



WTO TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS

MEETING HELD ON 31 MARCH AND 11 APRIL 2022

Informal summary by the Coordinators¹

The seventh plenary meeting of the Trade and Environmental Sustainability Structured Discussions (TESSD) was held on 31 March and 11 April 2022. The meeting was chaired by the TESSD Coordinators, Ambassador Stephen de Boer (Canada) and Ambassador Gloria Abraham Peralta (Costa Rica). The agenda for the meeting was contained in document INF/TE/SSD/CN/7/Rev.1. In keeping with TESSD's open, transparent and inclusive approach, all WTO Members had been invited to attend the meeting.

1 INTRODUCTORY REMARKS BY THE COORDINATORS

1.1. The TESSD Coordinators said that the TESSD reflected Member's belief that trade and trade policy can support the achievement of environmental and climate goals, and that the WTO has a role to play, both as a venue for discussion and for joint action. They noted that the objective of the meeting was to discuss paths forward for the topics identified in the Work Plan (INF/TE/SSD/W/17/Rev.1). They thanked the delegates who agreed to take on the roles of facilitator of the four informal working groups on trade-related climate measures (Switzerland and Türkiye), environmental goods and services (Ecuador and Norway), circular economy – circularity (Chile and Japan), and subsidies (Iceland and Uruguay). Following the remarks by the Coordinators, several delegations took the floor to express their positions on the conflict in Ukraine.

2 TRADE-RELATED CLIMATE MEASURES

2.1. The Secretariat presented an overview of different types of trade-related climate measures (TRCMs) and information included in the Environmental Database (EDB). The presentation noted that 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%), conformity assessment procedures (13%), tax concessions (13%), and import licences (8%). The presentation also provided an overview of TRCMs, broadly distinguishing between three types: (i) climate requirements that condition market access; (ii) price and market mechanisms; and (iii) support and financial programmes.

2.2. A second presentation by the Secretariat briefed Members on an informal technical workshop on trade and climate change modelling among staff of international organizations (IMF, OECD, UNCTAD, World Bank, and WTO) to share information on their respective ongoing analytical work. 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

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

difficulties in accounting for non-price-based regulations. The workshop also illustrated that climate change featured prominently in the research agendas of these international organizations.

2.3. On behalf of the facilitators of the informal working group on TRCMs (Switzerland and Türkiye), the representative of Türkiye suggested that Members could reflect on the implications of TRCMs on environmental, economic and social development, and discuss principles and benchmarks in designing TRCMs to contribute to sustainability. Several Members took the floor to indicate their priorities for discussion in the informal working group, including definitions and general principles for TRCMs, the compatibility of measures with WTO rules and their design features, measures to address carbon leakage, increasing transparency among WTO Members, including for calculating embedded emissions, and means to minimize trade distortions. Certain Members also noted that discussions should include technical and sustainability standards, including on agricultural products, as well as developing country challenges and impacts.

2.4. A number of Members shared their experiences on TRCMs. The representative of China noted that its national carbon market had started online trading in July 2021, representing a significant step in helping China reduce its carbon footprint and meet emission targets. The representative of Switzerland informed on a tax relief on biofuels to reduce CO₂ emissions in the transport sector. The tax relief was granted to importers and manufacturers who could demonstrate that their biofuel met ecological and social requirements, including that emissions were at least 40% lower than those from fossil fuels; environmental impacts were not significantly higher than those of fossil fuels; production requirements that did not require the conversion of carbon-rich land, and that production only occurred on legally acquired land through socially acceptable production conditions in accordance with the fundamental conventions of the International Labour Organization (ILO).

2.5. The representative of Canada highlighted Canada's ambitious carbon pricing policies aimed at progressively increasing the price of carbon from CAD 15 per ton of CO₂ in 2023 to CAD 170 per ton of CO₂ in 2030. In this context, mitigating carbon leakage risks was a policy objective to ensure that it did not undermine the effectiveness of Canada's carbon pricing policy. Currently the risk of carbon leakage was addressed through the design of domestic carbon pricing systems using free allocations to reduce costs for emissions-intensive and trade-exposed industries. In addition, consultations were ongoing regarding border carbon adjustment as a possible policy tool to address carbon leakage risks and competitive pressures as Canada would increase its carbon price.

2.6. The representative of the European Union shared an update on the ongoing process to implement its Carbon Border Adjustment Mechanism (CBAM). On 15 March 2022, the European Council had agreed on the general approach and provided a mandate for talks with the European Parliament. The most significant amendments suggested by the Council concerned: (i) increased centralization at EU level of various tasks relating to the governance of the CBAM; (ii) the introduction of a *de minimis* clause exempting small consignments of goods from the application of the CBAM; (iii) the persons responsible for CBAM obligations in cases of indirect customs representation; and (iv) additional elements in respect of the review clause. Next legislative steps would be a vote on the CBAM in the European Parliament, following the adoption of a report by the responsible standing committees. Following the adoption of the European Parliament, direct talks between the Council and Parliament would take place.

2.7. The representative of Türkiye said that a national Climate Council had been convened in February 2022 to lay out a roadmap to achieve the Government's 2053 carbon neutrality target announced at COP26, including recommendations on greenhouse gas (GHG) reductions, green finance, carbon pricing, adaptation, migration, science and technology, and social policies to achieve a just transition. It was expected that the Council's decisions would help prepare the ground for establishing the legal and institutional infrastructure for a climate change law as well as a national carbon pricing system.

2.8. The representative of the Kingdom of Saudi Arabia provided information on the recently announced Saudi Green Initiative (SGI) and Middle East Green Initiative (MGI). As part of the SGI, the Kingdom of Saudi Arabia would collaborate with other countries on deploying new technologies and innovative approaches, for instance with Germany on developing and deploying hydrogen technologies as a new source of energy. Under the MGI, the Kingdom of Saudi Arabia aimed to implement initiatives in collaboration with countries across the region as well as multilateral development banks (MDBs).

2.9. The representative of the United Kingdom underlined the United Kingdom's new climate change target to cut emissions by 78% by 2035 compared to 1990 levels, and ambitious carbon pricing through its emissions trading scheme and Carbon Price Support mechanism. The Government's Net Zero Strategy, published in October 2021, set out specific measures for transitioning to a low carbon economy, alongside plans to cut emissions across the economy included in the Energy White Paper, North Sea Transition Deal, Transport Decarbonization Plan, Industrial Decarbonization, Hydrogen and Heat and Buildings Strategies.

2.10. Stakeholders highlighted their efforts to promote engagement, understanding, and actions on trade and climate change. The representative of the Forum on Trade, Environment and the SDGs (TESS) noted plans to prepare policy briefs and create dialogues to support the participation of LDCs, including through a multi-stakeholder platform with developed and developing countries and non-state actors to explore the nexus between trade and sustainable development. The representative of the International Trade Centre (ITC) provided information on the SME Competitiveness Outlook 2021, which was focused on empowering the green recovery; the ITC Standards Map, which was the world's largest database on voluntary sustainability standards; as well as regarding ongoing efforts to support MSMEs in implementing green business practices and strategies. The representative of the United Nations Industrial Development Organization (UNIDO) provided information on initiatives to reduce industrial emissions through increased sustainability measures and alternative technologies including hydrogen. Another initiative aimed to decarbonize heavy industries by developing a common global approach, production standards, and reporting systems. It also aimed to generate demand for green steel and cement through green public procurement.

3 CHALLENGES AND OPPORTUNITIES FOR SUSTAINABLE TRADE

3.1. Following an introduction by the Enhanced Integrated Framework (EIF), ODI presented highlights of the EIF-funded project "Aligning climate and trade policy for LDCs and graduates". As part of the project, expert group and high-level meetings with LDCs had been organized, and three thematic briefings on: (i) climate finance and aid for trade; (ii) carbon markets and standards; and (iii) technology had been produced. The presentation highlighted the need to better integrate climate change into aid for trade and trade into climate finance, as well as challenges for LDCs to access climate finance, with adaptation finance being particularly important for LDCs. The presentation also underlined the importance of technology transfer and capacity building complementing possible liberalization of trade in Environmental Goods and Services (EGS); making the role of technology transfer for LDCs more explicit in the circular economy; and supporting sustainable regulatory frameworks in LDCs, including for setting up systems for GHG accounting and covering costs of certifying emissions embedded in exports.

3.2. The representative of Chad, on behalf of the LDC Group, 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. He underlined the need to align aid for trade and climate financing, mentioning EIF's efforts to align its diagnostic trade integration studies and support with nationally determined contributions and national adaptation programmes of LDCs. For LDCs, any effort to liberalize trade in EGS would need to be accompanied by technology transfer mechanisms and increased trade-related support to strengthen absorptive capacity. He said that MC12 would be an opportunity to support the integration of sustainability considerations into WTO work and to show the important role of the Committee on Trade and Environment as a forum for dialogue on trade and environmental measures.

3.3. The representative of the United Kingdom welcomed the insights of the presentation, in particular the suggestions to align types of financial support, the need for trade analysis of climate finance, and for greater integration of climate change in trade objectives. He suggested that progress in climate financing should be done in an inclusive manner, and that future work on carbon standards and markets, aid for trade, and technology could help achieve the green transition.

4 ENVIRONMENTAL GOODS AND SERVICES

4.1. The Secretariat presented a factual note (INF/TE/SSD/W/18) on experiences in the promotion and facilitation of trade in EGS. The note focused on experiences in the WTO (multilateral negotiations under the Doha Development Agenda, and plurilateral negotiations on an Environmental

Goods Agreement), and also covered experiences from outside the WTO (Asia-Pacific Economic Cooperation and Regional Trade Agreements), 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.

4.2. Members expressed appreciation for the note in helping improve common understanding of past experiences and informing discussions in the working group. Members broadly agreed that climate and other environmental objectives should be at the centre of discussions on EGS. Members highlighted various aspects that could be advanced through the informal working group including the identification of environmental goods and related criteria, measures to address non-tariff barriers, environmental services, involvement of stakeholders, as well as ongoing efforts in other initiatives such as APEC or RTAs.

4.3. Several Members suggested that discussions could start by focusing on products and technologies that contribute to climate objectives such as the reduction of GHG emissions. A Member also expressed interest in discussing technologies to increase efficiency or related to carbon capture and storage. A number of Members suggested a staged approach where the working group would focus on only one objective before moving on. It was suggested that climate mitigation – renewable technologies for energy and energy efficiency goods – could be a starting point. Another Member suggested that addressing EGS should follow a project-based framework.

4.4. A number of Members also suggested discussing the environmental impacts of trade in EGS. One Member suggested discussing the criteria for evaluating the environmental benefits of goods and services. Another Member suggested that discussions should evaluate the full lifecycle and supply chain of environmental goods including whether these goods were produced in an environmentally sustainable manner and under fair working conditions. A few Members also expressed interest in discussing how to capture the future development of technologies, the dissemination of technology through trade in EGS, as well as the promotion of research and development of new products and technologies.

4.5. Several Members highlighted the importance of addressing non-tariff barriers and regulatory measures in EGS in the discussions. In this regard, a Member expressed interest in discussing supply chain resilience, the adoption of standards, and improving the transparency of environmental regulations. A number of Members also expressed interest in discussing environmental services, and that such discussions should be conducted in parallel and support work on environmental services in the Council for Trade in Services in Special Session. Certain Members also noted ongoing efforts in other initiatives, such as APEC or RTAs, to advance discussions on the liberalization of trade in EGS. It was noted that a reference list of environmental and environmentally related services had been adopted at the APEC Ministerial Meeting in November 2021, which could serve as a reference for discussions on environmental services.

4.6. Several Members suggested that discussions should include a dedicated focus on 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, including for the use of drones, mobile applications, and genetic modification or gene editing to allow for increased plant protection and adaptation to different climate realities.

4.7. As part of the stakeholder discussion, the representative of TESS informed on its efforts to contribute to discussions in TESSD, including through the organization of round tables that could help identify approaches to discuss regulatory cooperation, equivalence, or government subsidies. The representative of the World Economic Forum (WEF) noted WEF's collaboration with industry to identify non-tariff barriers and relevant technologies to support the HS 2027 update, as well as climate-related services and technologies that could contribute to addressing environmental challenges.

5 CIRCULAR ECONOMY – CIRCULARITY

5.1. The Secretariat provided an aide-mémoire on circular economy issues presented at the previous meeting, including challenges such as lack of information in assessing trade flows, policy obstacles in achieving a circular economy including standards and conformity assessments and HS classifications, and potential deliverables including extending previous work on non-tariff barriers or the development of common principles and best practices.

5.2. The facilitators (Chile and Japan) of the working group provided their preliminary thoughts on future work, suggesting to possibly narrow down the focus of discussions, for instance by identifying specific sectors, cross-border supply chain issues, or business models that could enhance cross-border circularity. Developing country perspectives would be an essential part of the working group discussions and it was important to ensure complementarity with discussions in other fora such as the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP). The facilitators suggested that Members could collaborate with bodies working on environment, customs, economic, and industrial issues to integrate expertise and data from other work areas.

5.3. A Member suggested that working group discussions could cover: (i) the circular economy in the context of value chain integration, particularly for developing countries; (ii) technical standards and regulations to enhance productivity and efficiency in the use of raw materials, water, and energy; and (iii) the promotion of technology transfer as well as cooperation for the circular use of material flows and the extension of material lifetimes through technological innovation. The Member also stressed the need to ensure that trade for the circular economy was inclusive and value-creating. Another Member suggested that the working group could examine recent research, which suggested that: (i) many trade barriers were linked to import and export restrictions on circular-economy related trade commodities; (ii) there was a lack of data on circular economy-related trade flows and internationally accepted definitions; (iii) barriers also impeded the adoption of CE-enabling technologies; and (iv) the importance of developing international standards, transparency, data, common definitions, and cooperation to advance trade policy in support of a transition to a circular economy.

5.4. Another Member noted that recycling supply chains were dependent on trade and trade policy, including trade facilitation for reverse supply chains. Closing the circular economy loop would require rules and policies to facilitate aggregation of sufficient quantities of materials to recycle, in part by working to improve markets for recyclable materials and products and by better integrating recycled materials into product and packaging designs. The Member suggested that the working group could discuss barriers impeding circular trade, particularly by identifying the bottlenecks that limit reuse, repair, refurbishment, remanufacturing, and recycling of goods.

5.5. Several Members shared experiences regarding ongoing policy efforts to enhance the circular economy. The representative of Japan said that Japan had implemented a number of policies to promote the transition to a circular economy. Based on collaboration between government, industry and the public, significant achievements in enhancing the circular economy were made through means such as eco-friendly design, waste separation and collection, and high-level recycling systems. In March 2021, Japan had established a domestic circular economy partnership ("J4CE") to promote collaborative efforts and strengthen public-private alliances among companies and stakeholders, as part of which a compilation of good practices by Japanese companies had been published in September 2021.

5.6. The representative of Colombia noted that its circular economy strategy, adopted in 2019, prioritized actions in six areas: industrial materials and consumer goods, packaging, biomass, energy, water, and construction materials. National and regional pacts and roundtables were being used to foster engagement among government, private sector, civil society and academia, and promote public-private partnerships and circular economy projects. Recent policy initiatives aimed to recover 10% of packaging materials (plastics, glass, aluminium and paper), which would involve reintegrating more than 200,000 tonnes of waste into value chains, and further developing the reuse of wastewater as well as construction materials.

5.7. The representative of the Kingdom of Saudi Arabia presented its efforts to promote circularity through circular approaches aimed at addressing both material waste and emissions flows. This could

contribute to sustainable trade by promoting solutions adapted to the country's specific needs, circumstances, and priorities. He also described efforts to integrate carbon removal as an additional step in the circular cycle beyond reduction, reuse, and recycling. It was noted that the removal of carbon emissions could have positive effects on the extraction of natural resources by reducing emissions, and that improving access to technology could help the dissemination of necessary technologies.

5.8. The representative of the European Union noted that a recent European Commission proposal aimed at making sustainable products the norm, with product design and information flow being key elements. During negotiations of RTAs, the European Union sought to include commitments that promoted the circular economy such as the sustainable use of raw materials; facilitation of market access for repairing, recycling, and maintenance services; abolishing tariffs on repaired and remanufactured goods; as well as the inclusion of provisions to effectively implement multilateral environmental agreements.

5.9. The representative of Canada highlighted its efforts to achieve a more circular economy through better design and use of resources to reduce waste and increase economic opportunities. He noted that the Government was taking ambitious action to eliminate plastic waste by 2030 and its further priorities included circularity in government procurement, mining and forestry, and food waste. The Government was committed to implementing a "right to repair" that would help extend the lifetime of appliances, and was developing a strategy to encourage value-retention processes, including through remanufacturing, refurbishment, reuse, and repair to extend a product's service life.

5.10. The representative of the Republic of Korea said that the Government had formulated the "Korean (or K)-Circular Economy Implementation Plan" at the end of 2021 with the goal of reducing waste and strengthening circulation throughout the entire lifecycle of production, distribution, consumption, and recycling. The plan, which had been formulated with the participation of stakeholders, aimed to promote: (i) biodegradable plastics, renewable materials and eco-friendly designs; (ii) eco-friendly consumption through smaller packaging and multi-use containers; and (iii) recycling waste resources.

5.11. The representative of the United States said that the United States' approach to the circular economy emphasized lifecycle impacts of materials, including climate impacts, reducing the use of toxic materials, and decoupling materials' use from economic growth, as well as decreasing the creation and disposal of waste in a way that was inclusive of local communities and cognisant of environmental justice concerns.

5.12. Stakeholders informed on their ongoing work to support the transition towards a circular economy. The representative of the United Nations Economic Commission for Europe (UNECE) noted that UNECE was in the process of finalizing a policy report on "Accelerating the Circular Economy Transition in the UNECE Region: Policy options for harnessing the power of trade and economic cooperation". The representative of WEF mentioned that WEF was represented on the Board of the Platform for Accelerating the Circular Economy (PACE), whose communities could be a valuable resource for informing the TESSD informal working group in areas such as food, electronics, textiles, plastics and capital equipment. The representative of UNIDO noted its efforts to provide capacity building for green and circular products, manufacturing with green energy, and lifetime extension of products in diverse sectors and value chains. He pointed to four areas of action that could support the transition to a circular economy, including enhancing market access for circular products; removing barriers to remanufacturing and refurbishment; requirements for environmental labelling and removing incentives for fossil-fuel based products.

6 SUBSIDIES

6.1. Representatives of the International Institute for Sustainable Development (IISD) provided presentations on fossil fuel and agricultural subsidies. 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.

6.2. Some Members suggested that discussions on subsidies in the informal working group should encompass a broader scope and include discussions of industrial subsidies. It was noted that industrial subsidies leading to excess capacity could have impacts on GHG emissions from high-intensity sectors, and discussions could analyse the effect of such subsidies. A number of Members cautioned that discussions should avoid duplicating efforts in other WTO bodies or international fora, including discussions on agricultural subsidies in the Committee on Agriculture Special Session. A Member suggested that horizontal aspects on the environmental effects and trade impacts of relevant subsidies could cover trade impacts of relevant green subsidies and environmental impacts of relevant subsidies across sectors.

6.3. Regarding fossil fuel subsidies, several Members recognized the importance of phasing out inefficient subsidies that encouraged wasteful consumption. One Member suggested discussing definitional elements and what would be considered wasteful or inefficient. Several Members noted that the work of TESSD on subsidies could offer guidance for the reform of fossil fuel subsidies and for improving transparency. 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. It was also noted that discussions should not duplicate the work that would take place under the Fossil Fuel Subsidy Reform (FFSR) initiative. A Member suggested that discussions on phasing out subsidies should take a more holistic approach and cover all types of subsidies.

6.4. Several Members highlighted the environmental impacts of agricultural subsidies, including overproduction and consumption of water as well as the impacts of agricultural subsidies on developing countries. One Member highlighted that agriculture should be a central element in trade and sustainability discussions, incorporating the three dimensions of sustainability (social, environmental, and economic) and taking into account climatic and geographic considerations. The Member noted that developing countries did not have the same capacity to subsidize agriculture as developed countries, and that such subsidies could be distortive. Agricultural policies could be used to generate employment and improve food security, but subsidies from developed countries could provide artificial competitive advantages. It was also noted that discussions of the complex issues related to sustainability in agriculture could benefit from the involvement of stakeholders such as the Food and Agriculture Organization (FAO), the United Nations Environment Programme (UNEP), and the Organisation for Economic Co-operation and Development (OECD) to move towards reform of agricultural subsidies.

6.5. The representative of UNEP highlighted findings from a joint FAO-UNDP-UNEP report ("A Multi-Billion-Dollar Opportunity: Repurposing agricultural support to transform food systems") that estimated that USD 540 billion were spent worldwide on direct support for individual agricultural producers, of which 87% could be considered price distorting and harmful to nature and health. It was estimated that this would increase to USD 1.8 trillion by 2030. Trade policy could help update agricultural trade rules to support the environmental transition. Governments should prioritize fiscal spending that supported green recovery and invest in long-term solutions rather than short-term unsustainable expenditures such as environmentally harmful subsidies. It was suggested that resources could be invested in public goods, such as research and development or infrastructure, to ensure that fiscal support protected consumers and ensured food security.

7 CONCLUDING REMARKS BY THE COORDINATORS AND NEXT STEPS

7.1. The TESSD Coordinators thanked Members for their active engagement and the facilitators for leading the work in the working groups going forward. Ambassador De Boer (Canada) noted that views and interests expressed would be of great value for the work going forward in the working groups and for upcoming sessions, as well as for the facilitators as they prepared the work of the working groups. Ambassador Abraham (Costa Rica) noted that the current format of the TESSD aimed to help advance discussions on common trade and environmental objectives through the lens of the interests and priorities of the Members. Outcomes would have important results for the multilateral system and making trade a force for good. She encouraged Members to continue encouraging the participation of new co-sponsors.
