TRADE AND SDG 13: ACTION ON CLIMATE CHANGE

ADB Regional Cooperation and Integration conference

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Andrew Prag
On behalf of the Organisation for Economic Co-operation and Development
Trade and the Sustainable Development Goals

WIN-WIN
How International Trade Can Help Meet the Sustainable Development Goals

Edited by Matthias Helble and Ben Shepherd
SDG 13: Take urgent action to combat climate change and its impacts*

* 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…

\[ \text{CO}_2 \text{ emissions balance} = \text{“consumption emissions”} - \text{“production emissions”} \]

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)
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.

…but trade itself is not the climate villain
Mapping interactions between trade and climate change

Climate change policy
- Emissions reduction and adaptation initiatives

Policy interaction
(on multiple levels of governance)

Trade policy
- Liberalisation, trade restrictions

Climate change
- Emissions increases
- Trade as adaptation
- Physical impacts

International trade

Source: Adapted from Cosbey (2007)
Analysis of trade-related policies and climate change

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.
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
Services Trade Restrictiveness Index
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

• 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

Andrew.Prag@iea.org (formerly OECD)