International trade policy in the context of climate change imperatives

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The European Parliament adopted by 504 votes to 78, with 4 abstentions, a resolution on international trade policy in the context of climate change imperatives.

Parliament welcomes 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. It calls for the conclusion of an internationally binding agreement on climate protection and strongly supports the objective of a 30% reduction in CO2 emissions in the EU by 2020, and the long-term EU objective of reducing emissions of CO2 and other greenhouse gases by at least 85% by 2050.

The resolution stresses that **developed countries must take the lead** in reducing CO2 emissions. Parliament believes that the setting-up of standards, labelling and certification are instruments with a huge potential for reducing energy use and thereby addressing climate change. It deems that the Clean Development Mechanism (CDM) has failed to address the needs of most vulnerable countries.

Parliament considers that the WTO rules should be interpreted and developed in such a way as to support commitments made in multilateral environmental agreements. It calls on the Commission to work on building a consensus at the WTO to give the secretariats of multilateral environmental agreements observer status at all WTO meetings concerning their area of competence and an advisory role in environmental dispute settlement procedures. It stresses that new international rules should be set up in order to eliminate the comparative advantage conferred by cheap CO2 emission.

On the other hand, Members deplores the fact that none of the WTO agreements currently make direct reference to climate change, food security and the Millennium Development Goals. They consider that changes in WTO rules are needed to ensure coherence and consistency with the commitments under the Kyoto Protocol and multilateral environment agreements (MEAs); calls urgently for a reform of the WTO to enable products to be distinguished according to their production and processing methods (PPMs).

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 resolution emphasises the need to **reduce barriers to 'green trade'** by, for instance, removing tariffs on 'green goods' at WTO level. It hopes 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).

Parliament 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.

Parliament **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: Parliament 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 resolution 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: Parliament considers 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 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. 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.

(4) Trade liberalisation must not be at the cost of ambitious climate policies: Parliament is concerned about the Commission's desire to push liberalisation of the timber trade, and in particular the abolition of export restrictions. It is of the opinion that new international climate protection agreements must contain firm guarantees on reducing the adverse environmental impact of the international timber trade and eradicating deforestation, the extent of which is cause for concern.

(5) Full inclusion of transport in the problem area of trade and climate issues: Parliament 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. It welcomes 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 for the **transport and environmental costs** generated to be incorporated into the prices of products (internalisation of external costs), particularly by including shipping, which accounts for 90% of the transport used in international trade, in the European Emissions Trading Scheme (ETS).

The resolution calls on the Commission and 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 also considers it important that international commitments relating to reducing GHG emissions also apply to international air transport and shipping.

(6) Strengthening tools that ensure consistency between trade and climate: the resolution 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 resolution 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 resolution insists 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. It recalls the commitment made by industrialised countries, including the EU Member States, to reflect on innovative funding to combat climate change.

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.

The resolution 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.