



odi.org



Aligning Climate and Trade Policy for LDCs and Graduates

Overview of project and main findings of
relevance for TESSD

Dr Jodie Keane, Senior Research Fellow, ODI
TESSD, 31 March 2022

Overview

- **Objectives of Assignment: Aligning Climate and Trade Policy for LDCs and Graduates**
 - Partnership with IIED, supported by the EIF
 - Focused on the nexus between the trade-related aspects of COP26 and WTO
- **Main findings: Outcomes and Outputs**
 - Meetings: Closed, expert, high-level and public
 - Thematic briefings: Climate finance and aid for trade; Carbon markets and standards; Technology
- **Relevance for TESSD**

Aligning Climate and Trade Policy for LDCs and Graduates

• Objectives

- Build a community of practice
- Create greater awareness of climate and trade linkages
- Develop new policy relevant research on cross cutting issues

- Pre and post-COP26 closed and expert group meetings with LDC negotiators
- 
- Thematic briefings on cross-cutting issues
 - High level event with opening remarks by WTO DG, with LDC Coordinator and LDC Chair UNFCCC
 - Public event with EIF and UNCTAD
 - See: [Aligning climate and trade policy for LDCs and graduates | ODI: Think Change](#)
[ODI: Think change](#)

Thematic Briefs: inc. challenges for LDCs and what can the WTO do

Climate finance and Aid for Trade

Carbon Markets and Standards

Technology

1. Climate finance and Aid for Trade

While Aid for Trade has disbursed **\$400bil** since 2006, climate change is still **not integrated** in its frameworks



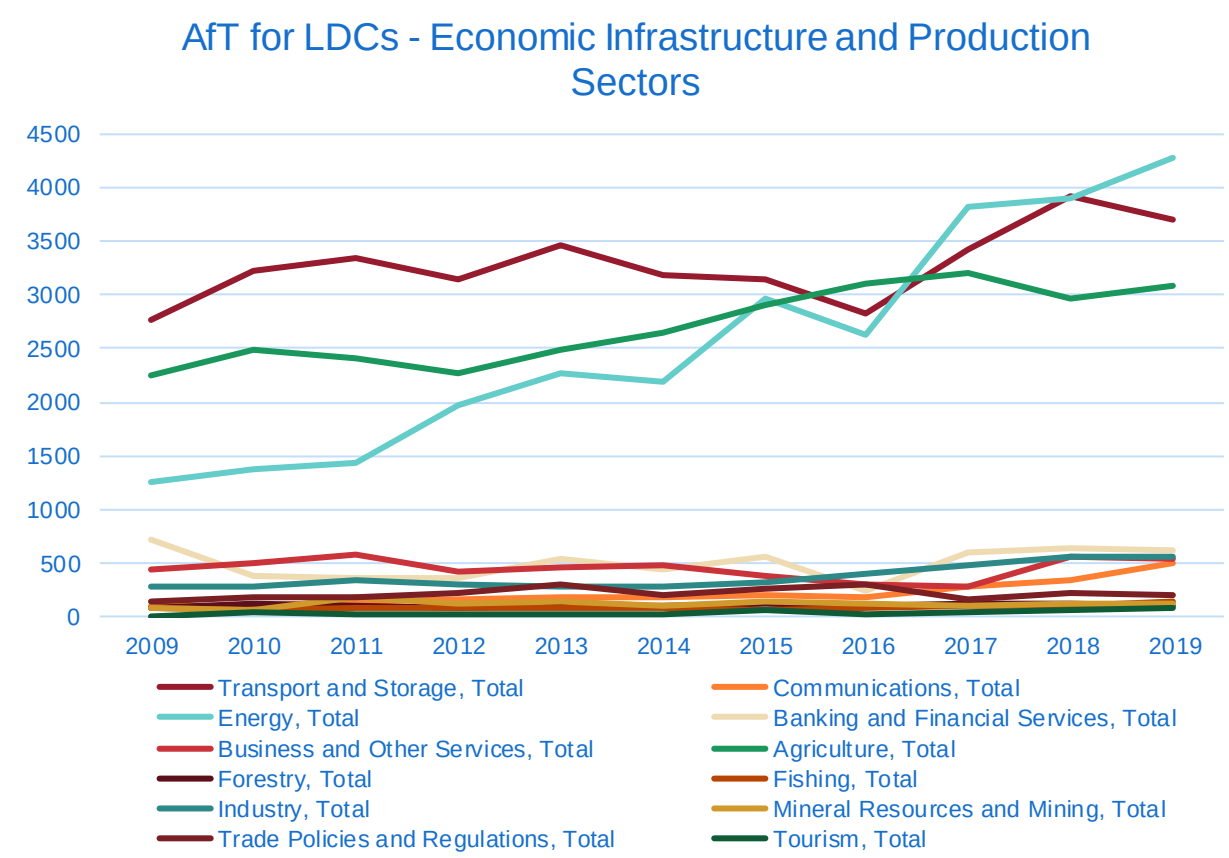
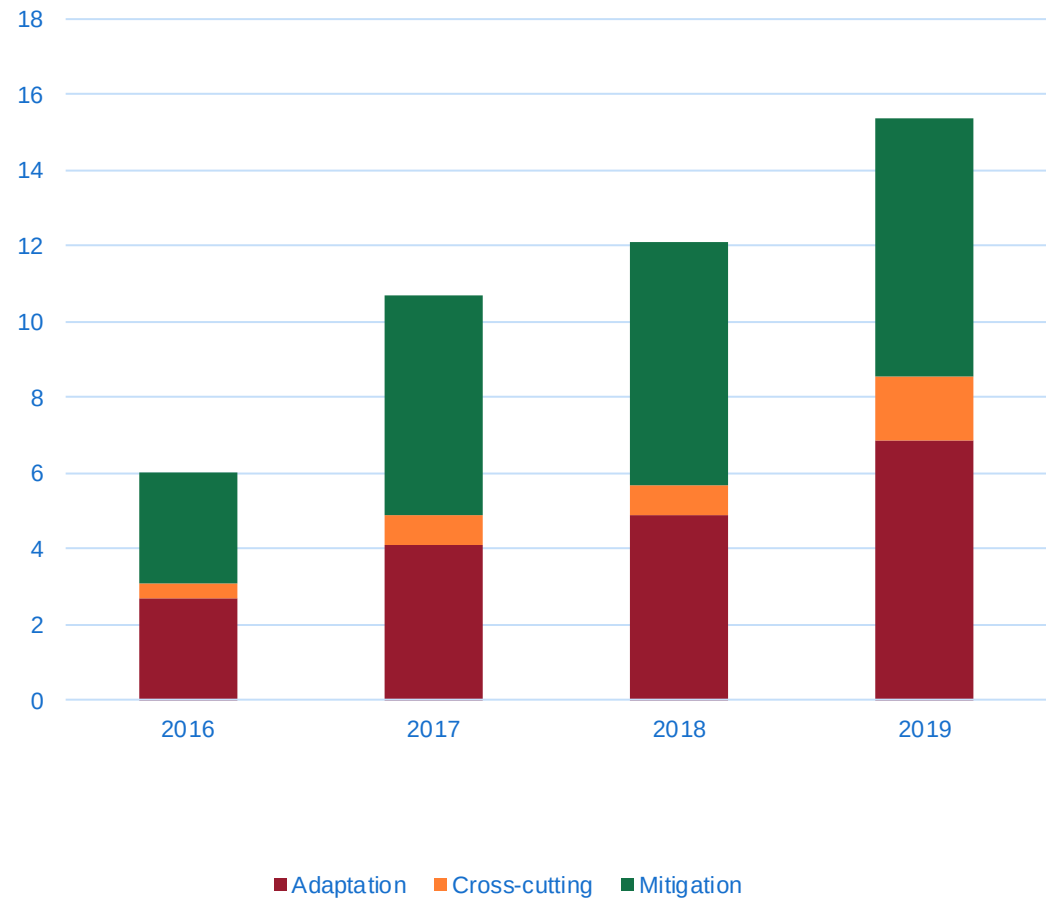
Joining up both these forms of finance can help the least developed nations with their green transformation



Main findings: Climate Finance and Aid for Trade

- Climate finance doesn't take account of trade-related effects; Aid for Trade doesn't systematically integrate climate change
 - Environment added as cross-cutting issue into EIF DTIS 2016
- Accessing climate finance is challenging for LDCs: account for 14% of total flows; mitigation bias but adaptation imperative
- Donors may be providing both types of support, but checks limited
- Case-studies: Bangladesh and Ethiopia

Data: Climate finance and Aid for Trade



Source: <https://www.oecd.org/aidfortrade/data/>; aid-for-trade data by income groups
 Note: Figures are disbursements in constant 2019 prices, from official donors.

2. Carbon Markets and Standards

We need to address the **increased trade costs** they create, as they could **price out vulnerable** countries from participating



ODI

We can do this with **common carbon standards** and new international approaches



ODI

Main findings: Carbon markets and standards

- Different types of carbon markets, but challenges for LDCs in creating and accessing, including as part of efforts to adjust to CBAMs
- No common carbon standards
- LDCs will need support to set up GHG accounting; covering costs of certifying emissions embedded in exports
- Case-studies: Mozambique (CBAM) and Solomon Islands (carbon markets)

3. Technology

Technology transfer mechanisms can help vulnerable countries tackle severe climate events



But many commitments between the UNFCCC and WTO remain unmet



Main findings: Technology

- Both UNFCCC (Art. 4.9) and WTO (TRIPS, Art. 66.2) have provisions for LDCs, but these are barely met
- Little mention of trade-related aspects of technology transfer in climate negotiations and UNFCCC technology needs assessments, or climate technologies in trade discussions on technology transfer through WTO Working Group
- Need for EGS liberalisation to be accompanied by capacity building
- Case-studies: Bangladesh and Chad

Relevance for TESSD

- **Aid for trade:** integrate climate change, enhance coordination with climate finance (not conditionality)
- **EGS:** liberalisation necessary but not sufficient, links to technology transfer and capacity issues (e.g. Aid for Trade and UNFCCC technology needs assessments)
- **Circular economy:** make role of technology transfer for LDCs more explicit
- **Trade and climate:** consider broader agenda of carbon markets and standards
- **Sustainability:** support LDC regulatory frameworks

Thank you!

See: [Aligning climate and trade policy for LDCs and graduates | ODI: Think Change | ODI: Think change](#)

Questions/comments: J.Keane@odi.org.uk