

# Product Standards for a Low-Carbon Economy: Why do rules and work of the WTO matter?

**Dr. Kateryna Holzer**

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# Introduction

- Project *Cool Heads in a Warming World: How trade policy can fight climate change*, led by Prof. D. Esty, Yale Center for Environmental Law and Policy

***Trade and carbon standards: Why regulatory cooperation is needed***, a contribution by K. Holzer & A. H. Lim

- Research focus shifts from the compliance of carbon standards with TBT rules to how the TBT Agreement and its corresponding Committee can contribute to a better governance of carbon standards



# Links to Paris Agreement obligations

- The implementation of the Paris Agreement is likely to spur the adoption of carbon standards and labels worldwide
- Some parties (e.g. Vietnam, Bahamas, EU etc.) already declared the use of carbon standards in their submitted nationally determined contributions (NDCs)
- The implementation of the EU Green Deal for the achievement of the 55% emissions reduction target by 2030 calls for the introduction of new, more stringent mandatory carbon-related standards

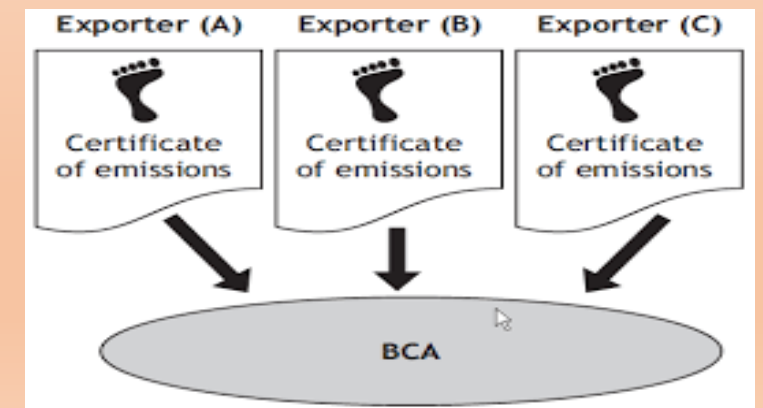


# Certificates and labels as implementation measures for other climate policy-related measures

- The use of certification and labelling schemes for the implementation of PPM-based tariffs
  - ✓ Sustainability requirements for palm oil imports under EFTA-Indonesia FTA (Swiss Referendum of March 7<sup>th</sup>, 2021)
- Carbon footprint certification for border carbon adjustment?



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# Regulatory challenges of carbon standards

- Fragmentation and incoherence are major challenges of carbon standards governance
- Many carbon standards are promulgated by private companies
- Business ventures instead of sustainability outcomes
- Problems with methodology and conformity assessments
  - result in different footprint values for the same product of the same origin
  - confuse consumers and undermine their trust in carbon standards
  - popularize environmentally unsound standards
  - lead to high costs of compliance for producers
  - create trade tensions

# Public-private cooperation on carbon standards

- Hybrid models (e.g. EU biofuel regulation: EU Directive sets sustainability criteria for biofuels, EU Commission gives accreditation to private certification companies for certifying compliance)
- Involving private certification schemes in public procurement
- Integrating private certification schemes in GSP schemes and FTAs
- What about disciplining non-governmental standard-setting bodies (TBT Art. 4.1)?
- Funding business projects (e.g. STDF in the SPS area)

# Interstate regulatory cooperation on carbon standards

- Using existing mechanisms under the TBT Agreement (transparency mechanism, non-discrimination rules, encouragement of international standards etc.)
- Focusing on the TBT Committee's work (discussions of specific trade concerns, committee's normative work, improving notifications)
- Providing technical assistance and capacity-building to developing countries
- Enhancing cooperation between the WTO and the UNFCCC (an information exchange, institutional learning etc.)