The Trade and Investment in Renewable Energy and Low Carbon Emissions Technologies Roadmap Towards 2030

Purpose: Information
Submitted by: ABAC
The Trade and Investment in Renewable Energy and Low Carbon Emissions Technologies Roadmap Towards 2030

Addressing the existential challenges of climate change by lowering carbon emissions through increased transition to renewable energies and low carbon technologies, to ensure a safer future for the APEC region.

Introduction

1. We acknowledge that reduction of carbon emissions is essential to urgently address the existential challenge of climate change. As a group, we recognize that we must act collectively and collaboratively to make a substantial change in energy policies to move towards carbon neutrality and to meet our commitments under the United Nations Framework Convention on Climate Change (UNFCCC) (Paris Agreement).

2. Since 1993 APEC Leaders have acknowledged the role of renewable energy in securing sustainable growth and security for future generations. In 2020, APEC Leaders agreed in the APEC Putrajaya Vision 2040 to “promote economic policies, cooperation and growth which support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet.”

3. Renewable energy is produced using natural resources that are constantly replenished and never run out. Just as there are many natural sources of energy, there are many renewable energy technologies. We recognize that greater deployment of renewable energy and low-emission technologies is required for the region to meet its emissions reduction goals.

4. Trade and investment in renewable energy can accelerate the sharing of technological innovations, support the development of domestic renewable energy industries and reduce the costs of meeting emissions reduction targets. Removing trade barriers and creating and strengthening the investment environment in the region, to support and encourage adoption and transition to renewable energy by us all, is essential to reaching our goals.

5. APEC Leaders in 2020 resolved to navigate recovery of the region along a path of strong, balanced, inclusive, sustainable, innovative and secure economic growth. APEC economies now have the opportunity to frame their economic recoveries from the impact of the pandemic to accelerate the transition to renewable energy sources.

6. This Roadmap will provide guidance and opportunities for APEC economies to learn from the experience of each other in charting their own courses for transition to a low carbon economy future.

The Roadmap

This Roadmap builds on APEC’s previous extensive work in addressing energy security and the transition to renewable energy sources, including information sharing and capacity building.

Acknowledging that each APEC economy will find its own pathway to achieve a low carbon future, and will make the transition to the adoption of renewable energies according to their domestic development objectives and resources, the whole APEC region will benefit from consensus on addressing the challenges of reducing emissions and promoting trade and investment in renewable energy, including sharing of technologies, best practices and business models to encourage realization of this goal.

The Roadmap builds upon the trade and investment principles which are the foundation of the World Trade Organization, on the international, regional and free trade agreements aimed at
liberalizing, facilitating, harmonizing and regulating trade between member economies, creating rights and obligations that may affect trade and investment in renewable energy in the region. It also builds upon the APEC Cross Cutting Principles on Non-Tariff Measures (NTMs) which address the costs and burden NTMs impose on trade, the APEC Non-Binding Investment Principles, the APEC Energy Resiliency Principle, the APEC Business Advisory Council (ABAC) Climate Leadership Principles and principles of sustainable and inclusive development.

Action Areas

1. Creating an enabling investment environment:

We recognize that creating an environment that is conducive to investment is critical to enabling renewable energy industries and development of low emissions technologies. Enhancing trade in these industries and technologies will lead to greater uptake of renewable energy and accelerate progress towards achievement of UNFCCC and its Paris Agreement targets.

To create this enabling environment, we are committed to:

- work collaboratively to create an attractive environment for investment in renewable energy, including investment policy and facilitation, competition and trade policy, financial access and regulatory quality and adoption of a region-wide Environmental, Social and Governance (ESG) taxonomy;
- focus on deepening measures which will contribute to the mobilization of domestic and foreign investment flows specifically aimed at financing investment in renewable energy sources and in the development of regional energy markets, including intensified collaboration in the Advisory Group on APEC Financial System Capacity Building initiatives with international organizations and business;
- frame our policy responses to the COVID-19 pandemic in ways that are consistent with national climate change objectives including furthering the mobilization of capital for promoting renewable energy sources and innovation;
- renew collaboration with the Organization for Economic Cooperation and Development (OECD) to facilitate creation of this investment environment, including:
  - extending work with the OECD on the APEC-OECD Integrated Checklist on Regulatory Reform, to develop guidelines that specifically focus on aligning investment guidelines and the mobilization of investment and innovation in renewable energy,
  - working to implement the OECD Policy Guidance for Investment in Clean Energy Infrastructure, which builds on the OECD Policy Framework for Investment and utilizing the Framework as a tool kit, providing policy advice and capacity building within the region.

We acknowledge that there must be alignment between investment policy and decision making and climate change objectives. To that end, we agree to:

- review the Non-Binding Investment Principles with a view to ensuring they align with climate and renewable energy policies, encourage peer reviews of economies’ policies and support adjustment and reforms through capacity building initiatives; and
- encourage investors to gain a better understanding of the climate risk attached to investment, including possible adoption of the Taskforce on Climate-related Financial Disclosures (TCFD) framework on climate-related financial disclosure.
2. **Encouraging Trade:**

Encouraging trade in renewable energies and low emissions technologies can accelerate the sharing of innovation and support development of our domestic industries, assisting us in meeting our carbon emissions reduction targets. To create an enabling trade environment, we are committed to:

- reducing or eliminating tariffs and non-tariff measures affecting trade and investment in renewable energy in the region, including adopting regulatory harmonization to facilitate trade in renewable energy and associated goods and services;
- updating and expanding the APEC List of Environmental Goods and developing a non-binding reference list as directed by APEC Ministers Responsible for Trade in 2021, to include new and emerging renewable energy technologies and industries;
- adopting measures to identify and address issues in supply chains for renewable energy trade, such as for green hydrogen and green ammonia, and for renewable energy generation-related goods and services; and
- developing markets within and beyond our borders to create both the demand for and supply of viable renewable energy export trade.

3. **Services**

Strengthening and supporting our services industries is essential to support and facilitate all trade and investment including in renewable energy sources and low emissions technologies. To that end, and noting the APEC definition of environmentally-related services agreed in 2021, we are committed to:

- implementing the Reference List of Environmental and Environmentally-Related Services agreed in 2021; and
- adopting recommendations of the APEC Environmental Services Action Plan Final Review, including:
  - categorizing barriers to trade in environmental services,
  - assessing the costs and benefits of liberalization of environmental services, and encourage cooperation and avoidance of protection measures,
  - providing frameworks for regulatory review particularly in relation to approval and licensing measures, and
  - avoiding local content measures, and when they are used, ensure transparency.

4. **Technical Cooperation, Capacity Building and Engagement with Business**

We know that we are stronger when we work together, and greater progress will be achieved in a shorter timeframe if we share knowledge and capabilities. The impacts of climate change are not contained by borders and we are all affected by the prevailing conditions of the environment in our region. In the spirit of shared endeavor, as a group we will:

- coordinate to identify measures to support technological cooperation, regulatory harmonization and skills transfer on domestic energy transition and resilience projects across the region;
- ensure strong alignment between our vision for climate change action and private enterprise objectives, to encourage investor confidence in renewable energy projects, and work with business sectors to identify and prioritize opportunities which present positive outcomes for both the environment and trade; and
- support capacity building initiatives, technology transfer and sharing and the development of human resources in higher education facilities, business and financial institutions, aimed at broadening opportunities for investment in renewable energy and innovation.

5. **Energy Security, Resilience and Access**

We acknowledge that each APEC economy will have its own pathway to meet its Paris Agreement commitments and transition to a carbon neutral future. Essential to those decisions will be ensuring energy security, resilience and access, and the domestic development objectives and resources available to each economy. Noting this, we commit to:

- enhancing access to affordable energy, energy security and energy resilience through the APEC Energy Resiliency Principle and Energy Access Initiative so that all economies in the region can benefit from clean diversified energy access solutions and designing high-quality and resilient energy infrastructure, procuring and using low-carbon and recyclable materials, if possible; and

- exploring the adoption of small-system, project-based renewable energy solutions, such as micro-grid technology, to enhance energy resilience and access to sustainable and affordable energy for all communities.

6. **Measuring the Carbon Footprint**

If we are to reduce and eliminate carbon emissions, there is a need to identify and measure carbon content in products and services we trade and utilize. We acknowledge the sensitivity inherent in initiatives to do this, but agree to consider:

- voluntary carbon footprint disclosure as one possible investment criterion and a key FDI quality indicator and ESG factor to align investments with the UNFCCC and its Paris Agreement goals;

- developing market-based cross-border solutions such as international green certificate systems to increase investment in renewable energy, boost generation and contribute to overall reduction of emissions in the region;

- Development and utilization of hydrogen energy based on each economy’s own conditions and promote cross-border applicability;

- the impact of Carbon Border Adjustment Mechanisms on trade in goods into the EU, which could have implications for trade and investment in APEC economies, especially but not limited to the effects on commodities and materials with a low carbon footprint verified by independent certified agencies; and

- creation of sustainability labels and/or separate customs codes for low carbon commodities.

7. **Structural Reforms**

Real progress will not happen without significant structural reform in all APEC economies. Regulatory reform, adoption of international standards and development or adoption of appropriate dispute settlement mechanisms are all essential to create the secure and stable environment which will encourage and support significant, large scale, long-term investment and trade in renewable energies and low emissions technologies. We agree to:
▪ review investment policies to positively influence investment decision making by all investors based on principles of transparency, investment protection and non-discrimination;
▪ ensure that competition policy favors innovation, encourages new investment and transmits investment benefits widely in society;
▪ strengthen financial markets to enhance access to finance, deepen financial inclusiveness, and encourage opportunities for both domestic and foreign investors in renewable energy industries;
▪ enforce regulatory quality and integrity as vital aspects of public governance and building confidence of investors, domestic and foreign;
▪ commit to utilize transparent and expeditious dispute settlement processes;
▪ investigate a mechanism for regional cooperation in developing a voluntary scheme or a carbon credits trading scheme which could accommodate the different circumstances of each economy and contribute as a region to achieve the UNFCCC and its Paris Agreement goals;
▪ collaborate with regional partners in strengthening regional financial, economic and social cooperation and encourage public-private partnerships (PPPs) in investment in renewable energy and innovation;
▪ consider adopting policies and implementing regulatory reforms which will encourage innovation, prioritize investment in research and development and enhance uptake of low carbon emission technologies;
▪ engage with international development institutions to enable harmonization with international standards and best practice for trade and investment in renewable energy sources; and
▪ adopt structural reforms to assist the transition of sectors and enterprises adversely affected by climate related changes to trade and investment.

Targets

We will strive to ensure that the APEC region makes progress towards creating a trade and investment environment conducive to transition to a carbon neutral future. We encourage APEC economies to share their experiences, best practices and success stories in creating this enabling environment, through the reporting mechanism provided by this Roadmap and capacity building activities. By 2030, we will endeavor to:

▪ act collaboratively to reduce carbon emissions across the APEC region;
▪ reduce or eliminate all tariffs and non-tariff barriers on trade and investment in renewable energy and low emissions technologies;
▪ develop markets both within and beyond our borders to create both supply and demand for renewable energy and low emissions technologies;
▪ encourage capacity building, knowledge sharing, and skills development initiatives to enhance opportunities to meet our carbon emissions reductions goals;
▪ aim to identify and measure carbon content in products and services we trade and utilize;
▪ review policies to ensure decision making is based on principles of transparency, investment enhancement and non-discrimination;
▪ ensure that competition policy favors innovation, encourages new investment and shares the benefits of investment widely in society; and
▪ work towards adopting relevant international standards to enhance opportunities for trade and interoperability of technologies.
Implementation

We assign Senior Officials with overall responsibility for monitoring and evaluating progress under the Roadmap. We encourage close collaboration with all APEC fora, and in particular the APEC business community through ABAC, and other relevant stakeholders.

Economies have undertaken to develop an implementation plan for each action area which identifies specific voluntary actions and initiatives reflecting their own prioritization, objectives and circumstances in their own economies.

To encourage action in our economies and to assist in tracking progress towards carbon neutral targets, we recommend periodic standardized measurement be utilized, such as monitoring the renewable energy share in total energy consumption and the level of foreign direct investment to support renewable energy production.

SHARING EXPERIENCES:

Measures adopted to encourage trade and investment in renewable energy and low emissions technologies and to meet the Roadmap targets:

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