Fossil Fuel Subsidies and International Trade Agreements: Options and Ways Forward

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## International venues and fossil fuel subsidies

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Source: updated from Lang et al. 2010
Fossil fuel subsidies: Why (also) the WTO?

• Trade as an engine to promote sustainable development
  o Agreement Establishing the WTO
  o SDGs 12 & 17

• Wide membership

• Compliance and remedies

• Core role in promoting subsidy reform

• Impact of fossil fuel subsidies on trade
Fossil fuel subsidies and international trade agreements

• Regional trade agreements
  “The Parties recognise the need to ensure that, when developing public support systems for fossils fuels, proper account is taken of the need to reduce greenhouse gas emissions and to limit distortions of trade as much as possible. While subparagraph (2)(b) of Article 12.7 (Prohibited Subsidies) does not apply to subsidies to the coal industry, the Parties share the goal of progressively reducing subsidies for fossil fuels. Such a reduction may be accompanied by measures to alleviate the social consequences associated with the transition to low carbon fuels.” (EU-Singapore FTA, Article 13.11.3)

• Mega-regional agreements
  “To that end, no Party shall grant or maintain any of the following subsidies: (a) subsidies for fishing that negatively affect fish stocks that are in an overfished condition; and (b) subsidies provided to any fishing vessel while listed by the flag State or a relevant Regional Fisheries Management Organisation or Arrangement for IUU fishing...” (TPP, Article 20.16.5)
Distinguishing substantive options (1)

1. Type of subsidies

- By fuel (oil, coal, gas)
- Producer/consumer subsidies
- Effects-based
- Negative list
Distinguishing substantive options (2)

2. Transparency
- Strengthened notification requirements
- Guidance on identification and measurement of subsidies
- Capacity building for measuring and reporting

3. Effects of subsidy reform
- Reference to impacts on affected communities
- Safety net provisions

4. Flexibility in implementation
- Timing: e.g. delayed implementation
- Types of countries: e.g. LDC exception
Distinguishing options for venues and form

Venues within the WTO
- SCM Committee
- Trade Policy Review Body
- Committee on Trade and Environment
- MC/General Council

Venues outside the WTO
- Plurilateral trade agreement
- Regional trade agreement

Form
- New agreement
- Amendment
- Authoritative interpretation
- Political declaration
Mapping options

- Fossil fuel subsidies in “prohibited” category
- Prohibit certain types of subsidies (e.g. coal, oil or gas)
- Prohibit subsidies based on environmental effect
- Declaration committing to phase-out schedule
- Declaration reaffirming SDGs/G20 statements
- Strengthened notification
- Commitment to technical cooperation
- Guidance on identifying & measuring subsidies
- Capacity-building for subsidy reform

Legally binding vs. Non-legally binding:

- WTO
- Multiple venues
In summary

• The WTO is very well placed to address fossil fuel subsidies...
• ... but it is not the only international institution, and fossil fuel subsidies need to be addressed at multiple fronts
• Multiple options for the “what”, “where” and “how” of addressing fossil fuel subsidies through international trade agreements
• Options range from general to specific, from legally binding to non-legally binding
• WTO Members could put fossil fuel subsidies on the agenda in the short term, through e.g.:
  o Political declaration reaffirming/specifying existing commitments (e.g. SDGs, Paris Agreement)
  o Strengthened notification
  o Commitment to technical cooperation and capacity-building
  o A plurilateral agreement (SCM+) among WTO Members (e.g. committing to reforming selected subsidies or expressing general commitment to reform)
Thank you!

Please stay in contact:


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