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## **REPORT**

on trade and climate change  
(2007/2003(INI))

Committee on International Trade

Rapporteur: Alain Lipietz

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on trade and climate change (2007/2003(INI))

*The European Parliament,*

- having regard to the reports of the three working groups of the Intergovernmental Panel on Climate Change (IPCC), "Mitigation of Climate Change", "Impacts, Adaptation and Vulnerability" and "The Physical Science Basis", published in 2007,
- having regard to its resolution of 23 May 2007 on the EU's Aid for Trade<sup>1</sup>,
- having regard to the conclusions of the European Council of 8 and 9 March 2007<sup>2</sup>,
- having regard to the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on "Limiting Global Climate Change to 2 degrees Celsius - The way ahead for 2020 and beyond" (COM(2007)0002),
- having regard to the Commission proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community (COM(2006)0818),
- having regard to the "Review on the Economics of Climate Change" by Sir Nicholas Stern, presented on 30 October 2006,
- having regard to the OECD Report on "Biofuels: is the cure worse than the disease", of 11 and 12 September 2007 (SG/SD/RT(2007)3),
- having regard to the presentations by the co-chair of IPCC Working group III, Bert Metz, and the experts appointed by Parliament, during the hearing of 27 June 2007,
- having regard to its resolution of 25 October 2006 on the annual report from the Commission to the European Parliament on third country anti-dumping, anti-subsidy and safeguard action against the Community (2004)<sup>3</sup>,
- having regard to its resolutions on bilateral trade and investment relations, notably those of 13 October 2005 on prospects for trade relations between the EU and China<sup>4</sup> and of 28 September 2006 on the EU's economic and trade relations with India<sup>5</sup>,
- having regard to its resolution of 4 July 2006 on reducing the climate change impact of

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<sup>1</sup> Texts adopted, P6\_TA(2007)0203.

<sup>2</sup> 7224/1/07 REV1.

<sup>3</sup> OJ C 313E, 20.12.2006, p. 276.

<sup>4</sup> OJ C 233 E, 28.9.2006, p.103.

<sup>5</sup> OJ C 306 E, 15.12.2006, p. 400.

aviation<sup>6</sup>,

- having regard to its resolution of 16 November 2005 on "Winning the Battle Against Global Climate Change"<sup>7</sup>,
  - having regard to Rule 45 of its Rules of Procedure,
  - having regard to the report of the Committee on International Trade and the opinions of the Committee on the Environment, Public Health and Food Safety and the Committee on Industry, Research and Energy (A6-0409/2007),
- A. whereas the economic and ecological impact of climate change is assuming disturbing proportions and the EU, which has already taken on a political leadership role in this area, should redouble its efforts,
- B. whereas it is estimated that a reduction in global emissions by as early as 2015, with a 25% to 40% reduction by 2020 in developed countries, would not ensure that the objective of limiting temperature increases to 2°C above pre-industrial levels would be attained,
- C. whereas limiting global warming to 2°C would reduce, but not eliminate, dramatic consequences for agriculture, weather hazards, migration and biodiversity,
- D. whereas global trade has increased at more than twice the rate of global economic output in recent decades,
- E. whereas the volume of sea transport is 40 times that of air transport (in tonnes/km) and yet produces only twice its greenhouse gas (GHG) contamination, whilst lorries produce 4 times more GHG emissions than trains per tonne/km,
- F. whereas freedom of choice as regards the means of transport used is essential to worldwide trade,
- G. whereas there is an urgent need to develop production, consumption and trade patterns that mitigate climate change and its economic impact and maximise total welfare,
- H. whereas energy efficiency, sustainable traffic management and shorter distances between producers and from producers to consumers are elements which must be included in any EU trade policy that has a bearing on the issue of climate change,
- I. whereas promoting sustainable development should continue to be the main objective of EU trade policy, including through seeking to ensure that this accelerates the transition to a low carbon economy,
- J. whereas consumers should receive the best possible information about the GHG emission effects of their purchases,

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<sup>6</sup> OJ C 303 E, 13.12.2006, p. 119.

<sup>7</sup> OJ C 280 E, 18.11.2006, p. 120.

- K. whereas prices must internalise the cost of global commons such as a stable climate,
- L. whereas the UN Climate Change Conference (COP 13) in Bali in December 2007 should launch negotiations to establish a global and comprehensive post-Kyoto agreement (covering the period from 1 January 2013), including binding GHG emission targets,
- M. whereas the long-term objective should be to ensure the international convergence of equal per capita GHG emissions by 2050,
- N. whereas the countries that have ratified the Kyoto Protocol have not damaged their competitiveness (with the notable exception of the cement sector) and have positioned themselves as leaders in a world where GHG emissions may be regulated,
- O. whereas this may not continue in the post-Kyoto period if some countries, in particular the USA, Australia, China and India, amongst others, are not involved in the '+2°C' objective , thus distorting competition in favour of firms moving to unregulated locations and increasing GHG emissions from production and transport,
- P. whereas action to combat climate change should be taken across a broad front and, if it is to succeed, requires the convergence of all the main players in the world, depending on their respective levels of development, towards trade policy positions compatible with that objective,

***From consensus to action***

1. Welcomes the broad scientific and political consensus on the seriousness of climate change; urges the conclusion of an ambitious, worldwide post-Kyoto agreement, in line with the scenario of IPCC Working group III, on the need to limit temperature increases to 2°C and for corresponding adjustments to be made to other international agreements concerning trade, civil aviation and intellectual property; considers that a post-2012 framework should allow different countries to participate, according to their national circumstances, through a short-term, multi-stage approach and that, in the medium-term, emissions should be allocated on a per capita basis, first to developed countries, but eventually to all countries; calls on the Council and the Commission working towards building a consensus on a post-2012 framework through broadening engagement, to include key parties currently outside of the Kyoto Protocol, notably the US and Australia, and to collaborate with individual states and businesses in the absence of a commitment made by governments;
2. Considers that the EU and its Member States must seek to rigorously apply the Kyoto Protocol's enforcement mechanism procedure, when it comes into force, in order to ensure that countries that have not accepted targets or are not meeting them do not enjoy an unfair advantage; considers that where a country exceeds its allowed emissions in the first commitment period, it should be required to make up the difference in the second commitment period, plus a penalty deduction of 30%;
3. Welcomes the Clean Development Mechanism within the Kyoto Protocol as an incentive for investment in developing countries that reduce carbon emissions but notes that it is not yet sufficient to significantly shift investment patterns in those sectors that have the

greatest impact on climate change, such as power generation, transport and industrial energy use; considers that, in order to rectify this, the EU should take the lead amongst the developed world in increasing the resources available through the Global Environment Facility;

4. Considers that the current economic model, which entails constant maximisation of consumption, production and trade, is unsustainable as this results in ever-increasing demand for resources and transport and a growing quantity of waste and emissions, which undermines the prospects of curbing the climate changes currently taking place;
5. Considers that increasing trade should be regarded as a positive factor for economic growth and citizens' well-being, once the problems relating to climate change have been taken into account; is worried that the increased volume of trade is making a substantial contribution to climate change and considers that trade policy must therefore provide part of the solution; emphasises that, given the growing consensus on the urgency to tackle climate change, the EU must increasingly implement trade and investment policies that create economic incentives to meet climate change policy objectives; stresses that the EU may need to use these rules to create economic disincentives for climate-unfriendly activity; however this must not be used as an excuse for protectionist policies against developing countries;
6. Regrets that the current trading system produces a global division of labour which is based on a very high input of transport - which does not bear its own environmental costs - of homogeneous products which could just as easily be produced locally;
7. Points out that, whilst trade can make a significant contribution to economic development and human prosperity at the same time the transport sector (principally road transport), which enables trade in goods and raw materials to take place, is responsible for one third of global greenhouse gas emissions; considers that measures to drive a modal shift to more environmentally-friendly transport modes (such as rail and water-borne transport) and to reduce greenhouse gas emissions from freight transport are imperative;
8. Considers that the EU, as a global trade partner, is well placed to contribute to a worldwide shift in production and transport patterns; considers that a front-running Europe would be in a more competitive situation when stricter regulations are adopted worldwide;
9. Recalls that the dismantling of administrative barriers to trade, and action to combat climate change, can only be achieved through the broadest possible international collaboration, this being also in the essential interests of the EU, which plays a leading role in both these fields, particularly with a view to retaining European competitiveness;

***Towards multilateralism against climate change***

10. Stresses the need for strong cooperation between the United Nations Environment Programme (UNEP), the Climate Change Convention and the WTO, and asks the Commission to develop an initiative to support this aim; asks for swift progress to be made in updating the WTO's definition of environmental goods and services, particularly in the current Doha Round negotiations, in order to reach agreement on the removal of

tariff and non-tariff barriers to 'green goods and services'; calls on the Commission to build a consensus on granting Multilateral Environment Agreement (MEA) Secretariats observer status at all meetings of the WTO, which are relevant to MEA issues; stresses that a lasting solution must contain a strong political message that respects an appropriate division of labour between the WTO and MEA regimes, based on core competencies; is convinced of the need to redefine the responsibilities of the WTO Committee on Trade and Environment; recommends launching a study on possible amendments to the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) in order to allow for the compulsory licensing of environmentally necessary technologies, within the framework of clear and stringent rules for the protection of intellectual property, and the strict monitoring of their implementation worldwide;

11. Insists that obligations under MEAs, such as the UN Framework Convention on Climate Change or its Kyoto Protocol, must be complied with and that the narrow interpretation of trade rules must not be allowed to prevent or obstruct the attainment of their objectives;
12. Believes that WTO rules should not prevent Member States from encouraging the further development of low-energy technologies by insisting on technical neutrality, which could undermine incentives for the development of renewable technology;
13. Asks the Commission to take initiatives at the international level, and particularly within the WTO, to ensure that trade policy as a whole, and in relation to trade volume trends, takes account of its potential impact on climate change;
14. Calls on the Council and the Commission to ensure that EU bilateral trade agreements and WTO multilateral trade agreements are concluded in keeping with those provisions of the Agreement establishing the WTO, which specify that international trade should be conducted while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment;
15. Calls furthermore on the Council and the Commission to ensure that the WTO Dispute Settlement Body (DSB) acts in accordance with Article XX of the General Agreement on Tariffs and Trade (GATT), which allows its members to take measures, including protectionist measures, necessary to protect human, animal or plant life or health or relating to the conservation of exhaustible natural resources;
16. Notes that the EU is already a world leader in alternative energy technologies, such as solar panels and wind turbines and that, thanks to efficient and technologically innovative European undertakings, the EU should be a market leader in the worldwide export of environmental goods and services (EGS) and that Galileo and the Global Monitoring for Environment and Security System (GMES) could be used to monitor CO<sub>2</sub> emissions;
17. Urges the EU, with a view to achieving the Lisbon objectives, to develop and promote 'climate-friendly industry' at a global level particularly as trade is an important tool for the transfer of technology to developing countries; emphasises the need to reduce barriers to "green trade" by, for example, removing tariffs on "green goods" at the WTO level, reshaping the rules on intellectual property rights (IPR), facilitating the market entry of green technology by allowing climate concerns to guide export credit guarantees, as well

as by removing perverse incentives and distortions of the market, such as fossil fuel subsidies;

18. Calls for the establishment of an International Environmental Organisation which would assume responsibility for compliance with international treaties and agreements on environmental protection and combating climate change, and which would, inter alia, work and cooperate with the WTO on issues concerning the impact of trade on the environment;
19. Recognises that the EU bears a historical responsibility for greenhouse gas emissions and realises that substantial changes to its trade policy are required to encourage local production as a means of reducing the need for transport; stresses the need for more intensive technological cooperation with developing and emerging countries, particularly China, Brazil and India, in order to enable them to mainstream environmental protection in their policies; regrets, however, that existing technology-transfer mechanisms like the Clean Development Mechanism (CDM) are insufficient and therefore calls for increased co-financing and capacity building measures;
20. Notes that the transfer of energy efficient and other environmentally friendly technologies from the EU to developing countries has a crucial role to play in decoupling economic development from greenhouse gas emissions and that suitable investment is needed to promote such a reduction;
21. Asks the Commission to systematically include environmental protection clauses, with special reference to reducing carbon dioxide emissions, in its trade agreements with third countries; calls for the transfer of low carbon technology and low carbon trade schemes to developing countries; asks the competent Commission services to swiftly develop a climate change dimension in its Sustainability Impact Assessments, to discuss them with Parliament, and to apply them systematically before the conclusion of these agreements;
22. Calls on the Council and the Commission to ensure that the negotiations on the new generation of Free Trade Agreements (FTA) with partners in Asia and Latin America include commitments to the social and environmental aspects of trade and sustainable development and to the effective implementation of MEAs; suggests that liberalising trade in renewable goods and technologies and increasing access to environmental services should be a key objective of the Commission in the forthcoming FTA negotiations; stresses the need to introduce WTO-compatible Green Government Procurement policies systematically into bilateral agreements;
23. Calls for in-depth impact analyses, from a climate, gender and sustainability perspective, of the outcome of multilateral and bilateral trade agreements negotiated between the EU and third countries and urges the Commission to authorise explicit support for the management of climate change as part of all aid-for-trade and other relevant development aid;
24. Supports the Commission's proposal to establish in each trade agreement a Sustainable Development Forum, with a strong climate component, which would be open to participation by elected representatives and by civil society (particularly NGOs operating in the environmental field) and other key stakeholders and calls for this to be ensured



during ongoing negotiations;

25. Stresses the need to broaden the Environmental Policy Dialogues as well as the Energy Policy Dialogue that form part of EU agreements with third countries or regions to cover questions of climate change and asks the Commission to put forward concrete proposals for benchmarks for progress according to the type of country;
26. Considers that the conservation of ecosystems which play a valuable role as carbon sinks and biodiversity reserves represent global public goods and need special protection and international financial support; proposes including the Forest Law Enforcement, Governance and Trade (FLEGT) Partnership Agreements in all existing and future agreements with third countries;
27. Recognises that trade too often leads to overexploitation of eco-systems, particularly forests, in developing countries; urges industrialised countries to take responsibility for the widespread deforestation caused by international trade; emphasises the significant climate impact of deforestation and therefore the long-term economic value and importance of preserving forests intact; calls for serious EU efforts to establish reward mechanisms for “avoided deforestation” in the international climate negotiations, along with other strong policy measures to promote responsible trade in natural resources;
28. Supports the Commission proposal to enhance cooperation with developing countries in areas of climate change adaptation and mitigation through setting up a Global Climate Policy Alliance; stresses that intensifying dialogue and moving towards the development and implementation of joint programmes in areas of mutual environmental concern, such as climate change, waste management and illegal logging, with key emerging economies such as China, India, Brazil, Ukraine and South Africa, must be a priority for the EU and its Member States;
29. Calls for the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects and for the redoubling of efforts to increase the transfer of renewable energy and energy efficient technologies;
30. Asks the Commission and the Member States to propose legislative instruments in order that Member State Export Credit Agencies and the European Investment Bank take account of the climate change implications of the funded projects when making or guaranteeing loans and impose a moratorium on funding until sufficient data are available, in accordance with advice from the OECD, G8 and the Extractive Industries Review;
31. suggests amending the WTO subsidies agreement in order to reintroduce a clause providing for the non-action ability of certain environmental subsidies;

***The EU can do more to avoid CO<sub>2</sub> leakage***

32. Repeats the need for a 30% reduction in EU greenhouse gas emissions by 2020, independent of third countries’ commitments;
33. Stresses the need to raise public awareness of consumer products' total environmental costs; calls on the Commission and the Council to propose measures for the provision of

information on the energy consumed, and greenhouse gases emitted, during the manufacture and transport of products placed on sale within the EU, such as the proposal made by the UK Government to introduce carbon footprint product labels displaying the level of CO<sub>2</sub> emission caused by the production, transport and eventual disposal of a product;

34. Insists on the introduction of WTO compatible common standards and labelling schemes regarding the GHG implications of different products, including at the production and transport stages, as part of a wider consumer information policy, thereby giving consumers the opportunity to contribute to reducing CO<sub>2</sub> emissions;
35. Asks the Commission urgently to draw up an adequate procedure to assess and label these ecological footprints and to develop software in order to enable businesses to calculate the quantity of GHG emitted from every production process;
36. Stresses that efforts need to be made to internalise external influences linked to trade (such as harmful consequences for the environment), in other words to convert them into a price indication which the market can understand, and to promote fair competition by putting into practice the “polluter pays” principle (particularly in the areas of road and air traffic), ideally through the global extension of the Emissions Trading Scheme;
37. Notes the inseparable link between trade and the transport sector; urges that consideration be given to all means of transport and in particular those whose emissions have increased significantly in recent years, namely shipping (whose carbon dioxide emissions are thought to be double those of aviation and could rise by as much as 75% in the next 15 to 20 years);
38. Welcomes, within the framework of the 'footprint' approach, the eventual integration of airplanes landing in Europe within the European Emission Trading System; calls for the proposal to include the marine transport sector in this system to be examined;
39. Recognises the promotion of ICT-based solutions, the internalisation of the environmental costs of transport in fuel prices, as well as the promotion of rail transport and coastal shipping, sustainable biofuels and the rapid integration of aviation in a rigorously designed EU Emissions Trading Scheme, as key measures for reducing the impact of trade and transport on the climate; calls on the Commission and the Council to propose measures to promote and choose the least polluting modes of transport, particularly by drawing up provisions relating to the various market instruments;
40. Urges that aid granted to the transport sector be calculated taking into account the environmental impact of the different modes of transport, and that consideration be given to using market-compatible trade instruments (such as labelling and standards) which promote climate protection;
41. Considers that, given that the real carbon cost of road transport is not known, especially in the case of food and other daily consumables, support schemes to promote sustainable local production should be regarded as acceptable and promoted so as to discourage the excessive transport by road of food; also recommends the introduction of climate labelling

- standards in order to inform consumers of the ecological footprint of products;
42. Is especially concerned by the potential negative, environmental and social impact of policies encouraging biofuel and biomass use in Europe; reiterates its earlier call for the mandatory, social and environmental certification of biofuels (or their feedstocks) as a condition for their use and for their compliance with EU targets;
  43. Calls for all agreements on the purchase of biofuels to be subject to clauses seeking to protect areas given over to biodiversity and human food production;
  44. Calls on the Commission to assess the climate impact of EU imports of soya and palm oil, taking into account their effects on tropical deforestation, and to take measures to incorporate the climate cost in prices;
  45. Asks the Commission to encourage a European movement for best practice and benchmarking in relation to the climate change aspects of location, with particular reference to an ever more geographically fragmented production chain and 'just in time' production, and to forward related proposals;
  46. Calls on the Commission to examine WTO-compatible mechanisms and climate-friendly trade policies in order to address the issue of third countries which are not bound by the Kyoto Protocol and to work towards making more explicit provision for such possibilities in future versions of the Protocol; considers that trade measures should be taken only when alternative measures would be ineffective in achieving a given environmental objective; considers that the trade measures used should be no more trade-restrictive than necessary to achieve the objective and should not constitute arbitrary or unjustifiable discrimination; regards border tax adjustments as a legitimate way of moving towards a low-carbon economy, levelling the playing field between post-Kyoto signatories and other States and discouraging relocation and considers that the beginning of the post-Kyoto period should be the starting-point for such measures;
  47. Recommends the development, in the longer term, of a scheme based on sound life-cycle data which includes finished goods, such as cars and electronic equipment, in this adjustment where necessary;
  48. Insists that future proposals must be fully in accordance with the EU's international obligations, particularly those imposed by the WTO, including Article XX of GATT;
  49. Stresses at the same time that when trade defence instruments are reformed they should take account of the feasibility of introducing environmental factors in order to avoid the environmental dumping of products originating from countries that do not ratify the post-Kyoto protocol;
  50. Calls for incentives for the production, through granting State or Community aid, and use, through reductions in value added tax, of products which help to reduce CO<sub>2</sub> emissions;

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51. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

## EXPLANATORY STATEMENT

The fourth IPCC Working Group III report (2007), confronted the international community with its responsibilities. The scenarios limiting global warming to between +2 and +2.4°C rely on the planet's greenhouse gas (GHG) emissions starting to decrease from 2015, dropping by around 25% to 40% by 2020 in all developed countries (Annex B of the Kyoto Protocol) and by 80% by 2050. If these first deadlines are not met, global warming will inevitably rise above 3°C, costing five thousand billion euros according to the Stern review. These costs are in the same league as those of a world war.

By comparison, the cost of taking action is negligible. Again according to the Stern report, the cost of a strategy to limit climate change to +2°C would represent a total reduction of 1% of global product, which is set to increase by 2.5% per annum from now until 2050, or a delay of less than one half-year in global consumption level. The majority of measures to be taken consist in investments and services which will increase employment and have other positive effects (decreasing noise levels, drop in road accidents etc.), in reducing waste, thus increasing households' purchasing power, on Pigovian ecotaxes to replace other taxes or facilitate other public policies, such as the fight against AIDS.

All the policies of the European Union, which is providing global leadership in the fight against climate change, should therefore be geared to this objective which is very close in time. This is particularly true of its commercial policy, which depends on considerable diplomatic efforts to encourage all the Annex B countries to ratify the Kyoto Protocol and all the countries in the world to ratify a post-Kyoto Protocol (2012-2020) in line with these objectives, and then to amend and standardise the international agreements.

In the absence of consensus, Europe is determined to lead the way with the more modest proposals made by the Commission (20% reduction by 2020). But in this case it could use the bilateral agreements which it is currently negotiating to involve as much of the world as possible in this joint fight.

If every country agrees to cooperate, the technological advances that Europe will have made will certainly be a competitive advantage. Still, it cannot be discounted that after 2012 some high-emitting countries may continue to avoid committing themselves to our joint efforts. Europe will then have to take specific measures to avoid a situation where businesses give in to the temptation to relocate their production centres to such countries and to protect itself from those countries that create unfair competition by granting an implicit subsidy to their own industries in this way.

### I. International trade and the greenhouse effect

For two decades, international trade has been growing at a rate of two to two and a half times the rate of global production. This imbalance is a result of the search for an international division of labour that optimises salary and tax costs in a context where GHG emissions are not properly internalised into transport costs. In addition, in the future - and already in the case of industries that emit large amounts of GHG per tonne of product (such as the cement

industry) - relocation will sometimes allow national regulations against the greenhouse effect to be evaded.

A certain degree of international division of labour has always had positive effects and is sometimes essential in the case of primary products, for which geography determines location. These positive effects can be combined with the fight against the greenhouse effect provided that appropriate measures are taken to internalise the cost of GHG emitted throughout the chain, from sub-contractor to the final producer and from final producer to consumer.

In the interests of educating the public, it would be desirable to make consumers aware of cost from now on. Hence the many suggestions, such as 'food miles', to encourage consumers to 'buy local'. In reality, the means of transport is just as important: for a British consumer, a New Zealand lamb chop has a higher GHG cost than an English chop if it arrives by plane, but not if it arrives by boat. Therefore it is the GHG content that must be assessed.

The negative side-effects of international division of labour are aggravated when companies seek at the same time to remove delays by using 'just-in-time' production and the fastest means of transport (aeroplanes instead of boats, lorries instead of trains) in order to reduce dead stock. Such management methods can have catastrophic consequences if the intermediate units are far away from each other and the consumer. At the moment, even though air freight is used 40 times less than maritime freight, it already produces half as many GHGs. Each kilometre-tonne transported by lorry produces four times as much greenhouse gas as when transported by train.

Although this distortion could also be controlled by integrating the cost to the climate into the cost of transport, socially, it would be more socially efficient to research best practices for the division of labour and location of production centres, such as regrouping sub-contractors around parent factories and locating these close to main consumer centres (or close to intermodal platforms which group together modes of transport with low greenhouse-effect costs: sea, river and rail).

## II. Seeking a global agreement

The ideal solution would be to obtain, at the Bali conference, a post-Kyoto agreement that includes every single country in the world. Such a consensus will only be obtained if all countries follow restrictive regulations once they pass a sustainable limit, i.e. when their GHG production per inhabitant per year exceeds that which would result, if respected by everybody, in zero climate change. (This quantity is in the region of 500 to 600 kg of carbon in CO<sub>2</sub> per inhabitant per year for a predicted population of 9 billion human beings.) In any event, the Conference of the Parties (COP 6) in The Hague envisaged that the allocations per person authorised in each country would converge by around 2050.

We can reasonably count on the increase in dramatic weather phenomena in the US and on the threat of rising waters in the Asian deltas to persuade even our most sceptic partners to accept the post-Kyoto Protocol.

Other multilateral agreements (WTO, International Civil Aviation Organisation, World Intellectual Property Organisation) must be made consistent with the post-Kyoto agreement; this will require only minor editorial changes.

### III. Acting bilaterally and bi-regionally

Even if international negotiations should fail to unite all countries and make the WTO and ICAO rules subordinate to the Convention on Climate Change, it is vital that the European Union, which is currently developing a policy of bi-regional and bilateral agreements, include the climate aspect in its agreements. The same applies to the loans policy of its financial branch, the European Investment Bank, which should no longer grant loans without taking into account the objectives of the fight against climate change as defined by the IPCC '+2°C' scenario. The same guidelines should be applied by national export credit and direct investment agencies.

### IV. Promoting an autonomous policy against climate change

The benefits of international division of labour, even to the fight against climate change, must not be overlooked. The European Union should grant a zero customs rate to products with low GHG production/consumption values (energy-efficient light bulbs etc.). In parallel, and in line with the Convention on Climate Change, the Union must make GHG-clean technologies available at 'concessionary prices'. In addition, it must prohibit imports of exotic woods if, the consequent reduction in GHG-absorbing ecosystems and their transportation contributes to climate change. The FLEGT agreement, which regulates this matter, must be made binding.

Ideally, the objectives that the European Union sets itself should be calculated not on the emissions caused by production in Europe, but on all products consumed in Europe (known as the 'ecological footprint'). Such calculations would be extremely difficult, not to mention superfluous if every country on the planet committed itself to a post-Kyoto agreement. In the unfortunate event that this does not happen the European Union must prepare itself to integrate the greenhouse effect cost of its trade with the rest of the world into a 'price signal'. A policy of labelling indicating the GHG content of products on the market would encourage not only public and producer awareness, but also a 'least polluting' rule in public tendering would be able to be introduced. The restrictive unilateral measures would take effect in the post-Kyoto period (in 2013), a period in which the Union has already decided it will lead the way, whatever happens.

The Commission's proposal to integrate aviation into the European quota system, including aeroplanes from third countries, is a first step towards integrating the total GHG cost into the price of goods and services in Europe. However, it does not solve the problems of distorted competition which could arise if businesses export to Europe from countries which have not ratified the post-Kyoto agreement. In this case, compensatory taxes at borders ('border tax adjustments') should be established, beginning with sectors (such as cement and aluminium) where it seems that competition is already distorted (to the point, shockingly, of encouraging unnecessary transportation to avoid paying quotas or ecotaxes). And it is important that businesses are given enough notice of this, i.e. from now on, so they can properly plan their

investments.

These industrial investments should, moreover, be carefully optimised to avoid as much unnecessary transport as possible. The European Union should initiate research this year into division of labour best practices for supplier location in relation to final assembly factories and for the location of these in relation to the main markets.

Similarly, the European Union must provide itself with multimodal centres linking railways directly to ports in order to encourage modes of transport that produce the least amount of greenhouse gas.

Where consumer goods' (vehicles, domestic appliances) operational standards are concerned, the European Union is free to impose the strictest standards on its own market in terms of energy efficiency while complying with the WTO rules on 'domestic product', and must be a leader in defining these standards at an international level.



18.7.2007

## **OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY**

for the Committee on International Trade

on trade and climate change  
(2007/2003(INI))

Draftsman: Jens Holm

### **SUGGESTIONS**

The Committee on the Environment, Public Health and Food Safety calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Considers that the current economic model, which entails constant maximisation of consumption, production and trade, is unsustainable as this system results in ever-increasing demands for use of resources and transport and a growing quantity of waste and emissions, which undermines the prospects of curbing the climate changes currently taking place;
2. Regrets that the current trading system produces a global division of labour which is based on a very high input of transport - which does not bear its own environmental costs - of homogeneous products, which could just as easily be produced locally;
3. Recognises the promotion of ICT-based solutions, the internalisation of the environmental costs of transport in fuel prices, as well as the promotion of rail transport and coastal shipping, sustainable biofuels and the rapid integration of aviation in a rigorously designed EU ETS, as key measures for reducing the impact of trade and transport on the climate; calls on the Commission and the Council to put forward measures to promote and choose the least polluting modes of transport, particularly by means of provisions relating to the various market instruments;
4. Stresses the need to raise public awareness of consumer product's total environmental costs; calls on the Commission and Council to put forward measures for the provision of information on the energy consumed and greenhouse gases emitted during the manufacture and transport of products placed on sale within the European Union, such as the proposal made by the UK Government to introduce carbon footprint product labels displaying the level of CO<sub>2</sub> emission caused by the production, transport and eventual disposal of a product; further calls on the Commission and the Member States to ensure

that environmental costs are incorporated into prices for goods and services and that those costs are listed separately from the retail price of the individual goods and services, as is already done with the levy on the collection of waste electrical and electronic equipment;

5. Recognises that the EU bears a historical responsibility for greenhouse gas emissions and realises that substantial changes to the Union's trade policy are required to encourage local production as a means of reducing the need for transport; stresses the need for more intensive technological cooperation with developing and emerging countries, particularly China, Brazil and India, to enable them to mainstream environmental protection in their policies; regrets, however, that existing technology-transfer mechanisms like the CDM are insufficient and therefore calls for increased co-financing and capacity building measures;
6. Repeats the need for a 30% reduction in EU greenhouse gas emissions by 2020, independently of third countries' commitments;
7. Urges the EU to develop and promote 'climate-friendly industry' at a global level; therefore asks the Commission to instigate discussions with the WTO on potential measures that favour climate-friendly production and export; is convinced that any agreement on this issue will encourage the development of innovative technologies and spur sustainable and clean energy use;
8. Recognises that trade is an important tool for the transfer of technology to developing countries; emphasises the need to reduce barriers to "green trade" by, for example, removing tariffs on "green goods" at WTO level, reshaping the rules on intellectual property rights (IPR), facilitating the market entry of green technology by allowing climate concerns to guide export credit guarantees, as well as by removing perverse incentives and distortions of the market, such as fossil fuel subsidies;
9. Calls for the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects and for the redoubling of efforts to increase the transfer of renewable energy and energy efficient technologies;
10. Is especially concerned by the potential negative, environmental and social impact of policies encouraging biofuel and biomass use in Europe; reiterates its earlier call for the mandatory, social and environmental certification of biofuels (or their feedstocks) as a condition for their use and for their compliance with EU targets;
11. Emphasises that global cooperation and the long-term build-up of trust are more effective tools than unilateral and punitive measures when dealing with the EU's common climate challenge; views it as problematic, however, that some countries unduly subsidise domestic industry by not participating in global efforts to reduce emissions; urges the Council and the Commission to use the WTO dispute settlement system to challenge these countries; believes, further, that trade tools designed to punish non-compliant countries - such as border tax adjustments - could be taken into consideration;
12. Calls on the Council and Commission to ensure that EU bilateral trade agreements and WTO multilateral trade agreements are concluded in keeping with those provisions of the Agreement establishing the WTO, which specify that international trade should be

conducted while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment;

13. Calls furthermore on the Council and Commission to ensure that the Dispute Settlement Body (DSB) acts in accordance with Article 20 of the GATT agreements, which allows member states to take measures, including protectionist measures, necessary to protect human, animal or plant life or health or relating to the conservation of exhaustible natural resources;
14. Insists that obligations under Multilateral Environmental Agreements, such as the UN Framework Convention on Climate Change or its Kyoto Protocol, must be respected and that the narrow interpretation of trade rules must not be allowed to prevent or obstruct the achievement of their objectives;
15. Calls for in-depth impact analyses, from a climate, gender and sustainability perspective, of the outcome of multilateral and bilateral trade agreements negotiated between the EU and third countries and urges the Commission to authorise explicit support for the management of climate change as part of all aid-for-trade and other relevant development aid;
16. Recognises that trade too often leads to overexploitation of eco-systems, particularly forests, in developing countries; urges industrialised countries to take responsibility for the widespread deforestation caused by international trade; emphasises the significant climate impact of deforestation and therefore the long-term economic value and importance of preserving forests intact; calls for serious EU efforts to establish a reward mechanisms for "avoided deforestation" in the international climate negotiations, along with other strong policy measures to promote responsible trade in natural resources;
17. Calls for the Commission to assess the climate impact of EU imports of soya and palm oil taking into account their effects on tropical deforestation, and to take measures to incorporate the climate cost in prices;
18. Notes the inseparable link between trade and the transport sector; urges that consideration be given to all means of transport and in particular those whose emissions have increased significantly in recent years, namely shipping (whose carbon dioxide emissions are thought to be double those of aviation and could rise by as much as 75% in the next 15 to 20 years); welcomes the Commission's proposal to add shipping companies to the emissions trading scheme (ETS) and calls for this proposal to be put into practice as soon as possible.

## PROCEDURE

<b>Title</b>	Trade and climate change
<b>Procedure number</b>	2007/2003(INI)
<b>Committee responsible</b>	INTA
<b>Opinion by</b> Date announced in plenary	ENVI 18.1.2007
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Draftsman</b> Date appointed	Jens Holm 27.2.2007
<b>Previous draftsman</b>	
<b>Discussed in committee</b>	5.6.2007      17.7.2007
<b>Date adopted</b>	17.7.2007
<b>Result of final vote</b>	+:            52 –:            1 0:            1
<b>Members present for the final vote</b>	Margrete Auken, Liam Aylward, Pilar Ayuso, Irena Belohorská, Johannes Blokland, John Bowis, Frieda Brepoels, Hiltrud Breyer, Dorette Corbey, Chris Davies, Avril Doyle, Edite Estrela, Jill Evans, Anne Ferreira, Karl-Heinz Florenz, Alessandro Foglietta, Matthias Groote, Françoise Grossetête, Satu Hassi, Gyula Hegyi, Jens Holm, Marie Anne Isler Béguin, Caroline Jackson, Dan Jørgensen, Christa Klauß, Eija-Riitta Korhola, Urszula Krupa, Jules Maaten, Linda McAvan, Alexandru-Ioan Morțun, Roberto Musacchio, Riitta Myller, Péter Olajos, Miroslav Ouzký, Guido Sacconi, Amalia Sartori, Karin Scheele, Carl Schlyter, Bogusław Sonik, María Sornosa Martínez, Thomas Ulmer, Marcello Vernola, Anja Weisgerber, Åsa Westlund, Anders Wijkman
<b>Substitute(s) present for the final vote</b>	Antonio De Blasio, Bairbre de Brún, Christofer Fjellner, Jiří Maštálka, Lambert van Nistelrooij, Renate Sommer, Andres Tarand
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Albert Deß, Francesco Ferrari
<b>Comments (available in one language only)</b>	

17.9.2007

## **OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY**

for the Committee on International Trade

on Trade and climate change  
(2007/2003(INI))

Draftsman: András Gyürk

### **SUGGESTIONS**

The Committee on Industry, Research and Energy calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Points out that, whilst trade can make a significant contribution to economic development and human prosperity, at the same time the transport sector (principally road transport), which enables trade in goods and raw materials to take place, is responsible for one third of global greenhouse gas emissions; considers that measures to drive modal shift to more environmentally friendly transport modes (such as rail and water-borne transport) and to reduce greenhouse gas emissions from freight transport are imperative;
2. Recalls that the dismantling of administrative barriers to trade, and action to combat climate change, can only be realised through the broadest possible international collaboration, this being also in the essential interests of the European Union, which plays a leading role in both these fields, particularly with a view to retaining European competitiveness;
3. Emphasises the importance of European technological cooperation with developing countries in order for the latter to implement measures to reduce increasing levels of CO<sub>2</sub>; notes that suitable investment is needed to promote such a reduction;
4. Stresses that efforts need to be made to internalise external influences linked to trade (such as harmful consequences for the environment), in other words to convert them into a price indication which the market can understand, and to promote fair competition by putting into practice the “polluter pays” principle (particularly in the areas of road and air traffic), ideally through the global extension of the Emissions Trading Scheme;

5. Apprehensive of the negative environmental and social effects of plantfuel production and trade in the absence of effective environmental regulation, calls for the urgent establishment of reliable, sustainability certification for the production and import of biofuels and their feedstocks, as well as the assessment of their lifecycle climate impact, including possible land use change;
6. Emphasises the stress that climatic changes are placing upon the world's fresh water reserves and the need for trade and investment agreements relating to water to take this stress into account and to promote innovative solutions;
7. Urges the Commission, with a view to achieving the Lisbon objectives, to give its support, in the international negotiations taking place in the fields of trade and climate change, to the dismantling of commercial barriers to environmentally friendly technologies and services, particularly since, thanks to efficient and technologically innovative European undertakings, the EU should be a market leader in the worldwide export of environmental goods and services (EGS), and since Galileo and the Global Monitoring for Environment and Security System (GMES) could be used to monitor CO<sub>2</sub> emissions;
8. Notes that the transfer of energy efficiency and other environmentally friendly technologies from the EU to developing countries has a crucial role to play in decoupling economic development from greenhouse gas emission;
9. Urges that aid to transport be calculated taking in to account the environmental impact of the different methods of transport, and that consideration be given to using market-compatible trade instruments (such as labelling and standards) which promote climate protection;
10. Notes the inseparable link between trade and the transport sector; urges that consideration be given to all means of transport and in particular those whose emissions have increased significantly in recent years, namely shipping, which produces double the carbon emissions of aviation; welcomes the Commission's proposal to include shipping in the EU Emissions Trading Scheme;
11. Considers that, given that the real carbon cost of road transport is not known, especially in the case of food and other daily consumables, support schemes to promote sustainable local production should be regarded as acceptable and promoted so as to discourage the excessive transport by road of food; also recommends the introduction of climate labelling standards to inform consumers of the ecological footprint of products;
12. Highlights the fact that, on the basis of the principle of free trade, emissions trading (the market in pollution rights) in the field of environmental legislation is capable of substantially improving the efficiency of pollution prevention;
13. Notes that the EU is already a world leader in alternative energy technologies, such as solar panels and wind turbines, and calls for a full commitment to green technologies through the introduction by the Member States of a 0% import tariff for green technologies and energy-saving equipment;
14. Considers it necessary to review international trade agreements so as to ensure their

compatibility with and contribution towards climate policy goals including, inter alia, removing barriers to low carbon technology transfer, and the introduction after 2012 of carbon duties for countries that are not party to the Kyoto Protocol or global climate agreements;

15. Believes that WTO rules should not prevent Member States from encouraging the further development of low energy technologies by insisting on technical neutrality, which could undermine incentives for the development of renewable technology.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	13.9.2007
<b>Result of final vote</b>	+: 41 -: 0:
<b>Members present for the final vote</b>	Šarūnas Birutis, Jan Březina, Philippe Busquin, Jorgo Chatzimarkakis, Giles Chichester, Den Dover, Nicole Fontaine, Adam Gierek, Norbert Glante, András Gyürk, Erna Hennicot-Schoepges, Ján Hudacký, Romana Jordan Cizelj, Romano Maria La Russa, Eluned Morgan, Angelika Niebler, Reino Paasilinna, Atanas Papanicolas, Francisca Pleguezuelos Aguilar, Miloslav Ransdorf, Herbert Reul, Mechthild Rothe, Paul Rübig, Andres Tarand, Britta Thomsen, Radu Țirle, Alejo Vidal-Quadras, Dominique Vlasto
<b>Substitute(s) present for the final vote</b>	Alexander Alvaro, Ivo Belet, Danutė Budreikaitė, Joan Calabuig Rull, Neena Gill, Françoise Grossetête, Satu Hassi, Edit Herczog, Vittorio Prodi, Bernhard Rapkay, Esko Seppänen, Dirk Sterckx, Vladimir Urutchev
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Sepp Kusstatscher, Thomas Mann, Hans-Peter Mayer, Luisa Fernanda Rudi Ubeda



## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	9.10.2007
<b>Result of final vote</b>	+ : 25 - : 2 0 : 1
<b>Members present for the final vote</b>	Kader Arif, Carlos Carnero González, Daniel Caspary, Françoise Castex, Christofer Fjellner, Glyn Ford, Béla Glattfelder, Ignasi Guardans Cambó, Eduard Raul Hellvig, Jacky Henin, Sajjad Karim, Alain Lipietz, Caroline Lucas, Marusya Ivanova Lyubcheva, Erika Mann, Helmuth Markov, David Martin, Vural Öger, Georgios Papastamkos, Robert Sturdy, Daniel Varela Suanzes-Carpegna, Zbigniew Zaleski
<b>Substitute(s) present for the final vote</b>	Jean-Pierre Audy, Vasco Graça Moura, Eugenijus Maldeikis, Zuzana Roithová
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Cristian Silviu Buşoi, Jean Louis Cottigny