



WTO TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS

HIGH-LEVEL STOCKTAKING EVENT, 2 DECEMBER 2022

Informal summary by the Co-Convenors¹

The Trade and Environmental Sustainability Structured Discussions (TESSD) High-level Stocktaking Event was held on 2 December 2022. The meeting was chaired by the TESSD Co-convenors Ambassador Nadia Theodore (Canada) and Ambassador Ronald Saborío (Costa Rica), and moderated by Aik Hoe Lim, Director of the Trade and Environment Division.

1 HIGH-LEVEL OPENING

1.1. WTO Director-General Ngozi Okonjo-Iweala underlined the urgency of climate action and that trade was an essential tool for mitigation, adaptation, and fostering a just transition. The WTO had underscored this message at COP27 in Sharm el-Sheikh in Egypt by launching the World Trade Report 2022, which made the compelling case that trade was a force multiplier for global efforts to address climate change, being a means for diffusing green technology and an enabler of greater prosperity and resilience in the face of climate shocks. International cooperation was essential to reap these benefits and prevent increased fragmentation, which would not just be economically harmful, but also make it harder to achieve progress on climate change.

1.2. The Director-General commended TESSD as a trailblazer at the WTO, breaking down silos and cooperating across traditional structures and fields of expertise to find practical solutions to global problems. She encouraged TESSD co-sponsors to maintain their momentum towards MC13 and move from ambition to action by creating a menu of options for expanding sustainable trade, investment, and innovation in support of environmental objectives. She also called on Members to strengthen engagement with vulnerable developing countries such as Small Island Developing States (SIDS) and the LDCs and make use of tools such as Aid for Trade to catalyse sustainable investment and financing. She concluded by encouraging Members to seize the opportunity to identify and deliver tangible outcomes for MC13, and commended them for reshaping the narrative around trade and the environment, demonstrating that trade is part of the solution.

1.3. The Executive Director of the International Trade Centre (ITC), Ms. Pamela Coke-Hamilton, welcomed the consideration of micro, small, and medium-sized enterprises (MSMEs) in TESSD. She pointed to findings of ITC's 2021 SME Competitiveness Outlook, which showed the lesser ability of MSMEs to invest in reducing environment-related risks compared to large firms in Sub-Saharan Africa. She underlined the importance of supporting MSMEs in the transition to a low-carbon economy. ITC was doing so by delivering climate-proofed Aid for Trade to MSMEs, helping them to make their value chains more resilient to climate change, connecting large buyers with climate-smart African businesses, improving access to climate finance, and supporting them to adopt climate technologies and exploit new sustainability export markets. ITC was also helping companies and policymakers navigate the newly emerging trade-related climate measures that were raising uncertainty for exporters.

1.4. She underlined the importance of supportive policies to help MSMEs exploit new climate-related market opportunities and manage risks of social and economic exclusion related to the green transition. She informed members that, in 2023, ITC would bring the voice of small businesses to

¹ This summary, prepared and circulated under the Co-convenors' responsibility, provides a non-exhaustive, illustrative review of the issues addressed by speakers and Members at the event.

TESSD through a new project, which would work in six countries over the next three years to explore how cooperation on trade and trade policies could advance decarbonization, climate adaptation and other domestic environmental priorities.

1.5. The Deputy Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), Mr. Pedro Manuel Moreno, welcomed the attention given to adaptation at COP27, which made clear the importance of the development perspective to the climate transition. In this regard, trade would be crucial to deliver new global supply chains on renewables, the decarbonized maritime industry, and the clean blue economy necessary to meet the Sustainable Development Goals (SDGs). He welcomed that concerns of developing countries and LDCs were reflected across all TESSD topics and noted that UNCTAD would support TESSD by instilling a global development perspective in the discussions.

1.6. He underlined the importance of developing countries enhancing their trade resilience *ex ante* through adaptation measures in sectors such as agriculture, fishing and tourism, and suggested possible work on a WTO climate waiver for trade-enabling climate policies under the Paris Agreement. He stressed that environmental goods and services (EGS) should include those related to the sustainable use of biodiversity and oceans, plastic substitutes and organic agriculture, which were in line with the SDGs and of export interest to developing countries. In this latter aspect, Members of the UN Global System of Trade Preferences among developing countries could explore the idea of launching a new round of negotiations for a sectoral agreement on environmental goods. He mentioned that UNCTAD supported developing countries in creating more circular economies through its Sustainable Manufacturing and Environmental Pollution (SMEP) Programme. Regarding subsidies, he underlined the importance of measuring and effectively notifying environmentally damaging subsidies, and shifting harmful subsidies to sustainable activities, such as the Green Climate Fund and renewable energy support programmes.

2 STOCKTAKING BY THE TESSD CO-CONVENORS

2.1. Ambassador Ronald Saborío (Costa Rica) commended TESSD co-sponsors for advancing and intensifying their work in line with the TESSD Ministerial Statement against the backdrop of a year of polycrisis. He noted that TESSD was an incubator of ideas and projects led by its co-sponsors. While co-sponsors might have different views and levels of ambition, they had been brought together by the recognition that these differences were small compared to the size of the problem posed by climate change and the objective to make trade and the WTO part of the solution. He expressed appreciation for the contribution made by stakeholders to having science- and fact-based discussions, which was one of TESSD's biggest added values. He also invited Members that were not yet co-sponsors to join TESSD in order to bring more diverse voices to the conversation and shape the agenda.

2.2. Looking forward, Ambassador Nadia Theodore (Canada) noted the desire of co-sponsors to increase the depth and focus of discussions and that, as a reflection of this, the four working groups had selected a smaller sub-set of topics for Members to consider going forward, focusing either on specific sectors or on specific types of information exchange or analysis. She noted that TESSD was uniquely positioned to provide a place for these, at times challenging, discussions, because it was an open forum with an agenda based on the interests of Members. She also encouraged co-sponsors to think creatively about how to live up to the goal set out in the TESSD Ministerial Statement to "identify concrete actions that participating members could take individually or collectively to expand opportunities for environmentally sustainable trade in an inclusive and transparent way, consistent with their obligations."

2.3. The Co-convenors expressed appreciation for the work of the facilitators of the four informal working groups on trade-related climate measures (TRCMs), EGS, circular economy – circularity, and subsidies, as well as the support provided by their own technical experts and the Secretariat. They underlined the remarkable progress that had been made by Members in TESSD, which was documented by the Statement by the TESSD Co-convenors (INF/TE/SSD/W/21) and the TESSD Summary Report 2022 (INF/TE/SSD/R/14).

2.4. The Co-convenors Statement outlined work going forward. It was noted that the Working Group on TRCMs would review different forms of carbon measurement standards and discuss the development and implementation process of TRCMs; the Working Group on EGS would pursue an objective-based approach, with the first environmental objective being climate change adaptation

and mitigation, and the first sectoral focus being on renewable energy. The Working Group on Circular Economy – Circularity would undertake a mapping exercise to build a broader understanding of the trade aspects which are relevant to each part of the lifecycle, and pursue sector-specific discussions starting with renewable energy and electronics. The Working Group on Subsidies would focus on environmental effects of subsidies, beginning with agricultural subsidies and subsidies related to the transition to a low-carbon economy.

3 PANEL DISCUSSION: TRADE POLICY, SUSTAINABLE TRADE AND CLIMATE CHANGE

3.1. A panel of four Ambassadors discussed the role of trade in helping Members achieve their climate goals, how TESSD could help advance new ideas on trade and climate at the WTO, as well as related challenges and opportunities for developing countries and LDCs.

3.2. Ambassador Clare Kelly of New Zealand highlighted that the WTO could contribute to environment and climate goals in multiple ways. Trade could facilitate the transition to low-carbon economies through an increased uptake of climate-friendly technologies, goods and services, which were also increasingly included in adaptation and climate resilience strategies. Trade disciplines could also contribute to reducing harmful environmental effects of subsidies, as exemplified by the Agreement on Fisheries Subsidies, efforts by a group of Members to reform fossil fuel subsidies, or the interest in negative environmental impacts of agricultural subsidies. The TESSD working groups helped build the understanding and evidence base for the possible contribution of trade to achieving environmental goals, including on barriers to trade in environmental products, environmental costs of harmful types of subsidies, circular economy and TRCMs. She underlined the need to effectively communicate the relevance of the TESSD agenda. Building empirical evidence to support further action was needed, but discussions could also aim to address challenges faced by LDCs and developing countries, such as food security or natural disaster recovery. Supporting the role of trade in sustainable development and as a means of addressing everyday challenges faced by developing and LDC Members could foster greater engagement in TESSD.

3.3. Ambassador Sofía Boza of Chile highlighted that TESSD co-sponsors shared a common objective of addressing climate change and promoting sustainable development, while having different national circumstances, vulnerabilities to climate change, and levels of development. Chile's share of renewable energy had surpassed coal-based energy production and required imported goods and technologies. In addition, on the most exported products, she mentioned the example of Chilean wines that had acquired carbon neutral certification. Regarding future work in TESSD, she suggested that bridging the trade and environment regimes could help find consensus and build understanding on how to work collectively towards addressing climate change without unnecessarily restricting trade. For instance, the Working Group on TRCMs could work to build a common understanding on carbon measurement, certification, and consider carbon sequestration, while advancing discussions in a focused manner that avoided duplication efforts ongoing elsewhere. She noted that developing countries faced challenges in the three dimensions of sustainable development and the efforts of MSMEs to reduce their emissions while facing challenges in acquiring certification. Discussions in TESSD demonstrated the importance of promoting climate and trade policies which incorporated the impacts of their implementation into their design, and avoiding in particular the creation of unnecessary barriers to trade. With regard to future work, she encouraged the discussions to maintain a just, socio-environmental transition as a guiding principle, including by supporting LDCs and developing countries through technology transfer, capacity building and technical assistance.

3.4. Ambassador Muhammadou Kah of The Gambia noted that international trade could play a role in supporting efforts to foster climate-resilient sustainable development. Such efforts could be achieved through increased Aid for Trade, technical assistance and capacity building to transform systems and help achieve a low-carbon transition, but which should also allow sufficient policy space, thereby reflecting the principles of special and differentiated treatment (SDT) and common but differentiated responsibilities (CBDR). The TESSD working groups could allow for deeper experience sharing and building evidence, including through the participation of stakeholders, such as international and regional organizations, to provide diverse views and ideas. He further highlighted that developing countries and LDCs were already conscious of the benefits and challenges in engaging in sustainable trade, and that many had mainstreamed climate change considerations into their trade policies and national development strategies. He suggested that outreach efforts could be intensified, for instance, through greater assurance that TESSD work was consistent with the WTO and international climate agreements, was not intended to duplicate the work of relevant WTO

committees and bodies, and was a non-negotiating initiative that supported the objectives enshrined in the Marrakesh Agreement.

3.5. Ambassador Petter Ølberg of Norway noted the importance of TESSD in reshaping the narrative around trade and the environment, where trade could contribute to climate and environment goals. Trade could contribute to climate mitigation by increasing the diffusion of low-emission goods and services and reducing their costs, such as for wind turbines, or contributing to climate adaptation by improving preparedness and management of climate change consequences. In addition, making trade more environmentally friendly through decarbonizing of the transport sector and shipping could contribute to reducing global emissions. With regard to the working groups, he noted that discussions could help reduce trade tensions, build on experiences in RTAs, or build common understandings. He said that trade provided developing countries and LDCs with opportunities to acquire low-emission solutions and leapfrog developmental stages. On the other hand, LDCs and developing countries faced challenges in participating in global value chains of environmentally friendly products, which required skilled work forces as well as a perception of higher risk. Overcoming such challenges could be possible through investment, including through the fund established at COP27 for loss and damage, as well as the existing Green Fund to invest in infrastructure in LDCs.

4 STATEMENTS BY AMBASSADORS

4.1. A total of 22 Members took the floor to share their views on discussions and priorities in TESSD.² Several Members underlined the need to continue collaborating to identify concrete outcomes, build trust and transparency, increase co-sponsorship by developing countries, and revitalize discussions in the Committee on Trade and Environment (CTE).

4.2. Members commended as the fact that discussions had progressed on substance and become more technical. The deepening and widening focus of discussions within a short timeframe since the launch of the Ministerial Statement in December 2021 was characterized as reflecting the increased trust and understanding among Members. Several Members highlighted the importance of advancing towards concrete outcomes that could contribute to addressing environmental challenges and demonstrate that trade was part of the solution. According to some Members, concrete outcomes from TESSD could also include the identification of best practices, guidelines or soft law. Other members suggested that TESSD could work towards liberalization and facilitation of trade to spread goods and technology, and support efforts on trade monitoring and dispute settlement.

4.3. Several Members underlined the importance of reflecting developing countries' needs and interests in the discussions, including technology transfer, access to markets, technical assistance and capacity building, investment and finance, and challenges faced by MSMEs. It was suggested that TESSD could deepen its focus on incentives for decarbonization, reflecting efforts from the Bridgetown Initiative, which aimed at driving investment for sustainability for climate-vulnerable economies. A number of Members noted the importance of sustainable development and its three dimensions – environmental, social and economic – in TESSD, as well as their linkages to the Marrakesh Agreement and the achievement of the SDGs. Some Members pointed to the principle of CBDR, as the effects of climate change would impact Members in different ways relative to their means and capacities.

4.4. A Member suggested that some discussions, in particular, those which included principles such as SDT, could be transitioned or more actively taken up in the CTE. Another Member suggested that Aid for Trade issues could be given a more central focus. It was also suggested that TESSD could consider addressing the issue of trade and natural disasters, and deepening cooperation with the Committee on Trade and Development, with a view to developing an action plan. Several Members suggested that more efforts were needed to increase the co-sponsorship of TESSD. Efforts to enhance inclusiveness and transparency could include briefings with regional groups or in other WTO bodies.

4.5. Several Members welcomed the useful contributions from external experts and stakeholders, which had helped deepen the technical discussions in TESSD. It was suggested that TESSD could

² Australia, Barbados, Brazil, China, Colombia, Ecuador, European Union, Fiji, Iceland, Israel, Japan, Maldives, Mexico, Panama, Kingdom of Saudi Arabia, Singapore, Switzerland, Chinese Taipei, Türkiye, United Kingdom, United States, and Uruguay.

further expand engagements with stakeholders, including with the private sector, to enrich discussions and broaden perspectives on how the WTO could play a role in environmental sustainability.

4.6. Concerning the Working Group on TRCMs, several Members welcomed the suggested approach in the Co-convenors Statement of reviewing the different forms of carbon measurement standards. Some Members also underlined the importance of discussing trade aspects of implicit and explicit carbon pricing, methodologies for carbon measurement, or the need to deepen analyses of carbon pricing and border carbon adjustment measures. It was noted that measures to prevent carbon leakage should focus on the difference in domestic and foreign carbon intensities, which reflected the sum of government measures and companies' efforts.

4.7. Some Members highlighted the importance of TRCMs' compliance with WTO rules, Multilateral Environmental Agreements and related principles, such as CBRD, as well as commitments included in their Nationally Determined Contributions (NDCs) under the Paris Agreement. Certain members proposed that targeted funding and technical assistance should be provided to developing countries and LDCs. A Member also encouraged work to identify means to support developing countries to comply with requirements linked to TRCMs.

4.8. Some Members noted that the WTO and dedicated fora such as the CTE, could further promote transparency on the design of TRCMs, and that the work of TESSD could revitalize engagement and discussions on such topics in the CTE. With regard to potential outcomes, a Member noted that discussions could aim to develop best practices of TRCMs in order to ensure greater mutual supportiveness between trade and climate change policy.

4.9. For the Working Group on EGS, Members broadly welcomed the proposed way forward to focus on climate mitigation and adaptation as an objective and renewable energy as a first sector. Several Members welcomed further experience sharing in the discussions based on efforts and lessons learned from concluded and ongoing regional initiatives. It was noted that one reference point could be the Singapore-Australia Green Economy Agreement, which included a list of 372 environmental goods and 155 environmental services. Such examples of experience sharing could provide incremental steps towards the identification of goods and services.

4.10. Several Members suggested that the identification of EGS required further exploration. In particular, some Members said that discussions could identify the best approach to determining relevant EGS, possible trade actions to facilitate their dissemination and investment, and ensure that a possible list of goods reflected the interests of many Members. A Member noted that discussions concerning the tariff classification of goods and cooperation with the World Customs Organization (WCO) would be beneficial in advancing the discussions.

4.11. Several Members also noted the importance of identifying and overcoming non-tariff barriers based on Members' experience, including improving transparency, reducing burdens of compliance, and identifying the most significant non-tariff barriers based on stakeholder and business perspectives. In addition, continued exchange on policies to improve the development of international standards and government procurement to enhance the dissemination of environmental goods were important. Several Members also noted the importance of discussing regulatory cooperation, technical cooperation and technology transfer, capacity building and sustainability standards. A Member mentioned that the identification of goods and services and the start of negotiations would be an important deliverable from the TESSD process.

4.12. Regarding the Working Group on Circular Economy – Circularity, Members welcomed the proposed mapping exercise to identify the intersecting points of trade and the circular economy. A Member said that the mapping exercise should be conducted before deepening discussions into specific sectors, whereas another Member noted that sector-specific discussions on renewable energy and e-waste could help in deepening understandings of trade-related issues in the circular economy.

4.13. Several Members underlined the importance of future discussions covering the entire lifecycle of products. A Member suggested that discussions could benefit from further experience sharing and from expert insights, particularly to identify the issues that can hinder the transition to a circular economy, and regarding traceability and trade in waste. It was also suggested that discussions

should prioritize trade facilitation for goods and technologies that contributed to the circular economy. The identification of environmentally friendly products as substitutes to environmentally harmful, non-recyclable products could also contribute to achieving the circular economy.

4.14. With regard to trade in waste, a Member encouraged further efforts to domestically dispose of waste to avoid environmental and human health issues, in particular regarding e-waste. Several Members underlined the importance of supporting developing countries, including to foster their participation in circular value chains, or to improve their waste recycling and disposal capacities.

4.15. For the Working Group on Subsidies, a number of Members welcomed the proposed focus on positive and negative environmental impacts of subsidies. It was noted that subsidies could be designed to support objectives such as food security or the protection of biodiversity, or have positive environmental effects. For instance, subsidies for pest management could reduce the use of chemical pesticides, or subsidies for soil conservation could reduce water evaporation and reduce erosion, and that such potential positive contributions should be considered when discussing agricultural subsidies. A Member noted that discussions regarding subsidies to enable a transition to a low-carbon economy could be challenging for developing country Members, and that discussions could instead cover financing or investment towards a low-carbon economy.

4.16. Several Members noted that specific discussions on agricultural subsidies could help advance efforts on reform, as well as efforts to promote sustainability in the WTO, with research from international organizations highlighting the negative effect of agricultural subsidies on the environment. A Member suggested that sustainable agriculture should be provided a more central focus in TESSD discussions, while another Member suggested that measures such as technical regulations to encourage non-deforestation, and the effectiveness of such measures, could also be discussed within the Working Group.

4.17. A number of Members also noted their interest in areas such as industrial subsidies or fossil fuel subsidies and their impacts on emissions and trade. Discussions on industrial subsidies could also include elements regarding positive aspects, including how industrial subsidies could best contribute to the environment while avoiding trade distortions. Several Members also noted that discussions on subsidies should avoid duplication with work in other committees, including the Committee on Agriculture or the Committee on Subsidies and Countervailing Measures. A Member suggested that discussions could be more effective if focused on cross-cutting themes rather than specific sectors, for instance, transparency and design. Examining the positive and negative effects of subsidies could contribute to improving domestic policymaking.

5 STAKEHOLDERS' VIEWS AND PERSPECTIVES

5.1. Stakeholders broadly welcomed the progress made in the initiative and the opportunity to contribute substantive experience to the discussions. Several stakeholders noted the opportunities for cross-cutting cooperation beyond the WTO, including with civil society or Members at different levels of development. The Organisation for Economic Co-operation and Development (OECD) emphasized the need for more data and analysis on the interaction between trade and environmental policies in order to effectively support ambitious climate action. Among other things, it highlighted findings from its sectoral analysis that government support in emissions-intensive industries exacerbated both trade-related and environmental issues. The World Economic Forum (WEF) emphasized the need for collaboration, the urgency involved in the public goods at issue, and the importance of working towards credible and implementable outcomes towards MC13. It also highlighted their active participation in all topics discussed at TESSD, including the WEF's industry interviews which found that non-tariff barriers were more significant trade barriers than tariffs. The United Nations Industrial Development Organization (UNIDO) highlighted its efforts to promote inclusive and sustainable industrialization in order to create a level playing field, and its technical assistance efforts in electronics, plastics, textiles, construction and bioeconomy value chains. It also provided inputs on how it could support discussions on TRCMs and circular economy.

5.2. The United Nations Environment Programme (UNEP) underlined the importance of work on environmental sustainability, and reflecting the priorities, opportunities, and challenges facing developing countries. The United Nations Economic Commission for Europe (UNECE) noted that its work was particularly relevant to discussions on EGS and the circular economy. The International Chamber of Commerce (ICC) acknowledged that TESSD was playing a critical role in helping unlock the potential of circular models and advancing environmentally sustainable trade. Engagement with

businesses would be key to help delegates understand critical issues and possible trade policy solutions. The Quaker United Nations Office (QUNO) indicated that its work in 2023 would particularly relate to discussions on subsidies and EGS. The Forum on Trade, Environment and the SDGs (TESS) encouraged participants to redouble efforts to include developing countries in this work, including SIDS and LDCs. It also noted that issues like Aid for Trade and finance would be vital for developing countries to participate in sustainable trade.

6 CLOSING REMARKS BY DDG PAUGAM

6.1. In his closing remarks, DDG Paugam welcomed the progress made by TESSD and its contribution to advancing the issues of environmental sustainability and climate change in the global trade agenda. Reflecting on the discussion, he encouraged Members to move towards concrete actions for MC13, which could be informed by producing a catalogue of existing TRCMs in WTO. He further encouraged Members to continue working with stakeholders to facilitate a dialogue with the private sector on standards, as well as strengthening their outreach efforts and increasing the diversity of TESSD participants, including by building synergies with other WTO agendas such as the Aid for Trade Initiative.
