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**DELIVERING
A CLIMATE
TRADE AGENDA:
SUMMARY OF
RECOMMENDATIONS**



— THOUGHT LEADERSHIP

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DELIVERING A CLIMATE TRADE AGENDA: SUMMARY OF RECOMMENDATIONS

The urgency of the climate crisis requires greater focus on how international trade and investment policy can support climate action. International trade is estimated to account for 20-38% of global emissions but, until recently, there have been limited efforts to harness trade policy to achieve climate objectives. As businesses increasingly pursue their own net zero targets, the upcoming COP26 meeting in November 2021 and WTO Ministerial in December 2021 provide opportunities for governments to accelerate these efforts through mutually supportive trade and climate policies.



International trade will play a key role in achieving a just transition to a low-carbon sustainable global economy. Businesses stand ready to lead in this transition, but governments need to provide support by ensuring the right legislative and regulatory structures are in place.

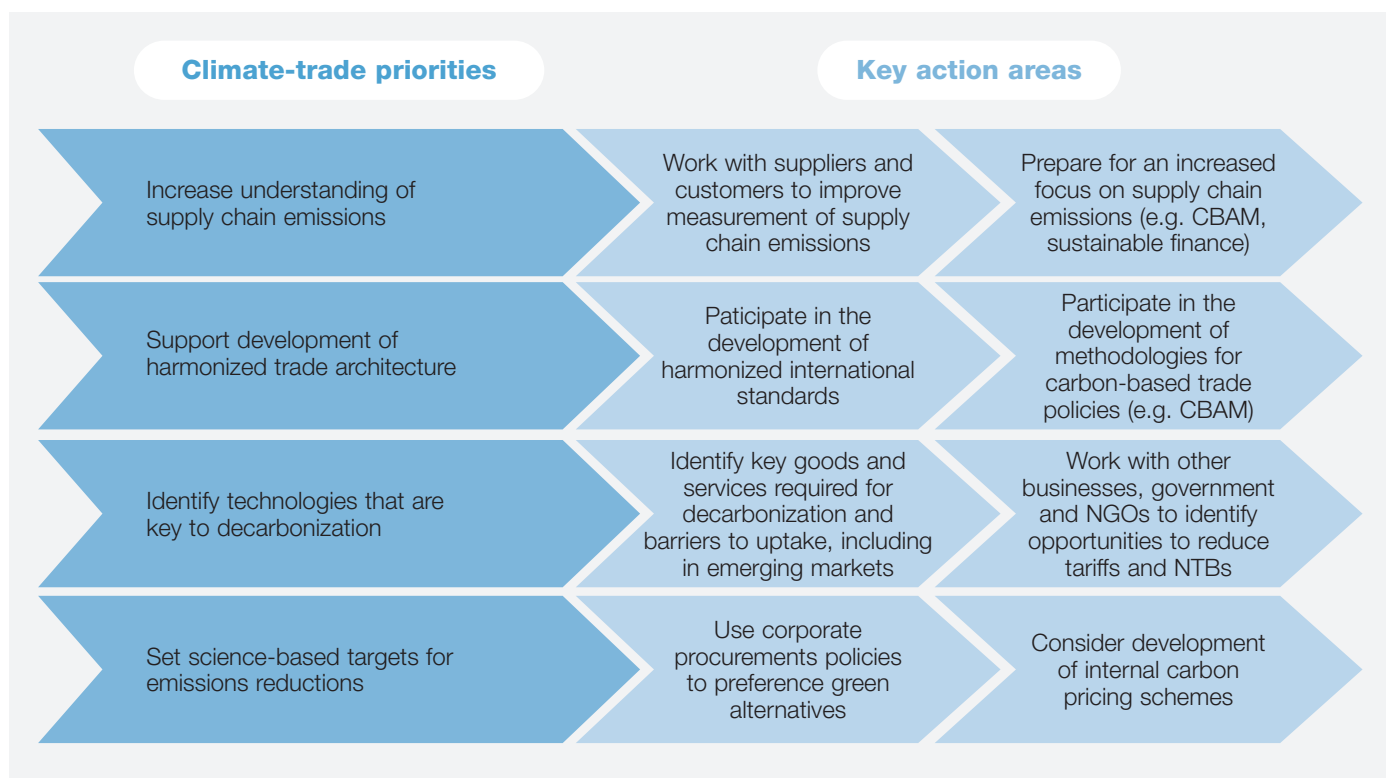


— **JESSICA GLADSTONE**,
Partner, Clifford Chance,
specialising in international trade

To better understand how trade policy can support businesses to reduce emissions, Clifford Chance, in collaboration with the World Economic Forum (WEF), interviewed over 30 global companies about their trade and climate strategies.

The **resulting white paper**, 'Delivering a climate trade agenda: Industry insights', brings together industry perspectives on trade policy priorities, as well as offering eight recommendations for climate-focused trade policy that is fair, transparent, and has technology and innovation at its core.

The report identifies numerous ways in which businesses can prepare for, and support, recommended climate-trade initiatives.



Recommendations

1. Reduce tariffs on climate-friendly goods

Building on efforts such as the ACCTS negotiations, countries should create a living list of climate-friendly goods and develop open architecture for the reduction of applicable tariffs that others can join as appropriate. To support these efforts, businesses can further identify and quantify essential technologies and inputs critical for decarbonisation.

2. Reduce non-tariff distortions

Businesses have a vital role to play in identifying areas in which diverging standards such as labelling, local content requirements and differing prescriptive qualifications for certain environmental goods are holding back climate-preferential trade and investment. One suggestion is for businesses and policy makers to work together on a database of 'green' non-tariff barriers to be prioritised for resolution, thereby ensuring a level playing field and incentivising the uptake of greener production methods through the supply chain.

3. Phase out fossil fuel subsidies

Global fossil fuel subsidies amount to at least US\$475 billion. Businesses can work to encourage policy makers to eliminate harmful fossil fuels subsidies and to provide insights into energy market impacts, including bridging strategies, for industries where technology does not yet offer viable alternatives to fossil fuel.

4. Align carbon based trade policies

Corporate emissions accounting is often voluntary and there is divergence in accounting frameworks. Yet emissions accounting is increasingly intersecting with trade-related policies – such as Border Carbon Adjustments or climate-friendly labels. Business leaders we interviewed were keen to see policymakers engage in dialogue on how emissions accounting standards and related policies operate in this context, in order to ensure consistency and coherence across different jurisdictions.

5. Unpack digital and services-related trade

Trade in digital technologies, data and other services, including telecommunications, cloud storage and artificial intelligence, will play an integral role in the transition to net zero. Given the constantly evolving nature of services trade more public/private discussion is needed to help identify barriers to dissemination of these services.

6. Address climate-smart agriculture

Agriculture's emissions profile and economic importance to developing countries means it must be included as part of the discussion on trade and the environment. The focus should include: (i) identifying goods and services that may reduce agricultural emissions through increased trade liberalisation; (ii) developing means to enable smallhold farmers to adopt equitable and sustainable agricultural practices; and (iii) identifying opportunities to reduce or eliminate subsidies that incentivise over production or consumption of higher-emissions food products.

7. Harness trade agreements to achieve climate action

The critical importance of climate change for all businesses, and all aspects of public policy, now means that trade agreements should also include ambitious, binding and enforceable commitments on climate change. Recent agreements such as the EU-UK Trade and Cooperation Agreement – which makes respecting the Paris Agreement an essential element of the agreement, provides one example of how broader climate objectives can be expressly linked to trade objectives.

8. Facilitate green investment

Many of our interviewees signalled the importance of public-sector interventions to stimulate green investment. The WTO's Investment Facilitation for Development talks are a good place to start in understanding whether implementation can help improve investment flows to emerging economies.

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Reducing tariffs on climate-beneficial goods, minimising non-tariff barriers to trade and facilitating the stability of key supply chains is important for speeding up decarbonisation of the global economy,

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— **JANET WHITTAKER,**
Senior Counsel, Clifford Chance

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