Governance to support a global green deal:
11 ways to align global economic institutions with climate action in the next 12-36 months

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Carolyn Deere Birkbeck
Thomas Hale
Lise Johnson
Emily Jones
Andreas Klasen
Gregory Messenger
Harro van Asselt
Bentley Allan
Summary:

- To achieve global climate goals and build a more resilient economy, the rules and institutions of global economic governance must align around a green transition.
- This report describes a package of 11 ideas for reforms across the global trade and investment regimes, broadly understood, that can remove barriers to, and create drivers for, climate action. Some are mature efforts already in progress; others are new areas of work that require more research and strategizing.
- The package elements fall into three categories: steps that can be taken within existing structures, options that pioneering governments can advance unilaterally or in small groups, and broader reforms of governance arrangements.
- This package of ideas is not exhaustive. Many other potential avenues and proposals are being explored elsewhere in scholarly and policy debate. Some proposals are not mentioned here as they already attract considerable attention and focus from a diversity of stakeholders and some governments.
- Whilst ensuring that economic responses to COVID-19 are climate friendly remains of immediate and paramount importance, we must not lose sight of the direction of travel needed over a more extended time horizon. With this in mind, these reforms target outcomes that could feasibly be delivered over the next 12-36 months.

About this report:
This report emerges from a series of workshops and consultations held in February, July, and October 2020 under the Future of Climate Cooperation project, a joint initiative of Mission 2020, the Blavatnik School of Government at Oxford University, and the ClimateWorks Foundation. These convenings brought together a wide range of experts and policymakers from the trade, investment, and climate communities. The report brings together expertise from different perspectives. Not all authors endorse all of the proposed options, but they do agree that these reflect a fair summary of key proposals that emerged through the consultation process.

The authors thank all participants for their contributions, with particular thanks to: Jason Anderson, Christophe Bellman, Lisa Benjamin, Tim Benton, Sue Biniaz, Kimberley Botwright, Sabrina Bouldi, Clara Brandi, Martin Brauch, Damien Bruckard, Creon Butler, Jeff Colgan, Kasturi Das, Susanne Droege, Richman Dzene, Ilaria Espa, Dan Esty, Hippolyte Fofack, Kevin Gallagher, Katie Gallogly-Swan, Fredrik Gisselman, Paul Heaney, James Harrison, Andrew Higham, Robert Howse, Marion Jansen, Rashid Kaukab, Jodie Keane, Johanna Lehne, Aik Hoe Lim, Emily Lydgate, Michael Mehling, Gillian Moon, Jean-Frédéric Morin, Laetitia Pettinotti, Heloisa Pereira, Toby Phillips, Matthew Porterfield, Lauge Poulsen, Daniel Ramos, Mavluda Sattorova, Malena Sell, Mariane Søndergaard-Jensen, Karsten Steinfatt, Ronald Steenblik, Juri Suehrer, Rachel Thrasher, Kyla Tienhaara, Joel Trachtman, Todd Tucker, Jacob van Gent, David Victor, Jacob Werksman, Janet Whittaker and Ann-Kathrin Zotz.

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Context: Aligning global economic governance to climate goals requires a package of reforms across the trade and investment regimes

Decarbonization and adaptation to climate change will require an unprecedented economic transformation in the coming decades. The world needs to build an economy that does not use fossil fuels and that is more resilient to the impacts of climate change. This transformation will also need to proceed in a way that advances broader goals of sustainable development and economic justice within and across countries.

Much of this transformation will need to occur at the national level. Indeed, many countries and regions are taking forward various versions of "green deals" or related measures to mitigate and adapt to climate change. The massive economic stimuli that countries are unleashing in response to COVID-19 offer the promise of turbo-charging this transition, but also carry the risk of locking in unsustainable patterns of production.

While national policy is critical, the rules and institutions of global economic governance—at the multilateral, plurilateral, and bilateral levels—exert a powerful influence on national policies. This influence is two-sided. Cooperation across borders can help countries take forward the necessary economic transition, just as the constraints these rules and institutions can create potentially limit the scope for climate-friendly policies.

At present, the world economy and the institutions that govern it are in a state of flux. The trade regime, in particular, is experiencing greater political contestation—both between countries and within them—than perhaps any period since the 1970s. These tensions create risks for the green transition in that they can thwart the kind of cooperation needed to create global economic governance that encourages and enables the economic transformation vital to achieving the goals of the Paris Agreement. Building international coalitions to align global economic governance with climate goals is therefore a critical task.

While there are many uncertainties and unknowns regarding exactly how the green transition will unfold (e.g. which technologies will prevail, how patterns of production, distribution, and consumption will change), we do know that current governance arrangements are too often out of sync with global sustainability goals. For example, protections for foreign investors can limit the ability of countries to upgrade environmental standards or raise the costs of such standards. Provisions in trade agreements can constrain the scope – and the perceived scope – for governments to pursue industrial policies needed to develop green technologies. The lack of restrictions on harmful fossil fuel subsidies can both distort economic flows and harm the climate.

But removing barriers is not enough. Global economic governance should also be a tool through which countries advance climate goals. For example, institutions and processes of global economic governance should be harnessed by governments to advance their cooperation to promote greater trade and investment in environmental goods and services, facilitate
technology diffusion, and accelerate green industrial policy. At a moment when the legitimacy of global economic governance is increasingly in question, a positive, proactive climate agenda can also rebuild support for international economic cooperation.

This kind of broad, structural change will require many reforms across a range of fora. This is not just a matter of, for instance, adding a “climate” or “sustainable development” chapter to trade agreements. Ultimately, all trade and investment agreements and associated institutions need to be aligned with climate goals. Where existing institutions and agreements cannot be reformed, states may need to create new ones over the longer term.

While this document focuses on the trade and investment regimes, writ large, many other elements of global economic governance will need to shift as well. Positively, we are already seeing important changes in the realm of finance, with, for instance, the Financial Stability Board promoting disclosure of climate-related financial risks, and public development banks committing to increase green financing and phase out coal and other damaging pollutants.

While full alignment will likely take time, significant steps can and should be taken in the next three years. The goal of this project was to propose a package of reforms that can be achieved or meaningfully advanced in 12-36 months. While we do not aim to produce an exhaustive list, seeing these elements as a “package” is helpful, we argue, to track overall progress in aligning the trade and investment regimes to climate objectives, and to help governments understand where they can best contribute. At the same time, we hope to help the “epistemic community” around trade, investment, and climate articulate a common vision for how the current landscape of efforts adds up to a broader transformational agenda. The package presented here aims to reflect a fair summary of key proposals that emerged through the consultation and collective brainstorming, but does not imply that all co-authors endorse all of the elements or agree on the feasibility of each of the elements or the degree of priority they should attract.

The elements of the package come in three types:

- Steps that can be taken within existing structures;
- Steps that pioneering countries can take individually or in small groups; and
- Broader reforms that require changes advanced through and in existing or new institutions.

Some of the elements of this package are mature efforts already in progress; others are new areas of work that require more research and strategizing. The reforms proposed will need to be advanced across a range of global economic governance fora and in multilateral, regional, and bilateral agreements.
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<th>Potential next steps</th>
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<td>1. Support countries to best use policy space in current trade and investment rules</td>
<td>Developing</td>
<td>WTO, national trade and investment lawyers and climate policymakers</td>
<td>Develop guidance, support network, and training network on trade and investment policy space for climate action.</td>
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<td>2. Strengthen engagement at WTO on alignment of trade policy with climate ambition</td>
<td>Emerging</td>
<td>WTO, national delegations, civil society, academia</td>
<td>Build on current practice to ensure centrality of climate considerations across WTO committee and workstreams.</td>
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<td><strong>STRATEGIES FOR PIONEERING GOVERNMENTS</strong></td>
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<td>3. Coordinate national climate trade measures (e.g. border carbon adjustments or production standards) to increase effectiveness and fairness</td>
<td>Developing</td>
<td>EU, US, and emerging economies</td>
<td>Assess political prospects for greater alignment (e.g. US-EU) and implications for developing countries.</td>
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<td>4. Develop climate-enhancing Preferential Trade and Investment Agreements</td>
<td>Developing</td>
<td>PTAs and IIAs, national trade policymakers, civil society, industry, academia</td>
<td>Develop a set of substantive and procedural provisions to include in PTAs and IIAs to make them not only “climate friendly” but to actively push objectives like green investment, technology transfer, etc.</td>
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<td>Developing</td>
<td>Berne Union, OECD, EU</td>
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<td>National governments, WTO</td>
<td>Identify and promote ways that trade-related financial support to developing countries could better support trade-related climate mitigation and adaptation goals.</td>
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<td>9. Develop rules to support fossil fuel subsidy reform</td>
<td>Developing</td>
<td>WTO, ACCTS, G20</td>
<td>Identification of possible rules prohibiting specific types of fossil fuel subsidies on the basis of their climate impacts, while incorporating development priorities.</td>
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<td>10. Ensure reform of investor-state dispute settlement advances climate goals</td>
<td>Emerging</td>
<td>UNCITRAL, UNCTAD</td>
<td>Generate consensus around the need to ensure that investment treaties and UNCITRAL outcomes support and do not undermine progress on climate. Produce climate-consistent provisions (e.g. those limiting protections for fossil fuels) for adoption.</td>
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LEVERAGING CURRENT STRUCTURES
1. Support countries to best use policy space in current trade and investment rules

**Brief description**

Current trade and investment rules give countries significant policy space to pursue climate objectives, but many policymakers are unaware of how to design policies so as to maximize and utilize this space. The following actions could address this gap:

1. Create a "checklist" for national climate action that can be taken within existing global trade and investment rules: An accessible (short) document could, among others:
   - Be structured around core principles (non-discrimination, evidence-based, etc.) and highlight toolkits to develop, implement, and defend policies.
   - Provide concrete examples for each where countries have successfully introduced policies.
   - Provide counterexamples where policies were challenged but could have been altered/defended.
   - Include accessible material that could be used as basis for training or information for civil society.
   - Include a description of the typical chapters of a PTA (including investment chapters) alongside suggestions how to mainstream climate issues in them (accessible to non-lawyers).
2. Create a network of countries to cooperate around this checklist and to learn from each other.
3. Create trainings around the policies and strategies suggested

**Driver/Barrier**

Remove barrier. Encourage governments to use existing and potential policy space to pursue climate action (i.e. help counter regulatory chill, providing additional information to resist countervailing arguments).

**Current status**

Developing. While there is a large amount of knowledge (including in WTO handbooks and lists of notified measures that have not been challenged), there is less detail organized around specific areas of policy design, or particular national circumstances.

**Key fora**

WTO, industry/civil society coalitions, “coalitions of willing” WTO Members, other international economic spaces like G20, etc. Other UN agencies engaged in climate work (e.g. UNFCCC, UNEP).

**Key decision-makers and stakeholders**

National climate policymakers and trade/investment lawyers, breaking silos between climate policy implementation and international economic rules.

**Potential impact**

Removing potential fears around “regulatory chill” of trade and investment measures can give governments more confidence to adopt ambitious national measures. A concise outline of issues/statement outlining ability to act, supported by clear evidence, could act as a point of reference for new national or international policies, used to justify/confirm government policy space to pursue climate action.

**Feasibility**

Feasible within current constraints. Organizing relevant information and building trainings and network would require resources.
2. Strengthen engagement at WTO on alignment of trade policy with climate ambition

| Brief description | Support efforts to include a statement on environment at the 12th Ministerial Conference in 2021 that includes a strong focus on climate and, where possible, a potential new commitment to enhance cooperation on several key aspects of this challenge, with a follow up agenda for work for the 13th Ministerial Conference.  

Support efforts by Members and stakeholders to engage in the recently launched Structured Discussions on Trade and Environment, including a robust action-oriented workstream on climate and trade. Link such efforts to related discussions on a more resource efficient, low carbon, circular economy and fossil fuel subsidy reform (see proposal 9).  

Support efforts to enhance engagement of WTO Members with climate issues, building on the work of the WTO Secretariat Environmental Database, to incorporate climate efforts within in key WTO processes and regular committees, including but not limited to:  

Committee on Trade and Environment:  
- Encourage Members to make submissions and share experiences on trade and climate related challenges, and opportunities and proposals, including related to the implementation of the Paris Agreement.  

Trade Policy Review Mechanism:  
- Expand consideration of trade-related climate policies and measures as well as climate impacts on trade in WTO Trade Policy Review processes as a vehicle to spur discussion on alignment at the national level and to use a core WTO function to generate information and discussion at the multilateral and national levels on climate and trade policy interactions.  
- First steps could be to encourage: 1) a widening set of Members to voluntarily include this in their own national reports for the Trade Policy Review process; 2) more Members to pose questions to countries under Review about trade-related climate impacts, intersections and policies; and 3) Members to hold national consultations related to their Trade Policy Reviews, which could provide an opportunity to ensure that climate-related issues are one of the issues under discussion.  
- A further step could be to set out questions that Members and the Secretariat could consider on climate. Although this is unlikely to be adopted formally by Members it could incrementally change practice. It would likely need to involve a wider environmental lens that would also capture issues of nature/biodiversity and pollution. A formal process of changing the terms of the Trade Policy Reviews would also lead to questions about why it would not also include wider considerations about social impacts, the SDGs, gender, etc. |

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Technical Barriers to Trade committee:

- Article 2.9 of the TBT Agreement obliges Members to notify the WTO Secretariat at an early stage when proposing a technical regulation which is not based on an international standard and which may have significant effect on the trade of other Members. Article 10.6 further requires the WTO Secretariat to circulate all notifications to all Members and interested standard setting bodies. The proposed technical regulation will then be discussed by interested Members at the next TBT Committee meeting. Members’ proposed carbon emissions standards, energy efficiency requirements and carbon labelling proposals have all been raised and discussed in the agenda category of “specific trade concerns” at TBT Committee meetings, and such discussions could have a chilling effect on climate measures.

- Enable climate experts to participate in TBT meetings, echoing the technical expertise provided to panels by experts in complex disputes, to improve the quality of debate and viewpoints present, thereby also opening the process up to greater climate-related scrutiny.

Subsidies and Countervailing Measures (SCM) committee:

- The most recent UNCTAD report reveals that, between 2008 and 2014, there were 41 trade remedy actions applied—on the basis of subsidy or dumping, or both—against clean energy support schemes.

- There is considerable scope for public interest involvement in national trade remedy investigations, with both the SCM Agreement and the Anti-Dumping Agreement stating that “all interested parties” must be given “ample opportunity to present in writing all evidence which they consider relevant” in respect of the investigation in question. Ensuring climate experts are able intervene in these cases could help ensure climate-friendly outcomes.

- Any interested WTO member may raise concerns about the subsidies of other Members in the SCM Committee or may ask for further information in the twice-yearly meetings. Members could more proactively raise questions about harmful subsidies in these settings.

Support plurilateral efforts to promote trade in environmental goods and services that can advance international climate action (including through negotiations on market access for climate-related technologies, as well as technology transfer).

Consideration of climate dimensions could also be incorporated into the work for the WTO Committee on Agriculture (sustainable agriculture) and working group on Technology Transfer and TRIPS Council (on climate technologies).

Driver/Barrier: Remove barrier. Encourage governments to use existing and potential policy space to pursue climate action (i.e. help counter regulatory chill), expose efforts to undermine climate protections to transparency and scrutiny.
| Current status | Emerging.  
| --- | ---  
| Structured discussions on trade and environmental sustainability recently launched at WTO. Four meetings are envisaged in 2021 in lead up to 12th WTO Ministerial, with ongoing meetings envisaged until the 12th Ministerial in 2023.  
| For the Trade Policy Review Mechanism, a first step could be an analytic exercise of the existing climate content in Trade Policy Reviews as compiled in the WTO Environmental Database. How useful are existing practices and how could they be improved? Can best practices or questions be developed that could support increased reporting on these elements in meaningful ways that can contribute to both domestic and international policymaking? Then, climate-progressive countries could begin including climate-related information in their own Trade Policy Reviews.  
| Supporting climate experts to participate in TBT and SCM Committee meetings would require further coordination and resources.  

| Key fora | WTO, industry/civil society coalitions, “coalitions of willing” WTO Members, other international economic spaces like G20, etc. Other UN agencies engaged in climate work (e.g. UNFCCC, UNEP).  

| Key decision-makers and stakeholders |  
| --- | ---  
| Like-minded country delegations to WTO.  
| Civil society groups and academics with trade-environment expertise.  

| Potential impact |  
| --- | ---  
| Increase “space” for climate in trade discussions.  
| Indirect support for green agenda.  
| Could help converge countries’ expectations on trade-climate topics.  
| Increases voice of developing countries on major emitters’ policies.  

| Feasibility | Feasible. Incremental change using political processes focused on building and sharing knowledge has proven a useful way to socialize new ideas and approaches that can inform thinking in capital and shift the narrative on trade issues in ways that can create more space for policy action and potential cooperation. More multilateral information-sharing and dialogue are vital prerequisites to feasibility of any more specific cooperative activities and can support bilateral and plurilateral efforts for those willing to advance further.  

STRATEGIES FOR PIONEERING GOVERNMENTS
3. Coordinate national climate trade measures (e.g. border carbon adjustments or production standards) to increase effectiveness and fairness

<table>
<thead>
<tr>
<th>Brief description</th>
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<tbody>
<tr>
<td>● Many countries are considering various forms of climate-related unilateral trade measures, including carbon tariffs, production standards, or supply chain conditionalities around topics like deforestation.</td>
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<td>● While much is being written about the legality of different kinds of measures, more thinking is needed around their actual impact on environmental goals, how to ensure they do not unfairly burden or discriminate against low-income countries, and the politics around their implementation.</td>
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<td>● Coordinating these unilateral measures could:</td>
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<td>○ Reduce transaction costs/frictions potentially created by different countries adopting different measures.</td>
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<td>○ Increase impact if countries move together.</td>
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<td>○ Address legitimate concerns of third parties, particularly the most vulnerable/poorest.</td>
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<td>● In this context, there is a need to:</td>
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<tr>
<td>○ Better understand climate impacts of unilateral trade measures.</td>
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<td>○ Discuss ways in which such measures can be coordinated to reduce political friction and maximize impact on climate ambition and action.</td>
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<tr>
<td>○ Support strategies through which conflict/cooperation around trade measures becomes a driver for greater climate action.</td>
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| Driver/Barrier | Driver. Supporting coalitions of countries to move trade measures forward in ways that promote fair and effective climate outcomes. |

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<tr>
<th>Current status</th>
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<tr>
<td>Developing. There is already lots of work on border carbon adjustments, and the EU Commission’s CBAM (carbon border adjustment mechanism) proposal has added even more. As a consequence, we know lots about the pros and cons of border carbon adjustments versus other trade measures like production standards, and the design options and their legality under international trade law.</td>
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While there is literature on the use of requirements on economic actors for behaviour along their supply chains (for example, on forestry products or labour practices) there is less on the detail of how effective such regulations are or how they can be designed to support aims without unfairly burdening vulnerable actors. |

We know less about the diplomatic/political dynamics involving trade measures: under what conditions could coordination of such measures work, how would coordination be perceived by third countries, and what are the risks/opportunities in terms of fairness of international climate action? Also, the extent to which various trade measures are compatible |
with, and complementary to, each other remains an ongoing area of work.

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<tr>
<th>Key fora</th>
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<tr>
<td>● Bilateral US-EU talks;</td>
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<td>● EU and/or US with China and/or India;</td>
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<tr>
<td>● EU and/or US with climate-leader coalitions of developing countries;</td>
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<td>● EU-Mercosur talks;</td>
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<td>● European Parliament where demand is high but development concerns are also present;</td>
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<tr>
<td>● World Customs Organization could help support efforts to clarify operational details of applying border carbon adjustments.</td>
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<thead>
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<th>Key decision-makers and stakeholders</th>
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<tbody>
<tr>
<td>● Policymakers in countries considering adoption of trade measures (EU, US) and policymakers in countries potentially affected by them (China, India, Brazil, vulnerable countries).</td>
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<tr>
<td>● Businesses in sectors likely to be included in any trade measures (notably energy-intensive industries, textiles, extractive industries, and agroforestry sectors including palm oil).</td>
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<tr>
<th>Potential impact</th>
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<tr>
<td>● Coordinated trade measures by larger markets could exert powerful leverage on political decisions of laggard countries. Conversely, competing or contested measures may generate political cleavages that undermine climate cooperation.</td>
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<tr>
<td>● Trade measures would be considered not just as tools to address leakage, but as measures with impacts on fairness of Paris efforts.</td>
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<thead>
<tr>
<th>Feasibility</th>
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<tr>
<td>● Challenging—trade measures are controversial already if one party is considering them, and their coordination may add further complexity in terms of their design.</td>
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4. Develop climate-enhancing Preferential Trade and Investment Agreements

| Brief description | Develop “best in class” provisions for PTAs and IIAs that are not just “climate friendly” but actively promote green economic transformation. Develop a set of substantive and procedural suggestions to be included in existing and/or future PTAs/IIAs (and negotiations/implementation thereof) to ensure they are climate-friendly and promote economic transformation and transition aligned with climate goals. Many legacy PTAs and IIAs are silent on environmental questions, and newer versions typically relegate climate (and other) issues to separate chapters which can have uncertain impacts. Pioneering governments can instead develop PTAs and IIAs that can actively promote climate-advancing economic transition. Such elements could include:

- A stronger impact assessment process both ex-ante and ex-post, including model methodology and process for assessment of climate impacts of agreements, including through assessment of global carbon footprint of national consumption (consumption-based environmental impact assessment of trade);
- Promoting green investment;
- Supporting technology transfer;
- Infusing provisions around state-owned enterprises and state subsidies with environmental priorities;
- Ensuring compliance with environmental standards;
- Incorporating environmental preferences in government procurement;
- Ensuring coherence between green industrial policies and trade agreements.

In this context, a revived plurilateral Environmental Goods (and Services) Agreement could provide a useful step forward for liberalization of environmental products and services, though negotiations have proven difficult to advance in recent years. Identifying the benefits of further prioritizing environmental goods and services for liberalization in ongoing and future PTAs could potentially help advance discussions at the plurilateral level. |

| Driver/Barrier | Both removing a barrier and driving stronger climate outcomes. |

| Current status | Developing/Emerging:
- Researchers have begun to identify and analyze climate-related provisions in PTAs/IIAs and to study the role of non-climate chapters and provisions on climate. Suggestions of how to improve the negotiation process (e.g. by requiring an independent climate impact assessment that is used to inform policymaking) or implementation and follow-up (including possible enforcement) have received relatively little attention.
- A plurilateral Environmental Goods Agreement is currently under negotiation under WTO auspices, but negotiations have not advanced significantly in recent years. While there has been |
some work (particularly at the OECD) on developing criteria for “environmental” goods, this is limited and the product-by-product approach of APEC/WTO instead has dominated. Providing a clear methodology could help reduce some of the tensions that lead to the Environmental Goods Agreement’s deadlock. The support for continued work on the development of criteria for ‘environmental’ services would be beneficial given the increasing priority given to services liberalization.

### Key fora
- Bilateral/minilaterial PTAs/IIAs (e.g. new UK PTAs, EU-Mercosur).
- Regional PTAs (e.g. AfCFTA).
- WTO (Environmental Goods (and Services) Agreement).
- OECD.

### Key decision-makers and stakeholders
- Trade policymakers in countries currently negotiating PTAs.
- “Pioneer” governments and/or multilateral organizations willing to initiate new climate policies in the trade sphere (e.g. members of the ACCTS coalition).
- Climate and trade experts designing new measures.

### Potential impact
Moderate-high: this would significantly improve the knowledge base for constructing climate-sound treaties, and could have an important impact on content as well as success at ratification phases.

### Feasibility
Moderate-high.
- There is a good knowledge base around specific provisions. Information on provisions is available through e.g. TREND database, whereas OECD’s Joint Working Party on Trade & Environment has had regular surveys of environmental provisions in PTAs and their follow-up. The more challenging aspect would be analysis of non-environmental chapters (which the OECD has also recently commissioned work on).
- Methodologies of climate impact assessments of trade are under development, including global carbon footprint methodology, which could be elaborated upon. It would be feasible to do an assessment for some pilot countries and/or sectors that are key topic for trade negotiations (e.g. agricultural trade liberalization).
- Likely possible some pioneering governments would support trialing such provisions.
5. Berne Union Net Zero Commitment (export credit agencies and political risk insurers)

| Brief description | Members of the Berne Union include all major public and private export credit agencies and risk insurers. At the end of 2019 they provided trade/investment financing worth USD 2.83 tn (total outstanding commitments). These actors should commit to, and set a timeline and targets for, transitioning to net zero portfolios before 2050 in a similar manner as the United Nations-convened Net Zero Asset Owners Alliance. Leading export credit agencies and risk insurers should establish a commitment framework in 2021 to be announced at COP26, and work through the Berne Union towards universal participation as required by Article 2.1c of the Paris Agreement on Climate Change. Increasing transparency on trade finance flows and investment insurance will be necessary to enhance the credibility of these commitments. Alignment around robust definitions of “net zero” will also be key (see recommendation 11). |
| Driver/Barrier | Creating a new driver of transition, and shifting trade and investment finance governance to drive a climate outcome. |
| Current status | Developing—a number of OECD export credit agencies such as ADSB in the Netherlands, CESCE in Spain, EKF in Denmark and EH in Germany have various levels of commitment. Denmark and the Netherlands, e.g., have the intention to become "the greenest export credit agency (ECA)". The OECD Arrangement on Official Export Credit also contains requirements applied to export finance for climate-related and fossil fuel projects that take into account climate change goals.  
  ● Needs to be further developed into a front-runner club;  
  ● Getting a net-zero commitment from the whole Berne Union is likely a longer-term goal (a few years). |
| Key fora | Berne Union, OECD, EU |
| Key decision-makers and stakeholders |  
  ● Respective Ministry of Economy and/or Ministry of Finance as guardian authority.  
  ● Ministry of Foreign Affairs and/or Economic Co-operation and Development as drivers of the SDG agenda.  
  ● Export Credit Agencies and Export-Import Banks.  
  ● Exporters/investors and respective associations such as BDI (Federation of German Industries). |
| Potential impact |  
  ● Joint Berne Union approach leading to an informal agreement.  
  ● Amendments of the OECD Arrangement.  
  ● National initiatives amending cover policies, i.e. further incentivizing green transactions. |
| Feasibility |  
  ● A commitment framework would be relatively straightforward to establish, drawing upon the net zero commitments and experience from across the finance sector. Bringing on more members will require more concerted efforts and orchestration |
through the Berne Union.
## 6. Political declaration on green innovation and industrial policy

### Brief description
A declaration at ministerial or head of state/government level that outlines the importance of green innovation and industrial strategy in addressing climate change.

The declaration should:
- Define green innovation and industrial policy;
- Identify the most important strategies, demonstrate their potential contribution to public aims, and note potential barriers and problems in deploying green innovation and industrial strategies;
- Outline a set of political principles to guide problem-solving in this domain, including greater transparency on green industrial policy to prevent “greenwashing”; and
- Frame green industrial policy in a way that speaks to the trade community (e.g. note links to circular economy, trade procurement).

This declaration could be a joint outcome of a G-7/20 process or other relevant grouping, or a declaration at a relevant multilateral forum, such as UNCTAD or ECOSOC.

### Driver/Barrier
This outcome is about removing a barrier, which is that fear of running afoul of international agreements and possible legal disputes might prevent policymakers at various levels of governments from pursuing ambitious green innovation and industrial policies. If policymakers in such countries believed that they had political cover along with legal scope, they might be more daring. The positive goal is to make green industrial strategy more politically acceptable and initiate a political, rather than a legal, discussion about green innovation and industrial policy which could assist with the development of policy and jurisprudence at various levels.

### Current status
Emerging/Developing. There is a lot of mature academic work that can be brought to bear on the definitional and policy questions. However, we do need normative work that seeks to identify and articulate principles for coordination across international economic and environmental governance and for conflict resolution. A key technical question that requires further development (see recommendation 1) is how to ensure governments strategically use existing policy space to achieve green industrial policy goals even as broader reforms may open further space (see following recommendations).

### Key fora
G7, G20, UNCTAD, ECOSOC

### Key decision-makers and stakeholders
Foreign and Trade Ministries in G7 and G20.
Foreign and Trade Ministers of climate-leader countries outside the G7/20.
G77 (for multilateral fora)

### Potential impact
A political declaration could help accelerate domestic action and to develop the basis for creating jurisprudence which would help in legal cases in tribunals across the international economic order.

### Feasibility
Very feasible to align a small group of climate leaders or countries
committed to the scope for using industrial policy, though more impact will be had if larger economies can be brought in. G7 more likely than G20.
BROADER REFORMS
7. Reform the Energy Charter Treaty

<table>
<thead>
<tr>
<th>Brief description</th>
<th>Reform Energy Charter Treaty (ECT) so that, e.g., restrictions on fossil fuels, in order to advance climate goals, are allowed. Options include a call for suspension or termination of the instrument; or suspension or excision of investor-state dispute settlement (ISDS), while keeping the substantive protections in place. Also relevant here is engagement with countries not yet party to the ECT, but that may join it, so as to ensure adequate knowledge of climate relevance, and relevance for ensuring sustainable access to energy for all.</th>
</tr>
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<tbody>
<tr>
<td>Driver/Barrier</td>
<td>Removing a barrier. The ECT has been used by investors in fossil fuels to challenge climate policies at the national level.</td>
</tr>
</tbody>
</table>
| Current status | Developing:  
- ECT has been identified as a barrier;  
- There are ongoing negotiations between ECT members around modernization of the ECT;  
- There are different paths to reform, and uneven awareness of issues and options within ECT member states.  
Current actors working on this topic include civil society groups active in Europe and academics otherwise critical of ISDS. |
| Key fora | ● ECT modernization negotiations |
| Key decision-makers and stakeholders | ● EU pushing for (some) reform, but other parties (e.g. Japan) remain opposed (requires deeper political engagement at domestic level);  
● EU has threatened potential exit, and opposition is particularly pronounced in the European Parliament;  
● ECT Secretariat;  
● National governments engaged in reform / potential accession. |
| Potential impact | ● Facilitate national energy transition policies by removing legal barrier protecting foreign-owned fossil fuel assets.  
● Potentially alter risk profile of new and existing fossil fuel projects that make them not cost-competitive.  
● Increase understanding about what is, and how to ensure, a just transition.  
● Increase cooperation on deployment of environmentally, economically, and socially sustainable sources of energy. |
| Feasibility | Moderate. Significant support in Europe but resistance from other members. |
8. Develop a climate-aligned “aid for trade” initiative

| Brief description | Identification of concrete ways in which climate goals could be advanced through “Aid for Trade” (A4T). Such measures will likely be critical for making progress on border measures and supply chain conditionalities (recommendation 3) and further climate reforms in the WTO and other multilateral fora, providing a way to ensure they are politically and economically viable, and more just. Options include:

1) mainstreaming climate across the objectives and key pillars of A4T:
   • capacity building and technical assistance for trade policy and regulation, as well as negotiations;
   • trade-related infrastructure;
   • trade-related adjustment measures (i.e. transition support); and
   • supply-side capacity building.;

2) promoting projects that address trade-related challenges and opportunities linked to climate mitigation and adaptation;

3) ensuring that supply chain conditionalities, sustainability standards, and import/border measures used by industrialized countries to advance related to climate goals are coupled with A4T;

4) ensuring A4T is integral to any new WTO/PTA commitments on environment, as a way to ensure they are politically and economically viable, and more just;

4) developing goals and criteria for future A4T projects, as well as measurement of climate-related A4T activities;

5) linking A4T assistance to the operations of international financial institutions, Green Climate Fund finance, etc.;

6) working with a subset of countries as pilots for determining national priorities and needs in alignment with current climate finance processes (e.g. NDC Partnership).

Could be advanced through a wider focus on Greening Aid for Trade (also focused on pollution and nature/biodiversity goals)

| Driver/Barrier | Driver. This is about shifting governance to drive a climate outcome by improving considerations of and attention to climate-related challenges and opportunities that could be advanced through the A4T context. It also helps to remove a barrier because developing countries are cautious about any new commitments to trade-related action on climate due to concerns that these will weaken their competitiveness and reduce their market access; that they will not be able to shift production and exports to take advantage of new green markets; and that they will |

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not be able to meet standards or access affordable green technologies required to meet climate goals and standards. Capacity building that addresses policy, negotiating, supply-side and transition challenges will be vital to their engagement in climate and trade discussions.

### Current status

**Developing:** There is an emerging knowledge base on the potential to better align A4T with environmental goals. However, work on how A4T could concretely support climate goals is limited, especially in ways that could also support developing country trade goals (which will be vital to their critical engagement as drivers of this agenda). Donors will need to be sensitized on how this is a key vehicle through which they can align their trade policies with climate goals. There is clear scope to link the trade and development donor world with key donors active on environmental goals, and the related multilateral and regional bodies. Beyond the A4T initiative, there is also some efforts to integrate more environmental considerations into significant new trade cooperation efforts such as the Belt and Road Initiative.

### Key fora

- WTO + UNCTAD Ministerial Meetings;
- Governing bodies of Aid for Trade Initiative, Enhanced Integrated Framework and ITC.

### Key decision-makers and stakeholders

- Government officials in developing countries;
- Aid for Trade Officials in WTO Secretariat and OECD and Enhanced Integrated Framework;
- WTO missions;
- Officials in donor organizations - national (sometimes in separate development ministries), regional and multilateral;
- GEF and Green Climate Fund;
- NDC Partnership.

### Potential impact

Increased climate and trade-related expertise in developing countries and negotiating capacity; more trade infrastructure projects designed with climate goals and risks in mind; more production in developing countries aligned with net zero goals and more climate friendly exports; more transition from high to low GHG emission activities; more support for climate adaptation of production in developing countries; greater capacity of developing country producers to influence and implement climate standards that shape trade.

### Feasibility

High feasibility. The Aid for Trade Initiative has regular reviews. Champion countries could advance proposals, alongside stakeholders. Secretariats of intergovernmental organizations could also work together to propose ways forward within their existing mandates. Five challenges remain: 1) mainstreaming climate into existing goals and projects; 2) ensuring climate related spending does not displace existing support (which would discourage developing country engagement; 3) linking A4T assistance to the operations of international financial institutions, Green Climate Fund finance, etc.; 4) putting developing countries in drivers’ set in terms of determining national priorities and needs; and 5) bureaucratic inertia. A core set of developed and developing countries will need to be drivers. Encouraging a group to advance this issue as a work stream of the new Structured Discussions on Environmental...
Sustainability and Trade could be a way to galvanize action with the aim of having a first deliverable by the 12th Ministerial Conference.
9. Develop rules to support fossil fuel subsidy reform

<table>
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<tr>
<th>Name</th>
<th>Fossil fuel subsidy reform</th>
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| Brief description | • Identification of possible rules prohibiting specific types of fossil fuel subsidies on the basis of their climate impacts (as well as possible exceptions based on development priorities). This could inform both concrete discussions in the context of ACCTS, but may also advance discussions on the role of the WTO in promoting fossil fuel subsidy reform. This could also be more expressly about including state-sponsored investment protection through risk insurance and investment treaties as a fossil fuel subsidy.  
• Lessons could be learned from ongoing rule development for fisheries subsidies, whilst taking into account particularities of fossil fuel subsidies. |
| Driver/Barrier | This is about shifting trade governance to drive a climate outcome—i.e. curtailing fossil fuel subsidies/promoting fossil fuel subsidy reform. |
| Current status | Developing: There is an emerging knowledge base on the climate and trade impacts of fossil fuel subsidies, and a decent amount of literature on how WTO rules (fail to) address fossil fuel subsidies. Quantification and tracking of fossil fuel subsidies is also improving. However, work on how fossil fuel subsidies could be regulated so as to take into account their climate (and trade) impacts is still to be developed yet very policy-relevant (given ongoing ACCTS negotiations). Perhaps even more importantly, political strategies around how to advance these issues require further strengthening. |
| Key fora | • ACCTS; OECD; WTO; UN (SDG 12.c); G20. |
| Key decision-makers and stakeholders | • Government officials in ACCTS countries;  
• Officials in other countries with an interest in ACCTS (e.g. EU/UK);  
• WTO missions;  
• Commonwealth Secretariat. |
| Potential impact | The identification of the “worst” subsidies from a climate perspective would not only provide useful input into ACCTS and WTO, but may also give civil society organizations support in challenging such subsidies in other ways. |
| Feasibility | Depends on level of detail. Assessing the climate impact of individual subsidies may be challenging, but at a higher level of aggregation more may be possible. |
10. Ensure reform of investor-state dispute settlement safeguards climate goals

| Brief description | Put climate at the heart of the ISDS reform agenda in key multilateral fora like UNCITRAL and UNCTAD. Generate consensus around the need to ensure that investment treaties—and reform outcomes—support and do not undermine progress on climate (12-18 months); produce climate-consistent provisions (e.g. those limiting protections for fossil fuels) for adoption (36 months). |
| Driver/Barrier | Primarily about removing a barrier; potentially also driving solutions. |
| Current status | Emerging:  
  - There has been research on the climate consistency of investment treaties, but more work and granularity would be helpful.  
  - There are different proposals which can be evaluated further and that could all be pursued through UNCITRAL, e.g.,  
    - Suspension of ISDS;  
    - Termination of ISDS/treaties;  
    - Counterclaims against fossil fuel players;  
    - Damages recouped by fossil fuel players;  
    - A framework “implementation” convention that can, inter alia, provide for those items above, add modernized preambular language, etc.  
  - UNCTAD has launched an “International Investment Agreement Reform Accelerator” that can help address substantive obligations. |
| Key fora | UNCITRAL, UNCTAD, and at national government levels. Align with UNCTAD IIA Reform Accelerator. |
| Key decision-makers and stakeholders | Decisionmakers:  
  - national-level political actors that could shape positions taken in UNCITRAL, and might be involved in ratification of UNCITRAL outputs. These seem to be minimally engaged thus far.  
  - Negotiators  
  - Some countries could potentially be identified as partners.  
  - UNCITRAL secretariat; the Commission Chair  
Other stakeholders:  
  - Depends on the reform objective being sought (e.g., counterclaims v termination).  
  - Civil society organizations seeking to broaden the discussion within UNCITRAL have been frustrated at limited opportunities for a meaningful role shaping reform options being considered.  
  - New potential partners could be those in the climate justice communities, as even if ISDS does not stop a climate measure, it increases costs, and shifts distribution of costs away from a “polluter pays” norm. |
<table>
<thead>
<tr>
<th><strong>Potential impact</strong></th>
<th>UNCITRAL is the only multilateral negotiating forum on ISDS reform, so could effectively cover a wide range of existing treaties with significant impact.</th>
</tr>
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<tbody>
<tr>
<td><strong>Feasibility</strong></td>
<td>Medium-low in terms of ultimate outcome, but significant potential to shift the dialogue as a first step.</td>
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11. Develop science-based, transparent, and inclusive climate standards

| Brief description | • Standards around “net zero,” “climate neutrality” and other related terms are currently under development in the International Organization for Standardization (ISO), at the national and regional level, and in various industry bodies.  
• To achieve climate goals and prevent “greenwashing”, these standards should be science-based and transparent.  
• Governments and other relevant stakeholders should engage in the development process to ensure science-based outcomes, and all standards should be subject to critical assessment.  
Developing country governments and stakeholders must have a voice in the development of the standards, and there should be consideration of challenges facing micro, small and medium-sized companies and producers in less developed countries.  
• Implementation, certification and verification of standards (e.g. via third party auditing) are vital parts of the ecosystem that needs further strengthening. |
| Driver/Barrier | Both:  
• Standards can significantly influence economic activity directly (when companies adopt them) and indirectly (e.g. can be referred to in legal decisions).  
• Strong standard for climate neutrality could create powerful benchmarks to drive economic transformation; weak standards, in turn, could undermine other efforts.  
• Proliferation of standards with weak credibility can undermine climate action.  
• Existing environmental standards are unevenly implemented and enforced around the world; many governments and business in developing countries face significant capacity constraints when it comes to implementation of standards and are poorly represented in the discussion of international standards and those developed in key export markets |
| Current status | Developing:  
• The ISO has established a Task Force on Climate Change Coordination to prioritize internal coordination between the hundreds of ISO committees on standards which relate in any way to climate change and carbon neutrality. Importantly, the Task Force is in the final stages of developing a new “ISO Guide 84: Guideline for Addressing Climate Change in Standards”.  
• A number of regional, national and private standards are also in development.  
• It is critical to ensure a strong set of standards emerges that are transparent and reflect input from a diversity of stakeholders  
• Further standards on, e.g., “net zero” or related concepts may also prove useful. |
| Key fora | • ISO, national and regional standards processes, private initiatives at the sectoral level to set climate-related standards (for example, Science Based Targets), UN Forum on Sustainability Standards. |
| Key decision-makers and stakeholders | • ISO’s membership is made up of national standards bodies, which comprise a mix of public and private entities, depending on the country.  
• Industry associations are key to standards development.  
• Greater input from climate experts, non-profit stakeholders is vital to the integrity of standards developed. |
| Potential impact | High  
• Mainstream strong definitions for climate alignment across broad swaths of the global economy.  
• Influence legal interpretations of climate protections in international trade and investment law.  
• The WTO TBT Agreement has created a central role for “recognized standard-setting bodies”, conferring on them a rule making role in the WTO context through obligations to base new technical regulations on existing international standards where possible. |
| Feasibility | Feasible. Standard-setting processes on climate are underway. While these currently have low political salience among non-government stakeholders working on climate and also with many climate and trade policymakers, there is growing interest in the role of climate standards. Although the appeal of a focus on standards, this field has been largely dominated by technical government and industry experts, with less political attention to and understanding of the limitations international cooperation on standards and challenges with respect to their development and implementation. |