
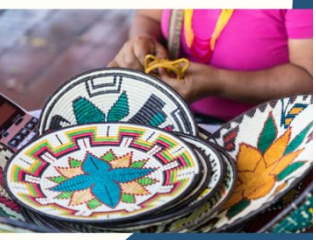




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Trade in Environmental Services

Demand for environmental goods and services is rising as a product of the global drive towards reducing greenhouse gas emissions, the increased availability of green finance, and the associated ambitions of firms and governments to improve their environmental performance.[1] UNCTAD's latest Global Trade Update found that world trade reached a record $32 trillion in 2022, but saw negative growth in the second half of the year. Environmentally friendly goods, referring to goods that are designed to be less resource or emissions-intensive, defied this downward trend and grew by 4% in the last half of the year. The market for environmental goods and green technologies is projected to continue growing, reaching an estimated $2.1 trillion by 2030. The rising demand for environmental goods is closely linked to the rapid growth potential in the environmental services sector. This is because the installation and operation of environmental equipment (such as a renewable energy plant) requires the provision of a range of complementary services including consulting, design, engineering, construction, and maintenance services. As green technologies tend to be highly complex, their ancillary services may demand knowledge and skills that are difficult to source domestically. This creates opportunities for cross-border trade in environmental services. Additionally, advances in technology (notably the Internet of things) mean that environmental infrastructure, air quality and water quality can be monitored remotely, expanding the potential for these services to be traded.

Work in the WTO to liberalise trade in environmental services has been slow and involvement by African states is limited. As of 1 December 2020, 59 WTO members (counting EU-25 as one) had made commitments in at least one environmental service sub-sector. Specifically, 52 members have undertaken commitments for sewage services; 50 members for refuse disposal services; 51 members for sanitation and similar services; and 51 members for "other

[1] https://commonwealthchamber.com/reigniting-old-flames-the-liberalisation-of-trade-in-environmental-goods-and-services-egs/

environmental services". 11 African countries have made commitments in at least one environmental services sub-sector[2]. The Trade and Environmental Sustainability Structured Discussions were launched in November 2020 to intensify work on trade and the environment in the WTO. Of the 74 members participating in the initiative, only 4 are from Africa: Cabo Verde, Chad, the Gambia, and Senegal.

These discussions are focusing on key issues related to trade in environmental services that are relevant to the ongoing SADC negotiations on trade in services and future AfCFTA services negotiations. These issues include:

Defining environmental services: There is an ongoing debate in multilateral and plurilateral forums as to what should constitute an environmentally related service. The traditional approach to classifying services in negotiations is the services sectoral classification list (W/120) used in the GATS. The W/120 is linked to the UN's 1991 Central Product Classification (CPCP) and defines environmental services as the few sectors included in division 94 of the CPC:

Environmental Services	CPC prov.
A. Sewage services	9401
B. Refuse disposal services	9402
C. Sanitation and similar services	9403
D. Other	Other

Given that the environmental services landscape has evolved dramatically over the last two decades, the W/120 definition of core environmental services represents an outdated conception of the sector. The range of services used in environmental projects now extends far beyond division 94 of the CPC. Because of this, it is important that SADC and AfCFTA negotiations widen the scope of services related to the environment to include activities such as environmental consulting and engineering. Creating a modern and comprehensive list of environmental services is important for identifying key environmental services required for boosting intra-African trade in environmental goods; this will enable the identification of potential export opportunities that could be harnessed by the removal of trade barriers.

Improving knowledge of trade in environmental and related services: data on the scope, magnitude, and direction of trade in environmentally related services in Africa is extremely limited. This is also the case for

[2] Cabo Verde, Central African Republic, The Gambia, Guinea, Lesotho, Liberia, Morocco, Rwanda, Seychelles, Sierra Leone, and South Africa.

data that quantifies the magnitude of trade restrictions. Where statistics are available, they are highly aggregated and environmental services are rarely reported as a distinct sector. The lack of data makes it difficult to determine what effect trade opening has on trade in environmental services and the economy and what effect this change has on environmental quality. Allocating additional resources to systematically gather information on companies offering environmentally-related services both domestically and internationally will be instrumental in the thorough analysis and informed decision-making necessary for successful negotiations.

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