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Defensive Driving: Trade Policy & Transportation Fuels

AB 1007 Joint Workshop on the Alternative Transportation Fuels Plan
May 31, 2007



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Roadmap

1. Introduction

- a. Who we are
- b. Our theme
- c. Trade rules & transportation fuels
- d. How people use trade rules

2. Foreseeable collisions

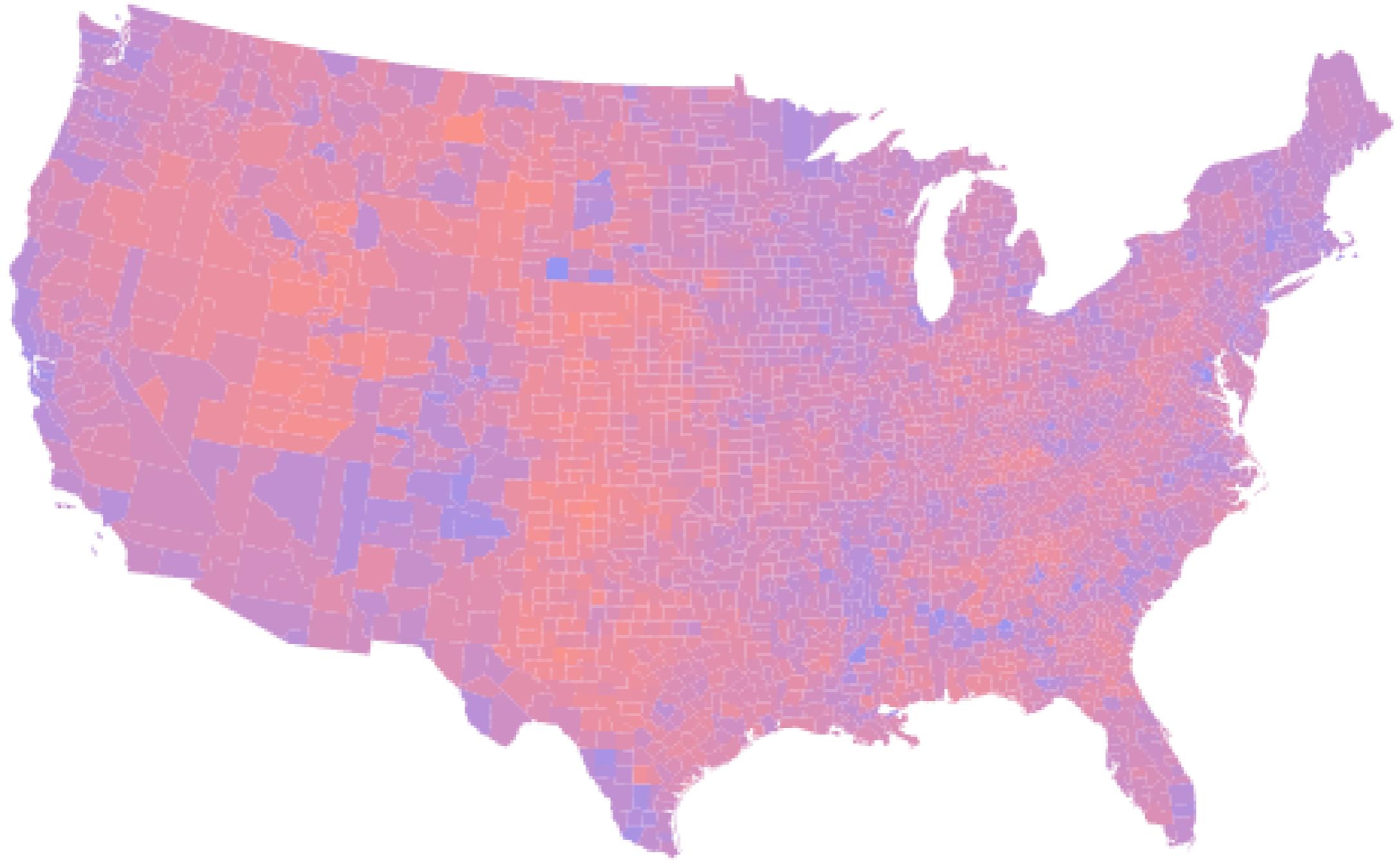
- a. R&D subsidies
- b. Ethanol production
- c. Taxing and regulating fuel

3. Conclusion

- a. Defensive driving - anticipate
- b. Roadmap for drafting
- c. Multi-state collaboration



Intro - Who we are, state networks





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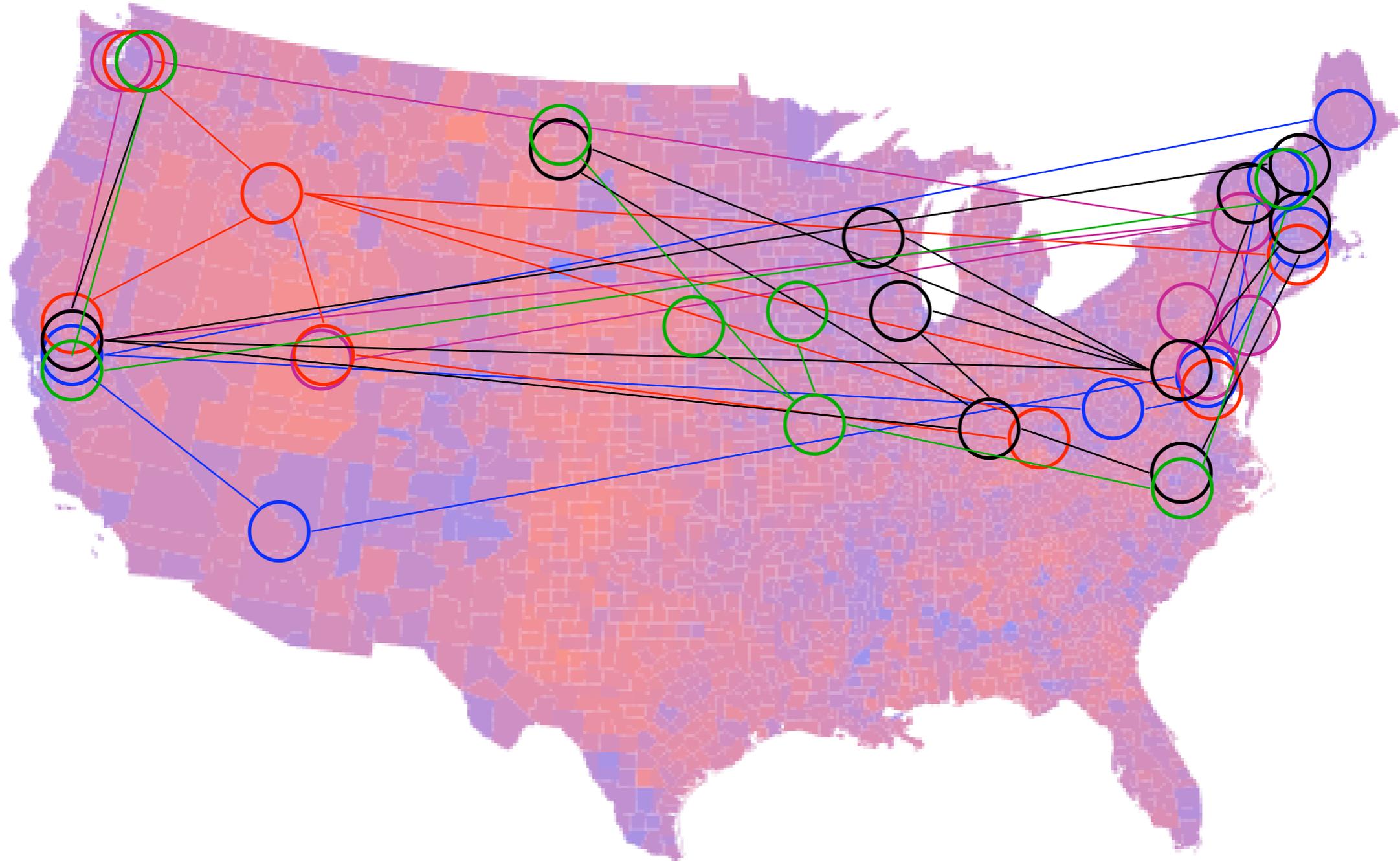
Health

Services

Energy

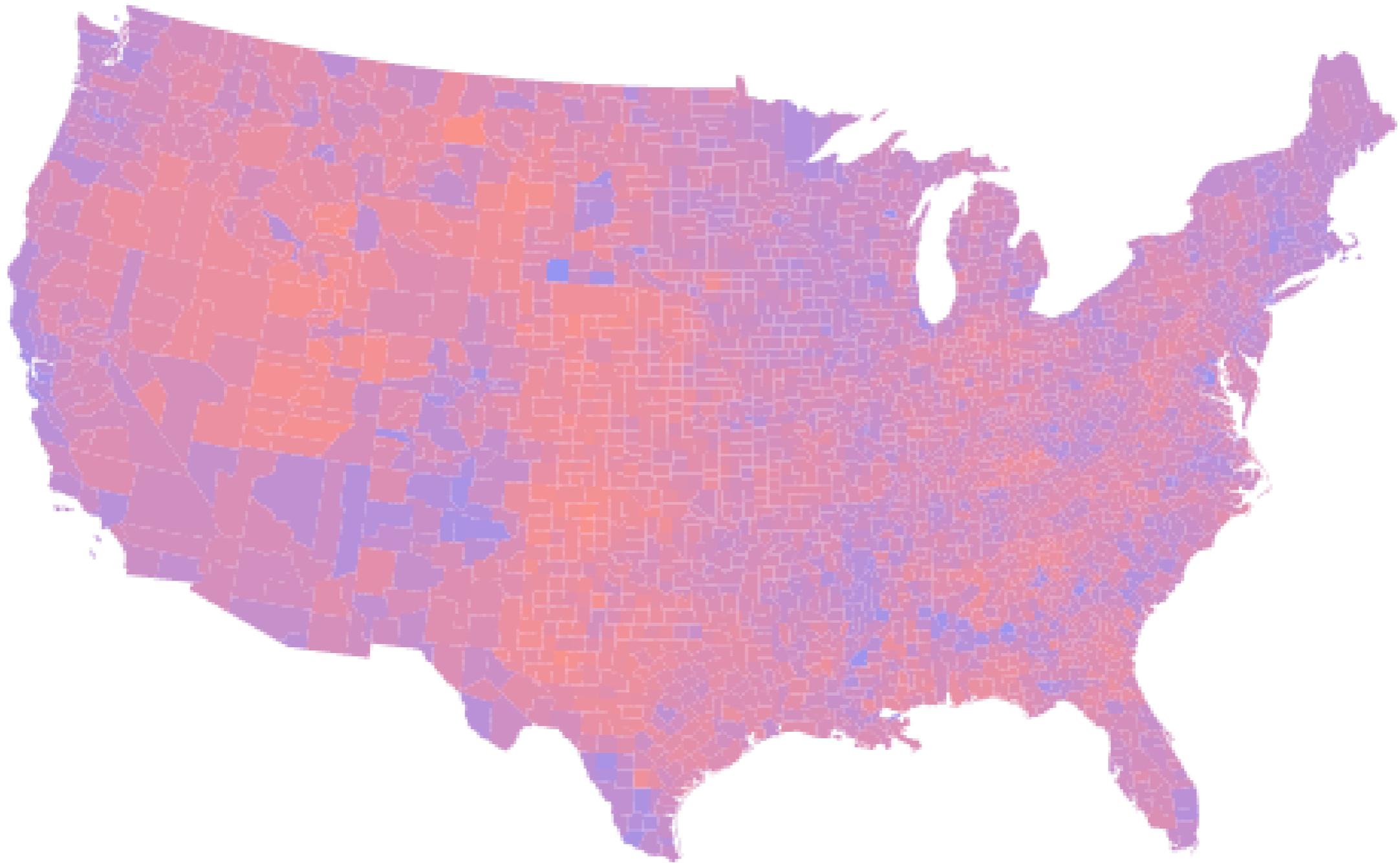
Rural

Investment





Intro - Who we are - Past work in California





Intro - Who we are - Past work in California





Intro - Our defensive driving theme



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Intro - Our defensive driving theme





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Your mission

- Sustainable fuel economy
- Be a national model
- Shift global markets



Intro - Our defensive driving theme



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Trade policy

- Regulates governments, not just trade
- Applies to domestic regulation, taxes, subsidies
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- Draft your policies to avoid collisions
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Intro - Trade rules & fuels





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U.S. Trade Agreements in Force

WTO - 149 nations

20 agreements

Trade disputes - yes

Investor disputes - no

Ongoing negotiations - yes



Intro - Trade rules & fuels



U.S. Trade Agreements in Force

WTO - 149 nations	FTAs - 10 + 4 pending
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Intro - Trade rules & fuels

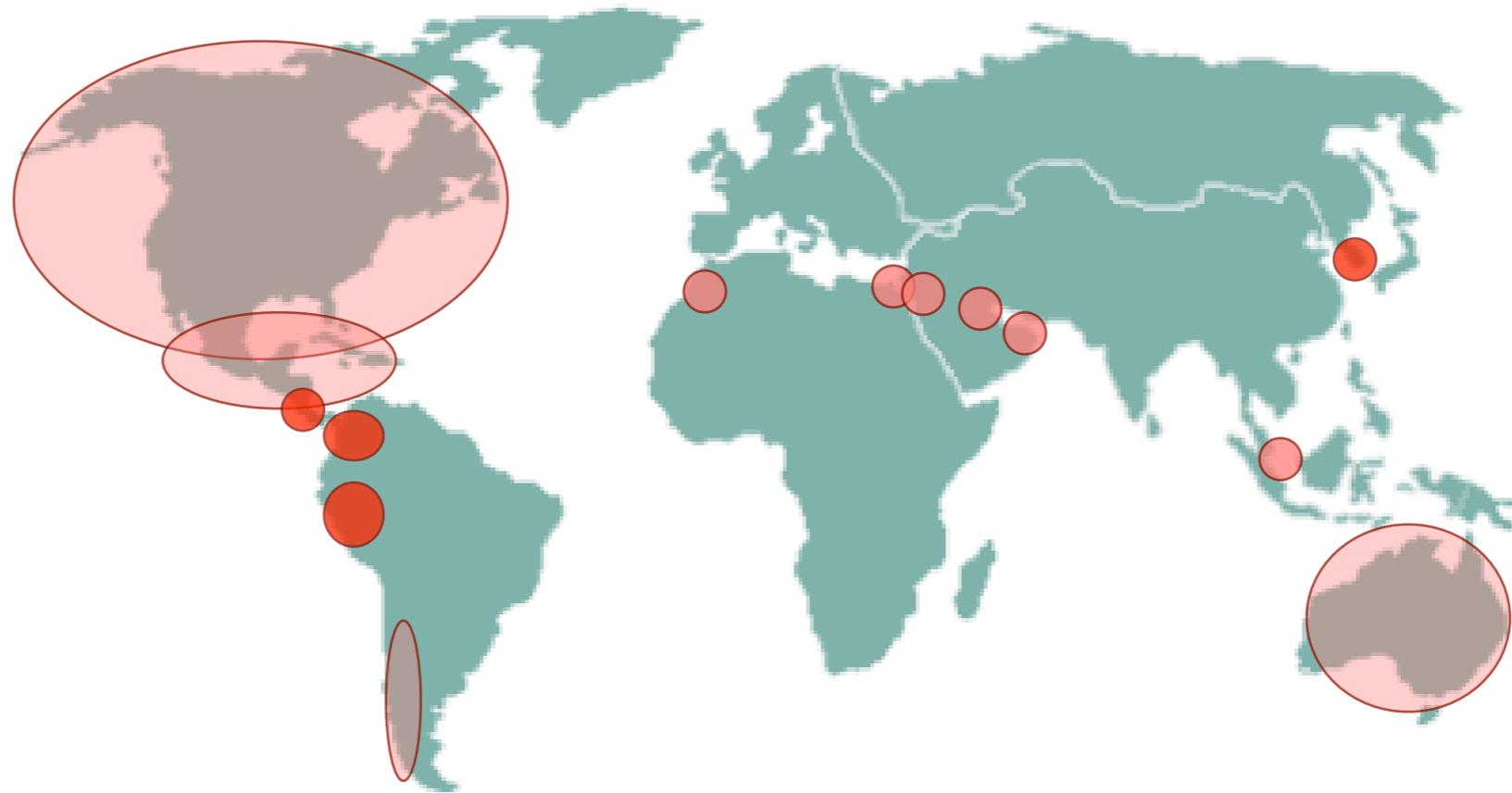


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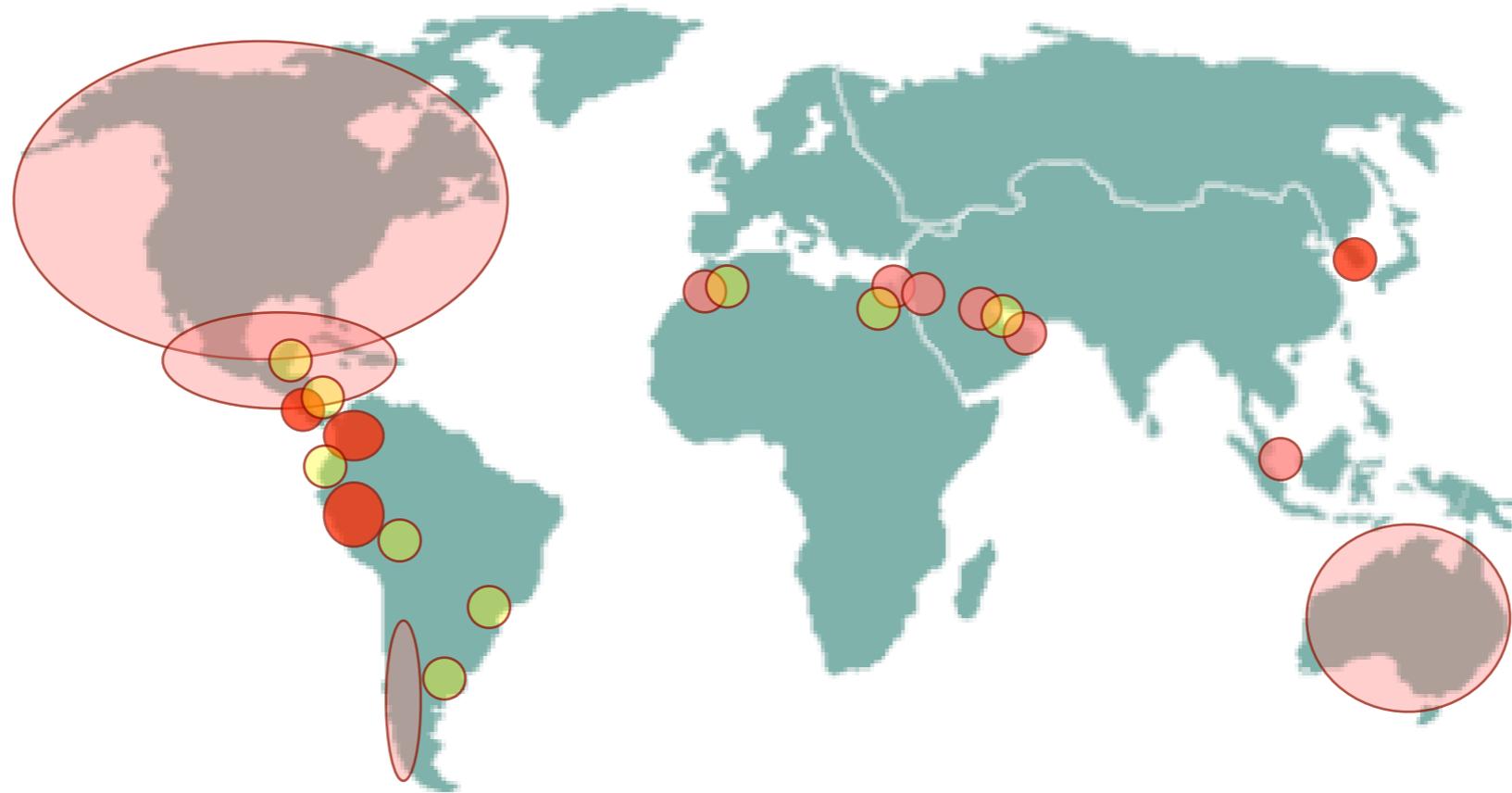


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Intro - Trade rules & fuels



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Selected Policy Options

Trade Agreements



Intro - Trade rules & fuels

Selected Policy Options	Trade Agreements				
	Subsidies	Goods	Services	Procurem't	Investment



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Market participation		D		D R	D
Research & development	D				

Examples of Trade rules

Limits on tariffs (**T**)

Prohibitions on discrimination (**D**)

Limits on non-discriminatory taxes and regulations

Relevance to the service (proposed) (**R**)

Based on international standards (**S**)



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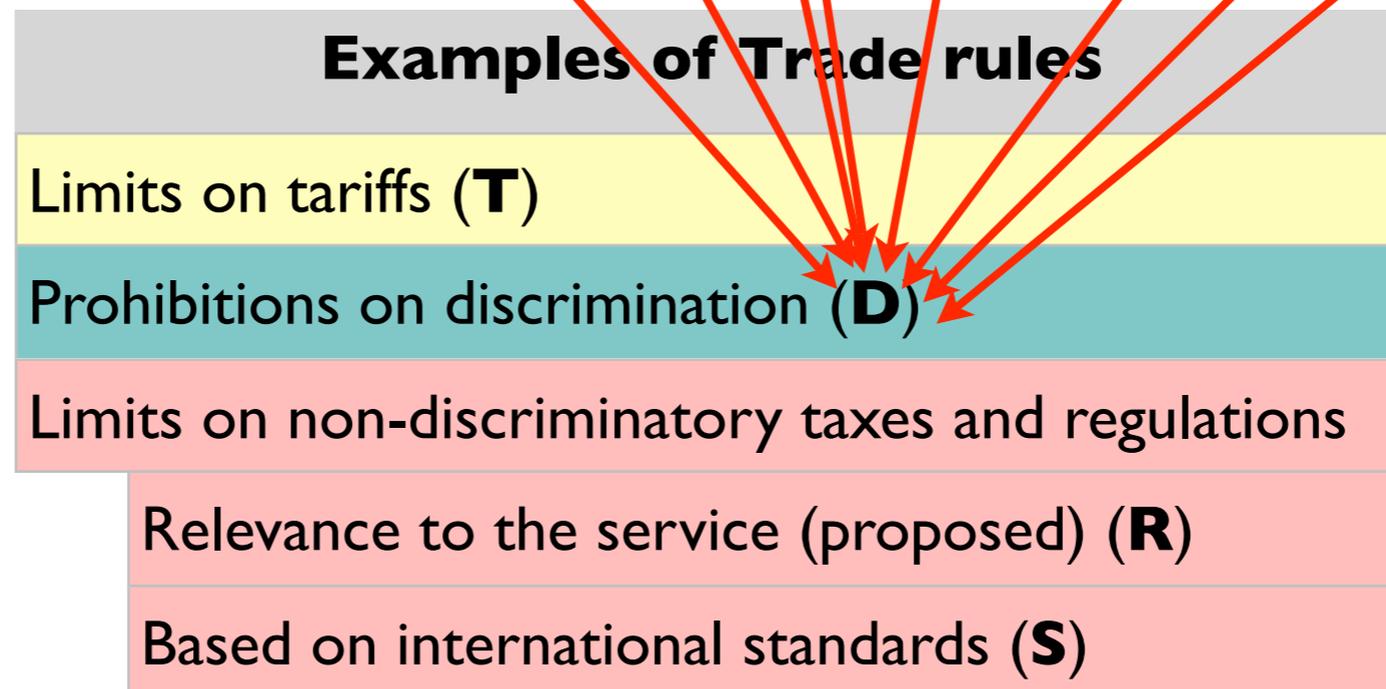
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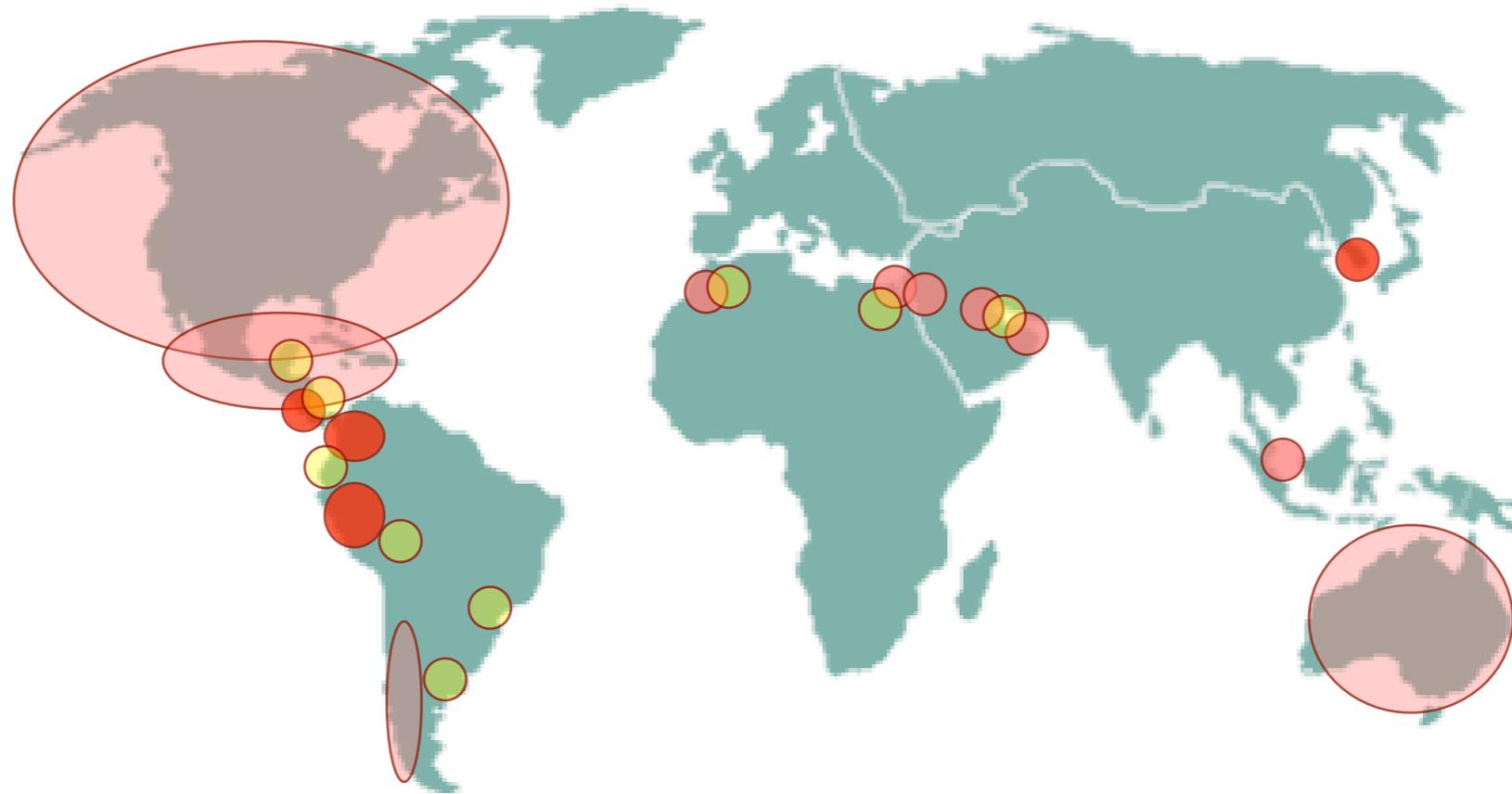
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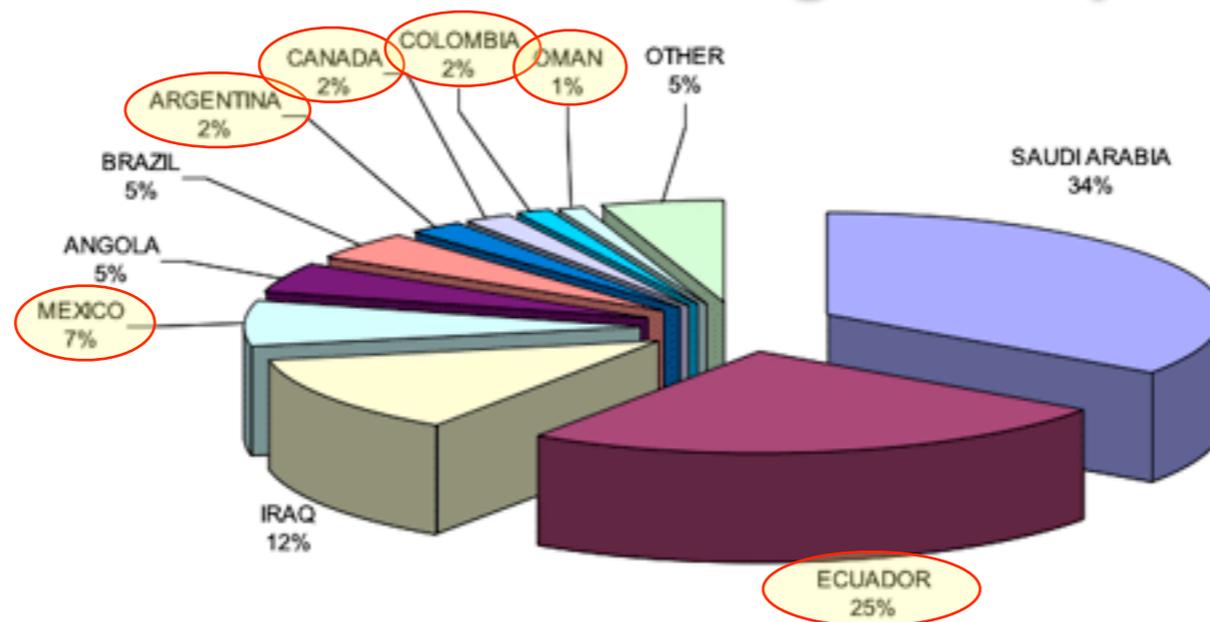
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Intro - Who might use trade rules?

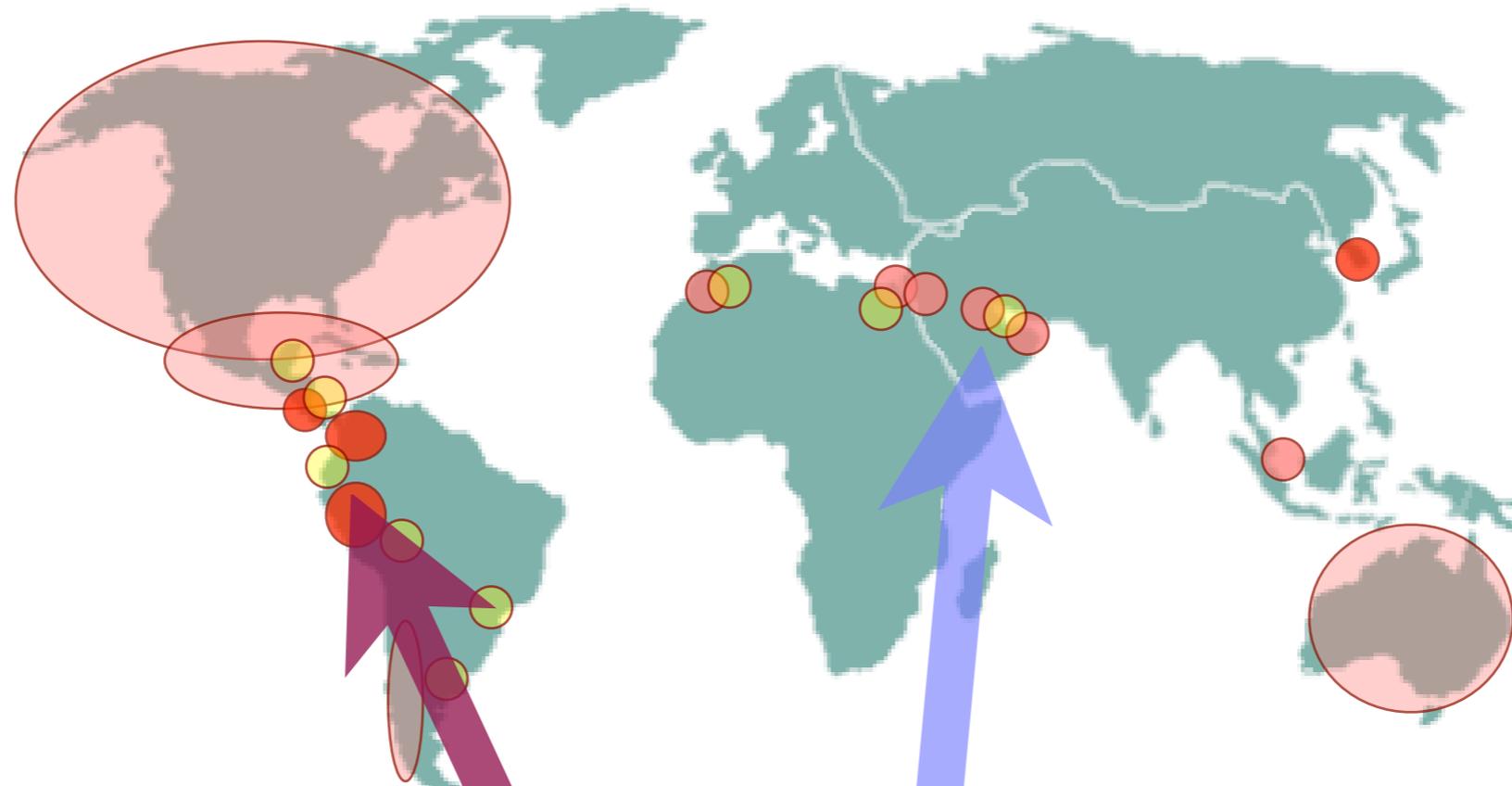


California's Foreign Oil Imports

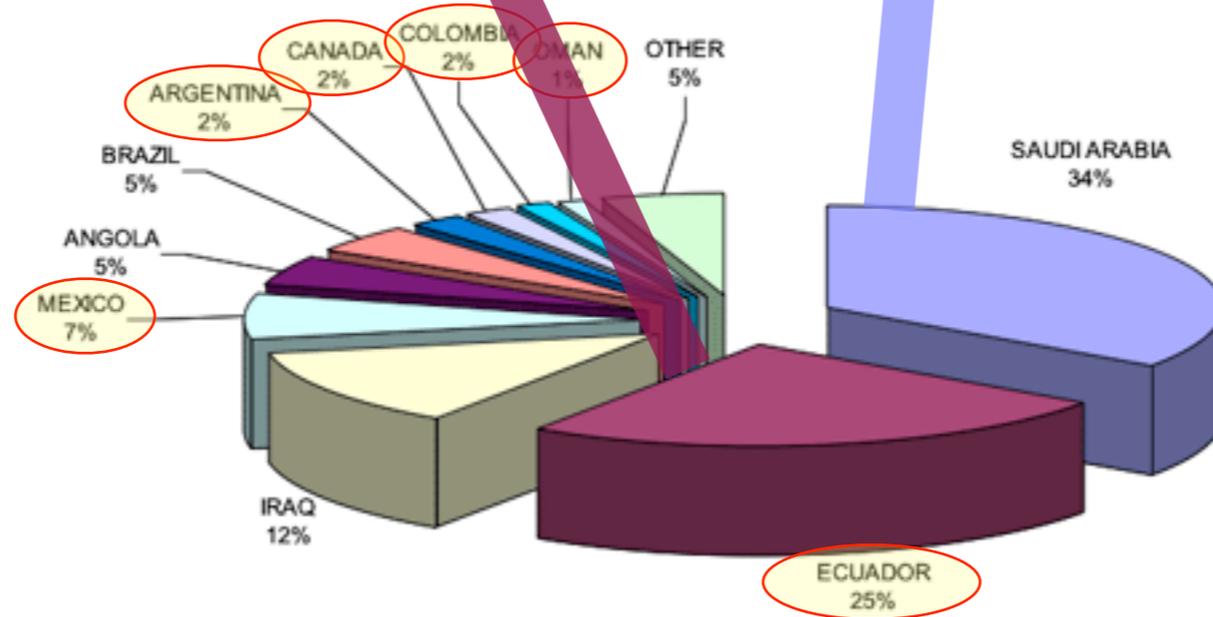




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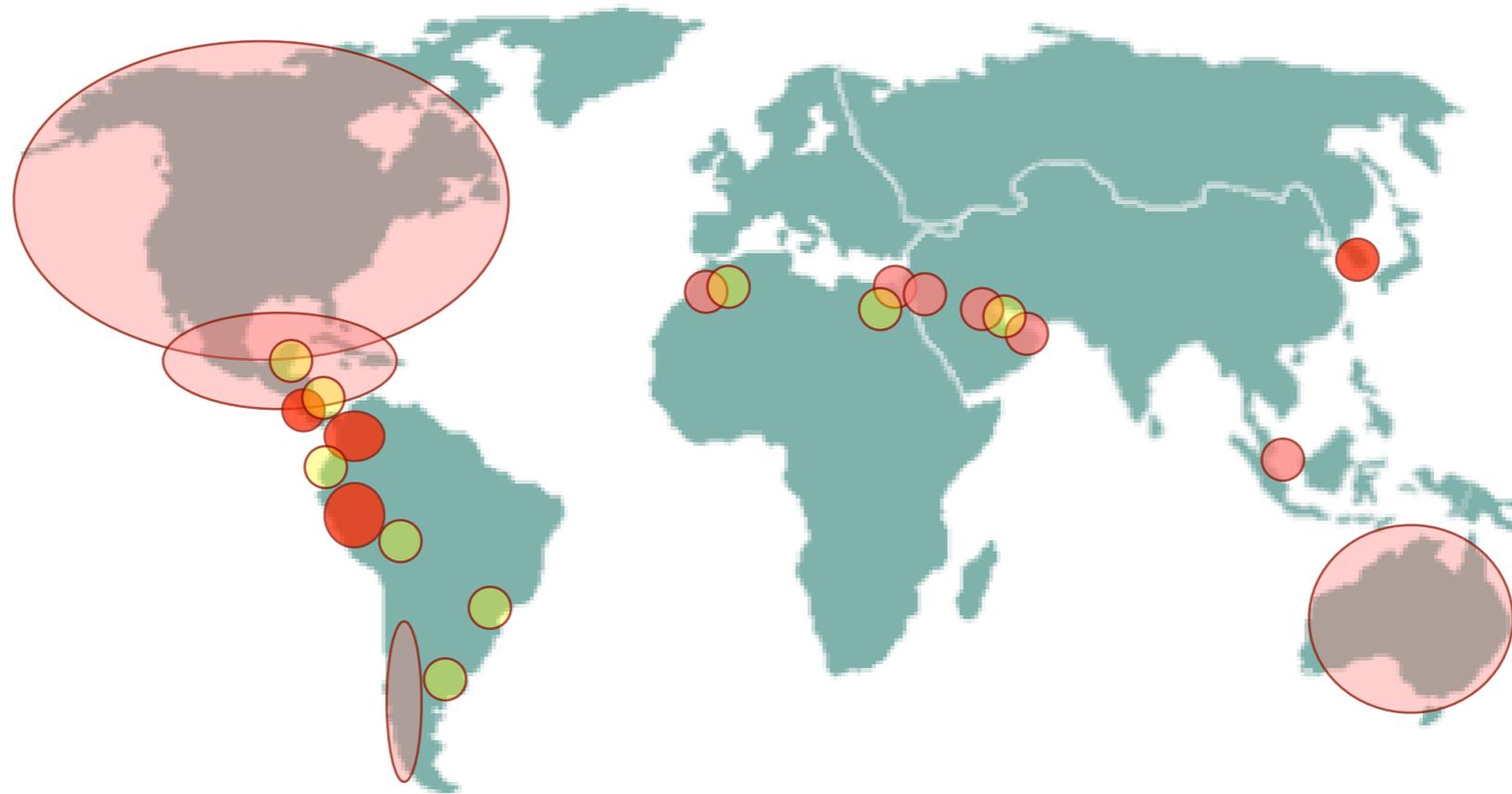


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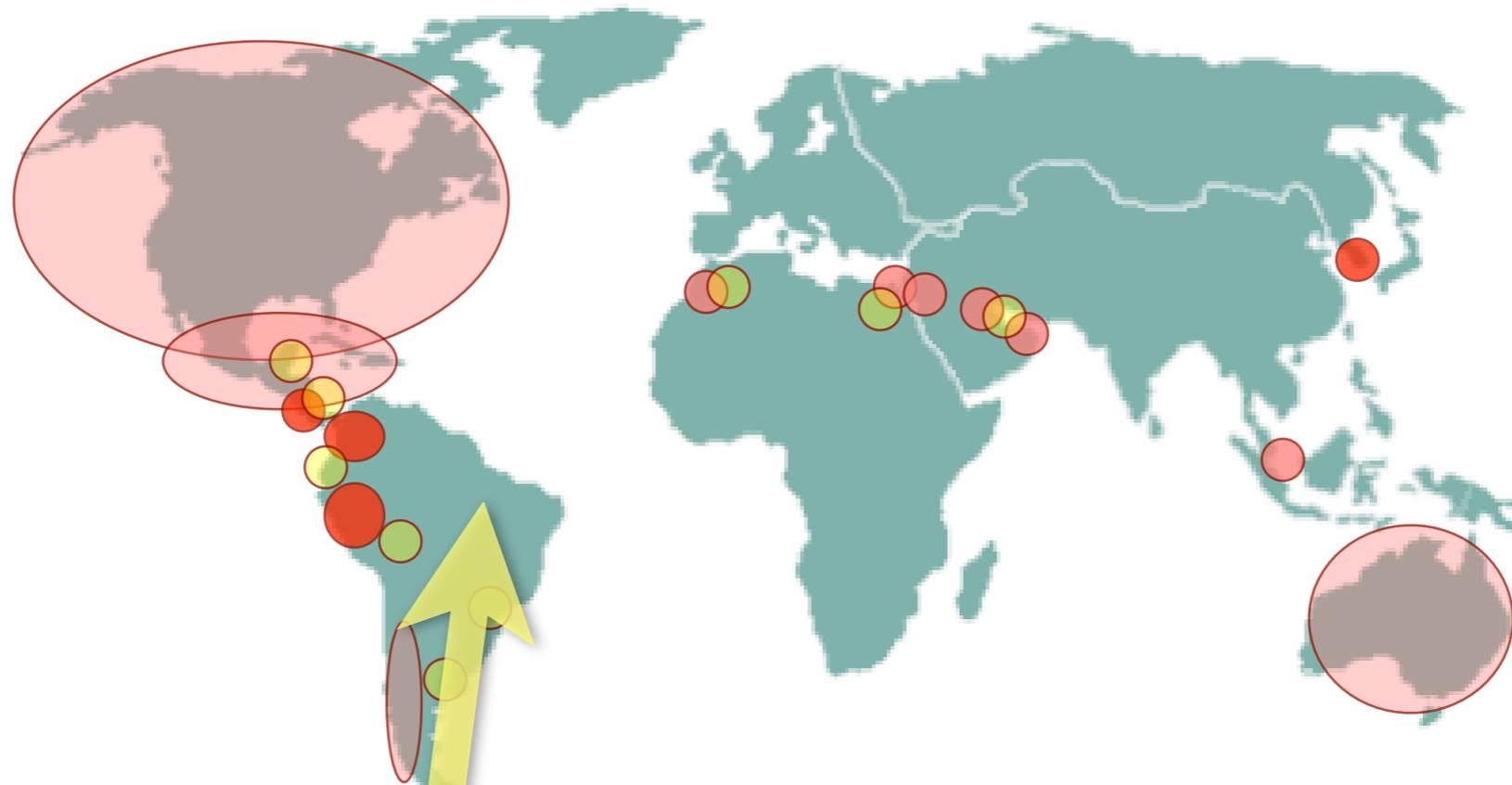
Top Ethanol Producers - 2006

Millions of Gallons, Source: F.O. Licht, RFA

Brazil	4,891	Russia	171
United States	4,855	South Africa	102
China	1,017	United Kingdom	74
India	502	Saudi Arabia	52
France	251	Total	13,489



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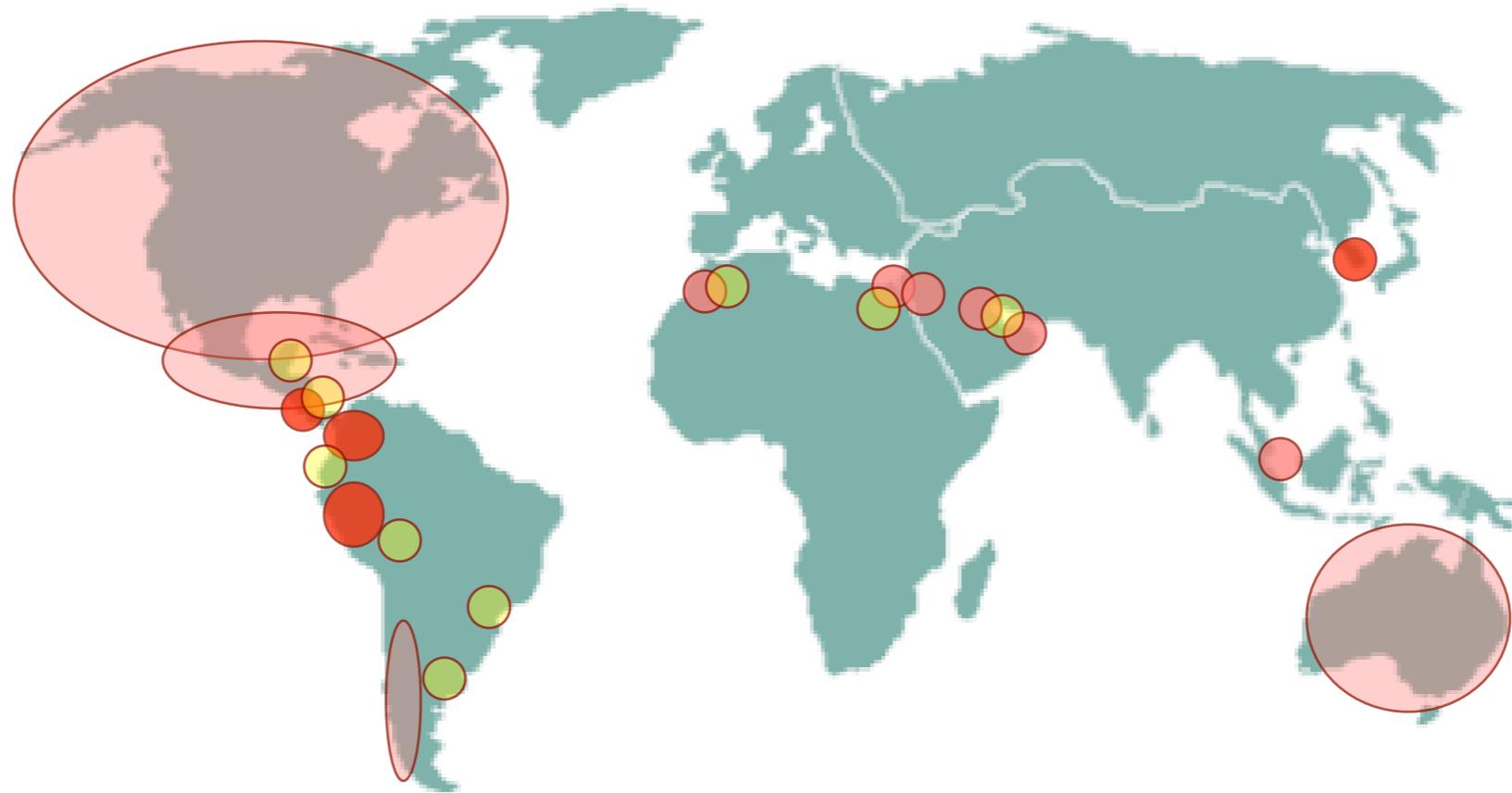
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Intro - Who might use trade rules?



Top Fuel Service Suppliers

Biofuels	Oil & Gas
ADM	Halliburton
Cargill	?
?	?
?	?



Intro - How people use trade rules

Trade rules that limit government authority



State laws that affect trade



Trade rules that limit government authority

Legal use of trade rules (rare)

- Threat of trade sanctions
- Investor compensation
- Domestic enforcement / preemption

Political use of trade rules

- Lobbying by federal officials
- Lobbying by foreign governments
- Lobbying by private firms

State laws that affect trade



Potential collisions - R & D subsidies





Potential collisions - R & D subsidies



Trade rules

- No export subsidies
- No “serious prejudice” to competitors
- Limits on agricultural subsidies

Trade disputes

- Cross-subsidies in Boeing/Airbus dispute

Driving defensively

- Low risk of conflict unless proprietary advantage
- Anticipate negotiations on R&D subsidies (GATS)



Potential collisions - Ethanol production





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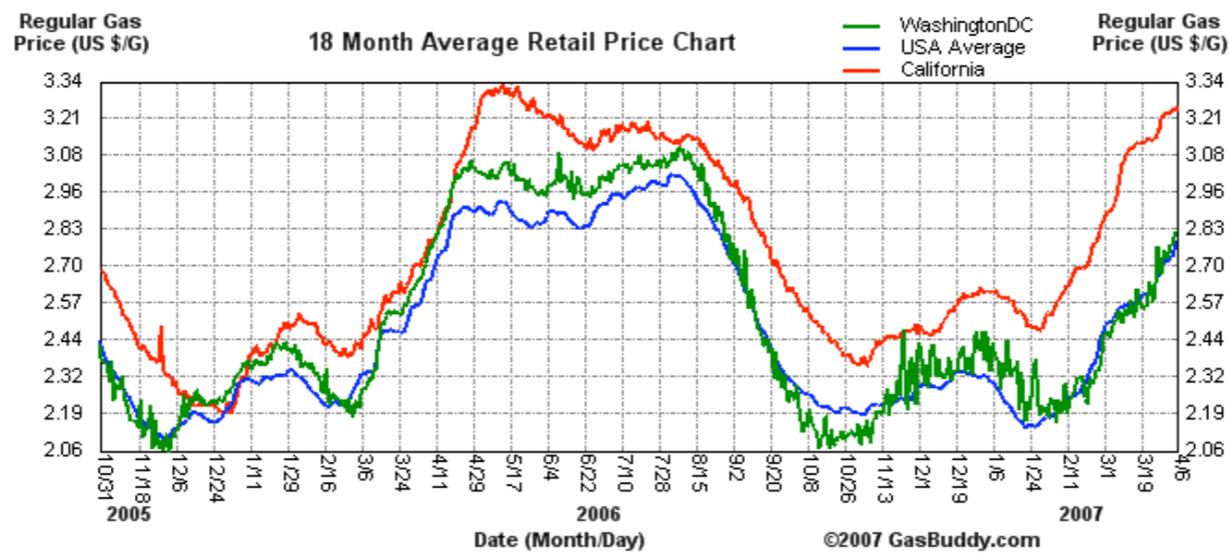
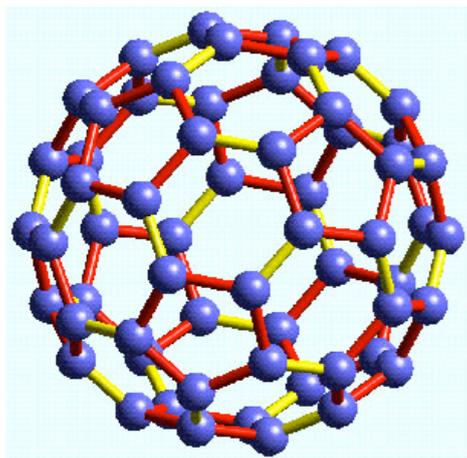
- Brazil cotton case (Brazil won)
- Canada corn case (pending)
 - US corn subsidies
 - Ethanol subsidies not challenged (yet)

Driving defensively

- Anticipate impact on imports
 - Ethanol exporting countries
 - Petroleum exporting countries

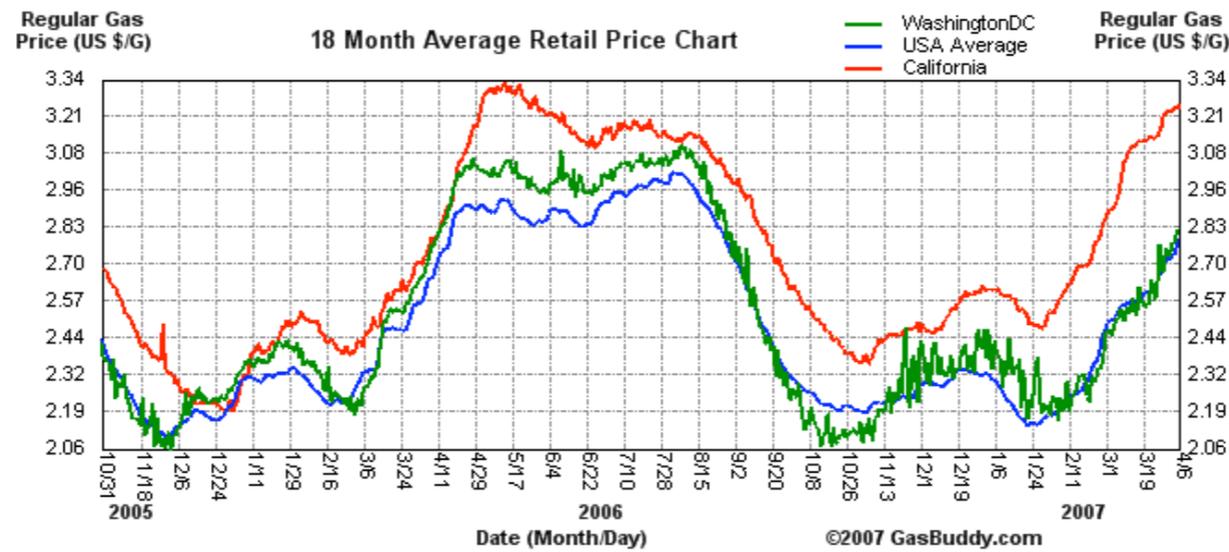
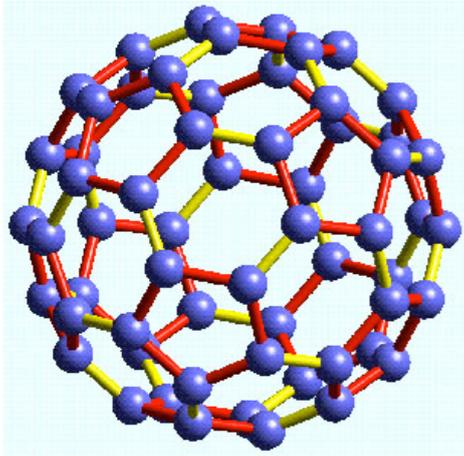


Potential collisions - Taxing & regulating fuels





Potential collisions - Taxing & regulating fuels



Trade rules - discrimination

- Don't favor domestic content
- Don't favor domestic suppliers

Trade disputes

- Venezuela gas (Venezuela won)

Driving defensively

- Anticipate impact on imports
 - Ethanol exporting countries
 - Petroleum exporting countries



Potential collisions - Taxing & regulating fuel



Potential collisions - Taxing & regulating fuel

Trade rules - domestic regulation

- Laws must “relate to” a service trade (proposed), e.g. –
 - Wholesale distribution of fuels
 - Pipeline transportation of fuels
 - Bulk storage of fuels
- Laws must be “based on” (future) international standards

Trade disputes

- Peru vs. EU on sardines (Peru won)

Driving defensively

- Anticipate interpretation of “relate to” test
- Anticipate development of international standards
- Anticipate conflicts in standard-setting process or competition among standards



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International
Organization for
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Conclusion





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I. Defensive driving

- Anticipate trade arguments before they hit you
- Anticipate your response
 - Stay the course (have an answer)
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- Procedural safeguards
- Existence of international standards
- Cumulative impact of policies



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3. Multi-state collaboration

- Federal tariffs, R&D programs
- GATS disciplines on domestic regulation
- GATS energy commitments
- Standard setting by international bodies



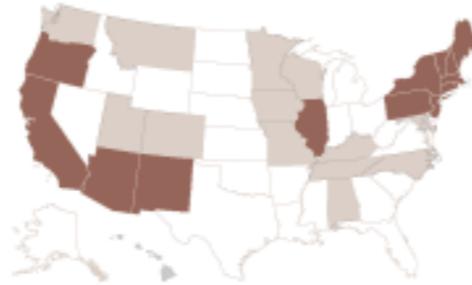
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State Initiatives

Setting goals for emissions

- Adopted plans that outline steps to reduce the state's contributions to climate change ...
- ... and set a statewide goal to reduce greenhouse gas emissions



Vehicle emissions

- Laws limit carbon dioxide emissions from vehicle tailpipes
- Laws pending or under consideration



Renewable fuel for vehicles

- Requires that gasoline sold in the state contain a certain share of ethanol
- Offers tax incentives and/or grants for ethanol production and use



Power plant emissions

- Regulations in place to cap or offset emissions
 - Participating in a multi-state accord, taking effect in 2009, to reduce carbon dioxide emissions
- Mass. and N.H. fall into both categories.



Renewable sources of electricity

- Mandates that electric utilities generate a specified amount of the state's electricity from renewable sources



NOTE: Data as of February.

Source: Pew Center on Global Climate Change

The New York Times



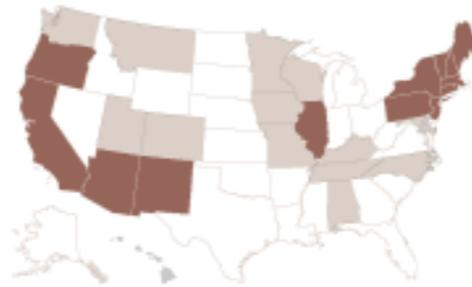
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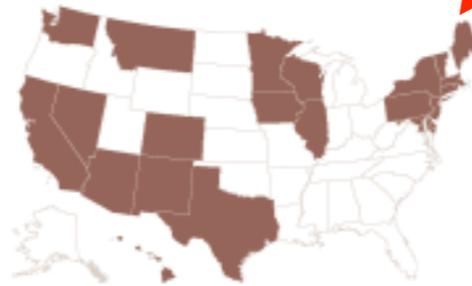
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Multi-state collaboration

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Contact information

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