

# What have happened around “tariffs” in the discussion of leveraging trade to address climate change?

**Juneyoung Lee (Trade and Environment Division, WTO Secretariat)**

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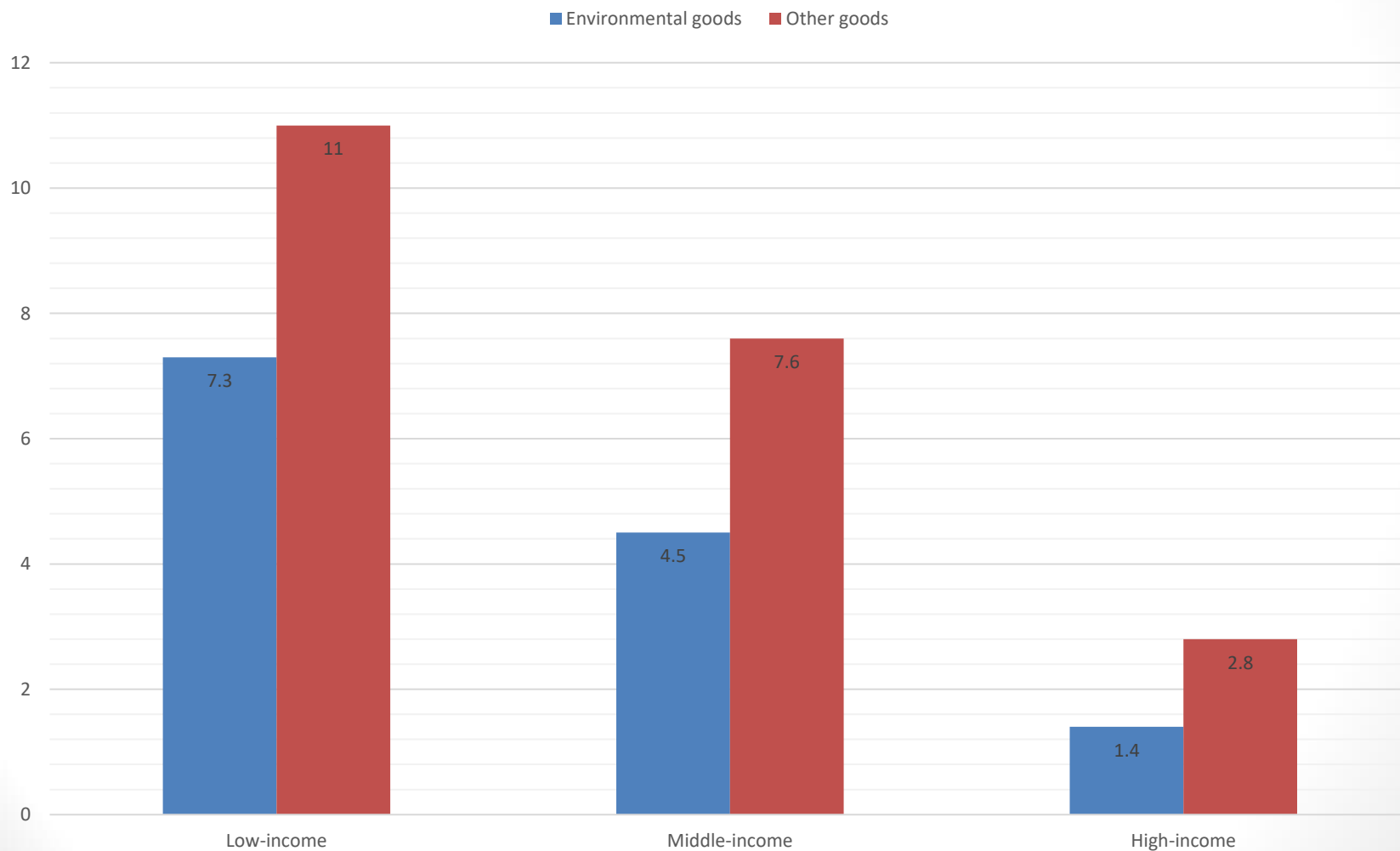
# Concept of Tariffs, and its linkage to trade to address climate change

- Long time instrument
- WTO Member has its Tariff Schedule that is structured in 2 big categories of Agricultural Products and Other Products.
- Governments also can decide to re-rationalize tariffs for the benefits of addressing climate change challenges, for example.



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## Tariffs on environmental goods



# Two distinctive scenarios

## **Low Tariffs on Carbon-Intensive Sectors:**

- Encourage higher consumption and production of carbon-intensive goods.
- Undercut competitiveness of cleaner alternatives.
- Exacerbate environmental degradation and climate change.

## **High Tariffs on Renewable Goods:**

- Impede the adoption and diffusion of renewable technologies.
- Elevate costs, hindering investment and market growth.
- Slow down the transition to sustainable energy sources.

# Overview of Efforts/Experiences in Geneva

- Multilateral negotiations
  - Under the DDA, Special Session of the Committee for Trade and Environment (CTESS) – started in 2002
- Plurilateral negotiations (14 WTO Members)
  - Environmental Goods Agreement (EGA) (2014-2016)
  - Aim at fully eliminating tariffs on environmental goods.
  - By the 18th round of negotiations in Nov 2016, the list had been progressively narrowed down to approximately 300 products.
  - Customs officials' engagements via Customs Working Group.



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# Overview of Efforts/Experiences in Geneva II

- **TESSD (Trade and Environmental Sustainability Structured Discussions)**, Nov 2020 launched
  - Out of 4 Informal Working Groups, a dedicated one for Environmental Goods and Services. Particular focus on the renewable energy sector; solar energy, wind energy, hydropower, green hydrogen and biofuels.
  - Tariffs have been identified as the barriers and supply chain bottlenecks that can hinder the dissemination of goods relevant for the solar energy sector.
- **DPP (Dialogue on Plastics Pollution and Sustainable Plastics Trade)**, Nov 2020 launched



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# Reactions/Efforts in the Asian Region

- APEC List of Environmental Goods (2012): tariff rates of 5% or less on 54 HS codes. Inspired EGA.
- Singapore-Australia GEA (2022)
- New Zealand-UK FTA (2023)
- EU-New Zealand FTA (env. 2024)



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# Reactions/Efforts in the Asian Region II

- EU – first mover (with Japan, Singapore, Korea, Vietnam)
- Ongoing negotiation of ACCTS (Agreement on Climate Change, Trade and Sustainability): Costa Rica, Fiji, Iceland, New Zealand, Norway, Switzerland
- [IPEF (The Indo-Pacific Economic Framework)] – tariff discussion is excluded.



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# Lessons Learnt (Importance of)

- Realizing the possibility of rebalancing tariff policies for facilitating the transition to a low-carbon economy.
- No competition amongst various platforms, rather cooperative dynamics building on momentums and trust could be key.
- Fostering greater alignment between multilateral, regional, and bilateral agreements to ensure coherence and maximize the benefits of trade in environmental goods.



# Thank you

[Juneyoung.lee@wto.org](mailto:Juneyoung.lee@wto.org)



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