Trade and Climate Change: Issues and Priorities for the Commonwealth
SIDS, LDCs and Sub-Saharan Africa

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The Commonwealth
Introduction: Physical Trade and Climate Linkages...

- Alters **productive capacity**.
- Changes **trade patterns** and **export specialisation**.
- Impairs **infrastructure** – tropical cyclones cause $835mn of damage in the Caribbean and $178mn in the Pacific each year (pre-2017).
- **Directly** (e.g. international transport contributes 5% of global emissions)
- **Indirectly** (e.g. trade-induced growth affecting production)
... and Trade Policy and Climate Policy Intersections

**CLIMATE CHANGE POLICIES AFFECTING TRADE**

- **Response measures**: border carbon taxes, emissions trading schemes, aviation taxes, subsidies, technical regulations and standards, product labelling schemes, etc.

**TRADE POLICIES TO ADDRESS CLIMATE CHANGE**

- Removal of barriers to trade in environmental goods and services.
- **Intellectual property rights** to promote innovation in and the transfer of climate-friendly technologies
- **Investment** in clean energy.

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**2030 AGENDA FOR SUSTAINABLE DEVELOPMENT**

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The Commonwealth
Paris Agreement is a major milestone in combating climate change...

- Paris Agreement, signed by over 190 countries, has three aims:
  - Limit the average global temperature rise to well below 2°C above pre-industrial levels and strive to achieve a cap of 1.5°C.
  - Fostering and supporting resilient and low-emissions development.
  - Ensuring global investment flows support these goals.

- **162 Parties** have submitted their domestic commitments through NDCs.

- The Agreement does not directly reference trade or investment policies; but UNFCCC sets obligations to avoid trade restrictions (Article 3.5).

- Successful implementation of NDCs will create opportunities for new or expanded trade and investment flows to fuel a **global green economy**.

- Trade in climate-friendly goods now US$250 billion per year; with services, a global market valued at approximately US$5.5 trillion (around 80% directly climate-related).
NDCs can provide indicator of future country-level demand for low-carbon goods, services, and investment...

Example: Trade-related elements featured in NDCs

- Regulations of timber trade
- Intent to use lower trade barriers
- Plans to use standards or labelling (e.g. energy-efficiency standards)
- Use of trade measures to regulate imports on climate grounds
- Rejection of the use of international market mechanisms
- Interests in using international market mechanisms
- Full/part conditionality on technology transfer

Source: Brown, Low and Booth (2017)
Trade and Climate Change Issues for the Commonwealth

- Many Commonwealth members have high export concentrations in climate sensitive sectors (e.g. agriculture, fisheries, forestry, tourism).

- Others may be affected by mitigation measures, such as aviation and shipping taxes (Caribbean SIDS), fossil fuel disciplines (i.e. lower export revenues), etc.

- **SIDS, LDCs and SSA** countries have the least capacity to diversify their production and structurally transform in response to climate change impacts; SIDS and LLDCs especially confront extremely high trade costs.

- **With appropriate support mechanisms**, there may be opportunities to diversify into green goods and new services, and access technologies for cleaner, more efficient production.

- Commonwealth potential: environmental goods exports by our members grew from $42bn (2005) to $73bn (2015), but concentrated among few.

- Many Commonwealth **success stories**: renewable energy (esp. solar revolution), technology leapfrogging in SSA, climate-resilient infrastructure and “smart” cities, sustainable transport, global sustainability standards, etc.
Towards Climate-Compatible Commonwealth Trade

- Assess role of **green industrial policy** to increase resilience, trigger economic diversification, and scale up green goods and services.

- Potential for **trade, investment and innovation** in agriculture, fisheries, forestry, manufacturing, construction, renewable energy, tourism, transport and waste management.

- Build capacity to comply with **private product standards**, where a significant market exists – US$32 billion in 2012 for 16 standards across 10 commodities.

- Attract climate-specific investments to adapt and diversify economies, including **REDD+ and GFC**, using the Commonwealth Climate Finance Access Hub.

- **Technology development and transfer** through UNFCCC’s Technology Mechanism, especially for cleaner, more efficient production.

- Deepen **regional integration** for infrastructure and value chain development.

- Establish support for a **just transition for the workforce** and empower women, youth, and indigenous people and entrepreneurs.

- **Build policy coherence and mutual supportiveness** between the trade and climate regimes to advance and achieve sustainable development.