

European Commission non-paper on possible trade and climate initiative in WTO

This paper intends to encourage informal discussions on possible approaches to move the green agenda forward in the WTO, in preparation of the 12th Ministerial Conference.

There are high expectations that the WTO contributes to the green transition needed to achieve the climate and environmental objectives. Like other like-minded WTO Members, the EU considers there is a momentum to step up the efforts. This is also important in view of sustainable recovery efforts following the COVID 19 pandemic.

The EU wishes to advance environmental sustainability in a coherent and overarching manner together with other WTO Members and achieve an ambitious outcome at the next WTO Ministerial Conference, as part of the ambition to integrate the Sustainable Development Goals (SDGs) into the WTO.

General aspects

The core objective should be to ensure that multilateral trade rules support the global transition towards a climate neutral, and resilient economy. The guiding principle for this initiative would be to advance the green agenda inclusively and transparently. It should also bring together the different WTO working strands that could contribute to this objective in a coherent manner. It would require reflection on key components or building blocks that would come together under a coherent “green” umbrella, in the form of a multilateral initiative.

Whilst the idea is to focus on climate, other environmental objectives should also be taken into account. This work should allow to integrate initiatives and ideas presented by WTO Members on various topics – ultimately all efforts should come together in a manner that attracts a large number of WTO Members.

Building blocks

Possible building blocks include the following:

Liberalisation of trade in goods

The negotiations on an Environmental Goods Agreement (EGA) came to a halt in December 2016. There is a call to retake these negotiations, possibly updated in scope as new technologies have emerged. The EGA approach was based on a list of end products selected on their contribution to a wide range of environmental objectives. The EGA had 18 participants¹. Based on the EGA experience, immediate questions that come to mind are how to widen the scope of participants; and what approaches could increase the chances of

¹ The 18 EGA participants (representing 46 WTO Members) are Australia, Canada, China, Chinese Taipei, Costa Rica, the European Union, Hong Kong (China), Iceland, Israel, Japan, Liechtenstein, New Zealand, Norway, Singapore, South Korea, Switzerland, Turkey and the United States.

success. In addition, there may be merits in considering a focussed approach in a first step selecting more targeted objectives, e.g. climate-mitigation “clean” technology goods that directly contribute to the reduction of greenhouse gas emissions, such as equipment used in the production of renewable energy. This first step may also include specific goods that enable the transition to a resilient circular economy through sustainable supply chains. Such a focused approach may help gather broader support and facilitate obtaining a first deliverable, after which other products supportive of a green transition could be added.

Liberalisation of trade in services

International trade in goods and services is increasingly intertwined. From this perspective, it would make sense to follow a similar logic for goods and services. It would therefore be important to assess the merits of focussing first on the liberalisation of certain services linked to climate mitigation before moving to a broad approach. Another aspect for reflection is whether a “understanding” could help clarify the precise scope of the market access commitments that would be negotiated. This would ensure that only those services, which serve the climate mitigation, are within the scope of the liberalisation. As for goods, a first step could also include support for circular economy.

Development

Green objectives, both in terms of climate and protection of environment, respond to global challenges which affect developed and developing countries. Therefore, SDGs and developing country priorities will need to be central to this agenda. This includes economic diversification and industrialisation through investment and trade capacity building, including in green sectors as well as enshrining a green perspective in the WTO’s Aid for Trade Work Programme. As mentioned under the previous sections, consideration should be given to specific goods and services of interest to developing countries.

Transparency

Transparency has been one of the core principles in WTO work. For policy areas in rapid development like environment and climate it is important to have, transparency of domestic measures including at policy developments stage.

The WTO Environmental Database contains close to 20,000 environment related measures notified under WTO Agreements or through Trade Policy Reviews. There is thus a good basis to go beyond the mere notification of measures by fostering discussions around the domestic environmental measures at early stages, create a forum to foster best practices and exchange on international and domestic policy developments of (potential) relevance for trade and environment.

This could include topics such as domestic measures in development, with an encouragement of countries that are intending to take trade related climate and environment measures to provide information and engage in discussion in early stages. The EU will be ready to provide information of its respective measures (e.g. carbon border adjustment measure, green claims, etc.). This could also include topics like circular economy principles or promoting green public procurement.

The SDG 12.c sets out the goal to rationalise inefficient fossil-fuel subsidies by removing market distortions that encourage wasteful consumption, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries. The WTO Membership should exchange views on how the WTO could contribute to this ambition. This exchange could usefully take place in the Committee on Trade and Environment. An information note by the WTO Secretariat could provide an overview of the different forms of fossil fuel subsidies and ongoing international efforts on collecting information and analysing support measures for fossil fuels and more generally fossil fuel subsidies reform.

Improving the functioning of the Committee on Trade and Environment (CTE)

The CTE has a wide mandate, which allows for a lot of flexibility. In the margins of the CTE, a successful series of meetings amongst government representatives and with stakeholders has been developed to discuss the trade and environment in general, and the role of the WTO in particular. This is very useful but should not take away the attention from the CTE as the main forum to discuss trade and environment.

Some of the CTE tasks are underutilised. This includes in particular transparency of domestic measures (combined with the notification obligations) and on policy developments (see above). The role of the CTE as a platform to bring together the developments in the various WTO Committees of relevance to trade and environment or coordinate monitoring of environment-related SDGs with links to trade policy could be enhanced. The CTE is also well placed to further develop the cooperation with other international organisations.

How can the WTO operate in a more coherent manner on trade and environment/climate?

Do you agree that a staged approach, starting with a focus on specific objectives (climate mitigation, circular economy, other), could attract a larger number of participants?

How to attract developing and least developed countries?

Transparency is a key function of the WTO. How can we make better use of this function and what elements should we take up? How to improve the functioning of the Committee on Trade and Environment?