

August 15, 2017

The Honorable Wilbur Ross
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, D.C. 20230

The Honorable Robert Lighthizer
United States Trade Representative
Office of the United States Trade
Representative
600 17th Street, NW
Washington, DC 20508

Re: Benefits of Energy Efficiency in Upcoming Trade Negotiations

Dear Secretary Ross and Ambassador Lighthizer,

Renewed North American Free Trade Agreement (NAFTA) negotiations open an enormous opportunity to tackle our toughest energy and security challenges, while at the same time unleashing American economic activity and productivity. I write, as the leader of a bipartisan and nonprofit coalition of businesses, government and civil society that promotes the advancement of **energy efficiency as an indispensable solution for building a stronger economy, creating jobs and improving U.S. competitiveness, to encourage you to consider the impacts on energy-efficient goods and services as you consider changes to NAFTA.**

Energy-efficient goods and services include appliances, building materials and equipment, smart building and industrial energy management systems, energy distribution equipment, financial services and many other elements crucial to our economic prosperity. Our industry is currently the leading job-creator in the energy sector employing 2.2 million workers across construction, manufacturing, wholesale trade and professional and business service industries.

The United States is a world leader in energy efficiency, from technological innovation and manufacturing to the development of new business models that change how we consume energy. As a result, **ensuring low barriers to trade in energy-efficient products and services naturally privileges the U.S. private sector, creating larger markets for U.S. goods and deepening U.S. economic prosperity.** It also lowers costs for energy-efficient technologies for Americans, which enhances our overall energy security by reducing our reliance on imported energy and freeing up resources for export. At the same time, higher U.S. and North American energy security means greater investor certainty, helping to bring jobs home to American soil.

NAFTA has created significant benefits for the United States. Exports of manufactured goods to Canada and Mexico have tripled since 1993, contributing directly to an overall doubling of U.S. value-added manufacturing output. NAFTA has enabled the integration of supply chains,

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provisions to enhance investor confidence and the stimulation of job creation in the United States. For decades, our companies have evolved their manufacturing, supply chain and distribution infrastructure to match these opportunities and requirements.

Ensuring that the existing beneficial elements of NAFTA remain in place is key to ensuring that U.S. companies maintain and deepen these benefits.

However, NAFTA also has elements that are inefficient, ineffective and outdated. The new negotiations offer an important opportunity to streamline burdensome regulations, clarify ambiguous rules, ensure fair and level tax treatments in all countries and enhance transparency. Making adjustments to resolve such issues would bring outsized benefit to the U.S. industry, as well as American consumers.

My organization urges you to consider the following key principles that we believe will help reap the economic, energy security and environmental benefits offered by the greater deployment and use of energy-efficient goods and services across borders.

- 1. Maintain a zero tariff for products produced in North America:** NAFTA's elimination of tariffs for U.S. products entering Mexico and Canada has been a true success story, stimulating growth in U.S. exports and ensuring competitive access for U.S.-manufactured goods. It is critical for businesses in the energy efficiency market that no new tariffs are imposed and that no Party levies additional taxes on imported energy products (above those taxes that are charged on the same types of domestically-produced products). This should apply to all energy efficiency and enabling technologies, including electrical, IT and communications equipment.
- 2. Harmonize certifications and test procedures:** Harmonizing certifications and test procedures using the United States as a model is a streamlined way to increase the market size for critical energy efficiency technologies while reducing regulatory burdens on U.S. companies competing in international markets. The U.S. government should ensure that measures are put in place to reduce technical barriers to trade by harmonizing standards across the North American market as technologies and product regulations in individual countries are updated. There are a range of ways that this may be accomplished, including through the technical barriers to trade chapter of the NAFTA agreement, where explicit attention can be given to energy-specific performance standards to ensure U.S. standards are prioritized. Outside of the framework of NAFTA, the Regulatory Cooperation Council has been a successful example of standards harmonization between the United States and Canada; having Mexico actively participate in that process or a similar effort would be an important path towards reducing non-tariff barriers on a trilateral basis.
- 3. Strengthen enforcement tools:** Support U.S. competitiveness, exports and jobs growth by developing coordinated action protocols with Canada and Mexico to protect North

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American energy efficiency products against unfair trade practices by other countries. North America represents a powerful economic bloc. Renegotiating NAFTA opens an opportunity to strengthen trilateral enforcement tools and fight unfair trade practices that may be practiced by outside parties.

4. **Ensure that digital trade language in new NAFTA is best in class:** Given the explosion in innovation in the IT and communications sector of the past several years, the current NAFTA language around IT and digital technologies is severely outdated. Today, a significant subset of energy efficiency technologies are data management programs, algorithms, and smartphone apps that govern and analyze energy usage. To enhance U.S. energy security and economic opportunity, NAFTA should be updated to promote e-commerce and digital trade in goods and services; to support the free flow of data and oppose burdensome local data requirements; and to provide consumer protections and provisions to protect intellectual property. A NAFTA renegotiation is an opportunity to ensure that digital trade is treated equally to goods trade and that no unnecessary regulatory burdens are levied against it. Consumer protection in crafting such provisions should be a key priority.
5. **Customs modernization and streamlining for qualified parties:** NAFTA currently requires onerous and complicated paperwork to navigate ambiguous rules to certify that goods qualify under the agreement. The process lacks transparency, and burdensome inspection requirements at the border often delay shipments of qualified goods and increase costs to businesses and consumers. Streamlining and clarifying these rules, while also creating a way for qualified businesses to more quickly pass through customs, would improve the bottom line for businesses and make our trade processes more efficient. Enabling the acceptance of certified data in all three countries could also enhance commercial opportunities.
6. **Ensure best use of government procurement practices for energy efficiency goods and services:** Facilitating the deployment of energy efficiency technologies and services in the North American market for public facilities in the United States, Canada and Mexico is the responsible option to strengthen North American energy security, avoid wasteful energy use and save taxpayer dollars. It is important to preserve the ability of energy service providers to enter government contracts in all three countries, without onerous restrictions on sourcing and local content that could delay projects, raise costs, and hamper government markets with unnecessary burdens. Encouraging transparency in procurement practices and removing barriers to U.S. companies that provide energy efficiency products and services is important for putting these companies on equal standing with foreign firms. Supporting third-party financed public projects in the NAFTA countries could benefit the infrastructure and the economy of the entire region. Public-private partnerships and energy savings performance contracts are some of the

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mechanisms deployed for renovations and upgrades of the public sector, and should continue to be used unhindered, given its cost-effectiveness.

Unpredictable energy costs and growing consumer and business demands make today's investments in energy efficiency ever more vital to America's energy security and economic prosperity. Effective, efficient and transparent cross-border trade is an indispensable opportunity to advance the use of energy efficiency. So, I end as I began, by urging you to consider the impact to the energy efficiency sector as you seek to modernize NAFTA in a way that represents the "best deal" for our country, its businesses and its citizens.

The Alliance to Save Energy stands ready to provide support as you begin these -important negotiations with our neighbors. We support the swift conclusion of these negotiations, and look forward to an ongoing conversation that ensures trade regulations enhance the benefits of efficiency to jobs, prosperity and energy security.

Sincerely,

A handwritten signature in black ink, appearing to read "Kateri Callahan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kateri Callahan
President

3M Company

Acuity Brands Lighting

AERCO International, Inc.

Air-Conditioning, Heating and Refrigeration
Institute

Air Movement and Control Association
International

Alliance for Sustainable Energy LLC/NREL

Alliance for Water Efficiency

American Chemistry Council

American Council for an Energy-Efficient
Economy

American Association of Blacks in Energy

American Council on Renewable Energy

American Institute of Architects

American Lighting Association

American Public Power Association

American Public Transportation Association

American Water

Andersen Corporation

A.O. Smith

Association of Energy Engineers

Association of Home Appliance Manufacturers

ASERTTI

ASHRAE

Austin Energy

Australian Alliance for Energy Productivity

Better World Group

Bonneville Power Administration

Brookhaven National Laboratory

BSH Home Appliances Corporation

Building Codes Assistance Project

California Energy Commission

CALMAC Manufacturing Corporation

Center for Energy Efficiency & Sustainability

Chelan County Public Utility District

China-U.S. Energy Efficiency Alliance

Citigroup

CMC Energy Services

Conservative Energy Network

Consumer Technology Association

Copper Development Association

Covestro

Cree

Current, powered by GE

Daikin

Dallas/Fort Worth International Airport

Danfoss

DENEFF e.V.

Dentons

D&B Engineering

DNV-GL

E4TheFuture

Edison Electric Institute

Electric Power Research Institute

Energy Systems Group

European Alliance to Save Energy

Exelon Corporation

**Hannon Armstrong Sustainable Infrastructure
Capital, Inc.**

General Motors

Home Performance Coalition

Hongbo Group

ICF International

Illuminating Engineering Society

Ingersoll Rand

International Association of Lighting Designers

International Copper Association, Ltd.

International Window Film Association

Itron

Johns Manville

Johnson Controls

Jupiter Oxygen Corporation

Knauf Insulation

Large Public Power Council

Lawrence Berkeley National Laboratory

Legrand

Lime Energy

Lockheed Martin

Lutron Electronics, Co.

Microsoft

Midwest Energy Efficiency Alliance

Missouri River Energy Services

Nalco, An Ecolab Company

National Association of State Energy Officials

National Association of Water Companies

National Electrical Manufacturers Association

National Grid USA

National Insulation Association

Natural Resources Defense Council

National Rural Electric Cooperative Association

Navigant, Inc.

Nest Labs

New York Power Authority

**New York State Energy and Research
Development Authority**

**North American Insulation Manufacturers
Association**

Northeast Energy Efficiency Partnerships

Northern California Power Agency

Northwest Energy Efficiency Alliance

OSRAM SYLVANIA

Panasonic

PG&E Corporation

Philips Lighting Company

Polyisocyanurate Insulation Manufacturers
Association

PSE&G

Sacramento Municipal Utility District

Samsung

Schneider Electric

Seattle City Light

Siemens Industry, Inc.

SloanLED

Snohomish County Public Utility District

Southeast Energy Efficiency Alliance

Southern California Edison

Southern Company

Tennessee Valley Authority

The Dow Chemical Company

The Stella Group

Thyssenkrupp Elevator AG

U.S. Climate Action Network

U.S. Green Building Council

Univ. of California, Davis–Energy Efficiency
Center

USES Manufacturing Inc.

View, Inc.

Virginia Energy Efficiency Council

Washington Gas

Whirlpool Corporation

As of August 2, 2017