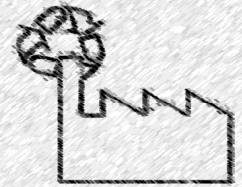
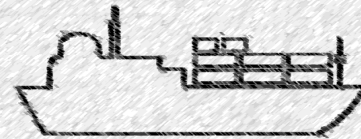




WORLD TRADE ORGANIZATION
ORGANISATION MONDIALE DU COMMERCE
ORGANIZACIÓN MUNDIAL DEL COMERCIO

Trade and Climate Change



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Outline of the Presentation

- **The Core functions of WTO and climate change**
- **CTE work on climate change**
- **Climate change related measures and WTO rules**
- **Border Tax Adjustments debate**



Activities of the WTO and the challenge of climate change



Climate change and the WTO

The issue of climate change, *per se*, is not part of the WTO's work programme and no WTO rules are specific to climate change

The core functions of the WTO may have a place in the trade and climate change debate:

A negotiating forum

Specialized committees

The administration of a set of rules



Negotiations on Environment (DDA Para. 31)

Relationship between existing WTO rules & *specific trade obligations* set out in Multilateral Environmental Agreements (MEAs)

2 Procedures for *regular information exchange* between MEAs and relevant WTO committees and the criteria for the granting of *observer status*

3 Reduction/elimination of *tariff and non-tariff barriers* to *Environmental goods and services*



Climate change and the WTO

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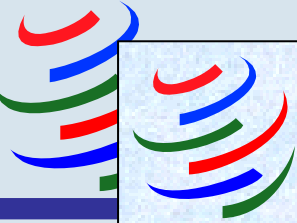


Specialized Committees

**Committee on Trade
and Environment
(CTE)**

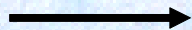


E.g. discussion of the environmental benefits of removing restrictions in the energy sector, the forestry sector, the effect of energy efficiency labelling on market access



Trade and Environment in WTO (1995-2001)

**Committee on
Trade and
Environment (CTE)**



Mandate

“... identify the relationship between trade measures and environmental measures, in order to promote sustainable development;”

“... make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required...”

(Marrakesh Ministerial Decision on Trade and Environment (1994))

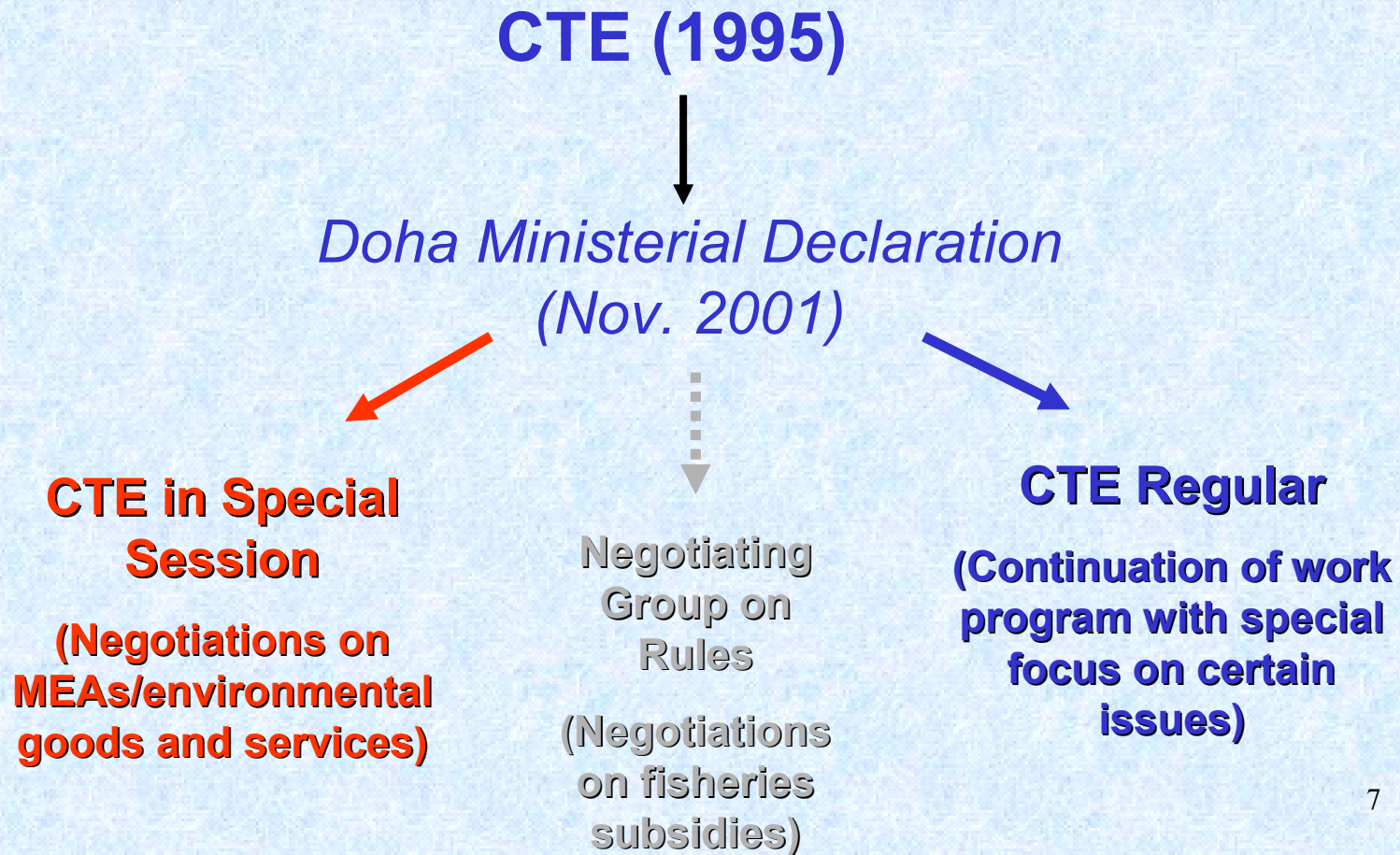


The CTE Work Programme

- **MEAs and WTO rules** **Item 1**
- **Environmental policies** **Item 2**
- **Taxes, technical regulations, labelling** **Item 3**
- **Transparency** **Item 4**
- **Dispute settlement and MEAs** **Item 5**
- **Market access** **Item 6**
- **Domestically prohibited goods (DPG)** **Item 7**
- **Intellectual Property (TRIPS)** **Item 8**
- **Services** **Item 9**
- **Arrangements with NGOs** **Item 10**



Trade and Environment after Doha





CTE Mandate: Paragraphs 32, 33 & 51

CTE Regular: Focused work

- **Para. 32 (i)** – Environmental requirements and market access, win-win-win
- **Para. 32 (ii)** – Trade-Related Aspects of Intellectual Property Rights
- **Para. 32 (iii)** – Eco-labelling
- **Para. 33** – Technical Assistance, Environmental Reviews
- **Para. 51** – Sustainable Development





Climate change and the WTO

The core functions of the WTO may have a place in the trade and climate change debate:

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Specialized Committees

**Committee
Technical Barriers
to Trade (CTBT)**

In recent years the CTBT discussed a number of product standards and labeling requirements targeted to energy efficiency or emission control

**Examples of regulations
discussed so far include:**

Fuel economy standards for cars

**Eco-design requirements for
energy-using products**

**Energy efficiency programmes
for consumer products**

**Emission limit values for diesel
engines**



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Climate change related measures

Trade and Climate Change

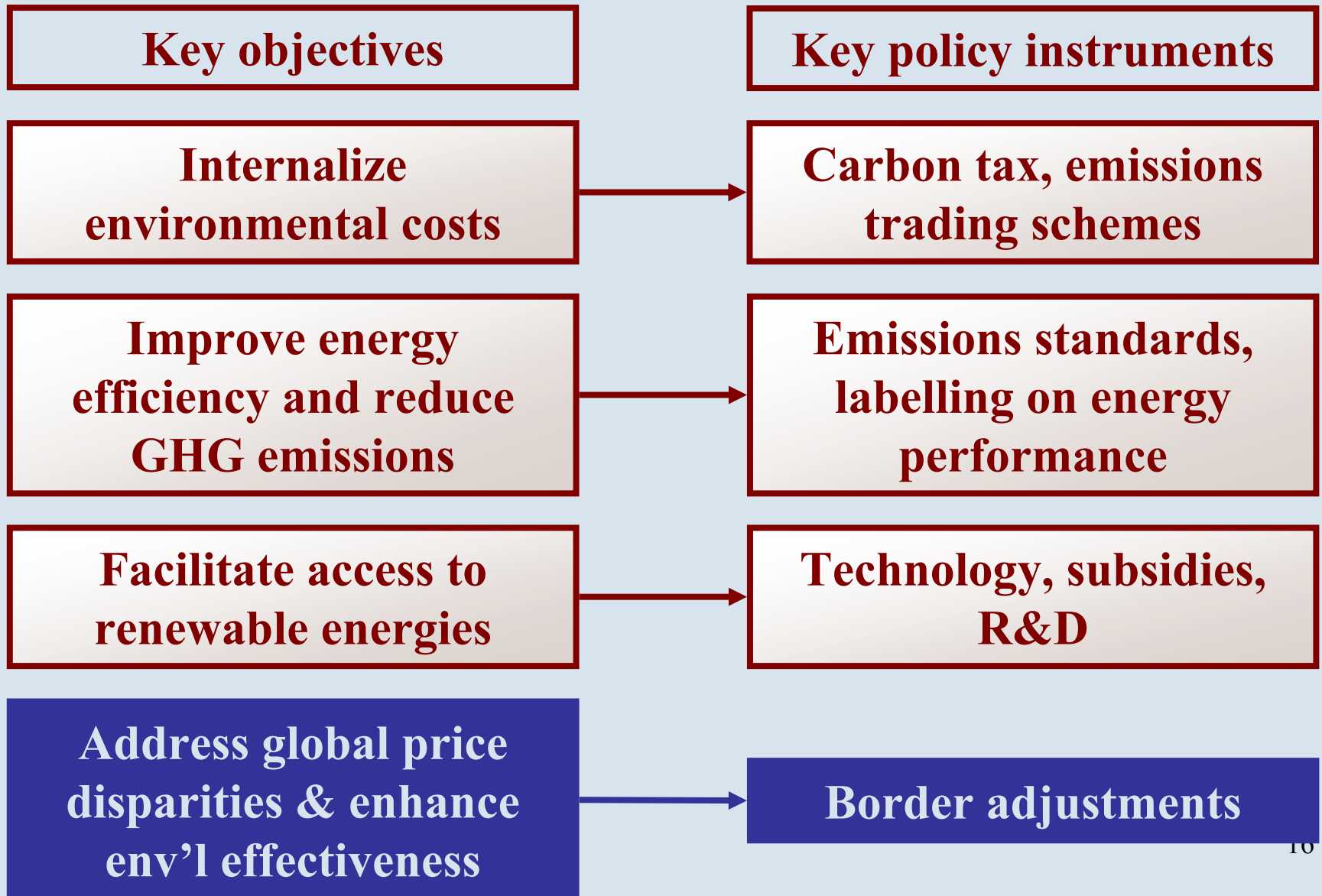
WTO-UNEP Report

Part IV:
***National Mitigation
and Adaptation
Policies and Trade
Implications***



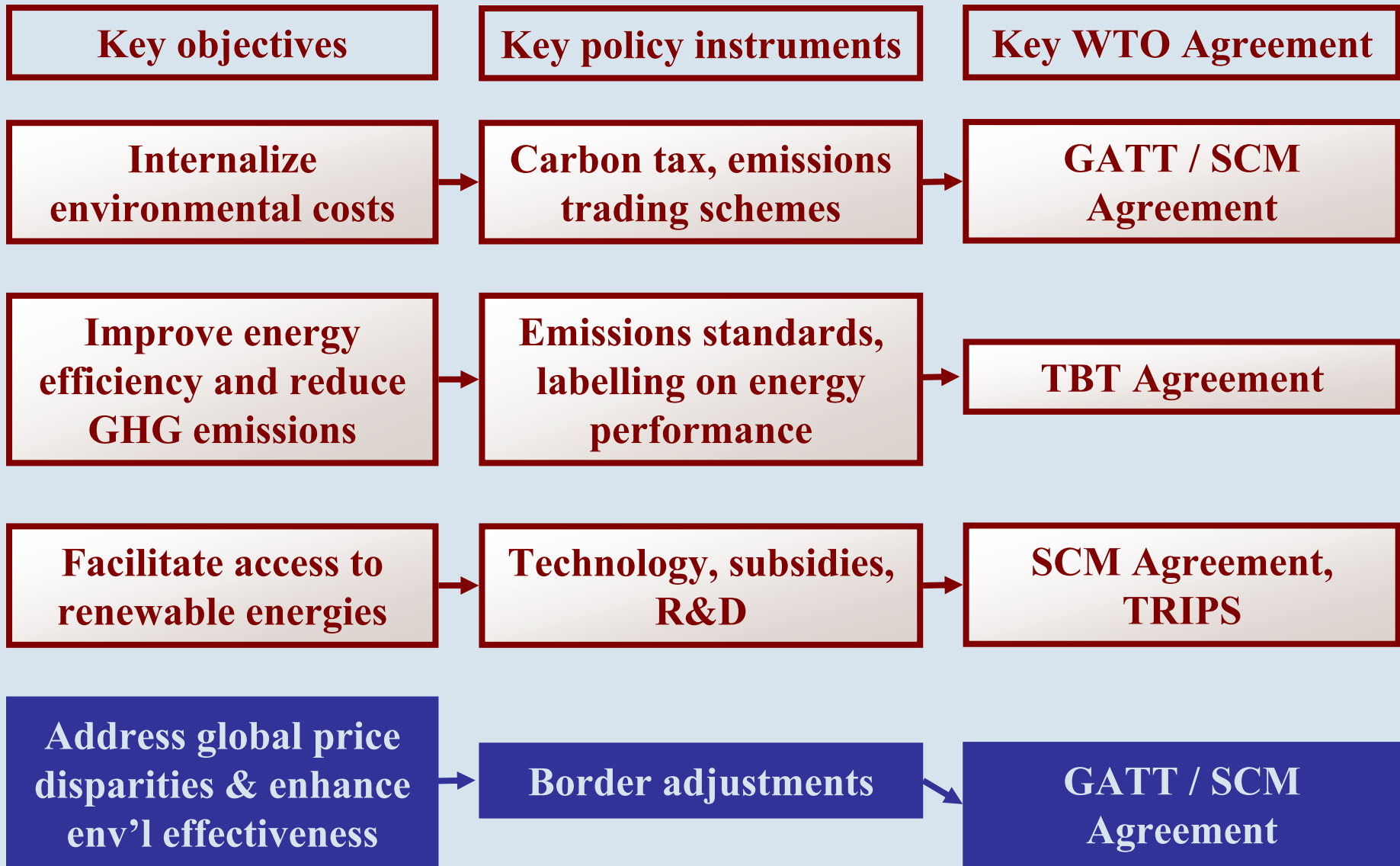


Climate change mitigation measures





Climate change mitigation measures





WTO Tool Box of Rules

Disciplines on tariffs (border measures)

General prohibition against border quotas

General non-discrimination principle, consisting of the most-favoured-nation and national treatment principles

Rules on subsidies

Rules on technical regulations and standards

Rules for trade-related intellectual property rights

...



Measures to facilitate development of, and access to, CC technologies and renewable energy

Incentives to promote deployment of cc technologies and renewable energy

- Fiscal measures (e.g. tax rebates or tax credits) targeted at consumption (of certain technologies) or at facilitating investment in production of climate friendly goods and renewable technology
- Price support (e.g. feed-in tariffs, net metering) to support production of renewable energy
- Investment support to reduce the capital cost of installing climate friendly technologies

Incentives to promote inventions of new cc technologies

-Grants to support development of new technologies, e.g. to finance research on renewable energy technologies

-Awards (ex post or ex ante), e.g. in the context of a competition to recompense for an innovation



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Competitiveness issues, carbon leakage and the discussion on border measures



Climate change border adjustments

Rationale

Relevant WTO rules



Climate change border adjustments: Economic Rationale

*Emissions
reduction policies
(carbon prices)
are not applied
universally*

This may give rise to

Competitiveness loss

Carbon leakage

*In certain emissions and
energy intensive industries (ie.
not economy wide!)*



Climate change border adjustments and WTO rules

Coverage?

*Importance to define the instrument at hand to
determine relevant WTO/GATT provisions*

A border adjustment to a tax?

**A border adjustment to another carbon cost,
e.g. an ETS?**



A border adjustment to a regulation, e.g. an ETS?

Comparable mechanism



Imposition of a border adjustment on imports from countries that have not taken "*comparable action*" to reduce their emissions, as compared to the importing country



Climate change border adjustments and WTO rules

Justifiability?

**WTO rules, as
confirmed by
jurisprudence**

**Under certain conditions,
Members can adopt trade-related
measures aimed at protecting the
environment**

**Essential to
maintain a
balance between**

**the right of Members to take
regulatory measures to achieve
legitimate policy objectives**

**the rights of other WTO Members
under basic trade rules**



Climate change border adjustments and WTO rules

Justifiability?

WTO jurisprudence has confirmed that WTO rules do not trump environment

Several disputes on measures that sought to achieve a variety of policy objectives

Conservation of clean air from air pollution

Conservation of sea turtles from incidental capture in commercial fishing

Protection of human health from risks posed by asbestos

Protection of human health from risks posed by the accumulation of waste tyres



Climate change border adjustments and WTO rules

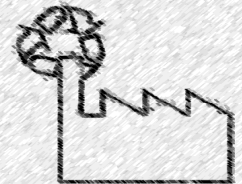
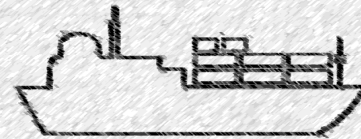
Justifiability?

***Case law shows that
implementation is key!***



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