



## Green Goods: Promoting EU environmental objectives through trade

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Ladies and gentlemen,

Thank you all for joining us.

2015 is a vital moment to address one of the biggest challenges, perhaps the biggest challenge, that the world faces today: How to address the threat of catastrophic climate change.

Our leaders meet in Paris at the end of this year. They will be trying to agree on the next phase of our collective response. And they will know that this is no longer a problem that can be tackled in future decades.

Climate change is happening now. In the first 15 years of this century we have experienced 14 of the hottest years since we started counting.

We're also seeing more extreme weather, with all of its human and financial costs, than we have ever experienced.

And climate change is not the only problem caused by the pressure so many humans are putting on the planet.

Air and water pollution remain huge and worsening problems in many parts of the world. And the waste our societies' produce grows every year.

In short, the need to act is urgent and pressing.

And the responsibility falls on all of us. Not just climate negotiators, or renewable energy entrepreneurs. All of us, including trade policy-makers.

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Trade agreements have a primary purpose. They are designed to create new economic opportunities for people and families all over the world. That's a vital goal that we should be proud of.

But that does not mean that we can shut our eyes and ears to the wider world and all its challenges.

And we do not.

- That's why EU free trade agreements front-load the liberalisation of environmentally friendly goods so their tariffs are cut right away.
- It's also why our deals have sustainable development chapters. They commit the parties to international agreements on climate change, biodiversity, endangered species, and cross-border movements of chemicals and waste.
- It is also why we advocate for a green technology chapter/annex in our latest negotiations and we want to put a special emphasis on renewable energy and energy efficiency in the energy chapter with TTIP.
- **And it's why the European Union is playing a leading role, along with 16 other partners in the negotiations for a trade agreement on environmental technologies goods.**

Today, I would like to begin to answer three key questions about those talks.

- How can trade policy best help fight climate change and protect the environment more generally?
- What does that require of an agreement?
- And how can you, the stakeholders help us to deliver this?

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The first question has to be seen in the context of our overall efforts on the environment.

Those efforts are in two parts.

First, creating rules to change behaviour.

The EU is at the forefront of those efforts.

We are pushing hard for an ambitious climate deal in Paris. We were the first to submit our proposal for what this agreement should contain. And our objective is clear: a deal with legally binding emissions targets.

The EU is also at the forefront when it comes to our efforts to tackle climate change at home. Our goal is a reduction of 40% of our greenhouse gas emissions by 2030. We are making real progress towards achieving it. 15% of our energy use already comes from renewables for example. And I'm proud to say that last year in Sweden the figure was as high as 50%. We're also moving ahead fast on creating the rules needed to drive energy efficiency.

The second area of action is on technology and innovation. And there too the EU is at the forefront. European companies are big innovators in this field. We are making serious progress in adapting our grid. And the EU climate and environmental study is a key part of the Horizon 2020 research programme.

How can trade best support both of these efforts?

The answer, for both, is the same: by creating the right incentives.

What trade agreements do best is cut the costs of trade. What they can do here is cut the costs of trading in the goods and services that will help us tackle this problem.

That will support the implementation of the rules we set to push our societies to adapt.

And it will cut costs and thus increase the incentives for companies and researchers to carry out the vital research and innovation we need to solve the problem.

It will also do one more thing: support economic growth and prosperity right here in Europe. Precisely because Europe is a leader in setting itself rules on climate change and the environment, and in innovation we have some of the most competitive companies, who are growing fast.

We are right now the world's leading exporter and importer of environmental goods and services. Our exports of green goods make up between 10 and 15% of total EU exports. Their annual growth rate is in the double digits. And unlike many other sectors, green goods kept creating jobs throughout our recent economic difficulties.

And this is a huge opportunity for the future. One estimate puts the current global export market at just under 900 billion US dollars. Another source predicts it will reach just under 2 trillion dollars by 2020.

So there is clearly an opportunity here for a virtuous circle of a healthier planet and greater prosperity

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What kind of agreement will achieve that?

The first point is that it should be ambitious on tariffs. The global average bound tariff for environmental goods is almost 9%. And that average conceals much higher tariffs in some areas. On some environmental goods in South Asia for example the tariff can be over 20%. In Latin America and the Caribbean the peak can be as high as 41%.

The least we can do is to get rid both of these few high tariffs and of the many more lower ones.

We also need to make sure that what we agree will be effective. It should be easy to implement for customs officials and companies. Otherwise there is a risk that the preferences will not be used.

And beyond that, we should also agree to cover as many environment products as possible.

The EU would like to see a deal that covers products that can be used to control air pollution. We believe that goods that support better waste management should be included. And we want to see better access for equipment involved in water treatment.

Most importantly, of course, we are calling for a very ambitious result for products that provide renewable energy and encourage energy efficiency. Since these are the most direct ways to support our vital climate change efforts.

The talks started from a baseline of 54 products. Members aim to double, triple, or even quadruple this number.

So we must all keep our ambition, open our minds and keep as much on the table as possible.

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The European Union believes that this deal should go even further - beyond tariffs altogether.

For example, many of the goods concerned, especially large machinery like wind turbines, also involve after-sales services to make sure that they function correctly. It would be a shame to free up the trade in goods while blocking economic activity from actually happening on the services side.

There is also a strong case to be made for addressing regulatory and standards barriers to trade in this deal. If we get in now, at an early stage in the creating of these industries, common approaches will be easier to find.

And these are just two examples. The most ambitious kind of environmental goods agreement would also address issues related to government procurement rules. It would look at subsidies and it would make sure that the customs process is also supporting this trade.

Some of these additional areas can be done easily and fast. That's the case for instance with cross-border, after-sales services to monitor the performance of environmental equipment

during the warranty period. So I hope that we will see such services covered in the deal we are aiming for by the end of the year.

But we may not be able to reach agreement on *everything* by that time. Unsurprisingly, areas like technical barriers to trade require complicated technical work and may not be mature in time. And we will certainly not be able to include all of the amazing new environmental technologies being developed every day.

That's why this deal should be a living agreement. There should be a clear revision mechanism. It should allow us to update the text as needed to add new products and set a program for future work on the whole range of non-tariff barriers.

The final thing this agreement should have to be effective is as many signatories as possible. It's already a major achievement that the European Union, the United States and China are already on board.

We also particularly welcome developing countries like Costa Rica. Today 90% of their energy source is renewable but they are aiming for no less than 100%!

And it's very good news that new partners keep arriving, as Israel, Turkey and Iceland have recently done.

But I also hope that more countries will join these talks soon. Whether they are exporters or importers of these products doesn't matter. With global value chains these boundaries are blurring in any case. Climate change, like so many of our environmental challenges, doesn't know any boundaries.

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That brings me to my final point. What can you do to help?

We are now entering a key phase of the negotiations. Countries have made their proposals and we are now discussing those proposals between us. The aim is for the Chair to make a first common proposal after the summer.

When we come back in September we will be into the real political process, leading up to the WTO's ministerial conference in Nairobi in December.

During that time of haggling, the dynamic of negotiations will take over.

When that happens we will need your support. Europe will be working hard to keep the ambition high. But as in all trade talks, negotiators will feel the pressure from the vested interests with a stake in the status quo.

It will be essential that they - and we - also hear from those who have ambition for this deal. Negotiators need to know that the world is looking for a deal that really works to boost clean energy and clean products. A deal that will really help to solve our problems.

If you do that, and if we work hard, I am very confident that we can send exactly the right signal from Nairobi to Paris this December.

Thank you for your attention.