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Notice 2022-51

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Korea Iron and Steel Association

Comments to the Department of the Treasury and the Internal Revenue Service

RE : Request for Comments on Prevailing Wage, Apprenticeship, Domestic Content, and Energy Communities Requirements Under the Act Commonly Known as the Inflation Reduction Act of 2022 – Docket (IRS-2022-0025)

I. Introduction

The Korea Iron and Steel Association (KOSA) submits the following written comments concerning the initiation of the Inflation Reduction Act of 2022 (IRA) applicable to certain steel products by the United States Department of Treasury.

KOSA respectfully requests that the Department of Treasury considers the current South Korea-United States steel trade and views towards the IRA and its potential ramifications.

II. South Korea-United States Steel Trade

A. United States steel supply and demand

The United States ranks fourth globally with an annual production of over 80 million tons of crude steel. However, the steel consumption of US steel-using industries, such as energy, automotive, and construction, is over 100 million tons which exceed domestic production. Therefore, the United States is a net steel-importing country with approximately 30 million

tons of steel products imported per annum.¹ The World Steel Association forecasts that the joint demand for steel in the United States and Canada is expected to reach 106 million tons by 2030.

< The United States apparent steel consumption (Million tons) >

	2018	2019	2020	2021	2022 ^(f*)	2023 ^(f)	2030 ^(f)
Apparent Steel Consumption	99.8	97.6	80.0	97.1	99.2	100.8	106
Y-o-Y(%)	2.1	-2.2	-18.0	21.3	2.1	1.6	

Source : World Steel Association (Short Range Outlook), October 2022. (*F stands for forecast)

(1) South Korea-United States cooperation

Under the global comprehensive strategic alliance, cooperation between South Korea and the United States continues to expand. South Korea is the world’s sixth-largest steel producer and exports steel products to industries and local investment companies in the United States.

In addition, steel imports from South Korea are also subject to a product-specific quota as are those from the European Union and Japan, major allies of the United States, ensuring stable trade under Section 232 of the Trade Expansion Act of 1962.

B. Comments on the adoption of the Inflation Reduction Act (IRA) of 2022

(1) General comments on the IRA

The South Korean steel industry fully understands the United States’ efforts to strengthen its manufacturing competitiveness and reduce inflation. In addition, it hopes to expand opportunities for cooperation between the two countries in response to climate change and clean energy industries, which have recently become important topics worldwide.

Moreover, the South Korean steel industry hopes that the discriminatory factors against

¹ According to the US Department of Commerce, the 2021 steel demand in the United States was 97.1 million metric tons and imports were 28 million metric tons. This accounted for approximately 30% of the demand.

imported steel products will disappear so that the South Korean steel industry can stably supply steel products to the United States in accordance with the purpose of the IRA legislation.

In particular, the South Korean steel industry requests the Department of Treasury to consider that South Korean steel products are essential to achieve clean energy-based industries; stabilize clean and green supply chains in the United States; reach decarbonization targets.

(2) Domestic content requirement

The IRA domestic content requirement stipulates that to receive a bonus credit, taxpayers must certify that any steel, iron, or manufactured product which is used as a component in a qualified facility was produced in the United States. Exceptions to this requirement include if the inclusion of steel, iron, or manufactured products from the United States (a) increase the overall costs of qualified facilities by more than 25 percent; (b) are not available in sufficient quantities; (c) are not of satisfactory quality.

However, KOSA believes that the rule of origin of “steel” and “iron” products and the conditions of exceptions are ambiguous and need to be clear.

The domestic content requirement under the IRA is likely to reduce the bill's effectiveness, especially considering the domestic steel supply and demand structure of the United States which is a net importer of steel products. For example, the current deficit of United States-produced steel may delay the construction of qualified facilities relevant to clean energy until products that meet the IRA requirements can be sourced and supplied.

KOSA's comments on the questions of Treasury Department are as below.

Question: (c) Should the definitions of “steel” and “iron” under 49 C.F.R. 661.3, 661.5(b) and (c) be used for purposes of defining those terms under §§ 45(b)(9)(B) and 45Y(g)(11)(B)? If not, what alternative definitions should be used?

Comment: To figure out whether “steel” and “iron” are produced in the United States, domestic steel's origins need to be clearly clarified.

Question: (b) What factors should the Secretary include in guidance to clarify when an exception to the requirements under section §§ 45(b)(10)(D) and 45Y(g)(12)(D) applies? What existing regulatory or guidance frameworks, such as the Federal Acquisition Regulation (FAR)

and Build America Buy America (BABA) guidance, may be useful for developing guidance to grant exceptions under §§ 45(b)(10)(D) and 45Y(g)(12)(D)?

(c) Do the “sufficient and reasonably available quantities” and “satisfactory quality” standards need further clarification? If so, what should be clarified?

Comment: Further clarification on certain guidelines regarding these exceptions is expected. KOSA proposes to borrow the United States General Approved Exclusions (GAE) adopted in Section 232 of the Trade Expansion Act of 1962. The United States Department of Commerce created and adopted GAE for approving exclusions where objections have not been received in the past for certain steel or aluminum articles that are not “produced in the United States in a sufficient and reasonably available amount or of a satisfactory quality”. This aims to improve the efficiency of the Section 232 Steel and Aluminum tariff exclusion process and was most recently amended in December 2020. The GAE could be used as a benchmark concerning new exception schemes.

III. Conclusion

South Korea and the United States have longstanding strategic alliances and a history of cooperation, which is believed will continue, especially when faced with current climate change issues. KOSA appreciates the recent efforts of the United States Department of Treasury and respectfully requests that the Department of Treasury reviews this comment submitted on behalf of the Korean steel industry.