Recommendation #4 [Approval 7/25/2019] on Harmonized Tariff System (HTS) and Schedule B Codes ("Codes") Related to Renewable Energy and Energy Efficiency (RE&EE)

We recommend that the Secretary:

- Initiate an internal task force that will consult with relevant external stakeholders, including RE&EE manufacturers and supply chain representatives, to collaboratively identify a uniform list of HTS and Schedule B codes for both finished goods and appropriate components that are utilized by the RE&EE industry.
- Establish a protocol for biennial review of RE&EE HTS and Schedule B codes, which includes receiving input from end-product manufacturers, upstream component manufacturers, and other external stakeholders.

Sub-Committee:
Manufacturing

Background Information:
The Harmonized Tariff Schedule of the United States (HTS) is a hierarchical structure for describing goods in trade for duty, quota, and statistical purposes. It is maintained by the U.S. International Trade Commission (ITC). Schedule B codes are statistical classifications of domestic and foreign commodities exported from the United States.

Improving the quality and transparency of Codes related to the RE&EE industries will enable the Department of Commerce (DOC) to promote RE&EE exports through bilateral negotiations and tariff policies. While there are some RE&EE specific Codes, often Codes lack the level of granularity required to provide a comprehensive supply chain analysis for domestic manufacturing of RE&EE products. Current Codes are not often differentiated by end-use industry. This results in gaps in data analysis, thus limiting the DOC’s ability to assess the effects of a policy change or promotional activity on the end-use industry.

The HTS is based on the Harmonized Commodity Description and Coding System (HS) maintained by the World Customs Organization (WCO). The HS is used globally by approximately 190 countries. It serves as the foundation for tariff classifications and is standardized at the first six digits. Any changes or modifications to the first six digits would have a global impact and would require deliberation and approval among the membership of the WCO.

The individual import and export schedules of many countries, including the United States, extend product classifications beyond six digits to provide greater specificity. In the United States, the HTS extends to ten digits. Under this system, tariff rates are set at the 8-digit subheading, while many goods are further differentiated at the 10-digit level for statistical purposes.

Countries are not required to obtain WCO approval for any additions, deletions, revisions or amendments to their national tariff codes if no conflict is created with the nomenclature assigned to the first six digits.
For example, the HTS was revised last year to create carve-outs for different types of solar module technology in response to the implementation of the Section 201 tariff remedies. The example below identifies an early 2018 revision of the HTS with solar module classification highlighted in yellow.

In this revision of the 2018 schedule, both thin-film and crystalline silicon (CSI) solar modules were classified under the same HTS code.

The sixth revision of the 2018 HTS, published in July, provided an additional level of granularity by differentiating between CSI and other technologies at the ten-digit level. CSI modules are imported under 8541.40.60.15 (highlighted in yellow below) and CdTe modules are imported under 8541.40.60.35 (highlighted in green below).

With the 2018 changes, there is a clear definition for not only renewable energy imports, but even specific types of solar technology. This new differentiation has been beneficial to the industry and is consistent with the European Union, which has already implemented this type of structure in order to identify CSI modules for purposes of applying anti-dumping duties.
Expected Effect on U.S. Export Competitiveness:

- Increase U.S. manufacturing competitiveness by improving policy maker understanding of supply chains to inform tariff and other trade-related policies.
- Improve policy maker understanding of supply chains to evaluate effectiveness of free trade zones.
- Provide means to identify imports used as component parts for exports to allow for application of tariffs based on ultimate internal or external sale.
- Enable more detailed data on imports by country to better evaluate impacts of specific country-level tariffs on products or goods coming from multiple countries.
- Improve understanding of how global agreements related to environment are impacted by these codes.
- Improve data quality to better inform decision making at federal agencies to close loopholes and identify trade violations.
- Provide enhanced data to track exports by country thereby boosting market development efforts of organizations that rely on federal funding.
- Improve decision making in bilateral and multilateral free trade negotiations and agreements to improve export competitiveness.

Specific Agencies Responsible for Implementation:

Key Milestones to Track Success:

- Within six months, DOC convenes the first task force meeting/workshop, with an established schedule for future meetings and review.
- Task force identifies the level of supply chain data practicable and of interest to the DOC.
- Task force evaluates and makes recommendations on the application of Codes to an 8 to 10-digit level for component parts or products to ensure ITC capability of applying policy on a specific and narrow basis as needed.
- DOC publishes a list of existing RE&EE related Codes within a year of task force establishment.
- DOC provides more comprehensive data for analysis to support thorough and accurate enforcement of trade and tariff policy.
- DOC provides more comprehensive data for analysis to inform tariff and trade policy.