POLICY REPORT

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Bridging Climate Action and Trade Through Multilateralism Based on the Values and Principles of the United Nations

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Ponder the Improbable since 1996

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Executive Summary

The United Nations Framework Convention on Climate Change (UNFCCC) envisions that climate objectives should be attained though open markets. This mandate has come under stress in recent years as parties to the convention adopt various mitigation actions to meet their nationally determined contributions (NDCs). Concerns have been raised that unilateral trade-related climate measures could become an obstacle to international trade and hamper economic growth and development. Efforts to harness the complementarities between trade and climate protection are a test in global economic governance. This policy report provides two clusters of ideas – the notion of pre-emptive cooperation and a menu of good practices – to aid efforts to address the climate exigency while upholding the supportive and open international economic system.

Introduction

Trade, international cooperation and multilateralism based on the values and principles of the United Nations are essential pillars to address the challenges of the global commons.[1] [2] This is especially so in worldwide efforts to address climate change, the greatest challenge to sustainable development in our age. In this vein, the United Nations Framework Convention on Climate Change (UNFCCC), adopted at the Earth Summit in Rio de Janeiro in June 1992, envisioned that parties to the convention attain climate objectives through open markets.

Article 3:5 of the UNFCCC[3] mandated that

(i) Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus enabling them to better address the problems of climate change.

(ii) Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

Article 3:5's emphasis on free trade principles bucked the trend of previous decades,[4] where major multilateral environmental agreements[5] envisaged the use of trade sanctions to attain environmental objectives.

Principle 12 of the Rio Declaration, also adopted at the Earth Summit, states:

(i) Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided.

(ii) Environmental measures addressing transboundary or global environmental problems should, as far as possible, be based on an international consensus."

Taken together, Article 3:5 and Principle 12 enjoin that a supportive and open international economic system, respect for the rules-based multilateral system, and international cooperation should guide efforts to address transnational environmental problems such as climate change. These principles have come under stress in the wake

[1] Okonjo-Iweala, N, "The WTO's Contribution to the Challenges of Global Commons", *Journal of International Economic Law* 26, no. 1 (2023): 12–16.
[2] The Glasgow Climate Pact, COP-26, Sharm El Sheikh Implementation Plan, COP-27, and the UAE Consensus (COP-28) have consistently underlined the role of multilateralism based on UN values and principles and the importance of international cooperation for addressing the global nature of climate change.
[3] Article 3:5 of the UNFCCC is drawn from Article XX of the WTO's General Agreement on Tariffs and Trade. See https://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf.
[4] Blackhurst, R., "Alternative Motivations for Including Trade Provisions in Multilateral Environmental Agreements", *Swiss Journal of Economics and Statistics* 131, no. 3 (1995): 337.
[5] Multilateral environmental agreements such as the Convention of Trade in Endangered Species, Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, and the Montreal Protocol on Substances that Deplete the Ozone Layer.

of plans by some parties to use unilateral trade-related climate measures (UTCMs) to augment their climate efforts.

Force Reawakened: The BASIC Group and Unilateral Trade-related Climate Measures

At the 28th session of the Conference of Parties of the UNFCCC (COP-28) in Dubai, UAE, in November 2023, the "BASIC" group of countries comprising Brazil, South Africa, India and China, proposed that the issue of UTCMs be added to the conference agenda. The BASIC countries requested that the UNFCCC consider "concerns with unilateral and coercive climate change related measures that constitute a disguised restriction on international trade". The group called on parties to "collectively oppose any measures to restrict trade and investment and setting up new green trade barriers, such as unilateral carbon border taxes".[6]

A number of developed countries, however, countered the BASIC group's request. They argued that

(i) The UNFCCC does not have the mandate to discuss trade issues. The competency for trade lies with the World Trade Organisation.

(ii) Article 3:5 of the UNFCCC does not expressly prohibit unilateral measures.

(iii) The requirement of parties, should they opt to adopt unilateral measures, is for such measures to be non-arbitrary, non-discriminatory and not become a disguised restriction to international trade.

(iv) All types of measures should be available for parties to support the UNFCCC's efforts to combat climate change.

COP-28 faced the prospect of an agenda fight and the risk of delay or even the non-adoption of the agenda. However, the presidency managed the matter. An agenda for COP28 was adopted without the addition of the UTCMs issue.[7] Subsequently, the BASIC group resurfaced their proposal on UTCMs at COP-29 in Baku, Azerbaijan, in November 2024[8] and again at the preparatory sessions for COP-30 in Bonn, Germany,

[6] UNFCCC, Submission by Brazil on behalf of the BASICs, 28 November 2023. See https://unfccc.int/sites/default/files/resource/COP28_BASIC-Agenda%20proposal.pdf.
[7] At the opening plenary, the COP-28 president proposed that this matter be addressed under the relevant agenda items, including the global stocktake. See https://www.twn.my/title2/wto.info/2023/ti231214.htm.
[8] UNFCCC, Submission by China on behalf of the BASICs, 5 November 2024, https://unfccc.int/sites/default/files/resource/Submission%20by%20CHINA%20on%20behalf%20of%20the%20BASIC%20Group.pdf.

in June 2025.[9] China has signalled that it will request to have UTCMs included in the agenda of COP-30 in Belem, Brazil, in November 2025.[10]

The fact that the COP-28 and COP-29 presidencies successfully managed the BASIC group's proposal on UTCMs at COP-28 and COP-29 does not mean that a soft landing to the issue can always be found. A prudent approach would be to pre-emptively find a palatable approach that addresses the concerns of both sides. If not managed, the UTCMs issue could potentially frustrate future COP sessions and the steady progress that parties have made since the adoption of the Paris Agreement in 2015.[11] This policy report provides recommendations to tap the complementarities between trade and climate measures. Before we consider the recommendations, it is imperative that we consider how UTCMs relate to the WTO and the UNFCCC.

UTCMs and the WTO

The WTO does not have a specific agreement that deals with the environment or the climate. However, there are several provisions across the WTO agreements that stipulate conditions under which members can adopt trade-related environmental or climate measures.[12] Nonetheless, the WTO does not provide definitive guidance on the compatibility of UTCMs with its rules. Yet, we can make inferences on the relationship between trade, the environment and climate measures from WTO agreements, rulings of its Appellate Body and expert commentaries.

(i) First, the WTO accommodates global environmental challenges such as climate change. Members had incorporated "sustainable development seeking both to protect and preserve the environment"[13] as additional objectives of the WTO. In commenting on these aims, the Appellate Body observed that the signatories to the WTO were "fully aware of the importance and legitimacy of environmental protection as a goal of national and international policy". The Appellate Body elucidated that "sustainable development" must add "colour, texture and shading to *the* interpretation of the agreements annexed to the WTO Agreement".[14]

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[9] UNFCCC, Subsidiary Body for Implementation, and Subsidiary Body for Scientific and Technological Advice, 11–26 June 2025; Henderson, J., "The Bonn Climate Conference: A Sobering Preview of COP30", The Oxford Institute for Energy Studies, July 2025, https://www.oxfordenergy.org/publications/the-bonn-climate-conference-a-sobering-preview-of-cop30/.

[10] Yin, I., "COP29: China to Seek Inclusion of CBAM in Official COP30 Agenda in Brazil, Official Says", S&P Global, 15 November 2024, https://www.spglobal.com/commodity-insights/en/news-research/latest-news/energy-transition/111524-cop29-china-to-seek-inclusion-of-cbam-in-official-cop30-agenda-in-brazil-official-says.

[11] See for example, Council on Foreign Relations, "Global Climate Agreements: Successes and Failures", Backgrounder, Jan 2025, https://www.cfr.org/backgrounder/paris-global-climate-change-agreements. While progress has been made since the adoption of the Paris Agreement in 2015, parties need to do more to prevent the global average temperature from rising by 1.5°C.

[12] WTO, *Trade Policy Tools for Climate Action*, 2023, https://www.wto.org/english/res_e/publications_e/tptforclimataction_e.htm.

[13] Marrakesh Agreement Establishing the World Trade Organisation, 15 April 1994, https://www.wto.org/english/docs_e/legal_e/marag_e.htm.

[14] WTO, Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, 1998, para 153, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds58_e.htm.

(ii) Second, as confirmed by the Appellate Body in its report titled *United States – Standards for Reformulated and Conventional Gasoline*, WTO members have a "large measure of autonomy" to determine their own policies on the environment" and that that "autonomy is circumscribed only by the need to respect the requirements of the … *WTO* agreements".[15]

(iii) Third, the WTO does not foreclose the use of unilateral measures to achieve environmental objectives. The Appellate Body ruled that "conditioning access to a Member's domestic market on whether the exporting Members comply with or adopt a policy or policies unilaterally prescribed by the importing Member may, to some degree be a common aspect of falling within the scope" of the WTO's environmental exceptions.[16]

(iv) Fourth, the words "as far as possible" in Principle 12 of the Rio Declaration seems to leave open the possibility that unilateral measures might be needed in certain situations.[17]

(v) Fifth, the following list of criteria would also be applicable in assessing the compatibility of trade-related environmental or climate measures with the WTO:[18]

(a) whether the measure is directed at trade or affects trade;
(b) whether the measure serves purposes deemed legitimate or illegitimate;
(c) whether the measure is adopted by parties unilaterally or as an outcome of multilateral negotiations;
(d) whether the measure is meant to protect resources within or outside a country's territory;
(e) whether the measure relates to processes by which a product is produced or is based on the characteristics of the product itself;
(f) whether the measure is supported by scientific evidence.

Another dimension in the trade–environment nexus is members' declaration that "there should not be, nor need be, any policy contradiction between upholding and safeguarding an open, non-discriminatory and equitable multilateral trading system on the one hand, and acting for the protection of the environment, and the promotion of sustainable development on the other".[19] This declaration raises a pertinent question: is the twin goal of upholding the multilateral trading system and the promotion of sustainable development automatic? The clash between the BASIC countries' concerns and the position of a number of developed countries indicate that policy coherence between trade and environment is not a given. Members of the WTO and parties to

[15] WTO, Appellate Body Report, *United States – Standards for Reformulated and Conventional Gasoline*, WT/DS2/AB/R, 1996, pp. 29–30, https://www.wto.org/english/tratop_e/envir_e/gas1_e.htm.
[16] WTO, Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, para 121.
[17] Condon, B.J., *Environmental Sovereignty and the WTO: Trade Sanctions and International Law* (Transnational Publishers Inc, 2006), p. 161.
[18] This section draws from Bodansky, D, and Lawrence, J.C., "Trade and Environment", in Bethlehem, D., Van Damme, I., and McRae, D, *The Oxford Handbook of International Trade Law*, Chapter 18 (Oxford University Press, 2009).
[19] WTO, "Multilateral Trade Negotiations: The Uruguay Round", (MTN(TNC)/45(MIN), 6 May 1994, https://www.wto.org/gatt_docs/English/SULPDF/92150329.pdf.

the UNFCCC need to proactively avert the potential friction between trade and the environment. If environmental measures are designed and implemented without regard to WTO rules, this could create distortive effects and dent the basis for international cooperation.[20]

UTCMs and the UNFCCC

Situating Trade in Climate Actions: Introducing the Double Impact of Climate Change

The Paris Agreement states that "Parties may be affected not only by climate change but also by the impacts of the measures taken in response to it."

(i) **The first impact: Parties are facing the impacts from climate change.** The World Meteorological Organisation's "State of the Global Climate 2024" paints a stark picture. The year 2024 was the warmest one in the 175-year observational record.[21] Rising temperatures, greater acidification of the oceans, increasing sea levels and extreme weather events are some impacts. These impacts can affect transport corridors in the global trade network and value chains. Maritime transport services, accounting for more than 80% of world trade, is exposed to the effects of climate change. Science dictates urgent action. COP-28 responded with the adoption of the UAE Consensus:[22]

(a) On mitigation, the first global stocktake of the Paris Agreement[23] mandated that limiting global warming to 1.5°C requires deep rapid, and sustained reductions in global greenhouse gas emissions of 43% by 2030 and 60% by 2035 relative to the 2019 level, with the goal of reaching net zero CO_2 emissions by 2050.

(b) Parties were requested to triple renewable energy capacity globally and double the global average annual rate of energy efficiency improvements by 2030 and accelerate the substantial reduction of non-CO_2 emissions globally, in particular methane emissions by 2030. COP28 further called on parties to "transition away from fossil fuels in energy systems" (a first in UNFCCC history).

(c) The UAE Framework for Global Climate Resilience consists of seven thematic targets in the area of water, food, health, ecosystems,

[20] For a fuller exposition on WTO and the environment, see Charnovitz, S., "The WTO's Environmental Progress", *Journal of International Economic Law* 10, no. 3 (2003): 685–706.
[21] World Meteorological Organization, "State of the Global Climate 2024", 19 March 2025, https://wmo.int/publication-series/state-of-global-climate-2024.
[22] UN Climate Change, "Outcome of the Dubai Climate Change Conference", https://unfccc.int/cop28/outcomes
[23] Article 14, Paris Agreement. The global stocktake is a five-yearly process to assess the collective progress towards achieving the goals of the Paris Agreement. The first stocktake was conducted between 2021 and 2023, and its outcome was adopted. See https://unfccc.int/topics/global-stocktake.

infrastructure, livelihoods and cultural heritage, and four process-based targets that span the iterative adaptation cycle. These are impact, vulnerability and risk assessments; planning; implementation; and monitoring, evaluation and learning.[24]

(ii) **The second impact: Parties are experiencing the economic and social impacts from mitigation measures adopted to respond to the impacts of climate change.**[25] These measures could have domestic and cross-border impacts. The effects could be positive or negative[26]:

(a) The Paris Agreement requires the next round of nationally determined contributions[27] (NDCs), also known as NDCs 3.0, to be submitted in 2025. In view of the gravity of the climate crisis, NDCs 3.0 are to be informed by the outcome of the first global stocktake and represent a progression beyond parties' current NDCs and reflect the highest possible ambition.[28]

(b) One cluster of mitigation actions are trade-related climate measures such as tariffs, cap-and-trade schemes, carbon border tax adjustments, carbon standards and labelling, and subsidies for low carbon goods and the reform of fossil fuel subsidies.[29] Parties are expected to adopt an increasing number of trade-related climate measures in the context of their more ambitious NDCs 3.0.[30]

(c) Like the WTO, UNFCCC provides parties with the latitude to adopt any measure, including trade-related climate measures "appropriate for the specific conditions of each party".[31] Parties are however required to ensure that the design and implementation of their measures are in conformity with UNFCCC and WTO rules.[32]

We can infer from the discussions above that the interlinkages between trade-related climate measures and UNFCCC and WTO stipulations will become more pronounced as parties submit their more ambitious NDCs 3.0.

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[24] Decision 2/CMA.5, Global Goal on Adaptation. See https://unfccc.int/topics/adaptation-and-resilience/workstreams/gga.
[25] For a sample list of mitigation measures, see IMF, OECD, UN, World Bank and WTO, *Working Together for Better Climate Action: Carbon Pricing, Policy Spillovers and Global Climate Goals*, 2024, p. 9, https://www.wto.org/english/res_e/booksp_e/climate_action_e.pdf.
[26] UN Climate Change, "Impact of Implementation of Response Measures", https://unfccc.int/topics/response-measures.
[27] The Paris Agreement established a universal, country-driven approach to achieve climate goals, while also setting up a transparency framework for monitoring and reporting on progress. One primary instrument for achieving its goals is NDCs, which are national pledges that each state party is required to develop to contribute towards reducing greenhouse gas emissions and adapting to climate change impacts. The NDCs are to be updated every five years. Each update is required to be more ambitious.
[28] Article 4:3, Paris Agreement.
[29] UNCTAD, *Mapping Trade-related Measures in The Nationally Determined Contributions*, 2003, https://unctad.org/publication/mapping-trade-related-measures-nationally-determined-contributions.
[30] Mehling MA, van Asselt H, Das K, Droege S, Verkuijl C., "Designing Border Carbon Adjustments for Enhanced Climate Action", *American Journal of International Law* 113, no. 3 (2019): 437.
[31] Article 3:4, UNFCCC.
[32] WTO, Appellate Body Report, *United States – Standards for Reformulated and Conventional Gasoline.* pp. 29–30; WTO, Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, paras 185–186.

Reflections on the Double Impact of Climate Change

The double impact of climate change and the attendant need to respond to this exigency raises several questions.

(i) First, how can parties be incentivised to raise climate ambitions to support the Paris Agreement's 1.5°C goal through impactful mitigation measures, including trade-related climate measures?

(ii) Second, how can parties minimise the negative economic and social impacts of their more ambitious response measures while maximising the positive impacts from their transition to a low carbon economy?

(iii) Third, how can parties ensure that trade-related climate measures are consistent with their UNFCCC and WTO obligations?

Policy Recommendations to Harness the Complementarities Between Trade and Climate Measures

The climate crisis has the scope to develop into the "most significant trade issue" in the next decade.[33] Even as trade openness augments global efforts to meet sustainable development and environmental objectives,[34] trade disputes are more likely in a world of uncoordinated and conflicting national responses to the climate challenge. How can parties work together to minimise the potential conflicts and harness the synergies between trade and climate measures? On this note, this report presents the notion of "pre-emptive cooperation".

Pre-emptive Cooperation

The 5th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) called for "pre-emptive cooperation" between trade and climate regimes. The IPCC highlighted that "there are numerous and diverse unexplored opportunities for greater international cooperation in trade–climate interactions. While mutually destructive conflicts between the two systems have thus far been largely avoided, pre-emptive cooperation could protect against such developments in the future."[35]

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[33] Meyer T, Tucker T.N, "A Pragmatic Approach on Carbon Border Measures", *World Trade Review* 21 (2020), pp. 109–120.
[34] WTO, Harnessing Trade for Sustainable Development and a Green Economy, (2011), https://www.wto.org/english/res_e/publications_e/rio20_e.htm.
[35] Stavins R., et.al, "International Cooperation: Agreements and Instruments" in *Climate Change 2014: Mitigation of Climate Change.* Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (Cambridge University Press, 2014), https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter13.pdf.

What are the ingredients for pre-emptive cooperation? Foremost, pre-emptive cooperation has to involve dialogue and coordination between stakeholders at three levels of governance:

(i) First, at the national level between economic, environment and energy ministries involved in the development of trade and climate policies.

(ii) Second, at the multilateral level within the organisations considering trade-related climate measures such as the WTO's Committee on Trade and Environment (CTE)[36] and the UNFCCC's Forum on the Impact of Implementation of Response Measures.[37]

(iii) Third, between the organisations dealing with trade-related climate measures, namely the CTE and the Forum on the Impact of Implementation of Response Measures.

The pre-emptive cooperation described above will help trade officials grasp the essence of the UNFCCC and the Paris Agreement, while enabling climate officials to understand the WTO framework. The 4th United Nations Conference on Financing for Development held in Seville, Spain, from 30 June to 3 July 2025 reinforced the "urgent need for constructive discussions in the relevant multilateral forums on measures taken for environmental purposes, including unilateral ones, and their impact on sustainable development, including in developing countries".[38]

While pre-emptive cooperation is necessary, it is not sufficient to contribute to the mutual supportiveness between trade and climate objectives. A set of good practices will bolster efforts to foster coherence between the UNFCCC and WTO systems.

[36]The CTE provides a platform for members to discuss issues pertaining to the relationship between trade policies and environment policies. See https://www.wto.org/english/tratop_e/envir_e/wrk_committee_e.htm. With parties expected to adopt an increasing number of trade-related climate measures in the context of NDCs 3.0, there is a case for strengthening the CTE to discuss the mitigation and adaptation measures adopted by members, the potential trade implications of these actions, and ways to address the impacts.

[37] UNFCCC, Decision 13/CP.28. Review of the functions, work programme and modalities of the Forum on the Impact of the Implementation of Response Measures. The forum is mandated to enhance cooperation among parties on understanding the impacts of mitigation measures and exchange of information, experiences and best practices to raise their resilience to these impacts. The Katowice Committee of Experts supports the forum by assessing, analysing, addressing and reporting on the implementation of response measures by parties, including through the development of modelling tools. See https://unfccc.int/decisions?search2=&f%5B0%5D=session%3A4541&items_per_page=12&order=field_document_decision_title&sort=desc.

[38] UN Department of Economic and Social Affairs, "Sevilla Commitment", 3 July 2025, https://financing.desa.un.org/sites/default/files/2025-08/FFD4%20Outcome%20Booklet%20v4_EN%20-%20spread.pdf.

Menu of Good Practices

This policy report proposes the following menu of good practices to strengthen the mutual supportiveness between trade and climate measures:

Multilateralism, International Cooperation

Parties must continue to reaffirm the role of multilateralism based on values and principles of the United Nations and the UNFCCC and WTO rules. Parties should explore multilateral solutions based on international cooperation and consensus, recognising that this is the most effective way for governments to tackle the transboundary and global nature of climate change. Such cooperation would be in line with the vision of the UNFCCC, reinforced by the UN General Assembly that "the global nature of climate change calls for the widest possible cooperation by all countries and their participation in an effective and appropriate international response".[39] The ASEAN Power Grid and the Lao PDR-Thailand-Malaysia-Singapore Power Integration project are two good examples of international cooperation that seek to integrate national power systems to enable the ASEAN countries' decarbonisation efforts through trade in renewable energy.

Optimal Approaches

Parties should give effect to the principle of "optimal intervention". An optimal or efficient instrument is one that remedies the source of the problem and achieves the policy goal with the least undesired side-effects. Trade is often not the principal cause of environmental problems; rather, it is unsustainable patterns of production and consumption that cause such problems. Environmental problems can be traced to the failure to internalise production and consumption costs.[40] This is especially so in climate change – "the greatest and widest ranging market failure ever seen".[41]

Economic theory postulates that the first best policy is to bring about the full internalisation of production or consumption costs.[42] For example, the use of carbon pricing would provide price signals to households and businesses to reduce their consumption of carbon-intensive goods and services. In addition, the reduction or removal of subsides for the use of fossil fuels would support efforts to rationalise the over-use of such fuels and lead to lower carbon dioxide emissions.[43] This would also support the mandate from COP-28 for parties to transition away from fossil fuels.

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[39] The UN General Assembly reiterated this point from the preamble to the UNFCCC. See UN General Assembly Resolution, A/RES/77/165, "Sustainable Development: Protection of Global Climate for Present and Future Generations of Humankind", 21 December 2022, https://docs.un.org/en/A/RES/77/165.
[40] Blackhurst, R., "Alternative Motivations for Including Trade Provisions in Multilateral Environmental Agreements", *Swiss Journal of Economics and Statistics* 131, no. 3 (1995).
[41] Stern, N, *The Economics of Climate Change: The Stern Review* (Cambridge University Press, 2007).
[42] Bhagwati and Srinivasan have commented that trade is the second best approach to meet environmental objectives. See Bhagwati, J.N., and Srinivasan, T.N., "Domestic Distortions, Tariffs and the Theory of Optimum Subsidy", *Journal of Political Economy* 17, no. 1 (1963).
[43]We need to be mindful that fossil fuel subsidisation has social-economic-political dimensions, especially in developing countries. Hence, a distinction needs to be made between subsidies necessary to address energy poverty and just transitions and subsidies that do not serve these purposes.

Parties should therefore refrain from raising barriers to international trade. Such measures would distort the optimal allocation of resources and undermine the principle of comparative advantage, raising costs for domestic consumers and domestic industries, including those that need goods and services and technologies used in developing alternative clean energy options.[44] In sum, trade barriers amount to "poor environmental policies".[45]

Enablers for Climate Ambition

Parties should continue to promote a supportive, open and non-discriminatory international economic system. In this regard, parties should fully implement Article 3:5 of the UNFCCC, Article 2:1 (v) of the Kyoto Protocol[46] and the relevant WTO provisions. Parties could consider the following specific actions:

(i) Reduce and remove existing barriers and refrain from raising new impediments[47] to the trade and investment in energy efficiency[48] and zero or low emission and emission removal technologies such as hydrogen, and carbon capture utilisation and storage (CCUS), and energy storage. Doing so will support the fulfilment of the mandate from COP-28.

(ii) Facilitate the flow of clean energy from countries with renewable energy options to those that lack them, including through regional grids. Useful guide points in this respect are WTO documents on basic telecommunication services[49] and maritime transport services,[50] and Article V of the General Agreement on Tariffs and Trade (GATT), the predecessor to the WTO, on freedom of transit and facilitating access to and use of relevant infrastructure on reasonable and non-discriminatory terms and conditions.[51]

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[44] Pauwelyn, J., "Carbon Leakage Measures and Border Tax Adjustments under WTO Law" in Van Calster, G. (ed.), Research Handbook on Environment, Health and the WTO (Edward Elgar Publishing, 2013).

[45] Nordstrom, H., and Vaughan, S, Special Studies: Trade and Environment (WTO, 1999), p. 3.

[46] The fifth point in Article 2:1(a) of the Kyoto Protocol states that each party included in Annex I of the UNFCCC, in achieving its quantified emission limitation and reduction commitments under Article 3 shall implement and/or further elaborate policies and measures in accordance with its national circumstances, such as "progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objectives of the Convention and application of market instruments." See https://unfccc.int/resource/docs/convkp/kpeng.pdf.

[47] The WTO moratorium on tariffs on e-commerce transactions provides useful precedence. See https://www.wto.org/english/thewto_e/minist_e/mc12_e/briefing_notes_e/bfecom_e.htm.

[48] The International Energy Agency states **"**Energy efficiency is called the 'first fuel' in clean energy transitions, as it provides some of the quickest and most cost-effective CO_2 mitigation options while lowering energy bills and strengthening energy security. Energy efficiency is the single largest measure to avoid energy demand in the Net Zero Emissions by 2050 Scenario..." See International Energy Agency, "Energy Efficiency", https://www.iea.org/energy-system/energy-efficiency-and-demand/energy-efficiency.

[49] WTO, Telecommunications Services: Reference Paper, 1996; WTO, TN/S/W/50, Liberalisation of Telecommunication Services, 2005. See https://www.wto.org/english/tratop_e/serv_e/telecom_e/tel23_e.htm

[50] WTO, Plurilateral Request for Maritime Transport Services, 2006. See https://www.regjeringen.no/globalassets/upload/kilde/ud/nyh/2006/0078/ddd/pdfv/282782-maritimeservices.pdf.

[51] WTO and WMO, *Supporting the Renewable Electricity Transition Through Trade: Unlocking Re-Globalization Opportunities Through Interconnection*, 2024, https://www.wto.org/english/res_e/publications_e/ai17_e/gatt1994_art5_gatt47.pdf.

(iii) Use international standards, where they exist, in designing and implementing trade-related climate measures.[52] International standards are preferable to fragmented national and regional standards as they can address rent-seeking behaviour by domestic lobby groups. The proliferation of national and regional standards has the potential to create uncertainties for producers and could lead to trade frictions. [53]

(iv) Cooperate on technologies such as climate-resistant crop varieties, early warning systems, and water conservation and storage systems. Such cooperation will strengthen parties' capacity to adapt to climate change.[54]

(v) Liberalise services. Impactful climate actions would need cost-effective services[55] such as weather forecasting, insurance, telecommunications, transportation, logistics and health services. Such services can better prepare parties to address climate shocks.[56]

(vi) Allow for the use of high integrity carbon credits, traded internationally through a well-regulated, transparent and open trading platform.[57] [58] Countries meeting their NDCs through access to such carbon credits, in combination with domestic measures, should not have their exports subjected to restrictions by their trading partners.

Transparency

The UNFCCC states that its reporting requirements would allow the COP to assess, on the basis of information received from parties, the "…overall effects of the measures taken pursuant to the Convention, in particular environmental, economic and social effects as well as their cumulative impacts …"[59] The input of stakeholders is also relevant in the design and implementation of trade-related climate measures as it will support efforts to minimise the negative impacts of mitigation measures on parties. In

[52] Article 2:5 of the WTO Agreement on Technical Barriers to Trade reads: "whenever a technical regulation is prepared, adopted or applied for one the legitimate objectives (environmental protection is one of these objectives), and is in accordance with relevant international standards, it shall be rebuttably presumed not to create an unnecessary obstacle to trade." See https://www.wto.org/english/docs_e/legal_e/tbt_e.htm. The caveats should however be recognised, i.e., Article 2.4 (international standards could be "ineffective or inappropriate means" for the fulfilment of legitimate objectives due to "fundamental climatic or geographical factors or fundamental technological problems"); Decision of the TBT Committee, which requires that the forum where international standards are developed provide transparency, openness, impartiality, consensus, effectiveness, relevance and coherence, including taking account of the concerns of developing countries.
[53] WTO Trade Report, *Climate Change and International Trade*, 2022, p. 7. There are more than 20 decarbonisation standards in the steel sector. See https://www.wto.org/english/res_e/publications_e/wtr22_e.htm.
[54] WTO Trade Report, *Climate Change and International Trade*, 2022, p. 10.
[55] Alder, M., Lim, A.H., Zhang, R., Climate Change and Services Trade: What Role for the GATS? in Delimatsis, P. (ed.), *Research Handbook on Climate Change and Trade Law*, Chapter 8 (Edward Elgar Publishing, 2016); WTO, GATS: Fact and Fiction, 1998, https://www.wto.org/english/tratop_e/serv_e/gatsfacts1004_e.pdf.
[56] WTO Trade Report, *Climate Change and International Trade*, 2022, p.10.
[57] Article 6 of the Paris Agreement provides a framework: (i) with guidance on accounting and reporting for Parties to use internationally transferred mitigation outcomes towards their Nationally Determined Contributions; (ii) a mechanism which can be used to trade high quality carbon credits; and (iii) non-market cooperation for enhancing climate action. See https://unfccc.int/process-and-meetings/the-paris-agreement/article6;
[58] Ministry of Sustainability and the Environment, Singapore, "Singapore Sets Out Eligibility Criteria For International Carbon Credits Under The Carbon Tax Regime", Press Release, 4 October 2023, https://www.mse.gov.sg/latest-news/eligibility-criteria-for-internationalcarboncredits/.
[59] Article 7 (e), UNFCCC.

this regard, it is pertinent that parties fully implement the transparency requirements mandated in the UNFCCC[60] and the WTO.[61]

Multiple Pathways to Net-Zero

Parties should give effect to the UNFCCC principles of "national circumstances", "national determination" and "common but differentiated responsibilities and respective capabilities" (CBDR-RC),[62] and the WTO's principle of "mutual recognition" in the design and implementation of their trade-related climate measures. In this regard,

(i) Parties should not condition imports on grounds that their trading partners are not adopting similar measures to theirs. In this vein, parties should also consider internationally developed methodologies that seek to establish equivalence between carbon pricing and regulatory measures.[63]

(ii) On carbon pricing schemes, parties should accommodate the reality that partner countries' carbon taxes might not be identical in terms of quantum or the modality of implementation. Such accommodation is necessary to avoid imposing additional penalties and disincentives for climate action. Notably, companies should not be taxed twice for the same unit of emissions.

The recommendations in the preceding paragraphs are based on the following considerations:

(i) No two countries are alike. States have different geographical, resource and energy endowments. Hence, there will not be a single pathway for net-zero transition. A low-carbon economy can be achieved in several ways: shifting the energy mix away from fossil fuels; promoting alternative renewable energy sources such as geothermal, hydro and solar power options; developing zero- and low-emission and removal technologies such as hydrogen, CCUS, and energy storage; and improving energy efficiency in buildings, transportation means and industry.

(ii) The mitigation actions adopted by parties would not be identical either. In the toolkit of mitigation measures, parties may employ carbon pricing mechanisms, energy efficiency measures, energy and carbon standards and labelling, and/or

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[60] UNFCCC, *Reference Manual for the Enhanced Transparency Framework under the Paris Agreement*, 2022, https://unfccc.int/sites/default/files/resource/v2_ETFreferencemanual.pdf.
[61] Charnovitz, S., "Transparency and Participation in the World Trade Organisation", *Rutgers Law Review* 56, no. 4 (2004), p. 927; Alai, P., "From the Periphery to the Centre? The Evolving WTO Jurisprudence on Transparency and Good Governance", *Journal of International Economic Law* 11, no. 4 (2008): 779–802.
[62] According to Article 3:1, UNFCCC, the notion of "Common but Differentiated Responsibilities and Respective Capabilities" has two elements: (i) Parties have a common responsibility for climate protection; and (ii) these responsibilities are differentiated among Parties given their different socio-economic circumstances and historical and current emissions. The notion of "respective capabilities" reflects the need to consider the different technical, technological financial capacities of countries in their contribution to climate protection.
[63] See, for example, Pisu, M., et al, "Options for Assessing and Comparing Climate Change Mitigation Policies across Countries", OECD Economics Department Working Paper No. 1749, 2003, https://doi.org/10.1787/b136e575-en.

sustainable development policies and actions suited to their national circumstances.

(iii) Parties are not required to harmonise their mitigation measures. The UNFCCC accords flexibility to parties to adopt measures "appropriate for the specific conditions of each party".[64] At the WTO, the Appellate Body had ruled that "it is not acceptable, in international trade relations, for one WTO Member to use an economic embargo to *require* other Members to adopt essentially the same comprehensive regulatory program, to achieve a certain policy goal, as that in force in that Member's territory, without taking into consideration different conditions which may occur in the territories of those other Members".[65]

The Role of the UNFCCC's "Katowice Committee of Experts on the Impacts of Implementation of Response Measures" (KCI) on Trade-related Climate Measures

The KCI was established at COP-24 in Katowice, Poland, in December 2018, with the mandate to assess, analyse, address and report on the implementation of response measures by parties with a view to minimising the negative impacts and maximising the positive impacts of the measures. COP-29 requested the KCI to "analyse, assess and report on the impacts of measures taken to combat climate change, including cross border impacts, recalling Article 3:5 of the UNFCCC"[66] in the context of the Committee's five-year work plan (2025–2030).

In considering its work plan, the KCI is presented with an opportunity to develop good practices that could support the implementation of Article 3:5 of the UNFCCC. In this regard, the menu of good practices presented in this policy report could serve as a point of reference for the KCI's work.

Relatedly, Brazil, during its upcoming presidency of COP30, plans to launch an Integrated Forum on Climate Change and Trade as the COP30 action agenda. If adopted by parties at COP-30, the forum will help to deepen understanding of the policy interfaces between climate and trade.[67] It will be useful to assess the decision on the Integrated Forum should it be adopted at COP-30.

[64] Article 3:4, UNFCCC.
[65] WTO, Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, para 164.
[66] UNFCCC, Decision 16/CP.29, "Matters Relating to the Impacts of the Implementation of Response Measures", https://unfccc.int/decisions?su=&search2=&f%5B0%5D=session%3A4618&page=1.
[67] Reuters, "Brazil to Propose New Forum to Address Climate and Trade Complaints, Sources Say", 11 September 2025, https://www.reuters.com/sustainability/cop/brazil-propose-new-forum-address-climate-trade-complaints-sources-say-2025-09-10/; Carolyn Deere (LinkedIn post), "https://www.linkedin.com/posts/carolyndeerebirkbeck_wtopublicforum2025-activity-7374092746434981888-e1_q/.

Conclusion

Trade, international cooperation and multilateralism based on the values and principles of the United Nations are necessary to address the climate crisis. The liberalisation and availability of competitively priced goods, services and technologies will lower the cost of implementing the Paris Agreement. There is no path to net zero without leveraging trade. Parties should cooperate and work towards measures that are based on international consensus.

Conversely, UTCMs that disrespect the rules-based multilateral system will be a lose-lose proposition for international trade cooperation, climate protection and economic development. This must be avoided.

Managing UTCMs takes on added impetus against the background of challenges to the rules-based order manifested in the challenges faced by the WTO,[68] trade tensions and the fragmentation and reconfiguration of global supply chains. Additionally, we need to be attentive to developments such as the United States' withdrawal from the Paris Agreement, reform efforts at the WTO, and the implementation by parties of the advisory opinion of the International Court of Justice relating to their climate obligations.[69]

This policy report has provided some recommendations pertaining to pre-emptive cooperation at the national and multilateral levels and a menu of good practices to harness the complementarities between trade and climate measures. Parties should continually look for ways to foster coherence between the UNFCCC and WTO systems, which is necessitated by the geo-economic and geopolitical dynamics highlighted in this report.

[68] Goldstein, J,L., Irwin, D.A., Skyes, A., *World Trade Review*, 21 (2022; 20th Anniversary Issue): 269–273.
[69] International Court of Justice, *Obligation of States in Respect of Climate Change*, 23 July 2025, https://www.icj-cij.org/case/187.

About the Author



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