

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

Aaron Cosby
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**INTAL 50 Años: Reimaginando la Integración Regional en la Era de
Tecnologías Disruptivas, Buenos Aires**



The question:

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



Context: Climate change

- IPCC 5th 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
Mexico	0.3%	15.5%	0.1%	1.6%	0.6%	0.1%	1.5%	5.9%	0.4%
Brazil	0.0%	0.0%	0.2%	0.0%	0.0%	0.6%	0.1%	0.4%	0.0%
Argentina	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
Colombia	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Chile	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
El Salvador	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Uruguay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Costa Rica	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Guatemala	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Peru	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

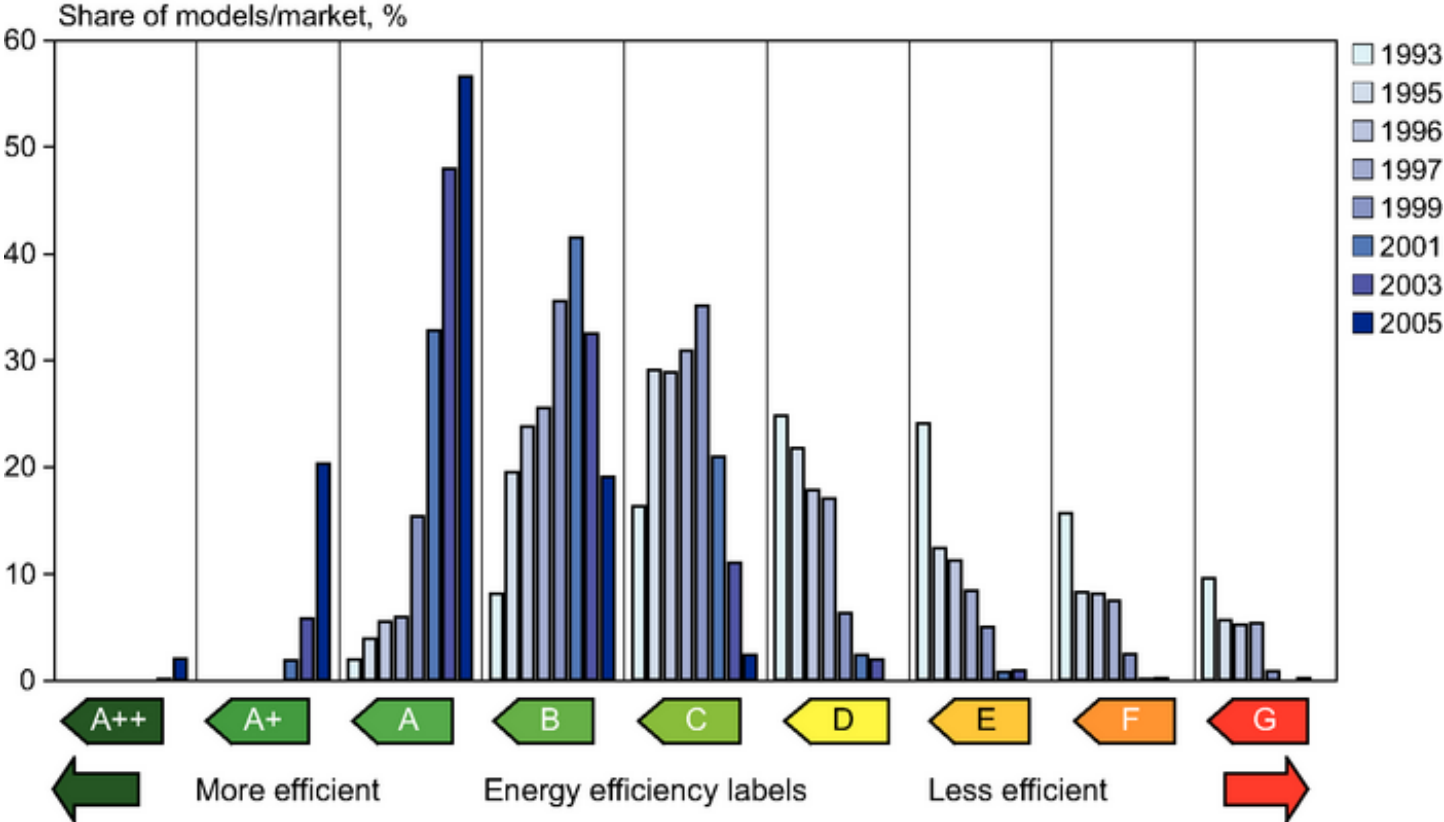
- Central American energy market integration (2013): SIEPAC.
- 1,800 km of 230kV transmission lines, connecting the six national grids.
- Established an independent system operator, a regional electricity market.
- Not easy: Variety of different electric sector and market structures, from sole monopoly 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 MtCO₂e, 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

Aaron Cosbey
acosbey@iisd.ca

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