

## CONTENTS

- ix Acknowledgments
- xi Abbreviations

## CHAPTER 1

- 1 Introduction and Overview
- 4 Technology Options to Stabilize Greenhouse Gas Emissions
- 7 The Debate on Trade and the Environment Revisited
- 8 Focus and Results of This Study
- 10 Findings and Recommendations
- 16 Notes

### CHAPTER 2

# 18 Climate Change Policies and International Trade: Challenges and Opportunities

- 19 Do Climate Change Measures Affect Competitiveness?
- 29 In Search of Carbon Leakage: Examining the Relocation of Energy-Intensive Industries to Developing Countries
- 35 Trade Measures
- 39 WTO and Kyoto Protocol: Exploring Synergies for Advancing Both Trade and Climate Agendas
- 41 Key Findings from Chapter 2
- 41 Notes

## CHAPTER 3

# 45 Beyond Kyoto: Striving for a Sustainable Energy Future in Developing Countries

- 46 Global Emissions Scenarios through 2030
- 47 Clean Energy for the Future
- 52 Liberalization of Trade in Clean Energy Technologies
- 54 Clean Coal Technology
- 59 Wind Power Technology
- 62 Solar Photovoltaics (PV) Technology
- 68 Energy-Efficient Lighting
- 70 Conclusions
- 72 Key Findings from Chapter 3
- 72 Notes

## CHAPTER 4

# 73 Opportunities for Win-Win-Win: Liberalizing Trade in Environmental Goods and Services

- 74 Complexity Surrounding Environmental Goods (EG) Discussions
- 78 Linking of Current EG Discussions to Climate Change Mitigation
- 80 Options for Negotiating a Climate-Friendly Package within the WTO Framework
- 82 Lessons from Current EG Discussions for Negotiating a Climate-Friendly Package
- 87 The Way Forward on a Possible Agreement on Climate Change Mitigation Products
- 95 Key Findings from Chapter 4
- 95 Notes

#### CHAPTER 5

# 97 Conclusions and Recommendations

- 97 Findings
- 99 Recommendations

# **Appendixes**

- 105 APPENDIX 1. Kyoto Protocol: Countries Included in Annex B to the Kyoto Protocol and Their Emissions Targets
- 107 APPENDIX 2. Measures to Combat Climate Change
- 107 Regulatory Measures
- 109 Fiscal Measures
- 111 Market-Based Instruments
- 113 Voluntary Agreements (VAs)
- 114 Notes
- 117 APPENDIX 3. Model Specification and Results
- 123 APPENDIX 4. Industry-Specific Effects of Carbon Taxes and Energy Efficiency Standards
- 127 APPENDIX 5. Partial Equilibrium Trade Policy Simulation Model
- 129 APPENDIX 6. Maximum and Applied Tariff Rates on Select Climate-Friendly Technologies
- 133 Bibliography
- 139 Index

#### **Boxes**

- 2 1.1 The Kyoto Protocol
- 6 1.2 Summary List of Technologies Considered as "Wedges" for Climate Change Mitigation
- 9 1.3 Environmental Aspects of Bilateral and Multilateral Trade Agreements
- 35 2.1 Globalization of the Chemical Industry
- 48 3.1 Approaches to Employing Technology Investments in Developing Countries

- 51 3.2 Regional and Country-Specific HS Nomenclature
- 55 3.3 Clean Coal Technologies
- 60 3.4 A Case of Other Barriers to Technology Diffusion: The China Study
- 66 3.5 Cambodia: Additional Duties Leading to Lower Diffusion
- 67 3.6 Lessons Learned in Designing Financial Incentives for Renewable Energy
- 69 3.7 Bundling Policies to Promote Energy Savings: The Case of South Africa
- 75 4.1 Main Issues in Liberalization of Environmental Goods and Services
- 88 4.2 Trade, Environment, and Biofuels

## **Figures**

- 4 1.1 CO<sub>2</sub> Emissions from Energy Use, 2002–30
- 31 2.1 World Crude Oil Price, 1990-2005
- 32 **2.2** Import-Export Ratio of Energy-Intensive Products in High-Income OECD Countries and Low- and Middle-Income Economies
- 32 2.3 Import-Export Ratio of Energy-Intensive Products in the United States and EU
- 33 2.4 Import-Export Ratio of Energy-Intensive Products in Low- and Middle-Income East Asian and Pacific Economies and China
- 33 **2.5** Import-Export Ratio of Energy-Intensive Products in Low- and Middle-Income Economies in Various Regions
- 46 3.1 CO<sub>2</sub> Emissions from Energy Use, 2002–30
- 54 3.2 Energy Production in China and India, 2004
- 57 **3.3** Clean Coal Technology Import-Export Ratio in High-Income versus Low- and Middle-Income Countries
- 62 **3.4** Wind Power Generation Import-Export Ratio in High-Income versus Low- and Middle-Income Countries
- 64 3.5 Solar Power Generation Import-Export Ratio in High-Income versus Low- and Middle-Income Countries
- 69 3.6 Import-Export Ratio of Fluorescent Lamps in High- and Low-Income Countries
- 88 4.1 Traditional Environmental Goods versus Environmentally Preferable Products
- 94 **4.2** Considerations for a Win-Win-Win Package on Trade and Climate Change

## **Tables**

- 21 2.1 Existing Measures to Combat Climate Change in Annex I Countries
- 23 2.2 Status of Carbon Tax Regimes in Selected OECD Countries
- 25 2.3 Existing Energy Efficiency Standards for Select Products in OECD Countries
- 26 **2.4** Predicted Competitiveness Impacts of Carbon Taxes and Energy Efficiency Standards
- 28 **2.5** Impact of Carbon Taxes and Energy Efficiency Standards on Export Competitiveness

- 39 2.6 Impact of an EU "Kyoto Tariff" on U.S. Exports
- 47 3.1 Potential Contribution to CO<sub>2</sub> Increase, 2002–30
- 53 3.2 Change in Trade Volumes in High-GHG-Emitting Developing Countries from Liberalizing Clean Energy Technologies
- 57 3.3 Top 10 Trading Countries for IGCC (Clean Coal) Technology Components
- 58 3.4 Applied Average Tariffs and NTBs for IGCC (Clean Coal) Technologies in the 18 High-GHG-Emitting Developing Countries
- 61 3.5 Top 10 Trading Countries in Wind Energy
- 63 3.6 Applied Average Tariffs and NTBs for Wind Technology in 18 High-GHG-Emitting Developing Countries
- 64 3.7 Top 10 Trading Countries in Solar Photovoltaics
- 65 3.8 Applied Tariffs and NTBs for Solar Photovoltaic Technology in 18 High-GHG-Emitting Developing Countries
- 68 3.9 Top 10 Trading Countries for Fluorescent Lamps
- 69 3.10 Average Applied Tariffs and NTBs on Fluorescent Lamps in 18 High-GHG-Emitting Developing Countries
- 80 4.1 Trade in Climate-Friendly Technologies of Both High-Income and Low- and Middle-Income WTO members
- 84 4.2 Fuel Subsidies in OECD and non-OECD Countries
- 118 3A Results from the Competitiveness Analysis: Effects of Climate Change Measures on all Relevant Industries
- 119 3B Results from the Competitiveness Analysis: Effects of Climate Change Measures on Energy-Intensive Industries
- 120 3c Results from the Competitiveness Analysis: Effects of Climate Change Measures on Industries Subject to Higher Efficiency Standards
- 124 4A Impact of Carbon Taxes and Energy Efficiency Standards on Export Competitiveness (Energy-Intensive Industries)
- 124 4B Impact of Carbon Taxes and Energy Efficiency Standards on Export Competitiveness (Industries Subject to Higher Energy Efficiency Standards)