



**DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY**

**TTIP Impacts on European Energy
Markets and Manufacturing Industries**

STUDY

Abstract

This study, provided by the Policy Department A at the request of the Industry, Research and Energy Committee (ITRE), aims to assess whether and to which extent European energy markets and manufacturing industries would be affected by the Transatlantic Trade and Investment Partnership (TTIP). Although the negotiations are currently on-going, the analysis shows that the TTIP will improve the EU's security of energy supply through adding liquidity and competition to the natural gas market. **The TTIP will not directly lower either environmental or social legislation, but the study recommends the ITRE Committee to be aware of the potential for weakening of legislation implementation such as REACH** and FQD.

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...Since 2013, the European Union and the United States have been negotiating a **Transatlantic Trade and Investment Partnership (TTIP)** also known in the United States as the **Transatlantic Free Trade Agreement (TAFTA)**. The agreement aims at stimulating economic growth and the creation of jobs on both sides of the Atlantic

Ocean. The main topics include the removal of tariff and non-tariff measures such as technical and safety standards, license obligations, lengthy customs procedures, restrictions on access to public tenders and trade restrictions on products and services in a variety of fields.

2.1.2. The TTIP in relation to other free trade agreements

To date multilateral trade agreements have mainly been negotiated through the World Trade Organisation. However, with the Doha Development Round lasting for more than a decade without major breakthroughs, a notable shift can be seen towards bilateral agreements and Free Trade Agreements (FTAs). Besides the TTIP, two other large FTAs are currently being negotiated namely, the **Trans-Pacific Partnership (TPP)** between the US, Mexico, Australia, Singapore and Malaysia and the Regional Comprehensive Economic Partnership (RCEP) involving the Association of South East Asian Nations (ASEAN), China, Japan, India, Australia, New Zealand and South Korea. **Each of these FTAs has the potential to become a game-changer in the global economy as they involve large trading blocs.**
(pp. 19-20)

...4.3. Impacts on specific sectors

What could the implications be for the EU energy intensive industries?

The metal industry will be negatively affected by the TTIP, as output is displaced by US imports. The chemical sector is projected to increase its total output in Europe, but this is an uncertain prediction as an increased divergence in the price for natural gas between the EU and the US would have a negative effect on European industries. The cement and paper/pulp industries are likely to experience a very limited impact.

The major energy intensive industries in the EU are¹⁸⁷:

- Metals (Iron, Aluminium).
- Cement.
- Chemicals.
- Paper, pulp.

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EU energy intensive industries would benefit from cheaper energy costs. However, from an energy trade perspective the implications for this sector can be expected to be similar to those discussed in chapter 4.2. A substantial increase of oil and gas imports from the US is unlikely to occur as a result of the TTIP, and therefore energy costs are likely to remain the same.

...Chemicals

The trade in chemicals between the EU and the US is faced with significant NTMs on both sides. Depending on the outcome of the negotiation, the TTIP is likely to have a positive effect on the final output of EU's chemical industry, increasing by 0.09 % in a less ambitious scenario, and by 0.37 % in an ambitious scenario.

188 Ecorys (2009) Non-tariff measures in EU-US Trade and Investment.

189 Centre for Economic Policy Research (CEPR) (2013) Reducing transatlantic barriers to trade and investment: an economic assessment.

190 Personal communication with Elena Vyboldina - European Association of Metals (Eurometaux).

191 Ecorys (2009) Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis.

192 Eurostat (2013) EU trade by SITC since 1988.

193 <http://www.economist.com/news/business/21579844-worlds-cement-giants-look-set-recoverybut-will-it-be-durable-ready-mixed-fortunes>.

(p. 66)

In a position paper on chemicals, the Commission voiced concern regarding the differences in legislation in the US and the EU. **The barrier of greatest concern is that the fundamental principles of the EU Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation and the Toxic Substance Control Act (TSCA), are simply too different**¹⁹⁴. Unlike the TSCA, REACH places the burden of proof on manufacturers, who must demonstrate that their chemicals can be used safely. A proposal to amend the TSCA has been introduced to the US Congress, but the European Commission claims that the draft reform fails to create coherence with the fundamental requirements under the REACH directive. **Environmental NGOs are afraid that effective REACH legislation will have to fall back on the lower common denominator, the TSCA**¹⁹⁵. **US Chemical industry groups have criticised REACH, claiming it is a significant barrier to trade**¹⁹⁶. This NTM will likely be difficult to harmonise between the EU and the US, making the less ambitious scenario outlined above more probable. The European Chemical Industry Council (Cefic) agrees with the dissimilarities between the TSA and REACH and claims that **mutual recognition or harmonisation is not really an option**. Rather, they stress that the removal of normal tariffs will bring real cost savings in transatlantic trade. However, Cefic has called for a “transition” period for some tariffs which are particularly important for the energy intensive sectors such as petrochemicals. This segment of the industry is not as competitive as their US counterparts, both with regard to feedstock and energy costs. Cefic also stresses the importance of rules of origin, which need to be addressed in order to utilise the full potential of tariff removal¹⁹⁷.

194 http://trade.ec.europa.eu/doclib/docs/2014/may/tradoc_152468.pdf.

195 <http://www.foe.org/news/archives/2013-06-sinister-partners-transatlantic-trade-agreement--tox>.

196 http://www.koganlawgroup.com/uploads/CW53_December12_Kogan.pdf.

197 Personal communication with Rene van Sloten, Cefic. 23–10-2014.

198 Personal communication with Gabriella Almberg and Maria Trallero, Efpia. 23–10-2014.

199 Ecorys (2009) Non tariff measures in EU-US Trade and Investment.

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