

Trade and COP26

Evidence from WWF to the House of Commons International Trade Committee

September 2021

WHO WE ARE

- a. WWF is the world's largest conservation organisation. Our mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature by conserving and restoring the world's biological diversity, ensuring that the use of renewable natural resources is sustainable and reducing pollution and wasteful consumption.
- b. We welcome the opportunity to submit evidence to this important inquiry and would be happy to provide additional information, further testimony or an expert witness should it be helpful to the inquiry.
- c. This inquiry raises a broad range of issues; we have chosen to focus our response on the aspect of trade policy and how it relates to COP26, in particular with regards to agricultural trade.

SUMMARY

- d. Trade has a critical role to play in the global transition to greener industry and agriculture. It can be a key enabler of the industries of the future: renewable energies, green technology, sustainable agriculture.
- e. However, trade can also cement our unsustainable patterns of production and consumption, which have accelerated climate change and worsened nature loss. Changing the ways we produce, consume and trade is therefore key to realise the goals of COP26.
- f. Trade needs to direct industry and agriculture in a sustainable, future-proof direction, and away from the polluting methods of production from the past.
- g. To pursue the goals of COP26 we need a fresh approach to trade, that looks towards new policy ideas and incentives that will gear trade towards supporting the climate and nature ambitions.
- h. To show global leadership, the UK should publish a trade policy anchored in the objectives of the Paris Agreement, and capable of achieving the ambition of the 25

Year Environment Plan to leave a lighter footprint on the global environment – we believe this should include a legislative commitment in the Environment Bill to halve our global footprint by 2030 at the latest.

- i. The liberalisation of tariffs and quotas on agricultural products, if it goes ahead without adequate additional measures on the environmental standards of food that can be sold in the UK, will lead to increased environmental impact of the UK's consumption, and risk undermining domestic agricultural reform, a key element of delivering nature-based solutions to climate change.
- j. A key measure to limit such impacts would be the establishment of core environmental standards, which would set minimum sustainability requirements for all food products made in and imported into the UK.
- k. Better scrutiny and consultation of trade agreements are also necessary for parliamentarians and the public to monitor whether trade policy is pursuing the objectives of the COP26.
- l. A key initiative of COP26 are the Forest, Agriculture, and Commodity Trade Dialogues (FACT Dialogues). Their goal of bringing about more sustainable and deforestation-free supply chains could be undermined by the current approach towards agricultural trade, which consists of agreeing to lower tariffs and quotas on agricultural produce without core environmental standards.

1. How can international trade and investment contribute to realising the goals of COP26?

- 1.1. COP26 represents the last best chance to get the world on track to limit global heating to 1.5 – current commitments would see the world warm by more than 2 degrees. This isn't acceptable. The difference between 1.5 and 2 degrees of warming – for humans and wildlife – is stark.
- 1.2. Trade is driven by, and is a key driver of, our unsustainable patterns of production and consumption, which have accelerated climate change and worsened nature loss. Changing the way we produce, consume and trade is therefore key to realise the goals of COP26 and avoid a cognitive dissonance between our domestic climate agenda and trade.
- 1.3. As COP26 hosts, the UK government must ensure the global ambition to limit warming to 1.5C is maintained. Achieving this does not mean waiting until 2049 to act. To demonstrate global leadership, our public policy and finances, as well as private finance, must be aligned with net-zero targets now. The government must publish a detailed, binding Long-Term Strategy that delivers net zero by 2050 at the absolute latest, with clear policies to decarbonise key domestic sectors without offshoring our environmental footprint – **the Committee should challenge the Department for International Trade for specific details of how they will guarantee that new trade opportunities will not lead to increased emissions or environmental harm overseas, but help reduce them.**

- 1.4. Nature is our greatest ally in the fight against climate breakdown. The UK Prime Minister rightly promised to put nature at the heart of the Summit.¹ As COP26 hosts, the UK government must use their leadership role to put land use, agriculture, and nature-based solutions at the forefront of global plans to address emissions and tackle the climate crisis.
- 1.5. **In a globalised world, any attempts to reform domestic policy – such as agriculture policy – are only effective if they are matched by appropriate trade and investment policies.** Trade has the potential to both support, and undermine, the transition to sustainable agriculture and investment in nature-based solutions to climate change. The UK Government has already put in place policies to support trade in green goods via the “Green 100” tariff regime, which is very welcome as a way of incentivising trade in products and industries that support sustainable industries, but this of itself is not enough. It is necessary to ensure that goods and services that are not defined as green are nonetheless produced sustainably and policy to drive sustainable production at home is not undermined by imports that do not meet minimum environmental standards. As recommended by the Trade and Agriculture Commission, National Food Strategy and countless others, **the government should introduce measures that ensure common minimum standards for all food production at home or overseas.**
- 1.6. The four goals set out by the COP26 Presidency² can only be achieved if all sectors, industries and governments make a concerted effort to tackle emissions at home and in their supply chains. Trade is an essential part of getting to net-zero and achieving the objectives of the Paris Agreement. From mobilising public and private finance, to curtailing deforestation, the goals of the COP26 Presidency will not be achieved without a trade policy anchored in the objectives of the Paris Agreement. Any trade deal, whether struck by the UK or others, must now aim to positively promote action and finance to tackle emissions and restore nature.

2. Are international trade and investment likely to feature in the high-level negotiations at COP26?

- 2.1. It is unlikely that international trade and investment will feature in high-level negotiations at COP26. COP26 will include formal negotiations on: Carbon market mechanisms; Funding for Loss and damage, Discussions over the delivery of the \$100 bn finance target for developing countries; nature-based solutions; and agreement on common timeframes for countries' Nationally Determined Contributions³. The UK Presidency is also seeking commitments from countries on the phase-out of coal; curtailing deforestation; speeding up the switch to electric vehicles; and encouraging investment in renewables⁴.

¹ <http://webtv.un.org/meetings-events/watch/leaders-for-nature-and-people-event-supporting-an-emergency-declaration-for-nature-and-people-in-2020/6088883743001/?term=>

² <https://ukcop26.org/cop26-goals/>

³ <https://eciu.net/analysis/briefings/international-perspectives/what-is-cop26-who-will-attend-it-and-why-does-it-matter>

⁴ <https://ukcop26.org/cop26-goals/>

- 2.2. While trade is not an explicit topic at the formal negotiations at COP26, the WTO's 12th Ministerial Conference, taking place at the end of November, should integrate the agreements reached at COP26 in its agenda and deal with how trade and environment interact in the multilateral trade space. The WTO's new Director General, Ngozi Okonjo-Iweala, the WTO's new Director-General, believes that trade can help tackle climate change and wants to reform the WTO so that is possible⁵. The WTO's 12 ministerial will be key to starting this process.
- 2.3. It is now clearer that aligning trade and environmental policy is a way to win friends and influence internationally. The UK can contribute to restoring trust in the global trading system by using its WTO seat to ensure international trade supports development, tackling climate change and restoring nature. Sustainable agriculture will have a big part to play in all three. The UK, by smartly setting out new standards which ensure trade promotes the green farming systems the world needs, could position itself as a forward-thinking new trade actor at a time that the international community are looking for models to green their economies in a globalised and interconnected world.

3. What are the possible impacts of climate change on international trade and investment?

- 3.1. The Sixth IPCC report concludes that climate change is likely to have huge impacts across all parts of life.⁶ Trade and investment will be impacted in the following ways:
- 3.1.1. **Changes in weather patterns:** Likely to impact food security, agricultural trade and the ability of nations to reliably produce and export foodstuffs. Nations may also shift specialisations in response to changes in average temperatures or policy context, thus impacting trade patterns.
- 3.1.2. **Extreme weather:** Likely to cause disruption to transport, distribution chains and other infrastructure, impacting supply chains for all goods.
- 3.1.3. **Resource scarcity:** Likely to impact the ability and desirability of producing goods requiring large inputs of water or areas of land.
- 3.1.4. **Economic impacts of climate shocks:** Likely to impact the capacity for trade and investment.
- 3.1.5. **Necessary climate action:** Likely to require nations to cease the extraction and combustion of fossil fuels, which may lead to stranded assets if investors do not divest.

⁵ https://news.yahoo.com/ngozi-okonjo-iweala-believes-wto-015634381.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuYmluZy5jb20v&guce_referrer_sig=AQAAA L8ftatmuVjgRT3_tldfjkpsv_aJs8QrDQu_decirool12eREQ8kXzfsefxpufd2uL0wfkO9F2jpwvIOJTp7Oor5nAAbh4 68NuVckiavsFesNPNTJU7q44EhzeRq2ZfSvww8EWisy5v4Sr9ADs-2l_77TIUCboFQMSSYhKmYJ1

⁶ <https://www.ipcc.ch/report/ar6/wg1/>

4. To what extent does the government's trade policy align with the objectives of COP26? This includes, but is not limited to, its actions at the WTO, its G7 presidency, and its bilateral and plurilateral trade agenda.

- 4.1. First, it is necessary to note that **the Government does not currently have a published trade policy**. A White Paper was issued in 2017, but as we understand it is now out of date⁷. It is therefore difficult to assess what the government's trade policy is and in the final stages of trade negotiations the government's policy on major questions remains unresolved. Such was the case with the Australia-UK Agreement in Principle (AIP), in the run up to which there was very little clarity on government's approach to tariffs on agricultural trade. Some of the UK's major trade partners - including the US, the EU, and New Zealand - have published trade policies. This gives their negotiators a clear mandate, which strengthens their hand in the negotiations, as it shows that their red lines are based on domestic support. It also ensures government cohesion on critical policy issues, which cut through a range of areas. A published trade policy would strengthen the position of the UK's negotiators as they go into negotiating deals critical for the future of the UK economy.⁸
- 4.2. The Government's approach so far on trade does not bode well for a trade policy that aligns with the objectives of COP26.
- 4.3. The recently announced AIP with Australia shows the ways in which the current approach to trade undermines the UK's ambition in leadership of COP26. As it stands, the AIP brings about a zero tariff, zero quota arrangement for trade in most agricultural goods. While there is a transition period, for many products tariffs are lowered very quickly and quotas are set very high. For instance, Australia would be able to increase its beef exports to the UK by more than sixty times their 2020 levels in the first year of the deal before any tariffs would kick in.
- 4.4. The proposed lowering of tariffs for agricultural products risks undermining the UK's attempts to green its own agricultural policy by allowing imports of lower standard products from industrialised agricultural systems such as in Australia. For instance, farming in Australia is pesticide-heavy compared to the UK, with 144 highly hazardous pesticides allowed for use- double the amount permitted in the UK.⁹
- 4.5. Not only is this approach a significant risk to domestic agricultural reform; it also leads to increasing the environmental impacts of UK consumption, contrary to the commitment to reduce the UK's footprint on the global environment, contained in the twenty-five-year Environment Plan. The UK is already failing to meet this objective, and allowing imports that do not meet minimum environmental standards would only exacerbate this, undermining the UK's leadership at the COP26.
- 4.6. To make new trade deals more sustainable, **WWF and many others are calling for the adoption of core environmental standards**, which would set

⁷ <https://www.gov.uk/government/publications/preparing-for-our-future-uk-trade-policy>

⁸ <https://greenallianceblog.org.uk/2021/06/10/how-can-the-uk-be-a-credible-trading-nation-without-a-trade-policy/>

⁹ https://issuu.com/pan-uk/docs/toxic_trade_report_2020?fr=sM2MwNTEExOTMxNQ

minimum sustainability requirements for all food products sold in the UK, whether imported or produced domestically.¹⁰ This would mean that environmental standards binding domestic farmers also apply in an appropriate and comparable way to foreign producers. Creating core environmental standards has been recommended by several reports, including the Trade and Agriculture Commission's final report, released in March, which government is yet to respond to.¹¹ They were also recommended by the National Food Strategy (Part 1 and 2).¹²

4.7. Although not a trade policy, the Department of International Trade's Outcome Plan, the measure of departmental performance, provides a worrying indication of what success looks like for DIT.¹³ Under the performance metrics, it considers how many tariff barriers and non-tariff measures are reduced in a trade deal. These metrics establish a vision of success which is based on the quantity, rather than quality of trade deals and their impact on the UK economy. And there are no metrics which address how deals would support more sustainable trade or the UK net zero commitments.

4.8. Several measures would be needed to ensure quality of trade deals. These include a flanking policy of core environmental standards applicable to all trade, as mentioned above. Quality trade deals can only be negotiated if there is a published trade policy that sets out the government's key objectives for trade, including on how trade interacts with climate and other environmental commitments. There must be adequate scrutiny and consultation arrangements, to allow parliamentarians and the public to effectively monitor trade deals. A transparent process which involves MPs and the public is a key way of ensuring that trade policy supports the goals of the COP.

5. What discussions, if any, are planned to develop a multilateral approach to carbon pricing systems (including border adjustment mechanisms), green subsidies and investment funds, the curbing of fossil fuel subsidies, a circular economy and sustainable supply chains?

5.1. This question raises many issues, but our answer will focus on sustainable supply chains, a key area of COP26 which WWF has been involved in.

5.2. A key initiative of COP26 are the Forest, Agriculture, and Commodity Trade Dialogues (FACT Dialogues),¹⁴ which aim to “agree on principles for collaborative action, a shared roadmap on sustainable land use and international trade, and to take action now to protect forests while promoting development and trade”.¹⁵

¹⁰ <https://www.linkedin.com/pulse/can-environment-emerge-winner-from-uk-australia-trade-angela-francis/?trackingId=9vFla8HoQ7iEKXx8psE7XQ%3D%3D>

¹¹ <https://www.gov.uk/government/publications/trade-and-agriculture-commission-tac/trade-and-agriculture-commission-final-report-executive-summary>

¹² <https://www.nationalfoodstrategy.org/>

¹³ https://www.gov.uk/government/publications/department-for-international-trade-outcome-delivery-plan/dit-outcome-delivery-plan-2021-to-2022?utm_source=POLITICO.EU&utm_campaign=c78c742ed5-EMAIL_CAMPAIGN_2021_07_20_06_03&utm_medium=email&utm_term=0_10959edeb5-c78c742ed5-189164285

¹⁴ <https://www.gov.uk/government/news/cop26-brings-countries-together-to-protect-worlds-forests>

¹⁵ <https://www.tropicalforestalliance.org/en/collective-action-agenda/cop26/about>

- 5.3. The current approach of the Department of International Trade puts at risk this flagship initiative. A zero tariff, zero quota deal with Australia increases the possibility of importing food from supply chains that have deforestation at their source. Australia has the highest deforestation rate in OECD countries, which is in large part due forests being cut down for cattle¹⁶. Any form of trade deal or policy that does not seek to help minimise and ultimately end deforestation within food supply chains is not compatible with COP26, given the extreme emissions impacts and opportunity costs associated.
- 5.4. The deal soon to be signed with Australia sets the precedent for future trade deals, with the UK's potential trading partners likely to demand equivalent treatment in negotiations. The negotiation of a trade deal with Brazil via Mercosur would be of significant concern, which could lead to agricultural products grown on deforested land being imported into the UK in larger quantities. Further, via the CPTPP, the UK would be agreeing a trade deal with countries with some of the largest amounts of deforestation: Mexico and Malaysia¹⁷. By lowering tariffs on agricultural trade without putting in place core environmental standards, the UK is potentially setting a precedent that could undermine its efforts to foster deforestation-free supply chains via COP26 and beyond.

For more information, please contact: **Anna Sands, Trade Policy Specialist at WWF-UK**

¹⁶ https://www.wwf.org.uk/sites/default/files/2020-07/RiskierBusinessSummaryReport_July2020_revised.pdf

¹⁷ https://wwfint.awsassets.panda.org/downloads/deforestation_fronts_drivers_and_responses_in_a_changing_world_full_report_1.pdf