

TRADE DIALOGUES: TRADE 4 CLIMATE
CLOSING REMARKS
DDG PAUGAM SPEAKING POINTS
26 SEPTEMBER 2021 (16:15 – 17:00 CET)

Good afternoon everyone. I am pleased to join you for this closing session.

A big thank you to all the participants who joined us today and to our team at the WTO and partners at ICC for organizing today's Trade Dialogues.

With less than a week until COP26, today's Dialogue was timely and important for us to hear the voices of business ahead of this year's critical climate talks. It was also our first ever Trade Dialogues focused on Trade for Climate Action.

I would like to share three takeaways that I hope will help us turn our discussions into action.

First, it was very impressive to hear loud and clear how international businesses are quickly adapting their business models to meet climate change goals. It was also very clear that most participants called for trade policy to contribute to combatting climate change and saw a role for the WTO.

Of course, I think that, from a WTO perspective, we can recognize that we have a lot of distance to cover. Yet we are not starting from scratch. I think it useful to recall the state of play of climate change in the WTO:

- Actually our members have notified more than 4,500 climate-related trade measures since 2009 – from direct taxes and regulation to public tender requirements and support programs. WTO members are increasingly using trade measures to support climate action.
- Climate change-related discussions have also emerged in several of our committees. Trade in environmental goods, for example, is often mentioned: this trade is estimated at more than US\$1 trillion annually and is rising.¹ While these goods are critical to help reduce global emissions and tackle climate change, they continue to face many non-tariff barriers, mostly technical barriers.

According to WTO data, the average number of non-tariff measures applied to environmental goods is higher than that applied to other goods.

¹ World Bank Report download [here](#).

- Several groups of our members are proposing to launch plurilateral discussions, which are directly relevant for climate change. These include: the Friends of Fossil Fuel Subsidy Reform; and WTO's Trade and Environmental Sustainability Structured Discussions (TESSD).
- Finally, we have the issue of carbon pricing. The Carbon Border Adjustment Mechanism (CBAM) initiative from the EU and similar projects from other members may lead to us seeing this discussion gain greater prominence within the WTO.

Our DG has been calling for an intensification of efforts for the elaboration of a global price for carbon.

So we have a WTO toolbox on climate change and these topics on our table could potentially have huge significance for the COP26 discussion. Several participants today have invited us to "think outside the box" and "not be defensive" about the fight against climate change, and to recognize that the transformation of the economy has already started.

Second, today's discussion also provided several clues about possible starting points and avenues for more WTO action for climate change.

A first avenue clearly is tariff and non-tariff liberalisation to help the dissemination of pro-climate technologies that can contribute to both mitigation and adaptation.

Current tariff structures and non-tariff barriers are often biased in favour of dirty industries and goods², which may include fossil fuel and coal.

Bringing tariffs on dirty goods in line with those on clean goods would already make a significant contribution to reducing carbon emissions.

But a step further would be to reduce tariffs and eliminate unnecessary non-tariff measures on clean energy so that technologies, such as wind and solar, could be deployed at scale and at lower costs.

The Agreement on Climate Change, Trade, and Sustainability (ACCTS) currently being negotiated between New Zealand, Iceland, Switzerland, Norway, Fiji, and Costa Rica that was mentioned today, is heading in a similar direction.³

Second, Fossil Fuel Subsidies Reform is another area that has been mentioned as a possible priority for the Organization both for mitigation and adaptation.

² See *ibid.*, p. 15.

³ See IISD publication, "[How Can Trade Policy Maximize Benefits From Clean Energy Investment?](#)", p. 21.

Third, one of the most innovating angles in today discussion was the call for a value chain approach to the role of trade against climate change.

It was observed that international value chains account for 80% of trade-related carbon emissions. Businesses and, in particular, SMEs are facing several challenges in their effort to reduce their emissions, such as: the risk of fragmentation due to border carbon adjustment measures; lack of harmonization or a reference standard for the calculation of carbon footprints; the issue of certification and traceability; and the problem of double-counting emission reductions.

It was also suggested that the Trade Facilitation Agreement could be leveraged to help SMEs. It was also suggested that Nationally Determined Contributions (NDCs) should endeavour to bridge the gap between micro-economy strategies and objectives of emission reduction at firms' level and macro-economic calculation.

Fourth, it was observed that international governance does not always have a "locus" to contribute to solving such day to day operational problems that are being met at firms' and SMEs level.

Third and last point: where do we go from here? How to build momentum and explore how the WTO could help further on climate change.

Clearly, based on the interest generated today, I join your strong feeling, dear Crispin, that this dedicated from of Trade Dialogues with business on climate change has to be a first and not a last. We'll be happy to hear your feedback on how to move forward and continue on this.

There will also be new avenues opened for public-private dialogue in the WTO: for instance, the TESSD initiative is gaining momentum and traction with 55 co-sponsors and potentially others joining in time for a Ministerial Statement at MC12. This is an initiative which is already opened to input from stakeholders, as recalled by Ambassador de Boer. It already has plans for a workstream on climate change.

Outside the WTO there are also several promising steps being made:

- For instance, the UK Government and partners are leading the Forest, Agriculture and Commodity Trade Dialogue to accelerate the transition towards more sustainable trade.
- The European Commission's Executive Vice President and Trade Commissioner, Valdis Dombrovskis, has called for a focused coalition of trade ministers for climate action in 2022.

- The question for our members will be how can we build on these blocks and the growing global interest on trade and climate and what role will the WTO have?
- This year we have an opportunity with two major milestones – COP26 and our very own 12th Ministerial Conference – to make a difference. Let's take it!

Thank you for your attention.