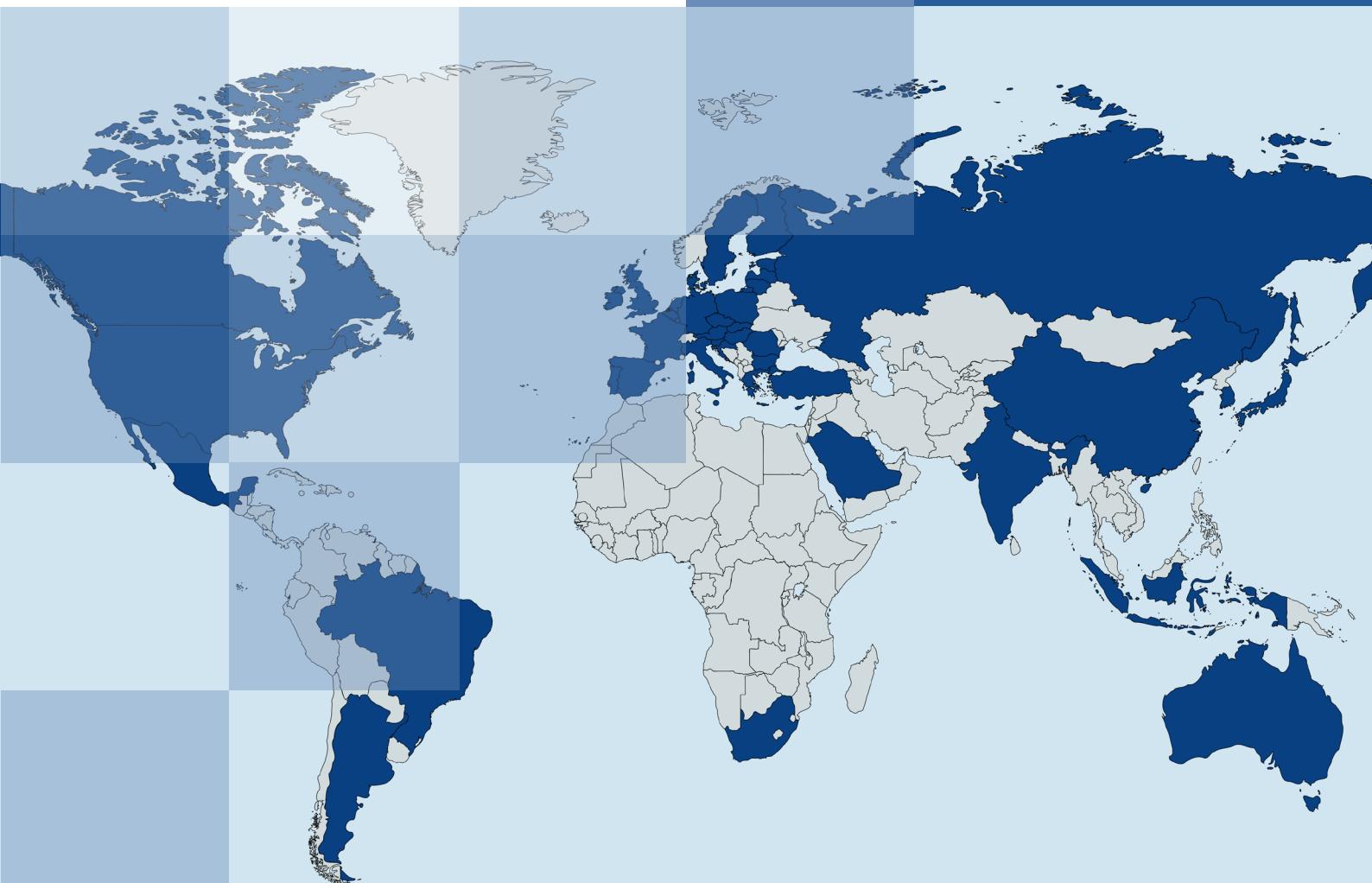


# Trade and Climate Change: Issues for the G20 Agenda

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## ABOUT THE AUTHOR:

Mr. Aaron Cosby is a development economist with over 25 years of experience in the areas of trade, investment, climate change and sustainable development. He has worked for the International Institute for Sustainable Development (IISD) for many years and has been a

consultant for numerous international institutions such as UNEP, UNDP, World Bank and others. Mr. Cosby currently heads the firm Small World Consulting which undertakes sustainable development and environment research and technical assistance.

# 1. INTRODUCTION

The G20 stands today as the premier forum for international economic cooperation. Formed in the immediate aftermath of the 2008 financial crisis, the group played an important role in preserving the integrity of the multilateral system of trade by securing commitments that its members would not resort to protectionist measures in their recovery efforts.

That concern is understandable not just from an economic perspective, but also from the perspective of sustainable development. The 2030 Agenda for Sustainable Development features trade as one of the key means of implementation in Sustainable Development Goal 17, acknowledging the foundational character of trade's poverty-reducing impacts as critical to achieving the panoply of agreed sustainable development targets.

From its roots as an institution of governance concerned with trade and investment, the G20 quickly evolved to consider a wider agenda of topics such as the global health agenda, the refugee crisis and other issues with not only economic implications, but also broader social and public welfare aspects. One such issue, taken up early in the G20's history, is climate change. The Pittsburgh 2009 Leaders Statement declared:

"We underscore anew our resolve to take strong action to address the threat of dangerous climate

change. We reaffirm the objective, provisions, and principles of the United Nations Framework Convention on Climate Change (UNFCCC), including common but differentiated responsibilities."

The concern with climate change too is understandable, even from an economic governance perspective. As IMF Managing Director Christine Lagarde argued: "Climate change ... is by far the greatest economic challenge of the 21<sup>st</sup> century." If the global community of nations does not successfully address climate change, the implications are not simply environmental, but will be fundamentally disruptive for our socio-economic order.

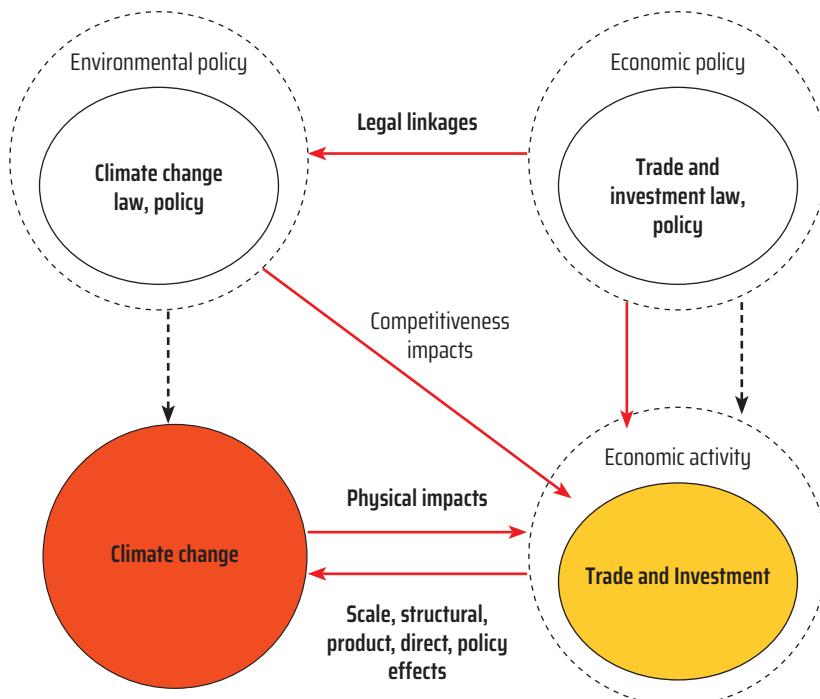
This brief considers the intersection of these two critically important G20 agenda items—trade and climate change – and explores whether there are issues at the interface that merit an integrated approach building on the current separate workstreams. It begins with a brief survey of the multiple ways the two policy spheres intersect, and then delves into a few selected areas at the nexus, as illustrations of the types of issues raised. The paper concludes with a few observations on the possible ways forward through international cooperation. The point is to provoke thinking about whether there is space for the G20, as a unique global institution of cooperative governance, to help advance the objectives of both trade and climate change by considering them together.

## 2. THE TRADE AND CLIMATE CHANGE RELATIONSHIP

The relationship between climate change and trade and investment is in fact many relationships, as

illustrated in figure 1, and discussed in greater depth below.

**Figure 1: Trade, investment and climate change linkages**



### Trade and investment law impacts

Trade and investment law disciplines any national-level laws and regulations with trade and investment impacts, and this includes measures taken to address climate change. These are the legal linkages from Figure 1. For example, the WTO Agreement on Subsidies and Countervailing Measures (SCM) mandates that a subsidy given to domestic producers of renewable energy equipment cannot have adverse impacts on foreign competitors, and cannot be conditioned on the use of local components in production. The WTO's General Agreement

on Tariffs and Trade (GATT) has non-discrimination provisions that do not allow countries to distinguish at the border between goods based on how they were produced, so a high-carbon tonne of steel must be treated similarly to a low-carbon like good. In such a case the GATT has general exceptions that may allow such discrimination on environmental grounds, but the point is that climate measures with trade and investment impacts ultimately need to conform to trade and investment law.

## Trade policy impacts

Trade policy can have positive or negative effects on the climate. On the positive side, trade's major impact is to increase allocative efficiency, such that goods are produced in the least-cost locations and then traded internationally. This can mean fewer resources needed to produce a given good, and fewer emissions (though as noted below, emissions in transport also need to be added to the equation) – the “scale effect”. Trade and investment also act to disseminate low-carbon technologies to countries that could not have produced them domestically, and foreign direct investment spreads know-how that allows host country citizens to become more efficient producers in turn – these are known as “product effects”.

Trade policies can also directly promote climate-related goals. Asia-Pacific Economic Cooperation (APEC) leaders in 2012 agreed to reduce tariffs on 54 environmental goods, many with climate benefits, and 18 WTO members are in

the process of negotiating a similar agreement, though progress since the talks began in 2014 has been difficult.

On the negative side, trade greatly expands the potential market for domestic production so, depending on national-level environmental regulations, export activities that involve environmental damage such as deforestation can be more climate-damaging – the “structural effect”. Trade can also have direct negative effects, such as the emissions involved in shipping products from exporter to importer.

Trade also increases incomes, as noted above. This can have both positive and negative scale effects. Increased income tends to increase emissions, as consumption of climate-damaging goods rises. However, increased income can also allow countries and citizens the means to address issues such as climate change.

## Climate change law and policy impacts

Climate change law and policy have significant impacts on trade and investment flows, skewing those flows away from carbon-intensive products and processes and toward low-carbon alternatives, altering competitiveness and terms of trade at the firm and national levels.

The UNFCCC and its related instruments have driven law and regulations at the national level that range from outright bans on high-carbon products and activities (e.g., bans on the use of coal for electricity generation) to

price signals such as carbon taxes, to non-price signals that can trigger major flows of investment into research, development and commercialization of low-carbon technologies (e.g., announced targets for renewables, electric vehicle penetration).

Climate law and policy at the national level can affect the international competitiveness of domestic producers, depending on the costs of regulation, and the stringency with which foreign competitors are regulated.

## Climate change impacts

Climate change has significant impacts on trade flows, with climate change impacts changing the comparative advantage of trading nations in sectors such as agriculture, fisheries and forestry. These are the physical impacts from Figure 1. Increased temperatures and CO<sub>2</sub> levels, for example, change the mix of crops that can be grown at different latitudes, and increased variability in weather patterns such as monsoons forces farmers to adapt, with impacts on productivity and profitability. The export of services such as tourism will also be affected by climate-related impacts such as coral reef bleaching and sea-level rise.

Another sort of impact involves climate change directly affecting trade-related infrastructure, or trading routes. Rising sea levels will endanger coastal infrastructure that supports trade, such as ports, as well as trade-related facilities located close to ports such as steel mills, petrochemical plants and other energy facilities. Rising temperatures in the polar regions will make Arctic sea lanes safer and more reliable transport routes. However, melting permafrost may damage high latitude oil and gas installations, pipelines, as well as railways.

### 3. SELECTED ISSUES AT THE INTERFACE

Figure 1 shows that there are many points of intersection between the trade and climate policy spheres. An exhaustive survey of those issues is beyond the scope of this paper; rather, this section will consider a few examples of the most important and topical trade and climate change issues. The issues described here show that the trade-climate change nexus spans from potential

win-win areas to areas of potential conflict, each with its own unique challenges. The aim of this brief survey is twofold: to illustrate the importance of the trade-climate change policy interface, and to provoke thinking about the types of cooperation that could help advance critically important objectives in the areas of both climate change and economic cooperation.

#### Fossil fuel subsidy reform

Subsidies to fossil fuel production and consumption are estimated at USD 373 billion per year/year globally, over USD 150 billion of that coming from OECD countries.<sup>1</sup> This is a staggering sum considering fossil fuel combustion contributes roughly 65% to total greenhouse gas emissions.<sup>2</sup> Recent studies show that only a fraction of existing proven reserves can be burned if we are to have a chance of achieving the Paris Agreement 2-degree target.<sup>3</sup> One study looked at 78 top producers, responsible for 63% of historical production, and calculated that their existing proven reserves alone would exceed the global carbon budget by 60%.<sup>4</sup> Subsidies that hasten the depletion of that “carbon budget” mean that we will either break the

budget, or have a sudden transition with very high economic and social costs. Neither alternative is palatable.

The G20 in 2009 committed to a phase out of certain fossil fuel subsidies, as did the G7 in 2016.<sup>5</sup> The UN Sustainable Development Goals also commit to a phase out.<sup>6</sup> Results have been positive – the G20’s peer review process is a welcome and essential step in the right direction – but with limited impact as yet. The stakes are high; it has been estimated that phasing out consumer subsidies would reduce global GHG emissions by 3% by 2020,<sup>7</sup> and phasing out producer subsidies would reduce emissions by roughly 2%.<sup>8</sup>

<sup>1</sup> OECD. 2018. *OECD Companion to the Inventory of Support Measures for Fossil Fuels 2018*. Paris: OECD. <http://dx.doi.org/10.1787/9789264286061-en>. Figures are for 2015.

<sup>2</sup> Ottmar Edenhofer et al. (eds.) 2014. *Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*. Cambridge, UK and New York, USA: Cambridge University Press. This figure is for 2010 and includes CO<sub>2</sub> from fossil fuel combustion and industrial processes.

<sup>3</sup> Christophe McGlade and Paul Ekins. 2014. “Un-burnable oil: an examination of oil resource utilisation in a decarbonised energy system.” *Energy Policy* 64: 102–112.

<sup>4</sup> Richard Heede and Naomi Oreskes. 2016. “Potential emissions of CO<sub>2</sub> and methane from proved reserves of fossil fuels: an alternative analysis.” *Global Environmental Change* 36: 12–20.

<sup>5</sup> G20 Leaders Statement: The Pittsburgh Summit (2009): “Rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.” G7 Ise-Shima Leaders’ Declaration (2016): “We remain committed to the elimination of inefficient fossil fuel subsidies ...”.

<sup>6</sup> Sustainable Development Target 12.c: “Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions ...”

<sup>7</sup> OECD. 2015. *OECD Companion to the Inventory of Support Measures for Fossil Fuels 2015*. Paris: OECD.

<sup>8</sup> Ivetta Gerasimchuk et al. 2017. *Zombie Energy: Climate benefits of ending subsidies to fossil fuel production*. IISD-Global Subsidies Initiative/Overseas Development Institute Working Paper. <https://www.iisd.org/sites/default/files/publications/zombie-energy-climate-benefits-ending-subsidies-fossil-fuel-production.pdf>.

Some have suggested that trade rules should discipline fossil fuel subsidies, helping to hasten their reduction and elimination. This is not foreign territory for trade agreements, which already discipline trade-distorting subsidies. Moreover, the WTO's Doha Round has a mandate to reduce fisheries subsidies in part for environmental reasons.

But there are obstacles. For example, consumption subsidies (which make up 80% of fossil fuel subsidies) probably don't meet the WTO criteria for subsidy, since they are not specific to a particular recipient and don't adversely affect foreign producers. However, there are also solutions; in the fisheries subsidies negotiations it has been proposed that certain types of subsidies be declared prohibited, which would remove the need to show specificity or adverse effects.

## Liberalized trade in climate-friendly goods

As noted above, APEC has reduced tariffs on 54 environmental goods, and there are plurilateral negotiations ongoing among 18 WTO members focused on a much larger list. As well, the Doha Round mandate includes liberalization of trade in environmental goods and services.

These sorts of efforts, if successful, are a classic win-win: good for the environment, because lower tariffs means more dissemination of critically needed low-carbon technologies, and good for trade and the economy because more such goods can be produced and sold.

There are two caveats to this positive scenario. First, talks at the WTO level have not been progressing, in large part because of disagreements over what should be included on the list of green goods. Each country has been proceeding as if in a trade negotiation, seeking gains for their domestic producers. But those gains will often mean losses for other countries' producers. If there is no agreed set of criteria defining "green" that can guide countries in case of disagreement, such negotiations will struggle over questions like: "Is a bicycle a green good?"<sup>9</sup> There is no definition of "green" or "environmental" in the WTO or the plurilateral talks.

Tackling these sort of definitions might be an area ripe for cooperative support.

Second, tariffs on many climate-friendly goods are already relatively low, particularly in high-income countries that represent some of the biggest markets. The more important obstacles to international investment and trade in such goods are non-tariff barriers such as domestic regulations, standards, and permitting. One analysis of these sorts of barriers estimated that their impact was generally twice that of tariff barriers.<sup>10</sup> But non-tariff barriers are not being addressed in the current negotiations. Neither are environmental services, which are an essential complement to environmental goods.<sup>11</sup> Wind turbines are useless without the accompanying engineering, systems design and other associated services. Until the negotiations progress beyond tariffs to also cover environmental services and non-tariff barriers, their impact will be well below the full potential.

It may be that a forum outside the WTO would be best for starting the discussions on the non-tariff barriers that impede the flow of environmental goods, and the modalities by which services trade could be liberalized to support those flows.

<sup>9</sup> Aaron Cosby. 2015. "Breathing Life into the List: Practical suggestions for the negotiators of the Environmental Goods Agreement." Friedrich-Ebert Stiftung Briefing Paper.

<sup>10</sup> UNCTAD. 2014. *Non-Tariff Measures to Trade: Economic and Policy Issues for Developing Countries*. Geneva: United Nations Conference on Trade and Development.

<sup>11</sup> Camilla Prawitz and Magnus Rentzhog. 2014. *Making Green Trade Happen: Environmental Goods and Indispensable Services*. Stockholm: Swedish National Board of Trade.

## Dealing with competitiveness issues

The Paris Agreement leaves it up to states to decide their level of ambition in addressing climate change, and to choose the measures they will use to meet that ambition. This leaves open the possibility that states will impose costs (such as carbon taxes) on their domestic producers that are not imposed on their trading partners' producers.

The environmental problem with this is it may lead to leakage: domestic environmental measures may simply lead to a relocation of domestic emissions to other countries as firms relocate production, meaning no global environmental benefit. The economic problem is competitiveness: the affected domestic firms will either relocate or lose market share to exporters from other countries. The problem is most acute for sectors that have high energy costs and produce goods that are heavily traded such as aluminum and steel – the so-called energy-intensive trade-exposed (EITE) sectors.

To date, states have dealt with this problem by exempting EITE producers from the full costs of regulations. This is not ideal, because these are often the highest emitters, who most need price signals, and because it shifts the costs of climate action more heavily onto other sectors of the economy.

Some have proposed addressing the problem with border carbon adjustment: imposing levies at the border based on the carbon content of the imported goods. The design of such a regime has many possible options, but most of

the proposals involve some sort of adjustment based on the behaviour of the state from which the goods originate. There might, for example, be a carve out for all countries that have ratified the Paris Agreement, or there might be an adjustment to account for any domestic carbon tax paid by the exporters. It may in fact be possible to construct such a scheme that is legal under WTO law, but meeting that bar involves a dauntingly complex regime.<sup>12</sup>

A simpler option has been proposed by others: the so-called carbon club approach.<sup>13</sup> In such an approach club members (states) would commit to a harmonized carbon price at a level high enough to be effective but low enough to motivate membership (i.e., less than \$50/tonne). The club would impose penalties on all non-club members in the form of uniform percentage tariffs on all their traded goods. This is a much simpler approach than border carbon adjustment, but the trade-off is that it would almost certainly be illegal under trade law, unable to pass the tests of the Article XX environmental exceptions to the GATT. As well, negotiating an internationally agreed carbon price would be challenging.

Ideally there would be international agreement on how best to deal with national-level competitiveness issues, if not on the basic approach then at least on the standards that would underlie various approaches, such as a common agreement on methodologies for calculating carbon embodied in traded goods.

<sup>12</sup> Aaron Cosbey et al. 2012. "A Guide for the Concerned: Guidance on the Elaboration and Implementation of Border Carbon Adjustment." ENTWINED Policy brief No. 3. Stockholm: ENWINED Network. [https://www.iisd.org/sites/default/files/publications/bca\\_guidance.pdf](https://www.iisd.org/sites/default/files/publications/bca_guidance.pdf)

<sup>13</sup> William Nordhaus. 2015. "Climate Clubs: Overcoming Free Riding in International Climate Policy." *American Economic Review* 105(4): 1339-1370.

## Green industrial policy

In a trend that took off as part of the response to the 2008 financial crisis, some states have increasingly focused on supporting the growth of low-carbon sectors, aiming to capture shares in future low-carbon and energy efficiency markets estimated to value in the trillions of dollars.<sup>14</sup> This is green industrial policy – the traditional exercise of states to reshape their economies, but in a green direction.

Some of the most commonly used tools of green industrial policy may conflict with trade and investment law, however.<sup>15</sup> Perhaps the best known are feed-in-tariffs for renewable electricity that are conditioned on the use of local content. Because they distort patterns of trade and investment, these sorts of local content requirements are prohibited in the WTO Agreement on Trade-Related Investment Measures, as well as under many international investment agreements. Feed-in tariffs that use them are probably also prohibited subsidies under the WTO's SCM (though the only time that question was taken to WTO dispute settlement it could not be decided<sup>16</sup>). Critics of such measures argue that they almost never foster competitive domestic producers, and so the end result is simply more costly achievement of environmental goals. Proponents argue that if well designed they can work, pointing to the use of such instruments by China in successfully promoting domestic production of solar PV and wind energy technologies. They also argue that without the promise of new jobs some green measures would not be politically viable.

Subsidies—perhaps the most commonly used tool of green industrial policy—may also run into conflicts with trade law. They can take a variety of forms:

- Cash or land grants
- Preferential tax treatment

- Concessional loans or loan guarantees
- Export credit
- Price support
- Mandated purchase regimes (e.g. feed-in tariffs)
- Public research and development
- Provision of dedicated infrastructure (i.e., not of use to the general public)

Where they are linked to domestic content requirements, such subsidies are prohibited. In other cases, they will only violate WTO law if they can be shown to fit the SCM's definition of subsidies, including being granted to a specific target, and if they are found to have adverse effects on foreign producers.

While there have been few WTO disputes over subsidies as green industrial policy, there have been many actions taken under national trade remedy law, resulting in countervailing duties. WTO members imposed such duties 17 times in the in the solar PV, biofuels, and wind energy sectors between 2006 and 2015.<sup>17</sup>

There is no question that green industrial policy distorts trade and investment flows; its main purpose, after all, is to foster domestic producers in new sectors, at the expense of other countries' producers. The key questions for policy makers are:

- Whether, and in what circumstances, it can be successful in fostering innovation and cost reductions in critically needed green technologies; and
- Whether, at a global level, those sorts of benefits outweigh the costs of trade and investment distortion.

<sup>14</sup> The Global Commission on the Economy and Climate. 2014. *The New Climate Economy Report*. <http://newclimateeconomy.report/>

<sup>15</sup> Aaron Cosbey. 2017. "Trade and Investment Law and Green Industrial Policy," in Tilman Altenburg and Claudia Assmann (eds.), *Green Industrial Policy. Concept, Policies, Country Experiences*. Geneva, Bonn: UN Environment; German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). pp. 134-152. [http://www.un-page.org/files/public/green\\_industrial\\_policy\\_book\\_aw\\_web.pdf](http://www.un-page.org/files/public/green_industrial_policy_book_aw_web.pdf)

<sup>16</sup> WTO. 2013. *Canada – Certain Measures Affecting the Renewable Energy Generation Sector / Canada – Measures Relating to the Feed-In Tariff Program*. Reports of the Appellate Body. WT/DS412/AB/R, WT/DS426/AB/R.

<sup>17</sup> Kim Kampel. 2017. "Options for Disciplining the Use of Trade Remedies in Clean Energy Technologies." ICTSD Issues Paper. Geneva: International Centre for Trade and Sustainable Development. <http://www.ictsd.org/themes/climate-and-energy/research/options-for-disciplining-the-use-of-trade-remedies-in-clean>. An additional 29 anti-dumping duties were levied on those sectors in the same period.

## Investment law, green transition and stranded assets

It was noted above that only a fraction of the world's existing proven reserves can be burned if we are to achieve the Paris Agreement targets. Depending on the scenarios by which the world transitions to new energy infrastructure and technologies, abandoning the current fossil-fuel centric model will mean stranding a significant value of assets. Recent work to model the impact of the Paris Agreement's 2-degree target estimates that stranding of fossil fuel assets will lead to global losses of between USD 1 and 4 trillion by 2050, the variation depending on how low-cost producers behave in the face of declining demand and prices.<sup>18</sup>

One implication of these figures is that if disastrous climate change impacts are to be avoided, national laws and regulations will eventually be responsible for the stranding of significant fossil fuel assets. Under existing law in most international investment agreements, this may put states in line to pay damages – an obligation that would either deter necessary action or transfer massive costs to taxpayers.

International investment agreements, housed in over three thousand bilateral treaties, multilateral treaties or investment chapters in free trade agreements, offer protection to investors against certain types of state actions, such as expropriation without due process, and unfair discrimination. They also confer on investors the right to force binding arbitration over alleged state misconduct – so-called investor-state dispute settlement (ISDS).

Most agreements contain state obligations to offer investors fair and equitable treatment, or a minimum

standard of treatment. This has been interpreted by tribunals to mean, among other things, that legitimate expectations of investors should not be violated by state actions. We can expect to see investors argue that these rights have been violated when disruptive legislation strands their fossil fuel assets. In fact, such arguments are already being made:

- In *Rockhopper vs. Italy* the investor argues it is due compensation for its investments (€30 million) plus expected future profits after Italy's ban on offshore oil and gas exploration and extraction.
- In *Lone Pine Resources vs. Canada* the investor is claiming damages of CAD 119 million after Quebec's ban on oil and gas exploration and development in the St. Lawrence River.
- In *TransCanada Corp. vs USA* the investor claimed damages of USD 15 billion after the US rejection of approval—in part on climate change grounds—for a pipeline from Canada's oil sands to US refineries.<sup>19</sup>
- In *Vattenfall vs Germany (II)* the investor argues it is due roughly €1.4 billion in compensation after Germany's disruptive phase out of nuclear power.<sup>20</sup>

In all of these cases the argument was made that fair and equitable treatment had not been accorded to the investor. While current exposure to such claims is limited, it can be expected that the climate action necessary to achieve the Paris Agreement targets will result in increased state liability. Addressing this concern will be essential in the process of a just and managed transition to a green economy.

<sup>18</sup> Jean-François Mercure et al. 2018. "Macroeconomic impact of stranded fossil fuel assets." *Nature Climate Change* 8: 588-593. <https://doi.org/10.1038/s41558-018-0182-1>. Losses are a combination of market value loss from stranded assets and associated GDP/employment impacts. Dollar figures are present value of 2050 losses, using a 10% discount rate.

<sup>19</sup> This arbitration was suspended when the new US administration approved the project.

<sup>20</sup> This arbitration is not over regulations stranding fossil fuel assets. But the legal arguments against a disruptive law, based on environmental considerations, are identical.

## 4. MOVING FORWARD ON COOPERATION

It is worth considering a few practical issues about the available avenues for cooperation on trade and climate change issues. First, other things being equal, the coming years may see more unilateral trade-related measures taken in the name of climate change action. In part this is because of the voluntary nature of the Paris Agreement commitments; ratifying the Agreement in no way implies that parties accept their fellow parties' nationally determined contributions as "adequate," and does not necessarily protect parties from the use of measures such as border carbon adjustment. In part it is also because we know that the sum of the efforts pledged under the Paris Agreement's nationally determined contributions does not actually get us to the 2-degree target; in fact, current commitments would have us reach over 3 degrees of warming.<sup>21</sup> This fact will drive ambition in a way that will likely heighten tension on many of the points of interest discussed above.

All that said, the UNFCCC is unlikely to serve as a policy cooperation forum on economic issues such as trade. Article 3.5 of the Convention commits Parties to refrain from climate-related trade measures that involve arbitrary and unjustifiable discrimination or disguised restrictions on international trade. But beyond that commitment, there is not the institutional apparatus or the appetite within the climate regime to dictate the shape of national climate-related policies and measures, or to recommend changes to trade and investment laws or policies at the national or international levels.

Second, the multilateral trading system is severely constrained in its ability to accommodate new issues such as climate change. The WTO's Doha Round negotiations have been stalled for many years, with no agreement on how to move forward. Moreover, the WTO faces more critical systemic issues that demand the immediate attention of its members.<sup>22</sup>

Third, there is more room for finding innovative solutions at the level of regional and bilateral trade and investment agreements. These have always served as a sort of laboratory for new approaches across a variety of issues, and many of the solutions have subsequently become convention. The move by some WTO members to negotiate an environmental goods agreement was sparked by the success of the APEC in pursuing that same goal. New international investment agreements continue to innovate, and the results are finding their way into renegotiations or revisions of existing agreements.<sup>23</sup>

Finally, there may be an important role for groups such as the G20 to further explore the key issues and look for cooperative solutions. The *Hamburg Climate and Energy Plan for Growth* covers a number of important efforts to advance climate action – efforts that will depend for their success on a smooth coordination of trade and climate policies: a reliable and secure framework for the energy sector transition, promoting energy efficiency, scaling up renewable energy and other energy sources, realising access to modern and sustainable energy services for all, and fossil fuel subsidies. A Sherpa-track study group on trade and climate change, for example, could consider how the G20, within its mandate and capability, could contribute to the coordination needed to realize the goals set out in those and other areas. Given the complex relationship between trade and climate change, the appropriate actions would be varied, potentially ranging from commitments to action, to facilitative efforts like the fossil fuel subsidy peer review process, to statements of support for action in other fora.

Any G20 role in this area would need to be most focused on those areas most amenable to progress through the G20's unique cooperative mode of governance. And given the nature of the issues involved, cooperation with other agencies and stakeholders would be key to success.

<sup>21</sup> UNEP. 2017. *The Emissions Gap Report 2017*. United Nations Environment Programme (UNEP), Nairobi.

<sup>22</sup> Tetyana Payosova, Gary Clyde Hufbauer, and Jeffrey J. Schott. 2018. "The Dispute Settlement Crisis in the World Trade Organization: Causes and Cures." Peterson Institute for International Economic Policy Brief. <https://piie.com/system/files/documents/pb18-5.pdf>.

<sup>23</sup> UNCTAD. 2017. "Recent Policy Developments and Key Issues," Chapter 3 of UNCTAD *World Investment Report 2017*. Geneva: United Nations Conference on Trade and Development. [http://unctad.org/en/PublicationChapters/wir2017ch3\\_en.pdf](http://unctad.org/en/PublicationChapters/wir2017ch3_en.pdf).



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