

**Battery Council
International**



IN WASHINGTON

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Testimony Before the U.S. International Trade Commission
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May 14, 2014

Investigation Nos. TA-131-039 and 332-548

The Battery Council International (“BCI”) is pleased to testify before the United States International Trade Commission regarding the potential duty-free treatment of certain “environmental goods.” BCI opposes the duty-free treatment of lead-acid batteries and parts thereof. (HS6 8507.20 and 8507.90). We will be filing written comments next week, but take today’s opportunity to summarize our views.

BCI is a non-profit trade association whose members are engaged in the manufacture, distribution, retail sale, collection and reclamation of lead-acid batteries. BCI members account for over 98% of U.S. lead-acid battery production and over 97% of U.S. used lead-acid battery recycling (*i.e.*, secondary lead smelting) capacity.

The U.S. Domestic Market is Economically Important and an Environmental Success Story

Over 15,600 Americans are employed in the domestic production of lead-acid batteries. Another 2,100 are employed by domestic secondary smelters, who recycle old batteries into lead that can be used in new ones. (The rate of recycling of battery lead in the U.S. is approximately 99%.)

U.S. wholesale sales of lead-acid batteries of all types exceed several billion dollars. Each year, more than 120 million automotive batteries are sold in the United States. That segment is forecast to grow annually between 0.6% and 1.2% in the coming years. Furthermore, in 2013, the stationary and motive power segment, which includes alternative energy installations, exceeded \$1.9 billion in sales, and is forecast to continue to grow by between 4.2% and 7.3% in the coming years. BCI estimates that more than 85% of all U.S. lead-acid battery demand is met by domestic production.

BCI members strongly support the expansion of environmentally friendly energy applications in the U.S. and around the world. BCI’s members have invested heavily in the research and development of new technologies and applications for lead-acid batteries. These include wind, solar, utility-storage, hybrid and stop-start vehicles, and other cutting-edge applications.

The U.S. Government also has supported the development of U.S. domestic battery manufacturing capacity, including lead-acid technology. For example, in August, 2009, as part of the Administration's \$2.4 billion "stimulus act" investment in domestic battery manufacturing and recycling, East Penn Manufacturing Co. of Lyon Station, Pennsylvania, received a \$32.5 million grant specifically to expand its lead-acid battery production capacity for hybrid vehicles. Other BCI members also received support, for a variety of technologies.

These results are paying off. Although other battery chemistries get most of the attention, lead-acid batteries are indeed a practical alternative for vehicle propulsion and alternative energy storage. They provide more energy, per dollar, than any other battery technology available today.

The U.S. lead-acid battery manufacturing sector's excellent environmental health and safety record also stands in stark contrast with the manufacturing sectors in other countries, especially those with which the U.S. does not have negotiated trade arrangements. Today, average worker blood leads in the U.S. battery industry – the measure for occupational health regulation – are the equivalent of the overall U.S. population in the 1950s. Air and water emissions from the industry's factories are stringently regulated, and those regulations are rigorously complied with.

This contrasts dramatically with conditions in countries with which the U.S. does not have trade agreements. China's environmental problems are notorious, and heavy metal pollution is endemic. BCI has long urged the Chinese government and manufacturers to update their standards and operations, and indeed has sponsored several training programs in China to help them in doing so. BCI thus was encouraged when, in 2011, the Chinese government shut down approximately 90% of that country's lead-acid battery production capacity because of inadequate health and environmental controls. But the Chinese industry still fails to match the standards of U.S. industry. The same, unfortunately, is true of other nations as well.

Finally, as the 99% recycling rate noted above suggests, lead-acid batteries are, by far, the most recycled consumer product in North America. But it is most economical to locate secondary smelters close to battery production facilities. The elimination of tariffs would almost certainly lead to reduced domestic lead battery production and, consequentially, reduced domestic demand for recycled lead.

The Proposed Ex-Out List of Goods is Unworkable

USITC's attempt to segregate "environmental goods" batteries is unworkable, especially for lead-acid batteries, even if based on capacity.

First, on a technical note, the published list of goods defines the goods under investigation as batteries "of a capacity no less than 100 [kilowatts]." However, the

capacity of batteries generally is not usefully measured in kilowatts because that is measure of power output at a single moment in time, not capacity. Capacity is measured in "kilowatt-hours" or "ampere-hours."

Second, even if appropriately defined, segmenting lead-acid "green energy" batteries based on capacity is still unworkable. This is because, with regard to lead-acid batteries, large capacity applications, such as utility-grade energy storage, do not utilize a single "battery." Rather, these installations are comprised of many smaller units, which are combined with specialized wiring and control systems to support the required capacity and voltage. Thus, for example, a 1,000 kWh capacity installation could have either 1,000 1kWh batteries or 50 20kWh batteries, both could deliver similar capacity. The design and implementation for each project is based on the particular energy storage and delivery needs of the installation, and varies greatly.

Third, within any given size and chemistry category, lead-acid batteries are essentially interchangeable. A standard 2-volt lead-acid cell used in standby energy applications can also be used for industrial or motive power applications. Thus, a tariff ex-out intended solely for green energy batteries could be readily abused simply by mis-declaring the intended use. A battery imported and claimed as intended for a wind energy installation could be easily redirected for another use not eligible for duty free treatment.

Fourth, decreasing the cost of lead-acid batteries intended for green energy uses by 3.5% will do little to stimulate deployment of environmentally friendly energy projects. This is because the batteries themselves make up a relatively small portion of the cost of these systems in comparison to the costs of wind turbines, solar panels, mechanical systems, and computerized power management systems. For example, excluding the cost of the energy production components (*e.g.*, solar panels or turbines), batteries account for less than 30% of a typical 100kW output, 300 kWh capacity office building backup system. For a system designed to provide 50 kW for only 15 minutes (*e.g.*, to allow a back-up generator to take over) would bring the battery cost down to less than 10% of the total system cost. The typical costs of these systems will vary depending on the application, but commonly range from \$1,000 to \$3,000 per kWh, or more.

A Decrease in U.S. Domestic Production of "Green" Energy Batteries Would Negatively Impact the Production of Other Batteries

As I previously mentioned, battery units of the same size and chemistry are broadly interchangeable across applications. This is particularly evident at the manufacturing facilities where batteries of varying configurations are produced on the same production lines and by the same employees as most other battery formats.

Thus, any reduction in U.S. domestic demand for lead-acid batteries, in any category, will have a direct impact on the 15,600+ lead-acid battery manufacturing employees nationwide. These workers could see their jobs vanish if their products are displaced by

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imported alternatives. This could also have a knock-on effect of reducing the industry's ability to meet the demands of other "traditional" battery segments by eroding the total manufacturing capability of production facilities and reducing investment in the research and development of improved battery designs.

For these reasons, BCI requests that the USITC recommend that lead-acid batteries be removed from the list of goods under consideration for the elimination of tariffs.

Although BCI's focus is on lead-acid batteries, many of the concerns stated above apply equally to other battery chemistries. The U.S. government has similarly invested considerable sums of tax dollars to support the growth of domestic production capacities for those chemistries, and it is similarly illogical to undercut those efforts by eliminating the applicable tariffs.

Thank you.