan.-Mar.) 1999, and $37.0 million in interim period (Jan.-Mar.) 2000. Id.

[284] Tr. at 49

[285] Cemex, 790 F. Supp. at 296. CR/PR at Tables E-1 - E-9.

[286] Japanese Respondents' Prehearing Briefs at 30-34; Japanese Respondents' Final Comments at 1-5 and 11-12. The Japanese respondents contended that Japanese producers would not ship excessive volumes of imports at price levels that would injure their regional investments and production, and that "the 'all or almost all' standard is not met here because ***." Id. at 2 and 11.

[287] Japanese Respondents' Final Comments at 11-12.

EXHIBIT 4

ANTI-DUMPING AND SUBSIDIES COMMISSION

JAMPRO Trade & Invest (JTI) Bldg. ~ 18 Trafalgar Road ~ Kingston 10 ~ JAMAICA
Telephone: 927-8665, 978-1800 ~ Fax: 978-1093
Email: antidump@jadsc.gov.jm Website: www.jadsc.gov.jm

STATEMENT OF REASONS
PRELIMINARY DETERMINATION

KINGSTON, JAMAICA **CASE. NO. AD-01-2010**
Issued: September 13, 2010

IN THE MATTER OF a Complaint, pursuant to sections 22 and 23 of the Customs Duties (Dumping and Subsidies) Act 1999, submitted by the Caribbean Cement Company Limited to the Anti-dumping and Subsidies Commission.

AND IN THE MATTER OF the Preliminary Determination by the Anti-dumping and Subsidies Commission, pursuant to section 27 of the Customs Duties (Dumping and Subsidies) Act 1999.

IN RESPECT OF the dumping in Jamaica of Ordinary Portland (Grey) Cement originating in or exported from the Dominican Republic.

I. SUMMARY

Initiation of Investigation. On February 15, 2010, Particulars of Complaint were submitted to the Anti-dumping and Subsidies Commission ("the Commission") on behalf of Caribbean Cement Company Limited ("CCCL") alleging that the dumped imports of Ordinary Portland (Grey) cement ("OPC") from the Dominican Republic ("D.R.") have materially injured and threatens to materially injure the domestic industry. The Commission is the body responsible for investigating and making determinations in relation to cases of dumping and subsidizing of goods under the *Customs Duties (Dumping and Subsidies) Act 1999*, ("the Act") and the *Customs Duties (Dumping and Subsidies)(Determination of Fair Market Price, Material Injury and Margin of Dumping) Regulations, 2000* ("the Regulations"). The Act and the Regulations implement the multilateral obligations under the World Trade Organisation Anti-dumping Agreement ("the ADA"), to which Jamaica is a signatory.

On April 30, 2010, the Commission in accordance with the requirements set out in Section 22 of the Act initiated an investigation. The Commission was satisfied to the standard of initiation that the Complaint filed is properly documented, that there is evidence of dumping and that the evidence discloses a reasonable indication that the dumping is likely to cause material injury to the domestic industry. Notice of Initiation of the investigation was given to the Minister of Industry, Investment and Commerce ("the Minister"), the Government of the Exporting country, the known parties to the investigation and other entities as provided under Section 25 of the Act and by publication in the Jamaica Gazette Volume CXXXIII No. 17E and a daily newspaper the Jamaica Gleaner dated April 30, 2010.

The Commission invited comments from interested parties on the Statement of Reasons ("SOR") for Initiation to be submitted within thirty (30) days from the date of receipt of the SOR. Questionnaires and Requests for Information (RFIs) were sent to the relevant parties. The Commission also sought and received information from Government of Jamaica ("GOJ") bodies including the Jamaica Customs Department, Fiscal Services Limited and the Bureau of Standards Jamaica.

Volume of Subject Goods. The Commission examined information from the Importer and Exporter[2] on the volume of subject goods imported from the Dominican Republic during the POI. It was found that the volume of goods under consideration imported from the Dominican Republic accounted for about sixty-five point five seven per cent (65.57%) of total imports for the POI, thereby exceeding the statutory minimum negligibility threshold of three per cent (3%).

The Commission also noted that the Importer was granted a waiver of the Common External Tariff ('CET") which expired in September 2009. The Importer has paid the CET of fifteen per cent (15%) on all shipments of the subject goods from October 2009 to April 2010.

VII. LIKE GOODS

Section 2 of the Act in accordance with Article 2.6 of the ADA, defines "like goods" in the following manner:

> Like goods, in relation to any other goods means –
>
> (a) goods which are identical in all respects with those other goods, or
>
> (b) in the absence of identical goods as aforesaid, goods of which the uses and other characteristics closely resemble those of the other goods.

The Commission examined the goods produced in Jamaica by the industry claiming injury in order to determine whether the goods are "like goods", that is, whether they are identical in all respects or have uses and characteristics closely resembling the goods under consideration (the imports). The locally produced goods are Ordinary Portland Grey Cement (OPC Type I) and a blended OPC containing Pozzolan (OPC Type IP), referred to as Carib Plus. The goods under consideration exported from the Dominican Republic are Ordinary Portland Grey Cement.

The Commission considered factors such as the physical and chemical characteristics, manufacturing and production processes, functions and end uses, channels of distribution and marketing, substitutability and competition and customer and producer perception to determine whether the goods produced locally and the goods under consideration are "like goods" as defined by the Act. The Commission found that the locally produced goods are like goods to the goods under consideration. This was not contested by the Importer who indicated in its Questionnaire response that they are like goods. The Exporter also submitted that there is no difference in quality between the cement produced for the local market in the Dominican Republic and those exported to the market in Jamaica[3]. These factors are addressed in more detail below.

Physical and Chemical Characteristics. An examination of the physical and chemical characteristics revealed that the domestically produced goods appear to be identical to or closely resembling the investigated products based on the technical industry standards, composition and physical characteristics. Portland cement is a fine powder substance which is the basic ingredient of concrete. OPC is a closely controlled chemical combination of calcium, silicon, aluminium, iron and small amounts of other ingredients to which gypsum is added in the final grinding process to regulate the setting time of the concrete. Lime and silica make up about eighty five per cent (85%) of the mass. Common among materials used in its manufacture are limestone, shells, and chalk or marl combined with shale, clay, slate or

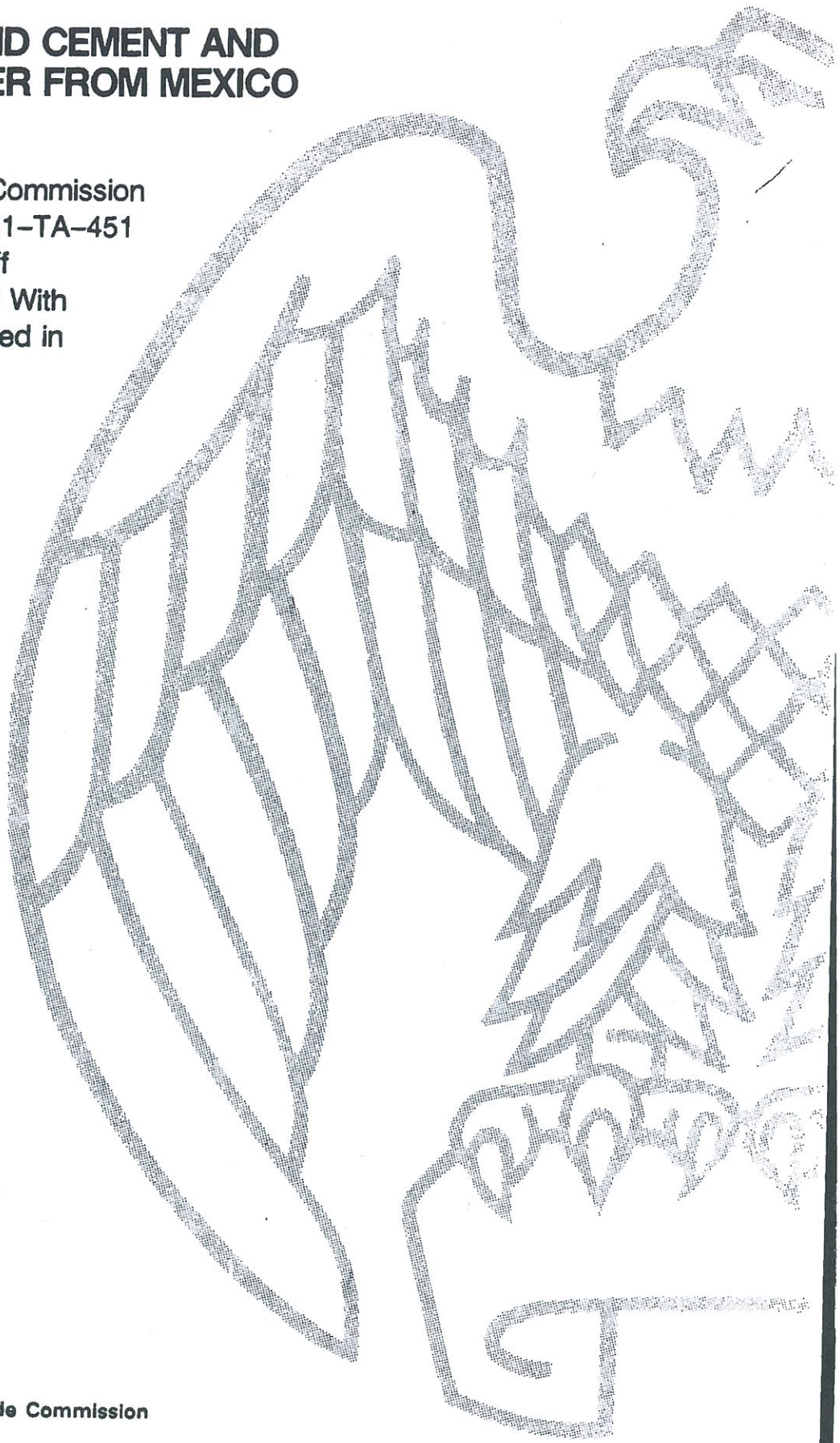
[2] Joint Rebuttal, Exhibit 17, Exporter Questionnaire, page 19

[3] Exporter Questionnaire, page 10, Section 2.2

EXHIBIT 5

GRAY PORTLAND CEMENT AND CEMENT CLINKER FROM MEXICO

Determination of the Commission in Investigation No. 731-TA-451 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



USITC PUBLICATION 2305

AUGUST 1990

United States International Trade Commission
Washington, DC 20436

II. The Business Cycle and Conditions of Competition.

Section 771(7)(C)(iii) of the Tariff Act of 1930 as amended by the Omnibus Trade and Competitiveness Act of 1988 requires the Commission to evaluate the relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry." [4] With respect to the cement and cement clinker industry in the southern tier region, I find the conditions of competition important to my analysis of this case. The cement industry is both capital intensive and produces a "commodity product." In such a commodity market in which producers have high fixed costs, a foreign producer's efforts to increase market share through LTFV pricing affects the prices and/or output of the domestic industry, effectively reducing the contribution profit of the domestic industry and impairing the domestic industry's capability to invest over the long term.

I have also considered the business cycle within the cement industry, but I am not persuaded by petitioners' argument that the cycle within the industry is sufficiently predictable to be of great use in my analysis. Thus, I do not believe that simply examining the return on assets earned by domestic producers, leads me to the conclusion that there is material injury to the domestic industry by reason of the dumped imports. Demand for cement is derived from the activity of the construction industry, an industry that faces boom and bust periods depending upon local business conditions. [5] In this case, the southern tier region includes several submarkets that have faced differing economic conditions over the period of investigation, such as the

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[4] 19 U.S.C. § 1677 (7)(C)(iii).

[5] Report at Table 4; Economic Memorandum, INV-N-084 at 12.

development boom in southern California and the bust in Texas. [6] It is most difficult to define a broad regional business cycle for a regional industry that is comprised of a number of submarkets with their own independent and often unpredictable business cycles.

Because all cement producers have good and bad times dependent upon demand in their local markets, firms must, as the petitioners suggest, earn higher returns on capital in the good times to offset lesser or negative returns on capital in the bad times in order to obtain adequate long-term return on investments. [7] Moreover, since it is difficult to determine exactly where a single local producer is in its business cycle, it is even more difficult to determine where an entire regional industry is in its business cycle, if one exists.

Although there may be independent business cycles and changing conditions in local markets in the southern tier region, the over-all consumption trend within the regional industry may not manifest any peaks or valleys that typically are characteristic of a business cycle. Data collected regarding apparent consumption reveal little change from 1986 through 1989 for the southern tier region. [8] Accordingly, the condition of the regional industry, discussed below, should be considered in the context of relatively stable demand in the southern tier market.

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[6] See Japan Report at Table 6 and Mexican Cement Preliminary Report at Table 5; Mexican Cement Tr. at 69.

[7] Tr. at 20.

[8] Report at Table 5. Between 1986 and 1989 apparent consumption increased by approximately 2 percent.

unwilling to purchase significantly more of the product even if the prices of these goods go down, and when consumers view the imported and like product as close substitutes. Under such circumstances a decrease in the price of the import is likely to result in direct substitution of the import for the domestic like product, rather than in increased overall purchases of the product. When the import market share is significant, this substitution or threat to substitute tends to lower domestic prices, as domestic producers reduce prices to meet import competition in order to maintain their domestic sales volumes.

In this case, the evidence on all three of these considerations is consistent with the existence of significant price and sales effects on the domestic like product due to LTFV imports of cement from Mexico and Japan. First, the amount of cement demanded is unlikely to increase in response to a change in price. The demand for cement is derived from the demand for concrete, which in turn depends on the demand for construction. Portland cement accounts for a relatively small portion of the cost of most construction projects, [44] and there appear to be no good substitutes for cement in the production of concrete. [45] Second, as discussed above, the import penetration levels for Mexican and Japanese cement are significant and increasing. Third, imports from Mexico and Japan are highly substitutable with domestically produced cement and non subject imports. Both domestic and Mexican cement are used for the same application, the production of concrete,

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[44] Report at Economic Memorandum, Inv-N-084 at 12.

[45] Report at A-74 to A-75. Some U.S. producers reported that flyash and slag may be used as a partial substitute for cement as an admixture in the production of concrete. However, flyash can only be used for certain applications, and in most cases could only replace portland cement in approximately 10-15 percent of applications. Id.

and are sold through the same channels of distribution. [46] The fact that all cement generally conforms to the standards established by the American Society for Testing Materials (ASTM) also suggests that the products are excellent substitutes. [47] Under these circumstances, then, the conditions are present for LTFV imports in the market to lower domestic prices or market share. [48]

The ability of subject cement imports to increase their penetration levels is possible by lowering their prices which effectively lowers prices in the entire market. Domestic producers can attempt to hold on to their market share by matching subject import price declines. The drop in average cement prices in the region supports a finding that significant and increasing subject cement imports from Mexico and Japan did indeed have a price depressing effect on the domestic cement market in the Southern tier during the period of investigation. The drop in non-subject import market share also supports a finding of price depression as non-subject importers appear to have been unwilling to match lower U.S. market prices and have simply reduced their import volumes. [49] Thus, the record evidence as a whole supports the conclusion that the LTFV imports have depressed prices received by the domestic industry to a significant degree. [50]

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[46] Economic Memorandum, INV-N-084 at 11.

[47] Report at A-6.

[48] See New Steel Rails from Canada, Inv. No. 701-TA-297 (Final), USITC Pub. 2217 (September 1989) (Dissenting Views of Commissioner Seeley G. Lodwick) at 238-239.

[49] No evidence suggests that non-subject imports faced rising factor costs or had other export opportunities causing them to withdraw from the U.S. market.

[50] 19 U.S.C. (7)(C)(ii)(I) & (II). The law requires a consideration of both significant underselling and whether the LTFV imports had caused price depression or "prevented increases, which otherwise would have occurred, to a

(continued...)

C. Impact of the Subject Imports on the Domestic Industry.

I find that the volume of imports and their effect on prices in the cement industry in the southern tier have caused material injury to domestic producers based primarily upon their effects on the financial condition of the regional industry.

The cumulated LTFV imports' effects on the prices of producers in the southern tier region have adversely affected the income-related indices discussed above, such as profits, cash flows and return on investments, and thus, the domestic industry's ability to invest. [51] Domestic cement producers, faced with LTFV import price competition have dropped their prices in an effort to maintain their output volumes and capacity utilization levels in order to minimize the drop in their contribution profits to their high fixed costs. This maintains production, shipment, and employment levels, but severely impacts the industry's financial indicators. Failure of the domestic industry to match LTFV import prices would result in large drops in domestic output and contribution profits.

Taken as a whole, the record evidence supports the conclusion that the regional industry has been materially injured by cumulated LTFV imports of cement and is consistent with the requirement that a high proportion of producers within the region must be adversely affect by the subject

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[50](...continued)
significant degree," to evaluate "the effect of imports of such merchandise on prices."

[51] The record in this investigation reveals that some firms have curtailed planned investment. Report at Appendix F.

EXHIBIT 6

GRAY PORTLAND CEMENT AND CEMENT CLINKER FROM JAPAN

Determination of the Commission in Investigation No. 731-TA-461 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

USITC PUBLICATION 2376

APRIL 1991

United States International Trade Commission
Washington, DC 20436

of their production of the like product to customers within that region; (2) demand within the region must not be supplied, to any substantial degree, by U.S. producers of the like product located elsewhere; (3) there must be a concentration of the unfairly traded imports within the region.

In the preliminary phase of this investigation, we adopted a different approach, whereby we determine whether a regional market exists based on the two "market isolation" factors identified in the statute, (subsections (i) and (ii)), and then as a second step, consider whether imports are concentrated in any regional market so defined. 31/ Effectively, import concentration is thus a condition precedent to analysis of material injury (or threat thereof) to a regional industry.

As a general matter, the Commission has found in past investigations that "appropriate circumstances" exist for the Commission to engage in a regional industry analysis of domestic cement production. 32/ Gray portland cement and clinker has a low value-to-weight ratio and is fungible. 33/ Thus, high transportation costs tend to make the areas in which cement is produced

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31/ Japan Preliminary at 61-62 (Views of Commissioner Newquist); id. at 23 (Commissioner Lodwick, concurring).

32/ In all but one of the Commission's prior investigations of cement a regional analysis was used. See Report at A-3, Table 1. In the 1986 cement case, Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain and Venezuela, Invs. Nos. 731-TA-356-363 (Preliminary), USITC Pub. 1925 (1986), the regional industry issue was not raised by the parties. The petitioner in the that case noted that cement was produced and sold in a series of regional markets, but argued that regional markets were all being injured by imports and therefore injury could be assessed on a national basis.

33/ See Report at A-11-A-13.

and marketed isolated and insular. 34/ While these prior decisions are not binding precedent, the same considerations apply in this investigation.

This case raises the question of how the Commission is to choose among possible regions which satisfy the market isolation criteria for a regional industry. 35/ In a case such as this, where the choice is between a larger region and a smaller region within the larger region (i.e. the entire State of California or Southern California), we find it appropriate to consider market isolation factors beyond those found in the statute, including changes in shipment patterns, shipments between the smaller region and the remainder of the larger region, and market or commercial realities in the smaller region and the remainder of the larger region, to determine which of the two possible regions is more appropriate.

34/ Id. Purchasers tend to be indifferent to the source of a fungible product, and unwilling to pay high transportation costs to source from a more distant producer.

35/ Generally speaking, with distinctly separate regions, the likelihood of sufficient import concentration in each region to allow a finding of material injury is unlikely. This is the case unless consideration of the concentration of imports is based solely on relative market penetration, in which case more than one region could conceivably satisfy both the market isolation factors and the import concentration requirement. In such a case, a determination that there is material injury to one or more separate regional industries by reason of imports from a single country would be possible. Indeed, this is the argument originally made by petitioner in the Mexican Cement investigation. Because we beleive the concentration requirement is intended to address the potential unfairness of imposing national antidumping (or countervailing) duties based on injury to only a regional subset of domestic producers. We are troubled by the possible results which could flow from consideration of concentration of imports solely based on relative market penetration. See Japan Preliminary at 62-64 (Views of Commissioner Newquist) Nonetheless, the legislative history does allow consideration of relative market penetration in considering whether imports are sufficiently concentrated to warrant analysis of material injury on a regional industry basis. S. Rep. 249, 96th Cong., 1st Sess. 83 (1979); H.R. Rep. 317, 96th Cong., 1st Sess. 73 (1979).

imports compete with each other and with like products of the domestic industry in the United States market. 84/

Imports are to be cumulated if they meet three criteria: (1) they must compete with other imported products and with the like domestic product; (2) they must be marketed within a reasonably coincidental period; and (3) they must be subject to investigation. 85/ In addition, the Commission may cumulate imports subject to a recent final order. 86/ The issue in such cases is whether the final order is sufficiently "recent" that the unfairly traded imports which resulted in imposition of the order are continuing to have an effect on the domestic industry, or whether the order is sufficiently removed in time that LTFV imports entered prior to date of the order no longer have a continuing injurious impact on the domestic industry.

The imports from Mexico which enter Southern California compete with the subject imports from Japan and the domestic like product. As the Commission has frequently noted, cement is a fungible commodity, which competes largely on the basis of price. Imports from Mexico and Japan have been simultaneously present in the California market during the period of investigation. Imports

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84/ 19 U.S.C. § 1677(7)(C)(iv).

85/ See 19 U.S.C. § 1677(7)(C)(iv); H.R. Rep. No. 1156, 98th Cong., 2d Sess. 17 (1984) (which contains the language not contained explicitly in the statute, pertaining to "reasonably coincident" imports). Chaparral Steel Co. v. United States, Slip Op. 89-1338-1339 (Fed. Cir. April 17, 1990, rehearing denied, Order of May 29, 1990. See also, e.g., Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Invs. Nos. 731-TA-278, 279, 280 (Final) USITC Pub. 1845 (May 1986) at 7, n. 28, aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (1988), aff'd , 859 F.2d 915 (Fed. Cir. 1988) (adopting the decision of the lower court).

86/ Chaparral Steel Co. v. United States, Slip Op. 89-1338-1339 (Fed. Cir. April 17, 1990), rehearing denied, Order of May 29, 1990; Industrial Nitrocellulose from Yugoslavia, Inv. No. 731-TA-445 (Final), USITC Pub. 2324 (Oct. 1990).

supports petitioners' argument that the relative prices of imports have had a significant adverse effect on domestic prices.

The conditions of competition in the cement industry in Southern California further support our conclusion that LTFV imports have suppressed and depressed prices in Southern California. 113/ Generally, imports have the greatest impact on domestic prices when they are available in significant volumes, when consumers are unwilling to purchase significantly more of the product even if the prices go down, and when consumers view the imported and like product as close substitutes. Under such circumstances, a decrease in the price of the import is likely to result in direct substitution of the import for the domestic like product, rather than increased overall purchases of the product. When the import market share is significant, this substitution effect tends to lower domestic prices as domestic producers reduce their own prices to meet import competition, in an effort to maintain sales volume and market share.

This case presents just such circumstances, supporting our conclusion that LTFV imports have had significant adverse sales and price effects on domestic producers. Demand for cement is derived from demand for concrete, which in turn depends on the demand for construction. 114/ Portland cement represents a relatively small portion of the cost of most construction

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113/ Commissioner Lodwick notes that the record at the final stage of this investigation reaffirms his conclusions reached at the preliminary stage concerning conditions of competition in this market as a basis for an affirmative determination. Japan Preliminary at 23-29; See also Views of Commissioner Lodwick in New Steel Rails from Canada, Inv. No. 731-TA-422 (Final), USITC Pub. 2217 at 235, for a more detailed discussion of conditions that support claims of significant effects of LTFV imports on domestic prices.

114/ Report at A-14, A-62.

projects 115/, and there appear to be no good substitutes for cement in the production of concrete. 116/ Thus, the amount of cement demanded is unlikely to increase in response to a change in price. Market penetration of Japanese and Mexican imports is significant and increased significantly during the period of investigation. Imports from Japan and Mexico are highly substitutable for the domestic like product, as well as for non-subject imports and each other. 117/ In addition, we note that as the industry's capacity utilization increased, prices declined in the Southern California market, contrary to what would be expected in the absence of LTFV imports. 118/ In the circumstances of this case, suitable competitive conditions for LTFV imports to have a price suppressing and depressing effect are present.

LTFV imports can achieve increases in market share by selling at lower prices, which effectively lowers prices throughout the market for a fungible good such as cement. Domestic producers are faced with either forgoing market share, or lowering prices to compete in an effort to maintain market share. The decline in cement prices in the region, and the increasing market share of

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115/ Memorandum INV-O-064 at 17.

116/ Report at A-63 & n.52.

117/ Memorandum INV-O-064 at 15-17. Imports of both Japanese and Mexican cement are used for the same application, in the production of concrete, and are sold through the same channels of distribution. The fact that all cement generally conforms to the standards established by the American Society for Testing Materials (ASTM) also indicates that imported product cement is an excellent substitute for domestically produced cement.

118/ See Figure 1, Petitioners' Preliminary Conference Exhibit 6, indicating that, from 1975 to 1979, as regional consumption and domestic capacity utilization increased, average shipment values also increased, while from 1985 to 1989, as regional consumption and domestic capacity utilization increased, average shipment values declined.

14 percent.[30] Using the percentage of production data, I note that significant percentages of regional production were accounted for by producers who exceeded these arithmetic averages in each year, specifically, producers accounting for 61 percent of regional production exceeded the arithmetic average in 1986; 39 percent in 1987; 53 percent in 1988; 68 percent in 1989; and 69 percent in 1990. I interpret this data to mean that the performance of the industry as revealed in the traditional aggregate is being pulled down significantly by the weak performance of producers who do not account for the bulk of regional production.

In order to provide a better picture of the operating performance of the industry using the operating income margin as an indicator of performance, I examined the performance of the industry at two additional levels of performance. I looked closely at the arguments of the parties to determine the appropriateness of these levels. It was generally conceded that, due to the capital intensive nature of cement and the effects of the business cycle on cement that operating income margin levels should be relatively high compared to a non-capital intensive industry. Much of the argument focussed on how much higher such levels should be. Estimates by the parties ranged from as low as around 10 percent to as high as above 40 percent.

Several factors have led me to determine that it is appropriate to look at the performance of this industry at the 13 percent and 17.5 percent operating income margin levels. I note that these numbers bracket the arithmetic averages revealed in the traditional Commission data. Second, I note that these represent levels 2 to 3 times higher than the operating income margins I often see in title VII cases.

The estimates calling for higher levels, in excess of 20 percent appear to me to be based on inappropriate comparisons between Commission and public data and between different industries. For example, Commission estimates of operating income margins tend to be more conservative than much publicly available data which usually are calculated on a cash flow basis, and hence treat depreciation differently than does the Commission. Further, cement

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[30] Table 12, Report at A-33.

levels also likely to be injurious in the future, even if they do not substantially increase.

The volume of imports and import penetration level, while providing support for a finding of a causal connection between the imports and the condition of the industry, either in the present or in the future, are only one factor in an analysis of causation, which might be further supported or contradicted by other evidence, particularly information relating to price, which is a factor to be considered in making a threat determination under item (IV). Generally domestic prices follow the pattern that I have already observed existed, that is, a downward trend in price from 1986 through 1988 with firmer and increasing prices in 1989 and 1990.

Japanese prices, according to our producer and importer questionnaire data remained steady, significantly below the domestic prices until 1988 when they too dropped, preserving the margins of underselling that had existed. The data show some slight variations based on location, but the general patterns are similar for all three Southern California locations investigated by the Commission. Purchasers' questionnaires show fewer instances and smaller levels of underselling, as would be expected. I note that in a product such as cement, however, even small levels of underselling must be considered significant.

Apart from our statistical data, the responses the Commission obtained from purchasers of cement provide clear support for both the importance of price in this market and for the negative price impact which Japanese cement has had in the market. Most cement purchasers indicated that price was one, if not the most, important factor in their purchasing decision, and it appears that most that did not are vertically integrated with primary cement producers. Exactly half of the respondents to our purchasers questionnaires indicated that Japanese cement was available at a lower delivered price than domestic cement.[41]

Item (VII), other demonstrable adverse trends, on the list of threat factors is a catch-all for other factors and conditions of trade that will affect the future impact of imports. A factor which seems significant is the involvement of Japanese interests in acquisitions or

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[41] Report at A-69.

Commerce investigated sales during the period December 1, 1989, through May 31, 1990. Commerce examined U.S. sales of cement from Japan totaling * * * short tons with a total adjusted net value of $* * *. Of this, * * * percent, by volume and by value, were found to be sold at LTFV.[14]

The Domestic Market

The regional character

Because of the low value-to-weight ratio and the fungible character of cement, transportation costs are an important limiting factor on its shipment. Approximately 95 percent of U.S. producers' portland cement shipments in the United States are to customers located within 300 miles of the production site. The following tabulation presents the distribution of U.S. producers' shipments of portland cement, by distances, for the Southern California region and the State of California in 1990 (in percent):

Miles shipped	Southern California region	State of California
0-99.....	49.4	49.6
100-299.....	45.1	45.8
300-499.....	***	***
500 or more..	***	***

[1] * * *.

Importers of cement from Japan located in the Southern California region and the State of California shipped more than 95 percent of their cement within a 300-mile radius of their terminals in 1990. The following tabulation presents the distribution of shipments of portland cement by importers of cement from Japan by distance shipped in 1990 (in percent):

Miles shipped	Southern California region	State of California
0-99.....	***	***
100-299.....	***	***
300-499.....	***	***
500 or more..	***	***

[1] * * *.

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[14] See letter from Francis J. Sailer, Deputy Assistant Secretary for Investigations, Import Administration, United States Department of Commerce, to Lynn Featherstone, Director, Office of Investigations, United States International Trade Commission, Mar. 26, 1991.

EXHIBIT 7

Report of Final Investigation on Industry Injury for the Application by Asia Cement Company, Taiwan Cement Company, Lucky Cement Company, Hsing Ta Cement Company, and China Rebar Company for Imposition of Antidumping Duty and Provisional Antidumping Duty on Imported Portland Cement and of Its Clinker from Philippines and South Korea

Ministry of Finance Case Transfer Investigation Code
91·4·19 Tai Cai Guan Zi No.0910550172
Public Version
Passed at 36th Commissioners' Meeting of the International Trade Commission of the Ministry of Economic Affairs
June 13, 2002

(Portion is omitted here…)

I. Market Competition Situations

Portland cement is an important raw materials for general building and construction projects. Besides the situation of the real estate industry, the demand for Portland cement also depends on factors such as the number of public projects, progress of construction, and etc.

(Portion is omitted here…)

As explained above, Portland cement is a price sensitive product. Furthermore, the domestic product and imported product are highly fungible, in terms of product quality, packaging, sales target, and etc

(Portion is omitted here…)

調查編號：一九　九0　0一

財政部移案調查文號

九一．四．一九台財關字第0九一0五五0一七二號函

亞洲水泥、台灣水泥、幸福水泥、信大水泥及中國力霸等股份有限公司申請對自菲律賓及韓國進口卜特蘭水泥及熟料課徵反傾銷稅暨臨時課徵反傾銷稅案產業損害最後調查報告

公開版

經濟部貿易調查委員會

第三十六次委員會議審議通過

九十一年六月十三日

一、市場競爭狀況

□市場需求相關影響因素：卜特蘭水泥為一般建築、土木工程之重要原料，其需求除受房地產景氣之影響外，亦取決於公共工程之多寡及施工進度等相關因素。依據調查國內十二家生產同類貨物廠商所得資料（其中七家廠商回覆，惟南華一家表示該公司於調查資料涵蓋期間並未生產同類貨物）及相關進口統計資料，卜特蘭水泥年需求量於調查資料涵蓋期間八十七年至九十年分別為一千七百九十六萬公噸、一千七百一十一萬公噸、一千六百八十萬公噸及一千五百五十七萬公噸，其中八十八年至九十年之成長率分別為負四．七%、負一．八%及負七．三%。另依台灣區水泥工業同業公會所出版之「台灣區水泥工業概況」資料，卜特蘭水泥年需求量於調查資料涵蓋期間八十七年至九十年分別為二千零五十七萬公噸、一千八百九十萬公噸、一千八百四十八萬公噸及一千六百六十七萬公噸，其中八十八年至九十年之成長率分別為負八．九%、負二．三%及負一○．八%。顯見近幾年因受經濟不景氣、部分公共工程陸續完工、台灣高鐵等工程延後及營建業陷入低迷等因素之影響，國內水泥年需求呈逐年下降趨勢。另水泥市場有淡、旺季之分，按發貨量之大小，依序為第四、二、一、三季；其中第四季因屆年關，需求較高，第二季次之；第一季因跨農曆年，且年前需求量大，年後則較晚開工，故需求較第二季低；第三季因農曆七月（俗稱鬼月）及颱風季節雨量較多，故發貨量減少。

□市場供應相關影響因素：卜特蘭水泥屬內需型產業，整個市場供應以國產品為主，不足部分來自國外進口，兩者市場占有率之比重約為八比二。目前國內有十二家生產廠商，其中以台泥、亞泥為主，約占七至八成；進口產品部分，八十九年前以日貨為大宗，九十年轉以菲、韓等涉案貨品為主軸。據調查國內同類貨物生產廠商所得資料顯示，國內卜特蘭水泥產能為二千六百萬至二千三百萬公噸之間；八十六年後雖受西部礦權到期之影響，產能無法滿載，惟部分廠商配合政府產業東移政策，於東部地區投資興建更具生產效能之廠房設備並開採新礦

源，以彌補西部地區產能之不足。調查資料涵蓋期間八十七年至九十年卜特蘭水泥供應量分別為一千六百五十一萬公噸、一千五百九十五萬公噸、一千五百五十七萬公噸及一千六百四十九萬公噸，顯示國內產業之有效產能足供國內八成以上之市場需求。

□市場競爭相關影響因素：卜特蘭水泥訂有國家標準（CNS），為確保市面流通之產品品質均能符合國家標準，國內廠商對所生產之卜特蘭水泥，於出貨時均規定須通過廠內實驗室之品質檢驗，並出具檢驗報告。至於進口產品則規定於通關時，除須檢附國外生產廠商之檢驗報告外，尚須經標準檢驗局進行抽驗。因此國內外產品品質差異不大。惟考量卜特蘭水泥不耐儲存、不易運送等特性，且交易型態以散裝貨為主，因此行銷過程須具備特殊之儲存槽、運輸、卸載等機具設備；加之，近幾年市場低迷，預拌混凝土廠商、水泥製品廠商、營造商等基於管控施工進度及降低營造成本，一般以價格及交貨便利性作為進行採購之重要參考依據。

□市場行銷交易相關特性：卜特蘭水泥分散裝及袋裝兩種，並以散裝交易為主，此現象國產品與涉案進口產品皆然。至於銷售對象，國產品與涉案進口產品大致相同，其中包括預拌混凝土廠商、水泥製品廠商、經銷商、營造商、工程公司及軍公機關。銷售價格決定方式，除少數如軍公客戶之銷售價格係由雙方訂立長期合約決定外，其餘絕大部分則以現貨市場行情為主，並逐筆決定其交易價。另交易方式，約九成以上以現貨方式交易，即客戶先開支票訂購水泥提貨單，於提貨時如遇市價下跌，則請求發貨折讓優惠；用戶於水泥庫存提貨單數量只剩一至二個月使用量時，即洽談新訂單。

□綜上所述，卜特蘭水泥係價格敏感性產品，且從產品品質、包裝型態、銷售對象等觀之，國產品與進口產品彼此間具高度市場重疊性。

二、產業實質損害之評估

EXHIBIT 8

ANTIDUMPING & SUBSIDIES COMMISSION
24 Trafalgar Road ~ Kingston 10 ~ OR ~P.O. Box 494 ~ Kingston 5 ~Jamaica
Phone; 968-7970, 920-1493/7006, 929-7973 ~ Fax: 926-4622
Email: antidumping@cwjamaica.com

STATEMENT OF REASONS

KINGSTON, JAMAICA
July 2, 2002

REF. NO. AD-01-2002

IN THE MATTER OF a complaint, pursuant to sections 22 and 23 of the Customs Duties (Dumping and Subsidies) Act, 1999, submitted by Caribbean Cement Company Limited, to the Anti-Dumping and Subsidies Commission.

AND IN THE MATTER OF the **Final Determination** by the Anti-Dumping and Subsidies Commission, pursuant to section 30 of the Customs Duties (Dumping and Subsidies) Act, 1999.

IN RESPECT OF the dumping in Jamaica of Ordinary Portland Grey Cement, originating in or exported from Indonesia.

I. SUMMARY

On January 3, 2002, the Commission initiated an investigation pursuant to section 22 of the Customs Duties (Dumping and Subsidies) Act, 1999 (hereinafter known as "the Act") into the alleged injurious dumping into Jamaica of Ordinary Portland Grey Cement originating in or exported from Indonesia.

The investigation was initiated in response to a complaint filed by Caribbean Cement Company Limited of Kingston, Jamaica.

The Commission made an affirmative Preliminary Determination on April 3, 2002 that the goods under consideration had been dumped and were likely to cause material injury to the domestic industry. Further, the Commission indicated that the evidence on the record, at that time, did not support an affirmative Preliminary Determination concerning the imposition of retroactive duties at the Final Determination. The Commission also found that neither the estimated margin of dumping, nor the volumes of dumped goods imported was *de minimis*, and instructed that provisional duties in the amount of 56.21 per cent should be imposed.

At Initiation, CCCL estimated the margin of price undercutting at approximately 13.18 per cent[8]. However, the Commission noted in its Statement of Reasons at the Preliminary Determination that the evidence presented indicated that there was price undercutting of 0.78 per cent on average prices, which, at the time, was considered to be an insignificant price effect.

The Complainant as well as the Importer increased prices in February 2002, a comparison of the average prices of the Importer and the Complainant for the period February to May 2002 reflect price undercutting of 1.06 per cent. In absolute terms, a price differential of 1.06 per cent does not suggest significant price undercutting. However, information gleaned from the Importer and the Complainant during the verification visits indicates that, in relative terms, small variations in cement prices may be significant, as cement is typically purchased in large quantities and so even a small price differential may represent a significant saving to the consumer, so consumers would generally be more inclined to purchase the lower priced cement. The Commission observed a particular trend in the Importer's pricing strategy which is to maintain some amount of price undercutting relative to the domestic industry.

3) PRICE SUPPRESSION

Price suppression is experienced when the domestic industry's margin between unit cost and selling price cannot be maintained. Price suppression will not be evident during the review period unless there has been a significant increase in unit costs or reduction in selling price, since the dumped imports entered the market.

CCCL's monthly data on unit costs exhibited a high degree of variability due to CCCL's practice of valuing inventory at the end of each quarter and adjusting the variations against the cost of sales in that month. There is considerably less variation in CCCL's unit costs on a quarterly basis than the monthly data would reflect and this gives a better reflection of the company's true margins over the period. In particular CCCL's margins actually widened during the period following the introduction of the dumped cement. CCCL's attempts to increase its margin through the reduction in cost and an increase in unit price have overshadowed any suppressing effects the imports may have had on prices. CCCL has indicated that one factor that impacted on its decision to increase prices in June 2001 and February 2002 was the desire to preserve the margin between unit cost and selling price. Thus, the Commission satisfied that price suppression has not occurred as a result of the introduction of Indonesian cement on the market.

C. ECONOMIC IMPACT ON THE DOMESTIC INDUSTRY

1) SALES

CCCL's sales to the local market increased by 0.11 per cent for the period September 2001 to May 2002 relative to the period September 2000 to May 2001, while CCCL's total sales volume declined by 0.85 per cent, based on the decline in export sales. The sales value (revenue) for the period under investigation increased by 15.95 per cent over the prior year period, due mainly to the two price increases that had an impact during the period September 2001 to May 2002 relative to the similar prior year period.

[8] In September, CCCL's prices were 13.96 per cent higher than they were before June 2001.

EXHIBIT 9

ANTIDUMPING & SUBSIDIES COMMISSION
24 Trafalgar Road ~ Kingston 10 ~ Jamaica
Phone: 968-7970, 920-1493/7006, 929-7973 ~ Fax: 926-4622
Email: antidump@cwjamaica.com

STATEMENT OF REASONS

KINGSTON, JAMAICA
June 14, 2004

REF. No. AD-01-2003

IN THE MATTER OF an investigation, pursuant to section 4 of the Customs Duties (Dumping and Subsidies) Act, 1999, on the initiative of the Anti-Dumping and Subsidies Commission on behalf of the Jamaican cement industry.

AND IN THE MATTER OF the **Final Determination** by the Anti-Dumping and Subsidies Commission, pursuant to section 30 of the Customs Duties (Dumping and Subsidies) Act,

IN RESPECT OF the dumping in Jamaica of Ordinary Portland Grey Cement, used for building or construction purposes, except in the case of white cement used for decorative purposes and oil well cement, originating in or exported from The People's Republic of China ("China"); and where the characteristics of the goods under consideration fall under separate sub-headings of the Harmonized Tariff Schedule (HS) Codes the characteristics and purpose of the goods shall be the controlling guide.

1. SUMMARY

On December 16, 2003, the Commission self-initiated an investigation pursuant to sections 4, 22(2), (3), (4) and 23 of the Customs Duties (Dumping and Subsidies) Act, 1999[1] hereinafter referred to as "the Act" and in keeping with Article 5 of the World Trade Organisation ("WTO") Agreement on Implementation of Article VI of the General

[1] The Commission is empowered under section 4-(1)(a) to carry out on its own initiative investigations in relation to the dumping of goods.

1) The material injury currently being exerted on the Domestic Industry, and
2) the ability of the dumped imports to exacerbate these circumstances in the future.[40]

Material Injury Currently Suffered By the Domestic Industry

Currently the Domestic Industry has suffered a decline in its sales from its own production, loss in market share, a build up in clinker inventories, declines in production and negative price effects (price undercutting and price depression) as a result of low priced imports, as noted in the section outlining injury.

The Ability of Dumped Imports to Exacerbate Circumstances - The continued importation and any increase in the volume of unfairly priced imported cement will exacerbate the injurious pressures currently being faced by the Domestic Industry. The demand for the Domestic Industry's cement has become more elastic with the introduction of substitutes. Because Chinese cement is a similar product to the Domestic Industry's product, any price differentials will cause the demand for the Domestic Industry's cement to decline, as consumers will switch to the lower priced alternative.

The extent of the dumping margin is an indication of the extent to which Chinese imports can undercut the Domestic Industry's prices. And, because cement is a product for which small differentials in price can have a significant impact on sales, price undercutting is likely to be more pronounced given the changing market.

The Commission is of the view that an increased availability of dumped imports priced to undercut the Domestic Industry's product can potentially worsen the situation of the Domestic Industry. The Commission observed that in the last quarter of 2002, when most of the total volume of dumped Chinese cement was on the market, Mainland expanded its imported volumes significantly by 49% over 2001. Also, in 2002, Mainland's imports, the majority of which was Chinese cement, accounted for 77% of total imports. This coincided with a decline in annual increase of CCCL's production from approximately 15% in 2001 to approximately 3% in 2002.

Therefore, the Commission considers that the likely price and volume effect of future dumped Chinese cement will be more pronounced given that the dumping margin is an

[40] This practice is followed by Canada, in one case in particular; while the dumped imports were having an impact on the Domestic Industry this impact was deemed to be not yet material. In this case it was found that should imports of the dumped product continue then the Domestic Industry would not be able to maintain its viability, and the Canadian International Trade Tribunal concluded as follows:
"In light of all the foregoing, the Tribunal concludes that, in the absence of anti-dumping and countervailing duties, the threat of material injury to the Domestic Industry in the form of net margin reductions, reduced profitability, lost sales, reduced production and lost market share is clearly foreseen and imminent." It is important to note that the aforementioned effects highlighted by the CITT were not seen during the period of investigation. However the Tribunal determined that the domestic sugar industry could not maintain the strategy that it employed during the period of investigation and that eventually, in the foreseeable future, a change in strategy would have the aforementioned result. Thus, it is clear from the quotation that in any discussion on threat of injury one should make reference to the indicators that would likely be affected once the threat is manifested.

EXHIBIT 10

OFFICIAL IMPORTS DATA FOR IMPORTS INTO CALIFORNIA

Quantity (1,000 Metric Tons)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total 2000-2015
China	2,577	2,405	1,479	1,187	1,546	2,540	3,594	2,136	844	203	33	0	0	-	25	299	18,870
France	-	-	-	-	-	-	-	-	0	-	-	-	-	0	0	0	0
Japan	33	-	-	223	0.5	2	2	3	0	-	-	0	-	0	0	0	264
Spain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	0
Indonesia	-	-	-	-	630	865	111	-	-	-	-	-	-	-	-	-	1,606
Switzerland	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
India	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	0
Thailand	406	907	1,594	1,651	1,587	1,568	2,038	272	-	-	-	-	-	-	-	-	10,023
Canada	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12
Australia	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	0	0
All Others	110	553	115	395	1,125	1,116	1,120	816	33	0	153	68	2	0	-	0	5,607
World	3,139	3,865	3,188	3,456	4,889	6,091	6,865	3,227	878	203	186	68	2	1	25	299	36,383

Share of Imports

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total 2000-2015
China	82.1%	62.2%	46.4%	34.3%	31.6%	41.7%	52.3%	66.2%	96.2%	99.9%	17.8%	0.0%	2.3%	0.0%	99.5%	99.9%	51.9%
France	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.2%	0.3%	0.0%	0.0%
Japan	1.1%	0.0%	0.0%	6.4%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	44.7%	0.1%	0.1%	0.7%
Spain	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indonesia	0.0%	0.0%	0.0%	0.0%	12.9%	14.2%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
Switzerland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
India	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Thailand	12.9%	23.5%	50.0%	47.8%	32.5%	25.7%	29.7%	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	27.5%
Canada	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Australia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All Others	3.5%	14.3%	3.6%	11.4%	23.0%	18.3%	16.3%	25.3%	3.8%	0.0%	82.2%	99.9%	97.6%	41.0%	0.0%	0.0%	15.4%
World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: ITC Dataweb, HTS No. 2523.10, 2523.29, 2523.90; imports for consumption entered into the Port Districts of Los Angeles, San Diego, and San Francisco

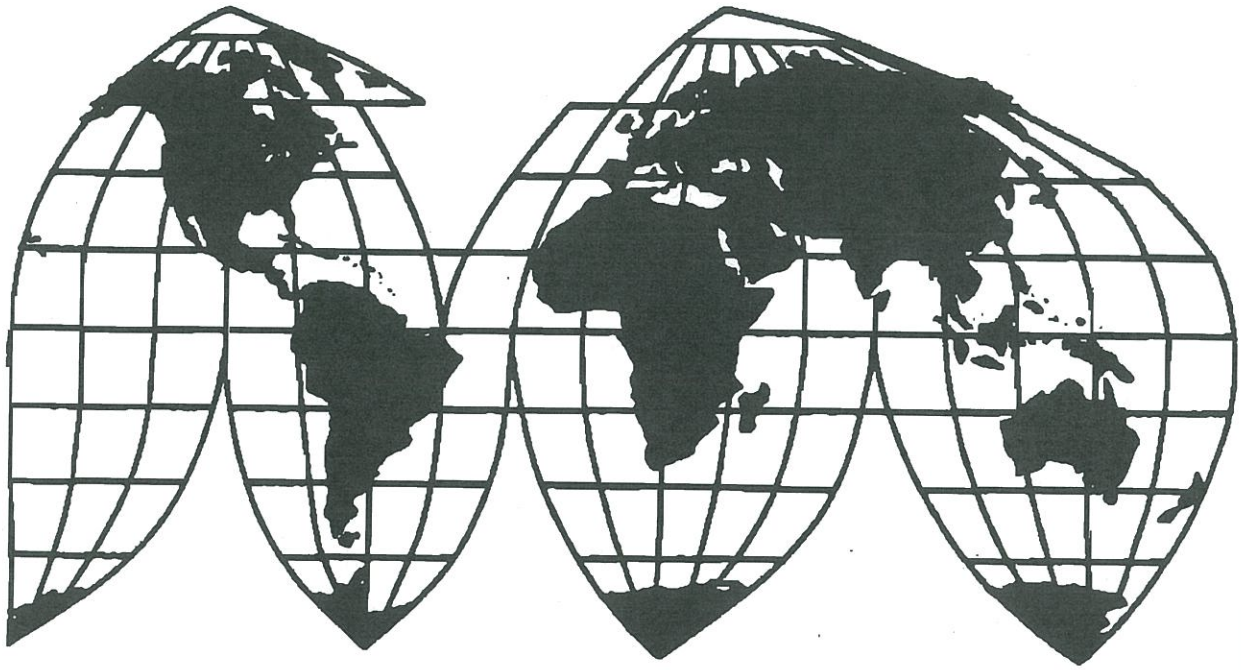
EXHIBIT 11

Gray Portland Cement and Cement Clinker From Japan

Views on Remand in
Investigation No. 731-TA-461 (Final)

Publication 2657 **June 1993**

U.S. International Trade Commission



Washington, DC 20436

domestic industry.[5] No party challenged these findings on review of the Commission's determination before the Court of International Trade, and the Court did not remand any of these findings to the Commission. We concur in those findings.

Regional Industry

In the final determination, the Commission also concluded that "appropriate circumstances" existed for a regional industry analysis of domestic cement production, and that the appropriate regional industry comprised producers in the Southern California region.[6] No party challenged these aspects of the Commission's determination on review. We concur in the conclusion that the statutory market isolation criteria[7] are satisfied in this case, and that regional analysis is appropriate. Based on the realities of the market for cement, and the relatively greater isolation of the Southern California region from outside supplies, we also concur in the conclusion that producers in the Southern California region constitute the appropriate regional industry for our consideration.

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[5] Gray Portland Cement and Cement Clinker from Japan, Inv. No. 731-TA-461 (Final) USITC Pub. 2376 (April 1991) (hereinafter 1991 Japan Final) at 13 (Views of Commissioner Seeley G. Lodwick and Commissioner Don E. Newquist); id. at 46-47, 50 (Views of Commissioner David B. Rohr); id. at 67-68 (Views of Acting Chairman Anne E. Brunsdale).

[6] 1991 Japan Final at 13-20 (Views of Commissioner Seeley G. Lodwick and Commissioner Don E. Newquist). Commissioner Rohr reached the same conclusions. Id. at 47-50.

[7] 19 U.S.C. § 1677(4)(C)(i) & (ii).

We also find that imports are sufficiently concentrated in the Southern California region.[8] As noted by the plurality in its determination,[9] and as held by the Court of International Trade,[10] there is no precise numerical t for determining when imports are sufficiently concentrated in the region. The percentage of total imports from Japan which entered Southern California was 67.9 percent in 1986, 70.8 percent in 1987, 73.0 percent in 1988, 73.7 percent in 1989, and 61.2 percent in 1990.[11] Determining whether the subject imports are concentrated in the region is an area in which the Commission exercises considerable discretion. Although these percentages are somewhat low in comparison to past Commission practice, we note that the Southern California region accounted for between 8 and 9.9 percent of total consumption, yet a significant majority of U.S. imports from Japan were shipped to that region. In this case, therefore, we conclude that imports from Japan are sufficiently concentrated.

Conditions of Competition and Impact of Dumped Imports from Japan

Gray portland cement is a fungible commodity. All gray portland cement sold in the Southern California market, whether domestically produced or imported, meets the same standards, and the record indicates there are no

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[8] This was the conclusion reached by the Commission in its original final determination. 1991 Japan Final at 20-21 (Views of Commissioner Seeley G. Lodwick and Commissioner Don E. Newquist); 48-50 (Views of Commissioner David B. Rohr). The Court of International Trade affirmed this aspect of the Commission's determination on review. Mitsubishi Materials, Slip Op. 93-62 at 10-14.

[9] 1991 Japan Final at 20.

[10] Mitsubishi Materials, Slip Op. 93-62 at 11; Texas Crushed Stone Company v. United States, Slip Op. 93-81 (Ct. Int'l Trade, May 25, 1993) at 17-18.

[11] Report at A-13.

significant distinctions between cement from different sources in terms of quality, delivery, marketing, or terms of sale.[12] Cement is sold on a daily basis. Sales are sensitive to changes in price, and pricing information is spread rapidly throughout the market.[13] Thus, a change in one supplier's price is likely to be met rapidly by all other suppliers. Demand for cement is derived from demand for concrete, which in turn depends primarily on the level of construction activity. Cement represents a small portion of the cost of most construction projects, and there are no good substitutes for cement in the production of concrete.[14] Thus, the total amount of cement demanded in the regional market is unlikely to respond to a change in price.

Cement production is capital intensive, and hence subject to high fixed costs. Thus, as production increases and approaches the limits of capacity, unit costs would decline. In addition, as consumption increases, supplies in the market tighten (absent increased supplies from sources outside the region), prices increase, producers get increased revenues, and operating margins widen. Construction of new production facilities is both expensive and lengthy -- estimates of the time necessary to bring a new cement production facility on line range from three to five years, at a cost of approximately $175 million.[15] Under these conditions, there is little, if any, incentive for producers to cut prices during periods of increasing demand

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[12] Memorandum INV-O-064 at 15-16.

[13] See Petitioners' Pre-hearing Brief at Exhibits 12 and 22-26, discussing purchasers' use of low price quotes from one supplier to obtain a lowered price from another supplier.

[14] Memorandum INV-O-064 at 17; Report at A-63 & n.52.

[15] Petitioners' Pre-hearing Brief at Exhibit 36.

EXHIBIT 12

Conference Minutes of the Hearing in Final Investigation on Industry Injury for "the Application by Asia Cement Company, Taiwan Cement Company, Lucky Cement Company, Hsing Ta Cement Company, and China Rebar Company for Imposition of Antidumping Duty and Provisional Antidumping Duty on Imported Portland Cement and of Its Clinker from Philippines and South Korea"

I. Time: 8:40 AM, May 9, 2002

II. Location: Room 103, Taipei International Conference Center

(Portion is omitted here...)

Attorney Wang Zhong: On behalf of the five petitioner companies, *i.e.*, Taiwan Cement, Asia Cement, Lucky Cement, Hsing Ta Cement, and China Rebar, I am here, using some data and charts, to illustrate the fact that the domestic producers of the cement industry are materially injured by the dumping of large amount of cement and its clinker by South Korea and Philippines. (Portion is omitted here...) Cement is a highly price-sensitive product. This price sensitivity, first of all, is reflected on the consideration of consumers in purchasing the product. That is to say, actually, there is no difference between domestically-produced cement and imported cement, in terms of physical characteristics, usage of the product, sales channel, and etc. Imported cement can completely replace domestically-produced cement. Price is almost the only major factor for consumers to make the purchasing choice. More importantly, cement generally cannot be store for long periods. It will go bad when it is stored for long, under which situation, it cannot be sold or will be sold at discount. Moreover, it is a capital-intensive industry, and has to maintain production to allocate high investment on fixed assets.

(Portion is omitted here...)

「亞洲水泥、台灣水泥、幸福水泥、信大水泥及中國力霸等股份有限公司申請對自菲律賓及韓國進口卜特蘭水泥及熟料課徵反傾銷稅暨臨時課徵反傾銷稅案」產業損害最後調查聽證程序會議紀錄

一、時間：九十一年五月九日上午八時四十分

二、地點：台北國際會議中心一０三室

三、主席：阮組長全和　　四、紀錄：邱照仁

五、出席人員：

台灣區水泥工業同業公會	吳俊民、裴傳忠、王慶堂
台灣水泥股份有限公司	陳茂雄、黃健強、尤亞元、詹志鴻
亞洲水泥股份有限公司	楊桐欣、余佩萍
幸福水泥股份有限公司	陳坤源、劉彥麟
信大水泥股份有限公司	張清壽、洪瑞婉
中國力霸股份有限公司	張兆禎、杜聰明
台灣區預拌混擬土工業同業公會	陳麒麟
理律法律事務所	王仲、徐雪舫
駐台北韓國代表部	李丞宰
Ssangyong Corp.	Park Chung-suk　Hsing Dong-chun
馬尼拉經濟文化辦事處	Antonio L. Basilio

王律師仲：

我謹代表台泥、亞泥、幸福水泥、信大水泥、中國力霸等五家申請公司，利用一些數據、圖表來具體說明有關我國水泥產業因為韓國、菲律賓大量傾銷水泥熟料的行為，導致國內廠商招受重大損失的一個事實。我國水泥產業對我國整體產業經濟的貢獻絕對是不可磨滅的，是有目共睹的事實。從整個工業產值來看，水泥業每年大概是三佰伍拾到伍佰億元的貢獻，佔整體製造業的產值大概是百分之零點五到百分之一的幅度。但是最重要的是我國的水泥產業更是位居相關產業龍頭的地位及發動機的一個角色，不管是上游的土石採取業、金屬礦業、鋼鐵業、治鍊業、或是陸上的鐵路或公路，還有海上的運輸業、下游的預拌混凝土或水泥製品等等產業，它都是居於樞紐及關鍵的地位。換言之，我國水泥產業體質的良瓢與產業的榮枯，事實上不光是關切到有關水泥產業個別產業的生存或業者的利益，更關切到這廣大的關連產業業者的營運還有他們員工的生計。在今天景氣低迷的社會現象底下，我相信在員工生計及勞工權益的保障也是要加以謹慎考慮的。更重要的是我國水泥產業不只沒有像一般科技產業享有各式各樣優厚的稅賦優惠，而是一點一滴繳納各種所得稅捐，相較於其他產業，水泥產業更是繳納其他產業所不需要負擔的一種稅賦，也就是貨物稅，最近五年來貨物稅繳納的總額至少高達三佰三十億元。所以無論是從工業產值還是關聯產業的一個地位，或從財政稅收的角色來看，我們相信國內的水泥產業對整體產業的貢獻和關鍵地位是絕對不容忽視的。我們也感謝本案提起以後貿委會能夠對於水泥產業所遭受產業損害的事實作成肯定的初判的認定，我們也期待從這些相關數據裡面，主席及貿委會的長官也應該可以知道國內產業確實因為韓菲傾銷的關係而造成重大損失的事實。有關韓菲的傾銷行為，財政部在四月中旬作成傾銷部分的最後認定，我想已經有一個確定的判決，菲律賓廠商的傾銷稅率大概是百分之四十二到百分之一百零四等這樣的幅度。韓國廠商的傾銷稅率大約是一百一十到一百二十六的傾銷差率。我們可以看出這個傾銷差率相對於以往一些其他案件的傾銷差率，可能只是百分之二十或百分之三十的傾銷差率的幅度，可以想見，有關韓菲業者他們傾銷行為的嚴重和對於國產水泥業者價格打壓的嚴重幅度，所以在整個產業判斷損害的程度上，在關稅法及平衡稅及反傾銷稅課徵實施辦法第三十七條裡面，對於產業損害的判斷基本上是包括三個層面。第一個層面是進口貨物的數量的影響，第二個層面是有關進口貨物的價格對於國內同類貨物市價的影

響，還有國內產業有關因為進口貨物所產生各式各樣產業上的一些衝擊及影響。基本上從這三個層面來分析，我們依據貿委會以往的案例，我們可以得到以下的結論。有關這些產銷存或產能利用率或獲利率或資產報酬率等等這些經濟指標，這些產業衝擊指標，大概可以歸屬在有關產業損害到底有無的範疇之內。至於說進口數量到底是不是有增加，不管是相對或絕對的數字，或者是價格影響這些相關的數據，也就是進口貨物的傾銷行為，他們的低價行為導致國內產品、國內同類貨物價格受到抑制或是減價，這些效果是應該放在因果關係的判斷上面。在這邊必須要強調的是我們的關稅法、平衡稅及反傾銷稅課徵實施辦法等規定，都是源自WTO的反傾銷協定規範，在這反傾銷協定裡對因果的判斷，它使用的文字是a causal relationship，換句話說只要是造成國內產業損害因素之一即可，不需是唯一的因果關係。換句話說，就是在因果關係的判斷上面，我相信傾銷案件相對於其他法律案件，在要求主要的因果關係或相當有關係是極為不同的，所以我想傾銷進口只要是原因之一就可以了！這也就是為甚麼反傾銷協定或者在以往的案件裡面，事實上並沒有要求對於各種因素必須要加以量化或比較各該因素原因大小緣故，懇請貿委會在作成最後認定的時候必須要考量法律的要件。其次就是說，每個案件都一樣，同時在我們的課徵實施辦法第三十七條裡面，其實從法規用語及字裡行間也可以得到立法的影子，也就是說這些產業衝擊還有進口數量或價格影響這些數字，它的判斷上必須要是對於一定期間的這些經濟指標等等的動態趨勢，作成一些分析和判斷，而不是任意擷取某一個時段，某一個時點中間的一些，特定的數字，作一些推測，更不是用一些原本調查期間之後新發生的事實，來推斷以往沒有發生產業損害，或者說未來不會發生產業損害等等。這樣的一個判斷，也就是說在本案，貿委會對於產業損害在調查期間的認定上，已經按照一九九七年WTO反傾銷委員會所建議的原則，也就是說在本案開始調查之前的三到四年期間作為損害調查的調查期間。換句話說，貿委會各位委員在審核本案的時候，顯然必須要觀察這段期間，就整個有關經濟指標還有進口數量、進口價格等等，這些互動的一些關係，針對這一整段期間的前後真相變化來判斷，這是申請人在這裡懇請貿委會能夠衡量到這個法律上的要件。其次就是本案的水泥產品在特性上面，我們必須闡明就是說，水泥產品具有一個高度價格敏感性，這個價格敏感性不光是表現在顧客購買的選擇考量上，也就是說，其實國產水泥和進口的水泥，不管是物理特性也好，產品的用途也好，銷售的通路也好等等，幾乎是沒甚麼不同，而

進口的水泥是完全可以替代國產水泥的，而價格幾乎是顧客購買的選擇上唯一主要的因素。更重要是，水泥基本上絕對是不耐久存的產品，放久了一定會變質，變質當然就無法銷售出去，或價格會大打折扣，它又是一個高資本投入的產業，必須要維持生產來攤銷高額固定的投資。如果是價格持續下滑，甚至嚴重下滑的市場趨勢，那麼國產水泥就必須要面對一個選擇，到底是要賣，跟著市場的價格來賣，還是說不賣，任由這個水泥產品在倉庫裡面。事實上我們就發現一個重大事實，二○○一年第二季和第三季之交，事實上那時候也是正式提出申請本案的時候，當時國內的水泥產業事實上就面臨這樣的艱難抉擇，因為當時的庫存量已經高達一百六十萬到一百八十萬噸。這樣一個數字，向時正好又遭逢菲韓的進口產品，他們的價格從一千五百到一千六百的價格往下殺到一千二百到一千二百五十元的價格區間，顯見申請人就必須面臨一個價或量的取捨。我們再次懇請貿委會，能夠針對這個價格敏感性，在作出最後認定的時候，審慎的加以考慮。在接下來的部分，我們就來看有關國內一些產業所受到損害的一些具體數據。從申請人生產量而言，我們是用水泥公會統計全體有關業者的一個數字，可以觀察到雖然二○○○到二○○一年可能有一個微幅增長，大概是百分之二點五，但是相對整個調查時間來看，我們從一九九八年到二○○一年來看，事實上生產量是大幅下滑百分之八點二八。如果再從內銷產業的供需面來看，國產產業的內銷量，事實上更是一個嚴重下滑的幅度。那麼在二○○○至二○○一年下滑的幅度是負的百分之三點零八，那麼是以一九九八年來作比較，也就是以一九九八年的產業還是比較健康、體質比較良善，還沒有遭受傾銷損害的一個階段來看，一九九八年和二○○一年事實上內銷量下滑百分之十九點三五，光是從內銷量比較上面來看還無法窺得，就是有關進口業者價格破壞的力量。如果我們來對照，因為公會只有量的數字，沒有值得數字，那我們就來看看申請人五家業者，也就是說代表國內百分之八十三以上的業者他們相關數據來看，還可以得到這樣的對照，就是說在內銷量同樣的與公會整體的數字，向樣呈現一個巨幅下滑的現象，更重要是說，向期間內銷值的下滑幅度是更大的，我們用一個具體數字來看，內銷量下滑的幅度從九八年和二○○一年來比較，下滑幅度是負的十八點三四，但如果以內銷值，也就是說申請人合計的一個銷貨收入來看的話，在內銷部分，事實上下滑幅度是負的百分之三十八點九六。為甚麼量僅有下滑負的百分之十八，而相對於內銷值來講，卻下滑負的百分之三十八？顯現國產業者因為韓菲傾銷行為的結果，而導致價格侵蝕的幅度。我們

GLOBAL SUPPLY AND DEMAND CONDITIONS ELEVATE THE RISK OF LEAKAGE IN THE CEMENT SECTOR

EXHIBITS

EXHIBIT A-1	European Chamber, "Overcapacity in China: An Impediment to the Party's Reform Agenda" (2016)
EXHIBIT A-2	China Building Materials News, "Chairman of China National Building Materials Group Corporation Zhiping Song: How to Resolve Full Overcapacity in New Normal Status" (Apr. 27, 2015)
EXHIBIT A-3	U.S. Department of the Interior, U.S. Geological Survey, 2013 Minerals Yearbook: Cement [Advance Release] (Dec. 2015)
EXHIBIT A-4	Economic Information Daily, "Demand Overdraft Caused Losses in Nearly Half of the Cement Enterprises" (Dec. 15, 2015)
EXHIBIT A-5	Global Cement, "Vietnam's Cement Consumption Up in the First Half of 2015" (July 14, 2015)
EXHIBIT A-6	VietNamNet Bridge, "Cement Industry Eyes Exports" (accessed Feb. 23, 2016)
EXHIBIT A-7	Taipei Times, "Taiwan Cement Revenue Set to Climb" (Aug. 19, 2014)
EXHIBIT A-8	Cemweek.com, "Exports Increasing While Internal Demand Drops, Japan" (Jan. 22, 2016)
EXHIBIT A-9	CW Group, "China's cement sector in a dilemma over rising inventory" (Dec. 29, 2015)
EXHIBIT A-10	Geography Cement, "Cement Weekly Review (151128): Cement Demand's Average Annual Growth Rate Would Be Around -3% During '13th Five Year' Period" (Nov. 28, 2015)
EXHIBIT A-11	Ministry of Industry and Information Technology of the People's Republic of China, "Cement Industry '12th Five Year' Development Plan"
EXHIBIT A-12	General Office of the People's Government of Shandong Province, "Shandong Province Cement Industry Transformation and Upgrade Implementation Plan" (Apr. 10, 2015)
EXHIBIT A-13	E Zheng Ban Fa (2011) No. 32, "Opinions of the General Office of the People's Government of Hubei Province on Supporting Sound and Fast Development of the Cement Industry of the Province" (Apr. 3, 2011)
EXHIBIT A-14	Cemweek.com, "Problems for China's strategy in the cement sector" (Jan. 12, 2016)
EXHIBIT A-15	2014 Annual Report of Anhui Conch Cement Company Limited
EXHIBIT A-16	2014 Annual Report of Huaxin Cement Co., Ltd.

I. INTRODUCTION

Global supply and demand conditions elevate the risk of leakage in the cement sector. There is significant excess cement capacity in foreign countries, particularly in China, and foreign producers are export oriented. The slowdown of the Chinese economy and significant government subsidies provided to Chinese cement producers indicate that excess capacity will remain high. Due to this excess capacity, foreign cement producers have the ability to significantly increase exports to California. In similar situations, significant global excess capacity in the aluminum and steel industries combined with slowing demand in key markets, particularly in China, have caused a surge in imports that are inflicting severe economic harm on U.S. industries. These factors pose a significant threat to the California cement industry and elevate the risk of leakage in this industry.

II. EXCESS GLOBAL CEMENT CAPACITY, PARTICULARLY IN CHINA, IS A SIGNIFICANT THREAT TO THE CALIFORNIA CEMENT INDUSTRY

Global production capacity for cement far exceeds current production and consumption levels. This is the case throughout the world, and particularly in China, as explained below.

A. Current Excess Capacity in China Is Exponentially Larger than Total Capacity in California

China is, by far, the largest producer and exporter of cement in the world.[1] China also is the largest source of California cement imports, accounting for more than 50 percent of total imports into California during January 2000 to December 2015.[2]

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[1] "In 2015, China's cement production accounted for 57 per cent of global output and was about nine times larger than the second largest producer, India." European Chamber, "Overcapacity in China: An Impediment to the Party's Reform Agenda" at 22 (2016), excerpt attached as **Exhibit A-1**.

[2] *See* Official Import Data for Imports into California, attached as Exhibit 11 to CSCME's Comments Related to the Risk of Leakage in the Cement Sector.

Excess cement production capacity in China is 920 million MT, which is 77 times the total capacity in California of 12 million MT, 102 times total production in California of 9 million MT, and 115 times total consumption in California of 8 million MT.[3] Total production capacity in China of 3.4 billion MT is 283 times California's capacity.[4] In fact, the excess capacity in China may be much higher. More recent data suggests that the economic slowdown in China has caused a decline in capacity utilization.[5] Furthermore, despite efforts by the National Development and Reform Commission ("NDRC") to resolve the overcapacity issue in China's cement industry, "these measures have so far only managed to slow down the rate at which the problem is expanding."[6] In addition, although the NDRC has imposed stricter approval and other requirements, "there are loopholes that allow for approvals to be granted locally instead of through the NDRC by claiming that the new facility will increase environmental improvements. These loopholes also contribute to a worsening of the overcapacity situation[.]"[7] The Chinese industry clearly has significant unutilized production

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[3] *See* China Building Materials News, "Chairman of China National Building Materials Group Corporation Zhiping Song: How to Resolve Full Overcapacity in New Normal Status" (Apr. 27, 2015), Chinese original and excerpted English translation attached as **Exhibit A-2**. Data on capacity, production, and consumption in California are 2013 data, which are the most recent available from the U.S. Geological Survey. *See* U.S. Department of the Interior, U.S. Geological Survey, 2013 Minerals Yearbook: Cement [Advance Release] (Dec. 2015) at Table 3 and Table 9, excerpt attached as **Exhibit A-3**.

[4] *Id.*

[5] The data cited above reported by the China Building Materials News publication in April 2015 suggest capacity utilization of 73 percent. A more recent December 2015 report from Economic Information Daily, however, states that the Chinese cement industry's capacity utilization is only 65 percent. Economic Information Daily, "Demand Overdraft Caused Losses in Nearly Half of the Cement Enterprises" (Dec. 15, 2015), Chinese original and excerpted English translation attached as **Exhibit A-4**.

[6] European Chamber, "Overcapacity in China: An Impediment to the Party's Reform Agenda" at 22-23 (2016).

[7] *Id.* at 23.

capacity that is many times greater than total capacity, production, and consumption in California.

Cement manufacturers in other countries in Asia also have substantial excess capacity and are focused on exports. For example, cement exports from Vietnam increased 8 percent in the first half of 2015, and the Vietnamese industry's need to export will increase going forward, because the industry planned to add more than 4 million MT of additional capacity in 2015 and scheduled to add even more capacity through "a number of major projects" due to come online in 2017 and 2018.[8] The Vietnamese industry has been focused on exports for several years, as confirmed in 2014 by the president of the Viet Nam Cement Association, who stated that "Viet Nam has advantages in cement production and exports" and that "[c]ement exports will be a good choice from now till 2025 or even 2030."[9] Cement manufacturers in Taiwan are also highly export oriented, as demonstrated by a government policy that attempts to limit exports to 30 percent of domestic production.[10] Finally, Japanese cement manufacturers are focusing more on exports in the face of declining domestic demand and increased competition from China.[11] Although the antidumping order currently in place in the United States on imports of cement from Japan may limit California imports from Japan, increasing exports from Japan to other markets will place even more pressure on cement exporters in other Asian countries to pursue export opportunities in California.

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[8] Global Cement, "Vietnam's Cement Consumption Up in the First Half of 2015" (July 14, 2015), attached as **Exhibit A-5**.

[9] VietNamNet Bridge, "Cement Industry Eyes Exports" (accessed Feb. 23, 2016), attached as **Exhibit A-6**.

[10] Taipei Times, "Taiwan Cement Revenue Set to Climb" (Aug. 19, 2014), attached as **Exhibit A-7**.

[11] Cemweek.com, "Exports Increasing While Internal Demand Drops, Japan" (Jan. 22, 2016), attached as **Exhibit A-8**.

B. Excess Capacity in China Is Projected to Remain High into the Future

1. Challenging demand conditions will keep excess capacity high

Recent reports on the Chinese industry indicate that excess capacity is increasing, with inventories rising and Chinese cement manufacturers struggling to find sufficient buyers of cement amidst slowing growth in China.[12]

As noted above, China's cement capacity exceeded 3.4 billion MT in 2014.[13] Zhiping Song, the Chairman of China National Building Materials Group Corporation, predicts that total demand for cement in China will remain around 2.5 billion MT for 8-10 years after 2014 (*i.e.*, through 2022 or 2024).[14] Thus, he predicts excess capacity will remain around 900 million MT if production capacity in China remains stable. Another industry analyst estimates that China's cement demand will drop to 1.8-2.0 billion MT by 2020.[15] Thus, even under the unrealistic assumption that China will not add any cement capacity in the coming years, the magnitude of excess production capacity will either continue at its current level or increase as Chinese demand declines. Accordingly, China's significant excess capacity will remain for years to come and will continue to dwarf total California cement production capacity (12 million MT).

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[12] *See* CW Group, "China's cement sector in a dilemma over rising inventory" (Dec. 29, 2015), attached as **Exhibit A-9**.

[13] China Building Materials News, "Chairman of China National Building Materials Group Corporation Zhiping Song: How to Resolve Full Overcapacity in New Normal Status" (Apr. 27, 2015), attached as Exhibit A-2.

[14] *Id.*

[15] Geography Cement, "Cement Weekly Review (151128): Cement Demand's Average Annual Growth Rate Would Be Around -3% During '13th Five Year' Period" (Nov. 28, 2015), Chinese original and excerpted English translation attached as **Exhibit A-10**.

2. Subsidies to cement producers will also contribute to excess capacity

China's central, provincial, and local governments continue to subsidize cement production. Such subsidies prolong and exacerbate the industry's excess production capacity and create increasingly strong incentives to export cement. Industrial plans at both the national level and local level all provide support to cement producers, particularly to certain favored "key enterprises." Such support includes technological upgrades and restructuring activities. For example, the Government of China's 12th Five Year plan (2011-2015) for the cement industry called for support for favored cement producers, including support related to land acquisition, tax policies, and extension of credit.[16] At the provincial level, Shandong Province published a "Cement Industry Transformation and Upgrade Implementation Plan" in April 2015 that aims to "raise the competition advantages of the cement industry of the province" by, among other things, providing financial support and promoting technology and innovation support.[17] Support provided by the Government of Hubei Province for "backbone cement enterprises" includes preferential tax policies and financial support.[18]

Although some of the government plans cited above also call for the elimination of certain "backward" capacity and for some restrictions on capacity expansions, any attempts to reduce production capacity in China have been ineffective. According to a December 2015

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[16] Ministry of Industry and Information Technology of the People's Republic of China, "Cement Industry '12th Five Year' Development Plan," Chinese original and excerpted English translation attached as **Exhibit A-11**.

[17] *See* General Office of the People's Government of Shandong Province, "Shandong Province Cement Industry Transformation and Upgrade Implementation Plan" (Apr. 10, 2015), Chinese original and excerpted English translation attached as **Exhibit A-12**.

[18] E Zheng Ban Fa (2011) No. 32, "Opinions of the General Office of the People's Government of Hubei Province on Supporting Sound and Fast Development of the Cement Industry of the Province" (Apr. 3, 2011), Chinese original and excerpted English translation attached as **Exhibit A-13**.

article, "some localities are still providing so-called 'preferential policies' to investors when seeking investment, and illegally and arbitrarily approving new capacity and capacity expansion projects."[19] The same article states that "[s]ome localities actively assist enterprises to issue preapprovals and obtain approvals, and even allow enterprises to start construction before or while obtaining approvals. Some localities continue adding new cement production lines after mergers and restructurings, which results in . . . more excess capacity."[20] In addition, another recent report states that in some instances the central Chinese government's attempts to "tackle the problem of fragmentation and over-capacity" are being frustrated by local business and government interests.[21]

Annual reports of certain major Chinese cement producers also confirm continued receipt of significant government subsidies. For example, the Chinese cement producers listed below received government subsidies during the year covered by their most recent annual reports.

- Anhui Conch Cement Co., Ltd. received 1,018,565,999 RMB ($154,797,264) in various government grants, and certain subsidiaries enjoyed reduced income tax rates in 2014 (the company's sales revenue was 60,758,500,923 RMB, or $9,233,814,730, in 2014).[22]
- Huaxin Cement Co., Ltd. received 317,355,341 RMB ($48,230,295) in various government grants, and several of its subsidiaries enjoyed reduced income tax rates in

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[19] Economic Information Daily, "Demand Overdraft Caused Losses in Nearly Half of the Cement Enterprises" (Dec. 15, 2015), Exhibit A-4.

[20] *Id.*

[21] Cemweek.com, "Problems for China's strategy in the cement sector" (Jan. 12, 2016), attached as **Exhibit A-14**.

[22] 2014 Annual Report of Anhui Conch Cement Company Limited at 12, 159-160, 163-165, excerpt attached as **Exhibit A-15**. All RMB values are converted to approximate U.S. dollars at the exchange rate published by XE.com on January 26, 2016 of 6.58 Chinese Yuan Renminbi per U.S. dollar.

2014 (the company's sales revenue was 15,996,149,247 RMB, or $2,431,025,721, in 2014).[23]

- Henan Tongli Cement Co., Ltd. received 252,597,260 RMB ($38,388,641) in various government grants in 2014 (the company's sales revenue was 3,937,868,983 RMB, or $598,460,332, in 2014).[24]

- Fujian Cement Inc. received 24,391,359 RMB ($3,706,893) in various government grants in 2014 (the company's sales revenue was 2,061,836,155 RMB, of $313,348,960, in 2014).[25]

- Allied Cement Holdings Limited received 18,995,000 HK$ ($2,435,256) in 2014 (the company's sales revenue was 733,125,000 HK$, or $93,990,385, in 2014).[26]

III. CURRENT CONDITIONS FACING OTHER U.S. INDUSTRIES CONFIRM THE SIGNIFICANT RISK OF AN INJURIOUS IMPORT SURGE

Significant global excess capacity in other commodity-type industries combined with slowing demand in key markets, particularly China, have caused a surge in imports that are inflicting severe economic harm on U.S. industries. As *Bloomberg* reported in December 2015, "[a] slowdown in domestic aluminum demand has coincided with the start-up of millions of tons of new capacity in the world's biggest producer [(China)] while Chinese steelmakers battling losses have stepped up exports to compensate for shrinking consumption at home as economic growth weakens."[27]

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[23] 2014 Annual Report of Huaxin Cement Co., Ltd., excerpted Chinese original and excerpted English translation attached as **Exhibit A-16**.

[24] 2014 Annual Report of Henan Tongli Cement Co., Ltd. (March 2015), excerpted Chinese original and excerpted English translation attached as **Exhibit A-17**.

[25] 2014 Annual Report of Fujian Cement Inc., excerpted Chinese original and excerpted English translation attached as **Exhibit A-18**.

[26] 2014 Annual Report of Allied Cement Holdings Limited at 95 and 132, excerpt attached as **Exhibit A-19**. Hong Kong dollar values are converted to approximate U.S. dollars at the exchange rate published by XE.com on January 26, 2016 of 7.80 Hong Kong dollars per U.S. dollar.

[27] Bloomberg.com, "When It Rains It Pours as China Unleashes Commodity Torrent" (Dec. 8, 2015), attached as **Exhibit A-20**.

After the November 2015 meeting of high-level government officials at the U.S.-China Joint Commission on Commerce and Trade, the U.S. Department of Commerce reported that China's excess capacity and resulting exports of both steel and aluminum were significant topics of discussion for the two governments at this meeting.[28] In particular, the Department of Commerce stated that "China's exports of steel and aluminum are large and growing, and are the central cause of a glut of supply on the global market. They also are contributing to rapidly falling global prices and severe trade frictions."[29] China's overcapacity has worsened since 2008, and the capacity utilization rates for the steel and aluminum industries have deteriorated as "huge new projects" have been approved.[30] The China Iron and Steel Association estimates that Chinese steel producers have approximately 400 million tons of excess capacity and operated at 67 percent capacity utilization in 2015.[31]

The two governments confirmed that they will hold intensified discussions during 2016 regarding overcapacity in these sectors and the injurious impact on U.S. industries. The discussions cannot come soon enough for the U.S. steel industry, which in February 2016 stated that it would "like the U.S. Government to ask [China] for plans" to support Chinese media reports "asserting . . . that they're going to reduce their capacity."[32]

The Government of China has long been aware of growing issues of excess capacity in these industries. It introduced "differentiated electricity pricing" in 2004, reportedly to

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[28] U.S. Department of Commerce, "U.S. Fact Sheet: 26th U.S.-China Joint Commission on Commerce and Trade" (Nov. 23, 2015) at 3, excerpt attached as **Exhibit A-21**.

[29] *Id.*

[30] Reuters, "China overcapacity problems worsen over 2008-2015: EU chamber" (Feb. 21, 2016), attached as **Exhibit A-22**.

[31] *Id.*

[32] Politico, "Customs Bill Watch" (Feb. 10, 2016), excerpt attached as **Exhibit A-23**.

"discourage further expansion in industries including aluminum, steel and cement."[33] But this measure clearly has been ineffective, with excess capacity in all of these industries increasing dramatically since 2004.

The largest U.S. aluminum producer, Alcoa, announced in November 2015 that it will reduce both smelting and alumina refining capacity within the next quarter in response to global oversupply that is largely driven by excess Chinese capacity.[34] Industry analysts estimate that global aluminum production exceeded demand by 1.13 million tons in 2015, will exceed demand by 832,000 tons in 2016, and will continue to exceed demand each year through at least 2018.[35]

Even an announcement in October 2015 by major Chinese aluminum producer Aluminum Corporation of China that it planned to shut down the largest smelter in China (with capacity of 550,000 MT) is not expected to come close to restoring balance between aluminum supply and demand in China.[36] Various analysts expect the surplus production to remain between 1 and 3 million MT.[37] Notably, this excess supply in China is not based on competitive advantages in China, as 37 out of the 50 highest-cost smelters in the world are in China. Instead, factors including the desire to keep workers employed and pressure from state governments and suppliers compel Chinese aluminum producers to continue producing at an unsustainable rate.[38]

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[33] Radio Free Asia, "China's Smokestack Industries Seek Support" (Nov. 16, 2015) at 2, attached as **Exhibit A-24**.

[34] Bloomberg.com, "Aluminum Climbs as Alcoa Shrinks Capacity on China Export Deluge" (Nov. 2, 2015), attached as **Exhibit A-25**.

[35] *Id.*

[36] Ag Metal Miner, "Largest Chinese Aluminum Smelter Closes, But It's Not Enough" (Oct. 21, 2015), attached as **Exhibit A-26**.

[37] *Id.*

[38] *Id.*

The surge of imports of various steel products led to affirmative preliminary findings of material injury or the threat of material injury in a series of antidumping and countervailing duty investigations during 2015. These investigations covered corrosion-resistant steel from China, India, Italy, Korea, and Taiwan;[39] cold-rolled steel from Brazil, China, India, Japan, Korea, the Netherlands, Russia, and the United Kingdom;[40] and hot-rolled steel from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom.[41] U.S. imports of corrosion resistant steel increased by 83.7 percent from 2012 to 2014, a period in which apparent U.S. consumption increased by only 14.2 percent.[42] U.S. imports of cold-rolled steel increased significantly from 2012 to 2014.[43] U.S. imports of hot-rolled steel increased by 80.6 percent from 2012 to 2014, a period in which apparent U.S. consumption increased by only 5.9 percent.[44] In its preliminary determinations regarding each of these three products, the ITC concluded that

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[39] *See Certain Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan*, Inv. Nos. 701-TA-534-538 and 731-TA-1274-1278 (Preliminary), USITC Pub. 4547 (July 2015) ("*CORE Preliminary Determination*"), available at: https://www.usitc.gov/publications/701_731/pub4547.pdf.

[40] *Cold-Rolled Steel Flat Products from Brazil, China, India, Japan, Korea, Netherlands, Russia, and the United Kingdom*, Inv. Nos. 701-TA-540-544 and 731-TA-1283-1290 (Preliminary), USITC Pub. 4564 (Sept. 2015) ("*Cold-Rolled Preliminary Determination*"), available at: https://www.usitc.gov/publications/701_731/pub4564.pdf.

[41] *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom*, Inv. Nos. 701-TA-545-547 and 731-TA-1291-1297 (Preliminary), USITC Pub. 4570 (Oct. 2015) ("*Hot-Rolled Preliminary Determination*"), available at: https://www.usitc.gov/publications/701_731/pub4570.pdf.

[42] *CORE Preliminary Determination* at 26.

[43] *Cold-Rolled Preliminary Determination* at 29. The import and apparent U.S. consumption data from this investigation are not publicly available.

[44] *Hot-Rolled Preliminary Determination* at 28, C-3.

imports from the subject countries undersold the comparable U.S.-produced product[45] and materially injured or threatened to materially injure the U.S. industry.[46]

The similarities in recent market conditions facing the aluminum, steel, and cement industries are compelling. All three global industries have significant excess production capacity that has worsened as economic growth in China has slowed.[47] All three industries rapidly added capacity to support both China's building boom and increasing exports. All three industries can only increase sales to a significant extent by focusing on export markets.

IV. CONCLUSION

Export-oriented foreign producers – particularly subsidized Chinese producers – have significant excess cement capacity, which they can use to increase exports to California. In other commodity-type industries – the aluminum and steel industries – significant global excess capacity combined with slowing demand in key markets (particularly in China) have caused a substantial increase in imports that are inflicting severe economic harm on U.S. industries. The likelihood of increased imports combined with these other important global supply and demand conditions elevate the risk of leakage in the California cement industry.

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[45] *See CORE Preliminary Determination* at 26; *Cold-Rolled Preliminary Determination* at 32; and *Hot-Rolled Preliminary Determination* at 29.

[46] *See CORE Preliminary Determination* at 34; *Cold-Rolled Preliminary Determination* at 36; and *Hot-Rolled Preliminary Determination* at 36.

[47] In fact, according to the European Chamber, excess Chinese cement capacity in 2014 (850 million MT) far exceeded the excess capacity of the steel industry (327 million MT) in 2014 and the electrolytic aluminum industry (9.2 million MT) in 2015. European Chamber, "Overcapacity in China: An Impediment to the Party's Reform Agenda" at 16, 19, 22 (2016).

EXHIBIT A-1

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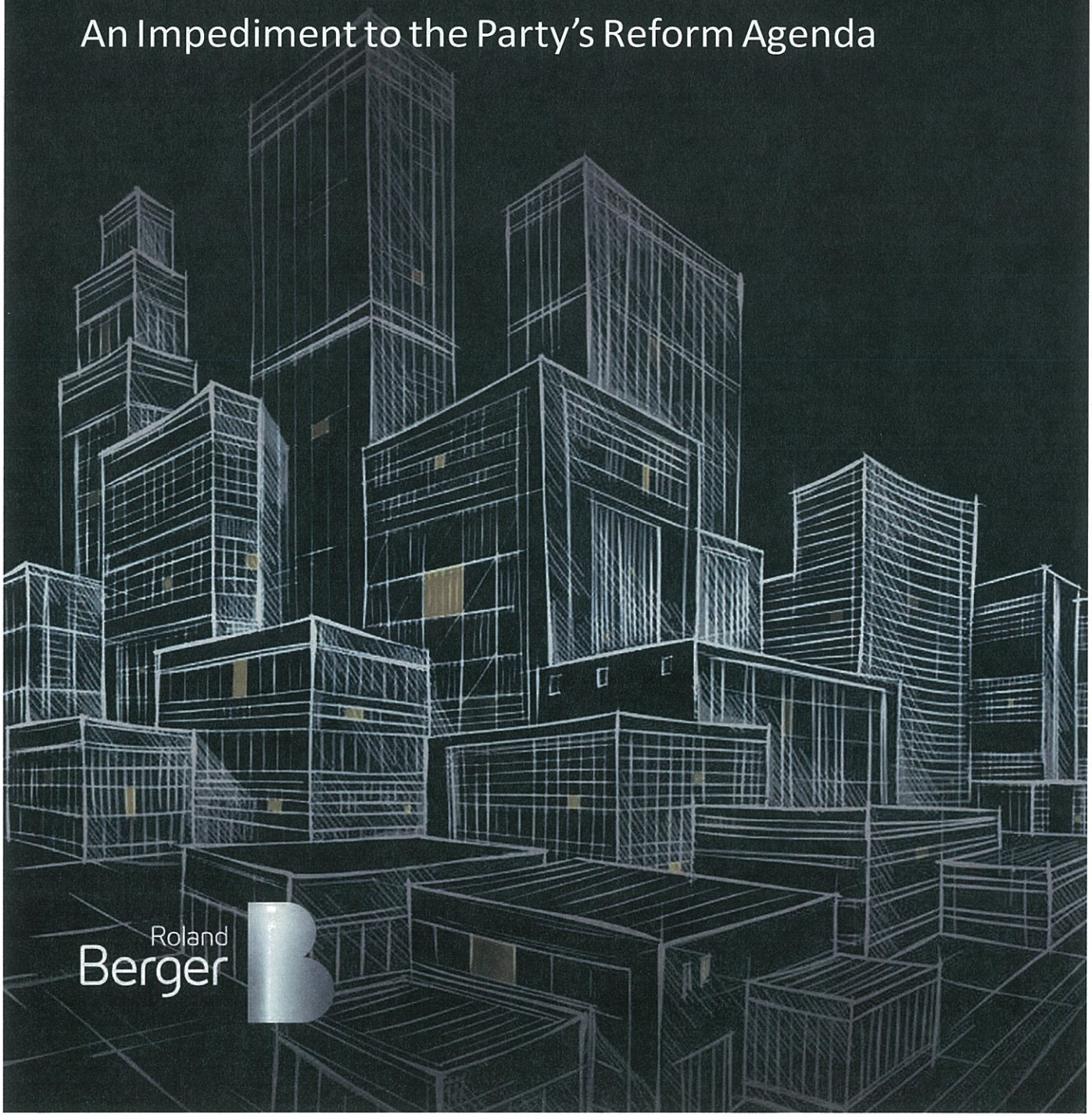
European Chamber
中国欧盟商会

OVERCAPACITY IN CHINA

An Impediment to the Party's Reform Agenda



Roland Berger

market consolidation that took place also helped to balance supply and demand with fifteen companies that now account for over 90 per cent of the Chinese market.

As outlined at the beginning of section two, for the purposes of this study overcapacity is defined as the difference between production capacity and actual production, meaning overcapacity is considered as the converse of the utilisation rate. To analyse the problem of overcapacity more effectively, further data has to be considered, including sector production, compound annual growth rate (CAGR), projected demand and FAI.

3.1 Crude Steel

"...[China's] steel industry now accounts for more than half of global output, or more than twice the combined output of the next four biggest steel makers: Japan, India, the US and Russia."

Overcapacity in steel

2008

Capacity: 644 million tonnes

Production: 512 million tonnes

Utilisation rate: 80%

2014

Capacity: 1.14 billion tonnes

Production: 813 million tonnes

Utilisation rate: 71%

2008 vs. 2014 scale of overcapacity: 132 million tonnes vs. 327 million tonnes

China is the world's biggest steel producer. Dan Rosen, Founder and China Director, Rhodium Group, has calculated that from 2004 to 2014, global steel production increased by 57 per cent – China contributed a staggering 91 per cent to this increase.[39] As a result, its steel industry now accounts for more than half of global output, or more than twice the combined output of the next four biggest steel makers: Japan, India, the US and Russia.[40] It enjoys this massive capacity largely thanks to supportive industrial policies spanning decades whose sole aim was to help this 'strategic' industry flourish. The government was still introducing favourable policies to support steel even as late as 2002.

Market forces cannot be discounted in explaining the meteoric rise of China's steel production capacity over the past decade. The growing economy, especially before the 2009 financial crisis, provided the greatest momentum for the development of the steel industry. Strong demand from infrastructure construction, real estate, machinery and the automobile industry, coupled with overestimated market expectations, pushed up the steel price dramatically. The soaring price not only spurred large steel groups to build new steel lines, but also attracted many small and medium-sized steel companies to the industry.

Government steps to curb overcapacity not effective

Government policies have primarily targeted small and semi-legal producers (private and local government-owned), which also tend to be more polluting and less energy-efficient. As early as 2004, Beijing started advocating slower growth in steel sectors, but without any great success. At the time, a booming economy and robust global demand for Chinese steel gave producers and local governments little incentive to follow Beijing's guidance. State-owned steel mills have traditionally viewed long-term market viability as secondary to safeguarding the jobs and economic growth that these projects deliver to their local communities. At the same time, high steel prices fuelled by the domestic development boom and rising global demand attracted new entrants that operate on very narrow margins and enjoy as much as a 30 to 40 per cent cost advantage compared to their state-owned competitors.

39 Dan Rosen, Rhodium Group, Presentation, Beijing, November 2015.

40 *Monthly Crude Steel Production, 2015,* World Steel Association, viewed 14th January, 2016, <http://www.worldsteel.org/statistics/crude-steel-production.html>

Current drivers of overcapacity in China's steel industry

Based on European Chamber research, overcapacity in the steel industry has been mainly driven by:

- The desire on the part of regions to be self-sufficient, leading to capacity duplication at the national level;
- A combination of SOEs being insensitive to profit/loss and small/dirty/inefficient steel mills that suspend activity when price dips and re-open when the market is more favourable;
- Adverse effects of the stimulus package, which encouraged large mills to add capacity and has made small- and medium-sized mills, which the government wants to shut down, profitable; and
- The provision of subsidised energy by regional governments.

3.2 Electrolytic Aluminium

China's electrolytic aluminium industry has witnessed extremely rapid growth over the past decade with the country now accounting for half of the world's supply, which amounts to 13 times the US' production. This growth story was driven first and foremost by a boom in both domestic Chinese and global demand. In turn, this high demand drove prices up and increased return-on-equity (ROE), making the industry more attractive for investment from SOEs and private companies. Market entry was facilitated by easy availability of technology and favourable access to financing. Combined with subsidised energy costs (which accounts for 20 to 40 per cent of the cost structure depending on worldwide location), these factors turbo-charged the development of the industry in China (in both primary and extrusion industry segments).

Overcapacity in electrolytic aluminium

2008

Capacity: 18.1 million tonnes

Production: 13.2 million tonnes

Utilisation rate: 78%

2015

Capacity: 38.1 million tonnes

Production: 28.9 million tonnes

Utilisation rate: 76%

2008 vs. 2015 scale of overcapacity: 4.9 million tonnes vs. 9.2 million tonnes

This market-driven boom was supported by favourable government policies. There was encouragement for SOEs to enter the primary aluminium industry segment, despite the sector's high-energy consumption, while private capital was allowed to pour into the manufacturing (extrusion) segment. As a result, the industry has moved from 4.9 million tonnes of overcapacity and a utilisation rate of 78 per cent in 2008, to 9.2 million tonnes of overcapacity and a utilisation rate of 76 per cent in 2015. While both the primary and manufacturing segments suffer from overcapacity, the following analysis will focus on the primary segment of the Chinese aluminium industry.

Aggravation of overcapacity in the medium term

Since the publication of the European Chamber's original report in 2009, capacity in this sector has continued to expand rapidly – from 2005 to 2015, 90 per cent of the increase in global aluminium production took place in China.[52] Overcapacity therefore continued to expand in spite of the restrictive policies described above, with utilisation rates continuing to drop as new smelting capacity came online and FAI either remaining stable or growing. The impact of government-driven stimulus spending also had a negative impact in this area in the sense that it led to the re-opening of closed facilities and increased local-level investment in the sector. Growing overcapacity eroded prices, thereby compounding the effects of the global economic downturn.

52 Komesaroff, Michael, *Aluminum: Coping with Excess Capacity*, GK Dragonomics, 10th March, 2015, p. 1

Overcapacity in cement

2008

Capacity: 1.87 billion tonnes

Production: 1.42 billion tonnes

Utilisation rate: 76%

2014

Capacity: 3.1 billion tonnes

Production: 2.25 billion tonnes

Utilisation rate: 73%

2008 vs. 2014 scale of overcapacity: 450 million tonnes vs. 850 million tonnes

3.3 Cement

In 2015, China's cement production accounted for 57 per cent of global output and was about nine times larger than the second largest producer, India. Being the most populous nation in the world, with an urbanisation rate of 55 per cent in 2015,[59] China is in the midst of a huge urbanisation process that has required the construction of unprecedented amounts of urban housing and infrastructure. Despite this massive demand, the Chinese cement industry suffers from overcapacity with a deluge of new capacity having coming on-stream in recent years.

China' s cement capacity in 2014 was 3.1 billion tonnes per year, while total production was almost 2.25 billion tonnes, resulting in an utilisation rate of 73 per cent. China's cement industry is composed of large state-owned companies and a plethora of very small producers. At the same time, the cement industry has gone through a technology change from smaller, more polluting vertical kilns—mostly used by smaller producers—to larger, more energy-efficient new suspension pre-heater (NSP) kilns generally deployed by larger producers.

Government steps taken to curb overcapacity

Reacting to the scale of the problem, at the end of September 2009, the NDRC issued guidelines aimed at curbing overcapacity in the cement industry by suspending indefinitely the construction of all planned cement lines for which construction had not yet begun, including those that had previously received formal NDRC approval. The guidelines also contained a set of measures and energy efficiency standards aimed at accelerating consolidation of the industry and the transition from vertical to NSP technology.[60] The policy mandated that any new capacity must be met by equivalent cuts in outdated capacity. Finally, provinces with more than one tonne of cement per capita would not be granted new licences for cement lines.

In 2009, State Council document number 38, *Notification of Opinions on the Inhibition of Overcapacity and Redundant Construction in Some Industries and Guide to Sound Development,* also targeted the removal all of the obsolete kiln capacity (vertical shaft kilns) by the end of the *12th FYP* period.[61] While the accumulated closure of obsolete capacity from 2009 to 2014 reached 360 million tonnes, the China Cement Association (CCA) estimates that approximately 68 million tonnes of obsolete capacity still remains in the market. In 2013, State Council document number 41, *Guideline to Resolving Severe Overcapacity Problems,* went further by banning the establishment of further capacity in oversupplied regions and preventing banks from providing projects that have not attained legal approvals with loans, bonds or initial public offerings (IPOs).[62]

Upgraded environmental requirements, the phasing out of low-grades of cement and the encouragement of loans from commercial banks, equity placements, bond issuances from the secondary market and tax benefits in support of M&A have also been used to reduce capacity. Going forward, initiatives introduced by the MIIT and the CCA also include closing small-sized NSP production lines in seriously oversupplied regions in particular.

Unfortunately, these measures have so far only managed to slow down the rate at which the problem is

59 *China's Urbanization Rate Reached 54.77% at the End of 2014 with More Rural Residents Entering Into Cities, www.gov.cn,* October, 2015, viewed 7th January, 2016, <http://www.gov.cn/xinwen/201510/23/content_2952207.htm>

60 Chen, C. & Tsai, Y, *Taiwan Cement Industry: China Steps Up Efforts to Curb Overinvestment,* Morgan Stanley Research, 30th September, 2009.

61 *Notification of Opinions on the Inhibition of Overcapacity and Redundant Construction in Some Industries and Guide to Sound Development,* The State Council, No. 38, 2009, 26th September, 2009, viewed 14th January, 2016, <http://www.gov.cn/zwgk/2009-09/29/content_1430087.htm>

62 *Guideline to Resolving Severe Overcapacity Problems,* The State Council, No. 41, 2013, 6th October, 2013, viewed 14th January, 2016, <http://www.gov.cn/zwgk/2013-10/15/content_2507143.htm>

expanding. While FAI in the industry declined from USD 25.8 billion in 2009, to USD 14.7 billion in 2015, the utilisation rate dropped three per cent, from 76 down to 73. At the same time, the scale of total overcapacity rose 400 million tonnes from a base of 450 million in 2008, to 850 million in 2014. With demand only projected to grow by minus one to two per cent from 2016 to 2020, this does not constitute a success story.

Furthermore, industry sources reveal that there are loopholes that allow for approvals to be granted locally instead of through the NDRC by claiming that the new facility will increase environmental improvements. These loopholes also contribute to a worsening of the overcapacity situation and should be closed at the earliest opportunity.

"In 2015, China's cement production accounted for 57 per cent of global output and was nine times larger than the second largest producer, India."

Current drivers of overcapacity in China's cement industry

Based on European Chamber research, overcapacity in the cement industry is mostly driven by:

- A failure to shut down vertical kiln capacity in a timely manner, thereby creating a capacity 'lag';
- Inadequate historical capacity planning with additional permitted capacity exceeding demand projections;
- Inadequate enforcement of regulations meant to prevent operation by unpermitted new projects. Projects like this continue to be built with those that have already been built using loopholes in capacity approval processes to justify further capacity additions; and
- Relatively low capital entry barriers and inadequate enforcement of EHS and product quality standards, which enable non-compliant operators to enter and supply the market

3.4 Chemicals

China's chemical industry is vast, complex and highly segmented. This is reflected in the slightly different structure of this section.

The development of China's chemical and petrochemical industry underwent massive changes in the years leading up to the European Chamber's original 2009 report. While the sector has historically struggled to keep pace with the rapid development of China's economy, according to the China Petroleum and Chemical Industry Association (CPCIA), in 2014 it was the world's leading producer of fertiliser, soda ash, caustic soda, sulfuric acid, methanol, calcium carbide, as well as other products.[63]

After a decade of expansion, the financial crisis hit hard with the CPCIA reporting that during the first 11 months of 2008, industry profits were down 7.1 per cent year-on-year with 4,556 companies reporting financial losses, 20 per cent more than in 2007. With a large number of investment projects that had been in the pipeline, both

63 Sun, Weishan, *Petrochemical Industry Overcapacity Warning Report*, CPCIA, 11th April, 2014, 16th January, 2016, <http://www.cpcia.org.cn/news/view.asp?id=137144>

EXHIBIT A-2

Chairman of China National Building Materials Group Corporation Zhiping Song: How to Resolve Full Overcapacity in New Normal Status

China Building Materials News

April 27, 2015

(Portions omitted…)

As the Chinese economy enters the new normal status, the cement industry enters the flat stage period. The slow economic growth under the new normal status directly results in the decline in investment growth. Basic raw materials industries such as the cement industry are first affected. China's total cement production grew by 9.6% in 2013, but only by 1.8% in 2014, the lowest in 24 years. In the first quarter this year, it dropped by 3.4%. It is expected to grow slightly for the whole year, down to 1.6%. In 2014, China's cement capacity exceeded 3.4 billion MT, with actual production of 2.48 billion MT, resulting in about 30% of excess capacity. So-called flat stage period refers to the 8 to 10 years following 2014, during which China's cement demand will be maintained around 2.5 billion MT, with floating range around 5%.

(Portions omitted…)

中国建筑材料集团有限公司董事长 宋志平 进入新常态如何破解产能全面过剩

2015-4-27 12:55:45 中国建材报

新常态下，水泥企业更应该及时转变发展思路，通过淘汰落后、限制新增、联合重组、市场竞合、自律限产、国际产能合作等方式，围绕“供给”多管齐下，保持供给与需求、销量与价格的动态平衡，争取良好的效益，进而加快结构调整和转型升级步伐，促进行业健康可持续发展。

作为资源和能源消耗型产业，淘汰落后产能是水泥行业改善环境、提高资源综合利用的现实需要，也是行业螺旋上升式发展的客观趋势，更是市场推动破解产能过剩的关键途径。

中国经济进入新常态，水泥行业进入平台期。新常态下经济增速放缓带来的直接影响是投资增速下滑，水泥等基础原材料行业首当其冲。2013年全国水泥产量增长9.6%，2014年只增长1.8%、为24年来最低，今年一季度下降3.4%，预计全年略有增长、降至1.6%。2014年我国水泥产能超过34亿吨，实际产量24.8亿吨，过剩30%左右。所谓平台期，就是指从2014年开始的8至10年内，中国水泥需求量将保持在25亿吨左右，浮动范围保持在5%左右。水泥行业进入平台期既是中国经济转型的微观反映，也

建材行业
各市墙改
高性能聚
京杭广场
洛玻龙海
绿色发展
第十五届
行业创新

是行业发展规律的必然结果。新常态下，中国水泥行业一方面投资乏力，产能过剩继续加剧；另一方面需求进入平台期，供需形势更加严峻。因此，产能过剩仍然是制约水泥行业发展的主要矛盾。

产能过剩并不可怕，市场经济本身就是过剩经济。对于水泥行业来讲，即使中国经济保持7%的中高速发展，全国水泥的需求量依然会有长期的市场支撑和刚性需求。而且在《国务院关于化解产能严重过剩矛盾的指导意见》（国发〔2013〕41号，简称《指导意见》）等一系列文件的基础上，2015年《政府工作报告》又提出“坚持有保有压，化解过剩产能，支持企业兼并重组”的要求。同时，环保及产品新标准的出台也将在一定程度上遏制过剩。过去“高速增长”造就了一种生存方式，现在“增速放缓”将带来一种新的生存方式，面对新常态和平台期，水泥行业发展的大戏正从需求端增长的故事演变为供给端调整的故事。新常态下，水泥企业更应该及时转变发展思路，通过淘汰落后、限制新增、联合重组、市场竞合、自律限产、国际产能合作等方式，围绕“供给”多管齐下，保持供给与需求、销量与价格的动态平衡，争取良好的效益，进而加快结构调整和转型升级步伐，促进行业健康可持续发展。

坚决淘汰落后

从等量淘汰到减量淘汰，从淘汰落后工艺到淘汰落后品种

作为资源和能源消耗型产业，淘汰落后产能是水泥行业改善环境、提高资源综合利用的现实需要，也是行业螺旋上升式发展的客观趋势，更是市场推动破解产能过剩的关键途径。随着新型干法技术、除尘技术、脱硫脱硝技术、智能化控制等技术的逐步推广，以及国家环保要求的不断提升，水泥行业淘汰落后产能的速度应该不断加快，力度更应不断加强。国家发展改革委员会主任徐绍史介绍，2015年我国将再淘汰落后水泥（熟料及粉磨）产能1亿吨。

从等量淘汰到减量淘汰。“等量淘汰”是一个时代的名词，在今天的过剩经济下，如果拿新增的量置换淘汰的量，过剩将始终得不到解决甚至进一步恶化，形成越淘汰产能过剩越严重的悖论，因此水泥的淘汰落后必须是从“等量淘汰”到“减量淘汰”，否则就无效。《指导意见》明确提出，“产能严重过剩行业项目建设，须制定产能置换方案，实施等量或减量置换，在京津冀、长三角、珠三角等环境敏感区域，实施减量置换。”但是在实际操作中，一些地方政府和个别企业为了局部利益或个人利益，不仅不做减量淘汰，反而在等量淘汰之名掩盖下行增量淘汰之实。

从淘汰落后工艺到淘汰落后品种。目前，我国32.5水泥占据国内市场的65%左右，按照2014年产量24.8亿吨计算，32.5水泥产量为16.1亿吨，新标准施行后，可以压缩水泥产能3亿吨左右，能大幅缓解目前严重失衡的供需关系。过去这些年，水泥行业基本完成了落后小立窑的淘汰工作，这一轮的淘汰落后应着眼于淘汰落后品种，也就是淘汰32.5标号水泥。去年在淘汰P.C32.5水泥上，国家出台了相关规定，但对于这个问题大家的思想并不统一。《指导意见》明确提出，“尽快取消32.5复合水泥产品标准，逐步降低32.5复合水泥使用比重。”2014年12月份，国家标准化管理委员会批准发布了GB175-

2007《通用硅酸盐水泥》国家标准第2号修改单，主要内容就是取消32.5复合硅酸盐水泥。国际上现在通用的基本上是42.5水泥，占比约50%，剩下的50%是标号更高的52.5和62.5水泥，但在我国32.5水泥的占比却过半。甚至有一些小型粉磨站为了一点蝇头小利，用300公斤熟料就能产出1吨水泥，而不是按正常标准的700公斤熟料生产1吨水泥，这样偷工减料生产出来劣质水泥就相当于加了三聚氰胺的牛奶，将给建筑质量安全带来巨大隐患。

要不要淘汰32.5水泥到了今天还存在争议，其实五年前甚至十年前就该淘汰了。新常态下，如果在淘汰低标号水泥这个问题上都迈不开步子，产业转型升级将无从谈起。32.5水泥是立窑时代的产物，现在立窑已经全面淘汰，没有理由继续保留32.5水泥。有人说，32.5水泥在农村还有市场。农村为什么就要用落后产品？参照我国电视行业，从黑白到彩色，从显像管电视到等离子电视再到液晶电视，其间经历过多轮淘汰。当年淘汰CRT显像管电视时，也有厂家提出类似观点，认为这种落后产品在农村、在不发达国家还有很大市场，但2008年金融危机爆发后，液晶电视降价，很多CRT生产线一夜之间全部关闭。所以，在淘汰落后上绝不能心存侥幸，行业和企业都要提高认识，站在水泥转型升级和确保产品质量安全的高度上，下定决心淘汰32.5标号水泥。

严格限制新增

不能以任何方式为新增找借口

作为既关系国计民生、又充分竞争的基础原材料行业，水泥行业传统的发展模式是走增量发展的道路，即企业扩张是通过建设新的生产线、扩大区域覆盖面、增加市场份额来实现。这种模式下，布局不合理、盲目新增成为今天产能严重过剩的重要特征。当前，我国水泥行业产量已经足够大，产能布局已经实现了全覆盖，完全没必要再建新的生产线了。盲目新增既浪费社会资源，又导致企业效益低下，阻碍行业转型升级，必须坚决限制。

西方国家水泥行业在经历了产能过剩之后开展了大规模整合，整合之后几乎没有再新建。但是我国水泥行业的过剩是中国式过剩，主要有四个特点：行业集中度过低，技术和装备同质化，投资主要源于贷款，地方政府是主要推手。尽管国家三令五申，反复强调，“各地方、各部门不得以任何名义、任何方式核准、备案产能严重过剩行业新增产能项目”，依然有地方政府、企业变着花样找借口新增产能。第一种花样是等量淘汰或者增量淘汰；第二种花样是先斩后奏，打政策“擦边球”，使一些违法违规生产线堂而皇之登上公示榜，试图蒙混过关；第三种花样是以垃圾焚烧协同处置为托辞建设新线。2014年，全国共有56条新型干法水泥熟料生产线点火投产，新增熟料产能7254万吨，这必将加剧未来的市场供需矛盾。

历史的教训表明，在不限制新增的情况下，淘汰落后不仅无法解决过剩，反而有可能使过剩更加严峻。当年新疆市场不错，水泥企业蜂拥而至，一个2000多万人的地区，居然建设了1亿多吨产能，人均产能超过5吨，过剩幅度之大、水泥价格之低堪称世界之最。现在南疆地区恶性竞争惨不忍睹，很多

工厂被迫停产。再看云南、贵州市场，经过中国建材集团的联合重组后，供需矛盾一度有所缓解，行业效益也有所提升，但是这一改观却成为部分企业借机新增的借口，2014年又顶风建设了一大批水泥熟料生产线。现在该区域已经完全变成过剩重灾区。

一些地方和企业一边喊着治理过剩、一边却在扩大新增，这种现象其实由来已久，应该彻底改变。2008年“四万亿”出台后，很多行业大干快上，确实起到了拉动经济的作用，但是水泥、钢铁都是长期项目，大规模投资只能加剧产能过剩矛盾。现在进入新常态了，一些地方还是在新增上动脑筋、做文章，因为在过程行业中唯有水泥行业这两年有钱赚。但这些钱是在产能严重过剩的情况下，大企业自律限产让市场实现相对平衡，形成的行业合理生存利润。治理过剩的目的是让竞争有序化、产销平衡化、价格合理化，企业有一般性盈利，而恰恰是这个“一般性盈利”却又变成大家上新线的理由，这样的悖论不从政府行为和行业自律的角度加以破解，将是行业发展和地方经济陷入久治无功的恶性循环。水泥企业特别是大企业必须理性地认清这一点，决不能再盲目新建，而是把主要精力放在优化存量、提升效益上。

鼓励兼并重组

提高集中度，形成领袖企业，实现产能退而有序

2015年《政府工作报告》提出，化解过剩产能，支持企业兼并重组，在市场竞争中优胜劣汰。治理过剩的“主引擎”在市场，但是市场不应该是多、散、乱的无序竞争，更不是带来巨大消费者效益损失和巨额社会成本的失灵市场。中外水泥行业发展的历史经验表明，通过兼并重组提高集中度是最好的方式，这也是破解过剩产能矛盾的关键。所谓集中度是指前十大水泥企业的市场占有率。市场集中度是健康市场的稳定器，集中度和利润率是正相关的关系，集中度高利润率就高，集中度低利润率就低，即便企业运转率很高，利润率也高不了。国际上这一数字一般是70%至80%，而我国水泥行业集中度一直较低，而这几年中国建材集团通过前一轮大规模并购重组，带动前十大水泥企业行业集中度从2008年的16%上升至现在的52%，但还远远不够。

联合重组形成领袖企业，是市场经济健康发展、优化升级的必然结果。纵观各个行业，凡是有领袖企业的行业大多比较稳定，没有领袖企业的行业则时常混乱不堪。因为市场自发的优胜劣汰只是一种初级的市场竞争，它要靠价值规律这只“看不见的手”来指引，但这只手指引的有效性却受到多方面的制约，在水泥这样的行业，过度竞争所导致的产能过剩、恶性竞争、资源浪费、银行坏账、员工失业、税收减少、环境损害等一系列严重的社会与经济问题，说明了这只手的严重局限。而由大企业整合则是市场竞争的高级方法，被经济史学家称之为“看得见的手”，通过兼并重组，以大企业高效的经济组织和协调管理，取代部分分散低效的市场并创造新的市场格局，是现代制造业发展共同的内在趋势。但是现在社会上对兼并重组仍然存在质疑，一些极端的观点甚至主张市场就是无秩序的竞争，认为兼并重组窒息了竞争环境，窒息了市场活力，大企业兼并重组就是想垄断。事实胜于雄辩，根据世界水泥工业和国际大型建材企业的发展经验证明，在处理过剩产能时，西方企业大多选择了兼

并重组的方式。通过市场化的兼并重组，提高了产业集中度，少有大规模倒闭潮，大大提高了行业效率、质量、结构和竞争力。欧美各国也都采取了支持兼并重组的产业政策，像麦道和波音合并、拉法基和豪瑞合并的经典重组案例，均得到了相关法案的有力支持。在快速发展的中国，水泥行业通过市场化方式兼并重组形成一批领袖企业、增加其市场地位和话语权，也是完全必要和可行的。事实证明，兼并重组已经大大加速了行业的转型升级，减少了无序市场调整带来的经济成本与社会冲击。另一方面，领袖企业也应当自觉担当起行业责任，充分发挥“有形之手”的作用，整合市场，增加行业集中度，从做工厂、做产量，到做市场、做系统，兼顾好各种资源和各方利益，做到退而有序。

作为我国最大、全球第二大的建材企业，中国建材集团积极承担起引领行业联合重组与结构调整的历史责任，在过去几年间，先后在淮海、东南、东北、西南四个区域开展了大规模的联合重组，组建起了中联水泥、南方水泥、北方水泥和西南水泥四家大型水泥企业集团，产能达4.5亿吨，大大提升了我国水泥行业的集中度。同时，中国建材集团重视市场和系统建设，及时淘汰落后产能，维护市场供需平衡，推动市场从过度竞争到适度竞争。在中国建材集团的带动和推动下，我国水泥行业“多、散、乱”的状况有所好转，行业价值合理回升，2014年在同为基础原材料行业的钢铁、煤炭等普遍亏损的情况下，我国水泥行业实现利润780亿元。

随着市场经济的发展，联合重组已不仅仅是大企业联合小企业，大企业之间的强强联合也日趋增多。2014年，欧洲两大水泥生产商法国拉法基与瑞士豪瑞集团合并成立新公司，合并后把部分工厂卖给爱尔兰CRH，所以这次合并实际上是在欧洲三家世界500强水泥公司间进行。此次合并得到欧盟的大力支持，合并后股票应声上涨30%，新公司每年的协同效益就达14亿欧元。这对深陷产能过剩困局、处在转型升级关键时刻的我国水泥工业给出强烈信号与深刻启示：在产能过剩转变为以新型干法水泥为主体的高水平过剩阶段，推动大企业间合并恰逢其时，将为行业转型升级开创一个新纪元。所以从去年开始，中国建材集团转变联合重组思路，从过去重组中小企业，发展到运用资本纽带入股大企业。先后投资入股江西水泥、福建水泥、上峰水泥、同力水泥、海螺创业、亚泰水泥、山水水泥7家上市公司。这些投资都是战略性投资，形成了区域间大企业之间的资本融合，为开展市场竞合打下了良好基础。未来，中国建材集团愿意与各大企业在各自的核心利润区内开展换股、参股、组建股份公司或者延伸下游产业链等方面的合作，推动市场逐步走上竞争有序、价格稳定、充满活力、健康运行的发展道路。

开展市场竞合

推行以销定产，追求包容性成长

产能过剩的水泥行业不应该好狠斗勇、打乱仗，因为作为重资产行业和资源依赖型的行业，往往占有大量资金和资源，一旦形成大规模破产潮，将带来社会资源的大浪费，造成一系列社会和经济问题。所以水泥企业应该换一个活法，摒弃你死我活的无序恶性竞争，积极倡导共生多赢的包容性市场竞合模式。其实市场竞合是西方市场经济的前沿理论，从竞争到竞合，是人类进化文明的产物，也是

市场经济的进步。在市场经济初期，西方国家也曾经历过打乱仗的恶性竞争阶段，企业为了生存不得不遵循你死我活、弱肉强食的“从林法则”。但人毕竟不是动物，自然选择理论并不完全适用于市场经济领域。在今天成熟的市场经济环境下，西方国家的市场竞争也有了新的内涵，出现了创新驱动、联盟合作、实施蓝海战略等新的发展方式。二十世纪的历史教训表明，在大企业时代，你死我活的大决战只会带来两败俱伤的结果，造成文明的倒退，在市场竞争这个问题上也是如此。

面对产能过剩、恶性竞争，之前我们曾提出从红海到蓝海，现在又提出绿海的概念，要求企业进一步升级，实现可持续发展。但是，中国水泥行业却依旧徘徊在红海和蓝海的边缘，往回游是红海，继续往前游是蓝海。对企业来讲，这是一个严峻考验，朝哪个方向游至关重要。这些年我们尝到了蓝海的甜头，领略了蓝海的美丽，今后应该继续推行竞合文化，追求包容性成长。所谓包容性成长，就是不仅考虑企业自身利益，还要将自然、社会、竞争者、员工等各种利益相关者都充分照顾到的一种和谐成长的方式。

习近平总书记讲，要学会运用辩证法，“审大小而图之，酌缓急而布之，连上下而通之，衡内外而施之”。辩证法的核心是对立统一规律，过去我们讲得比较多的是对立，凡事都要分清你我；其实应该一分为二地看问题，全面地看问题。拿竞合来说，“竞”就是对立，“合”就是统一，“竞合”就是既良性竞争又友好合作，集中体现了对立统一原则。中国特色的社会主义市场经济要建立在每一个个体的自制力水平、平等互爱和诚信精神之上的，要以正确的思想文化为指引。如果优秀的市场文化建立不起来，只讲冲冲杀杀，只顾眼前之利、一己之私，一定不会有良好的市场经济秩序。从企业自身来讲，就是要建立包容性的文化，必须认识到企业利益必须在行业之中实现；企业利益与行业利益深度关联；企业竞争可以有新的方式；在行业转型发展的关键时期，企业无论大小对行业度过难关都“匹夫有责”。企业自身只有树立与竞争者共生多赢的思想，树立行业的大局观，弘扬利他主义精神，把孔融让梨的谦恭和境界引入到市场竞争中，才会有美好的未来。也只有企业树立了正确的文化和心态，行业才能有健康的生态格局，才能真正形成统一开放、竞争有序的现代市场体系。这些年来，中国建材集团一直倡导“行业利益大于企业利益，企业利益孕于行业利益之中”的理念，带头推进“发展理性化、竞争有序化、产销平衡化、市场健康化”的全方位市场竞合，以身作则率先践行，杜鹃啼血般推行竞合理念，为我国建材行业有序健康发展做出了应有的贡献。

竞合的市场文化不仅体现在建材企业之间，还体现在建材市场的供需平衡之间。对市场而言，以销定产是一个不变的铁律。保持供给与需求、销量与价格的动态平衡，是维护行业正常发展的必要前提。企业应该有自觉意识，着眼于整个系统，建立合理均衡的市场销售理念，同时也要改变追求高产能利用率的固有观念。水泥生产不同于玻璃，可以灵活掌握生产节奏。其实以销定产有很多方式，比如错峰生产。去年年底，东北三省的水泥企业实行冬季错峰生产，103条水泥熟料生产线全部停下、能减掉4000万吨熟料产能。为什么企业能够积极响应？一方面，错峰生产可以减少环境污染，和取暖雾霾季节高峰错开；另一方面，可以实现市场供需平衡、化解产能过剩矛盾；同时，错峰生产是企业的一致性行为，大家觉得比较公平。现在看来，以销定产的做法是正确的。水泥企业由于在限产方面早走了一步，才有了这几年的合理盈利，才有了良好的收益，否则会比煤炭和钢铁行业更糟糕。如果现在节能限产放松了，必定是前功尽弃，想再恢复非常不易的。水泥行业今天的共识来之不易，融合的

局面来之不易，健康的趋势来之不易，我们要懂得珍惜，要巩固和提高，把以销定产、错峰生产、自律限产等做法常态化。限产有得有失，但总的来看，是以牺牲短期和局部的利益，换取长期和行业的利益。这些经验是我们经过这么多年的实践探索出来的，是用教训和代价换来的，必须持之以恒地坚持下去。

未来，错峰生产应当常态化，增加错峰内涵，实施雾霾错峰、限电错峰、节日错峰等。既可以在雾霾严重时、用电高峰时错峰生产，节假日也可以关停生产线，给工人放假，同时收入不减，还有利于市场供需平衡，何乐而不为？一举多得，实现“快乐生产”，水泥行业的职工都将成为快乐的人。

输出优势产能

抓住“一带一路”战略机遇，推动装备走出去和国际产能合作

当前国家正大力实施“一带一路”战略，这不仅是中国实现资本输出计划、成为工业强国的战略载体和必由之路，同时也是推动优势产能输出、化解国内产能过剩的一条重要路径。从国外经验来看，成套装备和技术“走出去”、推动产能合作，从GDP到GNP，是主要发达国家曾经历的发展路径。比如二战后，美国通过马歇尔计划将传统产业转移到日、德，后又扩展到整个西欧和部分东南亚国家。日、德、韩等国的制造业，也经历了大规模海外投资建厂的过程。从国内情况来看，国家高度重视钢铁、建材等过剩产业的“走出去”。李克强总理在今年《政府工作报告》中提出要“促进冶金、建材等产业对外投资”，并多次指示加快水泥、玻璃成套装备“走出去”的步伐。总理在访问一带一路沿线国家时，称中国水泥、玻璃等装备水平世界一流。“一带一路”战略是国家全方位地为企业“走出去”鸣锣开道，这对产能过剩的水泥行业来说是重大的发展机遇，水泥企业应该抓住。

值得注意的是，当前国家推进的“国际产能合作”正是以前我们提出的“产能转移”的升华，既是新理念，也是对企业“走出去”的新要求。产能合作不是把水泥厂、钢铁厂拆到国外，而是要关闭部分国内产能，以多种方式到国际市场去投资，缓解国内市场压力，实现产能和效益的平衡。国际产能合作应是高质量的产能合作，要提高国际形象，不能把低水平的东西输出去；是高效益的产能合作，做项目一定要有高效益；是互利共赢的产能合作，就是秉持为当地经济发展作贡献、与当地企业密切合作、与当地人民友好相处的“三原则”，形成良好的经济效益和社会效益。

在装备走出去和国际产能合作的过程里，要认真研究布局，加强组织协作，防止扎堆建厂，形成海外过剩。尤其两个错误不能犯：一是恶性竞争和自相残杀；二是投资建厂一窝蜂上项目。从政府来讲，国家发展改革委会同商务部研究制定了《关于加快装备“走出去”和推进国际产能合作的指导意见》，提出分类推进的具体举措，已形成初稿。从企业角度看，纵向之间要联合，国内的设计院所、工程公司、装备制造企业要进行联合重组，形成集研发设计、总包施工、装备制造于一体的大型国际化产业集团，形成纵向产业链，有秩序地抱团“出海”；横向要协作，同业企业像中国建材、中材、国基、中信重工应相互合作、协作推进，依靠整体优势增强国际市场开拓能力。

同时建材企业在走出去进程中要用足国家政策，尤其是金融政策。因为建材行业长期以来处于“多、散、乱”的状态，产能过剩，无序竞争，很多企业效益不是很好，缺少走出去的资金。而国家建立了亚投行、丝路基金等金融机构，也给予了很大的金融政策支持，我们应该用好。所以我们不仅是以贷款形式，而是以基金形式，调动更多的资金，以新的商业模式和组织模式开展产能合作。

中国建材集团未来的国际产能合作不是简单的EPC、卖设备、卖产品，还要进行合作投资，共同经营。近年来，集团在蒙古等国投资水泥生产线，对我国优势富余产能开拓国际市场起到了良好的示范效应。今后，我们将积极稳妥地扩大投资建厂力度，从试探性投资到大规模投资，采取全资、控股、参股、租赁、BOT等各种方式，开展全方位投资。

在中国建材联合会的指导下，在治理产能过剩过程中，无论是淘汰落后、限制新增，还是市场竞合、联合重组，抑或推进国际产能合作，在市场健康化、行业结构调整和转型升级等诸多方面，中国建材愿做马前卒、尖刀班，砥砺前行，与天下同心，促进行业实现健康可持续发展，与四海协力，为中国和世界共同繁荣做出新的贡献。

相关热词搜索：

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下一篇：中国水泥协会常务副会长兼秘书长 孔祥忠 新常态下水泥行业的转型与创新

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EXHIBIT A-3

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2013 Minerals Yearbook

CEMENT [ADVANCE RELEASE]

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TABLE 3

POR'ILAND AND BLENDED CEMENT PRODUCTION, CAPACITY, AND STOCKS IN 1HEUNITED STATES, BY DISTRICT[1]

(Thousand metric tons unless otherwise specified)

	2012					2013				
District?-	Number of plants	Production[3]	Grinding capacity[4]	Percentage utilized[5]	Yearend stocks[6]	Number of plants	Production[3]	Grinding capacity[4]	Percentage utilized[5]	Yearend stocks[6]
			3,604	55.6	224	4	1,719	3,604	47.7	200
Pennlvania	8	3,360	6,010	55.9	328	8	3,619	6,079	59.5	271 [7]
Dlinois	3	1,149	2,755	41.7	283	3	1,104	2,532	43.6	194
Indiana	4	2,393	3,745	63.9	208	4	2,284	3,745	61.0	210
Michigan	4	3,891	5,515	70.5	527	3	3,855	5,224	73.8	581
Ohio	2	797	1,188	67.1	47	2	829	1,207	68.7	49
Iowa, Nebraska, South Dakota	5	3,140	5,824	53.9	407	5	3,176	5,932	53.6	416
Kansas	3	1,732	3,348	51.7	236	2	1,776	3,172	56.0	213
Missouri	5	7,951	10929	72.8	510 [7]	5	8,223	10,929	75.2	537 [7]
Florida	8	3,786 [8]	10,000 r, [1]	37.8 [7]	264	8	4,680	9,620 [7]	48.6 [7]	279
Georgia, Mlliyland, Virginia, West Virginia	6	5,280	8,216	64.3	413 [7]	6	5,417	7,360 [7]	73.6 [7]	362
South Carolina	3	2,766	5,085	54.4	133	3	2,776	5,085	54.6	142
Alabama, Kentucky, Tennessee	8	5,669	10,141	55.9	613	8	5,760	10,141	56.8	582
Arkansas and Oklahoma	4	2,057	3,655	56.3	179	4	2,044	3,729	54.8	181
Texas, northern	6	4,527	7,583	59.7	250	6	4,453	7,674	58.0	266
Texas, southern	6	5,472	6,529	83.8	261	6	5,662	7,708	73.5	277
Ari7.ona and New Mexico	4	1,540	3,715	41.4	112	4	1,784	3,715	48.0	120
Colorado and Wyoming	4	2,875	4,517	63.6	191	4	2,897	4,889	59.3	228
Idaho, Montana, Nevada, Utah	6	2,439	3,729	65.4	228	5	2,099	3,250	64.6	208
Alaska and Hawaii	--	--			72	--	--			68
California	9	8,402	11,989	70.1	477	9	9,264	12,080	76.7	402
Oregon and Washington	4	993	2,399	41.4	238	4	1,266	2,399	52.8	201 [7]
Importers9					285 [7]	–	--			185 [7]
TotallO	106	72,222	120,000	59.9	6,400	103	74,689	120,000	62.2	6,170
Puerto Rico	*1*	783	1,780	44.0	29 [7]	*1*	610	1,780	34.2	54 [7]
Grand total[10]	108	73,005	122,000 r, [7]	59.7 [7]	6,430 [7]	105	75,298	122,000 [7]	61.8 [7]	6,230 [7]

'Revised. -- Zero.

[1]Even where presented unrounded, data are thought to be accurate to no more than three significant digits. Includes data for white cement. Includes cement made from imported clinker.

TUstrict assignation isthe location of the reporting facilities. Specific districts include importers where district assignations were possible.

[3]Data include a small amount of portland cement subsequently consumed at the plant to make masonry cement; the amount thus doublo-counted cannot be determined precisely because of the involvement of cement stockpiles, but is less than 0.5% of the grand totals listed.

4Based on fineness needed to produce a plant's normal output mix, including masonry cement, and allowing for downtime for routine maintenance.

[5]Calculated relative to portland cement output; utili7.ation would be higher if calculated to include output of masonry cement.

6mcludes imported cement and stocks of domestic and imported cement at mills, and terminals, and in transit.

[7]Includes estimates for nonrespondents or facilities that provided incomplete information.

[8]Adjusted to avoid double-counting of portland cement supplied by one plant to another for the sole purpose of conversion to blended or masonry cement.

9:rncludes only those importers or terminals for which district assignations were not possible.

[10]May not add to totals shown because of independent rounding.

TABLE 9
CEMENT SHIPMENTS TO FINAL CUSTOMER, BY DESTINATION AND ORIGIN[1,2]

(Thousand metric tons)

Destination and origin	Portland cement		Masomy cement	
	2012	2013	2012	2013
Destination:				
Alabama	1,024	993	77	71
Alaska[3]	165	172		
Ari7.ona	1,672	1,852	21	18
Arkansas	787	828	39	43
California, northern	2,571	2,950	34	44
California, southern	4,836	5,117	132	149
Colorado	1,631	1,806	5	6
Connecticut3	507	545	10	11
Delaware[3]	143	183	4	4
District of Columbia[3]	237	213	(4)	(4)
Florida	3,883	4,748	255	364
Georgia	1,795	1,842	112	122
Hawaii3	282	270	2	2
Idaho	354	405	(4)	(4)
Illinois, excluding Chicago	1,412	1,328	7	8
Illinois, metropolitan Chicago[3]	1,171	1,266	17	17
Indiana	1,668	1,517	35	35
Iowa	1,782	1,696	2	(4)
Kansas	1,389	1,213	5	4
Kentucky	972	995	47	50
Louisiana[3]	2,053	2,049	46	49
Maine	183	181		
Maryland	1,057	1,037	41	38
Messachusett:s3	863	825	10	9
Michigan	1,570	1,624	46	46
Minnesota[3]	1,462	1,402	9	6
Mississippi'	733	737	32	32
Missouri	1,453	1,482	15	12
Montana	312	313		
Nebraska	1,125	1,208		
Nevada	1,035	1,064	6	6
New Hampshire[3]	196	185	7	6
New Jersey-1	1,116	1,332	37	38
New Mexico	612	589	5	3
New York, eastern	468	494	8	9
New York, western[3]	729	660	13	12
New York, metropolitan[3]	1,194	1,251	47	49
North Carolina[3]	1,851	1,967	122	141
North Dakota[3]	804	972		(4)
Ohio	2,692	2,834	72	68
Oklahoma	1,629	1,557	41	23
Oregon	578	710	(4)	(4)
Pennsylvania, eastern	1,397	1,487	36	36
Pennsylvania, western	1,032	1,039	29	29
Rhode Island[3]	105	105	1	
South Carolina	1,092	1,224	59	64
South Dakota	485	501	(4)	(4)
Tennessee	1,370	1,272	112	118
Texas, northern	5,489	5,719	82	101
Texas, southern	6,958	7,350	163	176
Utah	1,196	1,044	(4)	(4)
Vermont[3]	110	114	1	1
Virginia	1,614	1,605	73	72
Washington	1,378	1,500	(4)	(4)

See footnotes at end of table.

TABLE 9--Continued
CEMENT SHil'MENTS TO FINAL CUSTOMER, BY DESTINATION AND ORIGIN[1,2]

(Thousand metric tons)

Destination and origin	Portland cement		Masonry cement	
	2012	2013	2012	2013
Destination:---Continued				
West Virginia	496	481	13	13
Wisconsin[3]	1,606	1,536	11	12
Wyoming	315	322		(4)
	76,637	79,709	1,945	2,125
Puerto Rico	861	707	(4)	
Foreign countries'	1,367	1,351	2	2
Grandtotal[6]	78,866	81,768	1,947	2,127
Origin:				
United States	72,528	74,760	1,927	2,107
Puerto Rico	782	630	(4)	
Foreign countries[8]	6,337	6,377	20	20
Total shipments[6]	78,866	81,768	1,947	2,127

--Zero.

[1]Includes cement produced from imported clinker and imported cement shipped by domestic producers and importers. Data include all revisions available as of February 27, 2015.

2nata are developed from consolidated monthly surveys of shipments by companies and may differ from data in tables 1, 10--12, and 14-15, which are from annual surveys of individual plants and importers. Although unrounded, data are thought to be accurate to no more than three significant digits.

[3]Has no cement plants.

"Less than Y.z unit.

[5]The sole plant in Mississippi was closed in 2012 and had no production in either year.

'May not add to totals shown because of independent rounding.

[7]Includes shipments to U.S. possessions and territories.

8Imported cement sold to final customers inthe United States as reported by domestic producers and other importers. Data do not match the imports in tables 17-20.

TABLE 10
SHil'MENTS OF POR1LAND CEMENT IN TIIE UNITED STATES, BY TYPE OF CARRIER[1,2]

(Thousand metric tons)

Type of carrier	Plant to terminal		Plant to customer		Terminal to customer		Total to customers[4]
	Jn bulk	Jn bags[3]	Jn bulk	Jn bags[3]	Jn bulk	Jn bags[3]	
2012:							
Railroad	12,100	3	1,060		107	6	1,170
Truck	3,540	170	39,200	811	34,600	432	75,000
Barge and boat	9,020		185		2		187
	24,600	173	40,400	811	34,700	437	76,400 s
2013:							
Railroad	11,500	42	1,440		249	6	1,700
Truck	3,680	151	41,500	858	34,900	351	77,600
Barge and boat	7,910		159	17	17		193
Total[4]	23,100	193	43,100	875	35,200	357	79,500 *s*

-Zero.

[1]Includes imported cement and cement made from imported clinker. Excludes Puerto Rico.

[2]Data are rounded to no more than three significant digits.

[3]Jncludes packages, bags, and supersacks.

4May not add to totals shown because of independent rounding.

[5]Shipments are based on an annual survey of plants and importers; may differ from totals in table 9, which are based on consolidated monthly data.

EXHIBIT A-4

Demand Overdraft Caused Losses in Nearly Half of the Cement Enterprises

Source: Economic Information Daily

December 15, 2015

In 2015, the cement industry falls into the same predicament as the iron and steel industry: the profit declines sharply, and some enterprises have started a big contest to "see who can afford to lose" and "see who can hold on." Several years ago, when the iron and steel industry entered the full loss stage, the cement industry was still enjoying the market bonus. But now, all of a sudden, the industry has faced a series of problems such as random price reduction, malicious competition, nearly half of the industry in loss, and emerging financial risks.

The cement industry is viewed as "adding frost by itself to the external snow." Its actual capacity utilization rate has dropped to 65%. It is imaginable how urgent it is to resolve the capacity. Regarding this issue, industry insiders point out that, previous high-speed development has overdrawn the demand for cement, and thus, closing obsolete cement capacity and promoting mergers and restructures will be the main orientation for resolving the capacity in the future. It is estimated that at least 500 million MT of low-grade capacity will be eliminated.

Overdraft, Busy Season Ends Early

As approaching the end of the year, Mr. Zhang becomes unhappy. The cement plant where he is working has to stop operation after started the operation for just about a month, and this time, the plant has to stop operation for two months.

According to Mr. Zhang, their plant has just received the notice. Except the clinker production lines undertaking special tasks such as supplying heat for residential use and assisting in disposing city residential garbage and hazard wastes, all other cement clinker producers should stop operation for January 1 to February 29, 2016.

"We did not expect this year's busy season had only lasted for about a month." With a sigh, Mr. Zhang said to himself. The plant has stopped operation at the time when it should be busy.

What Mr. Zhang's enterprise has suffered is merely a miniature of the whole cement industry, and its cause is the advanced overdraft of cement demand due to China's rapid economic development in recent years. "For the previous 4 trillion RMB investment, all localities nationwide strived for new projects, from infrastructure to real estate, from railway investment to airport construction, and the market's demand for cement had a significant leap in quantity. But investment and demand are not endless. Such speeding development has resulted in the advanced overdraft of demand for nearly 10 years." Said industry insiders.

For the cement industry which used to have over half year of busy season, this busy season is really too short to adapt to. The National Bureau of Statistics' latest data show that,

after a slight recovery for two consecutive months, the cement production in November dropped again significantly. The accumulative production for January to November was 2.147 billion MT, 5.1% down over the same period last year. In particular, the cement production in November was 205 million MT, 6.6% down over the same period last year, and the decline rate was 3.08% up over October. The busy season ended early.

It is worth mentioning that, the latest data of above-scale industry added value published by the National Bureau of Statistics in November show that, among the ten industrial products published, only cement declined over the same period last year. In particular, steel was 93.96 million MT, 2.0% up over the same period last year; ten non-ferrous metals were 4.44 million MT, 1.4% up; ethylene was 1.46 million MT, 1.5% up; automobiles were 2.551 million vehicles, 16.0% up; cars were 1.195 million vehicles, 8.4% up; electricity generation was 466 billion KWh, 0.1% up; crude oil processing volume was 43.92 million MT, 3.3% up; while the cement was 204.94 million MT, 6.6% down over the same period last year.

Cold Winter, Many Enterprises in Losses

The cement industry's overcapacity has resulted in many enterprises in crucial moment for survival. According to some industry insiders, some cement enterprises in Sichuan and Chongqing that they visited recently lose 15 to 35 RMB/MT when selling cement. For example, an enterprise with a capacity of 2 million RMB loses as much as 30 to 70 million RMB in a year.

On November 12, Shanshui Cement's 2 billion RMB extra-short-term financing bond failed to pay the principal and interests at maturity, which was the first material default in public extra-short-term financing bond offerings. Guosen Securities' latest research report points out that, the cement industry' loss increases, and the evaluation risk increases.

According to Xiangzhong Kong, the Executive Vice President and Secretary General of China Cement Association, the cement price has kept dropping this year, and the national average ex-factory price of general cement in the first three quarters has dropped 10% per MT over the same period last year. In September, the national average monthly ex-factory price of general cement reached a record low level since the financial crisis in 2008.

Data show that, in the first five months, the Chinese cement industry only realized 9.3 billion RMB of profit in total, a significant decline of 64% over the same period last year. The sales profit margin was only 2.8%. Compared to the past, now has reached the lowest level since 2007.

"Now, the number of loss-making enterprises has reached 1339 (including powder grinding mills), accounting for 40% of total enterprises." Xiangzhong Kong says, cement enterprises lost as much as 17 billion RMB in the first three quarters, and more seriously, among the remaining thin-profit-making enterprises, many are actually suffering invisible losses.

According to Longde Qiao, the Chairman of China Building Materials Association, now, some cement producers are selling products at below-cost prices, and are even competing for

"who can afford to lose." He points out that, as of the end of July 2015, the cement production nationwide dropped 5%, sales income dropped 9.63%, and profit dropped 63.84%. The three numbers do not match with each other. The production reduction does not match with sales income decline, and the sales income decline is seriously out of line with the profit decline.

Now, almost all the cement enterprises are in losses, says honestly a responsible person from a cement enterprise. Now, selling a bag loses tens of RMB, but the capacity is there, the machine depreciation is there, and piles of inventories also account for cost, so there is no other choice but to sell one bag after another.

"The main cause is the serious decline of cement price." Longde Qiao says, although the total production of the cement industry has reached its peak now, its product is irreplaceable, so the problem can be resolved by reducing production, raising quality, and increasing price.

It is noteworthy that, because the cement industry's investment is big, while capacity increase is being restricted, some localities are still providing so-called "preferential policies" to investors when seeking investment , and illegally and arbitrarily approving new capacity and capacity expansion projects. Some localities actively assist enterprises to issue preapprovals and obtain approvals, and even allow enterprises to start construction before or while obtaining approvals. Some localities continue adding new cement production lines after mergers and restructures, which result in the efforts for industrial mergers and restructures fruitless and more excess capacities.

Solution, 500 Million MT Capacity to Be Eliminated

The cement industry is seriously over-capacitated. The root cause is that enterprises rely too much on expanding capacity to achieve development.

"There will be 500 million MT capacity to be eliminated." Longde Qiao says, obsolete capacities that do not qualify for energy consumption, environmental protection, and quality standards will continue to be eliminated. For example, the industry will study and urge to fully cancel the 32.5 cement standard. After the 32.5 standard is canceled, low-grade capacities will continue to be eliminated.

Xiangzhong Kong also says that, the Association will revise the standard, accelerating to promote the use of high-performance concrete, encouraging to produce and use high-grade cement, promoting energy saving in construction, raising building's use life, strengthening scientific and technological R&D, researching and developing new cement types, improving product performance, and exploring new application fields.

Regarding enterprises' mergers and restructures, Xiangzhong Kong says that, enterprises are still encouraged and guided to eliminate obsolete capacities via mergers and restructures, increase cement enterprises' concentration, and meanwhile, firmly prevent blind capacity expansion by mergers and restructures.

Longde Qiao points out that, the existing merger and restructure ways should be improved, changing the one-to-one negotiation, and gradually formatting guidance directory guidelines. For example, entire acquisition can be changed to cross-shareholding. Using mixed ownership, enterprises in the same region may try to organize new companies based on capital and run operation on consolidated basis.

Actually, leading enterprises in the cement industry have already strengthened acquisition relying on advantages such as consolidated operation and cost control. On June 13, China Resources Cement signed a cooperation agreement with Kungang Cement, subscribing 660 million RMB of Kungang Cement's shares, which increased its shareholding to 50%, and actually controlled the cement enterprise with the biggest market share in Yunnan market. After that, Conch Cement announced to acquire Jiangxi Shengta Industries to establish Ganzhou Conch, with a capital contribution of 220 million RMB, accounting for 55% of the shares therein.

需求透支致水泥企业近半亏损

2015年12月15日 07:06:41 来源：经济参考报

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2015年，水泥产业陷入和钢铁业一样的困局，利润大幅下滑，部分企业已经开始“看谁赔得起”“看谁挺得住”的大比拼。而在几年前钢铁业进入全面亏损之时，水泥产业还在享受市场红利，现在转眼面临的却是随意跌价、恶性竞争、全行业近半亏损、金融风险显现等一系列问题。

被认为是“外部有雪，自己再雪上加霜”的水泥产业，实际产能利用率已低至65%，化解产能的迫切程度可想而知。对此，业内人士指出，此前超高速发展使水泥需求被提前透支，因此，未来淘汰落后产能，推进兼并重组是化解产能的主攻方向，预计将有至少5亿吨低标号产能出局。

透支 旺季提前结束

临近年末，老张高兴不起来，他所在的水泥厂刚启动月余就又要停窑了，这次停窑期甚至长达两个月。

老张说，他们厂子刚刚接到通知，除承担居民供暖、协同处置城市生活垃圾及危险废物等特殊任务的熟料生产线外，其他水泥熟料生产企业自2016年1月1日至2月29日停窑。

“没想到今年的旺季只有短短一个多月。”老张长叹一声，自言自语道，本应是忙的时候，又停工了。

而老张所在企业的遭遇，只是水泥行业的缩影，而究其原因，则是近年来我国经济飞速发展对水泥需求的提前透支。“此前4万亿投资，全国各地争相上项目，从基础设施到房地产，从铁路投资到机场建设，市场对水泥的需求有了量的飞跃。但投资与需求并不是无止境的，这样的超速投资带来的结果是近10年需求被提前透支。”业内人士介绍说。

的确，对于以往旺季超过半年的水泥业来说，这个旺季似乎短得难以适应。国家统计局最新数据显示，在连续两个月小幅回暖后，11月水泥产量再度大幅下滑。1至11月份累计产量21.47亿吨,同比下降5.1%，其中11月份水泥产量2.05亿吨，同比下降6.6%，降幅较10月再次扩大3.08个百分点，提前结束了旺季。

值得一提的是，国家统计局最新公布的11月规模以上工业增加值数据显示，在具体公布的10种工业产品中，仅水泥一项同比下降。具体来看，钢材9396万吨，同比增长2.0%；十种有色金属444万吨，增长1.4%；乙烯146万吨，增长1.5%；汽车255.1万辆，增长16.0%；轿车119.5万辆，增长8.4%；发电量4660亿千瓦时，增长0.1%；原油加工量4392万吨，增长3.3%，而水泥20494万吨，同比下降6.6%。

寒冬 企业大面积亏损

水泥行业产能过剩已导致许多企业到了生死存亡的关头。有业内人士透露，日前走访一些川渝水泥企业，卖一吨水泥，亏损15至35元，以产能200万吨为例，一年亏损额就达3000万元至7000万元。

11月12日，山水水泥20亿元超短期融资债券到期未能偿本付息，成为首例实质违约的公募超短融债券。国信证券最新研报指出，水泥行业亏损增多，估值风险加大。

中国水泥协会常务副会长兼秘书长孔祥忠表示，今年以来水泥价格持续下滑，前三季度全国通用水泥平均出厂价格每吨比去年同期下降10%。9月全国通用水泥月平均出厂价格创下2008年金融危机以来的最低水平。

数据显示，前5个月，我国水泥行业累计实现利润仅为93亿元，同比去年大幅下滑64%。销售利润率仅为2.8%。从历史来看，目前已经是自2007年以来最差水平。

“目前来看，亏损企业数达到1339家（含粉磨站），占企业总数的40%。”孔祥忠透露，前三季度水泥企业亏损额高达170亿元，更为严重的是，在剩余保持微利的企业中，实际上很多处于隐性亏损状态。

中国建筑材料联合会会长乔龙德表示，当前部分水泥生产企业不惜以低于成本的价格出售产品，甚至比“看谁赔得起”。他指出，截至2015年7月底，全国水泥产量下降5%，销售收入下降9.63%，利润下降63.84%，三组数字的出现无对应规律，产量减少与销售收入减少不对应，销售收入减少与利润降幅出现严重脱节。

现在水泥企业几乎全部亏损，一位水泥企业负责人直言，现在卖一袋就亏损几十块钱，但是产能在那里，机器折旧都在那里，库存一堆还占成本，不得不一袋袋地卖。

“究其主要原因，则是水泥价格严重下跌。”乔龙德说，虽然从目前来看水泥行业总量已到高峰，但其产品不可替代，因此，减量提质提价是可以解决问题的。

值得注意的是，由于水泥产业投资较大，因此在遏制新增产能的背景下，一些地方仍然在招商中给投资者提供所谓的“政策优惠”，违规审批、随意审批大量新建扩建项目。一些地方主动帮助企业开路条、拿批文，甚至允许企业未批先建、边批边建。有些地方还在水泥兼并重组完成后，继续新上生产线，导致产业兼并重组的努力付之东流，继续产生更多的产能过剩。

出路 将有5亿吨产能被淘汰

水泥行业产能严重过剩，根源就是企业过于依赖扩大产能规模的发展路径。

“将有5亿吨产能被淘汰。”乔龙德表示，将继续减少能耗、环保、质量不达标的落后产能。例如将研究并加快推进全面取消32.5水泥标准。32.5标准取消后，还会继续减少低标号产能。

孔祥忠也表示，协会将修订标准，加快推广高性能混凝土的使用，鼓励高标号水泥生产和使用，推动建筑节能，提高建筑物使用寿命。加大科技研发力量，研发水泥新品种，改善产品性能，开拓新的应用领域。

而对于企业兼并重组，孔祥忠认为，将继续鼓励和引导企业通过兼并重组淘汰落后产能，加大水泥企业集中度，同时切实防止以兼并重组为名盲目扩张产能。

乔龙德指出，应突破现有的兼并重组模式，改变一对一谈判，逐渐制定出导向目录指南。例如，可以变整体收购为相互持股。运用混合所有制，尝试同一区域的企业，按照资本组建新公司并进行统一经营。

事实上，水泥行业龙头企业已借助整体经营和成本控制等优势加大收购力度。6月13日，华润水泥与昆钢水泥签订合作协议，认购昆钢水泥6.6亿元人民币股份，持股比例达到50%，进而实际控制了云南市场份额最大的水泥企业。随后海螺水泥发布公告，将收购江西圣塔实业，成立赣州海螺，海螺水泥出资2.2亿元，在其中占据55%的股份。

【纠错】[责任编辑: 幸子]

相关稿件

EXHIBIT A-5

Vietnam's cement consumption up in fl.rst haH of 2015

Written by Global Cement ll1aff'
14 July 201S

Vldmlm: Ammting 1o Vi.emam Nm Apncy Bulll!tin, domestic cemmrt c:ommnption and exports bo1h improved. in the fint half of 2015 despite im:mued competitive pressure from m:ighboming counl:ri1!&.

Sbdia1ica fram dm llUllatrw:tiun mDllstiy ahowcd dmt in the :6nt balf of 2015, Vi.emam'il cqncnt c:ommnption gn:w by 60'o year-on-)'Clll'to 34.2Mt, m=ting 47% of the whole year'stirget. Of this, domeatic CODSlllDp1ion was *S%* higha 1han m 2014 at *25.9Mt.* Viemmn exported 8.19Mt of cmient, rep Si!!!tingan 8% year-on-year incrcue. Jn June 201S, mnmt c:ommnptim was catimatnl at 568Mt, 12% higber dmn in 2014, im;luding 463Mt in 1hc cJmn...,ijc ll!lllkc:t mid 1.OSMt fur c:xporb. The minillh:y said tlJat cement llll.d c1inb:r exports in the :6nt half of 2015 :lia:cd diflicult conditions in 110JD11 maibCs, esp11Cially Bmglad•h.

Nguyen Quang Cung, c:hainll8n of die Vl1!1Dam Cmnent AsBOc:iation, said dmt tllln waa no c:oncem about 1he cJWllent comumption in 1he 2015-2016 pmiod thanks to a risingcJmn...,ijc: demand. In 2015, domestic cemmrt Chnmmption is t!f.Mn•"" to Dicn!Ble by SMt. Cung said dmt aimmrt Ch nS1•mplion in tb domes1il: Dll!!lbrt burism thanks to improvement in 1he real estate JJNUbt, wbilanual infi:astnK:tures have been actively clneloped. The miniatry has c:ah:Watad that l'Al!ll1mt Ch nS1•mplion in 2015 will grow by 1.5-2% to 72-74Mt Of lhis, loc:al c:ommnplion will be S3-54Mt, while 19-20Mt will be exported.

Jn 201S Vi..CUND will have two m1W projec:ts, im;luding 1he 600,000t/yr C8pllCi1y SODg Lam 2 aiment plant and tb 3.6Mt/yr capacity Cong Thanh Omisrt plant. This will bring die c:ounlry's total C""llen• prodnrtinn Jim& to 76, with 81.6Mt/yr of deeigned c:apacity.

Omi1mt production in 2016 is IEq!C!Cb:d to melll domes1il: CODSllDlplilm cbwn•nd.o plus 15-16Mt of expmts, in addition to a nismve of 10-15% to stabilise tho mm:ket, pocially indie 11CJ111fum r:ogion. Cung llllidthat there will not be any mw l'Al!ll1mt projects in 2016, a1tboup a DIDlber of major projects would be cmilld out dming die 2017-2018 period.

Last modifi!.!don *15* July 2015

EXHIBIT A-6

Cement induilry cyea exporta

'Yiet'NamNeJ Bridge- Vi'etNtmi's cement production hos met domatic delfUllUI sin« *20l0buJ liar ftllJXl. Ued it li1lce 2012 becm"e of dedim11gconntmplia11 resulting.from eco'IWlltic reauio1t.*

Jn this diffic:ult llituation, npom 11n1 believed to bo 1ha solution that will enable cemcml produc«& to nduce 1hair invtmtories. Nguyen Quang Cung, pm lidmt of the Viet Nam Cement Association, spoke to Vi NC!WS Apm;y about meuum1 to boost c:mnent tlXJKllbi.

With cemeet npplJ nettdlng domade demand, many companie1 opt to nport. What are J11ur opilllou?

A C1JU111Iymu.st boost exports of Ill kinds of pmducts 8Dd Hrvic:1111 to gain advantagN oft'tnd by foreign c:wrency eamingB for i1ll develop mmrt.

Regarding the cmncmt industry, some an1 of tha opinion that expmting isjuat a band-aid solution. Howevs, inmy opincm, c:11nent expurts, indeM, help to bring long-tmn benefits to both pmduccn md worbm.

Vi.en Nam bas advantages m cemmt production and nparts thanks to al:nindant mw matmiab, with mountaim that mab vp three-fourths of tho c:oumry's tota-land long c:outlinl911 with ports systems, which are convenient for axpurbl.

Loc:a1 cemeat companies also in.vst m advzuu:ed productian Jm.1111 and. tel'lmology, turning Vi«Nam into one of tho l""ding c:anent pmducers in the n,gion.

Cemllllt exports will bo a good chniCX'1:limn now 1ill *202S* or even 2030.

Are cement export prices competitive in comparison with that of other countries in the region? Do you think there is unhealthy competition among domestic producers?

Currently, many countries in Asia have been exporting huge volumes of cement for a good number of years. Among them, Thailand and Japan have been exporting cement for decades.

The competition in cement exports is not only in market shares but also in pricing. Many of Viet Nam's exports are priced lower than that of other countries, such as rice, which is lower than that of Thailand.

Current cement export prices fluctuate around US$50-55 per tonne, and are lower than that of several countries in the region but not much, at below 10 per cent.

To boost exports, product quality must be enhanced along with brand name building among customers, and these processes require time, effort and a long-term strategy.

In addition, unhealthy competition is a factor that hampers exports. In order to raise export prices, co-ordination among the Ministries of Construction and Industry and Trade, Association of Building Materials and other concerned authorities are essential to harmonise the benefits of domestic producers and exporters and prevent unhealthy price competition.

What long-term measures should be carried out to ensure the efficiency of cement exports?

Development planning for the cement industry, which has been amended several times, stresses the goal of meeting both domestic and export market demand. However, the cement industry currently lacks a long-term export strategy.

This export strategy is very essential in clearly defining which products from which plants should be exported, and which products from which plants should serve domestic demand.

For example, plants located near ports with good raw material sources, large capacity and high-technology equipment should prioritise exporting, to benefit from well-know brands and low production costs.

Itwill be unreasonable to export products of plants which are far from ports, as the transportation cost alone is already high.

In fact, many cement companies in Viet Nam currently focus on domestic demand while exports are still reliant on importing markets. Gaining export market share is also a problem for the cement industry.

Therefore, a long-term cement export strategy which is appropriate to reality is indispensable.

VNSIVNN

EXHIBIT A-7

Taiwan Cement revenue set to climb

By Camaron Kao / Staff reporter

Taiwan Cement Corp (台灣水泥), the No. 1 cement maker in Taiwan, said yesterday that its revenue should rise by 7 percent to 13 percent in the second half of this year from NT$58.59 billion (US$1.96 billion) in the first half as sales increase in its traditional peak season in the fourth quarter.

The company expects its revenue this quarter to be between NT$28.67 billion it reported in the first quarter and NT$31.87 billion last quarter, while its revenue in the fourth quarter would be as high as the NT$34.21 billion it registered a year earlier, the company said.

SEASONAL DEMAND

Cement prices and shipments tend to rise starting the end of the third quarter through the fourth quarter as most infrastructure construction projects are conducted in the period, company senior vice president Edward Huang (黃健強) said in an investors' conference yesterday.

The company's shipments of four production lines in Guangdong Province, China, increased to 30,000 tonnes a day in the past 15 days this month from an average of 25,000 tonnes a day to 26,000 tonnes a day, Huang said.

Huang said the company plans to raise the prices of its cement in the province this week or next week by between 20 yuan and 30 yuan (US$3.3 to US$4.9) per tonne from the current 310 yuan.

PRICE HIKE

The company also plans to raise prices in Jiangsu Province, China, by between 20 yuan and 30 yuan per tonne from current 260 yuan at the end of this month, when the Youth Olympic Games end.

The company's Guangdong capacity is about 17 million tonnes a year, compared with 4.75 million tonnes in Jiangsu.

Total capacity in China is 55.2 million tonnes a year, while Taiwan Cement has capacity of 10.6 million tonnes a year in its home market.

Meanwhile, the company plans to cut its production in Taiwan to 7 million tonnes this year from 8.4 million tonnes last year to satisfy a government policy to reduce cement exports to 30 percent of a company's local production.

Last quarter, the company reported profit of NT$3.2 billion, or NT$0.86 per share, up 74.4 percent from NT$1.83 billion, or NT$0.5 per share the previous quarter and 23.5 percent from NT$2.59 billion, or NT$0.7 per share, the previous year, according to a company filing to the Taiwan Stock Exchange.

SLOW SEASON

The first quarter of a year is a slow season for the industry because of fewer working days, which caused the quarter-on-quarter increase last quarter, Huang said, adding that the year-on-year growth was because of lower prices of coal, a raw material to make cement.

Chinese coal cheaper

Coal prices in China dropped to below 450 yuan per tonne recently from 550 yuan per tonne a year ago as the economy in China declined, Huang said.

Because of lower cement prices, gross margin at Taiwan Cement rose to 20.49 percent in the first half of this year from 16.57 percent the previous year, Huang said.

Huang said the company's profit this year would be higher than NT$10.03 billion on the back of lower coal prices.

EXHIBIT A-8

22/01/2016

Exports increasing while internal demand drops, Japan

Japanese companies are turning to the Asia-Pacific market

(CW Group) Japanese cement companies are exporting more while domestic demand falls, reports Nikkei.

Exports in the fiscal year 2015-2016 are expected to reach 10 million tons of cement, 6 percent higher than in the previous year. Yen's depreciation has brought new opportunities to Japanese cement manufactures. Singapore is the main buyer of Japanese cement: during April-November 2015 the country bought 2.37 million tons. Australia remains the second biggest imported, but new markets are appearing like Kenya and Philippines.

Meanwhile, in the domestic market, demand is now predicted to be around 45-46 million tons, after earlier predictions pointed to 46 million tons. Lack of investment in public works projects is the main responsible for this expectations' decrease. Another problem is Chinese competitors, which are likely to try to increase their exports given the current oversupply in the internal market.

japanese demand exports main domestic new internal lack predicted predictions pointed philippines like imported markets appearing investment kenya expectations try

EXHIBIT A-9

29/12/2015

China's cement sector in a dilemma over rising inventory

In order to resolve inventory, cement companies are to seek opportunities

(CW GROUP) With a possible chance of at least 500 million tons of low-grade cement production lined up in the market, Chinese companies are in a dilemma over its takers, reports Sohu.

It is evident that in the recent months, the country witnessed an insufficient investment in fixed assets. In addition, a subdued growth in the real estate industry too has taken a ripple effect on the overall cement demand.

As of November, China's urban fixed-asset investment CNY 49.7 trillion, with the growth rate of 10.2 percent, the domestic real estate investment totaled CNY 8.8 trillion, the growth rate of mere 1.3 percent; new projects with a total planned investment of CNY 37.4 trillion, with the growth rate of 4.7%; construction project plans a total investment of CNY 98 trillion, with the growth rate of 5.6 percent; growth level compared with the same period a marked decline in 2014.

Meanwhile, due to international and domestic capital market downturn, cement prices fell again, profits significantly reduced.

According to statistics, from January to October, the cement industry's profit fell by 64 percent to CNY 22.3 billion. According to official data, it is estimated that the cement companies are expecting an annual profit per ton of cement in equal shares to about CNY 10 / ton. However, the real profits may be lower, at about CNY 7 to 8 / ton.

cny growth investment rate percent real ton profits industry profit estate total dilemma inventory domestic fell chinafixed planned marked

EXHIBIT A-10

Cement Weekly Review (151128): Cement Demand's Average Annual Growth Rate Will Be Around -3% During "13th Five Year" Period

Geography Cement

November 28, 2015

(Portions omitted…)

The state has set the GDP development target for the "13th Five Year" period as 6.5%. Based on various factors, the average annual growth rate for cement demand can be roughly estimated as -5% - 0%, with median of -3%. This means that, Chinese cement demand will drop to approximately 1.8 – 2.0 billion MT at the end of the 13th Five Year" period. The 2.476 billion MT cement production in 2014 should be the turning point for Chinese cement demand. The demand for the future years may fluctuate, but will hardly exceed the 2014 level.

(Portions omitted…)

水泥周点评（151128）：“十三五”水泥需求年均增速约为-3%

2015年11月28日
作者：原创出品 来源：水泥地理

水泥周点评（151128）：“十三五”水泥需求年均增速约为-3%

要闻点评：

事件：

“十三五”期间铁路投资有望继续保持增长势头。据记者了解，铁路“十三五”规划已经编制完成，根据规划，“十三五”期间全国新建铁路不低于2.3万公里，总投资不低于2.8万亿元

点评：

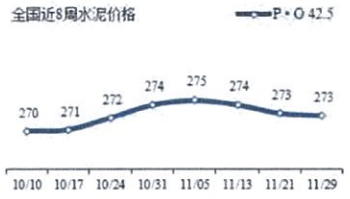
在2015年一季度时，水泥地理提出对当年的市场预判主要根据“两个因素”在“三个时点”的启动情况而定。两个因素分别是房地产和基础设施建设，但很遗憾这两个因素在年中、四季度以及年底三个时点都没有达到期望中的发力

经历过2015年，已大概可判断出市场端倪，在2016年甚至未来两三年中，房地产“压供促销”的策略将使与水泥需求紧密相关的新开工面积同比下降，基建是稳增长的关键，但再如以往政策拉动强势发力的概率并不大。铁路方面可略窥一斑，5年投资2.8万亿，平均到每年不到6000亿元，从力度来说低于“十二五”

国家将“十三五”的GDP发展目标定为6.5%，根据种种因素，大致判断水泥需求的年均增速为-5%~-0%，取中间值约为-3%，这意味着“十三五”后期中国水泥需求将下降至18~20亿吨左右。2014年24.76亿吨的水泥产量应该就是中国水泥需求拐点，之后的年份需求尽管处于波动之中，应该很难再超越2014年的水平

价格走势：

本周水泥价格表面保持稳定，但内在暗藏风云，且南北分化，北方逐渐进入“冬眠”，南方仍在进行最后一个月的努力



来源：水泥地理

华南地区随着天气好转，销量普遍恢复，各企业库存均有下降，目前在中等位置运行，企业计划近期再次推动价格上调，幅度10-20元/吨。但目前还处于单点涨价，广西玉林地区两家海螺水泥价格分别上调10元/吨。这两次调价均可视为前期调价的小幅调整，英德海螺仅对P.O 42.5R 散装水泥价格略微上调10元/吨

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北方地区，迎来大范围降雪天气，气温快速下降，阻碍了项目施工，需求进一步萎缩，库满企业已自行停窑检修，但仍有部分在生产，工信部的错峰生产通知加速了整体停窑进度

[责任编辑：GC05]

打印 | 标签：水泥价格,水泥需求,十三五,铁路投资,周市场

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456651 马上发表

EXHIBIT A-11

Cement Industry "12th Five Year" Development Plan

Source: Ministry of Industry and Information Technology of the People's Republic of China

(Portions omitted…)

III. Guidelines, General Principles, and Major Targets

(Portions omitted…)

(III) Major targets

By 2015, the industrial added value of above-scale enterprises should have an annual growth rate over 10%, backward cement capacities should be eliminated, major pollutant emission should reach the standard, coordinated disposal should achieve apparent progress, total waste comprehensive utilization volume should grow by 20%, percentage of the consumption of 42.5 grade and above products should exceed 50%, and concentration rate of top ten enterprises should exceed 35%.

(Portions omitted…)

IV. Development Priorities

(Portions omitted…)

(II) Adjust and optimize structure

1. Extend industrial chain

Support advantaged enterprises to focus on raising competitiveness, optimize the allocation of factors such as technology, brand, management, resource, and market, endeavor to strengthen the main business led by cement clinker, accelerate expanding the aggregate market, give priority to the development of cement based materials and products, coordinate and develop the producer service industry such as R&D and design, engineering service, commercial warehousing and logistics, extend industrial chain, and make relevant industries bigger.

(Portions omitted…)

2. Raise industrial concentration

Support advantaged enterprises to carry out joint restructure crossing region, crossing industry, and crossing ownership, and endeavor to integrate small and medium-sized cement enterprises and cement grinding stations, to raise industrial concentration. Cultivate several highly internationalized large-scale enterprise with business covering R&D, design, production, equipment manufacturing, engineering service, logistics, trade, and *etc.* By the end of 2015, strive to reduce the number of cement enterprise by 1/3 from 2010.

(Portions omitted…)

IV. Safeguard Measures

(I) Strengthen planning and guidance

Responsible departments for industry at all regions should comply with the function designation of the region, enhance the coordination with adjacent regions and relevant plans, in accordance with the requirements of this *Plan*, formulate and adjust the cement industry development plan of the region, and submit to the state department responsible for industry for record filing.

(Portions omitted…)

(IV) Increase policy support

Study and formulate support policies with respect to layout, access, land, fiscal and taxation, credit loan, and *etc.* for co-disposal projects. Increase policy support for joint restructure, backward capacity elimination, energy saving and emission reduction, comprehensive utilization, "Go Abroad" strategy, and *etc.*

(Portions omitted…)

水泥工业“十二五”发展规划

日期：2013-11-18 来源：中华人民共和国工业和信息化部 浏览次数：22 字号：[大 中 小] 视力保护色：

一、发展现状 “十一五”期间，水泥工业持续快速发展，整体素质明显提高，较好地满足了国民经济和社会发展需要。 （一）产量效益同步增长 2010年全国水泥产量18.8亿吨，是2005年的1.7倍，年均增长11.9%。规模以上工业企业完成销售收入7100亿元，利润总额650亿元，年均分别增长22%和58%。 （二）结构调整取得重大进展 2010年新型干法水泥熟料产能为12.6亿吨，是2005年的2.6倍。新型干法水泥熟料产能占总产能的81%，比2005年提高41个百分点。日产4000吨及以上熟料的产能占57%。五年淘汰落后产能3.4亿吨。2010年新增新型干法水泥熟料产能中，中部地区占25%，西部地区占56%，中西部布局进一步优化。（三）生产集中度进一步提高 企业兼并重组步伐加快，大企业快速成长。2010年熟料产量过千万吨的水泥企业有22家，合计产量5.4亿吨，占水泥熟料总产量的45.8%，其中有2家产量超过1亿吨。前10家企业水泥产量4.7亿吨，占水泥总产量的25.3%，较2005年提高10个百分点。 （四）节能减排成效显著 通过淘汰落后，推广余热发电、节能粉磨、变频调速、水泥助磨剂、废渣综合利用等技术，2010年每吨新型干法水泥熟料综合能耗降至115千克标准煤，比2005年下降12%。年综合利用固体废弃物超过4亿吨。55%的新型干法水泥生产线配套建设了余热发电装置。建成一批利用水泥窑无害化最终协同处置城市生活垃圾、城市污泥、各类固体废弃物（以下简称协同处置）示范工程。 （五）技术进步加快 大型立磨及其配套减速机、高效篦冷机、窑尾斗提机等关键设备取得重大突破。低温余热发电技术与装备、辊压机粉磨系统、变频调速系统、袋式除尘、水泥助磨剂等技术广泛推广应用。协同处置技术取得重大进展。 （六）装备水平明显提高 实现了日产万吨级水泥熟料生产装备国产化。水泥大型装备设计、制造、安装等已达到国际先进水平，依托自主开发的成套技术，广泛参与海外水泥生产线建设工程总承包，带动了大型成套水泥装备批量出口。2010年我国水泥工程建设占国际市场40%以上的份额。 但与此同时，当前我国水泥工业仍然存在以下主要问题：一是水泥基材料及制品发展滞后，产业链短，附加值低。二是落后产能规模仍然较大，节能减排任务艰巨。三是部分地区重复建设，产能严重过剩。四是产品质量检测和市场监管薄弱，部分企业社会责任意识仍待提高。五是行业管理亟待加强。 专栏1 水泥行业“十一五”发展情况(略) 二、发展环境 （一）环境分析 “十二五”是全面建设小康社会的关键时期，国民经济仍将保持平稳较快增长，水泥工业面临着发展机遇，也面临更大的挑战。一是工业化、城镇化和新农村建设进一步拉动内需，保障性安居工程以及高速铁路、轨道交通、水利、农业及农村等基础设施建设带动水泥需求继续增长。二是人民生活水平不断提高，防灾减灾意识增强，对水泥、水泥基材料及制品在质量、品种、功能等方面提出了更高要求。三是建设资源节约型、环境友好型社会，应对气候变化，迫切需要水泥工业加快转变发展方式，大力推进节能减排，发展循环经济。 （二）需求预测 “十二五”期间，随着经济发展方式加快转变，国内市场对水泥总量需求将由高速增长逐步转为平稳增长，增速明显趋缓。但水泥基材料及制品发展加快。预测水泥年均增长3%～4%，2015年国内水泥需求量为22亿吨左右。 三、指导思想、基本原则和主要目标 （一）指导思想 深入贯彻落实科学发展观，加快转变水泥工业发展方式，立足国内需求，严格控制产能扩张，以调整结构为重点，大力推进节能减排、兼并重组、淘汰落后和技术进步，发展循环经济，着力开发水泥基材料及制品，延伸产业链，提高发展质量和效益，建设资源节约型、环境友好型产业，促进水泥工业转型升级。 （二）基本原则 坚持总量控制。严格控制水泥工业产能过快增长，把调整水泥工业结构

放在更加突出位置，加快推进联合重组，调整产品结构，淘汰落后产能。　　坚持绿色发展。全面推进清洁生产，大力推进节能减排，发展循环经济，推广协同处置，加大二氧化碳以及二氧化硫、氮氧化物等污染物减排力度，实现绿色发展。　　坚持创新发展。开发高效适用的节能减排新技术，拓展水泥基材料及制品应用领域，创新水泥行业经营模式，优化资源配置，促进工业化和信息化融合，实现创新发展。　　坚持协调发展。注重发展速度与质量、效益相统一，与资源、环境相协调，实现合理布局，进一步提高产业集中度，促进有序发展。

（三）主要目标　　到2015年，规模以上企业工业增加值年均增长10%以上，淘汰落后水泥产能，主要污染物实现达标排放，协同处置取得明显进展，综合利用废弃物总量提高20%，42.5级及以上产品消费比例力争达到50%以上，前10家企业生产集中度达到35%以上。　专栏2 水泥工业“十二五”主要发展目标(略)　四、发 展重点

（一）推进绿色发展　1. 加强资源保护　　加强矿产资源的科学开发与保护。鼓励水泥企业拥有自备矿山，稳定矿产资源保障，加大矿产资源综合利用，提高低品位矿和尾矿利用水平。实施矿山生态、地质环境恢复治理和矿区土地复垦。　2. 推进节能减排　　大力实施节能减排技术改造，建立健全能源计量管理体系，推行清洁生产，降低综合能耗，减少污染物排放。着力减少二氧化碳及氮氧化物、二氧化硫等主要污染物排放。新建生产线必须配套建设效率不低于60%的烟气脱硝装置。严格控制粉尘排放，推广减排降噪新技术、新设备。积极开展清洁生产审核，完善清洁生产评价体系。进一步提高散装水泥使用比例。　专栏3 节能减排工作重点　　继续推广余热发电、布袋收尘器、高效篦冷机、立磨、辊压机、低阻高效预热器及分解炉系统、实时质量调控系统、变频调速等技术。开发推广高效氮氧化物、二氧化硫减排装置。　　重点研发水泥窑炉高效节能工艺技术及装备，余热梯度利用技术及装备，新型节能粉磨技术与装备，粉尘、氮氧化物、低成本综合减排工艺及装备，二氧化碳的分离、捕获及转化利用技术。3. 推动延寿减量　　加快提升水泥基材料及制品的综合性能，延长安全使用寿命。鼓励使用高性能、高标号混凝土，减少普通水泥使用量，力争2015年42.5级及以上产品消费比例达到50%以上。逐步增加铝酸盐水泥、低碱水泥、白水泥、抗盐卤水泥、油井水泥、硫铝酸盐水泥等特种水泥，满足重点工程建设的特殊需求。　4. 发展循环经济　　继续推进矿渣、粉煤灰、钢渣、电石渣、煤矸石、脱硫石膏、磷石膏、建筑垃圾等固体废弃物综合利用，发展循环经济。选择大中型城市周边已有水泥生产线，建设协同处置示范项目，并逐步推广普及和应用。推广应用水泥窑尾气生产轻质碳酸钙、养殖藻类减排二氧化碳并再生能源等技术。　（二）调整优化结构　1. 延伸产业链支持优势企业以提高竞争力为核心，优化技术、品牌、管理、资源、市场等要素配置，着力做强以水泥熟料为龙头的主业，加快拓展骨料市场，重点发展水泥基材料及制品，统筹发展研发设计、工程服务、商储物流等生产性服务业，延伸产业链，做大相关多元产业。

专栏4 重点发展的水泥基材料及制品 推广预拌砂浆、水泥混凝土建筑构件和工程预制件等产品。推广高标号混凝土、高性能混凝土、特种工程需要的混凝土、混凝土外加剂等。开发满足建筑施工所需各种性能的装饰装修砂浆、特种聚合物干粉砂浆、抗裂砂浆等高端预拌砂浆产品。　开发满足城市建设、基础设施建设所需的各种水泥基材料制品。研发集成拼装式预制建筑梁柱，水泥复合多功能保温墙体和屋面，功能性水泥部品构件等产品，以及轻质混凝土、泡沫混凝土等节能型水泥基材料及制品。2. 提高产业集中度　支持优势企业跨地区、跨行业、跨所有制实施联合重组，大力整合中小水泥企业和水泥粉磨站，提高产业集中度。培育若干家集研发、设计、生产、装备制造、工程服务、物流贸易等于一体的国际化程度较高的大型企业。2015年末，力争水泥企业户数比2010年减少三分之一。　3. 优化区域布局　　以满足区域市场需求和抑制产能过剩为目标，严格控制水泥熟料产能增长，统筹资源、能源、环境、交通和市场等要素，着力降低物流成本，提高资源综合利用水平，优化生产力布局。在石灰石资源丰富地区集中布局熟料生产基地。支持大型熟料生产企业，在有混合材来源的消费集中地区合理布局水泥粉磨站、水泥基材料及制品生产线。人均新型干法水泥熟料产能超过900千克的省份，要严格控制产能扩张，坚持减量置换落后产能，着重改造提升现有企业。人均新型干法水泥熟料产能不足900千克的省份，结合技术改造、淘汰落后和兼并重组，适度发展新型干法水泥熟料。　专栏5 水泥产业区域布局 华北。京津冀统筹发展，北京、天津原则上不再新增水泥熟料产能，由河北等周边地区统筹供给。河北、山西资源丰富，要在减量置换的前提下，依托现有企业适度发展新型干法水泥熟料。内蒙古可结合当地建设需求，着重调整优化结构，适度发展新型干法水泥熟料。　东北。重点调整优化结构，通过淘汰落后、兼并重组、减量置换、技术改造，提高新型干法比重，满足当地需要。　华东。长三角区域统筹发展，上海原则上不再新增水泥产能，由周边地区统筹供给。江苏、浙江、安徽、山东水泥工业规模较大，要严格控制产能扩张，着重改造提升现有企业。江西资源、交通具有优势，坚持减量置换，依托现有企业适度发展新型干法水泥熟料。福建可立足海西建设需要，加快结构调整，淘汰落后产能，适度发展新型干法水泥熟料。　中南。广东、广西统筹发展，珠三角中心城市原则上不再新增水泥产能，由周边地区统筹供给。广东着重改造提升现有企业，优化结构。广西具有资源、交通

优势，在控制现有总量基础上，可立足当地需求并适度兼顾周边供给。湖北、湖南、河南应控制总量、淘汰落后。海南是国际旅游岛，原则上保持基本自给，少部分外进，应严控新上水泥熟料生产线项目。 西南。着重淘汰落后水泥产能。川渝要严格控制产能扩张，在加快淘汰落后产能的同时着重调整结构。其他地区要结合当地建设需要，坚持减量置换，加快淘汰落后产能，调整优化结构。 西北。可立足当地建设需求，加快淘汰落后，适度建设规模适宜的新型干法水泥生产线。 （三）推进技术进步 1. 加快自主创新 围绕节能减排、综合利用、协同处置、绿色发展等行业共性和基础性的重大问题，建立以企业为主体、市场为导向、产学研用相结合的技术创新体系。着力研发水泥基材料及制品、窑炉用耐火材料新技术、新材料、新工艺和新装备。支持专业研究设计单位和高等院校建立行业研究中心，提高水泥关键技术及核心装备研发制造能力。推进水泥产品销售商业模式创新。推动检测、咨询、培训、设计等高端生产性服务业发展，构建现代生产性服务业体系。 2. 完善标准规范 以重大工程应用为依托，依据科技创新成果，制修订与水泥质量安全、重大工程用水泥基材料、应对气候变化密切相关的标准规范。 专栏6：标准制修订重点 水泥质量安全标准。水泥及原料中有害物质限量及测试方法，协同处置技术规范，工业废渣在水泥中的合理利用方面的标准。 重大工程用水泥基材料标准。水电工程用高镁低热水泥、核电工程用水泥、海洋工程用耐腐蚀水泥、管桩水泥等产品标准。 应对气候变化系列标准。制订水泥行业二氧化碳排放计算方法标准。 完善水泥、水泥基材料及制品产品质量国家标准体系。制修订水泥、水泥混凝土、干混砂浆、水泥混凝土外加剂、水泥混凝土掺合料等产品质量国家标准。 3. 推进两化融合 提高行业信息化水平，推动工业化与信息化深度融合，利用信息技术改造提升水泥工业，提高装备水平、工作效率、产品质量、市场反应能力、自动控制水平。制订信息化技术规范和标准，建立两化融合发展水平评价指标体系。利用现代信息管理手段建立完善物流系统，降低物流运输成本。

五、重点工程 （一）协同处置示范工程 工程目标：利用水泥窑协同处置城市生活垃圾，缓解城市生活垃圾处置压力，减少土地占用，实现城市垃圾无害化处置，加快水泥工业向绿色功能产业转变。 主要内容：在若干座大中型城市周边，依托现有新型干法水泥熟料生产线配套建设城市生活垃圾、污泥等废弃物的预处理设施，开展协同处置试点示范和推广应用。 （二）淘汰落后工程 工程目标：完成2.5亿吨落后产能淘汰任务。到2015年，基本淘汰落后产能。 主要内容：依据水泥行业准入条件和淘汰落后产能计划，严格控制新增产能，加快淘汰窑径3米以下的立窑生产线、窑径2.5米以下水泥干法中空窑（生产高铝水泥的除外）、水泥湿法窑生产线（主要用于处理污泥、电石渣等的除外）以及无稳定原料来源、单位能耗高、主要污染物超标排放的粉磨站。2012年底，东部地区基本完成淘汰落后任务，2015年中西部地区基本完成淘汰落后任务。 （三）节能减排工程 工程目标：推动节能减排，力争2015年行业节能减排水平接近世界先进水平。 主要内容：建设企业能源管理中心，建立企业能源计量管理制度，推进合同能源管理，提升能效水平，最大限度实现能源梯度利用。推广高效粉磨、变频调速等节能技术，提高综合节能水平。推广高效减排技术与装备，重点推进氮氧化物治理，削减大气污染物排放总量。新建新型干法水泥生产线，要配套建设烟气脱硝装置，对已建成的日产4000吨及以上熟料生产线，应尽快实施烟气脱硝改造。 六、保障措施 （一）强化规划指导 各地工业主管部门要遵循本地区功能区划定位，加强与相邻地区及相关规划的衔接，按照本规划要求，制定和调整本地区水泥工业发展规划，并报国家工业主管部门备案。将规划提出的目标任务落实到年度计划，按规划要求审核水泥投资项目，促进本地区水泥工业平稳有序发展。 （二）严格行业准入 严格执行水泥工业产业政策、水泥行业准入条件及相关政策法规，公告符合准入条件的企业名单。新增扩能项目坚持减量置换落后产能，适度有序发展新型干法水泥，杜绝低水平重复建设。 （三）加强质量监管 规范水泥及原辅料、水泥基材料及制品生产过程质量管理制度，强化过程管理，监控生产过程质量。各级工业主管部门加强生产质量监管，监督执行《水泥企业质量管理规程》，未获得水泥企业化验室合格证的，不得申请办理水泥生产许可证。 （四）加大政策支持 研究制定协同处置项目在布局、准入、土地、财税、信贷等方面的扶持政策。加大对联合重组、淘汰落后、节能减排、综合利用和实施"走出去"战略等方面的政策支持。 （五）加强行业管理 完善运行监测网络和指标体系，定期发布行业信息，促进行业平稳运行。发挥行业协会等中介组织在加强信息交流、行业自律、企业维权等方面的积极作用。

分享

上一篇：平板玻璃工业"十二五"发展规划
下一篇：建材工业"十二五"发展规划

EXHIBIT A-12

Shandong Province Cement Industry Transformation and Upgrade Implementation Plan

Source: General Office of the People's Government of Shandong Province

April 10, 2015

Shandong Province Cement Industry Transformation and Upgrade Implementation Plan

Shandong Province Building Materials Industry Association

March 2015

The cement industry is an important fundamental raw materials industry for the national economy. To raise the competition advantages of the cement industry of the province, the *Plan* is hereby formulated.

(Portions omitted…)

IV. Development Goals

(I) Overall goals. Control the total capacity, optimize industry structure, strengthen energy saving and emission reduction, comprehensive utilization, technology improvement, and integration of industrialization and informationization, follow a safe, environmentally-friendly, energy-saving, and highly efficient sustainable development, promote the cement industry to transform into a new green industry, and further raise development quality and profitability.

(Portions omitted…)

V. Key Tasks and Implementation Ways

(1) Extend industrial chain. Guide cement enterprises to extend towards ready-mixed concrete, ready-mixed mortar, concrete building components, engineering preform, prestressed concrete pipe, and *etc*. (Portions omitted…)

(II) Promote the use of high-performance concrete and special cement. (Portions omitted…)

(III) Promote M&A and restructure.

(IV) Realize green development. (Portions omitted…)

(V) Promote technology innovation. (Portions omitted…)

(VI) Promote the integration of industry and information technology. (Portions omitted…)

VI. Safeguard Measures

(Portions omitted…)

(III) Strengthen policy coordination. Relevant departments of the provincial government should study and issue supporting policies for cement kilns' co-disposal of wastes, and establish a matching system and form a long-term mechanism.

(Portions omitted…)

(V)) Improve enterprises' financing environment. Financial institutions should avoid "one size fits all," and include the cement enterprises that have market and potential into the financial support scope. Governments at all levels and all departments should actively coordinate financial institutions, regulate banks' floating interest rates, lower the financing threshold for enterprises, and earnestly implement the state's financing policy in supporting the development of real economy.

(Portions omitted…)

山东省水泥产业转型升级实施方案

来源：山东省人民政府办公厅 时间：2015-04-10 11:14

山东省水泥产业转型升级实施方案

山东省建筑材料工业协会

2015年3月

水泥产业是国民经济重要的基础性原材料产业，为提升我省水泥产业竞争优势，制定本方案。

一、行业发展现状

（一）规模及效益居于全国前列。我省水泥产量自1994年至2008年连续15年位居全国首位，2006年达到历史最高的1.66亿吨，随后严格控制新增产能，产量稳定在1.6亿吨左右。在总产量保持基本稳定情况下，经济效益成倍增长，“十一五”以来，我省水泥行业销售收入、利润、利税分别增长了99%、227%和160%。2013年全省水泥产量1.62亿吨，占全国总产量的6.75%，低于江苏与河南，居全国第3位；销售收入、利润和利税等主要效益指标位居全国首位；吨水泥利润高于全国平均水平54.89%；熟料产能利用率高出全国4.5个百分点。

表1 “十一五”以来我省水泥、熟料产量及效益变化

	2005年			2013年		
	绝对额	占全国比重(%)	全国名次	绝对额	占全国比重(%)	全国名次
水泥（万吨）	14184	13.71	1	16218	6.72	3
熟料（万吨）	9979	13.18	1	8896	7.44	2
销售收入（亿元）	44	16.92	1	87	9.06	1
利润总额（亿元）	24	10.07	1	80	10.49	1

表2 2013年全国主要水泥生产省份数据

	全国	山东	江苏	河南	广东	四川
销售收入（亿元）	9696	878	713	674	474	465
利润总额（亿元）	76	80	63	58	40	37
水泥产量（亿吨）	24	1.62	1.8	1.68	1.34	1.39
吨水泥利润（元/吨）	31.88	49.38	35	34.52	29.85	26.62
熟料产能利用率（%）	75.7	80.2	71.8	75.7	77.5	69.7

（二）结构调整取得阶段性成果。“十一五”以来，我省在全国率先对水泥行业进行结构调整和提升改造，采取控制总量、上大压小、兼并重组等措施，累计淘汰了9000多万吨立窑水泥熟料产能。2013年随着最后两条立窑熟料生产线的拆除，结束了我省水泥立窑时代，并提前两年完成国家下达的立窑生产线淘汰任务。截至2013年底，全省共建成投产水泥熟料生产线116条，年产能1.1亿吨。其中，日产4000吨以上生产线48条，产能7329万吨；日产2000～4000吨生产线34条，产能2885万吨；日产2000吨以下生产线34条，产能736万吨。

（三）产业集中度进一步提高。我省水泥熟料企业数量由2005年的308家整合到2013年的92家，熟料企业年均产量由32.4万吨提高到96.7万吨，增长了198%。大企业引领作用不断增强，山水集团和中联水泥两大集团熟料产能占全省水泥熟料总产能的一半以上。截至2013年底，山水集团在省内拥有熟料生产线22条、熟料产能2477万吨；中联水泥在省内拥有熟料生产线31条，熟料产能3500万吨。

（四）节能减排和资源综合利用取得积极成效。近年来，随着水泥行业技术装备的提升、能源管理水平的提高，以及余热发电、可燃废弃物替代燃料和废渣综合利用等技术的推广，我省新型干法水泥熟料企业吨熟料综合煤耗由2006年的121千克标准煤/吨下降到2013年的110 千克标准煤/吨，全行业年节约标准煤100万吨左右。

表3 水泥熟料产品能耗指标对比

指标及其单位	国际先进指标	国家标准（GB16780-2012）	山东企业
熟料综合煤耗(千克标准煤/吨)	95	限定值≤112 先进值≤103	沂水山水： 99 枣庄中联：102

			平均水平：110

我省通过关停淘汰立窑水泥生产线，改造新型干法熟料生产线除尘技术，推广“电改袋”、“电袋复合”等技术装备，大幅度降低了颗粒物排放量。2013年全省水泥窑颗粒物排放降至30 mg/m3，相当于“十一五”初期150 mg/m3的五分之一。此外，随着我省水泥熟料生产企业的脱硝装置陆续投入运行，氮氧化物排放浓度大幅降低。

表4 水泥污染物排放指标对比表 单位：mg/m^3

污染物名称		GB4915-2004	GB4915-2013		欧盟IPPC指令	美国	德国	日本	山东企业	
			排放限值	特别排放限值					排放值	达标率
颗粒物	窑	50	30	20	10-20	2	20	50-100	6-42	90%
	磨	50	20	10					5-25	95%
SO_2		200	200	100	50-400	80	350	/	9-150	100%
NOx		800	400	320	200-450	300	500	500-700	380-950	92%

全省水泥行业每年利用粉煤灰、煤矸石、化工废渣和冶炼废渣等工业固体废弃物约3200万吨，占全省工业综合利用固体废弃物总量的一半以上，为全省实现粉煤灰、煤矸石当年产用平衡零排放做出了重要贡献。部分企业已开始探

索利用水泥窑炉处置城市生活垃圾、掺烧污泥等新工艺，枣庄中联水泥建成投产的城市生活污泥处理线日处理量达到50吨。

2013年我省散装水泥总量首次突破亿吨大关，达到1.01亿吨，散装率62.28%，高出全国平均水平6.34个百分点。全年使用散装水泥折算节约标煤232万吨，减少粉尘排放101万吨，减少二氧化碳排放603万吨，减少二氧化硫排放1.97万吨，综合经济效益45亿元。

二、存在的问题

（一）产能过剩问题相对突出。虽然我省水泥总量控制的相对较好，熟料产能利用率高于全国平均水平。但是区域产能过剩、产品供大于求的情况也日益凸显。目前，全省水泥年产量约1.6亿吨，而省内水泥市场需求在1.2亿吨左右，每年约4000万吨需要向省外输出。尤其在房地产、基础建设投资拉动放缓时，水泥产能过剩问题愈加明显。

（二）产品结构不够合理。2013年我省预拌混凝土产量6765万立方米，占全国产量5.78%，仅为浙江（1.27亿立方米）和江苏（1.14亿立方米）的一半左右，预拌混凝土业务有待进一步推动。目前我省重点水泥企业收入构成中预拌混凝土比重仅为5%左右，而法国拉法基、瑞士霍尔希姆和墨西哥西麦斯等国际知名水泥企业均在30%以上。同时，在工业发达国家，建筑工程使用的混凝土等级平均为C50～C60，相应的水泥品种结构是以52.5和62.5高等级水泥为主；而我省的混凝土使用等级平均为C30～C40，相应生产的水泥品种主要是32.5和42.5中低等级水泥，其中全省32.5水泥比重近60%，52.5及以上水泥不到5%。

（三）水泥窑协同处置废弃物缺少政策扶持。近几年，水泥窑协同处置城市生活垃圾和危险废弃物越来越受到重视，发达国家大约有70%的水泥企业使用生活垃圾和预处理后的污泥作为燃料。挪威已经没有垃圾焚烧厂，垃圾都是由水泥窑协同处置。国内北京、安徽、广东、湖北等省市也已建成多条协同处置线。如金隅北京水泥厂建成的处置污水处理厂污泥项目，每年大约可为北京市处置污水处理厂污泥22万吨；安徽铜陵的2条水泥窑协同处置生产线年处理生活垃圾可达到20万吨。由于协同处置废弃物将增加水泥企业生产成本，贵州

省、安徽铜陵市政府对相关水泥企业协同处置生活垃圾给予补贴。我省由于缺乏相关扶持政策，开展水泥窑协同处置废弃物的企业，仅有淄博山水、枣庄中联、鲁中水泥和烟台三菱，而且也主要限于试验性运行。

（四）融资难、融资成本高问题比较突出。《国务院关于化解产能严重过剩矛盾的指导意见》（国发〔2013〕41号）文件出台后，水泥被划为产能严重过剩产业，一些银行采取“一刀切”，企业贷款难度急剧增加。多数企业在到期贷款续贷时，被要求偿还本金，资金周转十分困难；部分效益较好的企业还能保住贷款存量，但增加贷款已无可能。此外，我省水泥企业贷款利率普遍上浮10%～20%，部分达到30%以上，相当多的企业被迫接受承兑汇票业务，增加了企业融资成本。

三、发展趋势

（一）全球及我国水泥产业概况。目前，全球水泥生产能力约为48.8亿吨，主要集中在中国、西欧、南亚、中东、非洲和东南亚。2012年，全球水泥产量36亿吨，其中中国占全球总产量的60%以上。2013年全国完成水泥24亿吨，有11个省份的水泥产量超过1亿吨。

表5 2013年全国水泥过亿吨省份产量表

	江苏	河南	山东	四川	广东	河北	浙江	安徽	湖南	湖北	广西
水泥产量（亿吨）	1.8	1.68	1.62	1.39	1.34	1.27	1.25	1.21	1.13	1.11	1.07
占全国比重（%）	7.45	6.94	6.72	5.76	5.55	5.25	5.16	5.02	4.67	4.58	4.43

国内前10家大企业集团的水泥熟料产能占全国总产能的53%，其中山水集团位居全国第6位。

表6 2013年全国水泥熟料产能前10家企业排名

序号	集团企业	总产能/在山东省内产能（万吨/年）
1	中国建材	30005/3500
2	安徽海螺水泥	
3	中国中材	8396
4	河北冀东水泥	7080/155
5	香港华润集团	5664
6	山东山水集团	4747/2477
7	湖北华新水泥	4263
8	台湾水泥	3602
9	浙江红狮水泥	3311
10	河南天瑞水泥	3209

（二）水泥市场发展前景。从国际市场需求看，非洲、印度等新兴经济体经济发展和基础建设步伐加快，带动全球水泥消费量大幅提升。但水泥运输半径受限较大，目前我国水泥出口规模为1660万吨，仅占全国总产量的0.7%。今后水泥仍以内需为主，出口量难以大幅提升。

从国内水泥市场看，基础设施建设和房地产占据水泥消费主导地位。随着新型城镇化建设的加快推进，今后一个时期基础设施建设、房地产仍是拉动水泥需求增长的主要领域，水泥需求仍将保持基本稳定。

从我省市场看，“两区一圈一带”发展战略带动不断增强，社会固定资产投资仍将保持适度平稳增长态势，一批农林水利、城建环保、能源、港口、铁路、机场等项目相继开工建设，这些都为全省水泥行业发展带来利好，有利于保持我省水泥市场稳定发展。

（三）行业发展的重点方向。

1、绿色发展。水泥企业正在通过发展循环经济、资源综合利用以及采取脱硫脱硝等措施，逐步改变行业“两高一资”的传统认识。尤其是水泥窑协同处置城市生活垃圾和危险废弃物技术的日渐成熟，不仅能彻底根除城市垃圾处理顽症，又可以减少煤炭等燃料消耗。与垃圾焚烧发电厂相比，采用水泥窑协同处置废弃物可以充分利用现有的生产线和部分辅助设施，节约建设投资；燃烧废渣又是水泥生产的原料，窑炉余热用来发电，降低了运营成本。目前，发达国家和国内部分水泥企业在水泥窑协同处置城市污泥、有毒有害废弃物、工业固体废弃物和生活垃圾等方面的技术基本成熟，已经可以推广应用。

2、规模发展。加大兼并重组力度，通过市场化手段提高产业集中度。随着改革的深入进行，市场的决定性作用得到发挥，以企业为主体的兼并重组，将推动资产结构的进一步优化。大企业集团在培育新的经济增长点等方面，将成为水泥产业转型升级的主体力量。尤其是2013年国家41号文件出台，新建水泥（熟料）项目审批已经基本暂停，而且提高了准入的门槛，促使水泥企业要扩大产能必须从新建生产线向兼并重组和并购生产线的方向发展。

3、延伸发展。水泥产业不能单纯依靠扩增产量发展，必须通过合理延伸产业链、增加附加值等手段，提高经济总量和效益。水泥企业要进入上下游产业，通过发展水泥制品来支持水泥产业的可持续发展，完成由建材供应商向建筑服务商的转变。

四、发展目标

（一）总体目标。控制产能总量，优化产业结构，加大节能减排、综合利用、技术进步和两化融合力度，走安全、环保、节能、高效的可持续发展道路，促进水泥产业向新型绿色产业转变，进一步提升发展质量和效益。

（二）产量目标。2017年，全省熟料产量控制在9000万吨左右；2020年，产量基本保持稳定。

（三）结构目标。2017年，全省42.5级及以上水泥产品消费比例力争实现50%；2020年，42.5级及以上产品消费比例达到65%以上。

（四）资源综合利用目标。2017年，全省水泥窑协同处置废弃物生产线数

量不低于10%；2020年，水泥窑协同处置废弃物生产线数量不低于15%。

（五）节能减排目标。2017年，日产4000吨以上规模的水泥生产线能耗达到国内先进水平；2020年，要达到或接近国际先进水平。2015年7月1日起，全省水泥行业按照GB4915-2013的要求，污染物全面达标排放。

五、重点任务和实施路径

（一）延伸产业链条。引导水泥企业向预拌混凝土、预拌砂浆、水泥混凝土建筑构件和工程预制件、预应力混凝土管等方向延伸，向高端高质高附加值方向发展。重点开发标准化、模数化和通用化的预制混凝土构件生产系统，实现预制构件生产过程的能源节约化、大型混凝土构件的节段化和装饰混凝土构件的高品质化。积极拓展预制混凝土构件新的应用领域，适应建筑产业现代化和新型城镇化建设的需要。

（二）推广使用高性能混凝土和特种水泥。制订政策和标准加快推广高性能混凝土使用，鼓励高标号水泥生产和使用，推动建筑节能，提高建筑物、构筑物使用寿命。发挥省内特种水泥生产企业优势，重点发展核电水泥、高镁低收缩水泥、油井水泥、铝酸盐水泥、硫铝酸盐水泥、低碱水泥、海洋工程用硅酸盐水泥和管桩水泥等特种水泥，满足特殊工程建设的特殊需求。

（三）推进兼并重组。通过发挥市场的决定性作用，推进企业兼并重组。重点支持山水集团、中联水泥等骨干龙头水泥企业，以熟料为核心，以技术、管理、资源、资本、品牌为纽带，通过公开拍卖、股权转让、租赁经营及托管经营等多种方式加快产业链和价值链融合，联合或并购粉磨、预拌混凝土等上下游企业和关联企业，实现产能合理布局。

（四）实现绿色发展。进一步加快发展大宗固体废弃物综合利用生产水泥的新技术、新工艺和新装备，扶持枣庄中联等协同处置废弃物迈出实质进展的企业，支持山水集团尽快进行协同处置项目建设，推广利用水泥窑协同处置有危险废弃物、城市生活垃圾和污泥等各类废弃物的先进技术和装备，建立一批水泥窑协同处置的示范企业，促进我省水泥工业在协同处置方面取得全面进展，实现水泥企业的功能升级。

（五）推动技术创新。强化以企业为主体的技术创新。以山水集团、中联

水泥、沂州水泥等企业集团技术中心为基础，加强与科研院所合作，围绕提高能源利用效率，降低污染物排放，提高资源综合利用水平。鼓励企业对现有回转窑系统、粉磨系统进行节能改造，对生产线的颗粒物排放进行综合治理，通过在线监测技术对窑尾废气实时监控，确保达标排放。

（六）推进工业与信息化融合。运用数字化技术，构建水泥生产执行系统，提高设备自动化水平。运用模型化技术，优化各项工艺参数和管理参数，实现精益生产和管理，提高资源配置效率，提升生产和经营管理效能。运用集成化技术，将企业协同管理系统、生产安全管理系统、能效管理系统、企业风险防范与管控系统等现代信息化管理系统，有机融合到水泥企业生产和经营管理之中，变革水泥企业运行方式，创新企业商业模式，推动水泥行业两化深度融合。

六、保障措施

（一）严禁新增产能。认真落实《山东省人民政府关于贯彻国发〔2013〕41号文件化解过剩产能的实施意见》（鲁政发〔2014〕4号），各级政府及相关部门不得违规核准、备案水泥熟料和粉磨新增产能项目，不得办理土地供应、能评、环评审批、新增授信等手续，对违规项目不予办理生产许可。对确需建设的项目，必须实施等量或减量置换，并按程序报有关投资主管部门核准或备案。

（二）营造公平环境。强化节能、环保、质量、安全、税收等监管执法力度，规范市场经济秩序，促进企业间公平竞争。严格执行强制性能耗限额标准和大气污染排放限值，对能耗达不到行业标准及污染物排放不达标的企业，依法实施惩罚性电价或实施限产、停产等措施。加大产品质量监督检查力度，坚决取缔无产品生产许可证企业。

（三）加强政策协同。省相关部门研究出台水泥窑协同处置废弃物扶持政策，建立配套制度和形成长效机制。根据各地推广进度，选择有代表的地区和企业作为推进水泥窑处置废弃物的示范基地，及时推广成功经验。

（四）加强预拌混凝土管理。省有关部门要做好预拌混凝土和预拌砂浆搅拌站的全省规划布局工作，各地严格按照规划建设生产线，加强企业兼并重

组，提高预拌混凝土、预拌砂浆产业集中度。做好高标号水泥和高性能混凝土推广工作，相关设计及使用单位加快提升高性能混凝土比重，推动水泥产品结构升级。

（五）改善企业融资环境。金融机构避免“一刀切”，将有市场、有潜力的水泥企业列入金融支持范畴。各级各部门要积极协调金融机构，规范银行浮动利率，降低企业融资门槛，真正把中央支持实体经济发展的融资政策落实到位。

（六）发挥行业协会作用。充分发挥行业协会的桥梁和纽带作用，为企业做好服务，为政府当好参谋。有关部门在制定行业规划、政策和法规条例时，要征求行业协会意见和建议，切实可行地推进全省水泥产业转型升级。

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- 山东省人民政府关于蓬莱市“11·19”重大道路交通事故调查报告的批复
- 山东省人民政府办公厅关于印发《山东

EXHIBIT A-13

Opinions of the General Office of the People's Government of Hubei Province on Supporting Sound and Fast Development of the Cement Industry of the Province

E Zheng Ban Fa (2011) No. 32

People's governments of all cities, prefectures, and counties, and all departments of the Provincial Government,

In order to earnestly promote the province's cement industry to change development pattern, accelerate the structure adjustment, optimization, and upgrade, raise industry concentration, support backbone cement enterprises to become bigger and stronger, and promote a sound and fast development of the province's cement industry, following opinions are hereby set forth.

(Portions omitted…)

I. Adequately understand the significance of accelerating cultivating backbone cement enterprises of the province to develop and expand

The cement industry is an important fundamental raw materials industry of the province. (Portions omitted…) In recent years, although backbone cement enterprises of the province have maintained sound development trend, there are still big gaps with large-scale domestic cement groups. To promote the province's cement industry to change development pattern, accelerate structure adjustment, promote industry optimization and upgrade, and have a continuous and healthy development for the province's cement industry, it is very important to accelerate cultivating backbone enterprise of the industry, and exert their leading, model, and driving functions. All localities and all relevant departments should strengthen guidance, actively support, and employ strong measures, to support backbone cement enterprises to become bigger and stronger.

II. Increase policy support to the cement industry

(Portions omitted…)

(VI)) Increase fiscal and taxation support. Fiscal and taxation departments of the provincial government should provide preferential treatment within the scope of state policies, for the transaction taxes and fees involved in the course of joint restructure of advantaged enterprises, and relevant taxes and fees including deed tax, business tax, and land appreciation tax involved in transferring land and property certificates of the acquired or restructured enterprise.

(VII) Increase financing support. People's governments of relevant cities and prefectures and the Provincial State-owned Assets Supervision and Administration Commission should actively assist backbone cement enterprises to open up financing channels, and raise financing capacity. Departments such as the Provincial Development and Reform Commission and Hubei

Securities Regulatory Bureau should provide relevant policy consultation in the course of backbone cement enterprises' acquisition and restructure and refinancing using capital market (*e.g.*, private placement, share allotment, and corporate bond issuance), and actively support backbone cement enterprises to raise the proportion of direct financing, raise development fund, optimize capital structure, and strengthen development ability.

III. Strengthen the organization, coordination, and service for the development of the cement industry

(I) Strengthen the planning and guidance for the cement industry of the province. Strengthen the study on the development strategy of the province's cement industry, scientifically formulate the development plan for the province's cement industry, include the backbone cement enterprises' development plan into the key "12th Five Year" development plans of the building materials industry of the province, guide the province's cement industry to accelerate structure adjustment and change development pattern via plans, and support backbone cement producers to develop and expand.

(Portions omitted…)

April 3, 2011

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发布机构：省政府办公厅
名　　称：湖北省人民政府办公厅关于扶持全省水泥行业又好又快发展的意见
分　　类：节能与资源综合利用；意见
发文日期：2011年04月03日
文　　号：鄂政办发〔2011〕32号
主 题 词：扶持 水泥行业 发展

湖北省人民政府办公厅关于扶持全省水泥行业又好又快发展的意见

各市、州、县人民政府，省政府各部门：

为切实推动全省水泥工业转变发展方式，加快结构调整和优化升级，提高产业集中度，扶持水泥骨干企业做大做强，促进全省水泥行业又好又快发展，现提出如下意见。

一、充分认识加快培育全省水泥行业骨干企业发展壮大的重要意义

水泥工业是全省重要的基础性原材料工业。近年来，全省水泥工业发展速度加快，品种结构优化，经济效益提高，竞争力增强，特别是以华新水泥股份有限公司（以下简称华新公司）、葛洲坝股份有限公司水泥厂（以下简称葛洲坝水泥厂）等为代表的一批骨干企业的崛起，为全省水泥行业加快发展打下了良好基础。当前，全省经济社会正处在跨越式发展的关键时期，工业化、城镇化进程进一步加快，“两圈一带”和“工业兴省”等战略的实施，为全省水泥行业发展提供了难得的机遇。同时水泥行业面临着产能过剩、集约化程度不高、节能减排任务重、国内大型水泥集团竞相快速发展等挑战。近年来，我省水泥骨干企业保持了良好的发展态势，但与国内大型水泥集团相比，仍有较大差距。加快培育行业骨干企业，发挥其领军、示范和带动作用，对推动全省水泥工业转变发展方式，加快结构调整，促进产业优化升级，实现全省水泥工业持续健康发展具有十分重要的意义。各地、各有关部门要加强引导，积极支持，采取得力措施，扶持水泥骨干企业做大做强。

二、加大对水泥行业的政策扶持力度

（一）推动水泥行业兼并重组。坚持以资本为纽带、市场为导向、企业为主体的原则，运用市场机制与政府推动相结合的办法，重点支持华新公司、葛洲坝水泥厂等水泥骨干企业实施跨区域、跨所有制、跨行业的兼并重组，实现资本、资源、市场向优势骨干企业有效集中，提高全省水泥行业的集中度和综合实力。各相关地方政府要高度重视和支持水泥骨干企业开展兼并重组工作，推动水泥骨干企业间强强联合，在同等条件下优先支持我省水泥骨干企业兼并重组本地水泥生产企业。

（二）严格行业准入。认真贯彻执行《国务院批转发展改革委等部门关于抑制部分行业产能过剩和重复建设引导产业健康发展若干意见的通知》（国发〔2009〕38号）精神和国家产业政策，加强行业管理，严格行业准入。省发展改革委、省经信委要按规定严把项目审批关和行业准入关，按规定暂停审批扩大水泥产能建设项目（包括粉磨站）。对违规建设的水泥项目，国土部门不予供应土地，金融部门不予发放贷款，工商部门不予注册登记，质监部门不予发放生产许可证，供电部门不予供电。

（三）加快淘汰水泥落后产能。认真贯彻落实国务院《关于进一步加强淘汰落后产能工作的通知》（国发〔2010〕7号）精神，坚决按照国家和省政府的统一部署，不折不扣地完成落后水泥产能淘汰任务，为水泥骨干企业发展腾出市场空间。

（四）推进水泥生产企业发展节能环保产业。抓紧制订和完善全省水泥行业相应的节能环保技术标准和行业规范，积极推广节能环保应用技术，发展水泥节能环保产业。推广水泥生产线余热发电，推动能源管理中心建设，引导水泥行业走资源节约型、环境友好型发展道路。省发展改革委、环保厅、省住建厅等相关部门要对华新公司等水泥企业利用水泥窑协同处理工业废弃物、市政污泥和生活垃圾等节能环保示范项目的建设予以支持，在各类废弃物无害化处置过程中涉及的税收减免、政府补贴、处置价格等方面给予支持。

（五）提高水泥企业的核心竞争力。支持省内水泥骨干企业建立技术中心、工程中心和重点实验室，加大水泥生产新技术开发和应用力度，推进技术创新。引导水泥企业加快利用新技术、新工艺、新装备进行技术改造，努力提高核心竞争力。

（六）加大财税支持力度。省财政、税务部门对优势企业联合重组过程中涉及的交易税费，以及在办理被并购重组企业的土地、房产权证过户时所涉及的契税、营业税和土地增值税等相关税费，在国家政策范围内给予优惠。

（七）加大融资支持力度。相关市州人民政府、省国资委要积极帮助水泥骨干企业开辟融资渠道，提高融资能力。省发展改革委、湖北证监局等部门要在水泥骨干企业并购重组和利用资本市场再融资（如定向增发、配股、发行公司债）过程中做好相关政策咨询工作，积极支持水泥骨干企业提高直接融资比重，筹措发展资金，优化资本结构，增强发展能力。

三、加强对水泥行业发展的组织协调和服务

（一）加强全省水泥行业规划引导。加强全省水泥行业发展战略研究，科学制定全省水泥行业发展规划，将水泥骨干企业发展规划纳入全省建材工业“十二五”发展重点规划，以规划来引导全省水泥行业加快结构调整和转变发展方式，支持水泥骨干生产企业发展壮大。

（二）完善和规范现代企业制度。省政府有关部门要积极指导和支持水泥骨干企业加强现代企业制度建设，建立健全规范的法人治理结构，转换经营机制，创新管理理念、管理机制和管理手段，加强和改善生产经营管理，提高企业综合实力。

（三）发挥行业协会作用。省建材行业协会要加强调查研究，掌握行业发展动态，充分发挥行业协会的桥梁和纽带作用，强化行业自律，维护行业市场秩序，为全省水泥行业发展创造良好的发展环境。

二〇一一年四月三日

打印本页

EXHIBIT A-14

12/01/2016

Problems for China's strategy in the cement sector

Companies consolidation faces local opposition

(CW GROUP) Disagreements between central and local powers in China have emerged over cement companies consolidation, reports South China Morning Post.

The central Chinese government is currently trying to tackle the problem of fragmentation and over-capacity, but local interests are making the task harder. In Henan, the Tianrui Group (the seventh-largest cement maker in the market) is trying to gain control of China Shanshui Cement Group, but its facing stark opposition from the former bosses, supposedly backed-up by the local government.

During December, denounces were made about groups of thugs entering the local company's headquarters, assaulting employees and destroying materials. Few days later, a subsidiary of the company, Shandong Shanshui, protested against illegal seizing of its factory.

The root of the conflict can be traced back to April, when Tianrui Group suddenly raised its stake in Shanshui to 28.2 per cent and became its largest shareholder by snapping up its shares in the open market. The hostile bid by Tianrui triggered a conflict with Shanshui founder Zhang Caikui. Subsequently, Tianrui called for shareholders meeting where it forced the removal of the entire administration board, including Zhang. Also involved, is the Taiwan-based Asia Cement with a 20.9 percent share, which boycotted the last meeting.

shanshui tianrui china conflict government trying meeting central zhang consolidation largest opposition snapping shareholder bid shares open hostile suddenly factory

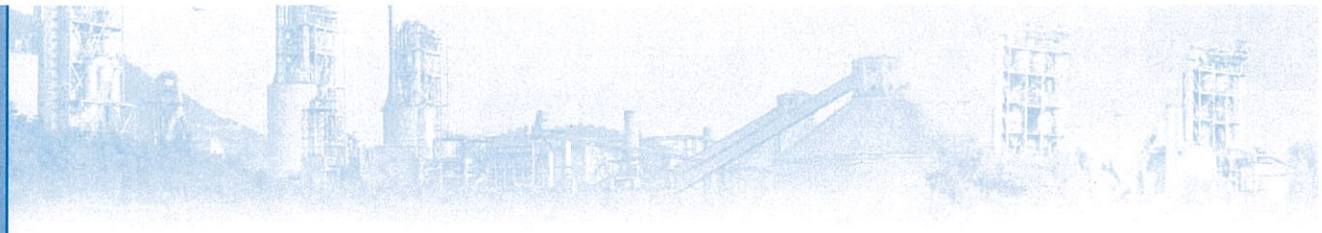
EXHIBIT A-15

CONCH

2014 ANNUAL REPORT

Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)



2. Summary of Accounting Data and Financial Indicators

(1) FINANCIAL SUMMARY PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") FOR THE YEAR ENDED 31 DECEMBER

(Unit: RMB'000)

Items	**2014**	2013	2012	2011	2010
Revenue	**60,758,501**	55,261,677	45,766,203	48,653,809	34,508,282
Net profit attributable to equity shareholders of the Company (Restated)	**10,980,917**	9,389,298	6,331,103	11,586,382	6,159,643
Total assets (Restated)	**102,253,097**	93,094,480	87,523,523	84,003,416	60,407,154
Total liabilities	**33,026,013**	34,692,721	36,720,402	37,554,590	25,157,974

Note: Under the Annual Improvements to IFRSs (2010) promulgated by the International Accounting Standards Board ("IASB"), the Group recognized in the financial report prepared in accordance with IFRSs the land valuation surplus from restructure during listing process since 2011, and restated the comparative figures of the "Net profit attributable to equity shareholders of the Company" and "Total assets" in 2010 prepared in accordance with IFRSs as stated in the above table.

5 turnoVer and SeGment reportinG (continued)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and joint ventures, loans and receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical locations of the assets or the locations of the operations.

	revenue from external customers		**Specified non-current assets**	
	2014	2013	**2014**	2013
	rmB'000	RMB'000	**rmB'000**	RMB'000
The PRC	**59,265,433**	53,810,965	**71,325,209**	64,760,662
Others	**1,493,068**	1,450,712	**1,438,525**	770,927
	60,758,501	55,261,677	**72,763,734**	65,531,589

6 other reVenue and net income

	2014	2013
	rmB'000	RMB'000
other revenue		
Interest income	**419,999**	191,946
Subsidy income	**1,018,565**	882,125
Dividend income from listed securities	**29,492**	22,848
	1,468,056	1,096,919

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 other reVenue and net income (continued)

Subsidy income comprises refunds of value-added tax in connection with sales of certain cement products and government grants received.

	Note	2014 rmB'000	2013 RMB'000
other net income			
Net loss on disposal of fixed assets and lease prepayment		**(4,022)**	(635)
Net realised and unrealised gains on trading securities		**8,083**	5,619
Net realised and unrealised gains on derivative financial instruments		**21,806**	2,556
Net exchange (loss)/gain		**(87,991)**	6,472
Negative goodwill	4	**13,090**	–
Others		**31,697**	7,097
		(17,337)	21,109

8 income tax in the conSolidated income Statement

(a) taxation in the consolidated income statement represents:

	2014 rmB'000	2013 RMB'000
current tax-prc corporate income tax		
Provision for the year	**3,424,448**	2,895,665
(Over)/under-provision in respect of prior years	**(9,567)**	14,527
	3,414,881	2,910,192
deferred tax		
Origination and reversal of temporary differences	**(54,698)**	(60,027)
	3,360,183	2,850,165

No provision for Hong Kong Profits Tax is made for 2013 and 2014 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% (2013: 25%) on taxable income determined according to the relevant income tax rules and regulations of the PRC, except for:

Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司 (Note (i))	15%
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司 (Note (i))	15%
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司 (Note (i))	15%
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司 (Note (i))	15%
Pingliang Conch Cement Co., Ltd. ("Pingliang Conch") 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司 (Note (i))	15%

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 income tax in the conSolidated income Statement (continued)

(a) taxation in the consolidated income statement represents: (continued)

Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司(Note (i))	15%
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司 (Note (i))	15%
Guangxi Sihegongmao Co., Ltd. ("Sihegongmao") 廣西四合工貿有限責任公司 (Note (i))	15%
Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司 (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian") 貴州六礦瑞安水泥有限公司(Note (i))	15%
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司(Note (i))	15%
Qianxinan Resource Development Co., Ltd. ("Qianxinan") 黔西南州發展資源開發有限公司(Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. ("Nanwei Cement") 四川南威水泥有限公司(Note (i))	15%
Shuicheng Conch (Note (i))	15%
Liangping Conch Cement Co., Ltd ("Liangping Conch") 梁平海螺水泥有限責任公司 (Note (i))	15%
Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司 (Note (ii))	12.5%

8 income tax in the conSolidated income Statement (continued)

(a) taxation in the consolidated income statement represents: (continued)

Notes:

(i) Pursuant to Notice No.12 issued by State Administration of Taxation on 6 April 2012 and relevant local tax authorities' notices, these companies were entitled to a 15% preferential income tax rate as qualifying companies located in western areas in the PRC. Qianyang Conch, Fenghuangshan, Jinlinghe, Sihegongmao and Longling Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2012 to 31 December 2020. Liukuangruian and Qianxian Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2013 to 31 December 2020. Qianxinan, Nanwei Cement,Shuicheng Conch and Liangping Conch are entitled to a preferential income tax rate of 15%, effective from 1 January 2014 to 31 December 2020. The remaining companies are entitled to a preferential income tax rate of 15%, effective from 1 January 2011 to 31 December 2020.

(ii) In 2012, Hami Construction was recognised by the local tax authorities as an enterprise located in under-developed regions with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year in which revenue is generated. In accordance with local tax authority's notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

(b) reconciliation between tax expense and accounting profit at applicable tax rate:

	2014 rmB'000	2013 RMB'000
Profit before taxation	**14,927,042**	12,671,169
Notional tax on profit before taxation calculated at 25% (2013: 25%)	**3,731,761**	3,167,792
Tax effect of subsidiaries subject to tax rates other than 25%	**(424,620)**	(318,881)
Tax effect of non-deductible expenses	**21,322**	9,133
Tax effect of non-taxable income	**(26,375)**	(23,034)
Tax effect of unused tax losses not recognised	**1,073**	628
Reversal of tax effect of prior years' unused tax losses recognised	**69,862**	–
(Over)/under-provision in respect of prior years	**(9,567)**	14,527
Others	**(3,273)**	–
Actual tax expense	**3,360,183**	2,850,165

EXHIBIT A-16

2014 Annual Report of Huaxin Cement Co., Ltd.

(Portions omitted…)

P. 4:

Section II Introduction of the Company

(Portions omitted…)

III. Basic Information

Company's registered address	897 Huangshi Road, Huangshi City, Hubei Province
Zip code of the Company's registered address	435002
Company's business address	Building #5, International Enterprise Center, Special #1 Guanggu Road, Hongshan District, Wuhan City, Hubei Province
Zip code of the Company's business address	430073
Company website	www.huaxincem.com
E-mail address	investor@huaxincem.com

(Portions omitted…)

P. 74:

III. Taxes

(Portions omitted…)

1. Preferential tax treatment

Except for following subsidiaries, the applicable enterprise income tax rate for the Group is 25%.

The Group's subsidiaries, Huaxin Cement (Tibet) Co., Ltd. and Tibet Huaxin Building Materials Co., Ltd., are both productive enterprises established in Western Development regions, and belong to the state's encouraged category of enterprises for Western Development. Pursuant to the *Circular of the People's Government of Tibet Autonomous Region on Issues Concerning Enterprise Income Tax Rates of the Region* (Zang Zheng Fa (2011) No. 14), all types of enterprises established in Tibet Autonomous Region (including Tibet enterprises located outside the Region) pay the enterprise income tax at a reduced tax rate of 15%, for 2012 to 2020.

The Group's subsidiaries, Huaxin Cement Chongqing Fuling Co., Ltd., Huaxin Cement (Enshi) Co., Ltd., Huaxin Cement (Qu County) Co., Ltd., and Huaxin Cement (Wanyuan) Co., Ltd., are all productive enterprises established in Western Development regions, and belong to the state's encouraged category of industries for Western Development. Pursuant to the *Circular*

on Taxation Policy Issues Concerning Deep Implementation of the Western Development Strategy (Cai Shui (2011) No. 58), and upon the approval by Chongqing Municipality Fulin District State Taxation Bureau, Enshi Autonomous Prefecture State Taxation Bureau, Qu County State Taxation Bureau, and Wanyuan City State Taxation Bureau respectively, Huaxin Cement Chongqing Fuling Co., Ltd., Huaxin Cement (Enshi) Co., Ltd., Huaxin Cement (Qu County) Co., Ltd., and Huaxin Cement (Wanyuan) Co., Ltd. pay the enterprise income tax at a reduced tax rate of 15% for 2011 to 2020.

The Group's subsidiary, Huaxin Environmental Engineering (Wuxue) Co., Ltd. received an approval from Hubei Province Wuxue City State Taxation Bureau in 2013, permitting the company to enjoy the "Three Free Three Half" preferential enterprise income tax policy from 2012 because it is in compliance with the requirements for environmental protection, energy saving, and water saving projects.

The Group's subsidiaries, Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. and Hunan Huaxin Xianggang Cement Co., Ltd., received the Certificate of High and New Technology Enterprise from Hubei Province Science and Technology Bureau and Hunan Province Science and Technology Bureau, respectively, in 2013. The Certificate's effective term is three years. Pursuant to relevant rules in Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, Huxin Cement (Huangshi) Equipment and Hunan Huaxin Xianggang Cement Co., Ltd. pay the enterprise income tax at a reduced tax rate of 15%.

(Portions omitted…)

IV. Notes to the items of the consolidated financial statements

(Portions omitted…)

P. 103:

34. Deferred income

Unit: Yuan; Curency: RMB

Item	Beginning balance	Increase of this period	Decrease of this period	Ending balance	Cause
Government subsidies	139,855,515	90,933,300	16,242,824	214,545,991	Received government subsidies related to assets
Total	139,855,515	90,933,300	16,242,824	214,545,991	

Items of government subsidies	beginning balance	Increased subsidy amount of this year	Amount included in non-operating income of this year	Other changes of this year	Ending balance	Related to assets/ related to earnings
Cement kiln	63,422,592	59,049,900	10,869,584	-	111,602,908	Related to

infrastructure						assets
Energy saving and environmental protection technology renovation	76,432,923	31,883,400	5,373,240	-	102,943,083	Related to assets
	139,855,515	90,933,300	16,242,824	-	214,545,991	

(Portions omitted…)

P. 106:

(Portions omitted…)

40. Operating income and operating cost

Unit: Yuan; Currency: RMB

Item	Amount occurred in this period		Amount occurred in last period	
	Income	Cost	Income	Cost
Main business	15,945,382,809	11,253,498,077	15,953,873,371	11,506,031,077
Other business	50,766,438	25,003,244	30,481,885	14,408,642
Total	15,996,149,247	11,278,501,321	15,984,355,256	11,520,439,719

(Portions omitted…)

P. 109:

(Portions omitted…)

48. Non-operating income

Unit: Yuan; Currency: RMB

Item	Amount occurred in this period	Amount occurred in last period	Amount included in the non-recurring gains and losses of this period
…	…	…	…
…	…	…	…
Government subsidies (note (a))	317,355,341	198,413,589	146,237,586
…	…	…	…
…	…	…	…

(a) Government subsidies included in the gains and losses of this period

Unit: Yuan; Currency: RMB

Subsidy item	Amount occurred in this period	Amount occurred in last period	Related to assets/ related to earnings
Tax refund for comprehensive utilization of resources	171,117,755	113,564,788	Related to earnings
Subsidy income from local	88,342,323	48,913,856	Related to earnings

government (note (i))			
Amortization of deferred income	16,242,824	12,296,367	Related to assets
Other	41,652,439	23,638,578	Related to earnings
Total	317,355,341	198,413,589	/

(i) Subsidy income from local government mainly refers to the government rewards that the Group received from local government.

(Portions omitted…)

公司代码：600801 900933　　公司简称：华新水泥 华新 B 股

华新水泥股份有限公司
2014 年年度报告

重要提示

一、本公司董事会、监事会及董事、监事、高级管理人员保证年度报告内容的真实、准确、完整，不存在虚假记载、误导性陈述或重大遗漏，并承担个别和连带的法律责任。

二、公司全体董事出席董事会会议。

三、普华永道中天会计师事务所(特殊普通合伙)为本公司出具了标准无保留意见的审计报告。

四、公司董事长徐永模先生、法定代表人总裁李叶青先生、主管会计工作负责人孔玲玲女士 及会计机构负责人吴昕先生声明：保证年度报告中财务报告的真实、准确、完整。

五、经董事会审议的报告期利润分配预案或公积金转增股本预案：

2014 年，母公司实现净利润为 617,861,805 元、合并后归属于母公司股东的净利润为 1,221,558,778 元。根据公司法及会计准则相关规定，提取 10%法定盈余公积金 61,786,181 元。截止 2014 年 12 月 31 日母公司可分配利润为 2,424,844,429 元。

董事会拟定，以 2014 年末总股本 1,496,479,885 股为基数，向全体股东按 0.17 元/股（含税）分配现金红利，合计分配 254,401,581 元，余额全部转入未分配利润。

董事会还拟定，本年度公司不进行资本公积金转增股本。

六、本报告中所涉及的未来计划、发展战略等前瞻性描述不构成公司对投资者的实质承诺，敬请投资者注意投资风险。

七、本公司不存在被控股股东及其关联方非经营性占用资金情况。

八、本公司不存在违反规定决策程序对外提供担保的情况。

目录

第一节　释义及重大风险提示

一、 释义

在本报告书中，除非文义另有所指，下列词语具有如下含义：

常用词语释义		
本公司、公司、华新水泥	指	华新水泥股份有限公司
报告期	指	2014 年度
元、千元、万元、百万元、亿元	指	人民币元、人民币千元、人民币万元、人民币百万元、人民币亿元，中国法定流通货币
CCC 公司	指	CEMENT CHAKREY TING FACTORY CO.,LTD
CRM	指	客户关系信息化管理
CVM	指	客户价值管理
SRM	指	物资采购信息化管理
RDF	指	可替代原燃料
SO_2	指	二氧化硫
NOx	指	氮氧化物
PPI	指	生产价格指数
ERP	指	企业资源计划

二、 重大风险提示

公司已在本报告中详细描述存在的行业风险，敬请查阅第四节董事会报告中关于公司未来发展的讨论与分析中可能面对的风险因素及对策部分的内容。

第二节　公司简介

一、 公司信息

公司的中文名称	华新水泥股份有限公司
公司的中文简称	华新水泥
公司的外文名称	Huaxin Cement Co., Ltd.
公司的外文名称缩写	HUAXINCEM
公司的法定代表人	李叶青先生

二、 联系人和联系方式

	董事会秘书	证券事务代表
姓名	王锡明先生	王璐女士
联系地址	湖北省武汉市洪山区光谷大道特1号国际企业中心5号楼	湖北省武汉市洪山区光谷大道特1号国际企业中心5号楼
电话	02787773896	02787773898
传真	02787773992	02787773992
电子信箱	investor@huaxincem.com	investor@huaxincem.com

三、 基本情况简介

公司注册地址	湖北省黄石市黄石大道897号
公司注册地址的邮政编码	435002
公司办公地址	湖北省武汉市洪山区光谷大道特1号国际企业中心5号楼
公司办公地址的邮政编码	430073
公司网址	www.huaxincem.com
电子信箱	investor@huaxincem.com

四、 信息披露及备置地点

公司选定的信息披露报纸名称	中国证券报、上海证券报
登载年度报告的中国证监会指定网站的网址	www.sse.com.cn
公司年度报告备置地点	公司证券部

五、 公司股票简况

公司股票简况			
股票种类	股票上市交易所	股票简称	股票代码
A股	上海证券交易所	华新水泥	600801
B股	上海证券交易所	华新B股	900933

六、 公司报告期内注册变更情况

（一）基本情况

注册登记日期	1993 年 11 月 30 日
注册登记地点	湖北省黄石市黄石大道 897 号
企业法人营业执照注册号	420000400000283
税务登记号码	420203706806882
组织机构代码	70680688-2

三、 税项

税种	税率	计税依据
企业所得税(附注(1))	15%或 25%	应纳税所得额
增值税	17%或 11%或 6%	应纳税增值额(应纳税额按应纳税销售额乘以适用税率扣除当期允许抵扣的进项税后的余额计算)
营业税	3%或 5%	应纳税营业额

1. 税收优惠

除下述子公司外，本集团适用的企业所得税率为 25%。

本集团的子公司华新水泥(西藏)有限公司、西藏华新建材有限公司均为设立于西部开发地区的生产性企业，属于国家西部大开发鼓励类企业。根据藏政发[2011]14 号《西藏自治区人民政府关于我区企业所得税税率问题的通知》，对设立在西藏自治区的各类企业(含西藏驻区外企业)，在 2012 年至 2020 年期间，减按 15%的税率缴纳企业所得税。

本集团的子公司华新水泥重庆涪陵有限公司、华新水泥(恩施)有限公司、华新水泥(渠县)有限公司、华新水泥(万源)有限公司为设立于西部开发地区的生产性企业，属于国家西部大开发鼓励类产业。根据财税[2011]58 号《关于深入实施西部大开发战略有关税收政策问题的通知》，并分别经重庆市涪陵区国家税务局、恩施自治州国家税务局、渠县国家税务局和万源市国家税务局批准，华新水泥重庆涪陵公司、华新水泥(恩施)有限公司、华新水泥(渠县)有限公司、华新水泥(万源)有限公司在 2011 年至 2020 年期间，减按 15%的税率缴纳企业所得税。

本集团的子公司华新环境工程(武穴)有限公司于 2013 年获湖北省武穴市国税局批文，批准其因符合环境保护、节能节水项目的条件，自 2012 年起享受"三免三减半"企业所得税优惠政策。

本集团的子公司华新水泥(黄石)装备制造有限公司和湖南华新湘钢水泥有限公司于 2013 年分别取得湖北省科学技术厅和湖南省科学技术厅颁发的《高新技术企业证书》，该证书的有效期为 3 年。根据《中华人民共和国企业所得税法》第二十八条的有关规定，华新水泥(黄石)装备制造有限公司和湖南华新湘钢水泥有限公司本年度减按 15%的税率缴纳企业所得税。

本集团的子公司华新亚湾水泥有限公司位于塔吉克斯坦，根据塔吉克斯坦税法规定，对于新成立生产类企业，自创始人以法定资本初次进行国家注册之日起免除其第 2 年至第 5 年的企业所得税，即自 2012 年 9 月起至 2016 年 9 月为华新亚湾水泥有限公司免征企业所得税期限。经过塔吉克斯坦共和国亚湾区税务委员会的认可，华新亚湾水泥有限公司本年度免征企业所得税。因中国与塔吉克斯坦无税收饶让抵免协定，华新亚湾水泥有限公司归属于本集团的利润需要按照中国与塔吉克斯坦之间的实际税率差缴纳所得税。

34. 递延收益

单位：元　币种：人民币

项目	期初余额	本期增加	本期减少	期末余额	形成原因
政府补助	139,855,515	90,933,300	16,242,824	214,545,991	收到与资产相关的政府补助
合计	139,855,515	90,933,300	16,242,824	214,545,991	/

政府补助项目	期初余额	本年新增补助金额	本年计入营业外收入金额	本年其他变动	期末余额	与资产相关/与收益相关
水泥窑线基础建设	63,422,592	59,049,900	10,869,584	-	111,602,908	与资产相关
节能环保技术改造	76,432,923	31,883,400	5,373,240	-	102,943,083	与资产相关
	139,855,515	90,933,300	16,242,824	-	214,545,991	

35. 股本

单位：元　币种：人民币

	期初余额	本次变动增减（+、一）					期末余额
		发行新股	送股	公积金转股	其他	小计	
股份总数	935,299,928	-	-	561,179,957	-	561,179,957	1,496,479,885

2014 年	期初余额	本年增减变动		期末余额
		公积金转股	其他	
有限售条件股份-				
外资法人持有人民币普通股	51,088,036	30,652,822	-81,740,858	-
	51,088,036	30,652,822	-81,740,858	-
无限售条件股份-				
人民币普通股	556,211,892	333,727,135	81,740,858	971,679,885
境外上市的外资股	328,000,000	196,800,000	-	524,800,000
股份总额	935,299,928	561,179,957	-	1,496,479,885

38. 盈余公积

单位：元　币种：人民币

2014年	期初余额	本期增加	本期减少	期末余额
法定盈余公积	361,704,035	61,786,181	-	423,490,216
任意盈余公积	63,580,329	-	-	63,580,329
合计	425,284,364	61,786,181	-	487,070,545

2013年	期初余额	本期增加	本期减少	期末余额
法定盈余公积	283,180,161	78,523,874	-	361,704,035
任意盈余公积	63,580,329	-	-	63,580,329
合计	346,760,490	78,523,874	-	425,284,364

根据《中华人民共和国公司法》及本公司章程，本公司按年度净利润的10%提取法定盈余公积金，当法定盈余公积金累计额达到注册资本的50%以上时，可不再提取。法定盈余公积金经批准后可用于弥补亏损或者增加股本。经董事会决议，本公司2014年按净利润的10%提取法定盈余公积金61,786,181元(2013年：按净利润的10%提取，共78,523,874元)。

本公司任意盈余公积金的提取额由董事会提议，经股东大会批准。任意盈余公积金经批准后可用于弥补以前年度亏损或增加股本。本公司2014年无提取任意盈余公积金(2013年：无)。

39. 未分配利润

单位：元　币种：人民币

项目	本期	上期
调整前上期末未分配利润	4,300,946,038	3,371,858,083
调整期初未分配利润合计数（调增+，调减－）	-	-
调整后期初未分配利润	4,300,946,038	3,371,858,083
加：本期归属于母公司所有者的净利润	1,221,558,778	1,180,601,633
减：提取法定盈余公积	61,786,181	78,523,874
提取任意盈余公积	-	
提取一般风险准备	-	-
应付普通股股利	187,059,986	168,353,987
转作股本的普通股股利	-	-
原制度资本公积转入—转出至资本公积	498,567	637,317
不丧失控制权下处置子公司部分股权损失	-	3,998,500
期末未分配利润	5,273,160,082	4,300,946,038

根据 2014 年 4 月 25 日股东大会决议，股东大会审议通过 2013 年度利润分配及资本公积转增股本方案，本公司向全体股东派发现金股利，每 10 股人民币 2 元。按已发行股份 935,299,928 计算，共计发现金股利 187,059,986 元。

根据 2015 年 3 月 25 日董事会决议，董事会提议本公司向全体股东派发现金股利，每 10 股人民币 1.70 元。按已发行股份 1,496,479,885 计算，拟派发现金股利 254,401,581 元，上述提议尚待股东大会批准。

40. 营业收入和营业成本

单位：元　币种：人民币

项目	本期发生额		上期发生额	
	收入	成本	收入	成本
主营业务	15,945,382,809	11,253,498,077	15,953,873,371	11,506,031,077
其他业务	50,766,438	25,003,244	30,481,885	14,408,642
合计	15,996,149,247	11,278,501,321	15,984,355,256	11,520,439,719

(a) 主营业务收入和主营业务成本

按产品分析如下：

	本期发生额		上期发生额	
	主营业务收入	主营业务成本	主营业务收入	主营业务成本
水泥销售	12,385,083,429	8,399,617,776	12,136,256,064	8,469,868,543
混凝土销售	1,395,056,335	1,097,435,790	1,744,789,284	1,351,093,086
熟料销售	912,142,191	745,279,352	958,280,695	834,324,099
工程建造	577,129,957	546,668,753	395,066,505	356,618,842
其他	675,970,897	464,496,406	719,480,823	494,126,507
	15,945,382,809	11,253,498,077	15,953,873,371	11,506,031,077

(b) 其他业务收入和其他业务成本

	本期发生额		上期发生额	
	其他业务收入	其他业务成本	其他业务收入	其他业务成本
材料销售	14,867,830	9,775,722	10,340,636	6,054,512
其他	35,898,608	15,227,522	20,141,249	8,354,130
	50,766,438	25,003,244	30,481,885	14,408,642

41. 营业税金及附加

单位：元 币种：人民币

项目	本期发生额	上期发生额
营业税	10,957,743	10,556,588
城市维护建设税	45,138,312	48,981,267
教育费附加	29,263,680	30,119,285
资源税	112,061,292	104,114,713
堤防费	8,721,706	8,867,733
其他	28,919,339	17,884,101
合计	235,062,072	220,523,687

42. 销售费用

单位：元 币种：人民币

项目	本期发生额	上期发生额
物料消耗	365,078,323	336,675,588
运输费及搬运劳务费	276,515,011	269,652,793
员工成本	207,588,946	194,509,976
销售经费	93,390,165	100,561,266
折旧及摊销费	71,258,520	66,178,760
电费	60,443,893	64,341,356
其他	43,160,903	74,721,981
合计	1,117,435,761	1,106,641,720

46. 资产减值损失

单位：元　币种：人民币

项目	本期发生额	上期发生额
一、坏账损失	37,173,618	6,072,766
二、存货跌价损失	2,479,974	6,970,237
三、固定资产减值损失	17,852,878	-
合计	57,506,470	13,043,003

47. 投资收益

单位：元　币种：人民币

项目	本期发生额	上期发生额
权益法核算的长期股权投资收益(附注四(9))	4,738,922	3,366,855
可供出售金融资产等取得的投资收益	7,816,015	6,347,543
其他	-2,986,486	-
合计	9,568,451	9,714,398

本集团不存在投资收益汇回的重大限制。

48. 营业外收入

单位：元　币种：人民币

项目	本期发生额	上期发生额	计入当期非经常性损益的金额
非流动资产处置利得合计	2,963,786	3,435,227	2,963,786
其中：固定资产处置利得	2,963,786	3,435,227	2,963,786
政府补助(附注(a))	317,355,341	198,413,589	146,237,586
其他	5,335,340	13,267,560	5,335,340
合计	325,654,467	215,116,376	154,536,712

(a) 计入当期损益的政府补助

单位：元　币种：人民币

补助项目	本期发生金额	上期发生金额	与资产相关/与收益相关
资源综合利用税收返还	171,117,755	113,564,788	与收益相关
地方政府财政补贴收入(附注(i))	88,342,323	48,913,856	与收益相关
递延收益摊销	16,242,824	12,296,367	与资产相关
其他	41,652,439	23,638,578	与收益相关
合计	317,355,341	198,413,589	/

(i) 地方政府财政补贴收入主要为本集团收到的地方政府财政奖励。

49. 营业外支出

单位：元　币种：人民币

项目	本期发生额	上期发生额	计入当期非经常性损益的金额
非流动资产处置损失合计	10,196,169	8,290,966	10,196,169
其中：固定资产处置损失	10,196,169	8,290,966	10,196,169
对外捐赠	2,700,694	3,373,504	2,700,694
其他	8,800,909	15,239,464	8,800,909
合计	21,697,772	26,903,934	21,697,772

EXHIBIT A-17

2014 Annual Report of Henan Tongli Cement Co., Ltd.

March 2015

(Portions omitted…)

P. 6:

Section II Introduction of the Company

I. Company Information

Stock short name	Tongli Cement	Stock code	000885
Stock exchange where the stock is listed	Shenzhen Stock Exchange		
Company's Chinese name	Henan Tongli Cement Co., Ltd.		
Company's Chinese short name	Tongli Cement		
Company's foreign language name (if any)	Henan Tongli Cement Co., Ltd.		
Company's foreign language short name (if any)	Tongli Cement		
Company's legal representative	Haiquan Guo		
Registered address	Floor 9, Touzi Building, 41 Nongye Road, Zhengzhou City		
Zip code of the registered address	450008		
Business address	Floors 8 & 9, Touzi Building #A, 41 Nongye Road, Zhengzhou City		
Zip code of the business address	450008		
Company website	wwww.tlcement.com		
E-mail	tlsn000885@163.com		

(Portions omitted…)

P. 90:

(Portions omitted…)

VI. Taxation

(Portions omitted…)

2. Preferential tax treatment

1. Henan Province Development and Reform Commission's documents, Yu Fa Gai Huan Zi (2010) No. 900, (2011) No. 999, (2012) No. 814, Zong Zheng Shu ZQRD-11 No. 173, and Zong Zheng Shu ZQRD-13 No. 052, announced the Company's subsidiaries, Zhumadian City Yulong Tongli Cement Co., Ltd., Henan Province Tongli Cement Co., Ltd., Luoyang Huanghe Tongli Cement Co., Ltd., Henan Province Yuhe Tongli Cement Co., Ltd., Xinxiang Pingyuan Tongli Cement Co., Ltd., and Sanmenxia Tongyue Tongli Cement Co., Ltd. were the first batch

of comprehensive resources utilization enterprises of the province for 2010, 2011, and 2012, respectively. Pursuant to the Ministry of Finance and the State Administration of Taxation's *Circular on Value-added Tax Policy for Comprehensive Resources Utilization and Other Products* (Cai Shui (2008) No. 156), the value-added tax's policy of refund after collection is employed for cement produced by rotary kiln method and with raw materials having wastes no less than 30% (including cement clinker).

2. Henan Province Development and Reform Commission's documents, Yu Fa Gai Huan Zi (2010) No. 837, (2010) No. 942, (2011) No. 1031, (2011) No. 2255, and ZQRD-10 No. 119, announced the Company's subsidiaries, Henan Province Tongli Cement Co., Ltd., Henan Province Yuhe Tongli Cement Co., Ltd., Xinxiang Pingyuan Tongli Cement Co., Ltd., Zhumadian City Yulong Tongli Cement Co., Ltd., and Sanmenxia Tengyue Tongli Cement Co., Ltd., were the first and second batches of comprehensive resources utilization power generation plants (units) and thermoelectricity cogeneration enterprises (units) for 2010 and 2011, respectively.

(Portions mitted…)

VII. Notes to the items of the consolidated financial statements

(Portions omitted…)

P. 117:

51. Deferred income

Unit: Yuan

Item	Beginning balance	Increase of this period	Decrease of this period	Ending balance	Cause
Government subsidies	32,735,421.42	4,080,000.00	2,442,177.30	34,373,244.12	Received government subsidies
Total	32,735,421.42	4,080,000.00	2,442,177.30	34,373,244.12	--

Items involving government subsidies:

Unit: Yuan

Liability item	Beginning balance	Increased subsidy amount of this period	Amount included in the non-operating income of this period	Other changes	Ending balance	Related to assets/ related to earnings
Cement kiln low-temperature waste heat power generation project	3,085,707.00		385,716.00		2,699,991.00	Related to assets

Cement kiln low-temperature waste heat power generation project	2,771,428.50		342,857.16		2,428,571.34	Related to assets
Mine recovery treatment reward fund		640,000.00			640,000.00	Related to assets
Government grant for waste heat power generation project	2,742,857.29		342,857.14		2,400,000.15	Related to assets
Government grant for 1 million MT cement production line	10,135,428.63		1,266,928.56		8,868,500.07	Related to assets
Government subsidy for 350 MT/day urban residential garbage disposal model line project	14,000,000.00	1,000,000.00			15,000,000.00	Related to assets
Subsidy for bulk cement warehouse		230,000.00	10,952.40		219,047.60	Related to assets
Electrical renovation bag technology renovation fund		800,000.00	53,333.33		746,666.67	Related to assets
Government grant for waste heat power generation project		1,410,000.00	39,532.71		1,370,467.29	Related to assets
P. 118:						
Total	32,735,421.42	4,080,000.00	2,442,177.30		34,373,244.12	--

(Portions omitted…)

P. 120:

61. Operating income and operating cost

Unit: Yuan

Item	Amount occurred in this period			iod
	Income	Cost	Income	Cost
Main business	3,901,639,228.77	3,016,495,500.17	3,962,800,371.59	3,162,723,173.33
Other business	36,229,754.61	30,839,829.27	38,626,534.45	30,875,255.36
Total	3,937,868,983.38	3,047,335,329.44	4,001,426,906.04	3,193,598,428.69

(Portions omitted…)

P. 123:

69. Non-operating income

Unit: Yuan

Item	Amount occurred in this period	Amount occurred in last period	Amount included in the non-recurring gains and losses of this period
…	…	…	…
…	…	…	…
Government subsidies	3,874,993.30	4,305,158.87	3,874,993.30
Government subsidy – VAT refund after collection	202,443,725.75	234,586,292.27	
Local fund for supporting enterprise development	46,278,541.04	14,748,799.38	45,278,541.04
…	…	…	…
…	…	…	…
…	…	…	…
…	…	…	…

Government subsidies included in the gains and losses of this period:

Unit: Yuan

Subsidy item	Amount occurred in this period	Amount occurred in last period	Related to assets/ related to earnings
VAT refund after collection for comprehensive resources utilization project	202,443,725.75	234,586,292.27	Related to earnings
Amortization of waste heat power generation subsidy	1,110,963.01	1,071,430.30	Related to assets
Amortization of grant for the infrastructure construction of the 1 million MT/year cement grinding station industrial circular economy project	1,266,928.56	1,266,928.57	Related to assets
Local fund for supporting enterprise development	46,278,541.04	14,748,799.38	Related to earnings
P. 124			
Others	1,497,101.73	1,966,800.00	Related to earnings
Total	252,597,260.09	253,640,250.52	

Other notes:

Note 1: VAT refund after collection

The Company's subsidiaries, Yulong Tongli, Province Tongli, Huanghe Tongli, Yuhe Tongli, Pingyuan Tongli, and Tengyue Tongli, enjoy the VAT policy of refund after collection, and have received actual tax refund of 234,586,292.27 RMB Yuan in 2013 and 202,443,725.75 RMB Yuan in 2014.

Note 2: Please refer to the deferred income account for assets-related government subsidies.

Note 3: Local fund for supporting enterprise development

Pursuant to the People's Government of Zhumadian City's *Circular on Issues Concerning the Support for the Construction of Baiyun Paper Co., Ltd. and Yulong Cement Co., Ltd. of the City* (Zhu Zheng Wen (2005) No. 211), the Company's subsidiary, Yulong Tongli, recognized an income of 46,278,541.04 RMB Yuan this year from the local fund for supporting enterprise development of Zhumadian City.

(Portions omitted…)

河南同力水泥股份有限公司

2014 年年度报告

2015 年 03 月

第一节 重要提示、目录和释义

本公司董事会、监事会及董事、监事、高级管理人员保证年度报告内容的真实、准确、完整，不存在虚假记载、误导性陈述或重大遗漏，并承担个别和连带的法律责任。

所有董事均已出席了审议本报告的董事会会议。

公司经本次董事会审议通过的利润分配预案为：以 474,799,283 为基数，向全体股东每 10 股派发现金红利 0.40 元（含税），送红股 0 股（含税），不以公积金转增股本。

公司负责人郭海泉、主管会计工作负责人姚文伟及会计机构负责人(会计主管人员)田向东声明：保证年度报告中财务报告的真实、准确、完整。

本年度报告涉及未来计划等前瞻性陈述，不构成公司对投资者的实质承诺，请投资者注意投资风险。

目　　录

释义

释义项	指	释义内容
中国证监会、证监会	指	中国证券监督管理委员会
深交所、交易所	指	深圳证券交易所
登记结算公司	指	中国证券登记结算有限责任公司深圳分公司
河南投资集团或控股股东	指	河南投资集团有限公司
公司、本公司或同力水泥	指	河南同力水泥股份有限公司
豫龙同力	指	驻马店市豫龙同力水泥有限公司
黄河同力	指	洛阳黄河同力水泥有限责任公司
平原同力	指	新乡平原同力水泥有限责任公司
豫鹤同力	指	河南省豫鹤同力水泥有限公司
省同力	指	河南省同力水泥有限公司
腾跃同力	指	三门峡腾跃同力水泥有限公司
中非同力	指	中非同力投资有限公司
豫南水泥	指	河南省豫南水泥有限公司
董事会	指	河南同力水泥股份有限公司董事会
监事会	指	河南同力水泥股份有限公司监事会
股东大会	指	河南同力水泥股份有限公司股东大会

重大风险提示

公司在第四节董事会报告中公司未来发展展望部分描述了公司经营中存在的行业风险，敬请查阅。

第二节 公司简介

一、公司信息

股票简称	同力水泥	股票代码	000885
股票上市证券交易所	深圳证券交易所		
公司的中文名称	河南同力水泥股份有限公司		
公司的中文简称	同力水泥		
公司的外文名称（如有）	Henan Tongli Cement Co., Ltd		
公司的外文名称缩写（如有	Tongli Cement		
公司的法定代表人	郭海泉		
注册地址	郑州市农业路 41 号投资大厦 9 层		
注册地址的邮政编码	450008		
办公地址	郑州市农业路 41 号投资大厦 A 座 8、9 层		
办公地址的邮政编码	450008		
公司网址	www.tlcement.com		
电子信箱	tlsn000885@163.com		

二、联系人和联系方式

	董事会秘书	证券事务代表
姓名	侯绍民	吕晶晶
联系地址	郑州市农业路 41 号投资大厦 A 座 9 层	郑州市农业路 41 号投资大厦 A 座 9 层
电话	0371-69158113	0371-69158315
传真	0371-69158112	0371-69158112
电子信箱	tlsn000885@163.com	tlsn000885@163.com

三、信息披露及备置地点

公司选定的信息披露报纸的名称	《中国证券报》、《证券时报》
登载年度报告的中国证监会指定网站的网址	http：//www.cninfo.com.cn
公司年度报告备置地点	本公司总经理工作部

据准则规定重新厘定了相关会计政策，并采用追溯调整法，对2014年度比较财务报表进行重述。
根据修订后的《企业会计准则第30号——财务报表列报》规定，本公司将其他非流动负债中列报的政府补助，调至递延收益列报，将外币报表折算差额调至其他综合收益列报。上述会计政策变更，影响比较财务报表相关项目如下表：

财务报表项目	2013年12月31日/2013年度		2013年1月1日	
	变更前	变更后	变更前	变更后
递延收益		32,735,421.42		31,073,780.29
其他非流动负债	32,735,421.42		31,073,780.29	
其他综合收益		-3,561.31		
外币报表折算差额	-3,561.31			

（2）重要会计估计变更

□ 适用 √ 不适用

34、其他

六、税项

1、主要税种及税率

税种	计税依据	税率
增值税	应税营业收入	17%
营业税	应税营业收入	5%
城市维护建设税	应纳流转税额	1%、5%、7%
企业所得税	应纳税所得额	25%

存在不同企业所得税税率纳税主体的，披露情况说明

纳税主体名称	所得税税率

2、税收优惠

1、河南省发展和改革委员会文件豫发改环资[2010]900 号、[2011]999 号、[2012]814 号及综证书 ZQRD-11 第 173 号、综证书 ZQRD-13 第 052 号公布公司子公司驻马店市豫龙同力水泥有限公司、河南省同力水泥有限公司、洛阳黄河同力水泥有限责任公司、河南省豫鹤同力水泥有限公司、新乡平原同力水泥有限责任公司、三门峡腾跃同力水泥有限公司为 2010 年全省第一批、2011 年及 2012 年全省第一批资源综合利用企业。根据财政部 国家税务总局《关于资源综合利用及其他产品增值税政策的通知》（财税〔2008〕156 号），采用旋窑法工艺生产并且生产原料中掺兑废渣比例不低于 30%的水泥（包括水泥熟料），实行增值税即征即退的政策。

2、河南省发展和改革委员会文件豫发改环资[2010]837 号、[2010]942 号、[2011]1031 号、[2011]2255 号及 ZQRD-10 第 119 号公布公司子公司河南省同力水泥有限公司、河南省豫鹤同力水泥有限公司、新乡平原同力水泥有限责任公司、驻马店市豫龙同力水泥有限公司、三门峡腾跃同力水泥有限公司分别为 2010 年、2011 年第一批和第二批资源综合利用电厂（机组）和热电联产企业（机组）企业。

50、预计负债

单位： 元

项目	期末余额	期初余额	形成原因
其他	82,950,822.14	65,675,621.14	根据下述文件提取
矿山环境恢复治理费	82,950,822.14	65,675,621.14	
合计	82,950,822.14	65,675,621.14	--

其他说明，包括重要预计负债的相关重要假设、估计说明：

根据河南省财政厅、河南省国土资源厅、河南省环境保护厅《河南省矿山环镜治理恢复保证金管理暂行办法实施细则》，按经批准的矿山地质环境保护与治理恢复方案提出的环境治理和生态恢复所需要的费用等因素确定。

51、递延收益

单位： 元

项目	期初余额	本期增加	本期减少	期末余额	形成原因
政府补助	32,735,421.42	4,080,000.00	2,442,177.30	34,373,244.12	收到政府补贴
合计	32,735,421.42	4,080,000.00	2,442,177.30	34,373,244.12	--

涉及政府补助的项目：

单位： 元

负债项目	期初余额	本期新增补助金额	本期计入营业外收入金额	其他变动	期末余额	与资产相关/与收益相关
水泥窑低温纯余热发电项目	3,085,707.00		385,716.00		2,699,991.00	与资产相关
水泥窑低温纯余热发电项目	2,771,428.50		342,857.16		2,428,571.34	与资产相关
矿山恢复治理奖励资金		640,000.00			640,000.00	与资产相关
余热发电项目政府拨款	2,742,857.29		342,857.14		2,400,000.15	与资产相关
100 万吨水泥生产线政府拨款	10,135,428.63		1,266,928.56		8,868,500.07	与资产相关
处理城市生活垃圾 350 吨/日示范线工程财政补助	14,000,000.00	1,000,000.00			15,000,000.00	与资产相关
散装水泥库补贴		230,000.00	10,952.40		219,047.60	与资产相关
电改袋技术改造资金		800,000.00	53,333.33		746,666.67	与资产相关
余热发电项目政府		1,410,000.00	39,532.71		1,370,467.29	与资产相关

拨款						
合计	32,735,421.42	4,080,000.00	2,442,177.30		34,373,244.12	--

其他说明：

52、其他非流动负债

单位： 元

项目	期末余额	期初余额

其他说明：

53、股本

单位：元

	期初余额	本次变动增减（+、—）					期末余额
		发行新股	送股	公积金转股	其他	小计	
股份总数	426,799,283.00	48,000,000.00				48,000,000.00	474,799,283.00

其他说明：

根据公司 2013 年第二次临时股东大会审议，并经中国证券监督管理委员会（以下简称“中国证监会”）证监许可【2014】484 号《关于核准河南同力水泥股份有限公司非公开发行股票的批复》核准,公司向中国联合水泥集团有限公司发行股份 48,000,000.00 股。公司于 2014 年 6 月 20 日在中国证券登记结算有限责任公司深圳分公司完成增发股份登记，登记数量为 48,000,000 股，增发后公司股份数量为 474,799,283 股。2014 年 7 月 11 日公司在河南省工商行政管理局办理注册资本变更登记，注册资本由 42,679.9283 万元变更为 47,479.9283 万元。

54、其他权益工具

（1）期末发行在外的优先股、永续债等其他金融工具基本情况

（2）期末发行在外的优先股、永续债等金融工具变动情况表

单位： 元

发行在外的金融工具	期初		本期增加		本期减少		期末	
	数量	账面价值	数量	账面价值	数量	账面价值	数量	账面价值

其他权益工具本期增减变动情况、变动原因说明，以及相关会计处理的依据：

其他说明：

55、资本公积

单位： 元

项目	期初余额	本期增加	本期减少	期末余额
资本溢价（股本溢价）	888,153,964.78	243,822,000.00		1,131,975,964.78

60、未分配利润

单位： 元

项目	本期	上期
调整前上期末未分配利润	256,213,787.51	205,920,213.10
调整后期初未分配利润	256,213,787.51	205,920,213.10
加：本期归属于母公司所有者的净利润	168,248,987.15	66,376,879.56
减：提取法定盈余公积	15,972,435.53	16,083,305.15
应付普通股股利	8,535,985.64	
期末未分配利润	399,954,353.49	256,213,787.51

调整期初未分配利润明细：

1)、由于《企业会计准则》及其相关新规定进行追溯调整，影响期初未分配利润 0.00 元。

2)、由于会计政策变更，影响期初未分配利润 0.00 元。

3)、由于重大会计差错更正，影响期初未分配利润 0.00 元。

4)、由于同一控制导致的合并范围变更，影响期初未分配利润 0.00 元。

5)、其他调整合计影响期初未分配利润 0.00 元。

61、营业收入和营业成本

单位： 元

项目	本期发生额		上期发生额	
	收入	成本	收入	成本
主营业务	3,901,639,228.77	3,016,495,500.17	3,962,800,371.59	3,162,723,173.33
其他业务	36,229,754.61	30,839,829.27	38,626,534.45	30,875,255.36
合计	3,937,868,983.38	3,047,335,329.44	4,001,426,906.04	3,193,598,428.69

62、营业税金及附加

单位： 元

项目	本期发生额	上期发生额
营业税	3,254,114.03	3,522,605.71
城市维护建设税	12,476,010.67	13,478,320.19
教育费附加	11,563,570.97	12,609,698.17
资源税	29,094,254.69	25,964,198.75
合计	56,387,950.36	55,574,822.82

其他说明：

67、公允价值变动收益

单位： 元

产生公允价值变动收益的来源	本期发生额	上期发生额

其他说明：

68、投资收益

单位： 元

项目	本期发生额	上期发生额
可供出售金融资产在持有期间的投资收益	1,377,449.93	
合计	1,377,449.93	

其他说明：

69、营业外收入

单位： 元

项目	本期发生额	上期发生额	计入当期非经常性损益的金额
非流动资产处置利得合计	403,094.67	191,577.87	403,094.67
其中：固定资产处置利得	403,094.67	191,577.87	403,094.67
政府补助	3,874,993.30	4,305,158.87	3,874,993.30
政府补贴-增值税即征即退	202,443,725.75	234,586,292.27	
地方扶持企业发展资金	46,278,541.04	14,748,799.38	46,278,541.04
罚款收入	1,282,163.67	1,361,053.31	1,282,163.67
赔偿款	863,407.55		863,407.55
其他	2,459,391.89	1,151,685.91	2,459,391.89
合计	257,605,317.87	256,344,567.61	55,161,592.12

计入当期损益的政府补助：

单位： 元

补助项目	本期发生金额	上期发生金额	与资产相关/与收益相关
资源综合利用项目增值税即征即退	202,443,725.75	234,586,292.27	与收益相关
余热发电补贴摊销	1,110,963.01	1,071,430.30	与资产相关
年产 100 万吨水泥粉磨站工业循环经济项目基础设施建设拨款摊销	1,266,928.56	1,266,928.57	与资产相关
地方扶持企业发展资金	46,278,541.04	14,748,799.38	与收益相关

其他	1,497,101.73	1,966,800.00	与收益相关
合计	252,597,260.09	253,640,250.52	--

其他说明：

注1：增值税即征即退

公司子公司豫龙同力、省同力、黄河同力、豫鹤同力、平原同力、腾跃同力享受增值税即征即退的政策，2013年度实际收到税收返还234,586,292.27元，2014年度实际收到税收返还202,443,725.75元。

注2：与资产相关的政府补助，参见递延收益科目。

注3：地方扶持企业发展资金

根据驻马店市人民政府《关于支持市白云纸业有限公司和豫龙水泥有限公司建设有关问题的通知》（驻政文〔2005〕211号），公司子公司豫龙同力本年确认驻马店市地方扶持企业发展资金收入46,278,541.04元。

70、营业外支出

单位： 元

项目	本期发生额	上期发生额	计入当期非经常性损益的金额
非流动资产处置损失合计	3,660.84	196,132.72	196,132.72
其中：固定资产处置损失	3,660.84	181,007.82	181,007.82
无形资产处置损失		15,124.90	15,124.90
罚款与滞纳金	251,773.92	125,538.75	125,538.75
其他	1,837,123.42	2,945,181.92	2,945,181.92
合计	2,092,558.18	3,266,853.39	3,266,853.39

其他说明：

71、所得税费用

（1）所得税费用表

单位： 元

项目	本期发生额	上期发生额
当期所得税费用	96,268,763.84	104,623,473.53
递延所得税费用	-3,568,403.21	283,136.89
合计	92,700,360.63	104,906,610.42

（2）会计利润与所得税费用调整过程

单位： 元

项目	本期发生额
利润总额	336,310,973.42

EXHIBIT A-18

2014 Annual Report of Fujian Cement Inc.

(Portions omitted…)

P. 5:

Section II Introduction of the Company

(Portions omitted…)

III. Basic Information

Company's registered address	Fuzhou Jianfu Building, Hongyang New Town, 118 Yangqiao Road, Fuzhou City, Fujian Province
Zip code of the Company's registered address	350001
Company's business address	Fuzhou Jianfu Building, Hongyang New Town, 118 Yangqiao Road, Fuzhou City, Fujian Province
Zip code of the Company's business address	350001
Company website	http://www.fjcement.com
E-mail address	cement@pub5.fz.fj.cn

(Portions omitted…)

VII. Notes to the items of the consolidated financial statements

(Portions omitted…)

P. 91:

(Portions omitted…)

28. Deferred income tax asset/ deferred income tax liability

(1) Deferred income tax asset that has not been amortized

Unit: Yuan; Currency: RMB

Item	Ending balance		Beginning balance	
	Temporary difference deductible	Deferred income tax asset	Temporary difference deductible	Deferred income tax asset
…	…	…	…	…
…	…	…	…	…
…	…	…	…	…
…	…	…	…	…
…	…	…	…	…
Deferred income (government subsidy income)	28,029,892.46	7,007,473.13	27,291,236.00	6,822,809.01
…	…	…	…	…
…	…	…	…	…

(Portions omitted…)

P. 99:

49. Deferred income

Unit: Yuan; Currency: RMB

Item	Beginning balance	Increase of this period	Decrease of this period	Ending balance	Cause
Government subsidies	27,291,236.00	3,070,000.00	2,331,343.54	28,029,892.46	
Total	27,291,236.00	3,070,000.00	2,331,343.54	28,029,892.46	/

Items involving government subsidies:

Unit: Yuan; Currency: RMB

Liability item	Beginning balance	Increased subsidy amount of this period	Amount included in the non-operating income of this period	Other changes	Ending balance	Related to assets/ related to earnings
Grant for waste heat power generation project	3,283,333.35		328,333.33		2,955,000.02	Related to assets
Bulk cement special grant	6,005,000.00	1,300,000.00	958,000.00		6,347,000.00	Related to assets
Subsidy for desulfurized gypsum technology renovation	787,500.00		150,000.00		637,500.00	Related to assets
Energy saving project		1,000,000.00	100,000.00		900,000.00	Related to assets
Ansha new dry method cement production equipment subsidy	3,446,666.78		354,999.96		3,091,666.82	
Ansha land fee refund	9,362,769.20		356,676.92		9,006,092.28	Related to assets
Yong'an City industrial technology renovation fund subsidy	916,666.67		83,333.33		833,333.34	Related to assets
110 KV total reduction	2,000,000.00				2,000,000.00	Related to assets

subsidy						
ERP Internet project	1,000,000.00				1,000,000.00	Related to assets
Jianfu plant dynamite warehouse relocation subsidy	489,300.00	770,000.00			1,259,300.00	Related to assets
Total	27,291,236.00	3,070,000.00	2,331,343.54		28,029,892.46	/

(Portions omitted…)

P. 102:

59. Operating income and operating cost

Unit: Yuan; Currency: RMB

Item	Amount occurred in this period		Amount occurred in last period	
	Income	Cost	Income	Cost
Main business	2,053,391,706.98	1,715,963,779.93	1,809,666,237.03	1,593,685,001.77
Other business	8,444,448.12	3,888,538.23	9,912,247.17	6,383,086.00
Total	2,061,836,155.10	1,719,852,318.16	1,819,578,484.20	1,600,068,087.77

(Portions omitted…)

P. 104:

67. Non-operating income

Unit: Yuan; Currency: RMB

Item	Amount occurred in this period	Amount occurred in last period	Amount included in non-recurring gains and losses of this period
…	…	…	…
…	…	…	…
…	…	…	…
Government subsidies	24,391,359.49	29,035,433.18	24,391,359.49
…	…	…	…
…	…	…	…
…	…	…	…

Government subsidies include in the gains and losses of this period

Unit: Yuan; Currency: RMB

Subsidy item	Amount occurred in this period	Amount occurred in last period	Related to assets/ related to earnings
P. 105:			
Subsidy for bulk cement equipment	958,000.00	815,000.00	Related to assets
Waste heat power	328,333.33	328,333.33	Related to assets

generation			
Technology renovation of replacing natural gypsum by desulfurized gypsum	150,000.00	150,000.00	Related to assets
Energy saving project	100,000.00		Related to assets
Subsidy for electricity consumption	5,850,455.00	5,102,206.00	Related to earnings
Government subsidy for eliminating backward capacity		150,000.00	Related to earnings
Real property tax and land tax reward after collection	4,514,279.18	14,418,716.14	Related to earnings
Reward for big taxpayer	50,000.00	90,000.00	Related to earnings
Subsidy for working capital loan		120,000.00	Related to earnings
Ansha land fee refund	356,676.92	297,230.80	Related to assets
Ansha new dry method cement production equipment subsidy	354,999.96	354,999.96	Related to assets
Yong'an City industrial technology renovation fund subsidy	83,333.33	83,333.33	Related to assets
Reward from the People's Government of Xindian Town	20,000.00		Related to earnings
Reward for tax contribution of key tax source enterprise	10,000.00		Related to earnings
Reward fund of Fu'an Municipal Finance Bureau for enterprise transformation and upgrade technology renovation	1,305,882.00		Related to earnings
Other resources exploration power information fund	419,734.00		Related to earnings
Subsidy of Environmental Protection Bureau for online monitoring	15,000.00		Related to earnings
Total	24,391,359.49	29,035,433.18	/

(Portions omitted…)

公司代码：600802　　公司简称：福建水泥

福建水泥股份有限公司
2014 年年度报告

重要提示

一、本公司董事会、监事会及董事、监事、高级管理人员保证年度报告内容的真实、准确、完整，不存在虚假记载、误导性陈述或重大遗漏，并承担个别和连带的法律责任。

二、未出席董事情况

未出席董事职务	未出席董事姓名	未出席董事的原因说明	被委托人姓名
董事	肖家祥	因公出差	姜丰顺
董事	邱建勇	因公请假	王振涛
独立董事	刘宝生	健康原因	郑新芝
独立董事	胡继荣	因公请假	郑新芝

三、福建华兴会计师事务所（特殊普通合伙）为本公司出具了标准无保留意见的审计报告。

四、公司负责人姜丰顺、主管会计工作负责人陈雅瑄　　及会计机构负责人（会计主管人员）郑慧星声明：保证年度报告中财务报告的真实、准确、完整。

五、 经董事会审议的报告期利润分配预案或公积金转增股本预案

以公司 2014 年末总股本 381,873,666 股为基数，向全体股东每 10 股分配现金股利 0.39 元（含税），共计分配现金股利 14,893,072.97 元，剩余未分配利润 118,585,245.36 元（合并数 135,342,493.75 元），全部结转下年度分配。

六、 前瞻性陈述的风险声明

本报告涉及未来计划等前瞻性陈述，该陈述不构成公司对投资者的实质承诺，请投资者注意投资风险。

七、是否存在被控股股东及其关联方非经营性占用资金情况

否

八、 是否存在违反规定决策程序对外提供担保的情况？

否

目录

第一节 释义及重大风险提示

一、 释义

在本报告书中，除非文义另有所指，下列词语具有如下含义：

常用词语释义		
本公司/公司/福建水泥	指	福建水泥股份有限公司
建材控股公司	指	福建省建材（控股）有限责任公司
福能集团	指	福建省能源集团有限责任公司
能源财务公司	指	福建省能源集团财务有限公司
华润水泥投资	指	华润水泥投资有限公司
华润水泥	指	华润水泥控股有限公司
南方水泥	指	南方水泥有限公司
建福南方	指	福建省建福南方水泥有限公司
安砂建福	指	福建安砂建福水泥有限公司
永安建福	指	福建永安建福水泥有限公司
金银湖水泥	指	福建省永安金银湖水泥有限公司
海峡水泥	指	福建省海峡水泥股份有限公司
福州炼石	指	福州炼石水泥有限公司
三达水泥	指	福建省三达水泥有限公司
宁德建福	指	福建省宁德建福建材有限公司
莆田建福	指	福建省莆田建福建材有限公司
石狮建福	指	福建省石狮建福建材有限公司
熟料	指	水泥生产过程中的半制成品
报告期	指	2014 年 1 月 1 日至 2014 年 12 月 31 日之期间
上交所	指	上海证券交易所
上市规则	指	上交所股票上市规则
中国证监会	指	中国证券监督管理委员会
华兴所	指	福建华兴会计师事务所（特殊普通合伙）
元	指	人民币元，中国之法定货币单位，若无特别说明，本报告中所有货币均为人民币

二、 重大风险提示

公司有关风险提示，详见第四节 董事会报告 中的“董事会关于公司未来发展的讨论与分析”。

第二节 公司简介

一、 公司信息

公司的中文名称	福建水泥股份有限公司
公司的中文简称	福建水泥
公司的外文名称	FUJIAN CEMENT INC.
公司的外文名称缩写	FJC
公司的法定代表人	姜丰顺

二、 联系人和联系方式

	董事会秘书	证券事务代表
姓名	蔡宣能	林国金
联系地址	福建省福州市杨桥东路118号宏扬新城建福大厦	福建省福州市杨桥东路118号宏扬新城建福大厦
电话	0591-87617751	0591-87617751
传真	0591-88561717	0591-88561717
电子信箱	caixuanneng@sina.com	linzy2010@qq.com

三、 基本情况简介

公司注册地址	福建省福州市杨桥路118号宏扬新城福州建福大厦
公司注册地址的邮政编码	350001
公司办公地址	福建省福州市杨桥路118号宏扬新城福州建福大厦
公司办公地址的邮政编码	350001
公司网址	http://www.fjcement.com
电子信箱	cement@pub5.fz.fj.cn

四、 信息披露及备置地点

公司选定的信息披露报纸名称	《上海证券报》、《中国证券报》、《证券时报》、《证券日报》
登载年度报告的中国证监会指定网站的网址	www.sse.com.cn
公司年度报告备置地点	公司董秘办

五、 公司股票简况

公司股票简况				
股票种类	股票上市交易所	股票简称	股票代码	变更前股票简称
A股	上海证券交易所	福建水泥	600802	

金银湖矿山使用费	3,091,549.01	640,000.00	2,035,390.36		1,696,158.65
安砂曹田矿区建设费用	57,115,736.57	1,421,777.77	2,235,249.95		56,302,264.39
安砂融资费用	761,318.58		761,318.58		0.00
海峡水泥临时办公场所	183,354.05	2,873.28	112,107.24		74,120.09
总部大楼装修费	1,892,627.55		719,544.84		1,173,082.71
安砂职工宿舍装修		3,436,123.77	25,691.51		3,410,432.26
总部网络服务费		9,811.32	1,362.58		8,448.74
顺昌炼石采矿权费用	22,696,706.74		1,249,359.96		21,447,346.78
合计	99,243,188.32	5,510,586.14	7,994,362.26		96,759,412.20

28、 递延所得税资产/ 递延所得税负债

(1). 未经抵销的递延所得税资产

单位：元 币种：人民币

项目	期末余额		期初余额	
	可抵扣暂时性差异	递延所得税资产	可抵扣暂时性差异	递延所得税资产
坏帐准备	9,667,370.09	2,416,842.53	3,290,299.87	822,574.98
存货跌价准备	4,649,402.22	1,162,350.56	2,451,703.89	612,925.97
固定资产减值准备	8,789,025.59	2,197,256.40	11,137,855.49	2,784,463.87
工程物资减值准备	1,532,588.35	383,147.09	1,532,588.35	383,147.09
内退人员费用	17,691,892.16	4,422,973.03	22,537,784.76	5,634,446.19
递延收益（政府补助收入）	28,029,892.46	7,007,473.13	27,291,236.00	6,822,809.01
内部交易未实现利润	625,726.64	156,431.66	1,147,457.69	286,864.42
合计	70,985,897.51	17,746,474.40	69,388,926.05	17,347,231.53

(2). 未经抵销的递延所得税负债

项目	期末余额		额	
	应纳税暂时性差异	递延所得税负债	应纳税暂时性差异	递延所得税负债
非同一控制企业合并资产评估增值	47,144,236.94	11,786,059.24	47,932,772.42	
可供出售金融资产公允价值变动	745,571,548.70	186,392,887.18	406,523,733.55	101,630,933.39
合计	792,715,785.64	198,178,946.42	454,456,505.97	113,614,126.50

(3). 以抵销后净额列示的递延所得税资产或负债：

单位：元 币种：人民币

项目	递延所得税资产和负债期末互抵金额	抵销后递延所得税资产或负债期末余额	递延所得税资产和负债期初互抵金额	抵销后递延所得税资产或负债期初余额
递延所得税资产				

47、长期应付职工薪酬

49、递延收益

单位：元　币种人民币

项目	期初余额	本期增加	本期减少	期末余额	形成原因
政府补助	27,291,236.00	3,070,000.00	2,331,343.54	28,029,892.46	
合计	27,291,236.00	3,070,000.00	2,331,343.54	28,029,892.46	/

涉及政府补助的项目：

单位：元　币种：人民币

负债项目	期初余额	本期新增补助金额	本期计入营业外收入金额	其他变动	期末余额	与资产相关/与收益相关
余热发电项目拨款	3,283,333.35		328,333.33		2,955,000.02	与资产相关
散装水泥专项拨款	6,005,000.00	1,300,000.00	958,000.00		6,347,000.00	与资产相关
脱硫石膏技术改造补助	787,500.00		150,000.00		637,500.00	与资产相关
节能项目		1,000,000.00	100,000.00		900,000.00	与资产相关
安砂新型干法水泥生产设备补助	3,446,666.78		354,999.96		3,091,666.82	与资产相关
安砂土地返还款	9,362,769.20		356,676.92		9,006,092.28	与资产相关
永安市工业技改资金补贴	916,666.67		83,333.33		833,333.34	与资产相关
110KV 总降补贴	2,000,000.00				2,000,000.00	与资产相关
ERP 网络项目	1,000,000.00				1,000,000.00	与资产相关
建福厂炸药库拆迁补贴	489,300.00	770,000.00			1,259,300.00	与资产相关
合计	27,291,236.00	3,070,000.00	2,331,343.54		28,029,892.46	/

51、股本

单位：元　币种：人民币

	期初余额	本次变动增减（+、一）					期末余额
		发行新股	送股	公积金转股	其他	小计	
股份总数	381,873,666.00						381,873,666.00
其中：已上市流通股	381,873,666.00						381,873,666.00

59、营业收入和营业成本

单位：元　币种：人民币

项目	本期发生额		额	
	收入	成本	收入	成本
主营业务	2,053,391,706.98	1,715,963,779.93	1,809,666,237.03	1,593,685,001.77
其他业务	8,444,448.12	3,888,538.23	9,912,247.17	6,383,086.00
合计	2,061,836,155.10	1,719,852,318.16	1,819,578,484.20	1,600,068,087.77

主营业务（分产品）

产品名称	本期发生额		额	
	主营业务收入	主营业务成本	主营业务收入	主营业务成本
水泥	1,990,701,757.01	1,657,611,250.16	1,744,198,080.23	1,524,862,739.20
熟料	59,652,651.58	56,297,480.89	63,744,859.13	60,535,890.58
其他	3,037,298.39	2,055,048.88	1,723,297.67	8,286,371.99
合计	2,053,391,706.98	1,715,963,779.93	1,809,666,237.03	1,593,685,001.77

60、营业税金及附加

单位：元　币种：人民币

项目	本期发生额	上期发生额
营业税	3,684,959.76	1,144,586.90
城市维护建设税	5,029,977.08	4,579,051.65
教育费附加	4,730,622.66	4,288,819.05
其他	198,648.00	0
合计	13,644,207.50	10,012,457.60

注：本期营业税金及附加较上年同期数增长 36.27%，主要系本年度收取子公司利息缴纳的营业税及附加较上期增加所致。

61、销售费用

单位：元　币种：人民币

项目	本期发生额	上期发生额
职工薪酬	10,211,227.83	7,484,692.81
折旧	1,227,174.54	950,474.69
水电费	369,264.52	413,489.66
运费	14,219,150.93	12,679,268.71
代理费	4,362,879.62	5,546,655.44
专用线费用	3,609,919.87	2,590,185.26
自备车	11,181,205.31	7,695,546.52
散装基金	2,151,813.47	1,968,842.91
其他	11,551,007.11	12,019,100.91

建省莆田建福建材有限公司、福建省石狮建福建材有限公司因在建工程项目取消，计提减值准备所致。

66、投资收益

单位：元　币种：人民币

项目	本期发生额	上期发生额
权益法核算的长期股权投资收益		
处置长期股权投资产生的投资收益	4,141,427.53	21,842.25
以公允价值计量且其变动计入当期损益的金融资产在持有期间的投资收益		
处置以公允价值计量且其变动计入当期损益的金融资产取得的投资收益		
持有至到期投资在持有期间的投资收益		
可供出售金融资产等取得的投资收益	23,424,240.00	24,072,360.00
处置可供出售金融资产取得的投资收益	48,857,282.52	87,816,897.57
丧失控制权后，剩余股权按公允价值重新计量产生的利得		
合计	76,422,950.05	111,911,099.82

其他说明：

注1：投资收益汇回不存在重大限制。　　注2：投资收益本期数较上年同期数下降31.71%，主要原因是：本期出售可供出售金额资产（兴业证券股票）获得收益较上年度减少所致。

67、营业外收入

单位：元　币种：人民币

项目	本期发生额	上期发生额	计入当期非经常性损益的金额
非流动资产处置利得合计	3,307,955.48	1,144,223.53	3,307,955.48
其中：固定资产处置利得	3,307,955.48	1,144,223.53	3,307,955.48
无形资产处置利得			
政府补助	24,391,359.49	29,035,433.18	24391359.49
罚款收入	2,900.00	171900.00	2,900.00
其他	1918780.46	5,719,092.21	1,918,780.46
合计	29,620,995.43	36,070,648.92	29,620,995.43

计入当期损益的政府补助

单位：元　币种：人民币

补助项目	本期发生金额	上期发生金额	与资产相关/与收益相关

散装水泥设备补助	958,000.00	815,000.00	与资产相关
余热发电	328,333.33	328,333.33	与资产相关
脱硫石膏替代天然石膏技术改造	150,000.00	150,000.00	与资产相关
节能项目	100,000.00		与资产相关
用电补贴	5,850,455.00	5,102,206.00	与收益相关
淘汰落后产能财政补贴		150,000.00	与收益相关
资源综合利用增值税退税	9,874,665.77	7,125,613.62	与收益相关
房产税、土地税即征即奖	4,514,279.18	14,418,716.14	与收益相关
纳税大户奖励	50,000.00	90,000.00	与收益相关
流动贷款补贴费		120,000.00	与收益相关
安砂土地款返还款	356,676.92	297,230.80	与资产相关
安砂新型干法水泥生产设备补助	354,999.96	354,999.96	与资产相关
永安市工业技改资金补贴	83,333.33	83,333.33	与资产相关
新店镇人民政府奖励经费	20,000.00		与收益相关
重点税源企业纳税贡献奖励金	10,000.00		与收益相关
福安市财政局企业转型升级技术改造奖励资金	1,305,882.00		与收益相关
其他资源勘探电力信息经费	419,734.00		与收益相关
环保局在线监控补助款	15,000.00		与收益相关
合计	24,391,359.49	29,035,433.18	/

68、营业外支出

单位：元　币种：人民币

项目	本期发生额	上期发生额	计入当期非经常性损益的金额
非流动资产处置损失合计	195,958.13	3,829,530.96	195,958.13
其中：固定资产处置损失	195,958.13	3,829,530.96	195,958.13
无形资产处置损失			
债务重组损失			
捐赠赞助	370,000.00	149,681.20	370,000.00
滞纳金、赔罚款	3,335,077.69	258,843.87	3,335,077.69
其他	452,716.72	347,343.12	452,716.72
合计	4,353,752.54	4,585,399.15	4,353,752.54

69、所得税费用

(1) 所得税费用表

单位：元　币种：人民币

项目	本期发生额	上期发生额
按税法及相关规定计算当期所得税费用	23,295,397.05	8,474,648.48
递延所得税调整	-596,376.74	1,303,119.76
合计	22,699,020.31	9,777,768.24

EXHIBIT A-19

聯合水泥控股有限公司
ALLIED CEMENT HOLDINGS LIMITED

(於開曼群島註冊成立之有限公司)
(Incorporated in the Cayman Islands with limited liability)
(股份代號 Stock Code: 1312)

2014
Annual Report
年報

9. 其他收入 / 9. OTHER INCOME

		2014 千港元 HK$'000	2013 千港元 HK$'000
來自銀行之利息收入	Interest income from banks	**657**	2,495
應收貸款利息收入	Interest income from loans receivable	**1,652**	3,532
來自本集團附屬公司之一名非控股股東之利息收入	Interest income from a non-controlling shareholder of the Group's subsidiary	**4,584**	–
政府補助 - 退還增值稅	Government subsidy – value added tax refunded	**18,782**	1,556
政府補助 - 其他	Government subsidy – others	**213**	5,760
雜項收入	Sundry income	**2,849**	1,400
		28,737	14,743

10.融資成本 / 10.FINANCE COSTS

		2014 千港元 HK$'000	2013 千港元 HK$'000
以下為須於五年內悉數償還之借款之利息：	Interests on following borrowings wholly repayable within five years:		
銀行貸款	Bank loans	**7,130**	5,118
其他借款	Other borrowing	**7,664**	–
		14,794	5,118

財務概要
Financial Summary

		截至十二月三十一日止財政年度 Financial year ended 31st December,				
		2010 千港元 HK$'000	2011 千港元 HK$'000	2012 千港元 HK$'000	2013 千港元 HK$'000	**2014 千港元 HK$'000**
業績	**Results**					
收入	Revenue	451,444	725,298	704,698	703,468	**733,125**
除税前溢利	Profit before taxation	515,491	117,810	46,516	62,618	**46,107**
税項	Taxation	(140,976)	(29,321)	(9,384)	(16,396)	**(18,083)**
本年度溢利	Profit for the year	374,515	88,489	37,132	46,222	**28,024**
本年度溢利應佔方：	Profit for the year attributable to:					
本公司股東	Owners of the Company	168,332	76,158	26,834	32,564	**17,280**
非控股權益	Non-controlling interests	206,183	12,331	10,298	13,658	**10,744**
		374,515	88,489	37,132	46,222	**28,024**
		（重列） (Restated)	（重列） (Restated)	（重列） (Restated)	（重列） (Restated)	
每股基本盈利（港仙）	Basic earnings per share (HK cents)	7.92	3.54	0.68	0.82	**0.43**

		於十二月三十一日 At 31st December,				
		2010 千港元 HK$'000	2011 千港元 HK$'000	2012 千港元 HK$'000	2013 千港元 HK$'000	**2014 千港元 HK$'000**
資產及負債	**Assets and liabilities**					
資產總額	Total assets	1,426,535	1,587,749	1,611,846	1,625,996	**2,426,774**
負債總額	Total liabilities	779,684	593,730	450,782	415,688	**713,025**
非控股權益	Non-controlling interests	396,808	423,262	419,431	430,169	**429,058**
本公司股東應佔權益	Equity attributable to owners of the Company	250,043	570,757	741,633	780,139	**1,284,691**

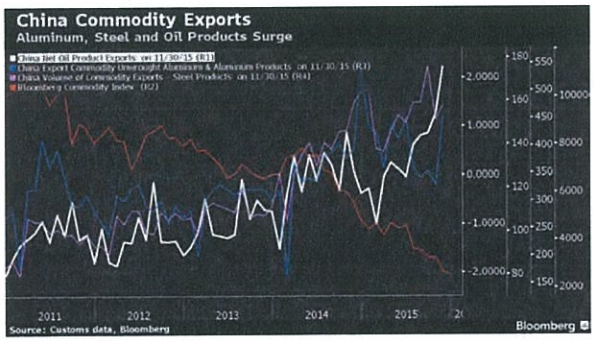
EXHIBIT A-20

- Net oil-product exports surge to record; aluminum, steel rise
- Flood threatens global producers, prompts trade disputes

There's no let-up in the onslaught of commodities from China.

While the country's total exports are slowing in dollar terms, shipments of steel, oil products and aluminum are reaching for new highs, according to trade data from the General Administration of Customs. That's because mills, smelters and refiners are producing more than they need amid slowing domestic demand, and shipping the excess overseas.

The flood is compounding a worldwide surplus of commodities that's driven returns from raw materials to the lowest since 1999, threatening producers from India to Pennsylvania and aggravating trade disputes. While companies such as India's JSW Steel Ltd. decry cheap exports as unfair, China says the overcapacity is a global problem.



"It puts global commodities producers in a bad situation as China struggles with excess supplies of base metals, steel and oil products," Kang Yoo Jin, a commodities analyst at NH Investment & Securities Co., said by phone from Seoul. "The surplus of commodities is becoming a real pain for China and to ease the glut, it's increasing its shipments overseas."

Net fuel exports surged to an all-time high of 2.22 million metric tons in November, 77 percent above the previous month, customs data showed. Aluminum shipments jumped 37 percent to the second-highest level on record while sales of steel products climbed 6.5 percent, taking annual exports above 100 million tons for the first time.

Aluminum prices on the London Metal Exchange have fallen 20 percent this year to $1,477 a ton as of Tuesday.

Chinese oil refiners are tapping export markets to reduce swelling fuel stockpiles, particularly diesel. The nation is also encouraging overseas shipments by allowing independent plants to apply for export quotas to sustain refining operation rates and ease an economic slowdown, according to Yuan Jun, general manager at oil trader China Zhenhua Oil Co.

Economic Slowdown

A slowdown in domestic aluminum demand has coincided with the start-up of millions of tons of new capacity in the world's biggest producer while Chinese steelmakers battling losses have stepped up exports to compensate for shrinking consumption at home as economic growth weakens. The country makes about half the world's steel.

The flood of Chinese supplies is roiling manufacturers around the world and exacerbating trade frictions. The steel market is being overwhelmed with metal from China's government-owned and state-supported producers, a collection of industry associations have said. The nine groups, including Eurofer and the American Iron and Steel Institute, said there is almost 700 million tons of excess capacity around the world, with the Asian nation contributing as much as 425 million tons.

Steel Curbs

Low-cost supply from China in Europe prompted producer ArcelorMittal to reduce its profit forecast and suspend its dividend. India's government has signaled it's planning more curbs on steel imports while regulators in the U.S. are planning to lift levies on shipments from some Chinese companies.

It's not all one-way traffic. Copper imports into the country, the biggest refined metal producer and user, surged to the highest in 22 months in November as traders sought to profit from cheaper prices in London and financing demand rose before the end of the year. China's crude purchases climbed 3.8 percent and the nation bought 8.8 percent more iron ore.

• China • Exports • Oil

EXHIBIT A-21

Published on Department of Commerce (https://www.commerce.gov)

U.S. Fact Sheet: 26th U.S.-China Joint Commission on Commerce and Trade

Nov | 23 | 2015

Trade and Investment U.S.-China Joint Commission on Commerce and Trade (JCCT)

Posted at 2:01 PM

FACT SHEET
Monday, November 23, 2015

Office of Public Affairs

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publicaffairs@doc.gov

U.S. Secretary of Commerce Penny Pritzker and U.S. Trade Representative Michael Froman, together with Chinese Vice Premier Wang Yang, co-chaired the 26th U.S.-China Joint Commission on Commerce and Trade (JCCT) in Guangzhou, China, on November 21-23, 2015. They were joined by U.S. Secretary of Agriculture Tom Vilsack to address agricultural issues. Other U.S. participants included U.S. Ambassador to China Max Baucus, U.S. Trade and Development Agency Director Leocadia Zak, and additional representatives from the U.S. Departments of Agriculture, Commerce, Justice, State and Treasury and the Office of the U.S. Trade Representative. Other Chinese participants included China's Ambassador to the United States Cui Tiankai and representatives from the State Council, the National Development and Reform Commission, the Ministries of Agriculture, Commerce, Energy Protection, Finance, Foreign Affairs, Industry and Information Technology, Justice, Public Security and Science and Technology, the China Civil Aviation Administration, the China Food and Drug Administration, the China Insurance Regulatory Commission, the China Banking Regulatory Commission, the China National Tourism Administration, the General Administration of Customs, the General Administration of Quality Supervision, Inspection and Quarantine, the State Administration for Industry and Commerce, the State Forestry Administration, the National Energy Administration, the Cyberspace Administration of China, the National Copyright Administration, State Intellectual Property Office and the State-owned Assets Supervision and Administration Commission.

The following outcomes were achieved:

AGRICULTURAL BIOTECHNOLOGY

China is the largest export market for U.S. soybeans ($14.7 billion in 2014) and a major export market for U.S. corn and corn products ($1.3 billion in 2014). Agricultural biotechnology is important to U.S. farmers of these products, with acreage for biotechnology varieties of soybeans and corn totaling over 90 percent of all varieties of soybeans and corn in 2014, enabling these farmers to increase yield while reducing their environmental footprint.

China and the United States reaffirm the outcomes reached on agricultural innovation in September 2015 at the state visit of President Xi with President Obama. China and the United States have fully exchanged views about agricultural innovation at the JCCT and the Strategic Agricultural Innovation Dialogue; will jointly promote cooperation on agricultural innovation; and will create a favorable environment for agricultural innovation. Both countries reiterated they would work together to further the approval process based on international standards; and reiterated the importance of adopting a timely, transparent, predictable and science-based approval process.

China and the United States jointly agreed to strengthen policy and information exchange; share the experiences and practices on research and development, supervision and approval; and consider domestic and international stakeholders' comments when modifying and improving regulations.

COMPETITION

In a set of welcome commitments relating to the Anti-monopoly Law (AML), China embraced key principles including the pro-competitive effects of intellectual property licensing and maintaining coherence in AML rules related to intellectual property rights (IPR), independence in decision making and the protection against disclosure of commercial secrets obtained in AML proceedings.

China's anti-monopoly enforcement agencies are to conduct enforcement according to the Anti-monopoly Law and are to be free from intervention by other agencies.

China clarifies that commercial secrets obtained in the process of Anti-monopoly Law enforcement are protected as required under the Anti-monopoly Law and shall not be disclosed to other agencies or third parties, except with a waiver of confidentiality by the submitting party or under circumstances as defined by law.

Taking into account the pro-competitive effects of intellectual property, China attaches great importance to maintaining coherence in the rules related to IPR in the context of the Anti-monopoly Law. China clarifies that any State Council Anti-monopoly Law Commission guidelines will apply to the three anti-monopoly law enforcement agencies.

The Chinese side clarifies that in the process of formulating guidance related to intellectual property rights in the context of anti-monopoly law, it will solicit comments from relevant parties, including the public, in accordance with law and policy.

EXCESS CAPACITY

China's exports of steel and aluminum are large and growing, and are the central cause of a glut of supply on the global market. They also are contributing to rapidly falling global prices and severe trade frictions. The United States welcomes China's willingness to engage in intensified discussions regarding these critical developments.

Steel

The U.S. and Chinese governments and industry representatives agreed to hold discussions in 2016 regarding capacity, production and trade in the steel sector, including updates on progress made with regard to China's July 2014 U.S.-China Strategic and Economic Dialogue (S&ED) commitment to establish mechanisms that strictly prevent the expansion of crude steelmaking capacity and that are designed to achieve major progress in addressing excess production capacity in the steel sector within five years. The two sides will exchange information on steel capacity developments in each economy through the JCCT's U.S.-China Steel Dialogue.

Aluminum

The United States and China agreed to intensify their discussions regarding overcapacity in the aluminum sector in 2016.

FISHERIES, TIMBER AND WILDLIFE

China and the United States are among the largest consumers and traders of wildlife, fish and timber and associated products. The two countries share the objective of combatting wildlife trafficking, illegal, unreported or unregulated (IUU) fishing, and illegal logging and associated trade, recognizing their combined efforts and commitments will have significant benefits for the protection of the environment and its natural resources on a global scale. The United States and China are already taking action domestically and with international trade partners; including recent commitments to enact near-complete bans on the import, export and domestic commercial trade of ivory; and agree enhanced cooperation and information exchange in these areas is crucial to help support legal trade in these products and strengthen our collective ability to address illicit practices.

Information Exchange on Fisheries, Timber and Wildlife

The United States and China agree to build on previous JCCT (2014) and S&ED commitments by enhancing information exchange and cooperation, under existing and appropriate agreements and mechanisms, in the areas of IUU fishing, wildlife trafficking, and illegal logging and associated trade. Recognizing these issues are global in nature, the two countries also agreed to exchange information and cooperate with other trading partners in the region, as appropriate.

Cooperation on Fisheries

The United States and China, through the JCCT, S&ED, bilateral fishing exchanges and related bilateral mechanisms and multilateral fora, will expand dialogue and cooperation in the effort to combat IUU fishing. In order to implement the 25th JCCT outcomes, the two sides will discuss cooperation in fisheries trade statistics and the exchange of relevant information and data. The two

EXHIBIT A-22

Markets | Sun Feb 21, 2016 9:43pm EST

China overcapacity problems worsen over 2008-2015: EU chamber

BELJING | BY DAVID STANWAY

Industrial overcapacity in China has got much worse since 2009, with Beijing struggling to implement reforms and overcome the resistance of growth-obsessed local governments, a European business bbby said on Monday.

China's central government has identified overcapacity and the closure of debt-ridden "zombie• firms as one of its key policy priorities for 2016, and it has already published action plans aimed at shutting 100 million-150 million tonnes of bw-end steel capacity and 500 million tonnes of coal production.

The plans were the latest in a bng line of measures aimed at tackling debilitating capacity gluts in several major industries, but it remains unclear whether Beijing can force failing enterprises out of the market and resolve problems like debt and unemployment, the European Union Chamber of Commerce in China said in a report.

"China is always enticing industries to grow. The system breeds overcapacity," said Joerg Wuttke, president of the chamber.

With regional governments still chasing growth, there are insufficient incentives to close down failing firms, which are also treated leniently by local banks and environmental regulators, the report said.

Local governments have also obstructed mergers and acquisitions amid fears that vital tax revenues will be transferred to other jurisdictions, and China needs to provide more revenue streams for regional authorities, the report added.

Wuttke told reporters that China had let its overcapacity problem get worse since 2008, approving huge new projects and allowing utilization rates in sectors like steel, aluminum and chemicals to plummet further. Of the nine industrial sectors tracked by the chamber, only wind turbine manufacturing saw any improvement in capacity utilization over the period.

"You should actually make your assets sweat and utilize them to 100 percent, but that is not the case here, and the industrial landscape is becoming more and more inefficient,• Wuttke told reporters.

"China released the mother of all credit avalanches, hence the double-digit growth and making decision makers more complacent - they thought they could outgrow the previous overcapacity problem," he said.

With demand slowing and prices collapsing, China's bloated industries are facing mounting debts and heavy losses, and Beijing no longer has the "deep pockets" required to bail out struggling firms with fresh stimulus measures, Wuttke said.

Firms have tried to export their surpluses, leading to plunging global steel prices, the closure of plants in the United Kingdom and a growing number of anti-dumping investigations into Chinese products, he said.

According to the China Iron and Steel Association (CISA), China now has an annual capacity surplus of around 400 million tonnes, with utilization rates falling to 67 percent in 2015. Though production fell for the first time since 1981 last year, capacity will probably increase further in 2016.

(Reporting by David Stanway; Editing by Joseph Radford)

EXHIBIT A-23

POLITICO

POLITICO

Morning Trade

A daily speed read on global trade news

Customs bill watch

By **VICTORIA GUIDA** I 02/10/16 10:00 AM EST I Updated 02/10/16 08:30 AM EST

Withhelp from Doug *Palmer and Ad am Behsudi*

CUSTOMS BILL WATCH, BUT REALLY THIS TIME: Senate Majority Leader Mitch McConnell said Tuesday that he is optimistic the Senate will pass the customs and trade enforcement bill conference report this week, adding that members will "find out on Thursday" ifthere are enough votes to do so. He filed for cloture on the legislation Tuesday night.

The House passed the conference report in December, but it has been stalled in the Senate over a provision that would permanently extend the moratorium on state and local Internet access taxes. Senate Minority Whip Dick Durbin has pushed to remove the ban from customs legislation, saying it should not be considered until Congress votes on a separate bill, known as the Marketplace Fairness Act (S. 698), that would effectively overturn a 1992 Supreme Court ruling that allows sales tax on most online purchases to go uncollected.

McConnell told reporters after the weekly Senate caucus lunches that the Internet access tax moratorium would remain part of the customs bill, but said he'd informed supporters of the Marketplace Fairness Act "that we'll have an opportunity to

consider that sometime this year."

U.S. steel companies are eager to see the bill approved because of provisions requiring U.S. Customs and Border Protection to more aggressively investigate anti-dumping and countervailing duty evasion cases. But the AFL-CIO labor federation issued a letter Tuesday urging lawmakers to oppose the bill on balance because it does not allow the use of countervailing duties against undervalued currencies. The labor group also objects to the Internet tax language and another provision that would hinder White House efforts to address climate change concerns in trade deals.

IT'S WEDNESDAY, FEB. 10! Welcome to Morning Trade, where the presidential race doesn't seem to be any closer to resolution after New Hampshire. You know the drill. Tips, questions, comments? Let me know: vguida@politico.com or @vtg2.

STEEL INDUSTRY WANTS TO SEE CHINA'S PLAN: Meanwhile, the American Iron and Steel Institute is urging the Obama administration to use two upcoming meetings to press China to explain how it will reduce excess steel production capacity that has caused a surge of imports in the United States, the group's president, Thomas Gibson, told reporters.

"We'd seen some media out of China recently asserting ... that they're going to reduce their capacity. We'd like the U.S. government to ask them for plans to back that up," Gibson said during a call. However, China's reported intention to cut 100 million to 150 millions of excess capacity over the next five years is not ambitious enough.

Gibson acknowledged one possible way to address the current "import crisis" would be for the two governments to negotiate a voluntary restraint agreement to limit China's steel exports to the United States. But the steel industry chief declined to say whether the industry supported that option or if it wanted the Obama administration to initiate a "Section 201" investigation, which could lead to an emergency safeguard restriction on imports.

One of the upcoming meetings is a bilateral steel forum under the U.S.-China Joint Commission on Commerce and Trade and the other is the Organization for Economic Cooperation and Development's steel committee meeting on excess capacity, Gibson said.

EXHIBIT A-24

Radio Free Asia

China's Smokestack Industries Seek Support

An analysis by Michael Lelyveld
2015-11-16

A worker walks on steel rods in a steel market in Qingdao, Shandong province, March 17, 2014.
AFP

China is facing a conflict between economic and environmental policies as lower energy prices spur demands for more industrial support.

Regulators have been under pressure to cut power prices this month, giving a boost to struggling

industries like aluminum that are weighed down with overcapacity and weakening demand.

On-grid power tariffs, the prices paid to generators, were expected to drop in some regions by 0.03 yuan (U.S. 0.5 cents) per kilowatt hour, according to Bloomberg News.

The reduction seems small, but it would save aluminum smelters 375 yuan (U.S. $59) per metric ton, since power represents more than 40 percent of their production costs, Shenzhen-based Essence Securities Co. said.

Regulators are likely to have plenty of room to cut power prices, since benchmark coal rates have plunged by double- digits from a year earlier to about 400 yuan (U.S. $63) per ton.

The move could keep some hard-pressed aluminum producers from going out of business.

Local authorities in northwest Gansu province have already lowered power prices for state-owned Chinalco's high-cost Liancheng smelter to keep the plant open, according to a Reuters column, citing consultancy AZ China last month.

The problem is that production overcapacity is so severe that companies will try to survive by passing their savings on to buyers and dragging aluminum prices down further, said analysts at Australia-based Argonaut Securities Asia and Shanghai Cifco Futures Co.

The discounts would shave another U.S. $60 (380 yuan) off slumping international prices for aluminum, driving them down to a six-year low of U.S. $1,400 (8,870 yuan) per ton, Bloomberg said.

Aside from the effects on the glutted metals market, the break for China's aluminum makers would boost electricity use, fueled primarily by high-polluting coal.

"This is a classic example of the tension between economic/industrial policy and energy/environmental policy," said Philip Andrews-Speed, a China energy expert at National University of Singapore.

“On the one hand, it can be argued that lower feedstock prices (notably coal) should result in lower end-use power prices. However, one might have hoped that the government would keep the tariffs for the energy-intensive industries at their earlier levels," Andrews-Speed said in an email message.

Energy-hungry industries

Aluminum is one of the high energy-consuming industries targeted for conservation measures over the past decade.

China's government ordered differentiated power pricing to discourage further expansion in industries including aluminum, steel and cement as far back as 2004.

The controls did little to discourage excessive investment in construction-related industries during China's building boom that lasted until the property market stalled in 2014.

In the aftermath of China's 4-trillion yuan (U.S. $631-billion) stimulus program launched in 2009, the energy-hungry industries have been left with massive overcapacity.

Around 90 percent of China's aluminum smelters are operating at a loss, AZ China said.

Despite slack demand, China's output of aluminum products increased 8.5 percent through October from the year-earlier period, according to the National Bureau of Statistics (NBS).

Crude steel production is down 2.2 percent. Cement production has dropped 4.6 percent, the NBS said.

The Bloomberg report suggests conflict not only between economic and environmental policies but also within economic policy itself, since further price cuts for aluminum may only leave producers with more losses and glut.

The policy strains come as China's government seeks to support sagging economic growth rates while trying to put the best face on its antipollution efforts before an international climate change conference in Paris next month.

An outline of the government's new five-year plan for 2016-2020 promises to wage an "energy revolution," but it offers few specifics.

"Measures will be taken to control carbon emissions in the energy intensive industries of power, steel, chemical and architectural materials," the official Xinhua news agency said, quoting from the document.

In spite of the environmental consequences, the power price breaks are seen as spreading to other threatened heavy industries like steel.

"I would expect the tariff reduction would be applied to all industries," Andrews- Speed said. "This can only result in greater energy use and higher levels of pollution, unless the companies fail to sell their products despite offering lower prices."

Same problem for steelmakers

Despite efforts to shed capacity, China's steelmakers face much the same problem as the smelters.

On Nov. 2, the official English-language China Daily said that five of the country's 11 listed iron and steel companies that had reported third-quarter results recorded combined losses of 5.6 billion yuan (U.S. $881 million). Their year-earlier earnings were 1.4 billion yuan (U.S. $221 million), the paper said.

The overcapacity syndrome is mirrored in the power industry. China has continued to add new power plants at a rapid rate, despite a drop-off in demand.

Electricity use this year has grown only 0.7 percent through October, while capacity utilization at thermal power plants fell to 53.7 percent last year, Reuters said in separate reports.

Even after China completes its transition to a services and consumption-led economy, some generating overcapacity will be inevitable.

Consumers draw less power than industry, but they have greater peak load capacity requirements, the South China Morning Post noted last month.

But the huge capacity surpluses in the entire chain of boom-and-bust industries from coal to power, steel, aluminum and cement are symptoms of declining economic growth.

This month, President Xi Jinping said that annual gross domestic product (GDP) growth of 6.5 percent was the minimum needed for China to reach its goal of doubling 2010 GDP by the end of the decade under the 13th Five-Year Plan.

It is unclear whether the government has adopted the minimum as its target, but the trajectory suggests continuing deceleration from the growth rates of 7.3 percent last year, 7 percent in the first half and 6.9 percent in the third quarter of this year.

On Nov. 4, the State Council, or cabinet, announced new guidelines for restructuring state-owned enterprises (SOEs) with participation of investment firms to manage some of their capital and assets.

"The country will also eliminate outdated and excessive capacity of SOEs and dispose of inefficient assets," Xinhua reported.

"State capital will be removed from SOEs, while others will be restructured or upgraded on the basis of innovation," the guideline said.

The reforms could ease overcapacity pressures in the smokestack industries, but the process may be a long one as the government seeks to avoid mass layoffs and deeper declines in GDP.

In the meantime, pressure for indirect support like power price cuts seems likely to continue.

The breaks also pose a thorny theoretical problem for the government, which recently pledged to reduce price controls as part of its reforms.

In September, the State Council said it had reduced its control over prices from 13 categories to seven, preserving price-setting in public service sectors including electricity, natural gas, water for irrigation and postal services.

Given China's surplus of coal, weakening demand and industrial overcapacity, it may be hard to predict what would happen to power rates if all prices were decontrolled.

But in the absence of a significant carbon tax, prices for coal-fired power could fall, perpetuating the cycle of industrial overcapacity, excess production, pollution and losses.

The problems call for a combination of market, regulatory and environmental policies that has yet to be made clear.

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- Cambodia
- China
- Laos
- Myanmar
- North Korea
- Tibet
- Uyghur
- Vietnam
- In Focus
- E-books
- Multimedia
- Video
- Commentaries

EXHIBIT A-25

Aluminum Climbs as Alcoa Shrinks Capacity on China Export Deluge

Agnieszka De Sousa
AggieDeSousa
November 2, 2015 — 9:12 PM EST Updated on November 3, 2015 — 2:17 PM EST

- Prices fell to six-year low last week on record China exports
- Company plans to reduce smelting capacity by 503,000 tons

Aluminum rose for a third day after Alcoa Inc., the top U.S. producer, announced smelting and refining capacity cuts in the latest response to a global oversupply that's pushed prices to a six-year low.

The metal used to make everything from aircraft to window frames and cans climbed to the highest in a week after the New York-based company said it will reduce smelting capacity by 503,000 metric tons and alumina refining by 1.2 million tons. The measures will be completed by the end of next quarter.

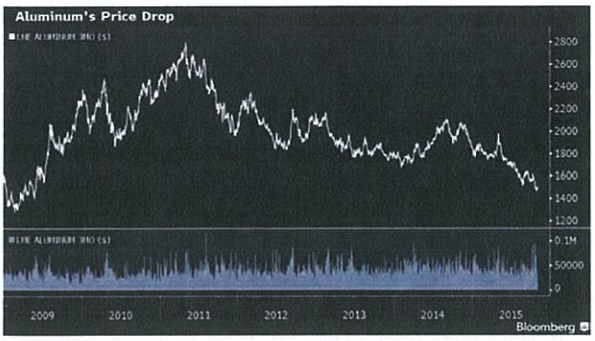
Aluminum has slumped 27 percent in the past year as slowing economic growth and new low-cost capacity in China helped boost exports from the biggest supplier to a record. Goldman Sachs Group Inc. has said producers face the longest period of pain in a generation with increasing surpluses through 2018. Dwight Anderson, founder of hedge fund Ospraie Management LLC, has described the metal as "miserable," probably leading to closures and bankruptcies.

"For a while, one has lamented the absence of more production cuts, " Michael Turek, the head of base metals at BGC Partners Inc. in New York, said in an e-mail. "Clearly, we need more doses of the same bitter medicine," he said, referring to Alcoa's production cuts.

Aluminum for delivery in three months rose as much as 1.5 percent to $1,516 a ton, before settling at $1,501 at 5:50 p.m. on the London Metal Exchange. Prices reached $1,460 on Oct. 28, the lowest since June 2009.

Global aluminum production will exceed demand by 1.13 million tons this year and by 832,000 tons in 2016, ICBC Standard Bank Plc estimated before the latest Alcoa cuts were announced.

While the Alcoa announcement helped prices, "it's just a drop in the ocean if you see how much aluminum is still produced in China and how many capacities are still being built there," Daniel Briesemann, an analyst at Commerzbank AG in Frankfurt, said by e-mail.



China's slowest economic growth in more than two decades is pushing more of the metal onto the world market. Exports from the country in the first nine months of 2015 jumped 18 percent from a year earlier, customs data show. A cut in power tariffs soon may benefit producers and further weaken prices, people familiar with the matter said last week.

The increase in prices boosted producer shares. Vedanta Ltd., India's largest aluminum maker, gained as much as 4 percent in Mumbai and Hindalco Industries Ltd. added 1.7 percent. Alcoa rose as much as 4.5 percent.

Copper settled unchanged $5,125 a ton ($2.32 a pound), as zinc rose. Nickel and lead declined on the LME, while tin was unchanged.

On the Comex in New York futures for December delivery rose 0.5 percent to $2.3305 a pound.

Read this next

Chinese Steel Slapped by 236% U.S. Tariff Plan

When a 127-Year-Old U.S. Industry Collapses Under China's Weight

EXHIBIT A-26

COMMENTARY

Largest Chinese Aluminum Smelter Closes, But It's Not Enough

by Stuart Burns on OCTOBER 21, 2015

Style: Commentary Category: Company News, Inventory Stock Levels, Metal Fabricated Parts, Metal Prices, Metal Pricing, Non-Ferrous Metals, Supply & Demand

China's excess aluminum capacity and low global prices are having an impact even among state-owned aluminum producers, it would seem.

A Reuters article this week reports that Aluminum Corporation of China (Chinalco) plans to shut down it's Liancheng smelter with a capacity of 550,000 metric tons. The plant in the northwestern province of Gansu has been losing money since at least 2011, racking up losses of $313 million making it Chinalco's worst-performing smelter.

The smelter's cost of production is said to average 13,860 CNY per metric ton ($2,180) in the first 8 months of the year compared to an average in China of 12,840 CNY and a best-in-class of 11,330 CNY for the lowest-cost producers. The Shanghai Futures Exchange value was around 11,100 CNY per mt today which, if Reuters is right, suggests all Chinese smelters are losing money at today's prices.

Of the world's 50 highest-cost smelters, 37 are in China, according to Reuters. Where the average cost of production this year will be $1,918 per mt, 14% above the average cost of the rest of the world at $1,684 per mt, the article says.

Factors Other Than Profitability

Wood Mackenzie senior analyst Uday Patel is quoted as saying that 1.5 million metric tons of annualized production were eliminated at older, inefficient Chinese smelters between January and August of this year.

Chinalco's announcement about Liancheng could bring this to 2 mmt by year's end but will still leave the country in surplus of between 1 and 3 mmt depending on whose data you take.

"In China, production growth and demand growth are completely divorced," Patel is quoted as saying, noting that political factors such as the desire to keep workers employed, pressure from state governments and from the electricity suppliers feeding power to the smelters drive output decisions more than questions of profitability.

Chinese Production Still Drags Down Aluminum

Not surprisingly, HSBC in their recent Quarterly Metals & Mining Review adjusted their price forecasts for aluminum downward, essentially suggesting the metal would flatline at an average of $1,580 per mt through 2017.

Further major closure announcements could change that, not so much in the rest of the world but within China, itself. The rest of the world is technically already in deficit and is meeting that shortfall using Chinese exports and uptake of stock-and-finance trade legacy inventory. But it will take significant further Chinese closures of the order of Liancheng to have a meaningful impact on global markets.

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September 14, 2016

Air Resources Board
Office of Legal Affairs // Public Records Coordinator
P.O. Box 2815
Sacramento, California 95812

Dear Sir/ Madam:

Under the California Public Records Act (Government Code section 6250 and following) and the California Code of Regulations (Title 17, section 91000 and following) and on behalf of the Coalition for Sustainable Cement Manufacturing and Environment ("CSCME"), a coalition of all five cement manufacturers in California,[1] I hereby request access to and/or copies of the following documents, which are filed with, retained by, or prepared by the Air Resources Board (ARB):

- All correspondence, information, and data regarding the following leakage studies:

  1. Meredith Fowlie, Mar Reguant, and Stephen P. Ryan, "Measuring Leakage Risk," May 2016 (available in Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Staff Report: Initial Statement of Reasons, Appendix F, at 2,395); and

  2. Wayne Gray, Joshua Linn, and Richard Morgenstern, "Employment and Output Leakage under California's Cap-and-Trade Program," Final Report to the California Air Resources Board, Subcontract 00008146, Prime Contract 12-402, University of California, Berkeley and Resources for the Future, May 2016 (available in Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Staff Report: Initial Statement of Reasons, Appendix F, at 2,450).

- The correspondence, information, and data regarding these leakage studies that I request should include, but are not limited to, any and all:
  - Request(s) for proposal issued by ARB or its designates;

[1] The Coalition includes CalPortland Company, Cemex, Inc., Lehigh Southwest Cement Company, Mitsubishi Cement Corporation, and National Cement Company of California Inc.

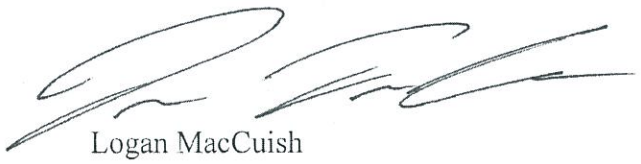
- Responses to the proposal(s);
- Contracts and subcontracts with the researchers, their employers, and their employees, including Subcontract 00008146 and Prime contract 12-402;
- Data provided by the researchers to ARB, including any data on which the studies are based or to which they reference;
- Drafts of the leakage studies provided to ARB; and
- Any correspondence (including emails) between the researchers (including their designates) and ARB regarding:
  - any drafts or the final versions of the leakage studies;
  - the contractual relationship with ARB; and
  - any other matters related directly or indirectly to the preparation, cost, financing, data collection, drafting, timetable, or other aspects of the leakage studies.

Please respond within ten (10) calendar days from the date ARB receives this request as to whether this request specifies identifiable records that are not exempt from disclosure under the California Public Records Act, or are privileged or otherwise confidential, and therefore subject to disclosure.

I understand that I may obtain copies of the requested documents at a cost of .10 cents per page. I am also aware that if the requested records are too voluminous, ARB will contact me and provide me access to the records to review and photocopy them with my own equipment and at my own expense.

If you have any questions concerning this request, please contact me at lmaccuish@kslaw.com or 213-443-4366.

Sincerely,



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