



Towards a strategic approach for energy at the World Trade Organisation

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This year, I will be participating at the 21st World Energy Congress that will be held in Montreal. I very much appreciate the programme of the Congress, which revolves around the following four themes: access to energy; the availability of energy; the acceptability of energy, and accountability for our energy policies. All of these themes are important and will take the Congress to the key issues of energy demand and supply, and the good governance of the planet's renewable and non-renewable energy resource base.

The main message that I would like to convey to this year's World Energy Congress is that the international community has yet to take a strategic approach to the rules of the multilateral trading system with respect to energy trade.

Clearly the rules of international trade are relevant to the international supply and demand for energy, and trade policy is itself a fundamental component of energy policy. With non-renewable energy resources being heavily geographically concentrated around the globe, most people on our planet today meet their energy needs through imports. In addition, the growth of non-renewable energies, means that new types of energy are now beginning to enter international trade, such as biofuels, also positioning the multilateral trading system at the heart of the renewable energy debate. And,

yet, until today, the energy sector has not been debated as such, within the four walls of the WTO.

Several portions of the WTO 'rule-book', so-to-speak, are relevant to the energy sector. But, as effective as these rules may be, they remain relatively dispersed across the rule-book, with little over-arching global policy consensus, or goal. A stronger WTO rule-book would benefit this area, because just as with any sector where trade is feasible, obstacles to trade are feasible too. Among the issues that come to mind, with respect to trade in energy goods, are subsidies that distort trade, state trading disciplines, transit rights for transporting energy, and export restrictions. All of these issues speak to your theme of energy 'accessibility'. And while the WTO rule-book already addresses, or touches upon, some of these obstacles, it remains incomplete. In what ways do such obstacles impair global access to energy, and are such policies wise and desirable, are some of the questions that the international community may wish to pose.

In the field of services, the WTO has established a framework of cooperation that includes services incidental to the extraction of oil and gas, services incidental to energy distribution, and the pipeline transportation of fuels. Indeed, the current negotiations on energy services, in the Doha Round, cover a broad

range of activities relevant for energy suppliers and traders, encompassing all energy sources. Governments are seeking commitments from one another in services areas such as drilling, engineering, technical testing, pipeline construction, and distribution. These issues speak not only to your theme of energy 'accessibility' but also to international collaboration for the enhancement of energy 'availability'. In fact, they speak to the promotion of foreign-direct investment in enhancing energy production and distribution.

The on-going negotiations of the Doha Round are addressing, amongst many other issues, energy services, transit rules, subsidies, and trade opening in climate-friendly technologies. But there are obvious questions which remain to be answered. More and more questions in the area of energy relate to competition and investment policy, on

International trade in biofuels is putting the WTO at the heart of the renewable energy debate



which the WTO has presently little to no say. There are also no disciplines on export taxes, for the moment. And, as climate change concerns loom larger, the WTO becomes relevant in relation to the possible use of trade measures to manage leakage or competitiveness concerns arising from the costs of existing or expected carbon constraints on production. The potential development of international trade in carbon emission permits and the establishment of carbon offset arrangements, may also involve a WTO angle. Similarly, the emerging landscape of subsidies for renewable energy deserves to be explored. Putting these issues on an international negotiating table would allow for the emergence of a more coherent vision for energy trade. They would all speak to good energy governance, globally.

With the entrance negotiations of several energy producers into the WTO, a bargain between energy exporters and energy importers is being struck every day, with every negotiating document that is being exchanged. Countries such as Russia, Kazakhstan, Azerbaijan, Algeria, Libya, Iraq, Iran and Sudan are all in the queue to join the multilateral trading system's broad spectrum of rules. The terms of their accession to the WTO will bring structural changes to energy trade and use, and may impact the WTO agenda, if such countries ultimately choose to place the 'energy' questions more forcefully before the organisation.

It is, of course, not a coincidence that many countries that are significant exporters of energy are taking longer to join the WTO. The global thirst for their energy resources meant that their exports travelled relatively unimpeded, with relatively less need for international rules. And, yet, in today's changing energy landscape, where oil reserves in some parts of the world are dwindling, or where concerns about climate change are forcing a rethink of the existing energy paradigm and a greater diversification of their economic resource base, the incentives to become part of the WTO system are growing. The changing composition of the WTO will be one of the fundamental shaping factors of the energy debate within the organisation.

WTO Members, as we all know, can initiate negotiations to create or change the rules of multilateral trade at any time.

But in order for them to do so, an informed debate, preferably a public one, is clearly advisable. How do we trigger a broad discussion on energy trade? Is there any issue that could act as a catalyst? I can think of one that is currently on the WTO negotiating table; it is also a low-hanging fruit that is waiting to be reaped. I am referring to the opening of trade to climate-friendly goods and services in the context of the Doha Round.

At the moment, many climate adaptation and mitigation technologies are on the WTO negotiating table. They include goods such as wind turbines, solar cooking appliances, and photovoltaic cells, and services such as climate consultancy. We can make these goods and services more accessible to all, by reducing the tariff and non-tariff barriers that hold them back. This would be one of the fastest, most effective ways, of demonstrating not only that trade can be put to the service of sustainable development, but that it is possible to frame the discussion on energy trade in new ways. In fact, it would take the WTO, and the international community, straight to your theme of 'accountability', by contextualising energy policy in environmental policy. Accountability to the planet that hosts us, and to future generations. And what better starting point for an energy discussion in the WTO? I look forward to the outcome of this year's World Energy Congress. □

The Canadian Province of Québec is a major exporter of electricity to its neighbours



Photo: Hydro-Québec