

Opportunities for addressing harmful subsidies at the WTO

Transforming Harmful Subsidies: Opportunities and Best Practices

Nexus Dialogues on Harmful Subsidies – Webinar III

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Addressing harmful subsidies at the WTO

Rules

- Agreement on Fisheries Subsidies
- Agreement on Subsidies and Countervailing measures
- Agreement on Agriculture

Transparency instruments

- Trade policy reviews
- Notifications under Agreements
- Environmental database

Policy dialogue on trade and environment

- Committee on Trade and Environment
- Environmental initiatives: trade and environmental sustainability; fossil fuel subsidy reform; plastics pollution

Environmental Initiatives at WTO



Trade and Environmental Sustainability Structured Discussions (**TESSD**)

- Four Working Groups: Trade-related climate measures; Environmental goods and services; Circular economy, and Subsidies



Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (**DPP**)

- Working on increasing transparency on trade in plastics; trade-related policies aimed at reducing plastics pollution and promoting non-plastic substitutes; improving capacity of developing countries



Fossil Fuel Subsidy Reform (**FFSR**)

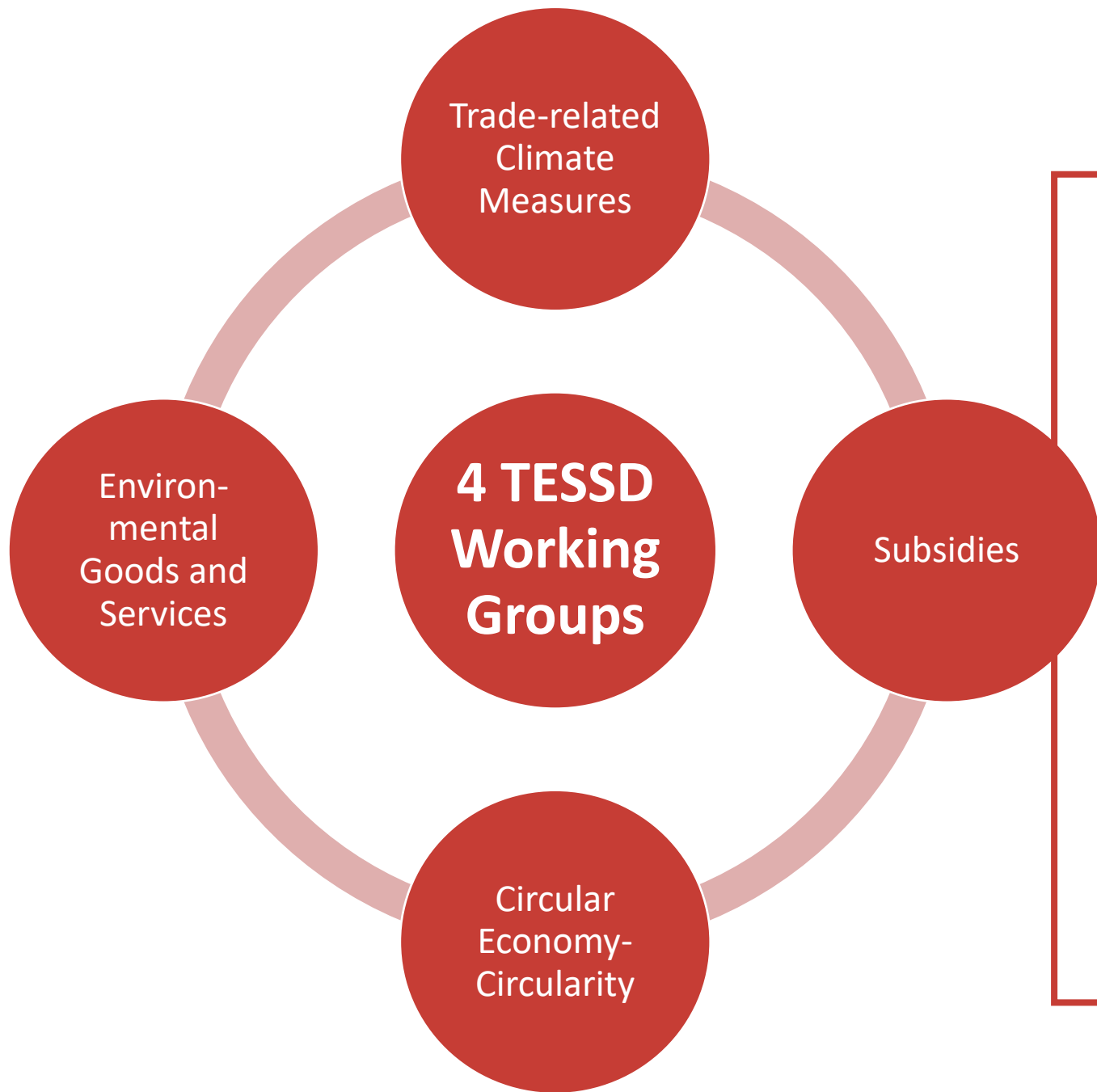
- Seeks to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption by sharing information and experiences, while taking into account the specific needs and conditions of developing countries

Environmental Initiatives at WTO

- Launch of **Ministerial Statements** at joint event of three environmental initiatives on 15 **December 2021**
- Intended to **complement** the work of the Committee on Trade and Environment and other relevant WTO bodies
- Share the **objective** of making trade part of solutions to addressing global environmental challenges
- **Inclusive approach**: open to all Members and actively seek the engagement of stakeholders from the private sector, civil society, international organizations and academia

Trade and Environmental Sustainability Structured Discussions ([TESSD](#))

- Launched on 17 November 2020
- **Co-convenors:** Canada and Costa Rica
- TESSD Ministerial Statement in December 2021 (WT/MIN(21)/6/Rev.2)
- **Objectives:**
 - To complement and intensify work on trade and environmental sustainability at the WTO
 - To identify concrete actions that Members could take individually or collectively to increase the supportiveness of trade and environment
- **77 co-sponsors** representing around 85% of world trade
- [TESSD website](#) and [brief](#)



Work in the WG on Subsidies

- Work on the **potential positive and negative environmental effects of subsidies**, as well as their **trade impacts**.
- How to enhance **transparency and data availability**
- Experience sharing in **subsidy design**
- Different sectors and types of subsidies covered: **agricultural subsidies** and **subsidies related to low-carbon transition** (renewable energy, clean hydrogen, decarbonization of industry, biofuels and sustainable aviation fuels, critical mineral supply chains)

TESSD outcomes presented at 13th WTO Ministerial Conference in Abu Dhabi in February 2024

- Statement by TESSD Co-convenors ([WT/MIN\(24\)/11](#))
- Update of the TESSD Work Plan ([WT/MIN\(24\)/11/Add.1](#))
- Outcome documents of the four Informal Working Groups, which identify opportunities and provide guidance for policymaking. In particular, Members have identified:
 - practices that can guide the design and implementation of trade-related climate measures ([*/Add.2](#));
 - renewable energy goods and services that are key for the energy transition and opportunities to promote their trade ([*/Add.3](#)) ;
 - trade-related action areas to support a circular economy ([*/Add.4](#))
 - **considerations that can guide subsidy design to benefit the environment while avoiding trade-distortion**
 - **Compilation of experiences and considerations regarding subsidy design ([*/Add.5](#))**

Compilation of experiences and considerations regarding subsidy design

- Living document – latest draft: [INF/TE/SSD/W/29/Rev.5](#)
- Three parts: (i) agriculture, (ii) subsidies related to the transition to a low-carbon economy, and (iii) transparency

Agriculture

- Expert presentations on **transparency and environmental effects of subsidies**
 - Presentations by [UNEP](#), [FAO](#), [CBD](#), [OECD](#), [WTO](#)
- **Experiences in subsidy design:** agricultural policy reform; incentivizing sustainable agriculture
 - Brazil: Subsidies and environmental sustainability of Brazilian agriculture
 - EU: Environmental dimension of the EU's Common Agricultural Policy (CAP)
 - Israel: Supporting agricultural practices for positive environmental outcomes
 - Japan: Approach to incentivize sustainable agriculture
 - Paraguay: Good agricultural practices
 - United Kingdom: Reform of agricultural policy

Compilation of experiences and considerations regarding subsidy design

Members may take into account the following **considerations when designing agricultural subsidies**:

- subsidies should be directed towards good agricultural practices as they can limit negative effects on the environment while helping developing countries increase productivity;
- consideration of subsidies that can be beneficial to the environment, including support for the provision of public goods or compensation of income loss due to the use of environmentally friendly methods of production;
- a comprehensive consideration of different environmental effects, including carbon emissions, biodiversity, healthy soils and responsible water management;
- the economic and social externalities on third countries, including the impact on farmers in developing countries;
- the disciplines in the WTO Agreement on Agriculture and its Green Box, which can serve as a policy tool for the repurposing of agricultural subsidies towards sustainable agriculture and "green green box" measures;
- avoidance of price incentives and subsidies tied to production of a specific commodity or input, as evidence indicates that these are not only trade distortive, but also the most potentially damaging to the environment.
- ...

Ongoing work and possible way forward - Opportunities

- Work on the **potential positive and negative environmental effects of subsidies**, as well as their **trade impacts**.
- **Sectors/types of subsidies**: Discussions in 2024 covered biofuels and sustainable aviation fuels, green industrial subsidies and critical minerals supply chains. Going forward, Members expressed different interests, including on agricultural subsidies, biodiversity and industrial subsidies.
- Develop the compilation of experiences and considerations into **guidelines and/or good practices for subsidy design**.
- Work towards **recommendations on how to enhance transparency and data availability**.

Thank you

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