growth energy™
America's Ethanol Supporters

701 8th Street, NW, Suite 450, Washington, D.C. 20001
PHONE 202.545.4000 FAX 202.545.4001 GrowthEnergy.org

December 10, 2018

The Honorable Robert E. Lighthizer
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Docket Number USTR-2018-0035

Dear Ambassador Lighthizer:

Growth Energy is the leading association of the ethanol industry representing 100 producer plants, 89 companies associated in the ethanol supply chain, and tens of thousands of ethanol supporters around the country. Together we are working to bring consumers around the world better choices at the fuel pump, growth America's economy, and improve the environment for future generations.

As such, we offer the following submission in response to the request for comments on a proposed U.S.-European Union Trade Agreement as USTR develops its negotiating objective and positions for the agreement. This submission responds to the request to identify Growth's general and product-specific negotiating objectives; relevant barriers to trade in goods and services; economic costs and benefits to U.S. producers and consumers of removal or reduction of tariffs and non-tariff barriers; treatment of specific goods; customs and trade facilitation measures; sanitary and phytosanitary measures and technical barriers to trade and other trade-related measures or practices that undermine fair market opportunities.

As a union of 28-member states that together represent the second largest global economy, a trade agreement will provide opportunities to expand free and fair trade, strengthen our economic and strategic relationship between our two countries, and help promote economic growth in the European region.

Again, thank you for the opportunity for Growth to provide our priority negotiating objectives. We look forward to continued collaboration as the negotiations commence.

Sincerely,

Craig Willis
Senior Vice President, Global Markets

Comments on Negotiating Objectives for a U.S.-European Trade Agreement
Docket Number: USTR – 2018-0035
December 10, 2018
Washington, D.C.

Growth Energy strongly supports the objectives of a trade agreement with the European Union. As the 28-member states together represent the second largest global economy, a trade agreement with the 28-member states will provide opportunities for free and fair trade and strengthen our economic and strategic relationship and help promote economic growth in the European Region. Matching or exceeding market access from competing regional and bilateral agreements must be a key negotiating priority in the U.S.-European trade agreement. At the outset, Growth believes that it is fundamental that ethanol and coproducts are a key component of this bilateral agreement. Growth strongly supports the objectives of a trade agreement with the EU like our support during the negotiations of the recently signed U.S.-Mexico-Canada Agreement (USMCA) which contains both market access and regulatory provisions that should serve as foundational language for negotiations in a U.S.- EU trade agreement.

The EU tariffs for ethanol for fuel use differ depending on the ethanol content level: Greater than 80 percent Ethanol – 19.2 Euro per hL; Ethanol at any strength – 10.2 Euro per hL. In addition, the EU has a number of trade preferences for individual countries, regional blocs, and trade development programs.

The United States is subject to an additional 62.30 Euro per metric ton (bioethanol content basis) duty for ethanol due to an antidumping/countervailing duty (AD/CVD) decision against U.S. exports that went into effect beginning in 2012. The AD/CVD was in place five years, meaning that the European Commission should evaluate the need for duties in 2018. Blenders' tax credits were the policies at issue in the AD/CVD case. Since those policies have expired in the United States, it was expected that the AD/CVD would be removed upon the scheduled review. However, the Commission is conducting an expiry review on whether it should continue. The U.S. industry has filed documents challenging the extension and the faulty math that was used to calculate the original five-year duty.

U.S. ethanol exports to the EU experienced substantial growth from 2010 to 2012. From 2010 to 2012, the EU was considered a top export destination, becoming the second-, third-, and top-ranked export destination, respectively. The AD/CVD placed on U.S. ethanol effectively discouraged trade in 2013, however. In 2013/14 U.S. ethanol exports were 40 million gallons ($111 million) and continued to decline over the next years resulting in exports of only 20 million gallons ($35 million) in 2015/16. However, exports increased modestly in 2016/17 to 30 million gallons ($49 million) and rose dramatically in 2017/18 to 110 million gallons ($182 million).

According to a recent study contracted by Growth Energy and the U.S. Grains Council, the EU is projected to dramatically increase both its production and consumption over the next 10 years. Consumption is expected to increase at a faster rate than production, which projects that net imports are projected to increase 290 million gallons by 2023. Additionally, the growth in production and consumption is not expected to occur in parallel. Fuel use is expected to increase steadily until 2020 before declining slightly, production's growth will be much steadier over the period. As a result, the baseline shows that net imports could reach as high as 850 million gallons in 2020 before production and consumption converge slightly.

Imports of U.S. ethanol to Europe are likely to improve once the AD/CVD expires. However, if they are extended, the U.S. will be unable to capture the expected growth in EU net imports. The U.S. government should demand that all tariffs on ethanol for fuel use be eliminated as well as eliminate the ant-dumping duty.

Additionally, the EU limits the entry of lower priced grains from non-EU countries through quotas and a reference price system based on U.S. exchange prices and transportation costs. Relative to ethanol co-products such as distillers dried grains with solubles (DDGS), the EU imports of DDGs are not currently assessed tariffs. The U.S. government should demand that the EU commit to maintaining zero duties on U.S. DDGs and other ethanol co-products.