



INSTITUTE FOR AGRICULTURE AND TRADE POLICY

Fixing a Broken System: Subsidy Reform
is Just the Tip of the (Melting) Iceberg
*A Comment on "Free Trade, Fair Trade,
and Selective Enforcement"*

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March 29, 2019
Environmental Law Institute
Washington, DC

- Meyer is right: Subsidies are speeding up climate change and depleting marine fisheries
- Governments pledged to address both – without doing so, either within WTO (selective enforcement) or outside
- The bigger picture: Special rights for oil, gas, and coal
- Defining sustainability: Industrial-scale biofuel production and intensive aquaculture are part of the problem
- Should the WTO have new powers to address this? If not, what's the alternative?

Governments Pledge Reform

- 2009 – G20 govts pledge to rationalize and phase out “inefficient” fossil fuel subsidies that encourage “wasteful consumption”
- APEC soon follows suit
- 2015 - Paris Climate Agreement
- 2016 – G7 countries (67% of fiscal support for FFS) agree to phase out subsidies by 2025
- UN sustainable development goal signed by 193 nations: End subsidies contributing to illegal/overfishing by 2020

Annex 2 G7 fiscal support and public finance to oil, gas and coal (2015 and 2016)

	France	Germany	Canada	UK	Italy	Japan	US	
Fiscal support* (US\$ bn)								
Fossil fuel exploration	0.00	0.00	0.02	0.04	0.00	1.24	0.10	1.39
Coal mining	0.00	0.12	0.00	0.00	0.00	0.10	3.49	3.71
Oil and gas production	0.32	0.37	1.07	0.62	0.08	2.00	14.73	19.19
Fossil fuel-based power	0.01	0.00	0.01	0.18	2.10	0.10	2.32	4.72
Fossil fuel use	7.57	14.68	1.09	9.33	13.46	0.14	5.33	51.60
Total**	7.90	15.18	2.19	10.16	15.63	3.58	25.97	80.62

	France	Germany	Canada	UK	Italy	Japan	US	
Public finance (US\$ bn)								
Fossil fuel exploration (dom. and int.)	0.00	0.44	0.59	0.37	0.26	2.51	0.95	5.13
Coal mining (int.)	0.00	0.01	0.00	0.02	0.00	0.01	0.00	0.04
Oil and gas production (dom. and int.)	0.10	0.52	1.76	0.28	1.20	2.84	0.22	6.93
Fossil fuel-based power (dom. and int.)	0.02	2.44	0.18	0.16	0.80	3.55	0.28	7.44
Total	0.12	3.41	2.54	0.84	2.26	8.92	1.45	19.54

*All domestic. ** This includes fiscal support for transport (\$26 billion), households (\$12 billion), industry (\$9 billion), and to agriculture and other sectors (\$5 billion).

Source: author's own

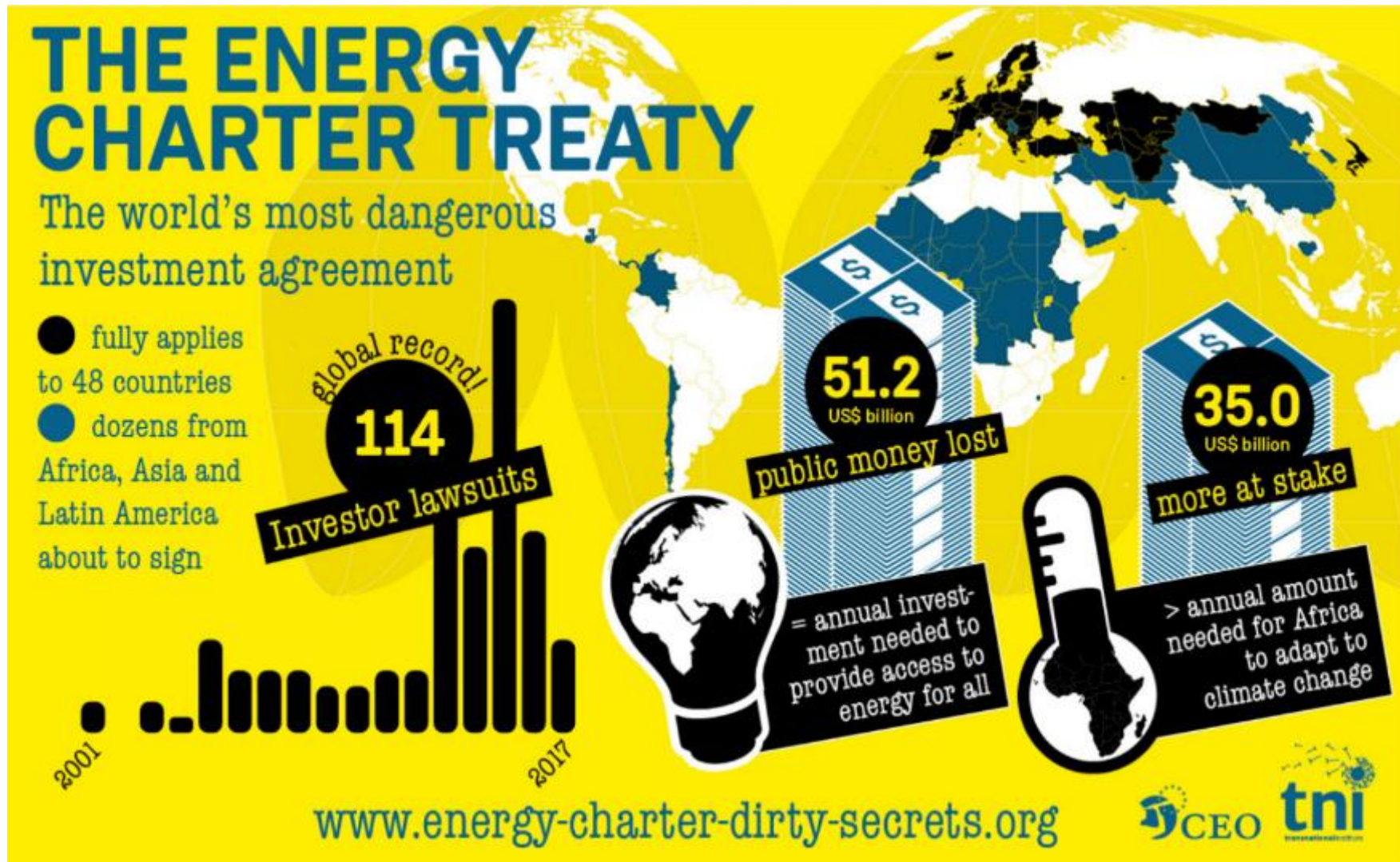
Natural Resources Defense Fund, G7 Fossil Fuel Subsidy Scorecard June 2018

It's more than a subsidy problem

Investor Privileges

- Half of all investor-state dispute (ISDS) cases registered at the World Bank in 2015 related to oil, mining, gas, electric power or other energy forms
- While purportedly reforming ISDS, the new NAFTA (USMCA) continues to apply old rules to oil & gas concessions in Mexico; an energy side letter guarantees pipeline access between US & Canada
- CETA and CPTPP – signed after Paris accord – keep ISDS with minor changes, include restrictions on local procurement content, and limit controls over fuel extraction and pipeline development

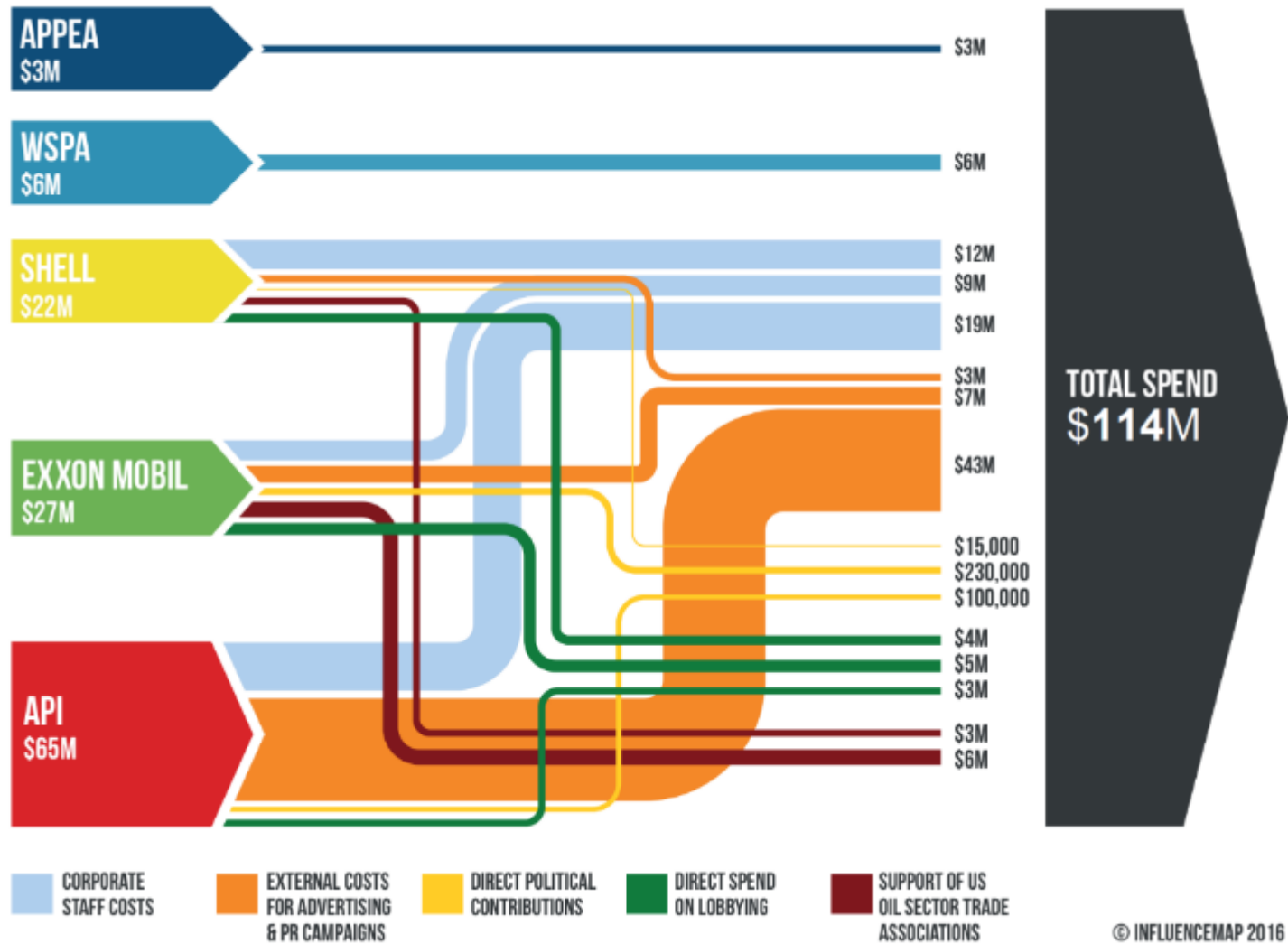
“One Treaty to Rule Them All”



Corporate Europe Observatory

Money makes the world go 'round

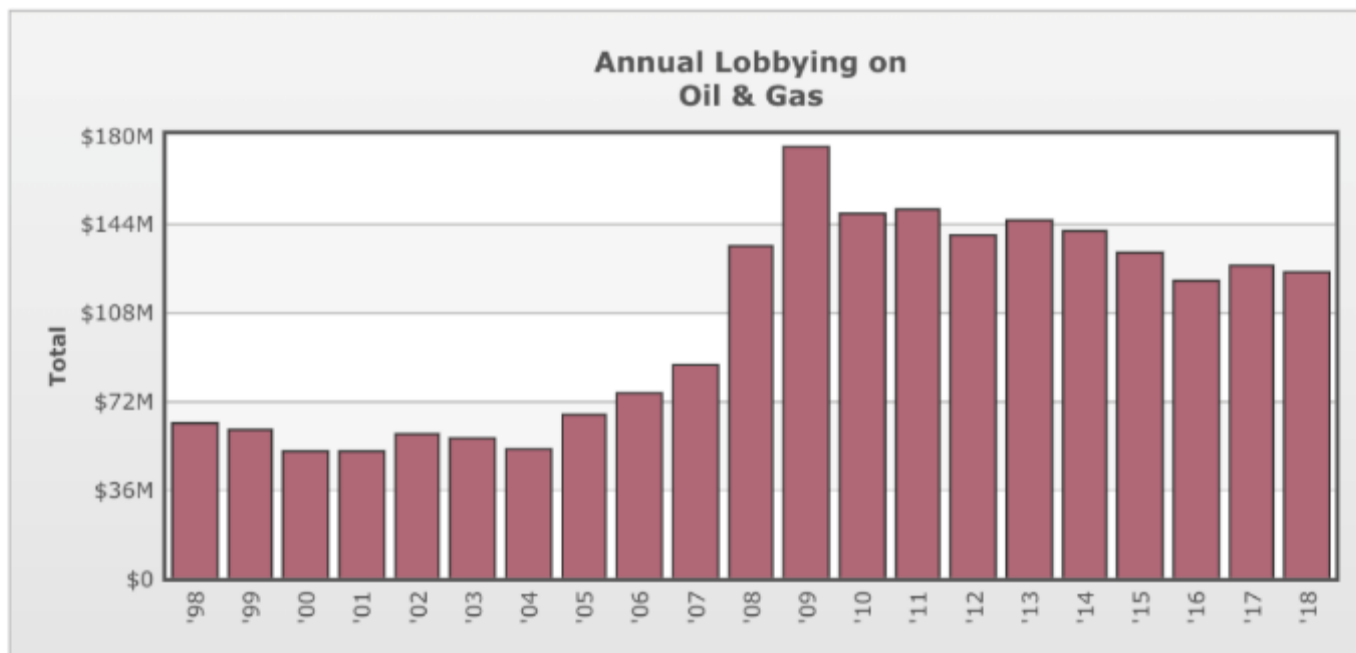
How much big oil spends on obstructive climate lobbying:



Influence Map

Industry Profile: Summary, 2018

Year:



Total for Oil & Gas: \$124,492,199

Total Number of **Clients** Reported: 192

Total Number of **Lobbyists** Reported: 720

Total Number of **Revolvers**: 489 (67.9%)

OpenSecrets.Org

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Committees

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(ITAC 1)

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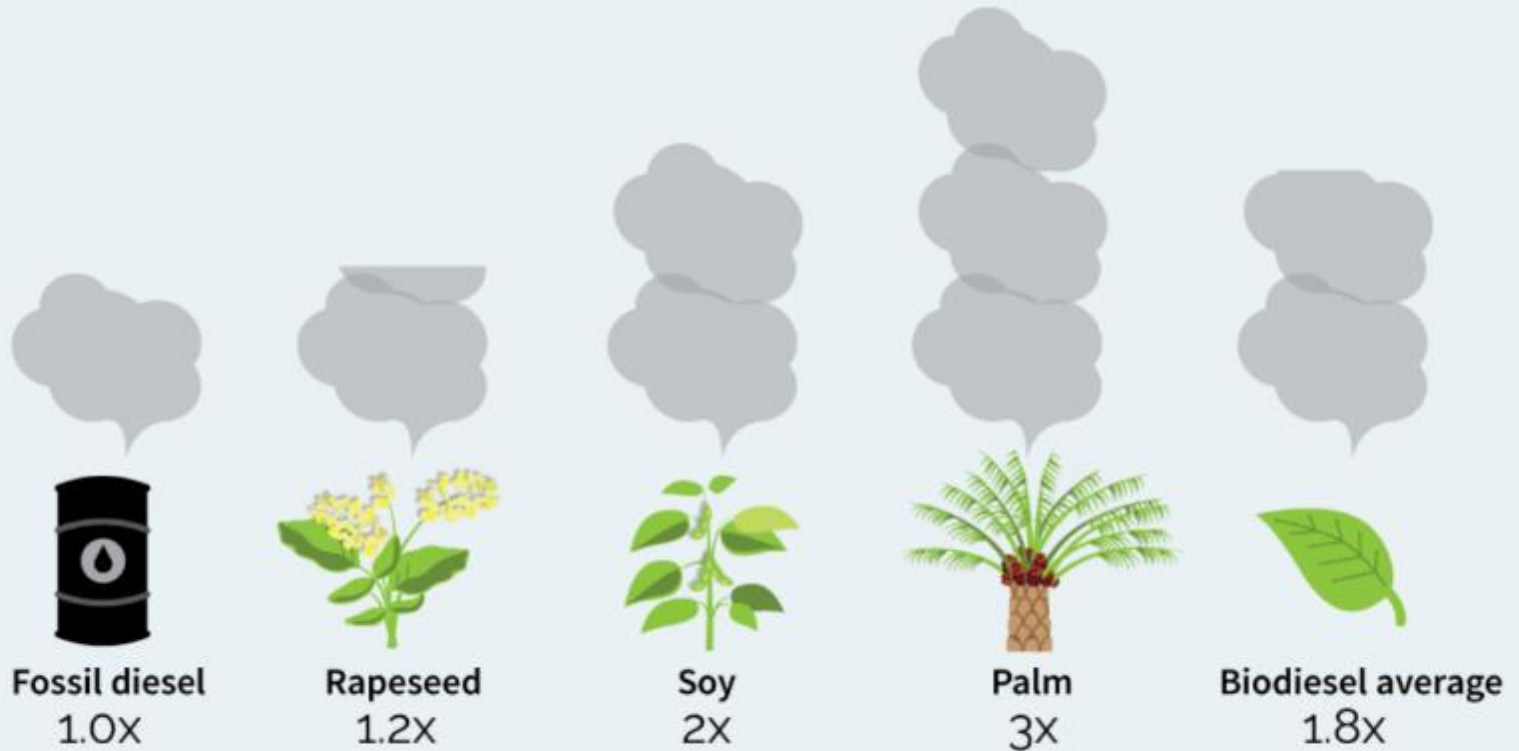
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Defining Sustainability

Biodiesel: cure worse than the disease

Fossil diesel emissions vs first-generation biodiesel



Transport & Environment



EUROPEAN
COMMISSION

Brussels, 13.3.2019
C(2019) 2055 final

COMMISSION DELEGATED REGULATION (EU) .../...

of 13.3.2019

supplementing Directive (EU) 2018/2001 as regards the determination of high indirect land-use change-risk feedstock for which a significant expansion of the production area into land with high carbon stock is observed and the certification of low indirect land-use change-risk biofuels, bioliquids and biomass fuels



How palm oil sparked a diplomatic row between Europe and southeast Asia

From threats to cancel UK defence deals to pledges to stop imports of Norwegian salmon, European moves to restrict palm oil have enraged Malaysia and Indonesia

GreenPeace

22/06/17

Aquaculture is main driver of mangrove losses



Aquaculture

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Problems with Condensed Space and Waste

Concentrated fish can mean concentrated waste. Combined with uneaten food pellets, fish waste can impact the local environment by polluting the water and smothering plants and animals on the seafloor. There are also concerns that diseases and parasites—common occurrences in crowded pens—are spread to wild fish.

Collapse at salmon farm renews debate about fish farming

August 24, 2017 by Phuong Le



In this Tuesday, Aug. 22, 2017 photo, Riley Starks of Lummi Island Wild shows three of the farm raised Atlantic salmon that were caught alongside four healthy Kings in Point Williams, Wash. A marine net pen holding 305,000 farmed Atlantic ... [more ▼](#)

A marine net pen holding 305,000 farmed Atlantic salmon collapsed recently, releasing thousands of fish into Puget Sound and renewing concerns that a new proposed salmon farm could harm wild salmon stock and cause other environmental damage.

How Best to Reform

Is the WTO the answer?

Moving the focus of international negotiation on intellectual property into the trade sphere- from the UN's World Intellectual Property Organization to the WTO- "was a brilliant strategic move for business. It ensured that commercial considerations would dominate and outweigh other goals, such as implications for economic development and public health."

- Dani Rodrik, *What Do Trade Agreements Really Do?* Journal of Economic Perspectives (2018)

Lessons from the EGA

- The Environmental Goods and Services Agreement being negotiated by WTO members, which aims to reduce or eliminate tariffs on “environmentally beneficial” products and services, is a real world example of environmental decision-making going awry when the overarching framework is trade liberalization.
- The EGA could be part of the solution to the problem of WTO subsidy challenges that increase the cost of renewable energy.
- Instead, its more about reducing tariffs than promoting environmental sustainability. Among the products considered environmentally beneficial are polluting chemical and toxic waste incinerators.

Lessons from fisheries negotiations?

- CPTPP Article 20.16 prohibits subsidies negatively impacting overfished fisheries or benefiting illegal, unreported and unregulated fishing, and subsidies that contribute to overfishing or excess capacity to fish.
- Banned subsidies narrowly defined in USMCA; text sets 3-year deadline for compliance.
- Meaningful? Enforcement largely unchanged from ineffective mechanisms of prior FTAs.
- Outcome of years of (otherwise inconclusive) multilateral WTO negotiations to end fishing subsidies by 2020?

What's the alternative to WTO as prosecutor?

- Data-gathering: currently no database of fossil fuel subsidies or even agreement on definitions
- ILO example- labor rights standards developed outside of WTO, and incorporated into trade agreements where, if enforcement mechanism (and political will) are strong enough, potential to achieve reforms.
- WTO as convener?
- International public health and environmental accords (Paris Climate Accord; WHO Convention on Tobacco Control) must have precedence over WTO trade rules

Thank You!

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