

AWG-LCA discusses unilateral trade measures and forum on impacts of response measures

Bonn, 10 June (Meena Raman) – The contact group under the Ad-hoc Working Group on Long-term, Cooperative Action (AWG-LCA) under the United Nations Framework Convention on Climate Change (UNFCCC) dealt with the issue of the impact of mitigation actions by countries which result in economic and social consequences on 9 June.

Developing countries, led by the G77 and China wanted a forum to address the economic and social consequences of response measures, while developed countries said that the existing channels (such as information in national communications) were adequate to deal with the issue and there was no need for a separate forum.

Developing countries also expressed the need to respond to provisions made in the national legislation of some developed countries for cross border tax adjustments (referring to pending US climate legislation that provide for import restrictions on products coming from developing countries on the basis of their greenhouse gas intensity because such countries have no or insufficient climate protection measures).

In this regard, the G77 and China said that 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. Developed countries were opposed to having this element provided for in the Chair's facilitative text as they felt that the Convention in Article 3.5 already provides for this.

(Article 3.5 of the Convention states that *“The 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 better to address the problems of climate change. 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.”)

The Chair asked Parties to consider the following questions, including how Parties showed affected by economic and social consequences be assisted to address such consequences and if there was a need for a forum to address the consequences of response measures.

Argentina speaking for **G77 and China** said that when dealing with social and economic consequences of response measures, there is a need to respect the principles and provisions of the Convention, and to enable the full, effective and sustained implementation of the Convention, in accordance with the Bali Action Plan.

It said that consideration must be given to concrete remedies and effective actions to minimize any negative social and economic consequences of response measures experienced by developing country Parties. In this context, developed country Parties shall strive to implement response measures in such a way as to avoid and minimize those negative consequences on developing country Parties, taking fully into account Article 3 of the Convention.

Environmental standards applied by some countries may be inappropriate and may cause unwarranted economic and social costs to other countries, in particular developing country Parties. In this context, it is important to fully take into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties, said Argentina.

Argentina also said that in order to minimize negative economic and social consequences, there is a need to avoid climate-related trade protectionist measures. 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. 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.

With respect to the social consequences, Argentina said that it was important to promote a just transition of the workforce, and the creation of decent work and quality jobs, in order to contribute to the promotion of economic growth and sustainable development.

Developed country Parties shall provide financial resources, including for access to and development and transfer of technology, at agreed full incremental costs in accordance with Article 4, paragraphs 3, 5 and 7, of the Convention, and promote and facilitate the transfer of and access to environmentally sound technologies and know-how to developing country Parties, to enable them to implement the provisions of the Convention.

Argentina also said that it was necessary to establish a forum to undertake activities including identifying and addressing negative economic and social consequences of response measures of developed country Parties, sharing information, promoting and cooperating on issues relating to response strategies and exploring ways to minimize negative consequences in developing country Parties. Further elaboration on these activities and functions of the Forum will be communicated by individual Parties and during our discussions in the appropriate contact groups.

It said that it would like to state that the treatment of social and economic consequences of response measures should have a broader scope than the current paragraph 17 of Chapter 1 of the Chair's text. The creation of a forum to assess social and economic consequences of response measures is only one of the many elements included in Chapter 7 of the text and one of the many elements that the Group has mentioned that need to be reflected. It said that there were issues in Chapter 7 that are also relevant to the discussions on 'shared vision' that would need to be adequately addressed as such.

Sierra Leone, speaking for the **African Group** said that the issues related to response measures should

be separated from those of adverse effects of climate change. In this respect, it stressed the importance of creating space in the UNFCCC and the Kyoto Protocol process to ensure mitigation policies and measures on the economies of developing countries.

It said that the scope of these impacts extend beyond the traditional discussion of the consequences of mitigation policies on those countries whose economies are highly dependent on the export of fossil fuels. This is particularly relevant in the context of provisions made in the national legislation of some developed countries for cross border tax adjustments. In this regard, Sierra Leone said that policies and measures of developed countries should be formulated and implemented in accordance with the principle outlined in Article 3.5 of the Convention.

Sierra Leone also supported the establishment of the forum on response measures. The focus of the forum would be to address serious and consolidated discussion of the issues.

Saint Vincent and the Grenadines speaking for the **Alliance of Small Island States (AOSIS)** said that the implementation of response measures is separate and different from adaptation. The needs of the small island states and LDCs must be addressed in relation to the impacts of the response measures. SIDs are remote and necessities are brought by boats and planes and they rely on tourism. There was need to understand the impacts of response measures in this regard, both negative and positive.

It also supported the establishment of a forum as a good way to discuss the ways and means to address such impacts.

Saudi Arabia said that while it saw the discussion on response measures as relevant to mitigation, the notion of seeking to adapt to the impacts for all developing countries constitutes adaptation as well.

On measures to address the consequences, it said that insurance and mechanisms can be built to cater to particular policies that result in revenue loss in developing countries, including assistance in economic diversification.

It supported the need for the forum which could be under the Subsidiary Body on Implementation and there was need for policy guidance and decisions of the Conference of Parties, with a work programme. There could be an annual report to the COP for

decisions.

Bolivia said that developed countries have appropriated a major part of the Earth's atmosphere in the past, and they are now seeking to take a disproportionately large share of the remaining budget without compensating developing countries. From 1850 to 2005 the cumulative emissions of CO₂ equivalent have been 1.107 billions tons. From this total amount and taking into account that Annex 1 Parties represent 20 % of the population, they have over used their share by 280 %. In other words that means that the space that belonged to developing parties has been occupied by 618 billion tons CO₂ by Annex 1 Parties. The discussion in this regard was how to give back this space since this has constrained the development of developing countries.

There was therefore need for developed country Parties to compensate developing countries for the economic losses arising from the implementation of climate change response measures. Based on the historical responsibility of developed countries and climate justice, this compensation is to counter lost development opportunities, including addressing the needs of climate migrants.

It also believed that an appropriate forum should be established under the Convention to give full consideration to what actions are necessary to address the potential economic and social consequences and impacts of the design, selection and implementation of response measures. In addition, this forum shall cooperate with the indigenous peoples through their own representative institutions to obtain their free, prior and informed consent before adopting and implementing measures that may affect them.

Bolivia also said that developed country Parties should not resort to any form of unilateral climate-related trade measures including border adjustment

measures and tariffs against the goods and services of developing country Parties on climate-related grounds.

Spain speaking for the **European Union** said that it understood the social and economic challenges especially of the SIDs and the LDCs. Efforts to address climate change must not hinder progress as regards sustainable development. However, it felt that it was best to address such concerns through existing information channels, including bilateral ones. This could be done through national communications with improved information.

The **United States** said that there would be impacts that need to be managed as a result of all Parties taking mitigation actions. It supported language in the Chair's facilitative text to promote just transition of workforce in the context of mitigation efforts. This consideration, it said, belonged to the mitigation aspect and not adaptation.

The US did not see the need for a separate channel such as a forum to address the impacts of response measures and felt that existing channels were sufficient. It also said that Article 3.5 of the Convention was sufficient to address the issue of trade and it was not relevant or appropriate in the context of the current discussion.

Japan said that there was no need to re-open the discussion on trade matters as Article 3.5 already deals with this. There was need to understand the impacts of response measures before establishing a forum to deal with it. Hence, it proposed the use of existing channels such as the national communications as a tool for this.

Australia and **New Zealand** reflected similar views as other developed countries.