900 17th St, NW, Suite 600
Washington, DC 20006

Association of Oil Pipe Lines

Contact: John Stoody
202-292-4509
jstoody@aopl.org
http://www.aopl.org

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AOPL URGES ADMINISTRATION AVOID KILLING U.S. PIPELINE JOBS THROUGH STEEL TRADE ACTION

WASHINGTON, DC – Today, the Association of Oil Pipe Lines (AOPL) urged caution by the administration as it considers the shape and scope of steel tariffs that could reduce or significantly delay new pipeline projects and hurt U.S. jobs from pipeline projects.

"We are urging the administration to avoid killing U.S. jobs through a steel tariff that impacts pipelines," said Andy Black, AOPL President and CEO.

Today, President Trump expressed an intention for his administration to impose steel tariffs of 25%. A Department of Commerce report sent to the White House two weeks ago recommended a global tariff of at least 24% on all steel imports from all countries, or a tariff of at least 53% on all steel imports from 12 main steel importing countries, or a quota on all steel products from all countries equal to 63% of each country's 2017 exports to the United States. The report and recommendations cover not only raw steel imports, but also steel products, including seamless or welded pipe and tube products. Further details on the eventual scope or coverage of the president's intentions were not available at press time.

Last year, the pipeline industry conducted a study of trade or purchasing restrictions that raised line pipe costs 25%. Such action translated into a $76 million cost increase for a typical (280 mile) pipeline project or a +$300 million cost increase for a major cross-country pipeline project. This result would delay or cancel pipeline projects and end up hurting American workers denied construction and contracting jobs. (ICF, *Feasibility & Impacts of Domestic Content Requirements for U.S. Oil & Gas,* May 2017).

The pipeline industry shares President Trump's goal of promoting American workers. Approximately 75% of pipeline project spending goes to American workers and products. Pipeline construction accounts for 45% of project spending. American workers and construction contractors receive over $1 billion in payroll and revenue on a typical pipeline project.

However, U.S. steel makers do not make enough pipeline-grade steel. Pipeline-grade steel is a niche market (3% of total steel market). Pipeline-grade steel is also a specialty product, which must meet high quality specifications not required for other steel products (pipeline steel can't be brittle or it could crack and cause a pipeline incident). U.S. domestic steel producers largely exited the pipeline business because of its small market, higher costs, and lower margins, choosing to focus instead on higher volume products (steel for automobiles, appliances, etc). Thus, domestic steel and pipe production capacity is insufficient to meet pipeline demand - especially for larger diameter or thicker steel (+1" thick for offshore).

The DOC reports produced under Section 232 are currently under consideration by the president, and no final decisions have been made with regard to their contents. The president could take a range of actions, or no action, based on the analysis and recommendations provided in the reports.

While AOPL support President Trump's overall objective, a number of hurdles unique to pipeline-grade steel and pipe manufacturing must be overcome to expand domestic pipeline production and manufacturing. If these hurdles are not overcome, government action to increase domestic pipe and pipeline production could have the unintended result of reducing or significantly delaying new pipeline projects and limiting U.S. pipeline job growth. Fewer new pipeline projects would run counter to the administration's goal of expanding U.S. energy production and infrastructure to support the economy, job growth, and national security.

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