

A lush forest scene with tall trees and sunlight filtering through the canopy. The image is a composite of two photos: the top half shows tall, straight tree trunks with sunlight streaming through the upper canopy, and the bottom half shows a dense forest floor with large green ferns and a dirt path.

# AGREEMENT ON CLIMATE CHANGE, TRADE AND SUSTAINABILITY

An aerial photograph of a river winding through a valley. The river is a vibrant blue-green color, contrasting with the surrounding landscape. On the left side, the river flows through a wide, gravelly bar. On the right side, it flows through a dense, lush green forest. The overall scene is a natural, scenic landscape.

# ACCTS Overview

An aerial photograph of a river winding through a lush, green forest. The river's water is a vibrant turquoise color, contrasting with the deep green of the surrounding trees. The banks are rocky and covered in small plants. The overall scene is a beautiful natural landscape.

# ACCTS Origin and Purpose

- Negotiations on ACCTS were launched in September 2019 and concluded on 2 July 2024;
- The Agreement was signed by Costa Rica, Iceland, New Zealand and Switzerland on 15 November 2024;
- The ACCTS has been designed to be an innovative agreement that delivers new, high-quality, trade commitments that meaningfully contribute to addressing climate change and other serious environmental challenges;
- ACCTS will enter into force when three out of the four Parties have ratified – expected either late 2025 or early 2026.

# Objectives and Action Areas

- ACCTS has the objective of fostering the contribution of international trade in addressing climate change and other serious environmental challenges,
- In this way, the aim of ACCTS is to contribute to sustainable development.
- ACCTS does this through actions in four key areas:
  - a.Environmental Goods;
  - b.Environmental and Environmentally-related Services;
  - c.Fossil Fuel Subsidies; and
  - d.Guidelines for voluntary ecolabelling programmes.

An aerial photograph of a river winding through a lush, green forest. The river's water is a vibrant turquoise color, contrasting with the deep greens of the surrounding trees. The banks are rocky and covered in small plants. The overall scene is bright and clear, suggesting a healthy natural environment.

# Initial and General Provisions

- These set out how the ACCTS will interact with other international agreements;
- They also contain overarching transparency commitments;
- ACCTS Parties have also undertaken to work to strengthen their cooperation on trade and environment issues of mutual interest in international fora;
- The Agreement contains familiar balance of payments provisions.

An aerial photograph showing a coastline. On the left, the ocean waves are breaking onto a sandy beach. A paved road runs parallel to the coast, separating the beach from a dense, green forest. The forest extends inland, covering most of the right side of the image. The text "Environmental Goods" is overlaid in white on a dark, semi-transparent rectangular background in the center of the image.

# Environmental Goods

An aerial photograph showing a coastal road that runs parallel to a beach and the ocean on the left, and a dense forest on the right. The road is a two-lane asphalt road with a white dashed center line. The forest is a thick canopy of green trees. The ocean is a deep blue-green color with white surf breaking on the beach. The sky is not visible.

# Environmental Goods

- The **Environmental Goods** chapter aims to promote the liberalisation of trade in environmental goods;
- It identifies over 300 environmental goods, all of which will have tariffs removed at entry into force;
- These are set out in Annex II of the Agreement and contribute substantially to environmental and climate change goals and do not significantly harm them;
- The list includes industrial goods and 'land-based' natural products;
- ACCTS Members have also agreed to eliminate any export duties applied to these environmental goods and not to introduce any new ones.

# Environmental Goods : Conservation and Sustainable Management Article

- The chapter acknowledges the importance of conservation and sustainable management of ecosystems relevant for the production of environmental goods.
- Article 2.4 addresses this and contains provisions:
  - ensuring transparency of domestic policies and measures;
  - encouraging cooperation;
  - engaging in discussions on possible equivalence systems to recognise sustainably produced environmental goods.
- Parties 'right to regulate' and to adopt or maintain due diligence systems or certification schemes are also recognised.
- For wood, the Parties have agreed to give positive consideration to equivalence requests, and to arrangements to enable domestic regulatory measures to be put in place to address sustainability concerns if needed.



# Temporary Special Mechanism

- To encourage increased participation by WTO Members, ACCTS includes a temporary flexibility mechanism;
- This would allow a new Member to defer the elimination of tariffs on a limited number of environmental goods;
- The temporary special mechanism cannot apply to more than 8% of items (reducing to 4% after 6 years), or be overly-concentrated in one particular sector;
- This window is only open for a finite period of twelve years after entry-into-force of the ACCTS.

An aerial photograph showing a coastal road that runs parallel to a beach and the ocean on the left, and a dense forest on the right. The road is a two-lane asphalt road with a white dashed center line. The forest is a mix of green and brown trees, suggesting a natural or semi-natural environment. The ocean is a deep blue-green color with white foam from waves breaking on the beach.

# Other Environmental Goods Provisions

- The Environmental Goods chapter will be monitored by a Sub-Committee on Trade in Environmental Goods;
- The list of environmental goods will be reviewed regularly according to, inter alia, emerging environmental challenges or technological innovations;
- The list of environmental purposes in Annex I will serve as a reference to determine whether goods contribute substantially to the environmental objectives of the chapter.

A lush forest scene featuring tall, dark brown redwood trees and vibrant green ferns. Sunlight filters through the dense canopy, creating a bright, dappled light effect. The foreground is dominated by large, detailed fern fronds. The overall atmosphere is serene and natural.

# Environmental Services

# Environmental Services

- The **Environmental Services** chapter promotes the liberalisation of trade in environmental and environmentally related services;
- It provides a new definition aimed at identifying such services according to a positive and strong relationship to environmental purposes;
- Criteria identify all **environmental purposes** – listed in Annex III – according to classifications used in the System of Environmental and Economic Accounting (UN-SEEA);
- Annex IV includes 114 environmental and environmentally related services determined by the ACCTS Parties on the basis of their **substantial contribution to addressing environmental purposes.**

# Commitments in Environmental Services

- Parties have based their national schedules of commitments on this list;
- The commitments cover market access and national treatment;
- The chapter also includes commitments on transparency and domestic regulation.

# Fossil Fuel Subsidies

A large white wind turbine stands on a grassy hillside. The background features a vast ocean under a golden sunset sky, with distant mountains visible on the horizon. The scene is bathed in warm, orange light.

# Fossil Fuel Subsidies

- The **Fossil Fuels Subsidies** chapter establishes the first legally binding framework to discipline and eliminate harmful fossil fuel subsidies.
- As such, it will support the reduction of global emissions and promote sustainable development outcomes, while reflecting the complexities of reforming fossil fuel subsidies across a set of diverse economies.
- The chapter provides the first definition of a fossil fuel subsidy in a trade agreement.
- This definition builds on the WTO Agreement on Subsidies and Countervailing Measures (ASCM), while taking into account the particularities of fossil fuel subsidies.
- Fossil fuels are defined in Annex VII and covered energy products derived from fossil fuels in Annex VIII.
- The benefits of the three different types of fossil fuel subsidies (production to fossil fuels, production to fossil fuel energy products and consumption subsidies) are defined separately.

# Standardised Carbon Rate Measurement Mechanism

- The Standardised Carbon Rate Measurement (SCRM) mechanism has been designed to align high energy taxes or carbon pricing with the disciplines in the fossil fuel subsidies chapter;
- It is based on a commitment to a threshold for the price of CO<sub>2</sub> by a Party;
- A financial contribution or income or price support measure is deemed a fossil fuel subsidy only to the extent the price of carbon falls under this threshold;
- A Party using the SCRM mechanism has to notify and schedule its threshold commitment – which must be consistent with the climate targets of that Party.



# Prohibited Subsidies

- Prohibited subsidies are found in Annex IX of ACCTS;
- Subsidies for:
  - the production and consumption of coal and other fossil fuels with comparable emissions intensity, and;
  - for the production of oil and gas

are prohibited unless they fall within a specific exception or carve out.

- New fossil fuel subsidies are restricted following entry into force of the Agreement, unless they fall under de minimis levels or specific exceptions.

# Scheduled Subsidies

A large white wind turbine stands in the foreground, its three blades extending upwards. The background features a coastal landscape with rolling hills and a body of water under a warm, golden sunset sky. The entire scene is overlaid with a semi-transparent dark grey box containing the text.

- Other existing subsidies can be scheduled under the Agreement;
- These have to be listed in a Party's schedule and are subject to standstill;
- Policy changes that would increase an existing scheduled fossil fuel subsidy or enlarge its eligible group of recipients are not permitted unless the subsidies fall under the de minimis level or are covered by a specific exception;
- Parties have committed to periodically review their scheduled subsidies with a view to possible elimination.

# Specific Exceptions

- The Specific Exceptions article provides targeted exceptions for legitimate policy reasons.
- These include:
  - support for decommissioning fossil fuel infrastructure;
  - targeted support to the reduction of greenhouse gas emissions;
  - targeted support to low-income, remote or vulnerable communities;
  - temporary support for relief and recovery from unexpected events, for example natural disasters;
  - energy supply for provision of essential public services; and
  - time-limited support to enable generation of electricity as part of a Party's renewable energy transition.

# Cooperation, Capacity Building, Transparency and Review

- The Fossil Fuel Subsidies chapter also contains provisions on:
  - Cooperation – including exchange of information on best practices for reform, technical cooperation, and joint advocacy and cooperation to advance fossil fuel subsidy reform;
  - Capacity Building - Parties are encouraged to assist each other in the implementation of their obligations under the chapter, and – where a Party has capacity to do so, to assist non-Parties to reform their fossil fuel subsidies;
  - Transparency – there are notification obligations under the chapter, with details as to the information to be provided in these notifications;
  - Review – the Joint Commission is to review the fossil fuel subsidies chapter within 5 years, with the aim to further discipline and eliminate harmful fossil fuel subsidies.

A wide-angle landscape photograph showing a large, deep blue lake or fjord system. The water is surrounded by rugged, brownish mountains. In the foreground, there are golden-brown grassy hills. The sky is a mix of orange and blue, suggesting a sunset or sunrise. A dark blue rectangular box is overlaid on the center of the image, containing the word "Ecolabelling" in white text.

# Ecolabelling

# Ecolabelling

- In the **Ecolabelling** chapter, ACCTS Parties have elaborated a set of guidelines to inform the development and implementation of voluntary ecolabelling programmes.
- These are designed to assist business through informing the development and implementation of their voluntary ecolabelling schemes.
- The chapter also aims to build consumer confidence through the provision of meaningful information to assist in consumer choice, while minimising the risk of ecolabels becoming barriers to trade.
- The guidelines underline the importance of:
  - truthful, reliable and verifiable information, that is meaningful to consumers;
  - based on scientific and technical information;
  - a fair and transparent process, least trade restrictive approaches and maximum alignment with international standards.

# Ecolabelling Institutional Mechanisms

- The Ecolabelling chapter also contains supporting institutional mechanisms.
- These include the designation of a National Contact Point;
- The National Contact Points will:
  - Promote the guidelines
  - Respond to enquiries;
  - Report on and exchange experience annually on actions taken under the guidelines.
- ACCTS Parties also envisage undertaking cooperation under this chapter, including taking into account relevant work in regional and international organisations.
- The chapter provides for consultations between Parties, but is not subject to dispute settlement.



# Dispute Settlement and Institutional Provisions



# Dispute Settlement and Institutional Provisions

- ACCTS has a binding chapter setting out the dispute settlement procedures under the Agreement;
- Features of this system include:
  - encouragement to arrive at a mutually satisfactory resolution of any disputes;
  - possibility to request consultations and, if not resolved, an arbitration panel;
  - in the event of non-implementation of a panel report: voluntary compensation (linked to the objectives of the Agreement), or measures taken by the Joint Commission; but not countermeasures.
- An ACCTS Joint Commission will oversee the general functioning of the Agreement and conduct a periodic general review; with sub-committees charged with specific functions.
- The final provisions of the Agreement cover the process for entry-into-force, for amending the Agreement and for possible future accession by other WTO Members.

# Concluding Points



DRAFT

# Concluding Points

- ACCTS Parties have been mindful throughout of importance of consistency with WTO requirements;
- Liberalisation of tariffs on environmental goods and rules on environmental services will be implemented on a non-discriminatory basis;
- Following entry-into-force, ACCTS will be open to accession by WTO Members committed to meeting the level of ambition of the Agreement as a whole;
- The ACCTS provides useful inputs and potential models to complement and stimulate work on trade and environment outcomes at the WTO.

# Useful Links

- Further information on the ACCTS, including the text of the Agreement can be found at:
- [ACCTS text and resources | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](https://mfat.govt.nz), (English text);
- [ACCTS: Agreement on Climate Change, Trade and Sustainability \(admin.ch\)](https://admin.ch), (French text);
- [Acuerdo sobre Cambio Climático, Comercio y Sostenibilidad \(comex.go.cr\)](https://comex.go.cr), (Spanish text).