KONRAD ADENAUER STIFTUNG

The Climate–Trade–Development Nexus

Pathways Towards Transatlantic Cooperation

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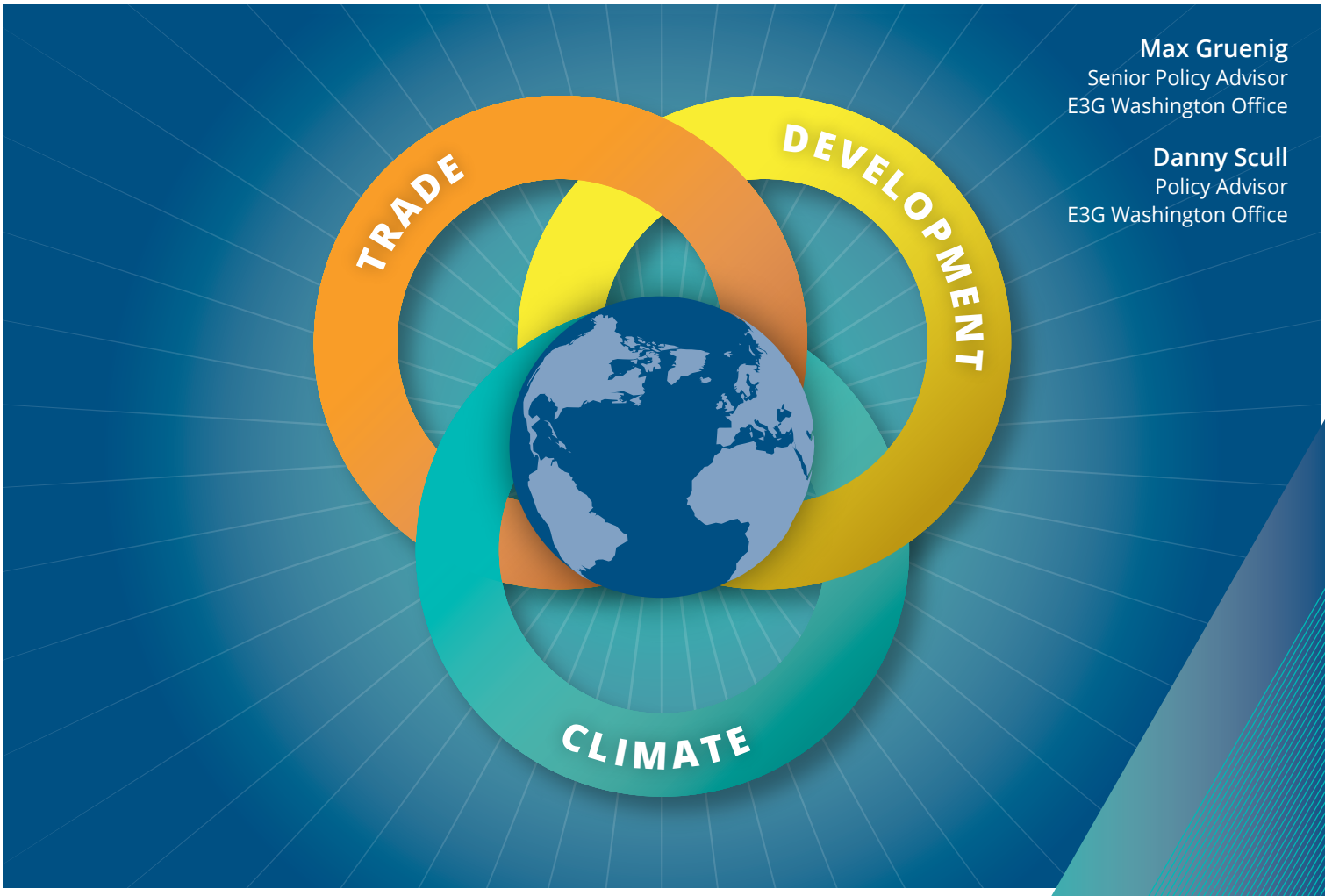

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Executive Summary

Current trade frameworks are insufficient to accelerate climate action and to achieve development opportunities for all. Addressing the climate-trade-development nexus provides a unique opportunity to work towards a future net-zero greenhouse gas economy.

Synergies are welcome, but there is a risk of encountering frictions and even cases where measures cancel each other out. This requires a new set of thinking, a systemic approach to the climate-trade-development nexus.

Transatlantic cooperation offers a significant opportunity to shape how goods and services are traded in the world. The EU and US have the required weight in terms of GDP, trade volumes and geopolitical influence to co-determine standards and frameworks for trade around the globe.

As the world recovers from the economic shock of the COVID pandemic, it is worth analysing the interplay of markets, climate goals, sustainable finance, and international cooperation to paint a picture of possible futures. Dependant on various inputs, one can envision widely different scenarios of near-term geopolitical environments, i.e., up to 2030.

Scenario One:	**"Systemic Shift"** **global economy unites the planet around 1.5C goal**
Scenario Two:	**"Unequal Green Growth"** **partially delivering on climate agenda**
Scenario Three:	**"Struggling on Development"** **climate agenda is left aside**
Scenario Four:	**"Missed Decade"** **failed climate action globally**

While any of these scenarios are possible, it is important to understand that these are just snapshots and that reality may just as well be a mix of these four scenarios and include other developments.

In order to address the climate-trade-development nexus, we want to propose a number of policy measures:

Resolved trade disputes open options for "green steel" deal

In view of the four scenarios (Systemic Shift, Unequal Green Growth, Struggling on Development, Missed Decade), a global "clean steel deal" will be more feasible in a more cooperative environment (Systemic shift) and will prove increasingly difficult in the other scenarios. Still, the EU and US can move forward even without crucial players such as China and India, as long as they take active measures to contain the geopolitical fall-out.

Carbon border tax adjustments

If we consider the four political economy scenarios from the previous section, we can see how these more "aggressive" approaches such as CBAM and Carbon Clubs might be suitable in a more divergent world such as "Unequal Green Growth", "Struggling on Development" or even "Missed Decade" where these low-coordination measures would improve the climate outcome in an unfavourable situation, albeit at the risk of further fraying international relations. On the other hand, in the "Systemic Shift" scenario, such measures may not be necessary and might be counterproductive. In other words, these options are not "no regret" options, but carry a price.

Green subsidies

A Green Subsidies approach might work particularly well in a scenario of global cooperation, such as "Systemic Shift" but can also bear fruit under less amicable circumstances, if one assumes that trade litigation can be contained, at least for waiving import tariffs.

WTO climate waiver

A WTO-level climate waiver would only be a viable option in a "Systemic Shift" scenario where all or at least most countries are on the same page as to the need to address climate change in a meaningful way. In all other settings, one would need to consider this track as aspirational, but not actionable in the near term.

Intellectual property rights

Changes to the handling of IP rights are possible under each of the four scenarios as these steps can be taken unilaterally, if necessary. It seems more politically challenging to loosen IP rights or to set up an IP Green Bank in the competitive scenarios, namely "Struggling on Development" and "Missed Decade".

The use of new trade agreements to strengthen decarbonization efforts

While new trade agreements or even revisions to existing agreements are possibilities in all four scenarios – since sometimes, they arise out of need rather than necessity – these steps are much more likely under the "Systemic Shift" scenario.

The creation of a WTO committee to harmonize tariffs and carbon taxes

Any steps involving the WTO rely on favourable framework conditions, i.e., might work under the "Systemic Shift" scenario, but will be much harder, almost impossible under the other scenarios.

Based on the options discussed in the previous section, experts identified and adapted five priority actions, listed in order of priority, by aligning climate, trade and development between the EU and the US:

Priority One:	**Energizing existing international fora**
Priority Two:	**New trade tools: CBAM alignment EU-US**
Priority Three:	**New plurilateral and bilateral trade agreements**
Priority Four:	**Supporting technology transfer**
Priority Five:	**Coordination on green public procurement**

Achieving an alignment of climate, trade and development priorities in a world with shifting power balances requires a rethinking of strategies and tools to achieve progress in all three dimensions.

The EU and the US need to identify creative pathways to energizing and reviving existing fora, seeking plurilateral approaches, while not shying away from bilateral and trilateral solutions to countering carbon leakage. While re-opening existing trade agreements is not always feasible, new future plurilateral and bilateral trade agreements offer the opportunity to include clear and binding language on climate and the environment. Last but not least, both the EU and US individually and as a team can achieve significant progress on all three aspects – climate, trade and development – by fine-tuning and revising their tools for technology transfer.

1. Introduction

Defining the Climate–Trade–Development Nexus

Humanity faces the challenge of mitigating climate change to keep global temperature increase within safe limits and averting catastrophic climate impacts for billions of people. At the same time, development opportunities for the Global South are essential to improve quality of life for current and future generations, especially considering the ongoing COVID-19 pandemic, which has exacerbated economic challenges in many developing countries, in light of the fact that many are still burdened by the debt crisis.

Trade can be an enabler of progress on these two objectives – climate and development – yet can also lead to setbacks when trade rules are not offering the right incentives or are not enforced. Current trade frameworks are insufficient to accelerate climate action and to achieve development opportunities for all. At the same time, it is insufficient to only look at the trade regime when aiming to untangle the climate-trade-development nexus.

Current trade frameworks are insufficient to accelerate climate action and to achieve development opportunities for all.

Climate policy can impact both trade and development, as currently evidenced in the discussion around proposed carbon border adjustment mechanisms. On the other hand, climate policy can also directly impact trade flows and development prospects in the Global South, such as by shifting the spectrum of imported resources from fossil fuels and materials supporting the fossil fuel economy to clean tech and materials supporting the clean tech transition. It also needs mentioning that the impact of climate change is especially consequential for the countries of the Global South.

Last but not least, development programs and measures can enable countries in the Global South to diversify its trade flows – both for imports and exports, to move away from the current fossil fuel-based economy towards the future post-carbon economy and to develop capacity in the workforce to be ready for a net-zero society.

Addressing the climate-trade-development nexus provides a unique opportunity to work towards a future net-zero greenhouse gas economy. There is a growing body of literature that addresses the many facets, but rarely an integrated view of the of the climate-trade-development nexus. A recent World Bank report on the Trade and Climate Change Nexus claims that trade can be an important part of the climate solution by enabling low- and middle-income countries to transition to a low-carbon economy (Brenton and Chemutai 2021). The authors also investigate how climate change impacts the balance of comparative advantages, specifically in agriculture and tourism.

Reinsch and Benson (2021) investigate how a focus on climate policy may result in a "protectionist tilt" of trade policy. The paper finds that the currently prevailing view in the US Congress is that the government needs to do more to support and protect innovation in green technology as well as key industries' responses to climate change, in particular with regard to China.

Caporal and Reinsch (2021) focus on a climate-driven trade agenda, sketching out a number of near-term opportunities, including a revision of US trade law, establishing a climate-driven trade agenda in the EU, reviving the Environmental Goods Agreement negotiations at the World Trade Organization and negotiating a climate waiver.

While trade is generally seen as an enabler of economic growth, Rashish (2021) argues that some trade restrictions for a short time might be necessary to support ambitious climate action and prevent carbon leakage, i.e., the loss of economic activity in areas with strict climate regulations to areas with lax climate regulations.

A recent report by the UC San Diego "highlighted five sectors where climate cooperation requires trade policy coordination to forestall protectionism and ensure that developing countries obtain the financing they need for adaptation and mitigation." Pointing both to the moral and the economic obligation of the Global North (UCSD 2021).

So far, we find little research describing a three-dimensional climate-trade-development space in which to explore, develop and act. It is here where we want to start our journey.

Opportunities for transatlantic cooperation

Trade and investment flows between the United States and the European Union are significant. The transatlantic economic space represented 34.5% of world GDP, 27% of world exports and 32.2% of world imports in 2019 (Hamilton and Quinlan 2021). The US was the number two trading partner for the EU in 2020, right after China (DG TRADE 2021). The EU was the number one trading partner for goods and services with the United States in 2020 (Census 2021). Furthermore, both the EU and the US are major trade partners with the rest of the world.

Therefore, transatlantic cooperation offers a significant opportunity to shape how goods and services are traded in the world. The EU and US have the required weight in terms of GDP, trade volumes and geopolitical influence to co-determine standards and frameworks for trade around the globe.

Of course, their actions are constrained by the trade regime defined by the World Trade Organization (WTO) and other international norms and laws. Yet, within these constraints, their actions have significant bearing and may even shift the hard-to-change WTO rules or the interpretation of existing rules.

Unanswered questions

While we may yet be confident that the transatlantic partners have enough influence and relevance to affect and re-adjust trade rules, the first question is of course to define what kind of change we would like to see. Simply stating that the new regime needs to integrate climate, trade and development falls short of providing a meaningful answer.

Synergies are welcome, but there is a risk of encountering frictions and even cases where measures cancel each other out.

Aiming for a holistic perspective, there is a clear need to not only assess individual measures to address separately climate, trade, and development, but rather assess each measure in all three dimensions, but also as to how these measures would interact with one another. Synergies are welcome, but there is a risk of encountering frictions and even cases where measures cancel each other out. This requires a new set of thinking, a systemic approach to the climate-trade-development nexus.

This report was commissioned with the generous support of the U.S. office of the Konrad-Adenauer-Stiftung (KAS) in Washington D.C. With this report, E3G and KAS aim to set the stage and develop an understanding of the challenges and possible approaches to aligning climate, trade and development priorities without trying to answer all the above questions.

E3G's positioning as author and convener

E3G is uniquely positioned to support this search for systemic wayfinding in the climate-trade-development nexus. E3G's core expertise lies in the analysis of the political economy. Hence, E3G neither fully belong to the field of traditional trade experts, nor does the think tank see itself exclusively as climate or development policy expert. Rather, it is in "our DNA to look at the systemic interactions, go beyond the system boundaries and imagine the game behind the game."

Our methodology

The foundation for the authors' research is a survey of recent literature on the climate-trade-development nexus, where the clear emphasis is, however, on climate and trade or trade and development, given that significantly fewer materials cover the three aspects together.

The authors' next layer of fact-finding builds on expert contributions from both sides of the Atlantic as well as from developing countries. In order to better access the systemic inter-linkages, E3G and KAS invited two sets of experts to two hybrid workshops. The first event, the "**E3G-KAS Forum on Climate, Trade and Development**," took place on October 7, 2021 and was open to the public.

Discussants included:

- **James Bacchus**, Distinguished University Professor of Global Affairs and Director, Center for Global Economic and Environmental Opportunity, University of Central Florida
- **Dr. Susanne Dröge**, Senior Fellow, Global Issues Division, SWP, Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs)
- **Carolyn Fischer**, Research Manager for Sustainability and Infrastructure in the Development Research Group at the World Bank
- **George T. Frampton, Jr.**, Distinguished Senior Fellow, Director, Transatlantic Climate Policy Initiative, Global Energy Center, Atlantic Council
- **Madhura Joshi**, Senior Associate, E3G (India)
- **Ian Mitchell**, Senior Fellow and Co-Director Europe, Center for Global Development
- **Joseph S. Shapiro**, Associate Professor, Agricultural & Resource Economics and the Department of Economics, UC Berkeley

In the first public event, the experts from Germany, the United States and developing countries took stock on what a holistic approach to climate, trade and development might look like. Furthermore, they looked at specific tools at the intersection of climate, trade and development, notably tools to address carbon leakage. In particular, they discussed through various lenses current carbon border taxes, both the European Union's and the nascent US proposals.

A follow-up closed workshop took place on October 13 where experts delved deeper into the issues and to explore possible approaches.

Participants were:

- **Dr. Clara Brandi**, head of Research Programme, German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)
- **Dr. Susanne Dröge**, Senior Fellow, Global Issues Division, SWP, Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs)
- **George T. Frampton, Jr.**, Distinguished Senior Fellow, Director, Transatlantic Climate Policy Initiative, Global Energy Center, Atlantic Council
- **Ian Mitchell**, Senior Fellow and Co-Director Europe, Center for Global Development
- **Matthew Porterfield**, Deputy Director, Harrison Institute for Public Law, Georgetown University

Experts of the second workshop provided additional insights through an online survey which identified priority actions.

Report outline

This report will next look at a set of scenarios to describe possible political economy developments for the near future. These scenarios in chapter 2 will help us assess the likely impacts of measures and help us better understand areas of concern which may not yet be clearly visible today but will become more relevant in the future.

The following chapter (3) will present a list of measures and options based on our literature research and conversations. We will discuss these ideas and their impacts and associated challenges.

We will then, in chapter 4, move on to identify five priorities for the next three years, based on expert opinion and assessment. In particular, we will aim to view the five priorities in their entirety, i.e., how they will interact and what their systemic impacts will be, including as to their optimal sequencing, i.e., the order in which they might best be taken.

Chapter 5 will sketch out pathways for moving towards these five priority actions, including identifying key actors and their roles, and, again, the timing of activation.

The report closes with an outlook into our next steps in the research endeavour along the climate-trade-development nexus. Specifically, we want to look into what key research questions will be relevant to address in 2022.

The annex provides a list of references, a full list of the experts consulted in this research, and the list of questions and responses to our expert survey.

2. Scenarios: What kind of future lies ahead?

Scenarios with a focus on climate, trade and development

The foresight approach yields a set of possible futures, i.e., scenarios, without attributing likelihood values or qualitatively predicting which scenarios are more likely than others. In that sense, the approach is noticeably different from a forecast. The scenarios provide us with a testing environment for our policy propositions where we can assess the effectiveness, feasibility and efficiency of any proposed policies and measures.

As a starting point, we take stock of the current state of the world in terms of climate, trade and development. Today, mandates and policies for decarbonization vary widely among countries, and this imbalance might produce future geopolitical friction in transactional areas such as international trade and development. With some countries implementing a direct price on greenhouse gas emissions, such as most notably the EU with its EU Emissions Trading System, and some countries adopting regulatory approaches in combination with subsidies and tax incentives[1], such as in the US, the relative cost of doing business in a specific location is changing, which may affect decisions about where to manufacture and produce, especially in energy-intense trade-exposed sectors, a situation that can lead to so-called carbon leakage, i.e., the loss of economic activity from regions with a high cost on greenhouse gas emissions to regions with a low cost on greenhouse gas emissions.

Parties may have to weigh potentially competing priorities when it comes to addressing carbon leakage, promoting free trade of green goods, and supporting domestic markets for clean technology while attempting to decarbonize their economies.

At the same time, developing countries face a triple challenge due to the COVID pandemic, disruptions from climate change impacts, and having to explore development pathways that can't simply replicate what high-income countries have done before: extracting fossil fuels and releasing large quantities of greenhouse gases into the atmosphere to increase economic welfare. High-income countries are slowly realizing that they need to offer the Global South a viable partnership for development if they want low- and middle-income countries to join the global call for climate action.

1 Tax incentives and subsidies create a price signal similar to penal instruments such as fees, taxes and quota trading since they affect the relative costs, i.e., the level playing field. This is not to say that positive and negative price corrections are fully interchangeable, since their full social costs might differ.

Before trying to formulate recommendations for action, we need to first orient ourselves insofar as to understand to which future environments we might apply these proposed measures. Far from trying to predict the future, we resort to drafting four distinct scenarios that are consistent and self-contained.

As the world recovers from the economic shock of the COVID pandemic, it is worth analysing the interplay of markets, climate goals, sustainable finance, and international cooperation to paint a picture of possible futures. Dependant on various inputs, one can envision four scenarios of near-term geopolitical environments, i.e., up to 2030.[2]

Scenario One: "Systemic Shift" global economy unites the planet around 1.5C goal

A massive shift of public clean energy finance to emerging markets and developing economies (EMDE) takes place, drawing in substantial private investment. Trade and cooperation with Global South countries by 2030 is on a peer level, securing their climate agenda buy-in.

The economy shifts to increasingly sustainable, diversified and interconnected low-carbon manufacturing and value chains. At the same time, a transparency initiative sets out a regulatory framework for a clean and green global raw materials market. Competition on new technology and standards drives a race to the top in terms of sustainability, stimulating even faster growth of the clean energy sector. The Global South catches up with the developed world, without engaging in the same high-emissions growth. Both resource and energy efficiency improve to such a degree that a full decoupling of growth and impacts is achieved at the global scale, keeping global temperature increases below 1.5C. Trade grows and diversifies at the same time. Trade conflicts are subsiding across the board. As a lesson from the COVID crisis, health and social considerations move towards the centre stage.

2 This is an early version of scenarios developed within context and to be fully published as part of other E3G work. Special thanks to Maria Pastukhova at E3G.

Scenario Two: "Unequal Green Growth" partially delivering on climate agenda

Countries of the Global South largely serve as resource base for the increasingly decarbonizing countries of the Global North. Proposed programs such as Build Back Better World (B3W) or the Global Gateway turn out to be "elite initiatives" for attractive markets only, focusing on critical resource mining, adjacent infrastructure, renewable power equipment manufacturing in developing countries. Energy transition efforts are heavily technology and innovation oriented, social aspects are completely undermined. China and India, as newly industrialized countries, stand out among other Global South countries with robust and aggressive regional connectivity strategies, yet they are only starting to act on their own climate commitments. Industrialized countries overachieve their own climate goals, are on national pathways to net-zero, yet the global climate agenda is on the brink of collapse, as the Global South is not on board. A continued era of mercantilism results in climate clubs, unequal growth and increasing protectionism. Trade barriers proliferate under the guise of climate protection, increasing global inequality and rendering collaborative action next to impossible. Tensions between OECD countries and India and China increase to the point where maintaining peace is already considered a success. The multilateral governance architecture loses relevance, as conflicts are resolved at the bilateral and plurilateral level.

Scenario Three: "Struggling on Development" climate agenda is left aside

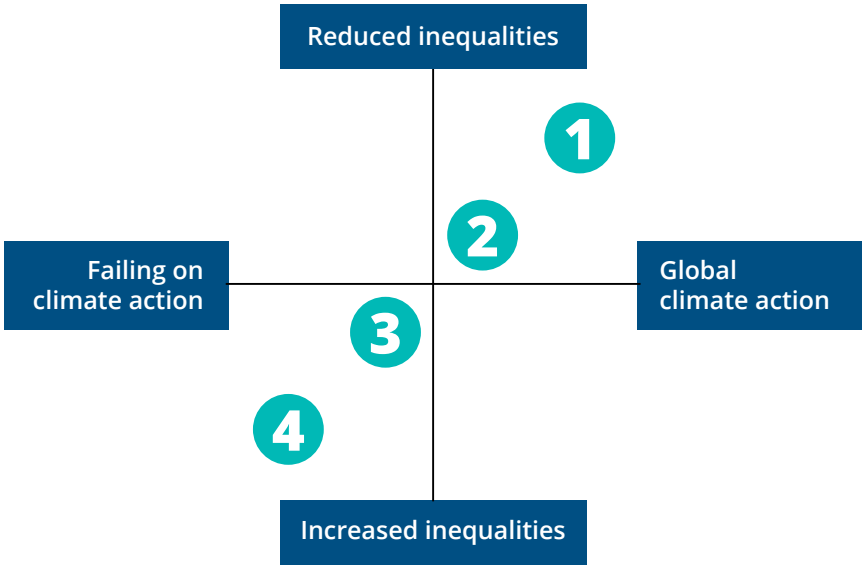
The expected rapid scale-up of clean energy capacity stalls as costs fall much slower than anticipated due to increased fragmentation of trade and security alliances, resulting in continued supply chain challenges, especially regarding rare earth minerals. The G7 fail to sufficiently scale up investments, nevertheless, trying to secure trust of the Global South countries, they "give up" on the clean development agenda and focus entirely on energy access and economic development, resulting in increased greenhouse gas emissions. Some climate champions manage to animate other countries to further cooperate on the climate agenda, yet the approach fails to scale up. Several least developed countries and some developed countries form a "Development for Climate" alliance with China, committing to ambitious climate goals by 2060, yet they are focused on prioritizing economic growth in the mid-term, allowing greenhouse gas emissions to rise further. Some funding is made available for climate adaptation. This leads to not-so-green development finance. In addition, such development finance will drive development primarily in regional trade clusters. Trade conflicts, especially between G7, China and India keep growing, thus hindering cooperation in other areas.

Scenario Four: "Missed Decade" failed climate action globally

Geo-economic tensions (on raw materials, digital technologies, renewable equipment production, clashing standards in the power, the finance sectors) block further cooperation on the climate and energy transition agenda. This leaves the Global South without means for development while the industrialized countries struggle for markets and leadership among themselves. The G7 misses its goal to move substantially beyond the $100bn climate finance by 2025, and fails to achieve the $5 trillion annual energy investment by 2030 (IEA Net Zero Report (NZR) milestone). The global energy transition stalls due to inability of the Global North, in particular public national and international financing institutions to induce a structural shift in the global finance system, and the unwillingness of the private sector to take the risk. The dominance of fiscal restraint, near-shoring as a means to securing supply chains and protectionism results in no climate progress.

While any of these scenarios are possible, it is important to understand that these are just snapshots and that reality may just a well be a mix of these four scenarios and include other developments. Last but not least, proposed measures can not only work within the above scenarios, they can also shape the future and thus actively influence in which scenario we end up.

The four scenarios in how they perform regarding climate friendly actions and reducing global inequality.



3. Measures and options

In order to address the climate-trade-development nexus, we want to propose a number of policy measures. Any proposed reform or instrument must satisfy the following:

- Align with limiting global temperature increase to below 1.5°C
- Promote open global markets, especially for green goods and services
- Ensure a fair and rules-based trade order to minimize geopolitical tension and trade disputes
- Enable development industries that have potential for net-zero emissions

These desired qualities will be considered guardrails in our explorations. However, the geopolitical context and political feasibility will be just as important albeit malleable. So rather than simply debate the theoretical merits and drawbacks of policies and measures, we will assess each measure along the criteria of political feasibility under our four scenarios.

By understanding the economic and political implications of proposals that would reshape global trade, the US and EU can identify the proper venues and modalities to implement technical adjustments and reforms. While the ideas set out in this paper are by no means an exhaustive list, they are meant to provide a conversational starting point to realize a cleaner, greener future at the intersection of climate, trade, and development.

Propositions to be addressed:

Resolved trade disputes open options for "green steel" deal

Carbon border tax adjustments

Green subsidies

WTO climate waiver

Intellectual property rights

New trade agreements to strengthen decarbonization efforts

Harmonize tariffs and carbon taxes with new WTO committee

These by far are not the only propositions and there is just as much to be gained from reducing harm as from promoting good as discussed by Birkbeck (2021) and also by

Shapiro (2020). The latter argues that when the current bias favouring harmful trade – such as in fossil fuels – is removed and instead is put on an equal footing with green trade, global greenhouse gas emissions would decrease while global real income would change very little.

Resolved trade disputes open options for "green steel" deal

In the last six months the US and the EU were able to agree to settle two of the most contentious trade disputes, the Airbus-Boeing and the steel and aluminium cases, due to major concession made on both sides. This has opened up breathing space for both sides to explore and develop decarbonization efforts in steel production sector and led to the announcement on October 31, 2021, of a sectoral arrangement on steel and aluminium which offers an early and relatively easy win for climate action (Tucker and Meyer 2021). Steel and aluminium are ideally suited as pilot sectors for trade-decarbonization efforts since relatively few trading partners cover a significant share of global greenhouse gas emissions. Together, steel and aluminium account for close to 8% of global emissions. The top 3 manufacturing countries for aluminium represent 77% of production (China, Australia and Brazil), while for steel, China, India and Japan account for 66% of global crude steel.

The EU and the US now have two years to develop a detailed agreement to agree on credible decarbonization objectives, develop a methodology for calculating the embedded carbon and considering global development perspectives. Risks exist if the agreement were to go forward on a bilateral rather than an international level. Experts have asserted that there is a possibility of China exporting green steel to the EU and US, while using dirty steel domestically and for other export markets. Considering the scale of future steel demand in the Global South, it becomes apparent that a solution needs to consider a global approach. This being said, it is incumbent on all players to find to address and contain these risks and move forward with decarbonizing steel and aluminium production through trade and cooperation. This does not only involve increasing recycling rate in order to increase the use of electric arc furnaces, which can run on green electricity, but also the deployment of hydrogen-run blast furnaces for primary steel production. There are a number of options for supporting and deploying such technologies both up- and downstream (Climate Advisers and Atlantic Council 2021). **<< The challenge will be to draw the line where government support and intervention is justified and where it could amount to subsidizing more over-capacity.>>** In addition, it will be paramount to not disrupt development opportunities for emerging economies, while still accelerating their own decarbonization.

... a plurilateral "clean steel deal" is more likely in a cooperative environment than among rising geopolitical tensions.

In view of the four scenarios (Systemic Shift, Unequal Green Growth, Struggling on Development, Missed Decade), a plurilateral "clean steel deal" will be more feasible in a more cooperative environment – **"Systemic Shift"** and will prove increasingly difficult in the other scenarios. Still, the EU and US can move forward even without crucial players such as China and India, as long as they take active measures to contain the geopolitical fall-out.

Carbon border tax adjustments

Reducing carbon leakage for trade-exposed energy intensive industries has become a priority on both sides of the Atlantic. Carbon Border Tax Adjustments provide a mechanism to add a premium on the price of carbon-intense imports to adjust for the higher cost of carbon emissions for domestic manufacturers, due to stricter environmental standards, which also includes the EU Emissions Trading Systems.

The US is actively investigating its own version of a CBA, based on the indirect costs of domestic climate regulation, reflecting a current tendency towards protectionist trade policy in the US (Reinsch and Benson 2021). Both proposals address base materials and Scope 1 emissions, i.e., direct emissions from the manufacturing only. Sector-wise, there are slight differences, but sufficient overlap, in particular in the sectors of steel and aluminium.

The EU and US can increase their competitiveness and foster global climate action if they align their carbon leakage response.

<<Both the EU and US could benefit from aligning their carbon leakage response>> which would result in a more efficient outcome for the domestic markets, global climate action, and possibly even exporting nations which would not have to adjust to two new and different import assessment mechanisms. Given that the EU proposes to account for carbon pricing, there can be substantial secondary effects in terms of decarbonizing the sectors in question and promoting carbon pricing in the world: Kazakhstan is now considering a domestic carbon tax to avoid paying the full EU tariff. In weighing how best to move forward, it is worth reviewing some of options on the table:

- **A harmonized carbon border adjustment** in its initial phase would likely be limited to primary goods such as steel, cement, or aluminium, as sectors with high carbon emissions are particularly susceptible to carbon leakage. This would make a CBA more compatible with international trade law on environmental grounds. Furthermore, determining carbon content is significantly more reliable for raw materials and small supply chains. The major issues are whether CBAs are politically palatable, and how effective they are for driving trade partners' climate ambition. Developing countries may lose some trade volume, but payments will have to be made by the importer. A proposed variation of the system foresees a recycling of revenues to support decarbonization in the Global South as well as exemptions for least developed countries.

- **Improved documentation schemes** would be required to expand CBAs to manufactured goods. For that to happen, the EU and/or US would need to develop measures to improve the traceability of carbon-intensive products and supply chains. As measurements improve, it will require debating and benchmarking the scope of associated emissions (Scope 2 and 3) as well as where to draw the line on taxation or tariffs. Pilot cases and technical feasibilities need to be identified. It is worth noting that such schemes may rely on blockchain technology for verification, which might involve other issues related to intensive energy usage.
- **Carbon Clubs** are the logical extension from an economic standpoint, linking harmonized CBAs with domestic carbon taxes in a group of like-minded countries. They risk undermining the multilateral governance architecture and antagonizing trade partners. The new German chancellor launched the idea prior to the elections and the new German government is likely to test this idea both in bilateral and in the plurilateral G7 context, even though it is up to the European Commission to decide on the idea. The carbon club could start with a core group of nations and then expand its scope as more members join over time with the hope that this starts a virtuous cycle where each year more will join.

  At some point, the club would reach a tipping point of signatories; all but guaranteeing that carbon emissions would be priced globally – the success of the Montreal Protocol on CFCs is pointed to as a successful precursor. But the bar for implementation would be vastly more difficult and the cost of failure catastrophic. A CBA has the potential to create a level playing field for all trade partners, as opposed to climate clubs which split the global community into members and non-members.

  Whereas a CBA is an equalizer, a climate club is exclusive by design.

- **A Green Steel Deal** as described above, falls somewhere between the above options. The idea would impose a common external tariff on carbon-intensive steel imports, while allowing both parties flexibility to pursue a range of decarbonization strategies domestically. It is essentially a demonstration of a two-party carbon club for an individual sector that is already subject to extensive policy controls over which the US and EU are in negotiations anyway (Tucker and Meyer 2021).

The above are simply a few of the options for responding to the EU's CBAM, but the notion of whether to engage in this level of trade protectionism at all is a conversation worth having, and one that requires careful consideration.

If we consider the four political economy scenarios from the previous section, we can see how these more "aggressive" approaches such as CBAM and Carbon Clubs might be suitable in a more divergent world such as **"Unequal Green Growth"**, **"Struggling on Development"** or even **"Missed Decade"** where these low-coordination measures would improve the climate outcome in an unfavourable situation, albeit at the risk of further fraying international relations. On the other hand, in the **"Systemic Shift"** scenario, such measures may not be necessary and might be counterproductive. In other words, these options are not "no regret" options, but carry a price.

As Hufbauer (2021) pointed out: divergent approaches to climate policy can lead towards trade conflict, requiring multilateral coordination via the WTO.

Green subsidies

Under WTO rules, subsidies for goods fall into different categories, some of which are outright prohibited, and others which are "actionable," meaning they are not explicitly banned but may be challenged in a trade dispute by member countries. With regard to green goods, the degree to which these subsidy restrictions apply could be loosened across the board, relative to their categorization. More clarity in the categorization of what are permissible green subsidies could avoid unnecessary and lengthy trade litigation. For example:

- **Production Subsidies** are currently categorized as "actionable," with exceptions made for certain sectors such as agriculture. **<<However, they could be made permissible for specific green goods and technologies>>.** While these WTO rules are in place to prevent subsidy wars, green goods present a unique case. The belief is that any subsidy that promotes clean energy and green products domestically creates spill-over benefits for all countries in the form of carbon emissions reduction and leads to cost reductions resulting from economies of scale. In addition, these measures send signals to the private sector which will adapt its long-term plans, if they can assume that these measures are durable and that they won't face punitive tariffs in their export markets. To cut global emissions in half by 2030 as the science says is necessary to avert the worst effects of climate change, we need to encourage more public support for low carbon production of goods and services. However, under current rules and regulations, WTO member countries can initiate dispute settlements or take unilateral action to countervail foreign government subsidies that are seen as "actionable" subsidies. This tension between free trade and climate goals needs addressing.

... the EU and US could offer import tariff waivers for green goods and services from developing countries.

- **Export Subsidies** are currently prohibited **<<but could be made legally "actionable" for specific green goods and technology,>>** only challengeable on a case-by-case basis. This will be a harder lift, politically speaking, due to the higher risk for mercantilist abuse. However, similar logic applies, and perhaps certain thresholds could be agreed between partners limiting the dollar amount of subsidies or the damage to partner country trade.
- **Import tariff waivers** is also an option for country deals where **<<financing nations could require that clean technology being employed in the investment projects is imported from the financing nation.>>** These special investment projects could be aided by either export credits at home or import tariff waivers in the target country. To develop the idea further – and incorporate a development perspective – import tariff waivers could then be offered by the EU and US to green

goods and services from developing countries. This waiver scheme can act as a trade accelerator for low- and middle-income countries and, at the same time, accelerate a cost-effective green transition at the global scale. It will be important to also consider the impact of lower import costs on the development of domestic green manufacturing and services in these countries.

By expanding the allowances for subsides for green goods, we can increase green trade opportunities for the countries that use them, and encourage stronger climate ambition in countries which are currently slow to adopt climate targets and don't invest in developing green tech infrastructure. The outcome would be an incentive to engage, from a climate and trade perspective, on a "level the playing field."

In addition, **<<the EU and US could engage in regulatory cooperation on reducing non-tariff barriers for trading green goods and services, both among themselves and with third countries.>>** This can include adopting equivalence of standards, reducing the regulatory burden at customs and capacity building and support for im- and exporters of green goods and services.

It is crucial to define exactly which goods and services should benefit from this preferential treatment as "green." This conversation on green products has started in the EU under the "EU taxonomy" system which defines a set of sustainable economic activities. Furthermore, this is part of the conversations between the EU and the US in the Trade and Technology Council.

Conversely, **<<environmentally harmful subsidies for fossil fuels could be more aggressively curtailed by the trade regime>>** and the EU and US could be first movers, allowing others to follow. While many countries have talked about the need to achieve this in multilateral fora such as the meeting of the G20 in 2009 and more recently the G7 meeting, agreement in a major trade forum such as the WTO or EU/US Trade and Technology Council would increase pressure on members to follow-through on these commitments so as to avoid trade disputes. This could also take the form of scope reductions for harmful WTO exemptions and waivers.

Bernasconi-Osterwalder and Norpoth (2009) discuss among other aspects the issue of green subsidies under WTO law and find that WTO rules should not be taken as a justification for delaying climate action.

A Green Subsidies approach might work particularly well in a scenario of global cooperation, such as **"Systemic Shift"** but can also bear fruit under less amicable circumstances, if one assumes that trade litigation can be contained, at least for waiving import tariffs.

WTO climate waiver

Often encompassing the proposal to allow green subsidies, some economists and legal experts have put forth the more sweeping idea of a blanket WTO climate waiver to allow

almost all green trade activities to bypass the normal trade obligations of WTO member states (Bacchus 2017, 2018, 2019). Because there is virtually no precedent for climate-related trade measures such as CBAM, for example, there is currently no consensus and little jurisprudence on whether such measures are even allowable under WTO rules.

New and unique climate policies will be introduced with increasing frequency as countries seek to decarbonize faster and deliver their net zero economy-wide commitments. This will inevitably present thorny issues for the international trade regime. By erring on the side of climate-friendly experimentation, the WTO could avoid lengthy disputes that may set poor precedents from a green trade perspective and discourage ambitious climate action. A climate waiver would allow for border tariffs, carbon taxes, green subsidies, and other policies and adjustments that discriminate favourably based on the intensity of GHG emissions in the production of tradeable goods.

Adopting a waiver would require a three-fourths approval vote from WTO members, which presents a challenge, politically speaking. However, it is a relatively young institution, barely 25 years old, confronted with an entirely new dilemma in climate change which it will have to be address, one way or the other, in the near future. The US and EU are both eager for trade reform, and this could be a moment to coordinate and influence outcomes.

Development impacts of a broad climate waiver depend entirely on the details of the agreement. If we trust that more trade entails more development, then a broad waiver which results in increased trade activity would also result in increased development opportunities for the Global South.

A WTO-level climate waiver would only be a viable option in a **"Systemic Shift"** scenario where all or at least most countries are on the same page as to the need to address climate change in a meaningful way. In all other settings, one would need to consider this track as aspirational, but not actionable in the near term.

Intellectual property rights

The arguments for strengthening or weakening intellectual property rights for green technologies are nuanced and worth considering from the perspective of both industrialized and developing nations. There is currently much discussion over the TRIPS (Trade-Related Aspects of International Property Rights) waiver as the demand for Covid vaccines intensifies worldwide, and a similar endeavour could be pursued regarding the imperative for green technology.

- **Strengthening IP rights**, from the traditional economics perspective, would have the impact of incentivizing firms to invest more to research, develop, and scale much needed green technology for exports around the world. **<<This could be achieved by tightening the WTO compulsory license provisions, possibly in the TRIPS agreement itself.>>** Or domestically, the US administration has the power to adjust intellectual property rights under the 1980 Bayh-Dole Act, granting institutions the ability to commercialize inventions that were developed using US federal funding.

- **Loosening IP rights,** on the other hand, could have the effect of making scalable clean technology more accessible to firms and producers in the developing world. The dividing line for this argument may be the stage of development of a given product or technology. The world could benefit from production and deployment of clean energy technology that is ready to scale now, relating to solar and wind generation, <<while it may be more prudent to protect IP rights for next generation technologies>> such as fusion and modular nuclear, to incentivize further development.
- **Access to IP rights**: <<an IP Green Bank could be the intermediary between IP holders in the Global North and IP seekers in the Global South.>> That way, green technology could be offered at a lower cost to low- and middle-income countries, while innovators and patent holders could still generate rents from their intellectual property.

An IP Green Bank could be the go-to broker for clean tech patents, enabling the Global South to access this IP at a lower-than-market cost.

An IP Green Bank could compensate patent holders in the North for the use of their IP, negotiate multi-country discounts and offer these rights to users in the Global South at discounted rates, including concessional financing for patent use. The fee structure could reflect the ability to pay. The IP Green Bank could be funded by international donors.

Changes to the handling of IP rights are possible under each of the four scenarios as these steps can be taken unilaterally, if necessary. It seems more politically challenging to loosen IP rights or to set up an IP Green Bank in the competitive scenarios, namely "Struggling on Development" and "Missed Decade".

New trade agreements to strengthen decarbonization efforts

Brandi et al. (2020) make the case for leveraging preferential trade agreements to foster climate actions, complementing multilateral approaches.

While trade agreements are so far not a particularly frequent vehicle for advancing climate initiatives, they could prove to be increasingly important as climate and trade issues become more intertwined. To date though, language on climate has not been very strong in trade agreements and where present, is typically weakly enforced. Few trade agreements within the G20 even mention carbon taxes, fossil fuel subsidies, carbon credits, or emission trading.

Balogh and Mizik (2021) argue that trade agreements can be made climate-ready but also point out that climate-and-trade issues tend to be very country-specific, so solutions need to be tailor-made. A recent example of reviewing existing trade agreements was in the US under President Trump, who was able to renegotiate NAFTA into the new USMCA.

Future new trade agreements should aim for enhanced liberalization for climate-related goods and services.

While the EU and US may not be quite as active on this front in the short term, with agreements already in place or new trade agreements shelved indefinitely as in the case of the Transatlantic Trade and Investment Partnership TTIP. It is anticipated that, in the wake of Brexit, the British are primed to explore new trade agreements. This presents an opportunity. **<<Already a leader on climate, the UK is well placed to negotiate more aggressive climate clauses into any new agreements and should be encouraged to do so.>>** It is a far bigger political lift to renegotiate and strengthen existing agreements, than it is to influence new ones. However, there is currently very little appetite to enter into new trade agreements. A long-term strategy might be to revise and modernize existing trade agreements. An achievable aim in the current circumstance might be an enhanced liberalization of future new trade agreements for climate-related goods and services (Brandi et.al. 2020).

- **Incorporating climate-specific exemptions to Investor Protection clauses** into International Investment Agreements is a novel concept to insulate states from fossil fuel stranded asset lawsuits. While current exposure to such claims is limited, it is expected that the decarbonization policies necessary to achieve Paris climate goals will result in increased State liability. **<<Inserting strong language to this effect sends a proper market signal to potential energy investors that fossil investments carry more risk than they once did.>>** This is also relevant from a development perspective, since only high-income countries can afford to pay penalties to fossil asset holders, whereas low- and middle-income countries might have to follow the path of least resistance.

- **Enforcement of trade rules** is one area where policy makers across the spectrum might see opportunities. In the US just as in the EU, bipartisan support is possible when it comes to protecting domestic industries. The strongly worded environment chapter of the USMCA could represent a meaningful step toward subjecting climate standards to trade enforcement procedures, in the same way, as fair labor issues have been treated historically (Reinsch and Benson 2021).

While new trade agreements or even revisions to existing agreements are possibilities in all four scenarios – since sometimes, they arise out of need rather than necessity – these steps are much more likely under the **"Systemic Shift"** scenario.

Harmonize tariffs and carbon taxes with new WTO committee

If the EU CBAM and the swift response already being discussed by the US is any indication, it is becoming clear that carbon border measures will probably become more common over time. Countries will look to prevent carbon leakage, and some may

even attempt to use climate concerns surreptitiously, as cover for outright protectionist tariffs. It may not be long before disputes arise and are legally challenged.

While the WTO has proven to be slow to develop new rules with a focus on climate, it is still an important forum for discussing and exploring new developments for trade rules. In November 2020, fifty WTO members initiated the Trade and Environmental Sustainability Structured Discussions (TESSD) to complement the ongoing work of the Committee on Trade and Environment. Similarly, the Informal Dialogue on Plastics Pollution and Sustainable Plastics Trade (IDP), and Fossil Fuel Subsidy Reform (FFSR) aim to revise trade rules in favor of the environment.

In the event that initiating a WTO climate waiver is unpopular or politically impossible, another possibility is the creation of an expert body specifically tasked with calculating tax equivalents of domestic carbon fees and regulations (Hufbauer 2021). If WTO members can be convinced of this proposal, in turn, they would adjust their own border measures to show credit for a trade partner's domestic taxes or regulatory equivalent. That way, the resulting emissions reductions are realized without trade participants paying twice to do so at home and abroad.

Essentially, the WTO would act as referee and scorekeeper, periodically updating carbon price equivalent valuations as member countries enact domestic policies. So long as all parties agree to the formula for determining the value of GHG regulations and corresponding credits, and opt in to recognizing those credits, a much smoother transition to a world of harmonized domestic policy and carbon border measures would result. Operating similarly to a waiver, this arrangement would prevent parties from raising trade disputes on climate-related grounds, provided all parties consent.

Any steps involving the WTO rely on favourable framework conditions, i.e., might work under the **"Systemic Shift"** scenario, but will be much harder, almost impossible under the other scenarios.

While we did not assign likelihoods to the scenarios, it is prudent to pursue policy options that work under a range of scenarios and don't rely on a wishful blue-sky situation, or else they might turn out to be ineffective.

On the other hand, Mattoo and Subramanian (2013) argue that the EU and US could also enter into a grand bargain with China (and presumably others) by balancing a give-and-take portfolio, i.e., CBAM and Green Steel on the one hand and market access or revised subsidy rules on the other.

Das et al. (2018) also discuss the importance of timing and the interplay between various options, suggesting that low-hanging fruits should be picked first.

4. Five priorities for the next three years

Based on the options discussed in the previous section, experts identified and adapted five priority actions, listed in order of priority, by aligning climate, trade and development between the EU and the US.

Priority One: Energizing existing international fora

Instead of adding new platforms or fora as is often the case in diplomacy, the consulted experts suggested that it would be more productive to integrate the climate, trade and development nexus into the many already existing and active platforms. This relies on leadership and commitment to seize opportunities such as Germany's 2022 G7 presidency or the EU-US Trade and Technology Council. In addition, the EU and US have significant sway in other fora, even if they are not directly leading the process. This applies to the G20 leadership which will go to Indonesia, then India, then Brazil, the OECD and of course the WTO and UNFCCC.

Priority Two: New trade tools: CBAM alignment EU-US

While the experts preferred not to add new fora, the picture was quite different when talking about tools. Carbon leakage seems to call for new trade tools, preferably an aligned Carbon Border Adjustment Mechanism. The primary advantage of a CBAM-type tool is the ability to apply it without the need to negotiate an agreement, since these measures can be implemented unilaterally. There are risks attached insofar as litigation is not unlikely. However, the current weakness of the WTO trade litigation process reduces the imminent threat resulting from legal action. Moreover, support for decarbonization in affected countries and revenue recycling can support acceptance among trade partners.

Priority Three: New plurilateral and bilateral trade agreements

While there was a relatively robust consensus among the experts that the WTO is not going to be able to respond to the needs of climate and development in the very short term, there was a certain level of optimism as to drafting and ratifying new plurilateral and bilateral trade agreements. These can be between the EU or the US and third countries or directly between the EU and the US. If these new agreements could include climate and development objectives from the start, they would certainly offer a key advantage over existing agreements. The challenge will be to make significant progress within just three years.

Priority Four: Supporting technology transfer

Technology transfer has many facets, some of which were discussed earlier in the IP rights section. Technology transfer, however, goes beyond the transfer of intellectual property rights, but also includes capacity building, especially in country, either in training centers or through school and education infrastructure. This enables developing countries to manage the entire value chain for the transferred green IP rights, retaining more value added in the local economy and offering skilled employment to the local population. The current debate in the development community goes even a step further, since IP and technology transfers encounter limitations when the goal of the process is to be a holistic and sustainable development process, i.e., not a one-off measure, but a transformational process. This is where concepts such as co-innovation, co-design, co-development come to mind, where the high-income partner leaves the donor role behind and becomes a partner instead.

An IP Green Bank, initiated by the EU and US, can accelerate the transfer of green technology.

This, however, requires a full repositioning of development, trade, and industrial policy, all the while maintaining climate objectives. The underlying question here is, how significant is the multiplier when value added at the top of the value chain is shared and if this approach results in a net win for both sides involved. This might depend both on the model for the innovation partnership, and also on the sector.

Priority Five: Coordination on green public procurement

Green public procurement has long been a topic in the EU and is now also a priority agenda item for the US. The Executive Order from December 8, 2021, indicates a firm commitment to not only doing their share but leading by example and creating scale for cleantech markets. Government rules for green public procurement are able to foster climate action, promote trade and even development, provided these rules are calibrated accordingly. There is a severe risk when domestic content rules or other non-tariff barriers are included which hinder the trade of goods and services across borders and, thereby, slow development in the Global South. Not only do domestic content rules have a negative impact on trade partners, but they also result in higher costs of procurement and, thus, ultimately yield less climate mitigation action for a given budget than would be possible in an open trade environment. It is, therefore, in the government's own interest to remove these barriers. Together, the EU and US can develop a comprehensive framework for public green procurement which encompasses development objectives as well.

In the following section, we will discuss how next steps could be envisioned for these five priority areas.

5. Pathways: Who needs to do what and where?

A closer look at the proposed measures reveals that these are partially intertwined, and should be looked at in an integrated way, not as isolated goals.

From our conversations, it has become clear that the EU and US bear a significant amount of responsibility for taking initiative, inspire through leadership and bring others to follow their lead on aligning climate, trade and development. This implies not only having a transatlantic conversation between those responsible for trade – United States Trade Representative (USTR) and Directorate General for Trade (DG TRADE) – but also their counterparts for climate and development.

This recommendation is, however, a bit at odds with the prerogative to focus on energizing existing fora, instead of creating new ones. This would call for adapting existing fora and or focusing the attention of fora that are already inter-disciplinary.

The **G7**, in particular, provides such an opportunity. The German G7 presidency could initiate a process to foster alignment of climate, trade and development. The UK's 2021 presidency launched the Clean and Green Initiative, followed by the US' Build Back Better World and the EU's Global Gateway. Priorities for the German G7 presidency include climate protection, countering the coronavirus pandemic and fostering international cooperation for a just world.

The **G20**, on the other hand, is a heavier lift in many ways: First, it will be led by Indonesia and neither the US nor the EU will have an exclusive access to any agenda-setting. The 2021 Italian G20 presidency may, however, provide an in-road into the 2022 presidency. Indonesia under the motto "*Recover Together, Recover Stronger*" has set the following three priority topics: global health architecture, digital transformation and sustainable energy transition.

Another venue to look at is the **OECD** with its 300 working groups and committees. The following groups would be suited to carrying the conversation:

- **Joint Working Party on Trade and Environment** (led by Costa Rica and New Zealand, but with EU and US as vice-chairs). With the aim to "focus on analytical work, including empirical studies of selected policy areas and economic sectors, aimed at promoting the mutual compatibility of trade and environment policies in practice, in order to contribute to sustainable development." Mandate expiring December 31, 2024.

- **Working Party on Climate, Investment and Development** (led by Switzerland and Italy with the following observers: Business at OECD (BIAC), Trade Union Advisory Committee (TUAC), Global Environment Facility (GEF), UN Development Programme (UNDP), UN Environment (UNEP), UN Framework Convention on Climate Change (UNFCCC), World Bank). With the mandate to "define, oversee and coordinate EPOC's work programme on climate change and environmental investment, finance and development cooperation policies. The aim is to identify and analyse strategies, policies and instruments to effectively limit the extent of climate change and its impacts in a least cost manner and more generally achieve environmental sustainability." Mandate expiring December 31, 2024.

Within the **Trade and Technology Council**, working group 2 focuses on Climate and Clean Tech. While clearly biased towards trade and technology, working group 2 is "tasked to identify opportunities, measures and incentives to support technology development, transatlantic trade and investment in climate neutral technologies, products and services, including collaboration in third countries, research and innovation, and to jointly explore the methodologies, tools, and technologies for calculating embedded Greenhouse Gas emissions in global trade." On the EU-side, WG2 is "led by the Director for Digital Transformation in DG CONNECT. The dedicated tracks on climate and clean tech are led respectively by the Principal Adviser to the Director-General in DG CLIMA, and the Director for Global Approach & International Cooperation in R&I in DG RTD" (EC 2021). On the US-side, the Department of State is the lead coordinator for WG2.

It is noteworthy that there is increased attention to the need to align climate, trade and development policies if we want to achieve our ambitious goals, including the goals set out in the UN Sustainable Development Goals and in the Paris Agreement. Moreover, the balance of power is shifting both in trade relations and in geopolitical terms, with new players increasingly influential on the global stage. This requires a rethinking of strategies and tools to achieve progress in all three dimensions: climate, trade and development. What has worked well in the past 30 years may not be sufficient to set course for the next 30. Playing with the hand that one is dealt, the EU and the US need to identify creative pathways to energizing and reviving existing fora, seeking plurilateral approaches, while not shying away from bilateral and trilateral solutions to countering carbon leakage. While re-opening existing trade agreements is not always feasible, new future plurilateral and bilateral trade agreements offer the opportunity to

include clear and binding language on climate and the environment. Last but not least, both the EU and US individually and as a team can achieve significant progress on all three aspects – climate, trade and development – by fine-tuning and revising their tools for technology transfer.

Additional restrictions on trade such as CBAM or a global clean steal deal are likely to reduce global trade. And even the introduction of an import tariff waiver is unlikely to significantly increase trade. From a Global South perspective, countries are skeptical of any new climate aligned trade initiatives because it will add costs or reduce trade volumes. High-income countries tend to be the ones benefitting from more strict climate-trade rules. It will require a lot of investment and capacity building (which is in short supply in the Global South) to be able to meet the verification and compliance elements of some of the climate-aligned trade proposals.

Will this be sufficient to reach net zero by 2050 and eradicate poverty from the globe? Most certainly not. But it will provide significant acceleration to the transition of our global economy towards aligning climate, trade and development objectives.

It will be essential to provide more detailed recommendations for policy makers in the EU and US on how to take the next steps on this pathway. This will be our focus in our next research reports.

Based on these summaries of venues and priorities, we propose the following activity matrix:

Domain	Venue	Focus	Stakeholders	Approach
Multi-lateral & pluri-lateral venues	G7	Green public procurement	G7, CSOs, MDBs	Defining standards for green procurement
		CBAM-alignment		Developing technical standards for assessing carbon intensity & coordinating border adjustments to avoid double taxation
		Technology transfer		Coordinate standards for CGI, B3W, GG; develop technology sharing platform / mechanism
	G20	Green public procurement	G20, CSOs, MDBs	Defining standards for green procurement
		Technology transfer		Develop technology sharing platform / mechanism
	OECD	Green public procurement	OECD countries, CSOs, UN organizations	Defining standards for green procurement
		Technology transfer		Coordinate standards for CGI, B3W, GG
EU-US venues	TTC	Green public procurement	EU, US, CSOs	Defining standards for green procurement. Green peace deal
		CBAM-alignment		Developing technical standards for assessing carbon intensity & coordinating border adjustments to avoid double taxation
	EU-US track 1.5 dialogue	Green public procurement		Discuss domestic content requirements, supply chain transparency
		CBAM-alignment		Discuss green industrial policy, sectoral approaches
		Technology transfer		Discuss technology sharing platform / mechanism Discuss financial support for IP transfer
		New trade agreements		Discuss standards for integrating climate & development

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7. Annex

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Expert survey questions and results

Respondents were asked to rank the following options in nine steps from most important to not important:

For the next three years, I see most potential for aligning climate, trade and development between the EU and the US through…

- Address existing trade disputes, in particular “green steel”
- New plurilateral and bilateral trade agreements
- New trade tools: CBAM alignment EU-US
- Energizing existing fora such as TTC, G7, OECD, G20
- Creating new fora such as a Germany–Indonesia–India platform
- Developing solutions for technology transfer
- A green peace agreement between the EU and US
- Alignment on green public procurement
- Climate Waiver at WTO

Respondents ranked options as follows:

1. Energizing existing fora such as TTC, G7, OECD, G20
2. New trade tools: CBAM alignment EU-US
3. New plurilateral and bilateral trade agreements
4. Developing solutions for technology transfer
5. Alignment on green public procurement
6. Creating new fora such as a Germany–Indonesia–India platform
7. A green peace agreement between the EU and US
8. Address existing trade disputes, in particular “green steel”
9. Climate Waiver at WTO

Responses are summarised in the graphs on the next page.

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Max is primarily connecting the dots in the areas of climate-compatible trade, climate-compatible finance & investment, and green hydrogen. In these three fields, Max supports the Climate Diplomacy team at E3G in setting up transatlantic dialogues between various entities: governments, legislators and civil society.

From 2007 until 2020, Max worked with the Ecologic Institute, first in Berlin and from 2014 on in Washington DC.

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Danny works with NGO partners and government entities to navigate the politics and funding challenges of the global energy transition. His motivation is to secure bespoke financing for clean energy infrastructure development, at the pace and scale necessary to curtail climate change. Drawing on his prior experience as a researcher with E3G's Climate Diplomacy, Geopolitics, and Security team, Danny strives to facilitate country-level agreements to decommission coal and capitalize clean energy buildout.

Before shifting careers, Danny spent a decade in the music industry – running a recording studio in Brooklyn, NYC, and touring the world with his rock band. He has also worked as a consultant for the Sierra Club, modeling methane leakage rates in fossil fuel extraction and transport.

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