

## **WTO-ICC VIRTUAL TRADE DIALOGUES WITH BUSINESS – "TRADE 4 CLIMATE"**

### **MAKING TRADE A DRIVER OF NATIONALLY DETERMINED CONTRIBUTIONS (NDCS) UNDER THE PARIS AGREEMENT**

Tuesday, 26 July 2021 from 14:45 to 16:15 (CET)

#### *Summary of Session 1*

Participants highlighted that the removal of tariffs and non-tariff barriers on environmental goods and services could help WTO Members, and particularly developing countries, access necessary tools to develop climate resilience. Speakers noted that including developing countries and least-developed countries (LDCs) in discussions regarding the potential opportunities and challenges of trade liberalization in these goods would be primordial. Further, it would be important to extend the scope of such discussions beyond economic aspects of market access to the social and environmental contributions needed to achieve a sustainable recovery from the COVID-19 pandemic. Speakers added that discussions on the benefits and challenges of subsidies on environmental goods could also be of interest for developing countries, particularly in order to achieve their NDCs.

Industry representatives noted that one key contribution the WTO could make in achieving the goals of the Paris Agreement was the reduction of red tape and uncertainty for businesses. To this end, implementing the WTO Trade Facilitation Agreement (TFA) could reduce trade frictions at border points and lead to reduced emissions thereby contributing to the NDCs. Industry speakers noted that global harmonization of standards, including on calculation methodologies for carbon emissions, could set consolidated guidance for companies, and avoid heterogeneous strategies to reach carbon targets, thus contributing to NDCs. Indeed, a harmonized methodology would allow for companies to better understand climate mitigation efforts in both their own markets and their suppliers' markets. At the same time, the efforts to achieve the NDCs could increase protectionism.

Some speakers noted that technology and digitalization were lacking from most NDCs, although these could facilitate calculations of emissions as well as reduce emissions through increased efficiency. It was noted that increased collaboration between the ICC and the WTO could help companies develop a common approach to calculating carbon emissions, avoid carbon and taxation leakage, and lead to a re-evaluation of the current state-centred approach to carbon neutrality.

Certain industry representatives pointed out that, according to their calculations, 80% of the total number of carbon emissions occur within the supply chains. They noted that improving the determination of where these emissions occur would be particularly important for micro, small and medium-sized enterprises (MSMEs) to focus emission reduction efforts on critical nodes. As such, one potential tool to help improve the traceability in supply chains could be through certificates of origin. Speakers noted that a common demand from clients in reducing emissions could be achieved by addressing emissions from strategic suppliers and high-emission sectors.

Speakers noted that the WTO was an appropriate forum to discuss trade and environmental sustainability. Certain speakers particularly highlighted that these linkages formed part of the mandate of the WTO as per the Marrakesh Agreement, and that successful discussions were taking place within WTO bodies including the Committee on Trade and Environment (CTE) and the Trade and Environmental Sustainability Structured Discussions (TESSD). In turn, discussions in these fora could help decision-makers build crosswalks between trade and climate policy.

Regarding outcomes for COP26, speakers encouraged negotiators to remain open-minded and creative and to take into account concerns from developing countries. In turn, silos between the trade and the environment communities should be broken down and attention should be given to holistic approaches that could build upon existing achievements and continue efforts towards achieving the Sustainable Development Goals.