



The Path to an Effective Environmental Goods Agreement

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EPP Group Hearing

Honourable members,
Ladies and gentlemen,

Thank you to the EPP for organising this hearing.

The link between trade policy and European values is something I see as vitally important.

Trade policy must benefit people economically, in Europe and around the world.

But it must also work as a tool to support the wider international objectives of the European Union.

And environmental stewardship is one of the most important objectives we have.

The Lisbon treaty makes clear that our common policies and actions must aim to "preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development".

And at no time is this objective more important than now. The challenges our planet is facing are all too serious.

Climate change is the biggest risk of course. It seems new studies come out every week suggesting that we cannot delay our efforts for a second. But there are others like air and water pollution that have even more immediate human as well as environmental impacts.

It's some consolation that since the Paris Agreement governments are finally moving in the right direction on climate change at least. But to meet targets we have set ourselves we will need every bit of help we can get.

So trade policy needs to step up to the plate.

We already support the EU's environmental objectives in a range of ways:

- For example, EU free trade agreements front-load the liberalisation of environmentally friendly goods so their tariffs are cut right away.
- Our agreements also 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.
- There are also provisions on green technology in some of our most recent negotiations. And in the Transatlantic Trade and Investment Partnership with the United States, we want a chapter on energy that put special emphasis on renewable energy and energy efficiency.

The best news about all of these measures is that they support trade as well the environment. They are helping to open markets for products where EU firms are very competitive, not least because our own strict rules have encouraged them to innovate.

That same virtuous circle is at work in the negotiations for an **Environmental Goods Agreement**.

The negotiations aim to make it easier to trade in products with positive environmental impacts between the EU and 16 other countries - so far.

They have enormous potential.

What trade agreements do best is cut the costs of trade. And what they can do here is cut the costs of trading in the goods and services that will help us address our environmental challenges.

Doing so will increase demand. And that, in turn, will strengthen incentives for companies and researchers to carry out the vital research and innovation we need to solve our problems.

Cutting trade costs will also have significant economic benefits. The global market for green industries is currently worth around €1 trillion a year and is expected to triple by 2030.

The EU is a market leader and holds roughly one third of the global market. 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 and services kept creating jobs throughout our recent economic difficulties, with total employment rising from 3 to over 4 million jobs between 2002 and 2011.

But there are significant trade barriers to international trade in these products. 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%. There are also regulatory, standards and administrative barriers to trade in environmental goods. And environmental services like desalination and waste water treatment face very high hurdles too.

We now have some indication of the potential impact of lowering these barriers.

Because last month, the Commission received the final version of a sustainability impact assessment we commissioned to help inform the negotiations.

Studies like these are of course an exercise in forecasting. And we all know the limits of even the smartest people when it comes to predicting the future. But they can nonetheless give us useful general indications of the potential of what we are trying to do.

And in that light the assessment certainly makes for encouraging reading.

The contractor concluded that an ambitious Environmental Goods Agreement would have significant positive environmental, economic and social impacts.

They concluded that an agreement would facilitate the implementation of the climate commitments we all made in Paris, by facilitating access to renewable energy and energy efficient technologies. They projected that carbon dioxide emissions could be reduced by 10 million tonnes by 2030.

The team also looked at other issues like green urbanisation and the governance of the oceans and concluded that reducing costs for relevant products would also help meet policy goals.

Finally, they also did case studies to see how all of this could work. To give you just one example. They showed how cheaper access to wind farm equipment could help a rural community at Lake Turkana in Kenya gain access to sustainable electricity. Kenya's tariffs for many of the key equipment needed to build the farm are 10%. And there are also administrative and other non-tariff barriers. Getting rid of these would clearly make a beneficial project cheaper and more efficient.

That is just the environmental side. The study also found clear economic benefits. In general terms, the EGA would increase trade in environmental goods and make clean technologies more competitive. More specifically:

- The overall economic impact could be an increase in trade of some 20 billion euro, with case studies indicating additional economic spill over effects. Small and medium sized enterprises are likely to benefit the most.
- And developing countries would also gain through access to clean technologies and investment.

It's clear that a good ambitious Environmental Goods Agreement has real potential.

But what would it have to include to achieve goals like these?

The EU's ideal agreement would look like this.

At its core would be tariff elimination for as many environment products as possible:

- products that help control air pollution,
- products that support better waste management,
- equipment involved in water treatment,
- and, most importantly products that provide renewable energy and encourage energy efficiency.

When the talks on an EGA began, they started with a baseline of 54 products that had already been agreed among Asia Pacific countries. The EU wants to double, triple, or even quadruple this number.

The EU's ideal Environmental Goods Agreement would also go beyond this core of tariff elimination.

It would cover services related to the products. 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 through barriers on the services side.

Finally, a good agreement would also address regulatory and standards barriers to trade. If we get in now, at an early stage in the creating of these industries, common approaches will be easier to find.

But I'm afraid we have had to accept that for now, it seems unlikely that we will be able to obtain commitments in all of these areas

That's why we need this deal to be a living agreement. There should be a clear revision mechanism. It should allow us to update the product scope to add new products. And it should set a program for future work on related non-tariff barriers and on services.

The final thing this agreement needs 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 on board.

We also particularly welcome developing countries like Costa Rica. And it's very good news that new partners keep arriving, as Israel, Turkey and Iceland did last year.

But if we really want the biggest impact we will need more countries to join.

The final question I need to answer is, "How do we get there?"

Well part of that is being prepared ourselves, in the Commission.

That's why we have consulted both NGOs and business...

... as well as international organisations and environmental agencies ...

... not to mention the customs officials would have to implement a deal. It has to work in practice if it's to work at all.

And that's why I'm also glad that we are having this discussion today. It's a chance to get the views of the EPP group, a vital partner for us within this Parliament.

But of course the other part of the work is continuing to negotiate.

As you know well we had hoped to reach an agreement by the end of last year. That was not possible. The stars - and negotiating positions - didn't align.

But we are now moving ahead again, with an intensive schedule of negotiations. We have strong political commitment from some major players, even if China is not yet fully on board.

I hope that trade ministers will discuss progress in the margins of the OECD Ministerial at the beginning of next month. And again at the G20 trade ministers meeting in China a few weeks later.

From my perspective, I will push for getting a deal as soon as possible on an effective, high-quality agreement.

The EU believes it's worth it. And we are ready to do our part.

Thank you for your attention.