APPENDIX I

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Report on Progress in Reducing Trade-Related Barriers to the Export of Greenhouse Gas Intensity Reducing Technologies

This Appendix provides an update on progress the Administration has made in reducing trade-related barriers to the export of greenhouse gas intensity reducing technologies (GHGIRTs), as called for by the Energy Policy Act of 2005. In October 2006, pursuant to section 1611 of the Act,[1] USTR prepared a report that identified trade barriers that face U.S. exporters of GHGIRTs in the top 25 greenhouse gas (GHG) emitting developing countries and described the steps the United States is taking to reduce these and other barriers to trade.[2] The Act also calls for USTR to report annually on progress made with respect to removing the barriers identified in the initial report. USTR submitted the first annual progress report in October 2007; this report, as well as the initial report, are available at http://www.ustr.gov. USTR will continue to submit further annual progress reports as part of the NTE Report.

As described in the initial 2006 GHGIRT report, barriers to the exports of GHGIRTs are generally those identified in the NTE with respect to other exports to the 25 developing countries: *e.g.*, lack of adequate and effective intellectual property rights protections; lack of regulatory transparency and sound legal infrastructure; state-controlled oil and energy sectors, which are often slower to invest in new technologies; cumbersome and unpredictable customs procedures; corruption; import licensing schemes; local content requirements; investment restrictions, including requirements to partner with domestic firms; and high applied tariff rates for some countries. Progress in removing such barriers is noted below in the appropriate country chapter of the report. The reader is also referred to USTR's "Special 301" report pursuant to section 182 of the Trade Act of 1974. The "Special 301" report describes the adequacy and effectiveness of intellectual property rights protection and enforcement of U.S. trading partners; the 2013 report will be released later this year.

Increased trade in environmental technologies, such as GHGIRTs, is an important part of President Obama's Climate Action Plan, announced in June 2013, a key objective of U.S. leadership in global trade policy, and a potential driver of job growth here at home.

China, with the largest energy consumption in the world, is a significant player in the area of smart grid technologies, and is currently pursuing a multi-year plan to invest over $500 billion in its electric infrastructure. In 2014, the United States closely monitored China's implementation of its commitments at the U.S.-China Joint Commission on Commerce and Trade to assure an open and transparent standards development process in this sector. USTR consulted closely with U.S. stakeholders and worked with the U.S. Trade and Development Agency which is funding programs for collaboration between Chinese and

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[1] Section 1611 of the Act amends the Global Environmental Protection Assistance Act of 1989 (Public Law 101-240) to add new Sections 731-39. Section 732(a)(2)(A) directs the Department of State to identify the top 25 GHG emitting developing countries for the purpose of promoting climate change technology. The Secretary of State has submitted its report to Congress identifying these 25 countries. Section 734 calls on the United States Trade Representative "(as appropriate and consistent with applicable bilateral, regional, and mutual trade agreements) [to] (1) identify trade-relations barriers maintained by foreign countries to the export of greenhouse gas intensity reducing technologies and practices from the United States to the developing countries identified in the report submitted under section 732(a)(2)(A); and (2) negotiate with foreign countries for the removal of those barriers."

[2] These 25 countries were identified in the Department of State's 2006 "Report to Congress on Developing Country Emissions of Greenhouse Gases and Climate Change Technology Deployment." They are: China; India; South Africa; Mexico; Brazil; Indonesia; Thailand; Kazakhstan; Malaysia; Egypt; Argentina; Venezuela; Uzbekistan; Pakistan; Nigeria; Algeria; Philippines; Iraq; Vietnam; Colombia; Chile; Libya; Turkmenistan; Bangladesh; and Azerbaijan. In 2008, Morocco replaced Azerbaijan on the list.

U.S. smart grid experts, as well as a roadmap for continued U.S.-China smart grid technical standards cooperation on international standards development. Since 2011, we have encouraged Chinese entities to join the Smart Grid Interoperability Panel to ensure that China can engage stakeholders from the entire smart grid community in a participatory public process to identify applicable standards, gaps, and priorities for new standardization activities for the evolving smart grid.

On July 8, 2014, the United States and 13 other WTO Members launched negotiations on the Environmental Goods Agreement (EGA) in Geneva, Switzerland. In addition to the United States, Australia, Canada, China, Costa Rica, the European Union, Hong Kong, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei and Turkey are now participating in the negotiations, and together account for close to 88 percent of global trade in environmental goods. The EGA aims to eliminate tariffs on a broad set of environmental technologies, building on the APEC List of Environmental Goods. Tariffs on environmental goods can be as high as 35 percent and pose a significant barrier to trade for U.S. companies. By eliminating tariffs on the environmental technologies we need to protect our environment, we can make them cheaper and more accessible for everyone.

In addition to continued U.S. leadership on environmental goods in the WTO in 2014, the United States will also continue to play an active leadership role in APEC by ensuring that economies are on track to implement their commitment to reduce tariffs on environmental goods to 5 percent or less by the end of 2015. The United States will also build on the successful 2014 launch of the APEC Public-Private Partnership on Environmental Goods and Services (PPEGS) by focusing on non-tariff barriers to trade in environmental goods and services, including GHGIRTs.

In addition, we will continue to press for model TPP commitments on EGS, including immediate duty-free treatment for GHGIRTs, and substantial new market access for environmental and related clean energy services, as well as elimination of problematic local content requirements (LCRs).