

Global Commodities Forum

**Commodities amid the
climate emergency**

Sustainable trade and value addition

Key Takeaways from the Global Commodities Forum 2024

9–10 December 2024, Palais des Nations, Geneva

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UN Trade and Development (UNCTAD), with the support of its partners, held the 2024 Global Commodities Forum on 9-10 December at the Palais des Nations in Geneva. The Forum is a multi-stakeholder dialogue to jointly identify pragmatic solutions to development challenges in the commodity economy. It helps frame international policy debates on commodities and features developing

countries' perspectives and experts. Under the theme of "Commodities amid the climate emergency: Sustainable trade and value addition", international experts from various fields examined the implications of climate action policies, including the energy transition, on value addition and trade prospects for commodity-dependent developing countries.

➤ Session 1: Adaptation to the energy transition in fossil fuel-dependent developing countries

Fossil fuel-exporting countries face a spectrum of macroeconomic challenges due to the expected global shift towards renewable energy, which is critical for combating climate change but may affect fiscal revenues, foreign direct investment, and monetary and exchange rate policies as fossil fuel demand declines. The transition also raises the challenge of parts of fossil fuel reserves becoming stranded assets, with high-cost producers being the most vulnerable. Countries like Colombia illustrate a "triple vulnerability" – fiscal, external, and climatic. Policy measures undertaken by the authorities, such as eliminating subsidies and adopting adapted fiscal rules, aim to mitigate these challenges while promoting green investments.

The pace of the energy transition will significantly affect macroeconomic outcomes. Projection scenarios indicate

different potential dynamics for fossil-fuel exporting countries, especially those with significant export concentration in these products. A Net Zero Emissions (NZE) scenario, for example, poses additional fiscal challenges for fossil fuel energy exporters, especially those with large energy exports, in regions like Latin America, where potential taxation measures by developing countries, like carbon taxes, are unlikely to offset fiscal revenue losses. Sustainable debt management will require enhanced domestic resource mobilization and international financial institution support, including long-term financing and access to precautionary funding.

Financing is pivotal to addressing these challenges, with public resources being critical for adaptation and private investment driving mitigation efforts. Innovative tools like green bonds and clear taxonomies

for classifying green investments could help in directing capital effectively towards areas of the highest need.

Finally, countries with reserves of critical transition minerals or cleaner fossil fuels like natural gas have unique opportunities to integrate emerging clean technologies to sustain competitiveness and job creation. However, additional investment into developing these alternatives is

necessary, particularly to make them scalable and adoptable by developing countries. Other policies, including circular economy principles, can further align economic activity with sustainability goals. However, the transition will not follow a single pathway; diverse national contexts and resource endowments mean tailored strategies are crucial for managing risks and harnessing opportunities.



Session 2: Promoting natural fibres in the climate action agenda

Natural fibres, derived from plants like cotton, bamboo, and linen or animals like wool, offer renewable and eco-friendly alternatives for the textile and apparel industries. In many rural areas, their production supports small-scale farmers, providing vital income opportunities. However, natural fibre production faces constraints tied to land scarcity, pests, and environmental factors such as soil health and water availability. These limitations, combined with their dependence on seasonal and weather cycles, challenge their ability to compete with synthetic fibres, constituting nearly three-quarters of global fibre production. Synthetic fibres today dominate the textile sector due to their cost advantages, as well as scalable and customizable production.

The rapid growth of fast fashion over recent decades has leaned heavily on synthetic fibres, fuelling a large increase in their production and resulting in unsustainable consumption patterns. This has led to significant environmental consequences, including non-biodegradable textile waste and microplastic pollution. There is, therefore, an urgent need for policies to shift industry incentives away from wastefulness toward sustainable practices all along the textiles value chain. During the session, it was noted that significant

challenges persist, despite recent policies in various countries - especially in developed ones, which are important markets for textile products - introducing stricter environmental standards. For example, while natural fibre supply chains face rigorous traceability requirements down to the farm level, synthetic fibres are only traced to petrochemical plants, neglecting the upstream impacts of fossil-fuel extraction from which they are largely made. This differential treatment of both types of fibres increases the competitive advantages of synthetic fibres and hence risks undermining sustainability objectives in the textile industry.

Finally, during the session, it emerged that a level playing field between natural and synthetic fibres is necessary, urging consuming countries to reform policies for textiles. These reforms should address the compliance burden on small producers, particularly in developing countries, to protect livelihoods while advancing sustainability. Policymakers were also encouraged to promote transparency by requiring brands to disclose accurate environmental performance data on product labels and in marketing. By aligning standards and traceability measures and shifting industry incentives, natural fibres could play a pivotal role in a more sustainable and equitable textile value chain.





Session 3: Mandatory environmentally motivated standards and traceability: challenges and opportunities

Addressing the challenges of disclosure, standards, and traceability in agricultural value chains is crucial for achieving economic and environmental sustainability in developing countries. Land use change related to agriculture remains the primary driver of deforestation. Moving towards agricultural value chains that are economically and environmentally sustainable offers both immediate and long-term benefits. However, efforts are hampered as the environmental and social impacts of the production of agricultural products are unobservable by different stakeholders, including consumers. This information asymmetry hinders the capacity of sustainable products to have a higher presence in markets, in particular in view of the costs of certification and vertical differentiation, thereby undermining broader sustainability efforts.

Standards for sustainable practices, both voluntary and mandatory, are essential but present significant challenges for smallholders. Smallholders are critical to cocoa, coffee and palm oil value chains; however, high certification costs, combined with fragmented and often non-interoperable digital traceability systems, risk excluding them from accessing markets. Smallholders also face structural challenges, including low productivity, limited access to financial assistance, and persistent poverty, which are compounded by market volatility and the economic gap between international commodity prices and local producer earnings. The introduction of mandatory environmentally motivated standards and

disclosure rules needs to be inclusive to avoid the exclusion of smallholders capable of producing environmentally sustainable agricultural products.

Effective traceability systems are pivotal to promoting sustainable practices but must be scalable, interoperable, and cost-effective to ensure smallholder inclusion. Different ongoing initiatives in developing countries demonstrate that national policies have an important role regarding the introduction of traceability solutions aligned with the inclusivity paradigm. Harmonizing national and international standards is essential to avoid duplicative efforts and ensure that global sustainability goals do not undermine effective local policies. Moreover, digital public infrastructure frameworks using open standards, such as Geo-IDs, can address traceability challenges by enabling dynamic, interoperable supply chain management systems.

Finally, participants emphasized that the transition to sustainable agricultural practices requires balancing environmental preservation with the economic realities of smallholders. Public-private partnerships and international collaboration are critical to integrating local initiatives into global frameworks, ensuring solutions are inclusive, adaptable, and aligned with climate goals. Promoting sustainable land use through public policies, cooperative measures, and innovative financing mechanisms is essential to combat deforestation, preserve biodiversity, and achieve long-term socioeconomic development in developing countries.





Session 4: Harnessing benefits from critical energy transition minerals

Increased demand for minerals employed by energy transition technologies represents a potential development opportunity for mineral-rich developing countries. Nevertheless, it is imperative to avoid restricting gains for mineral extraction in developing countries to revenues, with little or no impact on development, while accompanied by considerable social and environmental risks. For producing countries to maximize development benefits from their critical energy transition mineral (CETM) resources, speakers in this session emphasized the need for improved governance, transparency and accountability in mineral supply chains, in the home jurisdiction of foreign mining companies and in the host countries themselves.

In terms of policy, speakers recommended that producing countries adopt a strategic approach that employs mineral revenues to diversify into industries outside mining. Meanwhile, speakers cautioned all countries against resorting to distortive industrial and trade policies, which inevitably favour high-income countries at the expense of lower-income ones.

Voluntary standards exist to complement, not replace, hard laws and regulations. Nevertheless, there is a need to harmonize standards to reduce the burden of compliance and create the conditions for the market to reward good performers.

To mitigate the environmental and social risks associated with mining and metals industries, speakers suggested that governments and companies commit to implementing internationally recognized principles and standards on responsible mining, such as those set out in the UN Secretary-General's Panel on Critical Energy Transition Minerals, the Initiative for Responsible Mining Assurance (IRMA) and industry programmes such as the Consolidated Mining Standard Initiative.

To finance the energy transition, including development in CETM-producing countries, governments and industry need to collaborate with financial institutions and institutional investors to link project and capital financing with performance against international standards, increase capital allocation in key areas and assume active stewardship of projects and initiatives.

For sustainable CETM supply chains, it was recommended to avoid a narrow focus on recycling, as there is not yet a critical mass of end-of-life electric vehicle batteries, which precludes meeting growing demand with recycled materials. Rather, the primary focus should be promoting circularity throughout the value chain, utilizing residues, reducing waste and improving resource efficiency. Innovative productive techniques can also contribute to a more circular, efficient value chain.





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