International trade policy in the context of climate change imperatives

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The Committee on International Trade adopted the own-initiative report drafted by Yannick JADOT (Greens/EFA, BE) on international trade policy in the context of climate change imperatives.

Members welcome the European Council's goal of reducing European greenhouse gas emissions by 80-95% by 2050 compared with their 1990 levels, this target being necessary for the EU to regain its leading role in international climate initiatives, as other countries have made strong commitments to developing a green economy. They call for the conclusion of an internationally binding agreement on climate protection and strongly support the objective of a 30% reduction in CO2 emissions in the EU by 2020, irrespective of international negotiations.

The report stresses that **developed countries must take the lead** in reducing CO2 emissions. It calls on the Member States to strengthen their regulation over the EU Emission Trading Scheme (ETS) by establishing a minimum price for carbon.

The committee considers that the WTO rules should be interpreted and developed in such a way as to support commitments made in multilateral environmental agreements (MEA). It deplores the fact that none of the WTO agreements currently make direct reference to climate change.

The Commission and the Member States are called upon, **in connection with WTO negotiations and bilateral trade agreements**, to insist that the liberalisation of trade, particularly in natural raw materials, does not jeopardise sustainable resource management and that objectives relating to climate protection and the conservation of species become an integral part of the agreements.

The Commission is called upon, to this end, to urge that a joint meeting of WTO trade and environment ministers be held before the UN Framework Convention on Climate Change Conference (UNFCCC COP) in Johannesburg in 2011.

(1) Stronger positive interaction between trade and climate protection:Members consider thatclimate protection and trade liberalisation can be mutually reinforcing by facilitating trade in environmental goods and services, but a list of these goods and services needs to be drawn up in advance in accordance with strict environmental criteria and in cooperation with the WTO member states.

The report emphasises the need to **reduce barriers to 'green trade'** by, for instance, removing tariffs on 'green goods' at WTO level. They hope that the EU will set a good example, by removing obstacles such as tariffs and levies to trade in 'green' technologies and environmentally sound and climate-friendly products and promoting 'environmental goods and services' (EGS).

The report emphasises the importance of innovation in green technologies and recognises the role that trade can play in the transfer of these technologies between countries. In this respect, it calls on the EU to take the lead in the identification of the salient barriers to the dissemination of technologies in developing countries to address climate change.

The committee **opposes subsidies for fossil fuels** and calls for greater support for environmentally sound renewable energies and the identification and development of decentralised energy sources, particularly in developing countries.

(2) Making international trade prices fairer and avoiding carbon leakage: the committee notes that trade liberalisation can conflict with climate protection if certain countries seek a competitive advantage by failing to act on climate issues. It suggests, therefore, a reform of the WTO anti-dumping rules to include the issue of a **fair environmental price** in accordance with global climate protection standards. Members consider that a multilateral climate agreement would be the best instrument for internalising negative external environmental factors relating to CO2, but that there is a risk that this will not be achieved in the near future. They take the view, therefore, that the EU should continue to look into the possibility of putting in place, for those industries that are actually exposed to carbon leakage, appropriate environmental instruments in addition to the auctioning of CO2 quotas under the EU's emissions trading scheme, in particular a 'carbon inclusion mechanism' that complies with WTO rules. Such a mechanism would make it possible to combat the risk of CO2 emissions being transferred to third countries.

The report states unequivocally that border **tax adjustments** should not function as an instrument for protectionism but rather as a way to reduce emissions.

(3) Promoting product differentiation according to their impact on the climate: the report points out that climate protection involves various public policies – carbon labelling, strict ecological criteria for public procurement, standards, subsidies, taxes, quotas – that differentiate products according to their production process and method (PPM), and that it may be necessary to apply these policies to both European and imported products.

Members consider that the EU, as the largest trading bloc in the world, can **set worldwide standards**, and supports the development and more widespread use of certification and labelling schemes which take account of social and ecological criteria.

The Commission is called upon to: (i) take steps to re-launch discussions within the WTO on PPMs and the possibility of differentiating similar products in terms of their carbon footprint, energy footprint or technological standards; (ii) have systematic recourse to **sustainability labels or criteria** in trade negotiations and bilateral and multilateral trade agreements for products with a climate impact.

Members advocate that genuine, binding sustainability criteria and standards be developed for the production of **biofuels and biomass**. They consider it crucial that there be strict standards of sustainability for the international trade in biofuels, bearing in mind their contradictory environmental and social impact.

(4) Trade liberalisation must not be at the cost of ambitious climate policies: the report emphasises that the liberalisation of agricultural products has led a large number of developing countries to adopt agricultural models based on monoculture and exports, although these models are very vulnerable to climate change and can result in massive deforestation.

It calls on the Commission **not to conclude any trade agreement that would intensify deforestation** and to make sure that trade agreements and European public aid to agriculture do not muddy the prospects for agricultural policies that incorporate combating climate change in the objective to attain food sovereignty.

The report notes with concern that economic globalisation has often led to an agricultural model based on export crop monocultures which favours unsustainable farming practices in many developing countries. Members believe that the trade regimes should reflect adequately the needs of smallholder farmers and rural communities, especially in the developing world, while providing incentives for organic agriculture, which is less carbon-intensive and therefore contributes to climate change mitigation. They call for the setting-up of **quality trade standards** at national and international level and for governments to be enabled to link market access to these standards, e.g. by granting preferential market access to products that adhere to certain sustainability standards.

(5) Full inclusion of transport in the problem area of trade and climate issues: the report regrets that the current trading system produces a global division of labour and production which is based on a very high input of transport, which does not bear its own environmental costs. It wants the climate cost of international transport to be internalized in its price, whether this be done through taxation or quota trading schemes that charge fees. Members welcome the fact that aviation is soon to be included in the EU ETS and awaits a similar initiative from the Commission for maritime transport by 2011, entering into effect in 2013, if it proves impossible to set up a global mechanism by then. Members call on the Commission and the Member States to do everything under their power to achieve a legally binding agreement on the reduction of shipping emissions in the context of the International Maritime Organisation (IMO). It considers it important that international commitments relating to reducing GHG emissions also apply to **international air transport and shipping.**

Members regret that fuel consumed in overseas transportation of goods is not subject taxes. They advocate that taxes be imposed on that fuel and on those products, in particular on airfreight products. They also expect that the Commission take the initiative to query aid granted to the more polluting modes of transport, such as exemption from kerosene tax.

(6) Strengthening tools that ensure consistency between trade and climate: the report calls for consistency between the European Union's trade and climate policies to be guaranteed by the calculation of a carbon balance for each trade policy. Members urge the EU to use the comprehensive environmental provisions in bilateral and regional trade agreements as a development tool, emphasising the need for proper implementation of environmental clauses and cooperation mechanisms to promote technology transfer, technical assistance and capacity building. The report calls on the Commission systematically to include environmental clauses in trade agreements concluded with non-EU countries, with particular regard to reducing CO2 emissions and the transfer of low-emission technology.

(7) EU consistency on climate and trade from the viewpoint of developing countries: the report insists therefore on the importance of negotiations with these countries on all measures that the EU might take, in particular border adjustment measures, and on the need for the EU to abide by its climate aid commitments to developing countries.

Members are convinced that measures to combat climate change must be based on the **principle of solidarity between industrialised and developing countries**. They call for an overall strategy for emission trading and the taxation of energy and greenhouse gas emissions to be devised jointly with developing countries, emerging countries and industrialised countries in order, on the one hand, to prevent an exodus by businesses (carbon leakage) and, on the other hand, to generate funding for measures to combat climate change and to reduce and adjust to its consequences.

Recalling that the commitment made by industrialised countries, including the EU Member States, to reflect on innovative funding to combat climate change, Members call on the Commission to come up quickly with proposals to Council and Parliament on the introduction of **this type of tax at EU level**.

The report deplores the fact that technology transfer makes up only a small share of official development aid. It urges the Member States to deliver **additional technical and financial assistance** for developing countries to face the consequences of climate change, to meet climate-related standards and to include upfront development impact assessments of standards, labelling and certification.