

Trade Classification of CCS

An assessment of Trade Barriers in relation to CCS
in International Trade Negotiations (WTO)

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Overview

- International trade negotiations.
- Importance of Doha
 - Environmental Goods and Services (EGS) negotiations for CCS.
- Trade Barriers surrounding CCS.
- Current status and different approaches.
- Ways to overcome these issues
- Eligibility of CCS in WTO for trade liberalisation.
- Will it benefit CCS?
- Recommendations

International Trade Negotiations

- UNFCCC Kyoto Protocol (KP)



- World Trade Organisation (WTO)



WTO - Importance of Doha

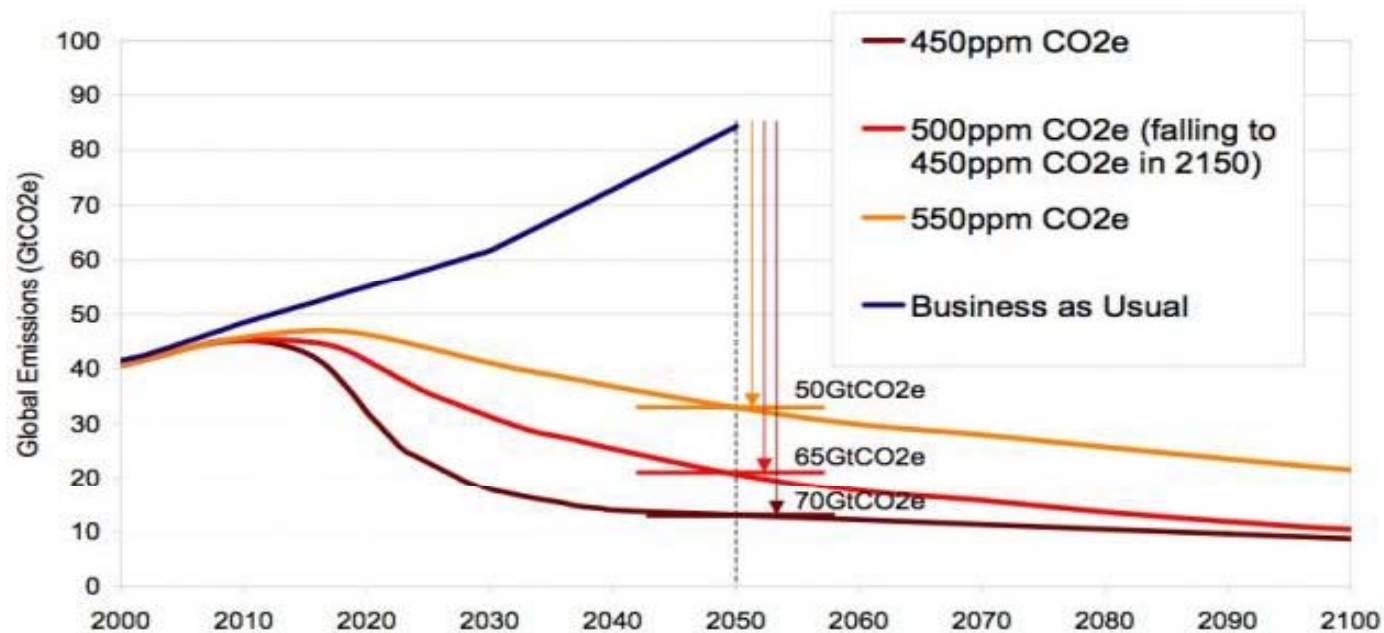
- Doha Development Agenda (DDA)



- Para 31 (iii) of Doha Ministerial Declaration agreed by all WTO members to negotiate ***“the reduction or as appropriate, elimination of tariff and non-tariff barriers to trade in environmental goods and services (EGS)”***.

Why liberalise Environmental Goods and Services (EGS)?

- Trade-liberalisation in clean technologies has potential gains of:
 - Lowering the costs
 - Driving mass deployment to aid climate change mitigation
 - Incentivising competition and innovation
- ↑ Diffusion of and access to EGS =
- What's Trade Liberalisation mean for CCS?



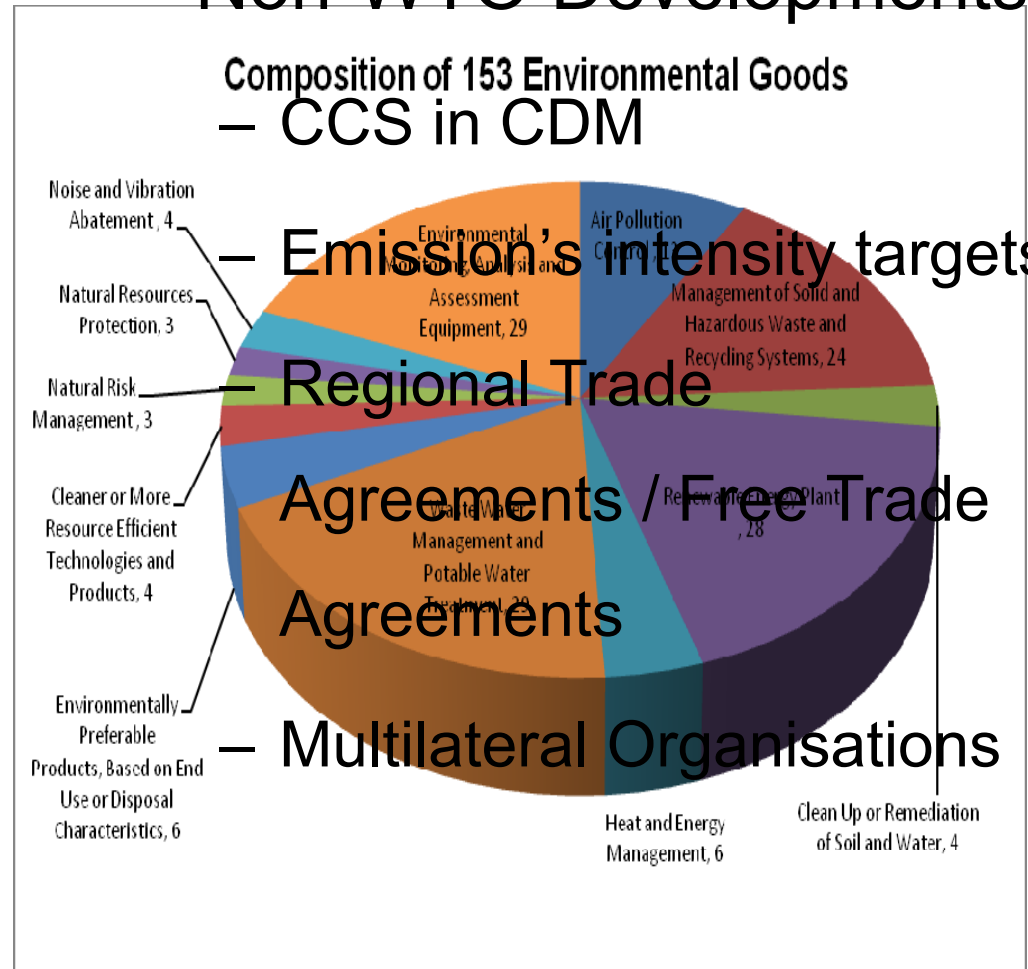
Trade Barriers surrounding CCS

- Lack of definition and Agreement on EGS
- Limitations of the Product Classification System -HS
- A common definition of CCS technology.
- High tariff prices on CCS technology
- Non-tariff barriers
- Technical barriers to trade
- Other Barriers
 - High \$ of CCS technology
 - GDP
 - Regulatory framework for climate change action

Current status

- DDA EGS Negotiations
- Approaches to date
 - List Approach
 - Project/Integrated Approach
 - Request offer Approach

• Non-WTO Developments



Options to reduce barriers

Table 3 - Clean Coal Technologies (IGCC) as set out by the World Bank

HS 6 digit level	Product Description
840510	Producer gas or water gas generators; acetylene gas generators and similar water process gas generators 10
840619	Steam turbines and other vapour turbines (excl. for marine propulsion)
841181	Gas turbines (excl. turbo-jets and turbo-propellers) of a power not exc 5,000 kW
841182	Gas turbines (excl. turbo-jets and turbo-propellers) of a power exc 5,000 kW
841199	Parts of gas turbines (excl. turbo-jets and turbo-propellers)

Source: World Bank (2008:52)

Philippines	0	0	115
Thailand	1	1	0
Argentina	0	0	0
Indonesia	0	0	0
Kazakhstan	0	0	0
Malaysia	0	0	93
South Africa	0	0	125
High Income OECD Countries	1	1	0

Source: WITS Database and adapted from World Bank, International Trade and Climate Change: Economic, Legal and Institutional Perspectives", 2008, pg 58.

Is CCS eligible?

- CCS classification in WTO for trade liberalisation
- Possible Classification
 - A specific List Approach that is inclusive of the various CCS technologies and components. A Project Approach;
 - Integrated Approach;
 - Request Offer Approach;
 - Information Technology Agreement (ITA) model.

Will CCS benefit as an EGS?

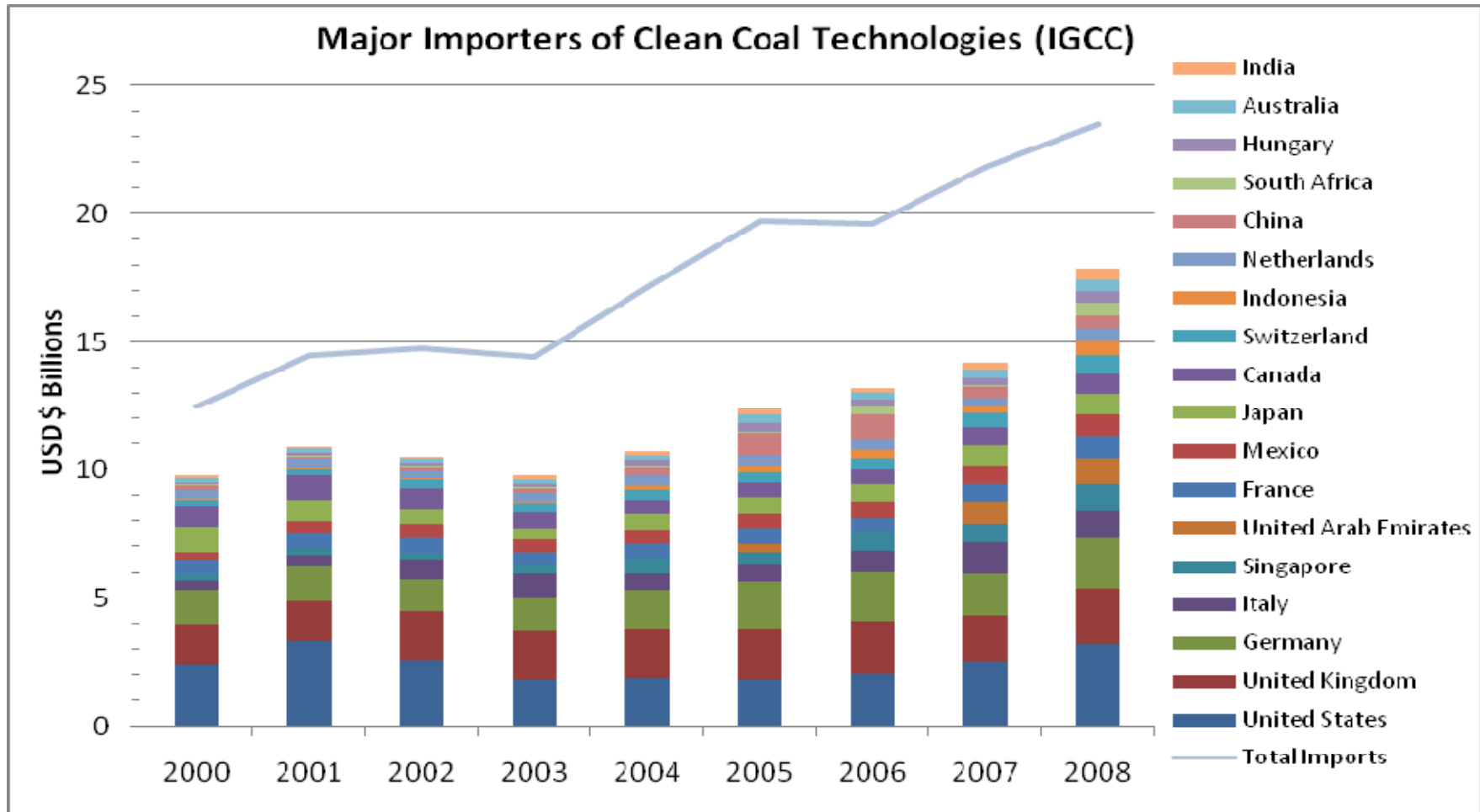
Positive Impacts

- Environmental Benefit
- Economic Benefit
- Technical Benefits

Negative Impacts

- Dual-use that is not environmental
- Complicated
- Technology Transfer restricted
- Technology lock-in



Trade in CCS



Comparative Consequences

	Positive consequences of reduced tariffs	Negative consequences of reduced tariffs
Developing country	<ul style="list-style-type: none"> - CCS Exports benefit from competitiveness; leads to increased innovation and reduced costs - Faster and wider deployment to meet urgent action on climate change - Increase competition to other developing country markets 	<ul style="list-style-type: none"> - Loss of protection for domestic CCS producers, possible loss of domestic market share to foreign competition (in short-term) - Liberalise trade in products with dual uses that may not lead to environmental benefits - Loss of import duty revenue
Developed country	<ul style="list-style-type: none"> - Early market penetration (short term) - More competition from other developed countries, increase innovation and reduced costs 	<ul style="list-style-type: none"> - Loss of protection for domestic CCS producers, loss of domestic market share to foreign competition (in medium-long term) - Liberalise trade in products with dual uses that may not lead to environmental benefits;

Comparative Consequences of Global Climate Change

Global Climate Change	A - Take Action	B - No Action
False	Costs \$ Global Depression	
True	Costs \$ 	Catastrophes <ul style="list-style-type: none">- Economic- Political- Social- Environmental- Health

Recommendations

- Support and Maintain negotiations on EGS
- Develop a defined CCS list of Environmental Goods and Services
- Promote a CCS sectoral climate trade agreement in WTO and UNFCCC
- Consider other model agreements
- Promote CCS in regional trade agreements

Recommendations

- Support CCS in the Clean Development Mechanism
- Streamline investment rules and IPR to aid technology transfer
- Establish a Multi-institution Global Task Force on Government Policy Barriers to CCS
- Increase cooperation between WTO, CSLF, IEA, APEC, and GCCSI to leverage efforts at information sharing on CCS.
- **The liberalising of trade in EGS to include CCS has to be part of an agreement that is acceptable to all countries.**

Thank You!