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Environment-related services

- why services matter for environmental sector

Public Private Dialogue on Services (PPD III)

Quan Zhao, International Trade Centre
Boracay, the Philippines
17 May 2015

- Overview of global environmental services market
- Efforts to liberalize global trade in environmental goods and services
- Why services matter for environmental sector

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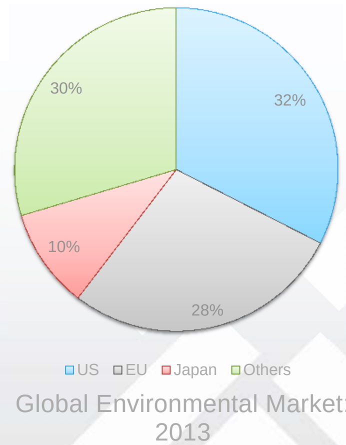
Global Environmental Market

- Growing environmental awareness + increasingly stringent environmental standards and regulations
  = a global market of **1 trillion USD in 2013**
- Expected to maintain rapid growth and double to 1.9 trillion USD by 2020
- Leading markets
  - US $340.4 billion
  - Western Europe $292 billion
  - Japan at $104.8 billion,
- The fastest growing markets are in the Middle East and Africa, both at 8%



Source: Environmental Business International

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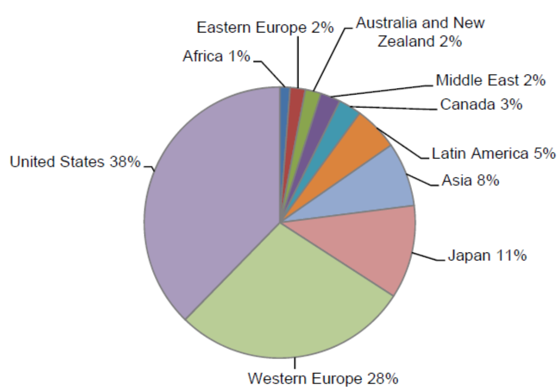
Global Environmental Services Market

FIGURE ES.2 The United States had the largest share of the global environmental services market in 2010



Total = $505.5 billion

Source: Environmental Business International, "The Global Environmental Market: Regions & Segments Matrix in 2010." *Environmental Business Journal* 25, no. 6–7 (June/July 2012): 26.

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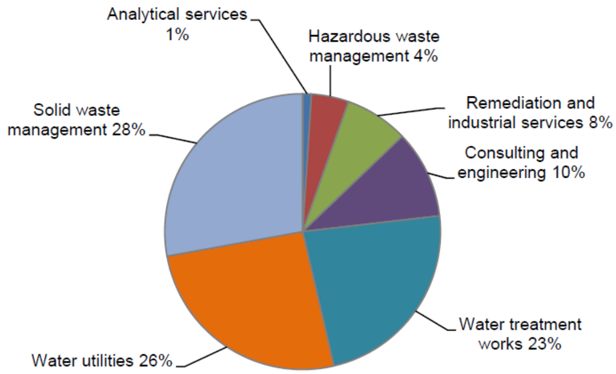
Global Environmental Services Market

FIGURE ES.1 Global environmental services revenue reached nearly $506 billion in 2010



Total = $505.5 billion

Source: Environmental Business International, "The Global Environmental Market: Regions & Segments Matrix in 2010." *Environmental Business Journal* 25, no. 6–7 (June/July 2012): 26.

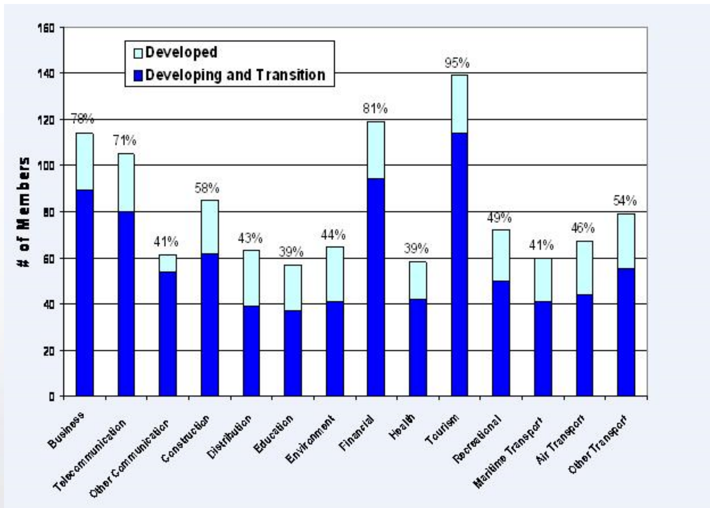
Major buyers of environmental goods and services

Table 7: Major buyers of environmental goods and services rated by prospects for sales growth in environmental markets

	Very strong	Strong	Good	Slow growth	Flat	Modest decline	Big decline
Oil & Gas	37%	26%	22%	4%	11%	0%	0%
Mining	20%	36%	24%	8%	12%	0%	0%
Power utilities	15%	26%	26%	15%	19%	0%	0%
Metals	9%	14%	45%	18%	14%	0%	0%
Chemical industry	4%	19%	41%	19%	15%	4%	0%
Water/wastewater utilities	7%	15%	26%	30%	22%	0%	0%
Renewable energy development	0%	26%	26%	13%	26%	4%	4%
Solid waste utilities & companies	0%	21%	13%	25%	42%	0%	0%
Consumer products/Retail	10%	10%	19%	29%	24%	5%	5%
Investors, Banks & Law Firms	13%	0%	26%	13%	39%	4%	4%
Transportation mfg (auto/aero)	0%	4%	35%	30%	26%	4%	0%
Other manufacturing	0%	5%	38%	14%	38%	5%	0%
Electronics/computer mfg.	0%	4%	22%	39%	30%	4%	0%
International development agencies	4%	4%	13%	26%	48%	4%	0%
Multi-lateral banks or lenders	5%	5%	10%	25%	50%	5%	0%
Property developers, builders	4%	0%	17%	33%	29%	8%	8%
Federal governments	0%	4%	18%	25%	36%	14%	4%
Pulp & paper	0%	5%	11%	21%	47%	16%	0%
Local or city governments	0%	7%	18%	18%	32%	18%	7%
State or provincial governments	0%	4%	19%	15%	41%	15%	7%

Source: Environmental Business International: Global Market Survey 2012.

GATS commitments



ITC Source: WTO Secretariat

Barriers to environmental services trade

- Measures applied specifically to environmental services
  e.g. state monopolies, foreign equity caps, restrictions on the ownership of landfills and sewage systems, etc.
  http://i-tip.wto.org/
- Horizontal measures
  e.g. foreign equity limitations, local-content requirements, joint venture requirement or cooperation requirement with SOEs,
- Measures affecting related services
  e.g. licensing requirements for foreign architects and engineers, restrictions on testing, consulting that are required for impact assessment, restrictions on installer and maintainers
- Domestic regulations
  lack of regulatory transparency, tendering process, burdensome licensing/qualification requirements and procedures, enforcement of environmental regulations
- Government procurement/TRIMs

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Efforts to further liberalize environmental trade

- APEC: reduce tariffs on a list of 54 environmental goods to a maximum of 5% by 2015
- DDA: Paragraph 31(iii) of the Doha mandate (2001), calls for "the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services"
- Plurilateral EGA
  - Covers nearly 90% of world trade in environmental goods
  - applied on MFN basis
  - build on the APEC list of 54 products
  - some parties champion inclusion of services trade
  - aiming at conclusion by the end of 2015
- TISA (Trade in Services Agreement)
  - Covers 70% of world services trade
  - Not applied on MFN basis
  - Best-FTA approach
  - New Sectoral disciplines

Services are essential

Building a solar power plant in UK

OECD: Services account for about 65% in value terms in the environmental projects.

Inputs	% of cost
Solar modules	30
Engineering Procurement Construction (EPC) Including: building of the power plant and installation of the solar modules	40
Permit cost	20
Land rental, legal consultation, technical consultation and related testing and conformity assessment services, and project management services	10

EU-China Solar Panel Dispute

- The largest trade dispute between EU and China (€21 billion), and the largest antidumping case undertaken by the EC
- Resolved through a negotiated outcome on a minimum (or floor) price commitment
- China's share in EU PV market dropped from 70% to 30%
- Trade diverted to economies with higher price, higher quality products

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However…

" Around 70% of the PV supply chain's value in the EU market is created in Europe. The value added created by the upstream and downstream activities in the EU is immense, at € 40 billion, providing 265,000 EU jobs along the solar PV value chain according to European Photovoltaic Industry Association (EPIA). By contrast, the employment represented by the complainant, EU ProSun, and its supporters in the ongoing investigations based on the data they presented is a maximum of 8,000 jobs. Module manufacturing represents at most 30% of the 70% value added by EU solar industry. Thus, **imposing duties may be beneficial to only perhaps 30% of the industry while harming the remaining 70%"**

- The Alliance for Affordable Solar Energy (AFASE)

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Thank you!