

**LATIN AMERICA AND CARIBBEAN AWARENESS CREATION WORKSHOP TO MAXIMIZE THE POSITIVE AND
MINIMIZE THE NEGATIVE IMPACTS OF IMPLEMENTATION OF CLIMATE CHANGE**

RESPONSE MEASURES

SANTIAGO, CHILE

22-24 MAY 2019

WTO, CLIMATE CHANGE & RESPONSE MEASURES

Aik Hoe Lim

Director

Trade and Environment Division, World Trade Organization

UNFCCC ARTICLE 3.5

The Parties should cooperate to promote a supportive and **open international economic system** that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus, enabling them to better address the problems of climate change. **Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.**

MUTUAL SUPPORTIVENESS OF ENVIRONMENTAL PROTECTION AND TRADE



INTEGRATING TRADE AND ENVIRONMENT POLICIES

Analyze linkages, exchange
national experiences and best
practice

Minimize tensions

Maximize positive
spillovers (“win-win”)

Examples:

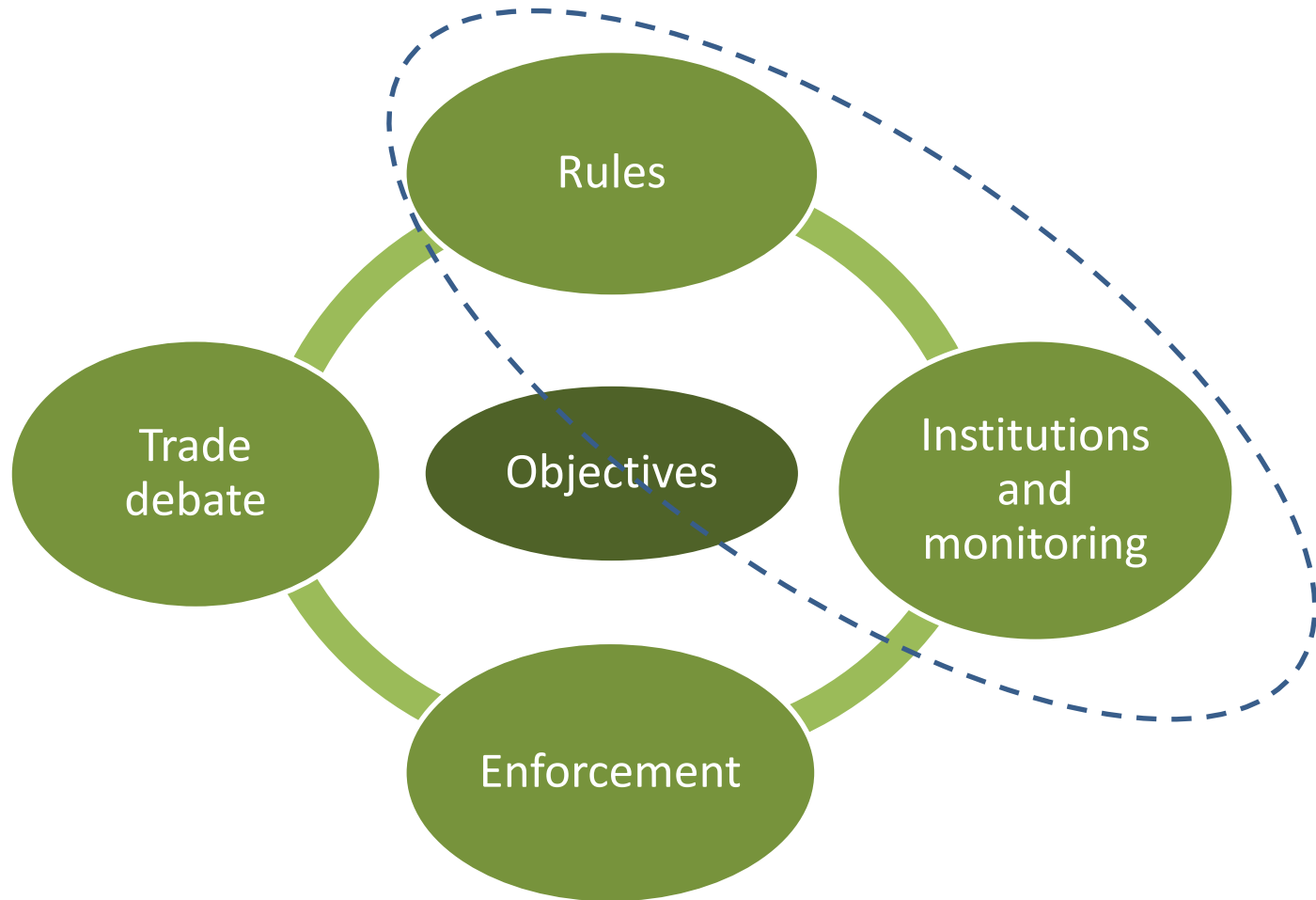
- Trade requirement or restrictions on “sensitive” trade (illegal timber, endangered species)
- Cooperation to reduce pollution from international freight transport

Examples:

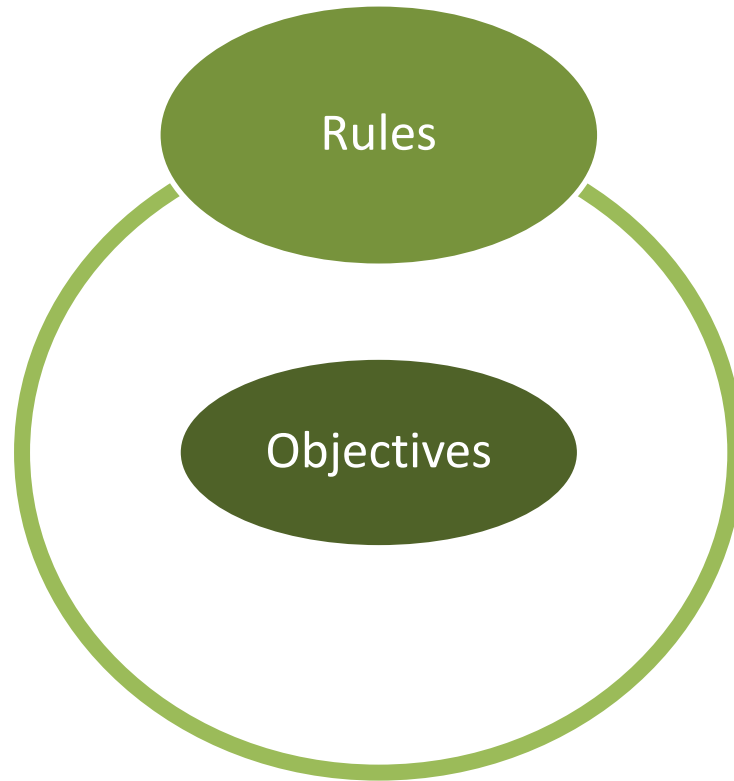
- Trade in environmental goods and services?
- Strengthening disciplines on fisheries subsidies?



WTO INSTITUTIONAL ROLE



WTO INSTITUTIONAL ROLE



MAIN TRADE PRINCIPLES UNDER WTO RULES

- **Non-discrimination** (GATT Arts. I and III; TBT Art. 2.1; SPS Art. 2.3; TRIMS Art. 2; ASCM Art. 3...)
 - National treatment
 - Most Favoured Nation
 - Domestic content requirements
- **No quantitative restriction** (GATT Art. XI, TRIMS...)
- **No unnecessary barriers to trade** (GATT Art. XX*; TBT Art. 2.2, SPS Art. 2.2;)
 - Requirements of performance vs. design or descriptive fts
- **No protection over agreed limits** (GATT Art. II, Agreement on Agriculture and ASCM limits)

CLIMATE CHANGE POLICIES



Environmental requirements

- Improve resource use and reduce pollution
- Applied in a non-discriminatory fashion?



Taxes and other market tools

- Address environmental externalities (*carbon pricing*)
- Impact market access?



Subsidies

- Promote green technology innovation and diffusion
- Trade distortions?

WTO RULES MAINTAIN A DELICATE BALANCE



Right to adopt
measures to achieve
legitimate objectives

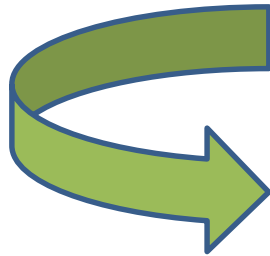


Rights of others
under basic trade
rules



POLICY SPACE FOR ENVIRONMENTAL MEASURES RELATED TO TRADE

WTO jurisprudence has confirmed that WTO rules do not trump environment, as long as...

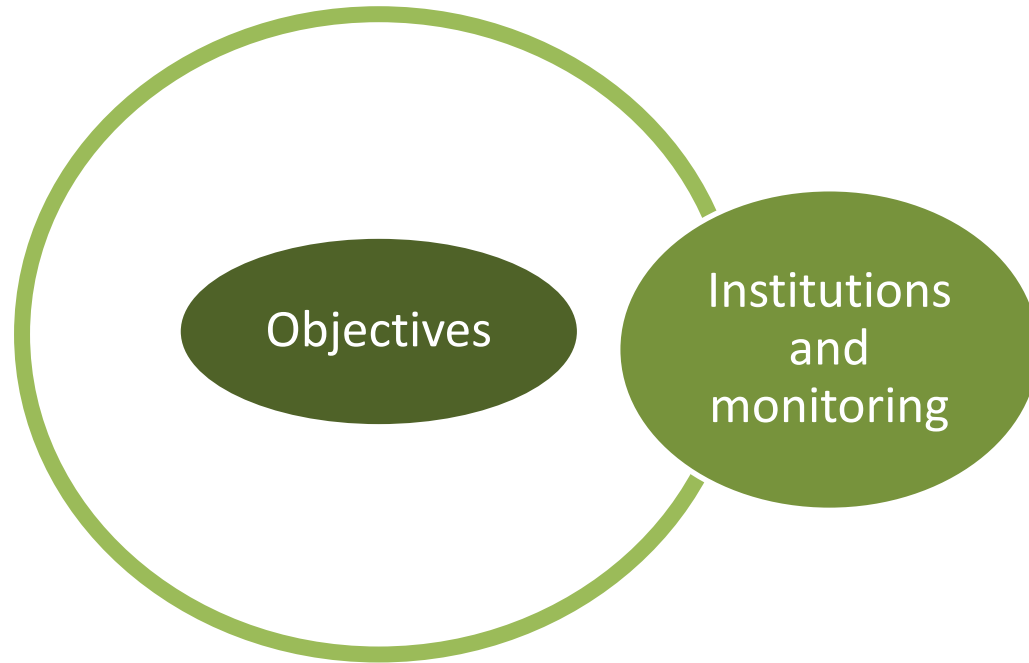


several carefully crafted conditions are respected...

which seek, among other things, to ensure that green measures are not applied arbitrarily and not used as disguised protectionism.



WTO INSTITUTIONAL ROLE



TRANSPARENCY AND MONITORING OF ENVIRONMENTAL MEASURES AT THE WTO



The WTO is a *repository* for trade-related policy information and a forum for deliberations

Members *inform* each other about new or forthcoming trade-related measures (including environmental measures)

Technical requirements

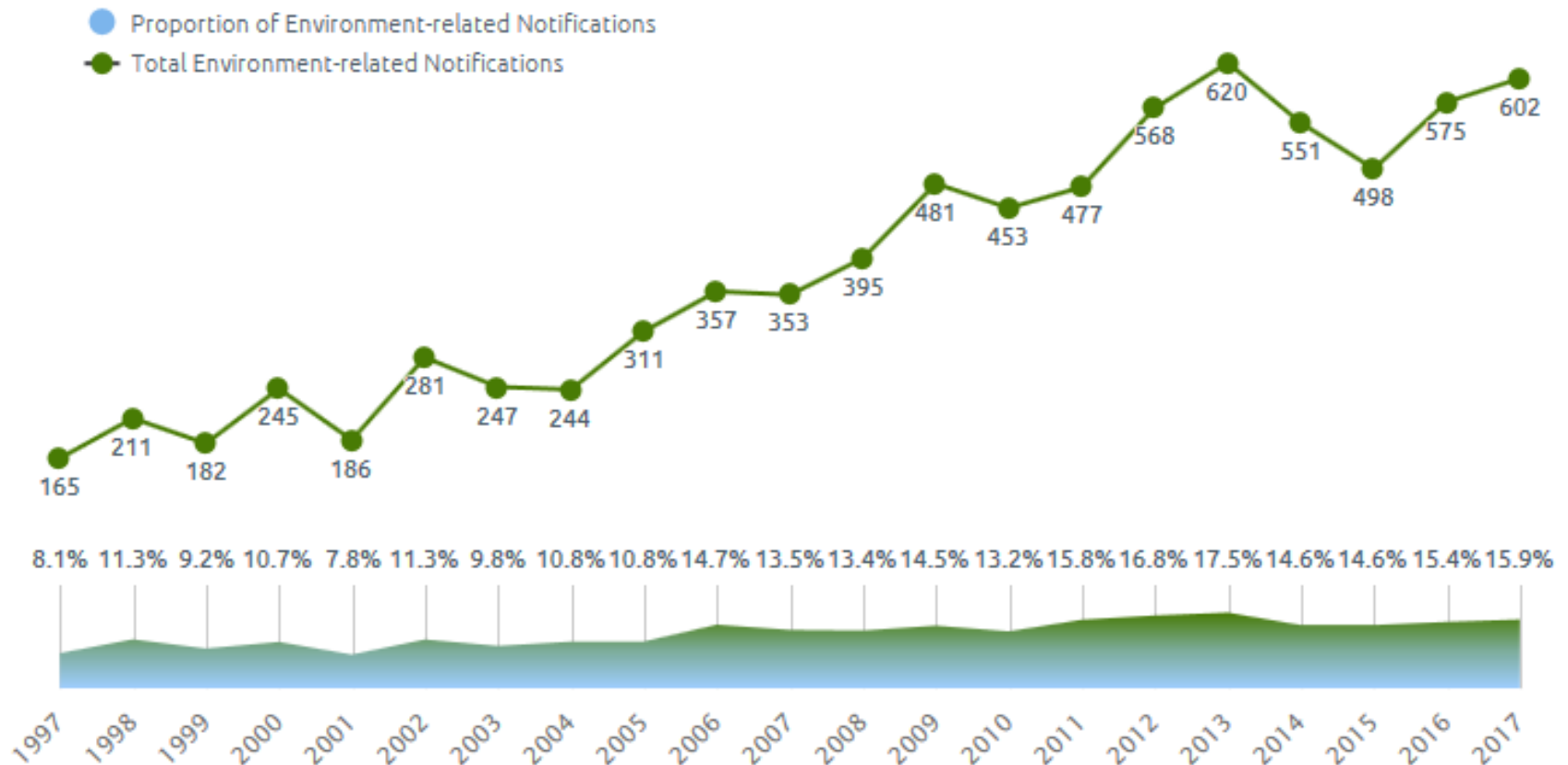
Sanitary and phytosanitary measures

Subsidies

Agriculture measures

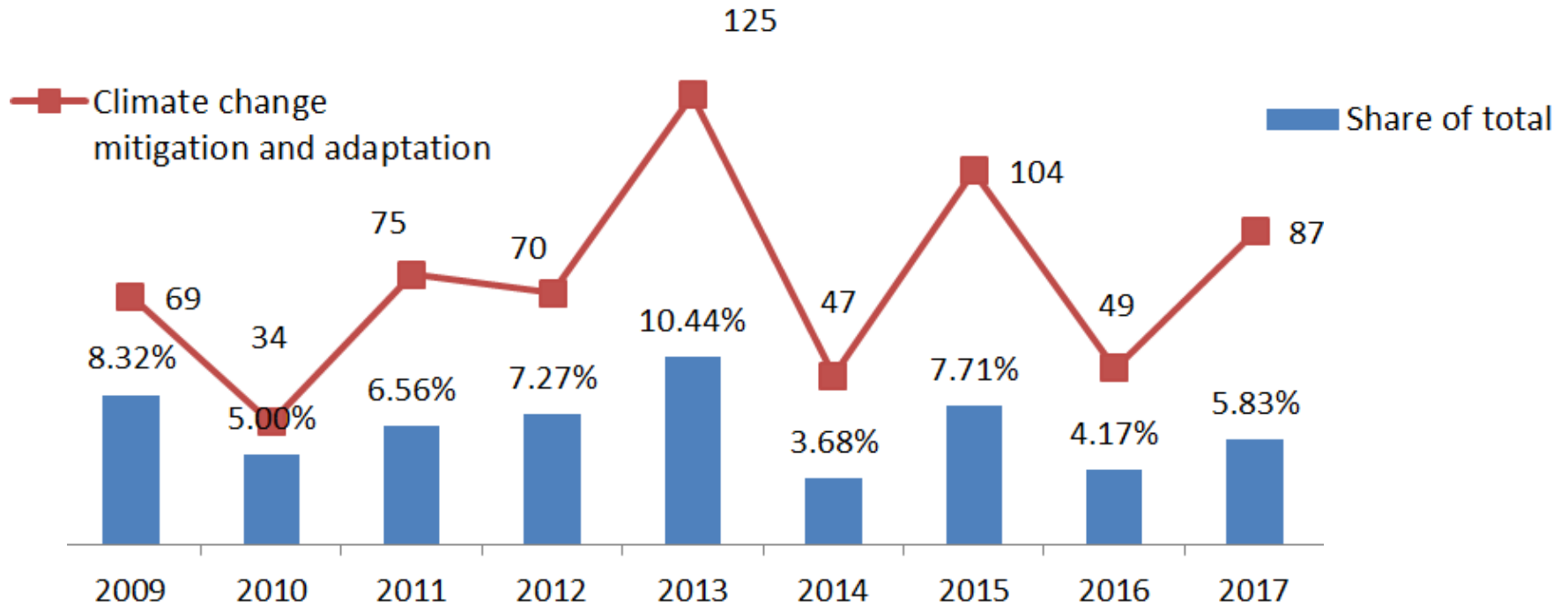
GROWING NUMBER OF ENVIRONMENT-RELATED NOTIFICATIONS

- ☰ 3,786 notifications and the 17 TPRs circulated in 2017:
 - ☰ 602 environment-related notifications submitted by 81 WTO Members
 - ☰ 1492 environment-related measures were identified from these notifications
 - ☰ All 17 TPRs contained environment-related entries (1191 entries)



660

is the total number of trade-related climate change measures notified to the WTO since 2009

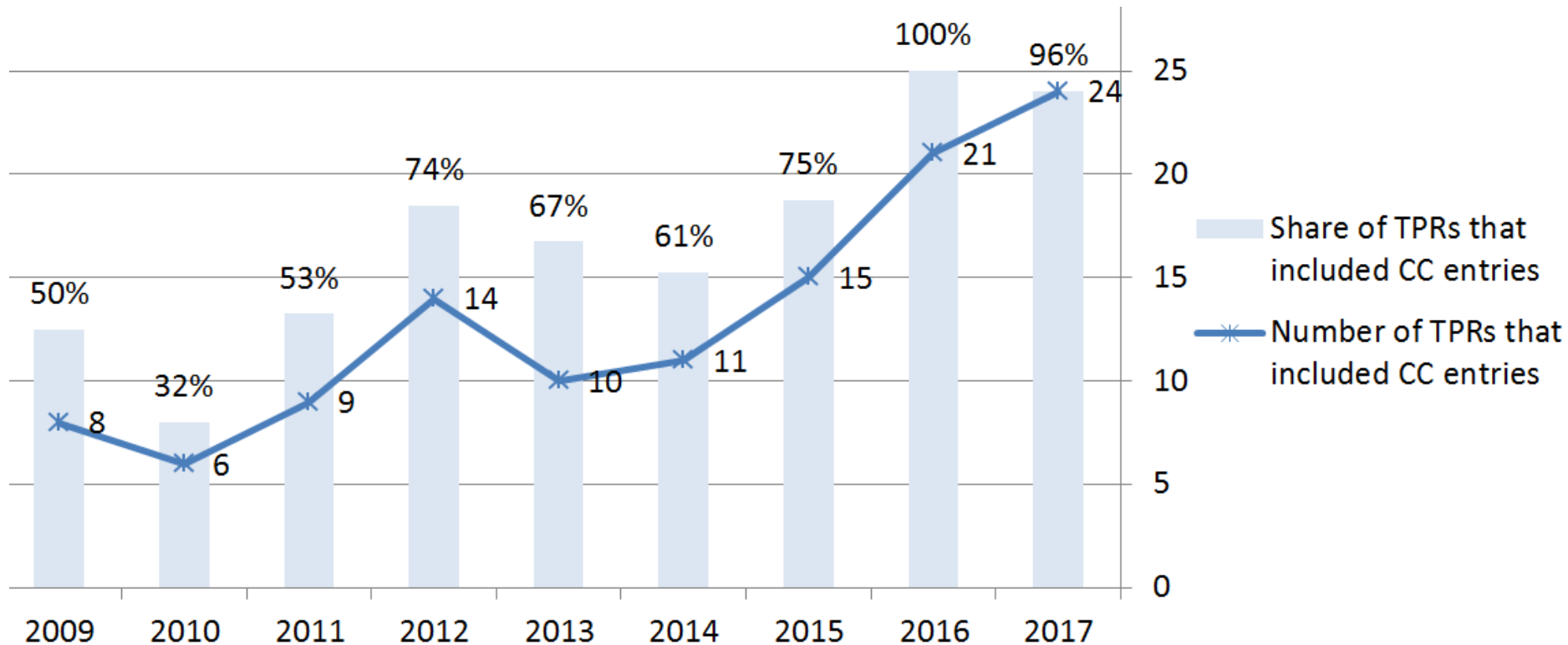


☰ If we also consider climate change-related measures (*clustering*) – around 38% of the environment-related measures notified to the WTO are adopted for climate action purposes (total of 3505)...



GROWING NUMBER OF REFERENCES TO CC IN MEMBERS TRADE POLICY REVIEWS

☰ In recent years, almost 100% of Trade Policy Reviews conducted at the WTO contain at least one reference to Climate change action



ELECTRONIC ENVIRONMENTAL DATABASE

More information available on....



Français | Español

Contact us | Site map | A-Z

Search all data



Members Notifications Trade policy reviews Infographics Documents Search



2226

Environment-related notifications

5293

Environment-related measures

4647

Environment-related TPR entries

EDB DISCLAIMER

The environmental database has been prepared under the WTO Secretariat's own responsibility and is without prejudice to the positions of WTO members or to their rights and obligations under the WTO.

<http://www.wto.org/edb>

INTERNATIONAL COOPERATION ON CLIMATE ACTION MEASURES



The WTO Committee on Trade and Environment a forum to foster international cooperation on trade-related green economy measures

Coverage includes

Sustainability aspects of trade in individual sectors such as forestry and energy, as well as market barriers and opportunities

The effect of green labelling schemes on market access (2010 Workshop on carbon labelling)

WORK OF THE TBT COMMITTEE

The WTO Committee on Technical Barriers to Trade has discussed measures such as product standards and labelling requirements targeted to energy efficiency or emission control



Examples of regulations discussed

Fuel economy standards;
Eco-design requirements
for energy-using products

Specific Trade
Concerns

Emissions standards;
Labelling on energy
efficiency performance

MORE INFO

☰ 2009 report, available
online at:

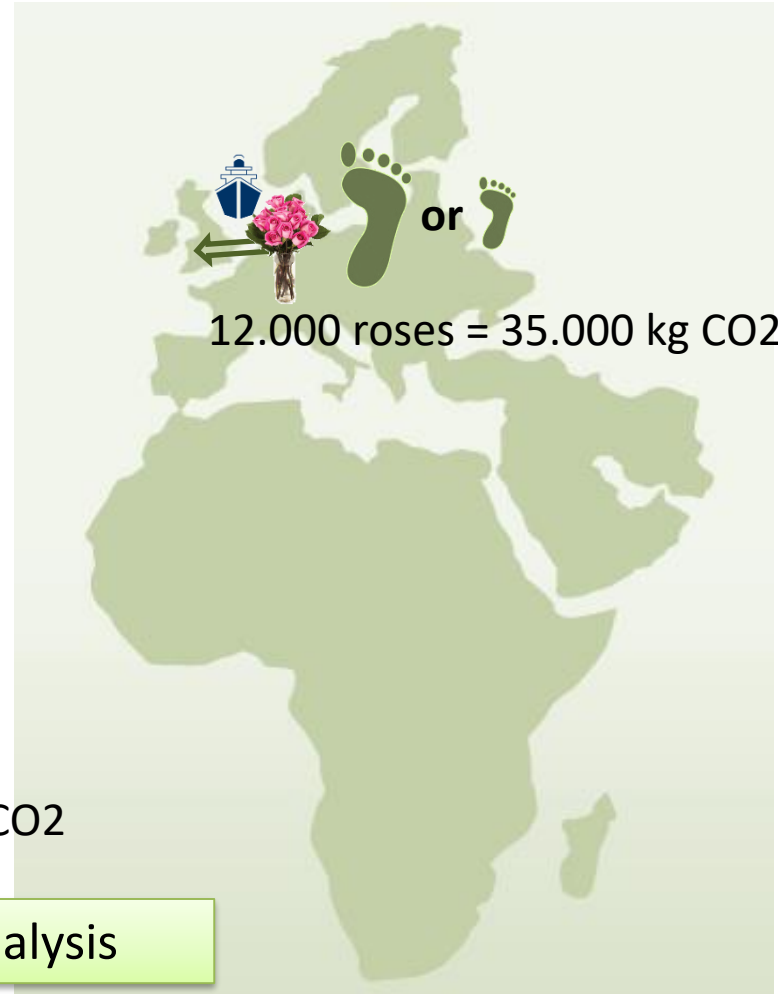
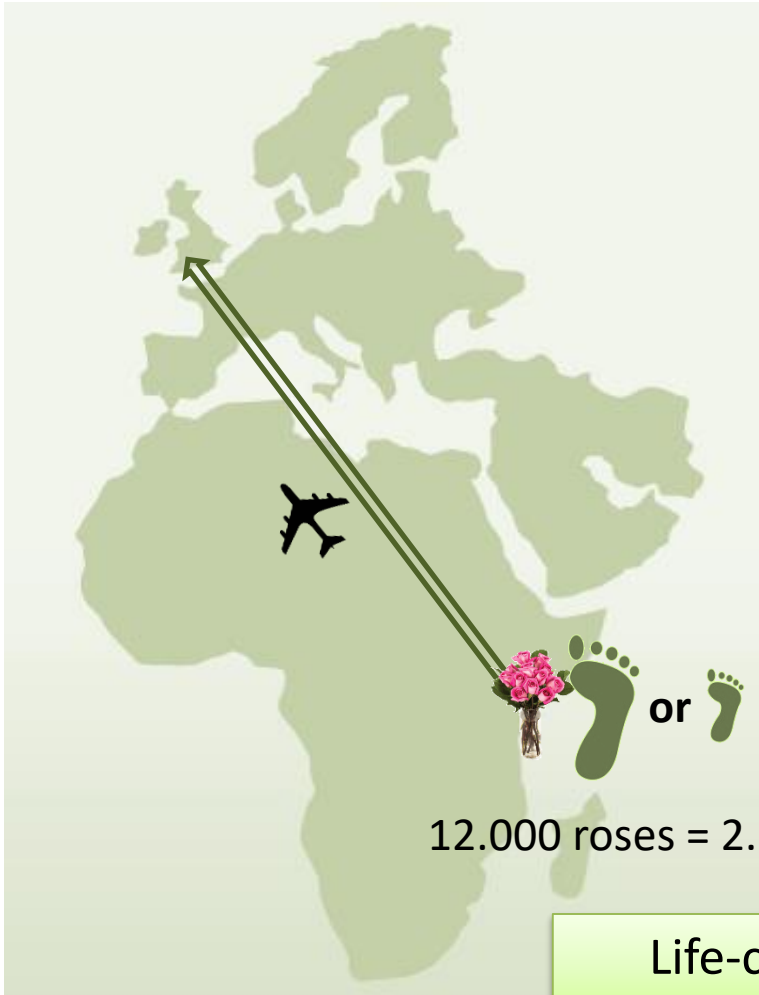
https://www.wto.org/english/ress/e/booksp/e/trade_c/limite_change_e.pdf

Trade and Climate Change

WTO-UNEP Report



WHICH HAS HIGHEST CARBON FOOTPRINT?



Life-cycle analysis

Source: Williams et al. (2006)

FUTURE CLIMATE RELATED DISPUTES?

☰ Some important disputes concerning solar panels and Feed-in tariff programs have been settled by panels/AB



☰ Canada – Renewable Energies (AB); India – Solar Cells;...

☰ In such disputes, the measures were found to violate WTO rules not because of their objectives, but rather due to **local content requirements** (LCRS) elements...

☰ Are LCRs needed or efficient for climate change purposes?

☰ Interesting AB interpretation of the concept of “benefit” under the ASCM + consideration of the “full costs” of energy generation, including “externalities”. And the fact that RE is not yet competitive..

☰ Other disputes involving biodiesel, wind turbines etc have not (yet) produced Panel/AB Reports (*either ongoing or settled*)



A WORD ABOUT “CARBON LEAKAGE” AND THE COMPETITIVENESS DEBATE

Pollution haven hypothesis

Key assumptions:

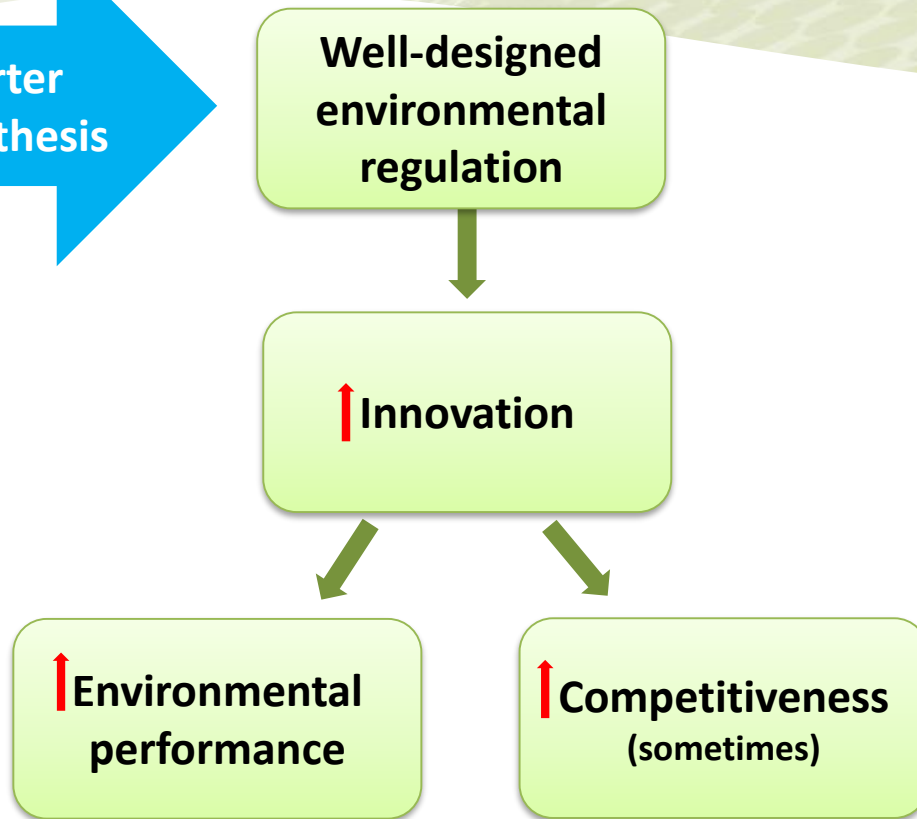
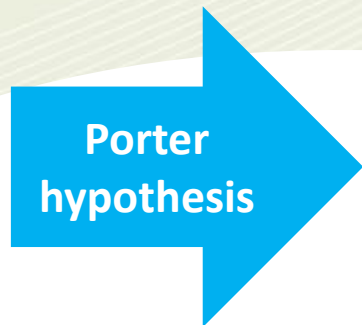
- Emissions reduction policies (carbon prices) are not applied universally
- The costs of compliance are important motivators **for trade and investment**
- inability to pass-through cost increases to price (due to trade exposure, market structure, or lack of product differentiation)
- “Dirty” industries are “**footloose**” and highly **exposed to trade**

Environmental regulation

↑ Production costs

↓ Competitiveness

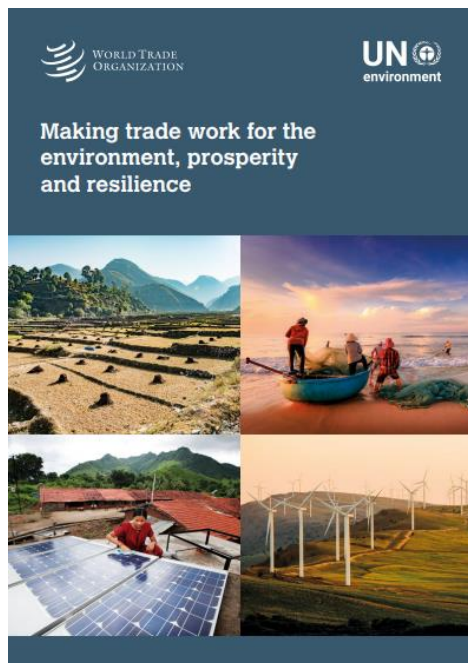
Pollution “offshoring”



Some recent findings:

- Pollution is often a waste of resources (therefore, a reduction in pollution may lead to an improvement in resource use productivity)
- ample evidence that well-designed environmental regulations induce innovation, and that they discourage R&D in polluting technologies
- Green innovations do not seem to increase firms' profits enough to fully offset the cost of regulation
- But there is evidence that **low-carbon innovation induce larger economic benefits** than the “dirty” technologies they replace
- There are “loser” and “winner” sectors

JOINT WTO-UN ENVIRONMENT PUBLICATION



MAKING TRADE WORK FOR THE ENVIRONMENT, PROSPERITY AND RESILIENCE

Publication available at:

https://www.wto.org/english/res_e/publications_e/unereport2018_e.htm

TRADE OPPORTUNITIES: ENVIRONMENTAL GOODS AND SERVICES



1 MORE AFFORDABLE PROTECTION OF THE ENVIRONMENT



2 FASTER ADOPTION OF GREEN TECHNOLOGIES



3 INCREASED INNOVATION & INVESTMENT IN EARTH-FRIENDLY SOLUTIONS



4 OPPORTUNITIES FOR WORKERS & ENTERPRISES



5 A CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

EXAMPLE: TRADE WORKING IN SUPPORT OF THE ENERGY TRANSITION



- Rapid **cost reduction** in solar and wind power since 2009:
 - 75% for solar
 - 30% for wind
- Driven partly by **trade-led specialization, competition, economies of scale and innovation**



Win for jobs, electricity access, health and the environment

■ **Diversification from a green economy perspective**

- Diversifying towards green economic activities: a win for prosperity, the environment and resilience

■ **Why pay attention to international trade?**

- Trade allows countries tap into emerging green economic opportunities and can help accelerate the green transition

■ **What role for international cooperation?**

- Policy dialogue, Aid for Trade and better market access must work hand-in-hand to support diversification towards green economic activities

**THANK YOU FOR
YOUR ATTENTION !**



hoe.lim@wto.org