



CLIMATE CHANGE MITIGATION POLICIES IN SELECT OECD COUNTRIES: TRADE AND DEVELOPMENT IMPLICATIONS FOR DEVELOPING COUNTRIES

By Diarmuid Torney and Moustapha Kamal Gueye

GLOBAL PLATFORM ON CLIMATE CHANGE, TRADE & SUSTAINABLE ENERGY

October 2009

EXECUTIVE SUMMARY

Many governments around the world are adopting progressively more demanding policies and measures in an attempt to reduce greenhouse gas (GHG) emissions. Activity to date has been patchy and slow, and many governments are failing to live up to past commitments. It is unlikely, for example, that many Parties to the 1997 Kyoto Protocol will manage to achieve their GHG emission reduction or limitation targets. Nonetheless, policies to mitigate climate change are becoming increasingly widespread, especially among countries of the Organisation for Economic Co-operation and Development (OECD), and such policies have increasingly obvious ramifications on trade competitiveness and development in developing countries.

However, many developing country trade policy-makers and negotiators remain on the fringe of the climate change debate. This paper seeks to provide trade negotiators and policy-makers with an overview of domestic climate change measures being implemented or considered in OECD countries that may have trade and development implications for developing countries. The paper focuses on a group of selected OECD countries: Australia, Canada, the European Union,

Japan and the United States. In the case of several of the countries, legislative proposals are still under consideration. Therefore, this paper aims to give a “snapshot” of the current state of play along with an indication of the policy process towards adoption of climate change mitigation programs in the countries concerned. Having given a broad overview of the climate change mitigation policies enacted or under consideration in the countries listed above, this paper focuses on five key issues as they relate to the trade and development concerns of developing countries.

- **Border measures:** While the legality and feasibility of such policies may be in question, they are politically attractive to policy-makers in some OECD countries and are likely to be a part of the policy mix. Developing countries should pay attention to the full suite of potential measures, including export rebates and free emission permit allocations, which may act as implicit subsidies for OECD country exports.
- **Renewables:** Stringent targets in OECD countries on renewable transport fuels should provide opportunities for efficient developing country producers of feed stocks and biofuel end products, but, at present, most of the market is captured by a small number of countries. Concerns regarding food security need to be fully

CLIMATE CHANGE MITIGATION POLICIES IN SELECT OECD COUNTRIES: TRADE AND DEVELOPMENT IMPLICATIONS FOR DEVELOPING COUNTRIES

By Diarmuid Torney and Moustapha Kamal Gueye

taken into account in the design of policies in this area.

- **Standards and labels:** These can create barriers to market access for developing country producers. To avoid the imposition of standards that they will find difficult to meet, developing countries should be involved in the process of setting environmental standards, and should be provided with assistance by OECD countries to build capacity to conform to such standards. Furthermore, some niche markets, such as organic farming, can present new opportunities for developing country producers.
- **Fiscal stimulus packages:** These are likely to restrict market access for some developing country producers due to “buy local” provisions. The goods in question are likely to be produced by only a few of the most economically advanced developing countries.
- **Kyoto Protocol mechanisms:** The Clean Development Mechanism creates possibilities for investment by OECD countries in emission reduction projects in developing countries, but at present, the spread of projects is hugely skewed towards a very small number of large, relatively advanced, developing countries.

While the best approach to dealing with the trade and development implications of climate change mitigation policies would be to address them in a comprehensive and coordinated way through a multilateral agreement, the prospect for a global deal on climate change that prioritises the trade and development concerns of developing

countries is remote. In the absence of such an ideal agreement, it is important that developing countries’ trade negotiators and policy-makers are aware of the likely effects of climate change mitigation policies in developed countries.

Diarmuid Torney is PhD candidate in International Relations, University of Oxford and Moustapha Gueye Kamal is Senior Associate of the ICTSD Global Platform on Climate Change, Trade and Sustainable Energy and Economic Affairs Officer at the United Nations Environment Program (UNEP).

ICTSD Programme on Competitiveness and Sustainable Development, Issue Paper No. 8, October 2009.

The full study is available online at <http://ictsd.org/climate-change/leakage-competitiveness/>

