

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION  
of the 111<sup>th</sup> Congress<sup>1</sup>**

[Date approved: March 5, 2010]<sup>2</sup>

**Bill No. and sponsor:** S. 2088 (Ms. Amy Klobuchar of Minnesota).

**Proponent name,<sup>3</sup> location:** Suzlon Wind Energy Corporation, Chicago, IL.

**Other bills on product (111<sup>th</sup> Congress only):** S. 2087.<sup>4</sup>

**Nature of bill:** Temporary duty suspension through December 31, 2011.

**Retroactive effect:** None.

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

Power factor capacitor panels specifically designed for wind turbine generators in excess of 2 MW to optimize the power factor of the asynchronous induction generator, the foregoing panels each having dimensions of 2350 mm or more but not over 2450 mm in length, 350 mm or more but not over 450 mm in width and 2200 mm or more but not over 2350 mm in height (provided for in subheading 8537.10.90)

**Check one:**  Same as that in bill as introduced.  
 Different from that in bill as introduced (see Technical comments section).

**Product information, including uses/applications and source(s) of imports:**

The product covered by this bill is an electrical component of a wind turbine. Power factor capacitor panels contain four main components: capacitors, relays, fuses, and conductors. They are designed to work with the turbine's generator in order to optimize the power factor and minimize energy loss in the distribution system. A power factor capacitor panel does this in conjunction with capacitors, which are electronic components that smooth power output. Power factor capacitor panels are more common in larger wind turbines (over 2 MW). Turbines over 2 MW account for an increasing share of new wind turbine installations in the U.S. market.

Some firms import these panels separately, while others import them as part of a set with either the generator or the nacelle for the wind turbine. The proposed duty suspension would apply only to power

<sup>1</sup> Industry analyst preparing report: Renee Berry (202-205-3498); Tariff Affairs contact: Jan Summers (202-205-2605).

<sup>2</sup> Access to an electronic copy of this memorandum is available at [http://www.usitc.gov/tariff\\_affairs/congress\\_reports/](http://www.usitc.gov/tariff_affairs/congress_reports/).

<sup>3</sup> The sponsor/proponent identified seven additional beneficiaries of this bill. USITC staff sent inquiries to the additional beneficiaries and received responses from four. One submitted a written representation that it would benefit from this bill.

<sup>4</sup> S. 2087 covers a related product in the same industry classified under the same HTS subheading, although the products differ slightly.

factor capacitor panels brought in separately. Current sources of imports are primarily India, Germany, Spain, and Canada.<sup>5</sup>

**Estimated effect on customs revenue for the subject product classifiable in HTS subheading 8537.10.90:**

	2010	2011	2012	2013	2014
Col. 1-General rate of duty	2.7%	2.7%	2.7%	2.7%	2.7%
Estimated value <i>dutiable</i> imports <sup>a</sup>	\$15,252,888	\$16,385,703	\$16,385,703	\$16,385,703	\$16,385,703
Customs revenue loss <sup>b</sup>	\$411,828	\$442,414	\$442,414	\$442,414	\$442,414

a/ Dutiable import estimates were provided by industry sources and based on U.S. Government statistics and Commission estimates.

b/ At the request of Congress, customs revenue loss is provided for 5 years, although the effective period of the proposed legislation may differ.

**Contacts with domestic firms/organizations (including the proponent):**

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
Suzlon Wind Energy (Proponent) Gary Kowaleski, gary.kowaleski@suzlon.com	11/24/2009	No	No	No
ABB, Inc. Pamela Greer, pamelah.greer@us.abb.com	12/1/2009	No	No	No
Acciona North America Eric Schneider, eschneider@acciona-na.com	11/25/2009	No	No	No
Clipper Turbine Works, Inc. Ian Cluderay, icluderay@clipperwind.com	11/25/2009	No	No	No
Gamesa Technology Corp. Arthur Whittemore, awhittemore@gamesacorp.com	11/24/2009	No	No	No
General Electric Tim Richards, tim.richards@ge.com	11/24/2009	No	Yes	No <sup>6</sup>
Magnetek, Inc. Jolene Shellman, jshellman@magnetek.com	12/2/2009	Yes	Yes	Yes
Mitsubishi Power Systems Americas, Inc. Tancred King, tking@mpshq.com	11/25/2009	No	No	No

<sup>5</sup> Although India is a designated beneficiary developing country for purposes of the Generalized System of Preferences (GSP), this subheading is not designated as eligible for GSP benefits. Imports from Canada may be eligible for benefits of the North American Free Trade Agreement if they comply with the rules set forth in HTS general note 12(t) and if proper documentation is filed.

<sup>6</sup> General Electric has characterized their position as “neutral with reservations.” See attached statement for details.

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
		(Yes/No)		
Nordex USA, Inc. Joe Brenner, jbbrenner@nordex-online.com	11/25/2009	No	No	No
REpower USA Corp. Russ Germick, russ.germick@repower-usa.com	11/25/2009	No	No	No
Siemens USA Kevin Hazel, kevin.hazel@siemens.com	11/25/2009	No	No	No
Vestas Americas Jon Chase, joche@vestas.com	11/25/2009	No	No	No
Xantrex Technology Janice Cohen, 604-422-8595	12/3/2009	No	No	No

**Technical comments:<sup>7</sup>**

Based on input from the Customs National Commodity Specialist Tom Campanelli, it is suggested that the article description of the proposed heading be worded as shown on page 1. He suggested that the term “capacitor panels” be replaced with “power factor capacitor panels” in order to avoid confusion as to whether the item is actually classifiable under HTS subheading 8537.10.90. This change would highlight the fact that the subject goods are power factor panels and not simply the capacitors themselves.

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<sup>7</sup> The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

**Statement from General Electric**

Dear Renee,

General Electric appreciates this opportunity to provide you comments regarding bills S.2087 and S.2088.

These bills would temporarily suspend import duties on certain power panels and capacitor panels designed for wind turbine use. GE, as the largest American producer of wind turbines and the second largest wind turbine manufacturer in the world, strongly supports the promotion of wind turbine manufacturing here in the United States. However, GE does not import the products specified and GE will not see any benefit under any such duty suspension.

GE strongly supports a multilateral or plurilateral agreement to eliminate trade barriers on clean energy goods and services. United States negotiators are currently discussing such an agreement with our trading partners. We believe these panels would likely be encompassed under such an agreement. Passage of these bills would therefore constitute a unilateral tariff reduction prior to possible trade negotiations. This could weaken the United States Government's hand in such negotiations and prove detrimental to the overall outcome.

Thank you for your consideration of these comments.

Sincerely yours,

Timothy J. Richards

Managing Director, International Energy Policy

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111TH CONGRESS  
1ST SESSION

# S. 2088

To suspend temporarily the duty on certain capacitor panels specifically designed for wind turbines.

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IN THE SENATE OF THE UNITED STATES

OCTOBER 29, 2009

Ms. KLOBUCHAR introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To suspend temporarily the duty on certain capacitor panels specifically designed for wind turbines.

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 CAPACITOR PANELS SPECIFICALLY**

4 **DESIGNED FOR WIND TURBINES.**

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	Capacitor panels specifically designed for wind turbine generators in excess of 2 MW; such panels are specifically designed to optimize the power factor of the asynchronous induction generator in a wind turbine. The capacitor panel is managed by the wind turbine generator controller and has dimensions of 2350–2450 mm (length) x 350–450 mm (width) x 2200–2350 mm (height) (provided for in subheading 8537.10.90) .....	Free	No change	No change	On or before 12/31/2011	”.
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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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