



NEXT GENERATION TRADE

Building a Principled, People-Centred Global Economy



CONFRONTING THE CLIMATE CRISIS

Session Briefing

Next Generation Trade Event
3rd December 2019, London

Time is running out. Bold and urgent action on a global scale is needed to confront the climate crisis. Trade policies must be part of any strategy to foster more sustainable economies that dramatically reduce carbon emissions and demonstrate due concern for the rights of current and future generations impacted by climate change.

In 2018, the World Trade Organization and UN Environment Programme launched a new initiative under the theme “Healthier Environments through Trade”. As a 2018 report from the initiative points out, “there is a need to encourage national policy makers to work together across environmental and trade domains and seek to identify and foster ‘win-win’ opportunities. Environmental considerations need to feature in trade policy making, while trade needs to be considered within the development of environmental policies and compliance with environmental obligations. One such ‘win-win’ opportunity would be to eliminate trade barriers on environmental goods and their components.”¹

The potential for bilateral and regional trade agreements to make progress in this area should be noted, such as the recent Canada-European Union Comprehensive Economic and Trade Agreement (CETA).² Experts point out that CETA includes a number of provisions in support of climate action such as reducing to zero all tariffs on “a growing cluster of low-carbon products and related specialised services” as well as “innovative clauses, such as a new regulatory forum to provide a non-negotiating setting to identify opportunities for better regulatory alignment... (and) novel provisions like corporate social responsibility, opening potential avenues to examine how voluntary standards ... in low-carbon pathways could be accelerated within a bilateral trade arrangement.”³

The OECD has been one of the organisations advancing the concept of the “circular economy” as part of rethinking the use of resources globally and addressing intersections with international trade. A 2018 OECD report suggests that the transition to a circular economy will have multiple potential impacts on trade flows such as lowering import demand for primary and secondary materials as well as lowering exports of materials and waste. At the same time, new trading opportunities are likely to emerge “for services trade, such as waste management, recycling, refurbishment and remanufacturing, reuse, and repair, as well as new business models and product service systems”

1 https://www.wto.org/english/res_e/publications_e/unereport2018_e.pdf
2 <https://ec.europa.eu/trade/policy/in-focus/ceta/>
3 <https://www.iisd.org/library/trade-climate-action>

and circular procurement by subnational and national governments may also provide additional opportunities for international trade.⁴

It is clear that such fundamental changes to the global economy will have far reaching impacts not only for trade but also in terms of livelihoods, requiring what is now widely referred to, including in the Paris Climate Agreement, as a “just transition”.⁵ For example, as the 2019 UNCTAD Commodities and Development Report points out, “a disorderly transition from fossil fuels could be destabilizing beyond just the producing countries, given the complexity of energy value chains and the high energy intensity of the major world economies...stranding natural resources as a climate mitigation strategy poses a huge challenge to commodity-dependent developing countries which have limited options for financial resource mobilization...As most of these economies are not particularly diversified, it is likely that the loss of revenue from the energy sector could be destabilizing internally, regionally and even internationally.”⁶

The International Labour Organization highlights that transitioning to a “green economy” can act as an engine for growth and decent work creation but caution is warranted, as such jobs will not be “decent by default, but by design.”⁷ The reality is that many workers who will lose jobs as a result of required responses to the climate crisis won’t have the skills or access needed to seize new “green” employment opportunities. As one expert has stressed, “the real issue is to address the distributional implications, across and within countries, of the transition to a low-carbon, climate-resilient society.”⁸ This will require new forms of collaboration between governments, employers and workers, and on a timescale that is unprecedented.

Questions for consideration:

1. As a recent guide for investor action on climate change and the just transition highlights⁹, no single actor can deliver necessary actions alone, most of the commitments on just transition are still relatively new, and that experience of what works (and what does not) still needs to be built up. Governments clearly must lead in terms of linking climate, trade, macroeconomic, industrial, labour and regional policies, but what more should be expected of business, trade unions and broader civil society in shaping the transition to a sustainable, people-centred economy?
2. There are some early examples of how different countries are seeking to develop energy transitions that recognise impacts on people as workers, consumers, taxpayers and voters and embrace innovative approaches involving all sectors of society.¹⁰ What roles can international human rights advocates play in such efforts, including through engagement with trade unions, employers and environmental experts?
3. According to the Global Commission on the Economy and Climate, the road transport, shipping and aviation industries together currently account for about a quarter of global emissions. As the Commission’s most recent report¹¹ points out, long-term strategies for improving efficiencies and fully decarbonising these industries remain uncertain for a variety of reasons. What are the most promising pathways for these industries to make faster progress and what combination of government regulation, industry leadership and broader collective action is most desirable today?

4 <https://www.oecd.org/environment/waste/policy-highlights-international-trade-and-the-transition-to-a-circular-economy.pdf>

5 See for example ILO “Guidelines for a just transition towards environmentally sustainable economies and societies for all”, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

6 https://unctad.org/en/PublicationsLibrary/ditccom2019d3_en.pdf

7 https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_554315.pdf

8 Kees van der Ree, “Promoting Green Jobs: Decent Work in the Transition to Low-Carbon, Green Economies”, International Development Policy, 2019, <https://journals.openedition.org/poldev/3107>

9 <http://www.lse.ac.uk/GranthamInstitute/publication/climate-change-and-the-just-transition-a-guide-for-investor-action/>

10 <https://www.iisd.org/sites/default/files/publications/real-people-change-strategies-just-energy-transitions.pdf>

11 https://newclimateeconomy.report/2018/wp-content/uploads/sites/6/2018/09/NCE_2018_FULL-REPORT.pdf