Steel Imports – Tariffs and Quotas

In March 2018, the first Trump Administration initiated new imported steel and aluminum tariffs under the authority of Section 232 of the Trade Expansion Act of 1962. In February 2025, the second Trump Administration revised these tariffs to make them more comprehensive and eliminate exceptions. The scope of these tariffs affects American oil and natural gas producers. Among the key issues are potentially higher prices for Oil Country Tubular Goods (OCTG) and Line Pipe (LP) due to both tariffs and increased domestic steel prices.

Background

Section 232 of the Trade Expansion Act of 1962 provides the President authority to impose trade restrictions – tariff and/or quotas – on imported products if necessary to protect national security. The Department of Commerce completed a Section 232 analysis concluding that the current level of steel and aluminum imports posed a threat to national security and recommended actions to increase production of domestic steel to 80 percent of its capacity. The President announced steel tariffs (25 percent) and aluminum tariffs (10 percent) that became effective on March 19, 2018. These tariffs were expanded and increased for aluminum (25 percent) in February 2025.

American independent producers utilize OCTG and LP steel products to develop and produce oil and natural gas resources. These steel products include OCTG such as carbon steel casing and alloyed steel tubing that build and complete the wellbore and LP that are both carbon steel and alloyed steel used to move oil and natural gas on the surface of the well site and for transport off the well site to pipelines or storage. These products typically range from 10 to 20 percent of well development costs.

Over the past few years, domestic steel products have captured more than 50 percent of the OCTG and LP market. However, historically, imports have provided from 35 to 55 percent of OCTG, and many of the alloyed steel products are not produced in the United States and must be imported.

Issues

Recent development of unconventional American oil and natural gas production changed the fundamentals of American energy. After decades of severe dependency on foreign oil and facing a future of imported liquefied natural gas, the United States now is realizing new production, generating not only new unconventional supplies to address critical national needs but the capability to export record volumes as well as a comprehensive product range of oil and natural gas. Increased American energy production creates both domestic security and the capacity to influence international affairs.

Consequently, the impact of added costs can seriously constrain American oil and natural gas producers.

Conclusions

Revival of American oil and natural gas production created a strong national economic force, a new capacity for American exports into the world marketplace, and a major factor in international energy policies – the inherent framework of the Trump Administration's energy dominance initiatives. Steel and aluminum tariffs could undermine these successes and the national security benefits that they provide.

As the Administration's steel and aluminum production policies continue to evolve, the Administration needs to understand and address unintended consequences. Among these are understanding the magnitude of cost increases for oil and natural gas production development and the implications for continued strong American production.

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