

Embracing Trade Policy Instruments for Climate Action

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Embracing Trade Policy Instruments for Climate Action

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Abstract

Trade has been advocated as one of the tools and sectors of the economy that can spur climate action. The United Nations Conference on Trade and Development (UNCTAD), posits that trade-related measures can help drive both climate and Sustainable Development actions across the globe. This paper critically examines the role of trade in the climate action agenda. It argues a case for embracing trade policy instruments for climate action. The paper highlights examples of trade policy instruments and discusses how they can foster effective response towards climate change. It also discusses the progress made towards embracing trade policy instruments for climate action and challenges thereof. The paper further offers recommendations towards embracing trade policy instruments for climate action.

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1.0 Introduction

Responding to climate change has become a clarion call in the wake of the devastating impacts of climate change on both developed and developing countries. Climate change continues to be a major global concern that is affecting both developed and developing countries in their efforts towards realization of the Sustainable Development agenda¹. Adverse impacts of climate change including intense droughts, water scarcity, severe wild fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity are being witnessed across the world threatening the achievement of Sustainable Development². As a result, tackling climate change has become a top policy agenda at local, national, regional and global levels³. Sustainable Development Goal 13 under the United Nations 2030 Agenda for Sustainable Development urges all countries to take urgent action to combat climate change and its impacts⁴.

It has been argued that efficient climate action requires involvement of all sectors of the economy towards a holistic development strategy involving both private and public sector responses⁵. Trade has been advocated as one of the tools and sectors of the economy that can spur climate action⁶. Trade has been defined as an exchange, voluntary in nature between two parties in requirement of each other's resources being goods and

¹ Muigua. K., 'Achieving Sustainable Development, Peace and Environmental Security.' Glenwood Publishers Limited, 2021

² United Nations., 'What is Climate Change?' Available at <https://www.un.org/en/climatechange/what-is-climate-change> (Accessed on 18/12/2023)

³ United Nations Department of Economic and Social Affairs., 'Forum on Climate Change and Science and Technology Innovation.' Available at <https://www.un.org/en/desa/forumclimatechangeandscience-and-technology-innovation> (Accessed on 18/12/2023)

⁴ United Nations General Assembly., 'Transforming Our World: the 2030 Agenda for Sustainable Development.' 21 October 2015, A/RES/70/1., Available at <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf> (Accessed on 18/12/2023)

⁵ Bellon. M., & Massetti. E., 'Economic Principles for Integrating Adaptation to Climate Change into Fiscal Policy.' Available at <https://www.elibrary.imf.org/view/journals/066/2022/001/article-A001-en.xml#:~:text=Summary,private%20and%20public%20sector%20responses>. (Accessed on 18/12/2023)

⁶ World Trade Organization., 'Trade Policy Tools for Climate Action.' Available at https://www.wto.org/english/res_e/booksp_e/tptforclimataction_e.pdf (Accessed on 18/12/2023)

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services⁷. According to the United Nations Conference on Trade and Development (UNCTAD), trade-related measures can help drive both climate and sustainable development actions across the globe⁸.

This paper critically examines the role of trade in the climate action agenda. It argues a case for embracing trade policy instruments for climate action. The paper highlights examples of trade policy instruments and discusses how they can foster effective response towards climate change. It also discusses the progress made towards embracing trade policy instruments for climate action and challenges thereof. The paper further offers recommendations towards embracing trade policy instruments for climate action.

2.0 The Role of Trade in Climate Action

It has been argued that trade has an important role to play in the global response to climate change, providing economies with tools to draw on in their efforts to mitigate climate change and to adapt to its consequences⁹. Trade plays a fundamental role in helping countries transition to low carbon economies¹⁰. It has been rightly observed that in order to effectively confront climate change, to provide all people with clean and affordable energy and to reduce dependency on fossil fuels substantially, both developed and developing countries will have to restructure their economies to low carbon economies¹¹. For this profound restructuring to happen, major investments in low carbon technology are needed, in addition to significant changes in life styles¹². It has been observed that this process of technological innovation or dissemination of low carbon

⁷ The Economic Times., 'What is Trade.' Available at <https://economictimes.indiatimes.com/definition/trade> (Accessed on 18/12/2023)

⁸ Caribbean News Global., 'COP 28: UNCTAD and Partners to Advance Pro-Development Climate Goals.' Available at <https://caribbeannewsglobal.com/cop-28-unctad-and-partners-to-advance-pro-development-climate-goals/> (Accessed on 18/12/2023)

⁹ World Trade Organization., 'Trade Policy Tools for Climate Action.' Op Cit

¹⁰ Ibid

¹¹ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Available at https://www.ecologic.eu/sites/default/files/publication/2015/meyer-ohlendorf_gerstetter-09-trade-and-climate-change_0.pdf (Accessed on 18/12/2023)

¹² Ibid

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technologies will largely depend on international trade and investment of both private and public actors¹³. As a result, international trade can favour the pursuit of climate change goals.

According to UNCTAD, trade-led development can bolster climate action using coordinated and inclusive approaches to accelerate a global just transition to a low-carbon economies¹⁴. It further asserts that trade can be a powerful tool to accelerate the energy transition and support resilient development pathways with low emissions¹⁵. In addition, trade can facilitate access to environmentally preferable goods and services and to technologies and know-how critical to boosting innovation and building capabilities to support climate change mitigation and adaptation efforts in all countries¹⁶. It has been asserted that clean technologies are at the heart of Sustainable Development and the global response to climate change¹⁷. Trade is a major factor in fostering access to clean technologies¹⁸.

According to the World Trade Organization (WTO), trade and trade policies, in conjunction with relevant policies and international cooperation, can help to alleviate some of the impacts of climate change, including on food security, by contributing to enhancing economic resilience¹⁹. WTO further posits that international trade can help support climate change strategies, such as prevention and reduction of, and preparedness for, climate risk, as well as recovery and rehabilitation from climate disasters²⁰. In addition, trade can also contribute to strengthening food security during climate-induced

¹³ Ibid

¹⁴ Caribbean News Global., 'COP 28: UNCTAD and Partners to Advance Pro-Development Climate Goals.' Op Cit

¹⁵ Ibid

¹⁶ Ibid

¹⁷ International Institute for Sustainable Development., 'Trade Policy Tools and Instruments for Addressing Climate Change and Sustainable Development.' Available at https://www.iisd.org/system/files/publications/trade_tools_climate_sd.pdf (Accessed on 18/12/2023)

¹⁸ Ibid

¹⁹ World Trade Organization., 'World Trade Report 2022: Climate Change and International Trade.' Available at https://www.wto.org/english/res_e/booksp_e/wtr22_e/wtr22_ch2_e.pdf (Accessed on 18/12/2023)

²⁰ Ibid

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supply-side disruptions²¹. WTO also points out that trade can facilitate the acquisition and deployment of technologies that can contribute to climate change adaptation especially in countries most vulnerable to climate shocks²².

Trade can also contribute to climate action through the reduction of trade-related emissions²³. It has been observed that trade-related emissions, those associated with the global production and distribution of goods and services, contribute to roughly a quarter of all carbon dioxide emissions²⁴. Therefore trade policies and instruments are needed in order to reduce trade-related emissions towards enhancing the global response on climate change²⁵.

The role of trade in climate action is recognized under the United Nation's 2030 agenda for Sustainable Development. The agenda identifies international trade as an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of Sustainable Development across all the Sustainable Development Goals including climate action²⁶. SDG 17 seeks to accelerate international trade through measures such as promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the WTO; and providing trade-related capacity building for developing countries in order to enable countries pursue the Sustainable Development agenda including climate action²⁷.

At the continental level, the *African Union Climate Change and Resilient Development Strategy and Action Plan*²⁸ acknowledges the role of trade in climate action. It points out

²¹ Ibid

²² Ibid

²³ Caribbean News Global., 'COP 28: UNCTAD and Partners to Advance Pro-Development Climate Goals.' Op Cit

²⁴ Ibid

²⁵ Ibid

²⁶ United Nations General Assembly., 'Transforming Our World: the 2030 Agenda for Sustainable Development.' 21 October 2015, A/RES/70/1.,' Op Cit

²⁷ Ibid, SDG 17

²⁸ African Union Climate Change and Resilient Development Strategy and Action Plan (2022-2032)., Available at https://au.int/sites/default/files/documents/41959-docCC_Strategy_and_Action_Plan_2022-2032_08_02_23_Single_Print_Ready.pdf (Accessed on 18/12/2023)

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that there is potential for the African Continental Free Trade Area (AfCFTA) to enable Africa's response to climate change through targeted trade-related measures²⁹. These measures include the exemption of environmental goods and technologies such as turbines and photovoltaic systems from sensitive and exclusion lists; prioritisation of the liberalisation of trade in environmentally related services; giving due attention to the harmonisation and strengthening of environmental standards and regulation under the relevant provisions of the AfCFTA Protocol on Trade in Goods and Protocol on Trade in Services as well as within the framework of the African Quality Standards Agenda; and the mainstreaming of climate friendly considerations into the negotiations on investment, intellectual property rights, competition policy and e-commerce³⁰.

At the regional level, the *East African Community Climate Change Policy Framework*³¹ also recognizes the role of trade in climate action. It urges member states to address technology transfer barriers, including rules of trade tariffs, intellectual property rights and technical trade barriers such as standards, eco-labeling in order to enhance the role of trade in climate action within the East African region³².

At the national level, the *National Climate Change Framework Policy*³³ of Kenya focuses on the link between sustainable national development in Kenya and climate change across all sectors of the economy including trade. According to the Policy, a robust, diversified and climate resilient trade sector is imperative for Kenya to attain low carbon climate resilient development³⁴. The Policy acknowledges that the trade sector depends on products and services developed by other sectors of the economy, and therefore any

²⁹ Ibid

³⁰ Ibid

³¹ East African Community., 'EAC Climate Change Policy Framework.' Available at <https://www.eac.int/environment/climate-change/eac-climate-change-policy-framework> (Accessed on 18/12/2023)

³² Ibid

³³ Republic of Kenya., 'Sessional Paper No. 3 of 2016 on National Climate Change Framework Policy.' Available at <https://www.undp.org/sites/g/files/zskgke326/files/migration/ke/0540af2c4328bfbad3dd0f5da6f817f450428f6bb96dc4e2c5d9647085794f93.doc> (Accessed on 18/12/2023)

³⁴ Ibid

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adverse climate change impacts of such sectors, will likely impact trade³⁵. For example, the Policy acknowledges that the agriculture, manufacturing and transportation sectors, which are key cogs for internal and international trade, are highly vulnerable to climate variability and extreme weather events³⁶. Therefore, according to the Policy, a successful trade sector will require building resilience across the entire economy of Kenya³⁷.

Trade is therefore vital in climate action. There is need to embrace trade policy instruments at the national, regional, continental and global levels in order to strengthen the response towards climate change.

3.0 Embracing Trade Policy Instruments for Climate Action: Opportunities and Challenges

It has been pointed out that several trade-related measures, policies and instruments are of value in combating climate change and fostering Sustainable Development. These include liberalisation of trade in environmental goods and services, standards and labels, subsidies for fossil fuels, international investment protection treaties, technology transfer and border adjustment measures³⁸.

For example, liberalization of trade in low-carbon goods and services plays a major role in disseminating low carbon technologies widely for climate action³⁹. Low carbon technologies have been advocated as vital in climate action⁴⁰. It has been argued that advanced know-how and uptake of low-carbon and environmental friendly technologies will become more readily available through liberalised trade⁴¹. It has also been asserted

³⁵ Ibid

³⁶ Ibid

³⁷ Ibid

³⁸ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

³⁹ Ibid

⁴⁰ Muigua. K., 'Enhancing Low Carbon Development for Sustainability.' Available at <https://kmco.co.ke/wp-content/uploads/2023/09/Enhancing-Low-Carbon-Development-for-Sustainability-.pdf> (Accessed on 18/12/2023)

⁴¹ Hu. X., 'The Impacts of the Trade Liberalization of Environmental Goods on Power System and CO2 Emissions.' *Energy Policy*, Volume 140, May 2020

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that liberalised trade is a particularly potent driver for technological innovation⁴². Trade and especially trade liberalization therefore plays an important role in accelerating the diffusion and uptake of environmental goods and low-carbon technologies towards climate action⁴³.

In addition, technical standards and labelling have been identified as another major issue at the interlinkage of trade and climate action⁴⁴. Standards set a threshold for the performance of a product, while labels describe the characteristics of the product, enabling the consumer to make an informed choice when purchasing a product⁴⁵. It has been observed that standards and labels offer opportunities for strengthening climate protection, for example by fostering consumer awareness and more transparency along global value chains in the trade sector⁴⁶. Therefore, standards and labels promote climate-friendly consumption and production patterns⁴⁷. In addition, they can also create market access opportunities for those with comparative advantages in environmental friendly and low-carbon products and services⁴⁸. It has been argued that countries can facilitate trade and apply efficiency standards and labelling regulations at the same time, if they embrace certification and accreditation processes that are in line with the International Organization for Standardization (ISO) towards the dissemination of environmental friendly products⁴⁹.

⁴² Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁴³ Hu. X., 'The Impacts of the Trade Liberalization of Environmental Goods on Power System and CO2 Emissions.' Op Cit

⁴⁴ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁴⁵ Ibid

⁴⁶ International Centre for Trade and Sustainable Development., 'Trade Elements in Countries' Climate Contributions under the Paris Agreement.' Available at <https://euagenda.eu/upload/publications/untitled-81229-ea.pdf> (Accessed on 18/12/2023)

⁴⁷ Ibid

⁴⁸ Ibid

⁴⁹ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

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Further, international investment protection treaties have been pointed out as key trade policy instruments for climate action⁵⁰. It has been pointed out that many investor/state disputes over the years have originated from measures to mitigate the environmental impacts of economic activities by investors in host states⁵¹. In light of the environmental and climate concerns resulting from investment practices, the international investment regime is now embracing sustainable practices including the incorporation of Environmental, Social and Governance (ESG) clauses in investment treaties⁵². It has been noted that many Bilateral Investment Treaties (BITs) are incorporating ESG matters including specific provisions on the protection of the environment, climate action and Sustainable Development⁵³. According to UNCTAD states need to fast-track International Investment Agreements (IIA) reform to make it more aligned with climate action as well as other public policy imperatives through approaches such as making individual IIAs climate-responsive by ensuring that only low-carbon and sustainable investments are covered and by safeguarding the right and duty of states to regulate in the public interest which can be coupled with provisions aimed at promoting and facilitating sustainable investment⁵⁴.

It has also been pointed out that reduction of fossil fuel subsidies can be a key trade policy instrument for climate action⁵⁵. It has correctly been observed that subsidies have significant impacts on the promotion of climate-friendly energy in both developed and developing countries⁵⁶. This is true both for subsidies granted for the use of climate-

⁵⁰ Ibid

⁵¹ BRILL., 'International Investment Law and Climate Change: Reframing the ISDS Reform Agenda.' *Journal of World Investment & Trade.*, No. 24 of 2023., pp 766-791

⁵² Muigua. K., 'Bilateral Investment Treaties and Environmental, Social and Governance in Africa.' Available at <https://kmco.co.ke/wp-content/uploads/2023/07/Bilateral-Investment-Treaties-and-Environmental-Social-and-Governance-in-Africa-1.pdf> (Accessed on 18/12/2023)

⁵³ United Nations Conference on Trade and Development., 'The International Investment Treaty Regime and Climate Action.' Available at https://unctad.org/system/files/officialdocument/diaepcbinf2022d6_en.pdf (Accessed on 18/12/2023)

⁵⁴ Ibid

⁵⁵ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁵⁶ Ibid

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friendly technology and the reduction of subsidies for fossil sources of energy⁵⁷. According to the United Nations Environment Programme (UNEP), reducing fossil fuel subsidies is essential for promoting green economies and reducing carbon emissions⁵⁸. UNEP points out that the production and use of fossil fuels in many countries is encouraged through large subsidies⁵⁹. These subsidies are undesirable since they contribute to air pollution and congestion, are a drain on national budgets, often do not reach the poorest households, crowd-out investment in clean energy, and encourage excessive energy consumption⁶⁰. Trade policies geared towards reforming such subsidies can help reduce pollution and improve human health, free up public revenues, which can be used to implement green economy policies and support other development priorities including climate action⁶¹. Reduction of fossil fuel subsidies is therefore an important trade policy instrument for climate action.

Technology transfer is also a critical trade policy instrument for climate action. It is well acknowledged that wide dissemination of climate-friendly technologies is key for effectively tackling climate change especially in developing countries⁶². The *United Nations Framework Convention on Climate Change* (UNFCCC) which is the principle global legal instrument on climate change requires all parties to promote and cooperate in the development, application and diffusion, including transfer, of technologies that control, reduce or prevent anthropogenic emissions of greenhouse gases⁶³. The UNFCCC further

⁵⁷ Ibid

⁵⁸ United Nations Environment Programme., 'Indicator 12. c.1.' Available at <https://www.unep.org/explore-topics/sustainable-development-goals/why-do-sustainable-development-goals-matter/goal-12-9#:~:text=Reducing%20fossil%20fuel%20subsidies%20is,countries%20reporting%20on%20this%20indicator.> (Accessed on 18/12/2023)

⁵⁹ United Nations Environment Programme., 'Fossil Fuel Subsidy Reform.' Available at <https://www.unep.org/explore-topics/green-economy/what-we-do/economic-and-fiscal-policy/fiscal-policy/policy-analysis-3> (Accessed on 18/12/2023)

⁶⁰ Ibid

⁶¹ Ibid

⁶² Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁶³ United Nations Framework Convention on Climate Change., United Nations, 1992., Article 4 (1) (c) Available at <https://unfccc.int/resource/docs/convkp/conveng.pdf> (Accessed on 18/12/2023)

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obliges the developed country parties to take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other parties, particularly developing country parties, to enable them to implement the provisions of the Convention⁶⁴. The *Paris Agreement* also acknowledges the importance of technology for the implementation of climate change mitigation and adaptation actions and requires parties to fully realize technology development and transfer in order to improve resilience to climate change and to reduce greenhouse gas emissions⁶⁵. Effective trade policies can enhance the transfer of climate friendly technologies through market-based approaches, publicly funded bilateral or multilateral programs, or in the form of private-public partnerships⁶⁶. Technology transfer is therefore an important trade policy instrument for climate action.

In addition to the foregoing instruments, the WTO identifies other trade policy tools and measures that are pertinent in climate action. These include trade facilitation through measures such as speeding up customs clearance and the use of electronic documentation at borders in order to reduce border control delays and related energy consumption, leading to reductions of up to 85 per cent of emissions at certain land border crossings;⁶⁷ embracing green government procurement policies which can significantly reduce greenhouse gas emissions while producing major economic benefits, such as new green jobs and enhanced energy efficiency;⁶⁸ use of international standards to avoid regulatory fragmentation when upgrading energy efficiency regulations in order to reduce domestic energy consumption and related GHG emissions by excluding the most polluting goods from the markets;⁶⁹ accelerating mitigation efforts, supporting adaptation and assisting disaster recovery by reviewing domestic regulations and restrictions for

⁶⁴ Ibid, Article 4 (5)

⁶⁵ United Nations Framework Convention on Climate Change., 'Paris Agreement.' Article 10 ., Available at https://unfccc.int/sites/default/files/english_paris_agreement.pdf (Accessed on 18/12/2023)

⁶⁶ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁶⁷ World Trade Organization., 'Trade Policy Tools for Climate Action.' Op Cit

⁶⁸ Ibid

⁶⁹ Ibid

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providers of climate-related services;⁷⁰ helping accelerate the transition to green economies by rebalancing tariff policies that may inadvertently benefit carbon-intensive sectors; reforming and repurposing environmentally harmful and market-distorting subsidies; supporting the diffusion of climate-related technologies and equipment by facilitating and increasing trade finance, such as loans and guarantees;⁷¹ improving how food and agricultural markets function, while contributing to climate action, by easing trade in food; protecting economies from the spread of disease and pests exacerbated by climate change by strengthening sanitary and phytosanitary systems; and reducing policy fragmentation and compliance costs by improving coordination of climate-related, non-discriminatory internal taxes, including carbon pricing and equivalent policies⁷².

Trade policy instruments are therefore essential in enhancing climate action. Despite their importance, several challenges hinder the effective use of trade policy instruments and measures in climate action. For example effective technology transfer is hindered by Intellectual Property Rights (IPR) and inadequate funding especially in developing countries⁷³. Further, it has been argued that many developing countries fear that reducing tariffs on low carbon and environmental friendly technologies will be to the benefit of developed countries only which are the main producers of environmentally friendly technologies with developing countries being the net importers of such technologies⁷⁴. It has further been asserted that standards and labelling as trade policy instruments for climate action raise challenges about the underlying methodologies for calculating the amount of a product's embedded carbon, which in turn would have considerable trade implications⁷⁵. Challenges could also occur in relation to the costs involved for producers and market access implications, especially for smaller

⁷⁰ Ibid

⁷¹ Ibid

⁷² Ibid

⁷³ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁷⁴ Ibid

⁷⁵ International Centre for Trade and Sustainable Development., 'Trade Elements in Countries' Climate Contributions under the Paris Agreement.' Op Cit

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producers⁷⁶. In addition, it has been contended that most IIAs do not distinguish between low-carbon and high-carbon investments and generally cover investments across all sectors and typically offer high levels of protection hence the need to fast track IIA reform to make it more aligned with climate action⁷⁷. It has also been asserted that governments in both developing and developed countries are often under pressure to maintain subsidies for fossil fuels since such subsidies are vital in helping to secure access to energy especially for the poor⁷⁸. It is imperative to address the foregoing among other challenges in order to effectively embrace trade policy instruments for climate action.

4.0 Way Forward

In order to effectively embrace trade policy instruments for climate action, there is need to accelerate technology transfer especially to developing countries. It has correctly been pointed out that developing countries continue to face problems in developing, accessing and deploying technologies as part of their response on climate change⁷⁹. It has been asserted that wide dissemination of climate-friendly technologies is key for effectively tackling climate change in both developing and developed countries⁸⁰. According to UNCTAD, trade can facilitate access to environmentally preferable goods and services and to technologies and know-how critical to boosting innovation and building capabilities to support mitigation and adaptation efforts in all countries⁸¹. It is therefore imperative for all countries to embrace technology transfer as a trade policy instrument for climate action. This calls for several interventions in order to ease technology transfer

⁷⁶ Ibid

⁷⁷ United Nations Conference on Trade and Development., 'The International Investment Treaty Regime and Climate Action.' Op Cit

⁷⁸ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁷⁹ United Nations Climate Change., 'What is Technology Development and Transfer?.' Available at <https://unfccc.int/topics/what-is-technology-development-and-transfer#:~:text=In%201992%2C%20when%20countries%20established,that%20reduce%20emissions%20of%20GHGs>. (Accessed on 19/12/2023)

⁸⁰ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁸¹ Caribbean News Global., 'COP 28: UNCTAD and Partners to Advance Pro-Development Climate Goals.' Op Cit

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including addressing intellectual property barriers to technology transfer, capacity building, enhanced innovation, easing domestic regulations and financial and technical support for developing countries⁸².

In addition, there is need to fast track reform of IIAs. These agreements have been identified as key trade policy instruments through which Foreign Direct Investments are channeled into the global economy especially in developing countries⁸³. It has been asserted that most investors move from the developed world to invest in the developing regions of the world which are rich in natural resources such as the African continent, a continent endowed with immense natural and human resources as well as great cultural, ecological and economic diversity⁸⁴. However, in light of the environmental and climate concerns resulting from investment practices especially in the developing world, there is a growing international consensus that more is needed from international investment treaties and the regime in general, if they are to have a meaningful future, or any future at all, and this consensus is increasingly revolving around the Sustainable Development paradigm⁸⁵. UNCTAD posits that states need to fast-track IIAs reform to make it more aligned with climate action⁸⁶. It is therefore important for countries especially in the developing world to accelerate the reform of IAs as trade policy instruments in order to foster their role in climate action through measures such as the incorporation of Environmental, Social and Governance (ESG) clauses in investment treaties⁸⁷.

⁸² Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁸³ Muigua. K., 'Africa's Role in the Reform of International Investment Law and the Investor State Dispute Settlement (ISDS) System.' Available at <https://kmco.co.ke/wp-content/uploads/2020/08/Africas-Role-in-the-Reform-of-International-Investment-law-and-the-Investor-State-Dispute-Settlement-ISDS-System-Kariuki-Muigua-August-2020.pdf> (Accessed on 19/12/2023)

⁸⁴ Ibid

⁸⁵ Ibid

⁸⁶ United Nations Conference on Trade and Development., 'The International Investment Treaty Regime and Climate Action.' Op Cit

⁸⁷ Muigua. K., 'Bilateral Investment Treaties and Environmental, Social and Governance in Africa.' Op Cit

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There is also need for governments to rethink and consider the reduction of fossil fuel subsidies in order to enhance climate action⁸⁸. It has been argued that governments' support measures, such as subsidies, can help correct market inefficiencies and enhance social welfare⁸⁹. However, if not well designed, such measures can distort production and trade, reduce economic efficiency, exacerbate negative spillovers and damage the environment⁹⁰. It has been pointed out that this is relevant for sectors including in fossil fuels, agriculture, fisheries, transport and water supply⁹¹. According to the WTO, reforming and repurposing subsidies could offer substantial environmental benefits and foster climate action⁹². It has been argued that reducing fossil fuel subsidies is essential for promoting green economies and reducing carbon emissions⁹³. Governments should therefore consider reducing fossil fuel subsidies as a trade policy instrument for climate action.

Further, it is imperative for both the public and private sectors to embrace standards and labels as trade policy instruments for climate action. It has been asserted that standards and labels promote climate-friendly consumption and production patterns by fostering consumer awareness and more transparency along global value chains in the trade sector⁹⁴. It has been argued that one powerful way for companies to communicate about their climate action is through the use of climate labels⁹⁵. Credible labels provide instant and full transparency to the customer, spelling out the steps that an organization has taken to reduce their emissions and the global climate action projects they have

⁸⁸ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

⁸⁹ World Trade Organization., 'Trade Policy Tools for Climate Action.' Op Cit

⁹⁰ Ibid

⁹¹ Ibid

⁹² Ibid

⁹³ United Nations Environment Programme., 'Indicator 12. c.1.' Op Cit

⁹⁴ International Centre for Trade and Sustainable Development., 'Trade Elements in Countries' Climate Contributions under the Paris Agreement.' Op Cit

⁹⁵ Bors. K., & Fischer. C., 'A New Generation of Labels Provides Companies a Credible Way to Talk About Climate Action.' Available at <https://www.southpole.com/blog/a-new-generation-of-labels-provides-companies-a-credible-way-to-talk-about-climate-action> (Accessed on 19/12/2023)

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supported⁹⁶. ISO has developed a number of standards that play an essential role in climate action, helping to monitor climate change, quantify greenhouse gas emissions and promote good practice in environmental management⁹⁷. These include the ISO 14000 family of standards for environmental management systems, which details practical tools for organizations to manage the impact of their activities on the environment and address global challenges including climate change, biodiversity loss, and resource depletion⁹⁸. Organizations can therefore embrace standards and labels as trade policy instruments for climate action.

Finally, there is need to embrace internal taxation and carbon pricing as a trade policy instrument for climate action. It has been observed that carbon pricing, such as taxes on carbon-intensive goods, can be an effective tool in reducing global greenhouse gas emissions⁹⁹. In addition, it has been noted that most Nationally Determined Contributions (NDCs) submitted by governments to achieve emission reduction targets under the Paris Agreement consider the use of domestic carbon pricing schemes¹⁰⁰. According to the UNFCCC, carbon pricing curbs greenhouse gas emissions by placing a fee on emitting and/or offering an incentive for emitting less¹⁰¹. The price signal created shifts consumption and investment patterns, making economic development compatible with climate protection¹⁰². It has been noted that carbon pricing can take various forms including Emission Trading System also known as cap and trade which refers to a tradable permit system for greenhouse gas emissions that sets a limit (the cap) on the greenhouse gas emissions that can be emitted;¹⁰³ Emission Reduction Funds which are

⁹⁶ Ibid

⁹⁷ International Organization for Standardization., 'ISO 14001:2015: Environmental Management Systems.' Available at <https://www.iso.org/standard/60857.html> (Accessed on 19/12/2023)

⁹⁸ Ibid

⁹⁹ World Trade Organization., 'Trade Policy Tools for Climate Action.' Op Cit

¹⁰⁰ Ibid

¹⁰¹ United Nations Climate Change., 'About Carbon Pricing.' Available at <https://unfccc.int/about-us/regional-collaboration-centres/the-ciaca/about-carbon-pricing#Which-types-of-carbon-pricing-exist?> (Accessed on 19/12/2023)

¹⁰² Ibid

¹⁰³ Ibid

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taxpayer funded schemes in which a government buys credits created by emission reduction projects;¹⁰⁴ and a carbon tax on fossil fuel usage which creates a price signal felt across an entire economy, thereby incentivizing a move away from carbon-intensive production¹⁰⁵. Carbon pricing has been described as one of the most cost-effective and flexible way to achieve emission reduction¹⁰⁶. It is therefore necessary for countries to embrace carbon pricing as a trade policy instrument for climate action.

The foregoing measures are essential towards embracing trade policy instruments for climate action.

5.0 Conclusion

Trade has been identified as one of the tools and sectors of the economy that can spur climate action¹⁰⁷. According to UNCTAD, trade-related measures can help drive both climate and sustainable development actions across the globe¹⁰⁸. Some of the key trade policy instruments that can spur climate action include trade liberalization, standards and labelling, international investment protection treaties, and technology transfer¹⁰⁹. However, the efficacy of these instruments in climate action is hindered by several barriers including challenges to technology transfer, concerns about the methodologies adopted in developing standards and labels, and lack of reform of IAAs¹¹⁰. In order to effectively embracing trade policy instruments for climate action, it is necessary to accelerate technology transfer especially to developing countries, fast track reform of IAAs to embrace climate considerations, reduce fossil fuel subsidies in order to enhance climate action, embrace standards and labels such as the ISO 14000 family of standards, and adopt internal taxation and carbon pricing systems¹¹¹. There is a wide range of trade

¹⁰⁴ Ibid

¹⁰⁵ Ibid

¹⁰⁶ Ibid

¹⁰⁷ World Trade Organization., 'Trade Policy Tools for Climate Action.' Op Cit

¹⁰⁸ Caribbean News Global., 'COP 28: UNCTAD and Partners to Advance Pro-Development Climate Goals.' Op Cit

¹⁰⁹ Meyer-Ohlendorf. N., & Gerstetter. C., 'Trade and Climate Change: Triggers or Barriers for Climate Friendly Technology Transfer and Development?' Op Cit

¹¹⁰ Ibid

¹¹¹ World Trade Organization., 'Trade Policy Tools for Climate Action.' Op Cit

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policy instruments available in both the public and private sectors which need to be effectively embraced for climate action.

Embracing Trade Policy Instruments for Climate Action is the way to go in our quest for Sustainable Development.

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