



MEMORANDUM ON PROPOSED TARIFF LEGISLATION of the 112th Congress

Date approved

I. Background

Bill number:

Sponsor name:

Sponsor state:

Interested entity:

Name

City

State

Other bills on product (112th Congress only):

Nature of bill:

Expiration date:

Current or previous chapter 99 heading:

Retroactive date:

CAS number (if applicable):

Industry analyst:

Telephone:

Tariff Affairs contact:

Telephone:

Note:

1. Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tariff_affairs/congress_reports/.
2. In regard to the country(ies) of origin listed in section III, this report focuses on dutiable imports and does not take into account any tariff preference programs or special rates of duty.

II. Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

Power converter panels specifically designed for wind turbine generators in excess of 2 MW, the foregoing designed to optimize the power factor of the asynchronous induction generator in a wind turbine, each measuring 1800 mm or more but not over 2050 mm in length, 550 mm or more but not over 650 mm in width and 1950 mm or more but not over 2050 mm in height (provided for in subheading 8537.10.90)

(If enacted, the tariff relief provided for in this bill would be available to any entity that imports the product that is covered by the bill.)

Description above compared with bill as introduced:

- Same
 Different (see Technical Comments section)

III. Other product information, including uses/applications and source(s) of imports

The subject products are power converter panels, which are components of wind turbines. Wind turbines convert the mechanical energy from wind to electrical energy. Power converter panels are an assembly of hardware and software primarily designed to control the connection and disconnection of electricity between the wind turbine and the outside power grid. Power converter panels normally include battery back-ups for control functions. The subject products are placed on a rack which is installed inside the tower at the base of wind turbines. This bill only applies to power converter panels for wind turbines with a capacity greater than 2 megawatts (MW). The major sources of imports are the EU and India. Opposition to this bill is noted below in the Contacts table.

IV. Estimated effect on customs revenue

Subject product HTS subheading(s)	8537.10.90				
Item	2013	2014	2015	2016	2017
Col.1-general rate of duty or percentage point reduction (%)	2.7	2.7	2.7	2.7	2.7
Estimated value of <i>dutiable</i> imports (\$)	35,500,000	83,000,000	91,500,000	60,600,000	89,900,000
Customs revenue loss (\$)	958,500	2,241,000	2,470,500	1,636,200	2,427,300

Note: Customs revenue loss is provided for 5 years, although the effective period of the proposed legislation may differ. Regarding the HTS subheading listed in the article description of the bill, the Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only U.S. Customs and Border Protection is authorized to issue a binding ruling on this matter. The Commission believes that Customs should be consulted prior to enactment of the bill.

Dutiable imports were based on (more than one may apply):

- Official statistics of the U.S. Department of Commerce
 Provided by industry sources
 Industry information
 Commission estimates

Duty reduction notes:

- This bill is not a duty reduction
 This bill is a temporary duty reduction. Rates are shown below.

Col.1-general duty rate (%) Temporary rate (%) Percentage point reduction (%)

V. Technical comments

None

VI. Continuation

Estimated effect on customs revenue – continued:

The estimate of dutiable imports is based on the average of three consulting firms' market size projections. There is significant uncertainty regarding the size of the wind market in the next few years and the actual market size may be considerably higher or lower.

VII. Contacts with domestic firms/organizations

#	Firm/organization and contact name	Telephone number	Claims same or competing product made in the United States	Submission attached	Opposition noted
1	Suzlon Wind Energy Corp. (Interested entity) Kenneth Glazier	773-328-5075	No	No	No
2	ABB David Onuscheck	919-856-2360	Yes	Yes	Yes
3	Acciona Energy North America Corp. Amy Berry	312-673-3000	No	No	No
4	American Electric Technologies Charles Dauber	713-644-8182	Yes	Yes	No
5	American Superconductor Corp. (AMSC) John Samia	978-842-3084	No	No	No
6	Beckhoff Automation LLC Graham Harris	952-890-0000	No	No	No
7	Clipper Windpower Ian Cluderay	805-690-3275	No	No	No
8	Eaton Corp. William Doggett	216-523-4664	No	No	No
9	Gamesa Technology Corp. David J. Rosenberg	215-710-3100	Yes	Yes	Yes
10	General Electric Co. (GE) Tim Richards	202-637-4407	No	No	No
11	Ingeteam Jered Diebold	414-934-4100	No	No	No
12	Magnetek Scott Cramer	800-288-8178	No	No	No
13	Nordex Naomi Lovinger	312-386-4100	No	No	No
14	Powell Industries Don Madison	713-947-4422	No	No	No
15	Satcon Leah Gibson	617-910-5515	No	No	No
16	Schneider Electric Elizabeth deCastro	800-788-1704	No	No	No
17	Siemens Wind Power Kevin Hazel	407-736-4651	No	No	No
18	The Switch Anders Troedson	603-886-9010	No	No	No

	#	Firm/organization and contact name	Telephone number	Claims same or competing product made in the United States	Submission attached	Opposition noted
	19	Vestas Jon Chase	202-955-0093	No	No	No
	20	WTEC Brian Singh	201-242-9906	No	No	No

David, Andrew

From: Charles Dauber
Sent: Tuesday, July 03, 2012 2:24 PM
To: David, Andrew
Subject: your fax seeking comments on Wind turbine electrical systems

Hi Andrew,

Thanks for sending your fax regarding the two proposed wind turbine electrical systems.

My company, American Electric Technologies, Inc. (NASDAQ: AETI) has been providing electrical equipment like this to the traditional energy/oil & gas industry for 65 years. In 2009, we branched into renewable energy and developed both power converters and switchgear for the wind energy industry. Unfortunately, 90% of the wind turbine suppliers were European and brought existing suppliers over with them, so we didn't end up realizing much of a return from our investment. We have also branched out into the solar power market, where we do see better investment returns.

Here are the answers to your specific questions:

1. Yes, we'd have an interest in the bills you described, but honestly, I couldn't tell you whether changing the tariff rate would do anything for us one way or another.
2. We do make the products described in your fax.
3. We do not import those products – as our name suggests, we are focused on American built and manufactured electrical systems.

Feel free to reach out again if you have other questions related to power systems for the energy industry.

Thanks,
Charles Dauber
CEO
American Electric Technologies, Inc.

David, Andrew

From: David Onuscheck
Sent: Friday, June 22, 2012 10:58 AM
To: David, Andrew
Subject: Re: Temporary duty suspensions on wind turbine components
Attachments: ABB inc.pdf

Andrew,

Please see our answers in bold.

David Onuscheck

From: <Andrew.David@usitc.gov>
To: David Onuscheck/USTRA/ABB@ABB,
Date: 06/11/2012 11:46 AM
Subject: Temporary duty suspensions on wind turbine components

David:

I have included below information on two additional temporary duty suspensions, these for wind turbine components, on which I wanted to request ABB's input. I have included more details on the bills in the following table and specific questions on the legislation below the table.

Bill	Product	General tariff rate	Proposed tariff rate	Proposed expiration	Link to bill
H.R. 5494	Power converter panels specifically designed for wind turbine generators in excess of 2 MW, the foregoing designed to optimize the power factor of the asynchronous induction generator in a wind turbine, each measuring 1800 mm or more but not over 2050 mm in length, 550 mm or more but not over 650 mm in width and 1950 mm or more but not over 2050 mm in height (provided for in subheading 8537.10.90)	2.7%	Free	12/31/2015	http://www.gpo.gov/fdsys/pkg/BILLS-112hr5494ih/pdf/BILLS-112hr5494ih.pdf
H.R. 5495	Switchgear assemblies and panel boards specifically designed for wind turbine generators in excess of 2 MW; designed to transfer electric power to and from a utility power grid at 2100 kW at 600 V with a nominal full load of 2190 amperes; each measuring 1950 mm or more but not over 2050 mm in length, 550 mm or more but not over 650 mm in width and 1950 mm or more but not	2.7%	Free	12/31/2015	http://www.gpo.gov/fdsys/pkg/BILLS-112hr5495ih/pdf/BILLS-112hr5495ih.pdf

over 2050 mm in height; capable of monitoring minimum wind speed, yaw position and blade pitch angle (provided for in subheading 8537.10.90)				
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The Commission prepares reports on legislation concerning duty suspensions for the Ways and Means and Senate Finance Committees. As a part of this process, the Commission attempts to identify and contact domestic firms and associations that may have an interest in the subject legislation.

We would appreciate it very much if you could please advise us in regard to:

- Do you have an interest in the proposed duty suspension legislation and, if so, do you support, oppose, or are you neutral to each of the bills? **We oppose both bills. Here is what we submitted to the Ways and Means Committee**
- Do you make any of the products described in the bills or competing products in the United States? **ABB Inc. makes competing products for 5494. ABB Inc. does not make competing products for 5495.** Is there other U.S. manufacturing of the products described in the bills or competing products? **Competitors for competing products for 5494 are American Electric Technologies, Converteam, Ingeteam, Siemens, The Switch, AMSC, and SatCon. Competitors for competing products for 5495 are Cutler-Hammer, Schneider, Siemens, and Powell.** If so, could you provide the names of the firms that make these products?
- Do you import the products described in these bills? If so, what countries are the major sources of imports for each of these products? **We do not import the specific product identified in the bills.**
- Will you benefit from this bill? If so, can you provide me an estimate of the value of imports that will benefit from this bill in each of the next five years? **We can not estimate the value of imports for either bill.**

If you are opposed to the bill, please submit comments to the House Ways and Means Committee (see <http://waysandmeans.house.gov/mtb/mtbbills.htm>) and send us a copy of the submission. Please note that the deadline for submitting comment to the House Ways and Means Committee is Friday, June 22.

Please provide us with any input on this legislation by Monday, June 25. Thank you for your time.

Andy

Andrew David
US International Trade Commission
500 E Street, SW
Washington, DC 20436
Phone:(202) 205-3368
Fax: (202) 205-2018

ITC analyst note: Attachment to e-mail of June 22, 2012.

ABB inc. objects to this Bill in that ABB Inc. believes that a particular product should not receive a waiver of the tariff but that it should apply to the entire product family if granted.

Gamesa Technology Corporation
1150 Northbrook Drive
Trevose, PA 19053
215-710-3100
www.gamesacorp.com
June 13, 2012



Chairman Camp
U.S. House Committee on Ways and Means
106 Cannon House Office Building
Washington, DC 20515

Dear Chairman:

Gamesa Technology Corp., Inc., a global leader in the design, manufacture, installation and maintenance of wind turbine generators and the development and sale of wind farms, was the first overseas wind manufacturer to set up full production facilities in the United States. In 2005, when we decided to build two manufacturing plants and locate our North American headquarters in Pennsylvania, it marked a major milestone for our nation: Instead of losing jobs overseas, we were suddenly luring overseas jobs here.

Today, Gamesa is the fourth largest wind turbine manufacturer globally, with more than 24,000 megawatts installed in 35 countries on five continents. Since locating here, we have delivered more than 3,147 megawatts to 36 wind farms throughout the country, and we have another 767 megawatts under construction or set to be delivered later this year in the United States.

Gamesa has invested nearly \$200 million in manufacturing facilities and expansions, growing operations to include sales offices in Dallas, Denver and Trevose, Pa., and development offices in Minneapolis, Houston and San Diego.

As a manufacturer of wind turbines, we have worked hard to develop a robust local supply chain that can support our long term objective of supplying quality products that are competitively priced for the U.S. market. The domestic content of our U.S. made turbines is one of the highest in the industry. Over the last several years, Gamesa has purchased more than \$1.3 billion of U.S.-sourced content and services for the manufacture of its wind turbines and the development of wind farms. Those investments spread across 40 states.

Maintaining the health of this supply chain is important. The turbines we manufacture here also are being exported to Canada, Mexico, Central America and South America, helping our nation regain its dominance in delivering advanced technologies. In 2011, Gamesa delivered 51 turbines (102 megawatts) for the first wind farm in Honduras, earning us the U.S. Export-Import Bank's "Renewable Energy Exporter of the Year" award. Many of our customers utilize EXIM Bank Financing facilities that require that the manufacturer meet local U.S. supply content requirements. Therefore, maintaining a healthy domestic supply chain is critical to growing our exports.

We have reviewed HR 5494, which proposes to eliminate duties for power converters specifically designed for wind turbines through December 31, 2015. We also have reviewed HR 5495, which proposes to eliminate duties for "Switchgear assemblies and panel boards" specifically designed for wind turbine generators" through December 31, 2015. As a global company, we can source our components from all over the world to supply our factories. However, we have made the conscious decision to support our US supply chain. Thus, we currently source power converters and switchgear for our wind turbines from U.S. Manufacturers. The U.S. wind industry is in a delicate state at the present time. If enacted, HR 5494 and HR 5495 would allow foreign product to enter duty free, which we believe will irrevocably damage domestic manufacturers of power converters and switchgear assemblies, causing job layoffs or worse, plant closures.

In our opinion, there is no need to offer a tariff holiday to exporters of power converters or switchgears specifically designed for wind turbines since there are several suppliers of each already manufacturing similar products in the U.S. Therefore, we are opposed to these two bills.

Sincerely,

David J. Rosenberg
Vice President
Gamesa Technology Corporation
1150 Northbrook Drive
Trevose, PA 19053
215-710-3100
www.gamesacorp.com

112TH CONGRESS
2D SESSION

H. R. 5494

To suspend temporarily the duty on certain power panels specifically designed for wind turbine generators.

IN THE HOUSE OF REPRESENTATIVES

MAY 7, 2012

Ms. SCHAKOWSKY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain power panels specifically designed for wind turbine generators.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CERTAIN POWER PANELS SPECIFICALLY DE-**

4 **SIGNED FOR WIND TURBINE GENERATORS.**

5 (a) IN GENERAL.—Subchapter II of chapter 99 of
6 the Harmonized Tariff Schedule of the United States is
7 amended by inserting in numerical sequence the following
8 new heading:

“	9902.01.00	Power converter panels specifically designed for wind turbine generators in excess of 2 MW, the foregoing designed to optimize the power factor of the asynchronous induction generator in a wind turbine, each measuring 1800 mm or more but not over 2050 mm in length, 550 mm or more but not over 650 mm in width and 1950 mm or more but not over 2050 mm in height (provided for in subheading 8537.10.90)	Free	No change	No change	On or before 12/31/2015	”.
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1 (b) **EFFECTIVE DATE.**—The amendment made by
2 subsection (a) applies to goods entered, or withdrawn from
3 warehouse for consumption, on or after the 15th day after
4 the date of the enactment of this Act.

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