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.
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 MC13) — 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 MC13) — 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 MC14?) — Coalition of the willing commences deeper discussions aimed at developing disciplines to phase out inefficient FF subsidies.
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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