

Trade and climate change

NGO thoughts on a complex relationship

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Who we are

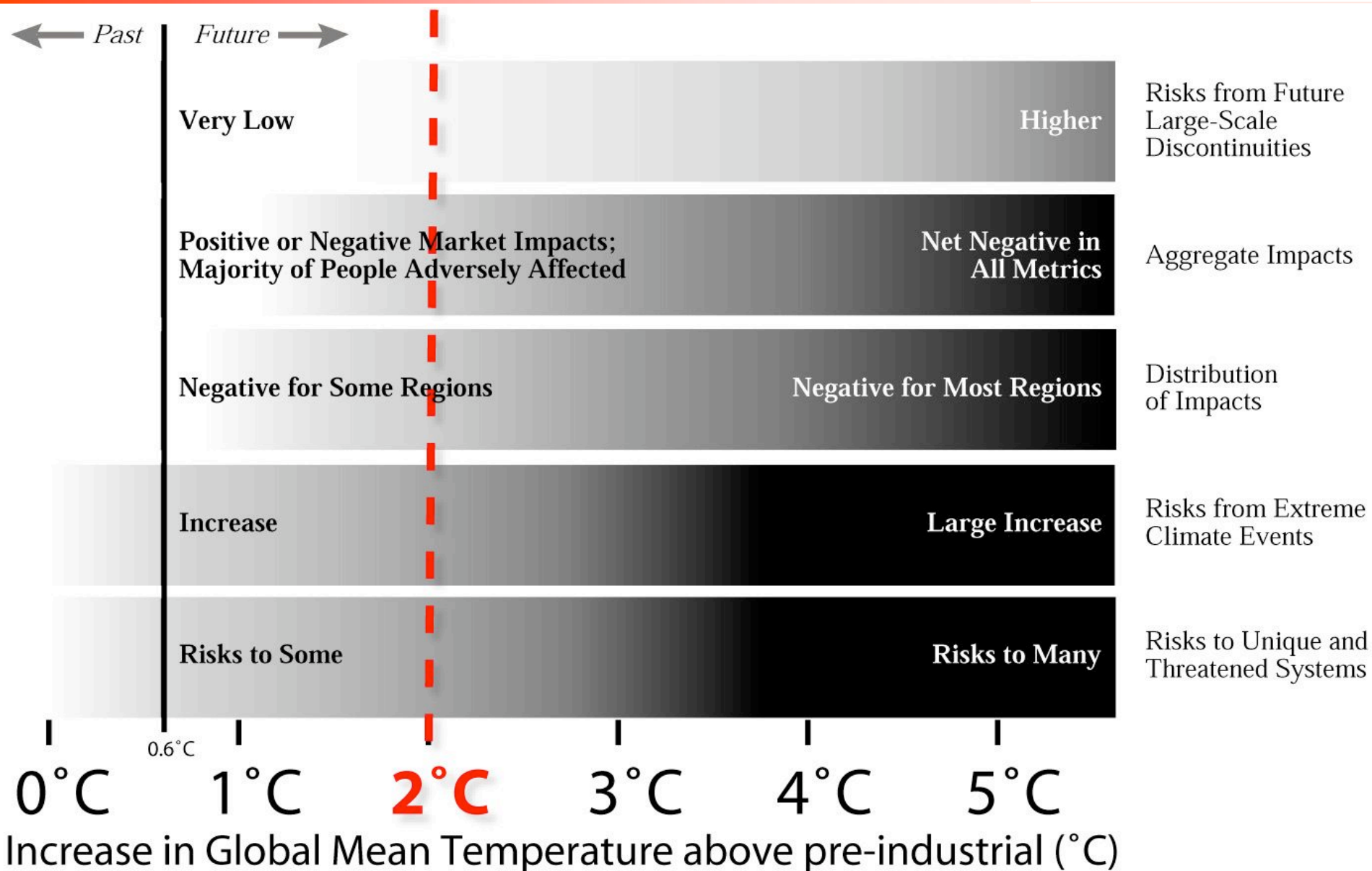


Over 100 members in the EU and beyond

Who we are

- Climate Action Network (CAN) is an international coalition of over 400 NGOs united by the common goal to stop dangerous, human-induced climate change
- CAN-Europe represents more than 100 member organisations in the EU27 and beyond
- CAN-Europe and its members have been following the formulation and implementation of EU climate change policies and act as observers at the UN negotiations
- The Brussels office aims to act as a bridge between the national groups and the European institutions.

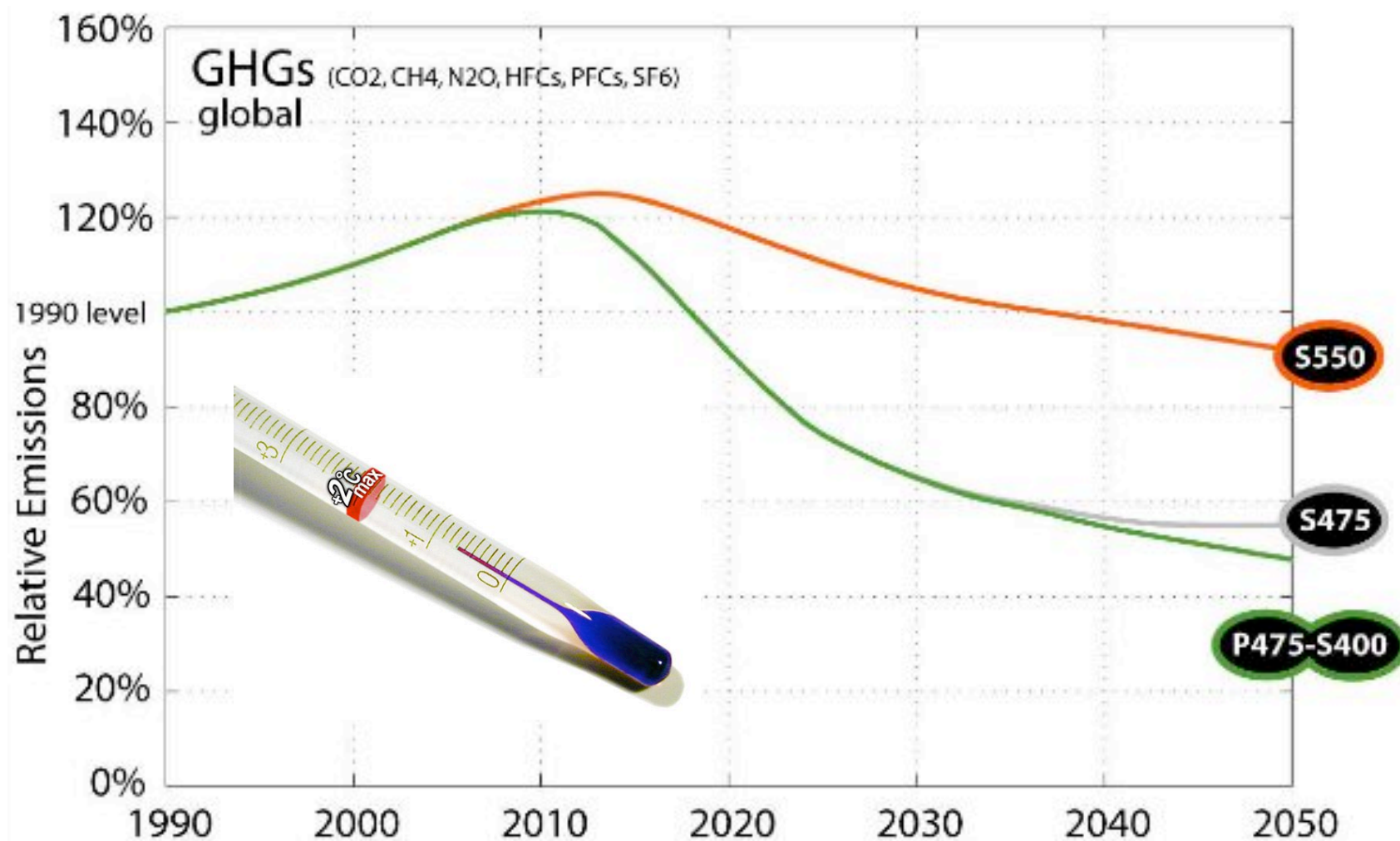
Dangerous climate change > 2°C



Source: IPCC TAR WGII, Figure 19-7, page 958, adapted to pre-industrial temperature scale (shifting by 0.6°C) by Malte Meinshausen, ETH Zürich, 2004

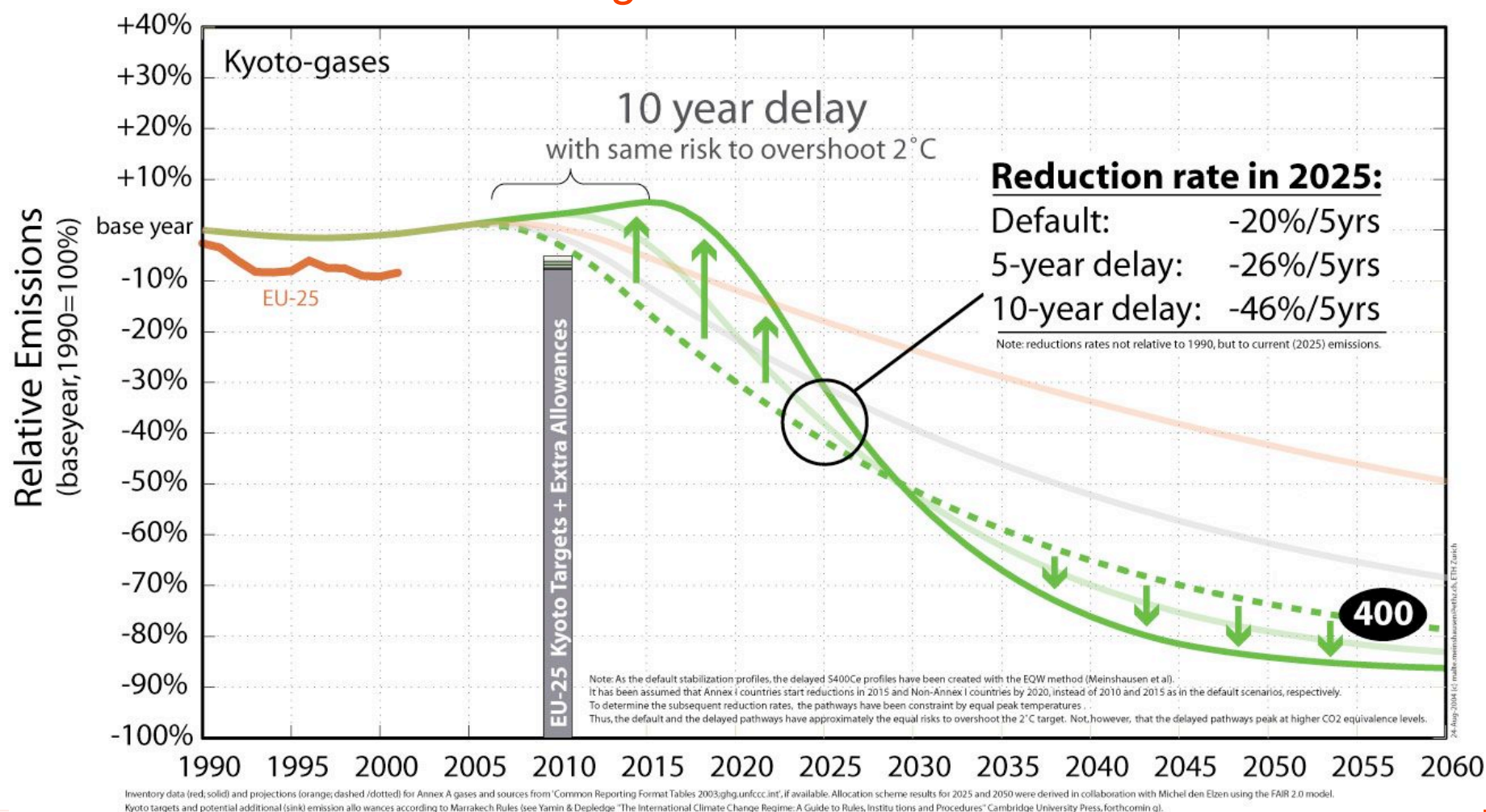
Where do we need to go?

2°C = global emissions to peak by 2015, -50% 1990 by 2050



Where do we need to go?

Delaying action even by a decade will make meeting the challenge ever more difficult



The 2°C challenge



Near-term challenge

- Political: Reaching consensus on international agreement continuing the UNFCCC/Kyoto regime after 2012, requires critical mass and regional champions



Mid term challenge

- Economic/technological: a framework that allows emissions reductions globally, shifting investments away from carbon intensive products and processes

Both challenges linked, interdependent, not sequential

Climate change is not (just) an environmental issue

- All sectors of the economy contribute to the problem
 - All policy areas need to come together to create a viable long-term solution equal to the scale of the problem
 - Solution will require all types of actors working together
 - But: many connections presently missing
- ⇒ Increasing level of complexity, furthers policy incoherence and governance problems if unaddressed

EU claims leadership on climate change

- Kyoto Protocol, 2020 targets
- EU credibility essential to UN progress

Credibility challenges exist

- Domestically: failure to make reductions
- Externally: policy coherence issues

⇒ Credibility challenges threaten progress internationally if unaddressed

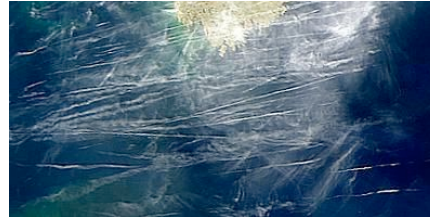


**Commission
President Barroso
in January 2007**

Negative links



- Trade is part of the problem: emissions from transport



- High levels of consumption in rich parts of the world lead to emissions elsewhere

COMING CLEAN:
Revealing the UK's true carbon footprint



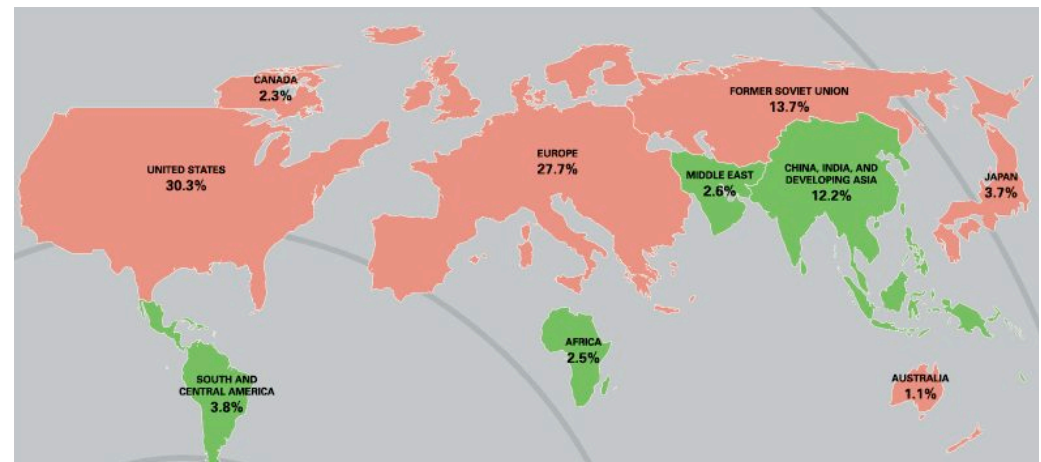
- Trade policy can be turned against climate- friendly products



Negative links



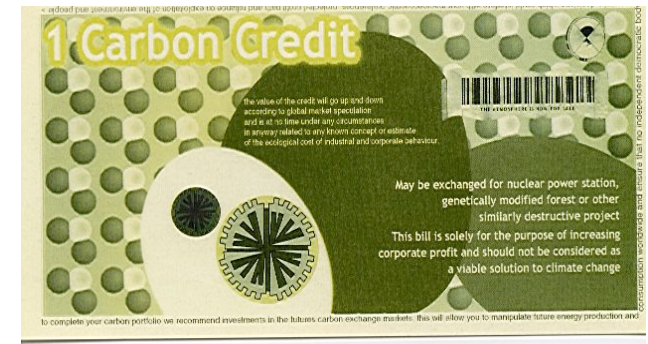
- EU imports (cattle feed, (illegally logged) timber) can further tropical deforestation, increase emissions
- Equity and diplomacy: WTO talks collapsed over North-South divide, impact on climate talks?
- Disenchantment with globalisation impacts
=> protests over negative social impacts
- Climate change impacts could disrupt trade severely, hit poorest countries/economies worst (but also EU)



Negative links



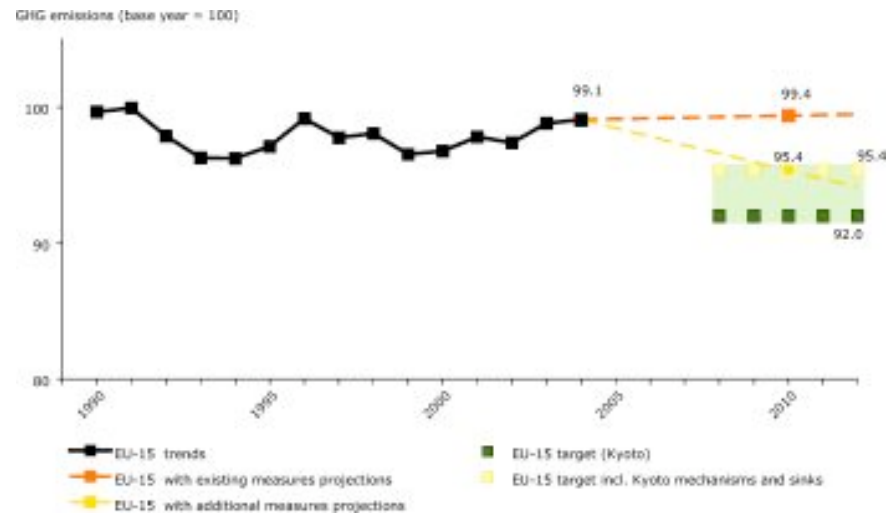
- Negative reports over emission credit projects give trading mechanisms bad reputation
- IPR issues/arguments can prevent technology transfer
- Investments through IFIs have high carbon impacts
- Business concerns over carbon constraint impacts on their international competitiveness - impede policy, but unclear to what extent these are real issues
- Carbon leakage due to climate policy - similarly unclear



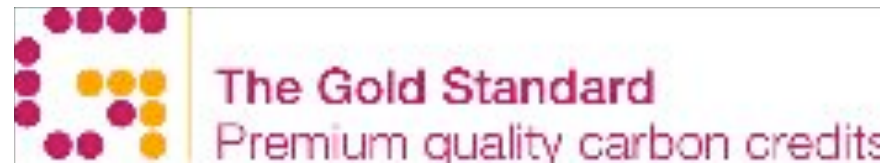
Positive links



- Attempts are being made to connect trade and climate policy - this hearing is proof
- Trading mechanisms are being used for climate policy (EU ETS global carbon market driver), improvements made recently show that reductions are coming
- Kyoto trading mechanisms (eg CDM) have engaged developing countries - this connection needs expanding, while addressing sustainability



- Climate friendly technology transfer happening through eg. EU wind power deployment; also through CDM



- Carbon based BTA being considered for exports by China to avoid lock-in into high carbon production facility for rest of the world - domestic and external reasons
- IPR issues being addressed in e.g. China in a way that could do away with current arguments

Initial conclusions

- Present disconnect is obvious: EU trade policy currently not aligned with declared climate change agenda
- Some (obvious?) conclusions:
 1. Foreign policy, development cooperation, trade policy: all need to be connected with each other and climate, also with energy and industrial policy (and incl EU lending and other investment flows)
 2. avoid/limit negative linkages & support positive ones, but complexity of the issue complicates this
 3. Trade measures at EU level and Intl must allow for these (where necessary, make changes to the instruments)

Economic policy & climate diplomacy: priority to equity and social cohesion

- Economic feasibility and benefits of climate policy clear
- Benefits of innovation and efficiency gains
- Equity issues loom large in climate debate, justified
- Competitiveness debate around climate change also evidence of misguided understanding of globalisation impacts
- Climate policy as well as trade policy need to be serving social cohesion globally to be justified

Economic policy & climate diplomacy:

e.g. Border tax adjustments discussion

- Differentiate: validity of competitiveness impact claims?
- Differentiate: Kyoto and non-Kyoto Parties
- Improve ETS: full carbon cost not included yet
- Beware of sending the wrong signals:
 - danger of undermining EU towards developing countries
 - “smacks” of protectionism



Economic policy & climate diplomacy: standards, sectoral agreements

- Many positive options for connecting trade and climate change, around what is known as EGS, e.g.
 - Vehicle fuel efficiency
 - White products
- Concrete collaboration with other countries could bring about shifts in world markets, and bring down emissions through trade



Concluding remark



- Large part of the problem: current EU policy approach still dominated by approach that focuses on EU interest:
 - access to markets and resources
 - protecting EU companies
- Need a new paradigm that combines climate change concerns, social issues and economic interest in a way that is globally beneficial

