

WTO* chief urges countries to prioritise subsidies that tackle climate crisis

** WTO stands for the World Trade Organisation*

Ngozi Okonjo-Iweala says current incentives are distorting world trade and hampering fight against climate breakdown



Ngozi Okonjo-Iweala urged countries to bring their trade policy in line with the goal of limiting global temperature rises to 1.5C (2.7F) above pre-industrial levels. Photograph: Michele Tantussi/Reuters

Source:

<https://www.theguardian.com/environment/2023/dec/12/wto-chief-urges-countries-to-prioritise-subsidies-that-tackle-climate-crisis>

Written by: Fiona Harvey

Governments must start to distinguish between the good subsidies they need to fight the climate crisis and the bad ones that are increasing greenhouse gas emissions, the world's trade chief has said.

Subsidies and other incentives to burn fossil fuels and encourage poor agricultural practices, amounting to about \$1.7tn a year, are distorting world trade and hampering the fight against climate breakdown, Ngozi Okonjo-Iweala, the director general of the World Trade Organization, told the Guardian.

"Can you imagine if we said, we are going to repurpose those subsidies into other friendly subsidies, like for research and innovation?" she said. "I don't mind that kind of subsidy."

She gave the example of clean cooking stoves in the developing world. Instead of subsidising fossil fuels, governments could subsidise clean stoves that use solar power or

electricity instead of burning wood. “These kinds of subsidies, no one would be against,” she said.

Developed countries devote more money to fossil fuel subsidies than the poor world, so if they reduced those emissions-increasing subsidies, they could free up cash for the poor world, to pay into climate finance such as the loss and damage fund for poor and vulnerable countries, she said.

She also urged countries to bring their trade policy in line with the goal of limiting global temperature rises to 1.5C (2.7F) above pre-industrial levels. “Countries need to review the import tariff regimes to make sure they’re not charging less for polluting items, and charging more for the green items,” she said. “At the WTO, we’ve noticed that import tariffs in many countries on renewables are on average higher than tariffs for fossil fuel goods.”

For instance, she said, in many countries the tariffs on imports of secondhand petrol or diesel cars are lower than those on hybrid or electric vehicles. “So you’re disincentivising the very thing that will help you get to net zero,” she warned.

“Trade is an important and positive force for the net zero transition,” she said. “But it’s not being paid attention to as a positive force.”

She also urged governments to make sure all their public procurement was aligned with the 1.5C goal. Public procurement amounts to about \$13tn annually around the world, or about 13% of global GDP, but few countries have policies in place to ensure that the goods and services they buy are green, such as electric school buses or renewable energy for hospitals. As a consequence, public procurement alone is responsible for about 15% of greenhouse gas emissions, said Okonjo-Iweala.

“We are saying to our members and to the public, this is such a powerful amount of money, could you please use green tenders when you’re trying to purchase government goods and services? This would be such a powerful push to bring down greenhouse gas emissions,” she told the Guardian in an interview at the Cop28 UN climate summit in Dubai.

Some developing countries are fearful that rich countries will use climate-related trade policies as a weapon against them, to penalise imports from the developing world. Controversial measures include carbon border adjustment mechanisms (Cbams), effectively import tariffs on goods and services with a high carbon impact, such as steel made in fossil fuel furnaces.

The EU has begun to introduce its first Cbam, arguing it is needed to create a level playing field for its industries, which are highly constrained in the carbon they can emit but which must compete with imports from countries without greenhouse gas regulations. Countries such as China are unhappy with this, regarding it as protectionist.

Okonjo-Iweala said the WTO did “not take one side or the other” on Cbams. She said: “We want governments to get to net zero. So policies that will assist that are good. But in doing those policies, please make sure that you do not implement them in a way that is seen by fellow members [of the WTO] as being anti-competitive, that are protectionist.”

She said she had found the EU’s attitude “very constructive” on Cbams, and that the bloc was arranging a meeting with developing countries to explain how the scheme could work to their benefit.

Some countries, she added, had or could develop a “green comparative advantage” by fostering low-carbon industries. Africa, for instance, has many of the critical minerals needed to make the components for renewable energy technology. Expanding those industries could help African countries compete in the global race to net zero, she said.

Okonjo-Iweala also called for more finance for poor countries to help them seize these advantages. She called for Cop28 to deliver three things: an acceleration of climate action by all countries; more investment in climate finance; and trade.

“Trade must be at the centre of accelerating your action to net zero,” she urged. “And those who haven’t looked at their trade policies and measures that can help them: wake up guys!”

Discussion Questions

How can more economically developed countries (MEDCs) assist less economically developed countries (LEDs) in their pursuit for greater sustainability?

How willing are you to accept the transfer of subsidies from fossil fuel consumption to efforts against climate change?