

Post COVID-19 Economic Recovery: Monitoring Trade-Related Energy Measures

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The WTO Trade Monitoring Exercise is a factual, non-legal exercise that provides transparency regarding new trade and trade policy-related measures. Following recommendations made at the 7th TPRM Appraisal of the Trade Policy Review Mechanism in 2023, the Trade Monitoring Reports will adopt an annual cycle on a trial basis from 2024. Once a year, normally in December, the Trade Policy Review Body meets to review the Director-General's Trade Monitoring Report.¹ The meeting provides delegations with an opportunity to undertake an interactive peer review at the WTO Headquarters in Geneva.

Introduction

The WTO's Trade Monitoring Database (TMDB)² is the backbone of the trade monitoring exercise and the repository of all trade measures collected by the Secretariat and submitted by WTO Members and Observers since 1 January 2009. A unique verification mechanism, which is an integral part of the WTO trade monitoring exercise, provides WTO Members and Observers with an opportunity to consult every collected measure. This, in turn, makes the TMDB a factual source of information for policy makers, analysts and researchers alike. The TMDB also serves as a useful tool for the early identification of emerging trends in trade policy making. For instance, the TMDB allowed for a comprehensive analysis of trade policies implemented in response to the COVID-19 pandemic. Similarly, in the context of the war in Ukraine, WTO Trade Monitoring became the coordinator for the reporting on export restrictions on food/feed and fertilizers.³

This Trade Monitoring Update focuses on the topic of trade related energy policies with an environmental nexus. Over the past few years, issues related to climate change have firmly established themselves at the centre of many discussions within the multilateral trade system. Multiple bodies of the WTO have seen these discussions intensify. There is widespread recognition among WTO Members that trade policies can play a significant role in addressing climate change and other environmental challenges by facilitating decarbonization, promoting technological transfer, and stimulating innovation, all of which can help to reduce the cost of implementing green policies and achieving global climate goals. Having a comprehensive picture of energy and environment-related trade measures will facilitate the understanding of how such measures interact with overarching green policy goals and help assess their effectiveness domestically and internationally.

This Update seeks to take stock of energy-related trade measures taken since the beginning of 2021 until mid-June 2024. At that time, during the very early stages of the COVID-19 recovery, new aspirations for building back better included renewed commitments for stronger and smarter climate and green policies. Getting a sense of how such ambitions materialised into actual trade policies is the principal goal of this Update. The Update also observes possible consequences of the war in Ukraine for energy related trade policies.

The Update covers various groups of measures which were introduced in the energy context.⁴ These measures were identified by corresponding HS codes or descriptions and focus on low-carbon and renewable energy on the one hand and on fossil fuel energy-related measures on the other.⁵ The measures are also categorized according to their potential trade impact, be it facilitating or restricting.

It is important to emphasize that the measures and the information derived from the TMDB which form the basis of this Update have all been submitted for verification by the relevant WTO Members and Observers. In addition, this Update and the measures described therein is invariably non-exhaustive.

¹ This is contained in the WTO document series [WT/TPR/OV](#).

² For more information, please follow the link: <https://tmdb.wto.org/en>.

³ For information on trade measures taken in response to the war in Ukraine, please see the Trade Monitoring Update February 2023. Available at: https://www.wto.org/english/news_e/news23_e/trdev_02mar23_e.pdf.

⁴ To explore trade measures and policies introduced in the environmental context please refer to the WTO's Environmental Database (EDB), available at: <https://edb.wto.org/>.

⁵ For the purpose of this paper, please note that most of the goods for which measures in the fossil fuel category were analysed fall under HS chapter 27. With respect to renewable/clean energy products, a wide spectrum of goods under several HS chapters were analysed, with most products being covered under HS Chapters 84, 85 and 87.

Trade measures on low-carbon and renewable energy goods

Since the beginning of 2021 until mid-June 2024, WTO Trade Monitoring has identified about 120 trade measures that have a sustainable energy nexus. Specifically in the context of this update, most common products identified for this category were various types of hybrid and electric motor vehicles, and renewable energy equipment, including solar panels, wind turbines and other devices capable of producing energy from renewable sources.⁶

Even though most of these measures were facilitating (57%), the share of restrictive measures was significant (43%). Among trade facilitating measures, a reduction of customs duties or full elimination of import tariffs was the most common measure. Other measures included exemptions from import-related VATs, reduction of excise duties and introduction of tariff free import quotas. The most common trade restrictive policy tools applied on the products in this category included import tariffs and the introduction of quotas. However, some WTO Members and Observers introduced measures that were not, arguably, of a purely restrictive nature but rather focused on import controls. Those included requirements for prior approval of imports and import licensing regulations.

The overwhelming majority of recorded measures in this category were applied on imports, both in the context of restrictive and facilitating measures. Only a handful of measures targeted exports. In this context, facilitating measures aimed at reducing and eliminating export duties as well as lessening the stringency of previously applied export restrictions. Restrictive measures included the introduction of export licenses on certain products.

Another observation is that the facilitating measures for this category of products were introduced by WTO Members and Observers representing both developed and developing countries. By contrast, trade restrictive measures were introduced only by developing countries.

Furthermore, both developing and developed countries have utilized trade remedies to counter certain trade practices in relation to sustainable energy-related products, including alleged state intervention. The most common tool was the filing of anti-dumping cases often resulting in subsequent investigations. Products falling under such investigations included wind towers, batteries for electric vehicles, and various components for solar cells.

Additionally, since mid-October 2021 until mid-June 2024, Trade Monitoring has identified around 150 economic support measures related to renewable and clean energy. Most of these measures were put in place by developed countries, with over 50% of them being implemented by two of the biggest economies. A few emerging economies were also active users of economic support in the renewable and clean energy sectors. Overall, the economic support covered goods related to the production of renewable energy, electric vehicles, and decarbonization.

Over the past couple of years, issues related to economic support/subsidies and their impact on trade have gained in prominence. The linkages between industrial policies, achievement of climate goals, energy security and economic support in the context of trade are being discussed in many WTO bodies as well as more broadly. These will be important issues for continued monitoring.

Fossil fuel energy

Since 1 January 2021 up to mid-June 2024, WTO Trade Monitoring has identified over 80 measures related to fossil fuel energy sources. Over 60% of these measures were of a trade-facilitating nature and most were introduced by developing countries. Such measures included, for instance, temporary elimination of import tariffs on liquefied natural gas and the reduction of or exemption from import tariffs on various energy products. Most of the facilitating measures concerned imports, but several export-related facilitating measures were also identified. These included elimination and reduction of export duties on coal, oil and oil products, as well as the removal of excise duties on petrol exports.

Most of the reviewed measures have been implemented since early 2022, and hence coincided with the beginning of the war in Ukraine and subsequent developments in fuel and other commodity markets.

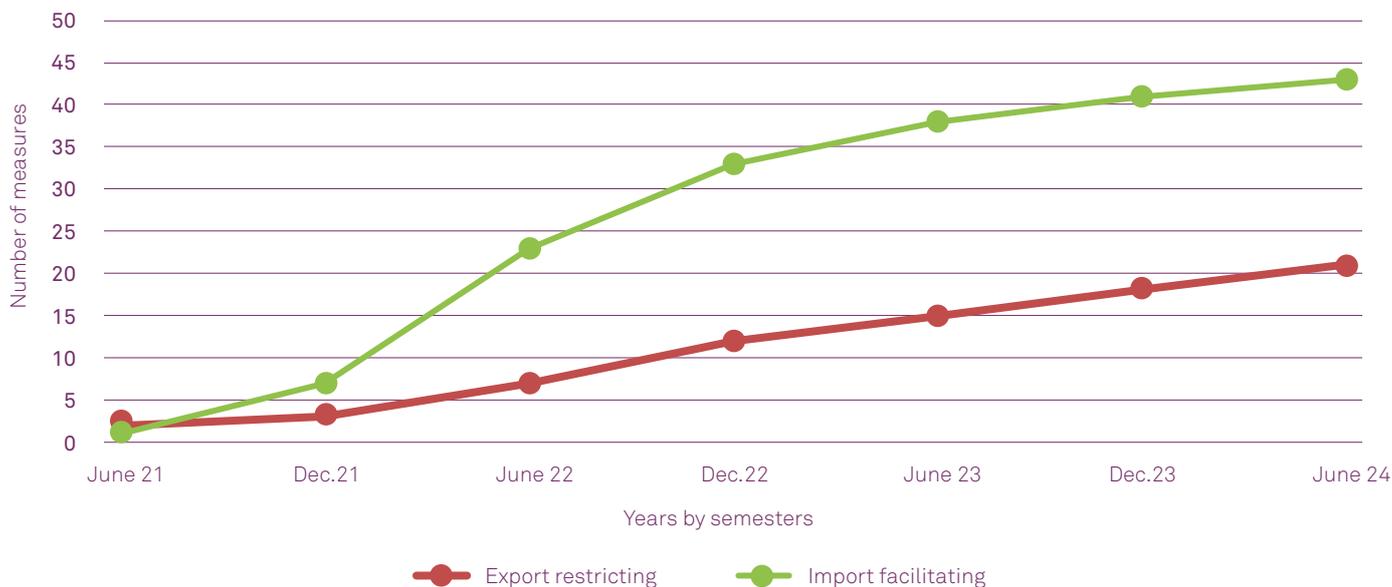
Export restrictions on fossil fuel products prevailed over import-related restrictions. Specifically, import restrictive measures were mostly applied in 2021 while, from the end of February 2022, export restrictions started to emerge more regularly. Export restrictions included the increase of export duties and taxes and the introduction of export licensing requirements. However, more than half of the identified export restrictions were introduced in the form of outright export bans and tight export quotas. Export restrictions covered a wide range of fossil fuel products, including coal, liquefied natural gas, petroleum, and oil. Furthermore, a few export restrictions on firewood were also recorded. Importantly, the majority of the export restrictions introduced since early 2022 remain in place.

WTO Members did not use trade remedy measures with respect to these products in the period under the review.

⁶ Clearly, any further analysis of measures in this area would have to also look closer at a variety of intermediate goods, including critical minerals, batteries and battery related products. In addition, another area of significance relates to role that trade policies play in the context of global supply chains for renewable energy products. Such research would be facilitated by the growing number of renewable energy related trade measures anticipated in the near future.

It is noteworthy that the number of export restrictions and of measures aimed at facilitating fossil fuel energy imports have increased significantly over the past two years (see chart below). Many export restrictive measures on fossil fuel energy products are likely to have been part of a short-term strategy to bolster against further energy shocks and inflationary pressure. Import facilitating measures for fossil fuel energy products have arguably worked against green energy transition plans, making the former more accessible domestically as an alternative to clean energy sources.

Chart 1 Evolution of the cumulative number of exports restrictive measures and import facilitating measures on fossil fuels from (2021 to mid-2024)



Source: WTO Trade Monitoring.

Final Observations

This Update has attempted to provide a short factual overview and description of the trade and trade-related policy measures recorded in the WTO Trade Monitoring Database in the area of energy products with an environmental angle. It has looked at the trade measures of clean and renewable energy-related goods as well trade measures in fossil fuel products. Although more data and more research are needed, the preliminary findings of this Update suggest that even though a larger number of measures facilitating trade in sustainable energy related products were recorded, restrictive measures in this category remain numerous and may have the potential to slow down the green transition. Further cooperation on opening markets for renewable and clean energy related goods, and greater coherence between trade and climate policies at the national level, could help address this issue.⁷

Additionally, trade policies in relation to fossil fuel products have surged since the beginning of the war in Ukraine. Since then, numerous export restrictions on fossil fuel products as well as import-facilitating measures have been observed that could make cleaner energy products relatively less attractive.

The WTO trade monitoring effort will continue to track trade measures in the energy sector and provide further transparency on developments in this area.

⁷ For more discussion on the issue of trade policies for climate change mitigation and adaptation strategies please consult the WTO Publication *Trade Policy Tools for Climate Action*, available at: https://www.wto.org/english/res_e/publications_e/tptforclimataction_e.htm.