

# Tariffs Put U.S. Jobs and Investments at Risk



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THOUSANDS OF  
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BILLIONS OF DOLLARS  
OF U.S. INVESTMENT  
AT RISK**

## Background

Recent tariffs levied by the Trump Administration are continuing to have a negative impact on the U.S. wind industry manufacturers, developers and workers. Currently, three lists of tariffs on products imported from China (Section 301 of the Trade Act of 1974) and separate tariffs on steel and aluminum (under Section 232 of the Trade Expansion Act of 1962) have been finalized by the U.S. Trade Representative (USTR) and are in effect. A fourth list of Section 301 tariffs on Chinese goods was announced on August 20, 2019, implementing tariffs for certain products—including those related to the wind industry—on September 1, 2019. Furthermore, the U.S. International Trade Commission (ITC) is now considering the imposition of new duties on imported turbine towers from Canada, Indonesia, Korea, and Vietnam. With the addition of the wind tower investigation, the total impact from tariffs could increase turbine costs by up to 28%.

## Problem

While ACP appreciates the administration's actions to target unfair trade practices and increase American competitiveness, the proposed high and sweeping tariffs on products and component parts utilized in wind energy development will substantially increase the cost of doing business for U.S. wind energy developers. This will hurt U.S. manufacturers, make energy less affordable for the millions of Americans who rely on wind power to provide affordable energy, and hamper the administration's goals for U.S. economic development, energy dominance, infrastructure improvements, job creation, and support for rural communities.

## Request

ACP urges the administration to reach an agreement with China that leads to the elimination of the Section 301 tariffs. The wind industry also requests the elimination of the Section 232 tariffs on aluminum and steel and the rejection of the Wind Tower Trade Coalition (WTTC) petition related to duties on towers imported into the U.S.

## Industry Impacts

### Section 301 Tariffs on Chinese Imports

A Section 301 investigation ordered by President Trump and carried out by the U.S. Trade Representative (USTR) determined that China's acts, policies, and practices related to technology transfer, intellectual property, and innovation are unreasonable and discriminatory.

List 1: 25% tariff (proposed increase to 30% on Oct. 15) totaling \$34 billion worth of imports took effect on 7/6/2018

- Industry impact: Low. Included few wind-related components (i.e. generator, gearbox and other electrical components)

List 2: 25% tariff (proposed increase to 30% on Oct. 15) totaling \$16 billion worth of imports took effect on 8/23/2018

- Industry impact: Medium. Included towers and smaller turbine components (i.e. drives, motors, generator components, main bearing housing).

List 3: 25% tariff (proposed increase to 30% on Oct. 15) totaling approximately \$200 billion of imports took effect on 9/24/2018

- Industry impact: High. Includes most major turbine components and numerous subcomponents and manufacturing inputs (i.e. gearbox, blades, iron, generator frame).

List 4: 10% tariff (proposed increase to 15%) covers essentially all products not already subject to Section 301 additional tariffs. Tariffs on a majority of components went into effect on September 1, 2019, while tariffs on select components in List 4 going into effect on December 15, 2019.

- Industry impact: Low. The only items of potential concern are lithium ion batteries and casings used in battery storage.

### Section 232 Steel and Aluminum Tariffs

On March 8th, 2018 President Trump codified new steel and aluminum import tariffs effective after 15 days (March 23rd, 2018). The imposed tariffs stand at 25% on steel imports and 10% on aluminum imports for raw and semi-finished (but not finished) goods. Canada and Mexico were temporarily exempted from the order but became subject to the tariffs in a May 31, 2018 announcement that included applying the same tariffs to the European Union. On March 28, 2018, South Korea became the first country to be granted a permanent exemption from the steel tariff, followed by Australia, Brazil, and Argentina on May 2, 2018.

Steel and aluminum are important commodities for wind components, with few substitutes available. Third party analysts

estimate that under a worst-case scenario – depending on supply chain choices of developers and component manufacturers - the expected price increase in commodities could result in a potential 2% - 3% (less than \$1/MWh) increase in wind levelized cost of energy (LCOE).

The cost of steel purchased by domestic tower manufacturers will likely increase due to the tariffs. In addition, domestic manufacturers may also be undercut by imports from foreign tower manufacturers given the exemption for finished goods, particularly from South Korea and Indonesia. On April 9, 2018 the countervailing duties on Chinese and Vietnamese utility-scale wind towers were renewed for a further five years.

### 2019 ITC Wind Turbine Tower Investigation

The WTTC filed a petition with the ITC in July 2019, alleging U.S. wind turbine tower manufacturers were materially injured as a result of the sale of imported utility-scale wind turbine towers in the U.S. at less than fair value. The petition seeks to extend anti-dumping (AD) and countervailing duties (CVD) to towers imported into the U.S. from Canada, Indonesia, Korea, and Vietnam. The CVD goes beyond anti-dumping and applies special tariffs to imports sold in the U.S. that benefit from foreign government subsidies.

ACP supports the overall goal of encouraging domestic manufacturing of wind turbines and related components, including wind towers. However, ACP is opposed to the petition because, if granted, it would lead to higher prices for wind manufacturers and developers and could hurt the supply chain for wind development in the U.S.

The proposed additional duties in this case, when added to the Section 301 and 232 tariffs and the phase-out of the PTC, could cause projects to be canceled and jeopardize additional growth in the industry overall. AWEA predicts that if imposed, AD and CVD on towers would raise the average cost of wind turbines by 10% - 18%. This increase in cost will have a detrimental impact on wind power capacity deployments—resulting in a 20% reduction in turbine demand.

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