

Integrating Trade into Nationally Determined Contributions: Current Situation and Prospects

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Presentation outline

1. Background: The triple planetary crisis

2. Harnessing trade to tackle climate change

- Articulating climate change and trade rules
- Findings from UNCTAD's NDC mapping
- Elements of a framework for the inclusion of Trade in NDCs



Background: The triple planetary crisis

Biodiversity crisis

- 75% of the land surface is significantly altered
- 66% of the ocean area is experiencing increasing cumulative impacts
- Over 85% of wetlands (area) has been lost.
- An average of around **25% of plant and animal species are threatened & around 1 million species likely to be facing extinction, many within decades**

“The global rate of species extinction (...) is already at least tens to hundreds of times higher than it has averaged over the past 10 million years”

IPBES: Global assessment report on biodiversity and ecosystem services

Background: The triple planetary crisis

Pollution crisis

- Plastic pollution soared from 2 million tons in 1950, to 348 million tons in 2017, with a global cost of tens to hundreds billions according to available estimates → significant impacts on biodiversity and climate
- Plastic waste entering aquatic ecosystems is projected to approximately double from an estimated 19-23 million tons per year in 2016 to around 53 million tons per year by 2030
- Greenhouse gas emissions associated with production, use and disposal of conventional fossil fuel-based plastics could represent more than 15% of the global carbon budget by 2040. (UNEP)

Background: The triple planetary crisis

Climate crisis

- The 2015 Paris Agreement on climate change calls for holding eventual warming “well below” two degrees Celsius, and for the pursuit of efforts to limit the increase even further, to 1.5 degrees.
- **If we don't slow global emissions, temperatures could rise to above three degrees Celsius by 2100, causing further irreversible damage to our ecosystems.**



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

Background: The triple planetary crisis

The triple environmental crisis

Climate crisis

- **2023 was the warmest year on record.** Its average global temperature was 1.45°C above pre-industrial levels, **significantly close to the 1.5°C limit targeted by the Paris Agreement**
- The past nine years, 2015–2023, were the nine warmest years on record.
- **Ocean heat content reached its highest level in 2023**, according to a consolidated analysis of data. Warming rates show a particularly strong increase in the past two decades
- **Concentrations of the three main greenhouse gases** – carbon dioxide, methane and nitrous oxide – **reached record-high observed levels in 2022** and their levels continued to increase in 2023.

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Why linking trade and climate?

A few questions before diving in:

- Are trade and climate action connected?
- Does trade make things worst?
- Can trade make things better?
- Does climate change impact trade?
- Any other thoughts? Examples from your country or your professional experience?

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Why linking trade and climate?

A quarter of global CO2 emissions is linked to the production and distribution of traded goods and services → Trade definitely matters to reach climate goals

- **Trade can allow countries to expand the production and use of carbon efficient/low carbon goods** ex. import of LEDs, solar panels, wind turbines, or organic fruits
- **Trade can also lead to the import and increased use of high carbon footprint goods** (high consumption cars, cement or steel made using highly emitting energy sources, agricultural products from deforested zones)

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Why linking trade and climate?

- **Climate change is affecting** resource availability, agricultural productivity and ultimately **the ability of some countries to maintain key export sectors** → it is important to understand its impacts and plan ahead (drought resisting crops, better suited technologies)
- **Climate policy can restrict market access** prospects for less carbon efficient goods (ex. technical regulations and CBAM)

Climate change and trade are closely linked, and the inclusion of trade-related measures in climate policy frameworks (and vice versa) is crucial from both environmental and economic standpoints

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The impact of climate change on global trade: the case of cocoa

- Cacao trees grow close to the equator and are sensitive to changes in weather.
- **Heatwaves and intense rains are linked to diseases, and upend harvests in West Africa**, which produces three quarters of the world's cocoa.
- This has **negatively impacted thousands of smallholder producers**

Chocolate price hikes: A bittersweet reason to care about climate change

28 March 2024

Higher price tags for chocolate lovers worldwide are in part linked to a changing climate pushing up cocoa costs.



[Source UNCTAD website](#)

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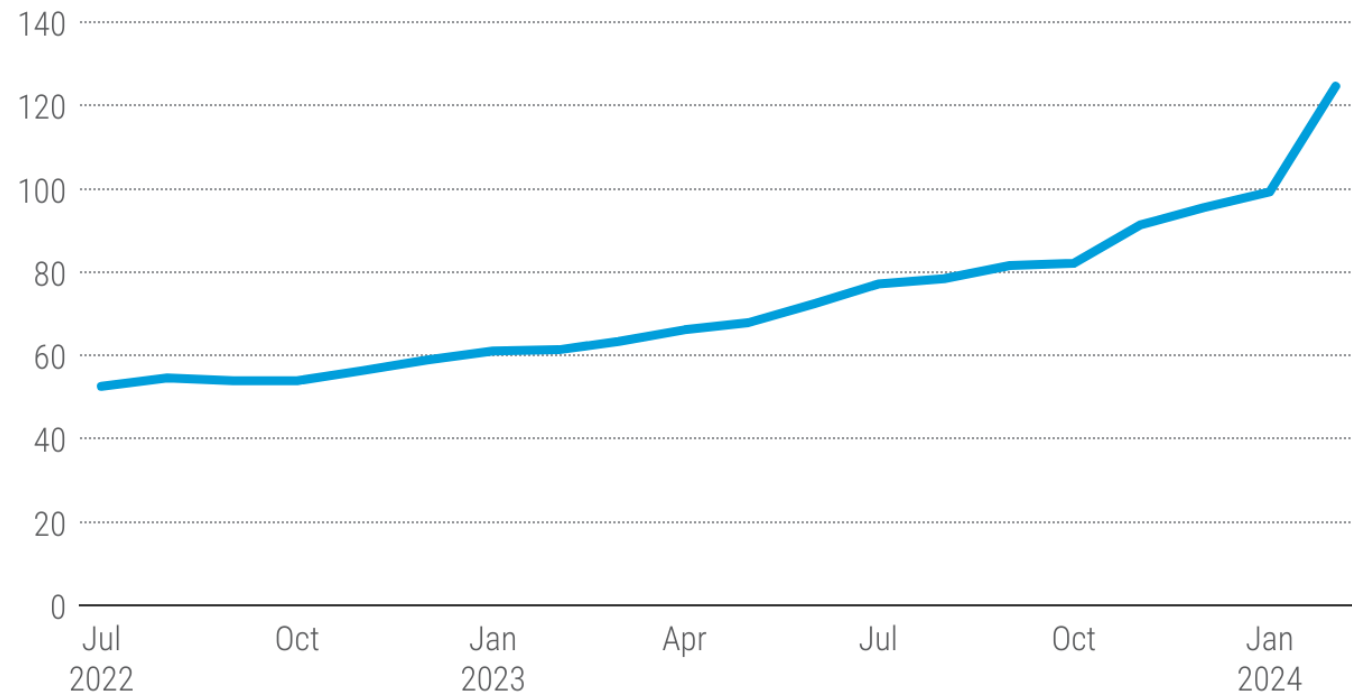
The impact of climate change on global trade: the case of cocoa

- **Global shortfall of about 374,000 tons** for the 2023-2024 season compared to 74,000 tons last season is expected
- **Cocoa prices surged 136%** between July 2022 and February 2024.
- The **price per ton on the futures market crossed \$10,000** for the first time ever on 26 March



Bittersweet climb: The rising cost of cocoa

Cocoa prices, deflated by the US Consumer Price Index, July 2022 – February 2024, Index 2010 = 100



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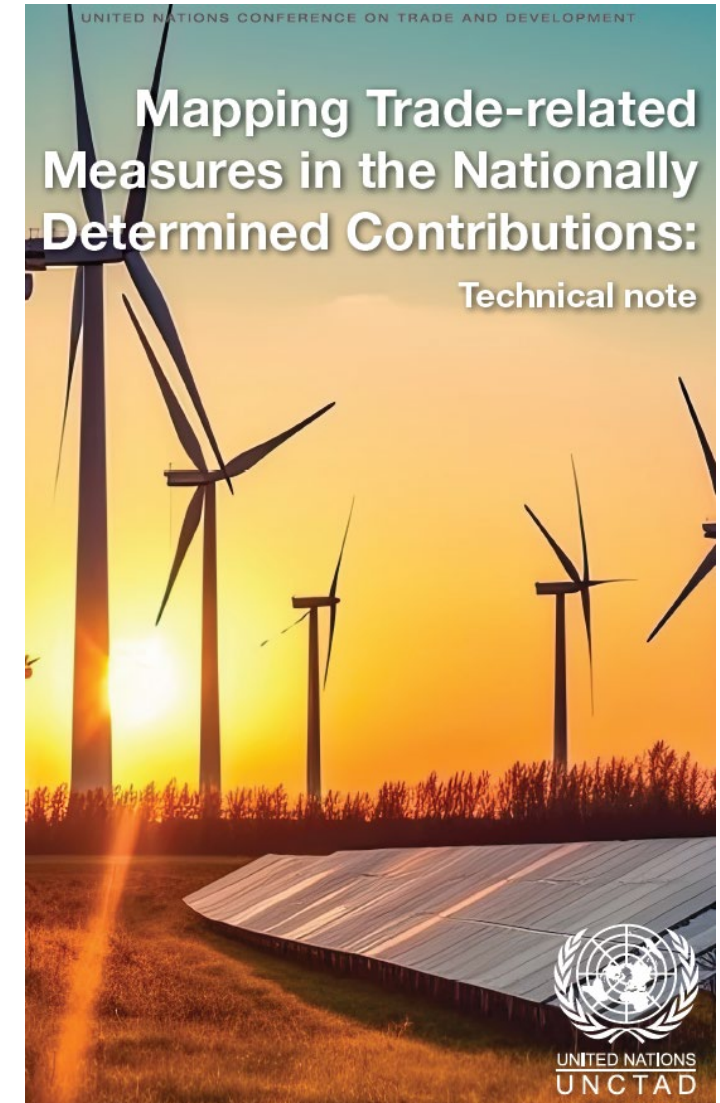
The impact of climate change on global trade: the case of cocoa

- **The recent crisis on the global cocoa market highlights the importance of:**
 - ✓ Identifying climate sensitive exports
 - ✓ Articulating export and climate strategies to **build resilience** and/or **identify alternative options**

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Articulating trade and environment rules and policies

- UNCTAD has recently completed a [mapping of trade related measures in NDCs](#). It highlights a broad range of options and entry points to make trade a driver for climate action
- UNCTAD is also developing a **framework to enhance the capacity of developing countries to integrate trade-related issues into their NDCs** to support mitigation, adaptation and economic diversification objectives while preserving export capacity and market access.



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Applicable rules: Climate change

- Climate change law – in particular, the UNFCCC and the Paris Agreement – defines the international framework for climate action
- **Goal of the Paris Agreement: Limiting the increase in global average temperatures to “well below” 2°C**
- **Means** (‘bottom-up’ approach): **Countries free to choose** their emission reduction targets and the measures adopted to meet their Nationally Determined Contributions (NDCs).
- State Parties to the Paris Agreement are only required to (i) set and communicate their target; (ii) revisit their target every five years; and (iii) refrain from lowering their target at each revision

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Applicable rules: Climate change

Minimizing adverse effects

- Article 2.3 of the Kyoto Protocol requires Annex I Parties to “strive to implement policies and measures under this Article in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties...”.

→ Climate action can impact international trade, and such impact should be minimized

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Applicable rules: International trade

Preamble of the WTO Agreement: *incorporated environmental considerations*

“Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, 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 (...)”



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Applicable rules: International trade

WTO Agreement: Relevant principles and concepts for environmental protection

- **National treatment** → Goods and services of other WTO Members be given no worse treatment than “like” goods and services of a member’s own country.
- **MFN principle** → Any advantage given to goods and services of one country, must be extended to any “like” goods and services from all WTO Members.

Immediate consequence: Environment protection should not be used to discriminate against imported products

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Applicable rules: International trade

WTO Agreement: Relevant principles and concepts for environmental protection

- **Like products** = products in direct competition for market share/ “commercially substitutable” due to their *physical properties, nature and quality, End uses, Tariff classification and ... environmental health impacts.*
- **Process and Production Methods (PPMs)** = Way in which a product is made

Two types of PPMs :

- **Product related PPMs** → Trace/impact on the final product
- **Non-product related PPMs (Unincorporated PPMs)** → No impact on the final product

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Applicable rules: International trade

WTO Agreement: Relevant principles and concepts for environmental protection

- **Process and Production Methods** = How a product is made

“Countries are within their rights under WTO rules to set criteria for the way products are produced, if the production method leaves a trace in the final product, for example cotton grown using pesticides leaving pesticide residue in the cotton itself.

However, **they disagree about discriminatory measures based on “unincorporated PPMs”** (or “non-product related PPMs”), i.e. process and production methods which leave no trace in the final product.” (WTO)

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Applicable rules: International trade law

WTO Agreement: Relevant principles and concepts for environmental protection

- **Environmental exceptions (Art XX)** = Subject to the requirement that such measures are not applied in a manner which would constitute a means of *arbitrary or unjustifiable discrimination between countries where the same conditions prevail*, or a *disguised restriction on international trade*, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:
 - (b) necessary to protect human, animal or plant life or health...
 - (g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption → **Countries cannot only adopt measures targeting imported products.**

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Lessons from the analysis of trade-related measures in NDCs

Overview of UNCTAD's mapping results

- **Analysis of 60 developing countries' NDCs**
- Countries selected to ensure the inclusion of a broad range of developing countries considering:
 - Geographic balance (Africa, Asia and the Pacific, Latin America and the Caribbean, Middle East)
 - Income level (high, middle, and low)
 - Least Developed Countries (LDCs)
 - Commodity dependent countries
 - Small Islands Developing States (SIDS)
 - Landlocked countries

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Lessons from the analysis of trade-related measures in NDCS

Overview UNCTAD's mapping results

2 main groups of trade-related measures were identified (based on literature review and exploratory mappings):

- i) **Measures indirectly linked to trade and primarily pursuing broader objectives** such as increasing renewable energy production, promoting economic diversification, or greening industrial policies
- ii) **Measures directly linked to the regulation of trade activities the creation of market incentives or disincentives impacting trade** such as tariffs, taxes or technical regulations

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Lessons from the analysis of trade-related measures in NDCS

Overview of UNCTAD's mapping results: categories of measures

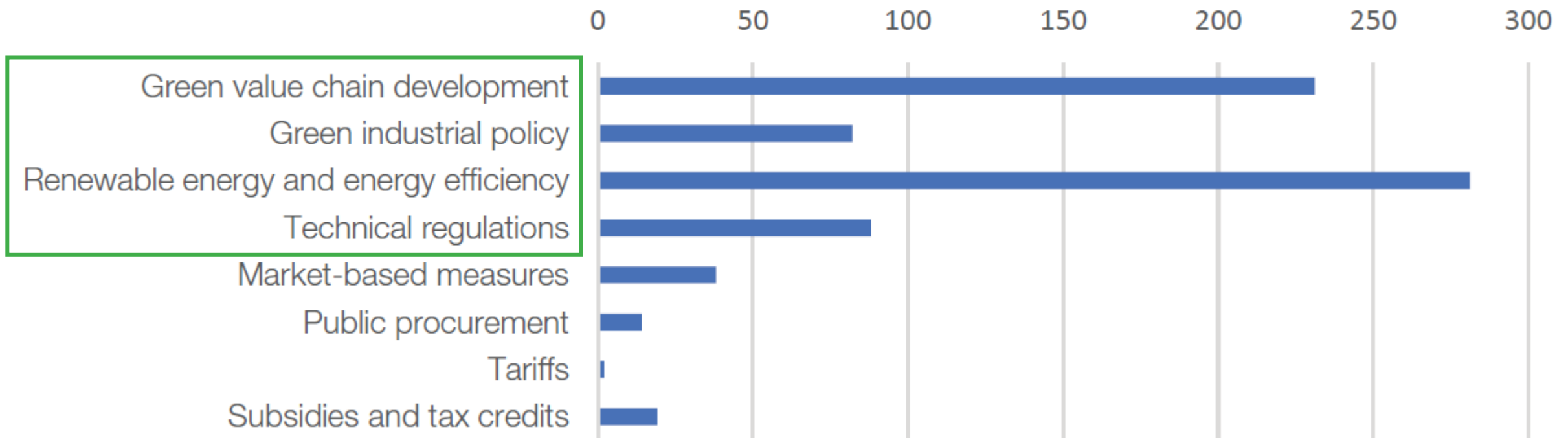
| Type 1: Indirect link to trade | Type 2: Direct link to trade |
|---|--|
| <ul style="list-style-type: none">○ Renewable energy sources and energy efficiency promotion○ Green value chain development (developing low carbon sectors, promoting adaptation)○ Green industrial policies (lowering the carbon footprint of production activities and developing green industries) | <ul style="list-style-type: none">○ Technical regulations (including labels and product standards)○ Market-based measures (including carbon pricing)○ Public procurement○ Tariffs○ Subsidies and tax credits |

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Lessons from the analysis of trade-related measures in NDCs

Overview of UNCTAD's mapping results

680 trade-related measures were identified (on average, more than 10 measures per NDC, but with major disparities among countries)



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Lessons from the analysis of trade-related measures in NDCs

Overview of UNCTAD's mapping results

- **Highly uneven level of detail** in the description of measures
- **Usage ratio of the main types of measures is comparable among regions.**
The same can be said about the share a measures having a direct or indirect relationship with trade
- **Measure content might vary depending on regional circumstances and development level ex. Plans to develop Green Hydrogen** are included in various Latin American NDCs, but are mostly absent from African NDCs
- While NDCs commonly include trade-related measures, **trade experts are seldom consulted**

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Lessons from the analysis of trade-related measures in NDCS

Overview of UNCTAD's mapping results

- **Renewable energy and energy efficiency: a bridge between measure types**
 - 38% of mapped technical regulations have been adopted as part of or in conjunction with measures aiming to promote Renewable energy/energy efficiency
 - 70% of mapped public procurement related measures have been adopted as part of or in conjunction with measures aiming to promote Renewable energy/energy efficiency
 - In addition to being the source of trade in green energy production and energy efficient goods, identified measures are also a **potential source of trade in sustainable services** (facility set up, operation, and maintenance; training...)

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Lessons from the analysis of trade-related measures in NDCs

Green Value Chain Development

2nd most common type of trade-related measures identified in NDCs. Can directly or indirectly target imports and/or export.

Identified measures aim at:

- Supporting the development of sustainable/low carbon productive sectors
- Increasing climate resilience
- Greening operations/production process (ex. production practices, inputs, logistics...)

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Lessons from the analysis of trade-related measures in NDCS

Green Value Chain Development

| Country | Text of the measure |
|---------|--|
| Gabon | The main mechanism to maintain the forest's carbon sequestration capacity is sustainable harvesting and local processing of wood into finished and semi-finished products destined for export . Carbon and climate financing will be necessary to ensure compliance with this commitment. |
| Malawi | Establish grain export processing zones , and develop resilient value chains |
| DRC | Intensive commercial agriculture, primarily for export (palm oil, cocoa, and coffee): potential reduction of approximately 80 Mt CO ₂ e. This reduction stems from relocating new plantations from primary forests to shrub savannas or savanna-forest mosaics , which would have otherwise caused deforestation of 1.6 to 3 million hectares in the baseline scenario. |

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Lessons from the analysis of trade-related measures in NDCS

Green Value Chain Development

| Country | Text of the measure |
|-------------------------------------|---|
| Bolivia (Plurinational State of) | Double the areas under integrated and sustainable forest management by 2030. In particular, the need to access international markets for products derived from integrated and sustainable forest management is considered important. |
| Costa Rica | In 2030, coffee, livestock, sugarcane, rice, and banana value chains will implement production systems that are low in greenhouse gas emissions and incorporate adaptation and resilience measures at both the farm level and the processing stage. |
| Mauritius | Promotion of a “green tourism industry” meaning more energy efficiency , renewable energy, water efficiency, waste management , wastewater treatment, local – short value-chains for both the touristic / leisure infrastructures and the activities.” |

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Lessons from the analysis of trade-related measures in NDCS

Green Value Chain Development

Associated sectors:

- Forestry (possibly linked to biodiversity conservation)
- Agriculture (including agro-forestry and agro-processing, irrigation, land management and food security)
- Fisheries & livestock
- Sustainable tourism

Major export products:

- Coffee
- Cocoa palm oil
- Rice
- Forest products
- Fish

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Lessons from the analysis of trade-related measures in NDCS

Green Value Chain Development: a few questions to go further

- **Are you aware of export-oriented value chains in your country which could be used to promote climate change adaptation or mitigation?** (ex. As part of an UNCTAD project on green and climate resilient VCs, minerals used in the production of batteries have been identified as a high potential regional VC for Central Africa)
- **Do you have any specific examples of value chains in your country which would be negatively impacted by climate change?** What types of solutions have been adopted or are being considered?
- **Does your country have included climate change in its export strategy?** If yes, how?

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Lessons from the analysis of trade-related measures in NDCs

Green Industrial Policy

Lowering the overall carbon footprint of the domestic industry or greening specific industrial sectors (e.g. cement, steel)

| Country | Text of the measure |
|-----------|---|
| Chile | Targets for hydrogen use: <ul style="list-style-type: none">• 71% in cargo transportation by 2050• 12% in motor use in industry and mining by 2050• Thermal use via gas distribution pipe (7% in housing and 2% in industry by 2050) |
| Burundi | Construction and equipment of assembly and production plant for photovoltaic solar panels capable of producing 2MWc/year 12MWc/year |
| Sri Lanka | Continue fuel-switching to sustainable biomass energy and improve user efficiency in selected industrial sub-sectors (tea, rubber, apparel , hotel & tourism, rice processing) |

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Lessons from the analysis of trade-related measures in NDCs

Green Industrial Policy: Lowering the carbon intensity of cement production

- Together with iron and steel, aluminium, fertilisers, electricity and hydrogen, **cement** is as considered by the EU a good “whose **production is carbon intensive** and at most significant **risk of carbon leakage**”. It is **targeted under EU’s Carbon Border Adjustment Mechanism (CBAM)**.
- Out of the 20 African countries considered for the mapping, 5 (**Egypt, Namibia, Malawi, Morocco and Uganda**) have **specific measures on cement in their NDCs** (focusing on low carbon Clinker and green energy use)
- The case of cement, with the possible impact of the CBAM, illustrates that green industrial policy is both a way to **tackle climate change and ensure market access** → idea of **carbon competitiveness**

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Lessons from the analysis of trade-related measures in NDCS

Technical regulations

*“Document that sets out **product characteristics or related processes and production methods**, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.” (Multi-Agency Support Team on NTMs)*

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Lessons from the analysis of trade-related measures in NDCs

Technical regulations

- Technical regulations were identified as the **most frequently used type of trade-related measures** incorporated in NDCs
- **Two main uses:**
 - Ensure that **imported products meet desired carbon emission and efficiency levels** by establishing minimum performance standards, testing and certification requirements.
 - **Orient consumer behavior** through mandatory labelling schemes → display of information on carbon performance.

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Lessons from the analysis of trade-related measures in NDCs

Technical regulations

- Close to 40% of mapped technical regulations were adopted in conjunction with measures aiming to promote energy efficiency and/or renewable energy
- Main products subject to technical regulations NDCs:
 - Appliances (energy efficiency, labelling)
 - Vehicles (emissions, aerodynamic, performance of the parts)
 - Refrigeration & air conditioning (RAC) and heating devices
 - Construction material

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Lessons from the analysis of trade-related measures in NDCs

Technical regulations

- NDC Mapping results are confirmed by findings from 2 other UNCTAD studies on NTMs and Climate Change which find that trade regulations with climate change related objectives cover:
 - 83% of global trade in **motor vehicles** (worth US\$2.3 trillion)
 - 48% of global trade in **electricity and heat generation devices**
 - 44% of global trade in **household appliances and electronics**
 - 37% of global trade in **motor fuel**
 - 19% of global trade in **commercial and industrial machinery**

Trade regulations for climate action?

New insights from the global non-tariff measures database

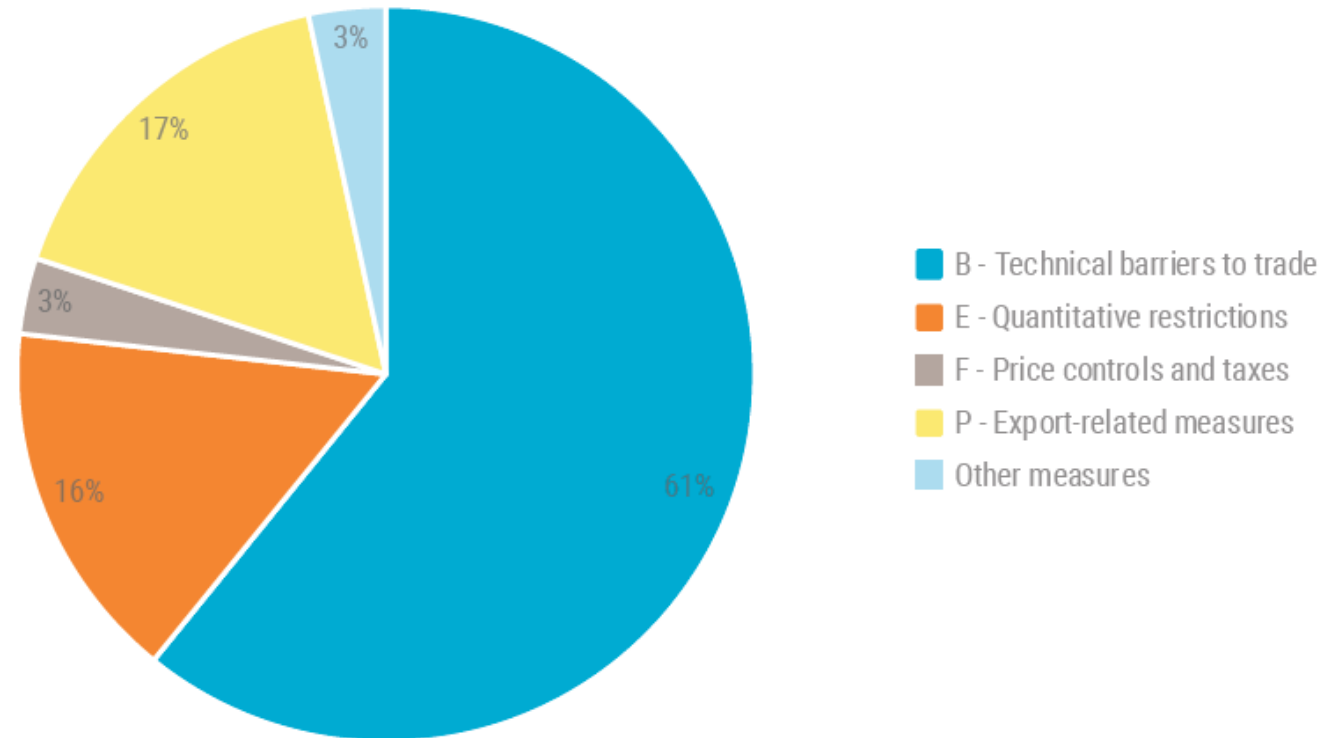


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Lessons from the analysis of trade-related measures in NDCs

Technical regulations

- **Technical regulations are a major tool to regulate trade for climate action purposes.**
- In practice the use and potential impact of technical regulations on trade partners increases with the level of development → **importance of anticipating and mitigating the impact of response measures on developing countries** (and on LDCs in particular)



Source: UNCTAD calculations, based on the TRAINS database.

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Lessons from the analysis of trade-related measures in NDCS

Technical regulations

| Country | Text of the measure |
|--------------|---|
| Seychelles | Minimum energy performance standards (MEPS) and labels will be introduced to increase the energy efficiency of appliances leading to a decrease of emissions from electricity consumption (indirect emissions). The compliance with regulatory measures is supported by skill development of custom officials . |
| Sierra Leone | Limit the age of used vehicles imported into the country, promote emission testing for all heavy types of machinery and vehicles, ensure quality control for spare parts |
| Egypt | Expanding on energy efficiency labels and specifications for appliances programme → elimination of non-energy efficient equipment, and raising awareness among consumers on purchasing alternative energy efficient home appliances . |
| Mauritius | Banning of non-inverter air-conditioner in 2024 in a phased manner as from 2022. Based on the average imports of HFCs in 2020, 2021 and 2022, the adoption of a freeze to imports of refrigerants in 2024. |

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Development of a framework for the inclusion of trade in NDCs

- **Starting point:** Findings from the UNCTAD NDC mapping and technical cooperation activities on low carbon export value chains show **significant potential for enhancing the inclusion of trade in climate strategies** in support of climate goals
- **Overall objective :** Enhance the capacity of developing countries to integrate trade-related issues into their NDCs to support mitigation, adaptation and economic diversification objectives while preserving export capacity and market access
 - Provide a **tool for developing countries** to assess the inclusion of trade related measures in their NDCs and **identify overlooked trade-related mitigation and adaptation opportunities**
 - Facilitate the inclusion of climate-related considerations into export strategies

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Development of a framework for the inclusion of trade in NDCs

○ Conclusion of the 1st global first at COP 28

- The stocktake showed that efforts to hold global average temperature rise to below 1.5 degrees Celsius are insufficient. And it showed that whole-of economy systems transformations are needed that would lower emissions, strengthen resilience, and unlock the resources needed, in a just and sustainable way (UNFCCC)

○ Towards NDCs 3.0

- The 2025 NDCs are to present national plans with a time horizon of 2035 and are to be submitted in advance of the UN Climate Change Conference COP30 that is scheduled for November 2025
- *“This next round of NDCs may be the most important documents to be produced in a multilateral context so far this century”* Simon Stiell; UN Climate Change Executive Secretary

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Development of a framework for the inclusion of trade in NDCs

○ Expected Outputs of the proposed framework

- Enhanced capacity of national stakeholders to identify trade and investment related opportunities and challenges for climate change mitigation and adaptation, and to formulate relevant policy options and actions to harness trade in support of climate action.
- A set of nationally agreed recommendations to enhance the inclusion of trade and investment-based measures in NDCs and the inclusion of “climate change-related” actions and priorities into national trade and investment strategies.

The framework will also support the inclusiveness of national consultations for the preparation of NDCs 3.0 in participating developing countries.

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Development of a framework for the inclusion of trade in NDCs

○ Next steps

- The proposed framework will be developed and refined through research, including the analysis of existing NDCs and other relevant strategies to identify entry points to harness trade in support of climate goals, peer review, and consultations with both partner organizations and developing country officials.
- Presentation during an expert meeting to be held in September 2024 in Geneva
- Subject to funding availability, UNCTAD and its partners will implement the framework in partnership with a small group of developing countries beginning in early 2025.

A few references for further information

Recent UNCTAD publications on Trade and Climate Change

- **Mapping trade-related measures in Nationally Determined Contributions**

<https://unctad.org/publication/mapping-trade-related-measures-nationally-determined-contributions>

- **Trade regulations for climate action: New insights from the global non-tariff measures database**

<https://unctad.org/publication/trade-regulations-climate-action-new-insights-global-non-tariff-measures-database>

- **Making trade work for climate change mitigation: The case of technical regulations***

<https://unctad.org/publication/making-trade-work-climate-change-mitigation-case-technical-regulations>

* Legal analysis on climate and trade law rules (Chapter 3), and on equity and fairness from a developing country perspective (Chapter 4 - section 4.3)

Thank you!

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