

Making the International Trading System Work for Climate Change: Assessing the Options

Workshop Summary

On October 19th 2017, Climate Strategies and FES Geneva hosted a workshop at the Jiva Hill hotel in Crozet. The workshop* brought together practitioners and researchers from the climate and trade communities for an in-depth and substantive discussion on a number of climate and trade-related topics. The day was broken down into four sessions:

1. Trade, Climate and Sustainable Development Nexus

Trade was discussed as a means of achieving the Sustainable Development Goals (SDGs), including the eradication of poverty by 2030. However, there has been a lack of efforts to ensure that trade rules and SDGs are mutually reinforcing. Meanwhile, the bottom-up architecture of the Paris Agreement on climate change, including trade measures included in nationally determined contributions (NDCs), means that further interactions with the multilateral trading system are likely to arise. While there is a need to address these issues through other means than just disputes, political will is the “*missing ingredient*” to [enable this](#).

2. Border Carbon Adjustments in a Post-Paris world

There is new momentum for border carbon adjustments (BCAs), partially as a result of the Paris Agreement’s bottom-up, heterogeneous design, and recent political developments in the US. There is a need to open up the largely theoretical debate on BCAs by “*putting actionable tools on the table*”. A concrete design of steps to consider was presented, including:

- Determining scope and coverage;
- Calculating the embedded carbon;
- Defining the adjustment level;
- Setting revenue use;
- Deciding on expiration.

From the discussion, there appeared a need for a number of actions. These included fostering carbon prices in national policies, considering reinvestment of BCA revenues into climate initiatives, discussing NDCs in the WTO context, lowering the administrative burden associated with BCAs, and ensuring transparency. Further detail can be found in the [Climate Strategies policy brief on BCAs](#).

3. Addressing Fossil Fuel Subsidies within the International Trading System

At an estimated total of US\$ 600 billion a year, fossil fuel subsidies are an issue “*too big for the WTO to ignore*”. Litigation is an imperfect tool for addressing fossil fuel subsidies through the WTO, including as a result of “*undercapture*” of such subsidies by WTO law. Because of this, there is a need to consider other options, including:

- Technical assistance and capacity building;
- Improved transparency;
- A political declaration;
- Pledging and review;
- Expansion of the ASCM's category of prohibited subsidies category.

Bilateral and plurilateral agreements were discussed as an additional way forward. There is potential momentum for a political declaration on this topic at the WTO's eleventh Ministerial Conference, which will be held in Buenos Aires in December 2017. Further detail can be found in the [Climate Strategies policy brief on fossil fuel subsidies](#) and an accompanying [blog post](#).

4. Making the international trading system more supportive for the Paris Agreement?

As leaving the fate of climate action to the WTO's dispute system creates uncertainty, a set of general policy options have been identified by the project team for trade and climate policy makers to pursue:

- a. Options requiring legal changes to the WTO Agreements;
- b. Procedural changes in institutions and practices, for instance under the WTO and UNFCCC;
- c. Actions under plurilateral and regional trade agreements.

A first-cut analysis of each of the proposed policy options was presented during the workshop on the basis of three criteria: ‘*potential for reducing legal uncertainty*’, ‘*environmental effectiveness*’ and ‘*political feasibility*’. Participants also highlighted:

- The trade regime could reputedly benefit from paying more attention to social and environmental goods – yet introducing non-trade concerns into the WTO regime remains a key challenge;
- The need for a change in mentalities, to emphasise the “*solutions side*”, and to look beyond the most difficult and contentious topics;
- The potential of platforms to bring together people from both the climate change and trade agendas;
- The importance of coordination at the national level;
- An interest in studies on the role of Free Trade Agreements (FTAs) in promoting the sustainable development agenda through regulation, liberalisation, dispute settlement, MEA compliance, civil society involvement and monitoring, and CSR provisions.