Wind power, trade wars, and domestic battles

Joachim Monkelbaan
ICTSD

Ankara, 27 March 2013

Turkey and trade

Holland and wind power

Why trade and RE?

- WB: reducing trade barriers = 64% increase in trade in efficient lighting
- For wind turbines, removing barriers =

  23% increase in trade
- Climate change (mitigation), pollution, energy security, access to energy, sustainable development
- Trade important for RE, but also GDP, energy policies (RE targets), electricity markets, capacity to subsidize (Cosbey et al., 2008; IEA, 2008; Jha, 2008).

Advantages trade for emerging economies

- China became biggest producer and exporter, but smaller economies also benefit (Korea, Taiwan)
- Get access to latest technologies, investment and know-how (with a long-term view)
- Get access to foreign markets
- Global competition based on fair rules:

  prices down, quality and innovation up
- Trade needs to be balanced (sustainable) and benefit wider population

Domestic Sustainable Energy and Trade Policies

Policies with a direct impact on trade in SEGS

- Tariffs
- Export restrictions rare earths
- Barriers to service providers
- Subsidies
- Local content requirements
- Government procurement
- IP & licensing
- Investment rules

RE trade wars: trade disputes

- 2010 September/2011: Japan and the EU vs. Canada (FiTs and LCR in Ontario), last week AB hearings DS 412 and DS 426
- 2010 December: US vs. China (Subsidies for wind power) DS 419
- 2011: US anti-dumping/countervailing duties vs. solar cells (China) wind towers (China, Vietnam)
- 2012: China: AD and CVD investigation on polysilicon from US/EU/Korea
- 2012 August: China questions CVD by US on solar panels and wind towers DS 437
- 2012: EU solar cell and panel manufacturers complain about dumping from China
- 2012 November: China vs. EU (FiTs and LCRs in Italy and Greece) DS 452
- 2013 February: EU solar glass manufacturers complaint on dumping from China
- 2013 February: US vs. India (LCRs solar cells and solar modules) DS 456

The EU/Japan vs. Canada case

- WTO dispute on LCRs in Ontario's FIT program
- WTO panel ruled that LCRs are prohibited (GATT and TRIMs), but that LCRs are not subsidies
- Canada's arguments: the Ontario FIT program is not covered by the relevant GATT obligations because it concerns government procurement
- EU and Japan's arguments: the FITs are prohibited subsidies as they are discriminatory

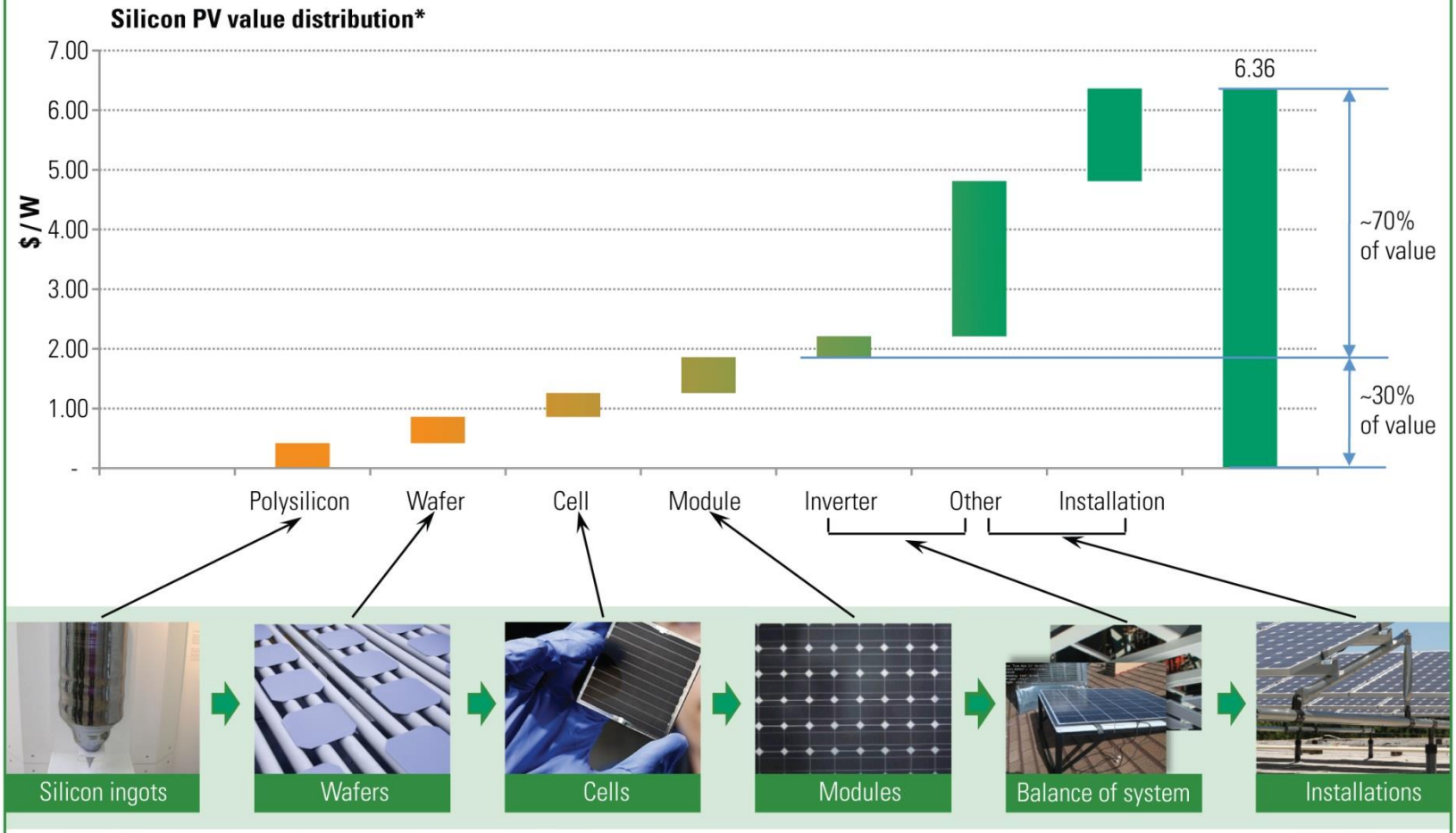
Local content requirements

- Forbidden under WTO rules (GATT and TRIMs)
- Expensive; Canada pays $386 more/kW wind than US; India pays 12% more for solar modules
- Not needed: most successful exporters of renewable technologies, such as Denmark, Germany, Norway, Portugal, and the US, have never protected their producers from competitive pressure
- Chinese wind industry continued boom after LCRs were removed in 2010
- Turkish LCRs don't work because blades and towers probably produced locally in any case, and overall regulatory framework around LCRs ineffective
- Put in wider context of industrial development and trade balance

Alternatives for LCRs

- Local industry based on competitiveness, and economic efficiency and demand
- Investment- and business-friendly environment
- Fair and flat FiT
- Training, education and R&D
- Improved logistics (value chains) and infrastructure

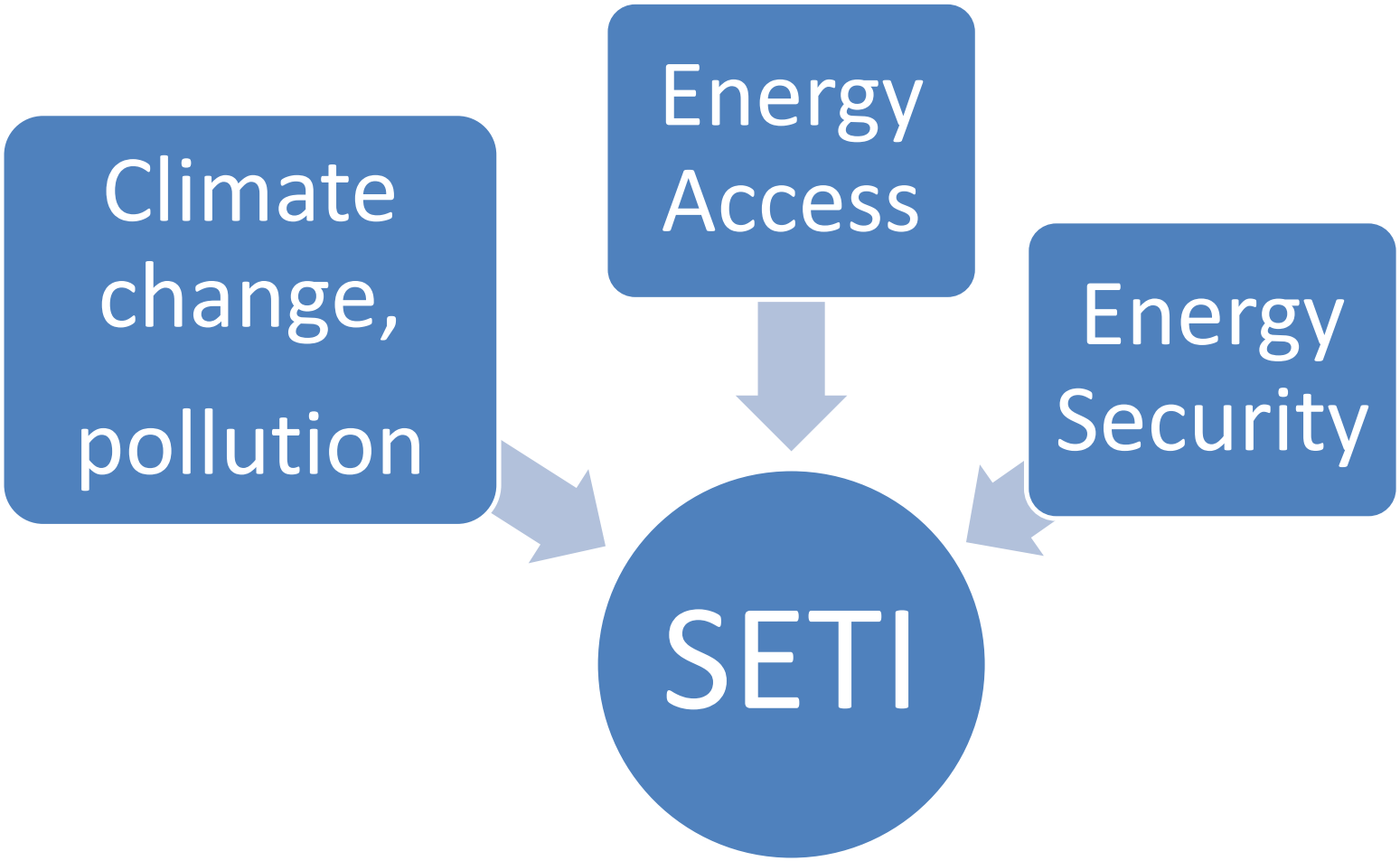
FIGURE 4: More than half the jobs and value generated lie downstream of modules



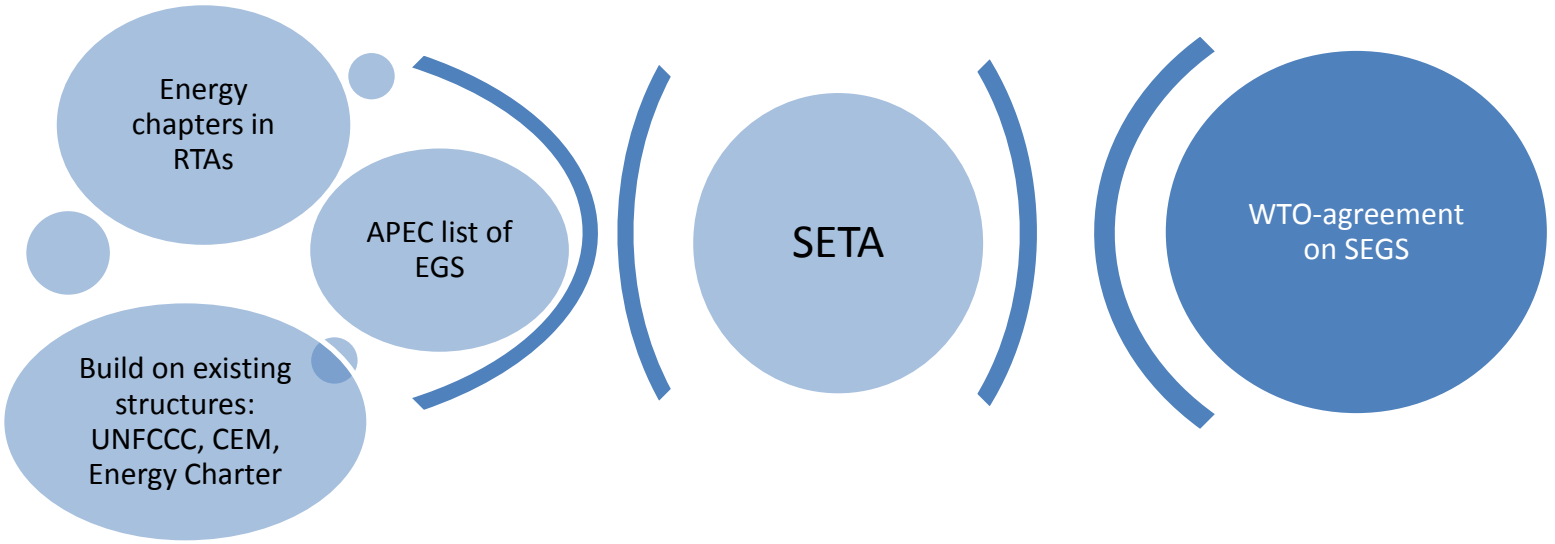
*Based on unsubsidized value chain analysis of U.S. silicon PV market. Roughly similar value distribution for thin film technologies.

Source: GTM Research prepared for Solar Energy Industries Association (U.S.A), "U.S. Solar Energy Trade Assessment 2011: Trade Flows and Domestic Content for Solar Energy-Related Goods and Services in the United States."August 2011; European Photovoltaic Industry Association and Greenpeace, "Solar Generation: Solar Electricity for Over One Billion People and Two Million Jobs by 2020" Sept 2006; EPIA, Greenpeace. "Solar Generation 6: Solar Photovoltaic Electricity Empowering the World." 2011; Rutovitz, J. and Atherton, A., Institute for Sustainable Future, University of Technology Sydney, "Energy Sector Jobs to 2030: A Global Analysis" 2009; The Solar Foundation. "National Solar Jobs Census 2011." 2011.

Rationales for RE and SETIs



Options to address trade in energy goods and services (SETIs)

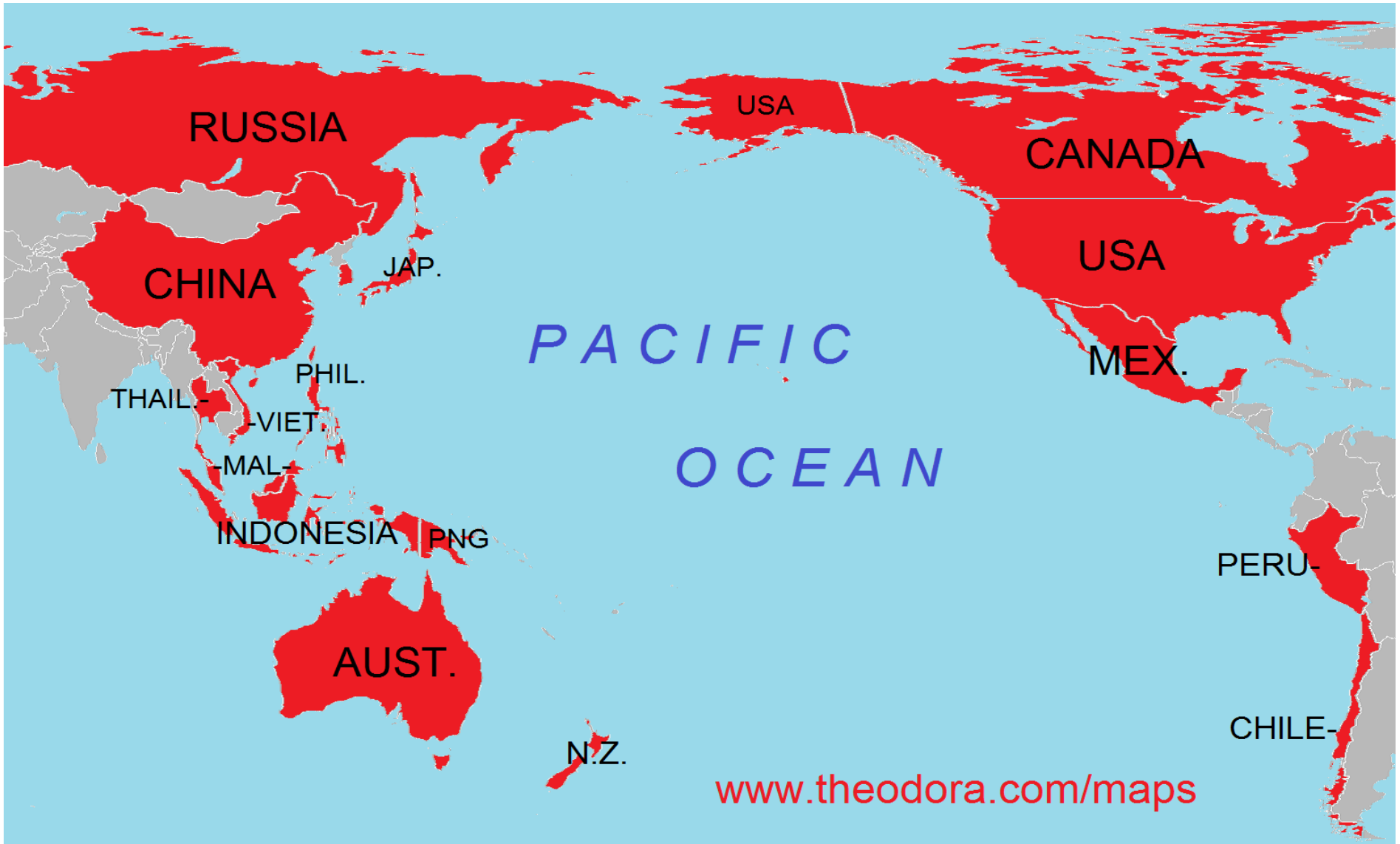


Different SETIs

A holistic agreement on trade in energy goods and services, covering tariffs and non-tariff barriers

Eventually, a SETA could be incorporated into the WTO-framework

APEC


RUSSIA
USA
CANADA
USA
CHINA
JAP.
PACIFIC
OCEAN
MEX.
PHIL.
THAIL.-
-VIET.
-MAL-
INDONESIA
PNG
PERU-
AUST.
CHILE-
N.Z.
www.theodora.com/maps

APEC-list of environmental goods

- Agreement in September 2012 to reduce applied tariffs on EGs to maximum 5% by 2015
- 54 sub-headings (HS 6-digit-level)
- This would cover approximately 70% of world trade in the relevant sectors; if EU joins then it would cover up to 95% of global trade in EGs

Challenges and limitations

- In a first phase limited to applied tariffs
- Non-binding
- Level of ambition of the list
- ¾ of tariff lines have applied levels of below 5 per cent; 5 countries will not be required to make any additional concessions
- Need push from business to broaden and deepen APEC and other trade deals! - > SETI Alliance
- EU and Turkey join the initiative?

Teşekkür ederim!

ictsd.org