



THE ROLE OF TRADE IN THE CIRCULAR ECONOMY TRANSITION

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OECD event at WTO Trade and Environment Week
20 October 2022



The role of trade in the Circular Economy transition

Objectives

- Connect the insights from OECD work on circular economy with trade policy
- Discuss the role of trade in the CE transition

Key questions

- How can the CE transition be designed to have triple dividends for the economy, labour markets and the environment?
- How can trade contribute to a more resource-efficient and circular economy?
- In what ways can we secure policy coherence to facilitate the circular economy transition?



Agenda of the session

1. Presentation of relevant OECD work on circular economy

- The economic and environmental dimensions of the CE transition: the RE-CIRCLE project
- The role of trade in the CE transition
- Promoting markets for reusing and recycling lithium-ion batteries

2. Panel discussion

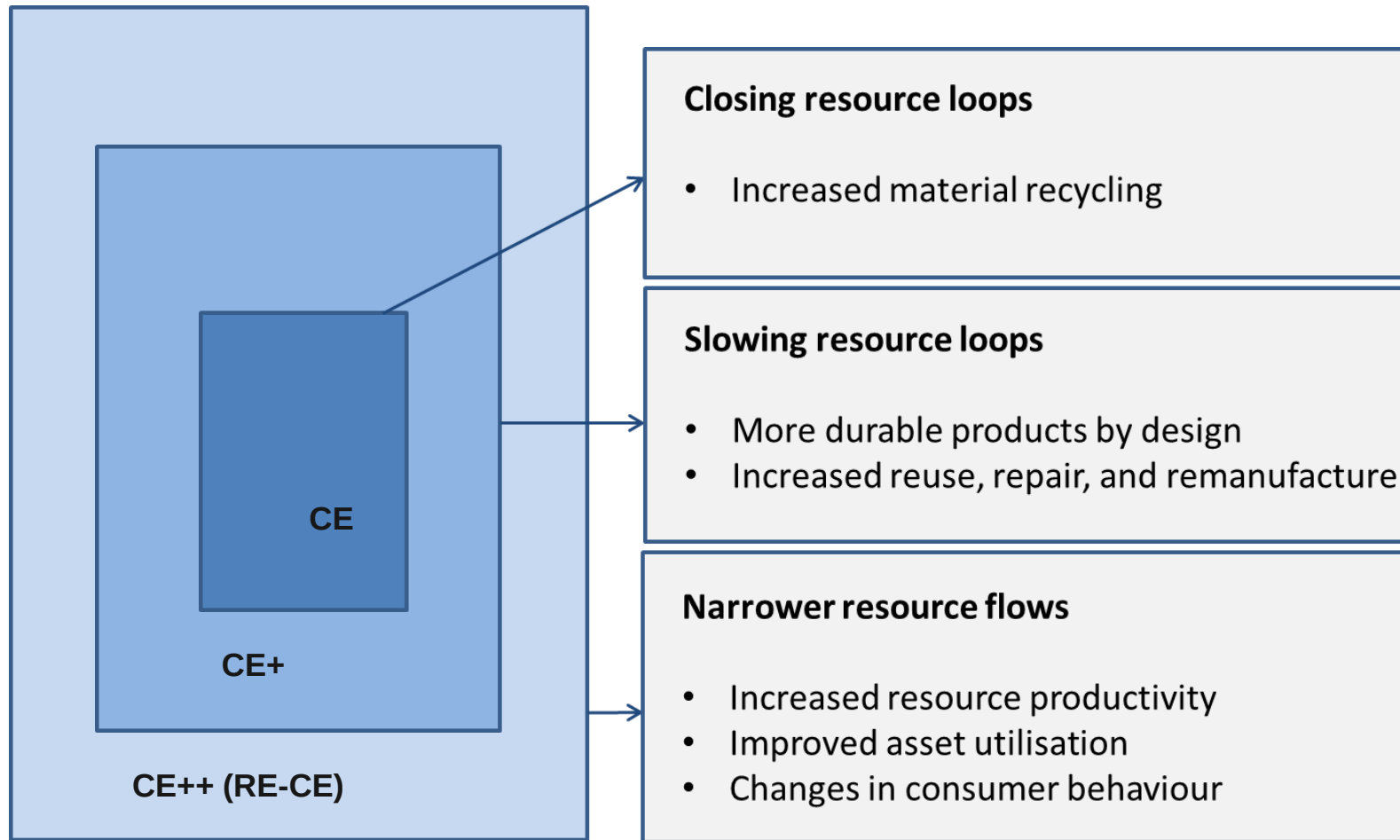
Moderator: Olivia Cook (WTO TESSD co-facilitator on the trade and CE working group)

Panellists: – Hugo Schally (European Commission)
– Christophe Bellmann (TESS)
– the OECD speakers

3. Q&A with the audience



Key circular economy definitions





THE ECONOMIC AND ENVIRONMENTAL DIMENSIONS OF THE CIRCULAR ECONOMY TRANSITION

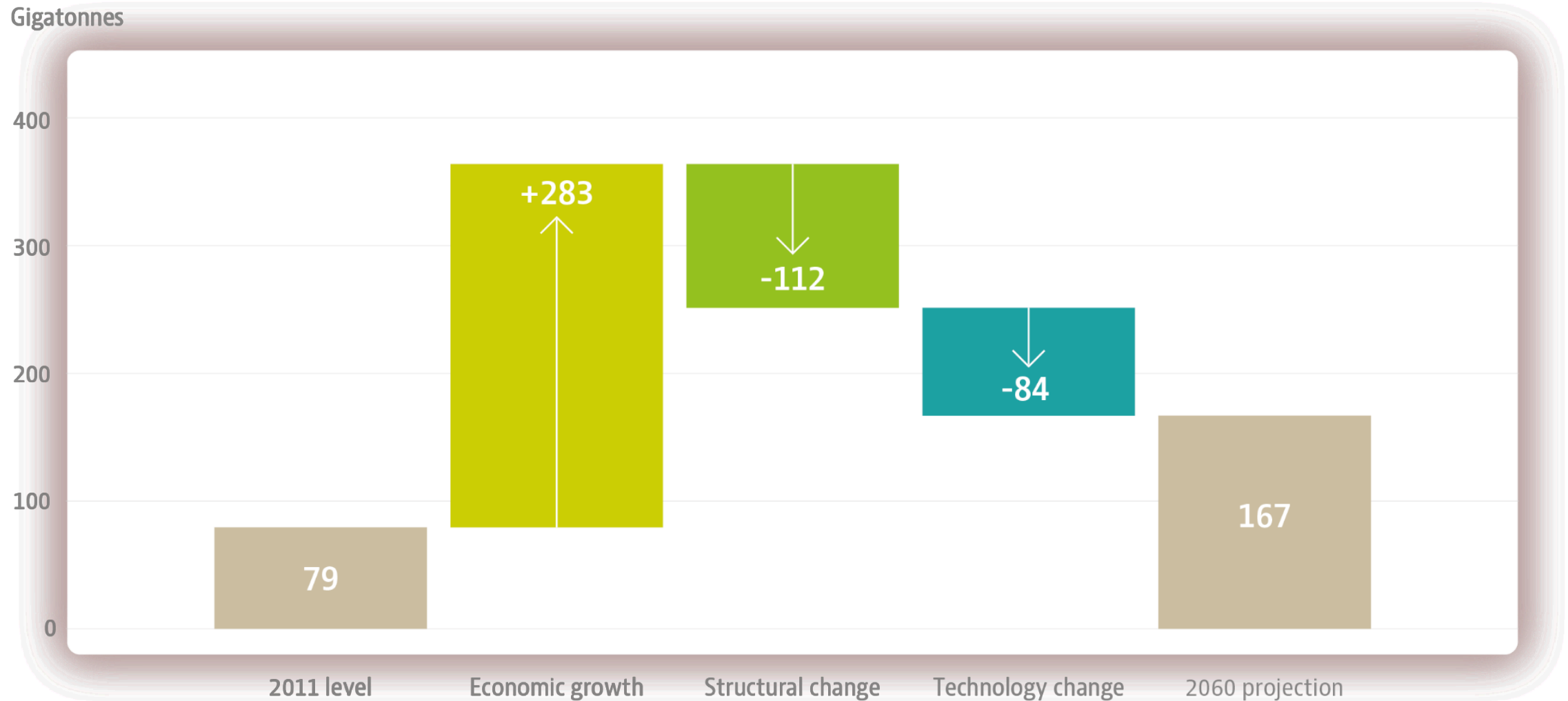


OECD work on circular economy





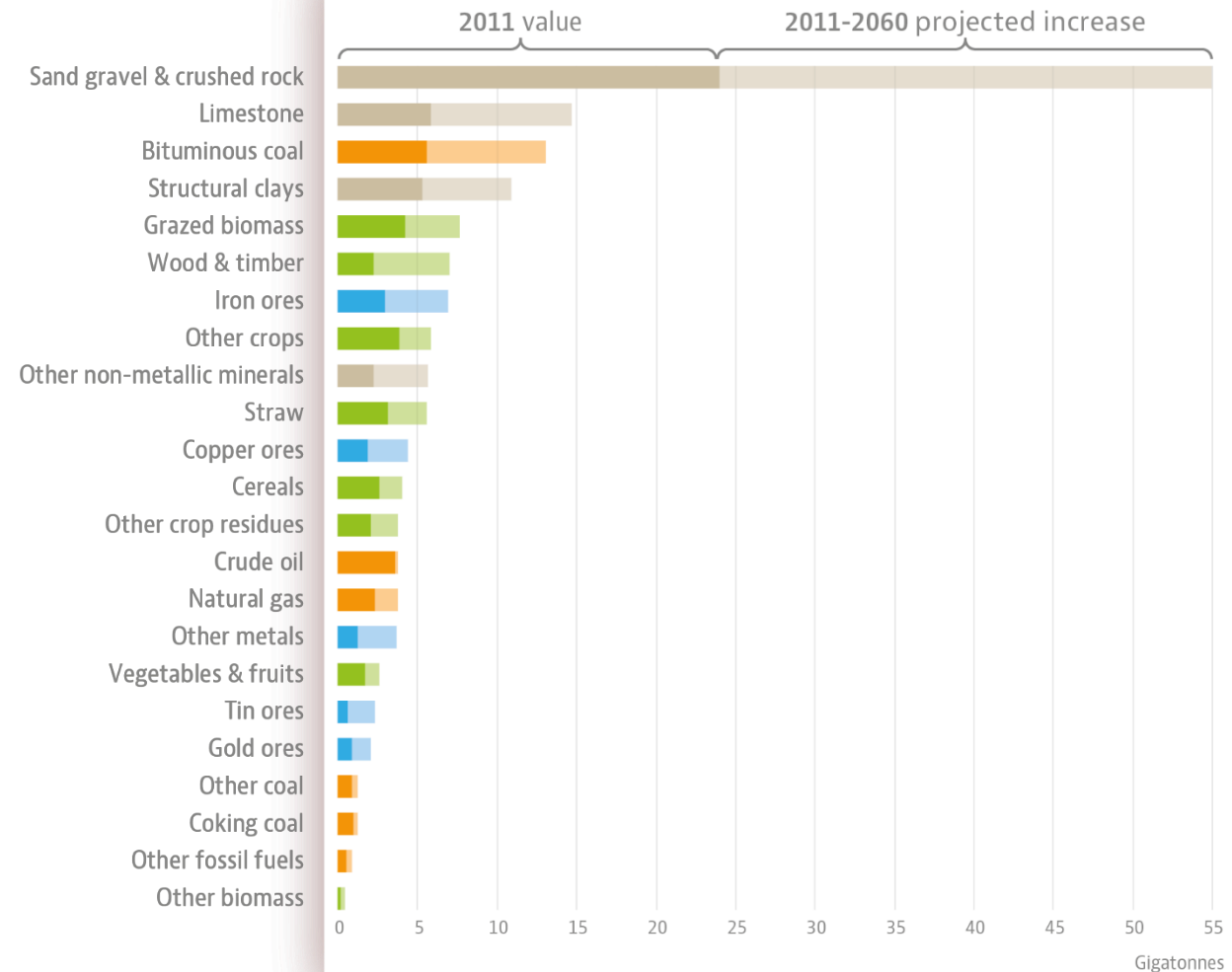
Global materials use will more than double by 2060





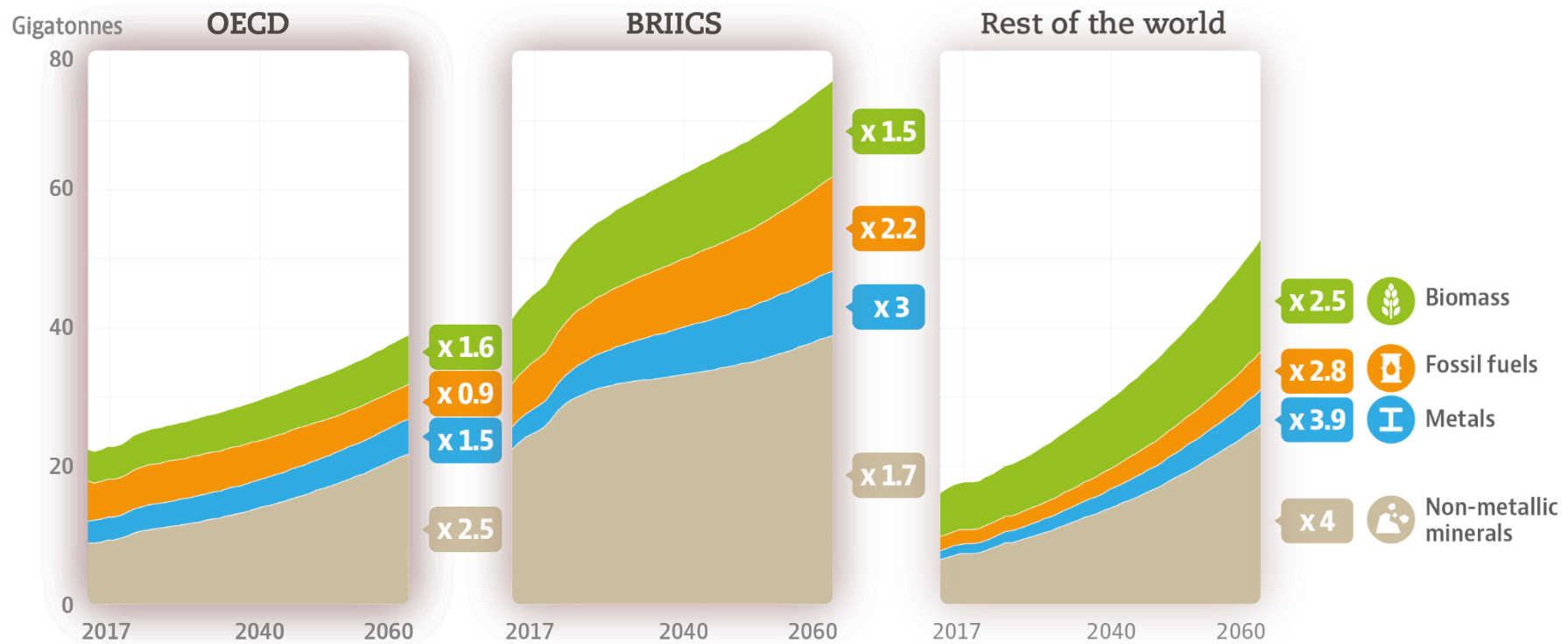
Growth in material use differs widely across materials

- Biomass
- Fossil fuels
- Metals
- Non-metallic minerals





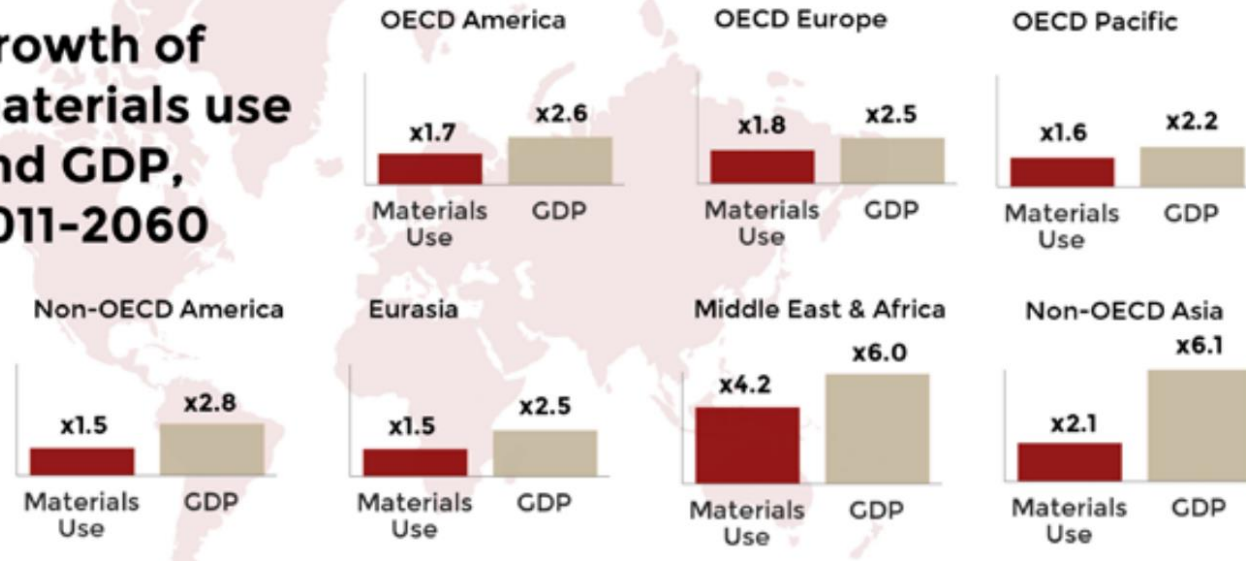
.. And across countries



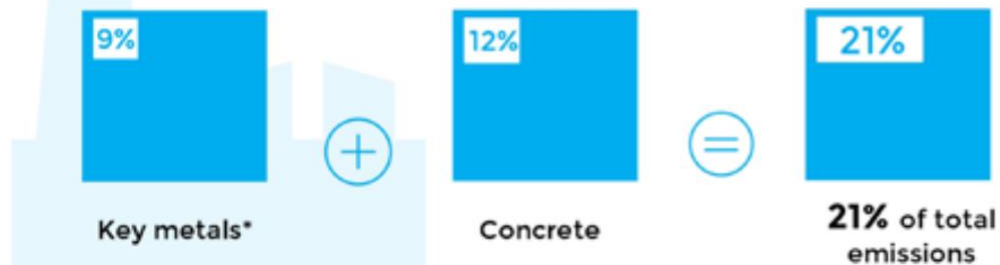


Growing materials use leads to growing environmental impacts

Growth of materials use and GDP, 2011-2060



Greenhouse gas emissions in 2060 from materials extraction and processing



*The key metals are Al, Cu, Fe, Mn, Ni, Pb, Zn



Primary **copper** and primary **nickel** have the highest *cradle-to-gate* environmental impacts per kg

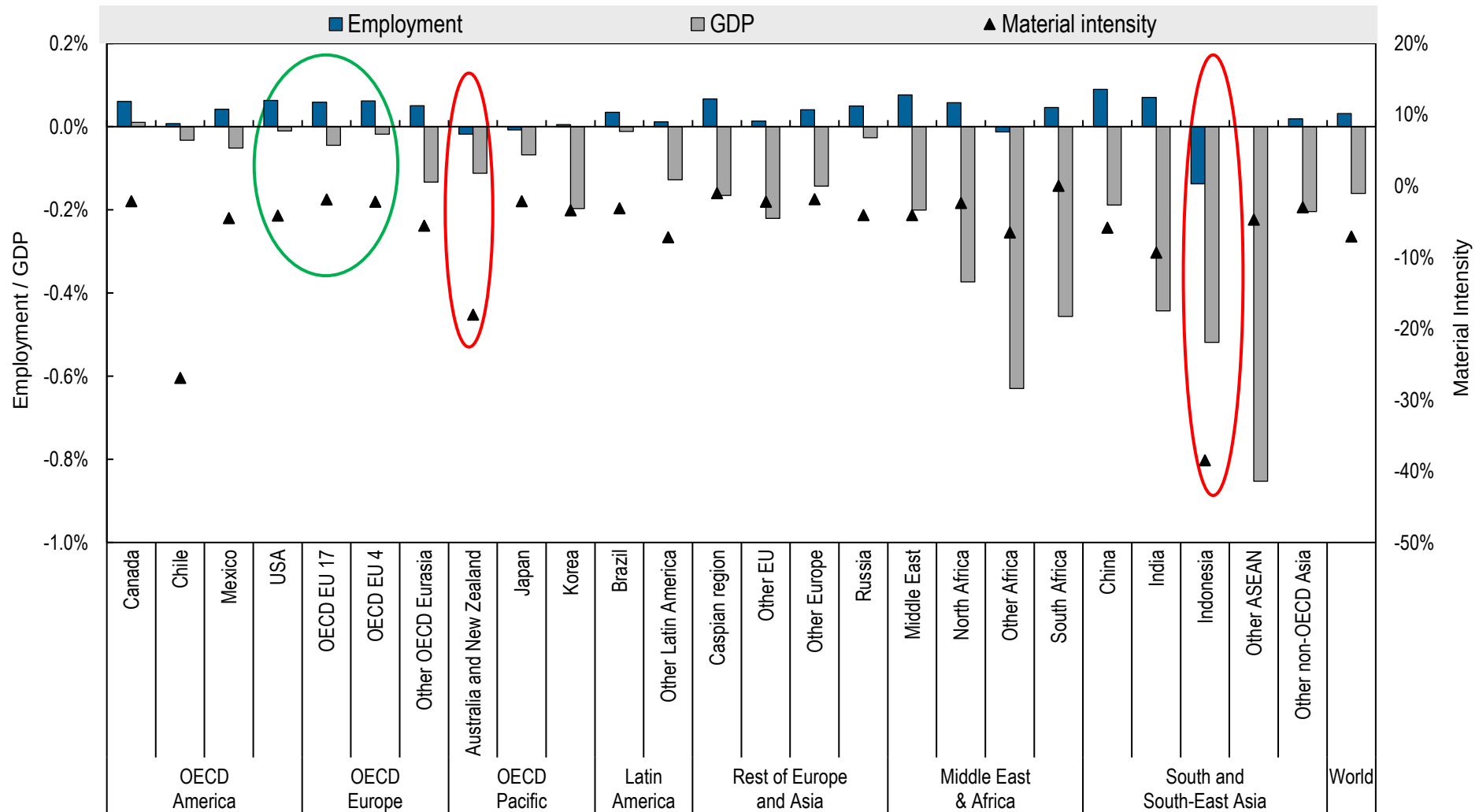


AMBITIOUS POLICIES TOWARD THE RESOURCE-EFFICIENT, CIRCULAR ECONOMY CAN HELP CURB ENVIRONMENTAL TRENDS



Economic structures determine the effects of the CE transition

Fiscal RE-CE policy scenario (percentage changes w.r.t baseline in 2040)

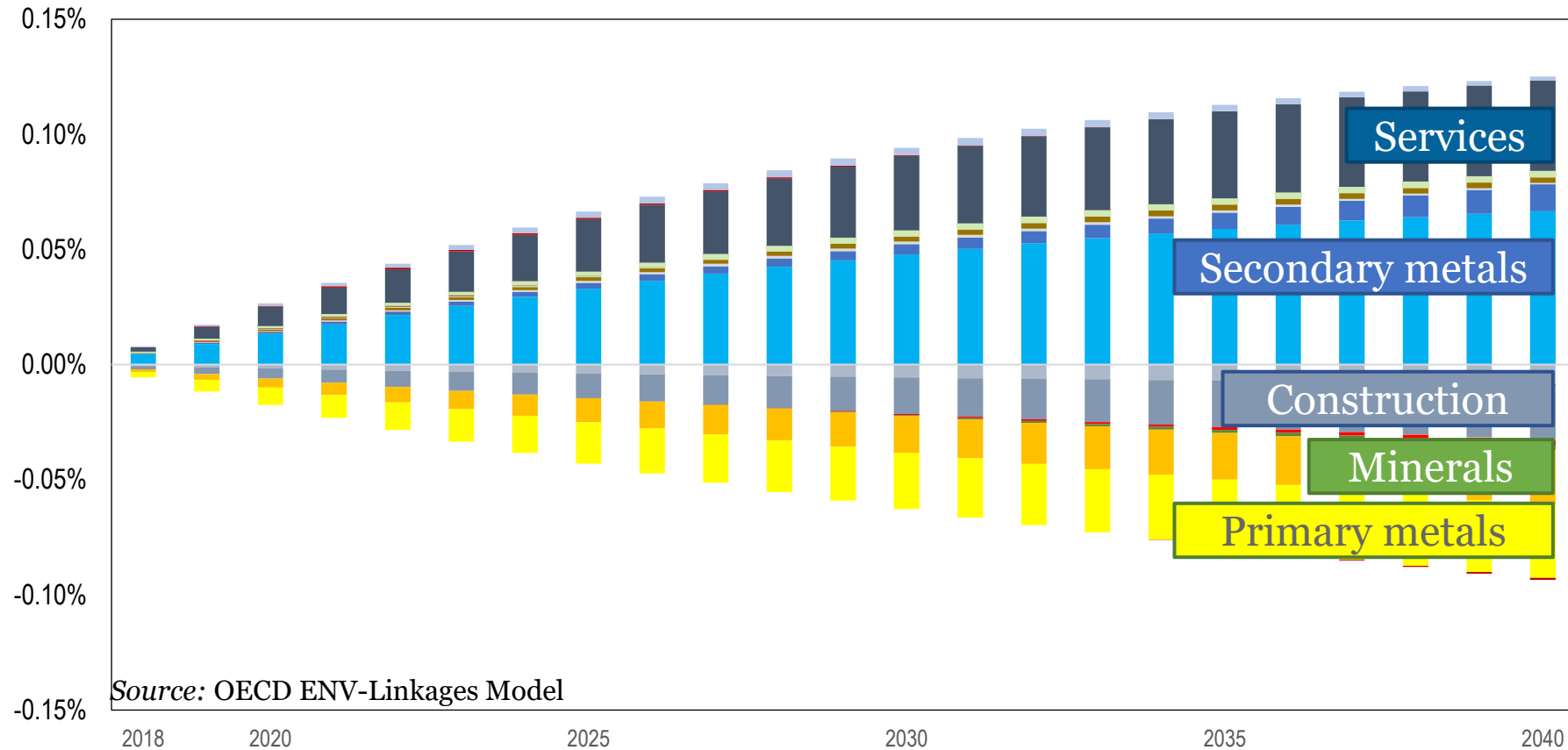


Source: OECD ENV-Linkages Model



Net job gains are outside the “green” sectors

Changes w.r.t baseline as % of total baseline employment, 2018-2040



Source: OECD ENV-Linkages Model

- Secondary based metals
- Fossil extraction and transformation
- Construction
- Machinery and equipment n.e.s.
- Power generation
- Recycling
- Chemicals
- Agriculture
- Non-metallic Minerals
- Services
- Other mining
- Utilities
- Fabricated Metal products
- Primary based metals
- Transport Equipment

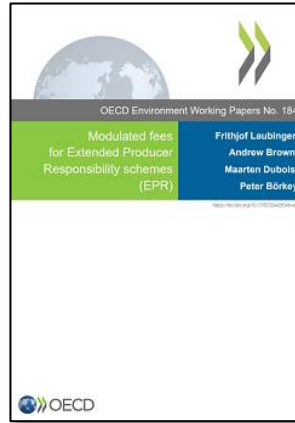
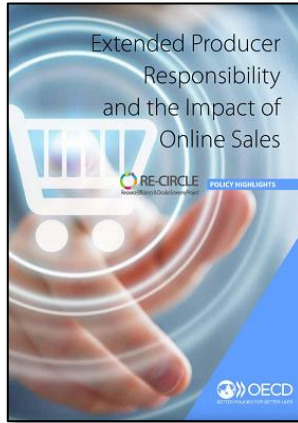


INTERNATIONAL TRADE AND CIRCULAR ECONOMY



Policy guidance from the RE-CIRCLE project

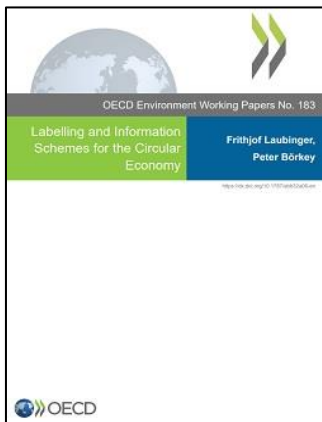
Extended Producer Responsibility



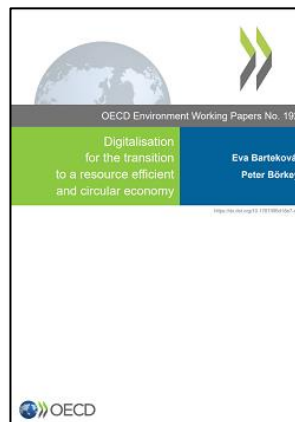
Support for primary and secondary metals



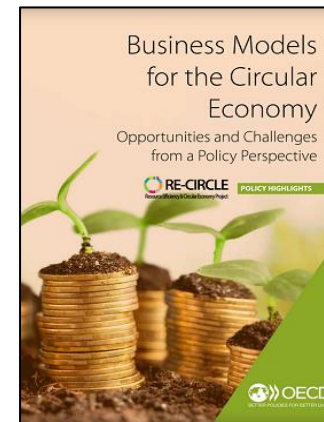
Labelling programmes



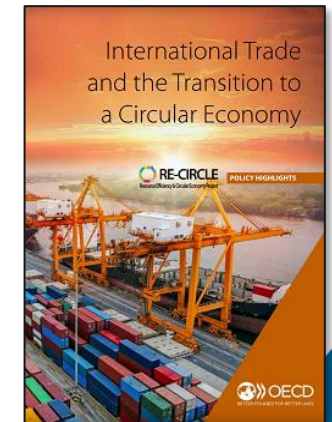
Digital technologies



Business models

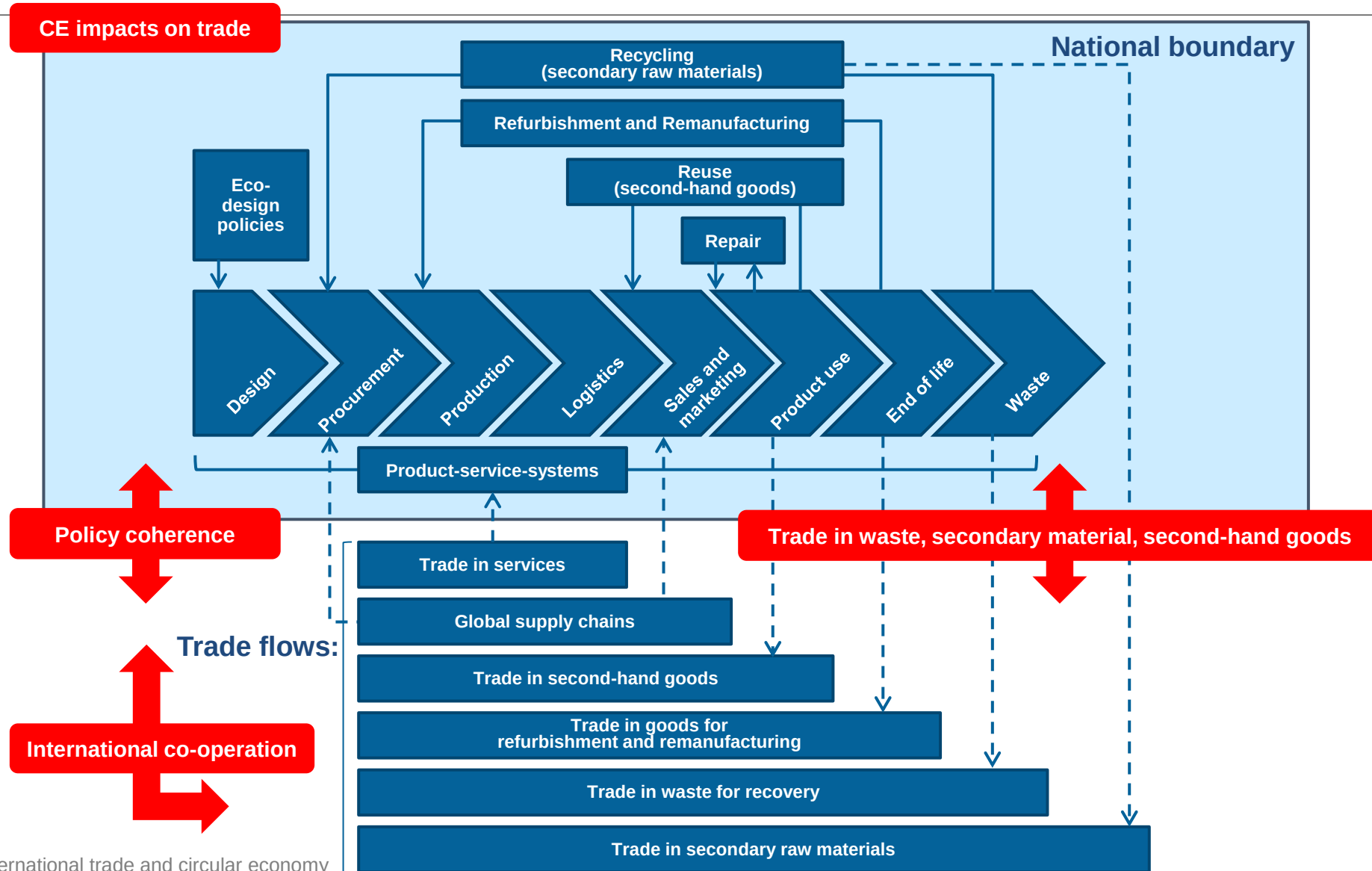


Trade



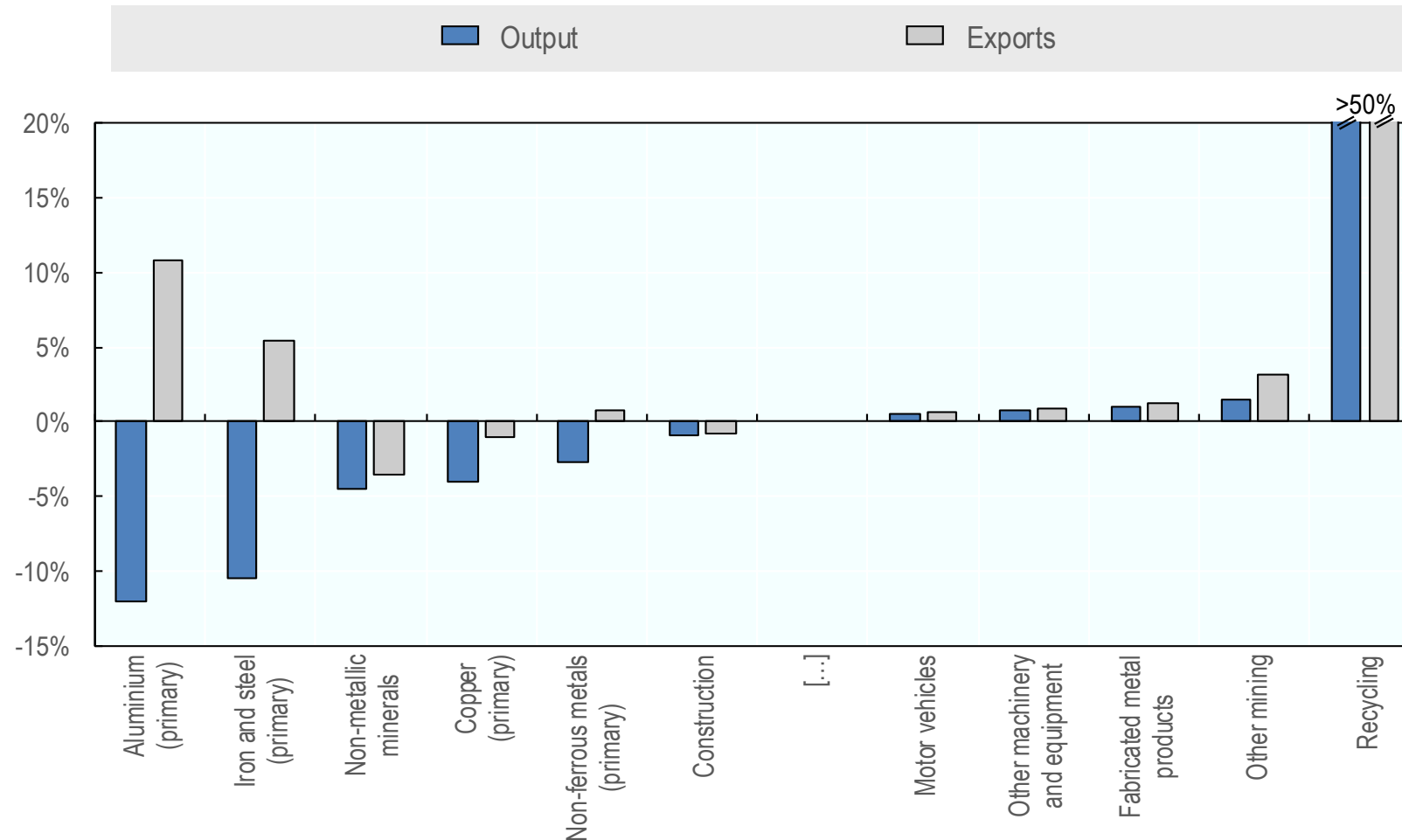


Broad interlinkages between trade and circular economy





A material tax reform affects global sectoral output and exports in 2040

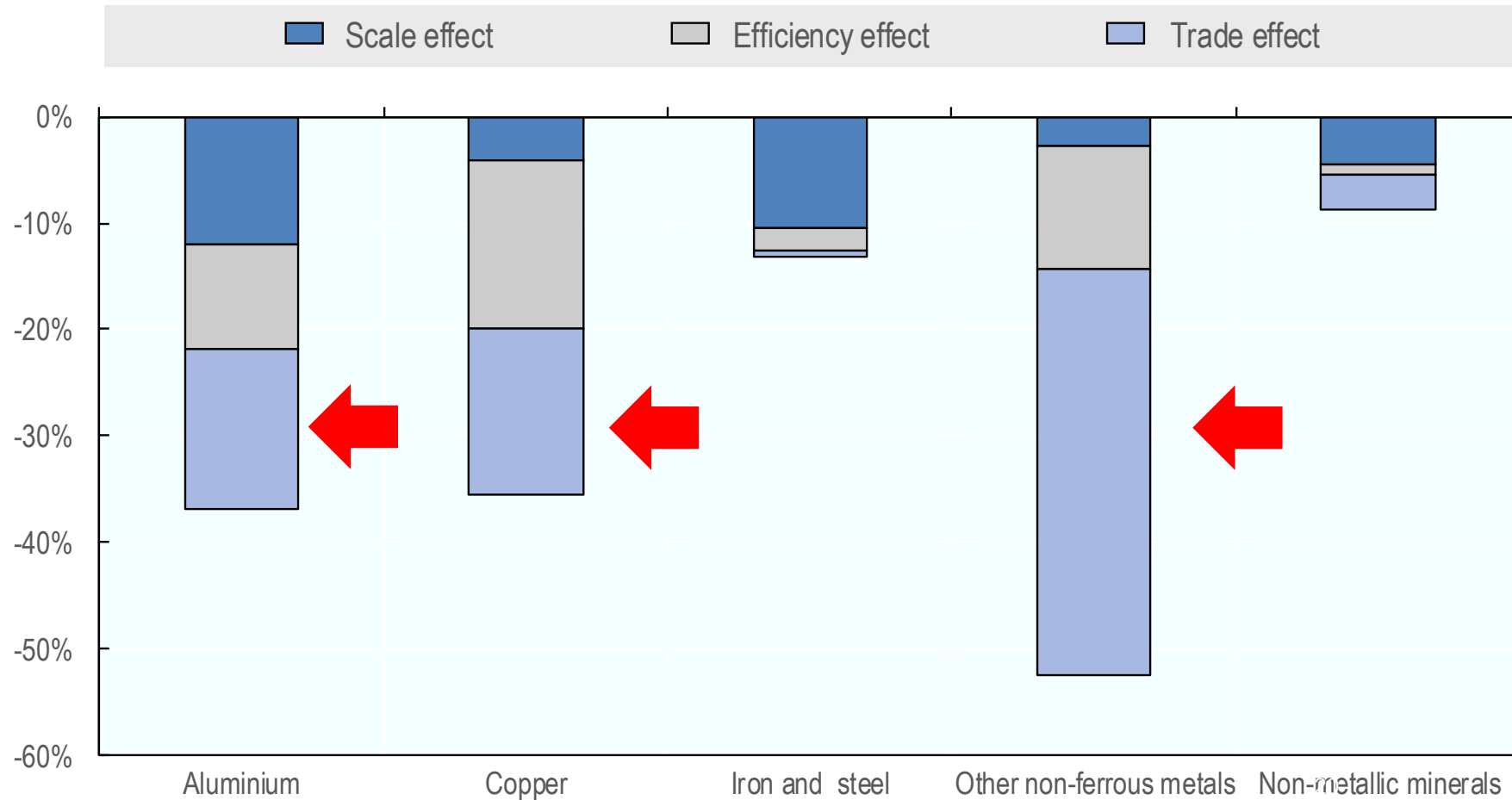


Results in deviation from baseline projection

Policy package: tax on raw materials, subsidy to recycled materials, labour tax reduction



International trade can contribute to reduced material use



Results in deviation from baseline projection in 2040

Policy package: tax on raw materials, subsidy to recycled materials, labour tax reduction



Trade policies - multilateral trade regime

Multilateral trade rules

- **Non-discrimination** (National Treatment and Most Favored Nation Treatment)
- **General exceptions** (GATT article XX(b) & (g))
- **Technical Barriers to Trade** (TBT) Agreement
 - facilitate trade and harmonise technical regulations as widely as possible.
 - encourages members to adopt international standards for policy making.
- **Transparency, consultation, capacity building** (GATT, TBT Agreement)

On-going discussions at the multilateral level

- **Trade and Environmental Sustainability Structured Discussions (TESSD)**
 - Informal working group on circular economy



Trade policies - regional trade agreements

Specific provisions on circular economy so far found in 2 agreements + 5 drafts

- **UK-New Zealand FTA** (Environment Chapter, Article 22.13) → eco-design, information, labelling, quality standards
- **EU-United Kingdom** Trade and Co-operation Agreement (MEA, Article 400)
- (Draft) **EU-Mexico** Global Agreement, Modernisation (TSD Chapter, Article 13)
- (Draft) **EU-New Zealand** FTA (TSD Chapter, Article 5)
- (Draft) **EU-Australia** FTA (TSD Chapter, Article 5)
- (Draft) **EU-Mercosur** FTA (TSD Chapter, Article 13)
- (Draft) **EU-Chile** FTA, Modernisation (TSD Chapter, Article 12)

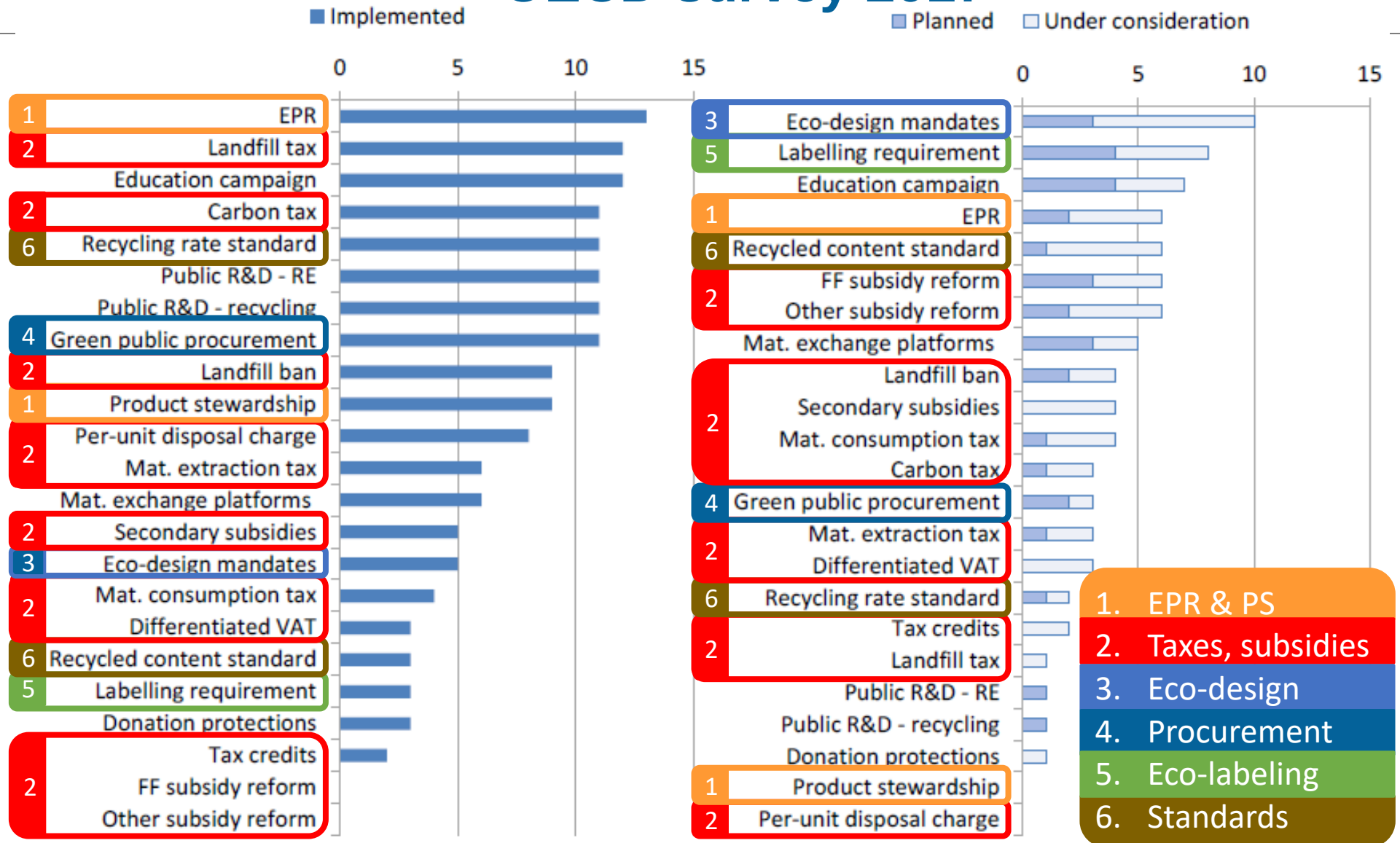
Circular economy related provisions found more broadly:

- natural resources and waste management
- references to the Basel Convention
- specific provisions on food waste (i.e. USMCA)
- clarifying status of remanufactured goods (e.g. EU-Japan, EU-Vietnam FTAs)
- limit use of import restrictions for remanufactured goods (e.g. CP-TPP, USMCA)
- recycling services commitments (e.g. EU-Korea, EU-Singapore, EU-Vietnam FTAs)
- bilateral dialogues on raw materials (i.e. CETA)



Policies for resource efficiency & circular economy

OECD survey 2017





Issues for consideration

Trade can contribute to a circular economy via economies of scale

- Trade impediments for circular business models need to be addressed
- Trade leading to negative environmental consequences needs to be avoided

Circular economy concept should extend to supply chains

- Environmentally sustainable just transition for the extractive sector is vital

Circular economy opportunities for end-of-life value chains are mixed

- Promising areas (e.g. secondary raw materials, refurbishing & remanufacturing)
- Challenging areas with potential trade-offs between environmental protection and economic efficiency (e.g. trade in waste and scrap, second-hand-goods)

Trade in services appear critical for circular business models

- Typically require the movement of people, information and data

Better transparency & traceability of value chains needed

- Definitions & classifications, standards, regulations, trade facilitation, innovation



Towards a mutually supportive agenda

Promoting trade in environmental goods and services

- Goods for recycling and waste management
- Secondary-raw materials, goods for refurbishment and remanufacturing

Definitions & classifications

- Clarify different definitions and classifications of waste, secondary materials, second-hand goods, goods for refurbishment and remanufacturing
- Co-operation towards establishing HS codes and alignment of industry codes

Standards

- Harmonisation and mutual acceptance of circular economy related standards & conformity assessment
- Co-operation towards common standards (e.g. quality of secondary raw materials, recovery facilities)

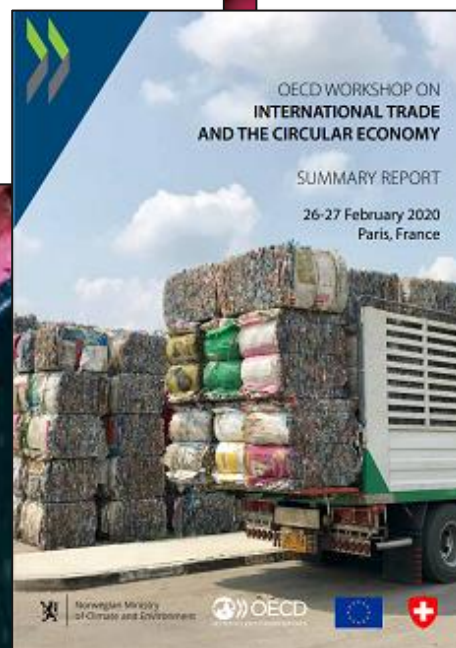
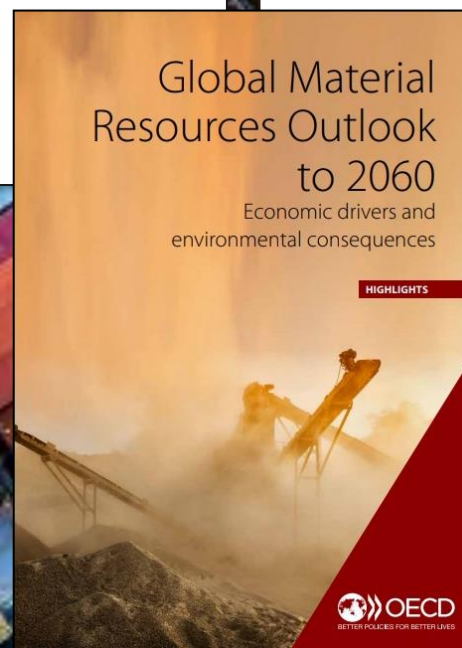
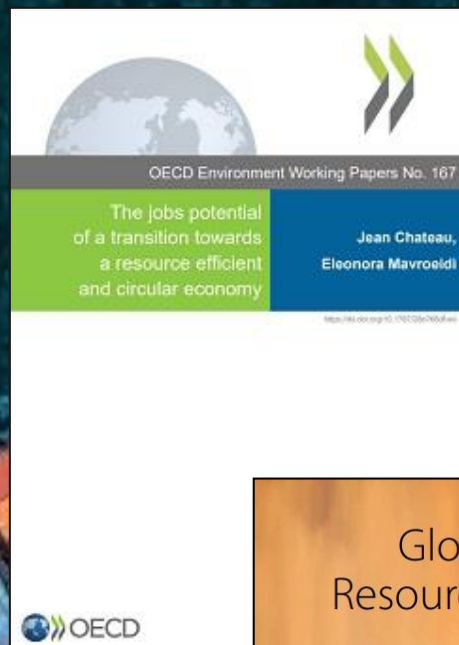
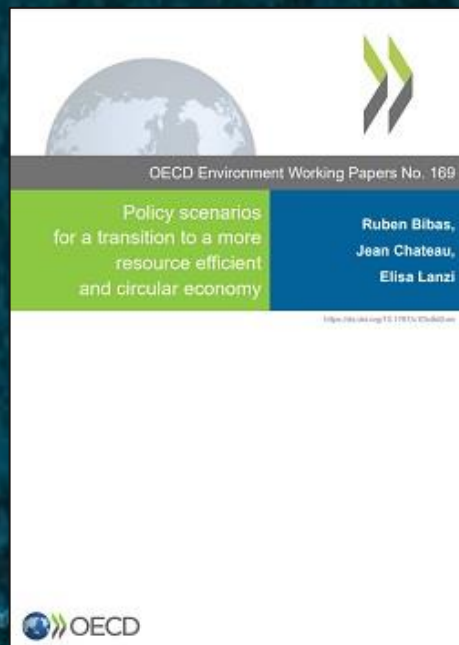
Regulations

- Account for end-of-life value chains and tackle free-riding from online sales (EPR)
- Support cross-border reverse supply chains - secure prior informed consent procedures, clarify status
- Tackle illegal waste trade, remove trade restrictions where possible

Further areas for co-operation

- Aid for Trade, trade facilitation, digital technology, innovation, upstream (eco-design & product passports)

Thank you for joining the discussion!



Access reports:

- <http://oe.cd/recircle>
- <http://oe.cd/trade-ce>

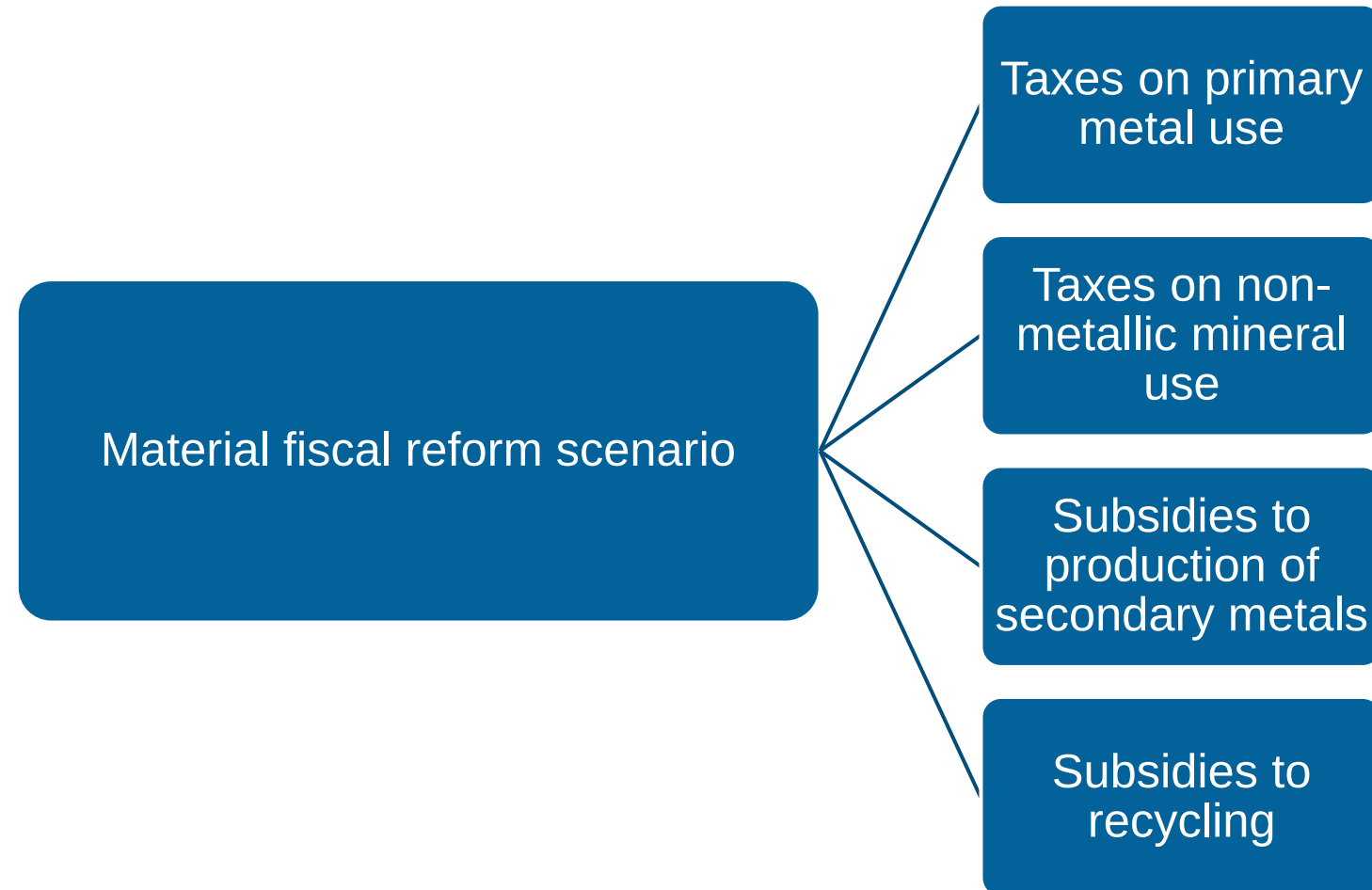
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The material fiscal reform scenario





Mechanisms and drivers of labour implications

- **Job creation**
in sectors that reduce the use of primary materials or support the development of circular business models
- **Job substitution**
whereby one activity replaces another
- **Job destruction**
in sectors characterized by large environmental and materials footprints without direct replacement
- **Job redefinition**
evolution of existing jobs to incorporate resource efficiency and circularity

