Sustainable Trade: Insights from Trade Day at COP28

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The COP28 Trade Day was the first of its kind for the annual conference. Major trade-related organisations, including the United Nations Conference on Development and Trade (UNCTAD), the World Trade Organisation (WTO), Dubai Ports World, and the International Chamber of Commerce gathered to address the urgent need for a coordinated and just response to climate change within the global trade landscape.

The World Trade Organisation at COP28

The WTO advocated for a trade policy roadmap aligning with climate change mitigation objectives. Notable announcements included the introduction of Trade Policy Tools for Climate Action; the collaboration with the International Renewable Energy Agency (IRENA) on green hydrogen; and the Steel Standards Principles for decarbonisation.

Trade Policy Tools for Climate Action

The WTO Secretariat unveiled the Trade Policy Tools for Climate Action during COP28 in Dubai. This toolkit is designed to aid governments in aligning with global climate targets by incorporating trade policy options into their national strategies. Ngozi Okonjo-Iweala, the WTO Director-General, emphasised that existing national commitments to reduce greenhouse gas emissions fall short based on the global stocktake.

The toolkit refers to ten trade policy tools intended for integration into nationally determined contributions (NDCs) and national adaptation plans (NAPs). These options span trade facilitation, green government procurement policies, international standards for energy efficiency, and a reassessment of regulations on climate-related services. Other tools include the adjustment of import tariffs to favour low-carbon technologies, the overhaul of environmentally detrimental subsidies, the facilitation of trade finance for climate-related technologies, and the enhancement of food and agricultural markets for climate adaptation. Strengthening sanitary and phytosanitary systems, along with coordinating internal taxes related to climate, are also proposed tools.
The toolkit report emphasises the significance of revising import tariffs on crude oil, coal, and renewable energy equipment to promote the affordability and adoption of green energy. Governments, responsible for $13 trillion in annual public procurement and contributing to 15% of greenhouse gas emissions, could reduce emissions by incorporating climate-sensitive criteria into procurement practices. The report also highlights substantial efforts made by governments, with over 70 environment-related government procurement measures notified to the WTO since 2009.

Green Hydrogen

The WTO also discussed trade in green hydrogen at COP28. The associated report (in collaboration with IRENA) titled, “International trade and green hydrogen: Supporting the global transition to a low-carbon economy,” illustrates the role of green hydrogen, exclusively derived from renewable power sources, in substituting fossil fuels and decarbonising challenging-to-electrify sectors. Presently, the majority of global hydrogen production (95 megatons annually) is sourced from fossil fuels, contributing significantly to climate change. In a scenario aimed at limiting the global temperature rise to 1.5°C above pre-industrial levels, IRENA estimates that hydrogen and its derivatives could fulfil 14% of global final energy consumption by 2050.

The report stresses the need for transformation in the hydrogen landscape, advocating for a five-fold increase in overall hydrogen production by 2050. Achieving this goal requires unparalleled growth in renewable generation and electrolyser capacity. Finally, the global trade of green hydrogen is critical to establishing connections between low-cost production hubs and high-demand regions.

With the expansion of green hydrogen, the development of new supply chains will impact the international trade of hydrogen, along with associated commodities, equipment, and services. The report suggests that lowering tariffs, establishing reliable infrastructure, realigning domestic support programs, and incorporating green government procurement strategies are essential to facilitate the development of green hydrogen supply chains and the transition to a low-carbon economy.

Steel Standards Principles

The WTO also welcomed support for the Steel Standards Principles at COP28, which received widespread endorsement. Supported by standard-setting bodies, international organisations, steel producers, and industry associations, the principles aim to address the sector’s 8% contribution to
global greenhouse gas emissions. To achieve a 90% reduction in emissions and meet climate targets, the principles call for common methodologies to measure greenhouse gas emissions, promoting transparency, interoperability, and mutual recognition. Over 35 key stakeholders, including major steel producers, have backed these principles, highlighting a collective commitment to sustainability and innovation in the steel industry. The principles can be summarised as follows:

• Foster collaborative and constructive dialogue among governments, steel producers, suppliers, industry associations, policymakers, and civil society, aiming to refine emissions standards for steel. The dialogue process should be inclusive, open, and transparent, ensuring broad representation, market relevance, and the sharing of good practices

• Advocate for greenhouse gas (GHG) emissions measurement standards and methodologies, data collection, and disclosure frameworks at various levels (project, production, and product) to be interoperable, enabling mutual recognition. These standards should build on existing international standards, avoid duplication, and include increased data reporting to enhance transparency and global tracking of emissions

• Drive the decarbonisation of the global steel industry through emission measurement standards for steel products and production. Emphasise performance-based measures that are technology-agnostic

• Ensure standards are consistent with the WTO Technical Barriers to Trade (TBT) Agreement Code of Good Practice and the TBT Committee’s Six Principles for the Development of International Standards. This involves adherence to transparency, openness, impartiality, consensus, effectiveness, relevance, coherence, and the development dimension

• Align with the IEA “Net Zero Principles” for emissions measurement and data collection, striving for interoperability between existing and under-development standards, methodologies, and frameworks

• Establish a common understanding of existing and emerging definitions for near-zero emissions steel production

• Commit to annual reviews of progress against these principles and encourage other organisations to adhere to them.
UNCTAD and The Role of Minerals

UNCTAD took the lead in discussions on the important role of minerals in the energy transition. The dialogue explored economic growth opportunities in resource-rich economies, shedding light on the potential benefits these nations could derive from aligning their economies with the global shift towards sustainable energy sources.

In anticipation of Trade Day, UNCTAD released a report addressing the trade dynamics of minerals within the global value chains for electric vehicle (EV) batteries. The report stresses the escalating demand for these minerals, with a projected 454% increase for lithium and a 115% increase for cobalt from 2022 to 2030, particularly in a net-zero emissions scenario as fossil fuel run vehicles are replaced. As the demand for EVs and the minerals essential to their production continues to soar, the findings of this report provide valuable insights into the challenges and opportunities faced by developing nations.

Developing countries, particularly those in Africa possessing 19% of the global mineral reserves needed for EVs, are poised to benefit substantially from the green boom if they can undertake local processing of these minerals. The report emphasises the substantial value addition that occurs at each stage of EV battery processing, presenting valuable opportunities for mineral-rich developing nations.

The report also sheds light on the concentration of market activity at different points along the supply chains, exposing associated risks such as disruptions, price volatility, and geopolitical tensions. It points out the absence of meaningful participation from African or Latin American countries in the trade of manufacturing cathodes or battery materials, highlighting a gap in their involvement in key stages of the value chain. For developing nations historically reliant on raw material exports, the imperative to add value locally becomes paramount for economic resilience.

International Chamber of Commerce: MSMEs and Climate Change

The International Chamber of Commerce examined the dynamics of global value chains, particularly emphasising the impact of international trade on micro, small, and medium-sized enterprises (MSMEs). The discussion centred on the need to understand and address the challenges and opportunities faced by smaller businesses within the context of evolving global trade patterns.
The Net-Zero Export Credit Agencies Alliance

The Net-Zero Export Credit Agencies Alliance was launched at COP28 and consists of the top eight export credit agencies in collaboration with the Innovation and Knowledge Hub at the University of Oxford, Future of Climate Cooperation and the UN Environment programme Finance Initiative (UNEP FI). With a commitment to achieve net-zero economies by 2050, the alliance aims to facilitate joint action from public and private finance. Svensk Exportkredit (SEK), Exportkreditnämnden (The Swedish Export Credits Guarantee Board, EKN), The Export Investment Fund of Denmark (EIFO), UK Export Finance, and Export Development Canada (EDC), pledged to transition emissions to net zero by 2050. These founding members also set intermediate targets for 2030 and ending new support for the fossil fuel energy sector by 2024.

Affiliate members, KazakhExport, Etihad Credit Export Insurance, and Cesce joined, committing to net-zero emissions and a just transition. NZECA’s dedicated work track for climate solutions and transition finance involves significant funds toward green technologies, with some members already committing between $2 billion and $6.5 billion already. The alliance’s commitments received validation from Race To Zero’s expert peer review group, establishing a credible pathway to net zero by 2050.

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