



## TACKLING NON-TARIFF MEASURES

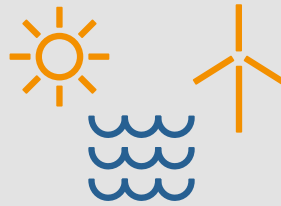
WORLD ENERGY COUNCIL

### THE FACTS



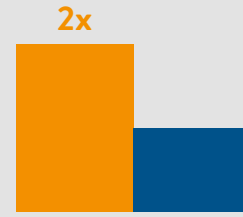
80 – 90%

UNCTAD estimates that 80% to 90% of all trade is affected by non-tariff measures.



\$1 trillion

The global trade in environmental goods is worth \$1 trillion per year.



NTMs tariffs

WTO estimates that non-tariff measures have twice the impact of tariffs on global trade.

### 12 NON-TARIFF MEASURES AFFECTING INVESTMENT IN ENERGY

#### 1 LOCAL CONTENT REQUIREMENTS

Demanding that businesses use local products and services hampers investment in R&D and limits transfers of low-carbon technology.

#### 2 CUSTOMS PROCEDURES

These can be arbitrary and slow. Pre-shipment inspections (PSIs), for example, are a major inefficiency in the trade in energy and environmental goods.

#### 3 CONFORMITY ASSESSMENT AND TECHNICAL REGULATIONS

Technical issues inhibit trade when they discriminate against certain countries, or operate in favour of larger corporations.

#### 4 GOVERNMENT PROCUREMENT

Governments can restrict competition in bidding processes – for example, by favouring domestic suppliers, or imposing unequal compliance requirements.

#### 5 TAX LAWS

Tax systems can distort trade by discriminating against foreign imports, or foreign investment in the energy sector. They can impose burdensome administrative and reporting obligations.

#### 6 SUBSIDIES

Subsidies need to be carefully designed, so that resources are wisely allocated, and inefficient, unsustainable forms of energy are not encouraged.

#### 7 INVESTMENT RESTRICTIONS

These can protect local industry and ownership, but they can also risk isolating a market from international expertise and cutting-edge technology. Foreign direct investment can also be reduced.

#### 8 ADMINISTRATIVE LICENSING

If the process of obtaining permits for the energy sector becomes costly, time-consuming and opaque, it can deter investment.

#### 9 PROCESS AND PRODUCTION METHODS

Attempts to control the trade in energy goods – for example, by discriminating between similar products on the basis of how they were produced or recovered – can have a negative impact on energy security.

#### 10 INTELLECTUAL PROPERTY (IP) PROTECTION

R&D is a less attractive proposition in places where IP controls are weak. Counterfeiting, infringement and piracy need to be controlled to encourage innovation.

#### 11 LEGAL SYSTEMS

Where legal systems are overly complex or opaque, trade, investment and finance are directly affected. Contracts and credit recovery, for example, need to be readily enforceable.

#### 12 EXPORT CONTROLS

Prohibitions and limitations on exports reduce the availability of goods, meaning artificially inflated prices for energy-related products.

### RECOMMENDATIONS

- For countries to address their energy trilemma and kick-start a low-carbon economy, they must understand and tackle non-tariff measures.
- If non-tariff measures are removed, investment flows and finance for energy-related goods will improve, particularly for low-carbon technologies.