

# Trade Remedies in Green Sectors: the cases of Renewables

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## Session I: Trade Remedies and Renewables: trends, problems and prospects

### \* **Overview**

- \* 1. Renewable Energies: Solar energy, Wind energy, Hydro-energy, Tidal energy, etc.
- \* 2. Solar energy: more massively used by solar power station or decentralized rooftop solar equipment
- \* 3. Industrialization and commercialization: less than 10 years of history.

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- \* 4. Massive use mainly due to:
- \* 1) Vision of and commitment to the climate change and sustainable development;
- \* 2) Decline of unit cost of solar energy electricity: greater availability of raw materials and significant improvement of efficiency of production;
- \* 3) Incentive policies adopted by relevant countries or economic entities.

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- \* 5. The global solar market expands very quickly with aggregate installment amounting to the estimated 40-45 GW in 2014, 15% up than 2013.
- \* 1) China: 14GW
- \* 2) Japan: 7GW
- \* 3) US: 6GW
- \* 4) Europe: 6GW
- \* 5) India, Australia, Africa, Latin America, the Middle East

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- \* 6. The emerging industry attached great importance to by all countries.
- \* 7. Typical problem in development: Trade remedy measures imposed on traded solar products and China's products becoming the major target.

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- \* Since 2010, China has been repeatedly subject to AD and CVD investigations by other countries in the field of Renewable energy products.
- \* In particular, as regards the Crystalline Silicon Photovoltaic Products (solar products) , the number of trade remedy cases that China involved is the largest, including the followings:

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- \* **1. US: 2 AD and CVD cases**
- \* The first case:
  - \* 1) initiated in Nov. 2011 against PV cells originating from China;
  - \* 2) Petitioner: SolarWorld;
  - \* 3) Mandatory respondents: Suntech and Trina Solar
  - \* 4) Trade Value in 2011: USD 3.1billion

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- \* 5) Duty order: issued in Dec.2012
- \* 6) Aggregate AD and CVD duty rate : 29.18% -- 254.66%
- \* 7) The export of PV cells and modules originated in China to the US was almost banned starting from the imposition of duty order.

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- \* The Second Case:
- \* 1) Initiated on Jan. 22, 2014, against the PV products not covered under the first case duty order, mainly the PV modules assembled in China using PV cells originated from other places.
- \* 2) Petitioner: SolarWorld;

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- \* 3) Mandatory respondents: Suntech and Trina Solar (CVD), Yingli and Yuhui (AD)
- \* 4) Trade Value in 2012: USD 2.1billion
- \* 5) Investigation in progress: CVD prelim. due June 2.

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- \* 2. EU: 1 AD and CVD case
- \* 1) AD and CVD initiated respectively in Sept. and Oct. 2012, against the PV products from China;
- \* 2) Petitioner: SolarWorld
- \* 3) Respondents: over 100 Chinese PV exporters; 7 sampled for AD, 7 sampled for CVD
- \* 4) Trade value covered: USD 20.4billion, which is the largest case in trade remedy history;

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- \* 5) AD prelim. in June 2013, with 11.8% of provisional AD duty;
- \* 6) In August 2013, a price undertaking was concluded.
- \* 7) Due to the shrink of EU market and phase-out of the incentive policies of major European countries, the export to the EU market declined by almost 2/3 from the peak.

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- \* 3. India: 1 AD on-going case
- \* 1) Initiated in Dec. 2012, against solar cells in modules, panels, on glasses or other suitable substrates from China, Malaysia, US and Taiwan District;
- \* 2) Petitioner: Solar Manufacturer's Association, representing 3 producers
- \* 3) Respondents: around 20 companies.

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- \* 4) Trade value: USD 490million
- \* 5) Investigation still in progress heading to final determination

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- \* 4) Potential cases:
- \* Some sources say both Australia and Japan are intended to use trade remedy instruments against China's exported PV products. If they become real, the trade value in total affected will be over USD3.5 billion.

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- \* Emerging industries are the sectors liable to resort to trade remedies due to interest consideration.
- \* The PV sector is liable to trigger chain reaction from one country to another.
- \* Different policy orientations lead to different trade remedy measure levels and forms.
- \* Targeting China merits further in-depth consideration.



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- \* 1. AD and CVD investigations seriously disturbed the supply chain as a whole of the global PV industry  
Highly internationalized industry;  
Purchase of equipment, purchase of raw materials, manufacturing, consuming, raising fund located in different countries, but closely linked;  
Trade Remedy in one point in the chain will impact others.

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- \* 2. Trade remedy in PV products is not beneficial to the development of solar electricity market and the expansion of using solar energy.
- \* Price increase in home market is:  
Contrary to the affordable solar energy by the industry and normal household.  
Contradicted to the incentive policies to encourage the usage of solar energy.

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- \* Investment recovery analysis: rooftop installment  
Cost of PV modules accounts for 60% of the total cost;  
An Average use of life: 25 years;  
First 10 years: investment recovery period;  
The rest of 15 years: yield period.

If the price of PV modules goes up, what happens then?

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- \* 3. Trade remedy on PV products has little use in boosting employment for the PV industry, but may adversely affect the up-and down-stream industries' employment.

In US, employment in PV industry is less than 2000. But the entire supply chain in solar industry hire more than 140 thousand people.

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- \* Trade remedy may restrict competition and thus obstruct the technical development and innovation in PV products.

The investigating country has only one producers and the measure applied extends to all import sources.

Competition is the key element for technic breakthrough in solar industry– conversion rate and storage battery.

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- \* Observations:
  - \* 1. To use trade remedy instruments is a legitimate right of all WTO Members, and PV products belong to the dimension of trade in goods. Therefore there is no legal obstacle for Members to apply trade remedy rules to PV products, However,

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- \* 2. Trade remedy is not “panacea”, applicable to all products that suffer “disease”. And not all goods in trade is fitful to resort to trade remedy.

Crude Oil, Natural Gas?

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- \* General conclusion:
- \* When thinking of taking trade remedy measures on renewables including PV products, it should take very cautious attitude.
- \* It is very much necessary and important to, under the framework of WTO rules, reach a win-win solution on a mutually beneficial basis, by way of dialogue, consultation and cooperation.

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- \* 1. PV product is a very special, sensitive product, thus merits special consideration.

Solar electricity --- decrease reliance on fossil energy ---  
reduce emission and air pollution --- sustainability.

Public product Vs. Normal industry or consumer product

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- \* 2. High degree of internationalization needs international cooperation to tackle problems together.

Policy coordination, Industry cooperation, trade arrangement on certain products etc.

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- \* 3. Seeking price undertaking or equivalent mechanism is more appropriate and rational than directly and simply imposing AD and CVD duties from practical prospect.

Price undertaking concluded between China and EU on PV products peacefully settling the largest trade remedy case.

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- \* 4. It is time for all investigating authorities to seriously take into account of incorporating mandatory Public interests and/or lesser duty rule into the multi-lateral trade remedy system.

Obtaining an overall picture of trade remedy effects on the whole renewable industry.

Soft measure may be welcomed to minimize the negative impact of the measure.

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- \* 5. The necessity to consider incorporating competition rules into traditional trade remedy framework, specially dealing with renewables.

Lowering the cost, improving efficiency, enhancing technical innovation, boosting the utilization of renewables on a large scale basis.

## Trade Remedies in Green Sectors: the cases of Renewables

\*Thank you!