

WHENCE FOSSIL FUEL SUBSIDIES AT THE WTO?

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GENESIS OF THE STUDY

- Invited by ...
 - Dan Esty (Yale Center for Environmental Law and Policy)
 - Jan Yves Rémy (Shridath Ramphal Centre, University of the West Indies)
 - Joel Trachtmann (The Fletcher School of Law and Diplomacy, Tufts University)

To write a paper for the *Remaking the Global Trading System for a Sustainable Future* project, setting out a specific proposal on how the WTO could best support domestic and international efforts to phase out inefficient FF subsidies.

STARTING POINT

- The 10 June 2022 “Ministerial Statement on Fossil Fuel Subsidies”, signed by 47 WTO Members, in *recalling* the world leaders' commitment to fossil fuel subsidy reform under the Sustainable Development Goal 12 (c) of the 2030 Agenda, and *recognizing* that a growing number of WTO Members have made pledges under the auspices of other intergovernmental forums and agreements;
- agreed to advance discussion in the WTO aimed at achieving ambitious and effective **disciplines** on inefficient fossil fuel subsidies that encourage wasteful consumption;
- and to elaborate **concrete options** to advance this issue at the WTO in advance of MC13.

SUGGESTION: THREE-STAGE PROCESS TOWARDS AN OPEN PLURILATERAL ON FF SUBSIDY REFORM

- **Stage 1** (until MCI3) — Group of 47 seeks “to further explore and identify the specific trade relevance of discussing FFSR [fossil-fuel subsidy reform] in the multilateral trading system”.
- **Stage 2** (after MCI3) — Coalition of the willing begins discussions on various issues relating to scope and definitions, but only enough to agree on two types of FF subsidies: (1) those that would be green-lighted for a limited period, such as early-retirement schemes for workers made redundant as a result of coal-mine closures; and (2) those that would not be increased — i.e., a standstill.
- **Stage 3** (after MCI4?) — Coalition of the willing commences deeper discussions aimed at developing disciplines to phase out inefficient FF subsidies.

MEDIUM-TERM PROGRAMME OF WORK

- Obtain clarity on what types of measures qualify as “subsidies” — e.g.:
 - **Fiscal incentives** benefiting FF producers besides tax credits
 - **Credit-related instruments** (grants, loans, loan guaranties) and equity infusion benefiting investments in both FF production and consumption
 - **Non-specific policies** that lower prices for final consumers & energy-intensive industries.
- **Undertake analysis** to identify and rank the most environmentally harmful and trade-distorting subsidies.
- *Note:* Obtaining better **data** should not be a priority pursuit of the WTO, but of other IGOs and NGOs.

LONGER-TERM PROGRAMME OF WORK

- Decide on approach for phasing out inefficient FF subsidies
 - *SCM approach*: three categories (prohibited, actionable, and non-actionable). Clarify and perhaps widen which products count as “like” for the purposes of action?
 - *Agreement on Agriculture approach*: three categories, with reduction in total value of subsidies for some (not recommended, because too data-intensive).
 - *Agreement on Fisheries Subsidies*: certain subsidies prohibited conditional on circumstances.
 - → Difference for fossil fuels. World’s long-term goal is to substantially reduce their use.
- Decide on nature of special and differential treatment, or SDT (of limited duration).
- Establish a fund for helping poorest WTO Members manage the transition.

THANK YOU — MERCI — GRACIAS!

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