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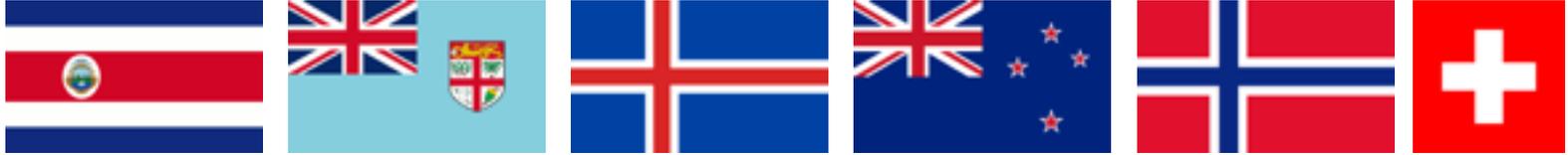
A new free-trade agreement for the climate: ACCTS

Updated 22 September 2020

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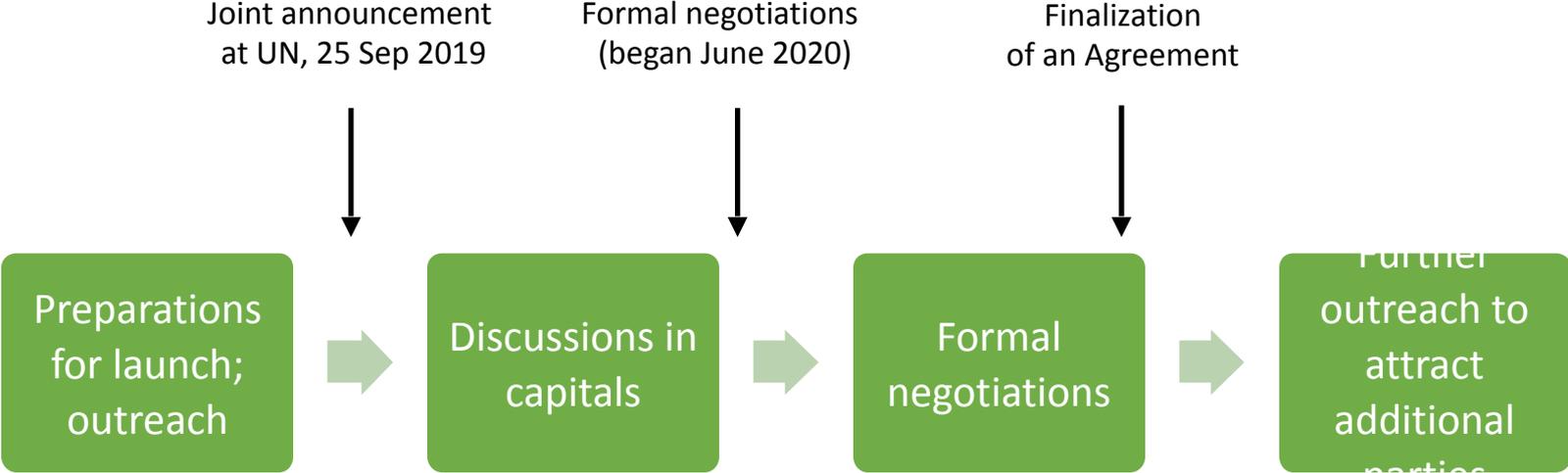
Elements of the ACCTS



1. Eliminate tariffs on **environmental goods**, and make binding commitments on **environmental services**
2. Create new disciplines to eliminate **fossil fuel subsidies**
3. Develop guidelines for **voluntary eco-labelling programs** and associated mechanisms to encourage their promotion and application

Agreement on Climate, Trade and Sustainability (ACCTS)

Provisional timeline:



Environmental goods and services

- Liberalizing trade in **environmental services** will likely mean each country making binding commitments on market access and national treatment for the four modes of services trade in at least those environmental-service categories defined by the WTO.
- Eliminating tariffs on **environmental goods** will mean drawing up lists of candidate goods, classified by their sub-headings (codes) under the Harmonized Commodity Description and Coding System (HS).
- Fortunately, of the six, all but Fiji already have experience reviewing candidate goods through their prior participation in the stalled Environmental Goods Agreement (EGA) negotiations (2014-16).

Examples of climate-related environmental goods



Important challenges imposed by the Harmonized System (HS)

Very few environmental goods are distinctly described at the common, 6-digit level, so have to be at the 8- or 10-digit level.

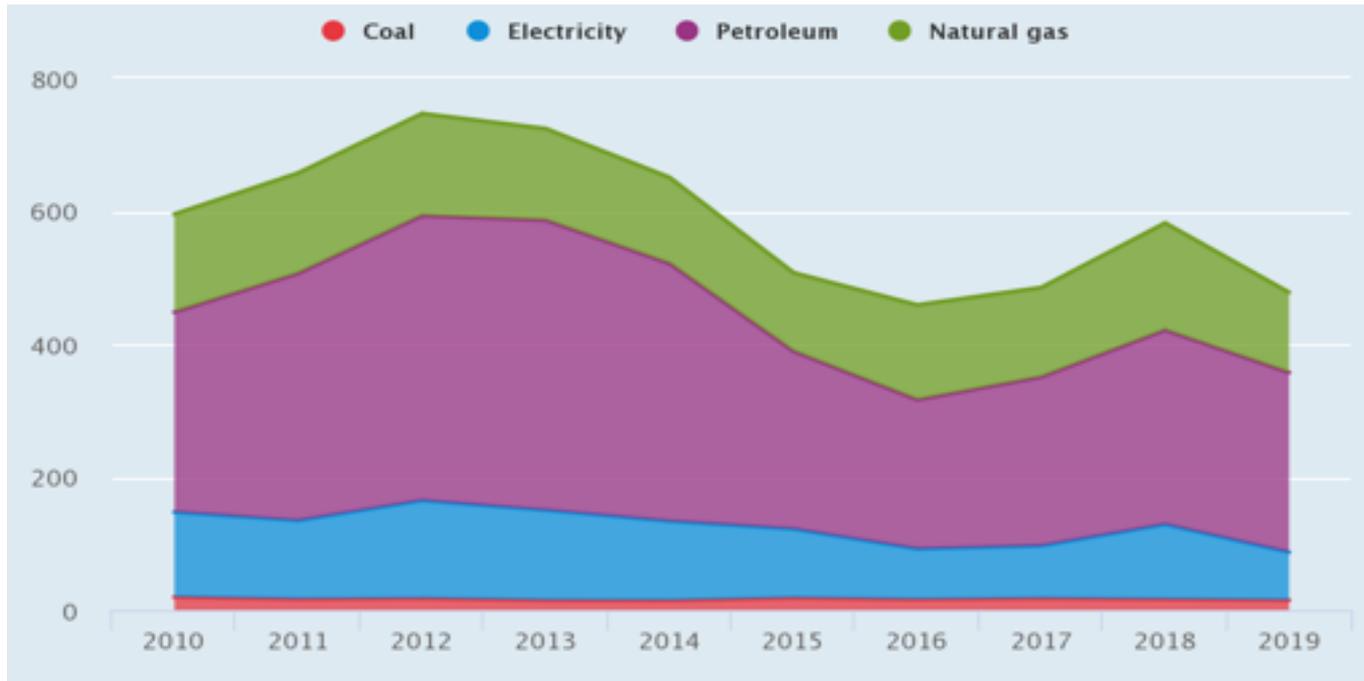
Example from Canada's *Departmental Consolidation of the Customs Tariff 2019*:

- 8421.39 -- Filtering or purifying machinery and apparatus for gases
 - .90 - - - Other
 - .10 - - - - - Dust extractors or smoke filters
 - .30 - - - - - Electrostatic filters (precipitators)
 - .40 - - - - - Industrial gas cleaning equipment
 - .50 - - - - - Gas separation equipment
 - .90 - - - - - Other

Fossil-fuel subsidies (FFS)

- In 2009, leaders of both G20 and APEC economies vowed to “Rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption”. Progress has been slow, however.
- Some have called on the WTO to strengthen existing subsidy disciplines or develop new ones specifically for fossil-fuel subsidies. Declaration on FFS to 2017 WTO Ministerial meeting has not gotten much traction.
- Fortunately, four of the six (Costa Rica, New Zealand, Norway, Switzerland) are members of the informal Friends of Fossil Fuel Subsidy Reform group.
- Issue mainly for NZ and Norway, which produce oil & natural gas, as well as small amounts of coal. Most tricky question: how to address special features of royalty and corporate income tax regimes.

Combined IEA-OECD estimate of support for fossil fuels, in constant USD of 2019 (billions)



Source: OECD and IEA, 2020.



Thank-you
Gracias

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Clean free markets for energy and global trade: non-tariff barriers

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Non-tariff barriers (NTBs) to trade in clean-energy products

- Non-tariff measures can become non-tariff **barriers** (NTBs) **to trade** in clean-energy technology, especially solar PV cells and modules. Will need to be addressed.
- **Common belief:** in order to get citizens to accept the cost of making the energy transition, they need to feel that the goods necessary to accomplish that transition will be produced domestically (jobs!).
- Policy-makers too often respond to this belief by instituting **local-content requirements**, or strong "buy local" preferences in government procurement.
- Or, they may create regulations that are not based on **international standards**, or require that **conformity testing** be carried out in their country. (Increases costs.)
- Also a problem: **unilateral trade remedies** – like anti-dumping duties and countervailing duties (in response to an exporters' subsidies) – against specific trading partners' goods.

Non-tariff barriers (NTBs) to trade in clean-energy products

This belief that clean-energy goods need to be domestically produced:

- Ignores the **environmental and health benefits** of making the energy transition as quickly as possible;
- places **undue emphasis on manufacturing**, which is not where most of the jobs are (rather, they are in environment-related **services**);
- ignores the more common organisation of manufacturing via **global value chains**; and
- downplays **the value of competition** in spurring **innovation** and reducing costs.
- It also often delays the transition while the countries struggle – often unsuccessfully – to build up a local manufacturing industry.

Addressing NTBs

- **Improve public education** of the environmental and health benefits of making the energy transition as quickly as possible.
- Present a **coherent future vision** of the future once the transition is well under way, and the consequences for jobs, particularly in parts of the value chain in which the country has comparative advantage.
- Increase the number of countries willing to endorse existing WTO prohibitions on **local-content requirements** (including at the sub-national level), and expand membership in the plurilateral Government Procurement Agreement.
- Work to develop international technical standards for clean-energy products, and encourage **mutual recognition agreements** on the results of conformity testing.



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