Section 301 Trade Investigation Committee May 16, 2018
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

**RE: Notice of Determination 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 [Docket No. USTR-2018-0005]**

**Oral Testimony of Dylan Reed, Advanced Energy Economy**

Dear Section 301 Committee Members,

Thank you to the members of the Section 301 trade investigation committee. My name is Dylan Reed, and I serve as the head of Congressional Affairs for Advanced Energy Economy (AEE). AEE and its state and regional partner organizations, which are active in 27 states across the country, represent more than 1,000 companies and organizations that span the advanced energy industry and its value chains. Altogether, AEE represents over 50 different advanced energy technologies and services, including energy efficiency, natural gas, renewable energy, energy storage, electric vehicles, transmission and distribution efficiency, fuel cells, and nuclear power, among others. As a major business voice in the United States, we speak today to express concern over the proposed tariffs impact on various advanced energy technologies.

Currently, the advanced energy industry represents a $200 billion industry that supports more than 3 million workers across the country. The industry supports innovation in the domestic energy resource mix and lower costs for American businesses and households, as well as a more reliable and affordable electric grid for all Americans. Advanced energy technologies and services create and maintain a higher-performing energy system — one that is reliable, resilient, diverse, cost-effective, and clean — while also improving the availability and quality of customer-facing services.

AEE commends the Trump Administration's efforts to negotiate with China around unfair trade practices. The advanced energy industry supports a fairer trade relationship between the United States and China, allowing all industries – including the advanced energy industry – to thrive to the benefit of all Americans. However, tariffs on advanced energy technologies will adversely impact our industry and the U.S. economy.

Given the broad spectrum of technologies that AEE represents, we have a concern about the significant impacts that tariffs can have on the energy system. The proposed tariffs include numerous products that either directly or indirectly impact the advanced energy industry, including but not limited to automatic thermostats, batteries, electric vehicles, nuclear reactors, gas turbines, wind-powered electric generating sets, AC generators (alternators) of an output exceeding 750 kVA, and building management systems. Many of our members and technologies

would be negatively impacted by the imposition of tariffs on essential elements of their supply chain.
While AEE's written comments will provide additional detail, I want to highlight today two examples that illustrate AEE's concerns. The first involves automatic thermostats. The proposed tariffs will put upward pressure on the price of this increasingly important consumer product. These devices help families and businesses control their energy consumption and reduce monthly energy bills. Tariffs will drive up the costs of these devices and, to the extent consumers are less able to afford energy-efficient smart thermostats, impair our nation's energy productivity.

Likewise, the design and technology in smart thermostats is developed in the U.S. by highly skilled workers. Tariffs would not encourage further innovation in U.S. energy technology development. The proposal will hurt electric utilities who, in part through rebate programs, are encouraging customers to install smart thermostats. Lastly, tariffs will hurt the thousands of retailers, as well as small and medium-sized business customers and their contractors, who sell and install thermostats.

My second example involves the impact of tariffs on domestic manufacturing of electric vehicles (EVs), which would be subject to additional duties under Section 301. The imposition of duties on products essential to domestic EV manufacturing would negatively impact consumers of EVs, including municipalities; harm expansion of domestic manufacturing; and undermine existing federally-supported programs for the purchase of EVs.

Finally, the threat of additional retaliatory measures to combat unfair international trade practices has introduced new elements of risk into markets related to the advanced energy industry. AEE respectfully expresses concern to USTR that future tariffs could include a broader set of products, which would only introduce more risk and negative economic impacts to the industry.

AEE respectfully suggests that the imposition of duties on advanced energy technologies, such as smart thermostats and parts and products essential to domestic manufacturing of EVs, will not be effective towards achieving the Administration's goals. Instead, we encourage the Administration to focus its efforts on the elimination of the acts, policies, and practices that are the subject of the Section 301 investigation.

In conclusion, AEE supports the effort of the Administration to renegotiate trade policies towards a fairer trade relationship between the United States and China, but recommends that advanced energy technologies that support domestic, reliable, and affordable energy be removed from USTR's list of products in the final tariffs. Advanced Energy Economy appreciates your consideration of our perspective in this case.

**Dylan Reed**
**Advanced Energy Economy**