



TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS

SUMMARY REPORT 2022¹

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¹ This summary report, prepared and circulated under the TESSD Coordinators' responsibility, provides a non-exhaustive summary of discussions held in plenary and informal working group meetings in 2022.

1 INTRODUCTION

1.1. Following the launch of the TESSD Ministerial Statement (WT/MIN(21)/6/Rev.2) in December 2021, co-sponsors agreed on the TESSD Work Plan in February 2022 (INF/TE/SSD/W/17/Rev.1). In the Work Plan, co-sponsors, *inter alia*, agreed to advance work intersessionally in four informal working groups on trade-related climate measures, environmental goods and services, circular economy – circularity, and subsidies.² TESSD currently counts 74 co-sponsors, including three co-sponsors that joined in 2022 – Tajikistan in May, and Brazil and the United Arab Emirates during the Twelfth WTO Ministerial Conference in June.

1.2. In 2022, TESSD held four plenary meetings on 7 February, 31 March and 11 April, 19-20 July and 11 November, as well as two clusters of informal working group meetings on 19-20 July and 4-5 October. This Report provides a non-exhaustive summary of discussions held in each of the four working groups and plenary meetings organized by thematic work area and is based on Members' statements as well as the summary reports prepared for the above meetings.

2 TRADE-RELATED CLIMATE MEASURES

2.1. Guidance for discussions on trade-related climate measures (TRCMs) was provided by the Ministerial Statement as well as the following guiding questions included in the Work Plan:

- What trade-related climate measures and policies are Members pursuing and what are their trade implications?
- Can we identify best practices in the development of trade-related climate measures and policies to maximize climate and environmental benefits while also maximizing trade benefits?
- What are the challenges facing MSMEs globally and for developing countries with regard to the design and use of trade-related climate measures and policies, and how can these be addressed?

2.2. The thematic area of TRCMs was discussed in the following plenary and working group meetings. In the plenary meeting on 31 March, Members considered two presentations by the Secretariat on types of TRCMs and information included in the WTO Environmental Database (EDB), as well as on a workshop on trade and climate change modelling among international organizations. Members shared their experiences on TRCMs and indicated their priorities for discussion in the informal working group. In the working group meeting on 17 May, Members heard presentations by the World Bank on explicit and implicit carbon pricing, and the United Nations Industrial Development Organization (UNIDO) on the Industrial Deep Decarbonisation Initiative. Members also continued their discussions on priorities for the working group, shared experiences on their TRCMs and considered challenges facing MSMEs and developing countries.

2.3. At the plenary meeting on 19 July, Members exchanged views on the elements they considered important to be addressed by the working group. In the working group meeting on 4 October, Members discussed issues related to carbon pricing with presentations by the Secretariat, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). At that meeting, Members also heard a briefing by Germany on the G7 climate club initiative, and exchanged views on carbon standards, considering a presentation by the International Organization for Standardization (ISO) and a briefing by United States on a Trade and Climate Roundtable.

² The TESSD Co-Convenors are: Canada (Ambassador Nadia Theodore from July 2022 onwards; Ambassador Stephen De Boer until July 2022) and Costa Rica (Ambassador Ronald Saborío from July 2022 onwards; Ambassador Gloria Abraham Peralta until July 2022). The Facilitators of the Working Groups are: 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) and Mariana Vera (Uruguay) for the Working Group on Subsidies.

2.1 Interests and approach

2.4. Members exchanged views on their priorities for discussion at several meetings during the year, highlighting the importance of international cooperation on TRCMs, including regarding design and implementation. Several Members expressed interest in discussing the trade aspects of different types of measures, including carbon pricing, carbon standards and other non-price measures, as well as approaches to address carbon leakage, including border carbon adjustments. Other Members expressed concerns regarding discussions on carbon pricing and carbon leakage. Members also underlined the need to discuss challenges and impacts faced by MSMEs and developing countries, including ways to enhance cooperation on TRCM in a manner consistent with the respective needs and concerns of Members at different levels of economic development, as well as related technical assistance and capacity-building needs.

2.5. More specific elements of interest mentioned by individual Members or groups of Members included: definitions and principles for TRCMs, their compatibility with WTO rules and principles, their compatibility with Multilateral Environmental Agreements (MEAs), best practices regarding design and implementation of TRCMs, the comparability and compatibility of carbon pricing and non-pricing measures, methodologies for the measurement of embedded emissions of traded goods, trade facilitation concerning technology and innovation, and the importance of considering different national circumstances relating to carbon pricing.

2.6. Members also considered a discussion paper (INF/TE/SSD/W/19) by the United States, which reflected its interest in discussing both the measurement of emissions in trade as well as policies to address emissions in trade and incentivize decarbonization. The paper also emphasized the nexus between discussions on climate change, circular economy, and environmental goods and services.

2.7. Regarding possible future work, a number of Members suggested to advance discussions on TRCMs in a more concrete and targeted way, for instance through a sector-specific mapping and discussion of carbon measurement standards and measures intended to lead to a reduction in carbon emissions. It was also suggested to exchange views on the development of trade-related climate measures. Members raised various aspects for consideration including: how such measures could be designed in the least trade-restrictive way, how they could be supportive of developing countries' needs and circumstances, as well as underlying domestic policy objectives. Members also suggested that TESSD could strengthen cooperation with other WTO bodies such as the Committee on Technical Barriers to Trade (TBT Committee) on standards and the Committee on Trade and Environment (CTE) on transparency. Other suggestions made by certain Members included making use of a questionnaire regarding carbon pricing and non-pricing approaches, and to have discussions regarding basic principles for the design and implementation on TRCM. Some Members noted that the discussions should reflect existing rules and principles under the WTO, some Members further suggested that discussions should touch on MEAs.

2.2 Transparency and experience sharing

Presentations

WTO Secretariat – Overview of types of TRCMs and information included in the WTO Environmental Database (EDB)

Between 2009 and 2020, 4,629 TRCMs were notified to the WTO, relating to one or more of the following objectives: alternative and renewable energy (1,551 measures), energy conservation and efficiency (1870), climate change mitigation and adaptation (897), air pollution reduction (839), ozone layer protection (473), and afforestation/reforestation (184). In terms of types of measures, the most common were technical regulations (33% of TRCMs), grants and direct payments (26%), and conformity assessment procedures (13%). TRCMs can be categorized into: (i) climate requirements that condition market access; (ii) price and market mechanisms; and (iii) support and financial programmes.

2.8. Members shared information on a number of TRCMs and policies they were pursuing:

Member	Pursued measures and policies
Canada	Carbon pricing aiming to progressively increase the price of carbon while mitigating risks of carbon leakage, and consultations on a possible border carbon adjustment.
Japan	Green Transformation League Voluntary corporate GHG emissions reduction initiative to promote growth covering 40% of national emissions.
Chile	National carbon tax on energy and industry sectors, and its ongoing revision.
Chile	Huella Chile (Footprint Chile) programme, related to the ISO 14064-1 standard, uses emission factors approved by the Ministry of Environment to provide different labelling options to companies relating to quantification, management, and reporting of emissions.
Switzerland	Preferential market access for compliance with sustainability standards granted to Indonesian palm oil in the framework of the regional trade agreement between EFTA and Indonesia.
Switzerland	Tax relief on biofuels to reduce CO₂ emissions in the transport sector granted to importers and exporters according to compliance with sustainability requirements.
China	National carbon market launched in July 2021.
European Union	Update on the implementation of CBAM and legislative steps ahead of adoption of the measure.
Türkiye	Roadmap to achieve carbon neutrality by 2053 including recommendations on GHG reductions, green finance, carbon pricing, adaptation, migration, science and technology, and social policies to achieve a just transition.
Kingdom of Saudi Arabia	Update on the Saudi Green Initiative and Middle East Green Initiative aiming to deploy low carbon technologies with regional partners and multilateral development banks.
United Kingdom	Update on national emissions reduction target by 78% by 2035, and specific measures to cut emissions across the economy.

2.3 Carbon pricing and pricing of embodied emissions

Presentations
<p>IMF – Possible design and implications of international carbon price floors</p> <p>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.</p>
<p>OECD – Recent and ongoing work on carbon pricing</p> <p>The presentation covered the OECD's 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.</p>
<p>WTO Secretariat – Trade-related implications of different carbon pricing approaches based on findings from the World Trade Report 2022</p> <p>Findings suggested that 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.</p>

Presentations

WTO Secretariat – Briefing on Trade and Climate Change Modelling Workshop

On carbon pricing, research suggested that global carbon pricing was economically and environmentally best but difficult to achieve, and that border carbon adjustment policies could tackle carbon leakage and loss of competitiveness but came with a number of challenges such as possible limited impact on incentivizing carbon pricing in partner countries, creation of trade distortions, and difficulties in accounting for non-price-based regulations.

World Bank – Measuring and comparing carbon pricing and the pricing of embodied and transport emissions

Carbon could be priced implicitly or explicitly to accommodate different country priorities and industrial policies. It was noted that countries which significantly priced carbon could successfully reduce carbon intensity, and that some developing countries had carbon prices not much lower than developed countries with explicit carbon pricing. Pricing the carbon content of production or transport did not necessarily require a global measurement, reporting, and verification (MRV) system. Most countries were not found to price carbon explicitly.

Germany – G7 initiative to establish a climate club

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. Sector-specific roadmaps would be launched to support the phase out of high emission technologies and work to expand green markets. The forum or "climate club" would be open to interested countries.

2.9. Members engaged in discussions on carbon pricing policies, including the role of the WTO. A number of Members underlined the importance that carbon pricing and related measures to address carbon leakage, such as border carbon adjustments, be consistent with WTO rules and principles. Some Members also underlined the need to ensure consistency with MEAs. The role of the WTO as a forum for policy dialogue and coordination was recognized, along with other international organizations. It was suggested that the WTO could add value from a trade perspective while some Members stressed that it was important not to duplicate work being done in other fora. It was suggested that the CTE could provide a space for transparency and dialogue on how TRCMs could be designed to achieve climate goals while preventing conflicts or lack of coherence. Regarding the G7 initiative to establish a climate club, mentions were made that a climate club should adhere to WTO rules and follow a cooperative approach.

2.10. Members also exchanged views on the relationship and differences between carbon pricing and other decarbonization policies. Some Members engaged in substantive discussions on the role of regulatory and other non-price policies for pursuing decarbonization, with a number of Members pointing to the need for a tailored policy mix to achieve their climate goals. A number of Members also pointed to the importance of taking into account implicit carbon pricing, while methodological difficulties in calculating carbon price equivalents were recognized.

2.11. Members also highlighted possible challenges faced by developing countries in adjusting to carbon pricing policies and related measures. Several developing Members stressed the need to consider national circumstances and the principle of CBDR in the design and implementation of such measures. The need for technical and financial assistance was underlined, and mention was made of the potential of international emissions credits as a source of climate financing for developing countries with large emissions reduction potential.

2.4 Carbon standards and other trade-related climate measures

Presentations

UNIDO – Industrial Deep Decarbonisation Initiative (IDDI) and Global Program for Green Hydrogen in Industry

The IDDI aimed to stimulate public and private demand for low-carbon steel and cement through standardisation of carbon assessments, green procurement targets, and data collection and emissions reporting. Three solutions could develop industrialization powered by clean energy, including hydrogen: (i) accelerating the shift of industry away from fossil fuels; (ii) enabling decision makers to chart a low carbon path to economic progress; and (iii) fostering the rise of local entrepreneurs and innovators.

ISO – International carbon accounting standards, principles, requirements and guidelines for the quantification and reporting of the carbon footprint of a product

Standards specify 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 reflect the need for product-specific approaches to quantify CFP, while a common approach is followed regarding verification and accreditation where a standard is verified by an accredited verification body.

United States – Trade and Climate Change Roundtable

Discussion on non-pricing measures to address climate change. Elements raised included recognition of the diversity of 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. 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. 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.

2.12. Several Members expressed interested to delve deeper into analysing carbon standards and methodologies for the measurement of embedded emissions of traded goods. It was highlighted that the proliferation of different standards as well as labelling and recognition requirements could increase the cost for companies, particularly MSMEs. The work in the TBT Committee and the TBT Committee's Six Principles regarding the development of international standards were highlighted as important in this regard. Besides the importance of moving to international standards, it was noted that Members should be able to formulate domestic standards in light of their national circumstances, and actively promote the mutual recognition of carbon accounting standards.

2.13. In both working group meetings, Members addressed the question on challenges for MSMEs and for developing countries regarding carbon standards and other TRCMs and policies and how these could be addressed.

2.14. Members pointed to the particular challenges MSMEs might face in quantifying their carbon emissions and meeting an increasing number of different standards, labelling and conformity assessments requirements in export markets. Japan shared its national initiative to set up consultation windows for experts to advise MSMEs on decarbonization and plans to introduce IT systems to facilitate the measurement of emissions for MSMEs.

2.15. Members also pointed to resource and expertise constraints of developing countries in measuring carbon footprint and meeting regulatory requirements, which could prevent lower-emission products from benefitting from lower fees or restricting exports altogether. Members discussed targeted technical assistance and capacity building. Some Members noted the need to identify specific challenges facing developing countries to guide targeted technical assistance and capacity building. Members considered the role that Aid for Trade could play in mobilizing funding and targeting support for LDCs and MSMEs to address climate change. Another element raised in discussions was the need for TRCMs and related regulatory approaches to take into account the limitations and national circumstances of developing countries.

2.5 Stakeholder inputs

2.16. Stakeholders contributed to the discussions through presentations and interventions in the discussions. Interventions highlighted efforts to promote engagement, understanding, and actions on trade and climate change, *inter alia*, through projects such as the International Trade Centre (ITC) SME Competitiveness Outlook 2021, which focused on empowering the green recovery, the ITC Standards Map, which was the world's largest database on voluntary sustainability standards, UNIDO's Industrial Deep Decarbonization Initiative (IDDI) aiming at decarbonizing heavy industry through production standards and reporting systems, or the OECD's Inclusive Forum on Carbon Mitigation Approaches (IFCMA) aiming to exchange information on efforts to reach net-zero emissions, which would include a stocktaking of current measures and their effectiveness. The Forum on Trade, Environment and the SDGs (TESS) noted plans to support LDCs in their work on trade and environment. It was suggested that TESSD could reflect on strengthening transparency and access to information on standards through programmes such as Aid for Trade, to support participation in sustainable trade, reduce costs of carbon accounting, and compliance with standards and regulations related to the carbon footprint of products.

3 ENVIRONMENTAL GOODS AND SERVICES

3.1. Guidance on discussions on environmental goods and services (EGS) was provided by the Ministerial Statement as well as the following guiding questions included in the Work Plan:

- How can trade in environmental goods and services aid in achieving environment and climate goals?
- What are the opportunities, best practices, and possible approaches for promoting and facilitating trade in environmental goods and services to meet environmental and climate goals, including through addressing supply chain, technical and regulatory elements, promoting and facilitating access to and uptake of new and emerging low-emissions and other climate friendly technologies, and attention to issues of particular interest to developing countries?
- What challenges and policies impede the ability of developing countries and LDCs to engage in and maximise benefits from trade in environmental goods and services and how can these be addressed?

3.2. The thematic area of EGS was discussed in the following plenary and working group meetings. In the plenary meeting on 31 March, Members considered a Secretariat Note (INF/TE/SSD/W/18) on experiences in the promotion and facilitation of trade in EGS and indicated their priorities for discussion in the informal working group. In the working group meeting on 17 May, Members had a more in-depth discussion on their priorities regarding environmental objectives, as well as on the approach and scope of discussions. At that meeting, Members also had a first informational discussion on climate mitigation and renewable energy, considering also a presentation by International Renewable Energy Agency (IRENA) on the renewable energy sector.

3.3. In the plenary meeting on 19 July, Members considered a presentation on TBT by the United Kingdom, and continued discussions on the approach to be taken as well as on elements to be included in the work. In the working group meeting on 4 October, Members continued discussions under the objective of climate action, with an increased focus on non-tariff measures, considering presentations by the WTO Secretariat and Uruguay. Members also discussed environmental services, considering presentations by the WTO Secretariat and the Asia-Pacific Economic Cooperation (APEC) Secretariat.

3.1 Interests and approach

Presentations

WTO Secretariat – Presentation of factual note on experiences and efforts in EGS (INF/TE/SSD/W/18)

The note focused on experiences in the WTO and outside covering the objectives and scope of the various initiatives. The note also discussed experiences related to the identification of EGS, tariff treatment and non-tariff barriers, as well as a number of challenges and views that have been raised. The note also provided a summary of selected research on trade effects, diffusion of environmental technology, and environmental effects of trade in EGS.

3.4. Members broadly supported the idea to follow an objective-based approach, where Members would discuss objectives and sectors sequentially to allow for more focused discussions. Other suggestions that were discussed included to build a common understanding of definitional elements as a first step.

3.5. A significant part of the discussions focused on Members' priorities in terms of objectives and sectors, and their views on how trade in environmental goods and services could achieve climate and environmental goals. Objectives related to climate change mitigation and adaptation were mentioned most frequently by Members. Members underlined that trade in EGS could contribute to the reduction of GHG emissions and the achievement of climate goals under the Paris Agreement, including by supporting the uptake of technologies for the climate transition. Different Members highlighted technologies such as renewable and other low-carbon energy and climate change adaptation and mitigation technologies, including carbon capture.

3.6. Other objectives mentioned, *inter alia*, included clean air and clean water (reduction of pollution), protection of biodiversity and ecosystems, transition to a circular economy and circularity, sustainable management and protection of water and marine resources. It was also suggested to identify priority sectors, and possibly important goods and services, based on their contribution to agreed environmental objectives.

3.7. Members broadly agreed that discussions on environmental goods and services should have a broad scope. Members, *inter alia*, expressed interest to discuss non-tariff measures, regulatory cooperation, good regulatory practices, technology transfer, capacity building, biotrade, bottlenecks to the deployment of new technologies throughout the supply chain, and to take into account the entire lifecycle for the determination of environmental goods.

3.8. Several Members also expressed interest to discuss environmental services, underlining the need to ensure that discussions in TESSD built on those in the Special Session of the Council for Trade in Services (CTS-SS). Some other Members suggested that discussions on market access should be continued under the CTS-SS to not duplicate work. Suggestions included to pursue discussions on services in a parallel track to environmental goods, and to discuss services together with goods in a manner in which they would be mutually supportive and contribute to achieving environmental objectives.

3.9. Regarding possible priorities or outcomes going forward, some Members had expressed interest in further building a common understanding of the challenges hindering the dissemination of EGS, while other Members had expressed interest in designing a framework for negotiations in view of a specific environmental objective or challenge. Several Members emphasized that discussions should include considerations of challenges for developing countries. The importance of capacity building, aid for trade, and facilitating trade and investment in technologically advanced products was recognized. A Member suggested that a holistic approach recognizing different transition pathways, including by using all available technologies, should be considered. Another Member suggested that discussions should cover technology transfer for agricultural technologies needed for climate change adaptation.

3.10. Regarding possible future work, Members broadly agreed to continue with an objective-based approach focusing on climate adaptation and mitigation as the first objective, and renewable energy as first sector to be covered under this objective. A number of Members suggested focusing meetings on specific sectors to allow for more structured and deeper discussions. Interest was expressed to

pay particular attention to developing country interests, in particular regarding technology transfer and capacity building, and continue work on non-tariff measures (NTMs), including on identifying trade-related bottlenecks and trade-facilitating measures, as well as enhancing transparency and experience sharing. Regarding services, a number of Members expressed interest in identifying areas where environmental and related services could play a meaningful role for climate change mitigation and adaptation. Some Members also suggested to map services based on their intrinsic contribution to address climate change challenges or their complementarities with climate-friendly goods.

3.2 Climate action

3.11. Members identified climate action as the priority objective for discussions, with working group meetings having first discussions on the renewable energy sector and non-tariff measures.

3.2.1 Renewable energy

Presentations

IRENA – Trade-related challenges and opportunities for developing countries in the renewable energy sector to achieve climate objectives

Internationally harmonized infrastructure is needed to facilitate the trade of renewable technologies. Countries should ensure the availability of complementary services and common standards for installers, operators, and technicians. Trade and trade policy could foster further cost reductions, deployment of renewable energies, and job creation.

Uruguay – National experience in the development of its renewable energy sector

Experience in the historical development of hydroelectric power and recent efforts to promote alternative renewable sources including, biomass, wind, and solar power, as well as in accessing technology and addressing NTMs.

3.12. Members shared their experiences regarding challenges and opportunities of trade in EGS, noting their efforts and ambitions to increase the shares of renewable energy in the energy mix. Members raised a number of elements they considered important regarding supply chains, technology, services, and technical and regulatory elements. Elements raised, inter alia, include a whole of lifecycle approach in the consideration of the environmental benefits of a good; market access for goods, services and investment; technology access and development; infrastructure quality and interoperability; non-tariff barriers and regulatory issues; transparency and predictability of rules, and policies to encourage the uptake of renewables such as market requirements, tax incentives, green public procurement, public private partnerships, and support schemes.

3.13. Members also raised a number of issues relating to the ability of developing countries and LDCs to engage in and maximize benefits from trade in environmental goods and services. Issues mentioned, inter alia, include the benefits of South-South cooperation; lack of technical and regulatory capacities; the need to build institutional infrastructure and policy for clean technologies; the promotion of sustainable supply chains and challenges with sustainability standards; the need to promote fair and equal access to trade and investment in technologies; the need for transfer of technology and skills, as well as technical assistance.

3.2.2 Non-tariff measures

Presentations

WTO Secretariat – Overview of non-tariff measures (NTMs) related to climate change and relevant work in the WTO

Overview of NTMs, linkages to climate change and relevant work in the WTO. NTMs vary according to products and markets. Stakeholders can contribute in identifying possible positive and negative impacts of NTMs. Work in the TBT Committee, including through strengthening transparency and regulatory dialogue, can ease the burden of conformity assessment procedures.

Presentations

United Kingdom – Impact of technical barriers to trade (TBT) on environmental goods

Through case studies on components for wind turbines and solar panels, the presentation highlighted that: (i) technical barriers decreased trade in environmental goods but with varying impacts depending on the exporting and importing countries; (ii) incidences of duplication or divergence led multiple importing Members to impose similar technical requirements to the exporting country; and (iii) that high levels of regulation reduced the number and diversification of trade flows in environmental goods. The presentation gave suggestions for facilitating trade in environmental goods.

3.14. Members pointed to a number of NTMs and related issues they considered to hinder trade in EGS aimed at climate action. Issues raised, *inter alia*, include possibly costly technical barriers, differences in definitions, standards and technical regulations, including for new technologies such as hydrogen, lack of alignment of regulatory requirements, differing conformity assessment procedures for goods and services, data challenges for understanding market opportunities, difficulties to identify environmental goods in the HS System, particularly for new technologies, and local content requirements related to subsidies to renewable energy.

3.15. Members also pointed to opportunities, best practices and possible approaches to address these NTMs to promote and facilitate trade in environmental goods and services to meet climate goals, including access to and uptake of climate-friendly technologies. It was, *inter alia*, suggested that trade in EGS could be facilitated by strengthening international cooperation in harmonizing or aligning definitions, standards and regulations; attracting investment in climate-related technologies to developing countries; technology transfer and participation in global value chains; enhancing engagement with customs exports and drawing on lessons from Information Technology Agreement regarding the identification of environmental goods in the HS System; encouraging research and development; strengthening transparency efforts and information sharing in the WTO, as well as developing voluntary guidelines for ecolabelling programmes pursued in the Agreement on Climate Change, Trade and Sustainability (ACCTS); taking a balanced intellectual property rights approach regarding low-emissions technology transfer.

3.3 Services

Presentations

WTO Secretariat – Briefing on the work carried out on trade in environmental services in the Special Session of the Council for Trade in Services (CTS-SS)

Update on past discussions and recent proposals by Members to broaden the scope of environmental services to those with positive environmental outcomes.

APEC Secretariat – Experiences and activities to promote trade in environmental services in the APEC region

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.

3.16. Members referred to regional experiences and approaches in the promotion of trade in environmental services. The European Union presented the list of environmental services included in the recent EU-NZL FTA. The list contains, among others, services which, when supplied in conjunction with environmental goods, are relevant to address climate change, reflecting the complementarity between goods and services in environmental projects and representing a technical solution to avoid dual-use challenges. Iceland mentioned that outcomes from ACCTS negotiations regarding the classification of environmental services would provide important inputs to future work in TESSD.

3.17. Canada and New Zealand pointed to the APEC Reference List of Environmental and Environmentally Related Services as a valuable resource that could be tailored to national circumstances when negotiating FTAs, and a useful starting point for further work in TESSD. China shared information on its annual International Fair for Trade in Services (CIFTIS), which served as a window for the opening of its services sector and newly covered environmental services, including

low-carbon energy, climate change and carbon economy, carbon neutrality and green technology, and the environmental protection industry. Norway mentioned that in FTA negotiations it aimed to include provisions on the promotion of trade in goods and services that contributed to sustainable development and that identification of such services was yet to be done.

3.18. Members also addressed the question of what challenges and policies impeded the ability of developing countries and LDCs to engage in and maximize benefits from trade in environmental services and how these could be addressed.

3.19. Members broadly highlighted the importance of providing technical assistance and capacity building to developing countries and LDCs. Further points raised, *inter alia*, include the importance of identifying concrete challenges and opportunities regarding environmental services, discussing whether the small size of environmental services trade resulted from lack of demand rather than from supply problems, facilitating access to trade and investment in technologies, promoting innovation for developing countries and LDCs, taking into account their needs, priorities and development circumstances, and avoiding unilateral measures.

3.4 Stakeholder inputs

3.20. Stakeholders contributed to the discussions by highlighting, *inter alia*, ongoing efforts such as the World Economic Forum (WEF)'s collaboration with industry to identify non-tariff barriers and relevant technologies to support the HS 2027 update, or TESS' organization of round tables that could help identify approaches to discuss regulatory cooperation, equivalence, or government subsidies. WEF also noted the launch of a report on "[Accelerating Decarbonization through Trade in Climate Goods and Services](#)" in September, which noted NTBs were more significant trade barriers to trade than tariffs alone, and that such barriers were particularly challenging for developing countries. TESS underlined the importance of accounting for both tariff and non-tariff measures in order to transition beyond a "market-based" discussion and that regulatory cooperation could complement work to achieve environmental goals.

4 CIRCULAR ECONOMY – CIRCULARITY

4.1. Guidance on discussions on circular economy – circularity was provided by the Ministerial Statement as well as the following guiding questions included in the Work Plan:

- What trade policies, tools and collaborative actions can support the transition to a circular economy that supports the achievement of sustainable development goals?
- What trade policies, tools and collaborative actions could help developing and LDC Members ensure that circular economy approaches contribute to their sustainable development?
- What are the lessons learned from existing efforts to advance circular economy goals (including reducing unsustainable resource use, promoting resource efficiency, sustainability and safety across product lifecycles, restoring and regenerating ecosystems, and minimising waste) and the opportunities and challenges linked to trade and trade policies?

4.2. The thematic area of circular economy – circularity was discussed in the following plenary and working group meetings. In the plenary meeting on 7 February, Members considered an International Chamber of Commerce (ICC) presentation on linkages between the circular economy, trade and trade policy. In the plenary meeting on 31 March, Members shared experiences on national efforts to promote a circular economy and circularity, and indicated their priorities for discussion in the informal working group. In the working group meeting on 17 May, Members heard business perspectives (IKEA, Mercedes Benz Group, Ragn-Sells and TrashCon) on the circular economy as well as challenges and opportunities to improve e-waste recycling (WEF). At that meeting, Members also shared their national experiences on how a circular economy approach was supporting sustainable development and climate change goals.

4.3. At the plenary meeting on 19 July, Members continued discussions on the approach to be taken as well as on elements to be included in the work. At the Working group meeting on 4 October, Members discussed trade-related policy issues, based on presentations by the BRS Secretariat, OECD and WCO related to waste, end-of-life, and reverse supply chains, as well as by the Secretariat on possible elements for a mapping exercise.

4.1 Interests and approach

4.4. Members expressed interest in a number of trade-related aspects of the circular economy. Aspects raised by different Members, *inter alia*, included: trade facilitation for goods and technologies that could contribute to the circular economy, including for reverse-supply chains; trade-related aspects of a climate-aligned circular economy; value-retention processes such as remanufacturing, refurbishment, repair, and reuse, and linkages with circular design; interplay between trade and waste rules, including exploring the possibility of fast-track procedures for shipments of used materials to facilities for high-quality recycling; opportunities and challenges related to technical regulations and standards to promote the circular economy; and the lack of data on circular economy-related trade flows and internationally accepted definitions.

4.5. Members also underlined the importance of considering the interests of developing countries and LDCs in the discussions, including technical assistance capacity building needs and challenges related to waste management. Interest was expressed to discuss circular economy and the bioeconomy, means to enhance technology and investments into circularity, the promotion of technology transfer and innovation for the circular use of material flows and the extension of material lifetimes; tools to incentivize greater resource efficiency; as well as opportunities for circular economy and value chain integration.

4.6. Regarding the scope of the discussions, Members indicated different priorities in terms of specific segments and issues along the lifecycle. At the same time, Members broadly recognized that discussions would cover the entire lifecycle from upstream processes such as design through the end of life and waste disposal. A suggestion was also made that discussions should cover both material flows and emissions to foster a holistic understanding of the concepts of circular economy and circular carbon economy.

4.7. Regarding possible future work, Members broadly welcomed the suggestion of a mapping exercise to build a broader understanding of the trade aspects of the circular economy which are relevant to each part of the life cycle, and help Members identify priority areas for future work. A number of Members suggested to have sector-specific discussions on trade issues along the full life cycle of products. Suggestions for sectors, *inter alia*, included renewable energy products and electronics, while some Members saw the need for further discussions to determine priority sectors. Complementary suggestions included to undertake a targeted questionnaire to catalogue measures which advance circular economy targets, or to consider best practices to achieve a more resource-efficient circular economy.

4.2 Private sector experiences

4.8. Members companies of the ICC provided business perspectives on opportunities and challenges with regard to trade-related aspects of the circular economy:

Private sector experience

Ikea

Transition to a circular economy through a commitment to use only renewable and recyclable material sources by 2030, thereby limiting climate impacts and addressing resource scarcity. To achieve this, holistic approaches and common definitions would be necessary, as well following incremental approaches and limiting administrative burdens.

Mercedes-Benz Group

Reducing resource consumption through circular design to achieve longer lifetime and introduce recycled material into the supply chain. Trade-related challenges for batteries include cross-border transport issues, classification of batteries as "waste", customs procedures and regulatory fragmentation for batteries' regulation.

Private sector experience

Ragn-Sells

Improving food security and resource scarcity by putting CO₂ in a circular loop by treating ash and combining it with captured CO₂ to form calcium carbonate, which could then be used to produce vinyl flooring. On the agricultural front, the company was providing closed loop solutions by devising technical solutions to extract detoxified nutrients from wastewater treatment plants. Regulatory barriers and heterogeneity hindered trade in recycled products, including detoxified nutrients (e.g. potassium, nitrogen, phosphorus) that could be used in fertilizers.

TrashCon

Improving waste segregation in developing countries through technologies that separate plastic and food wastes to create input materials for furniture. Trade challenges faced by the company included vague policies, fragmented regulations for the waste management industry and lack of subsidies on circular economy. Suggestions for solutions included improving the policy framework, enhancing accountability, allocation of subsidies for circular technologies, increased stakeholder involvement, and standardization of products.

4.3 Transparency and experience sharing

4.9. Several Members shared their experiences regarding the circular economy, including how a circular economy approach was supporting sustainable development and climate change goals:

Experience sharing

Canada – Right to Repair, Food Waste Reduction Challenge, and regional efforts

The Right to Repair aims to extend the lifetime of products such as home appliances and electric appliances rather than purchasing new ones.

The Food Waste Reduction Challenge aims to reduce food waste and increased food availability, lower costs for consumers and businesses and reduced emissions, and strengthen our food systems.

Regional efforts with the United States already in recovered paper materials and other recovered materials will be critical to building circular supply chains in North America. It is worth noting that there is currently work underway under the Canada-Mexico-United States Commission for Environmental Cooperation to study recycling infrastructure and circular trade.

Chile – Producer Responsibility Law

In force since 2016, it makes producers of priority products responsible for financing the management of waste generated by products that are sold on the domestic market for 7 priority products: technical and electronic equipment, batteries, packaging, newspapers and magazines, tyres, batteries, oils and lubricants.

Colombia – National Circular Economy Plan

The strategy prioritises action on six material or resource flows: industrial materials and consumer goods; packaging materials; biomass; energy; water and building materials. The objective of the framework is to increase the recycling rate from 8% to 12.5% by 2022. Through Extended Product Responsibility programmes, more than 500,000 tonnes of special waste have been recovered.

Costa Rica – National Bioeconomy Strategy

The strategy aims to build a knowledge-based, green and resilient competitive decarbonized economy based on the principles of a circular bioeconomy and decarbonization of production and consumption processes.

Experience sharing

European Union – Circular Economy Action Plans, EU Eco-design Directive and proposal for an Eco-design for Sustainable Products Regulation, and Waste Legislation (including Directive on batteries and accumulators, Directive on packaging and waste; Directive on end-of-life vehicles)

The measures aim, *inter alia*, to improve product design to avoid the use of hazardous chemicals or materials, reducing the environmental impact of a product from conception.

The Eco-design Directive covers a broad scope of products and aims to keep products as long as possible in the lifecycle. The proposal for an Eco-design for Sustainable Products Regulation will strengthen and/or introduce provisions concerning aspects such as product repairability, durability, and availability of spare parts, among others.

Regarding waste, the EU objective is to bring back into the economic cycle secondary raw materials and recycle waste while promoting the uptake of extended producer responsibility (EPR) schemes.

Japan – Japan Partnership for Circular Economy (J4CE)

A domestic circular economy partnership was launched in 2021 to deepen the understanding about the circular economy, promote collaborative efforts and strengthen public-private alliances among a wide range of companies and stakeholders. A summary of 139 good practices was published by Japanese companies with regard to the circular economy in September 2021.

Maldives – Ocean Preservation

Preserving the oceans is a national priority due to its economic importance, as the source of 60% of its GDP. Banning eight varieties of single use plastics since 1 June, 2022, aims to reduce energy use and waste, while leading to value creation for plastic product collection through partnerships with industry.

Saudi Arabia – Circular Carbon Economy Program

The program promotes circularity through circular approaches aiming to address both material wastes and emissions flows and could contribute to sustainable global trade by promoting solutions adapted to country's individual needs, circumstances, and priorities. Carbon removal could be an additional step in the circular cycle beyond the cycle of reduction, reusing, and recycling and could have positive effects on the extraction of natural resources by reducing emissions.

Switzerland – Plastic and electronic recycling rules (e.g. Environmental Protection Act, Ordinance on Beverage Containers)

National system to recycle PET, beverage containers made from aluminium and glass bottles through a federal regulation and minimum threshold of recycling (a tax will be introduced only if the recycling threshold is not met).. Waste bottles that cannot be recycled are incinerated to produce electricity and heat. For electric and electronic equipment, an advance recycling contribution is included in the purchase price.

United States – Sustainable materials management and national recycling strategy

The concept of sustainable materials management (SMM) aims at the systemic and productive use and reuse of materials over their life cycles, with limited impacts on the environment. The National Recycling Strategy, aims to create a more resilient and cost-effective national recycling system. And create more equitable access to recycling services reduce waste while promoting recycling and trade in recycled materials.

4.4 Trade-related policy issues

4.10. Presentations by stakeholders and the Secretariat contributed to discussions among Members on trade-related policy issues:

Presentations
<p>BRS Convention Secretariat – Identification of used goods and trade in recycled materials, work on Prior Informed Consent (PIC) procedures and recent updates to the Basel Convention to address trade in e-waste</p> <p>Opportunities linked to trade in e-waste, including its high recycling value, work on the 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.</p>
<p>ICC – The circular economy and international trade: Options for the WTO</p> <p>The presentation provided an overview of trade policy obstacles such as standards and conformity assessment, export restrictions, subsidies, classification of end-of-life-products, tariff protection, or quantitative restrictions affecting a circular economy transition and pointed to challenges in measuring trade in secondary raw materials, second-hand goods and goods for remanufacturing due to the lack of specific HS codes. Regarding options for possible deliverables in the WTO, it was suggested that Members could include circular economy goods and services in possible revived EGS talks; revive and extend previous work on non-tariff measures on remanufactured goods; or work towards a set of common principles and sectoral best practices regarding trade-related circular economy measures.</p>
<p>OECD – Opportunities and challenges to establish cross-border reverse supply chains</p> <p>Based on findings from the report entitled "Securing reverse supply chains for a resource efficient and circular economy: What role for trade facilitation mechanism and standards?", potential trade barriers to waste and end-of-life products include trade restrictions, procedural burdens or definitional challenges. Policy responses to promote reverse supply chains towards a resource-efficient circular economy include trade facilitation mechanisms, standards on recovery facilities and on end-of-life products, eco-design, tackling illegal waste trade, and addressing trade restrictions to the extent possible.</p>
<p>WEF – Possible vertical and horizontal approaches for circular trade</p> <p>Presentation on trade-related challenges and possible solutions for improving e-waste recycling, as well as what trade policy could more broadly do to support the momentum towards a global circular economy. Opportunities related to e-waste recycling included tapping into approximately USD 57 billion in materials like iron, copper and gold, and critical materials for green energy transition, creating new jobs, and reducing emissions by replacing primary extraction of materials with recycling. It also highlighted challenges pertaining to the transboundary movement of electronics and e-waste under the PIC procedure of the Basel Convention and suggested exploring digitalization and improving cooperation between environment and trade policy to bring trade facilitation expertise to hazardous waste trade management.</p>
<p>WCO Secretariat – Challenges in distinguishing used goods and recyclable materials from waste in customs procedures</p> <p>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.</p>
<p>WTO Secretariat – Overview of trade-related policy issues, sector aspects and other elements which could serve as a basis for a mapping exercise</p> <p>Overview of trade-related policy issues, including 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.</p>

4.11. Members broadly highlighted that trade could play an important role in supporting the transition towards a circular economy, and pointed to a number of trade policy issues relating to reverse supply chains, waste and non-waste products, and more broadly to the circular economy. Issues raised, inter alia, include the potential of trade facilitation and related systems to support

reverse supply chains; collaboration between arrangements for the WTO Trade Facilitation Agreement and programs under the auspices of the WCO; challenges of developing countries with imported waste management and the need for capacity building and technological assistance to help them improve their recycling and harmless disposal capabilities; importance of clear rules concerning the distinction between waste and non-waste to favour value-retention processes, while at the same time protecting the environment and human health; the need for more granular customs data to be able to distinguish waste from recyclable materials; the need to cooperate on technical barriers to trade including different standards for product design and packaging requirements, the need to improve market access for recycled and remanufactured goods, including by not treating them as waste, which some Members noted was without prejudice to the Basel Convention; the need to better integrate recycled materials into product and packaging designs; opportunities from information sharing on regional circular economy initiatives to inform how developing and LDC Members could work with regional partners on creating circular value chains.

4.5 Stakeholder inputs

4.12. Stakeholders contributed substantially and substantively to the discussions of the Working Group. Among others, the United Nations Environment Programme (UNEP) shared information regarding ongoing projects to promote circularity in sustainable textile value chains building on the "[Sustainability and Circularity in the Textile Value Chain](#)" report, the United Nations Economic Commission for Europe (UNECE) shared information on a policy report on "[Accelerating the Circular Economy Transition in the UNECE Region: Policy options for harnessing the power of trade and economic cooperation](#)", and UNIDO provided updates on its programming framework aiming to advance climate neutral industry and circular economy and focus on value chains which could provide structural transformations such as bioeconomy, plastics, textiles, electronics, or construction.

4.13. Stakeholders pointed to a number of elements that could be covered by the discussions, including the need to improve transparency and traceability of value chains, improve clarity in definitions and classification of waste, harmonize circular economy-related standards, mapping circular economy policies with trade implications across a products life-cycle, or focusing on key value chains in sectors including electronics, chemicals, textiles or agriculture. Stakeholders offered to contribute to the discussions through their experiences in other fora or through existing tools, such as the "[UNECE Toolbox on Transparency and Traceability](#)" tracing the environmental and social impacts along supply chains for cotton, leather, minerals, and agri-food, UNIDO's participation in a technical committee of the ISO on definitions of circular economy practices, or the WEF's participation on the Board of the Platform for Accelerating the Circular Economy (PACE). Stakeholders also raised the importance of considering impacts of resource use for developing countries and of a just transition to a circular economy.

5 SUBSIDIES

5.1. Guidance for discussions on subsidies was provided by the Ministerial Statement as well as the following guiding questions included in the Work Plan:

- How can the environmental effects and trade impacts of relevant subsidies be identified?
- What information exists to better understand these impacts and where are there information gaps?
- What are the opportunities to address the environmental impacts of subsidies at the WTO?

5.2. The thematic area of subsidies was discussed in the following plenary and working group meetings. In the plenary meeting on 31 March and 11 April, Members considered a presentation by IISD on different types of subsidies applicable to fossil fuels and agriculture, and shared their priorities for discussion in the informal working group. In the working group meeting on 18 May, presentations by the OECD and UNEP provided overviews of existing information on fossil fuel subsidies and on findings from a joint UNEP-FAO-UNDB report regarding environmental sustainability impacts of agricultural subsidies, respectively. Members further shared their experiences on monitoring of subsidies. At the plenary meeting on 19 July, Members exchanged views on the elements they considered important to be addressed by the working group. The working group meeting on 5 October focused on transparency and methodologies to assess environmental impacts, hearing presentations from the WTO Secretariat on environment-related subsidy notifications in the WTO Environmental Database (EDB), the OECD on environmental impacts of industrial subsidies, and from IISD on sources of evidence for evaluating the environmental effects of fisheries subsidies.

Members also discussed opportunities to address the environmental impacts and the identification of information gaps.

5.1 Interests and approach

5.3. Members displayed a broad scope of interests for discussions in the group, including agricultural subsidies, fossil fuel subsidies, industrial subsidies, and green subsidies. Some Members noted the high rate of emissions from the agricultural sector and the impact of subsidies on greenhouse gas emissions could warrant further discussion, although some other Members suggested that these discussions would be better suited to other fora. Similarly, fossil fuel subsidies and industrial subsidies were also noted by some Members as potential topics of discussion due to high emissions from these sectors, while some other Members suggested to have such discussions in other fora.

5.4. A number of Members expressed interest in continuing to discuss the environmental effects of agricultural subsidies. Such Members highlighted the contribution of reducing agricultural subsidies on carbon emissions, as well as the links between agricultural support and environmental impacts such as deforestation, biodiversity degradation, or overconsumption of water which could be relevant elements to discuss in TESSD. It was noted that agricultural subsidies were concentrated in a small number of Members and created distortions in international markets, as many developing countries did not have the fiscal capacity to subsidize agriculture. Other Members suggested that the CoA-SS would be the appropriate forum to discuss agricultural reform, including those with regard to subsidies, and that TESSD should avoid duplicating efforts of other WTO bodies.

5.5. Regarding fossil fuel subsidies, the importance of phasing out inefficient subsidies that encouraged wasteful consumption was recognized by a range of Members. Several Members noted that the work of TESSD on subsidies could offer guidance for the reform of fossil fuel subsidies and for improving transparency and identifying information gaps. Some Members highlighted efforts and commitments made to reform fossil fuel subsidies in different international fora including the UNFCCC, G7, G20, ACCTS and APEC, and suggested building understanding in TESSD on the scale and impacts of fossil fuel subsidies. Another Member noted that addressing fossil fuel subsidies could also present challenges, in particular for developing countries, underlining the importance of ensuring that the transition be gradual and offer inclusive opportunities for sustainable development. It was also noted that discussions should not duplicate the work that would take place under the Fossil Fuel Subsidy Reform (FFSR) initiative and that discussions on fossil fuel subsidies should take place there.

5.6. Several Members also encouraged the inclusion of industrial subsidies in the discussion. It was noted that emissions from metal industries alone accounted for 10% of global greenhouse gas emissions, and that industrial subsidies that led to overcapacity had a large effect on trade and the environment, particularly in emissions-intensive sectors such as steel.

5.7. It was also suggested that discussions could cover "green" or environmentally positive subsidies in order to contribute to the transition towards sustainable production processes and energy sources. Discussions on this topic could build experience within the WTO on the trade impacts of environmentally positive subsidies to complement the existing knowledge on trade impacts of subsidies.

5.8. Regarding possible future work, several Members underlined the importance of transparency and availability of quality data as a priority. Avenues for future work could also include exploring the disclosure of planned measures, as well as obtaining data from relevant international organizations to build a common evidence-based understanding. A number of Members expressed support for focusing discussions on the environmental effects of agricultural subsidies as well as subsidies related to the transition to a low carbon economy. At the same time, some Members displayed different priorities regarding subsidies to be discussed, including industrial subsidies, fossil fuels, or green subsidies. Some Members also expressed interest in sharing experiences on subsidy design, including how to design green subsidies while minimizing trade distortions. 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 improve design or to rationalize, gradually phase out or abolish subsidies, where relevant, based on national circumstances.

5.2 Transparency and methodology of data

5.9. Presentations by stakeholders and the Secretariat illustrated data availability and information gaps regarding subsidies, as well as methodologies and findings regarding environmental impacts.

Presentations
<p>IISD – Sources of evidence for evaluating the environmental effects of fisheries subsidies and how they can inform policy</p> <p>Case studies and modelling on differentiated insights regarding the environmental harmfulness of subsidies and how these informed policy choices in fisheries subsidies negotiations.</p>
<p>IISD – Background presentation on fossil fuel subsidies as well as agricultural subsidies and information availability, and trade-related environmental and development aspects</p> <p>On fossil fuel subsidies, the presentation covered definitional elements and estimates on the amounts of global subsidies, showing that subsidies for fossil fuels globally largely exceeded those for renewable energy. The presentation on agricultural subsidies provided estimates on the amounts of global subsidies, their global and specific environmental impacts, and opportunities to repurpose these towards more positive environmental outcomes.</p>
<p>OECD – Environmental impacts of industrial subsidies, based on findings from a forthcoming report entitled "The climate implications of government support in aluminium smelting and steelmaking"</p> <p>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).</p>
<p>OECD – Overview of the OECD Inventory of Support Measures for Fossil Fuels, methodologies for evaluating FFS, as well as existing information and information gaps relating to FFS</p> <p>Work on tracking fossil fuel subsidies highlighted the need for more detailed data to track progress on fossil fuel subsidy reform and encouraged processes such as reporting and peer reviews to improve transparency and to identify measures to be reformed.</p>
<p>UNEP – Overview of the joint UNEP-FAO-UNDB report ("A Multi-Billion-Dollar Opportunity: Repurposing agricultural support to transform food systems") on agricultural support measures in the context of environmental sustainability</p> <p>The presentation highlighted the adverse impacts of agricultural support on the environment (e.g. through over- or misuse of pesticides and fertilizers) and its repurposing towards investment in public goods and services for agriculture, designed to boost productivity, reduce negative environmental impacts, and achieve better social outcomes.</p>
<p>WTO Secretariat – Environment-related subsidies included in the WTO Environmental Database (EDB)</p> <p>Overview of environment-related subsidies included in the EDB. In 2021, Members had submitted 125 subsidy notifications 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. An increasing number of EDB entries for subsidies were coming from TPR reports.</p>

5.10. Members highlighted the importance of data in identifying the environmental impact of subsidies. Several Members pointed to the need for more transparency and that better tracking and reporting of subsidies was needed. It was noted that empirical findings on the correlation between emissions intensity and government support should encourage an intensification of work to address environmentally harmful subsidies. Further, evidence-based analysis of their effects could help to improve subsidy design and minimize negative externalities, including by assessing the regulatory framework and account for social and developmental impacts. Interest was also expressed in more research on the trade impact of environmentally positive subsidies, as this could provide insights regarding their design.

5.11. Members pointed to the challenge of assessing potential environmental impacts of subsidies due to data shortcomings. The lack of subsidy notifications at the WTO was pointed out, as only around one third of Members had submitted their required subsidy notifications in 2021. Improving transparency and collecting quality data was seen as a first step towards allowing for conclusive analysis. It was suggested to enhance transparency on subsidies at the WTO through existing mechanisms such as notifications or trade policy reviews. Another suggestion was that more information sharing on domestic initiatives in TESSD could support the assessment of environmentally harmful subsidies, which could complement discussions on policy implications in the CTE and SCM Committee.

5.12. Members 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. Noting that the OECD inventory was a valuable tool to understand the current status of fossil fuel subsidies, Members stated that TESSD could work to enhance transparency regarding fossil fuel subsidies.

5.13. The European Union shared information on a [toolbox](#) for phasing out environmentally harmful subsidies in Europe, which investigates the range of environmentally harmful subsidies and those that could be reduced or eliminated.

5.14. Some Members welcomed the idea of creating a matrix of subsidies according to their trade impacts (distortive / non-distortive) and environmental impacts (positive / negative), which could inform discussions on subsidy reform. It was also suggested that a survey of existing studies on subsidies and the environment as well as current practices by Members could be the basis for future discussions in TESSD.

5.3 Stakeholder inputs

5.15. Stakeholders provided inputs to the discussion through presentations and interventions during the meetings. In particular, TESS noted that discussions in TESSD could assess the extent to which existing disciplines or ongoing negotiations may be complemented by an approach that focuses on the sustainability impact of subsidies regardless of their trade distorting nature. TESS noted its efforts to mobilize expertise to help frame discussions around sustainability goals and conditions in the area of subsidies and to start identifying options to advance discussions in this area, considering environmental imperatives as well as trade and wider sustainable development perspectives.

6 FURTHER DISCUSSIONS HELD IN PLENARY MEETINGS

6.1. In addition to the four thematic work areas, discussions also took place in plenary meetings. These included a dedicated focus on developmental dimensions across all four working groups regarding challenges and opportunities for sustainable trade, as well as dedicated focus on perspectives from various regions.

Challenges and opportunities for sustainable trade

6.2. Following an introduction by the EIF, ODI presented highlights of the EIF-funded project "[Aligning climate and trade policy for LDCs and graduates](#)". The presentation highlighted the importance of enhancing climate financing through Aid for Trade, linking technology transfer and capacity building in efforts to liberalise trade in EGS, making the role of technology transfer for LDCs more explicit in the circular economy, and supporting sustainable regulatory frameworks for LDCs.

6.3. On behalf of the LDC Group, the representative of Chad highlighted challenges of climate change adaptation and mitigation for LDCs, including the need to reduce poverty while fostering clean economic growth and increasing their participation in world trade, including through technology transfer mechanisms.

Regional sessions

6.4. Three regional sessions provided experiences at the intersection of trade, climate change, and sustainable development.

6.5. In the regional session on Asia-Pacific, presentations covered the implementation of a single window for accelerated border clearance in Vanuatu, experiences with trade in EGS among APEC Members including a breakdown of goods included in the APEC List of Environmental Goods, and Viet Nam's efforts to promote green competitiveness and sustainability in line with the SDGs.

6.6. In the regional session on Africa, the African Development Bank (AfDB) shared perspectives on the circular economy through examples of capacity-building efforts and technical assistance, based on findings from a survey on national circular economy roadmaps, the Global Shea Alliance highlighted the interaction between trade and sustainable development through the example of shea products which had created jobs and protected wildlife, and the Earth Builders Association shared its experience of south-south technological collaboration to develop innovative building tools to reduce resource use.

6.7. In the session on Latin America and the Caribbean, the International Institute for Cooperation on Agriculture (IICA) highlighted the contribution of the bioeconomy in promoting economic and social growth as well as decarbonization, Agroicone highlighted the experience of the private sector in Brazil with regard to the mutual supportiveness between agriculture and sustainable development, a joint presentation by the United Nations Conference on Trade and Development (UNCTAD) and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) described the protection of the queen conch value chain through Blue Biotrade, a programme to commercialize goods and services according to sustainability guidelines including the conservation and sustainable use of biodiversity, Paccari highlighted efforts by the company to responsibly source and sustainably produce and market products from the cocoa value chain, including through joining voluntary sustainability standards, using compostable packaging, and working to reduce emissions by transitioning to renewable energy sources.
