

# Trade and climate change

2007/2003(INI) - 29/11/2007 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drawn up by Alain **LIPIETZ** (Green/ALE, FR) on trade and climate change, by 541 votes in favour to 46 against with 19 abstentions. The report welcomes the broad scientific and political consensus on the seriousness of climate change and urges the conclusion of an ambitious, worldwide post-Kyoto agreement, in line with the scenario of IPCC Working group III, on the need to limit temperature increases to 2°C, and for corresponding adjustments to be made to other international agreements concerning trade, civil aviation and intellectual property.

**From consensus to action:** Parliament considers that a post-2012 framework should allow different countries to participate through a short-term, multi-stage approach and that, in the medium-term, emissions should be allocated on a per capita basis, first to developed countries, but eventually to all countries. It calls on the Council and the Commission, working towards building a consensus on a post-2012 framework, to include key parties currently outside of the Kyoto Protocol, notably the US and Australia, and to collaborate with individual states and businesses in the absence of a commitment made by governments.

The EU and its Member States must seek to apply the Kyoto Protocol's enforcement mechanism procedure when it comes into force, in order to ensure that countries that have not accepted targets or are not meeting them do not enjoy an unfair advantage. As long as companies are vulnerable to unfair competition from countries that do not accept targets, industry will always find it difficult to improve the carbon-efficiency of its own operations. Parliament considers that where a country exceeds the permitted emissions in the first commitment period, it should be required to make up the difference in the second commitment period, in addition to a penalty deduction of 30 %. The EU must make sure that that requirement is applied as rigorously as possible when it comes fully into force.

Increasing **trade should be regarded as a positive factor** for economic growth and citizens' well-being, once the problems relating to climate change have been taken into account. Parliament is worried that the increased volume of trade is making a substantial contribution towards climate change and considers that trade policy must therefore provide part of the solution. Given the growing consensus on the urgency to tackle climate change, the EU must implement trade and investment policies that create economic incentives to meet climate change policy objectives. The EU may need to use those rules to create economic disincentives for climate-unfriendly activity. Parliament considers, however, that this must not be used as an excuse for protectionist policies against developing countries.

The report underlines that, whilst trade can make a significant contribution to economic development and human prosperity, the transport sector (principally road transport is responsible for one third of global greenhouse gas emissions. Measures to drive a modal shift to more environmentally-friendly transport modes (such as rail and water-borne transport) and to reduce greenhouse gas emissions from freight transport are imperative. The EU is well placed to contribute to a worldwide shift in production and transport patterns. They consider that a front-running Europe would be in a more competitive situation when stricter regulations are adopted worldwide.

**Towards multilateralism against climate change:** the report stresses the need for strong cooperation between the United Nations Environment Programme (UNEP), the Climate Change Convention and the WTO, and asks the Commission to develop an initiative to support this aim. The Commission is also

asked to take initiatives at the international level, and particularly within the WTO, to ensure that trade policy as a whole, and in relation to trade volume trends, takes account of its potential impact on climate change.

Parliament urges the EU, with a view to achieving the Lisbon objectives, to develop and promote 'climate-friendly industry' at a global level, particularly as trade is an important tool for the transfer of technology to developing countries. It emphasises the need to reduce barriers to "green trade" by, for example, removing tariffs on "green goods" at the WTO level, reshaping the rules on intellectual property rights (IPR), facilitating the market entry of green technology by allowing climate concerns to guide export credit guarantees, as well as by removing perverse incentives and distortions of the market, such as fossil fuel subsidies.

Parliament also calls for the establishment of an **international environmental organisation** which would assume responsibility for compliance with international treaties and agreements on environmental protection and combating climate change, and which would, inter alia, work and cooperate with the WTO on issues concerning the impact of trade on the environment.

The report also suggests amending the WTO subsidies agreement in order to reintroduce a clause providing for the non-action ability of certain environmental subsidies.

MEPs stress the need for more intensive technological cooperation with developing and emerging countries, particularly China, Brazil and India, in order to enable them to mainstream environmental protection in their policies.

The Commission is invited to include environmental protection clauses, with special reference to reducing carbon dioxide emissions, in its trade agreements with third countries. The Council and the Commission are called upon to ensure that the negotiations on the new generation of Free Trade Agreements (FTA) with partners in Asia and Latin America include commitments to the social and environmental aspects of trade and sustainable development.

**The EU can do more to avoid CO<sub>2</sub> leakage:** the report repeats the need for a 30% reduction in EU greenhouse gas emissions by 2020, independent of third countries' commitments. It calls on the Commission and the Council to propose measures for the provision of information on the energy consumed, and greenhouse gases emitted, during the manufacture and transport of products placed on sale within the EU, such as the proposal made by the UK Government to introduce carbon footprint product labels displaying the level of CO<sub>2</sub> emission caused by the production, transport and eventual disposal of a product.

MEPs call for:

- the introduction of WTO compatible common standards and labelling schemes regarding the GHG implications of different products, including at the production and transport stages;
- a procedure to assess and label these ecological footprints and to develop software in order to enable businesses to calculate the quantity of GHG emitted from every production process;
- consideration to be given to all means of transport and in particular those whose emissions have increased significantly in recent years, namely shipping (whose carbon dioxide emissions are thought to be double those of aviation);
- proposing measures to promote and choose the least polluting modes of transport, particularly by drawing up provisions relating to the various market instruments;

- assessing the climate impact of EU imports of soya and palm oil, taking into account their effects on tropical deforestation, and measures to incorporate the climate cost in prices;
- the development of a scheme based on sound life-cycle data which includes finished goods, such as cars and electronic equipment, in this adjustment where necessary;
- the adoption of incentives for the production, through granting State or Community funds, and use, through reductions in VAT, of products which help to reduce CO2 emissions.

Parliament urges that **aid granted to the transport sector** be calculated taking into account the environmental impact of the different modes of transport, and that consideration be given to using WTO-market-compatible trade instruments (such as labelling and standards) which promote climate protection. Given that the real carbon cost of road transport is not known, especially in the case of food and other daily consumables, support schemes to **promote sustainable local production** should be promoted so as to discourage the excessive transport by road of food. It also recommends the introduction of climate WTO-compatible labelling standards in order to inform consumers of the ecological footprint of products.

Parliament states that it is especially concerned by the **potential negative, environmental and social impact of policies encouraging biofuel** and biomass use in Europe. It asks the Commission to pursue a WTO-compatible sustainability certification scheme for biofuels (or their feedstocks) as a condition for their use and for their compliance with EU-wide mandatory sectoral targets.

Lastly, Parliament invites the Commission to consider whether it would be appropriate to **evaluate the rules on trade defence measures**, such as the rules on anti-dumping or subsidies, within the aegis of WTO, with a view to taking into account the failure to comply with global, social and environmental agreements or international covenants as forms of dumping or undue subsidy. When trade defence instruments are reformed, they should take account of the feasibility of introducing environmental factors in order to avoid environmental dumping of products originating from countries that have not ratified the post-Kyoto protocol.