

# INTERNATIONAL TRADE AND CLIMATE CHANGE

## POLICY STATEMENT

### Key messages:

The trade and climate change policy regimes must be aligned and integrated to achieve the goals of the Paris Agreement and to advance international trade.

Implementation:

See Implementation Roadmap

Document review:

31 December 2019

## International Trade and Climate Change

### Introduction

ICC is committed to a rules-based multilateral trading system under the auspices of the World Trade Organization (WTO). ICC is equally committed to achieving the goals of the United Nations Framework Convention on Climate Change (UNFCCC), including the Paris Agreement and to meeting the United Nations Sustainable Development Goals (SDGs). We believe that our collective responsibility to each other and to our planet necessitates that these multilateral agreements be supported equally.

### Objective

To advance international trade while also addressing climate change and otherwise achieving global sustainable development, our rules, frameworks, institutions, and policies must be aligned and integrated. They must be mutually consistent, mutually supportive, and mutually reinforcing.

### Recommendations

Immediate attention must be given by the Members of the WTO, by the Conference of Parties of the UNFCCC, and by all those who wish to see our global trade, climate, and other sustainability efforts succeed, ***to ensure concerted action by aligning and integrating these imperative global efforts.***

- The WTO must fulfil the commitment made on the first page of the WTO treaty ***to conduct “trade and economic endeavour...while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so....”***
- In their national climate strategies, the parties to the Paris Agreement must heed the admonition in the UNFCCC that ***“[m]easures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.”***
- ***Trade rules must be modernised to accelerate the pace and ambition of climate action and achieve the SDGs.***
  - Trade in sustainable goods and services must be accelerated;
  - The spread of new sustainable technologies<sup>1</sup> must be sped up while ensuring needed protections for intellectual property rights;
  - Production and consumption subsidies for fossil fuels must be disciplined;
  - A sectoral agreement promoting sustainable energy must be concluded;
  - Trade policy reviews must routinely include examinations of whether trade policies achieve the aims of the Paris Agreement and the SDGs.
- ***To enable ambitious climate action, trade rules must support putting a price on carbon.***  
Carbon pricing is essential to identifying and pursuing market-based solutions to address climate change by encouraging the necessary transition to a low-carbon, and ultimately no-carbon, global

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<sup>1</sup> Transformative new technologies are urgently needed to help transition to the low-carbon – and eventually no-carbon – economy that is crucial to addressing climate change and achieving the SDGs. Together, the spur of competition provided by trade and the more efficient allocation of resources resulting from trade help inspire innovation. A more efficient use of resources frees up more resources for making more investment. New ideas emerge in a new economic setting. New ideas become new technologies.

economy.

- **Carbon taxes ought to be considered by WTO Members as eligible for border tax adjustments under WTO rules.**
- **WTO Members should explore a climate waiver** permitting national climate measures that restrict international trade in products based on the amount of carbon and other greenhouse gases used and emitted in making them. Of all possible trade reforms to confront the unique challenge of climate change, a WTO climate waiver would arguably do the most to counter climate change at the least risk to the basic foundations of the WTO trading system, provided that it is not used as a protective measure. The adoption of a climate waiver would:
  - not change basic trade rules, including requiring non-discrimination in trade, which would continue to apply generally;
  - waive what would otherwise be the application of the trade rules for trade-restrictive measures taken in furtherance of national commitments made under the Paris Agreement.
  - be timely now when countries are beginning to enact domestic measures to fulfil their national pledges under the Paris Agreement and are starting the process also of considering and constructing more ambitious national climate actions.
- **Trade rules must, in addition, be enforced in ways that support addressing climate change and that further the SDGs.** The UNFCCC must define the national climate response measures that can be taken in furtherance of national climate pledges made under the Paris Agreement, including those that may legitimately restrict trade. With the benefit of this definition, WTO judges will know which national measures to acknowledge as entitled to an exception from WTO rules so long as they are not applied in a way that constitutes arbitrary or unjustifiable discrimination or a disguised restriction on international trade.



### The International Chamber of Commerce (ICC)

The International Chamber of Commerce (ICC) is the world's largest business organisation with a network of over 6 million members in more than 100 countries. We work to promote international trade, responsible business conduct and a global approach to regulation through a unique mix of advocacy and standard setting activities—together with market-leading dispute resolution services. Our members include many of the world's largest companies, SMEs, business associations and local chambers of commerce.

[www.iccwbo.org](http://www.iccwbo.org)

#### **INTERNATIONAL CHAMBER OF COMMERCE**

33-43 avenue du Président Wilson, 75116 Paris, France

**T** +33 (0)1 49 53 28 28 **F** +33 (0)1 49 53 28 59

**E** [icc@iccwbo.org](mailto:icc@iccwbo.org) [www.iccwbo.org](http://www.iccwbo.org)

### Implementation Roadmap

Purpose of the paper	Provide recommendations on the steps needed to align the trade and climate change policy regimes
Primary audience	Governments
Background	<p>Trade and climate change are both key strategic priorities for ICC.</p> <p>ICC started working on trade and climate change nexus in earnest in January 2018 when we convened a meeting between the heads of the WTO, UN Environment, and several trade, climate and foreign ministers in Davos.</p> <p>ICC, with the governments of Canada and France, was also involved in a major event in Geneva on 2 October 2018 as part of the WTO Trade Dialogues.</p>
Key messages	<p>ICC is equally committed to the UNFCCC, including the Paris Agreement, and to multilateral trade.</p> <p>The IPCC Special Report on 1.5°C released on 8 October 2018 shows that we are not on a pathway to achieving the Paris Agreement goals of limiting global temperature rise to well below 2°C (we are currently on a 3°C trajectory to 2100 with warming continuing afterwards). To avoid the worse effects of climate change, we need to limit temperature rise to 1.5°C and doing so will require rapid, far-reaching and unprecedented changes in all aspects of society.</p> <p>Currently, the trade and climate change policy regimes operated in relative silos. Integrating these regimes and modernizing trade rules to reflect the climate change imperative would help to achieve the 1.5°C goal.</p> <p>ICC recommends a number of actions to be taken to integrate trade and climate change regimes, as set out in this policy paper, including:</p> <ul style="list-style-type: none"> <li>- Trade rules need to be modernised to achieve the aims of the Paris Agreement and the SDGs;</li> <li>- Trade rules should support putting a price on carbon</li> <li>- Consider carbon tax eligibility for border tax adjustments</li> </ul>

	- Explore the adoption of climate waivers
Milestones	<p><b>Q1/Q2</b> - Develop recommendations on aligning trade and climate policies in Nationally Determined Contributions.</p> <p><b>22-24 January 2019 (Davos)</b> – Convene a high-level roundtable at Davos with Roberto Azevêdo, Patricia Espinosa, key trade ministers and business leaders to: (i) present the findings from the Economist Intelligence Unit report commissioned by WTA and (ii) discuss how to align the trade and climate change regimes.</p> <p><b>March 2019</b> – ICC Academy webinar on trade and climate change.</p> <p><b>12-14 April 2019 (World Bank / IMF)</b> – Follow-up meeting between John Denton, Roberto Azevêdo and Patricia Espinosa on sideline of World Bank / IMF meetings to discuss concrete actions and next steps.</p> <p><b>23 September 2019 (United Nations Secretary General’s Climate Summit)</b> – ICC to present key recommendations and launch initiative framed around a concrete commitment (to be developed).</p> <p>Ongoing throughout 2019/2020 – Work programme with France and Canada on trade and climate change, leading up to a high-level stocktaking event at MC12 in Astana from 8-11 June 2020. Work programme would include in-depth seminars on specific issues related to trade and climate change.</p>
Date to be reviewed	31 December 2019