

# Leveraging Trade and Investment Policy for Low Carbon Trade

6th Meeting of the CAREC Regional Trade Group

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# Global trends in green growth and shift to low carbon trade

# Global Trends in Green Growth

Sustainable  
Development Goals  
(2030)

Paris Agreement

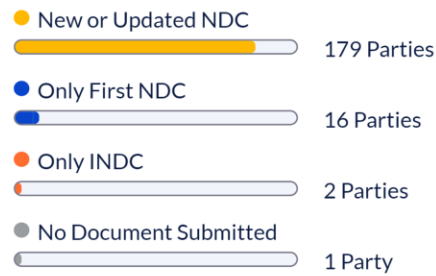
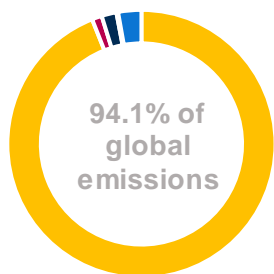
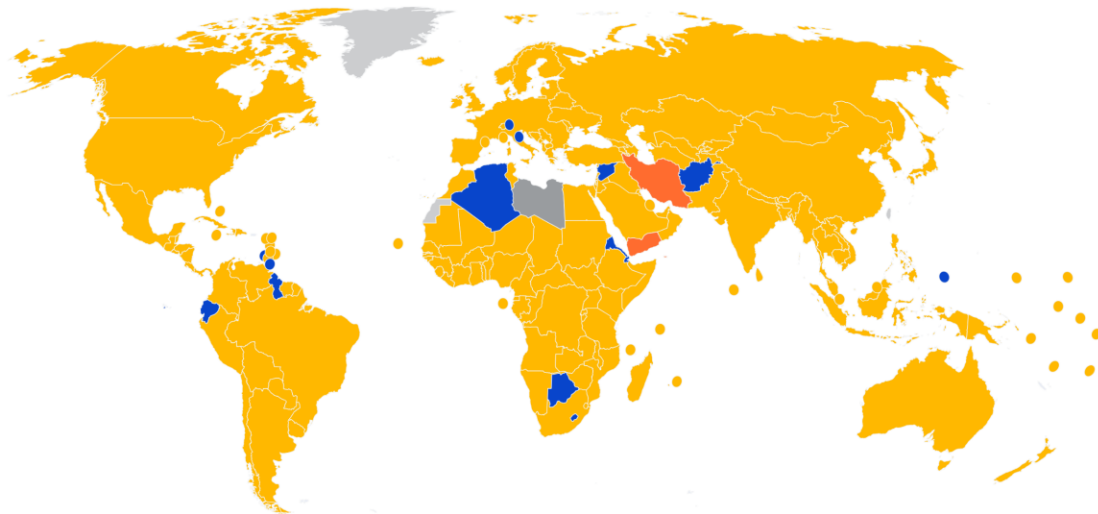
Commitments by  
world economies to  
reduce/eliminate  
GHG emissions

# Global Trends in Green Growth

NDC Explorer

CLIMATEWATCH

Document: All documents; Category: UNFCCC Process; Indicator: Latest submission; Countries and Regions: World.



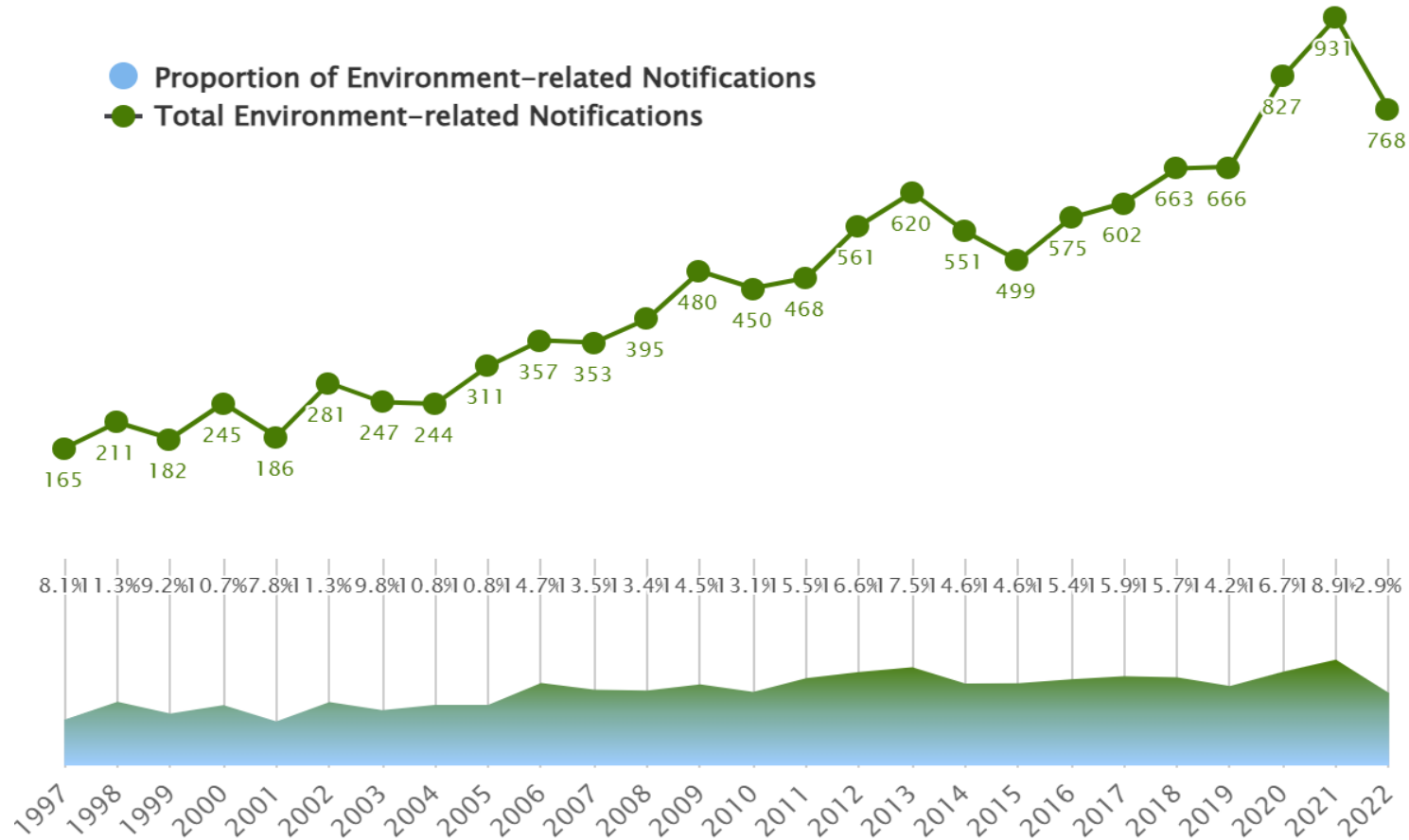
## Analysis of NDCs

All policy areas – including trade policy – have a key role in greening of economies and climate change mitigation. However, as of February 2022:

- 45% of the NDCs submitted under the Paris Agreement did not mention international trade
- 34% broadly referred to international trade or trade measures
- 21% specifically referred to trade measures to foster climate change mitigation (mostly from developing countries)

# Shift to Low Carbon Trade

## WTO Member Notifications - Environment



# Shift to Low Carbon Trade

Mechanisms employed to integrate measures to engage in low carbon trade



Bilateral/Regional Trade Agreements - integrating carbon issues

National measures adopted to reduce GHG emissions - which impact trade

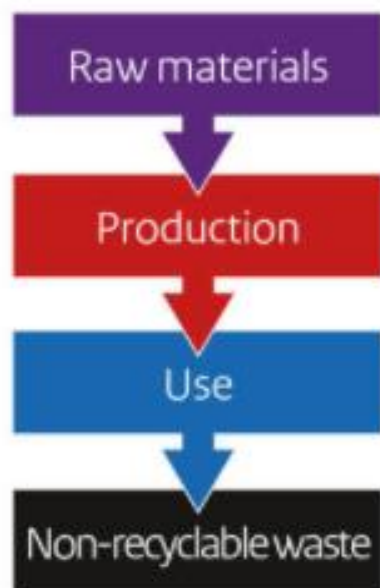


Voluntary Sustainability Requirements

# Shift to Low Carbon Trade

## Emergence of the Circular Economy

Linear economy



Reuse economy



Circular economy

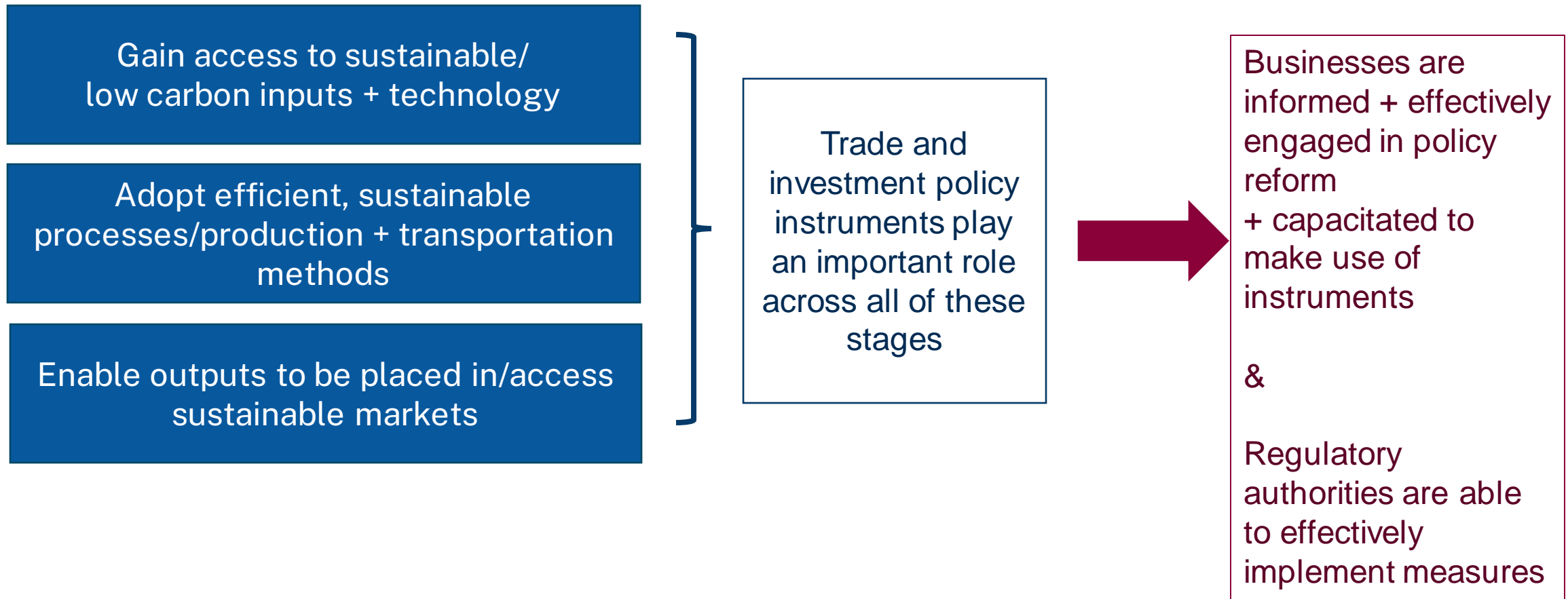


# ITC's framework on decarbonizing value chains to enhance the competitiveness of exports

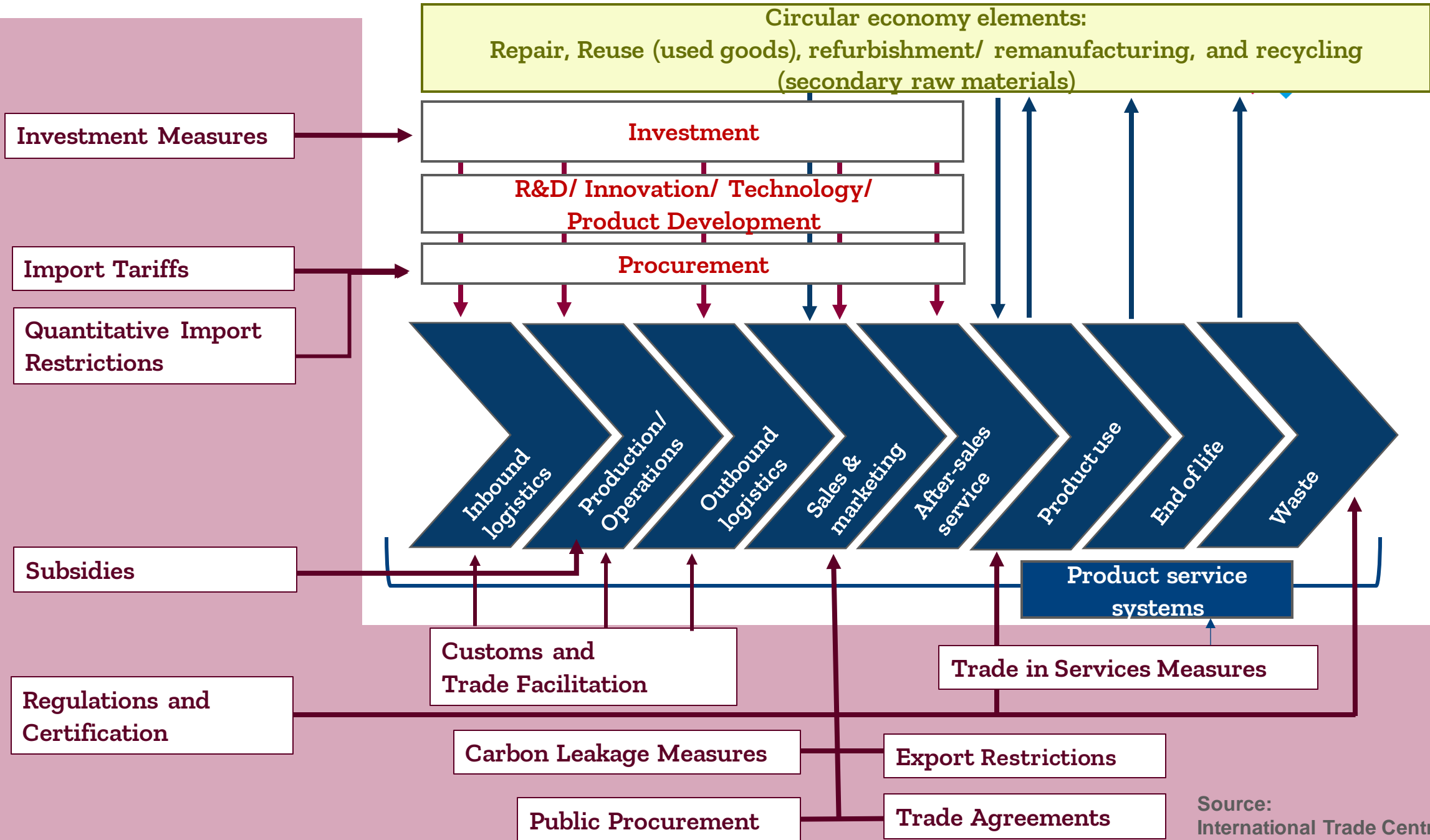


# Enabling Environment for Businesses

Need for conducive policy framework to enable businesses to

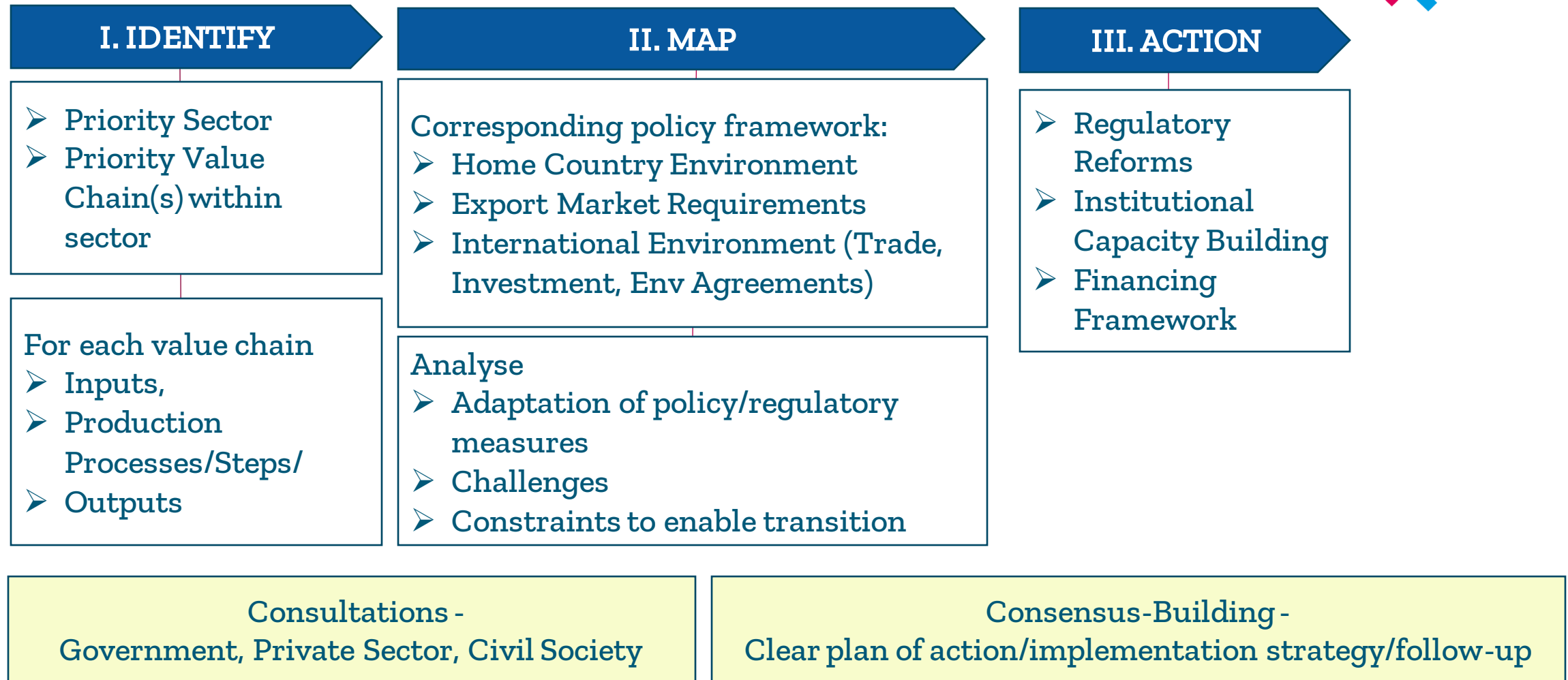


# Application of Trade Policy Measures in a Value Chain - For Decarbonization



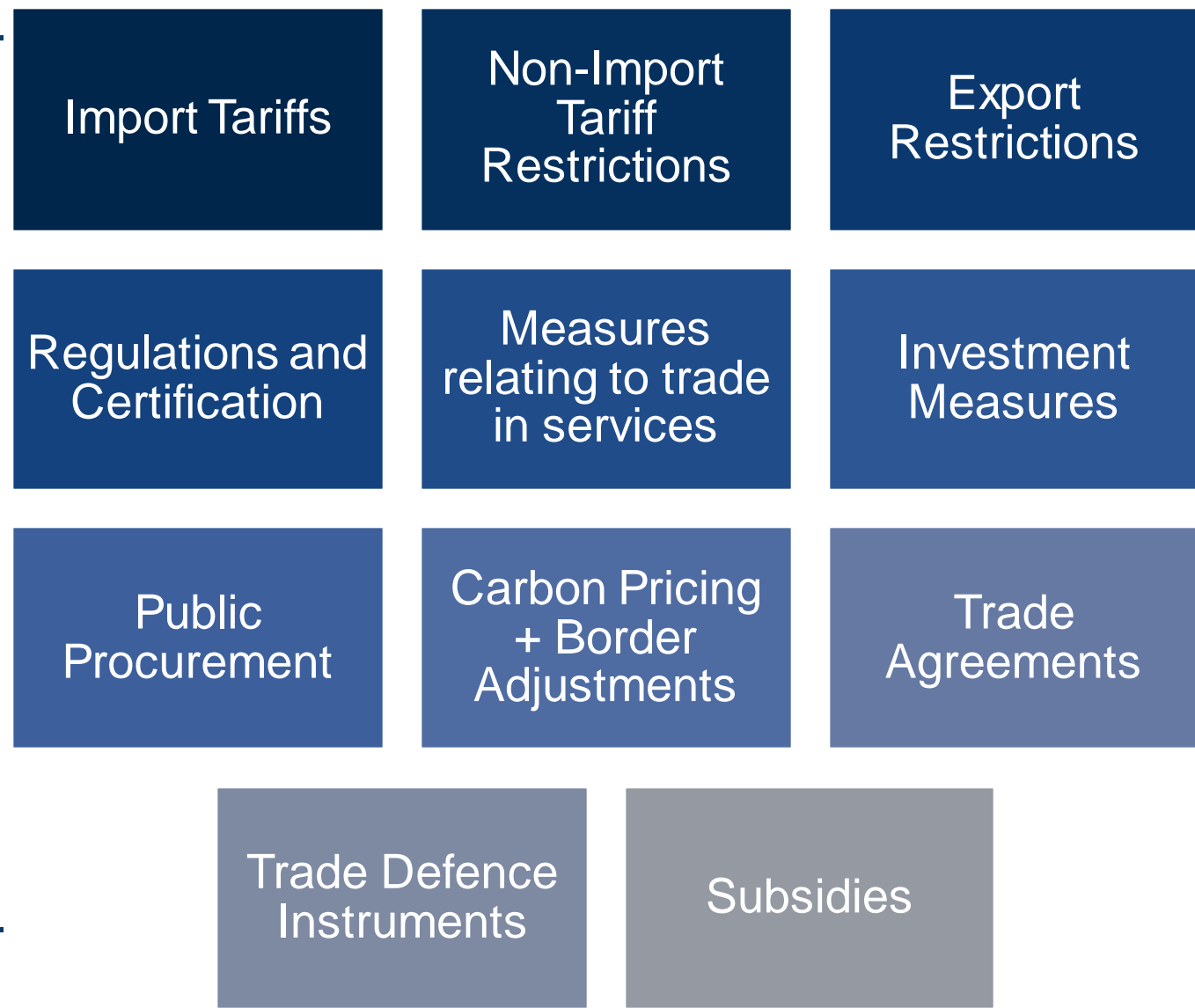
Source: International Trade Centre

# Developing conducive policy framework



# Examples of policy measures

Type of Trade  
Policy  
Measures



Measures drawn from:

- WTO Agreements and practice in Trade Policy Reviews and Notifications by Members
- Classifications used in the WTO Environmental Database, WTO's Trade Policy Tools for Climate Action - as input to COP28

Not exhaustive.

# Example

## Policy Instrument: Customs and Trade Facilitation

### Policy Measures

- Digitalising trade procedures to facilitate cross-border trade and reduce emissions for transport
- TF and logistics reforms to reduce delays at borders along trade routes
- Facilitate marketplaces for trade in second-hand/recycled goods and inputs, reducing carbon footprint

#### Why useful?

- ✓ Major contributor to reducing the cost of merchandise trade across the border
- ✓ Direct contribution to decarbonisation by reducing transport/waiting times and switching from physical to electronic/digital trade documentation.



Mariposa Crossing at the US-Mexico Border

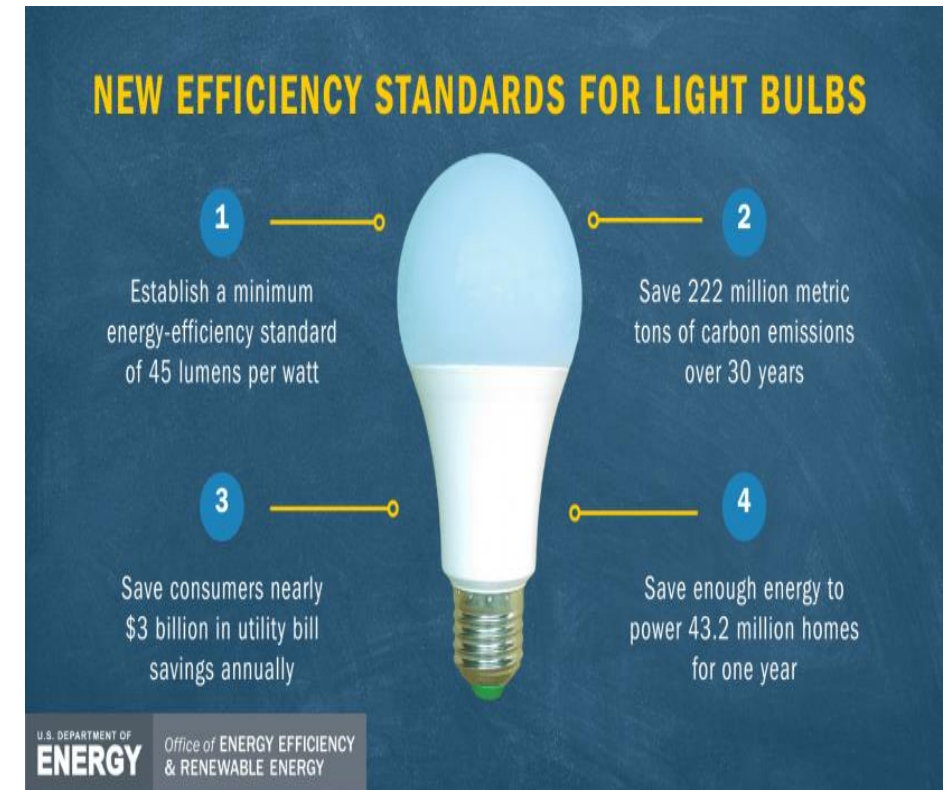
## Policy Instrument: Regulations and Certification

### Policy Measures

- **Regulatory Tools** - mandatory technical requirements and voluntary standards on product characteristics or production methods (Ex. Emissions ceilings, minimum efficiency standards, labelling requirements)
- **Implementation - Conformity Assessment Procedures**

#### Why useful?

- ✓ **Allows to promote production of climate-friendly goods.**
- ✓ **Develop new and growing industry segments with specific standards - making it more competitive**
- ✓ **Harmonisation with other markets/Mutual Recognition - on regulation and certification requirements can further remove barriers to trade**



Energy efficiency standards introduced in the US for light bulbs - 2022

## Policy Instrument: Trade in Services

### Policy Measures

- Reviewing domestic regulations and barriers to trade in key climate-related services (Ex irrigation services for agriculture, installing-monitoring-maintaining climate related goods, clean transport services, waste treatment, etc. )
- Improving market access and national treatment to access services needed for decarbonization of value chains
- Temporary movement of persons - for technical expertise required
- Tax and other incentives for import of specialised services necessary for decarbonisation of value chains (ex. Data analysis for energy efficiency, etc.)

### Why useful?

- ✓ Impacts the whole product-services systems - from inbound logistics to waste
- ✓ Serve as critical inputs to production of goods.

## Policy Instrument: Investment Measures

### Policy Measures

- Removal or adaptation of restrictions on investments in value chains identified for decarbonisation
- Provision of incentives for domestic and foreign investments in selected value chains
- Streamlining + enhancing transparency of procedures - such as licensing, etc. - required to set up and operate in the country

### Why Useful?

- Decarbonisation of value chains requires financial capital and technological skills.
- Financing is needed to facilitate importation of key inputs, attract technical know-how, etc.



# Mix of policies to be applied for specific sectors

## For Example - Agricultural Sector

Remove **tariffs and NTBs on agriculture inputs** and facilitate access to new technologies for farmers through **expedited procedures**

Negotiate **enhanced access** for agricultural products with low GHG emissions in **trade agreements**

Strengthen **investments into new technology/inputs** - through targeted incentives, streamlined investment procedures, etc.



Compliance with **environmental sustainability standards and quality infrastructure** for demonstrating compliance for exports

Develop and implement **standards for sustainable food production and obtain mutual recognition of methodologies on measurement of carbon emissions** embodied in a product

**Sustainability labelling** of food products

Implement **trade facilitation and logistics reforms to reduce delays at borders and along trade routes**, especially to reduce food waste and so contribute to food security

**Enhanced services regulatory framework**- to access relevant technical expertise/professional services, transport/logistics services, carbon verification/measurement services, etc.



## Enabling Environment for Low Carbon Trade

- ✓ Transition to Sustainable/Low Carbon Trade is inevitable. Need to adapt or risk being left behind.
- ✓ But, can present important opportunities for businesses - including MSMEs - in developing countries.
- ✓ Having a conducive policy framework is instrumental in enabling businesses to effectively harness these opportunities.

## Key Takeaways



- ✓ Policy Measures need to be conditioned to the specific value chain
- ✓ Mix of policies - based on the products in the value chain, specific country context, international market requirements, etc.
- ✓ Requires engagement of all key stakeholders - government, private sector, civil society, etc.
- ✓ Should be complemented with targeted engagements for businesses to effectively leverage policy measures to access opportunities.



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