



E3G

BRIEFING PAPER September 2023

THE COALITION OF TRADE MINISTERS ON CLIMATE

TURNING COMMITMENTS INTO ACTION

JONNY PETERS

Increasing international cooperation on green trade will be essential for achieving climate goals. The new Coalition of Trade Ministers on Climate is therefore a crucial initiative, which has already gained the support of members from across the world. Now the Coalition needs to turn its founding commitments into action to have impact. It can achieve this by adopting political priorities and influencing the green trade agenda in other international institutions and venues.

The Coalition of Trade Ministers on Climate is an important development. The profile of green trade issues is increasing internationally – bringing both risks and opportunities. There is clear need for political-level agenda-setting on green trade globally.

The Coalition has already started to take shape. It has rightly prioritised inclusivity in its membership, rather than starting narrower and proposing tighter criteria. So far, it brings together 57 ministers from countries in every global region and of all levels of development.

This starts to define the Coalition's theory of change. As a larger, inclusive forum, its purpose should be to give political direction to the global green trade agenda and influence through agenda-setting in other international venues and initiatives.



E3G

Recommendations

- > The Coalition should meet regularly at both WTO Ministerial Conferences and UN climate summits.
- > The Coalition should establish a secretariat with a strategic mandate to enhance its agenda-setting influence in these venues.
- > As a political-level forum, the Coalition should adopt political priorities. Top political priorities for global green trade currently include:
 1. Clean technologies – enabling the faster uptake and diffusion of clean technologies around the world through trade cooperation.
 2. Critical raw materials – strengthening supply chains while supporting sustainable development in producer countries.
 3. Green subsidies – promoting dialogue on effective and permissible green subsidies with a view to reforming global rules where needed.
 4. Development – including by supporting the trade dimension of the Bridgetown Agenda for reforming the global financial architecture.
 5. Climate action – using trade cooperation as a means of increasing climate action with a focus on priority sectors.

Mapped against these areas of political interest, the main policy levers at trade ministers' disposal include:

1. Coordinated action – coordinating new policies and commitments to maximise the impact of interventions.
2. Finance and investment – mobilising more trade-related finance to support climate and sustainable development objectives.
3. Technology transfer – facilitating the exchange of technical information and skills to accelerate green industrial development globally.
4. Reforming trade rules – assessing where reforming trade and investment rules may be required to advance green trade objectives.

Some of these areas could progress faster than others. For example, progress on trade-related finance – including the net zero alignment of Export Credit Agencies, implementing the Glasgow Statement on public finance, coordinated pledging of new trade finance for clean technologies, or increased finance for



E3G

climate adaptation and resilience through Aid for Trade – may come more quickly than reforming trade rules.

However, progress in less contentious areas can build trust towards delivering more systemic change. The Coalition should not lose sight of its transformative potential and the goal of aligning all trade flows with the goals of the Paris Agreement.

Context

The Coalition of Trade Ministers on Climate was launched in early 2023, in the context of the increasing prominence of trade and climate issues globally.

The passage of the Inflation Reduction Act (IRA) in the United States in 2022, with its \$369bn investment in clean technologies, has elevated several issues to the forefront of the green trade debate. These include competitiveness in cleantech manufacturing, the fair and effective use of green subsidies, and the need to secure access to critical raw materials – against the backdrop of China’s dominance in these areas.

In parallel, the introduction of the EU’s Carbon Border Adjustment Mechanism (CBAM) has reshaped perceptions of what is possible in terms of trade and climate policymaking. The EU CBAM attempts to resolve the longer-standing debate around competitiveness and carbon leakage that, before the IRA, dominated discussions on climate and trade.

While the US IRA and EU CBAM are new developments, they have rekindled old debates about protectionism, fairness, WTO rules and reform, and the impact of developed countries’ policies on developing countries.

Meanwhile, alongside the growth of these concerns, there has been a steady increase in the desire to make trade part of the solution to addressing climate change. This is visible in some of the policies and initiatives that were announced ahead of COP26, such as the anti-deforestation in supply chains proposals in the EU, US, and UK, or the Forest, Agriculture, and Commodity Trade (FACT) Dialogue initiative. More recently, the aspiration to make trade work for global climate action can be seen in the international trade objective included in the 2023 refresh of the Bridgetown Agenda.



E3G

The motivations behind the Coalition of Trade Ministers on Climate are undoubtedly part of this latter trend. However, the Coalition cannot isolate itself from the other challenging political concerns that have since come to dominate the green trade debate.

Why the Coalition is needed

The value of the Trade Ministers Coalition will come precisely from its ability to shape the wider global green trade debate.

The need for the Coalition can be understood from several perspectives:

- > **Reactive** – With green trade already becoming more of a political priority, the Coalition is needed to focus global efforts on achieving shared outcomes and taking effective policy decisions from a global trade and climate perspective.
- > **Defensive** – Since clashes between trade partners on green trade issues will inevitably increase as the transition to net zero deepens, the Coalition is needed to manage tensions and mitigate negative spillover into international climate politics. As those closest to the initiative have already said: “Put simply, while not easy, failure to cooperate on trade will undermine progress on climate goals”.¹
- > **Proactive** – However, those closest to the initiative also see the value in doing more than mitigating risks: “There are huge opportunities for mutually beneficial cooperation that can generate positive outcomes for the climate agenda, for trade, and for sustainable development”.² By breaking down siloes between trade and climate practitioners, the Coalition can already make progress in this area.
- > **Resolve pressing issues** – Geopolitical, commercial and competitiveness concerns will naturally drive ministers’ interest in the green trade agenda. Clean technologies and critical raw materials have risen to the top of agendas for these reasons. The Coalition can play a vital role in developing shared positive outcomes on these issues.
- > **Build longer-term ambition** – The Coalition can provide a “much-needed space for inclusive dialogue and trust-building”, and it has already been

¹ Carolyn Deere Birkbeck, 2023, **Trade Ministers’ Coalition Seeks to Put Climate Action at the Heart of Global Trade Policies**

² Ibid



E3G

successful in inclusively attracting members from all regions and levels of development.³ This early success has not only ensured the initiative’s relevance, but also lays the foundation for impact in future: the most transformative outcomes that could come from the green trade agenda – including on climate, trade, and development and on reforming the global trade and financial architecture – will come from increasing developing country representation and providing a space for reform agendas to grow.

How the Coalition can have impact

While the need for the Coalition is clear – and it has already been successful in rallying support from ministers across the world – what remains less clear is how the Coalition plans to take its agenda forward.

Lessons can be drawn from the large number of international climate initiatives that have been developed over recent years. The UN currently track 287 initiatives in their international climate initiatives database, 38 of which, for example, already touch on supply chain emissions reductions.⁴ While developing its own role, the Coalition should learn from the successes and failures of initiatives that have come before.

Theories of change

The most successful international initiatives have clear strategies grounded in theories of change. These strategies will be developed and often delivered by their secretariats, with support, including vital political support, from their convening or chairing government partners.

International initiatives’ theories of change generally exist along a spectrum:

1. **Start smaller, with ambitious criteria – influence change by growing the membership of the initiative.** Use the growing membership to increase political influence and engage key countries or businesses.

Examples: Powering Past Coal Alliance (PPCA), Beyond Oil and Gas Alliance (BOGA), Export Finance for Future (E3F), Glasgow Statement (on ending international public finance for fossil fuels).

³ Carolyn Deere Birkbeck, 2023, **Trade Ministers’ Coalition Seeks to Put Climate Action at the Heart of Global Trade Policies**

⁴ UNEP, accessed 2023, **Climate Initiatives Platform**



E3G

-
2. **Start with larger membership – influence change by embedding the initiative in other venues and institutions.** Use the initiative for agenda-setting, leverage existing political buy-in to influence decision-makers.

Examples: Coalition of Finance Ministers for Climate Action, Glasgow Financial Alliance for Net Zero (GFANZ), Energy Transition Council (ETC), Forest, Agriculture, and Commodity Trade (FACT) Dialogue, Glasgow Leaders' Declaration on Forests and Land Use, Global Methane Pledge.

The Coalition of Trade Ministers on Climate is on the larger end of the spectrum, and has already been successful in balancing its membership, prioritising inclusivity, and leveraging early political buy-in. It is too new to have yet embedded itself in other institutions. However, delivering on this next will be vital if the initiative is to have impact in the future.

The Coalition of Finance Ministers for Climate Action was the original inspiration for the Trade Ministers Coalition.⁵ The Finance Ministers Coalition has been successful in embedding itself in its two main constituencies: the financial institutions of the World Bank and IMF – by meeting regularly at the World Bank/IMF Spring Meetings – and the UNFCCC – by meeting regularly at COPs.

The Trade Ministers Coalition should replicate this pattern by meeting regularly at WTO Ministerial Conferences and at UNFCCC COPs. It is important the Coalition learns from and bridges its two main constituencies, before starting to exercise its agenda-setting potential.

However, lessons can also be drawn from the limitations of the Finance Ministers Coalition. While the initiative has certainly played a role in shaping and elevating the green finance agenda globally, it has stopped short of seeking to play a role in accelerating critical reforms in the global financial architecture, to the detriment of its relevance to those important discussions now unfolding today.

Part of this comes down to the importance of appointing a secretariat with a strategic mandate to keep the initiative politically relevant. In the case of the Finance Ministers Coalition, its convenors appointed the World Bank and IMF as the secretariat. While on the one hand this decision fully illustrates the logic of embedding within institutions, but on the other, it also shows the risk of aligning too closely with the institutions that the initiative is seeking to influence.

⁵ Carolyn Deere Birkbeck, 2021, **Trade ministers must pull their weight on climate action**



E3G

Establishing the Coalition's priorities

The Coalition of Trade Ministers is ultimately a political-level forum. Its priorities should therefore attempt to shape trends in green trade politics, which currently include:

1. **Clean technologies** – Competitive advantages in and access to clean technologies have risen to the top of the green trade debate, in the context of China's dominance in these sectors but particularly following the US IRA. Trade practitioners have historically approached this general topic from the perspective of liberalising environmental goods and services. However, WTO negotiations in this area stalled in 2016. In their place, the Coalition can play an important role in developing a more holistic agenda, using trade cooperation to support the faster diffusion and uptake of clean technologies through a wider range of means than only through tariff liberalisation.

Partner institutions: WTO, ITC, UNCTAD

2. **Critical raw materials** – Supply chain resilience and access to the raw materials needed for renewable energy and battery technologies have shot up the agenda recently in the context of increasing demand and US–China de-risking. Some producer countries, such as Indonesia, have reacted by deploying export restrictions, aiming to increase investment up the value chain in domestic industrial capacity. The Coalition can play an important role in developing shared understandings and solutions that work for both consumer and producer countries.

Partner institutions: IEA, IRENA

3. **Green subsidies** – The US IRA is only the latest example in a growing number of clashes that have occurred over local content requirements for clean technologies. China's dominance, the US IRA, and other countries' economic responses, have also exposed the risks to developing countries of being shut out of a global green subsidies race. The Coalition can start addressing this by focusing on the policy space available to developing countries under existing trade rules – particularly for least developed countries, considering the principles of special and differential treatment. In time, the Coalition can then consider a wider subsidy reform agenda.

Partner institutions: WTO

4. **Development** – The intersection of climate, trade, and development has risen in prominence in recent years. The 2023 refresh of the Bridgetown



E3G

Agenda has provided fresh political impetus.⁶ The Coalition should offer itself as a partner for advancing the trade priorities of the Bridgetown Agenda, in consultation with the government of Barbados. In the context of calls for reforming the global financial architecture, debt reform, and increasing access to climate and development finance, trade has a potentially transformative role to play in resetting economic relations between developed and developing countries to also address the climate crisis.

Partner institutions: UNCTAD, WTO, ITC

5. **Climate action** – Political appetite to make trade part of the solution to addressing climate change continues to grow steadily. There is a trade dimension to almost all the sector-focused international climate initiatives that have grown in number over recent years. The Coalition should position itself as an enabling forum for collaboration with these initiatives to unlock the trade-related aspects of their work.

Partner institutions: UNFCCC

What trade policy and politicians can offer

Mapped against these areas of political interest, the main policy levers at trade ministers' disposal include:

1. **Coordinated action** – By coordinating policies and commitments, ministers can increase the impact of the interventions they want to make. Coordinated policy action can also increase efficiencies and lower costs. The logic of coordinated action is commonly found in sectoral climate initiatives, such as those under the Clean Energy Ministerial or the Glasgow Breakthroughs. By engaging with the trade dimension of these initiatives, the Coalition can already have impact. However, coordinated action can also support the range the political priorities listed above. The Coalition should begin by reaching out to find partner initiatives, with the UNFCCC system being the most fruitful place to find collaborators.

Partners: UN Climate Change High Level Champions

2. **Finance and investment** – While requiring political efforts, mobilising trade-related finance is a relatively straightforward way to support policy objectives. For instance, the Coalition could support coordinated pledging of trade-related finance from its members to support the deployment of clean

⁶ United Nations, 2023, **UN Chief and Barbados Prime Minister call for urgent action to transform broken global financial system**



E3G

technologies. The Coalition could also support policy objectives such as the net zero alignment of Export Credit Agencies, or the implementation of the Glasgow Statement on ending international public finance for fossil fuels. Lastly, the Coalition could lead calls to mobilise more finance for climate adaptation and resilience through initiatives like Aid for Trade.

Partners: Coalition of Finance Ministers for Climate Action, Export Finance for Future (E3F) coalition, Net Zero Export Credits Alliance, Glasgow Statement convenors, WTO (Aid for Trade)

- 3. Technology transfer** – Technology transfer is a long-standing commitment under the UNFCCC, with various initiatives such as the UNFCCC Technology Mechanism taking these objectives forward. However, those initiatives have stopped short of addressing issues like intellectual property rights, in part due to being unable to engage effectively with trade policy practitioners. While this is at times a deeply political area, the Coalition can begin by developing more of a common understanding of the role technology transfer can play in trade policymaking for climate cooperation, including in bilateral and plurilateral trade discussions, and by considering coordinated action or commitments among its members.

Partners: UNFCCC Technology Mechanism, WTO (TRIPS Agreement)

- 4. Trade rules** – While reforming global trade rules sometimes feels like a distant prospect, the debate around investor-state dispute settlement (ISDS) and ending investment protection for fossil fuels has accelerated quickly in the context of several countries' withdrawal from the Energy Charter Treaty (ECT). Besides the ECT, there are more than 2,500 investment treaties in force globally that continue to protect fossil fuel investments. The Coalition could position itself at the forefront of driving plurilateral solutions to make investment treaties work better for climate action. The Coalition can also explore options for reforming WTO treaties in the longer term, potentially beginning with a fresh legal – ideally WTO mandated – interpretation of the policy space available to developing countries when it comes to green subsidies.

Partner institutions: OECD (Work programme on the Future of Investment Treaties), WTO (ASCM and TRIPS)



E3G

Conclusion

The Coalition of Trade Ministers on Climate is a much-needed initiative and has already been successful in securing a strong, balanced membership. However, the Coalition has important decisions to take in the near term to ensure it remains relevant and goes on to have impact in future.

Some of those decisions are as simple as appointing a secretariat and locking the Coalition into the right rhythm of international meetings. However, some priorities extend as far as seeking to reform the multilateral trading system.

Thought leaders around the Coalition have already identified collaboration with the Coalition of Finance Ministers as an example of where the Coalition can already have impact.⁷ Progress on trade-related finance – including the net zero alignment of Export Credit Agencies, implementing the Glasgow Statement on public finance, and coordinated pledging of new trade finance for clean technologies – could indeed be one of the more fruitful areas for the Coalition to prioritise early on.

However, while searching for near-term priorities, the Coalition should also not lose sight of its longer-term transformative potential and the ultimate goal of aligning all trade flows with the goals of the Paris Agreement.

About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

More information is available at www.e3g.org

Copyright

This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 License. © E3G 2023

⁷ Carolyn Deere Birkbeck, 2023, [Trade Ministers' Coalition Seeks to Put Climate Action at the Heart of Global Trade Policies](#)