

European Commission
GTAP Board Report
2009

The GTAP database has been used for several years by Commission services (either directly or indirectly) as part of the modelling work carried out in support of different policy initiatives. Since the last GTAP Board Report, the GTAP database and model has been used in several policy areas covered by the European Commission. The overall interest of the European Commission remains the improvement of the GTAP database, given the systemic benefits that such an improvement could generate for several ongoing and future modelling projects.

1. Completed and ongoing activities since the last Board report

The European Commission's Joint Research Centre - IPTS Sevilla has continued its work aimed at providing updated SAMs for the EU member states. An update was prepared recently and submitted to GTAP.

As part of the EU **trade policy** making, the GTAP database and model have been used for a number trade sustainability impact assessment reports of EU bilateral trade relations with Central America, the Andean Community, Canada, Moldova, Russia, etc Furthermore, both the GTAP database and model have been used by Commission officials in the internal assessment of various trade policy issues.

In addition to trade policy analyses, the GTAP database is one of the inputs in a number of EU-sponsored projects aimed at developing a variety of modelling tools (e.g. GEM-E3, Mirage, WorldScan, LEITAP, QUEST, etc), in particular on agriculture, environment, transport, climate change and renewable energy. Energy modelling using the GTAP database as an input is also currently carried out on a series of long term quantitative energy outlooks for the period up to 2050 for all Member States of the EU as well as for the candidate countries and by preference also for other European countries (i.e. direct neighbours such as Norway and Switzerland and possibly the countries of South East Europe). The GTAP database could also prove useful in the in-depth market monitoring exercise of environmental technologies, to be undertaken in 2009 in the context of the Single Market Review.

2. Future priorities

The European Commission has a particular interest in developing a number of specific features of the GTAP database. An area of increased interest pertains to **energy and climate change**.

The contribution of renewable technologies to electricity, heating and cooling as well as transport fuel supply is currently missing from the GTAP database. Therefore, distinguishing the renewable sources of energy – wind power, solar power (thermal, photovoltaic and concentrated), hydro-electric power, tidal power, geothermal energy and biomass – would be useful for an ex-ante evaluation of the progress towards climate change targets. A more detailed disaggregation of petroleum products and fuels (e.g. refinery gas, LPG, kerosene,

diesel oil, other petroleum products) would also be desirable. Further progress on modelling biofuels, biomass and energy sectors, as well as the disaggregation of the land market (e.g. different types of land use) would be welcomed. For other modelling efforts using the GTAP database as an input, a more detailed representation of taxes and transfers between various agents would also be useful.

As in the 2008 GTAP Board report we reiterate our keen interest in seeing further progress in incorporating **foreign direct investment** in the GTAP database and as part of the CGE models currently in use by the modelling community. The papers that are scheduled under the special session on FDI as part of the GTAP Annual Conference provide promising avenues for further research in this essential area.

We also note the progress made since the last Board meeting in the area of **agricultural policies** (the representation of the EU common agricultural policy, US cotton subsidies) and maintain our interest in further improving the quality and reliability of the GTAP data in this key area of trade negotiations at multilateral level.

Lastly, we consider useful the expansion of regional disaggregation for a number of regions, such as Libya, Saudi Arabia and other countries in the Middle East.

Selected publications:

- European Commission (2009). COMMISSION STAFF WORKING DOCUMENT accompanying the communication "Towards a comprehensive climate change agreement in Copenhagen". SEC(2009) 101
http://ec.europa.eu/environment/climat/pdf/future_action/part1.pdf
http://ec.europa.eu/environment/climat/pdf/future_action/part2.pdf
- "Assessing the costs and benefits of a closer EU-Canada economic partnership", Joint study undertaken by the Commission and the Government of Canada, October 2008
http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_141032.pdf
- Impact Assessment accompanying the "Package of Implementation measures for the EU's objectives on climate change and renewable energy for 2020" Commission Staff Working Document [SEC(2008) 85/3]. Available at:
http://ec.europa.eu/energy/climate_actions/doc/2008_res_ia_en.pdf