



WTO TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS

INFORMAL WORKING GROUP ON ENVIRONMENTAL GOODS AND SERVICES HELD ON 17 MAY 2022 (10:00-13:00)

Summary of discussions¹

1 Introductory remarks by the facilitators

1.1. The facilitators of the Working Group on Environmental Goods and Services, Carlos Guevara (Ecuador) and Helga Helland (Norway), introduced the meeting by highlighting elements contained in the Ministerial Statement of December 2021 in which Members agreed to deepen discussions on environmental goods and services (EGS), including by addressing supply chain, technical and regulatory elements. Furthermore, they recalled the guiding questions for the working group contained in the Work Plan for 2022, which related to how trade in EGS could help achieve environmental and climate goals; opportunities, best practices, and possible approaches to promote and facilitate trade in EGS to meet such goals; and challenges and opportunities for developing countries and LDCs to engage and benefit in trade in EGS.

2 Members' priorities regarding environment and climate goals

- What are Members' priorities in terms of objectives and sectors to be discussed in the Working Group?
- How can trade in environmental goods and services aid in achieving environment and climate goals? (Guiding question in TESSD Work Plan 2022 (INF/TE/SSD/W/17/Rev.1))

2.1. Seventeen Members² shared their priorities in terms of objectives and sectors to be discussed in the Working Group on Environmental Goods and Services, and their views on how trade in EGS could achieve climate and environmental goals.

2.2. Objectives related to climate change mitigation and adaptation were mentioned most frequently by Members. Members particularly drew attention to the contribution that EGS could make in supporting the achievement of multilateral environmental agreements such as the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, and to facilitating the dissemination and uptake of innovative technologies for the climate transition. Other objectives mentioned, *inter alia*, included the transition to a circular economy, clean air and clean water, sustainable management and protection of water and marine resources, and protection of biodiversity and ecosystems.

2.3. To advance the discussions, several Members expressed support for identifying environmental objectives first and then targeting related EGS, as well as for a staged or phased approach where Members would discuss objectives sequentially. Members also suggested building a common understanding of definitional elements as a first step, which could occur through compiling previous discussions and evaluating emerging changes in practices. Some Members suggested taking into

¹ This summary, prepared and circulated under the facilitators' responsibility, is being shared with a view to providing delegations with a record of the discussions. It provides a non-exhaustive, illustrative review of the issues addressed by Members at the meeting.

² Australia, Canada, Costa Rica, Ecuador, European Union, Iceland, Japan, Republic of Korea, Maldives, New Zealand, Norway, Paraguay, Saudi Arabia, Singapore, Switzerland, United Kingdom, and United States.

account emissions and environmental impacts throughout the supply chain for the determination of environmental goods. For example, discussions could cover production standards that would include greenhouse gas emissions throughout the supply chain, and that a good could be considered "green" if it had lower emissions and reduced resource intensity throughout its productive lifecycle, thereby leading to a more environmentally positive outcome. Furthermore, such approaches could also evaluate opportunities for reuse, remanufacture, refurbishment, or recycling at end-of-life.

2.4. Several Members suggested that advancing discussions on environmental services should follow a parallel track to environmental goods. Further, this could begin with mapping sectors and subsectors of services that could contribute to environmental goals, thereby building on discussions in the Committee on Trade in Services – Special Session (CTS-SS) and avoiding duplicating efforts. Other Members instead suggested that discussions on environmental services should occur with those on environmental goods, in a manner in which they would be mutually supportive and contribute to achieving environmental objectives. For example, it was suggested to distinguish between services intrinsically linked to addressing climate change challenges and services which are linked to climate-friendly goods. Furthermore, several Members suggested that discussions on environmental services should encompass a broader definition than that included under division 94 of the UN's Central Product Classification (CPC 94).

2.5. Members also highlighted that discussions on EGS covered a broader scope of issues than just tariff liberalization, including non-tariff measures, regulatory cooperation, good regulatory practices, transfer of technology and capacity building. It was noted by several Members that barriers to the deployment of new technologies and goods should be removed at every stage of the product cycle to facilitate their dissemination in a manner that would also be inclusive for developing countries. A Member suggested that Members, in line with their UNFCCC commitments, took further actions related to climate finance, insurance and technology transfer to meet the needs of developing countries. Another Member also noted that discussing and facilitating trade in sustainably sourced products was of key interest to developing Members. A Member proposed the organization of a workshop on BioTrade to showcase experiences where international trade contributes to biodiversity conservation and the protection of ecosystems.

2.6. On the benefits of trade in EGS, a Member noted that trade could lower the costs of EGS, thus accelerating their uptake around the world. Trade could also support technology transfer and innovation related to EGS. While a number of Members indicated their intention to work towards further liberalization in EGS trade, one Member suggested that, given the different interests of Members, such liberalization could be explored through the promotion of unilateral and voluntary commitments or through the launch of a separate plurilateral initiative for only those interested Members.

3 Objective and sector example: climate mitigation and renewable energy

3.1 Presentation by the International Renewable Energy Agency (IRENA)

3.1. The representative of the International Renewable Energy Agency (IRENA) made a presentation on renewable energy, which provided an update on the uptake of renewable energies; and highlighted the importance of: (i) quality infrastructure; (ii) harmonization of technical requirements; (iii) availability of complementary services including installation, operation, and maintenance; and (iv) common standards for services such as installers, operators and technicians to facilitate the trade of renewable technologies. It was noted that prices for renewable electricity had significantly decreased over the past 10 years, and were generally the cheapest energy source across regions. The presentation further highlighted that trade and trade policy could foster further cost reductions, deployment of renewable energies, and job creation. Further, it was noted that the increasing adoption of renewable energies could promote trade in renewable energy products and goods, such as complementary technologies or components, electricity, and renewable fuels.

3.2 Exchange of views by Members

- What are important considerations regarding supply chains, technology, services, and technical and regulatory elements?

- What challenges and policies impede the ability of developing countries and LDCs to engage in and maximize benefits from trade in environmental goods and services and how can these be addressed?

3.2. Members reacted to the presentation and shared their experiences with regard to challenges and opportunities of trade in EGS. Several Members noted their efforts that had led to high shares of renewable energy in the energy mix, as well as ambitions in increasing their share of domestic renewable energy production.

3.3. A Member noted that trade in EGS should incorporate a whole-of-lifecycle approach and that goods were produced in compliance with international labour standards. As an example, it was suggested that upstream processes in the production of environmental goods, such as mining or high-intensity production through fossil-fuel powered processes, should be included in the consideration of the environmental benefits of a good. With regard to labour conditions, existing trade tools could be used to ensure that goods using forced labour were not imported and to encourage compliance with international labour standards.

3.4. A Member highlighted the importance of promoting free and fair trade for renewable energy goods that would support green and low-carbon development of developing countries and help achieve environmental and climate goals. The Member emphasized the benefits of renewable energy trade and South-South cooperation in helping developing countries increase the proportion of clean energy and electricity penetration.

3.5. A Member emphasized the importance of access to markets and technologies to develop and enter new markets, highlighting the potential of developing countries to become producers of clean energies such as hydrogen. Four areas of consideration were suggested: (i) avoiding distortions on exports of energy goods, notably hydrogen; (ii) improving market access for goods, investment, and services; (iii) investment protection; and (iv) regulatory convergence and domestic regulation. It was suggested that a future framework could consider the operation of the interconnection or export infrastructure; the prohibition of trade and investment distortions in renewable and low carbon fuels; the facilitation of investments in renewable energy; addressing non-tariff barriers such as the access and use of infrastructure, market rules, design of support mechanisms and auctions, land access, authorization procedures and setting a framework for regulatory cooperation; and tackling specific challenges for a market-based approach to non-product-related product and production methods requirements.

3.6. A Member highlighted that trade and trade policy should contribute to achieving the Sustainable Development Goals, including environmental protection and climate change adaptation and mitigation. With regard to national experiences, the Member highlighted a programme which targeted sectors accounting for 90% of national energy demand. It was noted that these initiatives included increasingly stringent efficiency standards, which would then be replicated across sectors to improve energy efficiency. Regarding renewable energy, the Member highlighted the adoption of projects to diversify the energy mix in electricity production whereby renewable energy would account for 50% of the energy mix by 2030. One programme would implement comprehensive reforms and set out a roadmap to diversify local energy sources based on solar, wind, geothermal, waste-to-energy, and clean hydrogen energy. It was noted that promoting sustainable supply chains and addressing the challenges arising from the use of sustainability standards were key issues for developing countries. In particular, the lack of technical and regulatory capacities could hinder the achievement of reforms, and that promoting fair and equal access to trade and investment in technologies could help maximize the benefits of trade in EGS.

3.7. Another Member highlighted that technology transfer and technical assistance should be addressed first before discussing lowering tariffs on environmental goods and services in order to ensure that developing countries were not only seen as potential markets for exports from developed countries. In addition, it was suggested that addressing non-tariff barriers and standards could help address challenges with trade in EGS for developing countries.

3.8. A Member highlighted that renewable energy represented the majority of its energy matrix in 2020 (58% of total energy; 42% biomass; 9% wind energy; 6% hydropower; and 1% solar energy), and almost the entirety of its electricity matrix. These figures were a result of long-term policies, which had resulted in an energy transformation. The Member noted efforts to further decarbonize

its energy matrix by promoting green hydrogen through tax incentives. . Opportunities for expanding renewable energy production included solar energy, given the potential to allocate a significant part of its territory to solar energy production. Challenges included making progress in the transformation of waste into energy.

3.9. Another Member highlighted the importance of transparency, predictability of rules and international standards for trade in EGS. In particular, it was noted that, given the lack of commonly agreed definitions for environmental goods or services, labels or standards could facilitate the identification of EGS by consumers and provide producers with competitive advantages. In addition, it was noted that digitalization could serve as a tool for the diffusion of EGS through verifiable and complete information on the supply chain. Such tools could serve to replace labels and standards if digitalization could distinguish between EGS and less environmentally favourable goods and services.

3.10. A Member highlighted that subsidies and standards should be discussed to ensure increased use of renewable energies. With regard to national experiences, the Member noted that hydroelectric, wind and solar power accounted for most of its power production and that both exports and imports were increasing through improved infrastructure. To increase the uptake and dissemination of solutions to address climate change mitigation, the Member was pursuing ambitious requirements, support schemes, green public procurement and public-private cooperation, which had, for example, led to an increased use of non-fossil cars as well as battery-charged ferries. Capacity building and transfer of technology in the clean energy sector were also important priorities of the Member's development assistance.

3.11. Another Member underlined the importance of overcoming challenges to developing country participation in the green economy. In this regard, it would be important to: (i) undertake collective work to lower the costs and increase access to imports that were vital for the low-carbon transition and the achievement of NDCs; (ii) identify key goods and services produced by developing countries which served an environmental purpose, and assess their barriers to markets; and (iii) support the participation of developing countries in global value chains for EGS. This would require international collaboration on the transfer of technology, transfer of skills, an increase of the developing country market demand for environmental goods, and the building of institutional infrastructure and policy for clean technology.

3.12. A Member highlighted that internationally tradable renewable energy remained subject to high tariffs and non-tariff barriers, while other energy goods did not face such barriers. It was noted that policies to facilitate trade in goods and associated services that could contribute to decarbonization and electrification were important to achieve such objectives.

4 Interventions by stakeholders

4.1. The representative of the Forum on Trade, Environment and the SDGs (TESS) underlined the importance of accounting for both tariff and non-tariff measures in order to transition beyond a "market-based" discussion. Some developing countries had liberalized EGS but had still not registered any scaling of technologies or investment in these areas, which pointed to technology transfer and investments as drivers for EGS. He suggested analysing the potential of developing components of products that harnessed the generation of wind and solar energy in developing countries as a number of them already had the capacity to manufacture such components.

5 Concluding remarks by the facilitators

5.1. The facilitators concluded the meeting by thanking Members for their contributions with regard to their priorities for the working group and their experiences through the sectoral example of renewable energy and objective of climate mitigation. They noted that the discussions should be as inclusive as possible to ensure the participation of all Members.
