

*OPPORTUNITIES and CHALLENGES
in DEVELOPING TRADE and INVESTMENTS
in ENVIRONMENTAL SERVICES*

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*Scaling Up Trade and Investment
in Environmental Services*

- 1. Challenges and Issues in policy-making and international rule-making*
- 2. Opportunities and Platforms*
- 3. Options Moving Forward*

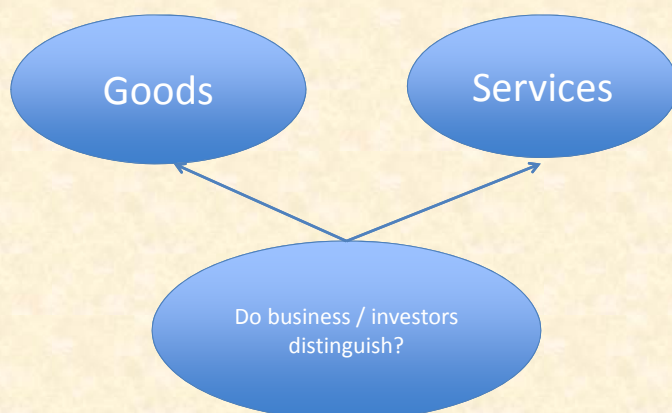
I. Challenges and Issues (1)

- Political will on the domestic front
 - No-brainer re a 'win-win' situation?
 - Domestic resolution of issues and related questions
 - Inter-agency coordination (Trade, Environment, Energy, Transportation, etc.)
 - Vested interest lobbies
 - Subsidies to fossil fuels – oil companies, consumers, automotive sector

I. Challenges and Issues (2)

- Substantive technical issues in international rule-making
 - Sector coverage
 - *Conventional paradigm distinguishing goods v. services*
 - *Core and related services (often integral and critical)*
 - *Dual use/applicability*
 - Regulatory framework and embedded barriers
 - *How to deal with behind-the-border measures*
 - Consistency with international rules
 - *LCRs as a means to develop domestic capacity*
 - *Subsidies to encourage investments in the sector*

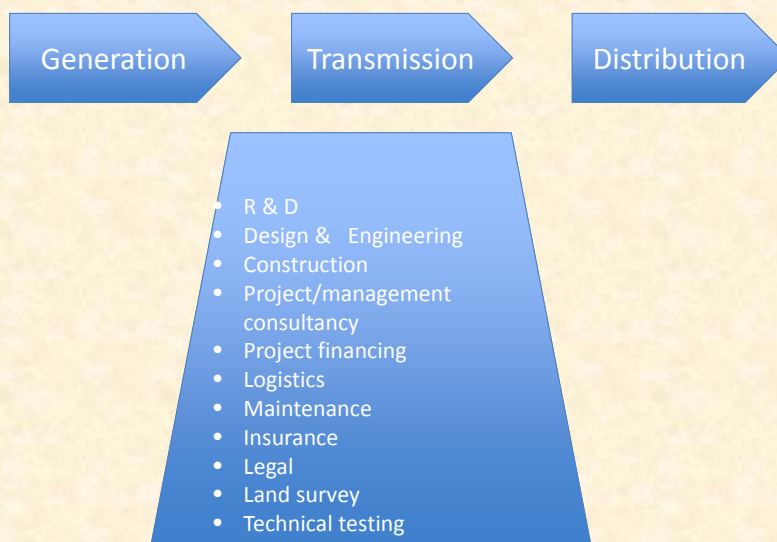
Challenges and Issues: Goods v. Services paradigm



Challenges and Issues: Core services – Definition and Scope

- Core Environmental services
 - Renewable Energy services
 - Generation
 - Transmission
 - Distribution
- Related/Associated/Embedded Services
- What exactly are covered
 - WTO's classification system outmoded; does not even include energy

Challenges and Issues: Core and related services in RE

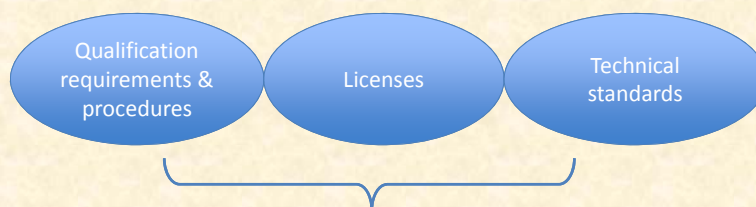


Challenges and Issues: Issue of 'Duality'

- Appetite for liberalising related services:
 - *Complicated by 'dual applicability' of related services*
 - *Is it possible to slice and carve out related services specific to environment and renewable energy?*
 - *Clean energy v. Energy per se*
- 'Cluster' approach problematic for many countries, including APEC economies

Challenges and Issues: Regulatory Issues

- Services Trade Restrictiveness Index
- Domestic Regulations



- *No. of procedures, time required, costs incurred, captive standards*
- *On-the-ground competence of government agencies, financial institutions*

II. Opportunities and Platforms (1)

- WTO GATS Negotiations since 2000
 - Sector-specific proposals in environmental services, energy services
 - Multilateral approach
- Green Goods Initiative – WTO Environmental Goods Agreement
 - Based on APEC initiative and product list (54, now 800+)
 - Plurilateral approach among 17 WTO members (the EU as one); 11 from APEC
 - aims to remove barriers to trade and investment in 'green' goods, services and technologies

Green Goods/EGA Initiative (con't)

- Based on APEC list of products, services and technologies that contribute to green growth, environmental protection, climate action and sustainable development by:
 - helping clean the air and water
 - helping manage waste
 - being energy efficient
 - controlling air pollution
 - helping generate renewable energy like solar, wind, or hydroelectric

II. Opportunities and Platforms (2)

- Trade in Services Agreement (TISA)
 - Plurilateral approach among 50 countries (including 28 EU member states)
 - Representing 70% of world trade in services
 - Environmental services(?)
 - Market access and Rules
 - To be MFN'd
 - When?
 - How?

II. Opportunities and Platforms (3)

- Free Trade Agreements, Mega-Regionals
 - ASEAN
 - Regional Comprehensive Economic Partnership
 - Trans-Pacific Partnership
 - G2G
 - B2B
 - **APEC**
- } PPP

Options Moving Forward: APEC as Incubator

1. Reference Paper for Environment Goods and Services, Renewable Energy Services
2. 'Sectorial' approach
 - Difficulty, wisdom of segregating goods and services: Holistic approach at domestic level
 - Goods + Services
 - Descriptive rather than enumerative entry and listing of committed services (similar to GATS Understanding on Financial Services)

Options Moving Forward: APEC as Incubator

- Transparency disciplines
- Standstill Binding of Commitments
- Necessity Test in regulation

3. Regulatory reform to achieve coherence

- Regulatory differences give rise to costs
- Could be across services sectors and cover both goods and services

4. Competition policy and law