TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSION (TESSD)

BRIEF ON TESSD AND ITS PACKAGE FOR MC13

Objectives and approach

TESSD, an initiative open to all Members, was launched in November 2020 with the intention to intensify work on trade and environmental sustainability, complementing the work of other WTO committees and bodies, including the Committee on Trade and Environment. In the 2021 TESSD Ministerial Statement (WT/MIN(21)/6/Rev.2) prior to MC12, Members recognized that international trade and trade policy can and must support environmental and climate goals, and agreed to work on identifying concrete actions that they could take individually or collectively to expand opportunities for environmentally sustainable trade in an inclusive and transparent way, consistent with their obligations.

Today, TESSD has 76 co-sponsors representing more than 85% of global trade and including members from all regions and at all levels of development. A unique feature is the participation of stakeholders from the business community, civil society, academic institutions as well as other international organizations, who enrich the deliberations in TESSD with their technical expertise.

TESSD carries out substantive discussions in four Informal Working Groups. In 2023, they pursued a sector-specific approach and covered the following:

- Trade-related Climate Measures (TrCMs): This Working Group focused on reviewing carbon measurement standards and decarbonization measures in sectors such as iron and steel, aluminium, fertilizers, and hydrogen from a sectoral perspective. A second priority of this Group was to exchange views on the development and implementation process of TrCMs, including the trade considerations involved in their design and possible ways to enhance transparency.

- Environmental Goods and Services (EGS): This Working Group pursued an objective-based approach, discussing how trade in EGS can support the objectives of climate adaptation and mitigation, with a particular focus on the renewable energy sector, covering - solar energy, wind energy, hydropower, green hydrogen and biofuels.

- Circular Economy – Circularity: The Working Group analysed specific trade issues along the full lifecycle of products through a sectoral approach, covering – batteries, solar and wind energy equipment, electronics, and textiles. These discussions contributed to the Group's mapping exercise of trade aspects of the circular economy throughout 2023.

- Subsidies: This Working Group discussed potential positive and negative environmental effects of subsidies as well as related trade impacts and focused on agricultural subsidies and subsidies related to the transition to a low-carbon economy. Central to the meetings were Members' sharing of experience and considerations regarding subsidy design and discussion of possible ways to enhance transparency and data availability.

TESSD Factbox
Co-convenors: Canada and Costa Rica
Co-sponsors: 76 Members, representing more than 85% of world trade.
Albania; Australia; Austria; Bahrain, Kingdom of; Barbados; Belgium; Brazil; Bulgaria; Cabo Verde; Canada; Chad; Chile; China; Colombia; Costa Rica; Croatia; Cyprus; Czech Republic; Denmark; Ecuador; Estonia; European Union; Fiji; Finland; France; the Gambia; Germany; Greece; Honduras; Hong Kong, China; Hungary; Iceland; Ireland; Israel; Italy; Japan; Kazakhstan; Korea, Republic of; Latvia; Liechtenstein; Lithuania; Luxembourg; Macao, China; Maldives; Malta; Mexico; Moldova, Republic of; Montenegro; Netherlands; New Zealand; North Macedonia; Norway; Panama; Peru; Poland; Portugal; Romania; Russian Federation; Saudi Arabia, Kingdom of; Senegal; Singapore; Slovak Republic; Slovenia; Spain; Suriname; Sweden; Switzerland; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Tajikistan; Türkiye; Ukraine; United Arab Emirates; United Kingdom; United States; Uruguay; Vanuatu.
TESSD website: https://www.wto.org/english/tratop_e/tessd_e/tessd_e.htm

TESSD package of documents for MC13

Since MC12, TESSD has focused its work on how trade and trade policy can support climate change adaptation and mitigation, in particular through the low-carbon transition. The TESSD package for MC13 includes a Statement by the Co-convenors, an updated Work Plan and outcome documents of the four Informal Working Groups, which identify opportunities for promoting trade in renewable goods and services and provide guidance for policymaking. In particular, Members have identified:

- practices to guide the design and implementation of trade-related climate measures;
- renewable energy goods and services that are key for the energy transition;
- trade-related action areas to support a circular economy;
- considerations that can guide subsidy design to benefit the environment while avoiding trade-distortions.

Brief overview of documents

- **Statement by TESSD Co-convenors** (WT/MIN(24)/11): Reflects on the progress and evolution of TESSD since MC12 in fostering inclusive, exploratory discussions and building trust among members; encourages members to build on the outcomes of the Working Groups as they continue their work in TESSD and consider them in their own policymaking; and outlines the way forward towards with a view to delivering concrete results by MC14.

- **Update of the TESSD Work Plan** (WT/MIN(24)/11/Add.1): Charts the way forward in the four Informal Working Groups focusing on enhancing transparency, integrating development perspectives, and identifying best practices as well as opportunities for policymaking towards identifying possible concrete actions or recommendations by MC14.

- **Outcome documents of four TESSD Informal Working Groups**:

  1. Member Practices in the development of trade-related climate measures (TrCMs): Aims to inform and inspire WTO Membership on practices regarding (i) transparency and consultations, (ii) impact assessments, (iii) review following implementation, and (iv) design and implementation of TrCM policymaking (WT/MIN(24)/11/Add.2). Such practices include to ensure that measures are not more trade restrictive than necessary; to ensure consistency with multilateral rules and principles under the WTO, the UNFCCC and the Paris Agreement; and to provide TA and capacity building for the implementation of TrCMs to address specific needs of developing countries and MSMEs.

  2. Analytical Summary (WT/MIN(24)/11/Add.3) of discussions on environmental goods and services and renewable energy, identifying (i) indicative lists of renewable energy goods and services, including goods such as photovoltaic cells for solar energy, gearboxes for wind turbines, generators for hydropower, and electrolysers for green hydrogen production, and services such as engineering, testing and analysis, environmental consulting, operation, maintenance and repair, and recycling. Further, Members identified (ii) trade barriers and supply chain bottlenecks, (iii) developing country perspectives and (iv) opportunities and approaches for promoting and facilitating trade in these goods and services.

  3. Mapping Exercise: Trade and trade policy aspects along the lifecycle of products (WT/MIN(24)/11/Add.4) - provides a mapping of trade aspects of the circular economy and identifies possible trade-related actions in areas such as transparency; standards and regulations; trade facilitation; waste management; capacity building and technical assistance; technology and other trade-related aspects for cooperation.

  4. Compilation of experiences and considerations regarding subsidy design (WT/MIN(24)/11/Add.5) relevant to agriculture and the low-carbon transition. For instance, in the design of subsidies for the low-carbon transition Members may balance between the positive effects for the transition to a low-carbon economy and the distorting effects on trade, as well as take into account how market distortions might disproportionately affect developing and least developed countries. Going forward, Members will address further types of subsidies and focus on identifying best practices and recommendations on how to enhance transparency.