

WINDEUROPE CONTRIBUTION – A RENEWED TRADE POLICY FOR EUROPE

This paper responds to the questions put by the European Commission in its consultation note published on 16 June 2020.

Questions 1 & 2: How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy? What initiatives should the EU take – alone or with other trading partners - to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?

Trade policies that open new markets and secure predictable investment conditions in third countries support the EU wind industry's resilience.

Global supply chains are a source of strength for the European wind industry. With production facilities all over the world it makes sense for European manufacturers to rely on global suppliers from a flexibility, competition and cost perspective.

The EU should therefore:

- Continue to promote open trade as the best route to strong and diverse supply chains. The EU should always endeavour to open new markets (via plurilateral and bilateral trade negotiations), promote fair trade rules as agreed in the WTO, and secure predictable investment conditions.
- Support exporters of EU wind energy technology with strong and focused export credit schemes, while better monitoring export support offered by our strategic competitors.
- Co-develop regulations and standards for new and existing green technologies. Divergent standards and conformity assessment procedures increase costs and risk for EU businesses.
- Cooperate more closely with African countries to establish the continent as a strategic trade and investment partner.

Question 3: How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?

The Environmental Goods Agreement negotiations should be restarted as a matter of priority, targeting the removal of all tariffs on environmental goods, restrictions on services trade, and local

content requirements. Plurilateral agreements like this should be used to lay the groundwork for a new phase of multilateral trade liberalisation.

The European Commission should ensure that the WTO TRIMS agreement (Agreement on Trade Related Investment Measures) is properly followed globally to avoid the application of local content requirements to renewable energy projects. Wind projects create manufacturing employment and bring local value creation in the areas of service, local income to communities, local transport companies etc. But local content requirements are not the way to promote the development of a local wind industry. Instead they lead to higher costs by driving sub-optimal investment. Higher costs in turn slow down the development of the industry. The development of local manufacturing capacity will follow in those markets that have significant market demand for wind projects set by government demand and that are characterised by high forward regulatory predictability.

The EU should engage with China in WTO negotiations on industrial subsidies and the International Working Group on Export Credits.

Question 4: How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation—particularly in relation to digital and green technologies and standards in order to maximise their potential?

Ongoing trade negotiations should be used to apply pressure to trading partners that are backsliding on commitments to investors, e.g. Mexico. In both new and existing FTAs the EU should target the removal of explicit trade barriers and restrictions, such as import tariffs, and non-tariff barriers such as local content requirements.

As FTAs are often bilateral, they do not always support international sourcing concepts. An Environmental Goods Agreement with maximum participation would do much more to boost the trade and development of green energy technologies globally. A successful model for an eventual EGA is the Information Technology Agreement (ITA) that was concluded by 29 participants in 1996. Since then, the number of participants has grown to 82, representing about 97 per cent of global trade in IT products. The participants are committed to eliminating tariffs on IT products covered by the Agreement. The first priority for an eventual Environmental Goods Agreement should be the removal of all tariffs on environmental goods; the second priority should be to remove restrictions on services trade and local content requirements (the latter already in breach of WTO TRIMS).

Question 5: With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?

Asia and Latin America have huge wind resources. However, some countries are making use of state-backed finance to gain market share in the region at the expense of European businesses. The EU should seek a level playing field, improving market access and elimination of discriminatory requirements.

Africa has massive potential for the build-out of renewable energy capacity: a growing population, urbanisation, increasing demand, and available land. The EU should engage more with initiatives like renewAfrica, a private initiative that aims to facilitate private renewable energy investment in Africa. For Africa but as well as for the MENA region additional concepts with regard to improved trade conditions and a strategic approach would be desirable.

Partnership with the U.S. will be essential to revive the multilateral trading system, in particular the WTO Dispute Settlement Understanding.

Question 6: How can trade policy support the European renewed industrial policy?

The EU should always endeavour to open new markets and secure predictable investment conditions. This is the most direct way to support wind industry employment and value-added in the EU.

All trade defence measures should be evaluated against the EU's overarching objective of a just transition to climate neutrality by 2050. In many cases trade defence measures increase costs of manufacturing wind turbines in Europe. This both makes the energy transition more expensive, incentivises the import of higher value-added technology and decreases the competitiveness of European manufacturing negatively impacting employment in the EU.

EU trade policy should be implemented much more holistically. Whenever trade defence measures are introduced they should be accompanied by dedicated support for European producers to improve their competitive position (e.g. through EU research & development support). In many cases, e.g. for grain-oriented electrical steel, the competitive position of EU producers has declined over the duration of the implementation of trade defence measures intended to support them.

Question 8: How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?

Trade in environmental goods and services should be facilitated through the conclusion of an Environmental Goods Agreement (cf. response to question 4).

In addition, the EU should seek to promote Sustainable Energy Trade Initiatives that formulate policies that secure open investments frameworks, level playing field competition for sustainable technologies and related supply chains to combat climate change and lower the cost of energy.

To speed-up the process we propose as a first step, and in anticipation of a future EGA, to grant duty suspensions for all imported goods used for the manufacturing of renewable energy products in the EU under the so called "end-use-regime" elaborated by Article 254 to the Union Customs Code. This would strengthen the cost competitiveness of producers of wind energy components in the EU, as all dutiable components sourced from outside the EU used for the manufacture of renewable energy products would be duty-free.

Question 9: How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?

At the moment there are 14 EU Member States that have already developed or are developing regulation around mandatory human rights due diligence. The proliferation of national regulations is resulting in different requirements for companies across the EU.

The wind industry is being proactive on these issues. We are currently working towards an industry-led initiative to improve sustainability in our supply chain. We are also involved in the development of an International Responsible Business Conduct (IRBC) Agreement with the Dutch authorities (<https://www.imvoconvenanten.nl/en/wind-energy>).

Question 10: How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?

We are in favour of using future technologies like blockchain or big data within our international supply chains. We would appreciate if these new technologies will be included in the WCO SAFE package (SAFE Framework of Standards to Secure and Facilitate Global Trade) and required guidance to be given to local customs/tax authorities for implementation and acceptance. New rules for customs operations are necessary to allow this transition. Several private institutes are working on this development, and public authorities may benefit from the cooperation (see e.g. <https://www.tradefacilitation.org/>).

Question 12: In addition to existing instruments, such as trade defence, how should the EU address coercive, distortive and unfair trading practices by third countries? Should existing instruments be further improved or additional instruments be considered?

The European Investment Bank (EIB) should look into whether it could provide some form of European Guarantee Facility for EU investments in third country markets, to allow EU operators to compete effectively against rising competition on the global market. Alternatively, or in parallel, the EIB could look into whether national export credit agencies should take a more collaborative, pan-European and flexible approach in order to support EU wind industry exports.

The Renewable Energy, Climate Change Mitigation and Adaptation and Water Projects Sector Understanding (CCSU) and/or the umbrella Arrangement on Officially Supported Export Credits should be revised to improve conditions for the financing of renewable energy exports (e.g. higher coverage of local costs, extension of maximum repayment terms, lower premiums) to allow the EU to better compete on third country markets. As mentioned above, the discussions within the International Working Group on Export Credits should be revived.

The scope of the International Procurement Instrument should extend to renewable energy tenders backed by revenue stabilisation mechanisms so that the EU can leverage its domestic market to remove unfair government procurement practices in third countries.