

TRADE POLICY MEASURES TO ENCOURAGE A SHIFT TOWARDS GREEN TECHNOLOGIES

Why do we need to focus on green goods in Pakistan?



AIR POLLUTION

Industrial activities, urbanization, and reliance on fossil fuels have contributed to significant air pollution. Karachi and Lahore, Pakistan's big cities are routinely ranked among the most polluted cities in the world.

57%

Pakistan's electricity comes from fossil fuels, leading to high levels of carbon dioxide emissions. This is exacerbated by pollution generated by vehicles.



PAKISTAN'S WATER POLLUTION

Various activities lead to considerable water pollution in Pakistan, this is intensified by the poor waste management practices both in agriculture and industry.



Failure to address these challenges could lead to a downward spiral, where environmental degradation hampers economic growth, exacerbating social inequalities



Pakistan's Declared Environmental Goals to Encourage Green Transition

Reduction in projected GHG emissions by 50% till 2030. 60% of energy consumption to be sourced from renewable energy. 30% of the vehicle fleet will consist of electrical vehicles (EVs). Import of coal will be banned.



How can trade policy be used to enable green growth?

Since Pakistan does not produce eco-friendly products such as solar panels, air filters, and wastewater treatments, it must import them. Trade policy can influence the terms and conditions under which such items can be imported at low cost.



Tariff Reduction on Environmental Goods (EGs) can also Encourage Exports

Large markets such as the EU and the USA have begun developing a range of environment-related standards that will apply to their imports. Complying with these standards with the help of reformed tariffs will help maintain export market access for Pakistan.

Current state of Trade Policies on Environmental Goods (EGs)

Average Tariff on EGs

11%

The average tariff on EGs is

HIGHER

than on non-EGs

Pakistan applies

HIGHER

average tariffs than regional comparators

Current State of Non-Tariff Measures (NTMs) on EGs



Pakistan applies NTM's at a far lower frequency than do neighboring countries

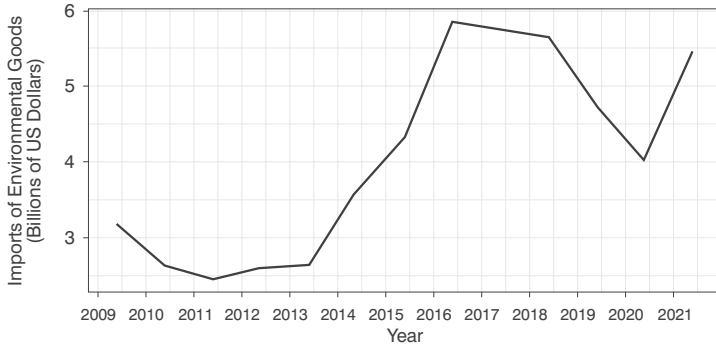


Progress towards decarbonization can be made by upgrading NTM's applicable to EGS



Recent Trends in EG Imports into Pakistan

EG Trade Volumes, 2009-2021



Trade data is borrowed from World Bank's WITS.

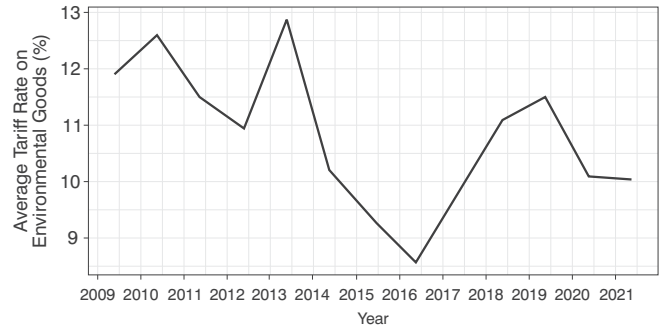
EG imports increased sharply

\$2.7bn 2013 → **\$5.9bn** 2016

For a few years after 2016, there was a decline in import levels, but the value returned

\$5.7bn 2021

Average Tariffs on EGs, 2009-2021



Tariff rates are calculated as trade-weighted average rates. Both tariff and trade data is borrowed from World Bank's WITS.



Tariff changes appear to have boosted imports. There was a sharp decline in import tariffs (of about 4 percentage points) in 2014-16. This would have supported the observed increase in EG imports over this period.



POLICY AREA: Tariffs on Environmental Goods

RECOMMENDATION: Tariff cuts on Electric Vehicles, Energy Saving Equipment, and Air Pollution equipment



POLICY AREA: Non-Tariff Measures

RECOMMENDATION: Adopt labeling, testing and certification requirements on a wider range of EG imports; adopt energy efficiency standards for a range of electrical goods and machinery



POLICY AREA: Public Sector Procurement

RECOMMENDATION: Adopt targets to replace public sector transport fleets with electric vehicles; adopt targets for use of renewable energy in government buildings



POLICY AREA: Industrial Policy

RECOMMENDATION: Encourage private investment in renewable energy through tax and financial incentives, and broaden access to net metering

Facilitate digital tracing of carbon emissions produced in textile and leather industry