



# TRADE AND SDG 13: ACTION ON CLIMATE CHANGE

ADB Regional Cooperation and Integration conference

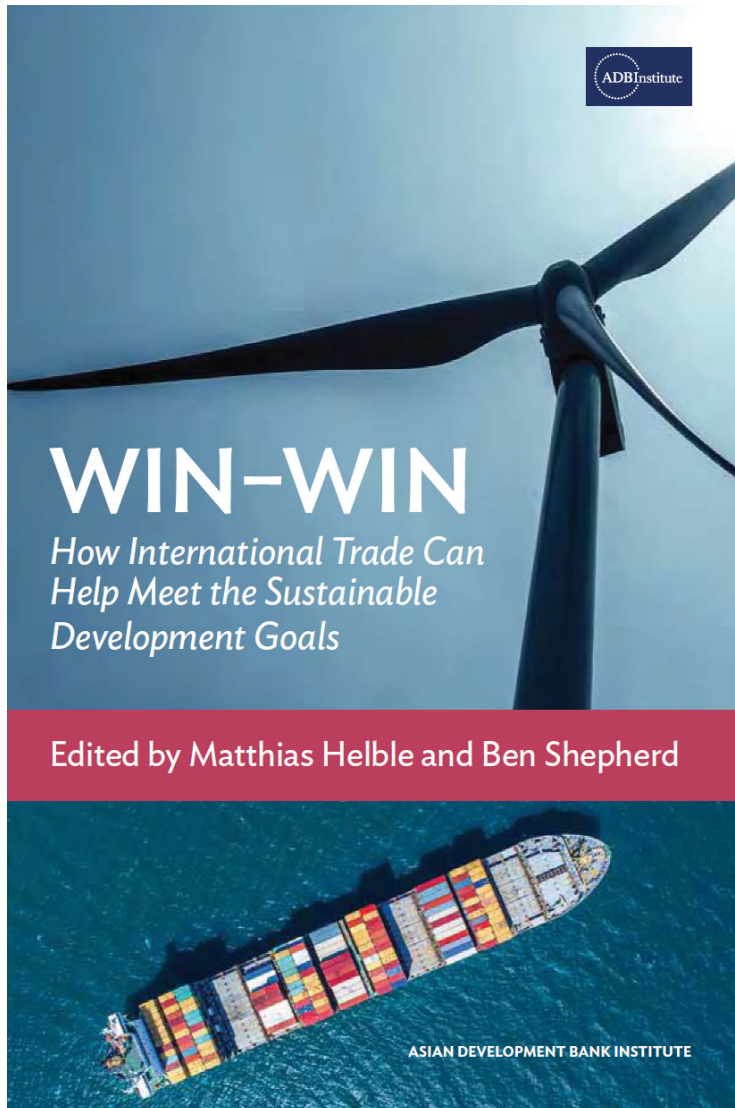
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On behalf of the Organisation for Economic Co-operation and Development



# Trade and the Sustainable Development Goals



## SUSTAINABLE DEVELOPMENT GOALS





# SDG 13: Take urgent action to combat climate change and its impacts\*

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*\* Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change*

13.1 Strengthen resilience and adaptive capacity to climate-related hazards...

## **13.2 Integrate climate change measures into national policies, strategies and planning ...**

13.3 Improve education, awareness-raising and human and institutional capacity ...

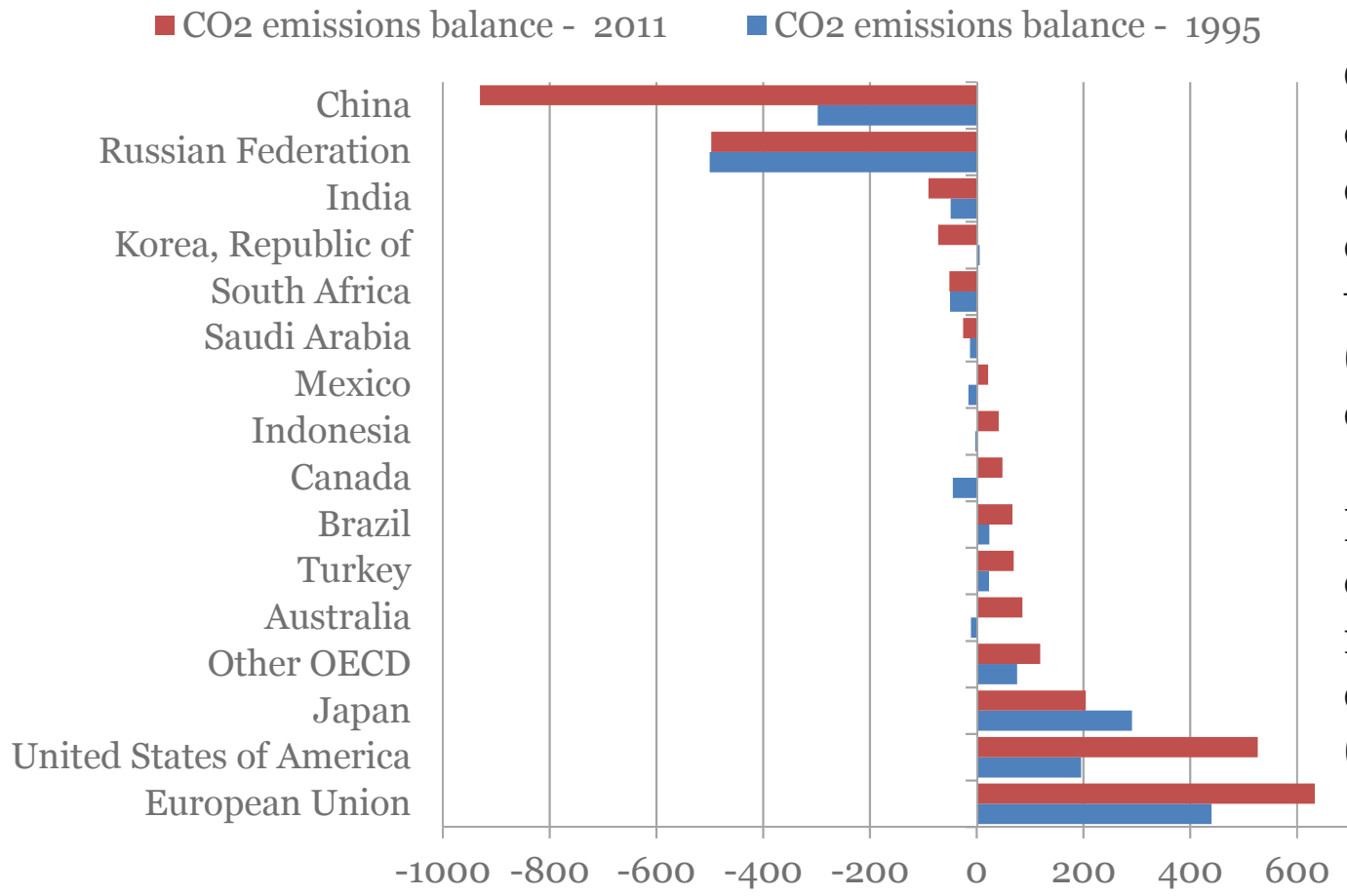
13.a Implement the commitment ... of mobilizing jointly \$100 billion annually by 2020 ... and fully operationalize the Green Climate Fund

13.b Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States ...



# Trade matters for GHG emissions...

**CO<sub>2</sub> emissions balance = “consumption emissions” – “production emissions”**



**Consumption emissions:** estimates of emissions released during production and transport of goods (often in another country)

**Production emissions:** emissions released within a country's borders (emissions inventory)

OECD (using Trade in Value Added (TiVA) database)





...but trade itself is not the climate villain

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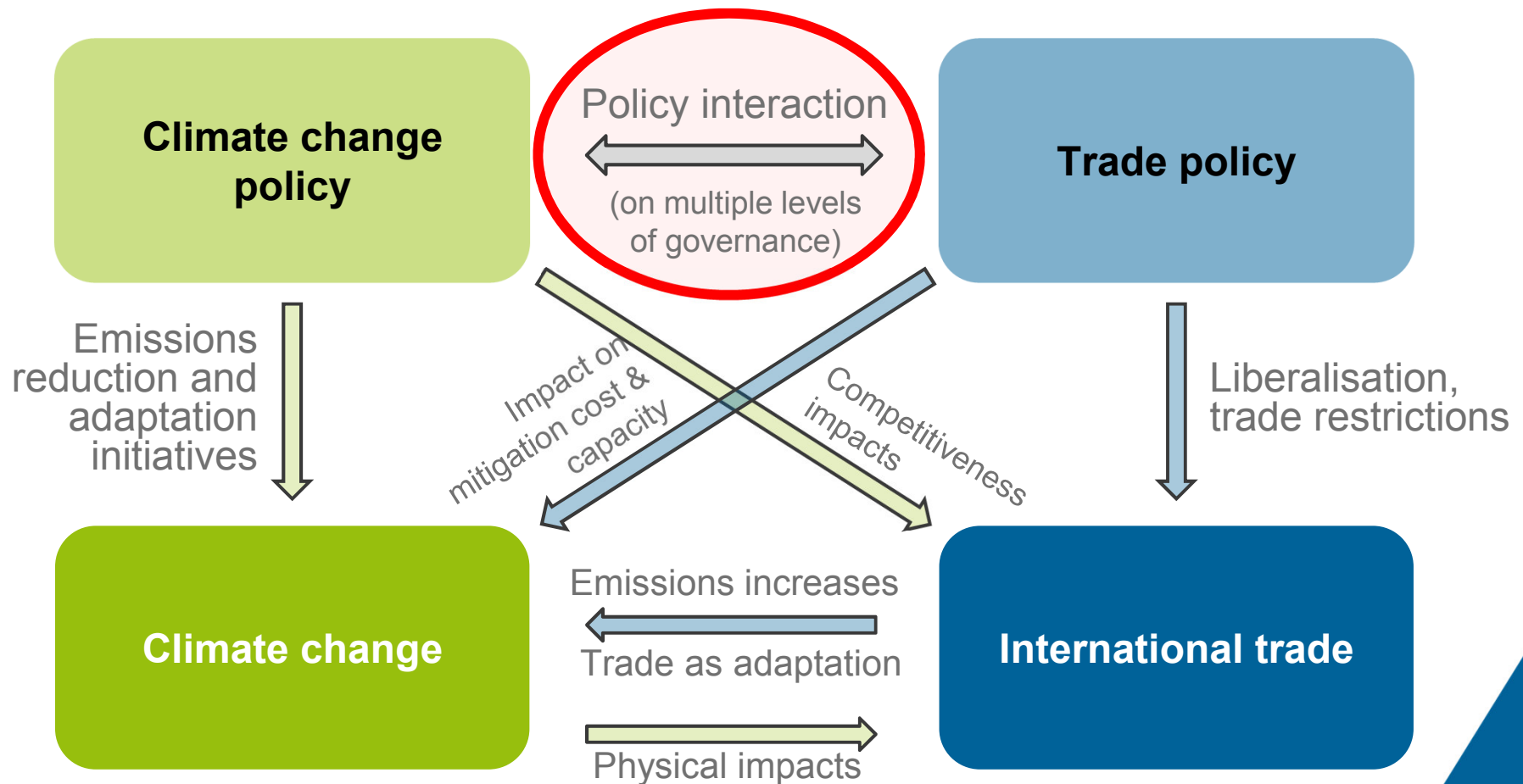


- More trade leads to increased emissions through more economic activity and more transport...
- ...but if GHGs were correctly priced, liberalised trade would lead to the most GHG- and resource-efficient outcome
- And trade can be a means of economic adaptation to climate change impacts





# Mapping interactions between trade and climate change



Source: Adapted from Cosbey (2007)



## Analysis of trade-related policies and climate change

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- i. Trade rules, multilateral and regional levels:
  - WTO agreements
  - Regional Trade Agreements and cooperation
- ii. Tariffs on environmental goods remain an important barrier
- iii. Barriers to trade in services can be a hindrance for low-carbon technology
- iv. “Green industrial policy” that is restrictive of trade can be counter-productive



## i. Trade rules: WTO agreements and Regional Trade Agreements

- Rules enshrined in the main **WTO agreements** are not generally a barrier to climate policy
- [But note that **border carbon adjustments** linked to climate policy have not yet been tested]
- **Regional Trade Agreements** increasingly contain environmental provisions, some specific to climate change, including some Asian RTAs
- Many such provisions are not binding or enforceable, but may have some effect on increasing cooperation on climate change
- Important to ensure that other parts of the RTA are not misaligned with climate objectives

WORLD TRADE  
ORGANIZATION







## ii. Tariffs on environmental goods

- Tariffs on environmental goods – including goods important for climate mitigation, such as renewable energy – still exist in some countries, including in SE Asia
- Such tariffs are a barrier to diffusion of low-carbon technology
- Negotiations for an Environmental Goods Agreement (EGA) a promising step forward, though negotiations ran into difficulty and are on hold
- What about **services** and **behind-the-border** measures?



### iii. Barriers to trade in services

- Barriers to trade in environmental services can slow down action on climate change mitigation
- But all services trade can be beneficial
- More generally, freer trade in services leads to greater productivity and overall more efficient economies
- Firms also turning to providing services attached to delivery of goods: better maintenance, better utilisation of capital, lower overall emission



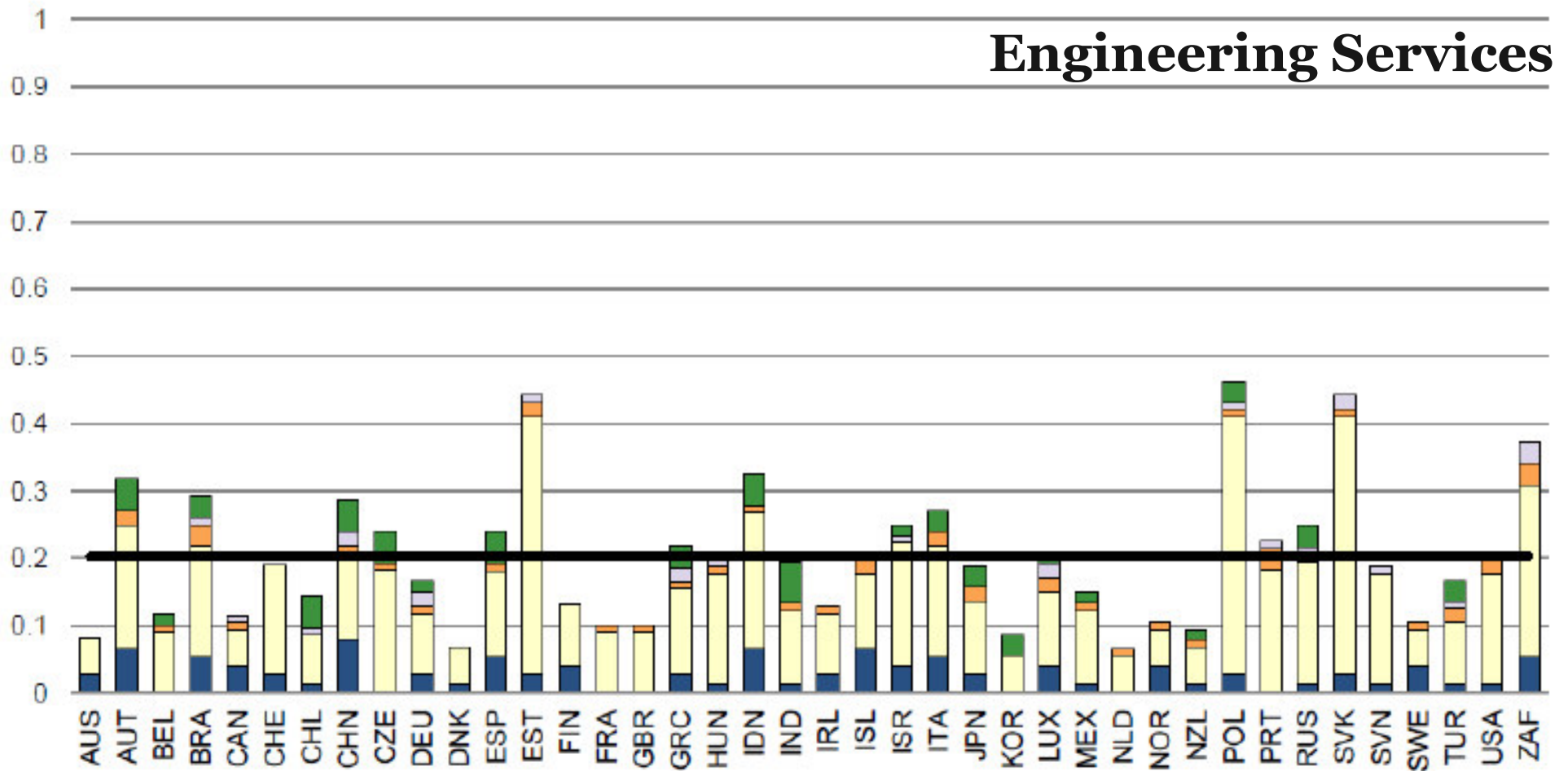
service + -ification = *servicification*





# Services Trade Restrictiveness Index

- Restrictions on foreign entry
- Other discriminatory measures
- Regulatory transparency
- Restrictions to movement of people
- Barriers to competition
- Average





## iv. Domestic policy measures: green industrial policy

- A wave of “green industrial policy” since financial crisis
- Wide range of subsidies and support measures – some trade-neutral, others less so
- “Local Content Requirements” for mid-stream renewable energy manufacturing quite prevalent: 21 instances found, 5 WTO disputes
- Global nature of PV and wind value chains leads to higher overall costs, even for the protected industry





## A few conclusions

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- SDG13 is closely linked to the UNFCCC and the Paris Agreement
- Trade itself is not the “climate villain” – provided that strong climate policies are rolled out
- OECD analysis highlights that trade policy is mostly not a hindrance to climate action, though some misalignments are identified



# THANK YOU!

For more information, visit:

<http://oe.cd/lowcarbon>

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