

Sea Change: Trade policy and the transition to low-carbon economy



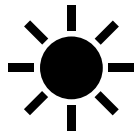
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Trade policy and the transition to low-carbon economy

Different strategies can support the transition to a low-carbon economy



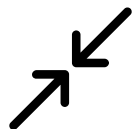
shifting the energy mix **away from fossil fuels**



promoting **alternative sustainable renewable energy sources, such as geothermal, hydro and solar power**



improving **energy efficiency in buildings, transport, industry and consumption**



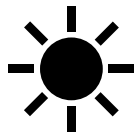
reducing **fossil-fuel driven production and consumption**

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Different trade policies to match such strategies



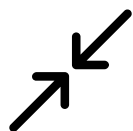
reforming **fossil fuel subsidies**



government support for **renewable energy sources**: reducing project costs through appropriate liberalization of **goods and services**, adjusting the energy infrastructure, looking into **subsidy swaps** and other support for renewables



introduction of **energy efficiency standards** for vehicles, consumer goods, construction projects



promotion of **low-carbon trade** through government procurement, sustainability standards, inclusion of other **PPM requirements or outright prohibitions** for certain goods; informing consumers and changing their habits (**labelling**)

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New trade policies are already being introduced: beyond CBAM (1)

Deforestation:

- Due diligence requirements or import prohibition: EU (2023), UK (2021), proposed in the US in 2021,
- Market access for deforestation-free palm oil (private standards): EFTA-Indonesia FTA (2018)
- Biofuel feedstock from high risk countries not counted towards mandatory renewable energy targets: EU (2018)

Lower-carbon fuels:

- Clean fuel standards (mandatory reduction of carbon intensity in diesel and gasoline): Canada (2022), state level in the US (Oregon 2022, Washington 2021, California 2009)
- Reduced upstream methane emissions for oil and gas: EU voted in EP in 2023

Reduction of imports of high GHG-intensity steel and aluminum? (EU-US negotiations ongoing)

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Green procurement requirements (promotion of low-carbon construction materials): US IRA (2021)

Green (?) subsidies: China (multiple, for example, preferential tax treatment for energy saving and new energy vehicles and vessels 2017-2018), EU Net-Zero Act, US IRA

Access to critical raw materials: from WTO accession negotiations to “new type” trade agreements, EU Critical Raw Materials Act (2023)

But also...

- **Product life extension, circularity and supply chain requirements:** EU “Right to repair” regulation (2023), EU battery regulation (2023), proposal for EU construction products regulation,

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Impacts and opportunities

- **Regional markets for renewable energy:** but additional investments in infrastructure might be necessary
- Renewable energy projects-generated **demand for domestic goods and services**
- New **markets for low-carbon goods**
- **Subsidies** for renewables might make technology more accessible and technology widespread – but can trigger subsidy race
- **Critical raw materials** will be on high demand – and can provide new sustainable growth opportunities to producing countries

Thank you!

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