

Liberalising Trade in Solar Equipments

What is the issue?

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- Given the increasing protectionism worldwide across sectors, it is indeed difficult to push for liberalising trade in solar.

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- Nevertheless, the urgency of environmental concerns demand platforms like International Solar Alliance (ISA) to work for easing solar related trade.

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- Notably, tariffs and other forms of trade protectionalism are hinderances to the faster spreading technology.

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What is International Solar Alliance?

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- Several countries had taken ambitious steps to combat climate change and India for its part has initiated the International Solar Alliance (ISA).

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- Recognizing the huge potential, India along with France, launched ISA during the Climate Conference in Paris in November 2015 (COP21).

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- ISA's objective is to undertake joint efforts to reduce the cost of solar technology and further investments in solar (\$1 trillion targeted by 2030).

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- India has set a domestic target to install a 100 GW of solar energy capacity by 2022 to augment its power needs.

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- Notably, Of the ISA member countries located in the sunshine belt between the Tropics, only 27 were found to be providing 100% electricity access.

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- Additionally, in 49 countries (mostly in Africa), electricity access rate was less than 70%, which demands for rapid expansion of solar infrastructure.

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- While ISA has been mobilising resources for projects, it also needs to work

for easing trade barriers in solar equipments and services trade.

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Is the sector protectionist?

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- Import duties (tariffs) and other protectionist clauses are detrimental to cost-effective solar deployment, which disincentivises solar investments.

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- While the cost of solar installations has been declining worldwide, it still remains high in many of the ISA economies.

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- This is mainly due to their lack of manufacturing capacity and high tariffs (35-40% in some countries) on solar PV products and related services.

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- For most African countries, this is the case, despite they having a remarkable potential to promote innovative programs like off-grid solar.

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- Also, while India has 0% tariff on most solar trade lines, it was ironically embroiled for imposing domestic content requirements for projects.

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What could the ISA do for promoting solar trade?

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- As ISA is a recognised international organisation, it has the potential to mobilise international support for liberalising solar trade among its members.

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- **Action** - ISA could nudge its members to voluntarily reduce import tariffs and non-tariff barriers on solar-related products and related services.

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- In case there is a domestic industry that would be hit, a gradual reduction of tariffs over a period of time could be worked out.

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- This would result in a plurilateral voluntary trade deal (sector specific deal) on solar energy goods and services, and benefit both trade and the environment.

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- **Firstly** - This will help in capitalising on global supply chains and economics

of scale, and allow for massive deployment of affordable solar projects.

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- This would result in rapid reduction of applied tariffs along the solar supply-chain even without the conclusion of a binding trade agreement.

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- Notably, an “Environmental Goods Agreement” (EGA), for reducing tariff lines in order to promote green technologies has been in discussions since 2014.

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- **Secondly** - This would reduce chances of disputes over what goods to be included in ISA’s targeted push as there would be more domain knowledge.

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- Even if some of the goods may have dual-use and can be deployed for non-solar applications, dispute resolution would be easier under ISA.

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- **Finally** - Opportunities to integrate into global solar value-chains may be opened up for developing countries through international partnerships.

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- Devising investment norms, facilitating technological know-how, and bettering trade objectives could be considered by ISA.

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Source: Business Line

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