



**Asia-Pacific
Economic Cooperation**

Advancing Free Trade
for Asia-Pacific **Prosperity**

Report on the Environmental Goods Trade Policy Dialogue

APEC Market Access Group

July 2023



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APEC Project: MAG 01 2022S

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APEC#223-CT-01.10

Acknowledgements

This report summarises the key issues arising from the discussion during the *Trade Policy Dialogue to facilitate development of a common APEC understanding of what can be considered an environmental good*, held on 12 September 2022 and sets out recommendations for further consideration by APEC economies.

The Trade Policy Dialogue was supported by the Australian Government and implemented by the Australian APEC Study Centre, RMIT University.

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Kristen Bondiotti, Briony Wood-Ingram and Hoa Tran from the Australian APEC Study Centre at RMIT University deserve special mention for their research and production support.

The authors also wish also to express appreciation for the contribution and time provided by the following experts who participated in the Trade Policy Dialogue:

- Grant Ferrier, Environmental Business International and publisher of Environmental Business Journal
- Gael Grooby, World Customs Organization
- Carlos Kuriyama, APEC Secretariat
- Dr Inu Manak, Council on Foreign Relations

The assistance of these individuals and organizations does not imply any endorsement of this report's contents, and any errors should be attributed solely to the authors.

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Abbreviations and Acronyms

ACCTS	Agreement on Climate Change, Trade and Sustainability	FAST-Infra	Finance to Accelerate the Sustainable Transition-Infrastructure
APC	Air pollution control	FTA	Free Trade Agreement
APEC	Asia-Pacific Economic Cooperation	GHG	Greenhouse Gas The Harmonized Commodity Description and Coding System developed by the World Customs Organization
CRE	Cleaner and renewable energy	HS	
EBI	Evidence-based interventions	MAG	Market Access Group
EE	Energy efficiency	MSMEs	Micro-, Small and Medium-sized Enterprises
EGA	Environmental Goods Agreement	NVA	Noise and vibration abatement
EGL	The 2012 APEC Environmental Goods List	OECD	Organisation for Economic Co-operation and Development
EMAA	Environmental monitoring, analysis and assessment	RE	Resource efficiency
EPEA	Environmental protection expenditure and revenues	SHWM	Solid and hazardous waste management
EPP	Environmentally preferable products	UK	United Kingdom
ERC	Environmental remediation and clean up	WMWT	Wastewater management and water treatment
		WTO	World Trade Organization

APEC Members

AUS	Australia	NZ	New Zealand
BD	Brunei Darussalam	PNG	Papua New Guinea
CDA	Canada	PE	Peru
CHL	Chile	PHL	The Republic of the Philippines
PRC	China	RUS	The Russian Federation
HKC	Hong Kong, China	SGP	Singapore
INA	Indonesia	CT	Chinese Taipei
JPN	Japan	THA	Thailand
ROK	Republic of Korea	US or USA	United States
MAS	Malaysia	VN	Viet Nam
MEX	Mexico		

Introduction

APEC economies have long recognised the importance of trade in environmental goods and the contribution such trade can make to improving environmental outcomes. This work has included the Early Voluntary Sectoral Liberalisation discussions, the 2011 Honolulu Declaration and the endorsement of the APEC Environmental Goods List in 2012.

The ten years since the endorsement of the APEC Environmental Goods List have seen continued advances in environmental technologies, rapid growth of the global market for environmental goods and services, and a heightened set of environmental challenges facing APEC economies.

In light of these developments, APEC Ministers in 2021 instructed officials “to develop recommendations for potentially producing a voluntary, non-binding reference list with a view to providing guidance for further work.”¹ In 2022 APEC Ministers welcomed progress in this area and instructed officials to continue this work.² The ambition to continue APEC’s work on facilitating trade in environmental goods and services is also reflected in the 2022 *Bangkok Goals on Bio-Circular-Green (BCG) Economy*.³

In support of this objective, the *Trade Policy Dialogue to facilitate development of a common APEC understanding of what can be considered an environmental good*, held on 12 September 2022, brought together APEC economies and technical experts to discuss approaches to identifying environmental goods. The Dialogue also sought to generate recommendations from experts on possible steps to advance this goal.

This report summarises the key issues arising from the discussion, highlighting the areas of common understanding and noting where difficult policy challenges remain. It then sets out recommendations to build on this understanding for further consideration by APEC economies.

The Agenda for the Dialogue is attached as an Annex to the report.

Summary

Key issues

- There is a common understanding that advancing discussions on a voluntary, non-binding reference list on what environmental goods are and how to classify them is a valuable exercise in supporting collective action to address environmental problems and to facilitate trade. Such a reference list would not include tariff or other market-access commitments in the APEC context but could help economies identify and implement measures unilaterally as well as in bilateral, plurilateral or multilateral trade negotiations.
- It is evident a number of conceptual and practical challenges confront any effort to identify environmental goods. The industry is diverse, its borders imprecise. Different economies have different views on what goods qualify as “environmental” and the criteria that could be used to define them.

¹ See 2021 APEC Ministerial Meeting Statement, paragraph 32, accessed at < <https://www.apec.org/meeting-papers/annual-ministerial-meetings/2021/2021-apec-ministerial-meeting> >

² See 2022 APEC Ministerial Meeting Statement, paragraph 28, accessed at < <https://www.apec.org/meeting-papers/annual-ministerial-meetings/2022/2022-apec-ministerial-meeting> >

³ See *Bangkok Goals on BCG Economy*, paragraph 4(b)(ii), accessed at < [https://www.apec.org/meeting-papers/leaders-declarations/2022/2022-leaders-declaration/bangkok-goals-on-bio-circular-green-\(bcg\)-economy](https://www.apec.org/meeting-papers/leaders-declarations/2022/2022-leaders-declaration/bangkok-goals-on-bio-circular-green-(bcg)-economy) >

- In light of these challenges, several economies and experts support a pragmatic approach to identifying environmental goods that builds on earlier work in APEC and other fora. Experiences of APEC members show that nominating and agreeing on a reference list of goods based on agreed environmental criteria may be more workable than trying to devise a new definition of environmental goods.
- Several economies support adopting a broad, flexible and ‘living’ approach to deciding what environmental goods should be included on any reference list, to ensure all APEC members can reap the economic benefits from growth in their production and use.
- Prioritizing areas of focus, based on the most urgent environmental goals, may be a practical first step in developing a common understanding.
- There is awareness of the importance of consulting with customs experts to ensure that goods included in any such reference list are assigned to their correct Harmonized System (HS) codes and are described in a way that is practicable and does not impose an undue burden on industry or customs agencies.
- There is also enthusiasm and optimism for greater collaboration and forward thinking among APEC economies to make progress towards a reference list in line with the mandate from ministers, and to realise the environmental and economic benefits from growing trade in environmental goods.

Recommendations

- An APEC reference list of environmental goods could build on elements that already exist, including the 2012 APEC Environmental Goods List (EGL). There are views that not all challenges need to be resolved before commencing work on the development of such a list.
- If given a mandate, APEC’s Market Access Group (MAG) is well-placed to lead these discussions, potentially in conjunction with the Group on Services (GOS) given the interplay between trade in environmental goods and services. If appropriate, an *ad hoc* group of experts and representatives from the environmental goods and services industry could be established to provide expert advice to the MAG on environmental goods-related technical and commercial matters.

Flexible, forward-looking and creative thinking should be adopted to make progress on the more difficult issues over time. APEC can play a role as an incubator of ideas, informed by greater collaboration among stakeholders and across institutions.

Key issues

i. Determining the scope of the environmental goods industry

The market for environmental goods is dynamic and growing. The commercial global environmental market in 2020 is estimated to be as large as US\$1.2 trillion.⁴ However, defining the industry for environmental goods and determining its scope is by its very nature imprecise.

⁴ Environmental Business International. See <<https://ebionline.org>>

Diversity of activities and users

The scope of economic activity and users involved in the environmental goods industry is diverse. The industry encompasses both public and private entities involved in the provision of services that require equipment (e.g., for monitoring air pollution); the manufacture and sale of goods (e.g., insulating material for buildings) and often companies that extract and market critical natural resources (e.g., lime for the treatment of water).⁵

Current efforts to define the industry have involved categorising its segments. Developing a “game board” of industries organised by type of activity and estimated market value is one approach that has been adopted by the private sector to help companies develop strategies targeted to particular parts of the industry.⁶ This approach may help inform the development and updating of environmental goods lists in future.

Services associated with environmental goods

There are close linkages between environmental goods and services. Environmental goods need services to move and operate. For example, wind turbines require engineering and design services, and transport and logistics services once they are ready to be installed. Similarly, delivery of environmental services often involves goods. For example, environmental remediation projects require monitoring devices and equipment for testing soil or water samples.

Services form a key part of the environment industry. They are not only increasingly embedded in goods, but also make up a large part of the environmental industry as a whole.⁷ Engineering, consulting and monitoring services underpin all environmental activities. This suggests that services associated with goods need to be integrated into discussions on environmental goods.

ii. Identifying Environmental Goods

A primary consideration for any listing exercise is the method adopted for identifying potential environmental goods. In the past, this has involved three elements:

1. A “definition” of environmental goods. The definition is then used to set the broad boundaries of potential candidate goods. The OECD-Eurostat definition⁸ is a widely accepted broad definition of environmental goods.
2. Categories of goods, or criteria for goods, that qualify as environmental goods. The categories may include goods in certain sectors (e.g., renewable energy, waste

⁵ These entities include, for example, firms offering consulting, engineering, project management, soil remediation and environmental laboratory services, manufacturers of equipment for water and wastewater treatment systems, air pollution control monitoring devices and beach-cleaning equipment and also information technology companies that manage data for environment compliance and performance.

⁶ For example, Environmental Business International categorises the global environment market into three main industry segments: services, equipment and resources. These are further categorised into 13 subsegments. It subdivides the ‘climate change industry’ into nine segments.

⁷ According to EBI, in 2020, services made up almost 40% of the environmental market. This does not account for services embedded in other segments of the environment market including equipment and resources segments.

⁸ The OECD, in collaboration with Eurostat, developed a working definition of environmental goods (and services) in the 1990s. The OECD [defines](#) environmental goods as those that: “measure, prevent, limit, minimize, or correct environmental damage to water, air, and soil, as well as problems related to waste, noise and eco-systems. This includes cleaner technologies, products, and services that reduce environmental risk and minimize pollution and resource use.” See https://unstats.un.org/unsd/envaccounting/ceea/archive/EPEA/EnvIndustry_Manual_for_data_collection.PDF

management) or goods that address certain environmental problems (e.g., climate change, water pollution). Both the WTO Environmental Goods Agreement (EGA) list and APEC's 2012 EGL assign environmental goods to broad categories.

3. An initial list of environmental goods, compiled from participants' individual lists of nominated goods and arranged in order of their provisional HS codes, which are then refined into a single combined list of qualifying environmental goods. The goods included in the APEC EGL and in lists in some recent FTAs were identified this way.

Elements can be used in different combinations and sequences to identify environmental goods. In past negotiations, elements 1 and 2 have helped guide the nomination processes in step 3. In the case of the WTO multilateral and plurilateral negotiations on environmental goods, the OECD-Eurostat definition had already been widely circulated and was considered sufficiently broad and not too prescriptive as a starting point. There were no strong voices calling to revise or improve upon it. Then, in the early 2000s, as WTO members started to think about the process of nominating goods, they agreed on ten core environmental objectives and specific categories of environmental goods that were used to meet them.⁹ Participants then nominated products that they considered to be relevant for inclusion on a list for tariff reductions.

In the APEC negotiations that led to the development and adoption of the APEC EGL, in 2012, APEC economies similarly took the OECD definition as the starting point and from this identified broad environmental goals and categories of goods. Economies then identified, on a product-specific basis, a list of products that would be covered by the list and therefore subject to negotiations.

In both cases, while the definition served as a starting point, ultimately product coverage was determined by the lists of goods members put forward and were willing to subject to tariff liberalisation. Under the 2012 EGL, APEC economies committed to reduce applied tariff rates to 5 per cent or less on all goods included on the list.

Experiences of several APEC members since the 2012 EGL was negotiated favour taking a pragmatic approach to identifying environmental goods. Perspectives expressed during the Trade Policy Dialogue suggest that agreeing on a list of goods based on accepted environmental criteria may be more workable than developing a new definition of what constitutes an environmental good.

As noted by experts during the discussions, reaching agreement on a definition is inherently difficult, and time-consuming. Furthermore, it may be subject to multiple interpretations, thus creating uncertainty as to the scope of goods covered rather than clarifying it.

Adopting a listing approach based on broad categories or objectives provides greater certainty while avoiding the more difficult task of reaching agreement on a specific definition, which can be very difficult to achieve.

This is demonstrated by the experience of New Zealand (NZ) in its recent Free Trade Agreement (FTA) with the United Kingdom (UK). In the *Free Trade Agreement between New Zealand and the United Kingdom of Great Britain and Northern Ireland*, NZ and the UK adopted a list of 293

⁹ The ten categories included: Air pollution control (APC), Cleaner and renewable energy (CRE), Wastewater management and water treatment (WMWT), Environmental remediation and clean up (ERC), Solid and hazardous waste management (SHWM), Environmental monitoring, analysis and assessment (EMAA), Resource efficiency (RE), Energy efficiency (EE), Noise and vibration abatement (NVA), Environmentally preferable products (EPP). See WTO, *Experiences in the Promotion and Facilitation of Environmental Goods and Services*, Note by the Secretariat, INF/TE/SSD/W/18, 23 March 2022.

environmental goods.¹⁰ While a definition was discussed, it proved difficult to advance. Parties therefore agreed on a broad definition,¹¹ which was included in the agreement. A list of environmental goods was agreed. Both sides presented a list of products they considered to be an environmental good. Goods were identified by HS code and accompanied by a short explanation of the environmental credentials of each nominated good. There was then a process of negotiation to agree on what would be included in the final FTA list. The approach NZ took was largely intuitive, applying a sensibility test assessment to each good proposed by the UK.

iii. Addressing the challenges of selection criteria

Certain categories of environmental goods have posed particular challenges for past efforts to develop agreed lists. These categories of goods include dual-use goods, environmentally preferable products, and raw materials and intermediate goods used in the production of final goods.

APEC economies have different views on how these and other problematic goods should be considered. In principle, sensitivities should be less pronounced when developing a voluntary, non-binding reference list that does not have any associated tariff liberalisation commitments, unlike with a traditional market-access negotiation process. Economies developing a non-binding reference list of environmental goods may have greater scope to think more broadly and creatively about how to ensure that the reference list has high environmental integrity, reflects the broad diversity of views across APEC economies, and would help all APEC members reap the economic benefits from ongoing growth in trade in environmental goods.

Dual-use goods

Many goods have multiple uses. Few environmental goods have solely environmental uses and many (e.g., pipes and pumps) can be described as “dual-use” goods because they have both environmental and non-environmental applications. They could be used for wastewater management or hydropower, but also by the construction, oil or agriculture sectors.

Whether such dual-use goods should be considered environmental goods is a longstanding question that cannot be avoided. On the one hand, excluding dual-use goods from a list of environmental goods can help maintain confidence in its environmental integrity. On the other hand, excluding them risks leaving off goods that are necessary to achieving environmental outcomes simply because they can also be used for non-environmental purposes.

Differentiating dual-use goods according to their end-use is possible, but expensive. It requires behind-the-border tracking and imposes a heavy burden on both companies – which must keep accurate records along the whole chain of custody of the good – and on government agencies, which must administer and monitor compliance with a more complex customs process.

Where dual-use goods provide a significant environmental benefit, APEC economies should consider their inclusion in any reference list and think about other, complementary ways to address the environmental consequences of these goods when used for non-environmental purposes, such as through domestic environmental regulation.

¹⁰ See Chapter 22 and Annex 22A at <<https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/Chapters/Annex-22A-Environmental-Goods-List.pdf>>

¹¹ The definition is “For the purposes of this Agreement, the environmental goods listed in Annex 22A (Environmental Goods List) are goods which can positively contribute to the clean growth and sustainable development objectives of the Parties, including climate change mitigation and adaptation, and wider environmental goals.” See <<https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/Chapters/Chapter-22-Environment.pdf>>

Adapted goods and environmentally preferable products (EPPs)

Inclusion of adapted goods,¹² or environmentally preferable products (EPPs) — that is, goods that are intrinsically or by design environmentally superior to other goods that have the same function, such as solar water heaters compared with natural gas-fired water heaters — and how to identify them, raises another set of issues.

Technological change is one. During the 2000s, for example, compact fluorescent lamps were considered environmentally preferable to incandescent lamps because they used less energy to produce the same amount of light and lasted longer. But they also contained small amounts of mercury, a toxic heavy metal. By the 2010s, lamps made from highly energy-efficient light-emitting diodes began to supplant compact fluorescent lamps, and so the latter have largely disappeared from environmental goods lists.

Another issue is environmental trade-offs. Some goods may be environmentally superior in terms of their use or disposal to goods that perform similar duties but may involve production processes that are more environmentally damaging. Life-cycle assessment can help expose such trade-offs, but this can be difficult where, for example, the same product is produced, used, recycled or disposed of in different ways: (i) by different producers or users; (ii) in different economies; and (iii) as market conditions change or new technologies emerge. In any case, the balancing of these different environmental effects is ultimately a highly technical assessment, the results of which can change depending on the context, measures and criteria used by any given economy.

Whole-of-value-chain perspective

Broadening the scope of environmental goods to include not just finished goods but also those along value chains — such as raw materials, parts and components — has the potential to further advance environmental objectives and extend the benefits of an expanded market for environmental goods across all APEC members. For example, the batteries used in electric vehicles require minerals such as cobalt and nickel, and component parts for cell manufacturing, and ultimately equipment to support facilities for the collection, recycling and disposal of the batteries. Including material inputs and components could allow developing economies that produce these inputs – but not final products – to play a greater role in upstream environmental activities.

A value-chain approach could also support a broader list of environmental goods. New Zealand's FTA with the UK, for example, lists goods that form parts for bicycles, such as rubber used on bicycle tyres and tubes, as well as iron and steel chains. The list also includes some wood products that are not on the 2012 APEC EGL.¹³

However, many of these raw materials and intermediate goods are also 'dual use' goods. As such, their inclusion can raise the same issues identified above relating to non-environmental uses and maintaining the integrity of any reference list.

Environmental goals

In the past, discussions about environmental goods have been complicated by a mismatch of goals. In addition to pursuing environmental objectives, including greenhouse gas (GHG) emissions

¹² Adapted goods are defined by the OECD as “products that are less polluting, at the time of their consumption and/or scrapping, than equivalent traditional products”. They include “products which are cleaner (and therefore more environmentally friendly) when used or disposed of”. See <<https://stats.oecd.org/glossary/detail.asp?ID=42>>

¹³ For example, sawn or chipped coniferous wood that forms part of sustainably sourced wood-based construction materials.

reduction and pollution control, some economies have focused on increasing market access for their own environmental goods exports while not supporting the inclusion of other goods that are not produced domestically. Others have focused on those products for which they have a comparative advantage and are seeking to further develop.

Further discussion can support alignment of environmental and economic goals, after which APEC economies may then be able to consider what the inclusion or exclusion of a good does to advance or hold back the achievement of shared environmental objectives. However, full alignment of goals across all APEC economies may be difficult to achieve and so a measure of flexibility and a constructive approach to achieving consensus would be required.

iv. Identifying priority areas

Prioritising areas of focus and environmental goals may be a practical step in moving toward mutual understanding of what can constitute environmental goods in the APEC context. One area identified by APEC economies is goods that have the potential to contribute to shared decarbonisation goals.

During the Trade Policy Dialogue, one economy explained that it was in favour of focusing on “products using technologies which directly contribute to the reduction of greenhouse gas emissions towards realisation of global carbon neutrality” when considering ‘new’ environmental goods. That economy also proposed broad criteria to guide the identification of these goods. They include:

whether [the goods] use technology that directly contribute to GHG emission reduction or that are required during the period of innovative technology transition; the recent development and spread of new technologies; and the necessity of including goods that are expected to become widely used in the market from a mid-to-long term viewpoint.

The list of prospective goods related to decarbonisation of the economy are broad, including: wind, solar and geothermal power generating plants; fuel ammonia; hydrogen; low-carbon forms of transport; batteries; carbon recycling; energy-efficient homes and other buildings; solar water heaters; and resource circulation.

The focus on climate-friendlier goods aligns with growth in the global drive to decarbonise economies. In 2020 the market for goods and services in this area may have been worth as much as US\$2.2 trillion, according to Environmental Business International.¹⁴ Infrastructure funding is driving public investment across a range of climate-related activities such as storage of renewable energy, carbon capture, energy-efficient buildings, use of secondary water and public transportation. This in turn is driving demand for new environmental goods, services and technologies — for example, technologies to measure carbon content and assess climate risk, environmental engineering services, and services for mapping, monitoring and evaluating investments. There is recognition that greater facilitation of trade in these products and services will assist economies in meeting their decarbonisation goals and reaping the associated economic benefits.

v. Adopting a ‘living list’

When it comes to a possible voluntary, non-binding reference list in the APEC context, many experts and some economies expressed a view during the Trade Policy Dialogue that it is crucial

¹⁴ EBI calculations of the ‘climate change’ industry in 2020.

that any list be kept updated as technologies advance — in other words, that the list be “living” and allow new goods to be considered for inclusion as circumstances change.

One way to accommodate a living list is to ensure it is subject to periodic reviews. It should not only be capable of being updated, but updates should occur often enough to be useful. For example, the environmental goods list in the UK-NZ FTA is subject to ongoing review by a sub-committee established in the Agreement.¹⁵ The list of environmental goods in the recently concluded Singapore-Australia Green Economy Agreement will also be subject to periodic review, “to enable further industry consultations and to account for technical and technological advances and for new environmental goods to be added.”¹⁶

To be meaningful, updates may be supported by a process that engages researchers and business across the APEC region to identify new and emerging products. This includes identifying products that are yet to be widely commercialised. Further work to devise practical ways to implement a ‘living list’, such as an updating procedure for nominating potential new environmental goods (e.g., an online portal open to stakeholders), could be considered.

vi. Identifying goods at the border

Any reference list should also take due account of practical difficulties that can arise from many environmental goods not being specifically described and separately encoded in the World Customs Organization’s Harmonized Commodity Description and Coding System (HS). These difficulties also raise resource considerations for governments in how they seek to address them.

The vast majority of existing environmental goods are only covered by very broad 6-digit HS subheadings that include other goods that may have little or no environmental use or benefit. Some may be separately identified in economies’ own tariff schedules at the 8- or 10-digit level, but their descriptors and codes are not harmonised across economies.

The common approach to this problem, including in the 2012 APEC EGL has been to use “ex outs” to identify the specific good(s) of interest. This approach, however, has its own difficulties. For example, it relies on a common understanding of where — i.e., under which HS 6-digit subheading — the goods could be classified. It also requires parties to an agreed list concur on the goods’ descriptions, which by definition are often not fully elaborated in the HS.

If specific goods are to be identified, provisions for new classifications may need to be made in the HS. Reaching agreement on these is a lengthy process. Governments often differ in their views on customs classifications, and in the resources and capacity they have to engage in the process. It takes at least five years between the time a new subheading is proposed to the World Customs Organization (the custodian of the Harmonized System) and it is approved and implemented.

Environmental goods need also to be identifiable in a way that is useful to customs agencies. This requires considering how the goods will be presented at the border. Verification needs to be possible but also practical and not too resource-intensive for customs agencies. For example, can the good be verified by physical inspection? If not, are there acceptable analysis certificates that provide evidence? If laboratory testing is needed, is there a commonly accepted method?

¹⁵ See Article 22.7, accessed at <<https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/Chapters/Chapter-22-Environment.pdf>>

¹⁶ See Annex B 1.1: Environmental Goods, accessed at <<https://www.dfat.gov.au/countries-and-regions/singapore-australia-green-economy-agreement-annexes/annex-b-1-1-environmental-goods>>

Certification of compliance with an economy's technical regulations is better than post-audit inspection from the importer's point of view. Where the goods will be classified (at which border) is important to ensure they can be verified (i.e., whether the applicable HS classification is the same or different beyond the 6-digit harmonized level).

These issues are acknowledged by APEC economies, as is the need for collaboration on changes in tariff nomenclature and between trade and customs agencies.

Recommendations

If APEC economies were to decide to compile a reference list of environmental goods, they should approach the exercise pragmatically and in a way consistent with the list's purpose — as a voluntary, non-binding reference list that does not entail any tariff liberalisation commitments but that can be a point of reference for economies seeking to facilitate and maximise the benefit of growth in trade of environmental goods and related services. All elements — a definition, categories of goods for inclusion, and selection criteria — can build on those that already exist. Where issues and differences do exist, they can be worked out progressively, and pragmatically, as the list is developed.

1. Principles and definition

To guide the exercise, economies could begin by agreeing on a set of overarching principles that the list should follow. For example, it may be possible for economies to agree that any such list should be a 'living list' that is updated for technological, trade and environmental developments over time, and that it can include goods along the value chain. Economies could also agree on high-level principles to guide consideration of challenging issues, such as how nominations of dual use goods, environmentally preferred products and raw materials and intermediate goods should be assessed.

The next step would be to agree on a broad definition of what qualifies as an environmental good. Rather than attempting to draft a new comprehensive or prescriptive definition, APEC economies could begin by adopting the OECD-Eurostat definition. If needed, the definition could be restated at a later date to correspond to the goods which are identified, for example, to specifically include goods that use technology that directly contributes to GHG emission reduction.

A rough target number of goods for inclusion on the reference list could be agreed. APEC economies could then put forward goods for possible inclusion on the list. The methodology for nominating these goods (for example, how goods should be identified and what kind of additional information should be included in support of a nomination) would be subject to prior discussion and consensus between APEC economies.

Once initial lists have been put forward, a first attempt could be made to classify the goods into categories (such as air-pollution control, sewage treatment; electricity generation; GHG emissions reduction); some goods may fall under more than one category. Experts could be engaged to assist with this (see selection criteria below). The definition could then be adjusted accordingly to encompass all categories of goods.

2. Selection criteria

Parallel to the listing of goods, APEC economies could undertake discussions to decide on the selection criteria that could be used to ensure the list maintains a high level of environmental integrity.

APEC's MAG has relevant experience – notably through its recent work to update the 2012 EGL to HS 2022 – and could be given a mandate to pursue discussions on developing a voluntary, non-binding reference list.

If appropriate, deliberations in the MAG could be supported by the establishment of an *ad hoc* group of experts and representatives from the business community, including suppliers and consumers of environmental goods and services, to serve as advisers. Such an *ad hoc* group could provide advice on environmental, technical and commercial matters affecting specific goods and provide expert input on selection criteria and areas for further work. One aim would be to agree on criteria for deciding what amount of "dual use" rules out a good for consideration on the list. A way to aid the "dual use" discussion could be to identify alternative uses for the goods on the list once it is compiled.

Economies could also consider giving different weights to environmental and trade considerations to inform discussions. For example, to ensure the list captures goods that may be important for the environment in the future, economies could, to the extent possible, identify which economies are the leading producers of environmental goods and how that could change over the next 15 years. They could also consult with experts and ask them to rank the goods with which they are familiar regarding current and likely future environmental importance across each of the categories.

3. Further work in priority areas

Further work could be undertaken as part of the listing of goods to help enhance understanding on the linkages of goods with services, as well as the role of life cycle analysis. This work could be focused on goods or types of goods in priority areas identified by APEC members – for example, goods that have the potential to contribute to shared decarbonisation goals. Other possible areas include:

- Associated services – Economies could identify those goods (included on the list) that are necessary for performing various environmental services, particularly the ones itemized in the APEC Reference list of Environmental and Environmentally Related Services.
- Life cycle analysis — If within the scope of the exercise, economies could identify a set of goods that are typically purchased by individuals for their private use and identify their life-cycle performance across major environmental media.

4. Creativity and collaboration

Building on existing approaches as a starting point is a worthwhile exercise. However, flexible, forward-looking and creative thinking should be adopted if progress is to be made on difficult issues.

APEC can play a role as an incubator of ideas. Discussions on development of a voluntary, non-binding reference list should be informed by greater collaboration among stakeholders and across areas, to learn from the successes and failures of others, and to explore the expanded use of trade tools for environmental benefit. For example, the experience of the Green Economy Agreement between Singapore and Australia,¹⁷ the Agreement on Climate Change, Trade and

¹⁷ Green Economy Agreement between Australia and Singapore. See <<https://www.dfat.gov.au/geo/singapore/singapore-australia-green-economy-agreement/singapore-australia-green-economy-agreement-text>>

Sustainability (ACCTS), discussions on the APEC Reference list of Environmental and Environmentally Related Services and also eco labelling initiatives¹⁸ may help to inform APEC's approach. Sensitivity to MSMEs and the impact on developing economies can also be considered to help build shared benefits.

¹⁸ For example, the Finance to Accelerate the Sustainable Transition-Infrastructure (FAST-Infra) initiative provides a consistent labelling system for sustainable infrastructure assets. See <<https://www.climatepolicyinitiative.org/fast-infra/>>

Annex – Environmental Goods Trade Policy Dialogue Agenda



Environmental Goods Trade Policy Dialogue

Monday, 12 September 2022, 19:30 – 22:15 (ICT)

19:15 – 19:30 Participants join the virtual platform (15 minutes)

19:30 – 19:35 Introductory Remarks (5 minutes)

Australia

19:35 – 19:45 Welcome Remarks (10 minutes)

Ronald P. Steenblik, Senior Fellow, International Institute for Sustainable Development; former Special Counselor, OECD Trade and Agriculture Directorate

APEC economies have long recognized that open trade in environmental goods can lead to improved environmental outcomes. Trade in these goods is growing. However, to date there is no international agreement on what constitutes an environmental good. The half-day virtual Trade Policy Dialogue will see experts and APEC economies exchange views on what constitutes an environmental good. It will incorporate presentations on past efforts to define environmental goods in international forums, the different approaches taken, the challenges faced, and possible pathways forward for APEC.

The dialogue will help build consensus among APEC economies on how best to pragmatically progress work on environmental goods. The aim is to exchange and facilitate information to support greater common understanding on environmental goods that economies may use domestically when designing trade and environment policy and negotiating trade agreements with environmental chapters.

19:45 – 20:45 Session 1: Approaches to defining Environmental Goods (60 minutes)

The evolving nature of trade in environmental goods (10 minutes)

Grant Ferrier, Director Market Intelligence, Founder and President of Environmental Business International (EBI) and publisher of Environmental Business Journal (EBJ)



Defining environmental goods – technical issues and challenges (20 minutes)

Gael Grooby, Deputy Director of Tariff and Trade Affairs | World Customs Organization (WCO)

Carlos Kuriyama, Senior Analyst, Policy Support Unit, APEC Secretariat

The key policy debates and challenges (10 minutes)

Dr. Inu Manak, Fellow for Trade Policy | Council on Foreign Relations

Possible pathways forward (10 minutes)

All speakers

Q & A with participants (10 minutes)

20:45 – 21:00 Tea Break (15 minutes)

21:00 – 22:00 Session 2: APEC understanding of what constitutes an environmental good (60 minutes)

Moderator: Ronald P. Steenblik, Senior Fellow, International Institute for Sustainable Development; former Special Counselor, OECD Trade and Agriculture Directorate

Discussion with Representatives from APEC Economies on their perspectives on environmental goods

22:00 – 22:15 Wrap-up and Next Steps (15 minutes)

Ronald P. Steenblik, Senior Fellow, International Institute for Sustainable Development; former Special Counselor, OECD Trade and Agriculture Directorate

The closing session will draw out some main conclusions from the TPD and highlight the next steps in the Environmental Goods Project aimed at facilitating the development of a common APEC understanding of what constitutes an environmental good.



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Publication No: APEC#223-CT-01.10**