

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: April 23, 2010]<sup>2</sup>

**Bill No. and sponsor:** S. 2647 (Mr. Jim Bunning of Kentucky).

**Proponent name,<sup>3</sup> location:** Hitachi Automotive Products (USA) Inc., Harrodsburg, KY.

**Other bills on product (111<sup>th</sup> Congress only):** None.

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

**Retroactive effect:** None.

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

Lithium ion electric storage batteries, certified by the importer for use in hybrid electric motor vehicles (provided for in subheading 8507.80.80).

**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:**

Lithium-ion (li-ion) storage battery cells are one of the battery types used to power the electric motors that move hybrid electric vehicles. The cells are the principal or non-rechargeable units performing the electrochemical reactions that generate electrical energy. Secondary battery cells such as these can be discharged and recharged many times. Lithium-ion batteries are manufactured from a variety of cathodes and electrolytes, with more than 25 different types of chemistries. The anode (negative electrode) is typically made of graphite, but the cathode (positive electrode) chemistry varies by manufacturer, with cost, durability, performance, and safety among the critical determinants to cathode selection. The electrolyte is usually a solution of a lithium salt in an organic solvent. These battery cells can be cylindrical or prismatic (rectangular) in shape.

To power a vehicle, the li-ion cells are connected together to generate the necessary voltage for power requirements and are packaged in another larger container or packed with external electrical connectors and sensors to create a larger battery pack. The configuration and structure of each battery pack reflect individual company design as well as its intended use.

The li-ion batteries of interest to the proponent will be imported from Japan.

<sup>1</sup> Industry analyst preparing report: Deborah McNay (202-205-3425); 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 did not identify any additional beneficiaries of this bill.

**Estimated effect on customs revenue for the subject product classifiable in HTS subheading 8507.80.80:**

|                                                      | 2010         | 2011         | 2012         | 2013         | 2014         |
|------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Col. 1-General rate of duty                          | 3.4%         | 3.4%         | 3.4%         | 3.4%         | 3.4%         |
| Estimated value <i>dutiable</i> imports <sup>a</sup> | \$80,000,000 | \$80,000,000 | \$80,000,000 | \$80,000,000 | \$80,000,000 |
| Customs revenue loss <sup>b c</sup>                  | \$800,000    | \$800,000    | \$800,000    | \$800,000    | \$800,000    |

a/ Dutiable import estimates were provided by industry sources.

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

c/ The estimated customs revenue loss is based on a temporary reduction of the general rate of duty from 3.4 percent ad valorem to 2.4 percent ad valorem, a reduction of 1.0 percentage point.

**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? |
|--------------------------------------------------------------------------------------|----------------|----------------------------------------------|----------------------|-------------------|
|                                                                                      |                | (Yes/No)                                     |                      |                   |
| Hitachi Automotive Parts (USA), Inc. (Proponent)<br>Doug Bowling, 859-734-8087       | 01/20/2010     | No                                           | No                   | No                |
| A123 Systems<br>Debbie Giampa, dgiampa@a123systems.com                               | 01/20/2010     | No                                           | Yes                  | Yes               |
| American Honda Motor Company, Inc.<br>Toni Harrington, toni_harrington@hna.honda.com | 01/20/2010     | No                                           | No                   | No                |
| Chrysler Group LLC<br>Kathleen Hennessey, kmh17@chrysler.com                         | 01/21/2010     | No                                           | No                   | No                |
| Denso International America, Inc.<br>Bill Steffan, bill_steffan@denso-diam.com       | 01/21/2010     | No                                           | No                   | No                |
| Enerdel, Inc.<br>Casey Butler, cbutler@enerdel.com                                   | 01/20/2010     | No                                           | No                   | No                |
| Ford Motor Company<br>J. T. Young, jyoung134@ford.com                                | 01/20/2010     | No                                           | No                   | No                |
| Johnson Controls, Inc.<br>Mark F. Wagner, mark.f.wagner@jci.com                      | 01/21/2010     | No                                           | No                   | No                |
| Motor & Equipment Manufacturers Association<br>Catherine Boland, cboland@MEMA.ORG    | 01/21/2010     | No                                           | No                   | No                |
| Nissan North America<br>Yuko Hanada, yuko.hanada@Nissan-Usa.com                      | 01/20/2010     | No                                           | No                   | No                |
| Toyota Motor Sales, USA, Inc.<br>David Vennett, dvennett@tma.toyota.com              | 01/20/2010     | No                                           | No                   | No                |

| Name of firm/organization                                       | Date contacted | Claim US makes same or competing product(s)? | Submission attached? | Opposition noted? |
|-----------------------------------------------------------------|----------------|----------------------------------------------|----------------------|-------------------|
|                                                                 |                |                                              | (Yes/No)             |                   |
| Valence Technology, Inc.<br>Robert L. Kanode, Fax: 512-527-2910 | 01/20/2010     | No                                           | Yes                  | No                |

**Technical comments:<sup>4</sup>**

The proposed legislation is drafted to provide a duty reduction, rather than a suspension. Although the title of the bill has no legal significance, we suggest that it should be changed to reflect this intended purpose in order to avoid confusion.

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<sup>4</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.



January 25, 2010

TO: U.S. Senate Finance Committee

SUBJECT: S.2647, a bill to reduce temporarily the duty on imports of certain lithium-ion batteries

A123Systems is a US based company that opposes the proposed bill S. 2647, to reduce temporarily the duty on imports of certain lithium-ion batteries.

As a firm that has been awarded US DOE funds to create factories in the US to build such batteries, we find it inconsistent with the administration's goal of accelerating the production of such cells in the US. A123 plans to commence manufacturing of such cells in Michigan in 2010.

Regards,

David P. Vieau  
President and CEO  
A123Systems, Inc.

Cc: Deborah A. McNay  
U.S. International Trade Commission

MPSEN, ONT-FYH49 ES  
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111TH CONGRESS  
1ST SESSION

# S. 2647

To suspend temporarily the duty on lithium ion electrical storage battery.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 2, 2009

Mr. BUNNING 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 lithium ion electrical storage battery.

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. LITHIUM ION ELECTRICAL STORAGE BATTERY.**

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

|   |            |                                                                                                                                                           |      |           |           |                         |    |
|---|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----------|-----------|-------------------------|----|
| “ | 9902.01.00 | Lithium ion electric storage batteries, certified by the importer for use in hybrid electric motor vehicles (provided for in subheading 8507.80.80) ..... | 2.4% | No change | No change | On or before 12/31/2011 | ”. |
|---|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----------|-----------|-------------------------|----|

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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