

Pricing, politics and projections: An outlook for oil country tubular goods and linepipe in the US market



NASPD Conference, 1st-3rd March 2007,
Westin Riverside, San Antonio



MBR overview

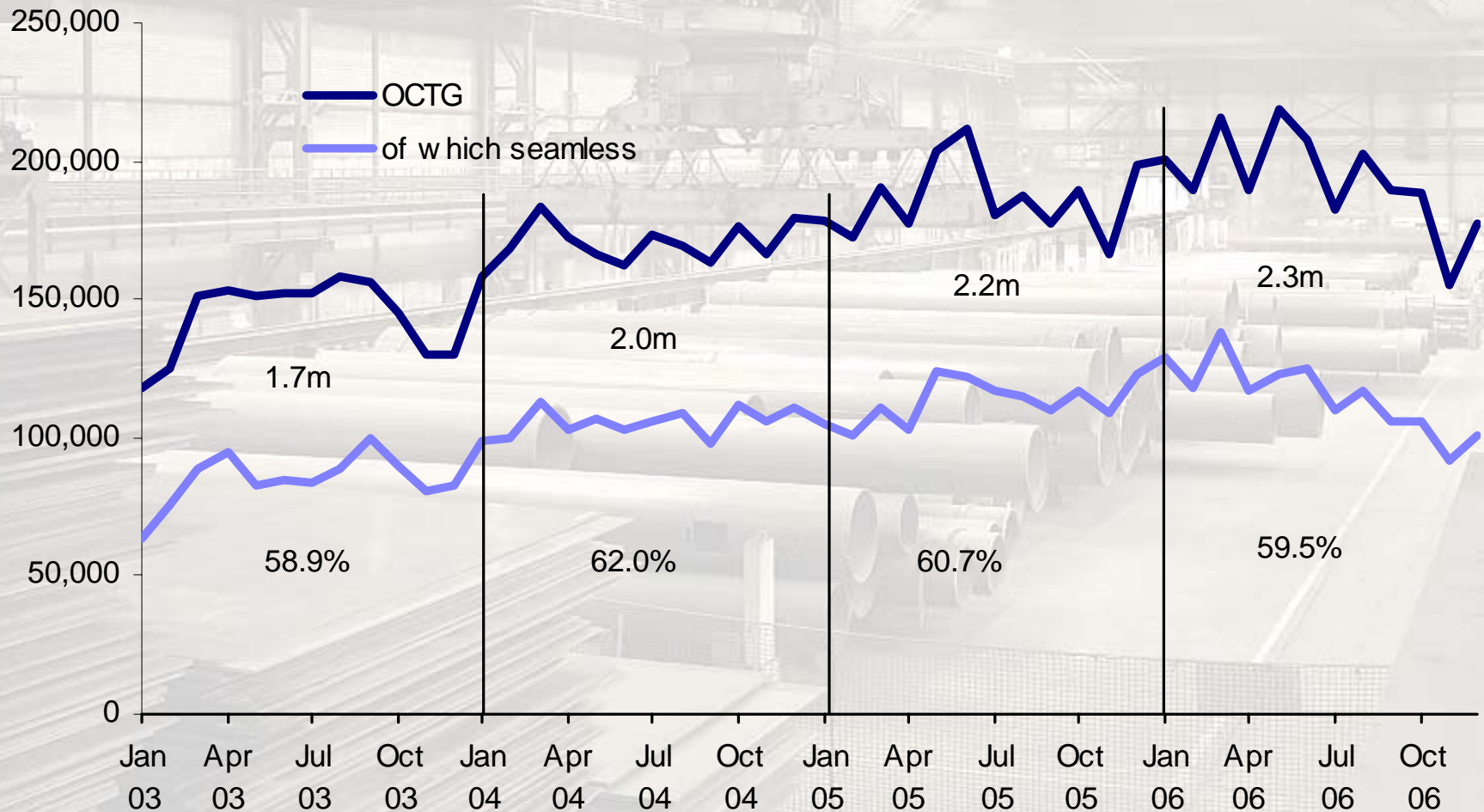
Part of the Metal Bulletin group. Provides independent market analysis of the global metals & mining industry

Uses a global network of analysts, economists, and contributors to provide monthly publications, special in-depth studies and consultancy services

Over the last 3 years, MBR has specialised in the Steel Tube and Pipe Markets through our consultancy services and our *Welded Steel Tube & Pipe Monthly* and *Seamless Steel Tube & Pipe Monthly* reports

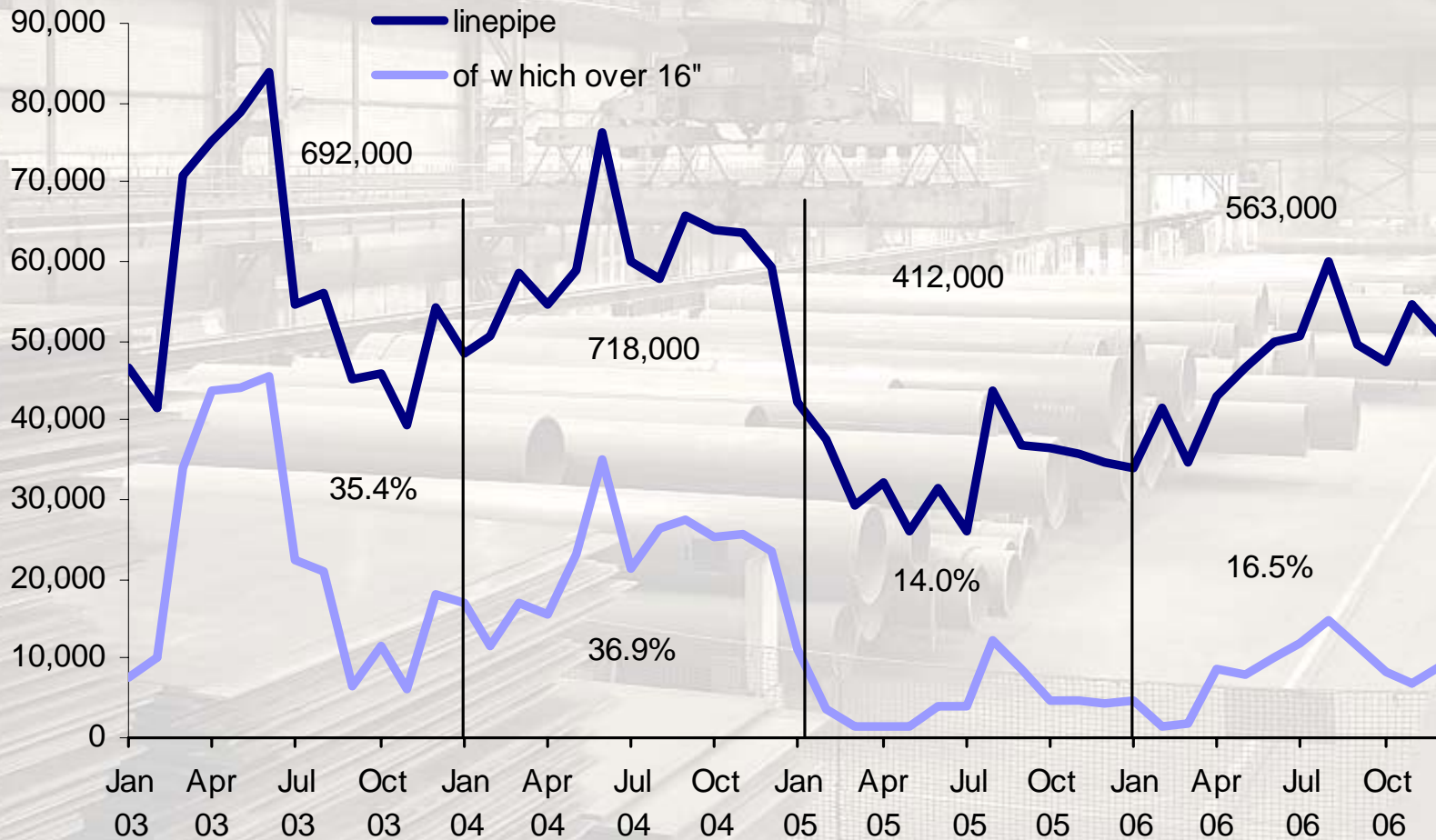
The image displays two covers of MBR reports. The left cover is titled 'Welded Steel Tube & Pipe Monthly' and features a line graph showing market trends. The right cover is titled 'Seamless Steel Tube & Pipe Monthly' and also includes a line graph. Below the reports is the 'SteelTube & Pipe Group' logo, which consists of the words 'SteelTube' in a multi-colored font and '&PipeGroup' in white. At the bottom of the logo area, the text reads 'Capability and expertise in global steel tube & pipe markets'.

AISI OCTG shipments from domestic producers show steady growth over past years...



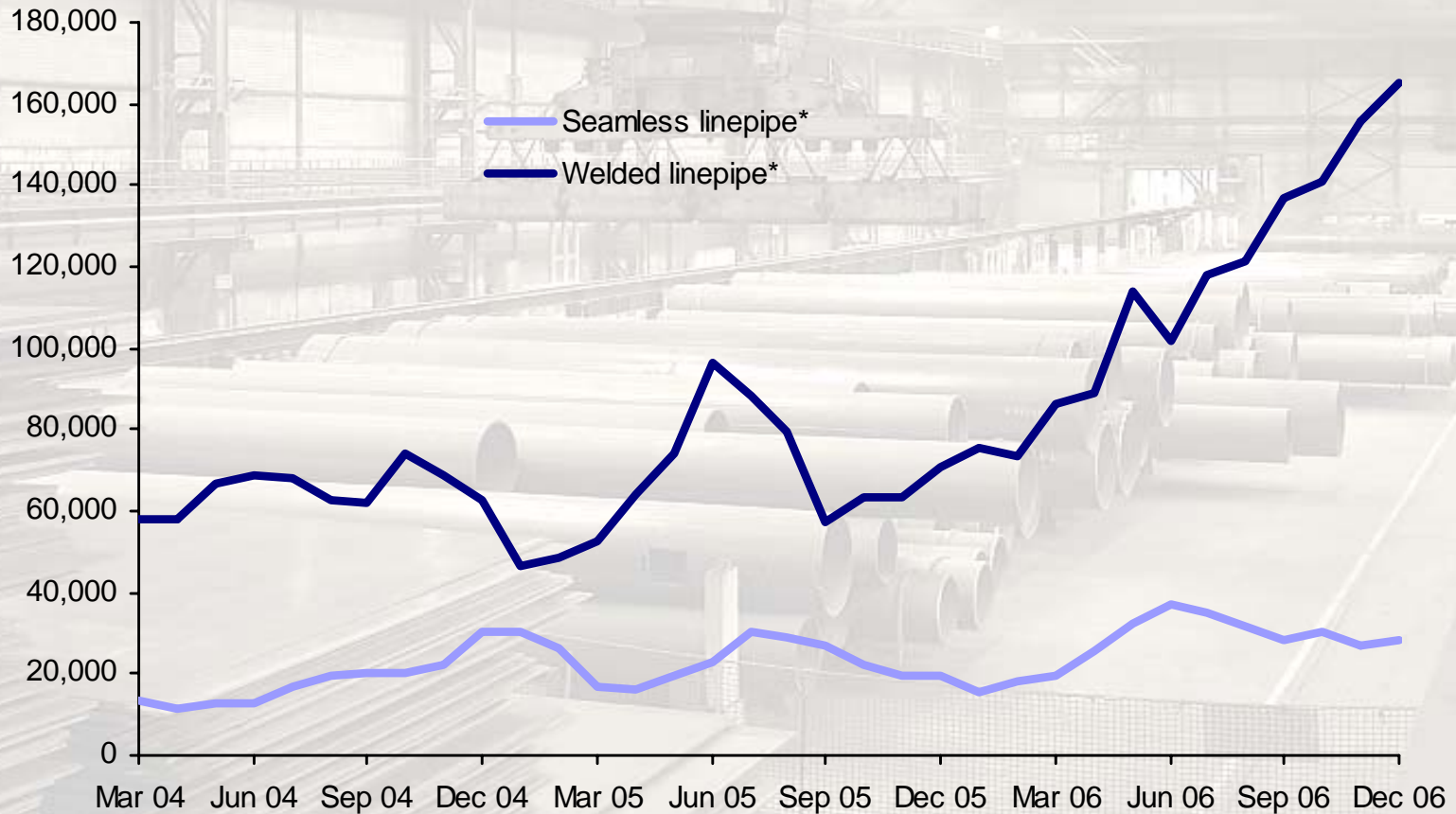
Source: AISI, MBR

...this has not been reflected in domestic linepipe which has lost out to OCTG



Source: AISI, MBR

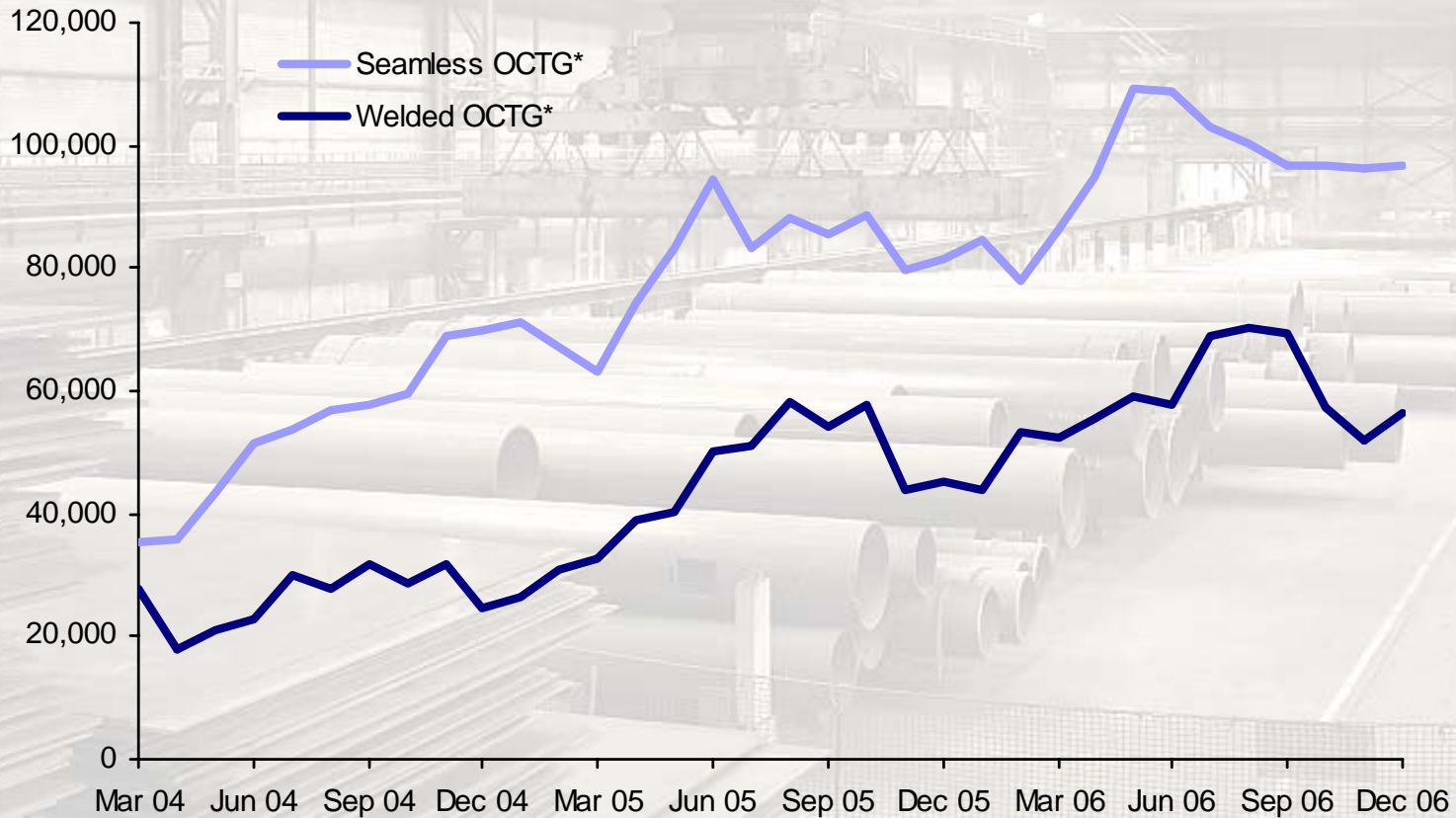
Welded linepipe imports have taken up much of the slack



* Three-month rolling average

Source: Customs data

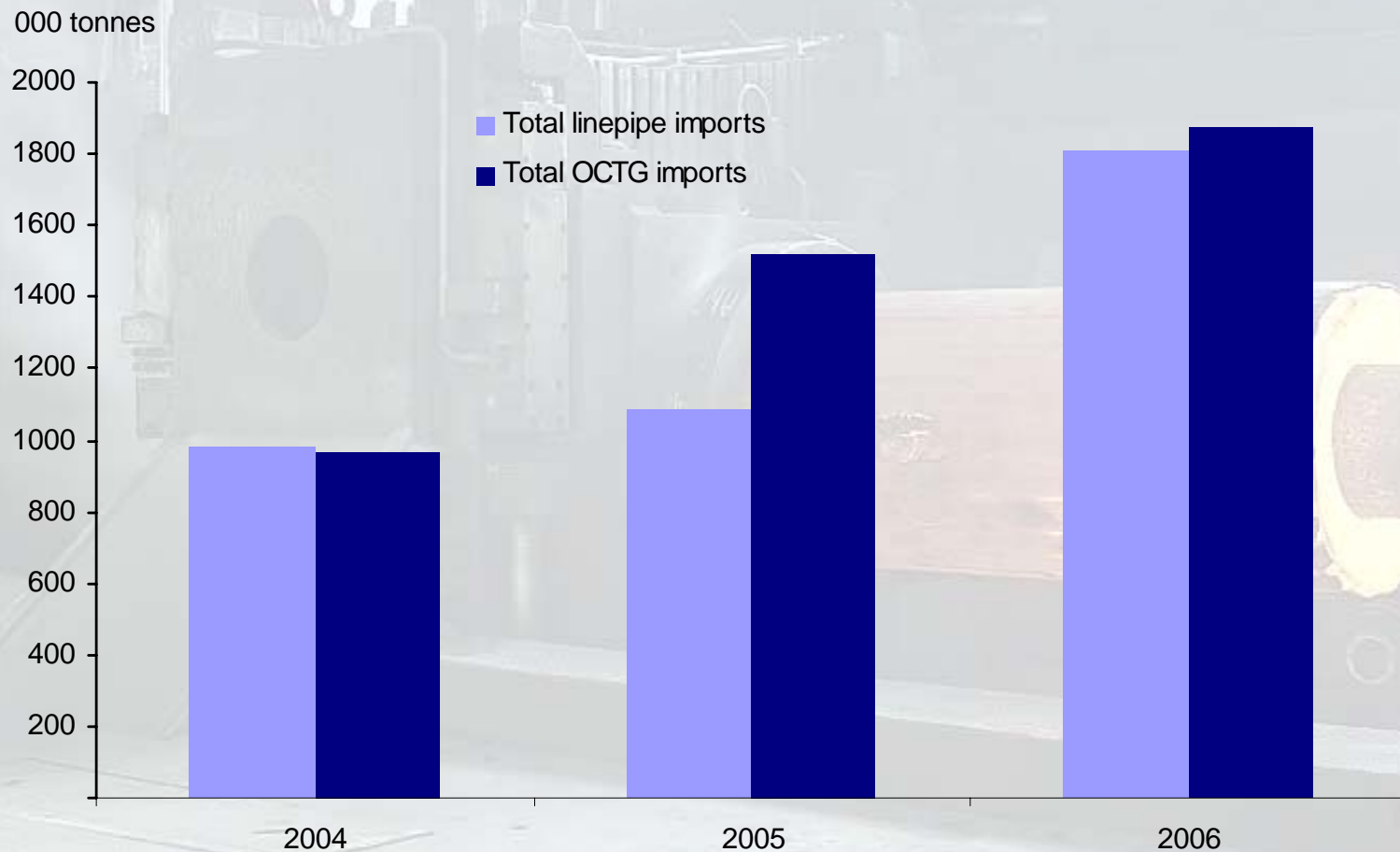
OCTG imports also trended higher, although have now stabilized



* Three-month rolling average

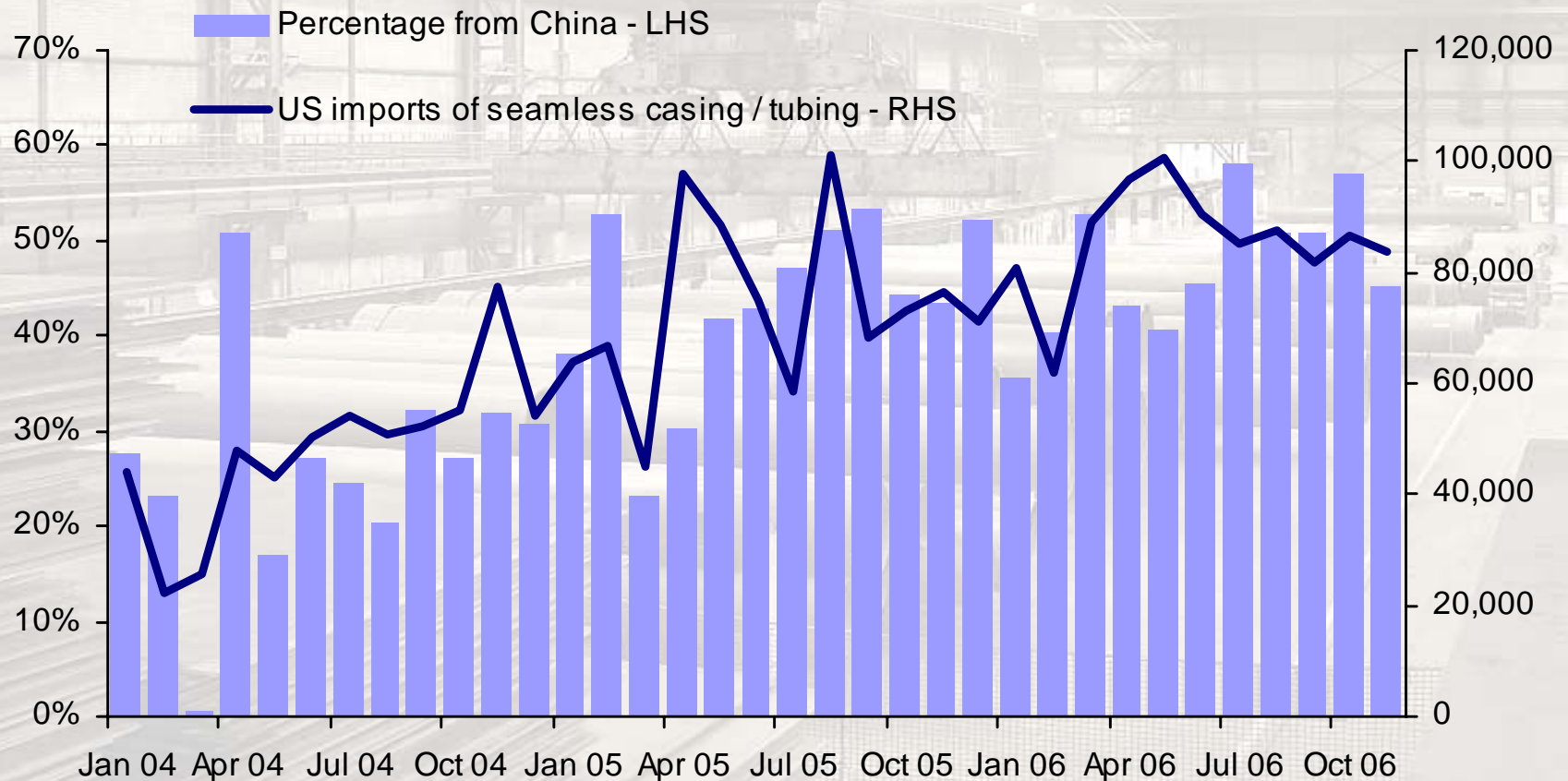
Source: Customs data

US import requirement has grown rapidly with linepipe quickly catching up the large 2005 OCTG increases



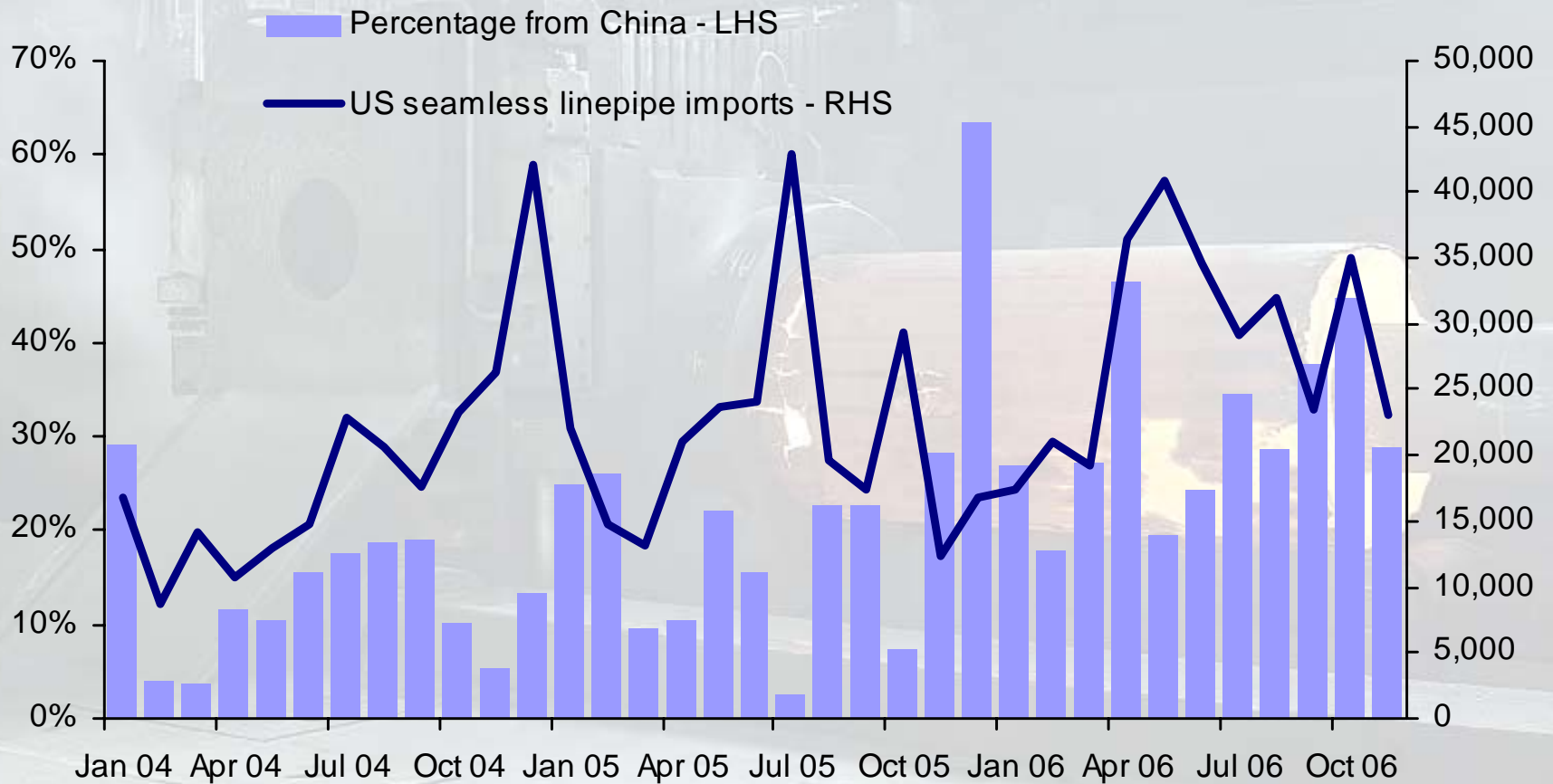
Source: Customs data

Chinese producers have massively increased their presence in the US OCTG market



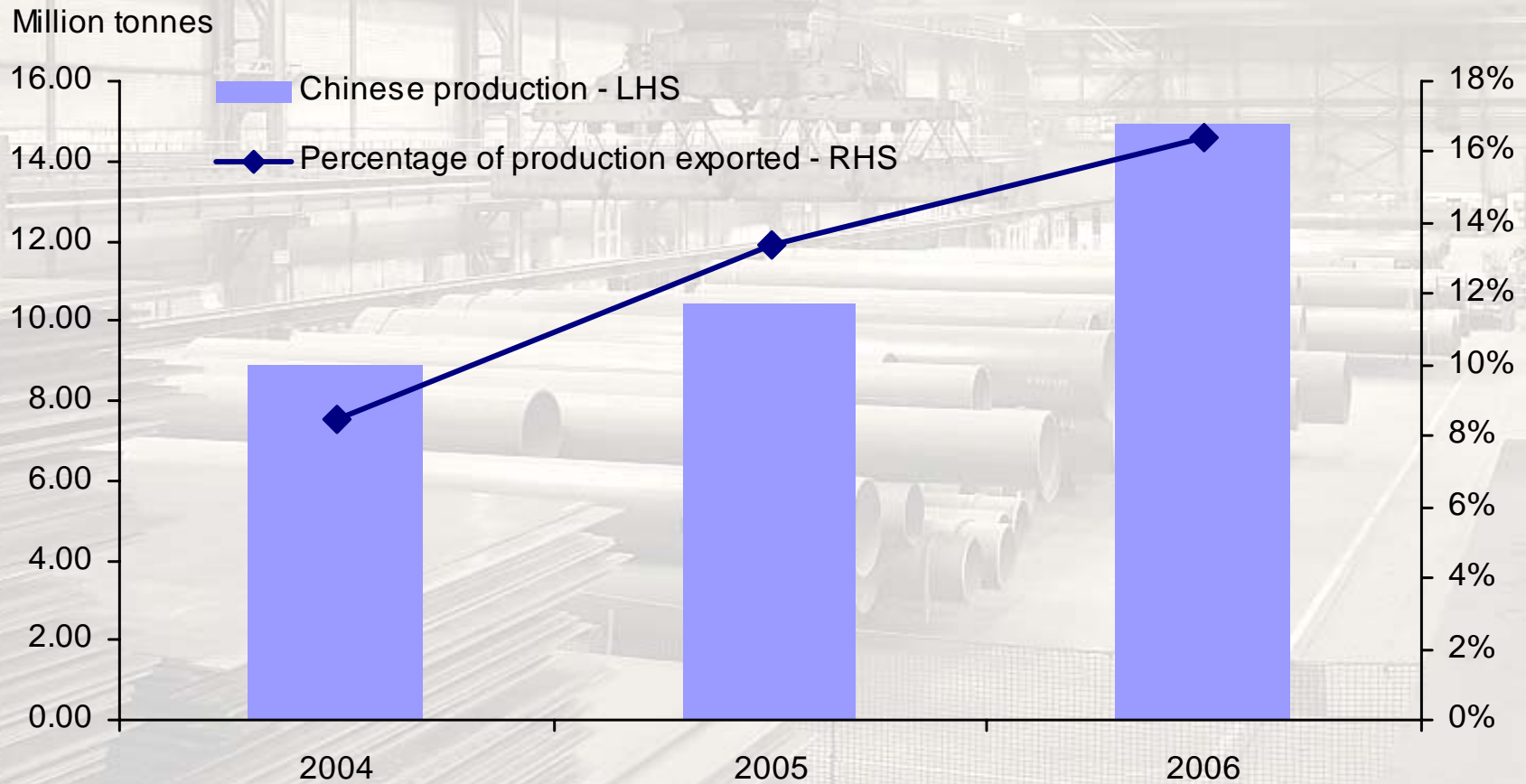
Source: Customs data

Chinese seamless linepipe has also been increasingly competitive



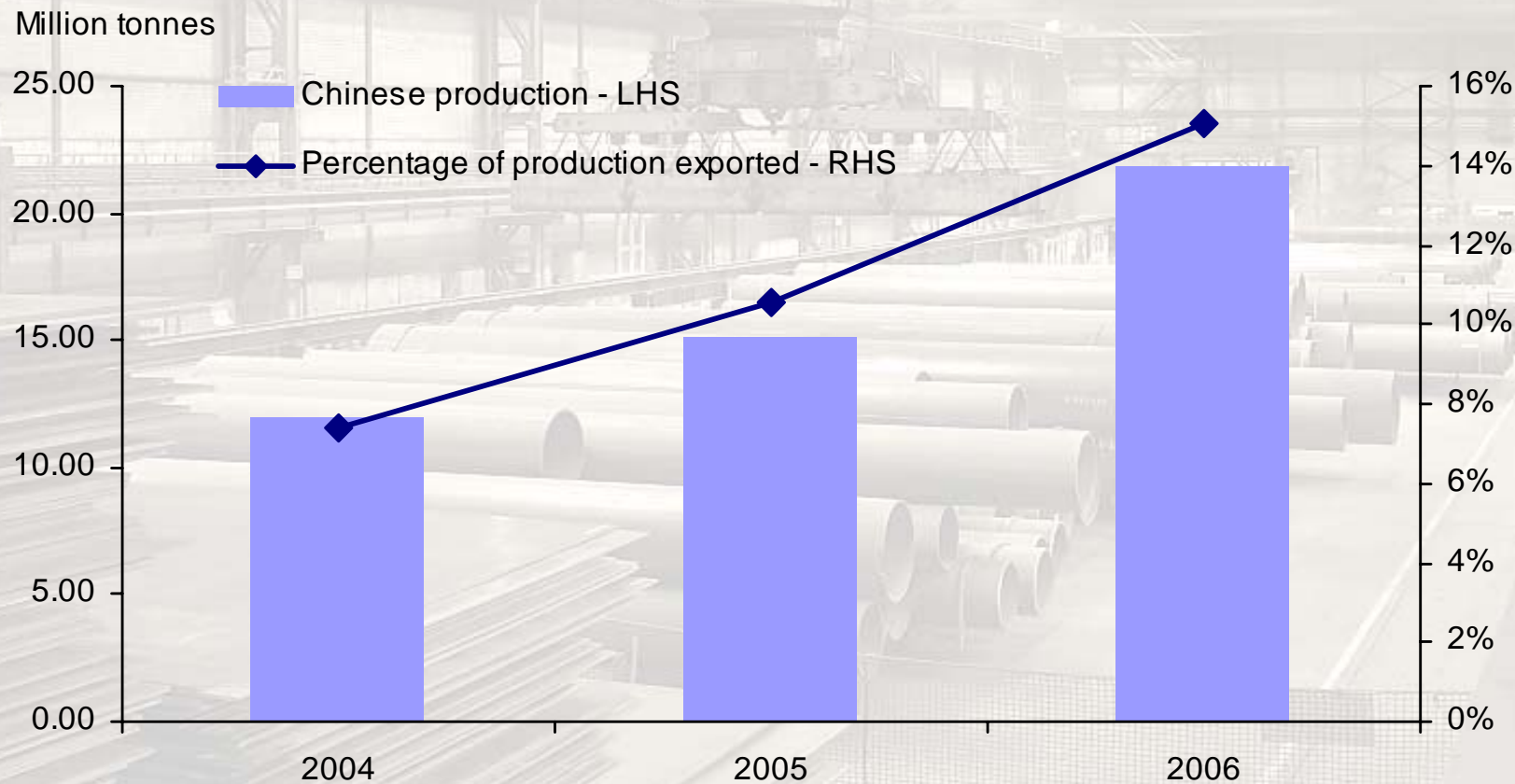
Source: Customs data

The 67% increase in Chinese seamless production (2004-6) has not all been for the domestic market



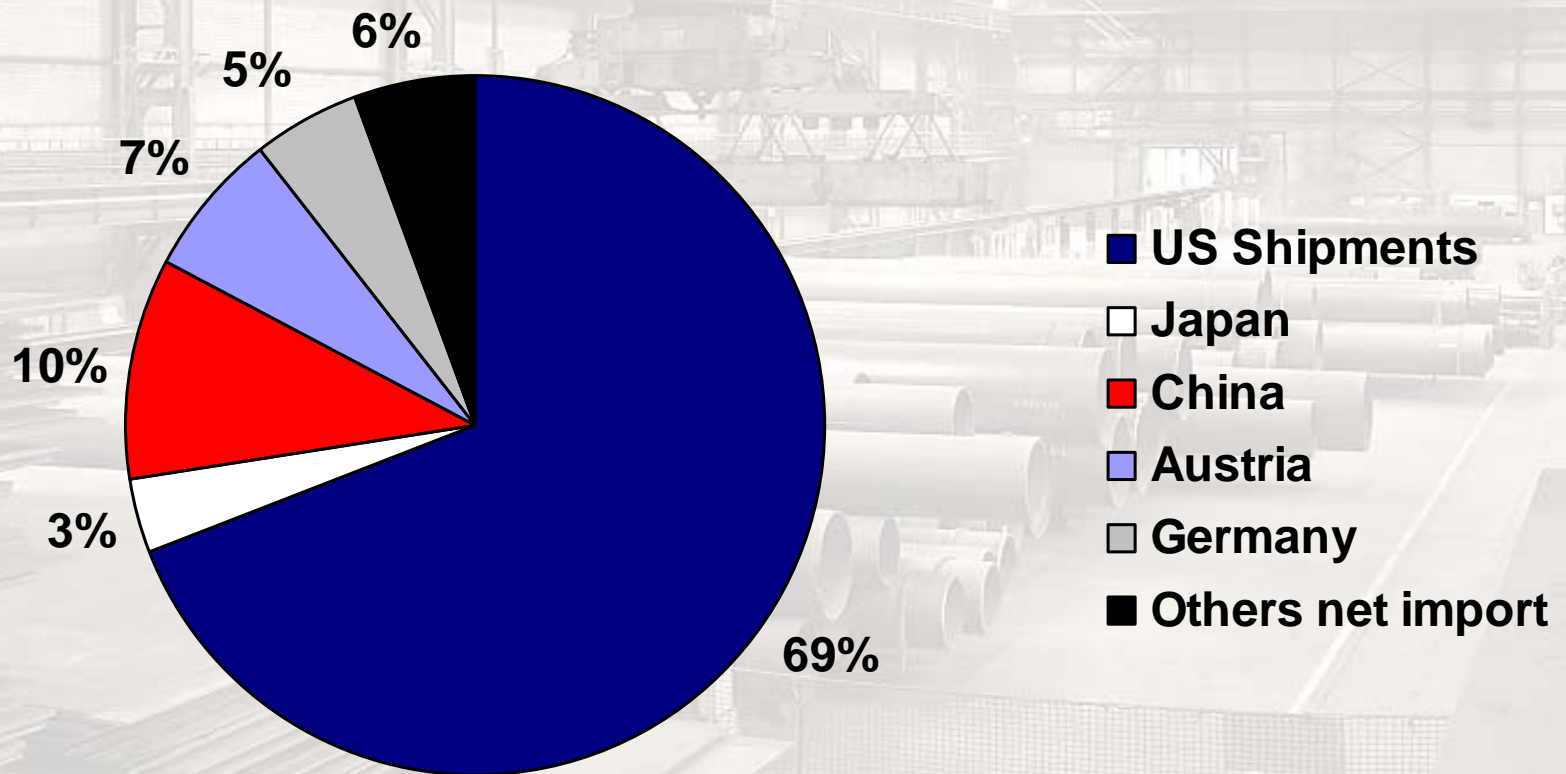
Source: CISA, Customs data, MBR

Also reflected in the 81% (2004-6) increase in welded production and exports



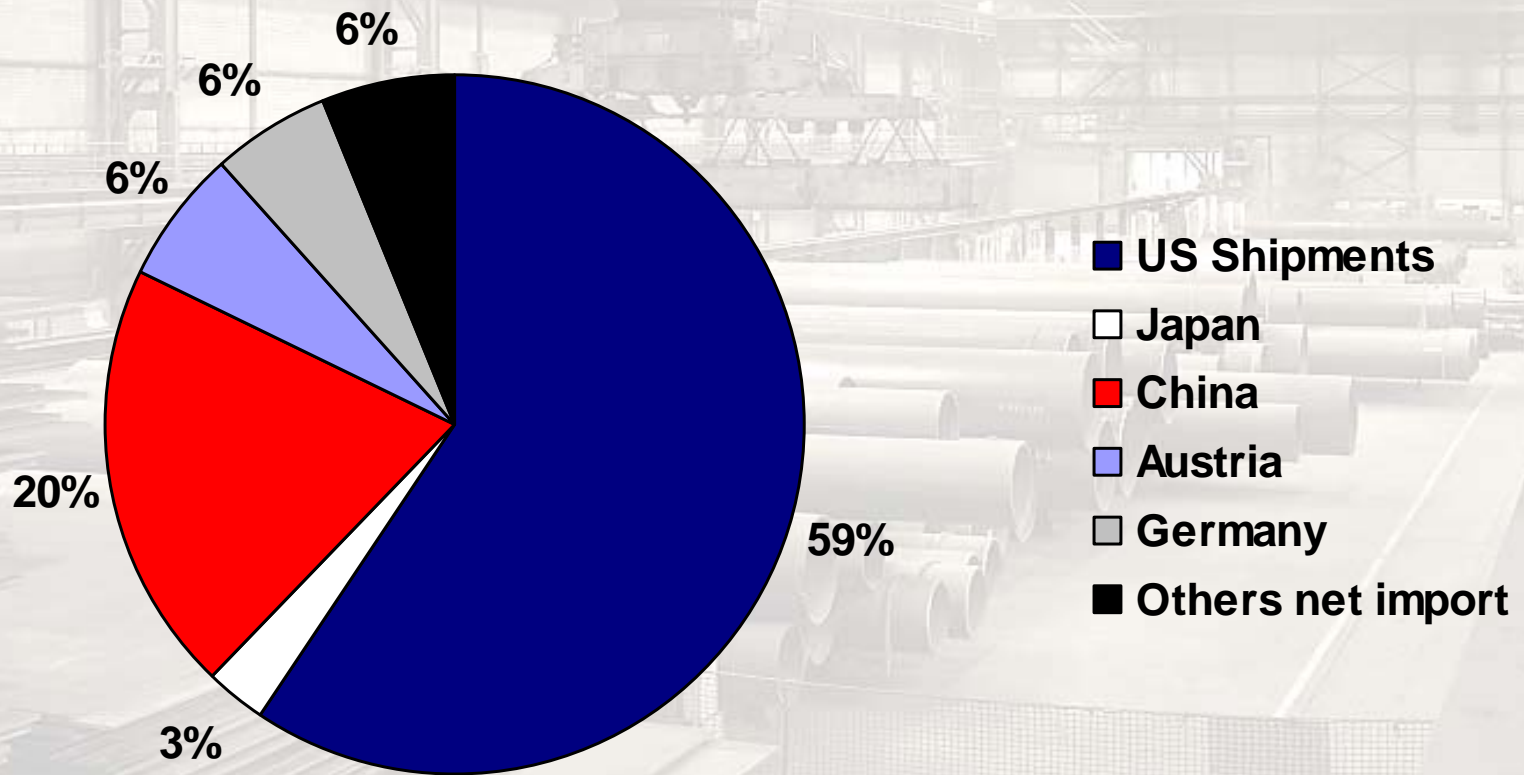
Source: CISA, Customs data, MBR

2004: US seamless OCTG market totaled 1.56m tonnes with net imports of 488,000 tonnes (31%)



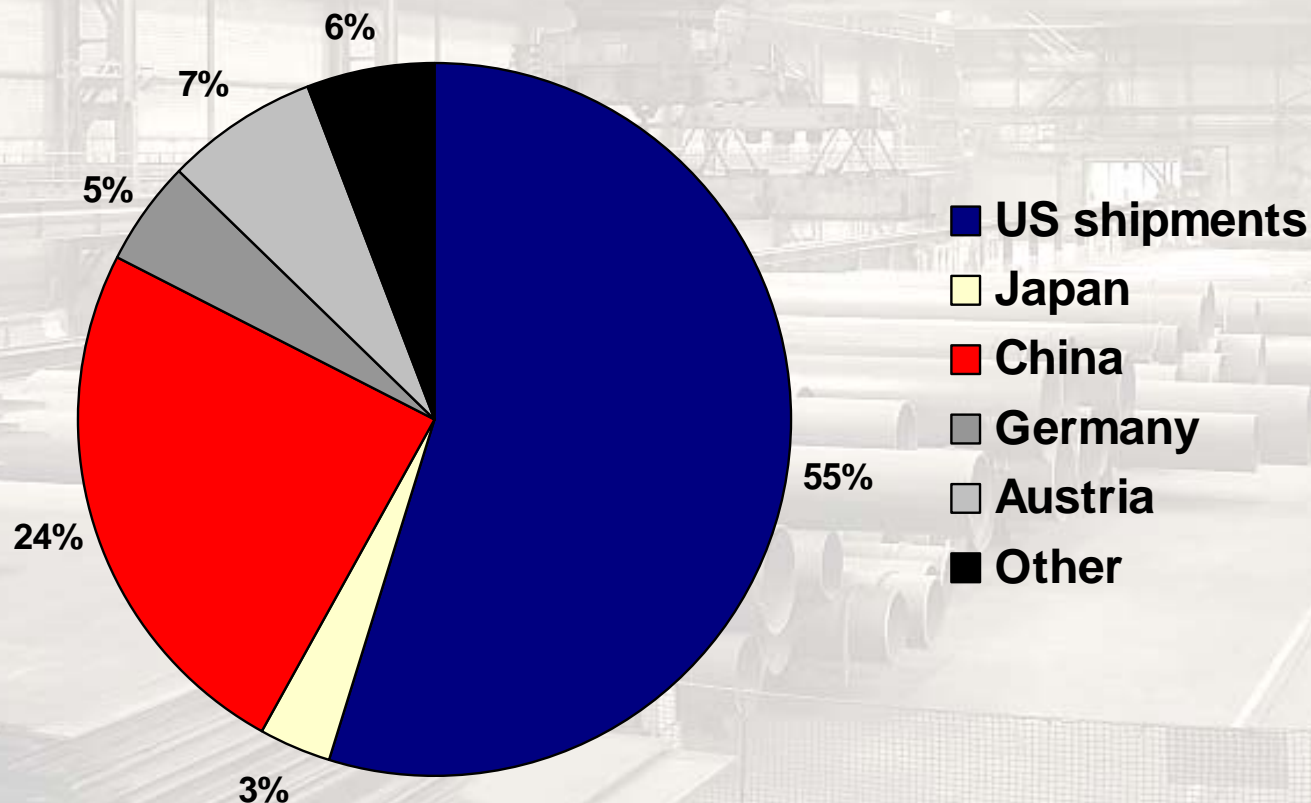
AISI domestic shipments of seamless OCTG and net imports of casing/ tubing and drill pipe (HS codes 730421 and 730429)

2005: US seamless OCTG market totaled 1.9m tonnes with net imports of 787,000 tonnes (41%)



AISI domestic shipments of seamless OCTG and net imports of casing/ tubing and drill pipe (HS codes 730421 and 730429)

2006: US seamless OCTG market totaled 2.27m tonnes with net imports of 1.02m tonnes (45%)



AISI domestic shipments of seamless OCTG and net imports of casing/ tubing and drill pipe (HS codes 730421 and 730429)



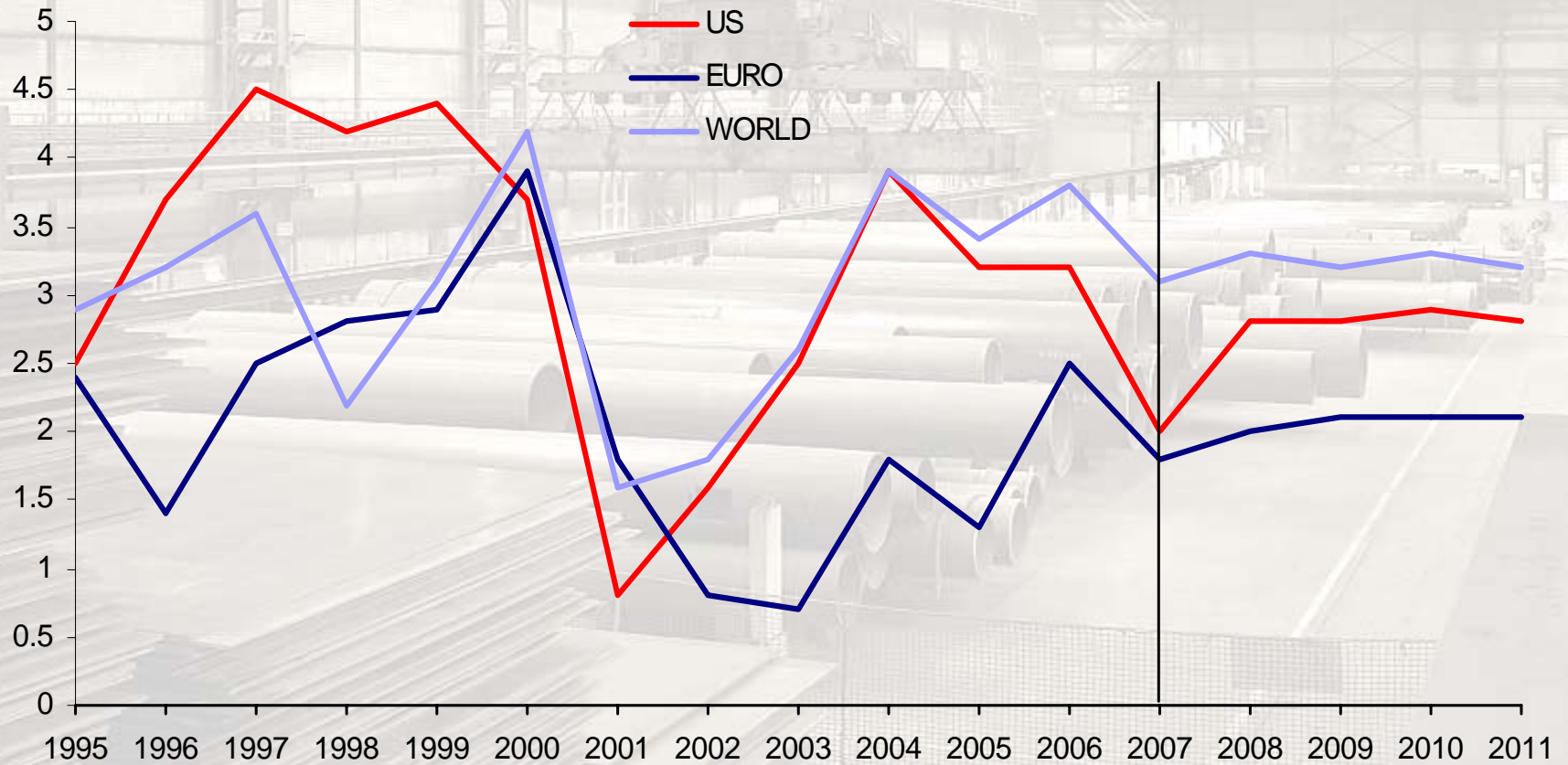
Middle Eastern import demand has been key to sustaining a global bull market

- **ATG – 500,000 tpy**
- **JESCO – 400,000 tpy**
- **Arcelor-Mittal – 500,000 tpy**
- **Jindal Saw – 1m tpy ?**
- **Asia Pacific seamless – 175,000 tpy finishing line ?**
- **Wuxi 500,000 tpy ?**

Competition in the long term could increase with the removal of AD duties

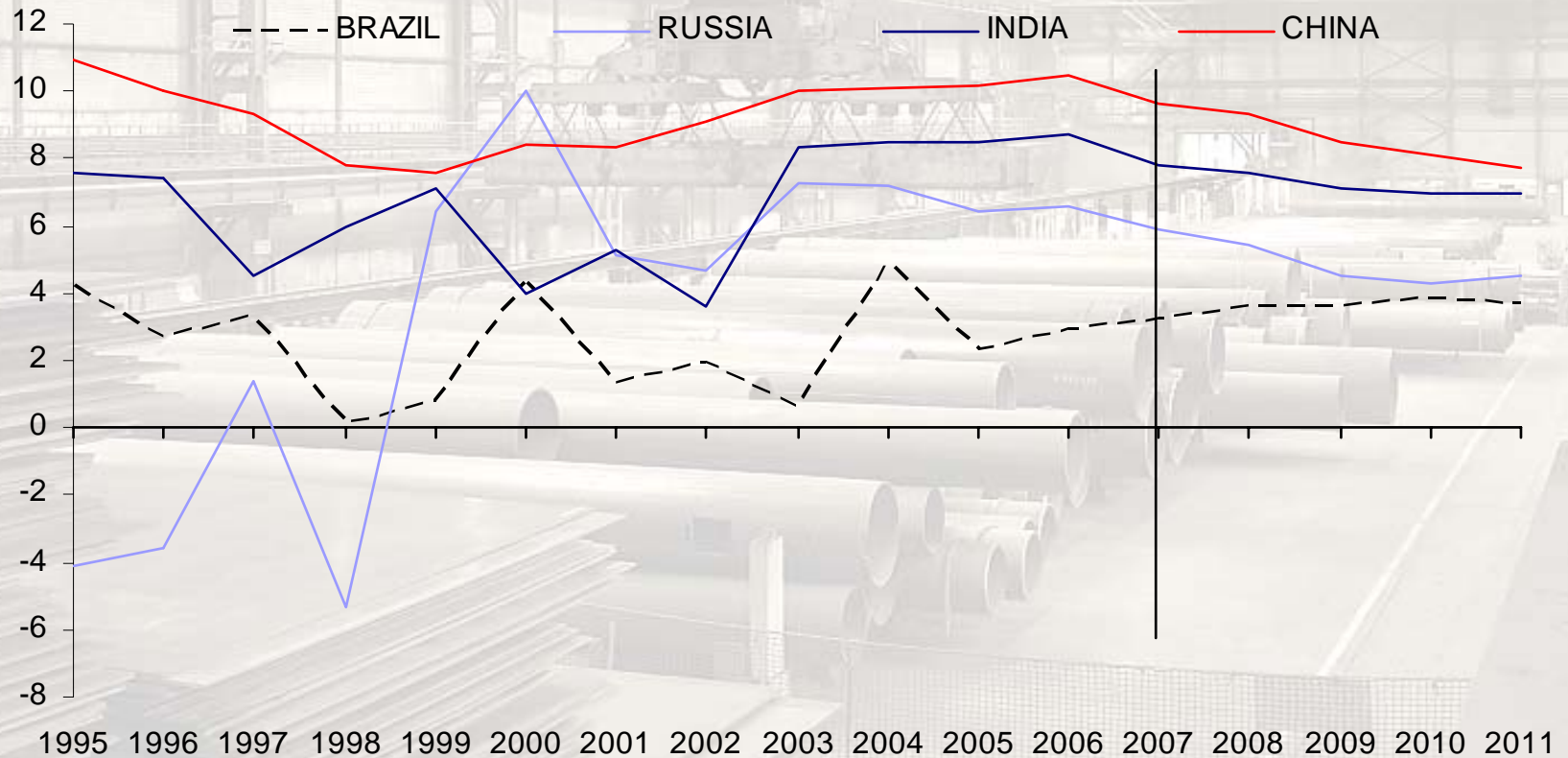
- **Notice of initiation: 1st June, 2006**
- **Return of questionnaires: 9th February, 2007.**
- **Prehearing Report: 22nd March, 2007**
- **Prehearing briefs of parties due: 2nd April, 2007.**
 - **Hearing: 12th April - 9:30 AM.**
 - **Post hearing briefs of parties due: 23rd April**
 - **Final Report: 14th May**
 - **Closing report: 22nd May**
 - **Final Comments: 24th May**
 - **ITC vote on May 31st**
 - **ITC to send decision to DoC around 15th June***
- **DoC to publish Order in Federal Register around June 28**
- **Customs to implement. Taking into account holidays decisions likely to be in place on week of July 9th**

Average long term growth rates remain positive...



Source: BCA Research, MBR

...with the BRIC economies continuing to perform well



Source: BCA Research, MBR

Which should help keep energy demand and prices supported

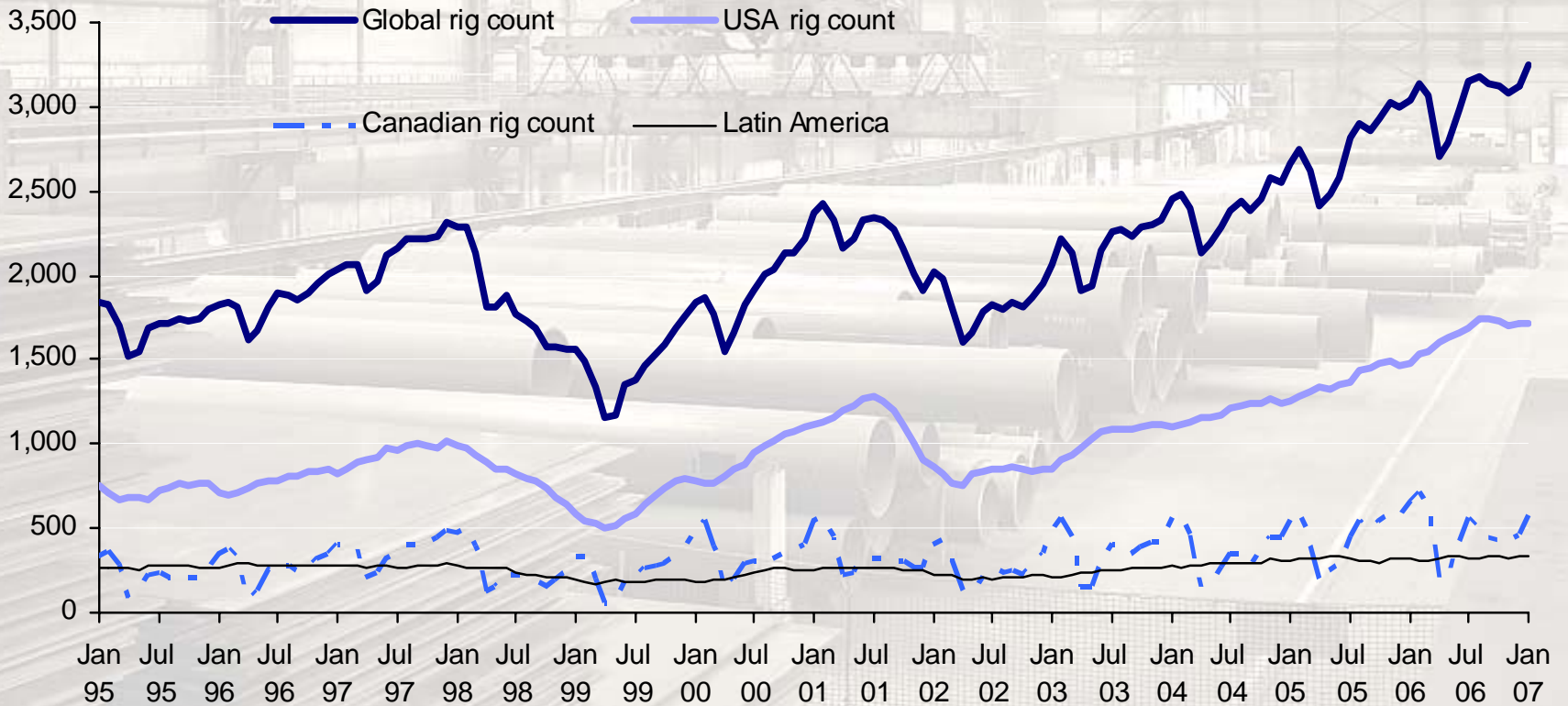
Oil price swings are more volatile in dollar terms but prices remain high enough to encourage increased drilling and continuation of massive investment programs



Source: Nymex, MBR

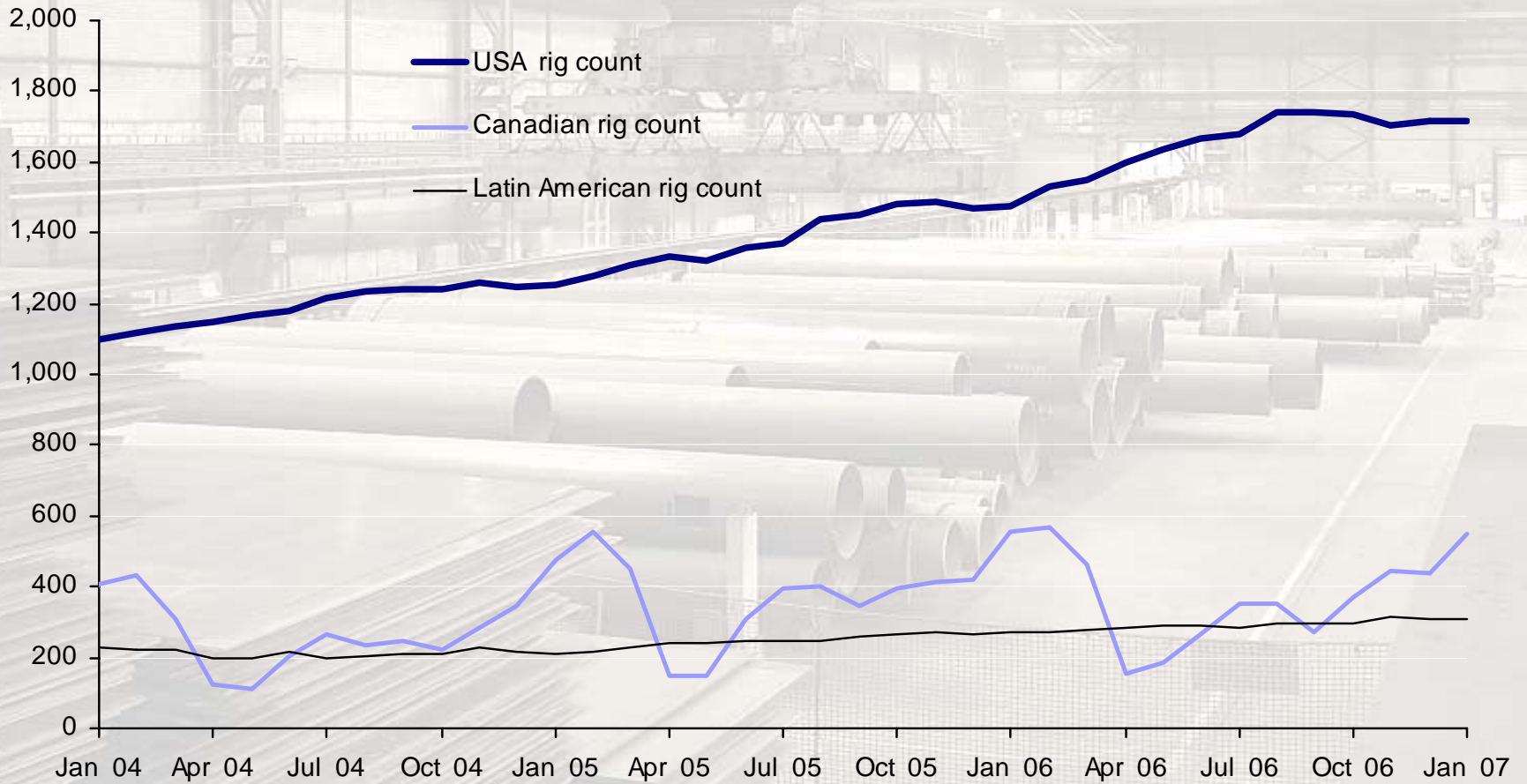
Source: Nymex, MBR

High energy prices should continue to see global E&P activity increase



Source, Baker Hughes, MBR

With the US market taking its fair share of the investment



Source, Baker Hughes, MBR

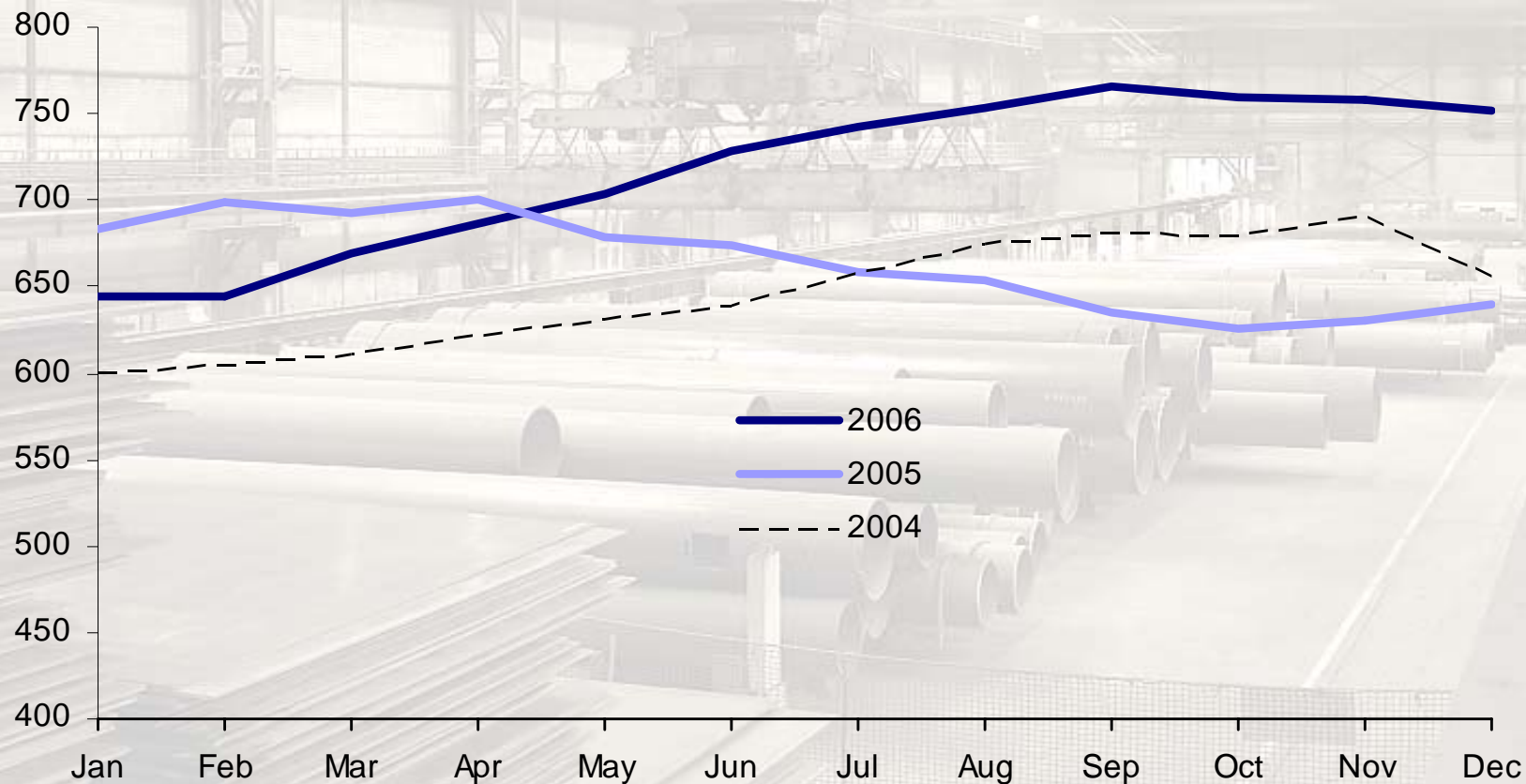
Shorter term we expect to see prices staying largely in a \$55/barrel to \$65/barrel range



Source: Nymex, MBR

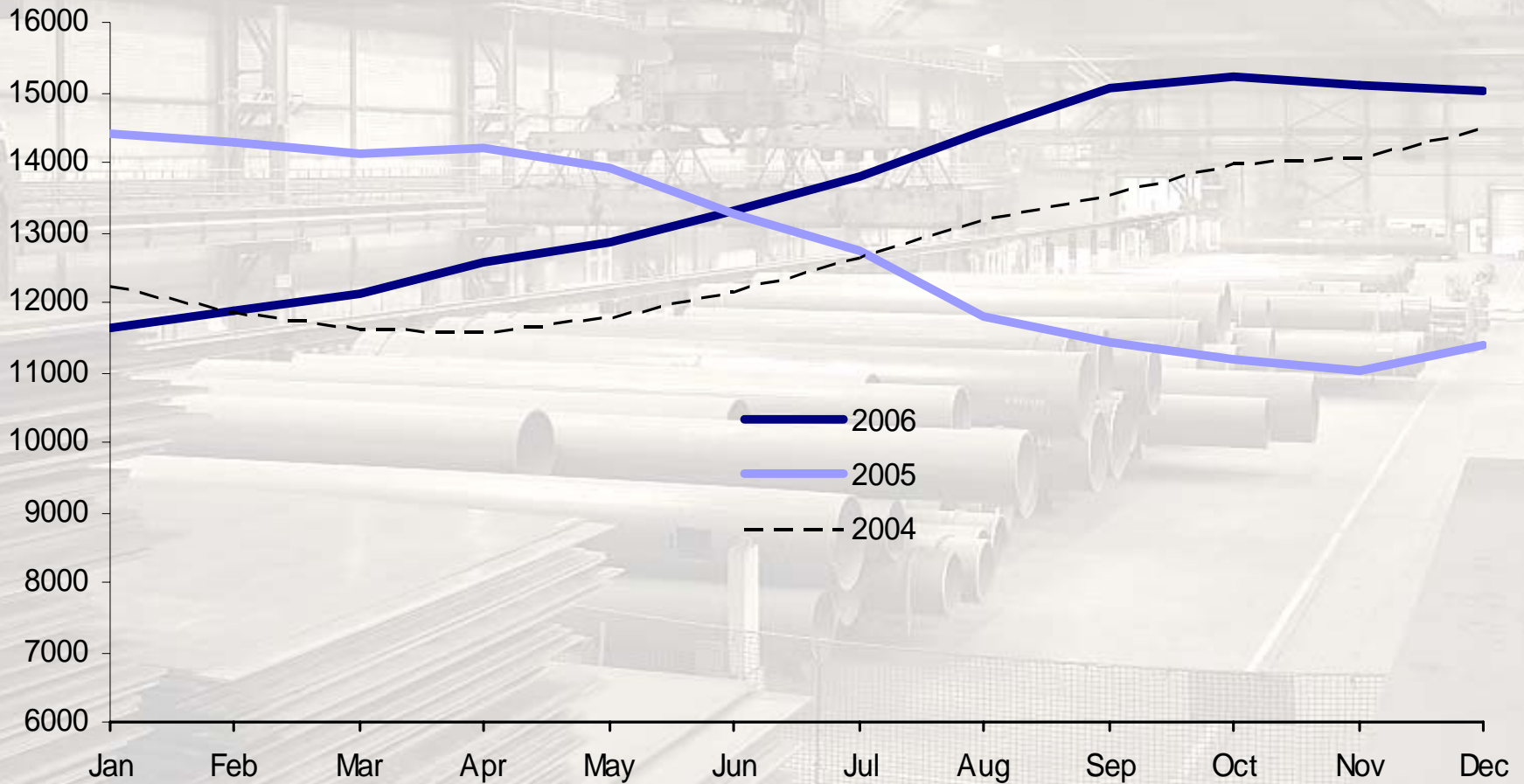
Source: Nymex, MBR

Steel tube and pipe inventories as reported by MSCI members shot higher over the second half of 2006...



Source: Metals Service Centre Institute, MBR

...reflective of the trend witnessed in all carbon steel markets in 2006



Source: Metals Service Centre Institute, MBR

As yet the outlook for steel tube and pipe is not as bullish as for steel flats and longs

Steel Tube & Pipe	North America	Western Europe	Asia/Australia	All Regions
Recent price trends	Bearish	Moderately bullish	Moderately bullish	Neutral
3-month price trends	Bullish	Bullish	Neutral	Bullish
Current stock level perception	High	Below normal	Normal	Normal
3-month restocking activity	Destocking	Unchanged	Unchanged	Some destocking
Cap Utilisation perception	Above normal	Very high	Very high	High
3-month production outlook	Higher	Higher	Higher	Higher

Steel	North America	Western Europe	Asia/Australia	All Regions
Recent price trends	Moderately bullish	Bullish	Bullish	Bullish
3-month price trends	Very bullish	Bullish	Very bullish	Bullish
Current stock level perception	High	Normal	Normal	Above normal
3-month restocking activity	Destocking	Unchanged	Unchanged	Unchanged
Cap Utilisation perception	Below normal	High	High	Above normal
3-month production outlook	Higher	Moderately higher	Much higher	Higher

Source: MBRs Metal Trends Index, February 2007

Thank you for your time

If you have any questions regarding this presentation or MBR's research capability in any steel product sectors, then please do not hesitate to contact myself:

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