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ENHANCING THE UK'S GREEN TRADE APPROACH TO PRIORITY COUNTRIES: CLIMATE COOPERATION AGREEMENTS INSIDE AND ALONGSIDE TRADE DEALS

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The UK continues to prioritise Free Trade Agreements (FTAs) as its primary trade strategy. To avoid undermining its international climate strategy, and losing public support for its trade strategy, the UK's approach to trade deals needs to be better aligned with its climate objectives. To achieve this, the UK should pioneer climate cooperation agreements inside and alongside its trade deals.

Summary

- > **Inside UK trade deals**, commitments to the Paris Agreement and net zero should be considered a bare minimum for green trade. Formal commitments to climate cooperation are valuable inside FTAs (p.3)
- > **Alongside UK trade deals**, greater focus should be given to operationalising the formal cooperation elements inside FTAs. Climate cooperation agreements should be agreed and announced in parallel to FTAs (p.4)
- > **Inspiration should be taken from UK JETCOs**. Recent examples of the UK's Joint Economic and Trade Commission (JETCO) discussions have successfully advanced climate cooperation alongside FTAs (p.4)
- > **UK International Climate Finance announcements** could be prioritised as a part of FTA-adjacent climate agreements with India and Mexico (p.5)
- > **Net zero commitments should be considered a 'red line'** for green trade, and a fundamental area for climate and trade cooperation. Countries with net zero commitments now represent 90% of global GDP. However, the UK is about to start trade negotiations with the Gulf Cooperation Council (GCC), despite half of the GCC not having net zero commitments (p.6)



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Context

The UK is planning several FTAs with a wide variety of countries. These are summarised in Table 1, where we also highlight suggestions for priority climate issues for cooperation agreements.¹

Table 1: Upcoming UK FTAs and priorities for climate cooperation

Trade partner	Status	Priorities for climate cooperation, inside and adjacent to FTAs
Australia	Ratification underway	Updated climate targets and net zero cooperation
New Zealand	Agreement in principle	Carbon pricing; fossil fuel subsidy reform
India	Negotiations, aim for October 2022 conclusion	Net zero; UK International Climate Finance support for India's 'coal to clean' transition
CPTPP	Negotiations, aim for end-2022 conclusion	Side letter opt-out from investor-state dispute settlement (ISDS)
United States	Negotiations stalled, Dialogues ongoing	Industrial decarbonisation, standards for green industrial products and public procurement
Canada	Negotiations ongoing	Carbon pricing; fossil fuel subsidy reform; Powering Past Coal Alliance (PPCA)
Mexico	Negotiations ongoing	Net zero; UK International Climate Finance support for green recovery
Gulf Cooperation Council (GCC)	Negotiations forthcoming, aim to start in 2022	Net zero – should be a 'red line' given outstanding net zero commitments from half of the GCC
Israel	Negotiations forthcoming	Net zero strategy cooperation
Switzerland	Negotiations forthcoming	Carbon pricing; fossil fuel subsidy reform

¹ Common themes can be observed: cooperation on net zero as a priority throughout; International Climate Finance offers for emerging and developing country partners; sectoral cooperation, carbon pricing and fossil fuel subsidy reform for relevant countries further ahead on climate action



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Climate cooperation inside FTAs – case study of the UK-New Zealand FTA

The recent UK-New Zealand FTA is a good example of how climate cooperation can be prioritised inside an FTA, summarised in Box 1.

Box 1: Climate and Environment in the UK-New Zealand FTA ²

The FTA includes a “ground-breaking” environment chapter that reaffirms the UK and New Zealand’s commitments to the Paris Agreement and their net zero goals. It also sets out clear provisions on preserving the right to regulate for climate and environmental purposes.

It encourages trade and investment in low carbon goods, services, and technology, with a “comprehensive list of environmental goods with liberalised tariffs” including products such as electric vehicles and wind turbine parts.

Specific areas of cooperation listed on climate and environment include:

- > Carbon markets and carbon pricing
- > Ending electricity generation from unabated coal
- > Ending fossil fuel subsidies
- > A more ambitious phase down of hydrofluorocarbons
- > Illegal deforestation
- > Tackling “environmental challenges” including illegal wildlife trade, air pollution, marine pollution, biodiversity, sustainable agriculture, sustainable fisheries, and the transition to a circular economy
- > Provisions to “embed sustainability across the FTA”, including on sustainable procurement, sustainable finance, and intellectual property

The UK-New Zealand FTA sets a benchmark for future UK FTAs, particularly with the likes of Canada and Switzerland, where similar issues including carbon pricing and fossil fuel subsidy reform should be prioritised.

However, while the long list of areas for climate cooperation in the FTA are positive, the FTA falls short in detailing how this cooperation will take place in practice. For this purpose, a Memorandum of Understanding or a similar statement of intent alongside the FTA is necessary.

² UK DIT (2022) **Environment, Climate Change, and Sustainability in the UK-New Zealand Free Trade Agreement**



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Climate cooperation alongside FTAs – case studies of the UK’s JETCOs with Indonesia and Vietnam

The UK’s recent Joint Economic and Trade Commission (JETCO) discussions with Indonesia (summarised in Box 2) and Vietnam (summarised below) provide good examples of how climate cooperation can be prioritised alongside an FTA.

Box 2: UK-Indonesia Partnership Roadmap 2022 to 2024 ³

In their Partnership Roadmap, the UK and Indonesia committed to a “strategic partnership” covering trade, security, climate, and innovation. The UK-Indonesia Partnership Forum will lead the delivery of the Roadmap.

On trade cooperation, the UK and Indonesia commit to exploring a future FTA under the JETCO format, along with several climate-related goals:

- > UK Export Finance support for sustainable infrastructure projects
- > Discussions on electric mobility, batteries, and critical minerals
- > Collaboration on innovative green finance projects

On climate cooperation, both sides reaffirm their commitment to the Paris Agreement, along with a series of specific bilateral objectives, including:

- > Collaboration on Indonesia’s medium- and long-term climate plans
- > Cooperation on carbon markets, carbon pricing, and trade
- > Ambition on sustainable forestry and land use, including cooperation as co-leads of the Forest, Agriculture Commodity and Trade (FACT) Dialogue

While the recent UK-Vietnam JETCO did not conclude with a substantive policy paper in the same way as with Indonesia (hence we do not provide a summary), the UK nonetheless prioritised “helping Vietnam meet their net zero goals by sharing expertise in the renewable energy sector” through their JETCO discussions.⁴ The UK has also positively engaged on Vietnam’s climate strategy and commitments on forests, coal, and methane emissions.⁵

The case of UK-Vietnam is a positive example of how talks can be used as a delivery mechanism for trade and climate cooperation after the agreement of an FTA, not merely viewing JETCOs as a precursor to FTA negotiations.

³ UK FCDO (2022) [UK-Indonesia Partnership Roadmap 2022 to 2024](#)

⁴ UK DIT (2022) [UK and Vietnam hold talks as trade increases by almost 11%](#)

⁵ Vietnam MoIT (2022) [Vietnam welcomes UK’s support in renewable energy development](#)



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International Climate Finance announcements alongside FTAs – case studies of India and Mexico

In the cases of both India and Mexico, the UK is an established provider of International Climate Finance (ICF). The UK can use the opportunity of FTA negotiations to agree side announcements on climate cooperation, which could draw on new UK ICF programming (past examples in Box 3 and Box 4 below), as well as new UK Export Finance support and cooperation on achieving net zero.

Box 3: UK International Climate Finance in India

The most prominent UK ICF initiative in India is via the Climate Finance Leadership Initiative (CFLI). The CFLI is a group of leading financial institutions that work to accelerate mobilising private capital. In India their priorities have included technical assistance and sustainable infrastructure projects to support India meeting its Nationally Determined Contribution.⁶

UK Climate Investments (UKCI) also focus on India, prioritising green energy infrastructure in areas with limited access to electricity.⁷ India has also received support via the UK's Partnering for Accelerated Climate Transitions (PACT) programme, its Market Accelerator for Green Construction (MAGC), and more generally via the CDC, the UK's development finance institution.⁸

Box 4: UK International Climate Finance in Mexico

The UK and Mexico have an established climate partnership. The most prominent UK ICF initiative in Mexico is the Partnering for Accelerated Climate Transitions (PACT) programme which prioritises five sectors: green finance, sustainable mobility, climate policy, energy, and forests and land use.⁹ UK ICF has also supported Mexico through the NAMA Facility, the Clean Energy Innovation Facility (CEIF) and the Forests 2020 programme.¹⁰

⁶ UK BEIS (2021) **Joint statement by India, UK and the CFLI on mobilising climate finance in India**

⁷ **UK Climate Investments** (2022)

⁸ UK Government (2021) **UK International Climate Finance**

⁹ UK PACT (2022) **Mexico-UK PACT**

¹⁰ UK BEIS (2021) **UK-Mexico Climate Partnership**



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Net zero as a ‘red line’ – case study of the UK-Gulf Cooperation Council (GCC) negotiations

Securing “global net zero by mid-century” was the primary goal for COP26.¹¹ And for the most part, the UK was successful. 131 countries (out of 193 Paris Agreement signatories) have now committed to net zero, representing 90% of global GDP.¹² However, only three of the six Gulf Cooperation Council (GCC) countries have committed to net zero.

Status of net zero commitments in the Gulf Cooperation Council ¹³

GCC country	Net zero commitment	Long Term Strategy
Bahrain	2060 (pledge)	None
Kuwait	No target	None
Oman	No target	None
Qatar	No target	None
Saudi Arabia	2060 (pledge)	None
United Arab Emirates	2050 (pledge)	None

Of the three GCC countries that have pledged to reach net zero, none of them have committed to achieving net zero in law. None of the GCC have submitted a Long Term Strategy to the UNFCCC, which they are required to do under the Paris Agreement.¹⁴

The UK intends to start FTA negotiations with the GCC in 2022.¹⁵ The UK should be clear from the outset that net zero commitments from the remaining GCC countries should be a ‘red line’ in the negotiations if the UK is to successfully uphold its climate objectives as part of the negotiations.

Public support in the UK for a trade deal with Gulf countries is low. While 64% of people support an FTA with Australia, only 30% of people support a deal with the UAE and only 27% of people support a deal with Saudi Arabia.¹⁶ Climate change is consistently ranked as one of the public’s top priorities. Delivering increased climate commitments through the UK-GCC trade negotiations is therefore likely to increase public support for the deal.

¹¹ UK COP26 (2021) **COP26 Goals**

¹² **Net Zero Tracker** (2022)

¹³ **Net Zero Tracker** (2022)

¹⁴ UNFCCC (2022) **Communication of long-term strategies**

¹⁵ UK FCDO (2021) **UK-GCC Foreign Ministers’ communiqué**

¹⁶ UK DIT (2022) **Public attitudes to trade tracker**



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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.

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