

## Invitation to Provide Feedback to The High-Level Champions on How to Improve the Marrakech Partnership for Enhancing Ambition

### Submission by UNCTAD

#### Q. 4: On the basis of experience so far, how can the Marrakech Partnership be improved for enhancing ambition, including through new and existing tools?<sup>1</sup>

In May 2019, UNCTAD joined the Marrakech Partnership with a view to sharing and channeling its climate relevant work on (i) *response measures and international trade*, and (ii) *the impacts on, and the adaptation of, the maritime transport*. Interaction between Parties and non-Party stakeholders, including the intergovernmental organizations concerned, is important for making progress in these issue areas. In principle, the Marrakech Partnership is well positioned to promote such interaction. However, more effective and targeted networking and outreach will be needed.

#### Response measures and international trade.

Response measures deployed by one country, or a group of countries are bound to have spillover effects on other countries. On the one hand, they influence trade flows through changes in relative prices and in supply and demand for goods, services and technologies. On the other, trade policy measures can be and are used for mitigation purposes. Countries on the receiving end experience impacts on their economic and social fabric and may have to *respond to response measures*.

Uncertainty about the impacts of response measures makes pursuing climate policy more difficult. Resource rich countries may mistake structural transformations for cyclical fluctuations. Important technological innovations may be overlooked. Certain countries may be taken by surprise when trading partners introduce a border adjustment policy. International cooperation will be important to manage the unintended effects of response measures and prevent the emergence of new classes of non-tariff barriers.

Border carbon adjustments (BCAs) are now being reviewed as a stand-alone measure and in the broader policy mix of a post-COVID-19 economy. As industries are seeking emission leniency and oncoming subsidies are set to skew competitiveness, the effectiveness of BCAs at levelling the playing field requires careful consideration. Increasing the costs of trade for targeted developing countries could affect sustainable development trajectories, as well as have adverse second round effects on Least Developed Countries (LDCs), even if LDCs and Small Island Developing States (SIDS) are exempt from such measures.

The architecture of the Paris Agreement (Article 6.1) offers an opportunity space for clubs to unilaterally pursue climate action. For such clubs to be effective and comprehensive, their members would need to complement their Nationally Determined Contributions (NDCs) with Collectively Determined Contributions (CDCs) and apply an enforcement mechanism based on reciprocity. A credible threat of trade sanctions could prompt countries to seek cooperative deals, but this is a risky path for all.

Whereas the scope of the BCAs is limited to carbon-intensive sectors, the reach of product standards is broad enough to push for a sustainable recovery. Improved product standards, including voluntary sustainability standards, can play as an alternative or complementary to BCAs and ensure coherence between climate and broader environmental policy. There are important considerations for

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<sup>1</sup> As set out in annex II to the LETTER TO PARTIES AND NON-PARTY STAKEHOLDERS FROM THE HIGH-LEVEL CHAMPIONS OF GLOBAL CLIMATE ACTION, dated 27 March 2020.

implementing a product standard in a way that benefits sustainable development at a global scale, leaving no-one behind. In this respect, development cooperation and AidforTrade will have to play an increasingly important role.

Climate risks have long entered global value chains (GVCs). There have been major disruptions in global value chains on account of the pandemic. An improved understanding of how climate risks are transmitted between segments of the supply chain and can cascade across companies and economies is needed. There is a need to carefully monitor and understand the strategies of multinational firms in view of the current discourse around the shortening of GVCs and climate change adaptation and mitigation.

Even before the pandemic, there were questions about the benefits from GVC trade. Generally, there has been a major neglect of investment in innovation. Long terms needs seem to be sacrificed for short termism. The post-Covid economics and trends relating to the Fourth Industrial Revolution will alter the paradigm on which GVCs have been built. The architecture of GVCs means that businesses are the ones making decisions, rather than governments. However, state involvement within GVC-led trade is becoming greater since Covid-19. The extent to which firms are being guided by the appropriate public policy frameworks must be scrutinized closely.

International cooperation through markets will be essential for achieving “net zero”, because not every country has the same opportunities to reduce or remove emissions - while others have more opportunities than they need. The carbon trading system envisioned in Article 6 of the Paris Agreement aims to bring these opportunities and needs together for mutual benefit of the countries involved. UNCTAD provided the first secretariat for the International Emissions Trading Association (IETA) and has a history in dealing with these matters, which augurs well for renewed engagement with Parties and non-party stakeholders.

## Maritime transport : impacts and adaptation

UNCTAD, as part of its work on policy and legislation in the field of transport, has been working on issues related to climate change and maritime transport, with special emphasis on impacts and adaptation since 2008<sup>2</sup> and has been highlighting the important repercussions that climate-related delay and disruptions across closely interlinked global supply chains may have, for global trade - and for the sustainable development prospects of the most vulnerable groups of countries, including SIDS.

With an estimated 80 per cent of the volume of world trade carried by sea, international shipping and ports provide crucial linkages in closely interconnected global supply-chains and are essential for the ability of all countries to access global markets. Ports are likely to be affected directly and indirectly by climatic changes, such as rising sea levels, extreme weather events and rising temperatures, with broader implications for international trade and development. Associated risks, vulnerabilities and costs may be considerable, in particular for ports and other key coastal transport infrastructure in developing regions, with low adaptive capacity, such as in SIDS. Critical coastal transport infrastructure in these countries, notably ports and airports, are lifelines for external trade, food and energy security, as well as tourism, and in the context of DRR.<sup>3</sup> However, these assets are projected to be at high and increasing risk of coastal flooding, from as early as in the 2030s, unless effective adaptation action is

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<sup>2</sup> For further information, see <https://unctad.org/en/Pages/DTL/TTL/Legal/Climate-Change-and-Maritime-Transport.aspx> and <https://SIDSport-ClimateAdapt.unctad.org>

<sup>3</sup> For further information and related work by UNCTAD, see <https://SIDSport-ClimateAdapt.unctad.org>; [UNFCCC COP 25 Side Event: Climate resilient transport infrastructure for sustainable trade, tourism and development in SIDS](#)

taken.<sup>4</sup> In the absence of timely planning and implementation of requisite adaptation measures, the projected impacts on critical transport infrastructure may have broad economic and trade-related repercussions, and may severely compromise the sustainable development prospects of these vulnerable nations. More generally, climate change adaptation and resilience building for transport infrastructure is going to be critical for implementation of the Paris Agreement, as well as for implementation of a number of Sustainable Development Goals and targets (e.g. 1.5, 9.1, 9.a, 11.b, 13.1, 13.2 and 13.3, 14), Sendai Framework, AAAA and SAMOA Pathway. Given the lifespans and planning horizons of transport infrastructure, and the potential for climate related damage, delay, and disruption across global supply-chains, as well as extensive associated economic losses, early planning and action on climate change adaptation and resilience building is vital.

While the 'Climate Action Pathway' documents on 'Transport' and on 'Adaptation and Resilience', respectively, include specific milestones with regard to transport infrastructure adaptation and resilience building, considerable collaborative effort will be required to accelerate action in this regard, including with respect to funding and capacity building. As highlighted by a broad range of stakeholders participating at a number of related intergovernmental meetings and workshops, since 2008,<sup>5</sup> there is an urgent and important need for accelerated action on climate change impacts and adaptation for transportation.

The existing structure of the MP GCA process means that adaptation and resilience is considered a cross cutting issue, relevant to thematic work on sectors, including e.g. infrastructure and transport. So far, however, the main work on 'Transport', focuses mainly on the mitigation side of climate change. As a result, work continues to a greater extent in silos than would be desirable and issues related resilience building and adaptation for transport infrastructure receive only limited attention. This is also evident when considering the focus of the Transport Section in the Climate Action Yearbook, and the focus of the MPA GCA Transport Events at past COPs, much of which is on mitigation, despite efforts on the part of some stakeholders (eg PIANC/NaviCC) to help redress the imbalance and ensure that climate change impacts and adaptation are receiving commensurate attention.

If possible, it would be useful to review and revise the structure of the MP process, so as to fully integrate adaptation and resilience building into each of the relevant thematic work areas and ensure that representatives with relevant expertise are part of the work teams. Even if this is not possible, it would be important to ensure that the activities and outputs (e.g. COP events, Yearbooks, GCA Pathways) reflect adaptation to the same extent as mitigation and that ways be explored to facilitate this outcome.

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<sup>4</sup> See [Monioudi, I.N., et.al. Reg Environ Change \(2018\) 18:2211–2225](#). Climate change impacts on critical international transportation assets of Caribbean Small Island Developing States (SIDS): The case of Jamaica and Saint Lucia; [IPCC 2018 Special Report on Impacts of 1.5 °C global warming](#); [IPCC 2019 Special Report on Ocean and Cryosphere](#).

<sup>5</sup> This includes representatives of all the main global industry associations (shipping, waterborne infrastructure, aviation, road, rail as well as port and airport authorities from 26 nations and territories across the wider Caribbean region. For further information and documentation, see note 2, above.