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## TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS (TESSD)

### COMMUNICATION BY NEW ZEALAND

The following communication, dated 5 February 2021, is being circulated at the request of the delegation of New Zealand.

#### **1 BACKGROUND – WHY FOSSIL FUEL SUBSIDY REFORM NEEDS TO BE PART OF THE TESSD WORK**

1.1. Fossil fuel subsidy reform (FFSR) is not a new issue. The G20 and APEC members committed to action on this issue in 2009. Since then, they and others, such as the Friends of FFSR, the V20, Pacific Island Forum Leaders, and the G7 have issued statements calling for the phase out of inefficient fossil fuel subsidies.

1.2. In 2015 Leaders from all UN member states endorsed the need for FFSR in Sustainable Development Goal 12.C; and the UN Secretary General has continuously highlighted FFSR as a priority issue for addressing climate change, including at the 2019 Climate Summit in New York. In 2020, the Friends of FFSR, joined by the United Kingdom as the incoming co-host of the UN Change Conference of the Parties (COP26), urged governments, businesses and other organizations to support accelerated action to eliminate fossil fuel subsidies, and by doing so, play a significant part in climate change mitigation. It remains the case that, without addressing the issue of fossil fuel use, we won't be able to reach the goals set out in the Paris Agreement.

1.3. While COVID-19 has led to an unprecedented and unexpected economic downturn for 2020, recovery from the crisis also presents an opportunity for countries to implement a green recovery. During the 2020 Petersburg Climate Dialogue the IMF Managing Director pointed to FFSR and carbon pricing as priority areas of work for implementing a green recovery. Reform of these subsidies provides a means to free up fiscal resources to support those who need the greatest support throughout an effective COVID recovery.

1.4. New Zealand remains convinced that it is essential that the trade community plays its role to support global efforts in addressing climate change. It is to this end that we continue to advocate for beginning to discuss this issue at the WTO in a coordinated and meaningful manner. The TESSD has the potential to make a significant contribution to this discussion.

1.5. New Zealand's proposed approach for the TESSD includes making explicit what we see as the next steps; sharing information and experiences at the WTO, to develop a supportive international setting for addressing these subsidies and to assist domestic reform.

1.6. This sharing of information and experience is even more important in light of the COVID-19 pandemic. WTO Members are launching stimulus packages of unprecedented size to assist the economic recovery. Governments are investing in infrastructure, and supporting private investment, and considering tax policies to assist all those affected by the economic consequences of the pandemic. This presents a window of opportunity to consider and eventually reform subsidies, and divert this public funding towards the recovery.

1.7. Lastly, FFSR is linked to other trade and environmental sustainability issues that this group of co-sponsors has identified in the Communication such as the circular economy and upstream causes of plastic pollution (i.e. incentives to produce cheaper virgin products using fossil fuels), combatting illegal, unreported and unregulated fishing, and the conservation and sustainable use of biodiversity.

## **2 PROPOSAL FOR THE FFSR DISCUSSION IN THE TESSD**

2.1. Building on the background outlined, New Zealand proposes that FFSR should form one of the elements of the TESSD in 2021. New Zealand remains committed to its international leadership on this issue and stands ready to support the co-conveners in setting the forward work programme for the TESSD.

2.2. New Zealand suggests the following structure to the discussions on FFSR that could be adopted by TESSD co-sponsors:

1. 5 March: *Impacts of FFSR on trade and environmental sustainability.*

Discussion on the importance of FFSR in addressing the climate crisis, its linkages to other trade and environmental sustainability initiatives such as fisheries subsidies and upstream drivers of plastic pollution, the impact of FFS on trade flows, climate and social development. Progress made to date and what we should do next.

2. 27- 28 May: *FFSR in action.*

A presentation of successful case study on reform, ranging from peer reviews, to understanding significant domestic legislative policy changes. There is potential to include developing and developed Members to share information and experiences, as well as lessons learnt from undertaking reform.

3. 16- 17 September: *Advancing FFSR at the WTO: Joint Ministerial Statement on FFSR.*

Discussion on the proposed MC12 Statement, what is the Statement seeking agreement on from Members. What happens once the Statement is presented at the Ministerial. What action can WTO Members take to advance the issue ahead of the Ministerial?

4. 24 -25 November: *Transition towards clean energy.*

A discussion on the supporting Members transition away from reliance on fossil fuels, exploring opportunities that the green recovery has presented. Opportunities to invite Members to present and reflect on opportunities and challenges of the green recovery, lessons learnt and the path forward. This could include a discussion on the development aspects of the fossil fuel subsidy issue.

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