Key messages

- **Climate change is reshaping countries' economic and trade prospects, and is a major threat to future growth and prosperity.** Higher temperatures, rising sea levels and more frequent extreme weather events bring the prospect of productivity losses, production shortages, damaged transport infrastructure, and supply disruptions. Without significant reductions in global greenhouse gas (GHG) emissions, many countries are likely to find their comparative advantages changing, with agriculture, tourism and some manufacturing sectors particularly vulnerable to climate impacts.

- **Trade is a force multiplier for countries' adaptation efforts, reducing costs and increasing impact.** Climate shocks will remain costly and disruptive, but trade can help countries better prepare and respond, through access to technologies and critical goods and services, such as food and healthcare products. This is particularly relevant for the most vulnerable economies – least-developed countries, small-island developing states, and landlocked developing countries. In the longer-run, open international markets would help countries smooth necessary economic adjustment and resource reallocation, and more diversified sources of supply for key goods and services would translate into greater resilience against localized weather events.

- **Trade can reduce the cost of mitigation and speed up the low-carbon transition and the creation of green jobs.** Though trade, like most current economic activity, generates GHG emissions, it also contributes to reducing them, by enabling access to cutting-edge climate technologies; incentivizing innovation in low-carbon technologies by expanding market size; and fostering competition and scale economies that help drive down costs. Trade and value chains have been major factors in the dramatic fall in the cost of generating solar and wind energy. With renewable energy now cheaper than fossil alternatives in some places, the adoption of renewables has accelerated. But there is scope to do more: WTO simulations suggest that eliminating tariffs and reducing non-tariff measures on a subset of energy-related environmental goods could boost exports by 5 per cent by 2030, while the resulting increases in energy efficiency and renewable uptake would reduce global emissions by 0.6 per cent. To the extent trade helps speed up the low-carbon transition, it would contribute to job creation: one estimate suggests the global shift to clean energy will generate as many as 30 million new jobs in clean energy and related sectors by 2030.

- **International trade cooperation can make climate actions more effective, and the low-carbon transition more just, by minimizing trade frictions and investor uncertainty.** As governments ramp up climate action towards nationally determined contributions, there is a risk that unilateral measures aiming to prevent carbon leakage and the loss of competitiveness of domestic industry could stoke trade tensions, create investment-discouraging uncertainty, and impose disproportionate costs on firms and governments in developing countries. International cooperation on trade-related aspects of climate policy, such as carbon pricing and decarbonization standards, would reduce these risks. The WTO could play a more valuable role as a venue for transparency, comparability and potential harmonization of such measures. Aid for Trade, as well as trade-oriented private investment, can help developing and least-developed countries build climate-resilient trade infrastructure, contributing to making the low-carbon transition more just and fair.