

Policy tool



#5

Import tariffs

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Help accelerate the transition to a green economy by rebalancing tariff policies that may inadvertently benefit carbon-intensive sectors.

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What are import tariffs?

An import tariff (also known as a customs duty on imports) is a financial charge or tax on imported goods due on their importation. Most customs duties are imposed on an *ad valorem* basis - that is, based on the value of the imported good (e.g. a 10 per cent duty on a computer worth USD 1,000 will be USD 100). Other types include “specific” tariffs based on the number or weight of imports. Most-favoured-nation duties are the standard customs duties that WTO members apply to all other WTO members.

How can reviewing import tariffs in carbon-intensive and lower-carbon sectors help to mitigate climate change?

Import tariffs can be a relevant source of revenue for governments. However, revising tariff levels can also improve access to selected goods into an economy and help companies participate in global value chains. Current import tariffs tend to be lower in carbon-intensive industries than in clean industries. By reviewing and rebalancing import tariffs, there are significant opportunities to improve global income while reducing carbon emissions and integrating economies into low-carbon value chains ([Shapiro, 2021](#)).⁷

While WTO data⁸ shows that average applied tariffs to some renewable energy (RE) equipment is relatively low at 3.5 per cent, some members' applied tariffs can be as high as 12 per cent, with significant variations. On the other hand, applied tariffs for fossil fuels are generally low at 0.8 per cent for crude oil, 1.6 per cent for coal and around 2-2.4 per cent for coke and other fuels (among the top ten importers).

In the automotive sector, applied tariffs are generally higher than in the energy sector: on average 11 per cent for hybrid and electric vehicles (EVs), with some members having tariffs as high as 61.5 per cent. Overall, average tariffs applied to conventional combustion vehicles are comparable to those for hybrid and electric ones. However, low-carbon vehicles exported to major markets (representing a global market share of 55 per cent)

WTO members' experiences in using tariff reductions to achieve climate action objectives

The [WTO EDB](#) shows that at least 31 WTO members from all regions and levels of economic development have used tariff reductions for environmental purposes.

In the Trade Policy Reviews (TPRs) of these economies, there are 53 examples of tariff reductions, mostly for RE technologies (25), followed by low-carbon and EVs (11). For example:

- Nicaragua provides tariff exemptions to machinery, equipment, materials and inputs used in new RE projects (2021 TPR);
- Mongolia RE research and production equipment from customs duties (2021 TPR);
- Argentina has an import quota (where lower tariffs are applied) of 6,000 hybrid, electric and hydrogen fuel cell motor vehicles (2021 TPR);
- Thailand promotes the use of RE through import tariff exemption or reductions (2020 TPR);
- Samoa permits duty-free imports of “energy saving devices” (e.g. EVs) (2019 TPR);
- Egypt has fixed customs tariffs at 2 per cent for imported equipment and materials relating to solar and wind energy (2018 TPR);
- Barbados (2022 TPR) and the United States (2022 TPR) provide tariff exemptions for organic farming and lumber, respectively; and
- Malawi (2016 TPR), Tajikistan (2021 TPR), Georgia (2022 TPR) and Pakistan (2022 TPR) provide tariff exemptions for goods needed at a time of disaster (including for food).

Average applied tariffs on RE equipment and fossil fuels (among top ten importers)

- Certain RE equipment – 3.2 per cent **compared with**
 - crude oil - 0.8 per cent
 - coal – 1.6 per cent
 - coke & semi-coke – 2 per cent
 - petroleum gases & other gaseous hydrocarbons – 2.1 per cent
 - pitch – 2.2 per cent
 - oils (coal tar) – 2.4 per cent

still face applied tariffs that are 1.6 to 3.9 percentage points higher than for conventional combustion vehicles.

Reviewing import tariffs could therefore be an effective policy tool that governments could deploy to promote the affordability and uptake of products needed for the transition to a low-carbon economy, such as sustainably sourced RE equipment and low-carbon and EVs. Evidence of such potential has already been seen in the wind and solar energy sectors, where economies of scale have contributed to lower production costs.⁹

Some economies and regions have started exploring the option of revising tariff levels (see box). For example, since Asia-Pacific Economic Cooperation (APEC) leaders committed in 2012 to reduce tariff rates of 54 “environmental goods” to 5 per cent or less, exports and imports of such goods have increased by 5.7 per cent and 13.5 per cent, respectively ([APEC, 2021](#)).

Recent analysis suggests that the use of global supply chains in the photovoltaic (PV) market saved PV installers up to USD 85 billion from 2008 to 2020 in China, Germany and the United States, and that solar panel prices would be 20–30 per cent higher in 2030 in a scenario without globalized supply chains ([Helveston et al., 2022](#)). Furthermore, global trade in solar PV products could increase solar power generation by 750 gigawatts (GW) by 2060 if half of the existing trade barriers were removed, while it would decrease by 160–370 GW in a scenario where more trade barriers were imposed ([Wang et al., 2021](#)).

As described above, there is significant scope for reviewing import tariffs currently applicable in certain carbon-intensive and lower-carbon sectors (see box). Rebalancing tariffs by even a relatively small number of percentage points could make an important

contribution to reducing RE costs and increasing the uptake of low-carbon technologies.

What could be done to align import tariffs with wider climate action policy plans?

At the WTO, members have negotiated maximum import tariff rates for most goods. This means that members are free to revise and potentially reduce their tariffs to align them with their climate action plans, either unilaterally or as part of wider trade and climate cooperative approaches. Tariffs for key goods required for the transition to a low-carbon economy could be revised where appropriate to accelerate the green transition.

The WTO Secretariat can support such efforts by providing technical assistance upon request and by improving knowledge and understanding of how tariffs have been used to achieve climate objectives. Discussions already ongoing in various WTO bodies should contribute to a better understanding of how revising import tariffs on selected goods linked to the just transition to a low-carbon economy could be used by members to support their climate change mitigation plans.

Trade remedies in the context of climate change strategies

Trade remedies are border measures – usually additional duties – applied by governments on imports of a product where the total quantity of the imports has surged (safeguard measures) or the imports from a given source are dumped (sold at less than their normal value) or subsidized (anti-dumping and countervailing measures, respectively) and where such imports have been found to cause injury to the competing domestic industry. Trade remedies form an integral part of the multilateral trading rules with detailed procedural and substantive requirements that must be fulfilled to have the right to apply such measures.

The use of trade remedies on imports of some renewable energy goods, such as solar panels and wind turbines, has increased in recent years. The WTO's [Trade Remedies Data Portal](#) contains information on anti-dumping (AD) and countervailing duty (CV) actions taken by WTO

members on certain renewable energy goods. It includes 35 AD and 19 CV duty investigations initiated between 2008 and 2021 on certain solar (16 and five, respectively), wind (13 and seven) and biodiesel (six and seven) products.*

All WTO members have the right to use trade remedies, and whether and how (within the constraints of the WTO rules) any individual member does so is the result of its own policy decisions. In taking such decisions, members consider a host of factors and elements, which may in some cases include climate change impacts.

*The products in question were identified using the following keywords: solar, photovoltaic, biodiesel and wind.