

**TRADE AND ENVIRONMENTAL SUSTAINABILITY  
STRUCTURED DISCUSSIONS (TESSD)**INFORMAL WORKING GROUP MEETINGS  
HELD ON 10-11 MARCH 2025*Summary of discussions<sup>1</sup>***1 REMARKS BY THE TESSD CO-CONVENORS**

1.1. In their opening remarks, the Co-convenors welcomed participants to the first meeting of the TESSD Working Groups in 2025. They recalled the discussions held during the high-level Plenary meeting on 4 December 2024, which had reaffirmed broad support for the work undertaken in TESSD and outlined a clear pathway forward. Noting that MC14 was now within sight, the Co-convenors emphasized the need for the meetings in 2025 to be as concrete and productive as possible to deliver the ambitious outcomes envisaged at the Plenary. The Co-convenors also provided an overview of the agenda, noting that the Working Group on Trade-related Climate Measures (TrCMs), whose work had supported the uptake of the topic of TrCMs by the Committee on Trade and Environment (CTE), did not meet this time to await developments in the CTE. It was planned that the TrCM Working Group would hold its first 2025 meeting in May with a view to continuing its supportive role for multilateral work. The Co-convenors also welcomed the Philippines to its first Working Group meetings as co-sponsor, after joining TESSD in December 2024.

**2 WORKING GROUP ON ENVIRONMENTAL GOODS AND SERVICES (EGS) – 10 MARCH 2025 (P.M.)<sup>2</sup>***Climate adaptation: trade in goods and services related to sustainable agriculture*

2.1. The Food and Agriculture Organization (FAO) presented on climate technologies for adaptation in agricultural systems, emphasizing their role in enhancing resilience, food security and livelihoods.<sup>3</sup> FAO's framework for supporting countries in climate adaptation consists of five key steps: (1) tailored technology needs assessment; (2) strengthening capacity; (3) targeting finance and investment; (4) scaling up effective options; and (5) ensuring policy cohesion. The presentation included a case study from Cambodia illustrating how various technologies along the cashew value chain such as drip irrigation and cold storage can increase resilience against droughts, pest infestations and extreme weather events. The World Meteorological Organization (WMO) presented on the integration of climate services into agricultural decision-making. Climate services, which include weather forecasts, seasonal predictions and long-term projections, help farmers plan their

<sup>1</sup> This summary provides a non-exhaustive, illustrative summary of the issues addressed by Members, prepared and circulated under the responsibility of the co-convenors Canada (represented by Richard Tarasofsky) and Costa Rica (represented by Ana Lizano), as well as the Facilitators chairing the meetings: Ben Rake (United Kingdom) for the Working Group on Environmental Goods and Services; Takaaki Sashida (Japan) for the Working Group on Circular Economy – Circularity; and Jooyoung Lee (Korea) and Tiffany Smith (Israel) for the Working Group on Subsidies.

<sup>2</sup> Twelve Members contributed to the discussions: Argentina, Australia, Brazil, Canada, China, EU, Japan, New Zealand, Philippines, Switzerland, UK, US.

<sup>3</sup> Relevant report – FAO and UNFCCC (2024): [Climate technologies for agrifood systems transformation](#).

activities and reduce climate risks. They inform trade policy and subsidy use by enhancing understanding of agricultural supply fluctuations and food security risks, are increasingly being integrated into agricultural finance and insurance, and support agricultural research in aspects like resilient seed varieties.

2.2. As part of the discussions, Members reacted to the presentations and shared their experiences by responding to the following questions:

- What are key goods, services and technologies related to climate change adaptation and sustainable agriculture? What are the bottlenecks and opportunities in the supply chains of these goods and services?
- How can trade policy and trade-related technical assistance and capacity-building help developing countries overcome challenges they face regarding climate change adaptation and sustainable agriculture?

2.3. Members highlighted the importance of innovation, regulatory frameworks and policy coherence in supporting technological advancements and sustainable agriculture. Members mentioned several technologies, goods and services supporting sustainable agriculture and climate adaptation, including, *inter alia*, fertilizers (slow-release; bio-bacterial), precision agriculture tools (such as sensors, drones and smart irrigation systems), solar powered cold storage infrastructure, biotechnology (such as climate-resilient crop varieties and gene editing techniques), data analytics and use of information and communication technology (ICT), farm advisory services, engineering, and R&D. Members pointed to opportunities stemming from trade facilitation, harmonizing trade rules, enhancing supply chain traceability, as well as improving regulatory coherence, and underlined the benefits of technical assistance, providing experiences in areas like irrigation management. One Member underlined the need for a coherent package of policies to tackle climate adaptation in sustainable agriculture, of which trade in environmental goods and services is an important element.

#### Horizontal aspects related to trade in environmental goods and services

2.4. The agritech company Spowdi presented on factors (customs duties, transport and customs related fees, regulatory and logistics challenges) which affected its exports of solar powered irrigation systems for smallholder farmers. A particular challenge it faced was that their irrigation system consisted of three components (solar panels, drip lines and pumps), each of which was subject to different tariffs and procedures. The role of government programmes and benefits of trade agreements for reducing trade costs and enhancing market access were highlighted. The Organisation for Economic Co-operation and Development (OECD) presented the findings of a forthcoming study on non-tariff measures affecting environmental goods trade, which also covered considerations for defining a good as environmental such as its end-use and environmental impacts during the lifecycle. It was highlighted that 80% of environmental goods trade was covered by at least one TBT measure, and that different measures, including quantitative controls, on raw materials and other products can hamper supply chains for green technologies (wind, EV batteries, solar). Trade facilitation measures, transparency tools and regulatory collaboration were highlighted as policy opportunities to reduce costs arising from differences in regulatory frameworks.

2.5. Members reacted to the presentations and shared their experiences on horizontal factors affecting trade in EGS, and opportunities to address them. Members welcomed horizontal discussions on EGS, including on non-tariff measures (NTMs). One Member pointed out trade-restrictive labels, carbon-related technical regulations, and stringent supply chain review requirements as barriers that raise the export cost of environmental products, while another Member noted that the TBT and SPS Committees offered fora to address specific trade concerns for environmental goods and helped pinpoint solutions and good practices. Different Members expressed interest in engaging on services domestic regulation, for instance in the context of good regulatory practices for renewable energy contracting and permitting, as well as on challenges in identifying EGS in the HS nomenclature and related national experiences.

Analytical Summary and way forward

2.6. Members considered the latest revision of the Analytical Summary ([INF/TE/SSD/W/24/Rev.8](#)), which had been updated for discussions on climate adaptation and water management. A few Members called for the next revision to include goods and services related to adaptation and sustainable agriculture. A number of Members expressed interest in further discuss methodologies for identifying EGS and include a respective section in the Analytical Summary, while one Member suggested to discuss the role the EGS list can play while taking into account its non-binding and non-exhaustive nature. Another Member suggested that the Secretariat could compile a document on Members' experience sharing and good practices, and outlined three suggestions for the way forward, including expanding discussions to other green sectors, to conduct horizontal discussions on customs procedures and facilitation measures and extract good practices across industries, and to analyze further provisions and lists on EGS included in bilateral and regional agreements.

**3 WORKING GROUP ON CIRCULAR ECONOMY – CIRCULARITY – 11 MARCH 2025 (A.M.)<sup>4</sup>**

3.1. At the outset of the meeting, the Facilitator expressed appreciation to Olivia Cook (Chile) for her invaluable contribution to the Group as Co-Facilitator since its inception, as she stepped down from this role. The WG started with a briefing by Ambassador Matthew Wilson, Barbados, on the ICC-ITC-WTO MSME Group's Small Business Champions Competition, which this year focuses on the circular economy. He emphasized the challenges faced by small businesses and their potential as "true architects of change". Small businesses can apply for the Small Business Champions 2025 initiative through a web survey until 28 March 2025.

Sectoral focus: textiles

3.2. Circle Economy presented on findings from [The Circularity Gap Report – Textiles](#), emphasizing the need for circular economy solutions in the textile value chain, pointing out that most materials currently originate from virgin feedstock, with post-consumer waste frequently ending up in landfills. Chatham House presented on the trade and circular economy in textiles, highlighting both trade benefits and challenges related to used textiles and textile waste. Concerns were raised about the economic implications of transitioning to circular practices, and an inquiry was made regarding building up regional aspects in the circular economy, with speakers highlighting the need for collaboration and improved infrastructure. The importance of responsible textile flow management and environmental sustainability as exports shifted to non-OECD countries was noted.

3.3. UNEP and Professor Josphat Igadwa Mwasiagi from Moi University, Eldoret, Kenya presented on leveraging trade to enhance circular textile value chains, emphasizing the essential connection between sustainability and trade policies, noting that trade agreements may significantly impact sustainability efforts, and calling for aligning trade policies with sustainability goals. China presented on its approaches to recycling waste textiles (two speakers): The China Association of Circular Economy presented on the roles of government driven recycling systems and enterprise models utilizing both traditional and digital collection methods, while also calling for enhanced international cooperation on recycling standards. The Tessellation Group presented its Exponent Envirotech's innovative waterless dyeing technology for cellulose fibres. As part of the Q&A on the presentations, the role of trade agreements in promoting sustainability was discussed, and Deputy-Director General Jean-Marie Paugam noted synergies between the work in TESSD and a planned webinar on recycling hubs for cotton, plastics and textiles in Cotton-4 countries in July.

3.4. Members shared their experiences by responding to the following questions:

- What are your experiences with trade aspects of strategies and policies related to circular economy and the textile sector?
- How are existing standards and regulations on circular economy and textiles supportive of Members' policies and international trade? What further role could the WTO play in this area?

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<sup>4</sup> Nine Members contributed to the discussions: Australia, Brazil, China, Costa Rica, EU, Japan, Switzerland, UK, US.

- Reflecting on implementation, what would be useful information and tools to enhance transparency and support customs on textiles flows (second-hand, sorting, upcycling, recycling, disposal)? Could an extended producer responsibility (EPR) model support financing an inclusive circular economy for the textile sector?

3.5. Members acknowledged the strategic importance of promoting a circular textile economy to address resource constraints and emissions. They outlined existing initiatives and measures, such as Australia's clothing product stewardship scheme Seamless, Japan's roadmap on resource circulation system for textiles products, China's eco-design and recycling infrastructures, Switzerland's Sustainable Textiles Switzerland 2030 programme, and the EU's strategy for sustainable and circular textiles as well as new, stricter rules to tackle illegal textile waste exports. Members emphasized the value of collaboration among governments, businesses and organizations. Additionally, concerns were raised about the improper handling of used textiles, particularly for countries lacking adequate processing capacity. Members further recognized the potential of Extended Producer Responsibility (EPR) models to finance a circular economy in the textile sector and emphasized the importance of improving traceability and transparency in textile flows.

#### Way forward

3.6. Members considered the proposed outline (room document [INF/TE/SSD/RD/17](#)) introduced by the Facilitator for an outcome document compiling sector-specific trade aspects and best practices for the circular economy, using textiles as an example. The outcome document would detail the textile lifecycle and associated trade aspects while highlighting relevant Member practices. Members expressed their broad support for the outline and sector-specific approach, in line with the plenary interventions at the 4 December meeting. The document will be further developed and, in the absence of any further comments from Members by the next Working Group meeting, will also cover batteries, electronics and renewable energy. The Facilitator noted that he would take further time to assess the feasibility of the other outcome document proposed last year.

### **4 WORKING GROUP ON SUBSIDIES – 11 MARCH 2025 (P.M.)<sup>5</sup>**

#### Decarbonization of energy-intensive industries (steel, aluminium, cement, chemicals)

4.1. The WG on Subsidies explored policy incentives for decarbonizing energy-intensive industries such as steel, aluminium and cement. The meeting built on previous discussions on green industrial subsidies and focused on best practices, financing mechanisms and challenges in supporting industrial transitions. Recognizing the importance of transparency and international cooperation, participants also examined how developing economies can enhance their access to financial and technical support.

4.2. Colombia presented its GALTCO project, an initiative to produce near-zero carbon aluminium, illustrating the role of targeted government policies in advancing green industry. Colombia highlighted the challenge of aluminium production in Latin America, with government support and investment remaining as key challenges, and emphasized its green energy system as an ideal foundation for clean aluminium production. The OECD shared insights on policy incentives for industrial decarbonization.<sup>6</sup> The presentation addressed broader decarbonization hurdles, particularly the lack of investment in developing economies, stressing the need for strong incentives, tailored financial instruments, and policy frameworks to drive net-zero industry transitions. The World Economic Forum (WEF) followed with an overview of the First Movers Coalition, highlighting how demand for emerging climate technologies can drive industrial transformation. WEF underscored the role of first movers in aggregating demand for decarbonized products, the importance of supplier hubs in market transformation, and the necessity of financial investments to support these efforts.

4.3. These interventions were complemented by private-sector companies, who shared experiences focused on industrial decarbonization. Sarginsons (UK) showcased its net-zero aluminium initiative emphasizing technological innovation and job creation. Stegra (Sweden) discussed a green

<sup>5</sup> Eleven Members contributed to the discussions: Australia, Brazil, Canada, China, Colombia, EU, Japan, Saudi Arabia, Switzerland, UK, US.

<sup>6</sup> Relevant background study: OECD (2023) – [Financing solutions to foster industrial decarbonisation in emerging and developing economies](#).

hydrogen-based steel mill, highlighting the role of policy incentives, such as carbon pricing, public procurement, guarantees and subsidies. Cemex (Mexico) outlined progress in cement decarbonization despite limited subsidies and underscored the necessity of financial support to achieve net-zero targets by 2050.

4.4. Members reacted to the presentations and shared their experiences on subsidy design, including by responding to the following questions:

- What types of policy incentives including subsidies and other financial support mechanisms are Members pursuing to decarbonize carbon-intensive industries?
- What are key design elements of these subsidy programmes, including for striking a balance between environmental benefits and potential trade distorting effects?
- What challenges do developing countries face in supporting the decarbonization of their industries? What is the role of trade-related technical assistance and capacity building, including for measuring carbon emissions to meet requirements in international markets?
- What are challenges related to the data availability and analysis of green industrial subsidies? How can they be addressed and transparency be enhanced, including at the WTO?

4.5. Members highlighted the role of well-designed subsidy programmes and the importance of complying with WTO rules when designing subsidies, particularly considering their potential trade-distorting effects on developing countries. A number of Members stressed that greater transparency was the essential first step for assessing whether subsidies are achieving environmental goals without unduly distorting trade. One Member raised concerns about barriers to aluminium exports and the role of subsidies in overcoming tariff-related obstacles. Another emphasized that effective tax and financial incentives can support green transformation of energy-intensive industries, while balancing between environmental, economic and social benefits.

#### Outcome document – subsidy design

4.6. Building on the compilation of experiences and considerations for subsidy design ([INF/TE/SSD/W/29/Rev.5](#)), the Facilitators introduced a proposal (room document [INF/TE/SSD/RD/18](#)) which further develops considerations for subsidy design and supports the identification of related best practices, structuring them into three categories: rationale, implementation and impact. In the ensuing discussion, some Members stated they would not support prescriptive and normative outcomes and suggested to focus on shared experiences and illustrative good practices. Others considered the Facilitators' text an excellent basis for further work. Feedback received will inform future discussions, with the next meeting scheduled for May.

## **5 CLOSING REMARKS BY THE TESSD CO-CONVENORS**

5.1. The Co-convenors expressed gratitude for Members' active engagement in the TESSD Working Groups, which had explored critical issues at the intersection of trade and sustainability in three sectors – sustainable agriculture, textiles and energy-intensive industries – linked to the objectives of climate change adaptation and mitigation, as well as resource efficiency. The Co-convenors summarized takeaways from the discussions and elaborated on horizontal aspects addressed by the WGs such as: (i) exchanges on opportunities for policy making and international collaboration, including with stakeholders; (ii) the need for transparency as well as data availability and accessibility; and (iii) issues of interest to developing Members, from EGS supporting adaptation at different stages of the agricultural value chain, to technical assistance and technology needs, as well as collaboration to support access to finance and attract investment. They noted that the progress in the WGs would also feed into the planned overarching TESSD outcome, which would be in addition to the WG outcomes, and which would be further discussed at the next plenary meeting in July.