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Greening Trade 15

A pro-development green trade agenda for COP-28

Abstract

This year's string of extreme climate events highlights the impact of a warming planet. With the Global Stocktake Report (GST) underscoring the misalignment of global emissions with the Paris Agreement goals, the pressure to agree on ambitious climate action going into the 28th United Nations Climate Change Conference (COP28) has never been higher. Notably, COP28 marks a historic milestone with its inaugural "Trade Day," recognising the pivotal role of trade in climate solutions. While trade bears the potential to advance climate and environmental goals, certain trade-related climate measures present challenges, especially for vulnerable developing countries. Given the inclusion of trade matters in the COP28 programme, this year's climate conference holds the potential to advance international dialogue and cooperation on the trade-environment-development nexus (the "triangle").

Building upon the authors' previous publication entitled "EU trade and the environment: Development as the missing side of the triangle" this paper revisits and expands the "triangle" framework to the global level. With the objective to put forward development-friendly approaches to climate mitigation policies, the authors apply the framework to two case studies: i) harmonisation of carbon pricing and border carbon adjustment (BCA) mechanisms; and ii) trade in transition materials crucial to achieving decarbonisation targets.

Through the framework's application, the paper unveils the intricacies, and inevitable trade-offs, of addressing multiple objectives concurrently, offering actionable insights into achieving climate, environmental, and development goals via sustainable international trade policies.

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1.

Introduction

The world is facing the unprecedented impact from an ever-warming planet, including record-breaking wildfires, catastrophic floods, and unbearable heat waves. New data from the EU monitoring service Copernicus finds that 2023 is practically certain to become the warmest year on record.[1] The Global Stocktaking Report (GST), which evaluates the implementation progress of the Paris Agreement, is unequivocal in its assessment that global emissions are not in line with mitigation pathways consistent with the temperature goal of the Paris Agreement, highlighting that there is a "narrowing window to raise ambition and implement existing commitments in order to limit warming to 1.5 degrees Celsius above pre-industrial levels."[2]

In light of these sobering findings, the pressure to agree on ambitious climate action going into the 28th United Nations Climate Change Conference (COP28), which convenes in Dubai between 30 November and 12 December 2023, has never been higher.[3] A successful outcome of COP28 must include commitments to increase levels of ambitions in countries' Nationally Determined Contributions (NDCs), while ensuring these commitments are equitable and fair, reflecting the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC). In doing so, international trade and trade rules can contribute to shaping a successful outcome.

Indeed, COP28 acknowledges the important role of trade in delivering on climate objectives through the inclusion of an official "Trade Day" in the programme – the first in the organisation's history.[4] This historic decision recognises that international trade and trade rules must be an essential part of the solution to climate change.[5] On the one hand, international trade and the rules-based trading

[1] Copernicus Climate Change Service, "2023 on track to become the warmest year after record October", Monthly Climate Bulletin, 10 November 2023.

[2] Ruth Townend and Anna Åberg, "What is COP28 and why is it important?", Chatham House, 15 September 2023.

[3] Copernicus climate change service, "Copernicus: October 2023 - Exceptional temperature anomalies; 2023 virtually certain to be warmest year on record", October Climate Bulletins, Newsflash, 8 November 2023.

[4] World Trade Organization, "WTO Secretariat at Climate Change COP28", WTO website.

[5] World Trade Organization, "WTO to help put the spotlight on trade at COP2", WTO news, Trade and Environment, 20 July 2023.

system hold immense potential to accelerate the uptake of access to goods, services, and technologies that are critical for climate mitigation and adaptation strategies. On the other hand, climate measures such as carbon border adjustment measures, can have negative implications for international trade as they constitute non-tariff barriers.[6]

As the authors explained in a previous publication, entitled "EU trade and the Environment: Development as the Missing Side of the Triangle", Least-Developed Countries (LDCs), Small Island Development States (SIDS) and other vulnerable developing countries can be particularly impacted by trade-related environmental measures, especially when these measures are adopted unilaterally and require compliance with stricter environmental requirements.[7] In putting the spotlight on trade and climate change at COP28, it is imperative not only to look at how trade can accelerate the uptake of green goods and services but also on how doing so should be aligned with countries' development objectives.

Against this background, this paper explores the role of international trade as a lever to advance climate mitigation objectives in line with the Paris Agreement, while adequately taking into account development considerations. To do so, this paper, first, provides background information about COP28, and recontextualises and updates the three core pillars of the framework developed by the authors in the earlier Triangle Paper (an improved narrative, diversified approaches, and a new panoply of instruments). With the objective to put forward development-friendly approaches to climate mitigation policies while illustrating how to use the Triangle Framework in a practical way, this paper applies the principles of the triangle framework to two case studies: (i) carbon pricing and border carbon adjustment mechanisms; and (ii) trade in transition materials.

[6] World Trade Organization, "World Trade Report 2022: Climate Change and International Trade", 2022.

[7] Pascal Lamy, Geneviève Pons, Colette van der Veen, Cláudia Azevedo, "Greening Trade 14 - EU trade and the environment: Development as the missing side of the triangle", Europe Jacques Delors, 2 June 2023.

2.
What to expect at COP 28

The United Nations (UN) annual Climate Change Conference "Conference of the Parties" (COP) - brings together global leaders and negotiators to determine climate ambition and responsibilities and assess the implementation of countries' climate measures. Since the conclusion of the Paris Agreement in 2015, COPs discussions and negotiations have revolved primarily around the implementation of the agreement's goals, including limiting global temperature rise "well below" 2 °C and ideally to 1.5 °C above pre-industrial levels.[8]

During COP28, discussions are anticipated to focus on the mitigation work program and getting world leaders to agree on a framework for the Paris Agreement's global goal on adaptation (GGA). Climate finance is set to take a central role, with negotiators in Dubai facing the critical task of finalising financial arrangements for operationalising the loss and damage fund established at COP27.[9] Additional topics likely to draw considerable attention across various negotiating streams include energy transition and food systems transformation.[10]

Another big-ticket item of COP28 will be the completion of the first Global Stocktake (GST), mandated by the Paris Agreement to take place every five years to evaluate the implementation progress of the Paris Agreement's goals. The GST's assessment points out unequivocally that global emissions are not in line with global mitigation pathways.[11]

[8] Ruth Townend and Anna Åberg, "What is COP28 and why is it important?", Chatham House, 15 September 2023.

[9] Council of the European Union, "COP28: Council sets out EU position for UN climate summit in Dubai", Press Conference, 16 October 2023.

[10] Dr. Sultan Ahmed Al Jaber, COP28 President-Designate UAE Special Envoy for Climate Change, "Letter to the parties Volume I", 13 July 2023.

[11] UNFCCC, "Technical Dialogue of the first global stocktake. Synthesis report by the co-facilitators on the technical dialogue", FCCC/SB/2023/9, UNFCCC Secretariat, 8 September 2023.

However, as demonstrated in the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report, solutions are readily available, and it is still possible to meet the Paris Agreement climate objectives. In this regard, the Global Stocktake will hopefully lead to a "course correction", with countries making more ambitious nationally determined contributions (NDCs).[12]

In addition, developing countries have proposed, for the COP28 negotiation agenda, to include the urgent scaling up of financial support to facilitate implementation for developing countries; and the operationalisation of the principles of CBDR-RC. (*See box 1*).[13]

3. A global "Triangle" framework

The pursuit of common environmental and climate goals must not come at the expense of broader developmental objectives. In response to criticism against various environmental trade measures adopted by the EU, the authors developed a framework to better integrate development considerations into the green trade agenda – the "triangle" framework. Building on its **three core pillars** – an improved narrative, diversified approaches, and a new panoply of instruments – the triangle framework is also relevant to guide a global response to issues related to the trade, environment, and development nexus.

3.1. An improved narrative

Trade-related environmental measures emerge as crucial tools in tackling pressing climate issues like high greenhouse gas emissions, the risk of carbon leakage, and rising global deforestation. While these concerns are legitimate, they aren't born in isolation; they stem from decades of intense industrialisation, heavy reliance on fossil fuels, and poor regard for environmental considerations, with developed nations bearing primary responsibility.

The prevailing narrative focuses on the objectives of measures without adequately addressing the reasons behind their necessity. It is imperative to move toward a more comprehensive doctrine rooted in the concepts of responsibility, leadership, and justice in line with key international principles. In particular, this enhanced narrative should echo the principle of CBDR-RC enshrined in the Paris Agreement, which acknowledges that responsibilities are differentiated among states according to their socio-economic circumstances and historical contributions. This means that, in determining a country's climate obligations, its past *and* current contributions to climate degradation, as well as its "respective capabilities" – (technical, technological, and financial) to deliver should be taken into account.[14] (See Box 1).

This shift demands acknowledgment from developed countries of their historical role as the biggest carbon dioxide emitters since the Industrial Revolution, as well as of their continued large carbon footprints, which underpin their special responsibility to undertake ambitious climate action. Developed nations must therefore assume a leadership position in environmental stewardship commensurate with a country's historic responsibility, putting considerations of justice at the forefront of our climate efforts.

At the same time, it requires a re-organisation of development players, differentiating between emerging markets that are large carbon emitters, and developing countries that contribute only negligibly to global GHG emissions.[15]

[12] International Institute for Sustainable Development (IISD), "UN Climate Change Conference - United Arab Emirates" Nov/Dec 2023, IISD Earth Negotiations Bulletin.

[13] International Institute for Sustainable Development (IISD), "UN Climate Change Conference – United Arab Emirates" Nov/Dec 2023, IISD Earth Negotiations Bulletin.

[14] Paris Agreement, i.e. Paragraphs 3, 5, and 6 of the Preamble, Article 2.2. and 4; International Legal Expert Group on Trade-Related Climate Measures and Policies, "Principles of international law relevant for consideration in the design and implementation of trade-related climate measures and policies. Report of an International Legal Expert Group", Forum on Trade, Environment, & the SDGs (TESS), September 2023.

[15] Global Carbon Atlas, Global Carbon Emissions, Global Carbon Project.

In line with CBDR-RC, large developing countries with high levels of GHG, such as China and India, must step up their GHG reduction ambitions, while LDCs and other vulnerable developing countries must be the primary recipients of climate finance and other types of technical support (See Box 1). Although historic responsibility should play a role in determining the amount of financial assistance allocated to developing countries, emerging markets with large environmental footprints must also bear their responsibilities for carbon emissions.

With the CBDR-RC principle as its guiding compass, this improved narrative should inform green trade strategies from conception to implementation, making developing considerations an integral part of the process rather than a mere afterthought. It should shape partnerships, levels of engagement and participation in international fora, and lead to the adoption of certain flexibilities, (i.e., longer transitional periods, exemptions, etc) and support measures. Operationalising this narrative involves pursuing a diversified approach and a new panoply of trade instruments – the two other pillars of the triangle framework.

Box 1: Common but Differentiated Responsibilities and Respective Capabilities in different Climate Treaties

Questions of equity, justice and fairness have always been important in the context of climate negotiations. Starting with the Framework Convention on Climate Change (UNFCCC), the Parties agreed that implementation should give special attention to the concerns of vulnerable economies. Article 4.8 of the UNFCCC provides that "in the implementation of commitments…the Parties shall give full consideration to what actions are necessary…to meet the specific needs and concerns of developing country parties arising from adverse effects of climate change and/or the implementation of response measures…". The UNFCCC puts particular emphasis on meeting the needs of developing countries "with particular vulnerabilities", including small islands, landlocked and transit countries, countries with low-lying coasts, semi-arid, arid, and forested areas, and countries prone to natural disasters, drought and desertification. Moreover, the UNFCCC establishes the transfer of funds and technology from developed to developing countries, highlighting that developed countries' obligation to assist particularly vulnerable countries to the adverse effects of climate change in meeting the costs of adaptation.

Under the Kyoto Protocol, the precursor to the Paris Agreement, only industrialised nations were required to cut their GHG emissions by an average of 5% below 1990 levels. Developing countries, including major carbon emitters, such as China and India, were not given emission caps or reduction goals. This changed with the Paris Agreement, which required all countries, including developing countries, to submit NDCs and formulate long-term low GHG emission strategies, reflecting its CBDR-RC, in light of national circumstances. Moreover, developing countries' considerations are reflected in Article 9 of the Paris Agreement, which stipulates that developed country shall provide financial resources to assist developing country with respect to both mitigation and adaptation, while continuing to take the lead in mobilising climate finance.

CBDR-RC considerations are enshrined in all main international climate treaties and conventions – even if the Kyoto Protocol and the Paris Agreement have adopted distinct approaches. This reflects both the fluidity of the CBDR-RC principle, and the gradual clarification of the political obligations. It also reflects the rapid industrialisation and associated increase in GHG emissions of large developing countries like China and India. As a result of this evolution, less emphasis is being placed on historical responsibility, while more focus is put on current and future responsibility. However, while the CBDR-RC principle focuses mostly on different responsibilities vis-à-vis a country's *national* reduction commitments, it becomes more complicated in the context of international trade.

3.2 A diversified approach

Pursuing a pro-development green trade agenda requires active and constructive engagement through multiple channels of interaction on the multilateral, plurilateral and bilateral levels, so among the international community, between certain groups of countries, and between two countries.

Currently, no multilateral forum has a designated mandate for addressing the trade, environment, and development nexus. Instead, responsibilities lie across organisations like the World Trade Organization (WTO), the International Trade Center (ITC), the United Nations Conference on Trade and Development (UNCTAD), and UNFCCC, each handling different aspects of this "triangle." A "Global Triangle Forum" could facilitate dialogue and global cooperation on issues arising from the interactions between trade, environment, and development, exploring the prospects of hosting such a forum at the WTO given its role as a well-established multilateral organisation with a large membership base.[16]

Recent developments signal progress in the right direction, but also show growing divergences between countries. During the WTO senior officials meeting that took place on 23-24 October 2023, several senior officials "recognised the importance of having cross-committee collaboration, including for example linking the Committee on Trade and Development (CTD) with the Committee on Trade and Environment (CTE) and the Working Group on Trade and Transfer of Technology", reflecting earlier proposals for CTE-CTD cross-committee collaboration on the trade-environment-development nexus.[17] Senior officials also "recognised the relevance of the trade, sustainable development and environmental sustainability interface at the WTO", and reiterated the importance of using the upcoming 13th WTO Ministerial Conference (MC13) to further guide the direction of this work. However, other senior officials, including from India, and backed by other developing countries, opposed the introduction of trade and environmental sustainability issues at MC13, arguing that these "issues were not yet mature enough for negotiations."[18] If no consensus can be reached on the inclusion of the topic on the MC13 agenda, a select number of like-minded members should consider endorsing a new and more ambitious Ministerial Statement on Trade and Environmental Sustainability during MC13, to ensure progress and guarantee that the matter does not go entirely unnoticed. However, as a consensus-driven organisation, it would be important for all WTO members to engage in dialogue and cooperation on issues at the trade-climate-development nexus, including at the highest political level.

While development considerations have been central to the UNFCCC, Kyoto Protocol, and Paris Agreement, trade was not part of the focus of the UNFCCC. CBR-RCD considerations have been mostly reflected within national contexts. Less attention has been paid to the applicability of CBDR-RC in the context of cross-border transactions. The inclusion of trade in the COP28 programme provides a unique opportunity to advance discussions on the applicability of CBDR-RC in cross-border settings. Moreover, UNFCCC and COP28 provide an ideal platform to continue the conversations about loss and damage started at COP27 in Sharm El Sheik, about the necessary augmen-

[16] Pascal Lamy, Geneviève Pons, Colette van der Veen, Cláudia Azevedo, "The Case for a Global Triangle Forum at the WTO", Blogpost, Europe Jacques Delors, 22 September 2023.

[17] World Trade Organization, Senior Officials Meeting 23-24 October 2023, Chairpersons' Summary and Oral Reports by Facilitators, WT/GC/259/Rev.1, TN/C/22/Rev.1, 28 October 2023. *See also* World Trade Organization, "WTO members examine proposals to deepen discussions on trade and environment", News, Trade and Environment 16 November 2023; Pascal Lamy, Geneviève Pons, Colette van der Veen, Cláudia Azevedo, "The Case for a Global Triangle Forum at the WTO", Blogpost, Europe Jacques Delors, 22 September 2023.

[18] World Trade Organization, Senior Officials Meeting 23-24 October 2023, Chairpersons' Summary and Oral Reports by Facilitators, WT/GC/259/Rev.1, TN/C/22/Rev.1, 28 October 2023. Eznews, "India opposes adding "environmental sustainability and trade" to WTO agenda", Trending Economy, Eznews, 7 November 2023.

tation of financial resources to deal with climate change. As the CBDR-RC principle increasingly permeates global climate conversations, it should be central to finding solutions to the "loss and damage" conundrum, where disagreements persist over which and how much countries should contribute to the fund.[19]

Due to increasing geopolitical tensions and growing fragmentation in approaches to greening trade, with some countries favoring carbon pricing policies while others choosing to subsidy green industries, finding common ground proves challenging. In cases where consensus on the multilateral level is out of reach, *ad hoc* plurilateral approaches should be pursued. In recent years, several alliances and coalitions have been established to tackle various climate-related issues, from global methane emissions, air pollution and, more recently, the trade-climate nexus. At COP28, two new highly-anticipated plurilateral initiatives are expected to be launched – a Critical Raw Material (CRM) Club and the G7 Climate Club.[20]

Plurilateral approaches bring together like-minded countries with shared climate objectives, offering the potential for accelerated progress and cooperation. Yet, they present some limitations posed by their restricted membership base, which might contribute to exacerbating divisions, particularly along geopolitical lines, on issues that can only be effectively solved through global cooperation.[21] Thus, it is essential to consider plurilateral approaches as supplementary rather than substitutes for multilateral ones.

Bilateral approaches, including trade agreements, must also play an important role in advancing the trade-environment-development nexus. Inherently, they allow for greater flexibility, catering to tailored discussions, agreements, or partnerships. They facilitate the customisation of commitments to address the specific environmental challenges faced by developing countries and LDCs, considering their domestic capabilities to adapt and comply with stricter environmental standards.

3.3 A new panoply of instruments

Finally, there is a need to explore a new array of instruments to address the spectrum of criticisms concerning economic opportunities, fairness, and concerns of "green imperialism". This new panoply of instruments should be aimed at two key objectives: strengthening capacity-building, and ensuring transparency and predictability, to support exports from developing countries and least developed countries (LDCs) in adhering to stringent environmental standards. This, for instance, includes regulatory differentiation with regards to imports from LDCs and other vulnerable developing countries, provisions of technical and financial support to meet obligations, flexibility to adopt less onerous measures, longer timeframes to fulfil obligations, as well as a renewed approach to developing international guidelines and standards, especially in key environmental issues like carbon pricing, sustainable agricultural subsidies, circular economy, and deforestation initiatives.

[19] Nature, "'Loss and damage' — the most controversial words in climate finance today", Article, Nature Nature 623, 665-666 (2023), 22 November 2023.

[20] *See* Global Methane Pledge; *See* Climate & Clean Air Coalition; *See* The Coalition of Trade Ministers for Climate; European Commission Press Corner, "Speech by Executive Vice-President Šefčovič at the EU Ambassadors Conference 2023", Speech, Brussels, 9 November 2023; Zia Weise and Federica di Sario, "G7 climate club to launch December 1 at COP28, EU official says", Politico Pro, 11 November 2023.

[21] World Trade Organization, "World Trade Report 2023 – Re-globalization for a secure, inclusive and sustainable future", Report, 12 September 2023.

4.

Development-friendly approaches to climate mitigation policies

While trade will not officially feature in the COP28 negotiations, the inclusion of trade matters in the official program is an acknowledgment that policy issues at the intersection of trade and climate should nevertheless be included in the discussions. Due to the "newcomer" status of trade at global climate talks, it might be too early to see results regarding trade, climate, and development at this year's COP.[22] However, as climate mitigation goals and strategies are expected to take a central role in the global climate talks, there are two policy areas where progress could be made. First, this includes harmonising approaches to carbon pricing and border carbon adjustment (BCA) schemes, and secondly adopting a pro-development approach with regards to trade in transition materials.

4.1 Harmonising approaches to carbon pricing and border carbon adjustment

Advancing the development of a global, unified carbon pricing system – with border adjustments – that embeds development concerns will be key to achieving the COP28's mitigation agenda. To meet GHG reduction targets, many countries are adopting carbon pricing initiatives. Indeed, two-thirds of all submitted NDCs under the Paris Agreement, amounting to around 100 countries, consider the use of carbon pricing to achieve emission reduction targets.[23] There are currently at least 70 carbon pricing initiatives in place, covering 23 percent of global GHG emissions, adopted in 46 national jurisdictions worldwide. A proliferation of local, national, and regional carbon pricing schemes is expected to continue in the coming years, which risks creating a complex patchwork of different systems, leading to growing uncertainty and concerns about competitiveness losses for companies in regions with more ambitious carbon pricing policies.[24]

Carbon pricing schemes comprise either a carbon tax – a levy that is applied to the production of GHG emissions directly – or an emissions trading scheme (ETS), which establishes a limit on the total amount of GHG emissions that can be emitted and requires countries that exceed emissions to purchase additional allowances.[25] While the uptake of carbon taxes and ETSs is rising in emerging economies, most carbon pricing schemes have been adopted in high and upper-middle-income economies.[26] A well-known example is the EU's emissions trading scheme (EU ETS), a cap-and-trade system that seeks to reduce emissions via a carbon market. To avoid carbon leakage and adverse implications on competitiveness, the EU has adopted a Carbon Border Adjustment Mechanism (CBAM) in 2023 that will tax embedded carbon emissions in relevant products at the EU carbon price. These policies have been adopted in line with the EU's Climate Law, which enshrines into law the EU's nationally determined contribution (NDC) of cutting emissions by 55 percent by 2030 and becoming climate neutral by 2050.[27]

However, there is no unified, global approach for carbon pricing and BCA schemes. Uncoordinated carbon policies can be problematic as they increase the risk of carbon leakage, competitiveness losses, and burdensome administrative and compliance costs. In most instances, these trade barriers are particularly pronounced for lower middle-income countries.[28] For instance, a joint study by the London School of Economics and the African Climate Foundation found that the EU CBAM could cause a fall in exports from Africa to the EU of aluminium by up to 13.9 per-

[22] Olivia Rumble and Andrew Gilder, "COP28 and Trade: Will Anyone Say Anything?", African Climate Wire, 14 November 2023.
[23] UNFCCC, "About Carbon Pricing".
[24] World Trade Organization, "World Trade Report 2022: Climate Change and International Trade", p. 79, September 2022.
[25] World Bank, Pricing Carbon.
[26] World Bank, "State and Trends of Carbon Pricing 2023", May 2023.
[27] European Commission, Taxation and Customs Union, "Carbon Border Adjustment Mechanism".
[28] World Trade Organization, "World Trade Report 2022: Climate Change and International Trade", p. 79–95, September 2022.

cent, iron and steel by 8.2 percent, fertiliser by 3.9 percent, and cement by 3.1 percent.[29] In addition, imposing the same carbon pricing on all countries, irrespective of a country's level of development or GHG emissions, raises concerns of justice and fairness and the application of the CBDR-RC principle. All thing considered, the issues posed by the lack of a harmonised approach calls for the design of a global border carbon adjustment framework aligned with the CBDR-RC principle, by resorting to the panoply of new instruments proposed in the authors' triangle framework. This can be done either by applying different carbon prices to countries at different levels of development and emissions (both historic and current), or by fully exempting a subset of countries from a global (or unilateral) border carbon adjustment scheme.[30] The first option is already being explored in the WTO context. At the 2023 annual meeting of the World Economic Forum, the WTO Director-General, "a shared global carbon-pricing framework would best provide certainty for businesses and predictability for developing countries".[31] The WTO secretariat has also taken the lead in delineating the contours of such a framework and discussions with WTO members have been taking place at the technical level. Indeed, in March 2023, the WTO secretariat proposed that different carbon prices should be set for different countries, taking into account historical emissions (cumulative emissions per capita), current levels of development the cost of climate change (based on projected GDP per capita loss from climate change), and the adverse impact of climate change mitigation (the economic costs of decarbonisation in the economy).[32] Besides, the proposed GCPF also includes provisions on revenue sharing to support economies with high mitigation costs. All things considered, the approach put forward by the WTO secretariat takes into account the special responsibility and leadership of developed countries, as well as the need for a re-organisation of development players. While some WTO members, like China, are actively participating in multilateral discussions on a global BCA scheme, others have criticised the WTO Secretariat for being too proactive on the matter.[33]

The second option, consisting of fully exempting a subset of countries from a global carbon pricing scheme was advanced by the International Monetary Fund (IMF). Specifically, in a 2021 staff paper, the IMF suggests establishing an International Carbon Pricing Floor (ICPF) that would apply to a small number of large emitting countries and with differentiated price floors for countries depending on their level of economic development, accommodating equity and CBDR-RC considerations. For instance, according to the ICPF proposal, the carbon floor could be initially adopted by six large emitters or the G20 countries. Such an arrangement would be designed to complement existing policy regimes, focusing on minimum price floors, rather than price levels, recognising that many countries, particularly high-income countries, might have to set

[29] London School of Economics and Political Sciences, "Africa could lose up to USD25 billion per annum as a direct result of the EU's CBAM", LSE news, 9 May 2023.

[30] Ivan Ozai, "Implementing a Differential Carbon Border Adjustment Mechanism: How to Design a CBAM Compliant with International Law.", Blogpost, Kluwer International Tax Blog, June 2022.

[31] World Economic Forum, "WTO Chief Calls for Global Carbon Price, Reforms to Tariffs and Red Tape to Clean up Supply Chains", News Releases, 20 January 2023.

[32] The WTO Secretariat, "A Global framework for climate mitigation policies" at a close-door technical workshop with WTO Members on 31 March 2023. The proposed framework has been presented in other instances, such as at the 26th Annual Conference on Global Economic Analysis. *See* Eddy Bekkers, Ayse Nihal Yilmaz, Marc Bacchetta, Kirti Jhunjhunwala, Jeanne Metivier, Enxhi Tresa and Ankai Xu, "A global framework for climate mitigation policies" (Presented during the 26th Annual Conference on Global Economic Analysis (Bordeaux, France)), 2023 Conference Paper, Global Trade Analysis Project, GTAP Resource #6951.

[33] World Trade Organization, "Policy Issues for Dedicated Multilateral Discussions on Border Carbon Adjustment", Communication from China, 10 November 2023, WT/CTE/W/258, G/C/W/839, G/MA/W/184, G/TBT/W/777.

a higher price to meet their NDC pledges.[34] This could be championed initially by the G7 which seeks to form a climate club of like-minded countries with similar decarbonisation ambitions and approaches.[35] Doing so would largely address competitiveness and carbon leakage issues within the block. By excluding LDCs and developing countries with low levels of emissions from the ICPF arrangement, while still allowing them to join by adopting a tiered price floor according to the income level, would also be in line with the CBDR-RC principle.[36]

However, neither of the two options would fully address carbon leakage and competitiveness concerns between countries that will apply a higher carbon price and those that will apply a lower price, or no price at all. Besides, both approaches imply the use of carbon pricing and BCA schemes as the primary means to reduce carbon emissions, overlooking the ongoing efforts of many developing countries to promote decarbonisation through non-price instruments, such as sectoral policies and regulations, green subsidies, and other financial incentives.

An equally important element of the proposed panoply of instruments is the emphasis on the provision of capacity building and ensuring transparency and predictability in order to assist developing countries and LDCs in greening their carbon-intensive industries. In the context of BCA, one option that has been proposed would be to use part of the revenues countries obtain to feed into a global support fund where the revenues of countries' BCA would be used to address mitigation, adaptation, and damage costs in most vulnerable countries, contributing to closing the current climate finance gap.[37]

Discussions about establishing the contours of a unified carbon pricing or BCA scheme should also be undertaken within the scope of COP28. The matter is expected to arise on the occasion of the launch of the G7 Climate Club on the margins of the Conference in Dubai.[38] Established under the German G7 Presidency in 2022, this initiative is not restricted to the group. Instead, it is intended as an "open, inclusive, and cooperative Climate Club" for "increased cooperation, improved coordination, and potential collective action" on decarbonisation.[39] Its interim secretariat will be jointly hosted by the Organisation for Economic Co-operation and Development (OECD) and the International Energy Agency (IEA).[40] Other fora aimed at fostering international dialogue and alignment on carbon policies have emerged in recent years, such as the "Inclusive Forum on Carbon Mitigation Approaches" (IFCMA) launched by the OECD, which might not be the ideal platform for solid engagement with emerging markets and other non-OECD members.[41]

While the abovementioned initiatives of like-minded countries offer the potential for accelerated progress and cooperation, they present limitations posed by their perceived "Northern"-centric focus, namely due to their membership base and the forums where they convene. Therefore, as it

[34] Jean Chateau, Florence Jaumotte, Gregor Schwerhoff, "Why Countries Must Cooperate on Carbon Prices", 19 May 2022, IMF Blog.

[35] G7 Germany 2022, "Terms of Reference for the Climate Club", 12 December 2022.

[36] The ICPF proposal sets price floors per ton of carbon at $25 for low-income countries, $50 for middle-income countries, and $75 for high-income countries. This approach would be more equitable than a uniform global carbon price and there would be less need for additional transfer payments between countries. *See* Ian W.H. Parry, Simon Black and James Roaf, "Proposal for an International Carbon Price Floor Among Large Emitters", 18 June 2021, IMF Staff Climate Notes 2021/001.

[37] Joel Trachtman and Dr Jan Yves Remy, "Comment: The EU's carbon border tax is a blow to climate justice. Here's how to fix it", Reuters, 15 November 2023.

[38] Zia Weise and Federica di Sario. "G7 climate club to launch December 1 at COP28, EU official says", Politico Pro, 11 November 2023.

[39] G7 Germany 2022, "Terms of Reference for the Climate Club", 12 December 2022.

[40] Germany Federal Ministry for Economic Affairs and Climate Action, "G7 establishes Climate Club", 12 December 2022.

[41] Pascal Lamy, Geneviève Pons, Colette van der Veen, Cláudia Azevedo, "Greening Trade 14 - EU trade and the environment: Development as the missing side of the triangle", Europe Jacques Delors, 2 June 2023.

is important that discussions on the harmonization of carbon pricing and border carbon adjustment schemes take place at the multilateral level, the authors have in past publications proposed the establishment of a WTO-based "Comparability Forum" where trade-related climate measures, including carbon policies, would be notified and discussed in order to jointly evaluate their impact or to move participants towards mutually recognised measures.[42]

WTO efforts on carbon pricing and border carbon adjustment schemes have not yet managed to gain momentum, mostly due to opposition from the WTO membership about the WTO secretariat's proactive role in steering multilateral debate on this issue at the WTO. However, the recent announcement by the WTO Director-General Ngozi Okonjo-Iweala of the launch of a Global Carbon Pricing task force could mean encouraging progress in this area. While the specifics remain unclear, if this initiative comprises a broad membership and effective collaboration with the World Bank and IMF, as well as other organisations like the OECD known for its solid expertise in this field, it could succeed in breaking current silos, serving a multilateral platform to discuss the different options explored above and ultimately agree on a harmonised global approach to carbon pricing systems. COP28 could present an opportunity to explore the potential role of the UNFCCC in such an initiative going forward.[43]

4.2 Coordinating supply chains for transition minerals

The latest IPCC Assessment Report (AR6) strongly emphasises the pivotal nature of this decade to limit global surface temperature rise to 1.5°C above pre-industrial levels by the end of this century. Immediate and swift measures are imperative to slash global net anthropogenic CO_2 emissions by nearly 50% from 2019 levels by 2030, with a considerable portion of this reduction occurring within the energy sector.[44] Despite this urgency, the transition to cleaner energy sources is not progressing at the pace needed. A significant acceleration in the deployment of renewable energy, energy storage, and efficiency, is required to put the world back on track in this decade to meet global climate goals.[45]

Against this background, another important item on the COP28 agenda is to fast-track the energy transition by tripling renewable energy capacity and doubling the rate of energy efficiency gains across sectors by 2030, including by ramping up of electrification and enhanced cooling approaches, echoing similar commitments and targets set by several countries, including the G20 nations and the EU.[46] The US and China recently agreed to accelerate the clean energy transition, with the world's two largest polluters pledging to "pursue efforts to triple renewable energy capacity globally by 2030".[47] Besides, the Nairobi Declaration, agreed upon during the Africa Climate Summit in September, sets a target for African leaders: achieving 300GW of renewable energy generation capacity in Africa by 2030.[48] A consensus on a global target for renewables and energy efficiency seems within reach and could be adopted at COP28, consolidating existing

[42] Pascal Lamy, Geneviève Pons, Isabelle Garzon and Léa Kauffmann, "Greening Trade 8 - Domestic and International Aspects of the EU CBAM: Two sides of the same coin", Europe Jacques Delors, 18 February 2022.

[43] Reuters, "WTO launching global carbon price task force - Okonjo-Iweala", 17 October 2023.

[44] IPCC, "AR6 Synthesis Report – Climate Change 2023", Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)], IPCC 2023.

[45] IRENA, World Energy Transitions Outlook 2023: 1.5°C Pathway, Volume 1, International Renewable Energy Agency, 2023.

[46] Dr. Sultan Ahmed Al Jaber, COP28 President-Designate UAE Special Envoy for Climate Change, "Letter to the parties Volume I", 13 July 2023.

[47] G20 2023 India, "G20 New Delhi Leaders' Declaration", New Delhi, India, 9-10 September 2023; Council of the European Union, "COP28: Council sets out EU position for UN climate summit in Dubai", Press Release, 16 October 2023.

[48] United States Department of State, "Sunnylands Statement on Enhancing Cooperation to Address the Climate Crisis", Press Release of 14 November 2023; African Union, "The African Leaders Nairobi Declaration on Climate Change and Call to Action", September 2023.

commitments.[49] Tripling renewable energy capacity will exponentially increase the demand for minerals, which are critical for the renewable energy transition with complex production requirements and a higher risk of supply issues. Indeed, transition minerals such as lithium, cobalt, copper, and rare earths, are essential in the production of clean energy technologies underpinning the green transition, including wind, solar, and photovoltaic (PV), electric motors and batteries, among others.[50] In fact, these clean technologies are more mineral-intensive compared to fossil fuel-based technologies.[51]

International trade will play a critical role in accessing these transition minerals as these reserves are not evenly spread in the world, with high levels of concentrations in specific countries and regions of the world. Concentration in Critical Raw Materials (CRM) production is increasing, with China, Russia, Australia, South Africa and Zimbabwe among the top producers and reserve holders of the top 10 most production-concentrated critical raw materials.[52] In 2022, 70% of the world's cobalt supply came from the Democratic Republic of Congo; 50% of nickel from Indonesia; 70% of platinum, 89% of iridium, and 36% of manganese from South Africa; and more than 23% of copper from Chile. In addition, China produced around 70% of rare earths, close to 65% of raw graphite, and around 30% of lithium.[53]

Concerned about the "scramble" to obtain sufficient transition minerals to fuel the green transition, countries are increasingly resorting to strategic partnerships, either through trade agreements or ad hoc arrangements, to secure access to the transition minerals.[54] For example, the European Commission has proposed a Critical Raw Materials Act (CRMA), which is currently making its way through the EU's legislative process. This new EU act aims to create a secure and resilient supply of CRMs to Europe, which is currently heavily dependent on the import of CRMs from third countries. The narrative underlying the CRMA is that the global shifts towards renewable energy and digitalisation of economies can only happen by securing access to CRMs, including by increasing the resilience of the EU's CRM value chain, and diversifying the EU's imports of critical raw materials.[55] The narrative is single-mindedly focused on securing CRMs, driven by climate concerns as well as geopolitical and financial interests. It overlooks "justice and fairness" considerations of securing CRMs both in the EU and vis-à-vis developing countries, and human rights and environmental concerns that might arise in the process. Indeed, increasing the extraction of CRMs can lead to job creation and economic growth in developing countries, but can also increase the environmental and social impact on local communities. In this regard, the CRMA has been criticised for not containing sufficient environmental safeguards and for not sufficiently protecting the rights of the indigenous people.[56]

Prioritising mineral extraction over social, environmental and development aspects risks perpetuating an extractive model reminiscent of colonial times, which focuses on the export of unprocessed raw materials, fuming criticisms

[49] Giovanni Sgaravatti, Simone Tagliapietra, and Cecilia Trasi, "COP28: key issues at stake and indicators of success", Bruegel, 23 November 2023.

[50] Paris Peace Forum, "Acting together for a Responsible Transition Minerals Sector", Policy initiative.

[51] UNECE, "UN-Energy Policy Brief: Aligning Critical Raw Materials development with Sustainable Development", June 2023.

[52] OECD, "Supply of Critical Raw Materials Risks Jeopardising the Green Transition", Newsroom, 11 April 2023.

[53] OECD, "Supply of Critical Raw Materials Risks Jeopardising the Green Transition", Newsroom, 11 April 2023.

[54] Victor Crochet and Weihuan Zhou, "Critical insecurities? The European Union's trade and investment strategy for a stable supply of minerals for the green transition", Blogpost, EJIL:Talk!, Blog of the European Journal of International Law, 12 February 2023.

[55] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52023PC0160.

[56] Kaisa Raitio and Rasmus Kløcker Larsen, EU's Critical Raw Materials Act fails to protect Sami rights – here's how to strengthen it., Euractiv, 10 November 2023. European Environmental Bureau, "EU's Critical Raw Materials Act: Civil Society Demands Stronger Environmental Standards, Indigenous Rights Protection, and Demand Reduction Targets", Press Release, 12 November 2023.

akin to "green extractivism".[57] Indeed, developed countries' interest in bringing home the processing of transition minerals will prevent producer countries from engaging in value addition, critical for their economic development.[58] Besides, given that GHG emissions under the Paris Agreement are calculated on a territorial basis, disregarding the environmental implications of increased extraction in developing countries would enable developed countries to nevertheless show progress towards meeting their NDCs – while the developing countries in which mining takes place must deal with the environmental externalities and severe social costs on local people caused by the low value-added mining activities.[59]

Global decarbonisation efforts led by developed countries may inadvertently deepen resource exploitation in the south, reinforcing historical dependencies. Therefore, in the "scramble" for transition minerals, it is critical to shift the narrative from one focused on extraction to one that promotes sustainable development through extraction activities. Reflecting the need for a new narrative on minerals, Pamela Coke-Hamilton, the Executive Director of the International Trade Centre, has warned that "fundamentally, we have to change the terms of trade" of raw material extraction. "It's still explore, extract, export primary commodities, then all value addition is done in the developed world."[60] Indeed, most vulnerable developing countries and LDCs do not engage in high levels of value addition at home, presenting a missed opportunity to develop an industry and create employment opportunities.

The new narrative must also focus on the developed country's material footprint. High-income nations are responsible for 74% of global excess material use, driven primarily by the United States (27%), and the EU (25%). China is responsible for 15% of global excess material use, while low-income and middle-income countries are only responsible for 8%.[61] Given that these countries together account for a quarter of global excess material use, they have a responsibility to reduce their own resource consumption, and the associated environmental impact, including those generated outside its borders, to fair and sustainable levels.[62] This can be done by focusing on reducing material consumption by accelerating the circular economy transition. Indeed, the importance of tackling resource use to advance climate objectives has also been recognised by the IPCC, which estimates that an absolute resource demand reduction coupled with new services provisions approaches, could reduce GHG emissions from key sectors such as buildings, transport, food, industry, and energy supply systems by 40-70 percent by 2050, while at the same time meeting human needs.[63]

Guided by the CBDR-RC principle and the need to reorganise development players, this new narrative should emphasise the special responsibility of developed countries and major emerging markets with large material and environmental footprints, which should take a leadership position in promoting circularity and demand reduction. In the context of the EU, this could be done by incorporating a concrete target for raw material consumption reduction in the CRMA currently under negotiation – as advocated by the EU Raw Materials Coalition representing over 40 civil society organisations from across Europe.[64]

[57] European Environmental Bureau, Catapa, "Sacrifice zones for sustainability? Green extractivism and the struggle for a just transition", Report October 2023.
[58] Werzner Raza, "Trade policy: a call for solidarity", 7 September, Social Europe.
[59] Galina Angarova, "The World's Quest for a Green Transition Is Causing a New Wave of Extractivism in Indigenous Territories", Impakter, 23 June 2023.
[60] POLITICO Morning Trade by Camille Gijs, "Australia torpedoes the EU's trade ambitions", (From extraction to Development subsection), 31 October 2021.
[61] SYSTEMIQ, The Club of Rome, and the Open Society European Policy Institute, "International System Change Compass: The Global Implications of Achieving the European Green Deal", 2022.
[62] *Ibid*
[63] International Resource Panel, "Making Climate Targets Achievable: Improving Wellbeing through Reduced Absolute Resource Use" (2022). Potočnik, J., Teixeira, I. A think piece of the International Resource Panel Co-Chairs.
[64] European Environmental Bureau, "EU's Critical Raw Materials Act: Civil Society Demands Stronger Environmental Standards, Indigenous Rights Protection, and Demand Reduction Targets",

This new narrative can be developed by using a diversified approach. One way is through developing bilateral strategic partnerships with resource-rich developing countries on transition minerals value chains. Indeed, an array of extractive partnerships has recently been concluded, presenting an opportunity to test a new approach to trade in transition minerals that emphasises environmental and social sustainability, local industry development, and value retention, allowing producing countries to reap the economic benefits from the "mining boom" fuelled by the green transition.

The European Commission has been championing the bilateral approach, having already concluded several strategic partnerships on sustainable Raw Materials value chains, including with Canada (June 2021), Ukraine (July 2021), Kazakhstan and Namibia (COP27, November 2022), Argentina (June 2023), Chile (July 2023), and more recently with the DRC and Zambia (October 2023).[65] All strategic partnerships focus on the integration of raw material value chains; the mobilisation of funding for infrastructural development; cooperation to achieve sustainable and responsible product; cooperation on research and innovation; and capacity building to enforce relevant rules.

While there are an increasing number of strategic partnerships for transition minerals, the content of these partnership agreements is mostly aspirational and not legally binding. This highlights the importance of ensuring that the partnership agreements will, in fact, result in action. In line with the principles of justice and fairness, it is critical that partnership agreements are accompanied by a panoply of instruments, including adequate capacity building and skills development efforts to develop local value addition to transition minerals, while making funding available to ensure increased extraction is aligned with sustainability and due diligence standards. This can be done by providing guaranteed investment via dedicated bonds, technology transfer through licensing and joint ventures, policy and technical support for local value creation and downstream industrial development.[66]

Besides, it is also important to ensure that developing countries can use their own minerals, for instance, to develop renewable vehicles and electronic sensors.[67] Indeed, a recent report jointly produced by a group of EU civil society organisations has found that the partnerships presently foreseen must improve significantly in order to sufficiently account for social, environmental, and development considerations.[68]

In addition to bilateral partnerships, several countries are exploring plurilateral approaches. For example, the EU will launch a Critical Raw Material Club at COP28, to strengthen international cooperation between importing countries and resource-rich producing countries to boost investments.[69] The United States is spearheading the Mineral Security Partnership (MSP), which aims to catalyse public and private investment in critical mineral supply chains. It

Press Release, 12 November 2023.

[65] European Commission Internal Market, Industry, Entrepreneurship and SMEs, "EU and Canada set up a strategic partnership on raw materials", Press Release, 21 June 2021. European Commission, "COP27: European Union concludes a strategic partnership with Namibia on sustainable raw materials and renewable hydrogen", Press Release, Brussels, 8 November 2023. European Commission, "Strategic Partnership between the European Union and Kazakhstan on sustainable raw materials, batteries and renewable hydrogen value chains", News Article, 8 November 2023. European Commission, "Global Gateway: EU and Argentina step up cooperation", Press Release, Brussels, 13 June 2023. European Commission, "Memorandum of Understanding establishing a partnership between the EU and Chile on sustainable raw materials value chains", 18 July 2023. European Commission, "Global Gateway: EU signs strategic partnerships on critical raw materials value chains with DRC and Zambia and advances cooperation with US and other key partners to develop the 'Lobito Corridor'", Press Release, Brussels, 26 October 2023.

[66] European Climate Foundation and Foresight Intelligence, "The Future of Trade in a Net Zero world, a strategic foresight analysis to 2040", November 2023.

[67] Economist Intelligence, "EU acts to secure access to critical raw materials", 17 April 2023.

[68] Fern, "A partnership of equals? How to strengthen the EU's Critical Raw Materials Strategic Partnerships", October 2023.

[69] EVP Šefčovič speech at the EU Ambassadors Conference 2023 (europa.eu).

has gathered the support of the EU along with other G7 countries, as well as key producing countries like Australia, Canada, and Sweden.[70] For these plurilateral initiatives to work out, it would require their members to trade CRMs freely, and for these transition minerals to be extracted and processed in compliance with environmental, social, and governance (ESG) standards, potentially providing for the creation of jobs and more sustainable extractive practices. Another aspect must be a long-term perspective on fair prices for transition materials, for instance, through off-take agreements.[71] Moreover, funding and technical assistance will be critical to enable developing countries rich in resources to develop value-added industries, such as those in charge of the processing of these materials and decarbonise extraction processes currently responsible for 8% of the global carbon footprint.[72]

Effective management of transition materials will also require global efforts. Indeed, existing plurilateral initiatives exclude some of the world's biggest producers, such as China.[73] To adopt an effective approach to trade in transition minerals, both in terms of securing and managing access to these resources as well as in terms of mining, it is important to develop initiatives at the global level. The "Global Council for Responsible Transition Minerals", an independent high-level group of leaders, recently launched by the Paris Peace Forum, bears the potential to foster multi-stakeholder engagement and contribute to a more sustainable supply of transition minerals, helping mitigate existing geopolitical divisions.[74]

At the multilateral level, countries could also agree not to impose export restrictions on transition minerals, which are currently widely applied.[75] Indeed, the WTO rulebook leaves ample space for WTO members to restrict transition materials' exports through various means, such as export taxes which are commonly used by governments and are largely unregulated under the WTO.[76] However, the benefits associated with export restrictions on transition materials are limited. Instead, they can have a snowball effect and create limitations in supply. It can also impact potential investments in the mining industry, which are necessary for a renewable energy transition in the long term.[77] Collective multilateral action could be pursued within the context of the WTO. It could echo the Ministerial Declaration on the emergency response to food insecurity, in which WTO members commit to refrain from imposing export restrictions on food.[78] Secure and sustainable access to transition minerals to fuel the renewable energy transition – while not undermining development objectives – should also be discussed during COP28 and within the UNFCCC context.

[70] Rohan Malhotra, "Minerals Security Partnership: India joins the critical minerals club. Here's why this is important", 27 June 2023, Down to Earth.

[71] Francesco Findeisen, "The Club Approach: Towards Successful EU Critical Raw Materials Diplomacy", 31 October 2023, Jacques Delors Centre.

[72] Benjamin Cox, Sally Innis, Nadja C. Kunz and John Steen, "The mining industry as a net beneficiary of a global tax on carbon emissions", Nature, 3 February 2022.

[73] Antonia Zimmermann and Camille Gijs, "EU's anti-China minerals club to prioritize crisis preparedness", Politico Pro, 24 November 2023.

[74] Paris Peace Forum, "Launch of the Global Council for Responsible Transition Minerals", 11 November 2023.

[75] Frank van Tongeren, Jane Korinek, and Jeonghoi Kim (OECD), "Export restrictions on strategic raw materials and their impact on trade and global supply", OECD, 23 October 2023.

[76] Victor Crochet and Weihuan Zhou, "Critical insecurities? The European Union's trade and investment strategy for a stable supply of minerals for the green transition", Blogpost, 12 February 2023, EJIL:Talk!, Blog of the European Journal of International Law.

[77] Frank van Tongeren, Jane Korinek, and Jeonghoi Kim (OECD), "Export restrictions on strategic raw materials and their impact on trade and global supply", OECD, 23 October 2023. The National Bureau of Asian Research, "Indonesia's Nickel Export Ban: Impacts on Supply Chains and the Energy Transition", Interview with Michael Merwin, 19 November 2022.

[78] World Trade Organization, "Ministerial Declaration on the emergency response to food insecurity", Ministerial Conference Twelfth session, WT/MIN(22)/28, WT/L/1139, 22 June 2022.

5.
Conclusion

With COP28 around the corner, this paper recontextualises the previously developed "triangle framework", and applies the principles to two specific issues that are critical to achieve the objectives of COP28: carbon pricing and carbon border adjustment mechanisms, and trade in transition minerals.

With regards to carbon pricing and border carbon adjustment schemes, the challenge is to ensure that different levels of carbon pricing ambitions, and accompanying adjustment frameworks, do not undermine CBDR-RC principle by requiring LDCs and vulnerable developing countries to adopt the same levels of climate ambition as developed countries. In the context of trade in critical raw materials, the challenge is to prevent a purely extractive approach that could be highly damaging for resource-rich developing countries in terms of the environment, human rights, and the economy, Instead, it is urgent to turn the new "scramble" for transition materials into an opportunity for local value addition and economic growth.

The application of the "triangle framework" to issues at the forefront of environmental trade measures illustrates the difficulty of meeting numerous objectives simultaneously. Indeed, building in differential carbon pricing or exempting a subset of vulnerable countries from a global carbon price might minimise, but will not fully address, the carbon leakage risks and competitiveness concerns. In this sense, enabling countries to adopt different levels of mitigation ambitions will result in a somewhat tilted playing field. The challenge, then, is to understand the trade-offs involved in different approaches, and opt for ways forward that optimise outcomes for people and planet.

In line with the emphasis on a diversified approach, different fora will be necessary to advance holistic solutions that fully embed the trade-environment-development nexus. The inclusion of a Trade Day at COP28 could provide the impetus to bring the Triangle Framework approach to the forefront of climate discussions.

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