



The Honorable Robert Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508
Via Electronic Submission – www.regulations.gov

July 23, 2018

RE: [Docket Number USTR–2018–0018] Notice of Action and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Dear Ambassador Lighthizer,

We write today on behalf of a broad range of U.S. energy interests—spanning technologies and services in the energy efficiency, energy storage, demand response, information technology, manufacturing, natural gas, renewable energy and sustainable transportation sectors—to express our significant concern about the negative effects on the clean energy industry of the second list of proposed tariffs on imports from China that will impact the manufacture of consumer products in the United States and threaten American jobs.

While we agree that there are substantial challenges associated with of China’s ongoing violation of intellectual property (IP) rights and that China’s industrial policies foster an anti-competitive trading environment in some areas, the proposed tariff list – on top of the first list of tariffs that went into effect under the Section 301 investigation in July – will only harm the American economy. By imposing tariffs on a range of electronic components that are crucial to the U.S. manufacture of advanced energy technologies, U.S. global energy dominance is threatened and American jobs along with it. The proposed tariffs will increase the cost of energy and energy services for American households and businesses, decreasing domestic manufacturing of energy-efficient products and hurting American clean energy innovation.

The United States is transitioning to a truly modern, integrated power system. U.S. energy productivity is surging, and today we are generating twice as much gross domestic product per unit of energy consumed than in 1980.¹ Currently, the clean energy industry represents \$200 billion of economic activity and employs more than 3 million workers across the country. By itself, energy efficiency saved the United States more than \$800 billion in 2014 alone.² A healthy, robust, and competitive U.S. clean energy industry is an indispensable element of a stronger economy that creates jobs and encourages innovation. The U.S. clean energy industry delivers lower costs for American businesses and households while ensuring a reliable and affordable electric grid for our nation and improving consumer choice. It is critical that we continue to invest in and upgrade to a modern, 21st century energy infrastructure to bolster continued growth and prosperity.

¹ In 1980, the U.S. consumed 78 quads (quadrillion British thermal units (BTUs)) while GDP was \$6.4 trillion, which produces an energy productivity ratio of 82.6. This compares to energy productivity of 176.4 in 2017 (i.e., 96.8 quads and GDP of \$17 trillion). Energy consumption data is from the Energy Information Administration. GDP (real dollars, 2009) is provided by the Bureau of Economic Analysis.

² “Energy Efficiency in the United States: 35 Years and Counting,” American Council for and Energy-Efficient Economy, June 30, 2015

U.S. trade policy should support the broad growth of sustainable, advanced and efficient energy resources. Nevertheless, the proposed tariffs threaten to roll back progress, slowing or reversing energy productivity by increasing costs for homeowners, consumers, and businesses, and hindering the growth of the U.S. advanced and clean energy and energy efficiency sectors.

A significant number of the subheadings from the Harmonized Tariff Schedule included in this second list from the Section 301 investigation threaten to impact the clean energy economy. These include subheadings impacting gas, liquid and electricity supply and production meters, temperature sensors, as well as electric control panels, circuits and conductors. Amplifiers and diodes are also important components in this industry. Electronic integrated circuits (processors and controllers) are used specifically for making LED-based efficient signage. These categories are broad and cover a wide range of individual components that are essential to produce high-tech, energy-efficient, American-made products. In many cases, it is not possible to source these specialized components from non-Chinese sources. There is a global shortage of electrical components, and tariffs on existing suppliers may have critical impacts on U.S. electronics manufacturing. This will hurt consumers through higher prices and may threaten jobs.

It is also important to recognize that American exports are at stake. In many cases, these component products from China are incorporated into more sophisticated equipment in U.S.-based manufacturing processes and then sold to international markets. The consequence of these tariffs is that American manufacturers will become less competitive in the global market. If the tariffs continue, companies may be incentivized to move export manufacturing off-shore, losing U.S. jobs in the process. Further, the chance of retaliatory tariffs impacting critical American jobs in this important export market is high.

The tariffs and their impact on sustainable, advanced and efficient energy technologies do not offer a remedy to the findings of the Section 301 investigation. While protecting IP is critical for American national interests, this effort has resulted in a tariff strategy that will hurt Americans. By targeting components of products that are manufactured here, the proposed tariffs will increase prices for American customers, rather than put an end to Chinese IP violations.

We support the Administration's efforts to work against unfair trade practices but oppose tariffs that cause harm to the domestic sustainable, advanced and efficient energy industries.

We appreciate the opportunity to comment in this process. Should you have any questions, please do not hesitate to contact Dylan Reed with the Advanced Energy Economy (DReed@ae.org), Karen Hughes with the Alliance to Save Energy (KHughes@ase.org), Maggie Molina with the American Council for an Energy-Efficient Economy (MMolina@aceee.org) and Laura Tierney with the Business Council for Sustainable Energy (LTierney@bcse.org).

Sincerely,

Advanced Energy Economy
Alliance to Save Energy
American Council for an Energy Efficient Economy
Business Council for Sustainable Energy