UNITED STATES STEEL CORP
Form 10-K
February 28, 2012
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2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2011

Commission file number 1-16811

(Exact name of registrant as specified in its charter)

Delaware	**25-1897152**
(State of Incorporation)	(I.R.S. Employer Identification No.)

600 Grant Street, Pittsburgh, PA 15219-2800

(Address of principal executive offices)

Tel. No. (412) 433-1121

Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	**Name of Exchange on which Registered**
United States Steel Corporation Common Stock, par value $1.00	**New York Stock Exchange, Chicago Stock Exchange**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes _____ No ü

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for at least the past 90 days. Yes ü No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ü

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ü	Accelerated filer _____
Non-accelerated filer _____	Smaller reporting company _____

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes _____ No__ü__

Aggregate market value of Common Stock held by non-affiliates as of June 30, 2011 (the last business day of the registrant s most recently completed second fiscal quarter): $6.6 billion. The amount shown is based on the closing price of the registrant s Common Stock on the New York Stock Exchange composite tape on that date. Shares of Common Stock held by executive officers and directors of the registrant are not included in the computation. However, the registrant has made no determination that such individuals are affiliates within the meaning of Rule 405 under the Securities Act of 1933.

There were 150,925,911 shares of United States Steel Corporation Common Stock outstanding as of February 16, 2012.

Documents Incorporated By Reference:

Portions of the Proxy Statement for the 2012 Annual Meeting of Stockholders are incorporated into Part III.

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FORWARD-LOOKING STATEMENTS

Certain sections of the Annual Report of United States Steel Corporation (U. S. Steel) on Form 10-K, particularly Item 1. Business, Item 1A. Risk Factors, Item 3. Legal Proceedings, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk, include forward-looking statements concerning trends or events potentially affecting U. S. Steel. These statements typically contain words such as anticipates, believes, estimates, expects or similar words indicating that future outcomes are uncertain. In accordance with safe harbor provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For additional factors affecting the businesses of U. S. Steel, see Item 1A. Risk Factors and Supplementary Data Disclosures About Forward-Looking Statements. References in this Annual Report on Form 10-K to U. S. Steel, the Company, we, us and our refer to U. S. Steel and its consolidated subsidiaries, unless otherwise indicated by the context.

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PART I

Item 1. BUSINESS

U. S. Steel is an integrated steel producer of flat-rolled and tubular products with major production operations in North America and Europe. An integrated producer uses iron ore and coke as primary raw materials for steel production. U. S. Steel has annual raw steel production capability of 31.7 million net tons (tons) (24.3 million tons in North America and 7.4 million tons in Europe). As further described below, on January 31, 2012, we sold U. S. Steel Serbia d.o.o. (USSS). According to World Steel Association s latest published statistics, we were the eighth largest steel producer in the world in 2010. U. S. Steel is also engaged in other business activities consisting primarily of transportation services (railroad and barge operations) and real estate operations.

The global economic recession that began in 2008 greatly affected U. S. Steel and many of the markets we serve. The United States and Canada have experienced improvement in the overall North American economy as a modest, but uneven recovery continues. Our results continue to be affected by difficult economic conditions in several of the key business sectors we serve in North America and Europe. Some North American markets, such as automotive, have had significant improvement from the depths of the recession, although not yet reaching pre-recession levels, while other markets, such as construction, have shown very little improvement. Our Tubular operations have benefitted from demand for energy related products resulting mainly from the continued strength of drilling in North American shale formations as well as a return to exploration and development in the Gulf of Mexico. The ongoing European Union (EU) sovereign debt and other economic challenges have negatively impacted our European operations. For further discussion, see Business Strategy, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations Overview, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Supplementary Data Disclosures About Forward-Looking Statements.

On January 31, 2012, U. S. Steel sold USSS to the Republic of Serbia for a purchase price of one dollar. In addition,
U. S. Steel Ko ice received a $40 million payment for certain intercompany balances owed by U. S. Steel Serbia for raw materials and support services. U. S. Steel expects to record a total non-cash charge of approximately $400 million in the first quarter of 2012, which includes the loss on the sale and a charge of approximately $50 million to recognize the cumulative currency translation adjustment related to USSS.

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Segments

U. S. Steel has three reportable operating segments: Flat-rolled Products (Flat-rolled), U. S. Steel Europe (USSE) and Tubular Products (Tubular). The results of several operating segments that do not constitute reportable segments are combined and disclosed in the Other Businesses category.

The Flat-rolled segment includes the operating results of U. S. Steel s North American integrated steel mills and equity investees involved in the production of slabs, rounds, strip mill plates, sheets and tin mill products, as well as all iron ore and coke production facilities in the United States and Canada. These operations primarily serve North American customers in the service center, conversion, transportation (including automotive), construction, container, and appliance and electrical markets. Flat-rolled supplies steel rounds and hot-rolled bands to Tubular.

Flat-rolled has annual raw steel production capability of 24.3 million tons. Raw steel production was 18.6 million tons in 2011, 18.4 million tons in 2010 and 11.7 million tons in 2009. Raw steel production averaged 77 percent of capability in 2011, 76 percent of capability in 2010 and 48 percent of capability in 2009.

The USSE segment included the operating results of U. S. Steel Ko ice (USSK), U. S. Steel s integrated steel mill and coke production facilities in Slovakia; U. S. Steel Serbia (USSS), U. S. Steel s integrated steel mill and other facilities in Serbia; and an equity investee. USSS was sold on January 31, 2012. USSE primarily serves customers in the European construction, service center, conversion, container, transportation (including automotive), appliance and electrical, and oil, gas and petrochemical markets. USSE produces and sells slabs, sheet, strip mill plate, tin mill products and spiral welded pipe, as well as heating radiators and refractory ceramic materials.

USSE had annual raw steel production capability of 7.4 million tons, which consists of 5.0 million and 2.4 million tons from USSK and USSS, respectively. On January 31, 2012, USSS was sold, reducing USSE s annual steel capacity to 5.0 million tons. USSE s raw steel production was 5.6 million tons in 2011, 6.1 million tons in 2010 and 5.1 million tons in 2009. USSE s raw steel production averaged 76 percent of capability in 2011, 82 percent of capability in 2010 and 69 percent of capability in 2009.

The Tubular segment includes the operating results of U. S. Steel s tubular production facilities, primarily in the United States, and equity investees in the United States and Brazil. These operations produce and sell seamless and electric resistance welded (ERW) steel casing and tubing (commonly known as oil country tubular goods or OCTG), standard and line pipe and mechanical tubing and primarily serve customers in the oil, gas and petrochemical markets. Tubular s annual production capability is 2.8 million tons.

All other U. S. Steel businesses not included in reportable segments are reflected in Other Businesses. These businesses include transportation services (railroad and barge operations) and real estate operations.

For further information, see Note 3 to the Financial Statements.

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Financial and Operational Highlights

Net Sales

(a) Includes the former Lone Star facilities from the date of acquisition on June 14, 2007 and USSC from the date of acquisition on October 31, 2007.

Net Sales by Segment

(Dollars in millions, excluding intersegment sales)	2011	2010	2009
Flat-rolled	**$ 12,367**	$ 10,848	$ 6,814
USSE	**4,306**	3,989	2,944
Tubular	**3,034**	2,403	1,216
Total sales from reportable segments	**19,707**	17,240	10,974
Other Businesses	**177**	134	74
Net sales	**$ 19,884**	$ 17,374	$ 11,048

Income (Loss) from Operations by Segment[a]

	Year Ended December 31,		
(Dollars in Millions)	2011	2010	2009
Flat-rolled[b]	**$ 469**	$ (261)	$ (1,399)
USSE	**(162)**	(33)	(208)
Tubular[b]	**316**	353	60
Total income (loss) from reportable segments[b]	**623**	59	(1,547)
Other Businesses[b]	**46**	55	
Reportable segments and Other Businesses income (loss) from operations[b]	**669**	114	(1,547)
Postretirement benefit expenses[b]	**(386)**	(231)	(178)
Other items not allocated to segments:			
Federal excise tax refund			34
Litigation reserve			45
Net gain on the sale of assets		6	97
Environmental remediation charge	**(18)**		(49)
Workforce reduction charges			(86)
Total income (loss) from operations	**$ 265**	$ (111)	$ (1,684)

(a) See Note 3 to the Financial Statements for reconciliations and other disclosures required by Accounting Standards codification Topic 280.

(b) Amounts prior to 2011 have been restated to reflect a change in our segment allocation methodology for postretirement benefit expenses as disclosed in Note 3 to the Financial Statements.

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Reportable Segments and Other Businesses Income (Loss) from Operations (IFO)

(a) Includes the former Lone Star facilities from the date of acquisition on June 14, 2007 and USSC from the date of acquisition on October 31, 2007.
(b) Amounts prior to 2011 have been restated to reflect a change in our segment allocation methodology for postretirement benefit expenses as disclosed in Note 3 to the Financial Statements.

Steel Shipments

(a) Includes the former Lone Star facilities from the date of acquisition on June 14, 2007 and USSC from the date of acquisition on October 31, 2007.

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Steel Shipments by Product and Segment

The following table does not include shipments to end customers by joint ventures and other equity investees of U. S. Steel, but instead reflects the shipments of substrate materials, primarily hot-rolled and cold-rolled sheets, to those entities.

(Thousands of Tons)

	Flat-rolled	USSE	Tubular	Total
Product 2011				
Hot-rolled Sheets	**5,421**	**1,940**		**7,361**
Cold-rolled Sheets	**4,311**	**707**		**5,018**
Coated Sheets	**3,136**	**816**		**3,952**
Tin Mill Products	**1,177**	**528**		**1,705**
Oil country tubular goods (OCTG)			**1,276**	**1,276**
Standard and line pipe		**8**	**408**	**416**
Semi-finished and Plates	**1,464**	**865**		**2,329**
Other		**68**	**128**	**196**
TOTAL	**15,509**	**4,932**	**1,812**	**22,253**
Memo: Intersegment Shipments from				
Flat-rolled to Tubular				
Hot-rolled sheets	**1,554**			
Rounds	**686**			
Product 2010				
Hot-rolled Sheets	4,963	2,191		7,154
Cold-rolled Sheets	4,340	752		5,092
Coated Sheets	2,893	878		3,771
Tin Mill Products	1,340	583		1,923
Oil country tubular goods (OCTG)			1,103	1,103
Standard and line pipe		9	360	369
Semi-finished, Bars and Plates	1,765	982		2,747
Other		69	88	157
TOTAL	15,301	5,464	1,551	22,316
Memo: Intersegment Shipments from				
Flat-rolled to Tubular				
Hot-rolled sheets	895			
Rounds	706			
Product 2009				
Hot-rolled Sheets	3,173	1,896		5,069
Cold-rolled Sheets	3,152	655		3,807
Coated Sheets	1,882	793		2,675
Tin Mill Products	1,253	534		1,787
Oil country tubular goods (OCTG)			420	420
Standard and line pipe		5	155	160
Semi-finished, Bars and Plates	401	498		899
Other		82	82	164

TOTAL	9,861	4,463	657	14,981
Memo: Intersegment Shipments from				
Flat-rolled to Tubular				
Hot-rolled sheets	117			
Rounds	376			

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Steel Shipments by Market and Segment

The following table does not include shipments to end customers by joint ventures and other equity investees of U. S. Steel. Shipments of materials to these entities are included in the Further Conversion Joint Ventures market classification. No single customer accounted for more than 10 percent of gross annual revenues.

(Thousands of Tons)

	Flat-rolled	USSE	Tubular	Total
Major Market 2011				
Steel Service Centers	**2,988**	**943**		**3,931**
Further Conversion Trade Customers	**4,805**	**539**	**(6)**	**5,338**
Joint Ventures	**1,803**			**1,803**
Transportation (Including Automotive)	**2,268**	**707**		**2,975**
Construction and Construction Products	**870**	**1,622**	**128**	**2,620**
Containers	**1,221**	**525**		**1,746**
Appliances and Electrical Equipment	**650**	**328**		**978**
Oil, Gas and Petrochemicals		**14**	**1,526**	**1,540**
Exports from the United States	**572**		**164**	**736**
All Other	**332**	**254**		**586**
TOTAL	**15,509**	**4,932**	**1,812**	**22,253**
Major Market 2010				
Steel Service Centers	3,214	1,106		4,320
Further Conversion Trade Customers	4,243	676	13	4,932
Joint Ventures	1,835			1,835
Transportation (Including Automotive)	2,136	629	3	2,768
Construction and Construction Products	821	1,764	38	2,623
Containers	1,398	586		1,984
Appliances and Electrical Equipment	703	319		1,022
Oil, Gas and Petrochemicals		11	1,438	1,449
Exports from the United States	687		59	746
All Other	264	373		637
TOTAL	15,301	5,464	1,551	22,316
Major Market 2009				
Steel Service Centers	1,998	882	1	2,881
Further Conversion Trade Customers	2,203	461	11	2,675
Joint Ventures	1,283			1,283
Transportation (Including Automotive)	1,258	387	4	1,649
Construction and Construction Products	653	1,615	22	2,290
Containers	1,296	517		1,813
Appliances and Electrical Equipment	755	248		1,003
Oil, Gas and Petrochemicals		17	551	568

Exports from the United States	322		68	390
All Other	93	336		429
TOTAL	9,861	4,463	657	14,981

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Business Strategy

Over the long term, our strategy is to be forward-looking, grow responsibly, generate a competitive return on capital and meet our financial and stakeholder obligations. We remain committed to being a world leader in safety and environmental stewardship; improving our quality, cost competitiveness and customer service; and attracting, developing and retaining a diverse workforce with the talent and skills needed for our long-term success.

Through 2011, the six-year trends for our key safety measurements: global rate of recordable injuries, global days away from work rate and global severity rate showed improvement of 47 percent, 66 percent and 88 percent respectively, as shown in the following graphs.

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Our commercial strategy is focused on providing value-added steel products, including advanced high strength steel and coated sheets for the automotive and appliance industries, electrical steel sheets for the manufacture of motors and electrical equipment, galvanized and Galvalume® sheets for construction, tin mill products for the container industry and oil country tubular goods for the oil and gas industry, including providing high quality steel to the developing North American shale oil and gas market. In addition, our European operations concentrate on being a dependable source of high-quality steel to meet the needs of the developing central European markets.

We are committed to meeting our customers requirements by developing new steel products and uses for steel. In connection with this commitment we have research centers in Pittsburgh, Pennsylvania, and Ko ice, Slovakia. We also have an automotive center in Troy, Michigan and in 2011 we completed construction of an innovation and technology center for Tubular products in Houston, Texas. The focus of these centers is to develop new products and to work with our customers to serve their needs. Examples of our customer focused product innovation include the development of advanced high strength steels, including Dual-Ten® and TRIP steels, that provide high strength to meet safety requirements while significantly reducing weight to meet fuel efficiency requirements and our PATRIOT TC® tubular connections to meet our customers needs in horizontal drilling and deep well applications such as Marcellus Shale.

Our decisions concerning what facilities to operate and at what levels are made based upon our customers orders for products as well as the capabilities and cost performance of our locations. In depressed markets such as those experienced in the recent recession, we concentrated production operations at several plant locations and did not operate others in response to customer demand. Similarly we are not currently operating the steelmaking facilities at Hamilton Works, but recently restarted operation of the third blast furnace at USSK reflecting current market demand. The USSS facility was sold to the Republic of Serbia on January 31, 2012.

With regard to capital investments, we remain focused on a number of key projects of strategic importance in each of our three business segments. We have made significant progress to improve our self-sufficiency and reduce our reliance on coke for the steel making process through the application of advanced technologies, upgrades to our existing coke facilities and increased use of natural gas and pulverized coal in our operations. This may enable us to minimize additional capital investments in coke and carbon alloy projects in the future. Engineering and

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construction of a technologically and environmentally advanced battery at the Mon Valley Works Clairton Plant with a projected capacity of 960,000 tons per year is underway with completion expected near year-end 2012. We are constructing a carbon alloy facility at Gary Works which utilizes an environmentally compliant, energy efficient and flexible production technology to produce a coke substitute with a projected capacity of 500,000 tons per year with completion expected in the second half of 2012. We expect both of these projects to reach full production capability in 2013. We completed construction of our blast furnace coal injection facilities in Europe. The facilities became operational in 2011 and provide our European blast furnaces access to pulverized coal, traditionally a lower cost source of carbon than coke. We continue to pursue the use of natural gas in our operations, primarily in North America, given the significant cost and environmental advantages of this fuel. These projects tend to be smaller projects with limited capital cost. In order to more efficiently serve our tubular product customers increased focus on North American shale resources, the construction of an additional quench and temper line was completed during the third quarter of 2011 along with the installation of a hydrotester, threading and coupling and inspection stations at our Lorain Tubular Operations in Ohio. We are currently developing additional projects that will further enhance our ability to support our North American Tubular customers evolving needs. In an effort to increase our participation in the automotive market as vehicle emission and safety requirements become more stringent, PRO-TEC Coating Company, our joint venture in Ohio with Kobe Steel, Ltd., has a new automotive continuous annealing line under construction that is being financed at the joint-venture level and is expected to reach full production by the end of 2013. We are also continuing our efforts to implement an enterprise resource planning (ERP) system to replace outdated systems and to help us operate more efficiently. The completion of the ERP project is expected to provide further opportunities to streamline, standardize and centralize business processes in order to maximize cost effectiveness, efficiency and control across our global operations. Over the longer term, we are considering business strategies to leverage our significant iron ore position in the United States, and to exploit opportunities related to the availability of reasonably priced natural gas as an alternative to coke in the iron reduction process to improve our cost competitiveness, while reducing our dependence on coal and coke. We are considering an expansion of our iron ore pellet operations at Keewatin, MN (Keetac) facility, which would increase our production capability by approximately 3.6 million tons thereby increasing our iron ore self-sufficiency. Final permitting for the expansion was completed in December 2011. The total cost of this project as currently conceived is broadly estimated to be approximately $800 million. We also are examining alternative iron and steelmaking technologies such as gas-based, direct-reduced iron and electric arc furnace (EAF) steelmaking. Our capital investments in the future may reflect such strategies, although we expect that iron and steel-making through the blast furnace and basic oxygen furnace manufacturing processes will remain our primary processing technology for the long term.

We are committed to reducing emissions as well as our carbon footprint. We have an established program to investigate, share and create innovative, best practice solutions throughout U. S. Steel to manage and reduce energy intensity and CO_2 emissions. We are also committed to investing in technology to move the steelmaking process in an even more environmentally responsible direction by investing in low emission technologies. In addition to the environmentally compliant projects noted above, we entered into a 15 year coke supply agreement with Gateway Energy & Coke Company, LLC in connection with its heat recovery coke plant located at Granite City Works which began operations in the fourth quarter of 2009.

In 2011, we achieved air opacity performance improvements at our domestic coke plants. Continuous process improvements have allowed us to make environmental progress through the utilization of enhanced refractory repair programs and strategic, focused maintenance on the structural integrity of our coke batteries as well as use of data analysis to track our coke oven performance allowing us to pro-actively prioritize repairs.

All of our major production facilities are ISO 14001 certified and we continue to focus on implementing energy reduction strategies, implementation of efficient energy sources, waste reduction management as well as the utilization of by-product fuels to reduce our reliance on natural gas.

We are currently seeking application approval for an innovative approach to environmental permitting for Minntac Air and Water compliance for PM, Mercury, SO_2 and Sulfate. Once the approval process has been granted, this will be the first Multi-Media compliance solution of its type for iron-ore operations in the United States.

Our environmental stewardship is also focused on education and active involvement with local sponsorship of academic programs designed to produce an inter-active learning experience for the participants on the importance of environmental responsibility and awareness.

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During 2011, we were re-certified from the Wildlife Habitat Council (WHC) for our Wildlife at Work program at our South Taylor Environmental Park (STEP) near Pittsburgh, Pennsylvania, which incorporates interaction with elementary school programs in Western Pennsylvania. In addition, we renewed our WHC certification under the Corporate Lands for Learning Program at STEP, Clairton and Gary Works.

We continue to assess North American and international expansion and divestment opportunities and carefully weigh them in light of changing global steel and financial market conditions and long-term value considerations. We may consider 100 percent acquisition opportunities, joint ventures and other arrangements.

The foregoing statements regarding expected capital expenditures, capital projects, emissions reductions and expected benefits from the implementation of the ERP project and environmental projects are forward-looking statements. Factors that may affect our capital spending and the projects include: (i) levels of cash flow from operations; (ii) changes in tax laws; (iii) general economic conditions; (iv) steel industry conditions; (v) cost and availability of capital; (vi) receipt of necessary permits; and (vii) unforeseen hazards such as contractor performance, material shortages, weather conditions, explosions or fires. There is also a risk that the completed projects will not produce at the expected levels and within the costs currently projected. Predictions regarding benefits resulting from the implementation of the ERP project are subject to uncertainties. Actual results could differ materially from those expressed in these forward-looking statements.

Our financial goals are to maintain or enhance our liquidity, maintain a solid capital structure, focus capital investments on key projects of long-term strategic importance and position ourselves for success in the longer term. During 2011, we amended and restated our $750 million Credit Agreement to increase the facillity to $875 million while extending its maturity until 2016. We also amended our Receivables Purchase Agreement (RPA) to increase the maximum amount of receivables eligible for sale from $525 million to $625 million while extending its maturity until 2014. In total, these actions increased our available liquidity by $225 million. We voluntarily contributed $140 million to our main defined benefit pension plan in 2011. We refinanced $196 million of Environmental Revenue Bonds (ERBs) and have fully satisfied our obligation to Marathon Oil Corporation (Marathon) concerning the ERB obligations we assumed in connection with the separation from Marathon Oil on December 31, 2001. We maintained our strong liquidity position and ended the year with total liquidity of $1.8 billion.

Steel Industry Background and Competition

The global steel industry is cyclical, highly competitive and has historically been characterized by overcapacity.

According to the World Steel Association s latest published statistics, we were the eighth largest steel producer in the world in 2010. We believe we are currently the largest integrated steel producer headquartered in North America, one of the largest integrated flat-rolled producers in Central Europe and the largest tubular producer in North America. U. S. Steel competes with many North American and international steel producers. Competitors include integrated producers which, like U. S. Steel, use iron ore and coke as primary raw materials for steel production, and EAF producers, which primarily use steel scrap and other iron-bearing feedstocks as raw materials. In addition, other products, such as plastics and composites, compete with steel in some applications.

EAF producers typically require lower capital expenditures for construction of facilities and may have lower total employment costs; however, these competitive advantages may be minimized or eliminated by the cost of scrap when scrap prices are high. Some mini-mills utilize thin slab casting technology to produce flat-rolled products and are increasingly able to compete directly with integrated producers in a number of flat-rolled products previously produced only by integrated steelmaking. U. S. Steel provides defined benefit pension and other postretirement benefits to approximately 115,000 retirees and their beneficiaries. EAF producers and most of our other competitors do not have comparable

retiree obligations.

International competitors may have lower labor costs than U.S. producers and some are owned, controlled or subsidized by their governments, allowing their production and pricing decisions to be influenced by political, social and economic policy considerations, as well as prevailing market conditions.

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Through our wholly owned operations and our share of joint ventures, we have adequate iron ore pellet production to cover a significant portion of our North American needs and have secured the remaining iron ore pellets for our North American operations through contracts. With our own coke production facilities and a long-term coke supply agreement with Gateway Energy & Coke Company, LLC (Gateway), we have the capability to be nearly self sufficient for coke in North America at normal operating levels. We also have multi-year contracts for some of our North American coking coal requirements. Our relatively balanced raw materials position in North America and limited dependence on purchased steel scrap have helped mitigate the volatility of our production costs.

Our coke production in North America has declined over the last several years mainly due to the closure of one coke battery at Gary Works in 2005 and three coke batteries at the Clairton Plant in 2009. Additionally, some of our existing coke batteries are reaching the end of their useful lives. Improving our coke self sufficiency and expanding our use of natural gas as a coke substitute are important strategic objectives. During 2011, we continued construction of a technologically and environmentally advanced coke battery at the Clairton Plant of Mon Valley Works with an expected completion near year-end 2012, and a coke substitute carbon alloy facility at Gary Works, with an expected completion in the second half of 2012. We expect both of these projects to reach full production capability in 2013.

Demand for flat-rolled products is influenced by a wide variety of factors, including but not limited to macro-economic drivers, the supply-demand balance, inventories, imports and exports, currency fluctuations, and the demand from flat-rolled consuming markets. The largest drivers of North American consumption have historically been the automotive and construction markets which make up more than 50 percent of total sheet consumption. Other sheet consuming industries include appliance, converter, container, tin, energy, electrical equipment, agricultural, domestic and commercial equipment and industrial machinery.

USSE conducts business primarily in Europe. Like our domestic operations, USSE is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions. The sovereign debt issues and the resulting economic uncertainties adversely affected markets in the EU. We are subject to market conditions in those areas which are influenced by many of the same factors that affect U.S. markets, as well as matters specific to international markets such as quotas, tariffs and other protectionist measures. As discussed above, we sold our Serbian operations on January 31, 2012.

Demand for oil country tubular goods depends on several factors, most notably the number of oil and natural gas wells being drilled, completed and re-worked, the depth and drilling conditions of these wells and the drilling techniques utilized. The level of these activities depends primarily on the demand for natural gas and oil and the expectation of future prices of these commodities. Demand for our tubular products is also affected by the continuing development of shale oil and gas resources, the level of inventories maintained by manufacturers, distributors, and end users and by the level of imports in the markets we serve.

Steel imports to the United States accounted for an estimated 13 percent of the U.S. steel market in 2011 and 2010 and 15 percent in 2009. Increases in future levels of imported steel could reduce future market prices and demand levels for steel produced in our North American facilities.

Imports of flat-rolled steel to Canada accounted for an estimated 36 percent of the Canadian market for flat-rolled steel products in 2011, 40 percent in 2010 and 39 percent in 2009.

Energy related tubular products imported into the United States accounted for an estimated 46 percent in 2011 and 2010 and 58 percent in 2009.

Many of these imports have violated U.S. or Canadian trade laws. Under these laws, duties can be imposed against dumped products, which are products sold at a price that is below that producer s sales price in its home market or at a price that is lower than its cost of production. Countervailing duties can be imposed against products that benefited from foreign government financial assistance for the benefit of the production, manufacture, or exportation of the product. For many years, U. S. Steel, other producers, customers and the United Steelworkers (USW) have sought the imposition of duties and in many cases have been successful. Such duties are generally subject to review every five years and we actively participate in such review proceedings. As in the past, U. S. Steel continues to monitor unfairly traded imports and is prepared to seek appropriate remedies against such imports.

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In May 2011, the U.S. International Trade Commission (ITC) concluded its five-year (sunset) reviews of antidumping orders against hot-rolled carbon steel flat products from Brazil and Japan, a countervailing duty order against hot-rolled carbon steel flat products from Brazil, and a suspended antidumping investigation concerning hot-rolled carbon steel flat products from Russia. It determined that terminating the existing suspended antidumping duty investigation on imports of product from Russia would be likely to lead to the continuation or recurrence of material injury within a reasonably foreseeable time, and that revoking the orders against product from Brazil and Japan would not be likely to lead to the continuation or recurrence of material injury within a reasonably foreseeable time. As a result, the orders against product from Brazil and Japan have been terminated, while the suspended investigation against product from Russia will remain suspended. U. S. Steel has appealed the ITC s negative determinations with respect to Brazil and Japan to the U.S. Court of International Trade.

The U.S. Department of Commerce (DOC) and the ITC concluded their five-year (sunset) reviews of antidumping orders against seamless standard, line, and pressure pipe from Japan (large-diameter and small-diameter) and Romania (small-diameter) in August 2011 and September 2011, respectively. The DOC determined that revoking these orders would likely lead to the continuation or recurrence of dumping, and the ITC determined that revoking the orders would be likely to lead to the continuation or recurrence of material injury within a reasonably foreseeable time. As a result, the orders remain in place.

On December 19, 2011, in the case of GPX International Tire Corp. v. United States, the U. S. Court of Appeals for the Federal Circuit held that the countervailing duty statute cannot be applied to imports from non market economies including China. There are a number of countervailing duty orders involving Chinese steel.

The DOC and the ITC are currently conducting five-year (sunset) reviews of the following international trade orders of interest to U. S. Steel: (i) antidumping orders against cut-to-length steel plate from India, Indonesia, Italy, Japan and Korea and countervailing duty orders against cut-to-length steel plate from India, Indonesia, Italy and Korea; (ii) an antidumping order against tin- and chromium-coated steel sheet from Japan; and (iii) eight antidumping orders and one countervailing duty order against circular welded pipe up to 16 in diameter from Brazil, India, Korea, Mexico, Taiwan, Thailand, and Turkey.

On December 1, 2010, the Canadian International Trade Tribunal (CITT) initiated an expiry review of the Canadian antidumping orders against hot-rolled carbon and alloy steel sheet and strip from Brazil, China, Taiwan, India, South Africa and Ukraine and a subsidy order against India. On March 31, 2011, the Canada Border Services Agency (CBSA) found a likelihood of continued or resumed dumping with respect to respondent countries China, Brazil, Taiwan, India and Ukraine (and the likelihood of continued or resumed subsidization in the case of India) if the orders were to be rescinded, but it found that dumping from South Africa would not be likely to continue or resume. In August 2011, a majority of the CITT found that the expiry of the orders concerning hot-rolled carbon and alloy steel sheet and strip from Brazil, China, Taiwan, India and Ukraine would likely cause injury to the domestic industry. The CBSA will therefore continue to impose anti-dumping and/or countervailing duties on those goods. However, following the CBSA s determination that the expiry of the order on hot-rolled carbon and alloy steel sheet and strip from South Africa was unlikely to result in the continuation or resumption of dumping, the order was rescinded and the CBSA will not continue to impose anti-dumping duties on merchandise from South Africa.

Total imports of flat-rolled carbon steel products (excluding quarto plates and wide flats) to the the 27 countries currently comprising the EU were 17 percent of the EU market in 2011, 14 percent in 2010 and 15 percent in 2009. Increases in future levels of imported steel could reduce market prices and demand levels for steel produced in our European facilities.

We expect to continue to experience competition from imports and will continue to closely monitor imports of products in which we have an interest. Additional complaints may be filed if unfairly traded imports adversely impact, or threaten to adversely impact, financial results.

U. S. Steel s businesses are subject to numerous federal, state and local laws and regulations relating to the storage, handling, emission and discharge of environmentally sensitive materials. U. S. Steel believes that our major North American and many European integrated steel competitors are confronted by substantially similar environmental conditions and thus does not believe that our relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating

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restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel s competitive position with regard to domestic mini-mills, some foreign steel producers (particularly in developing economies such as China) and producers of materials which compete with steel, all of which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor varies depending on a number of factors, including the age and location of its operating facilities and its production methods. U. S. Steel is also responsible for remediation costs related to our prior disposal of environmentally sensitive materials. Many of our competitors have fewer historical liabilities. For further information, see Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

Many nations have adopted or are considering regulation of carbon dioxide (CO_2) emissions. The integrated steel process involves a series of chemical reactions involving carbon that create CO_2 emissions. This distinguishes integrated steel producers from mini-mills and many other industries where CO_2 generation is generally linked to energy usage. In the United States, the Environmental Protection Agency (EPA) has published rules for regulating greenhouse gas emissions for certain facilities and has implemented various reporting requirements. In the last Congress, legislation was passed in the House of Representatives and introduced in the Senate. We do not know what action, if any, may be taken in the future by the current or a new session of Congress. The EU has established greenhouse gas regulations and Canada has published details of a regulatory framework for greenhouse gas emissions. Such regulations may entail substantial costs for emission allowances, restriction of production, and higher prices for coking coal, natural gas and electricity generated by carbon-based systems. Some foreign nations such as China and India are not aggressively pursuing regulation of CO_2 and integrated steel producers in such countries may achieve a competitive advantage over U. S. Steel. For further information, see Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

U. S. Steel is subject to foreign currency exchange risks as a result of its European and Canadian operations. USSE s revenues are primarily in Euros and its costs are primarily in U.S. dollars and Euros. U. S. Steel Canada s (USSC s) revenues and costs are denominated in both Canadian and U.S. dollars. In addition, international cash requirements have been and in the future may be funded by intercompany loans, creating intercompany monetary assets and liabilities in currencies other than the functional currencies of the entities involved, which can impact income when they are remeasured at the end of each period. A $1.6 billion U.S. dollar-denominated intercompany loan from a U.S. subsidiary to a European subsidiary was the primary exposure at December 31, 2011.

Facilities and Locations

Flat-rolled

Except for the Fairfield pipe mill, the operating results of all the facilities within U. S. Steel s integrated steel mills in North America are included in Flat-rolled. These facilities include Gary Works, Great Lakes Works, Mon Valley Works, Granite City Works, Lake Erie Works, Fairfield Works and Hamilton Works. The operating results of U. S. Steel s coke and iron ore pellet operations and many equity investees in North America are also included in Flat-rolled.

Gary Works, located in Gary, Indiana, has annual raw steel production capability of 7.5 million tons. Gary Works has three coke batteries, four blast furnaces, six steelmaking vessels, a vacuum degassing unit and four continuous slab casters. Gary Works generally consumes all the coke it produces and sells coke by-products. Finishing facilities include a hot strip mill, two pickling lines, two cold reduction mills, three temper mills, a double cold reduction line, four annealing facilities and two tin coating lines. Principal products include hot-rolled, cold-rolled and coated sheets and tin mill products. Gary Works also produces strip mill plate in coil. We are constructing a carbon alloy facility at Gary Works which utilizes an environmentally compliant, energy efficient and flexible production technology to produce a coke substitue product. The facility has a projected capacity of 500,000 tons per year with completion expected in the second half of 2012 with full production capability in 2013. The Midwest Plant and East Chicago Tin are operated as part of Gary Works.

The Midwest Plant, located in Portage, Indiana, processes hot-rolled and cold rolled bands and produces tin mill products and hot dip galvanized, cold-rolled and electrical lamination sheets. Midwest facilities include a pickling line, two cold reduction mills, two temper mills, a double cold reduction mill, two annealing facilities, two hot dip galvanizing lines, a tin coating line and a tin-free steel line.

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East Chicago Tin is located in East Chicago, Indiana and produces tin mill products. Facilities include a pickling line, a cold reduction mill, two annealing facilities, a temper mill, a tin coating line and a tin-free steel line.

Great Lakes Works, located in Ecorse and River Rouge, Michigan, has annual raw steel production capability of 3.8 million tons. Great Lakes facilities include three blast furnaces, two steelmaking vessels, a vacuum degassing unit, two slab casters, a hot strip mill, a pickling line, a tandem cold reduction mill, three annealing facilities, a temper mill, a recoil and inspection line, an electrolytic galvanizing line and a hot dip galvanizing line. Principal products include hot-rolled, cold-rolled and coated sheets.

Mon Valley Works consists of the Edgar Thomson Plant, located in Braddock, Pennsylvania; the Irvin Plant, located in West Mifflin, Pennsylvania; the Fairless Plant, located in Fairless Hills, Pennsylvania; and the Clairton Plant, located in Clairton, Pennsylvania. Mon Valley Works has annual raw steel production capability of 2.9 million tons. Facilities at the Edgar Thomson Plant include two blast furnaces, two steelmaking vessels, a vacuum degassing unit and a slab caster. Irvin Plant facilities include a hot strip mill, two pickling lines, a cold reduction mill, three annealing facilities, a temper mill and two hot dip galvanizing lines. The Fairless Plant operates a hot dip galvanizing line. Principal products from Mon Valley Works include hot-rolled, cold-rolled and coated sheets, as well as coke and coke by-products produced at the Clairton Plant.

The Clairton Plant is comprised of nine coke batteries. Almost all of the coke produced is consumed by U. S. Steel facilities or swapped with other domestic steel producers. Coke by-products are sold to the chemicals and raw materials industries. Engineering and construction of a technologically and environmentally advanced coke battery at the Clairton Plant is underway with completion expected near year-end 2012 with full production capability in 2013.

Granite City Works, located in Granite City, Illinois, has annual raw steel production capability of 2.8 million tons. Granite City s facilities include two coke batteries, two blast furnaces, two steelmaking vessels, two slab casters, a hot strip mill, a pickling line, a tandem cold reduction mill, a hot dip galvanizing line and a hot dip galvanizing/Galvalume® line. Granite City Works generally consumes all the coke it produces and sells coke by-products. Principal products include hot-rolled and coated sheets. Gateway constructed a coke plant which began operating in October 2009 to supply Granite City Works. U. S. Steel owns and operates a cogeneration facility that utilizes by-products from the Gateway coke plant to generate heat and power.

Lake Erie Works, located in Nanticoke, Ontario, has annual raw steel production capability of 2.6 million tons. Lake Erie Works facilities include a coke battery, a blast furnace, two steelmaking vessels, a slab caster, a hot strip mill and three pickling lines. Principal products include slabs and hot-rolled sheets.

Fairfield Works, located in Fairfield, Alabama, has annual raw steel production capability of 2.4 million tons. Fairfield Works facilities included in Flat-rolled are a blast furnace, three steelmaking vessels, a vacuum degassing unit, a slab caster, a rounds caster, a hot strip mill, a pickling line, a cold reduction mill, two temper/skin pass mills, a hot dip galvanizing line and a hot dip galvanizing/Galvalume® line. Principal products include hot-rolled, cold-rolled and coated sheets, and steel rounds for Tubular.

Hamilton Works, located in Hamilton, Ontario, has annual raw steel production capability of 2.3 million tons. Hamilton Works facilities include a coke battery, a blast furnace, three steelmaking vessels, a slab caster, a combination slab/bloom caster, a pickling line, a cold reduction mill and two hot dip galvanizing lines and a galvanizing/galvannealing line. Principal products include slabs and cold-rolled and coated sheets.

U. S. Steel owns a Research and Technology Center located in Munhall, Pennsylvania where we carry out a wide range of applied research, development and technical support functions.

U. S. Steel also owns an automotive technical center in Troy, Michigan. This facility brings automotive sales, service, distribution and logistics services, product technology and applications research into one location. Much of U. S. Steel s work in developing new grades of steel to meet the demands of automakers for high-strength, light-weight and formable materials is carried out at this location.

U. S. Steel has iron ore pellet operations located at Mt. Iron (Minntac) and Keewatin (Keetac), Minnesota with annual iron ore pellet production capability of 22.4 million tons. During 2011, 2010 and 2009, these operations produced 21.1 million, 20.0 million and 8.5 million net tons of iron ore pellets, respectively.

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U. S. Steel has a 14.7 percent ownership interest in Hibbing Taconite Company (Hibbing), which is based in Hibbing, Minnesota. Hibbing s rated annual production capability is 9.1 million tons of iron ore pellets, of which our share is about 1.3 million tons, reflecting our ownership interest. Our share of 2011, 2010 and 2009 production was 1.2 million, 1.0 million and 0.3 million tons, respectively.

U. S. Steel has a 15 percent ownership interest in Tilden Mining Company (Tilden), which is based in Ishpeming, Michigan. Tilden s rated annual production capability is 8.7 million tons of iron ore pellets, of which our share is about 1.3 million tons, reflecting our ownership interest. Our share of 2009 production was a minimal amount and our share of 2011 and 2010 production was 1.4 million tons in both years.

U. S. Steel participates in a number of additional joint ventures that are included in Flat-rolled, most of which are conducted through subsidiaries or other separate legal entities. All of these joint ventures are accounted for under the equity method. The significant joint ventures and other investments are described below. For information regarding joint ventures and other investments, see Note 11 to the Financial Statements.

U. S. Steel and POSCO of South Korea participate in a 50-50 joint venture, USS-POSCO Industries (USS-POSCO), located in Pittsburg, California. The joint venture markets sheet and tin mill products, principally in the western United States. USS-POSCO produces cold-rolled sheets, galvanized sheets, tin plate and tin-free steel from hot bands principally provided by U. S. Steel and POSCO, which each provide about 50 percent of its requirements. USS-POSCO s annual production capability is approximately 1.5 million tons.

U. S. Steel and Kobe Steel, Ltd. of Japan participate in a 50-50 joint venture, PRO-TEC Coating Company (PRO-TEC). PRO-TEC owns and operates two hot dip galvanizing lines in Leipsic, Ohio, which primarily serve the automotive industry. PRO-TEC s annual production capability is approximately 1.2 million tons. U. S. Steel supplies PRO-TEC with all of its requirements of cold-rolled sheets and markets all of its products. PRO-TEC is constructing a $400 million automotive continuous annealing line (CAL) at the facility, with a projected operating capability of 500,000 tons. This facility is expected to reach full capacity by the end of 2013. The CAL will produce high strength, light weight steels that are an integral component in automotive manufacturing as vehicle emission and safety requirements become increasingly stringent.

U. S. Steel and Severstal North America, Inc. participate in Double Eagle Steel Coating Company (DESCO), a 50-50 joint venture which operates an electrogalvanizing facility located in Dearborn, Michigan. The facility coats sheet steel with free zinc or zinc alloy coatings, primarily for use in the automotive industry. DESCO processes steel supplied by each partner and each partner markets the steel it has processed by DESCO. DESCO s annual production capability is approximately 870,000 tons.

U. S. Steel and ArcelorMittal participate in the Double G Coatings Company, L.P. 50-50 joint venture (Double G), a hot dip galvanizing and Galvalume® facility located near Jackson, Mississippi, which primarily serves the construction industry. Double G processes steel supplied by each partner and each partner markets the steel it has processed by Double G. Double G s annual production capability is approximately 315,000 tons.

U. S. Steel and Worthington Industries, Inc. participate in Worthington Specialty Processing (Worthington), a joint venture with locations in Jackson, Canton and Taylor, Michigan in which U. S. Steel has a 49 percent interest. Worthington slits, cuts to length and presses blanks from steel coils to desired specifications. Worthington s annual production capability is approximately 890,000 tons.

U. S. Steel and ArcelorMittal Dofasco, Inc. participate in Baycoat Limited Partnership (Baycoat), a 50-50 joint venture located in Hamilton, Ontario. Baycoat applies a variety of paint finishes to flat-rolled steel coils. Baycoat s annual production capability is approximately 280,000

tons.

D.C. Chrome Limited, a 50-50 joint venture between U. S. Steel and The Court Group of Companies Limited, operates a plant in Stony Creek, Ontario which textures and chromium plates work rolls for Hamilton Works and for other customers, and grinds and chromes steel shafts used in manlifts.

Chrome Deposit Corporation (CDC), a 50-50 joint venture between U. S. Steel and Court Holdings, reconditions finishing work rolls, which require grinding, chrome plating and/or texturing. The rolls are used on rolling mills to provide superior finishes on steel sheets. CDC has seven locations across the United States, with all locations near major steel mills.

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Feralloy Processing Company (FPC), a joint venture between U. S. Steel and Feralloy Corporation, converts coiled hot strip mill plate into sheared and flattened plates for shipment to customers. U. S. Steel has a 49 percent interest. The plant, located in Portage, Indiana, has annual production capability of approximately 275,000 tons.

U. S. Steel, along with Feralloy Mexico, S.R.L. de C.V. and Mitsui & Co. (USA), Inc., participates in a joint venture, Acero Prime, S.R.L. de CV (Acero Prime). U. S. Steel has a 40 percent interest. Acero Prime has facilities in San Luis Potosi and Ramos Arizpe, Mexico. Acero Prime provides slitting, warehousing and logistical services. Acero Prime s annual slitting capability is approximately 385,000 tons.

USSE

USSE consisted of USSK and its subsidiaries, USSS and an equity investee.

On January 31, 2012, USSS was sold.

USSK operates an integrated facility in Ko ice, Slovakia, which has annual raw steel production capability of 5.0 million tons. This facility has two coke batteries, three blast furnaces, four steelmaking vessels, a vacuum degassing unit, two dual strand casters, a hot strip mill, two pickling lines, two cold reduction mills, three annealing facilities, a temper mill, a temper/double cold reduction mill, three hot dip galvanizing lines, two tin coating lines, three dynamo lines, a color coating line and two spiral welded pipe mills. Principal products include hot-rolled, cold-rolled and coated sheets, tin mill products and spiral welded pipe. USSK also has facilities for manufacturing heating radiators and refractory ceramic materials.

In addition, USSK has a research laboratory which, in conjunction with our Research and Technology Center, supports efforts in cokemaking, electrical steels, design and instrumentation, and ecology.

USSS consisted of an integrated plant in Smederevo, Serbia which had annual raw steel production capability of 2.4 million tons. Facilities at this plant included two blast furnaces, three steelmaking vessels, two slab casters, a hot strip mill, two pickling lines, a cold reduction mill, two annealing facilities, a temper mill and a temper/double cold reduction mill. Other facilities included a tin mill in abac with one tin coating line, a limestone mine in Kučevo and a river port in Smederevo, all located in Serbia. Principal products included hot-rolled and cold-rolled sheets and tin mill products.

Tubular

Tubular manufactures seamless and welded oil country tubular goods (OCTG), standard and line pipe and mechanical tubing.

Seamless products are produced on a mill located at Fairfield Works in Fairfield, Alabama, and on two mills located in Lorain, Ohio. The Fairfield mill has annual production capability of 750,000 tons and is supplied with steel rounds from Flat-rolled s Fairfield Works. The Fairfield mill has the capability to produce outer diameter (O.D.) sizes from 4.5 to 9.875 inches and has quench and temper, hydrotester, threading and coupling and inspection capabilities. The Lorain mills have combined annual production capability of 780,000 tons and has used steel rounds supplied by Fairfield Works and external sources. Lorain #3 Mill has the capability to produce O.D. sizes from 10.125 to 26 inches and has quench and temper, hydrotester, cutoff and inspection capabilities. Lorain #4 Mill has the capability to produce O.D. sizes from 1.9 to 4.5 inches and has quench and temper, hydrotester, threading and coupling and inspection capabilities for OCTG casing and uses Tubular Processing Services in Houston for oil field production tubing finishing. In August of 2011, Lorain Tubular Operations commissioned its new #6 Mill quench and temper line, which is able to heat treat O.D. sizes from 2.375 to 7.625 inches, and also installed hydrotester, threading and coupling, and inspection stations, bringing its annual production capabilities to 120,000 tons of OCTG finishing capacity.

Texas Operations, located in Lone Star, Texas, manufactures welded OCTG, standard and line pipe and mechanical tubing products. Texas Operations #1 Mill has the capability to produce O.D. sizes from 7 to 16 inches. Texas Operations #2 Mill has the capability to produce O.D. sizes from 1.088 to 7.15 inches. Both mills have quench and temper, hydrotester, threading and coupling and inspection capabilities. Bellville Operations, in

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Bellville, Texas, manufactures welded tubular products primarily for OCTG. Bellville Operations has the capability to produce O.D. sizes from 2.375 to 4.5 inches and has limited hydrotester and cutoff capabilities and uses Tubular Processing Services in Houston for oil field production tubing finishing. Texas Operations and Bellville Operations have combined annual production capability of 1.0 million tons and are supplied with hot rolled bands from Flat-rolled s facilities.

Welded products are also produced at a mill located in McKeesport, Pennsylvania, which, prior to May 1, 2011, was operated by a third party operator. The McKeesport mill has annual production capability of 315,000 tons and processes hot-rolled bands from several Flat-rolled locations. This mill has the capability to produce, hydrotest, cut to length and inspect O.D. sizes from 8.625 to 20 inches.

Wheeling Machine Products supplies couplings used to connect individual sections of oilfield casing and tubing. It produces sizes ranging from 2.375 to 20 inches at two locations: Pine Bluff, Arkansas, and Hughes Springs, Texas.

Tubular Processing Services, located in Houston, Texas, provides quench and temper and end-finishing services for oilfield production tubing. Tubular Threading and Inspection Services, also located in Houston, Texas, provides threading, inspection and storage services to the OCTG market.

U. S. Steel also has a 50 percent ownership interest in Apolo Tubulars S.A. (Apolo), a Brazilian supplier of welded casing, tubing, line pipe and other tubular products. Apolo s annual production capability is approximately 150,000 tons.

U. S. Steel, POSCO and SeAH Steel Corporation, a Korean manufacturer of tubular products, participate in United Spiral Pipe LLC which owns and operates a manufacturing facility in Pittsburg, California with annual production capability of 300,000 tons of spiral welded tubular products. U. S. Steel and POSCO each hold a 35-percent ownership interest in the joint venture, with the remaining 30-percent ownership interest being held by SeAH.

We completed construction of an innovation and technology center for Tubular products in Houston, Texas in 2011.

Other Businesses

U. S. Steel s Other Businesses include transportation services (railroad and barge operations) and real estate operations.

U. S. Steel owns the Gary Railway Company in Indiana, Lake Terminal Railroad Company and Lorain Northern Company in Ohio; Union Railroad Company and McKeesport Connecting Railroad Company in Pennsylvania, Fairfield Southern Company, Inc. and Warrior and Gulf Navigation Company, all located in Alabama; Delray Connecting Railroad Company in Michigan and Texas & Northern Railroad Company in Texas; all of which comprise U. S. Steel s transportation business. On December 21, 2010, U. S. Steel sold all of the operating assets of Mobile River Terminal Company Inc., and certain assets of Warrior and Gulf Navigation Company for approximately $35 million. For further information, see Note 6 to the Financial Statements.

On December 1, 2011, U. S. Steel and Birmingham Terminal Railway, L.L.C, (BTR) a subsidiary of Watco Companies, L.L.C. entered into an agreement under which BTR would acquire the majority of the operating assets of Birmingham Southern Railroad Company as well as the Port Birmingham Terminal. The transaction was completed on February 1, 2012. See Note 6 to the Financial Statements for further information.

U. S. Steel owns, develops and manages various real estate assets, which include approximately 200,000 acres of surface rights primarily in Alabama, Illinois, Maryland, Michigan, Minnesota and Pennsylvania. In addition, U. S. Steel participates in joint ventures that are developing real estate projects in Alabama, Maryland and Illinois. U. S. Steel also owns approximately 4,000 acres of land in Ontario, Canada, which could potentially be sold or developed.

Raw Materials and Energy

As an integrated producer, U. S. Steel s primary raw materials are iron units in the form of iron ore pellets and sinter ore, carbon units in the form of coal and coke (which is produced from coking coal) and steel scrap. U. S. Steel s raw materials supply strategy consists of acquiring and expanding captive sources of these primary raw materials and entering into flexible multi-year supply contracts for certain raw materials.

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The amounts of such raw materials needed to produce a ton of steel will fluctuate based upon the specifications of the final steel products, the quality of raw materials and, to a lesser extent, differences among steel producing equipment. In broad terms, U. S. Steel estimates that it consumes about 1.4 tons of coal to produce one ton of coke and that it consumes approximately 0.4 tons of coke, 0.2 tons of steel scrap (40 percent of which is internally generated) and 1.3 tons of iron ore pellets to produce one ton of raw steel. At normal operating levels, we also consume approximately 6 mmbtu s of natural gas per ton produced. While we believe that these estimates are useful for planning purposes, substantial variations occur. They are presented in order to give a general sense of raw material and energy consumption related to steel production.

Iron Ore

The iron ore facilities at Minntac and Keetac contain an estimated 712 million short tons of recoverable reserves and our share of recoverable reserves at the Hibbing and Tilden joint ventures is 59 million short tons. Recoverable reserves are defined as the tons of product that can be used internally or delivered to a customer after considering mining and beneficiation or preparation losses. Minntac and Keetac s annual capability and our share of annual capability for the Hibbing and Tilden joint ventures total 25 million tons. Through our wholly owned operations and our share of joint ventures, we have adequate iron ore pellet production to cover a significant portion of our North American needs and have secured the remaining iron ore pellets through contracts. We are considering an expansion of our iron ore pellet operations at our Keetac facility, which would increase our production capability by approximately 3.6 million tons thereby increasing our iron ore self-sufficiency. Final permitting for the expansion was completed in December 2011. The total cost of this project as currently conceived is broadly estimated to be approximately $800 million.

Lower than anticipated operating levels in 2011 and contractual obligations to purchase iron ore pellets resulted in excess inventory levels. A portion of the excess iron ore pellets were sold on the global market. Depending on our production requirements, we may sell additional pellets in the future.

USSE purchases substantially all of its iron ore requirements from outside sources, but has also received iron ore from U. S. Steel s iron ore facilities in North America. We believe that supplies of iron ore adequate to meet USSE s needs are available at competitive market prices. The main sources of iron ore for USSE are mining companies in Russia and Ukraine.

Coking Coal

All of U. S. Steel s coal requirements for our cokemaking facilities are purchased from outside sources.

U. S. Steel has entered into multi-year contracts for a portion of Flat-rolled s coking coal requirements. Prices for these North American contracts for 2012 are set at what we believe are competitive market prices. Prices in subsequent years will be negotiated in accordance with contractual provisions on an annual basis at prevailing market prices.

Prices for European contracts are negotiated at defined intervals (no less than quarterly) with regional suppliers.

We believe that supplies of coking coal adequate to meet our needs are available from outside sources at competitive market prices. The main sources of coking coal for Flat-rolled are the United States and Canada; and for USSE include Poland, the Czech Republic, the United States, Canada, Russia and Ukraine.

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Coke

In North America, the Flat-rolled segment operates cokemaking facilities at the Clairton Plant of Mon Valley Works, Gary Works, Granite City Works, Hamilton Works and Lake Erie Works. In Europe, the USSE segment operates cokemaking facilities at USSK. Blast furnace injection of coal, natural gas and self-generated coke oven gas is also used to reduce coke usage. The increase in coke production in 2008 was mainly due to the inclusion of production at Lake Erie Works and Hamilton Works for the entire year following the USSC acquisition in 2007. The decrease in coke production in 2009 resulted from the temporary idling of cokemaking facilities at the Clairton Plant, Granite City Works, Hamilton Works and Lake Erie Works for part of the year as well as the permanent shut down of three coke batteries at the Clairton Plant. In 2010, we restarted the facilities that were idled in 2009, resulting in an increase in coke production. We have taken a number of steps to ensure long-term access to high quality coke for our blast furnaces. We are in the process of constructing a technologically and environmentally advanced battery at the Clairton Plant, with production capability of approximately 960,000 tons with completion expected near year-end 2012 with full production capability expected in 2013. We entered into a 15 year coke supply agreement with Gateway Energy & Coke Company, LLC (Gateway) in connection with its 650,000 ton per year heat recovery coke plant and is located at Granite City Works. Also, we are in the process of constructing a carbon alloy facility at Gary Works which will utilize state-of-the-art technology to produce a carbon alloy material that will be used as a coke substitute. The carbon alloy facility is expected to have production capability of approximately 500,000 tons per year and is anticipated to start production in the second half of 2012 with full production capability expected in 2013.

With Flat-rolled s cokemaking facilities and the Gateway long-term supply agreement, it has the capability to be nearly self-sufficient with respect to its annual coke requirements at normal operating levels. To the extent that it is necessary or appropriate, considering existing needs and/or applicable transportation costs, coke is purchased from, sold or swapped with suppliers and other end-users.

With the sale of USSS, USSE has the capability to be nearly self-sufficient for coke at normal operating levels. The remainder of USSE s needs is purchased from outside sources.

Steel Scrap and Other Materials

We believe that supplies of steel scrap and other alloying and coating materials required to fulfill the requirements for Flat-rolled and USSE are available from outside sources at competitive market prices. Generally, approximately 40 percent of our steel scrap requirements are internally generated through normal operations.

Limestone

All of Flat-rolled s limestone requirements are purchased from outside sources. We believe that supplies of limestone adequate to meet Flat-rolled s needs are readily available from outside sources at competitive market prices.

Subsequent to the sale of USSS, all of USSE s limestone requirements are purchased from outside sources. We believe that supplies of limestone adequate to meet USSE s needs are available from outside sources at competitive market prices.

Zinc and Tin

We believe that supplies of zinc and tin required to fulfill the requirements for Flat-rolled and USSE are available from outside sources at competitive market prices. We routinely execute fixed-price forward physical purchase

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contracts for a portion of our expected business needs in order to partially manage our exposure to the volatility of the zinc and tin markets.

Natural Gas

All of U. S. Steel s natural gas requirements are purchased from outside sources.

We believe that supplies adequate to meet Flat-rolled s needs are available at competitive market prices. In order to partially manage our exposure to natural gas price increases, we routinely execute fixed-price forward physical purchase contracts for natural gas. During 2011, about 70 percent of our natural gas purchases in Flat-rolled were based on bids solicited on a monthly basis from various vendors; the remainder was made daily or with term agreements or with fixed-price forward physical purchase contracts.

We believe that supplies adequate to meet USSE s needs are normally available at competitive market prices, although it experienced a supply curtailment of more than ten days in January 2009 related to Russia s suspension of natural gas shipments to Europe. Since that time, we have taken steps to mitigate the effects of a future disruption including adding storage capacity in the Slovak Republic and the ability to have reverse flow gas from the Czech Republic to Slovakia.

Both Flat-rolled and USSE use self-generated coke oven and blast furnace gas to reduce consumption of natural gas.

Industrial Gases

U. S. Steel purchases its industrial gas requirements under long-term contracts with various suppliers.

Commercial Sales of Product

U. S. Steel characterizes sales as contract if sold pursuant to an agreement with defined volume and pricing and a duration of longer than three months, and as spot if sold without a defined volume and pricing agreement. In 2011 approximately 67 percent, 47 percent and 11 percent of sales by Flat-rolled, USSE and Tubular, respectively, were contract sales. Some contract pricing agreements include fixed price while others are adjusted periodically based upon published prices of steel products or cost components. U. S. Steel does not consider sales backlog to be a meaningful measure since volume commitments in most contracts are based on each customer s specific periodic requirements.

Environmental Matters

U. S. Steel maintains a comprehensive environmental policy. The Executive Environmental Committee, which is comprised of U. S. Steel officers, meets regularly to review environmental issues and compliance. Both the Board of Directors and the Corporate Governance and Public Policy Committee receive regular updates on environmental matters. The Compensation and Organization Committee has made annual improvement one of four performance measures for short-term incentive compensation for our officers. Also, U. S. Steel, largely through the American Iron and Steel Institute, the Canadian Steel Producers Association, the World Steel and European Confederation of Iron and Steel Industries (Eurofer), is involved in the promotion of cost effective environmental strategies through the development of appropriate air, water, waste and climate change laws and regulations at the local, state, national and international levels.

U. S. Steel s businesses in the United States are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations include the CAA with respect to air emissions; the Clean Water Act (CWA) with respect to water discharges; the Resource Conservation and Recovery Act (RCRA) with respect to solid and hazardous waste treatment, storage and disposal; and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) with respect to releases and remediation of hazardous substances. In addition, all states where U. S. Steel operates have similar laws dealing with the same matters. These laws are constantly evolving and becoming increasingly stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for these environmental laws have not yet been promulgated and in

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certain instances are undergoing revision. These environmental laws and regulations, particularly the CAA, could result in substantially increased capital, operating and compliance costs.

USSC is subject to the environmental laws of Canada, which are comparable to environmental standards in the United States. Environmental regulation in Canada is an area of shared responsibility between the federal government and the provincial governments, which in turn delegate certain matters to municipal governments. Federal environmental statutes include the federal Canadian Environmental Protection Act, 1999 and the Fisheries Act. Various provincial statutes regulate environmental matters such as the release and remediation of hazardous substances; waste storage, treatment and disposal; and air emissions. As in the United States, Canadian environmental laws (federal, provincial and local) are undergoing revisions and becoming more stringent.

USSK is subject to the environmental laws of Slovakia and the EU. A related law of the EU commonly known as Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation 1907/2006 (REACH) requires the registration of certain substances that are produced in the EU or imported into the EU. Although USSK is currently compliant with REACH, this regulation is becoming increasingly stringent. Slovakia is also currently considering a law implementing an EU Waste Framework Directive that would more strictly regulate waste disposal and increase fees for waste disposed of in landfills including privately owned landfills. The intent of the waste legislation is to encourage recycling and we cannot estimate the full financial impact of this prospective legislation at this time. The EU s Industry Emission Directive will require implementation of EU determined best available techniques (BATs) to reduce environmental impacts as well as compliance with BAT associated emission levels. It contains operational requirements for air emissions, waste water discharges, solid waste disposal and energy conservation, dictates certain operating practices and imposes stricter emission limits. Slovakia is required to adopt the directive by January 7, 2013 and is allowed only very limited discretion in implementing the legislation. USSK will be required to be in full compliance within four years after the EU publishes the BAT standards. We are currently evaluating the costs of complying with BAT, but expect it will involve significant capital expenditures and increased costs.

U. S. Steel has incurred and will continue to incur substantial capital, operating and maintenance and remediation expenditures as a result of environmental laws and regulations which in recent years have been mainly for process changes in order to meet CAA obligations and similar obligations in Europe and Canada. In the future, compliance with carbon dioxide (CO_2) emission requirements may include substantial costs for emission allowances, restriction of production and higher prices for coking coal, natural gas and electricity generated by carbon based systems. Since it is difficult to predict what requirements will ultimately be imposed in the United States and Canada, it is difficult to estimate the likely impact on U. S. Steel, but it could be substantial. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of U. S. Steel s products and services, operating results will be reduced. U. S. Steel believes that our major North American and many European integrated steel competitors are confronted with substantially similar conditions and thus does not believe that its relative position with regard to such competitors will be materially affected by the impact of environmental laws and regulations. However, if the final requirements do not recognize the fact that the integrated steel process involves a series of chemical reactions involving carbon that create CO_2 emissions, our competitive position relative to mini mills will be adversely impacted and our competitive position regarding producers in developing nations, such as China and India, will be harmed unless such nations require comensurate reductions in CO_2 emissions. Competing materials such as plastics may not be similarly impacted. The specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods. U. S. Steel is also responsible for remediation costs related to former and present operating locations and disposal of environmentally sensitive materials. Many of our competitors, including North American producers, or their successors, that have been the subject of bankruptcy relief have no or substantially lower liabilities for such matters.

Greenhouse Gas Emissions Regulation

The current and potential regulation of greenhouse gas emissions remains a significant issue for the steel industry, particularly for integrated steel producers such as U. S. Steel. The regulation of greenhouse gases such as carbon dioxide (CO_2) emissions has either become law or is being considered by legislative bodies of many nations, including countries where we have operating facilities. In the United States, the Environmental Protection Agency (EPA) has published rules for regulating greenhouse gas emissions for certain facilities and has implemented various reporting requirements as further described below. In the last Congress, legislation was passed in the House of Representatives and

introduced in the Senate. We do not know what action, if any, may be taken by the

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current Congress. The EU has established greenhouse gas regulations while in Canada, a regulatory framework for greenhouse gas emissions has been published, details of which are discussed below. International negotiations to supplement and eventually replace the 1997 Kyoto Protocol are ongoing.

The U.S. EPA has classified greenhouse gases such as CO_2 as harmful gases. Under this premise, it has implemented a greenhouse gas emission monitoring and reporting requirement for all facilities emitting 25,000 metric tons or more per year of carbon dioxide, methane and nitrous oxide in CO_2 equivalent quantities (CO_2e). Emission reports for all U. S. Steel facilities were filed by September 30, 2011. The U.S. EPA intends to make this information publicly available from all facilities.

On May 13, 2010 the EPA published its final Greenhouse Gas Tailoring Rule establishing a mechanism for regulating greenhouse gas emissions from facilities through the Clean Air Act s Prevention of Significant Deterioration (PSD) permitting process. U. S. Steel reported its emissions under these rules in accordance with the regulation and its deadlines. Starting January 2, 2011, new projects that increase greenhouse gas emissions by more than 75,000 tons per year, have new PSD requirements based on best available control technology (BACT), but only if the project also significantly increases emissions of at least one non-greenhouse gas pollutant. Only existing sources with Title V permits or new sources obtaining Title V permits for non-greenhouse gas pollutants will also be required to address greenhouse gas emissions. Starting July 1, 2011 new sources not already subject to Title V requirements that emit over 100,000 tons per year of greenhouse gas emissions, or modifications to existing permits that increase greenhouse gas emissions by more than 75,000 tons per year, will be subject to PSD and Title V requirements. On November 17, 2010 the EPA issued its PSD and Title V Permitting Guidance for Greenhouse Gases and Available and Emerging Technologies for Reducing Greenhouse Gas Emissions from the Iron and Steel Industry. Through this guidance, the EPA intends to help state and local air permitting authorities identify greenhouse gas reduction options and BACT for greenhouse gases under the CAA. U. S. Steel is currently evaluating the cost of compliance with these regulations.

The European Commission (EC) has created an Emissions Trading System (ETS). Under the ETS, the EC establishes CO_2 emissions limits for every EU member state and approves grants of CO_2 emission allowances to individual emitting facilities pursuant to national allocation plans that are proposed by each of the member states. The allowances can be bought and sold by emitting facilities to cover the quantities of CO_2 they emit in their operations.

In July 2008, Slovakia granted USSK CO_2 emission allowances as part of the national allocation plan for the 2008 to 2012 trading period (NAP II) approved by the European Commission. Based on actual CO_2 emissions to date, we believe that USSK will have sufficient allowances for the NAP II period without purchasing additional allowances. U. S. Steel entered into transactions to sell and swap a portion of our emissions allowances and recognized gains related to these transactions of approximately $22 million and $7 million in the years ended December 31, 2011 and 2010, respectively.

In December 2010, Slovakia enacted an 80 percent tax on excess emission allowances registered in 2011 and 2012. Although USSK believes this tax is unconstitional and unlawful and may contest it, based on the current implementing regulations, U. S. Steel recorded expense of $14 million for the year ended December 31, 2011.

For the period after 2012, the EU s emissions trading scheme (ETS) will employ centralized allocation rather than national allocation plans. The new ETS also includes a cap designed to achieve an overall reduction of greenhouse gases for the ETS sectors of 21% in 2020 compared to 2005 emissions and auctioning as the basic principle for allocating emissions allowances, with some transitional free allocation provided on the basis of benchmarks for manufacturing industries under risk of carbon leakage. Manufacturing of sinter, coke oven products, basic iron and steel, ferro-alloys and cast iron tubes have all been recognized as exposing companies to a significant risk of carbon leakage, but the new ETS is still expected to lead to additional costs for steel companies in Europe. Because we do not know what the market value of CO_2 credits will be after 2012, we cannot reliably estimate the cost of complying with the new ETS at this time.

In 2007, Canada s federal government announced a framework climate change plan that involved mandatory reduction targets for all major greenhouse gas producing industries. To date, federal greenhouse gas regulations have been adopted for Canada s transportation and electricity sectors only. The federal government has indicated that it is committed to reducing Canada s total greenhouse gas emissions by 17 percent from 2005 levels by 2020,

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but also stated that this target is subject to adjustment in order to remain aligned with the United States. At this point, it is unclear when Canadian federal regulations on greenhouse gas emissions for other major-emitting sectors will be developed and whether they will reflect the targets or approach of the previously announced plan. On June 12, 2009, Canada s federal government also released for comment two draft guides related to the establishment of an Offset System in Canada. These draft documents propose rules and provide guidance on the requirements and processes to create offset credits and the requirements and processes to verify the eligible greenhouse gas reductions achieved from an offset project. Canada s federal government has stated that, once in place, the Offset System will compliment the proposed cap-and-trade system and help in generating greenhouse gas emissions reductions across the country. On December 12, 2011, the government announced that Canada was exercising its legal right to formally withdraw from the 1997 Kyoto Protocol. U. S. Steel does not know what impact, if any, this action may have on greenhouse gas emission regulations and its Canadian operations. If federal greenhouse gas reduction legislation for the steel sector becomes law in Canada, it could have economic and operational consequences for U. S. Steel. It is impossible to estimate the timing or impact of these or other future government actions on U. S. Steel.

In December 2007, the Ontario government announced its own Action Plan on Climate Change (the Ontario Action Plan). The Ontario Action Plan targets reductions in Ontario greenhouse gas emissions of six percent below 1990 levels by 2014, 15 percent below 1990 levels by 2020 and 80 percent below 1990 levels by 2050. In December 2008, Ontario launched a consultation process towards the development of a cap-and-trade system and in May 2009, the Ontario government released a discussion paper regarding cap-and-trade. The Ontario government has amended the Environmental Protection Act in order to provide the regulatory authority to set-up a greenhouse gas cap-and-trade system; however, such a system has not yet been developed. The Ontario government also passed a Greenhouse Gas Emissions Reporting Regulation (the Regulation) on December 1, 2009. The Regulation is intended to provide the foundation for Ontario to implement a cap-and-trade program for greenhouse gases. The Regulation requires facilities that emit more than 25,000 tons of CO_2e or more per year to annually report their emissions, starting with 2010 emissions. The Ontario government has stated that it is working with four other Canadian provinces and seven U.S. states to design a broad-based cap and trade system.

For further information, see Item 1A. Risk Factors, Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

Air

The CAA imposes stringent limits on air emissions with a federally mandated operating permit program and civil and criminal enforcement sanctions. The CAA requires, among other things, the regulation of hazardous air pollutants through the development and promulgation of Maximum Achievable Control Technology (MACT) Standards. The EPA has developed various industry-specific MACT standards pursuant to this requirement. The CAA requires EPA to promulgate regulations establishing emission standards for each category of Hazardous Air Pollutants. EPA must also conduct risk assessments on each source category that is already subject to MACT standards and determine if additional standards are needed to reduce residual risks.

The principal impact of the MACT standards on U. S. Steel operations includes those that are specific to cokemaking, ironmaking, steelmaking and iron ore processing. In addition, the EPA is expected to repromulgate Boiler MACT regulations in 2012, which are expected to impose standards and limitiations for fuels, including possibly coke oven gas, used in boilers and process heaters and their resulting emissions at U.S. Steel facilities. The current Boiler MACT rule is subject to an administrative stay. The impact of the anticipated Boiler MACT rule upon U.S. Steel can not be estimated since the new Boiler MACT rule is not yet finalized.

In September 2011, EPA sent U.S. Steel s integrated steel facilities Information Collection Requests for information regarding emissions from various iron and steel operations to be used in a new Iron and Steel MACT rule. The current or existing Iron and Steel MACT rule is subject to a legal challenge by Sierra Club. In June 2010, the United States Court of Appeals for the District of Columbia Circuit granted EPA s motion for

voluntary remand of the Iron and Steel MACT. As a result, while the existing standards are still in effect, EPA anticipates promulgating new Iron and Steel MACT rules in response to the challenge by the Sierra Club. The impact of the new Iron and Steel MACT cannot be estimated at this time since the EPA is just beginning its information collection part of the rulemaking process.

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U. S. Steel s cokemaking facilities are subject to two categories of MACT standards. The first category applies to pushing and quenching. The EPA was required to make a risk-based determination for pushing and quenching emissions, but the EPA is working on an Information Request to determine whether additional emissions reductions are necessary and expects to issue guidance to coke making facilities early in 2012. Since the EPA has yet to publish or propose any residual risk standards from these operations; the impact if any, cannot be estimated at this time. The second category of MACT standards applying to coke facilities applies to emissions from charging, coke oven battery tops and coke oven doors. With regard to these standards, U. S. Steel chose to install more stringent controls than MACT on some of its batteries, called Lowest Achievable Emissions Reductions (LAER). Such LAER batteries are not required to comply with certain residual risk standards until 2020. Because the scope of these anticipated changes are distant and relatively uncertain, the magnitude of the impact of these anticipated changes cannot be estimated at this time.

U. S. Steel s iron ore processing operations are subject to the Taconite Iron Ore Processing MACT standards. These standards may change if EPA revises the MACT standards in response to a petition filed by an environmental advocacy group. EPA has yet to publish or propose any revisions to the Taconite Iron Ore Processing MACT or conduct any residual risk analysis from these operations; therefore, the impact of any possible changes cannot be estimated at this time.

The CAA also requires the EPA to develop and implement National Ambient Air Quality Standards (NAAQS) for criteria pollutants, which include, among others, particulate matter consisting of PM_{10} and $PM_{2.5}$, lead carbon monoxide, nitrogen dioxide, sulfur dioxide, and ozone. In 1997, EPA established 24-hour and annual standards for fine particles that are less than 2.5 micrometers in size and in 2006, EPA tightened the 24-hour standard but retained the annual standard. These standards were challenged and the U.S. Court of Appeals for the District of Columbia, in American Farm Bureau Federation and National Pork Producers Council et al. v. EPA, 559 F. 3rd 512 (D.C. Cir. 2009), remanded the annual standards to the EPA for further consideration but allowed the 2006 24-hour standard to remain in effect. In October 2011, the EPA advised members of Congress that it intended to retain the PM_{10} standard in the anticipated rule making, but indicated that it is still evaluating the latest evidence and assessments with regards to any revisions to the $PM_{2.5}$ standard. If the $PM_{2.5}$ standards are lowered as expected, U.S. Steel could face increased capital, operating and compliance costs related to reductions of $PM_{2.5}$ from affected sources.

States were required to demonstrate compliance with the 1997 fine particle standard by April 2010, unless EPA granted the state or local jurisdiction an extension. Extensions may be granted through April 2015. Many states and jurisdictions in which U. S. Steel operates received a five year extension, requiring that the area demonstrate compliance by April 2015. In addition, the annual standard could change based upon the remand noted above. If the standard is changed, states will be required to modify their state implementation plans (SIPs) to meet the new standard.

On December 22, 2008, EPA designated areas in which U. S. Steel operates as nonattainment and unclassified/attainment for the 2006 fine particle standard. SIPs for the 2006 24-hour standard are due December 14, 2012, with attainment demonstrations with the 2006 standard expected to be made by 2014 or 2019, with extensions.

It is not possible to estimate the magnitude of any costs associated with the SIPs for the 2006 24-hour standard or the remand of the annual standard since the state and federal agencies are still developing regulations for the programs and implementation for the 2006 24-hour standard. Demonstrating attainment with the 2006 24-hour standard is not expected until sometime between 2014 and 2019 and no new standard or associated timeline has been established for the annual standard.

Effective May 2008, EPA lowered its ground level ozone air quality standards, which could affect sources of nitrogen oxide and volatile organic compounds, including coke plants, and iron and steel facilities. However, in response to a legal challenge of the 2008 ground level ozone NAAQS, EPA proposed to lower the NAAQS from what was promulgated in 2008. As a result, the court held the legal challenge abeyance. In July, 2010, EPA proposed to lower the ozone standard from the current 0.075 parts per million to a value in the range of 0.060 0.070 parts per

million. While EPA stated that it would promulgate a final rule with a lower NAAQS for ozone in September 2011, President Obama advised EPA that his administration did not support the proposed rule and directed EPA to withdraw the rule and to reconsider the standard again in 2013 as it is compelled to do pursuant to the CAA. As a result, the legal challenge to the 2008 standard is no longer in abeyance and is again moving

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forward. Since EPA previously stayed attainment designations, EPA also advised the regulated community that it would move forward with implementation of the 2008 standard, starting with designating areas in the first half of 2012. States must submit SIPs outlining how they will reduce pollution to meet the standards by a date that is no later than three years after EPA s final designations. If EPA issues designations in 2012 as it has indicated, these plans would be due no later than 2015. States are required to meet the standards by deadlines that may vary based on the severity of the problem in the area. It is anticipated that the ozone NAAQS revisions could result in significant costs to U. S. Steel; however, it is not possible to estimate the magnitude of these costs at this time since any implementation requirements will not be known until after areas are designated and SIPs are developed.

In 2010, EPA retained the annual nitrogen dioxide NAAQS standard, but created a new 1-hour NAAQS and established new data reduction and monitoring requirements. While it is expected that compliance with the new standard could result in additional capital expenditures in the coming years, since EPA has not yet made area designations with regards to the new 1-hour NAAQS for nitrogen oxide and States have not yet begun preparing implementation plans, the impact on current operations at U. S. Steel facilities cannot be estimated at this time.

Also in 2010, the EPA revised the primary sulfur dioxide standard by establishing a new 1-hour standard at a level of 75 parts per billion. In the rulemaking, the EPA also revoked the two previously existing primary standards of 140 parts per billion for 24-hour periods; and the annual standard of 30 parts per billion. While it is expected that compliance with the new standard could result in additional capital expenditures in the coming years, since the EPA has not yet made area designations with regards to the new 1-hour NAAQS for sulfur dioxide and States have not yet begun preparing implementation plans, the impact on current operations at U. S. Steel facilities cannot be estimated at this time.

For additional information regarding significant enforcement actions, capital expenditures and costs of compliance, see Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

Water

U. S. Steel maintains discharge permits as required under the National Pollutant Discharge Elimination System program of the CWA, and conducts our operations to be in compliance with such permits. For additional information regarding enforcement actions, capital expenditures and costs of compliance, see Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

Solid Waste

U. S. Steel continues to seek methods to minimize the generation of hazardous wastes in our operations. RCRA establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks. Corrective action under RCRA related to past waste disposal activities is discussed below under Remediation. For additional information regarding significant enforcement actions, capital expenditures and costs of compliance, see Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

Remediation

A significant portion of U. S. Steel s currently identified environmental remediation projects relate to the remediation of former and present operating locations. A number of these locations are no longer owned or operated by U. S. Steel and are subject to cost-sharing and remediation provisions in the sales agreements. Projects include remediation of the Grand Calumet River, the former Geneva Works, the former Duluth Works and the closure of permitted hazardous and non-hazardous waste landfills.

U. S. Steel is also involved in a number of remedial actions under CERCLA, RCRA and other federal and state statutes, particularly third party waste disposal sites where disposal of U. S. Steel-generated material occurred and it is possible that additional sites will be identified that require remediation. For additional information regarding

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remedial actions, capital expenditures and costs of compliance, see Item 3. Legal Proceedings Environmental Proceedings and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters, Litigation and Contingencies.

Property, Plant and Equipment Additions

For property, plant and equipment additions, including capital leases, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Cash Flows and Liquidity Cash Flows and Note 12 to the Financial Statements.

Employees

As of December 31, 2011, U. S. Steel had approximately 24,000 employees in North America and approximately 19,000 in Europe. Due to the sale of USSS on January 31, 2012, our total employees were reduced by approximately 5,400.

Most hourly employees of U. S. Steel s flat-rolled, tubular, cokemaking and iron ore pellet facilities in the United States are covered by collective bargaining agreements with the USW entered into effective September 1, 2008 (the 2008 CBAs) that expire on September 1, 2012. The 2008 CBAs resulted in wage increases ranging from $0.65 to $1.00 per hour as of the effective date. Employees received four percent wage increases on September 1, 2009, 2010 and 2011. The 2008 CBAs also required U. S. Steel to make annual $75 million contributions to a restricted account within our trust for retiree health care and life insurance during the contract period. In early 2009, we reached agreement with the USW to defer the 2009 contribution until 2012. In 2010, we reached agreement with the USW to defer our 2010 contribution until 2014. In 2011, we reached agreement with the USW to defer our 2011 million contribution until 2015. Further, in accordance with an agreement with the USW, U. S. Steel elected to use the $75 million contribution made in 2008 to pay 2010 retiree healthcare and life insurance claims and will make up the contribution in 2013. The 2008 CBAs also provide for pension and other benefit enhancements for both current employees and retirees (see Note 18 to the Financial Statements). U. S. Steel made voluntary contributions of $140 million to our main domestic defined pension plan in both 2011 and 2010. At USSC the collective bargaining agreement with the USW covering employees at Lake Erie Works expires in April 2013. The collective bargaining agreement with the USW covering employees at Hamilton Works was ratified on October 15, 2011 and expires in October 2014. All of the agreements in North America contain no-strike clauses. A small number of workers at some of our North American facilities and at our transportation operations are covered by agreements with the USW or other unions that have varying expiration dates.

In Europe, most represented employees at USSK are represented by the OZ Metalurg union and are covered by an agreement that expires in March 2012.

Available Information

U. S. Steel s Internet address is ***www.ussteel.com***. We post our annual report on Form 10-K, our quarterly reports on Form 10-Q, our proxy statement and our interactive data files to our website as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission (SEC). We also post all press releases and earnings releases to our website.

All other filings with the SEC are available via a direct link on the U. S. Steel website to the SEC s website, *www.sec.gov*.

Also available on the U. S. Steel website are U. S. Steel s Corporate Governance Principles, our Code of Ethical Business Conduct and the charters of the Audit Committee, the Compensation & Organization Committee and the Corporate Governance & Public Policy Committee of the Board of Directors. These documents and the Annual Report on Form 10-K are also available in print to any shareholder who requests them. Such requests should be sent to the Office of the Corporate Secretary, United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania 15219-2800 (telephone: 412-433-2998).

U. S. Steel does not intend to incorporate into this document the contents of any website or the documents referred to in the immediately preceeding paragraph.

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Other Information

Information on net sales, depreciation, capital expenditures and income from operations by reportable segment and for Other Businesses and on net sales and assets by geographic area are set forth in Note 3 to the Financial Statements.

For significant operating data for U. S. Steel for each of the last five years, see Five-Year Operating Summary (Unaudited) on pages F-61 and F-62.

Item 1A. RISK FACTORS

Risk Factors Related to the Difficult Economic Conditions

All segments of our business continue to be impacted by the difficult economic conditions that began with the global economic recession in 2008 and such effects have created certain risks and have also affected the other risks set forth below. U. S. Steel cannot predict the duration of the difficult economic conditions and the trajectory of the recovery but both will have a significant impact on U. S. Steel.

U. S. Steel and its end-product markets continue to be impacted by challenging economic conditions.

The global economic recession that began in 2008 resulted in significantly lower demand and decreased profitability across all of our segments and major markets. While the United States and Canada have shown an improved, but somewhat uneven recovery, Europe remains stagnant with continued economic and financial challenges. Overall, the current demand for steel products is lower when compared to the period prior to the global economic downturn.

While some of our end customer markets supplied by our Flat-rolled and USSE segments, such as automotive, saw modest recoveries during 2010 and 2011, others, such as construction, remain severely depressed. Any decrease in oil and gas drilling activity could result in lower customer demand for the products of our Tubular segment. Our operating levels and prices may remain at depressed levels until our customers demand increases.

The ongoing EU debt crisis and economic declines in EU markets have affected product demand and prices for USSE. Should conditions worsen in these markets, or additional markets suffer similar sovereign debt challenges, product demand and pricing may further deteriorate. While USSE does not directly or indirectly hold any sovereign debt investments, dissolution and replacement of the Euro currency and the potential reintroduction of individual EU currencies could further adversely impact USSE and expose USSE to increased foreign exchange risk.

China and certain other steel markets were affected less by the global recession and rebounded more quickly in some cases to and even beyond 2008 levels. As a result, steel production serving these markets has increased, which has caused prices for iron ore, metallurgical coal and other

raw materials to increase. This development has caused, and will continue to cause, our costs to increase regardless of the state of recovery in our end markets.

U. S. Steel may face increased risks of customer and supplier defaults.

There is an increased risk of insolvency and other credit related issues of our customers and suppliers, including their need to increase working capital as their businesses improve. We believe some of our customers and suppliers may not have sufficient credit available to them, which could delay payments from customers, result in increased customer defaults and cause our suppliers to delay filling, or to be unable to fill, our needs.

U. S. Steel s joint ventures and other equity investees are also being affected by ongoing challenging economic conditions.

U. S. Steel s joint ventures and other equity affiliates are also engaged in the production of steelmaking raw materials and finishing of flat-rolled and tubular products. As such, they face many of the same issues we do. Since these entities are smaller than U. S. Steel, they may have fewer resources available to them to respond to ongoing challenging economic conditions.

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Risk Factors Concerning the Steel Industry

Steel consumption is highly cyclical, and worldwide overcapacity in the steel industry and the availability of alternative products have resulted in intense competition, which may have an adverse effect on profitability and cash flow, especially during periods of economic weakness.

Steel consumption is highly cyclical and generally follows economic and industrial conditions both worldwide and in regional markets. The steel industry has historically been characterized by excess global supply, which has led to substantial price decreases during periods of economic weakness. Substitute materials are increasingly available for many steel products, which further reduces demand for steel.

As the overall North American economy has recovered, we have experienced shorter business cycles with durations measured in weeks or months rather than the traditional multi-year cycles. This volatility makes it difficult to balance the procurement of raw materials and energy with our steel production and customer product demand.

Rapidly growing supply in China and other developing economies may grow faster than real demand in those economies, which may result in additional excess worldwide capacity and falling steel prices.

Over the last several years, steel consumption in China and other developing economies has increased at a rapid pace. Steel companies have responded by rapidly increasing steel production capability in those countries and published reports state that further capacity increases are likely. Steel production capability, especially in China, now appears to be well in excess of China s home market demand. Because China is now the largest worldwide steel producer by a significant margin, any excess Chinese supply could have a major impact on world steel trade and prices if this excess and subsidized production is exported to other markets. Since the Chinese steel industry is largely government owned, it has not been as adversely impacted by the ongoing difficult economic conditions, and it can make production and sales decisions for non-market reasons.

Increased imports of steel products into North America and Europe could negatively affect steel prices and demand levels and reduce our profitability.

Steel imports to the United States accounted for an estimated 13 percent of the U.S. steel market in 2011 and 2010 and 15 percent in 2009. Foreign competitors may have lower labor costs, and some are owned, controlled or subsidized by their governments, which allows their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions.

Imports of tubular products to the United States increased significantly beginning in 2008. Oil country tubular goods (OCTG) imports accounted for a large share of the growth, as they have more than doubled over 2007 levels. Imports of OCTG from China registered the most dramatic increase as they grew from 900 thousand tons in 2007 to nearly 2.3 million tons in 2008. The U.S. market experienced a surge in tubular imports in the second half of 2008 that resulted in record OCTG inventories by the end of the year, which affected demand in 2009. Chinese imports of seamless standard line and pressure pipe increased by more than 290 percent in the three months after the filing of antidumping and countervailing duty petitions in September 2009, as compared to the three months prior to the filing.

Imports of flat-rolled steel to Canada accounted for an estimated 36 percent of the Canadian market for flat-rolled steel products in 2011, 40 percent in 2010 and 39 percent in 2009.

Total imports of flat-rolled carbon steel products to the EU27 (the 27 countries currently comprising the EU) were 17 percent of the EU market in 2011, 14 percent in 2010 and 15 percent in 2009.

Increases in future levels of imported steel to North America and Europe could reduce future market prices and demand levels for steel products produced in those markets.

Imports into the United States, Canada and the EU have often violated the international trade laws of these jurisdictions. While in some cases U. S. Steel and others have been successful in obtaining relief under these laws, in other circumstances relief has not been received. When received, such relief is generally subject to

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automatic or discretionary recision or reduction. There can be no assurance that any such relief will be obtained or continued in the future or that such relief as obtained will be adequate. There is also a risk that international bodies such as the World Trade Organization or judicial bodies in the United States, Canada or the EU may change their interpretations of these laws in ways unfavorable to U. S. Steel such as a recent United States court ruling rejecting the applicability of countervailing duty laws to non market economies such as China.

Limited availability of raw materials and energy may constrain operating levels and reduce profit margins.

U. S. Steel and other steel producers have periodically been faced with problems in obtaining sufficient raw materials and energy in a timely manner due to delays, defaults or force majeure events by suppliers, shortages or transportation problems (such as shortages of barges, ocean vessels, rail cars or trucks, or disruption of rail lines, waterways or natural gas transmission lines), resulting in production curtailments. As a result, we may be exposed to risks concerning pricing and availability of raw materials from third parties. USSE purchases substantially all of its iron ore and coking coal requirements from outside sources. USSE is also dependent upon availability of natural gas produced in Russia and transported through Ukraine. USSE experienced natural gas supply curtailments during Russia s suspension of natural gas shipments to Europe in January 2009, resulting in steel production curtailments, escalated costs and reduced profit margins. Since that time, we have taken steps to mitigate the effects of a future disruption including adding storage capacity in the Slovak Republic and the ability to have reverse flow gas from the Czech Republic to Slovakia. Any future curtailments and escalated costs may further reduce profit margins.

If we do not complete the ongoing projects to construct new coke batteries and the carbon alloy facility, or if these projects do not produce the anticipated quality or volume of products, we will become increasingly dependent upon purchased coke as some of our existing batteries are approaching the end of their useful lives.

Environmental compliance and remediation could result in substantially increased capital requirements and operating costs.

Steel producers in the United States are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These laws continue to evolve and are becoming increasingly stringent. The ultimate impact of complying with such laws and regulations is not always clearly known or determinable because regulations under some of these laws have not yet been promulgated or are undergoing revision. Environmental laws and regulations, particularly the Clean Air Act, could result in substantially increased capital, operating and compliance costs.

International environmental requirements vary. While standards in the EU, Canada and Japan are generally comparable to U.S. standards, other nations, particularly China, have substantially lesser requirements that may give competitors in such nations a competitive advantage.

Greenhouse gas policies could negatively affect our results of operations and cash flows.

The integrated steel process involves a series of chemical reactions involving carbon that create CO_2. This distinguishes integrated steel producers from mini-mills and many other industries where CO_2 generation is generally linked to energy usage. In the United States, the Environmental Protection Agency (EPA) has published rules for regulating greenhouse gas emissions for certain facilities and has implemented various reporting requirements. In the last Congress, legislation was passed in the House of Representatives and introduced in the Senate. We do not know what action, if any, may be taken in the future by the current or a new session of Congress. The EU has established greenhouse gas regulations and Canada has published details of a regulatory framework for greenhouse gas emissions. For a discussion of these, see PART I

Business Environmental Matters. We cannot predict the final requirements that may be adopted in the United States and Canada, or the form of future actions that may be taken by the EU; however, such limitations could entail substantial costs for emission allowances restriction of production and higher prices for coking coal, natural gas and electricity generated by carbon based systems, which could have a negative effect on results of operations and cash flows. Since mini-mill production does not involve the same chemical reactions as integrated production, mini-mills may have a competitive advantage. Also, since China and many other developing nations have not instituted greenhouse gas regulations, and since past international agreements such as the Kyoto Protocol provided

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exemptions and lesser standards for developing nations, we may also be at a competitive disadvantage with certain foreign steel producers. Many of our customers in the United States, Canada and Europe may experience similar impacts, which could result in decreased demand for our products.

Risk Factors Concerning U. S. Steel Legacy Obligations

Our retiree health care and retiree life insurance plan costs, most of which are unfunded obligations, and our pension plan costs in North America are higher than those of many of our competitors. These plans create a competitive disadvantage and negatively affect our results of operations and cash flows.

We maintain retiree health care and life insurance and defined benefit pension plans covering most of our North American employees and former employees upon their retirement. As of December 31, 2011, approximately 115,000 current employees, retirees and beneficiaries are participating in the plans to receive pension and/or medical benefits. At December 31, 2011, on an accounting basis, U. S. Steel s retiree medical and life insurance plans were underfunded by $2.7 billion and our pension plans were underfunded by $2.4 billion.

Most of our employee benefits are subject to collective bargaining agreements with unionized workforces and will be subject to future negotiations. Minimum contributions to domestic qualified pension plans (other than contributions to the Steelworkers Pension Trust (SPT) described below) are regulated under ERISA and the Pension Protection Act of 2006 (the PPA). Minimum contributions to U. S. Steel Canada (USSC) pension plans are governed by an agreement entered into by Stelco Inc. (Stelco) and the Province of Ontario that U. S. Steel assumed in conjunction with the acquisition of Stelco. This unique agreement requires USSC to fund annually a C$70 million flat dollar contribution plus special contributions for cost of living adjustments (COLA) indexing and other amendments adopted since 2006 for the four main USSC pension plans through 2015. After this time, the minimum contribution requirements for USSC s plans are subject to Ontario Canada provincial rules for funding defined benefit plans which generally require the funding of solvency deficiencies over a five year period and may require significantly more annual contributions than is currently required under a Stelco (now U. S. Steel) agreement.

The turmoil in financial markets during 2008 led to significant declines in the value of equity investments that are held by the trusts under our pension plans and the trust to pay for retiree health care and life insurance benefits. While some of the 2008 losses were recovered in 2009 and 2010, poorly performing global equity markets in 2011 negatively impacted our underfunded positions at December 31, 2011. Additionally, certain corporate bond rates are utilized in determining the discount rate used to measure our pension and other benefit obligations for both U.S. GAAP and funding purposes. The Federal Reserve Board has continued to suppress interest rates in an attempt to stimulate the broader American economy, which has had the direct effect of lowering the bond rates used in the determination of the appropriate discount rate. A lower discount rate reduces the funded position of these plans. If there is significant underfunding of the liabilities in our defined benefit pension plans, U. S. Steel, may be required or may choose to make substantial contributions to these plans, which may divert committed capital to satisfy funding requirements related to these obligations and delay or cancel projects that we believe would increase our ability to meet our customers needs as well as our profitability.

U. S. Steel contributes to a multiemployer defined benefit pension plan domestically for USW-represented employees formerly employed by National Steel and represented employees hired after May 2003 called the Steelworkers Pension Trust (SPT). We have legal requirements for future funding of this plan should the SPT become significantly underfunded or we decide to withdraw from the plan. Either of these scenarios may negatively impact our future cash flows. The collective bargaining agreements with the USW entered into effective September 1, 2008 (the 2008 CBAs) increased our required contributions to this plan from $1.80 to $2.65 per hour for most steelworker employees. Collectively bargained company contributions to the plan could increase as a result of future changes agreed to by the Company and the USW.

Despite the global recession, domestic health care costs continue to increase each year, and could accelerate due to inflationary pressures on the overall health care trend rates. These pressures may in part stem from requirements legislated by the Patient Protection and Affordable Care Act enacted in 2010. This may adversely impact our results of operations and cash flow.

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Many domestic and international competitors do not provide retiree health care and life insurance or defined benefit pension plans, and other international competitors operate in jurisdictions with government sponsored retirement and health care plans that may offer them a cost advantage. Benefit obligations under our plans are not tied to operating rates; therefore, our costs do not change to reflect general economic conditions.

We have higher environmental remediation costs than our competitors. This creates a competitive disadvantage and negatively affects our results of operations and cash flows.

U. S. Steel is involved in numerous remediation projects at currently operating facilities, facilities that have been closed or sold to unrelated parties and other sites where material generated by U. S. Steel was deposited. In addition, there are numerous other former operating or disposal sites that could become the subject of remediation. For example, we recorded a charge of $18 million in 2011 related to a component of the Gary Works RCRA corrective action program, and we recorded a charge of $49 million in 2009 in connection with the expanded scope of remediation at our former Geneva Works.

Environmental remediation costs and related cash requirements of many of our competitors may be substantially less than ours. Many international competitors do not face similar laws in the jurisdictions where they operate. Many U.S. competitors have substantially shorter operating histories than we do, resulting in less exposure for environmental remediation. Competitors that have obtained relief under bankruptcy laws may have been released from certain environmental obligations that existed prior to the bankruptcy filing.

Other Risk Factors Applicable to U. S. Steel

Unplanned equipment outages and other unforeseen disruptions may reduce our results of operations.

Our steel production depends on the operation of critical structures and pieces of equipment, such as blast furnaces, casters, hot strip mills and various structures and operations that support them. It is possible that we could experience prolonged periods of reduced production and increased maintenance and repair costs due to equipment failures at our facilities or those of our key suppliers. For example, we experienced a structural failure at Gary Works in 2010 that disrupted operations for several weeks. It is also possible that operations may be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, accidents and severe weather conditions. We are also exposed to similar risks involving major customers and suppliers such as force majeure events of raw materials suppliers that have occurred and may occur in the future. Production at USSE was curtailed in January 2009 due to the suspension of natural gas deliveries to Europe from Russia transported through Ukraine and we remain vulnerable to this risk. Since that time, we have taken steps to mitigate the effects of a future disruption including adding storage capacity in the Slovak Republic and the ability to have reverse flow gas from the Czech Republic to Slovakia. Availability of raw materials and delivery of products to customers could be affected by logistical disruptions (such as shortages of barges, ocean vessels, rail cars or trucks, or unavailability of rail lines or of locks on the Great Lakes or other bodies of water). To the extent that lost production could not be compensated for at unaffected facilities and depending on the length of the outage, our sales and our unit production costs could be adversely affected.

We may be adversely impacted by volatility in prices for raw materials, energy, and steel.

In 2011, approximately 67 percent of U. S. Steel s Flat-rolled segment sales in the United States are based on sales contracts with volume commitments and durations of at least one quarter, while lesser percentages of Tubular and USSE segment sales are made pursuant to such contracts. These contracts generally have a fixed price or a price that will fluctuate with changes in a defined index and do not always have firm volume commitments. During periods of rapid escalation of raw materials, energy and other costs such as was experienced in 2010, U. S. Steel may not be able to recover these cost increases from customers with existing fixed price agreements. Conversely, some purchase contracts require annual commitments, or we may elect to make multi-year commitments, and in periods of rapid decline, such as 2009, U. S. Steel may be faced with having agreed to purchase raw materials and energy at prices that are above the then current market price or in greater volumes than required. If steel prices decline, our profit margins on market-based indexed contracts and spot business will be reduced.

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Declines in the production levels of our major customers could have an adverse effect on our financial position, results of operations and cash flow.

We sell to the automotive, service center, converter, energy and appliance and construction-related industries, all of which have been signficantly impacted by the ongoing difficult economic conditions. Low demand from customers in these key markets may adversely affect our results of operations.

We face risks concerning new technologies, products and increasing customer requirements.

Technologies such as direct iron reduction and carbon substitution may be more cost effective than our current production methods. However, we may not have sufficient capital to invest in such technologies and may from time to time, incur cost over-runs and difficulties adapting and fully integrating these technologies into our existing operations. We may also encounter control or production restrictions, or