

TRADE AND ENVIRONMENT WEEK 2022 ¹⁷⁻²¹ OCTOBER

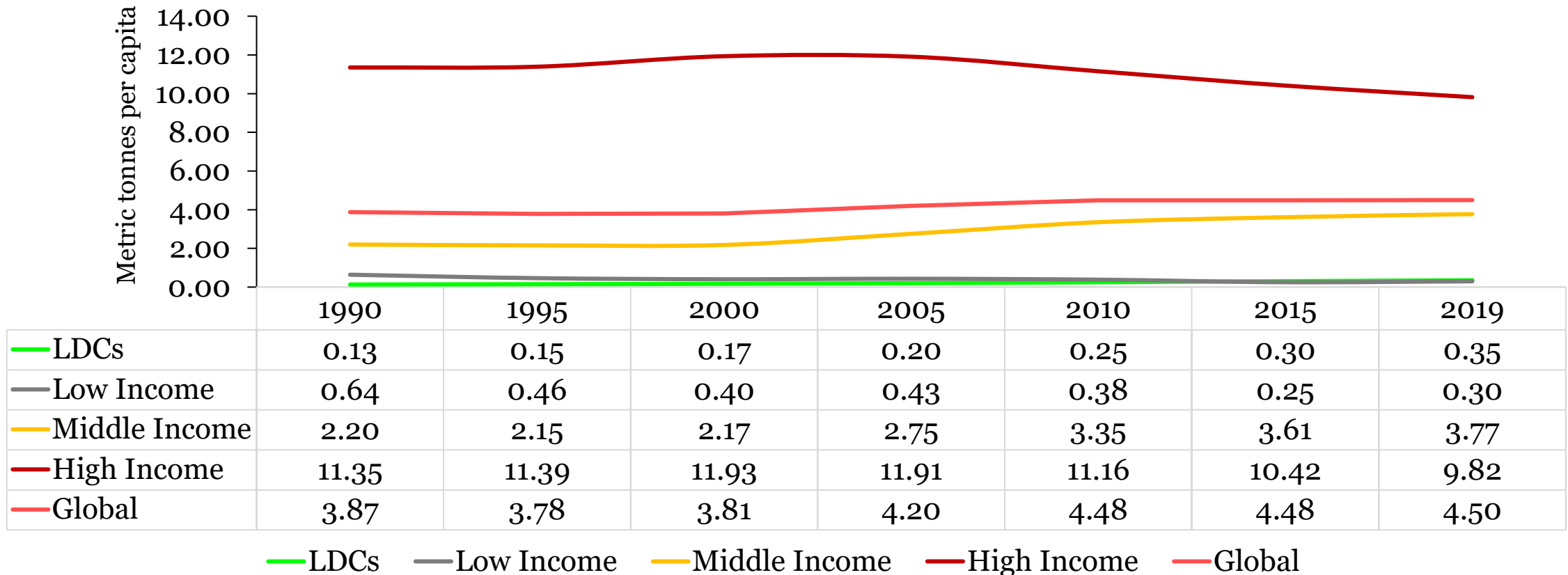
Trade & Climate Change Adaptation & Mitigation: An LDC Perspective
Fahmida Khatun, Executive Director, Centre for Policy Dialogue (CPD)

What are the key climate change adaptation and mitigation priorities in developing countries?

- ❑ LDCs have identified 9 priority sectors for adaptation - agriculture and food security, natural resource management including hydrology and forests, policy strategy, disaster risk management, health, infrastructure, energy, and others as priority sectors.
- ❑ The national adaptation plan (NAP) process was established under the Cancun Adaptation Framework (CAF) at COP16 in 2011. It enables Parties to formulate and implement NAPs as a means of identifying medium- and long-term adaptation needs and developing and implementing strategies and programmes to address those needs.
- ❑ So far, 15 LDCs submitted their NAPs to the UNFCCC
- ❑ National Adaptation Programme of Actions (NAPA) is the LDCs' work programme established in COP 7 in 2001 to support LDCs in addressing the challenge of climate change given their vulnerability.
- ❑ During 2006 – 2013, all LDCs had submitted NAPA to the UNFCCC at various points in time.

What are the key climate change adaptation and mitigation priorities in developing countries?

Figure: Per Capita CO₂ Emission across Various Regions



Source: World Development Indicator (2022).

What are the key climate change adaptation and mitigation priorities in developing countries?

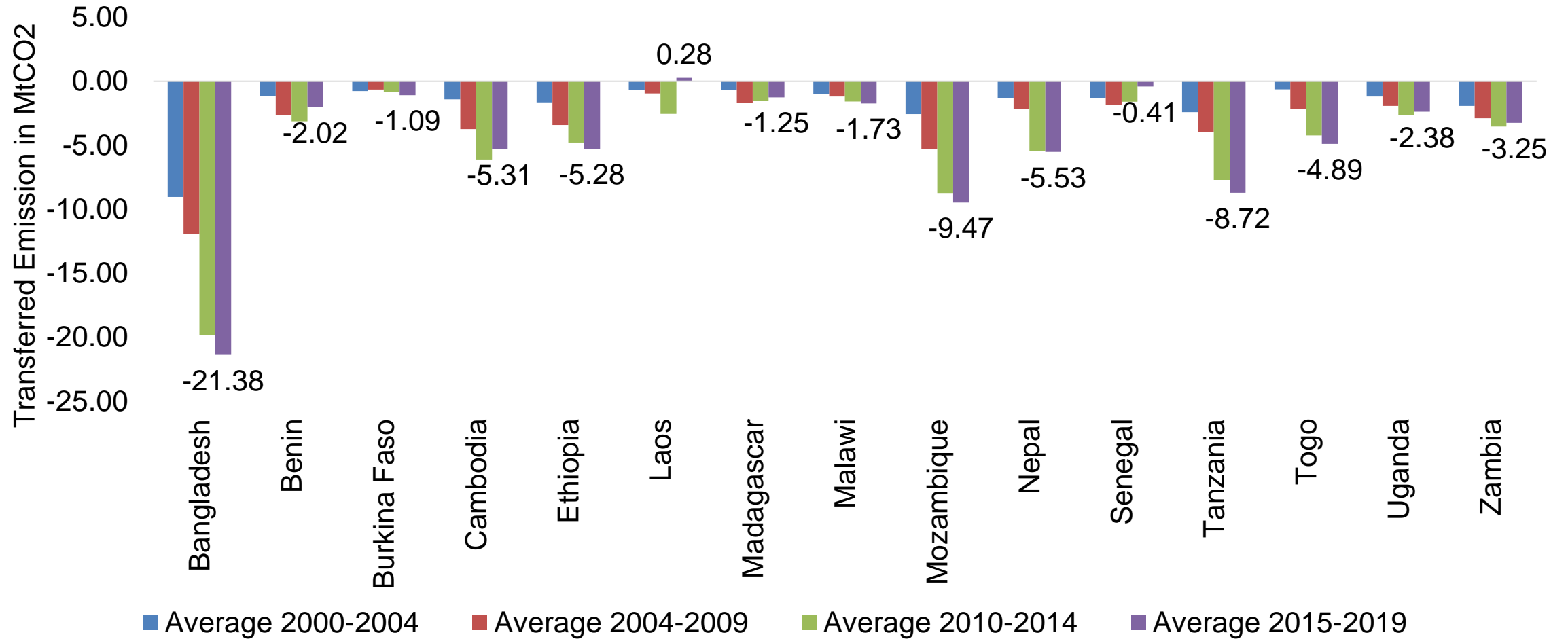
- Most LDCs have updated mitigation plans in their NDCs in 2021 prior to the COP26 with a target to reduce 86 per cent of total emissions from the 2015 target of 42 per cent.
- They have taken both unconditional and conditional commitments.
- The priority sectors for mitigation of GHG in LDCs are energy, transport, waste, agriculture, and buildings.

Major Export and Import Items for LDCs

Major Products of LDCs' Merchandise Exports	(% of Total of Exports)	Major Products of LDCs' Merchandise Imports	(% of Total Imports)
Petroleum Oil/Oil from bituminous minerals, Crude	14	Manufactured Goods	64.57
RMG Products	18.1	Food Items	18.88
Gold, unwrought semi-manufactured powdered form	8	Chemical Products	0.13
Petroleum Gas and Other Gaseous Hydrocarbons	2.9	Fuels	0.10
Refined Copper	4	Iron and Steel	0.05
Unrefined Copper	3	Others	16.28
Others	50	Total	100
Total	100		

Source: Based on data from WTO (2020) and UNCTADSTAT (2020)

Transferred CO2 Emission through Trade in LDCs (2000-2019)



Source: Global Carbon Atlas (2021)

Climate Change Related Notifications by Agreement and Sectors in the WTO (2009-2020)

By Agreements

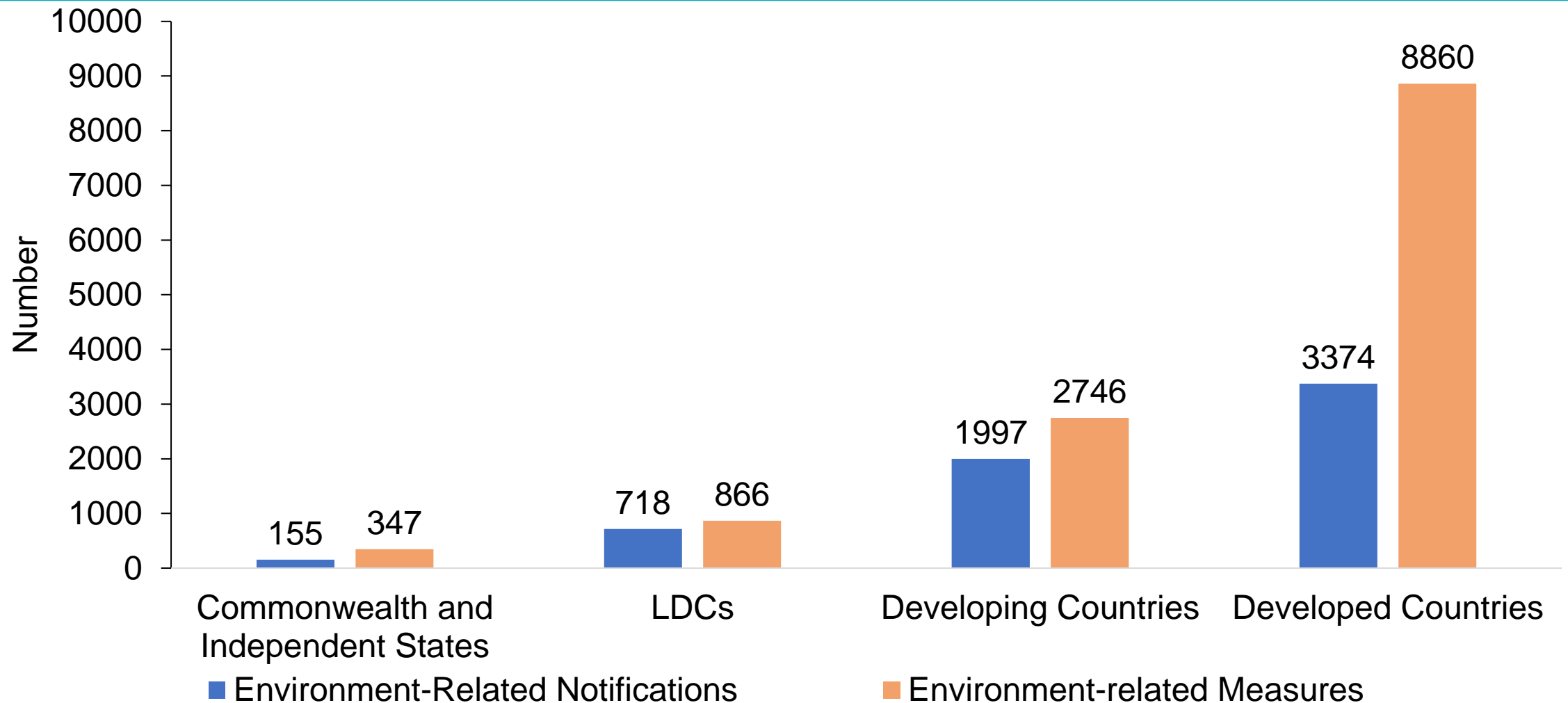
- 51% : Subsidies, including agriculture subsidies
- 38%: Technical Barriers to Trade

By Sectors

- Manufacture (1835)
- Energy (1383)
- Agriculture, forestry or fisheries (391)

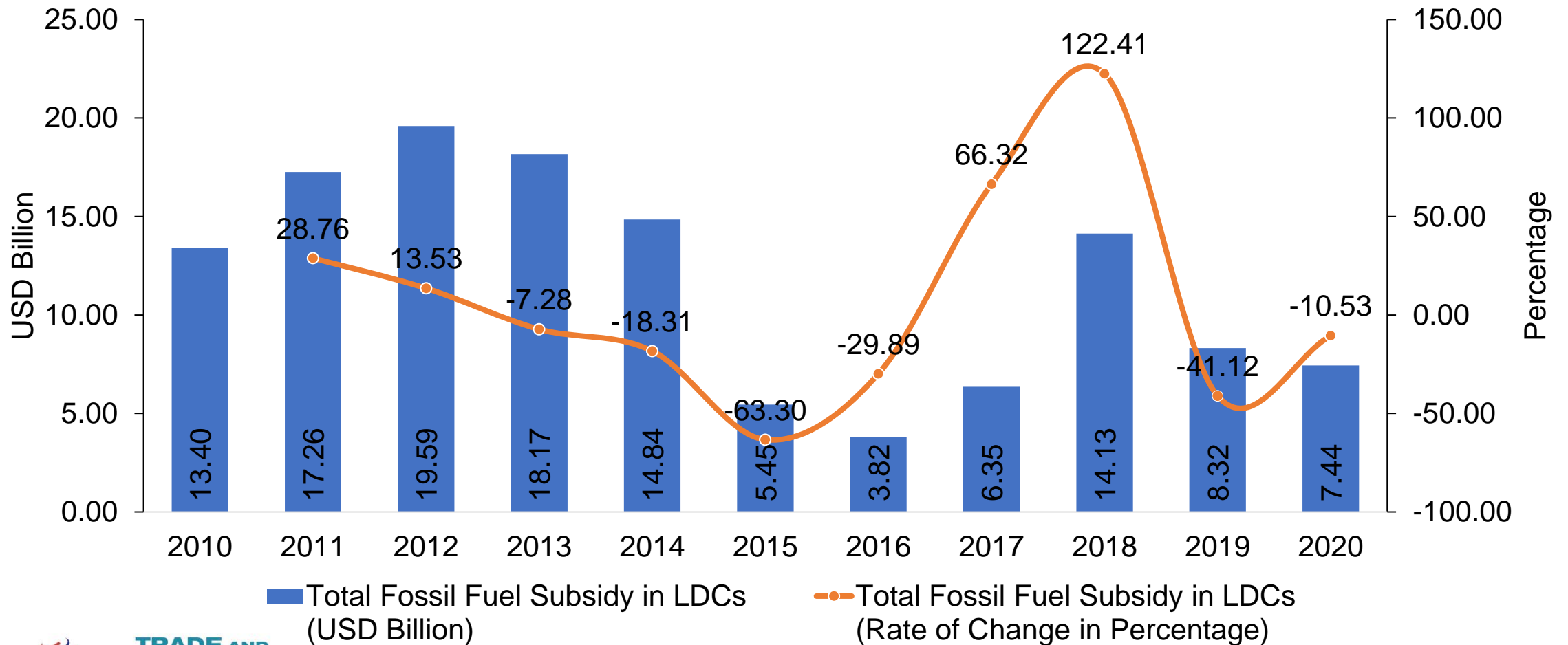
But notifications by LDCs are very few compared to other country categories (64% notifications from developed countries, 32% from developing countries and 2% from LDCs)

Environment Related Notifications and Measures by LDCs and other country Groups (2009-2021)



Economic incentives: Fossil fuel subsidy reforms considering distributional and environmental impact

Figure: Trend of Total Fossil Fuel Subsidy in LDCs



Border measures: discouraging trade in carbon-intensive goods and encouraging trade in climate supportive goods and services

- ❑ Mandatory requirements, standards, and regulations discourage production and trade of carbon-intensive goods; but are difficult for LDCs.
- ❑ Measures such as carbon adjustment (or equalization) measures (CBAM) at the border involving a duty applied on imported goods based on the amount of carbon emissions through production of those goods - is apprehended to affect trade from developing countries and LDCs.
- ❑ The use of voluntary standards and environmental labelling, deforestation-free supply, green government procurement policies can be used for low-carbon goods and services.

Implications for international cooperation on trade in general and for the WTO

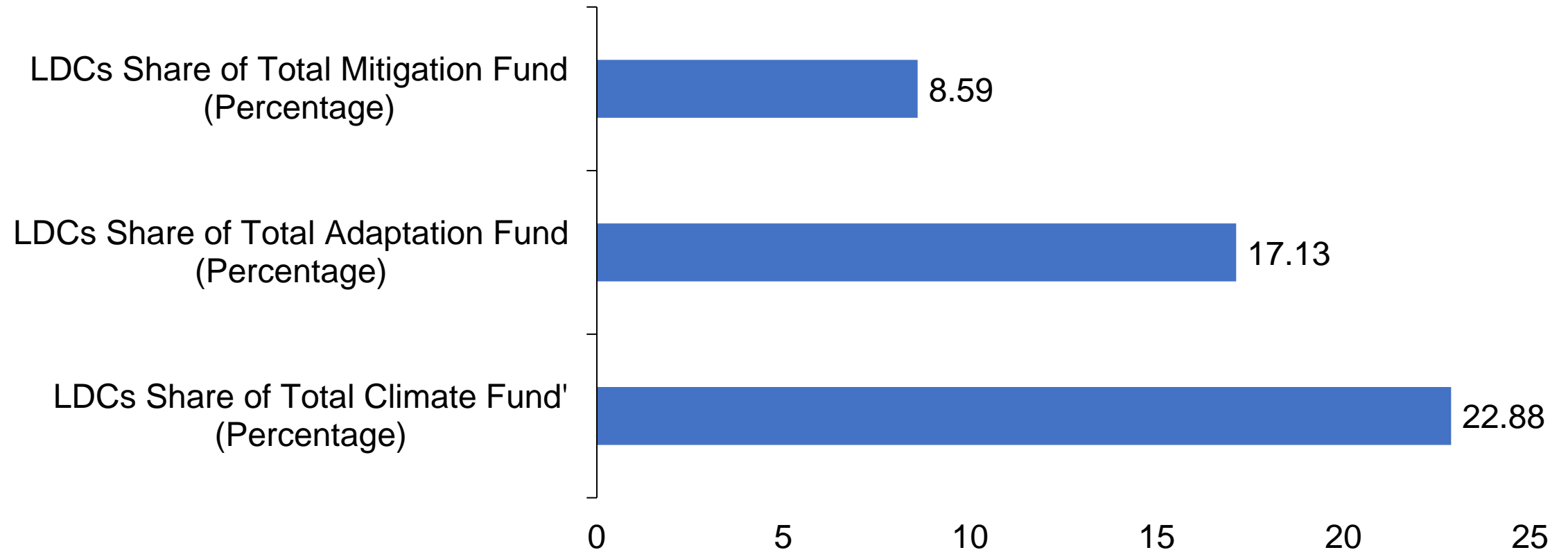
➤ Finance; Technology; Capacity building

- ❑ Existing International Support Measures (ISMs) for LDCs and graduating LDCs will be discontinued after graduation
- ❑ New ISMs for environment friendly and sustainable trade in LDCs needed
- ❑ Increased Aid for Trade for trade-related capacity building; SMEs and women-led businesses
- ❑ Increased share of LDCs in climate finance
- ❑ LDCs should be exempted from complying with EU's CBAM. Graduating LDCs should be provided extended time to comply with such measure.
- ❑ Technical assistance and capacity building needed for
 - low-carbon production methods, and meeting environmental standards in export markets



Implications for international cooperation on trade in general and for the WTO

Figure: LDCs' Share of Approved Global Climate Finance Receipts
(Updated till January 2022)



Implications for international cooperation on trade in general and for the WTO

- ❑ Negotiations at various committees and bodies should be completed.
- ❑ The Committee on Trade and Environment (CTE) - issues indirectly relating to climate change, such as the environmental benefits of removing trade restrictions in the energy and forestry sectors and the effect of energy efficiency labelling on market access discussed.
- ❑ Trade and Environmental Sustainability Structured Discussions (TESSD) established in the WTO in November 2020 is expected to complement the work of the CTE and other relevant WTO bodies.
- ❑ The Committee on Technical Barriers to Trade (TBT) – forum for discussions on technical regulations adopted by governments to mitigate climate change.
- ❑ Agreement on TRIPS – for technology transfer to LDCs
- ❑ Discussion on liberalisation of EGS should be concluded and LDCs should be provided with support to produce environmentally friendly products and import clean products.

Thank you

fahmida@cpd.org.bd

<https://cpd.org.bd>



**TRADE AND
ENVIRONMENT
WEEK 2022** 17-21
OCTOBER