June 5, 2026

The Honorable Howard Lutnick
Secretary
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, DC 20230

RE: ETTAC Recommendations on Environmental Technology SMBs Competitiveness
ETTAC Recommendation 2026-17

Dear Mr. Secretary:

On behalf of the Environmental Technologies Trade Advisory Committee (ETTAC), we submit these observations and recommendations regarding the small and medium-sized businesses (SMBs) that develop, manufacture, and export U.S.-made environmental technology, goods, and services in support of the national competitiveness and national security interests of the United States.

The ETTAC is a statutorily-established advisory committee whose purpose is to advise on policies and procedures affecting exports of U.S.-made environmental technology, goods, and services. The International Trade Administration (ITA) defines environmental technologies as those that prevent or mitigate pollution, support compliance with environmental regulations, manage or reduce waste streams, remediate contaminated sites, develop and operate environmental infrastructure, provide environmental resources, and promote environmental protection and resource efficiency.[1]

Small and medium-sized businesses ("SMBs") constitute the overwhelming majority of U.S. businesses and are significant contributors to employment, economic growth, national competitiveness, and national security.[2] Within the environmental technology sector, SMBs play an important role in innovation, skilled workforce development, advanced manufacturing, and export activity. Internationally, SMBs account for approximately one-third of U.S. goods exports, and environmental technology SMBs are frequently responsible for developing advanced sensing, monitoring, data, and compliance solutions that support U.S. technological leadership and global competitiveness.[3]

Global demand for environmental technologies continues to increase; however, U.S. environmental technology SMBs face growing challenges in capturing and maintaining international market share due to intensified global competition, supply-chain pressures, and structural scale disadvantages. Although these SMBs play an important role in innovation and manufacturing, they often operate under conditions that differ materially from those faced by large multinational firms and international competitors, resulting in disproportionate impacts from certain trade, procurement, and compliance policies that impact SMB costs, pricing flexibility, and export participation.

Recommendations

Based on these observations, ETTAC respectfully offers the following recommendations for consideration by the Department of Commerce, EXIM Bank, Development Finance Corporation, State Department, Office of the U.S. Trade Representative, and other relevant agencies:

1. **Acknowledge the strategic role of environmental technology SMBs within competitiveness and resilience initiatives.**
   Environmental technology SMBs contribute to monitoring, data collection, and infrastructure supporting water resources, air quality, soil health, environmental compliance, and resilience objectives. These firms employ a skilled workforce across engineering, manufacturing, software, and field services.[4] ETTAC recommends that relevant trade and industrial policy programs recognize the characteristics and constraints of environmental technology SMBs.

2. **Evaluate mechanisms for expedited SMBs tariff relief on critical inputs.**
   ETTAC recommends consideration of streamlined processes for reviewing and granting tariff exclusions or exemptions for environmental technology SMBs where key components or materials are not reasonably available from domestic sources. Such mechanisms could be designed to reflect the administrative capacity and scale of small firms.

3. **Establish a reporting and feedback mechanism on import-related cost impacts affecting environmental SMBs investments.**
   ETTAC recommends that the Department explore the development of a reporting and feedback mechanism through which governmental agencies, research institutions, and utilities can document the impacts that import-related costs have on their operational and capital budgets. Such reporting could improve visibility into potential impacts that higher trade costs may contribute to project delays, reduced scope, or deferred investments affecting U.S. environmental technology SMB participation.

4. **Strengthen implementation of existing Free Trade Agreements and Agreements on Reciprocal Trade for environmental technology SMBs.**
   The United States has Free Trade Agreements (FTAs), Agreements on Reciprocal Trade (ARTs) including the United States–Mexico–Canada Agreement (USMCA) and other bilateral agreements, which provide an important foundation for market access, tariff reduction, and trade facilitation for SMBs. We urge the Administration to utilize the existing USMCA Small business chapter 25 as a model to continue to improve these issues moving forward. Many FTAs may not fully reflect the supply-chain structures, input dependencies, and procurement dynamics faced by environmental technology SMBs. ETTAC recommends that the Department explore opportunities to strengthen the implementation and utilization of existing FTAs to better support environmental technology SMB participation, including through sector specific guidance, streamlined compliance tools, and targeted engagement with partner countries. Such efforts would build on existing agreements without reopening negotiations, while improving SMB export participation and U.S. environmental technology competitiveness.

Summary Observations

Environmental technology SMBs face a combination of cost, compliance, supply-chain, and market-access challenges that may disproportionately affect their competitiveness relative to larger multinational firms. These factors may affect export participation, innovation timelines, pricing flexibility, and long-term market position.

ETTAC has included additional background observations and supporting discussion in an addendum for the Department's reference.

Conclusion

Environmental technology SMBs contribute meaningfully to U.S. innovation capacity, export diversity, and the development of trusted environmental technologies worldwide. Addressing structural factors that affect SMB competitiveness may support broader U.S. objectives related to exports, supply chain resilience, and technological leadership.

ETTAC respectfully requests that the Department consider these observations and engage relevant interagency partners and industry stakeholders as appropriate. We welcome the opportunity to provide additional input.

Sincerely,

Clare Schulzki
ETTAC Chair

Addendum

Background: Observed Challenges Affecting Environmental Technology SMB Competitiveness

Environmental technology SMBs face a combination of cost, compliance, and market access constraints that affect their ability to scale and compete internationally.

First, international trade cost impacts SMB supply chains. Trade-related cost increases can produce amplified downstream pricing effects for SMBs. Many environmental technologies rely on specialized electronic, optical, or material inputs for which domestic alternatives are currently limited or unavailable. When additional trade costs are applied to these inputs, costs may compound through distribution and manufacturing stages as supporting companies and distributors seek to maintain viable gross margins. Smaller firms generally have less capacity to absorb or offset such increases or to redesign components in response, resulting in higher relative impacts on final pricing and competitiveness[5]

Second, public-sector budget impacts affect SMB participation. Governmental agencies, research institutions, and utilities are experiencing budget pressures associated with increased import costs for equipment and systems that currently can only be sourced from international providers. In response, these organizations are reassessing and reallocating their operational and capital budgets, which in some cases has contributed to the postponement, reduction, or cancellation of projects that would otherwise support U.S.-based environmental technology SMBs.

Third, SMBs face structural disadvantages in trade-affected markets. Environmental technology SMBs typically have limited purchasing leverage, supply-chain flexibility, and compliance resources compared to larger firms. Larger companies are often able to negotiate volume-based pricing, source directly from manufacturers, maintain established operations in key international markets, and dedicate legal, compliance, and logistics teams to manage tariffs, rules of origin, certifications, and import/export controls. SMBs frequently lack these advantages and may have limited ability to adapt quickly to trade disruptions or governmental policy changes, resulting in higher per-unit costs and the need to divert engineering, R&D, or business development resources toward compliance-related activities.

Fourth, SMBs face impacts on innovation and commercialization timelines. Collectively, increased costs and uncertainty may affect innovation and commercialization.[6] Cost pressures can constrain cash flow and delay investment in equipment, hiring, and research and development. Delays in new product launches or innovation may, over time, affect U.S. participation in emerging environmental technology markets and international competitiveness.

Finally, SMB disadvantages in export markets create risks to market share and long-term competitiveness. Environmental technology markets, both internationally and domestically, are often highly price sensitive, including government procurement, utilities, municipalities, and development projects. Even modest cost increases can influence project planning and bid outcomes. Because environmental technology exports represent approximately 10–12 percent of total U.S. environmental technology output, sustained reductions in export competitiveness may not be fully offset by domestic demand.[7] Once international market share is lost, reentry can be difficult, even where U.S. products offer superior technical performance or lifecycle value.

Collectively, these factors indicate that current policy frameworks may have uneven effects across firms of different sizes, with implications for SMB export participation, innovation capacity, and long-term U.S. competitiveness.

Footnotes

1. International Trade Administration (ITA), *Top Export Market Rankings – Environmental Technologies*, https://www.trade.gov/report/top-export-market-rankings-environmental-technologies
2. U.S. Small Business Administration (SBA) Office of Advocacy, *Frequently Asked Questions About Small Business 2024*, https://advocacy.sba.gov/2024/07/23/frequently-asked-questions-about-small-business-2024/
3. U.S. Census Bureau, *Foreign Trade Statistics*; SBA Office of Advocacy, *Small Business Profile*, https://www.census.gov/foreign-trade/; https://advocacy.sba.gov/wp-content/uploads/2025/06/United_States_2025-State-Profile.pdf
4. SelectUSA, *Environmental and Clean Technology Industry Overview*, https://www.trade.gov/selectusa-environmental-technology-industry
5. .S. International Trade Commission, *Economic Effects of Trade Policies on Small and Medium-Sized Enterprises*, https://dataweb.usitc.gov/
6. U.S. Government Accountability Office (GAO), *Reports and Testimonies on Trade Compliance and Small Businesses*, https://www.gao.gov/reports-testimonies
7. International Trade Administration (ITA), *Top Export Market Rankings – Environmental Technologies*, https://www.trade.gov/report/top-export-market-rankings-environmental-technologies International Trade Administration (ITA), *Top Export Market Rankings – Environmental Technologies*, https://www.trade.gov/report/top-export-market-rankings-environmental-technologies