

# REIMAGINANDO LA INTEGRACIÓN REGIONAL EN LA ERA DE LAS TECNOLOGÍAS DISRUPTIVAS

Instituto para la Integración de América Latina y el Caribe



INTAL **50** años



# Green Integration: Climate Change and Environmental Goods

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**INTAL 50 Años: Reimaginando la Integración Regional en la Era de  
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# The question:

**What role can trade and investment policies play in addressing climate change?**



# Context: Climate change

- IPCC 5<sup>th</sup> Assessment Report (2014):
  - By 2030 need to reduce emissions at least 39% below 2010 levels
  - By 2050 need to reduce emissions at least 72% below 2010 levels
- That's a transformation more fundamental than the industrial revolution, in far less time.



**NOT AN ENVIRONMENTAL  
PROBLEM**

"American financial market investors in Brazil should be aware of the water shortages in the country, given their knock-on impacts on electricity prices, headline inflation, and business confidence."

- Katherine Weber, head of Americas Country Risk Analysis, BMI Research



# Multilateral Trade Policy

- Doha mandate: reduce or eliminate tariff and non-tariff barriers to environmental goods and services.
- In light of Doha's slow progress, and in response to 2012 APEC deal (53 goods, 5% or less by 2015) new plurilateral initiative: the *Environmental Goods Agreement* (EGA).
- 17 WTO members, including US, EU, China. Results expected by the WTO's December Ministerial.
- I'm not optimistic: Agreement is being rushed for political purposes. Two rounds of talks left, 450 goods shortlisted, no definition of environmental goods.

# Global market share of LAC exporters, selected green goods



	Fluorescent lights*	Solar water heaters	Wind turbine gen sets	Solar PV cells, modules	Crushing/ grinding machines	Gas turbines >5,000 kW	Water purification machinery	Pressure measuring instruments	Spectrometers
<b>Mexico</b>	0.3%	15.5%	0.1%	1.6%	0.6%	0.1%	1.5%	5.9%	0.4%
<b>Brazil</b>	0.0%	0.0%	0.2%	0.0%	0.0%	0.6%	0.1%	0.4%	0.0%
<b>Argentina</b>	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
<b>Colombia</b>	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
<b>Chile</b>	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
<b>El Salvador</b>	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Uruguay</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
<b>Costa Rica</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Guatemala</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Peru</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: UN ComTrade database, ITC Trade Map; 2013 data

# But is there *potential* for export?



- Brazilian ethanol: top global exporter at USD 1.9 billion. Product of years of strategic government intervention.
- Mexico solar rooftop heaters: top global exporter at USD 385 million. Started in 2007 as a domestic market effort.
- Colombia HCFC-free refrigerators: Government collaboration with UNDP converted four plants. Now 30% of production exported to LAC.





# Are tariffs the real barrier to exports?

	Imports of environmental goods		Effective applied tariffs (%)
	Global share (%)	rank	
EU	16.3	1	2.2
USA	12.0	2	1.1
China	11.1	3	2.8
Korea, rep.	6.3	4	5.5
Taiwan	4.3	5	n/a
Japan	2.9	6	0

*WTO Secretariat list of 26 “core” goods, trade-weighted tariffs, 2009 data, adapted from Yoo and Kim 2011.*



# Will the EGA stimulate *imports*?

- Imports of cheaper green goods would benefit the environment in non-member countries.
- Non-members of the EGA will benefit from reduced production costs of green goods if the EGA significantly boosts production levels.
- This effect is real, but the barriers to import are more significant, and they lie behind the border



# Stimulating green goods imports

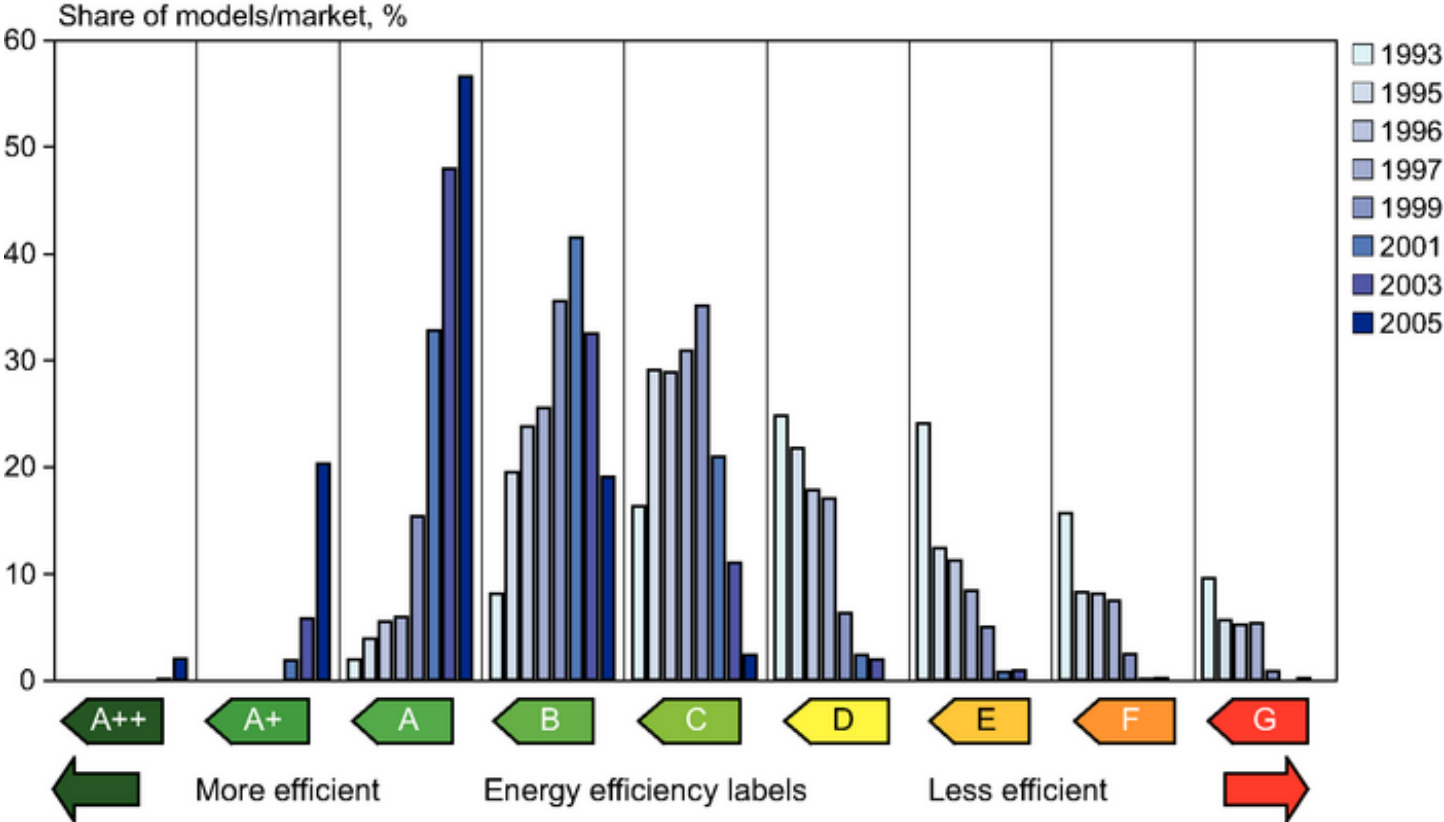
- Central American energy market integration (2013): SIEPAC.
- 1,800 km of 230kV transmission lines, connecting the six national grids.
- Established an independent system operator, a regional electricity market.
- Not easy: Variety of different electric sector and market structures, from sole monopoly buyer and distributor SOE utilities to fully competitive wholesale markets.
- *Huge* potential boost to renewable energy technology imports.



# Stimulating green goods imports

- Harmonized efficiency standards/labels for consumer products (e.g., refrigerators, air conditioners, TVs)
- US Energy Star standard has saved 2,200 MtCO<sub>2</sub>e, USD 295 billion in energy costs (2013 figures)
- In LAC, standards exist in Argentina, Brazil, Mexico, Uruguay, but they are all different types of regimes, different standards.
- Harmonized standards foster regional markets, production *and* import of green goods.

# Impact of EU Appliance Efficiency Labels, Refrigerators





# Conclusions

- Trade and investment are key to disseminating green goods, fostering green economic activity.
- Multilateral trade policy can help, but it is not the big picture
- Regional and national policies are crucial – create the right environment for investment, uptake

# Thank you

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