

How the US and the WTO Crushed India's Subsidies for Solar Energy

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Four hundred million Indians—one quarter of India's population—have no electricity, but as far as the United States and the World Trade Organization (WTO) are concerned, they can keep sitting in the dark.

On Wednesday, it was announced that a WTO dispute panel had found that India's subsidies for solar power contravene WTO trade rules. India must now remove the subsidies or face trade sanctions.

The United States filed the WTO complaint in 2013. The US alleged that India's subsidies for the Jawaharlal Nehru National Solar Mission (NSM) discriminate against foreign suppliers of solar components.

The National Solar Mission is essential to India's goal of increasing the share of renewables in the country's energy mix. India currently produces 255 gigawatts of electricity. 71% of that is generated from coal (International Energy Agency, 2012). Only 3 gigawatts of India's electricity is produced from solar power, 20 gigawatts from wind power. Established in 2010, as part of India's National Action Plan on Climate Change, NSM's ambitious goal is to generate 100 gigawatts of electricity annually from solar power by 2022, according to the Ministry of New and Renewable Energy.

The subsidies which provoked the ire of the United States are in the form of Domestic Content Requirements (DCRs). These mandate that a set proportion of specified materials used in the NSM must be manufactured in India. In Phase I of the NSM, the DCRs only covered solar cells and solar modules. From the US standpoint, that was bearable: US companies export few solar cells and solar modules to India. What worried the US was that India might extend the DCRs to include solar thin film technologies. US exports of thin film technologies have dominated the Indian market. US fears were realized in October 2013 when Phase II of NSM extended the DCRs to include thin film technologies.

The WTO decision issued privately to the two nations last week agreed with the United States that India's DCRs discriminate against foreign manufacturers. This was no surprise. A few years earlier, Ontario had launched a similar effort to encourage the growth of solar power. Japan and the European Union objected to the local content requirements (LCRs) included in Ontario's Green Economy and Green Ecology Act (GEA). In 2013, the WTO Appellate Body ruled that the GEA's local content requirements were discriminatory.

Oddly, the trade dispute has taken place at a time when the two countries, at least on the surface, appear to be on good terms. Even stranger, the US is providing its own subsidies to

assist India's solar sector. The US has pledged to provide India with \$4 billion to foster the growth of Indian solar power. On November 18, 2014, the two nations signed a Memorandum of Understanding (MoU) under which the US Export-Import Bank agreed to broker up to one billion dollars in low-interest loans for development of renewable energy sources in India. The MoU was signed two months *after* the WTO, acting at the behest of the US, established a dispute settlement panel to hear the US challenge to India's subsidies for solar power.

The Ex-Im Bank is currently in limbo, but that does not affect \$2 billion in loans for Indian solar energy from the US Trade and Development Agency or a \$1 billion loan from the federal Overseas Private Investment Corporation. Now that the WTO has struck down India's DCRs, all that money can go to purchasing solar equipment from US corporations. So US subsidies to India serve double duty as subsidies to US corporations.

President Obama visited India in January for a summit with Prime Minister Narendra Modi. Did the US attack on India in the WTO produce friction between the two leaders? Not so you could tell. It was all smiles between Obama and Modi.

Enviros had hoped that the summit would result in a climate deal similar to the one Obama made with China in November 2014. In November, the US agreed to cut its carbon emissions 26% to 28% below 2005 levels by 2025. China pledged that its emissions would cease to grow by 2030. The agreement is non-binding.

No such deal was reached at the Indian summit. Obama and Modi did release a peppy [Joint Statement](#) on January 27, 2015. Buried among proposals for cooperation on technology, trade, investment, communications, defense, and education are two paragraphs on clean energy and climate change. India and the US agree to work together to curb emissions. Yet unlike the China deal, no targets are set, making this no more than a feel-good assurance.

In fact, Modi has little interest in cutting carbon emissions which he regards, reasonably enough, as the responsibility of the developed countries. India's carbon emissions of 1.7 tons per person each year are dwarfed by the Bigfoot-sized carbon footprint of the US: 17 tons for each US citizen each year (World Bank figures for 2011).

US Double Standard on Energy Subsidies

The US attack on India's energy subsidies represents breathtaking hypocrisy. The US itself provides subsidies for renewables. Over the past five years, federal subsidies for renewable energy have averaged \$39 billion a year. The IRS provides a 30% investment tax credit for solar power. LCRs are part of many state and federal projects in the United States. India has called attention to [LCRs attached to renewable energy programs](#) in Michigan, Texas, and California. Apart from renewables, water utilities in West Virginia, Pennsylvania, South Carolina, and parts of New England include LCRs.

India could bring a legal challenge against these subsidies. India has taken what often is the first step leading up to a WTO complaint. India has served questions on the US through the WTO asking the US to explain how its subsidies are consistent with WTO rules. But India has not gone on to file a complaint against subsidies for renewables in the US. Nor has India filed an anti-dumping complaint against the US for selling solar materials in India below cost.

And while the US sends up howls of protest that India's DCRs constitute protectionism, the

US protects its own solar sector. The US imposed tariffs against Chinese solar. [China](#) successfully challenged the US tariffs in the WTO.

Why hasn't India dragged the US before the WTO? The answer, unsurprisingly, is money. Modi's goal of expanding India's reliance on renewables is achievable, but it won't come cheap. It will take at least \$100 billion in new investment. More than half of that \$100 billion is going to have to come from overseas, specifically the United States. India won't see a dime of that if it takes the US to the WTO.

So Modi had no choice but to grin for the cameras with his pal Obama at the January summit. India has been able to resist US urging that it set targets for emissions cuts, but other than that the US has gotten everything from India that it wants.

Subsidizing Climate Change

If anything, US subsidies for renewables are too stingy. Not so, US subsidies for fossil fuels. US subsidies for fossil fuels top \$15 billion per year. The International Monetary Fund projects fossil fuel subsidies of \$333 billion worldwide in 2015. It makes sense when you think about it. Some organizations would not survive without subsidies, like your local ballet company or ExxonMobil or BP.

Imagine that subsidies for fossil fuels were eliminated worldwide. According to an estimate from Faith Birol, chief economist at the International Energy Agency, eliminating subsidies for oil, gas, and coal would cut world GHG emissions in half. This move alone would keep the planet under the 2 C limit required to avert a global environmental catastrophe.

The developed countries know this. And they are concerned about how fossil fuel subsidies contribute to climate change. At its 2009 summit in Pittsburgh, the G20 countries committed to phasing out fossil fuel subsidies. Since then, fossil fuel subsidies have only increased. Looking solely at the United States, since Obama took office in 2009 federal subsidies for fossil fuel production and exploration have climbed 45%. Federal subsidies for fossil fuel production and exploration are only a portion of all US subsidies for fossil fuels.

The National Solar Mission will survive; the WTO decision only strikes down the NSM's domestic content restrictions. However, removing the DCRs may hobble the project. The WTO may have made it more difficult for India to create a future in which all Indians have electricity without the need to pump more carbon emissions into Earth's atmosphere. The WTO decision confirms yet again that neoliberalism always favors trade over environmental protection. The Trans-Pacific Partnership (TPP) contains all the same features which enabled the WTO's decision against India's solar subsidies. Currently, negotiations over the TPP are stalled due to Canada's resistance to allowing US entry into the Canadian dairy market. Good—the TPP may blow up on the launch pad. If it doesn't, expect TPP attacks on the environment which will rival—or even surpass—the WTO's latest decision.

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