

India-U.S. Cooperation on Renewable Energy and Trade

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India-U.S. Track II Dialogue on Climate Change and Energy

Nearly two billion people in the world have no access to modern sources of energy. There remains a vast unmet demand for energy, which is essential for India's development. Clean and renewable energy promises to open up opportunities for economic growth for households without electricity, progress in social development in the form of improved education, health and gender equity outcomes, and offers a credible response to the global challenge of climate change.

Federal and provincial governments in both India and the United States have the authority to promote the development of renewable energy. However, efforts to scale up renewable energy are being obstructed by a range of barriers to sourcing the best technologies from global markets.

We seek to develop mutually agreed principles and initiatives to promote the U.S. and India's shared interest in renewable energy development. A core objective would be to harmonise international trade and renewable energy policies, based on reciprocity for due consideration of the motivations of each country's policies and non-discriminatory rules. India-U.S. adherence to these principles could promote efforts to address climate change and guide trade action in this area, which could, in due course, become a basis for broader global acceptance. We identify below several areas for collaboration and the development of common approaches.

Minimising Trade Disputes

In India, much of the focus for renewable energy policies has been to increase energy access for the poor. Government support for increasing energy access or deploying renewable energy in response to climate change is of a fundamentally different nature than measures that largely seek to expand markets for the sale of renewable energy products and services. Yet policies to promote renewable energy often have multiple objectives, in addition to improving outcomes for energy access, such as generating fiscal revenue, developing local industries, creating jobs, and stimulating the economy. Some of these objectives can support renewable energy deployment, and also generate value for the domestic economy across the supply chain of renewable energy research, manufacturing, deployment and servicing. But if they distort markets, then renewables would remain artificially more expensive than they need to be, delaying access to the poor and postponing the day when they can serve as viable substitutes for fossil fuels.

We seek to promote the discretion of our governments to support and facilitate renewable energy development and expand access to energy, while at the same time recognising the importance of both countries fulfilling their respective obligations as members of the World Trade Organization. Further, broad global renewable energy deployment would be furthered by lowered barriers to trade, cross-border investment, and technology development. In fact, a global supply chain for renewable energy products is developing, increasing the likelihood that all countries could benefit from trade in renewable energy products and services.

But the rise in international trade disputes over renewable energy since 2010 can serve to hinder efficient renewable energy development and investor confidence across jurisdictions. Since 2010, 14% of WTO disputes have related, at least in part, to renewable energy (see Annexure). To minimise the potential for further disputes in this area, we suggest that mutually agreed upon principles be developed to harmonise international trade and renewable energy policies. We recommend that core principles include:

- Recognition of the value of policies that support development of high-quality renewable energy manufacturing and do not result in significant distortion of domestic or global markets for renewable energy goods, services, or technologies.
- The practice of early consultation between the two governments on national policies affecting renewable energy trade as one important means of avoiding trade disputes.
- Circumstances under which the two governments would agree to exercise restraint before initiating WTO disputes affecting trade in renewable energy.

Common Ground on Initiatives to Lower Barriers to Trade in Environmental Goods and Services

Trade and regulatory policies can impede or slow down possibilities for large scale use of renewable energy sources. These include differing technical standards, tariffs, government procurement policies, and local content requirements. While India and the U.S. share goals to lower barriers to trade in and reduce cost of high-quality environmental goods and services, the two countries have not moved forward together on trade initiatives in this area. For example, in the trade negotiations on environmental goods and services in the World Trade Organization, the two countries adopted different approaches to identifying qualifying environmental goods and services. Interests and developments in the two countries may have evolved since these positions were initially adopted. The U.S. has participated in an APEC environmental goods tariff reduction initiative and recently announced its participation in a negotiation to eliminate tariffs on environmental goods.

- We propose that the two countries find concrete areas of common ground in this area, upon which joint effort can be built. An initial area for collaboration might be exploration of the development of common technical standards for environmental goods and services of mutual interest to both countries.

Climate-Friendly Specifications for Government Procurement

Another area of common interest may be in the exchange of views on climate-friendly specifications for government procurement. This initiative is suggested in recognition of the power of our two governments to shape demand for and trade in renewable energy goods and services and is not tied to trade negotiations or trade rules.

The U.S. Environmental Protection Agency's Environmentally Preferable Purchasing (EPP) programme helps the federal government "buy green," and in doing so, uses the federal government's enormous buying power to stimulate market demand for green products and services. The EPA has recently requested comments from the private sector with respect to its proposed draft guidelines for Product Environmental Performance Standards and Ecolabels for Voluntary Use in Federal Procurement to help federal purchasers select greener products and meet sustainability purchasing goals. In India, too, the Energy Conservation Building Code has special energy efficiency requirements for public buildings. The government, which accounts for the predominant share of R&D investment, has supported research centres for renewable energy and is also supporting large-scale pilot projects for demonstrating new technologies, such as for less water-intensive cooling in concentrated solar power plants. To be sure, R&D investments by government are not strictly what would be considered as government procurement. The example here is more to illustrate that government spending could have an impact on the kind of research that is undertaken with the aim of eventually commercialising renewable energy technologies. In the future, the Indian government could have more significant impact on the choice of technologies, with a preference for greener products and standards in its procurement plans.

Further, the India-U.S. Joint Clean Energy R&D Center (a \$125 million initiative with co-financing from the two governments and from joint research consortia) is an example of how public funds can attract matching or greater private contributions for renewable energy R&D and for jointly developed intellectual property. Joint development of renewable energy technologies could offer a new paradigm for cooperation between the two countries, leveraging public finances to facilitate closer collaboration between industry, academia and R&D institutions.

- We suggest that an exchange of perspectives may be helpful to both governments, as they develop policies, which could play an important role in shaping demand for renewable energy goods and services.

Annexure: WTO Disputes on Renewable Energy

- DS412: Canada — Certain Measures Affecting the Renewable Energy Generation Sector (Complainant: Japan) 13 September 2010
 - Third parties: Australia; Brazil; China; El Salvador; European Union; Honduras; India; Saudi Arabia; Korea, Republic of; Mexico; Norway; Chinese Taipei; United States
- DS419: China — Measures concerning wind power equipment (Complainant: United States) 22 December 2010
- DS426: Canada — Measures Relating to the Feed-in Tariff Program (Complainant: European Union) 11 August 2011
 - Third parties: United States; Japan; Australia; China; Chinese Taipei; India; Saudi Arabia; Brazil; Korea, Republic of; Mexico; Norway; Turkey; El Salvador
- DS437: United States — Countervailing Duty Measures on Certain Products from China (Complainant: China) 25 May 2012
 - Third parties: Australia; Brazil; Canada; European Union; India; Japan; Korea, Republic of; Norway; Russian Federation; Turkey; Viet Nam; Saudi Arabia
- DS443: European Union and a Member State — Certain Measures Concerning the Importation of Biodiesels (Complainant: Argentina) 17 August 2012
- DS449: United States — Countervailing and Anti-dumping Measures on Certain Products from China (Complainant: China) 17 September 2012
 - Third parties: Australia; Canada; European Union; Japan; Turkey; Viet Nam; India; Russian Federation
- DS452: European Union and Certain Member States — Certain Measures Affecting the Renewable Energy Generation Sector (Complainant: China) 5 November 2012
- DS456: India — Certain Measures Relating to Solar Cells and Solar Modules (Complainant: United States) 6 February 2013
- DS459: European Union — Certain Measures on the Importation and Marketing of Biodiesel and Measures Supporting the Biodiesel Industry (Complainant: Argentina) 15 May 2013
- DS473: European Union — Anti-Dumping Measures on Biodiesel from Argentina (Complainant: Argentina) 19 December 2013