

- **Need to “think out of the box” to discuss trade-related climate action & creation of climate mitigating public goods in developing countries**

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  - *AoM Atlanta 2017*

# Sources used for this presentation

- **“Exploring the relationship between FDI flows and CDM potential”**
- A. Arquit & R.Saner, *Transnational Corporations, vol. 14 (April 2005)*.
- **“Bolivia’s energy-sector intervention is a missed opportunity for economic development”**, R. Saner; Global Subsidy Initiative, IISD, July 2010
- **“International governance options to strengthen WTO and UNFCCC”**, R. Saner, <http://www.diplomacydialogue.org/publications/environmental-diplomacy/101-international-governance-options-to-strengthen-wto-and-unfccc>



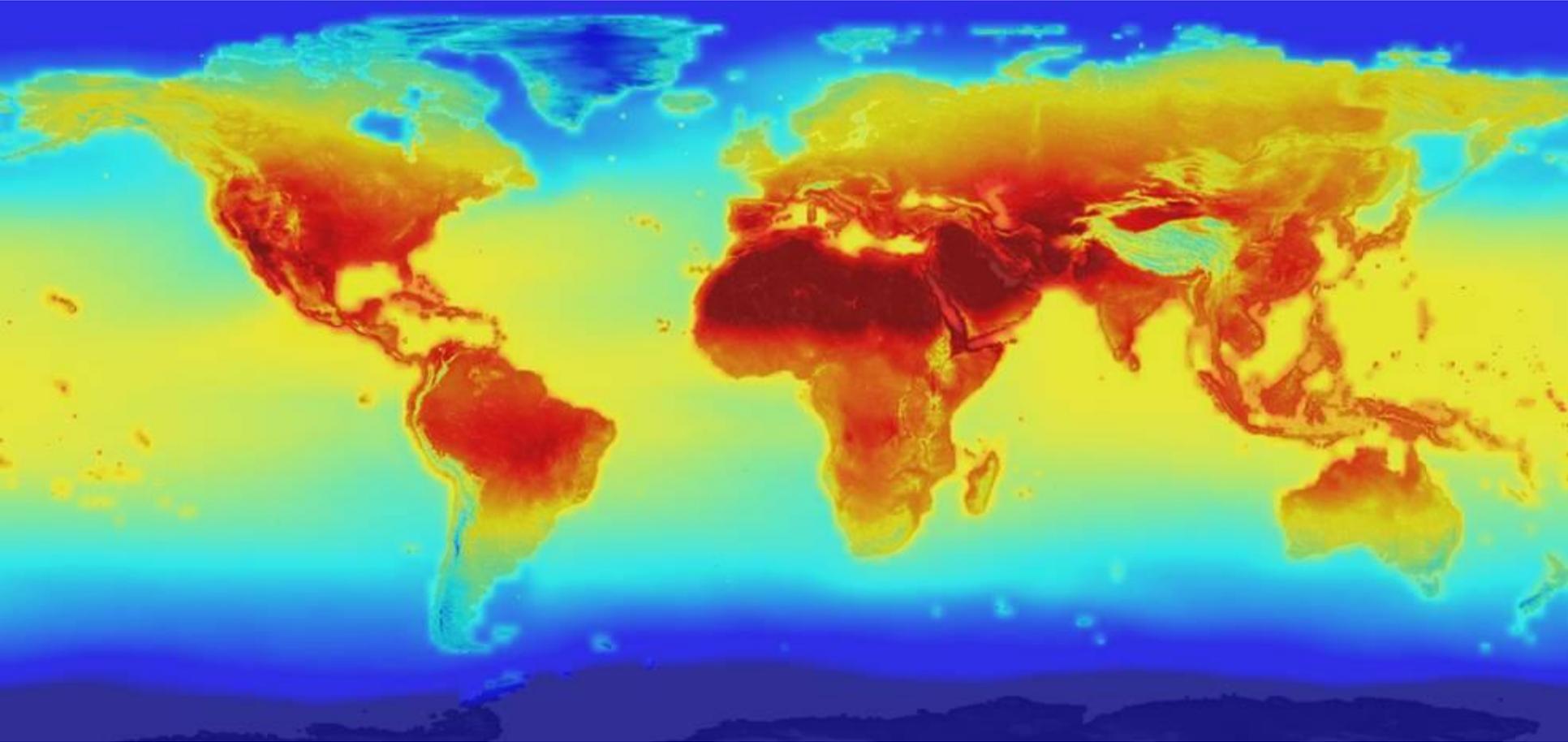
# Negative & Positive Externalities



## Environmental Economics

- **Negative Externalities**- producers of goods only account for direct costs of production. No accounting for secondary costs e.g. polluted air, water, noise, health risks (cancer)
- **Positive Externalities**- if company invests in R&D and generates new production technology, that innovation could benefit all other companies active in the same sector
- **Public Good**- Air, Water, Biodiversity, sustainable stock of fish, institutions, peace (non-rival, non- excludable)

# NASA global CC projections to 2100, June 9, 2015, 15/115



# International governance options to strengthen WTO and UNFCCC



- **Renewable energy sources (excluding hydro power) = only 9% of world electricity generation!!!**
- **Assuming that consumption and production patterns will not radically change and hence not become sustainable....**
- **Use of fossile fuel will remain high, CO2 emissions continue to grow and global warming continues to increase putting planetary future at risk**
- **Business as usual will not help reduce global warming- renewable energy technology must be made available asap as a shared private-public good at global scale!!!**

# International governance options to strengthen WTO and UNFCCC



- **Effective governance regimes are needed to address climate change as a market failure.**
- **Existential “race between political tipping points and natural tipping points” (Brown, 2009).**
- **Not clear if necessary economic governance reforms will be forthcoming in a timely fashion to avoid climate change calamities.**

# How and why make alternative technology available globally?



- Majority of LDCs and Low-income countries do not have deposits of fuel nor gas, they need to import fossile fuel.
- LDCs alone: ca 1 Billion people living on **1000.- USD** gini capita per year. USA (WB, 2014)  
(<http://data.worldbank.org/region/least-developed-countries:-un-classification>)
- In comparison, average USA figure in 2014 **showed Gini/Capita of 55'230 USD.**  
USA <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>  
D <http://data.worldbank.org/ind>
- Consequence: More trees will disappear leading to greater soil erosion, drought, land grabs and more poor people trying to move to Europe or Sauri Arbia as environmental migrants and refugees.



- **Time for an intergenerational global agreement to provide LDCs and low income DCs with access to alternative energy technology which in turn would limit soil erosion and environment conflict in the interest of all of humanity!!!**

# How?



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•A) Current leading AE producers have benefited from public basic research and subsidies- time to give something back to the community (Germany, USA, China)

•B) the larger emerging economies (China/India) benefitted from CDM (Clean Dev. Projects/part of UNFCCC- Kyoto Protocol) without making commitments/CO2 reduction targets.

**A+B: should be supported and led to technology transfer and reduced pricing allowing poor countries to install their own solar and wind power energy factories**



# Prospects for Renewable Energy

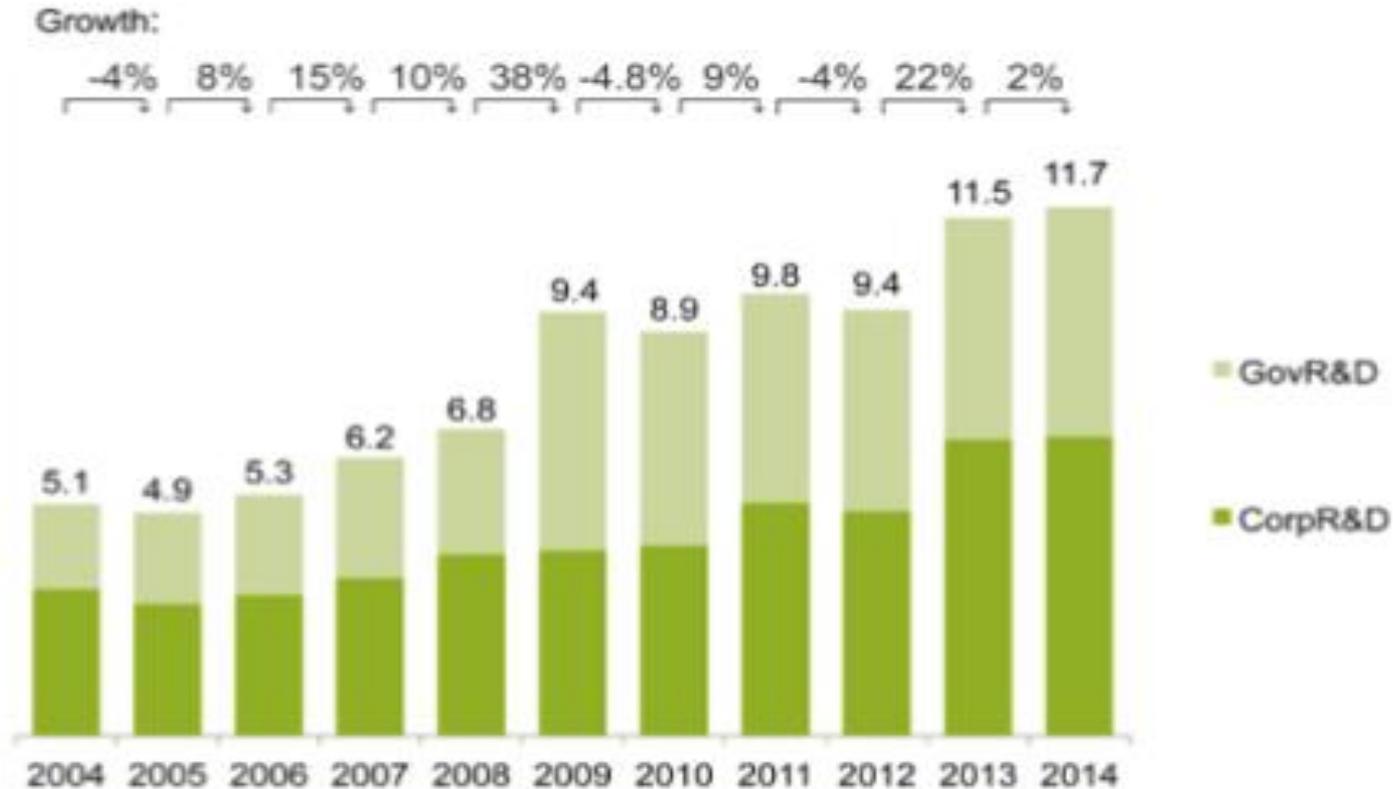


Clean Energy Projected Growth  
2007 - 2017 (\$US Billions)



# Public Investment as Public Good

**FIGURE 54. R&D INVESTMENT IN RENEWABLE ENERGY, 2004-2014, \$BN**



Source: Bloomberg, Bloomberg New Energy Finance, IEA, IMF, various government agencies



# Negative & Positive Externalities



***Effective governance regimes are needed:***

- to address climate change as a market failure
- to measure negative externalities of production and consumption and request producers to internalize their environmental costs
- to get companies to integrate their indirect-social costs into the price of their goods.

# International governance options to strengthen WTO and UNFCCC



- Effective governance regimes are needed to address climate change as a market failure
- To measure negative externalities of production and consumption and request producers to internalize their environmental costs
- To get companies to factor indirect-social costs into the price of their goods.
- Existential “race between political tipping points and natural tipping points” (Brown, 2009).

# Copenhagen Accord, December 2009

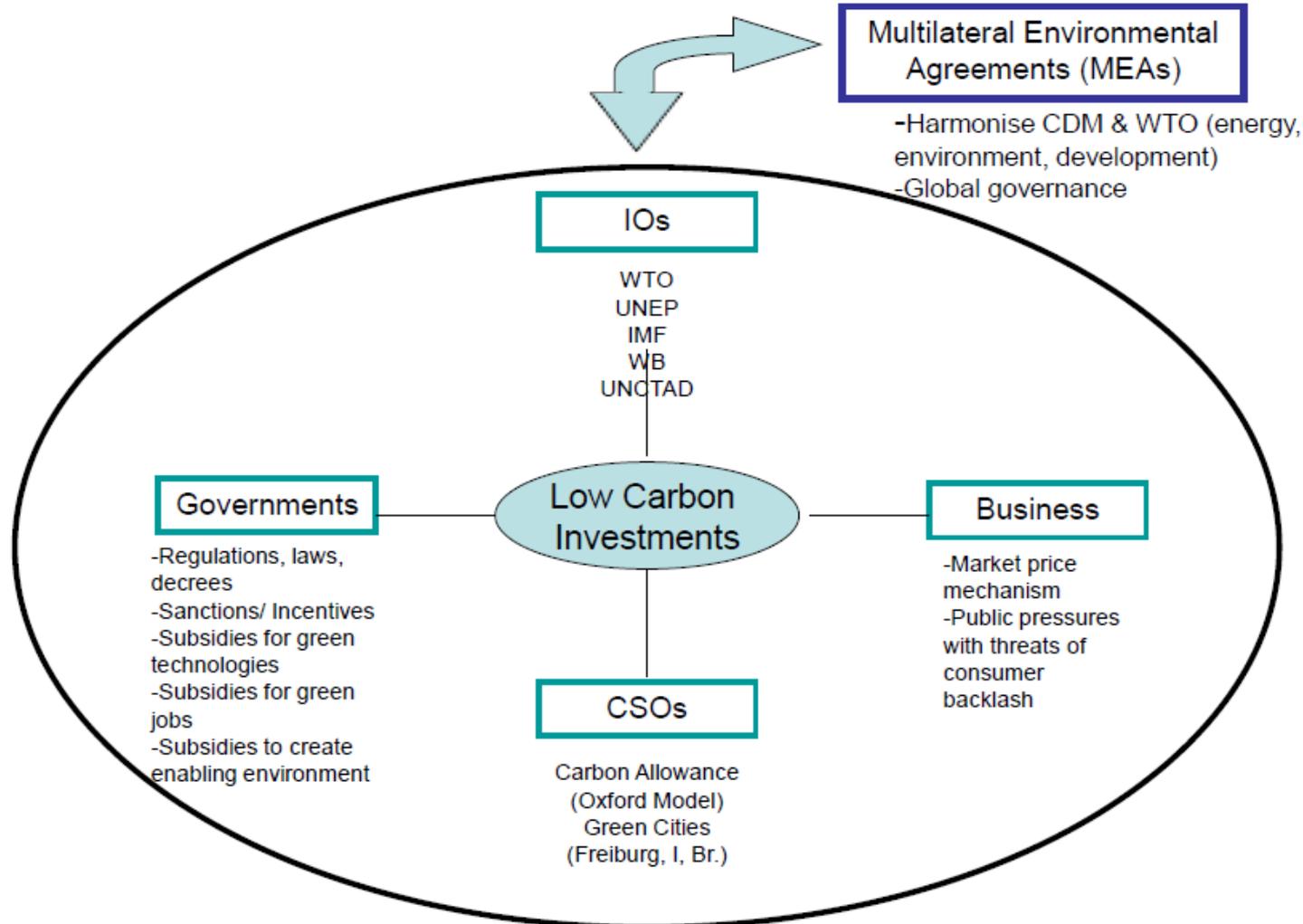


- **Limit the average global temperature increase to between 1.5 and 2°C above the pre-industrial level.**
- **Global emissions would be required to peak on a time scale of roughly a decade- that is by 2019!!!!!!**

**Many valuable contributions have been made by scholars covering different knowledge domains- but no connections made of the sign-posts so fare!!!**

- **Reducing CO2 through:**
  - Better government regulatory functioning
  - Better use of tracking carbon content in industrial products and human consumption
  - Giving humans limited carbon credits to spend per year to encourage mindful consumption behaviour
  - Including low carbon incentives for investment – traditional as well as non-equity based FDI
  - Including trade in CC/UNFCCC scope of negotiations

# Need to link regulatory rigor, market mechanisms and cross-regime strategy



# In reality- multiple failures...

- 1. Market Failure (externalities not part of transaction price)
- 2. Government Failure (lack of political will and/or competence to regulate CC)
- 3. Régimes Failure ( CC-UNFCCC and WTO in impasse)
- 4. International Governance Failure ( no linkages between régimes like UNFCCC & trade)
- **=> multiple abdications of responsibilities by TNCs, Governments, IOs and citizens**
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# Régimes in dissaray

- Impeding collision of two trains rushing towards each other risking collision and collapse of both trains (UNFCCC vs. WTO)- (R.Baldwin metaphor)
- Both trains seem to become increasingly fragmented and broken up into de-coupled wagons and cars rolling into empty space. (R. Saner metaphor)
- => ***Decoupled wagons go off on different tracks and different speeds risking either collision(s) or ending motionless somewhere.***

# Government Failure

- **Government (Non-market) failures occur if governments and civil society are not able to create an environment conducive to sustainable development.**
- ***=> Governments need to better manage effectively and efficiently inter-ministerial trade & climate policy coordination (Saner, 2010) and government to Business & SCOs trade & climate policy consultations.***

# Cross-Régimes Failures

- **WTO & UNFCCC are stalling and fragmenting. They are further hollowed out by the frantic speed of FTAs, RTAs, and BITs offering a hotch-potch mosaic of trade+environment+labour +TRIPS+ clauses which obfuscate the need to make the interdependencies transparent between trade & climate change.**

# ***Carbon Taxes are needed*** to stop “free rider” habits hiding behind impotent market mechanisms like CDM

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- **BTADU: Border Tax Adjustment based on Domestic Unrestricted Carbon Content**
- **BTAFU: Border Tax Adjustment based on Foreign Unrestricted Carbon Content**
- **BTADE: Scenario Efficient Border Tax Adjustment**

# Solutions *within* WTO rules and agreement

- **Green TRIMS+**  
( *favour Low Carbon Investment* )
- **Green TRIPS++**  
( *Compulsory licencing of Green High Tech* )
- **Green tri-sectoral Plurilateral** ( *Energy,  
Environment & Trade +Dev.* )



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# Solutions *within* WTO: Green Trims+



## Old TRIMS included:

- a list of local content requirements, trade balancing requirements and export restrictions;
- **TRIMS+:** would allow developing countries time to *protect infant industry in the sector of carbon reduction technology and hence could make it easier for them to commit to CO2 reduction targets.*
- Assessment of TRIMS+ could be guided by UNCTAD-*suggested by R. Saner: see soft “TRIM” proposals in WIR 2010*

- Explore ways to apply similar exceptions as are available for LDCs in the field of health.
- **“Compulsory licensing”** for green technology could be a leverage for LDCs in their UNFCCC’s adaptation negotiations and hence TRIPS could be broadened to include **TRIPS++ to safeguard against climate change.**
- Brazil called for applying the same logic to the global public good of climate mitigation as was applied in the area of medicines to human health.
- The Group of 77 and China also called for compulsory licensing under the UNFCCC negotiations.

### Green Tri-sectoral Plurilateral



- **Bundle three sectors which have so far been treated as separate negotiation items into a tri-sector plurilateral agreement consisting of:**
  - **a) energy (goods and services)**
  - **b) environment (goods and services)**
  - **c) trade (PTAs) & development (AfT, EIF, TRTAs, PTAs)**

# Solutions *outside* WTO context



- Trade agreements and negotiations are also conducted outside the WTO context.
- International Maritime Organization: discussions on ships' CO2 emissions reduction and trading.
- FTAs, RTAs and BITs: provisions on environment and climate change.

# Conclusions (I)

- **A global carbon price is politically unrealistic at present and CDM has been a disappointment**
- **The goal should not be to create an economically efficient market as an end in itself, but to correct the market failure that is to stop the increasing greenhouse gas emissions by factoring into prices the externalities.**
- **Finance, technology and capacity building will be needed for developing countries to embark on low-carbon development pathways.**

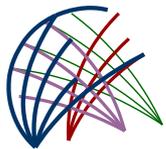
# Conclusions (II)

- Existing international and national climate governance regimes have failed to leverage the power of TNCs to contribute to low-carbon development.
- Effective levers are those that affect TNC decision making to encourage low-carbon technology innovation and investment.
- **=> *Tax externalities! Carbon Tax!!***

# Conclusions (III)



- **New green technologies can generate extra efforts and investments in value-chain related secondary technologies.**
- **Herd mentality: faced with carbon taxes, TNCs will move to low carbon technology. Once we have critical mass, other TNCs will follow.**
- **Mandatory disclosure of greenhouse gas emissions in products and consumer behaviour , carbon risks and opportunities & accountability- **a must!****



# Final points

- **Climate change is not a fiction – not an “obsession of green nerds”**
- **A large part of CC (CO<sub>2</sub> and other GHG) is due to habitual human behaviour (how we produce and consume)**
- **Current production and consumption patterns- if not changed- amounts to harmful compulsive behaviour leading us to collective suicide**
- **We need pro-earth laws and stringent regulatory actions to prohibit and sanction high carbon and high GHG behaviour**
- **We need corrective collective action such as carbon tax and pro-green trade régimes**

**Thanks for doing your best  
to contribute to global  
sustainability**