



Addressing the trade-climate change-energy nexus: China's explorations in a global governance landscape

Joachim MONKELBAAN^{a,b,c,*}

^a *United Nations Environment Programme (UNEP), Chemin des Anémones 11-13, Geneva, Switzerland*

^b *Institute for Environmental Sciences, University of Geneva, Route de Drize 9, Geneva, Switzerland*

^c *The Environment, Resources, and Energy Legal Research Center (ERE) of Zhejiang University Guanghua Law School, China*

Received 8 December 2014; revised 9 March 2015; accepted 7 April 2015

Available online 21 April 2015

Abstract

We have arrived at a critical juncture when it comes to understanding the numerous ways in which trade interacts with climate change and energy (trade-climate-energy nexus). Trade remains crucial for the sustainable development of the world's greatest trading nation: China. After clarifying the linkages within the trade, climate change and energy nexus, this article delves into China's specific needs and interests related to trade, climate change and energy. Then it explores the ways in which trade can contribute to China's needs, to sustainable energy development and to the goals of the global climate agreement that is under negotiation.

One main findings are China is a key participant in negotiations on trade liberalization of environmental technologies and services. These negotiations are in China's interests in terms of innovative industries, technological upgrading, employment and public health. China could stand up for the interests of other emerging and developing countries and serve as an example in terms of transitioning to a low-carbon economy. Beyond trade barriers issues of domestic (energy) regulation such as fossil-fuel subsidies as well as investment, competition-policy, trade-facilitation and transit issues related to clean energy need to be addressed.

Building trust between relevant actors across sectors and national borders will be of the essence in order to foster long-term cooperation on technological innovation.

As a way forward, different approaches towards the governance of trade and climate change will be highlighted. Besides discussing the specific aspects of Chinese participation in global trade and climate change governance, this paper aims at offering broader insights into the nexus between trade, energy and climate governance in China.

Keywords: Climate change; Trade; Governance; Sustainable energy goods and services; Investment; Emissions trading

1. Introduction: the trade-climate-energy nexus

The aim of this article is to explore what contributions trade¹ can make to reach the objective of reducing greenhouse gas (GHG) emissions and other pollution that result from fossil fuel use. The linkages between trade, climate change and energy are intricate and numerous, as a UNEP-WTO

¹ In this article, trade is understood to be international trade: the exchange of capital, goods, and services across international borders or territories.

* University of Geneva, Route de Drize 9, Geneva, Switzerland.
E-mail address: jmonkelbaan@gmail.com.
Peer review under responsibility of National Climate Center (China Meteorological Administration).



report on trade and climate change² demonstrates. Fig. 1 shows the main linkages between trade and climate change as follows:

- Climate change can have physical impacts on trade, e.g. through changed patterns in agricultural production and impacts on infrastructure such as harbours because of rising sea levels.
- The other way around, trade and economic activity also affect climate change and energy use (through scale,³ composition,⁴ technique⁵ and direct⁶ effects).⁷
- Then there are the legal linkages between climate change and trade governance, and the competitiveness impacts that these can have, for example when governments put carbon pricing mechanisms in place. In particular developing countries are concerned about climate measures that developed countries can take if those measures affect the exports from developing countries. Therefore both the Kyoto Protocol (in Articles 2.3 and 3.14) and the UNFCCC (in Article 4.8) commit countries to minimize adverse economic, social and environmental impacts on developing countries when responding to climate change (so called response measures).⁸ Also in the draft negotiating text for COP 20 in Lima there is an option for including an article saying “Unilateral measures are not to constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.”

Although there seem to be few inherent conflicts between climate change and trade policy, in practice specific trade-related policies can be both conflicting and mutually supportive. On the one hand, the number of World Trade Organization (WTO) disputes and other tensions in the area of

trade-distortive support for renewable energy has been increasing rapidly, up to the point that some speak of solar trade wars.⁹ China in particular has been the target of various trade remedies¹⁰ because of the ways in which it supported its domestic renewable energy industries (Kasteng, 2013). These tensions can damage the solar power industry¹¹ in particular, and they can have an impact on climate change if they continue to hamper the diffusion and development of sustainable energy technologies.¹² But fostering trade, for example through lowering trade barriers, can also have a positive impact on climate action. Trade disputes and liberalization of trade related to environmental goods and services (EGS), and more specifically the sub-category of climate friendly goods and services (CFGs, which include mainly renewable energy and energy efficiency technologies) that affect climate change are reflected as the black arrow in Fig. 1. These specific relations between trade and investment policies reinforce the need to address the overall relation between trade and climate action in a systematic way.

Although the trade and climate regimes have different aims and organization, they do in fact enjoy many common features, as both regimes:

- Aim to promote greater economic efficiency in order to enhance public welfare.
- Recognize linkages between the economy and the environment.
- Look to the future and advocate actions that, while bringing on short-term adjustment costs, anticipate long-run benefits.
- Are worried about free riders and devote considerable attention to securing compliance.
- Have increasingly devolved from the global to other levels and fora. In the face of standstill in the Doha Round, countries have turned from the WTO to bilateral trade agreements and ‘megaregionals’¹³ in the Transatlantic and Pacific regions. In climate governance, local governments and city alliances¹⁴ are stepping up to coordinated governance responses.

² http://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf.

³ More efficient allocation of resources within countries shifts out the global production possibilities frontier, raising the size of the industrial pollution base, resulting in greater global emissions other things being equal.

⁴ The composition effect measures changes in emissions arising from the change in a country’s industrial composition following trade liberalization. If, for example, liberalization induces an economy’s service sector to expand and its heavy industry to contract, the country’s total emissions will likely fall since the expanding sector is less emission intensive.

⁵ The technique effect refers to the numerous channels through which trade liberalization impacts pollution through changes in the stringency of environmental regulation in response to income growth or the political climate surrounding regulation. The technique effect also includes technology transfer facilitated by trade.

⁶ Direct effects include emissions and environmental damage associated with the physical movement of goods between exporters and importers, resulting for example from transport.

⁷ Although the optimistic focus in this article is that we can use trade as a tool for addressing climate change, at this point the disclaimer should be included that trade has until now been a major driver of the rise in consumption and in emissions. However, it would be unrealistic to expect that either governments or companies will voluntarily put measures in place that will sacrifice trade or for that matter (short term) economic growth for the sake of climate change mitigation, however desirable that may seem in the eyes of some observers.

⁸ http://unfccc.int/cooperation_support/response_measures/items/4294.php.

⁹ Also see http://www.pv-tech.org/topics/solar_trade_war for a timeline of events.

¹⁰ Trade remedies include antidumping measures and countervailing measures.

¹¹ In China, ahead of the trade disputes over solar panels, there was overproduction in the Chinese solar industry already and prices were under pressure. Once the trade disputes started, the pressure on Chinese solar manufacturers to reorganize increased further. In a noteworthy turnaround, the Chinese government adapted its support for domestic generation of solar power and China has shifted from exporting 90% of the panels that it produced in 2012 to installing one-third of all solar capacity in the world in 2013.

¹² Technologies here includes goods, services and intellectual property.

¹³ <http://forumblog.org/2014/07/trade-what-are-megaregionals/>.

¹⁴ Examples are ICLEI (<http://www.iclei.org/>) and the C40 (<http://www.c40.org/ending-climate-change-begins-in-the-city>).

Download English Version:

<https://daneshyari.com/en/article/4673612>

Download Persian Version:

<https://daneshyari.com/article/4673612>

[Daneshyari.com](https://daneshyari.com)