

# Trade policy tools for climate action

Presentation at TESSD Working Group on Trade-related  
Climate Measures by the WTO Secretariat  
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# Context



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The first Global Stocktake under the UNFCCC held at COP28 highlighted that parties are not on track to meet the mitigation and adaptation goals of the Paris Agreement.

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UNEP's Emissions Gap Report (2023) finds that, while there has been progress since the Paris Agreement was signed in 2015, more ambition and action are needed

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At COP28, a large number of governments agreed to triple global renewable generation capacity and double the global average annual rate of energy efficiency improvements by 2030

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How can trade policy enhance WTO Members' efforts to achieve their climate goals?

# Trade Policy Tools for Climate Action

- WTO Secretariat's publication on Trade Policy Tools for Climate Action exploring how trade can be a key part of the solution to the climate crisis.
- This knowledge product was intended to serve as a source of information for policymakers.



# Examples of climate objectives

Increase the uptake of  
renewable energy  
solutions

Reduce emissions  
associated with trade

Increase resilience to  
EWE and other  
climate-related issues

Reduce emissions  
associated with  
government  
operations

Reduce emissions  
associated with  
buildings and  
industrial/household  
equipment/appliances

# How to accelerate the uptake of renewable energy solutions?



- Reviewing **import tariffs** on key renewable energy (RE) equipment
  - average applied tariffs to some RE equipment is 3.5%, but some members' applied tariffs can be as high as 12%, with significant variations.
  - applied tariffs for fossil fuels are generally low at 0.8 per cent for crude oil, 1.6 per cent for coal and around 2-2.4 per cent for coke and other fuels (among the top ten importers)
- Reviewing domestic regulations and barriers to trade in key climate-related **services**.
- The provision of **trade finance** can help ensure that the supply of products required for climate action reaches those most in need in a timely and affordable fashion

# How to reduce emissions associated with international trade?

- Trade facilitation tools could be deployed to improve border logistics and infrastructure and reduce waiting times at border controls, including at ports and land borders, which can help reduce energy consumption and associated GHG emissions from freight transport.
  - E.g. The US Environmental Protection Agency estimates that two TF programmes achieved an 85% reduction in GHG emissions and particulate matter emissions at the Port of Nogales-Mariposa crossing
- Paperless, electronic invoicing was found to potentially reduce GHG emissions per invoice by 63 per cent compared to traditional invoicing in Finland



# How to increase resilience to EWE and other climate-related issues?

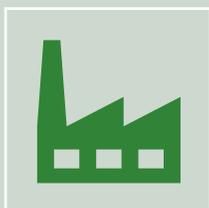


- International trade can help economies prepare for, cope with and recover from extreme weather events more effectively.
  - For example, trade in services, such as weather forecasting, insurance, telecommunications, transportation, logistics and health services, can play a key role in the preparation of firms, citizens and governments for extreme-weather events.
- Trade policies in the form of SPS measures can also help adapt to climate change, which is also affecting the global prevalence of pests and diseases and contribute to increased food safety risks.
  - The work of the Standards and Trade Development Facility (STDF) aims to support SPS capacity building in developing economies (in 2022, donors contributed over USD 6 million in funding) - the STDF increasingly draws attention to the implications of climate change for emerging SPS risks and global trade flows

# How to reduce emissions associated with government operations?



Government procurement is of great economic importance, accounting for 10-15 per cent of national GDP, on average, and about 13 per cent of world GDP (around USD 13 trillion per year) (World Bank, 2021).



Through so-called green government procurement policies, governments can influence private sector producers through their purchases of low-carbon goods and services, create markets for new green goods and services and, at the same time, help reduce their own carbon footprints.

. The EDB contains 77 environment-related GP measures since 2009, including Japan's basic policy for the promotion of contracts considering reduction of GHG emissions and Iceland's public procurement rules amendment to consider climate and social related criteria and labels.

# How to use trade policy tools to reduce emissions associated with buildings, industry and appliances?



- Upgrading energy efficiency regulations for certain consumer goods, such as electric vehicles, construction material or household appliances, can help reduce domestic energy consumption and related GHG emissions, by excluding the most polluting goods from the market.
  - Energy efficiency regulations have already reduced annual energy-related emissions by 12% in the 2000-17 period and potentially delivering over 40% of the reduction required the Paris Agreement by 2040
- Energy efficiency labelling schemes, notably on household appliances or in emission-intensive industries, can also help reduce emissions by leading to more informed decision-making by consumers.
- Since 2009, over 1,180 energy efficiency and conservation regulations have been notified to the WTO by over 70 WTO members