



GETTING IN ON THE ACCTS: HOW THE UK CAN USE ITS INDEPENDENT TRADE POLICY TO TACKLE CLIMATE CHANGE

Summary

- The UK should join the Agreement on Climate Change, Trade and Sustainability (ACCTS), a group of six countries committed to using trade rules to tackle climate change
- By becoming a member of ACCTS, the UK would be using its newly independent trade policy to show global leadership on the vital issue of climate change
- ACCTS membership would mean that the UK would commit to trade more freely in environmentally-friendly goods, as well as eliminating damaging fossil fuel subsidies

Introduction

January 2021 is a critical moment. The Brexit transition period has ended and preparations for November's vital international climate negotiations are being stepped up. At this time, the UK has a unique opportunity to enact trade policies that support climate action.

After Brexit, the UK will have greater independence and flexibility when it comes to trade policy. However, there has been little discussion of how the UK's independent trade policy can contribute to the greatest challenge of our age, the fight against climate change.

This is a historic moment. The climate talks taking place in Glasgow in November are vital for ensuring the effective implementation of the Paris Agreement and restricting global warming to 1.5°C. In the lead-up to the talks, the UK needs to step up and show increased ambition on climate change and trade. The UK should take this opportunity to join the Agreement on Climate Change, Trade and Sustainability (ACCTS), a small group of countries aiming to use their trade policies to help tackle climate change.

Climate change and trade policy

Climate change is an existential challenge. Already, its effects are being seen in rising seas, biodiversity loss and extreme weather. Scientists are clear that keeping global warming below 1.5°C is the only way to limit irreparable damage to our planet and its species.¹ The fight against climate change is closely linked to other global priorities, such as ending poverty and achieving the Sustainable Development Goals. Climate change is affecting every country, but it is having the most severe impact on the lives and livelihoods of the most vulnerable.



The rules and institutions that govern global trade play a key role in shaping the world's response to the climate crisis. They have been pitifully slow to reform themselves. The fundamental priority of the global trading system, from the World Trade Organisation (WTO) itself to the web of trade agreements between countries, is to maximise the volume and value of trade. This means that countries are incentivised to make trade easier by making irresponsible choices, such as cutting environmental regulations and subsidising mining

and fossil fuel extraction. Additionally, trade directly contributes to global warming: freight transport associated with global trade accounts for more than 7% of the world's carbon emissions.²

The WTO has the potential to play an important role in the battle against climate change. But it has often proved an obstacle to climate action, repeatedly failing to reform its rules and procedures. The clearest demonstration of this comes in the fact that countries are repeatedly challenged under WTO rules for subsidising their own renewable energy sectors: programmes in countries including the USA, India, China and Italy have all been challenged through the WTO.

The UK has an opportunity to use its new trade policy, and its new seat at the WTO, to provide global leadership on climate issues. Indeed, the Trade Secretary Liz Truss has named the environment as one of the government's three priorities within the WTO.³ Meanwhile, COP 26, the international climate negotiations, will take place in Glasgow in November 2021. These are the most important such negotiations since the Paris talks in 2015. As host and chair of COP 26, the UK government has a major responsibility to be at the forefront of efforts to ensure that the talks are a success. It will need to use all its diplomatic resources, as well as ensuring that has its own house in order. To this end, the UK should become part of the Agreement on Climate Change, Trade and Sustainability, a small group of countries developing commitments to ensure that trade is more sustainable, and that trade rules are used to strengthen global action on the climate.

What is the Agreement on Climate Change, Trade and Sustainability (ACCTS)?

A CCTS was announced in September 2019. The signatories are committed to work within WTO rules to promote climate-friendly policies, announcing:

...our aim is that ACCTS will demonstrate in a concrete and substantive manner how trade measures and trade policy can – and must – support climate and environmental objectives and provide momentum towards an eventual multilateral set of outcomes.”⁴

The original signatories were New Zealand, Costa Rica, Fiji, Iceland and Norway. In January 2020, Switzerland announced that they were also participating in the negotiations. By signing up to ACCTS, countries are demonstrating support for the reform of trade rules to prioritise the environment – a massive shift in emphasis for the global trading system. Specifically, they are also committing to act in three different areas (see below).



The original five ACCTS signatories, credit: Ragnhild Simenstad/Norway UN delegation

ACCTS is intended to be the start of something: an agreement that exists within the structures of the WTO that aims to get an ever-increasing number of countries on board. For the UK to join ACCTS in 2021 would send a clear message to the other members of the WTO that post-Brexit Britain is a champion for environmentally-sustainable trade.

What does ACCTS include?

The countries that have signed up to ACCTS have made commitments in three areas.

1 Liberalising trade in environmental goods and services

An obvious way in which trade policy can support global climate action is by ensuring that it is easy and cheap to trade in goods and services that have a positive impact on the environment.

This means eliminating tariffs and other barriers that might prevent these goods and services being sold where they are most needed. Furthermore, the easier it is to sell environmentally-friendly products around the world, the more likely it is that these will receive the investment and development that they so urgently need.

Environmental goods and services are defined as *'activities which produce goods and services to measure, prevent, limit, minimise or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco-systems.'*¹⁵ This would include bicycles, wind turbines and solar panels. But it would also include the engineering services to maintain hydroelectric

plants, or consultancy services helping governments manage pollution and waste. The proposed cutting of tariffs on these products to zero would not just apply to trade between ACCTS signatories; it would be offered to all WTO members.

This would be a simple requirement for the UK to comply with. The post-Brexit UK Global Tariff is a further reduction on the EU's generally low tariffs. The UK's liberalising commitments when it comes to environmental goods and services include:

- Maintaining zero-tariff access for the 67 products for which the EU had already eliminated tariffs
- Removing tariffs on a further 133 product categories⁶

Committing to further liberalisation in these products would bring environmental benefits, as well as being consistent with the UK government's pro-free trade approach. It would also be likely to attract support from the business community, given that the UK has a comparatively developed environmental goods and services sector which is keen to export its products (and its environmental benefits) around the world.

2 Eliminating fossil fuel subsidies

The burning of fossil fuels is a massive contributor to global warming. 89% of global carbon emissions are from fossil fuels and industry.⁷ Yet governments around the world continue to subsidise coal, oil and gas, pouring \$500bn of public money into the production and consumption of fossil fuels every year.⁸

ACCTS seeks to change this by requiring signatories to phase out these subsidies. New Zealand Prime Minister Jacinda Ardern has said:

*'if trade rules can require subsidies to be removed from things like agriculture, then it is only consistent that they also require subsidies to come off polluting fossil fuels.'*⁹

The UK offers the fossil fuel industry an estimated £10 billion of public support each year, mainly through cutting VAT on domestic fuel and electricity, and through not implementing scheduled rises in fuel duty.¹⁰ Deciding to eliminate these fossil fuel subsidies would be a massive step in the right direction for the UK – and since the price of fossil fuels has been low throughout 2020, now is a golden opportunity to wean ourselves off these subsidies.¹¹ The UK government's 'Green Plan' includes measures such as ending the sale of petrol and diesel cars within 10 years; using public money to promote non-renewable fuels will soon begin to look severely outdated.¹² Reallocating these subsidies to support renewable energy, insulation, and green technologies would multiply the positive impact, and could ensure that consumers don't end up out of pocket.

There is some debate over the definition of 'subsidy': the UK government claims that providing a tax break to fuel consumption does not constitute a subsidy, and therefore makes the argument that the UK has no fossil fuel subsidies.¹³ However, the definition used by everyone

from the WTO to the OECD treats tax breaks as a form of subsidy.¹⁴ Whatever the definition, using public money to make it cheaper to burn fossil fuels is playing fast and loose with the health of the planet.

Despite the clear environmental and moral incentive to do so, countries have been reluctant to remove fossil fuel subsidies, for fear of placing their industries at a comparative disadvantage. ACCTS goes some way towards allaying this concern by committing multiple countries – including major fossil fuel producers such as Norway – to tackling subsidies at the same time.¹⁵

3 Guidelines for voluntary eco-labelling programmes

A powerful factor in encouraging more environmentally-friendly goods is consumer choice. Under ACCTS, signatories commit to developing a shared methodology for calculating the environmental impact of goods and displaying it to consumers. This could become a label that would give the public information on which to base their decisions.

The responsibility for making environmentally-friendly choices should not fall solely onto the consumer. However, research has shown that the sheer variety of ethical and environmental labels on display have created consumer confusion and damaged the credibility of the ethical claims that brands make.¹⁶

Developing a clear common approach to labelling goods could be a key step towards helping consumers play a more powerful role in the battle against climate change.

Why should the UK take action?

Climate change is an urgent global priority that is irreversibly damaging the planet. All countries must play their part, but the UK has a particular responsibility to take the lead. As the first country to industrialise, fueled by coal and oil, the UK's historic emissions dwarf almost every other country – it is calculated that the UK accounts for 4.9% of all historic carbon emissions.¹⁷ By contrast, most African countries have contributed less than 0.01% of the total figure.

Of course, the UK has already made some impressive commitments when it comes to climate change, being the first major economy to have passed laws to reach net zero by 2050. The phasing out of fossil fuel subsidies will be a vital step to achieving that net zero target.

Furthermore, the approach taken by ACCTS – making climate commitments, and using diplomatic networks to encourage others to follow suit – reflects how the UK is seeking to tackle other issues, such as plastic pollution.¹⁸ The UK has promised to use its WTO seat to “lead the defence of free, fair, rules-based international trade, pioneering a route to prosperity that lies through working together, not protectionism.”¹⁹ It's time to ensure that those rules help to protect the planet.

Conclusion

In early 2020, the ACCTS countries announced that they wanted the initiative to be a “template for action”, and that membership would be open to all countries who met the standard.²⁰

The UK is a G7 economy and the host of the Glasgow climate negotiations. By applying to join the ACCTS in 2021, the UK could boost the profile of the Agreement, and help bring other countries on board. Furthermore, by eliminating both tariffs on environmental products and domestic fossil fuel subsidies, the UK would be taking significant and meaningful steps towards tackling climate change.

In November 2020, the UK Prime Minister Boris Johnson announced a ten point plan to “create, support and protect hundreds of thousands of green jobs, whilst making strides towards net zero by 2050.”²¹ Joining ACCTS would strengthen these commitments, and would send a clear message about how Britain plans to use its new independent trade policy.

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traidcraftexchange.org

policy@traidcraft.org

[@traidcraftexch](https://twitter.com/traidcraftexch)

Endnotes

All accessed 14 December 2020

¹ <https://www.ipcc.ch/sr15/chapter/spm/>

² <https://www.itf-oecd.org/sites/default/files/docs/cop-pdf-06.pdf>

³ <https://www.gov.uk/government/speeches/elizabeth-truss-outlines-bold-new-era-for-trade>

⁴ <https://www.beehive.govt.nz/sites/default/files/2019-09/ACCTS%20joint%20leaders%20statement.pdf>

⁵ Definition from OECD: p9, https://unstats.un.org/unsd/envaccounting/ceea/archive/EPEA/EnvIndustry_Manual_for_data_collection.PDF

⁶ <https://www.iisd.org/articles/uk-global-tariff-new-broom>

⁷ <https://www.clientearth.org/latest/latest-updates/stories/fossil-fuels-and-climate-change-the-facts/>

⁸ <https://www.theguardian.com/environment/2020/jun/06/covid-19-relief-for-fossil-fuel-industries-risks-green-recovery-plans>

⁹ <https://www.beehive.govt.nz/release/new-zealand-leading-trade-agreement-driving-action-climate-change-and-environment>

¹⁰ The average of the most recent years for which data is available is £10 billion: p429, https://ec.europa.eu/energy/sites/ener/files/documents/energy_prices_and_costs_-_final_report_-_annexes_v12.3.pdf

¹¹ <https://www.iea.org/articles/low-fuel-prices-provide-a-historic-opportunity-to-phase-out-fossil-fuel-consumption-subsidies>

¹² <https://www.bbc.co.uk/news/science-environment-54981425>

¹³ <https://questions-statements.parliament.uk/written-questions/detail/2019-01-23/211670>

¹⁴ The WTO's definition of subsidy, which has been accepted by the 164 WTO Member States including all G20 countries, includes “government revenue that is otherwise due, foregone or not collected (e.g. fiscal incentives, such as tax expenditures)”: www.wto.org/english/docs_e/legal_e/24-scm.pdf

¹⁵ The EU has also committed to remove fossil fuel subsidies as part of the European Green Deal

¹⁶ <https://www.theguardian.com/environment/2010/sep/27/ethical-food-labelling-which-survey>

¹⁷ <https://ourworldindata.org/contributed-most-global-co2>

¹⁸ <https://www.theguardian.com/environment/2020/nov/19/uk-to-support-plans-for-new-global-treaty-to-turn-tide-on-plastic-pollution>

¹⁹ <https://www.gov.uk/government/speeches/elizabeth-truss-outlines-bold-new-era-for-trade>

²⁰ <https://www.mfat.govt.nz/en/media-and-resources/ministry-statements-and-speeches/trade-ministers-express-support-for-the-agreement-on-climate-change-trade-and-sustainability-at-the-world-economic-forum-davos-2020/>

²¹ <https://www.gov.uk/government/news/pm-outlines-his-ten-point-plan-for-a-green-industrial-revolution-for-250000-jobs>