Methanol Institute Testifies Before USTR on Methanol Tariffs

MI CEO Greg Dolan testified today on the damaging effects of proposed US tariffs on methanol at a hearing held by the United States Trade Representative

WASHINGTON, DC, UNITED STATES, August 23, 2018 /EINPresswire.com/ -- Full Testimony of Methanol Institute CEO Greg Dolan to the Office of the United States Trade Representative

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> *Gregory Dolan, CEO*

TESTIMONY OF THE METHANOL INSTITUTE ON USTR-2018-0026, Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

23 August 2018

Testimony by: Gregory Dolan, CEO – Methanol Institute

Thank you for the opportunity to testify today on behalf of the Methanol Institute – the trade association for the global methanol industry – concerning proposed Section 301 tariffs on Chinese imports to the united states which included methanol in your List 3.

We strongly urge the USTR to remove tariff subheadings 2905.11.10 and 2905.11.20 for methanol or "methyl alcohol" from any supplemental action taken against China.

Given that the United States is becoming a methanol exporting country, and imports from China are not economical and therefore practically non-existent, a tariff on methanol imports from China would only serve to trigger the action we've now seen – the threat of retaliatory tariffs by China on methanol exported from the U.S.
This tariff war on methanol threatens to curtail the resurgence we are now seeing in U.S. methanol production driven by the shale gas revolution.

Methanol – the world's most widely traded chemical commodity – is a building block for hundreds of products that touch our daily lives, from paints and plastics to building materials and windshield wash. Methanol is also an emerging energy resource for fueling cars, trucks, buses, boats, boilers and cook stoves. We were deeply troubled to learn that methanol is on the USTR list of 6,000 products targeted for the imposition of a 25 percent tariff on imports from China.

The inclusion of methanol will do little to help achieve the USTR's goal of assessing duties on products from China with an annual trade value of $200 billion, as there is very seldom any methanol trade flowing from China to the U.S.
In fact, the American Chemistry Council has noted that 286 of the 1505 chemical and plastic products listed by the USTR for additional tariffs are not even imported from China.

The inclusion of methanol on List 3 has now led to proposed reciprocal tariffs from China on U.S. methanol, which could have a strongly negative effect on our nation's resurgent methanol industry. U.S. methanol production capacity was just 2.25 million metric tons per year at the start of 2015, and by this summer capacity had jumped to 7.5 million metric tons per year, that's 2.5 billion gallons.

The affordability of feedstock natural gas has led to the restarting of plants that had been mothballed for a decade or more, greenfield new builds, and even entire production plants being shipped to the U.S. from other countries. The methanol industry is the poster child for the petrochemical industry's shale gas-driven renaissance.

We commissioned a report last year by ADI Analytics finding that by 2020, new U.S. methanol plant investments of $12 billion would create 19,000 construction jobs and 5,000 permanent jobs, while providing annual tax revenue of $480 million.

The USTR has already heard from one firm stating that a $3.8 billion methanol project in Louisiana could be delayed or canceled due to the imposition of U.S. tariffs. This one project would create 1,000 construction jobs, 200 permanent jobs, and 300 associated manufacturing jobs.

The U.S. is now making a critical transition from being a net methanol importer, to becoming a net methanol exporter. The world's largest market for methanol is China. The potential for high import tariffs placed on U.S. methanol by China could lead to a dramatic slowdown in our methanol industry's resurgence, at a cost of investment, jobs and tax revenue.

These projects are already facing increasing costs due to recently imposed tariffs on steel, aluminum, and process machinery. Additional impact in the form of increased tariffs on methanol could lead to decisions to halt or relocate projects to more favorable countries.

Furthermore, such tariffs could also jeopardize billions of dollars in foreign direct investment from Chinese firms who are now constructing, or planning to build, methanol facilities in this country.

We have learned through discussions with officials in China prior to methanol's inclusion on the USTR product list, that China had planned to increase imports of U.S. methanol as a way to reduce the trade imbalance that currently exists between our two countries. Simply put, china doesn't want to sell us their methanol, they want to buy our methanol.

At a time when the U.S. is poised to significantly expand methanol exports to China, the imposition of tariffs could have the perverse impact of halting this positive trade.

Again, we strongly urge you to remove tariff subheadings 2905.11.10 and 2905.11.20 for methanol from any supplemental action taken by ustr.

We remain hopeful that the U.S. and China can resolve their differences and prevent further harm to U.S. manufacturers and consumers. Increased tariffs between the U.S. and any of its trading partners hurts American consumers and businesses by increasing the cost of commonly used products and materials and threatens to derail the country's recent economic recovery.

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