



Rural Development

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NATIONAL PRODUCT WAIVER (OF AIS) FOR PIG IRON AND DIRECT
REDUCED IRON

BACKGROUND:

Section 746 Division A Title III the Consolidated Farm and Rural Development Acts of 2017 states:

(a)(1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by sections 306, 306A, 306C, 306D, 306E, and 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater system unless all of the iron and steel products used in the project are produced in the United States.

(2) In this section, the term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

(b) Subsection (a) shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that—

- (1) applying subsection (a) would be inconsistent with the public interest;
- (2) iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
- (3) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

(c) If the Secretary or the designee receives a request for a waiver under this section, the Secretary or the designee shall make available to the public on an informal basis a copy of the request and information available to the Secretary or the designee concerning the request, and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Secretary or the designee shall make the request and accompanying information available by electronic means, including on the official public Internet Web site of the Department.

DEFINITIONS:

"Pig iron" is a product of iron ore smelting in a blast furnace. It is made from molten iron, which has been cast in the shape of "pigs" as it comes from the blast furnace. Direct reduced iron is produced from iron ore, pellets or fines which are reduced in a solid state using natural gas or another reductant. Pig iron and direct reduced iron are used by the manufacturing industry to supplement their iron and steel scrap material feed source to achieve required composition to achieve the quality required by the industry.

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JUSTIFICATION:

The EPA's market research, supported by comments from manufacturers, has shown that pig iron and direct reduced iron are not produced in the United States in sufficient and reasonably available quantities. On 18 February 2015, the EPA issued a waiver for iron and steel products composed of non-domestic pig iron and direct reduced iron. Rural communities frequently leverage USDA's funding on individual projects with the EPA's State Revolving Fund programs, which have similar AIS requirements. To support RD's customers and mission of improving the quality of life in rural communities, USDA should implement a similar waiver for consistent application of AIS requirements. The Engineering and Environmental Staff (EES) recommends approval of this waiver under the authority granted to the Secretary, and delegated by memorandum to the RUS Administrator, by Section 746 (b) (2) of the 2017 Appropriations Act which states that a waiver may be granted in cases where "iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality."

By executing this waiver, USDA will avoid delaying projects while processing the expected high volume of administrative reviews associated with individual waiver requests for these items. Delays may affect project cost and could lead to cost overruns as well as higher utility rates for low income rural communities. RD customers may also question why the EPA and FHWA have determined such a waiver to be merited and USDA has not, given the supply limitations and almost identical requirements for the two agencies.

WAIVER:

This waiver permits the use of pig iron and direct reduced iron manufactured outside of the United States in domestic manufacturing processes for iron and steel production that are subsequently used in iron and steel products for water and waste projects funded by WEP. Approval of this waiver is supported by Section 746 (b)(2), which allows for a waiver in cases where "...iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality." The effective date of this waiver will be retroactive to 5 May 2017.