

*Energy Modeling Forum*

*Workshop on Climate Change Impacts and Integrated Assessment*

# **Institutions in a Mosaic World**

## **Trade: Introduction**

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# Trade and Competitiveness

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## Key challenges arising from differentiated national policies

- **Developed world: implications for imports and exports of commodities produced by domestic energy-intensive, trade-exposed industries and future investment in those industries.**
  - The issue is the impact of c-price on profit margin, not on cost
- **Developing world: impacts from response measures in the developed world on their domestic economies, including demand for exports and terms of trade.**

While the economic effects may be small for an overall economy, e.g. USA, they can be very significant for particular nations, sectors, firms, and plants.

They are politically important for a variety of debates: employment, jobs, outsourcing, leakage etc.

# UNFCCC and Trade

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UNFCCC §3.5: 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.

KP §2.3: The Parties included in Annex I shall strive to implement policies and measures under this Article in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties and in particular those identified in Article 4, paragraphs 8 and 9, of the Convention, taking into account Article 3 of the Convention. The Conference of the Parties serving as the meeting of the Parties to this Protocol may take further action, as appropriate, to promote the implementation of the provisions of this paragraph.

UNFCCC & Kyoto Protocol provisions are aligned,  
in principle, with existing Trade regimes

# Institutional Issues

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- **WTO provides an established, independent, (often controversial) framework for conduct of trade and resolution of disputes**
  - Objectives not aligned with those in climate negotiations
  - May be at odds with national policy proposals involving subsidies and various types of border adjustments
- **National delegations engaged in climate negotiations are grounded in environmental, not economic, political milieu; many actively seek to counter influence of WTO**
- **Implementation of “border adjustments” poses enormous political and methodological challenges**
  - Forum on Impacts of Response Measures
  - Inclusion of international aviation in EU-ETS
  - Measures aimed at consumption rather than production emissions
  - Methodologies to determine Carbon Footprint
- **If you think today is challenging, imagine issues at 450 CO<sub>2</sub>eq**

Basically, climate gives the trade community an unwelcome head-ache, and vice-versa

# Methodology Matters

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*SNOWMASS VILLAGE*

*ESTABLISHED 1967*

*ELEVATION 8388*

*POPULATION 1866*

*TOTAL 12,221*

TOWN  
MAPS

# ExxonMobil Global Petroleum Supply Chain

