Trade and Climate Change: Small & vulnerable states

Commonwealth Secretariat – UNCTAD meeting, Buenos Aires, 10 December 2017

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Three messages on SVEs, trade and climate change

- Climate change is affecting SVEs placing them ***further*** onto a high volatility low growth path
- Links trade and climate change are complex and multiple
- ***But*** there are **clear** climate / trade policy win-wins for SVEs to consider at WTO and beyond

Small island states are highly vulnerable to climate change

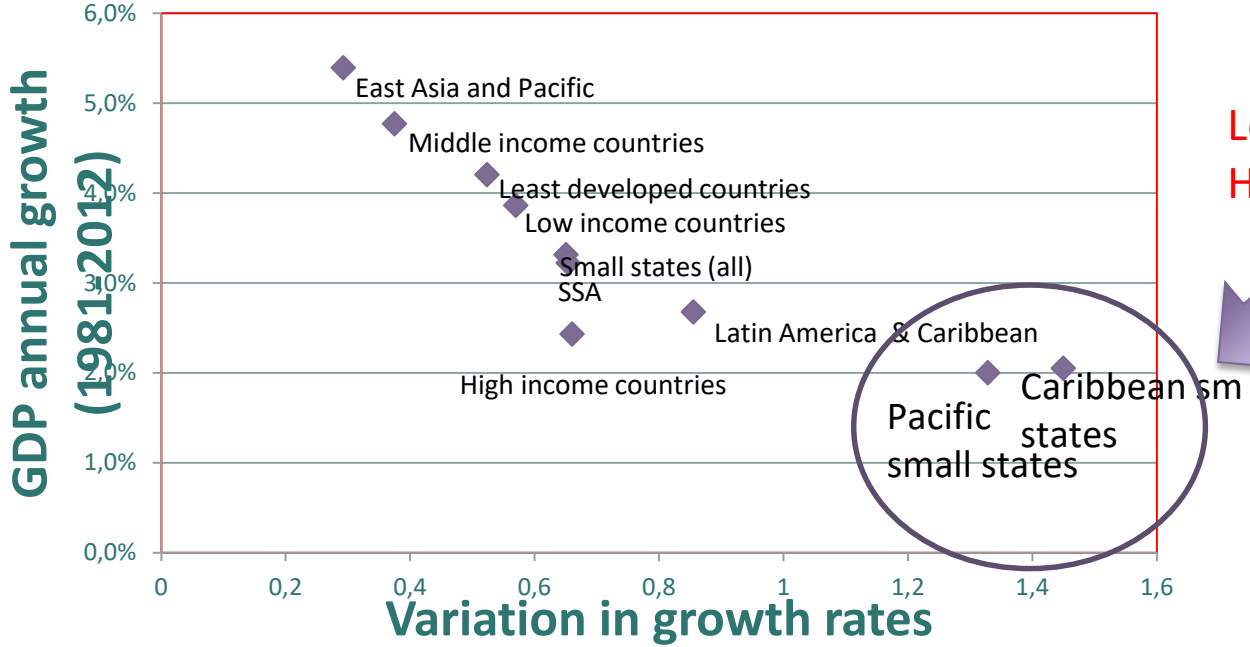
HIGH CONFIDENCE:

- **Current and future climate-related drivers of risk for small islands during the 21st century include sea level rise, tropical/extratropical cyclones, increasing air and sea surface temperatures, and changing rainfall patterns**

- **Given inherent physical characteristics of small islands, they have a high level of vulnerability to multiple stressors, both climate and non-climate**

SOURCE: IPCC AR5

The poorest, smallest and most vulnerable countries already face challenges in achieving sustained growth and low volatility



→ Shocks weaken opportunity for sustained growth (G20, IMF, etc)

→ Costs of hurricanes can cost twice level of GDP

Examples of climate change impacts in the tradable sectors of SVEs : Fiji and Barbados

	Fiji	Barbados
Sector focus	Sugarcane	Tourism
Climate impacts	• Yields decline by 5-9% by 2050, 7-21% by 2070	• 40-49% decline in tourist arrivals by 2050
$/GDP	• Losses of $14 million a year by 2025; $23-52 million by 2050	• Losses of $283 million a year by 2050; $850 million by 2080 • Rebuilding costs of $400 million a year by 2050; $946 million by 2081

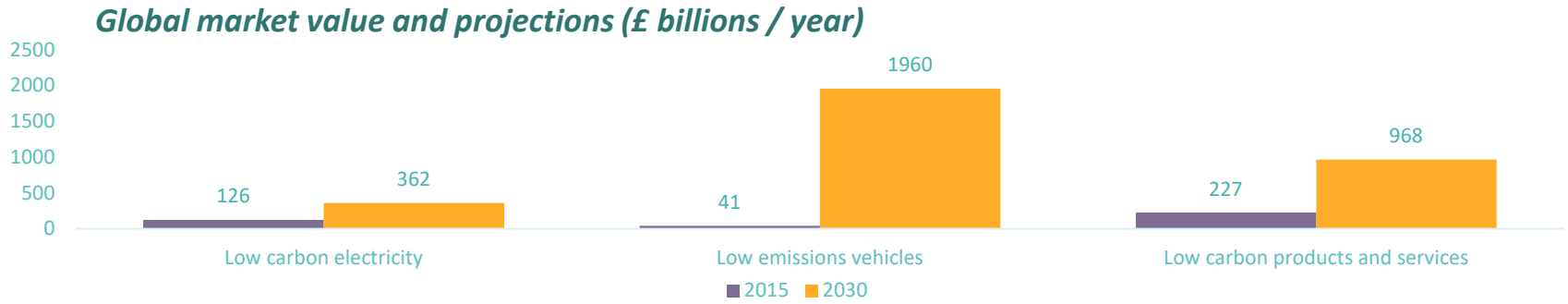
SOURCE: Worrall (2015)

Links between trade and global GHG emissions

- **Transport logistics (+)** 5% of global emissions
- **Scale and composition effects** (+ maybe -) – one-off change in increased output, increased emissions cp
- **Technique effect** (-, maybe +) – promotion of technical change and climate-friendly technologies, pattern of growth (economic transformation !) matters.

SOURCE: WTO website; Worrall (2015)

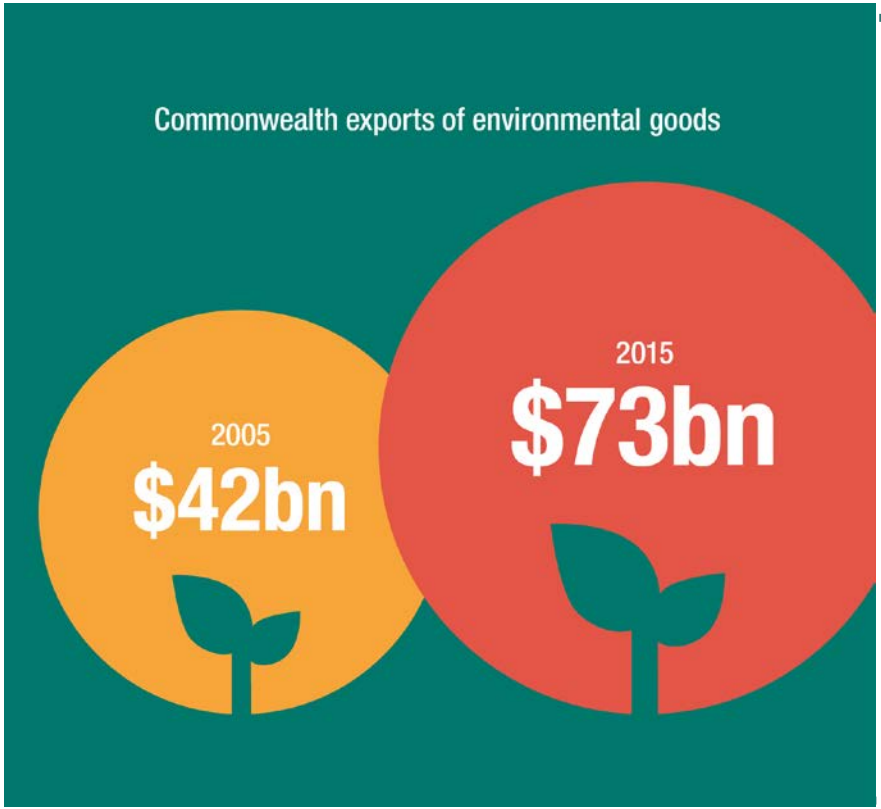
Opportunities: Low carbon trade is a rapidly growing market.



Low carbon electricity	Low emissions vehicles	Low carbon products, services
Offshore wind, onshore wind, marine, solar PV, CCS and energy storage	Battery-electricity vehicles, plug-in hybrid vehicles, fuel cell electric vehicles, charging solutions and logistics, transmission systems, electric motors, batteries	Advanced insulation, alternative batteries, alternative magnets, industrial catalysts, membranes, recycling lithium batteries, smart grids

Green Alliance (2017)

Commonwealth green trade



- One of 10 Commonwealth trade priorities in APPG TOP and ODI booklet, which is informing current enquiry
- Possible role for CHOGM, business forum in 2018
- And WTO?

Targeted push for global liberalisation. An Environmental Goods Agreement could facilitate transfer of green goods and services

In 2014, and following the failure of Doha, the EU and 16 Member States launched plurilateral negotiations on environmental goods and services. But the States have so far failed to reach an agreement

CSIS

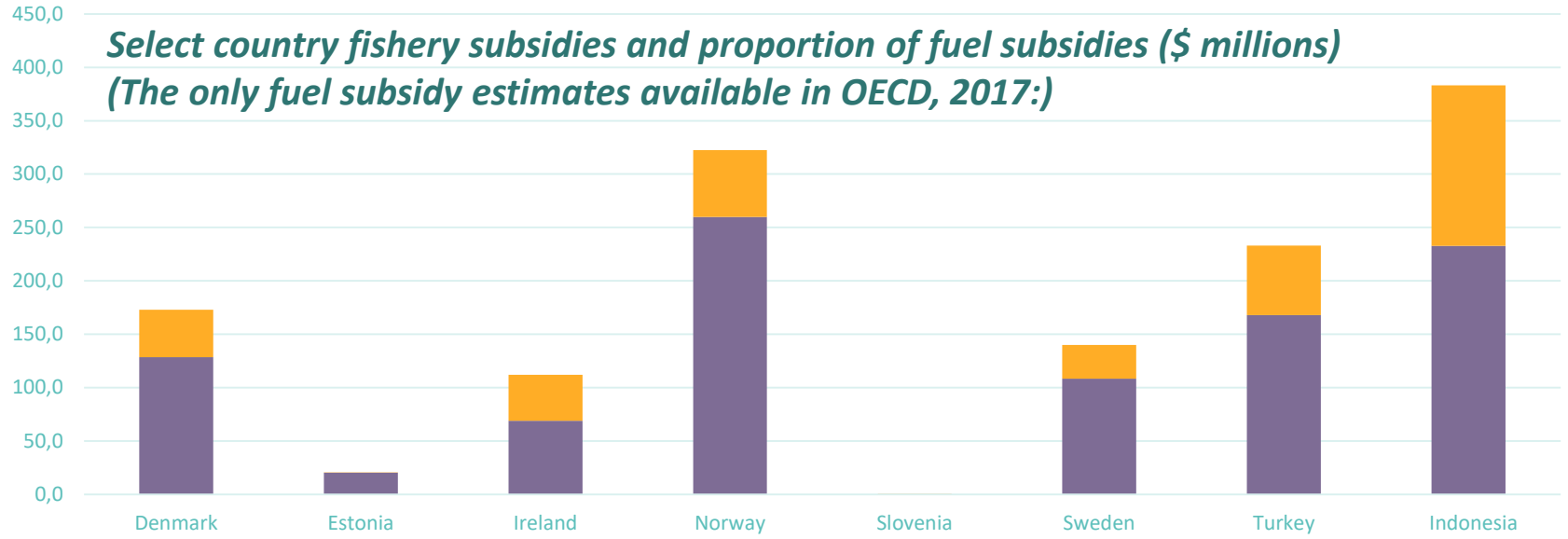
Use existing global trade rules. The Agreement on Subsidies and Countervailing Measures (1994) & disciplining fossil fuel subsidies

‘any financial contribution by a government, or agent of a government, that is recipient-specific and confers a benefit on its recipients in comparison to other market participants’:

E.g. direct transfer of funds or liabilities; foregone government revenue; provision of goods and services; or, income or price support

Global fossil fuel subsidies	Method	Estimate (USD billion)
IEA	Price-gap approach	493.0
OECD	Bottom-up inventory	169.2
IMF	Post-tax, incl. externalities	2,000

Eliminate fishery subsidies (specifically the fuel component) through a WTO agreement ($35bn pa)



Data are not readily available: between e.g. 2% (Estonia [OECD, 2017]) and 94% (China [Mallory, 2016]) of fishery subsidies are for fuel (NOTE: different sources!)

And … develop other relevant trade negotiations

- **E-commerce and ICT,** WTO issues especially relevant for SVEs, connectivity and economic transformation avoiding locking in of unsustainable production.

- **Global green economy** (not just climate change, but scarcity of water and land binding in SVEs, hence need for virtual natural resource imports) with more (environmentally) efficient allocation of production.

- **Trade policy to recognise vulnerabilities of small island states; SVEs themselves also have lot to offer**: Transformation to environmentally-sound organic island (Dominica), low-carbon development strategy (Guyana), transformation to green economy (Barbados), renewable energy approaches (Mauritius), blue economy (Pacific)