



WTO TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS

INFORMAL WORKING GROUP MEETINGS HELD ON 4-5 OCTOBER 2022

Aide-Mémoire¹

1 Remarks by the TESSD Coordinators

1.1. At the beginning and the end of the meeting, the TESSD co-convenors² outlined the way forward towards the high-level stocktaking event planned for early December, which will serve as an important milestone towards MC13. They recalled that, in the TESSD Ministerial Statement of December 2021, co-sponsors had agreed to identify concrete actions that Members could take individually or collectively to expand opportunities for environmentally sustainable trade, as well as to identify and compile best practices to achieve, among others, a more resource-efficient circular economy, sustainable supply chains, and promoting and facilitating access to environmental goods and services (EGS). Based on these elements and the work carried out in the Working Groups, the co-convenors and the facilitators would hold consultations to discuss priorities and outcomes for 2023 as well as possible results that Members could strive to achieve by MC13, and that could be signalled at the high-level event in December.

2 Working Group on Environmental Goods and Services – 4 October (a.m.)

Climate change action: non-tariff measures

2.1. A presentation by the WTO Secretariat provided an overview of non-tariff measures (NTMs), linkages to climate change and relevant work in the WTO. The presentation illustrated that NTMs vary according to products and markets, the value of stakeholder engagement in identifying possible positive and negative impacts of NTMs, and the relevance of work in the TBT Committee, including through strengthening transparency and regulatory dialogue, easing the burden of conformity assessment procedures, and experience sharing. Uruguay shared its experience in the promotion of renewable energy, noting the historical development of hydroelectric power and recent efforts to promote alternative renewable sources including, biomass, wind, and solar power.

2.2. A good number of Members³ participated and welcomed the discussion on non-tariff barriers, highlighting, *inter alia*, that regulatory obstacles played more significant roles in hindering trade than tariffs and that solutions to overcoming such barriers could be found by strengthening transparency efforts and cooperation particularly through the TBT Committee and the CTE, including on technical regulations, standards, and labelling, or through eco-labelling schemes. It was suggested that discussions on identification and definitional challenges regarding environmental goods could benefit from contributions by the World Customs Organization (WCO) or customs

¹ This Aide-Mémoire provides a non-exhaustive, illustrative summary of the issues addressed by Members, prepared and circulated under the responsibility of the facilitators chairing the meetings: Carlos Guevara (Ecuador) and Helga Helland (Norway) for the Working Group on Environmental Goods and Services; Jean-Marie Meraldi (Switzerland) and Göksu Tülümen (Türkiye) for the Working Group on Trade-related Climate Measures; Olivia Cook (Chile) and Kazunari Morii (Japan) for the Working Group on Circular Economy – Circularity; and Sveinn K. Einarsson (Iceland) for the Working Group on Subsidies.

² Nicola Waterfield (Canada) and Ana Lizano (Costa Rica) on behalf of the co-convenors.

³ Eighteen Members took the floor during the meeting: Australia, Canada, Chile, China, Colombia, Costa Rica, European Union, Iceland, Japan, Republic of Korea, New Zealand, Norway, Paraguay, Kingdom of Saudi Arabia, Singapore, Switzerland, United Kingdom and United States.

experts, as well as from experiences from previous efforts such as the Information Technology Agreement.

Services

2.3. The WTO Secretariat provided a briefing of the work carried out in the Special Session of the Council for Trade in Services (CTS-SS), including an update on discussions and proposals by Members to broaden the scope of environmental services to those with positive environmental outcomes. A presentation by the Asia-Pacific Economic Cooperation (APEC) Secretariat highlighted the advancement of discussions in the Asia-Pacific region through a non-binding reference list of environmental and environmentally related services and ongoing efforts to develop a model schedule for environmental and environmentally related services.

2.4. Members highlighted the importance of identifying relevant services to maximize environmental benefits as well as the need to provide technical assistance to developing countries. Several Members spoke to the complementarity of TESSD with the CTS-SS, in particular how discussions in TESSD could aim to map services that could contribute to environmental objectives. The representative of the European Union presented the list of environmental services included in the recent EU-NZ FTA, which included services supplied in conjunction with environmental goods to avoid dual-use challenges. The representative of China shared its experience in promoting environmental services through international fairs to reinforce efforts in reducing carbon emissions.

2.5. It was also suggested that Members should reflect on broader challenges related to environmental services, notably why they only represented a small share of trade in services and why demand appeared limited, and how environmental services could contribute to broader objectives, such as supporting economic growth including for MSMEs and for LDCs. In addition, a Member encouraged further discussion on how to address definitional issues to overcome dual-use and future-proof the development of new environmental services.

Priorities

2.6. In this meeting and past discussions, Members welcomed the idea of a staged approach in which they would discuss objectives and sectors sequentially. Climate change action, including both mitigation and adaptation, was indicated as a priority objective by many Members. Other environmental objectives mentioned by Members included the transition to a circular economy, clean air and clean water, sustainable management and protection of water and marine resources, and protection of biodiversity and ecosystems. It was also suggested to identify priority sectors, and possibly important goods and services, based on their contribution to internationally agreed environmental objectives.

2.7. Regarding possible priorities or outcomes going forward, Members had expressed interest in further building a common understanding of the challenges hindering the dissemination of EGS; designing a framework for negotiations in view of a specific environmental objective or challenge; cataloguing where and how NTMs impact trade in EGS; identifying an indicative list of trade-related bottlenecks and trade-facilitating measures on critical products for climate action; enhancing transparency and experience sharing on NTMs and their design; discussing approaches to improve regulatory coherence and cooperation, as well as transfer of technology and capacity building, among others. Further related elements of interest to Members included sustainability standards and eco-labelling, green infrastructure, sustainable supply chains, customs procedures, innovation, as well as the role of investment and government procurement in promoting the uptake of EGS.

2.8. Regarding services, Members further underlined the need to ensure that discussions in TESSD build on those in the CTS-SS. Members expressed interest in identifying areas where environmental and related services could play a meaningful role for climate change mitigation and adaptation, mapping services that could contribute to environmental objectives, as well as discussing the identification and classification of environmental services based on their contribution to environmental objectives or their complementarities with environmental goods.

2.9. Facilitators suggested that the high-level event provided an opportunity to identify priority areas for discussions in 2023, which could be a first step towards tangible outcomes by MC13 and allow for more targeted and in-depth discussions of the different elements connected to EGS.

3 Working Group on Trade-related Climate Measures (TRCMs) – 4 October (p.m.)

Carbon standards and other trade-related climate measures

3.1. An expert speaker representing the International Organization for Standardization (ISO) presented its package of carbon accounting standards related to the monitoring, reporting, verification, and accreditation of greenhouse gas (GHG) emissions. Standards specified principles and requirements for GHG inventories for organizations, for projects aimed at GHG emission reductions, and the quantification of carbon footprint (CFP) of a product considering its entire lifecycle. Different product category rules reflected the need for product-specific approaches to quantify CFP, while a common approach was followed regarding verification and accreditation where a standard would be verified by an accredited verification body.

3.2. The representative of the United States provided a briefing on a trade and climate roundtable it had organized at the WTO on 3 October, which had discussed non-pricing measures to address climate change. Elements raised in the discussion were the need to recognize diversity of country priorities, the need for strategies to engage across income levels and MSMEs, and to ensure that global standards were relevant for countries at different stages of development. In addition, Members had noted the importance of non-pricing measures to complement other technical and financial support, including the role of carbon pricing to reach net zero. There was recognition that a sectoral approach, starting with the highest emitting sectors, could help focus attention on the question of carbon measurement and how best to consider divergences across standards. Members expressed interest in considering how the CTE and TBT Committees could contribute to more transparency and to build a common understanding and encourage convergence.

Climate clubs

3.3. The representative of Germany, which currently holds the G7 presidency, provided a briefing on the G7 initiative to establish a climate club, consisting of efforts to create a high-level intergovernmental forum to accelerate climate action and ambition in the industrial sector, with the objective of launching a climate club by the end of 2022. It was noted that sector-specific roadmaps would be launched to support the phase out of high emission technologies and work to expand green markets. He also clarified that the forum or "climate club" would be open to interested countries, and discussions were ongoing regarding possible criteria for participation.

Carbon pricing

3.4. Presentations were provided by the WTO Secretariat, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD). The Secretariat presented on the trade-related implications of different carbon pricing approaches based on findings from the forthcoming World Trade Report. A global carbon price would be most efficient, while carbon prices varying by regions would be more reflective of equity considerations relating to the common but differentiated responsibilities (CBDR) principle. The presentation furthermore covered the economic advantages and disadvantages of border carbon adjustments and the importance of international trade cooperation. The presentation by the IMF covered possible design and implications of international carbon price floors and related transfer mechanisms, as well as potential macroeconomic effects, including significant global CO₂ emissions reductions and limited impact on growth. The OECD presentation covered its proposition to launch an Inclusive Forum on Carbon Mitigation Approaches, which would create inventories of climate policies and how these compared and met commitments, as well as its analysis of effective carbon rates, which took into account carbon taxes, specific taxes on fuel use, and emissions trading schemes.

3.5. A large number of Members⁴ engaged in a substantive discussion on the role of the WTO related to carbon pricing and the importance of taking into account also non-pricing measures. Several developing Members highlighted challenges regarding explicit carbon pricing, as well as the need to consider national conditions and the principle of CBDR. Members also underlined the need to ensure that measures be designed in a manner consistent with WTO rules and multilateral

⁴ Eighteen Members took the floor during the meeting: Australia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Ecuador, European Union, Japan, New Zealand, Paraguay, Kingdom of Saudi Arabia, Singapore, Switzerland, Türkiye, United Kingdom and the United States.

environmental agreements. It was also noted that raising global climate ambitions needed to ensure that emissions did not move elsewhere to avoid carbon costs, but also respected CBDR.

3.6. A Member noted that principles related to TRCMs already existed in the WTO framework and other fora, and pointed to the role of the WTO and the CTE in providing space for transparency and dialogue on how TRCMs could be designed to achieve climate goals while preventing conflicts or lack of coherence, as well as on means to support developing country compliance. Another Member suggested that the WTO could also play a role in facilitating cooperation with other organizations so as to reduce barriers to trade from different labelling and recognition systems, which increased costs for companies and which were particularly challenging for MSMEs. The representative of Japan shared an example of a national initiative to set up consultation windows for experts to provide assistance to introduce IT systems to facilitate the measurement of MSMEs emissions. It was also suggested that industry-driven approaches could contribute to reducing emissions and that, while carbon pricing did not fall within the purview of the WTO, exploring the impacts of carbon pricing on trade flows was of interest.

Priorities

3.7. During the meeting and in previous discussions, Members broadly highlighted the importance of international cooperation on TRCMs. Members expressed interest in discussing explicit and implicit carbon pricing, including their comparability, approaches to address carbon leakage, including principles that would minimize discrimination against imported products, improvement of monitoring, reporting and verification systems, measurement of embedded emissions of traded goods, how Members were using policies to incentivize decarbonization, as well as technical assistance and capacity building. Members further pointed to a number of areas they were interested to address in future discussions, including trade facilitation concerning technology and innovation, the importance of considering different national circumstances relating to carbon pricing, difficulties of developing countries and MSMEs to comply with carbon standards and other regulatory measures, or sector-specific analysis of the impacts of TRCMs.

3.8. Going forward, several Members encouraged the Working Group to strengthen cooperative approaches, including with regard to discussing the compatibility of carbon pricing and non-pricing measures, strengthening cooperation on carbon standards in the TBT Committee, or early notification of TRCMs to facilitate discussion and exchanges and enhance cooperation in their design. Members also highlighted the importance of discussions regarding carbon leakage and mitigation mechanisms such as carbon pricing, and their impacts on trade flows. The possibility of sector-specific discussions was also mentioned, as well as a possible compilation of best practices regarding the design and implementation of TRCMs. To increase transparency, it was proposed that Members could include voluntary information sharing in the CTE or through Members' trade policy reviews, regarding their intended TRCMs, their objectives, and broad design features. It was suggested that TESSD Members could lead by example and work towards a proposal identifying the type of information that should be shared and when. To support discussions, another Member suggested that TESSD participants could engage in a questionnaire regarding explicit and implicit carbon pricing approaches.

4 Working Group on Circular Economy – Circularity – 5 October (a.m.)

Trade-related policy issues

4.1. Presentations by the World Customs Organization (WCO), the Basel, Rotterdam and Stockholm Conventions (BRS) Secretariat, and the OECD highlighted trade policy issues related to the circular economy. The WCO noted challenges faced by customs authorities and the HS system in determining whether goods were recycled, and suggested holistic solutions through HS code updates, and other measures such as certifications and permits, in order to facilitate circular trade. The BRS Secretariat highlighted opportunities linked to trade in e-waste, including its high recycling value, work on the Prior Informed Consent (PIC) procedures to control transboundary movements of waste, and recent updates to the Basel Convention whereby trade of e-waste must respect PIC procedures and environmentally sound management of waste. The OECD shared findings from a report on reverse supply chains, pointing to potential trade barriers to waste and end-of-life products such as trade restrictions, procedural burdens or definitional challenges. Policy responses to promote reverse supply chains towards a resource-efficient circular economy included trade facilitation mechanisms

(authorized economic operators, single window mechanisms, and electronic systems), standards on recovery facilities and on end-of-life products, eco-design, tackling illegal waste trade, and addressing trade restrictions to the extent possible.

4.2. Members⁵ underlined that trade could play an important role in supporting the transition towards a circular economy. The representative of European Union mentioned that specific measures facilitating trade in circular economy-related services were included in its recently concluded FTA with New Zealand. Another Member highlighted the need for more specific data and granularity to identify the necessary policies and noted that import restrictions could inhibit sustainable remanufacturing. A Member pointed to experiences from information sharing in regional efforts on circular economy initiatives that could be used to inform developing and LDC Members on working with regional partners to develop circular value chains. The representative of China shared its experience in promoting the circular economy, noting that its recycling and reuse of waste steel, non-ferrous metals, plastics, and paper had reached 385 million tons.

Mapping of trade and trade policy issues

4.3. The WTO Secretariat presented an overview of trade-related policy issues that could serve as a basis for a mapping exercise, noting the trade flows in goods and services related to the circular economy, trade-related measures relating to circular economy activities notified by Members, and examples of circular economy policies shared by Members in previous discussions. Several Members reacted positively to the idea of a mapping of trade policy issues in the circular economy, while some expressed caution indicating the discussions were still at a very preliminary stage and that, while procedures to facilitate trade could be considered, if such an exercise were to be carried out it would require necessarily a whole of lifecycle approach.

Priorities

4.4. During the meeting, it was suggested that more discussions could take place regarding trade facilitation to promote circular goods and related services. A suggestion made in past discussions was to focus on the interplay between trade and waste rules, for instance to explore the possibility of fast-track processes with reduced procedures for high-quality waste recycling. It had also been suggested to focus on the trade-related aspects of a climate-aligned circular economy. Electronics was noted by a number of Members as a specific sector that could be a priority in future discussions, particularly regarding standards. Members also suggested continuing work on value-retention processes such as remanufacturing, refurbishment, repair, and reuse. A number of Members also emphasized the importance of considering the entire lifecycle, including a more dedicated focus on upstream processes, as well as interests and capacity building for developing countries and LDCs.

4.5. Regarding the way forward, Members broadly welcomed the facilitators' suggestion of a mapping of the trade aspects of the circular economy. This exercise could serve to build a broader understanding of the trade aspects of the circular economy and identify potential challenges and opportunities to align and strengthen a resource-efficient circular economy, including national measures that had been taken to advance domestic resource efficiency and circular economy targets. The mapping could also help Members to further identify priority areas or sectors for future work, and support developing countries and LDCs to identify and incorporate circular economy practices into macroeconomic planning. Complementary suggestions included to undertake a targeted questionnaire to catalogue measures to advance circular economy targets, or to consider best practices to achieve a more resource-efficient circular economy. The facilitators suggested that consultations could serve to further clarify scope, content, and process of such a mapping exercise, as well as other suggestions that Members may have regarding priorities for the way forward.

5 Working Group on Subsidies – 5 October (p.m.)

Transparency

5.1. The WTO Secretariat provided an overview of environment-related subsidies included in the WTO Environmental Database (EDB). In 2021, Members had submitted 125 subsidy notifications

⁵ Nine Members took the floor during the meeting: Canada, Chile, China, Colombia, Ecuador, European Union, Japan, Kingdom of Saudi Arabia and United States.

covering 1,141 subsidy measures. Environment-related subsidies were mainly notified under the SCM Agreement and the Agreement on Agriculture, with the most frequent objectives being alternative and renewable energy, sustainable agriculture management, and water management and conservation. It was also noted that an increasing number of EDB entries for subsidies were coming from TPR reports.

5.2. Members highlighted challenges regarding the interlinkages between subsidies, trade and the environment. It was noted that trade-distorting domestic support had negative impacts on the environment leading to increased emissions and addressing environmentally harmful agricultural subsidies was necessary to achieve net-zero carbon emissions. A Member pointed to the challenge of assessing potential environmental impacts of subsidies due to a lack of subsidy notifications at the WTO, noting that only around one third of Members had submitted their required subsidy notifications in 2021. Another Member noted that more complete information regarding domestic inventories of fossil fuel subsidies was needed, citing the example of voluntary peer reviews organized in fora such as the G20 or APEC. Some Members suggested creating a matrix of environmentally harmful and beneficial subsidies, or to improve transparency, for example by including environmentally harmful subsidies in trade policy reviews.

Methodologies to identify environmental impacts: industrial subsidies and fisheries subsidies

5.3. A presentation by the International Institute for Sustainable Development (IISD) illustrated how case studies and modelling provided differentiated insights regarding the environmental harmfulness of subsidies and how these informed policy choices in fisheries subsidies negotiations. A presentation by the OECD presented two complementary ways of assessing industrial subsidies by looking at governments as providers or firms as beneficiaries. Findings from a forthcoming report on government support in aluminium smelting and steelmaking indicated that such support increased emissions: (i) mainly because increased production drove emissions (scale effect); but also due to (ii) higher emission intensity of major recipients (composition effect); and (iii) a limited contribution to lowering emission (technique effect).

5.4. Members⁶ highlighted the importance of data in identifying the impact of subsidies on emissions, with several Members pointing to the need for more transparency. Some Members noted that subsidies could have positive environmental effects or serve to improve technology. It was noted that the correlation between emissions intensity and government support should encourage an intensification of work to address environmentally harmful subsidies. In addition, a Member suggested that more information sharing on domestic initiatives could support the identification of environmentally harmful subsidies, and that discussions on policy implications of these could also be shared in the CTE and SCM Committee to adopt more horizontal approaches.

Priorities

5.5. During the meeting and in previous discussions, Members expressed interest in discussing different types of subsidies, including agricultural subsidies, fossil fuel subsidies, industrial subsidies, and green subsidies. A number of Members expressed interest in continuing to discuss the environmental effects of agricultural subsidies. In particular, it was noted that efforts to reduce agricultural subsidies could lead to reduced carbon emissions. A number of Members also suggested that fossil fuel subsidies could be further discussed in the group, in particular to address transparency and information gaps. Other Members cautioned that discussions on agricultural subsidies should be complementary to those in the Committee on Agriculture in Special Session (CoA-SS). A Member noted that fossil fuel subsidy discussions should take place within the dedicated group that had been launched for that purpose.

5.6. Going forward, several Members underlined the importance of transparency and availability of relevant data as a priority for future work. Several Members welcomed efforts to disclose information and planned measures, including through obtaining data from relevant international organizations, to build a common evidence-based understanding. It was suggested that having a broad scope in terms of subsidy discussions could also provide opportunities to enhance transparency and share experiences to explore effective means to rationalize or abolish subsidies, where relevant, based on

⁶ Fourteen Members took the floor during the meeting: Australia, Canada, Chile, China, Colombia, Costa Rica, European Union, Japan, Paraguay, New Zealand, Kingdom of Saudi Arabia, Switzerland, United Kingdom and United States.

national circumstances. A number of Members suggested that a possible outcome for the group could be to compile a matrix of different forms of subsidies and their environmental impacts. It was suggested that such a matrix could provide guidance to Members in designing or implementing national measures, and possibly be a first step towards guidelines on how to provide less distorting and environmentally harmful subsidies.
