



Committee on Trade and Environment

REPORT OF THE MEETING HELD ON 12 OCTOBER 2021

NOTE BY THE SECRETARIAT¹

The Committee on Trade and Environment (CTE Regular) met on 12 October 2021, chaired by H.E. Mr Manuel A.J. Teehankee (The Philippines). The Committee adopted the Airgram, WT/AIR/CTE/16, dated 23 September 2021. The Report of the last CTE meeting, held on 23 June 2021, is contained in WT/CTE/M/72.

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¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

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ACRONYMS

ACCTS	Agreement on Climate Change, Trade and Sustainability
APEC	Asia-Pacific Economic Cooperation
Basel Convention	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
CBAM	Carbon Border Adjustment Mechanism
CBDR-RC	Common but differentiated responsibilities and respective capabilities
COP	Conference of the Parties
CTE	Committee on Trade and Environment
FACT	Forest, Agriculture and Commodity Trade dialogue
FFS	Fossil Fuel Subsidies
FFSR	Fossil Fuel Subsidy Reform
GHGs	Greenhouse Gases
IDP	Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade
IISD	International Institute for Sustainable Development
ITC	International Trade Centre
LDCs	Least developed countries
MC	Ministerial Conference
MEAs	Multilateral Environmental Agreements
MSMEs	Micro, Small and Medium-sized Enterprises
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SIDS	Small Island Developing States
TPR	Trade Policy Review
TESSD	Structured Discussions on Trade and Environmental Sustainability
UK	United Kingdom
UN	United Nations
UNEA	United Nations Environment Assembly
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
WCEF	World Circular Economy Forum

1 ENVIRONMENTAL MEASURES AND MARKET ACCESS, PARAGRAPH 32(I) OF THE DOHA MINISTERIAL DECLARATION - ITEM 6 OF THE CTE WORK PROGRAMME

"The effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development".

1.1 Circular Economy and Plastics

1.1.1 Central African Republic's presentation on the legal and institutional framework of plastic management and on private initiative in plastics recycling.

1.1. The Ambassador of the Central African Republic presented² on his country's legal and institutional framework of plastic management and private initiative in plastics recycling. The Central African Republic had adopted a law³ banning the production, import, marketing, distribution, and possession of non-biodegradable plastic packaging and bags in the country. The law consisted of eliminating the spread of plastic bags in rural areas, protecting health and hygiene, cleaning up the population's living environment, promoting the use of biodegradable packaging and plastic bags and other types of innovative packaging. This law applied to the producers of biodegradable packaging and bags, the importers, and any person carrying out a commercial, industrial, artisanal, or professional activity that required the use of plastic bags. The Central African Republic had created a special Unit for the Observation and Repression of Environmental Offences, which was responsible for investigating, observing and prosecuting offenders. A national trade negotiation commission had also been created within this committee. To further environmental protection and fight against the effects of drought, the Central African Republic had put in place the National Drought Plan. Also, a National Strategy for Sustainable Development had been adopted in March 2021.

1.2. Concerning the contribution of the private sector to recycling, in the building sector paving stones were offered for the construction of houses and streets. For the collection of wastes as well, there were 41 waste collection teams of three people in the 41 waste depots. Explaining that they did not have efficient transportation means, the Ambassador noted the technological and financial challenges faced in this area. The efforts made by the Central African government would require artisanal transformation as the supply was below the national demand and financing was needed. His delegation appealed for support for the training of entrepreneurs and for the search for partnerships in the expertise of paving technology.

1.1.2 Morocco's Presentation on the National Strategy "Littoral sans Plastique".

1.3. The representative of Morocco presented the outline of the National Strategy for a Coastline without Plastics, recently finalised by Morocco with the assistance of the World Bank. Plastics pollution was a global issue with almost 8 million tons of plastic waste being dumped into the oceans every year leading to considerable risks to ecosystems and human health. This issue was a priority at both the international and regional levels, reinforced by the adoption of the 2030 Agenda and through the decisions taken in this area in the UN forums, including the United Nations Environment Assembly (UNEA) and the Conference of African Ministers of the Environment (AMCEN).

1.4. Morocco had taken necessary measures for the implementation at the national level of the decisions arising from these bodies, as well as those adopted within the framework of regional agreements such as the Basel Convention and the Abidjan Convention. Morocco was very concerned about the problem of marine plastics pollution. The preparation of the National Strategy for a Coastline without Plastics and its action plan consolidated the measures already adopted by Morocco to combat plastics pollution, including the law relating to the ban on plastic bags, the revision of the law on waste to integrate the Principle of Extended Producer Responsibility, the implementation of a parafiscal instrument to finance the recycling/recovery of plastic waste, and the licensing of imports of raw material that could be used for the production of banned bags.

² See document RC/CTE/198.

³ The law N° 20-017 of 16 June 2020.

1.5. The Strategy was in line with the recommendations of the New Development Model adopted by Morocco, which sought to integrate a circular economy approach that considered the local specificities and potentialities. The Strategy had been developed using a participatory approach with all the actors concerned. This approach made it possible to conduct a baseline study targeting the different sources of plastic pollution (terrestrial and marine) to identify hot spots that required urgent action; understand the situation and challenges; define the scope, vision, mission and objectives of the strategy; and define the short, medium and long-term measures and projects of the Action plan.

1.6. The carried-out diagnosis revealed that the plastics industry generated nearly 75,000 direct jobs and more than 320,000 indirect jobs, with sales of approximately \$2.3 billion in 2019. It had about 650 industrial units. The recycling rate of plastic waste remained low to date (< 10%). It was dominated by the informal sector for almost 80%. The sector had a large recycling potential, estimated at nearly 795,000 tons, and projections showed a recyclable potential of about 1.4 million tons/year by 2030. The sector faced the challenge of improving its economic competitiveness through access to quality recycled raw material at a competitive price as a substitute for imports of virgin material.

1.7. Based on the elements of the above-mentioned diagnosis and the analysis of gaps and challenges, the National Strategy for a Coastline without Plastics was divided into six Strategic Objectives and 12 Operational Objectives. The strategic objectives related to: (i) improving governance and strengthening the technical and managerial capacities of coastal local authorities and all relevant stakeholders to ensure the integrated, efficient and sustainable management of plastic waste from land and sea sources; (ii) prevention and reduction of plastic waste through the adoption of circular economy approaches to minimize the negative impacts of plastics while maximising the benefits of plastics and their products, and providing environmental, economic and societal benefits; (iii) integrating the informal "ecosystem" into the value chain, to help communities and waste management companies recover post-consumer waste in an efficient and more inclusive way; (iv) strengthening surveillance and monitoring for flow and life cycle analysis; (v) promoting research and development for sustainable alternatives; (vi) strengthening communication, education and consumer awareness for more environmentally friendly consumption patterns; and (vii) knowledge sharing on a regional level to collectively fight plastic pollution.

1.8. The implementation of these actions and measures was aimed at creating an enabling environment for the development of the plastic waste value chain, removing the technical and economic barriers to a greater substitution of recycled plastics for raw plastics, and thereby helping reduce plastic-related pollution. A monitoring and reporting system was envisaged to track Morocco's National Plan progress and implementation, assess its effectiveness, and make changes when required.

1.9. The representative of the Kingdom of Saudi Arabia said that effective plastic waste management, along with the role of international cooperation and trade, would be more beneficial in addressing the environmental side aspects of plastic waste pollution. Her delegation encouraged further knowledge and information-sharing in this area. She noted that the Circular Carbon Economy (CCE) framework, which was introduced by the Kingdom of Saudi Arabia and endorsed by the G20 leaders in 2020, was an opportunity to address not only the waste side but also the emissions and recycling aspects. It was a bottom-up framework that captured national circumstances and needs and encouraged cooperation.

1.10. The representative of the European Union (EU) commended Morocco's efforts in addressing the issue of plastic pollution. She noted that Morocco's membership of the Global Alliance on Circular Economy and Resource Efficiency (GACERE), launched last February by the European Union, the United Nations Environment Programme (UNEP) and the United Nations Industrial Development Organization (UNIDO), was a clear indication of Morocco's interest in moving from linear to circular economic sectors, plastics included. Plastics pollution was a global challenge that countries needed to tackle together in a coherent and complementary manner both in the WTO and in UNEA.

1.1.3 Briefing by Barbados and Ecuador on the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP)

1.11. The ambassador of Ecuador said that the presentation by the ambassador of the Central African Republic echoed the problems and challenges faced by many and each country's capacity for

action could be enhanced through multilateral processes and initiatives. He recalled that the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP) had been established by a group of WTO Members in 2020 as an expression of the will of developing and least developed countries (LDCs) to coordinate action to address the growing environmental, health and economic costs of plastic pollution and the importance of the trade dimension of what the WTO could do as part of this solution. There were currently 18 co-sponsors from developing countries, LDCs and developed economies. The initiative promoted the exchange of views, ideas and experiences on the subject. Further it aimed to identify opportunities for enhanced trade cooperation within the rules and mechanisms of the WTO so as to support domestic, regional and global efforts to reduce plastic pollution and to support the transition to a more circular and environmentally sustainable global plastics economy.

1.12. The co-coordinators of the initiative were Australia, Barbados, China, Ecuador, Fiji and Morocco, and valuable contributions were received from other WTO Members who were also cosponsoring the dialogue: Cape Verde, Canada, Central African Republic, Costa Rica, Gambia, Jamaica, Kazakhstan, New Zealand, Switzerland, Russia, Thailand and the United Kingdom. The dialogue was open to all WTO Members, in line with other initiatives with which it shared a common goal and had a multi-stakeholder approach.

1.13. Debates in the IDP were rich and diverse and reflected the number, diversity and breadth of issues addressed. The IDP's factual report, circulated on 5 December 2021 to the WTO membership presented the input of Members and stakeholders. The ambassador hoped to move forward with the initiative at the next Ministerial Conference, as co-sponsors would have gathered the fruit of this exchange in a draft document that they hoped would be adopted in a ministerial declaration at MC12. The draft declaration contained several pragmatic and concrete elements on six core issues: (i) improving transparency and monitoring trade trends; (ii) promoting best practices; (iii) cooperating with other international efforts and processes; (iv) identifying the scope for collective approaches; (v) strengthening policy coherence; and (vi) assessing capacities and technical assistance needs. MC12 would be an important milestone and all efforts should look further into the future.

1.14. Co-sponsors were discussing how to achieve concrete results and follow up on the initiative in the coming year and beyond. The importance of the issue was evident and making headlines in the media and specialised publications, and the WTO should show the political will of the co-sponsors and the relevance of trade and trade policy to their goals. The IDP was a platform that offered to discuss how the WTO could support current and future processes to address plastic pollution, including the identification of challenges and opportunities in the circular economy at the WTO. The ambassador said that it would be necessary to take into account the challenges faced by developing countries, in particular LDCs, especially those countries most affected by plastic pollution, such as small island developing states (SIDS). There was no nation in the world that was not impacted by this issue both from an environmental and trade perspective and global solutions needed to be found. The IDP effectively demonstrated the WTO's capacity to contribute positively to environmental objectives. The next meeting would take place on 22 October, presided by the Ambassador of Australia, and would focus on discussing the draft declaration, as well as reaching out to other Members in order to seek the adoption of a declaration at MC12 with the widest possible support.

1.15. The representative of Barbados said that the nexus between trade and environment was one in which WTO Members could make a positive impact on current and future realities. Barbados was pleased to join Ecuador in updating the CTE on the work of the IDP. Through the IDP, co-sponsors sought to identify opportunities for enhanced trade cooperation within the rules and mechanisms of the WTO to support efforts in other fora and form a crucial part of broader WTO discussions in advancing environmentally sustainable objectives. Since its launch in November 2020, IDP participants comprising of both WTO Members and invited stakeholders managing the issues of plastics pollution and plastics trade, shared their views, policies, and experiences. The IDP had also engaged in technical discussions on specific topics of focus during meetings held on 29 March and 21 June 2021. On 4 October, co-sponsors had circulated a factual report summarizing IDP's work and the discussions thus far.

1.16. As a means of transparency, as well as to ensure that IDP's work continued to be part of the broader WTO discussions in advancing environmentally sustainable objectives, co-sponsors were pleased to update the CTE on the outcomes of these meetings. Rich discussions were held and had

provided a clear outlook on MC12 and the IDP work program for the post-MC12 phase. Relating to transparency and monitoring trade trends, there were challenges in collecting data about trade and plastics. This had been largely attributed to the presence of hidden flows, which could obscure the flow of trade and plastics both in terms of volume and value of trade. With respect to promoting best practices, between 2009 and 2019 WTO Members had notified 129 measures to address plastic pollution, the majority of which had been notified in the last few years, highlighting the high importance that WTO Members placed on reducing plastic pollution and trade and the role that the WTO was already playing in addressing this issue.

1.17. Discussions at the core of IDP's work should focus on international cooperation due to the high priority Members had placed on collaborating with external stakeholders as a means of better understanding how trade cooperation within the rules and mechanisms of the WTO could constructively contribute to efforts in other fora. Mapping international trade action co-operation with international institutions and focusing on the core WTO capabilities would be key to avoiding duplication and ensuring any trade discussions would add value to ongoing domestic regional and international efforts to address plastic pollution. IDP discussions had stressed the importance of capacity building and technical assistance in particular for SIDS, vulnerable developing countries and LDCs. In this connection, it had been highlighted that several international institutions and stakeholders were either currently focused on, or included efforts in, addressing capacity and technical assistance needs. Stakeholders had strongly welcomed the IDP and a potential outcome at MC12 noting the mutual supportive and complementarity with other international efforts to address plastics pollution.

1.18. Since the last meeting of the IDP, Costa Rica and the Russian Federation joined the group of IDP co-sponsors. Barbados wanted to formally welcome both countries and looked forward to working with them within the IDP framework. The next meeting of the IDP was scheduled for 22 October 2021 and was open to the participation of all WTO Members and looked forward to welcoming new co-sponsors. On 24 March, IDP co-sponsors had circulated a proposal for a roadmap and potential outcome for MC12, providing elements expected to form part of a potential MC12 declaration including: taking stock of the discussions on the six aspects of the initiative, emphasizing the importance of the topic, expressing the political will of the co-sponsors, identifying next steps, instructing officials to carry out the work, promoting work through the coordinators and striving to achieve concrete outcomes at MC13.

1.19. The representative of Guatemala said that Guatemala advocated for a solution to plastic pollution that focused on the proper management of waste and solid waste. For this reason, Guatemala published on 10 August 2021 Governmental Agreement 164-2021 on the integrated management of waste and solid waste, which defined the competent authorities, gave a maximum of 2 years for implementation, defined the actors involved, and took a circular economy approach into account. Guatemala believed that a sustainable and economically viable solution to the issue of plastic pollution needed to be based on the promotion and integrated management of waste and solid waste. She noted that within the elements for an outcome document for MC12, the objective of "expanding trade and improving access to sustainable substitutes" was included and mention was made of "cost-effective and environmentally friendly alternatives". The representative said that her delegation encouraged caution on the issue of plastic substitutes, since many sustainable substitutes were based on biodegradable plastics that required industrial decomposition processes, and necessitated large infrastructure investment and, if not handled properly, could create even more environmentally harmful waste. This was not a matter of substituting one problem for another, since substitute materials such as paper, wood, etc. also had negative effects on the environment. She added that her delegation was convinced that the circular economy of plastics, as well as proper waste management, was the right way to fight the problem of plastic pollution.

1.20. The representative of Canada said that the sustainable plastic trade and related waste management issues were a global imperative that required coordinated global action, and that Canada supported having an IDP statement on plastics wastes and sustainable plastics trade at MC12. Such statement should raise awareness of the role trade policy could play in addressing sustainability issues, recognized other initiatives that were currently underway to address plastics pollution, and highlighted how the WTO could play a key role in supporting them. The representative said that Canada was pleased to see these elements were reflected in the current version of the draft statement and invited all WTO Members to co-sponsor the IDP statement.

1.21. The representative of Costa Rica said that the IDP was an effort that her delegation considered of great relevance for the economy of developing countries. Costa Rica had been developing a legal framework that would progressively eliminate the use and consumption of single-use plastics, prohibit their commercialisation and regulate recycling processes, in order to encourage the use of other environmentally friendly goods. This effort sought not only to raise public awareness towards greater environmental protection and conservation, but also to advance an increasingly circular economy. The Informal Dialogue provided the space to present national experience and held potential for synergies and collaboration with the Structured Discussions on Trade and Environmental Sustainability (TESSD). She urged more Members, especially developing countries, to join this valuable initiative.

1.22. The representative of Switzerland said that Switzerland was an active member of the IDP and thanked the co-convenors for their leadership and the elaboration of the Ministerial Declaration recalling the need to take further action throughout the life cycle to combat plastic pollution, including through a circular economy approach. Switzerland commended the level of ambition of the latter and encouraged all Members to join this Ministerial Declaration, which also contributed to supporting the work in other fora such as the UNEA.

1.23. The representative of the United States encouraged Members to fully consult with other Members and industry before implementing restrictive actions, such as bans or recycled content requirements for plastic products, to ensure the market could meet those demands. As noted in the report that the IDP circulated, the role of trade and trade facilitation was a key tool in combatting pollution from plastic waste. The representative encouraged the co-sponsors and participants to continue to identify the key trade-related elements under the IDP. The WTO had competency in trade, not waste management and recycling and therefore any discussion regarding addressing pollution from plastic waste needed to be focused on the WTO's core competencies. Trade in recyclable materials was essential for broader adoption of more circular economy approaches to resource efficiency. Facilitating trade in plastic scrap reduced the demand for virgin material, offered an economic opportunity for recyclers, and kept plastic materials in productive use. Restrictions on imports limited these opportunities and could result in materials being directed to landfills or ending up in the environment rather than sent to facilities capable of processing materials to a suitable feedstock for manufacturing. The representative reiterated the United States' interest in the application of trade facilitative approaches for all post-consumer materials and other related goods, such as reverse supply chain products and intermediaries as these products had inherent economic and commercial value and support greater resource efficiency and circularity, and trade policies were needed to facilitate rather than impede movement to close the loop, and keep these materials in the economy, out of landfills, and out of oceans.

1.24. The representative of Cabo Verde said that Cabo Verde joined this initiative as a country that suffered because of plastic pollution. Since 2017, Cabo Verde had implemented a law that prohibited the use of plastics and was raising awareness among traders and the population in general to entirely ban the use of plastics. As a SIDS, Cabo Verde was also sensitising other countries to join this important initiative under the leadership of Ecuador and Barbados and would like to continue to work constructively to reach a declaration during MC12.

1.25. The representative of the Russian Federation said that Russia supported the efforts of the IDP co-sponsors through the recognition that plastics pollution was a global issue and needed to be addressed at multilateral level. Russia had decided to join the Dialogue format and stated their interest in discussion. He encouraged other WTO Members to join this initiative to find a multilateral approach to tackle this issue.

1.26. The representative of Japan said that Japan was considering joining the draft proposal of the MC12 declaration on plastics as a co-sponsor. Trade aspects were not clearly addressed in some parts of the draft, including, for example, regarding subparagraph (i) in the sixth bullet for "Commitments for MC12 and beyond (2021-2023)", which Japan understood as describing the framework and cooperation for the prevention of general plastic pollution. Japan was curious about the intentions of the co-sponsors in this regard and would listen to the views of the co-sponsors on how to discuss these policies in the WTO given the references to policy details such as definitions, scope, standards, and design for plastics.

1.27. The representative of the European Union said that tackling plastics pollution was very important to the European Union, and the reason why the European Union adopted its

comprehensive EU Plastics Strategy in 2018. Plastic pollution was a global problem which urgently needed concrete global action to prevent plastic pollution by addressing the entire plastics life cycle. The EU was therefore fully supportive of taking decisive steps at the resumed session of UNEA-5, where it hoped to see the establishment of an intergovernmental negotiating committee for a global agreement on plastics and invited all WTO Members to join. The representative welcomed the work done by the Members of the IDP and said that the WTO's work on plastics was important for the European Union and should create positive synergies with ongoing multilateral processes in the UNEA, including the perspective of launching negotiations for a new global agreement on plastics. The European Union was reviewing possible co-sponsorship of the statement.

1.28. The representative of Australia said that reducing plastics pollution continued to be a focus of Australia's domestic policy framework and welcomed the IDP's contribution to facilitating engagement and collaboration between governments, relevant environmental organisations, and experts to explore how trade policy could contribute to global efforts to deal with plastics pollution in a WTO-consistent way. Australia was pleased to be taking an active role in this initiative and looked forward to chairing the upcoming meeting of the IDP in October and hoped that co-sponsors could finalise a statement affirming their commitment to ongoing work by MC12. Australia welcomed the ongoing discussions and saw an important role of the WTO in this area, particularly towards exploring trade liberalizing and trade facilitating policies rather than trade restricting policies. The representative welcomed the updates from Members on domestic efforts and the contributions of Members including questioning the role that trade could play in addressing plastic pollution. Facilitating increase trade in alternatives or reusable recycling plastics were issues that the IDP hoped to continue to deal with and was a clear reason that trade had a role to play in plastics pollution. Research by the United Nations Conference on Trade and Development (UNCTAD) recognized that trade in plastics accounted for roughly 5% of global trade, a figure which highlighted the importance of the role of trade in addressing plastics pollution and a clear reason that Members were committed in addressing plastics pollution and to engage in the IDP on how WTO Members could contribute to this problem. The number of IDP co-sponsors did not reflect the true diversity of co-sponsors, as it included developed countries, developing countries and LDCs, including membership from North and South America, Europe, Africa, Asia and Oceania. He encouraged all WTO Members to co-sponsor this initiative.

1.29. The representative of China welcomed the presentations of Morocco and the Central African Republic on their national strategy and legal and institutional framework. His delegation believed the IDP-related discussions and information sharing were helpful for WTO Members to understand this issue in depth. Tackling plastics pollution was an issue where the WTO could demonstrate its relevance to new major challenges. The IDP did not duplicate nor replace efforts in other fora but would be complementary and actively cooperate with other processes. The WTO could and should contribute to joint global efforts so as to demonstrate the WTO's relevance to supporting Sustainable Development Goals (SDGs). The issue of plastics pollution was of shared importance among all WTO Members including LDCs, developing and developed members, and there was strong and growing support among Members for the plastics initiative in the WTO. He said that MC12 would be a critical time for all WTO Members. The IDP which was open, transparent, and inclusive aimed to channel growing energy and commitment into positive results. Co-sponsors were drafting a Ministerial statement and all WTO Members were welcome to participate in this effort towards achieving a tangible result in MC12.

1.30. The representative of Chile thanked the delegations of Ecuador and Barbados for the report on IDP. Although this was an initiative that Chile had not joined as a co-sponsor, it was something that Chile was following closely.

1.1.4 Canada's briefing on the World Circular Economy Forum (WCEF2021)

1.31. The representative of Canada briefed delegations on the World Circular Economy Forum (WCEF2021) held as a virtual event on 13-15 September 2021 and hosted by Canada co-organized with the Finnish Innovation Fund Sitra as well as with international and domestic partner organizations. The 3-day event had featured 14 main sessions hosted by Canada and Sitra, and 25 Accelerator Sessions hosted by partners and collaborators. Recordings of the main sessions were available for viewing on YouTube and could be accessed via WCEF2021.com. The theme of the 5th annual World Circular Economy Forum was "Game changers! Seizing the circular opportunity". The programme had explored a range of topics, including the important role of the circular economy to

help meet climate and biodiversity targets, and actions needed in the next 5 years to raise circular ambition globally.

1.32. WCEF2021 was the first forum hosted in North America and it reached record participation numbers. Over 8,900 people from 160 countries registered, representing a range of sectors including business (32%), public sector (24%), academia/research/think tanks (20%), and others. The Forum had featured 95 speakers and sought to introduce new voices to the circular economy conversation, including 10 youth and six Indigenous speakers. Speakers had called for collective action and collaboration with new allies, as well as intersectional approaches to circularity that were informed by geographic and sociocultural contexts.

1.33. Several Accelerator Sessions on Day 3 had focused on the opportunities for the creation of more circular global value chains in industries such as textiles, metals and minerals, and plastics. Discussions across all three days had highlighted the critical role of international trade in the transition to a more resource-efficient circular economy. Of note, the International Chamber of Commerce and the Organization for Economic Cooperation and Development had organized an Accelerator Session titled "Towards a mutually supportive trade and circular economy agenda". The session had explored the trade barriers that prevented private enterprises from engaging in a circular economy transition and discussed how international cooperation could provide solutions to overcome these barriers, including suggestions for the WTO forward agenda on circular economy. Speakers had underscored the necessity of improved transparency, data, common definitions, and cooperation between stakeholders.

1.2 Fossil Fuel Subsidy Reform

1.34. The representative of New Zealand provided an update on the efforts to deliver a joint Ministerial Statement on fossil fuel subsidy reform (FFSR) for MC12. The revised version of the statement was circulated to all Members on 16 September as document JOB/GC/264/Rev.1. The empirical evidence supporting the need for action on fossil fuel subsidies (FFS) to meet climate change and sustainable development objectives was increasingly clear. Effectively addressing inefficient FFS could deliver economic, social, and environmental benefits, as well as release government funds to support a green and climate-resilient COVID-19 recovery.

1.35. Since the late-2000s, world leaders had recognized this potential and committed to rationalizing and phasing out inefficient FFS in a range of international fora. Commitments had been made through the UN SDGs, Asia-Pacific Economic Cooperation (APEC), the G20, the G7, and the Vulnerable Twenty (V20). But despite growing evidence of the fiscal burden of such subsidies to governments – and their overt conflict with international commitments to reduce carbon emissions – these aspirational words had so far not translated into swift action. New Zealand was of the view that effective and long-lasting reform of inefficient FFS needed to occur in a rules-based, multilateral setting.

1.36. With this joint statement, his delegation would commit to working with Members to advance the issue within a multilateral forum, in a manner that acknowledged the specific needs and conditions of developing members and vulnerable communities. New Zealand was joined by 35 other WTO Members in co-sponsoring the joint statement which included Fiji, as the most recent Member to notify of its intention to join. New Zealand invited all remaining Members to consider co-sponsorship ahead of MC12, and therefore play a role in helping to shape the possible options for advancing this issue at the WTO in the period after MC12. His delegation encouraged Members to reach out to New Zealand, or any of the other co-sponsors, to discuss any aspect of the proposed statement over the coming weeks.

1.37. The representative of the United States noted that the United States was making a concerted effort to reduce its FFS. Under Executive Order 14001, President Biden had directed U.S. government agencies to take steps to ensure that, to the extent consistent with applicable law, Federal funding was not directly subsidizing fossil fuels. The President's FY22 Budget Request to Congress recommended termination of certain federal level FFS. His delegation recognized the importance of phasing out inefficient FFS that encouraged wasteful consumption, especially with the view of a low-carbon future with the objective of net zero emissions by 2050 and meeting the goals of the Paris Agreement but also noted the potential political difficulties of reaching a consensus on this issue.

1.38. The representative of Costa Rica reiterated its support for New Zealand's work and leadership on FFSR. This was an issue of utmost importance to Costa Rica which was co-sponsors of the initiative and the MC12 Ministerial Statement. Her delegation welcomed Fiji and the European Union as new members of this group. Costa Rica urged developing Members to take note of the importance and the value of this initiative. Costa Rica was available to share with Members, especially developing Members, about its progress towards clean energy and decarbonization by 2050.

1.39. The representative of Switzerland reiterated her delegation's support to the intention of rationalizing and phasing out FFS that encouraged wasteful consumption. To achieve the goals, set in the Paris Agreement or in the SDGs, action was needed now. In addition to being a member of the Friends Group on FFSR, Switzerland was engaged on this very important issue with New Zealand and four other WTO Members in the negotiations on the Agreement on Climate Change, Trade and Sustainability (ACCTS) which aimed, among other things, to establish measures to eliminate FFS harmful to the environment. The WTO was the appropriate place to discuss this issue and it was the right time to intensify discussions to see how WTO could play a central role in reducing the trade and investment distortions FFS caused. Switzerland expressed its gratitude to New Zealand for preparing the Ministerial Declaration for MC12 and announced that it had joined the statement. Switzerland encouraged all Members to join this initiative which was essential for achieving the climate goals set by the international community.

1.40. The representative of the Russian Federation noted his delegation's attention to fighting climate change and ensuring environmental protection. Many efforts were put at the state level to protect rare species of flora and fauna, create wildlife areas, protect forests and organise a waste collection. In recent years, the Russian Federation had been accelerating efforts, both in internal and international areas, on many issues. He noted that the Russian Federation actively participated in the Conference of Parties of the UN Convention on Biodiversity taking place in Kunming, China, and restated its full support of international cooperation in this field.

1.41. Turning to FFSR, the representative said that proponents had failed to explain what the definition of these subsidies was and how they contradicted the WTO agreements. There were too many economic, much less environmental, and few legal and social considerations in this offer. The so-called "reforms of FFS", implied, inter alia, equalisation of prices at national and world's market levels. He asked whether this was a subsidy and noted the need to evaluate possible social implications of potential reforms. The rise in the cost of fossil fuels would lead to a significant increase in cost for social needs and would affect 100 million people worldwide. The reform initiative undermined one of the key goals of the WTO: combatting poverty by the means of trade. He stated that the latest studies were showing that FFSR was not the largest contributor to emissions reduction and mentioned in this regard the report of the Global Subsidies Initiative published in July 2021. He noted that the burden of responsibilities had to be shared between all involved. If there was a need to reduce subsidies to sectors engaged in the production of greenhouse gases (GHG), his delegation suggested starting with those which negatively influenced trade and were recognized as such by the whole membership. The representative gave as an example the agriculture sector. He stressed the importance of applying methods of emissions reduction without undermining the economic and social goals and disrupting trade. These methods were available and needed to be discussed and promoted at the international level.

1.42. The representative of Chile thanked New Zealand for the leadership on the issue of FFSR. Countries adopted or maintained FFS for a variety of public policy reasons. While these motivations might be legitimate, inefficient FFS caused significant economic, social and environmental problems, locally and globally. Perhaps the most concerning of these problems was that the wasteful consumption of fossil fuels led to the acceleration of climate change, putting at risk the goal of limiting global warming to 1.5°C. Various international fora were currently addressing the issue of FFS. There was no doubt that the WTO, with its tools, could also make a significant contribution to the global effort to phase out these subsidies. Furthermore, such a contribution would be fully consistent with the commitment to sustainable development and the preservation of the environment as enshrined in the WTO Agreement. Chile was pleased to be a co-sponsor of the draft Ministerial Statement on FFS for the upcoming MC12 and invited the other WTO Members to join.

1.43. The representative of the Kingdom of Saudi Arabia said that while it encouraged information sharing, his delegation reiterated its position that the issue of FFS was dealt with under the G20 forum whereby a voluntary peer review of inefficient FFS that encouraged wasteful consumption was

done, in accordance with countries' specific national circumstances, priorities and needs. The issue of FFS needed to be addressed under the dedicated forums.

1.44. The representative of the European Union thanked New Zealand for the leadership and recalled that the European Union had joined the initiative. Her delegation encouraged all WTO Members to join.

1.3 European Union Green Deal

1.45. The representative of the European Union provided an update on trade-relevant aspects of the European Green Deal.⁴ On 14 July 2021, the European Commission published the "Fit-for-55" package, setting out how the European Union intended to achieve climate neutrality by 2050, including the intermediate target of at least 55% net reduction in greenhouse gas emissions by 2030. It was noted that the EU co-legislators were deliberating on the proposed measures.

1.46. The package was based on a comprehensive set of impact assessments, which – together with the 2030 Climate Target Plan – demonstrated that, with the right policy mix, the new target was ambitious yet achievable. The set of interconnected proposals represents a balance between strengthened and expanded carbon pricing, targets, standards and support measures. It comprises a mix of existing legislation upgraded to deliver new ambition plus a number of new initiatives, covering a range of policy areas and economic sectors: climate, energy, transport, fuels, buildings, taxation, land use, agriculture and forestry.

1.47. The representative of the European Union elaborated on one of the proposals in this package – the Carbon Border Adjustment Mechanism (CBAM). The CBAM was there to support the success of the other proposals against the risk of carbon leakage that might result from the increased requirements imposed on EU businesses. It was noted that CBAM's should be viewed alongside the EU Emissions Trading System (ETS), which sets a price for carbon emissions in selected EU industries. This carbon price had increased significantly and had now reached the level of 60 euros per tonne. Without carbon leakage protection, there would be a risk of carbon leakage. In order to more effectively reduce emissions, CBAM proposed to maintain this carbon price in the European Union and adjust this carbon price on imports. So, imports would need to pay a carbon adjustment corresponding to the price they would have paid if the goods had been produced under the EU's carbon-pricing rules (the ETS). The CBAM charge would be adjusted to reflect the level of EU ETS free allowances allocated to the EU production of sectors within its scope. CBAM had been designed to comply with WTO rules and other EU international engagements.

1.48. A second important element of CBAM was that it should not result in double carbon pricing. Thus, if a non-EU producer could show that they had already paid a carbon price for the production of the imported goods in a third country, that amount could be deducted from the CBAM charge applicable to the EU importer. CBAM was a climate measure, which would complement the EU ETS, and whose sole objective was to reduce CO₂ emissions in the European Union and globally. Moreover, CBAM was a regulatory measure that tried to replicate as much as possible the features of the EU ETS with some justifiable differences. Thus, CBAM was a measure that focused on sectors whose carbon emissions were the highest and where the risk of carbon leakage was also the highest, i.e. cement, iron and steel, aluminium, fertilisers and electricity. These sectors represented nearly half of CO₂ emissions in industries in the European Union. The European Union would look at the possibility of extending the scope of CBAM, in particular, to cover indirect emissions. Again, this would be done in a way that complied with WTO rules.

1.49. The CBAM would be introduced gradually. The idea was that it would be in place in 2023 starting with 3 years in which there was no financial adjustment, but only the collection of data on the embedded emissions in goods imported into the European Union (direct and indirect emissions). Then, it would be slowly phased in from 2026 to 2035 in parallel to the reduction of free allowances under EU ETS. CBAM was organized in conjunction with the EU ETS making sure that carbon emissions were priced equally on EU production and imported goods.

1.50. In terms of design, the EU had made sure that there was no discrimination among countries. When there were exceptions, they were based on the fact that there was an equal carbon price so

⁴ See document RD/CTE/199.

as to avoid double-pricing. In other words, if a carbon price existed abroad, the CBAM charge would be reduced to the level of the adjustment. Moreover, CBAM would be assessed on actual declared emission of goods of a selection of products that were justified to avoid carbon leakage. Where there were differences between the CBAM and the EU ETS, these differences were justified. For example, the EU ETS was a cap-and-trade system, but there was no question of capping imports. So, instead of replicating the features of the EU ETS in this context, it replicated its effects. Furthermore, while CBAM was based on actual declared emissions, it would be much more difficult to establish this in the case of electricity. Thus, in this context, the default value could be used but relying on actual emissions would always be a possibility.

1.51. It was highlighted that CBAM would take into account actual declared emissions, meaning that if any country reduced the emissions of its industries, or if any business decided on its own to reduce emissions on its production, this would be considered by CBAM and the level of adjustment would be lower. There might be international agreements on how to take into account the carbon price paid abroad. Moreover, non-EU countries that applied the EU ETS would not be subject to CBAM. There would be special rules for electricity but only subject to very strict conditions and for countries whose electricity grid was coupled with that of the European Union. To sum up, CBAM would have an impact on emissions, on companies, but not on countries. Companies subject to CBAM were only subject to CBAM taking into account the level of free allocation that would still be under the European Union, their individual performance and the carbon price they would have paid. Any possible exemptions would be subject to very strict conditions linked to the EU ETS.

1.52. In terms of international dialogue, counting bilateral discussions and forums such as the CTE, the European Union had talked to most countries around the world. Since there had been more frequent discussion on carbon pricing, CBAM was even mentioned in the G20 finance Ministers' communiqué of July 2021. The European Union's proposed CBAM was an open mechanism, which took into account the approaches of its partner countries. CBAM was a very specific tool to deal with the risk of carbon leakage when faced with different levels of ambition in tackling climate change. Its only intention was to tackle the overly high carbon content of products coming into the European Union. Of course, such measures should respect WTO rules, in particular, the principle of non-discrimination and be conducive to achieving its overarching aim of cooperation on climate action. The representative of the European Union concluded by reiterating that climate change was a global challenge that required global action. That was why the European Union was committed to transparency and dialogue, as well as respect of its international commitments, when designing its legislation.

1.53. The representative of Australia welcomed the consultative approach that the European Union had taken in relation to CBAM, which was part of the legislative package released on 14 July 2021. However, aspects of the policies remained unclear. Australia encouraged the European Union to continue to share to the maximum extent possible details of its policy deliberations and any updates on the likely form the CBAM might take, consistent with the essential WTO principle of transparency. Australia appreciated the European Union's commitment to ensuring the consistency of its eventual measures with its WTO obligations. Further detail and clarity on how the European Union would address the issue of consistency would be helpful for Members, including for those that had questions and concerns about the possible protectionist impacts of such policies. Australia noted its strong commitment to addressing climate change and highlighted that international trade could contribute to this objective. In particular, trade policies could facilitate trade in environmental goods and services and related investment in low emissions technology could make a strong contribution in support of international climate policy. Australia encouraged the European Union to consider and clarify how it would be ensured that the CBAM policy recognize alternative measures to explicit carbon pricing, such as higher standards or Australia's technology led approach, which could be equally if not more effective at reducing emissions.

1.54. The representative of Turkey began by appreciating the information shared by the European Union at the CTE and noted that it was analyzing the proposal with a view to sharing comprehensive comments on the proposed legislation. Turkey reiterated its expectation that any border carbon measure would be in line with WTO rules and principles and international environmental agreements, as indicated by the European Union. All members of the international community should play their part to combat climate change. This should be done based on historical responsibilities and the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC), as set out in the United Nations Framework Convention on Climate Change (UNFCCC). The UNFCCC affirmed that responses to climate change should be coordinated with social

and economic development in an integrated manner with a view to avoiding adverse impacts of response measures. Turkey stated that it would continue following these measures from the perspective of multilaterally accepted environmental principles and WTO rules.

1.55. The representative of Ukraine expressed interest to stay informed on further developments of the EU Green Deal. While implementing the SDGs, in particular fighting against climate change, all Members should develop their regulatory acts by bearing in mind both the protection of the environment and WTO rules. Ukraine hoped that the European Union would continue the development of the CBAM in a transparent manner with the involvement of all interested WTO Members and stakeholders to ensure its consistency with WTO rules and the provisions of the UNFCCC and the Paris Agreement.

1.56. The representative of China highlighted that promoting sustainable development to tackle climate change required implementing the UNFCCC and the Paris Agreement, lowering tariffs, reducing trade barriers, and promoting trade and investment liberalization and facilitation. China indicated that CBAM was inconsistent with the principle of CBDR-RC and the nationally determined contributions (NDC) arrangement. It was also not consistent with open and free multilateralism and would damage the mutual trust of the international community and the prospects for economic growth, particularly in the context of the post-pandemic global economy recovery. China hoped that the relevant legislative measures of the European Union would conform to WTO rules and avoid new trade barriers and expressed its willingness to strengthen communication and coordination with all parties including the European Union, promote the liberalization and facilitation of trade and investment in the green sector, and tackle climate change.

1.57. The representative of India noted that a thorough legal examination would be required on various elements of the European Green deal, including the CBAM to ascertain its conformity with relevant WTO rules. India reiterated that any such mechanism needed to take into consideration the principle of CBDR-RC, in light of different national circumstances, fiscal conditions and development levels. India also noted that multilateral environment agreements (MEAs) were the right forum to discuss and solve the issues pertaining to the environment and climate.

1.58. The representative of Thailand began by recognizing that the international community shared a common cause in tackling climate change, which was why Thailand's long-term low GHG emission development strategy would be communicated to the UNFCCC Secretariat during COP26. At the same time, Thailand highlighted the importance of ensuring that international rules and principles were respected, including those under the WTO and the UNFCCC. With respect to the proposed CBAM, Thailand recognized that this was undergoing legislative process. However, at present, the tension and unease surrounding the CBAM were a headwind against the collaborative spirit and mobilization of international efforts which were critically needed in the global fight against climate change. Thus, Thailand stressed its strong hope that all Members undertaking actions to combat climate change ensure adherence to all relevant international rules and principles, steer far away from unilateralism and coercion and be guided instead by the spirit of international cooperation.

1.59. The representative of Guatemala noted that during the presentation it was indicated that, in the first phase, there would be a focus on high-level emission sectors, such as cement, iron, fuel, aluminium, and there would be a second stage focusing on extending it to other sectors and indirect emissions. Guatemala queried what kind of sectors would be covered, and what would be the scope of indirect emissions, for the second stage of implementation. Second, Guatemala asked how a country-wide exception in CBAM would work, including the selection of countries for this kind of exception.

1.60. The representative of Canada indicated that, taking action to protect the environment and combat climate change was a priority for the Canadian government, and that Canada and the European Union had a longstanding history of fruitful cooperation on environment and climate change. As there was a great deal of interest in the potential implications for trade as a result of the European Green Deal, today's update enhanced transparency by providing new and more in-depth information to WTO Members. Canada noted its interest in better understanding how the EU's CBAM would be implemented in a manner that was consistent with WTO rules, while ensuring that trade and climate policies were mutually supportive. Canada welcomed further information on how the "international agreements" mentioned in the European Union's presentation would take into account other carbon prices.

1.61. The representative of the Russian Federation noted that, while most of the EU initiatives under the Green Deal were still at the stage of development, a set of tools had been implemented by EU Members for some time, like technical requirement on goods or subsidization of renewable energy. Implementation of these elements had significant influence on competition conditions on the EU market. The Russian Federation recalled the statement by the delegation of the United States in the context of the European Union's Trade Policy review in February 2020, which stated that the combination of legislative and non-legislative green policy initiatives created a strong risk of additional trade restrictions in the EU market. These policies, while pursuing legitimate environmental objectives, risk disruption in the global supply chain. The Russian Federation considered that the United States was not far from the truth and that today's EU statement did not shed more light on the development of this strategy. The Russian Federation added that the membership would also benefit from the EU Green Deal's presentation at the Subsidies and Countervailing Measures Committee, as this strategy was based on a massive state aids whose scale and nature should be addressed under the Agreement on Subsidies and Countervailing Measures. The Russian delegation noted that it had many questions with respect to the CBAM proposal, including its relationship with international agreements, such as the WTO Agreement, and other aspects, such as methodology, coverage, non-discrimination, utilizing methods of emissions reduction available to different countries. The Russian Federation stated that discussion at the CTE was welcomed but not enough. As this issue was connected directly with trade, these issues had been raised in the Committee on Market Access (G/MA/W/172) and the Council for Trade in Goods (G/C/W/800). The Russian Federation invited the European Union to enter the dialogue with WTO Members on this issue.

1.62. The representative of Saudi Arabia supported the statement by the Russian Federation. This issue had been addressed under the agenda of the Committee of Market Access, which should continue to be used to discuss these concerns. Furthermore, Saudi Arabia stated that any climate measures impacting trade negatively would have an impact on the spirit of cooperation among nations under the UNFCCC. This was why the UNFCCC provided that measures taken to combat climate change, including unilateral ones, should not constitute any arbitrary or unjustifiable discrimination or disguised restriction on international trade.

1.63. The representative of Korea reiterated that trade measures to achieve legitimate policy objectives should be fit-for-purpose and should not constitute a disguised restriction on international trade. Trade-related measures aimed at protecting the environment should be carefully designed to advance environmental objectives in accordance with WTO rules and principles. They should provide adequate conditions to avoid the misuse for protectionist ends. In this regard, the proposed CBAM had drawn special attention from WTO Members. Some Members had raised concerns over its potential incompatibility with WTO rules such as National Treatment, MFN treatment, and general elimination of quantitative restrictions. Noting the EU's efforts to ensure consistency of its eventual measure with WTO rules and principles, Korea encouraged the European Union to continue to share details of the CBAM in a transparent manner and to conduct enough consultations or bilateral discussions with interested Members and stakeholders before implementing concrete actions, and to fully consider each country's circumstances and its efforts to achieve a net zero economy.

1.64. The representative of Switzerland noted that, tackling climate change was one of the greatest challenges of our time, which required common efforts and cooperation at the international level, especially within the multilateral trading system. Switzerland therefore welcomed the discussion on trade-related climate measures that had taken place in the context of the TESSD. Switzerland indicated that it was closely following Members' efforts to this end, including the developments around the European Union's planned CBAM, and that it saw the European Green Deal as a possible way for responding to the challenges of the 21st century. While it recognized that "carbon leakage" formed part of these challenges, Switzerland expected that carbon taxes would neither increase distortions in competition nor lead to unnecessary administrative and regulatory costs or trade barriers. Switzerland noted that it pursued ambitious sustainability, environmental, energy and climate policies, which were witnessed, for instance, by its emissions trading systems. Working towards a net zero target by 2050, Switzerland highlighted that it fulfilled its obligations under the Paris Agreement and contributed to limiting global warming below the critical threshold of 1.5 degrees.

1.65. The representative of Egypt stressed the need to consider carefully the proposed mechanism's potential long-term implications on global trade. It must comply with WTO rules, including by not creating unnecessary barriers to trade. Egypt echoed the call by other Members that the proposed

mechanism must take into consideration the principle of CBDR-RC of different countries in light of their different national circumstances and the levels of development.

1.66. The representative of Argentina pointed out that the proposed CBAM continued to generate concern among WTO Members. In particular, Argentina expressed doubts about CBAM's consistency with WTO rules. The fight against climate change was a commitment by all nations. Actions taken to that effect needed to respect international agreements without becoming more trade restrictive than necessary to fulfil legitimate objectives, or disguised restrictions on international trade. All measures adopted to combat climate change needed to take into account the principle of CBDR. Argentina indicated that it would follow this measure's development and welcomed further information.

1.67. The representative of Norway supported the notion that CBAM was exclusively for climate objectives and that it was in compliance with WTO rules. Norway underscored that the connection between CBAM and the EU ETS was clear and that the European Union's presentation gave useful information in that regard. Norway stated that it would follow the work on the EU Green Deal and CBAM closely, and welcome regular updates on the issues in the CTE and elsewhere.

1.68. The representative of Japan reiterated its views on CBAM previously expressed in previous CTE meetings, as well as in TESSD meetings and indicated that it would continue to engage in the discussion with other Members.

1.69. The representative of the European Union responded to the questions raised by delegations. The European Union had been transparent on its proposed CBAM from the beginning, launching public consultations since it was first announced at the beginning of 2020, with more detailed public consultations in July 2020 in the context of its impact assessment. It was gathering views and would continue sharing information and being transparent on its proposal and its legislative process.

1.70. With respect to the comments on the compatibility of CBAM and the principle of CBDR, the European Union reiterated that CBAM was a measure that was there only to ensure the integrity of the policies adopted by the European Union, and to address the risk of carbon leakage. It aimed to ensure that the carbon price that applied on EU production was also the carbon price that was applied on import goods to make sure that they were treated the same. As regards the principle of CBDR, the CBAM was designed to deal with a world in which different parties under the principle of CBDR had taken different levels of ambition, including through the NDCs under the Paris Agreement. It was precisely because of this principle that the European Union had, as a developed party, demonstrated leadership with ambitious climate policies including a commitment to reach net zero by 2050. In this context, and through the CBAM, the European Union needed also to ensure that its ambitious policies did not lead to a rise in carbon emissions elsewhere. As all parties to the Paris Agreement aligned their emission pathways with the Paris Agreement goals, policies like CBAM would become less necessary. In the meantime, the European Union, as the world's largest provider of climate finance, would continue to support those countries that needed aid in the transition to net zero emissions.

1.71. The European Union pointed out that, a number of independent evaluations suggested that the aggregated impact of parties' NDCs, if fully implemented, would not put the world on a pathway to achieve the Paris Agreement goal. Thus, the CBAM did not intend to dictate at all how a countries' policies should be decarbonized. Countries remained sovereign to decide how they wanted, and at which speed they wanted to decarbonize. However, as long as there was not the same level of ambition, CBAM was necessary in order to protect the integrity of the European Union's climate mitigation efforts and ensure that they were not undermined by carbon leakage. Climate change was a global responsibility, and CBAM would encourage further progress in fighting climate change globally. The European Union hoped that all countries that had signed the Paris Agreement would make the necessary efforts to achieve this objective.

1.72. Turning to the justification for CBAM, the European Union highlighted that all countries were fighting a climate crisis and thus we all had to act. The European Union added that it was taking action in many different ways, and that CBAM was there to make sure that this action was effective, and it was not undermined by carbon leakage. The European Union observed that it had made sure that CBAM was targeted to areas where the risk of carbon leakage was most important.

1.73. With respect to CBAM's impact on trade, the European Union underscored that its CBAM proposal would be adopted at a slow pace and have a transition period. Thus, all parties were informed, and all would have the time to adjust to this measure and to take the necessary steps to take into account the fact that CBAM would enter into force. In terms of its compatibility with WTO rules, the European Union reiterated that CBAM was not a standalone measure; it was a measure that expanded the effects of the EU ETS to ensure that, regardless of whether goods were produced in the European Union or outside, and regardless of which trading partner outside the European Union goods were produced, they were subject to the same carbon price if they were sent to the European Union.

1.74. The CBAM was designed so that it could be extended to more sectors. However, the sectors would have to be selected on the same basis as those that were selected, meaning that there needed to be a risk of carbon leakage, meaning those sectors where emissions are were and trade was significant, and sectors where it was possible to assign a carbon content to imported goods. In terms of the understanding of indirect emissions, the European Union elaborated that it was referring to scope two emissions, meaning emissions taking place in the production of electricity, which in turn was used in the production of goods. With respect to a question on agreements, the European Union stated that CBAM should not result in a double carbon price, so if there was a carbon price that was paid in the country of origin of the goods, this carbon price should be factored into the adjustment that would be applied when goods were imported in the European Union. Of course, countries had different ways of imposing carbon prices, and it would be easier to take into account the carbon price if information with the countries of origin could be shared. The idea behind having an agreement would be to facilitate taking into account the carbon price paid at origin.

1.75. In response to further questions from the Chair, the European Union stated that possible sectors that could be included at a later stage would be industrial sectors with a high level of emissions, but it refrained from pointing at specific sectors because the elements to define them were not yet present. In terms of the exemption, it was noted that it would be applied in very restricted manner to only countries that had a carbon price equal to that of the European Union and that applied in the same manner as the European Union. For instance, the European Union specified that it applied the exemption to countries which participated in the EU ETS system without being part of the European Union (these were countries part of the European Economic Area), and to countries that had concluded an agreement to fully link their ETS system to the EU ETS. However, if a country had a carbon price in the form of a carbon tax or in the form of an ETS that delivered a carbon price as high as the one that applied in the European Union, this would bring the adjustment to zero. Although this would not be an exemption as would apply to countries of the European Economic Area, it would result in the same economic result that there would be an adjustment. Moreover, the European Union clarified that the objective of the European Union with the CBAM had never been to raise revenue. The objective was climate mitigation. Therefore, if the carbon price paid at origin was at the same level as that of the EU ETS, this would reduce the CBAM charge to zero. The European Union added that, during the transition period in which free allowances to EU producers were still being granted, the level of the adjustment to be applied on the imported goods should factor in a lower carbon price to take account of free allocation.

1.4 Other

1.4.1 United Kingdom's update on activities related to making supply chains more sustainable

1.76. The representative of the United Kingdom (UK) provided an update on activities related to making supply chains more sustainable. She underscored that to address climate change, meet "net zero" commitments, address biodiversity loss, and achieve the SDGs, trade -in the sense of moving to sustainable supply chains- had to play a vital role, as it formed the basis of global economic activity. Trade could help by facilitating and increasing access to environmentally beneficial goods and services. Trade could also be harmful by driving or amplifying environmental degradation, including through the unsustainable production and consumption of internationally traded goods. The transition to sustainable production methods, nature-based solutions, and more sustainable forms of agriculture was expected to add an additional \$2.3 trillion in productive growth to the global economy. According to UNEP, sustainable production created 64% fewer GHG emissions, per hectare, and supported greater levels of biodiversity than conventional agricultural production.

1.77. Moving to sustainable supply chains required an approach that considered measures to support sustainable production and consumption. Collaboration between producer and consumer countries was a key part of this approach. One of the priority sectoral commitments related to nature and forests. The United Kingdom, along with its co-chair Indonesia, convened the Forest, Agriculture and Commodity Trade Dialogue (FACT) which included over 25 actors. A key objective was to agree on principles for producer-consumer collaboration, develop a shared roadmap of actions and to break the link between commodity production and net deforestation globally by promoting a partnership-based dialogue. Four thematic and related areas were discussed: i) trade and market development; ii) support for small producers; iii) traceability and transparency; and iv) research, development, and innovation. Participants identified actions that, if combined, would sustain the protection of forests and other vital ecosystems while promoting trade and development. The United Kingdom encouraged WTO Members to support the outcomes and goals of the FACT dialogue.

1.78. In an earlier update on this issue, the United Kingdom informed Members about a webinar organised on March 24, 2021 by the International Institute on Sustainable Development (IISD) on Reducing Deforestation and Enhancing Forest Conservation Through International Trade Policy. The webinar explored novel and existing mechanisms used in international trade policy to encourage forest conservation and reduce deforestation associated with forest commodities. It also included a discussion on voluntary sustainability standards, including their effectiveness and scalability as market-based instruments, as well as the opportunities and limitations of other environmental provisions included in international trade agreement.

1.79. The United Kingdom would like to explore with CTE Members, the challenges and opportunities international trade presented in tackling climate change, biodiversity loss and promoting sustainable supply chains. The United Kingdom also wanted to identify barriers to progress and understand how the WTO could support, collaborative efforts. The CTE was the appropriate forum for Members to share their existing best practices related to measures in place to support sustainable supply chains, particularly for commodities at high risk of causing deforestation. The representative encouraged Members to share what they considered to be the key elements of a sustainable supply chain, what they deemed as the biggest obstacles to transitioning to more sustainable supply chains, and how the WTO and the membership could support the global transition to more sustainable supply chains and improve the protection of forests and biodiversity.

1.80. The representative of the European Union thanked the United Kingdom for their leadership in G7 that led to the G7 Environment Ministers recognizing the important links between agricultural expansion and deforestation. The European Union looked forward to sustainable supply chains that decouple agricultural production from deforestation and forest degradation and was willing to discuss how WTO work could contribute to this regard.

2 TECHNICAL ASSISTANCE AND CAPACITY BUILDING, PAR. 33 OF THE DOHA MINISTERIAL DECLARATION

2.1 Update on seminars and webinars

2.1. The representative of New Zealand briefed delegations about a side event launching the Asia-Pacific Trade and Investment Report 2021.⁵ This event was hosted by New Zealand alongside the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), UNEP and UNCTAD. The event included the participation of trade, commerce and climate change Ministers, Ambassadors and other distinguished speakers from around the Asia-Pacific region. The report underscored the urgent need for economies in the Asia-Pacific region to reduce GHG emissions, and the opportunity to align trade and investment policies in pursuit of climate action. It made several tangible recommendations, including in the following areas: (i) liberalization of trade in climate-smart and other environmental goods and services; (ii) the phasing out of FFS, in a way that supported the most vulnerable parts of society; (iii) the adoption of climate-smart non-tariffs measures and voluntary eco-labelling; (iv) encouraging climate-smart investment and private sector initiatives; (v) accelerating digital trade facilitation; (vi) incorporating climate considerations into regional trade agreements; and (vii) recommendations relating to carbon pricing and preparations for possible carbon border adjustment measures in the region. New Zealand encouraged delegations,

⁵ <https://www.unescap.org/kp/APTIR2021>.

particularly those in the Asia-Pacific region, to review the report and its conclusions and recommendations.

3 MULTILATERAL ENVIRONMENTAL AGREEMENTS (MEAS), ITEMS 1 AND 5 OF THE CTE WORK PROGRAM

3.1 The United Nations Framework Convention on Climate Change (UNFCCC)

3.1.1 United Kingdom's update on the 26th session of the Conference of the Parties (COP 26) to the UNFCCC

3.1. The representative of the United Kingdom provided an update on COP26. The COP would begin in just over 19 days in Glasgow and would be the largest conference of its kind in the world since the COVID pandemic began, with over 30,000 delegates expected to attend, as well as the largest summit the United Kingdom had ever hosted. Over 100 leaders had already confirmed their participation in the World Leaders Summit. While noting that it would be an opportunity to bring parties together to accelerate action towards the goals of the Paris Agreement and the UNFCCC, the benefits of tackling climate change were numerous and fundamentally in the interest of all parties, which included: cleaner air, healthier communities, sustainable economic growth, energy security, and a safer, more stable climate. For COP26, the United Kingdom was committed to facilitating the agreement of a comprehensive, ambitious, and balanced set of negotiated outcomes, while ensuring that no issue and no one would be left behind. The UK Presidency aimed to accelerate progress towards achieving the goals of the Paris Agreement through increased ambition in all domains. The United Kingdom further noted that national commitments were at the heart of COP26 outcomes, including Nationally Determined Contributions (NDCs), Long-Term Strategies, commitments to meet the \$100 billion goal, and adaptation communications. It also urged all countries to maximise their ambition across the piece.

3.2. The representative noted the importance of a dramatic acceleration of progress towards clean growth and resilience in order to meet the shared goals for avoiding dangerous climate change. To drive this acceleration, the United Kingdom brought governments, business, and civil society together, and focused on addressing major shared challenges in the areas of energy transition, finance, transport, nature, and adaptation and resilience. It also urged countries to sign up to priority sectoral commitments in the following key areas: (i) energy with the signing of the Coal to Clean Power Statement, which would include commitments to scale up clean power and investments in new coal power and make a just transition away from existing coal power, phasing it out by 2030 in developing countries and by 2040 in emerging economies; (ii) finance with the mobilization of public finance to achieve the 100 billion necessary to fund ambitious NDCs, National Adaptation Plans and the transition to a net zero and resilient world; (iii) transport with the signing of the Joint Statement on the Transition to Zero Emission Vehicles, with commitments from all major markets and global manufacturers to making all new cars and vans zero emission by 2030; (iv) nature with the signing of the Glasgow Leaders' Declaration on Forests and Land Use, committing to work collectively to halt and reverse forest and land degradation by 2030 while delivering sustainable development and promoting an inclusive and rural transformation; and (v) adaptation with an Adaptation Communication ahead of COP26, the idea being to increase the volume and access to predictable adaptation finance and to step up action and support to enable vulnerable countries to respond to loss and damage.

3.3. The representative recognized the important role that trade, and the multilateral trading system in particular could play in advancing progress and in meeting the challenge of climate change more generally. It stated the importance of addressing these issues together because they were strongly interlinked, and because the world would be able to achieve urgent and decisive shifts to the benefit of all countries through greater collaboration. As the international community prepared for MC12, which was scheduled for the end of the year, the United Kingdom recognized that it was vital that states harness the momentum of COP26 to ensure that the multilateral trading system played its part in addressing the unprecedented and interdependent crises of climate change and biodiversity loss. In conclusion, the United Kingdom committed to using this opportunity to push climate and environmental issues to the front and centre of the multilateral trade agenda, not just in this Committee but also at the upcoming Ministerial Conference.

3.1.2 UNFCCC's update on the preparation for COP26 and most pressing issues

3.4. The representative of the UNFCCC updated delegations on COP26 that would be held in Glasgow from 31 October to 12 November 2021. In addition, the session would include the 16th session of the COP serving as the meeting of the Parties to the Kyoto Protocol (CMP), the 3rd session of the COP serving as the meeting of the Parties to the Paris Agreement (CMA), and the 52nd to 55th session of the Subsidiary Body for Scientific and Technological Advice. COP26 came against the backdrop of two important reports. First, the Intergovernmental Panel on Climate Change (IPCC) Working Group I Report under the 6th assessment round, released in early August, had shown that, unless there were rapid, sustained, and large-scale reductions of GHG emissions, the Paris Agreement goal of limiting global warming to 1.5°C would be increasingly difficult to reach. Second, pledges by countries on their mitigation efforts (NDCs), had been synthesized in a report by the secretariat which showed that, under the current path, temperatures could rise to 2.7°C with devastating results for humanity. The report had shown that the total global GHG emission level in 2030, taking into account implementation of all the latest NDCs, was expected to be 16.3% above the 2010 level. According to the IPCC, to attain a warming limit of 1.5°C, emissions had to decline by about 45% below the 2010 level by 2030. Both reports indicated that the 1.5°C goal was still in reach but only with very rapid changes and scaling up of ambition.

3.5. The Conference would open on 31 October; the World Leaders' Summit would take place on 1 and 2 November, followed by parallel negotiating sessions throughout. There would also be a high-level segment on 9 and 10 November with ministerial statements. Regarding the substance of the negotiations, there were four key areas of priority for the intergovernmental process: (i) ambition (in both mitigation and adaptation); (ii) finance; (iii) transparency; and (iv) cooperative implementation of Article 6 and transition from Kyoto Protocol mechanisms. While there was no dedicated negotiating stream on ambition or on considering the pledges in the NDCs, they were likely to be referenced in the overarching decisions – decision number 1 of the COP, the CMP, and the CMA.

3.6. With regard to ambition on adaptation, the key areas of negotiations would be on: (i) the global goal on adaptation which was yet to be defined since there was already a global goal for GHG mitigation, and it was important that Parties provide further direction on how to assess progress towards the goal; (ii) further addressing responses to averting, minimizing, and addressing loss and damage; and (iii) accelerating and facilitating access to support for implementation of actions in national adaptation plans (NAPs). On finance, negotiations would take place on enhancing clarity in the mobilization and provision of the pledged US\$100 billion by 2020 and would start shaping-up the post-2020 climate finance to mobilize climate finance at scale from all sources to meet the needs of developing countries.

3.7. On transparency, negotiations would need to lay out the ground for implementing the Enhanced Transparency Framework by all Parties through the creation of a common set of accepted rules, based on environmental integrity and transparent reporting and review data procedures. With respect to cooperative approaches and carbon markets, Article 6 of the Paris Agreement provided three incentive instruments, especially for engaging the private sector: "cooperative approaches" (Article 6.2), the market "mechanism" (Article 6.4), and "non-market approaches" (Article 6.8). The post-Paris negotiations to operationalize cooperation instruments had continued but were not yet concluded. At the same time, the operation of the Clean Development Mechanism under the Kyoto Protocol was coming to an end as the second commitment period expired at the end of 2020.

3.8. Regarding non-party stakeholders' engagement, the plan for engaging them involved about 250 side events and 200 exhibits planned for COP26, including a Global Climate Action High-Level Event that was reporting back to Parties on the progress made by non-party stakeholders towards tangible climate action and enhanced ambition. These covered a range of topics and issues, such as business practices, sports, tourism, and fashion to name a few. There would be also some future labs to explore bold imaginative ideas for system change aimed at accelerating climate action and catalysing the transition to a regenerative and just world.

3.9. The representative of Canada commended the United Kingdom's COP26 Presidency for its continued effort to keep ambitious climate action at the top of the global agenda, especially in light of the pandemic. Despite the logistical challenges created by the pandemic, COP26 remained one of the most significant climate meetings since the Paris Agreement was adopted in 2015. Canada looked forward to continuing its work towards a successful COP26, with key outcomes on implementation

and ambition, including continuing to work with Germany and engaging with global partners on a plan to deliver on the US\$100 billion Climate Finance Goal ahead of COP26. Canada also strongly supported the United Kingdom's efforts to advance transformative action across each of the four goals: adaptation, mitigation, finance, and collaboration. It was important that the work at the WTO on trade and environmental sustainability issues, including on climate action, kept pace with international developments to ensure a just, realistic, and reasonable transition to a low-carbon economy.

3.1.3 New Zealand's update on negotiations towards the Agreement on Climate Change, Trade and Sustainability (ACCTS)

3.10. The representative of New Zealand provided an update on negotiations towards the ACCTS on behalf of Costa Rica, Fiji, Iceland, New Zealand, Norway, and Switzerland. These Members' trade Ministers had met in Paris the week before to discuss progress and take stock across the four pillars of the negotiations.

3.11. On goods, Ministers had welcomed progress in developing the list of environmental goods for tariff elimination and looked forward to further expansion in the months ahead. Ministers had acknowledged the important work of trade, customs, and environmental authorities to ensure that the list was ambitious, implementable, and appropriately targeted to deal with any issues of dual use. In the environmental services working group, Ministers had noted that positive progress was also being made to expand the understanding of environmental and environmentally related services in order to reflect a more contemporary understanding of this dynamic sector. Ministers looked forward to making new commitments that would facilitate access and create certainty for service suppliers to support environmental outcomes and sustainable development.

3.12. On eco-labelling, the development of guidelines for voluntary eco-labelling programmes was well advanced, alongside institutional mechanisms to support their implementation. Ministers expected these guidelines to prove a useful tool that would help ensure that eco-labels were able to best achieve their environmental purposes, while avoiding the inadvertent creation of barriers to trade. Finally, positive steps were being made on disciplines to eliminate harmful FFS. Ministers had acknowledged that this was complex work, with little available precedent but had encouraged negotiators to draw from the analytical work of the Organisation for Economic Co-operation and Development (OECD) and international environmental agreements, and on lessons from other institutions like the WTO and APEC.

3.13. The parties continued to strive for the ACCTS to be a WTO-consistent pathfinder agreement that inspired action by other Members. In this regard, New Zealand looked forward to continuing to provide Members with regular updates on progress. The parties aimed to conclude the negotiations as swiftly as possible and looked forward to other WTO Members joining the initiative.

4 TRANSPARENCY OF ENVIRONMENT-RELATED TRADE MEASURES, ITEM 4 OF THE CTE WORK PROGRAM

4.1 Update by the WTO Secretariat on data available for the Environmental Database 2020

4.1. The WTO Secretariat provided an update⁶ on the WTO Environmental Database (EDB).⁷ Data collection for 2020 was under way using the new EDB data entry platform. The number of notifications published had gone up from 6141 notifications in 2019 to 6729 at present. About 600 notifications had been uploaded which contained over 1000 environment-related measures. Environment-related notified measures had been published from the Technical Barriers to Trade (TBT) Agreement, and the Agreements or Notification Obligations on Import Licensing Procedures, Quantitative Restrictions, Agriculture, State Trading, and Safeguards. Other notifications data was also almost ready and would be published shortly. Data had also been published on Trade Policy Reviews (TPR). For example, for 2020, entries were published from Australia's TPR. Unlike previous years where the EDB was published only once a year, the new EDB data entry platform allowed for partial entry of data which allowed the Secretariat to report on 2020 information as and when it was obtained. Improvements made to the search keywords had been incorporated, including for

⁶ See document RD/CTE/201.

⁷ <https://edb.wto.org/>.

example, on plastics and natural disasters. The Secretariat confirmed that the 2020 update would be completed by the next meeting and that in the meantime, data would be published as and when completed.

4.2. The Chair referenced Chart 1.4 of the EDB 2019 Report (WT/CTE/EDB/19) and noted that it contained a number of environment-related objectives. He asked whether these objectives were in any way overlapping, or if they would have some correlation to the SDGs and how these objectives were identified by the Secretariat.

4.3. The WTO Secretariat confirmed that there were 25 harmonized types of environment-related objectives used in the database which were listed in Annex III of the EDB 2019 Report. These harmonized objectives had been in use since 2009. There were instances where the objectives tagged to the data could overlap or duplicate. He illustrated by using the example of the objectives of "afforestation/reforestation", and "sustainable forestry management". There could be a measure that may meet both these criteria and therefore would have multiple objectives tagged to one measure. For the sake of consistency, these objectives had not changed much over the years which could enable comparison of data. However, the Secretariat noted that new keywords such as "plastic" and "natural disasters" were added, and left the door open for further improvements to the EDB.

5 MEMBERS' SUGGESTIONS AND PROPOSALS

5.1 Costa Rica will provide an update on behalf of the Coordinators of the Trade and Environmental Sustainability Structured Discussions (TESSD)

5.1. The representative of Costa Rica updated delegations on the advance of the draft Ministerial statement on behalf of the TESSD co-convenors. She said that before the summer of 2021, TESSD co-convenors had prepared a draft elements document containing a compilation of issues that were discussed and presented by Members throughout the course of the year in the formal TESSD meetings. The elements document was reviewed and consulted among co-sponsors and non-co-sponsors in the spirit of transparency that had distinguished the Structured Discussions. Feedback was also received with transparency. The topic that appeared to raise the most interest from Members was the approach TESSD could give to the discussion on environmental goods and services. Following the summer break, a second revision of the draft elements paper was issued, and co-convenors invited Members to consultations which concluded in October 2021. The consultations had aimed to gather the different views on the most important aspects that were raised during the consultations. The consultations resulted in a draft text intended to accommodate most of the views so far presented and shared with co-convenors.

5.2. On behalf of the co-convenors, the representative of Costa Rica thanked all the delegations that had approached them and that had expressed interest in being part of this conversation. Co-convenors had done their best to try and incorporate all views while respecting the overall purpose of TESSD. Co-convenors had requested the support of co-sponsors to revise language which would be presented in the following days and which could receive wider support from non-co-sponsors before MC12. Co-convenors would later communicate to the membership about the progress of the draft Ministerial statement.

5.3. The representative of Canada said that TESSD had been an important incubator for ideas and proposals to make trade policy more sustainable since its inception. She said that since November 2020, Members from different levels of development had provided positive engagement. TESSD had also provided an opportunity for stakeholders to contribute different perspectives to the discussions held. The ministerial statement on TESSD would be an important step to set a clear path forward post-MC12. As MC12 was a few weeks away, the representative said that co-convenors looked forward to continuing to work with Members to achieve an ambitious outcome and encouraged all WTO Members to give serious consideration to cosponsoring the TESSD initiative.

5.4. The representative of Switzerland said that her delegation was convinced that the work of the TESSD complemented that of the CTE. The high quality of discussions amongst WTO Members and stakeholders had provided a better understanding of what was at stake and how trade should and could contribute to environmental issues. This enhanced dialogue also helped to understand the priorities of Members and the private sector. The Ministerial Statement would be based on feedback received from Members and the representative encouraged all Members to sponsor the statement

to demonstrate the common will of contributing to climate and environmental objectives agreed by their governments.

5.5. The representative of Ecuador congratulated Costa Rica and Canada for their leadership of the TESSD initiative. His delegation appreciated the openness of the proponents of the Structured Discussions that allowed for the entire membership to express its views on the elements contained in the draft statement that would be submitted for consideration at MC12. Ecuador looked favourably at several elements contained in the latest version of the draft declaration, including the incorporation of sustainable agriculture, an issue which Ecuador considered to be a crucial element in line with the SDGs that could contribute substantively to the discussions. Ecuador appreciated the inclusion of the reference to the non-duplication of efforts with other initiatives within the WTO and with discussions with other international organisations on the subject. Ecuador also considered positively the inclusion of technology transfer, an issue that could be addressed in a broad and comprehensive manner while converging in the common goal of identifying how trade could contribute to the environment. The representative reiterated Ecuador's constructive spirit and continued interest to participate actively in the discussions on this initiative.

5.2 MC12-Related Suggestions

5.6. The Chair updated the Committee on his consultations relating to the work of the CTE and to potential input to MC12 which were held between 23 and 24 September 2021. The Chair's intention was to listen to delegations' views and ideas, and how best to prepare for upcoming MC12. 12 delegations reached out to the Chair. Many delegations reiterated their strong support for the work being done at the CTE. Delegations shared the importance of: (i) enhancing transparency, via, for example, the Environmental Database and the MEA Matrix; (ii) continuing to play a role of forum for discussion and experience sharing as the Committee had conducted on a regular and active manner; (iii) highlighting the importance of new ideas and contributions to sustainable development and environmental protection as provided by the WTO Preamble, including in relation to achieving the SDGs as mandated by leaders, as well as in response to climate crisis; (iv) recognizing the importance of making sure that the overall CTE mandate was still up-to-date and that CTE processes were fit to address the challenges of the 21st century. The Chair invited delegations to share any views with the membership on this and to propose points or texts that could be reflected in a Ministerial outcome, as an input to the General Council.

5.7. The representative of India reiterated his country's belief that MEAs were the right forums to discuss Members' commitments on climate. While India was committed to achieving the SDGs, the discourse should not be pressing for the WTO to be utilized as a forum to achieve long-term climate action including through new commitments on environmental issues. The representative concluded by emphasizing that issues related to environmental protection and climate change mitigation had already been more adequately addressed in appropriate international forums.

5.8. The representative of the United Kingdom (UK) noted that Members had a unique opportunity to build on COP26 by collectively supporting some form of ministerial statement that included references to climate change and environmental sustainability. The inclusion of such language in the ministerial statement would go alongside some of the ministerial statements produced by TESSD and IDP. She also encouraged Members to review the draft ministerial statements and explore the possibility of signing them and then reflecting on how such language could be incorporated into a paragraph with a reference to the environment in the ministerial statement.

5.9. The representative of the United States noted that pandemic constraints and delegation limitations posed a real challenge to moving issues forward during the past year. Referring to a possible outcome following MC12, he emphasized his country's support for an outcome that included references to work on trade and the environment, including climate change, as well as a reference to the importance of mutually supportive trade and environmental policies. Future WTO work on trade, environment, and climate would be important to demonstrate the value of the WTO as an institution that could leverage trade as a tool to address environmental and climate challenges.

5.10. The representative of Costa Rica acknowledged that there was a new dynamism among Members when it came to discussing issues related to environmental sustainability and trade, among others. She said that active participation in this committee testified to the fact that for the WTO and the multilateral trading system there was a very important role to play when it came to achieving

the SDGs. It was important to Costa Rica that the fundamental principles set forth in the Marrakesh Agreement establishing the WTO remained relevant, and that this would give rise to a Ministerial Declaration at MC12.

5.11. The representative of Canada noted that Members' priorities should be to achieve a meaningful outcome on environmental sustainability, sending a strong signal on the shared commitment to address the climate crisis with all the tools at disposal, including trade policy tools. A strong outcome on environmental sustainability was important for the relevance of the WTO in the 21st century, while facing the impact of climate change.

5.12. The representative of the Kingdom of Saudi Arabia said that in the discussions regarding the MC12 outcome of the CTE, his delegation had noticed that some Members were pushing for different language attempting to change the mandate of the CTE. Saudi Arabia could not support such approach and any paragraph in the MC12 declaration related to trade and environment should be highlighting the importance of the mandate of the CTE/CTESS and the impact of trade policies on the environment and the comprehensive and inclusive work of programme that encouraged sharing experience. Ministers needed to encourage open, transparent, and inclusive dialogue amongst all WTO Members and without prejudice to their rights and obligations. Discussions of the relationship between trade and the environment needed to include all dimensions of technological innovation and development to extend the range of benefits and ensure that all WTO Members participated inclusively.

5.13. The representative of Ukraine noted that it was crucial to concentrate all Members' joint efforts on issues where meaningful outcomes were possible. Any final document issued by the Ministers at the end of MC12 should enshrine the commitment that Members' environmental policy, trade-related environmental measures should be in accordance with WTO rules, the UNFCCC, the Paris Agreement and not be used as a means of discrimination and protectionism.

5.14. The representative of Turkey welcomed the significant work undertaken in the CTE on the nexus of trade and environment noting that the CTE fulfilled a very significant work in enhancing transparency by keeping all WTO Members informed on recent developments. This specific task of the CTE of informing all Members on the measures taken in the nexus of trade and environment had to take place in the scope of a possible paragraph to be added to the MC12 declaration.

5.15. The representative of New Zealand noted that trade was a critical tool in advancing Members' shared climate change, environmental and sustainable development agendas, including those enshrined in the SDGs and the Paris Agreement. The WTO had an important role in supporting such work at present and into the future, consistent with the principles set down in the Marrakesh Agreement. New Zealand joined other Members in expressing the opinion that this should be reflected in the Ministerial Declaration at MC12. New Zealand supported calls for a high-level political messaging that would strengthen the role of the multilateral trading system in attaining the shared goals of climate change and sustainable development and promote an inclusive approach to trade and development.

5.16. The representative of Switzerland noted that it was crucial to highlight that the multilateral trading system needed to contribute positively to the three planetary crises (climate change, biodiversity loss and pollution). She further remarked that the Declaration had to mention the important work the WTO was doing on trade and environmental sustainably related issues, including in the CTE and the importance that the WTO stepped up its work on these issues post MC12.

5.17. The representative of Australia recognized the importance of addressing environmental sustainability in the run-up to and after MC12. He also emphasized Australia's support for a reference within a statement for MC12 to the important work on trade and the environment to address environmental goals, including combatting climate change, undertaken and consistent with WTO principles and the work being done in the CTE and elsewhere in the WTO. Australia recognized the important contribution that the agricultural trade reform could make to environmental sustainability, particularly reform of harmful agricultural subsidies that were exacerbating climate change. Concluding the fisheries subsidies negotiations would demonstrate the WTO's capacity to address environmental sustainability. Australia welcomed the efforts underway in the TESSD to develop a statement by MC12 on future work. The discussions provided a useful avenue to explore how to progress trade-related environmental policies and sustainability issues at the WTO. Australia

supported the development of a work programme beyond MC12 that would also include facilitation of trade and environmental goods and services and exploring trade promoting avenues to address emissions technologies such as encouraging the global uptake of new and emerging low emissions technologies.

5.18. The representative of Chile noted a revitalisation on the work on trade and environment in the WTO which was expected and necessary in view of the environmental challenges that human beings were facing. Chile supported the inclusion of language on trade and environment in the ministerial declaration to be concluded at MC12.

5.19. The representative of Japan noted that Japan would make every effort to cooperate with Members in drafting the Ministerial Declaration to be jointly agreed upon by WTO Members as a whole in MC12. Japan would like to cooperate with Members to build on the discussion in the CTE and CTESS in setting the message for the direction Members should take after MC12 on the issue of trade and environment.

5.20. The representative of Norway said that the outcome document should include a limited number of strong political messages, not only in relation to the pandemic, but also in relation to the climate-crisis related challenges, including the rapidly increase of loss of biodiversity and the pressure on the environment from different sources. The fundamental purpose of WTO was to contribute to a sustainable future, both in terms of economic and environmental and social sustainability. The delegate hoped that given the urgency of the global challenges, trade and environment would be discussed by Ministers at MC12.

5.21. The representative of the Russian Federation noted that fighting climate change was a common task of all the countries and Members could only address this problem multilaterally. Any policy to mitigate climate change should be fulfilled in a way not to limit economic growth, trade and so as to fight poverty. Taking into consideration the interest of everyone would provide synergy. A multilateral basis existed, such as the UNFCCC, the Kyoto Protocol, the Paris Agreement and the WTO agreements. All initiatives by WTO Members should comply with these agreements. He mentioned Article 2.2 of the Paris Agreement and 3.5 of the UNFCCC.

5.22. The multilateral trading system intended to avoid trade restrictions and discrimination. In order to avoid discrimination, approaches to greenhouse gases (GHGs) reductions should not be limited to only one method. It was also important to consider the climate projects implemented by countries. Every country and every company made efforts to develop ecosystems, including forests. These efforts should be considered. He stressed the principles that should be reflected: multilateral efforts, recognition and involvement of different methods of emission reduction, exclusion of trade limits.

5.23. The representative of the European Union noted that the world was faced with unprecedented environmental and climate challenges. The WTO had to play its role, as trade could make a positive contribution. Therefore, Members should collectively send a clear signal at MC12 of their determination to enhance the supportive role of trade in tackling climate and environmental challenges. For the European Union the following points should be addressed in the Ministerial Declaration: i) in the introductory paragraphs, there should be a contextual recognition of the global challenges the world faced, which should include climate and the environment; ii) a recognition that the multilateral trading system could and should play a positive role in addressing global challenges such as climate change, biodiversity loss, and pollution while contributing to the achievement of the SDGs and the objective of the Paris Agreement; iii) the importance to ensure a sustainable and inclusive approach to trade that considered the legitimate development requirements of many WTO Members, in all areas of WTO work, including through technical assistance and capacity building; iv) commitment to further mainstreaming environmental and climate considerations through the work of the WTO and reaffirming the role of the CTE as a forum to discuss environmental and climate measures with an impact on trade; v) putting discussions on "trade and environment" on the agenda of the ministerial conference, for example, by discussing how to change the wrong perception that trade was bad for the environment and the critical and positive role the CTE was playing to address it.

5.24. The representative of Ecuador said that his country was committed to environmental protection and welcomed any proactive work on trade and environment at the WTO and in other

fora internationally. Ecuador considered it essential that Members acted on trade and the environment in the WTO. If climate change was ignored and dealing with it postponed, it would hinder economic development and growth. Therefore, it was necessary to address the issue collectively. Ecuador expressed its support in the preparation for MC12.

5.25. The Chair thanked all delegations for their constructive inputs and proposals. As a member-driven organization, the Chair would keep in mind in the final report the 1994 Committee's mandate and the opportunity to take forward the concept of trade policy coherence and the Committee's contribution to the debate on trade and the environment. The Chair took note of all the inputs, proposals and statements made during the meeting and encouraged delegations to continue reflecting on this very important issue as MC12 was approaching.

6 RELATIONS WITH INTERGOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS, ITEM 10

6.1 Briefings by other observer organizations

6.1.1 Organisation for Economic Co-operation and Development

6.1. The representative of the Organisation for Economic Co-operation and Development (OECD) briefed the Committee on its recent activities on trade and environment.⁸ The OECD had recently released the OECD Work on Trade and Environment, A Retrospective, 2008-2020⁹. This was a second edition of an OECD series - the first of which covered the period 1991-2008. Its main contents included OECD's work on multilateral and plurilateral trade agreements and environmental policies; Regional Trade Agreements (RTAs) and the environment including tracking the typology of environmental provisions in RTAs and assessing their implementation and effectiveness; trade and environment policy indicators as well as global environmental issues and related policy responses, including climate change, circular economy, biodiversity, environment labelling and digitalization.

6.2. The ongoing work on trade and environment by the OECD's Environment Directorate included two pillars: trade and circular economy and trade and environmental sustainability. On trade and circular economy, the work focused on securing reverse value chains towards a resource-efficient and circular economy. On trade and environmental sustainability, there were three sub-pillars: (i) greening RTAs focusing on services trade; (ii) the nexus of illegal trade in environmental crime; and (iii) the environmental effects of regional trading blocs and reshoring amid COVID-19.

6.3. A representative of OECD's Trade and Agriculture Directorate updated delegations on the release of the 2020 Inventory of support measures for fossil fuels. The Inventory was an online tool¹⁰, which identified documents and estimated over a thousand individual policy measures supporting the production or consumption of fossil fuels. The Inventory was based on a bottom-up approach promoting the transparency of public policies. The scope of the Inventory covered the broad concept of support as defined in the WTO Agreement on Subsidies and Countervailing Measures (ASCM). It focused mainly on direct budgetary transfers and tax expenditures. It covered 50 economies: OECD countries and a set of selected partner economies.

6.4. The representative also briefed delegations on the report on a critical review of methodologies for ex-ante sustainability impact assessments of Free Trade Agreements (FTAs). International trade policies were increasingly explicitly linked to the objective of supporting sustainable development. The impact of FTAs depended on several economic and policy factors, both domestic and international. The report provided an assessment of methodologies for estimating the potential impact of trade policy on a range of environmental, social and human rights outcomes. The assessment of methodologies was done according to several criteria, including the range of the scope of the analysis, the comprehensiveness of the analysis, the translation of the results into actionable policy recommendation, transparency and objectivity and resource intensity.

6.5. The OECD would be organizing two events on trade and environment through its virtual pavilion at COP26: one on "Tracking government support measures for fossil fuels: enhancing transparency

⁸ See document RD/CTE/197.

⁹ Available at: <https://issuu.com/oecd.publishing/docs/oecd-trade-environment-retrospective-2020>.

¹⁰ Available at: [Fossil fuels - Organisation for Economic Co-operation and Development \(oecd.org\)](https://www.oecd.org/trade/2020-inventory-of-support-measures-for-fossil-fuels/).

through better data tools" and one on "Assessing the impact of trade agreements on climate action: The critical role of the public voice".

6.1.2 International Trade Centre

6.6. The representative from the International Trade Centre (ITC) provided an overview of their work on trade and environmental sustainability.¹¹ As a background, he identified that climate change was redefining competitiveness in value chains today and Micro, Small and Medium-sized Enterprises (MSMEs) were facing new risks from climate hazards as well as opportunities from environment markets. ITC's work, therefore, involved an assessment of these challenges from a micro-economics perspective.

6.7. One such challenge was the limited awareness of opportunities in the business case for going green. ITC recognized that sustainability was seen as a burden rather than opportunity for markets and value addition which in turn led to limited access to finance and the need for green Aid for Trade initiatives. ITC aimed to work closely with MSMEs and support institutions to help them understand the value chain risks and opportunities prevailing in their sectors and finding strategies to address risks from climate change. Due to these reasons, ITC had approved a new strategy about a year ago on trade and environmental sustainability called Green to Compete. This strategy worked on three key themes: climate resilience, circularity, and bioeconomy. It also had a wide array of services and support tools that would be deployed to work with stakeholders, primarily small and medium-sized enterprises (SMEs) and entrepreneurs from developing countries, but also other ecosystem actors such as business support organisations and policy makers.

6.8. ITC further demonstrated its new climate and environmental risk assessment work tool, which aimed at mapping climate risks and opportunities in value chains and enabling SMEs to make the most out of them. This methodology, described as a funnel, was developed recently and had begun application in countries roughly a year ago. At the value chain level, ITC approached stakeholders in a country and attempted to understand and identify one to two key products that were a priority for them. The standard framework was applied to the value chains of these products at three stages: input supplies, agricultural production, and post-production activities from transport to retail. Each stage was said to have a number of risk points within it, and through ITC's analysis which combined inputs from stakeholders, primary data analysis, and literature review of academic technical literature, it could zoom onto focus areas and production districts, thereby reducing the general founder framework of 27 risk points to a number that ranged between 8-12 risk and opportunity hotspots.

6.9. For each hotspot, it identified key issues and the areas that were most affected by these risks. It looked at the adaptive capacity of stakeholders to prepare for and dealing with impact, and finally assigned a risk rating which was very simple to understand for everybody - low, medium, and high. Based on this rating, ITC then identified adaptation options for action by SMEs at each value chain risk hotspot and translated these options by making an additional filtering into capacity building modules for SMEs and ecosystem actors that usually focused on three to four hotspots.

6.10. ITC proceeded to provide an example of its work in Fiji, where it asked farmers and exporters in farmers workshops to provide an easy quantitative of their perception of risks. It was reported by farmers that pest management was a top concern, since they experienced plant disease outbreaks, particularly of ginger root during periods of heavy rainfall. Water management was also an issue since ginger was traditionally grown on slopes which impeded artificial irrigation systems, and farmers suffered from lack of water during periods affected by drought. This impacted the quality of their produce. At the post-production level, exporters told ITC that their highest risk was in post-harvest management, due to shortages in raw products. Poor links with farmers substrings had failed to allow them to undertake and implement risk mitigating measures.

6.11. It also provided an example of its work in Iraq to demonstrate a strategy of moving from risk identification to strategy formulation. The top concern for farmers and agribusinesses was water management, and Iraq was suffering from a water crisis due to environmental, climate, and institutional practices such as traditional surface irrigation. ITC therefore advised partners and stakeholders to establish demonstration plots to sensitise farmers about the benefits of modern irrigation and that coupled with greenhouses and other equipment could drastically reduce the

¹¹ See document RD/CTE/200.

amount of water used in fields. These were examples of capacity building modules that ITC implemented, moving from strategy formulation to implementation.

6.12. ITC also introduced its most recent work in Iran, where it worked in the medicinal plant value chain. Since medicinal plants were in high demand worldwide, ITC recognized that there were unmet export opportunities for organic products in the EU Market. Therefore, it developed and implemented jointly with local partners a model of training programs on EU market requirements for organic agriculture. This training included, both an in-depth comparison of Iranian and EU legal frameworks to identify possible gaps as well as practical farming methods and related teaching on topics such as plant protection, monitoring of pest, nutrition, soil and nutrient management.

6.13. It concluded by providing another example of a case where it implemented recommendations and strategic lines of action from its assessments. Called GRASP, it was ITC's most advanced project and was implemented in Pakistan. This example showed how ITC's approach to technical assistance resulting from the assessment was an integrated one, which also included soft-skill training to farmers and MSMEs, Climate-Smart Agriculture Training for farmers to help build resilience to climate change, and adoption of sustainable farming practices and agri-entrepreneurship trainings to encourage entrepreneurs to move to value-added activities by incorporating sustainability principles into their business. After designing these offers, ITC realised that it also needed to enable beneficiaries to make the best use of these trainings and implement them. Therefore, it began work on developing green local markets for climate friendly and low input and low emission technologies.

6.14. ITC explained that it was conducting a mapping jointly with a local university of Climate Technology in Pakistan to identify gaps in the provision of technologies such as installing equipment, seeds, and other climate friendly inputs that were not available in the country. It also mapped the ecosystem to see what enterprises could supply them, with the aim of making farmers aware of the opportunities for taking up such technologies. ITC also provided farmers and SMEs with financial means to take up these technologies, by implementing a grant scheme for acquiring machinery equipment and other working capital, where it assigned extra points to farmers and SMEs that were applying and demonstrating the usage of funds for taking up environmental technologies.

6.15. The [European Union](#) thanked the ITC and OECD for their important and analytical work on environmental sustainability. It noted aspects related to circularity and biodiversity with particular interest and encouraged them to continue their work and updates to the WTO.

7 OTHER BUSINESS

7.1 Other matters

7.1. The [Chair](#) said that the Committee took note of all the statements made. The next meeting of the committee would take place in the first trimester of 2022. The Chair informed delegations that the draft Annual Report would take note of all the reflections, suggestions and issues in view of MC12 and would be circulated shortly. The Chair assured delegations about his availability to assist at the MC12 and reflect all the messages with faithfulness to the CTE's mandate.

ANNEX 1: ITEMS OF THE CTE WORK PROGRAMME (1994)

- Item 1: The relationship between the provisions of the multilateral trading system and trade measures for environmental purposes, including those pursuant to multilateral environmental agreements.
- Item 2: The relationship between environmental policies relevant to trade and environmental measures with significant trade effects and the provisions of the multilateral trading system.
- Item 3(a): The relationship between the provisions of the multilateral trading system and charges and taxes for environmental purposes.
- Item 3(b): The relationship between the provisions of the multilateral trading system and requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling.
- Item 4: The provisions of the multilateral trading system with respect to the transparency of trade measures used for environmental purposes and environmental measures and requirements which have significant trade effects.
- Item 5: The relationship between the dispute settlement mechanisms in the multilateral trading system and those found in multilateral environmental agreements.
- Item 6: The effect of environmental measures on market access, especially in relation to developing countries, in particular to the least developed among them, and environmental benefits of removing trade restrictions and distortions.
- Item 7: The issue of exports of domestically prohibited goods.
- Item 8: The relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights.
- Item 9: The work programme envisaged in the Decision on Trade in Services and the Environment.
- Item 10: Input to the relevant bodies in respect of appropriate arrangements for relations with intergovernmental and non-governmental organizations referred to in Article V of the WTO.
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ANNEX 2: DOHA MINISTERIAL DECLARATION PARAGRAPHS

32. We instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

(i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;

(ii) the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights; and

(iii) labelling requirements for environmental purposes.

Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the [Fifth Session of the] Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations. . . . xxx

33. We recognize the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them. We also encourage that expertise and experience be shared with members wishing to perform environmental reviews at the national level. [A report shall be prepared on these activities for the Fifth Session.]

51. *The Committee on Trade and Development and the Committee on Trade and Environment shall, within their respective mandates, each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected.*
