



4 April 2024

(24-2909)

Page: 1/4

**Committee on Trade and Environment
Council for Trade in Goods**

Original: English

**UNDERSTANDING THE OPPORTUNITIES AND CHALLENGES OF THE GREEN TRANSITION:
COHERENCE AND INTEROPERABILITY OF TRADE-RELATED CLIMATE MEASURES**

COMMUNICATION FROM THE UNITED STATES

The following communication, dated 4 April 2024, is being circulated at the request of the United States.

1 THE NEED AND URGENCY FOR AN ENHANCED FOCUS ON TRADE-RELATED CLIMATE MEASURES

1.1. WTO Members are grappling with understanding the challenges and opportunities of the green transition for their economies and citizens. Most recognize the urgent need to take action to mitigate greenhouse gas emissions and adapt to climate change in order to help ensure a safe future for families and communities, good paying jobs for workers, and a healthy planet for our and future generations. WTO Members are considering and implementing policy measures that are appropriate to their specific political and economic circumstances. It is encouraging that progress has already been made on transitioning to less emissions-intensive economies. However, significant work remains, and needs to be accelerated, if we are going to meet greenhouse gas (GHG) emission reduction targets and net-zero goals. This was driven home by the first global stocktake under the Paris Agreement in December 2023, which found that progress has been too slow across all climate actions.

1.2. Trade policy can play an important role in incentivizing decarbonization and reducing GHG emissions in our economies, spreading technological innovations that enable lower- or zero-emission production and transport, and greening international supply chains. Consequently, WTO Members are putting in place and implementing trade-related climate measures (TrCMs) at a growing rate. WTO Members have already notified through various WTO committees over a thousand trade-related measures on climate change mitigation and adaptation, and thousands more environmental measures and regulatory policies that relate to climate change and environmental protection (such as ozone layer protection and the protection of forests). The pace of these environment-related notifications has accelerated in recent years. Some of these measures and policies are explicit border measures, such as carbon border adjustment mechanisms that seek to address "carbon leakage" stemming from domestic and regional emissions prices and regulations.

1.3. As these policies are implemented, WTO Members would benefit from conversations to understand latest developments and work on how to assess the effectiveness and impact, including on trade, of various TrCMs domestically and internationally. These conversations, and experiences of individual Members, will be important in understanding the practical effects of different TrCMs, both in terms of their effectiveness in mitigating greenhouse gas emissions and their effects on existing trade patterns. They may also lead to a deeper and shared understanding of how different measures can be mutually supportive of common climate goals (e.g., aligning incentives) or when they may inadvertently act at cross purposes (e.g., mixed market signals). The WTO is an important space for sharing these trade-related experiences and discussing how to maximize the effectiveness and coherence of various TrCMs for achieving Members' climate ambitions, complementing important discussions and analytical work taking place in other fora. WTO Members can also utilize the convening power of the WTO to engage with a wide group of international organizations, academics

and other experts, and private sector and civil society stakeholders to discuss relevant work they are undertaking and help WTO Members better understand and navigate these challenges and opportunities.

2 CONSTRUCTIVE WORK ALREADY UNDERWAY RELATED TO TRADE AND CLIMATE CHANGE

2.1. WTO Members have already undertaken significant engagement on trade and climate issues in the WTO, as well as in other multilateral and regional organizations. This work provides an important foundation for understanding and sharing more robust information on TrCMs, and potentially for WTO Members to collaborate on mutually supportive solutions.

2.2. In 2020, WTO Members established a forum for open and exploratory discussions on trade and the environment, including climate change, through the **Trade and Environmental Sustainability Structured Discussions (TESSD)**. There are now 76 WTO Members participating in the TESSD, and discussions have included presentations by a number of international organizations working on climate-related issues, including in specific sectors such as steel, aluminum, and agriculture. The TESSD also includes discussions on topics that directly relate to climate change, including deforestation, circularity and the circular economy. The United States supports the continuation of discussions under the TESSD and the valuable, informal incubation space it provides WTO Members to engage and explore emerging environmental issues in an open and inclusive format. However, as noted further below, it is important to harvest discussions that began in the TESSD, broaden them, and develop, where possible, concrete and practical policy options and tools that can support WTO Members' needs.

2.3. In addition to the TESSD, WTO Committees, such as the Committees on Trade and Environment, Agriculture, Technical Barriers to Trade, Trade Facilitation, and others, have discussed TrCMs and the relationship between trade and climate. Some of this discussion stems from the notification requirements of committees to which TrCMs have been notified, including to receive comments and other communications from other Members. This provides an important transparency element that is helpful in understanding the breadth and diversity of WTO Members TrCMs. Those notification requirements of the respective WTO Committees should be respected, and Members should engage in the committee discussions on them, even in cases where similar discussions are explored in the TESSD.

2.4. Beyond the WTO, there is a wide range of international organizations, private sector associations, and civil society organizations exploring trade-related aspects of climate change, many of them at the sectoral level. Among these workstreams are critical discussions and analysis around data and methodologies for calculating emissions intensity used in comparing carbon pricing and non-pricing approaches. For example, the OECD's Inclusive Forum on Climate Mitigation Approaches is working on mapping mitigation strategies, estimating impacts on emissions, and exploring methodologies for calculating carbon intensities. Others, like international standards bodies, produce turn-key international standards that can be used by Members to develop sound regulatory approaches.

3 ELEVATING SPECIFIC WTO DISCUSSIONS ON TRADE AND CLIMATE AND IDENTIFYING PRACTICAL POLICY OPTIONS AND TOOLS

3.1. This broad range of trade-related climate discussions at the WTO and elsewhere is helping to broaden the understanding among Members of the nexus between climate policies and trade. We believe there is now an opportunity to further utilize the platform of the WTO to "harvest" some of the more mature discussions and to identify and prioritize newer workstreams to help inform Members' decisions regarding practical, solution-oriented policy options and tools. We firmly support the continuation of informal discussions under the TESSD as an open and exploratory forum for engaging on climate and other environmental issues. Such a forum is needed for WTO Members to share views and experiences to inform discussions. In fact, there are additional topics that could be considered for inclusion in the TESSD, for example, cross-cutting issues such as employment and the green transition. **But we should also identify specific topics that are ripe for bringing back into the regular work of the relevant WTO committees, and deepen the discussion on those more mature areas with the goal of informing WTO Members interested in developing data-driven, science-based, practical policy options and tools.**

3.2. Specifically, there is general acknowledgement that greater coherence and interoperability between different TrCMs could improve their effectiveness in addressing climate change, while also reducing unnecessary costs and trade tensions. Given the urgency and need for WTO Members to take action to address climate change, and given their diverse political and economic situations, it would be helpful for WTO Members to have practical information on ways to design and implement measures to achieve maximum policy effectiveness.

3.3. Discussion and consideration of coherence and interoperability could potentially be considered at two levels:

- Policy Design and Implementation: how different climate-related measures (such as carbon prices, regulatory requirements, and frameworks on emissions) vary and interact; and
- Data and Methodology: at a more technical level, understanding of ongoing work and Member experiences in comparing data sources and methodologies for calculating embodied GHG emissions at the product, facility, or sectoral level.

3.4. Both of these areas have benefitted from discussions in the TESSD, as well as significant work by other international organizations, academics and other experts, and private sector entities. Bringing this important foundational work forward for deeper dialogue will be important to inform the next stages of the discussion and potential outcomes.

3.5. ***We propose WTO Members consider a range of options for deepening understanding in these two areas:***

- A. **WTO Member retreat(s)**, with background briefs and materials provided in advance to focus the discussion, on the following themes:
 - a. *Interoperability of TrCMs*: understanding ongoing work and Member experiences to identify common elements across different types of TrCMs, including on options and strategies to support interoperability and coherence among different measures.¹ This would include discussion of interoperability between different carbon price and non-price measures and outcomes from the two approaches.
 - b. *Capturing embodied emissions*: understanding ongoing work and Member experiences related to data and methodologies used for calculating embodied emissions.
- B. **Thematic discussions in WTO committees and cross-committee work**, as appropriate. In addition to notifications of TrCMs to the appropriate committee(s) (depending on the type of measure), this could include discussions on how to advance compatibility across international standards, or discussions on how Good Regulatory Practices (GRPs) can improve the effectiveness and coherence of TrCMs.
- C. **Multi-stakeholder event(s)** focusing on the implementation of TrCMs: what have been the experiences and lessons learned to date of WTO Members; traders and exporters, including small and medium-sized businesses; labor organizations, community-based and environmental organizations, and other civil society members as TrCMs are implemented in practice? What have been the employment impacts or implications of various measures and how does this support just, green transitions? What are we learning about the best ways to implement TrCMs in order to maximize reduction of GHG emissions, while minimizing trade frictions, especially for small businesses and developing countries?
- D. **A compilation report**, driven by participating WTO Members and with the support of the WTO Secretariat, that:
 - a. Captures and shares the key insights from the above retreats, committee thematic discussions, and multistakeholder event(s);

¹ This discussion should take into account the TESSD paper "Best Practices in the Development of TrCMs" issued on December 21, 2023 ([INF/TE/SSD/W/25/Rev.3](#)).

- b. Shares Member experiences and lessons learned in promoting coherence and interoperability of TrCMs;
- c. Takes stock of various existing efforts to identify key elements of major types of TrCMs in order to help WTO Members compare and contrast different aspects of climate-related policy measures; and
- d. Identifies gaps in existing factual or analytic work that the participating WTO Members may find useful.

3.6. The intent of this communication is to recognize that WTO Members are already designing and implementing TrCMs to respond to the climate crisis, and that a great deal of important discussion and analysis has already taken place at the WTO and elsewhere. The time is ripe to pull some aspects of this work into a deeper discussion that is data- and fact-driven and could help inform WTO Members considering practical policy options and tools to address climate change while recognizing potential trade-related impacts. This communication provides ideas on the topics and processes to do this work in an open and transparent way in the WTO. We welcome further engagement and refinement from all WTO Members on how best to achieve these goals.
