



November 16, 2018

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

The Honorable Wilbur Ross
Secretary, United States Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230

Mr. Lawrence Kudlow
Director, United States National Economic Council
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500

RE: Steel Imports from Mexico

Dear Sirs:

We are writing to express concern with how imports of steel products from Mexico will prospectively be treated under Section 232 of the Trade Expansion Act of 1962 once the U.S.-Mexico-Canada Agreement (USMCA) is finalized. We are concerned that the Administration is engaging in negotiations that will result in the imposition of an annual hard quota on imports. We are concerned such an action would create an artificial impediment to new oil and natural gas development activity in the Permian Basin in Texas as well as other regions throughout the country and impede the President's "Energy Dominance" agenda. We recommend that the Administration *does not agree to implement hard quotas for imports of steel from Mexico or Canada* because hard quotas would stop the delivery of steel that is needed for Texas oil and natural gas development.

The benefits associated with the President's energy policies are evident:

- The oil and natural gas producing sectors remains one of the strongest aspects of Texas' economy.
- Texas has recovered 46% of jobs lost in the upstream sector between October 2014 – September 2016.
- Employment in the upstream sector currently exceeds 245,000 people with an average pay of more than \$124,000 per person.
- Texas' unemployment rate is below 4%, a nearly four decade low.
- Production in the Permian Basin is an essential element of this success story. The Permian Basin produces over 1 million barrels of oil each day, equivalent to 20% of all oil production in the lower 48 states.

November 16, 2018

The Honorable Robert Lighthizer, The Honorable Wilbur Ross, Mr. Lawrence Kudlow

Page 2

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Continued growth in Texas' energy sector however is dependent on ensuring that oil and natural gas producers have sufficient access to the specialty steel products needed to safely develop these resources.

Due to the fact there is limited U.S. production capability of critical products like seamless and electric resistance welded (ERW) line pipe, casing, and tubulars, as well as large diameter, thick walled line pipe, Mexico is a critically important source of steel for the domestic energy industry:

- Currently, 14% of all tubular products and 7% of all line pipe used for domestic oil and natural gas production is sourced from Mexico.
- Since the beginning of 2017, domestic demand for line pipe sourced from Mexico has exceeded average imports from 2015-2017 at levels of 150 – 200%.
- Development activity in the Permian Basin is particularly reliant on steel products sourced from Mexico due to specialized production capabilities for specific types of tubulars and line pipe commonly used in the development of onshore shale wells.

As the Administration continues to evaluate its policies related to imports of steel products, we encourage recognition of the following principles:

- Steel demand by the oil and natural gas industry is generally driven by the price of the commodity. Lower oil and natural gas prices generally mean less development activity and less steel demand.
- Hard quotas on critical products constitute a direct barrier to development growth in the domestic energy sector.
- Without timely access to tubulars and line pipe, rigs cannot operate.

Thank you for your continued attention to our concerns on these and other issues of importance to our nation's economic vitality. Our offices stand ready to work with you on these issues.

Sincerely,



Todd Staples
President
Texas Oil & Gas Association



John Tintera
Executive Vice President
Texas Alliance of Energy Producers



Ed Longanecker
President
Texas Independent Producers &
Royalty Owners Association



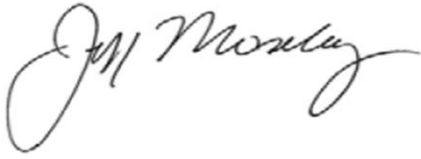
Ben Shepperd
President
Permian Basin Petroleum Association

November 16, 2018

The Honorable Robert Lighthizer, The Honorable Wilbur Ross, Mr. Lawrence Kudlow

Page 3

RE: Steel Imports from Mexico

A handwritten signature in black ink, appearing to read "Jeff Moseley". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Jeff Moseley

CEO

Texas Association of Business

A handwritten signature in black ink, appearing to read "Tony Bennett". The signature is bold and cursive, with the first letters of the first and last names being capitalized and prominent.

Tony Bennett

President

Texas Association of Manufacturers

A handwritten signature in black ink, appearing to read "Kenny Jordan". The signature is cursive, with the first letters of the first and last names being capitalized and prominent.

Kenny Jordan

Executive Director

Association of Energy Service
Companies