

# Renewable Energy and Energy Efficiency Advisory Committee, *Charter IV*, Recommendation Fact Sheet

## **Recommendation #10 [Approved February 22, 2018]:**

We recommend that the U.S. Government diplomatically address and encourage the removal of the local content restrictions on fuel grade ethanol exports from the United States to India.

**Sub-Committee:** Market Access

### **Background Information:**

Under India's current ethanol blending program, India's Oil Marketing Companies (OMCs) are responsible for meeting ethanol blending targets for the country's automobile fuel supply, which is accomplished through a bidding system. According to the Ethanol Blending Program (EBP) regulations, the annual ethanol supply bids released by the OMCs can only originate from domestic manufacturers. These manufacturers are then mandated to provide an affidavit cum indemnity bond certifying that the sources of feed stock are indigenous and that no imported feed stock was used in the production of ethanol.

While India's current EBP has established a blend target of 10% for automobile fuels, this preference for domestically produced ethanol has led to severe shortfalls in achieving the target blend rate. In fact, as a result of the local content restrictions, India has only enough fuel ethanol produced domestically to meet the national blend rate of 3.5 percent in 2015-2016 and 2.4 percent for 2016-2017 through July 2017.

We believe that allowing for imported ethanol / feed stocks for ethanol production would easily enable India to meet its blending targets. We also believe that these local content restrictions are in violation of the recent WTO precedent involving India's solar panel restrictions. In an action brought by the United States before the WTO over India's solar panel rules, the WTO found that domestic sourcing requirements for solar panels were in violation of WTO rules.

Despite the WTO ruling in favor of the United States on solar panel case and India agreeing to comply, the United States announced in December 2017 that India has not met compliance requirements and that new rounds of meetings with the WTO Dispute Settlement Board will occur in 2018.

To avoid lengthy litigation process experiencing in the solar panel case, we are seeking that the United States employ soft touch approach to this dispute, which would encourage India to remove the local content restrictions for fuel ethanol without the need for threatened litigation.

**Expected Impact on Export Competitiveness:** Increase in U.S. exports to India

**Specific Agencies Responsible for Implementation:** Department of Commerce and White House

**Metric to Track Success:** International trade statistics