

# Asia-Pacific Trade and Investment Report 2021:

## *Accelerating climate-smart trade and investment for sustainable development*

*Presented by*

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# Report introduction

- While globalization has lifted millions of people out of poverty in the Asia-Pacific region alone, the economic growth supported by existing trade and investment policies has come at a steep environmental cost
- Asia-Pacific region accounts for 38% of the global GDP and 54% of the global GHG emissions
- New IPCC reports highlight that climate change is man-made, widespread, rapid, and intensifying
- This report is focused on **how trade and investment-related policies can be more “climate-smart” - and help address climate change.**





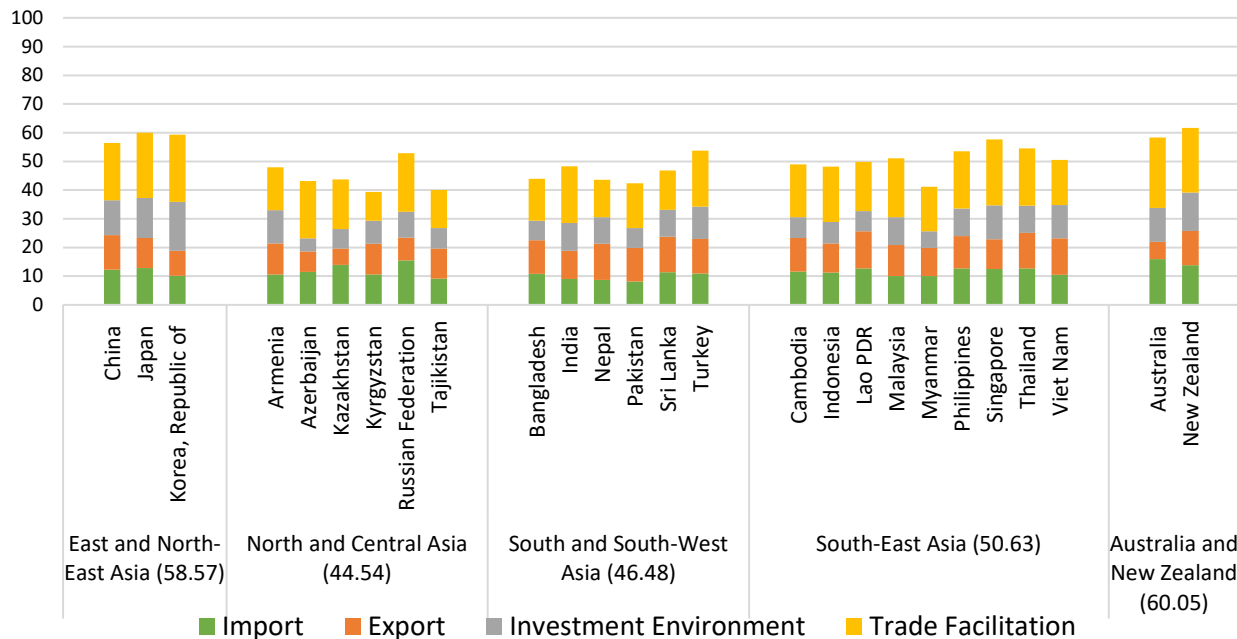
# Report overview

- Chapter 1** Trade, investment, climate change and the SDGs: why do trade and investment need to be climate smart
- Chapter 2** State of play: how climate-smart is trade and investment in Asia and the Pacific?
- Chapter 3** Climate-smart business and investment
- Chapter 4** Regional trade agreements: a tool to promote climate smart trade
- Chapter 5** Climate-smart trade and transport facilitation
- Chapter 6** Estimating the impact of a switch to climate-smart trade and investment
- Chapter 7** Conclusion and recommendations



# All countries have room to make trade and investment “climate smarter”

*“The Asia-Pacific region’s climate-smart trade and investment environment has improved since 2015... but there is substantial room to improve”*



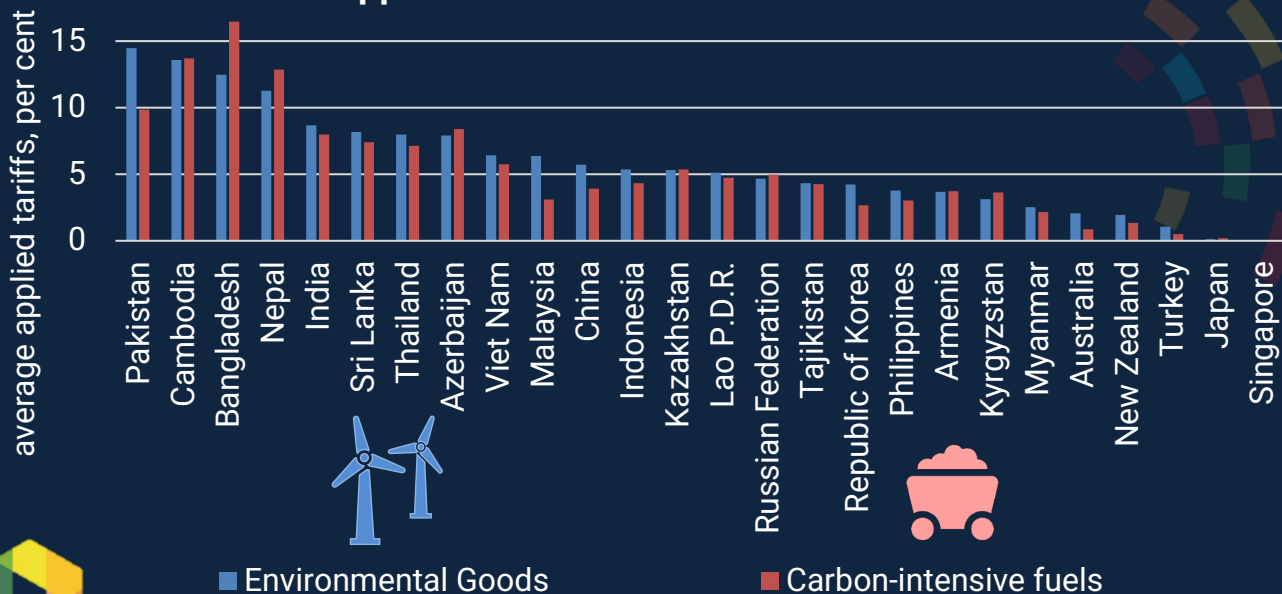
**Source:** ESCAP’s Climate-smart Trade and Investment Index

[www.unescap.org/kp/APTIR2021](http://www.unescap.org/kp/APTIR2021)

# 1. Liberalize trade in climate-smart and other environmental goods and services

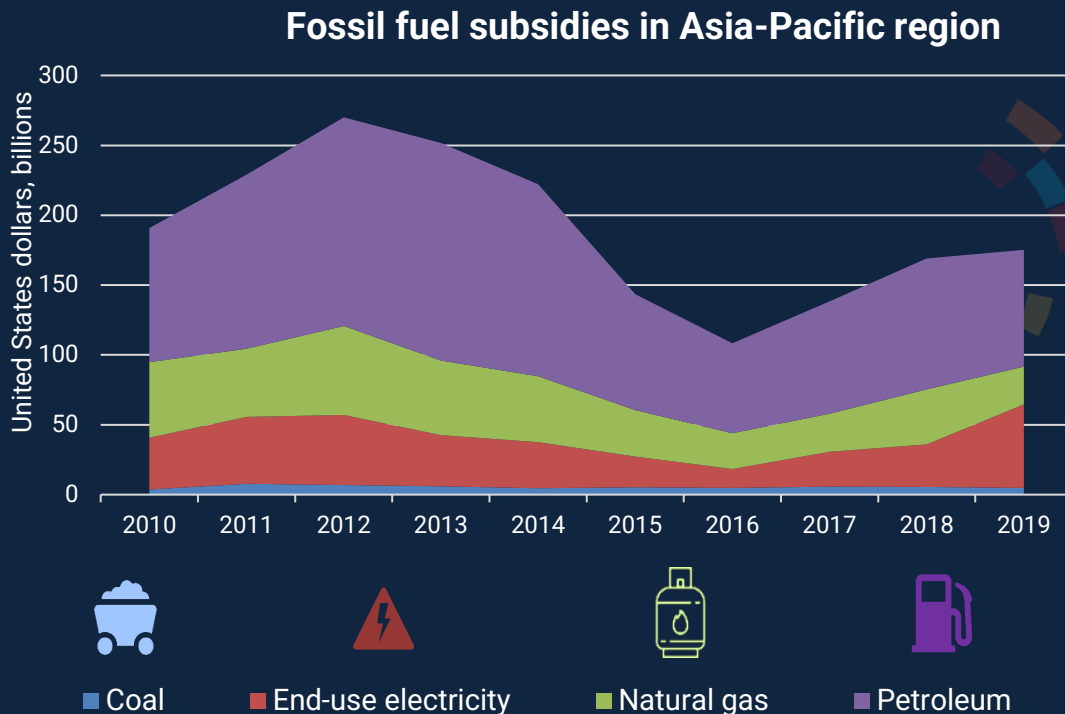
*“Average tariffs applied on carbon-intensive fossil fuels in Asia Pacific are lower than the tariffs applied on the environmental goods.”*

Applied tariffs on Env. Goods. Vs carbon intensive fuels



## 2. Phase out fossil fuel subsidies

*“Asia-Pacific economies spent more than \$175 billion on fossil fuel subsidies in 2019”*



### 3. Adopt climate-smart non-tariff measures

*“Asia-Pacific economies apply climate-related NTMs to only 6.2 per cent of their imports”*

| Imposing economy  | Objective category                    | Description   |
|-------------------|---------------------------------------|---|
| Australia         | Emissions from machinery and vehicles | Requirement of application of fuel consumption labels and energy consumption labels to vehicles.  |
| China             | Energy efficiency, other              | Technical requirement regarding the minimum allowable level of energy efficiency of self -ballasted fluorescent lamps has been specified.   |
| Brunei Darussalam | Deforestation                         | Prohibition on felling certain tree.  |
| New Zealand       | Greenhouse gas emissions              | ...The levy applies to a range of imported goods including fridges, freezers, heat pumps, air-conditioners, and refrigerated trailers. It is linked to the price of carbon and varies between items to reflect the amount of gas, the specified gas and its global warming potential. |
| Afghanistan       | Greenhouse gas emissions              | Chloro Floro Carbons (CFS) and Products containing CFS and certain halons and products containing them are banned from import to Afghanistan  |



## 4. Encourage climate-smart investment and private sector initiatives



### Energy sector

*increasing the share of renewables*



### Industrial sector

*increasing energy efficiency and reducing resource-use in sectors such as cement, iron and steel.*



### Transport sector

*Investing in cleaner modes of transport / technologies*



### Construction sector

*Greening buildings through increasing energy efficiency*

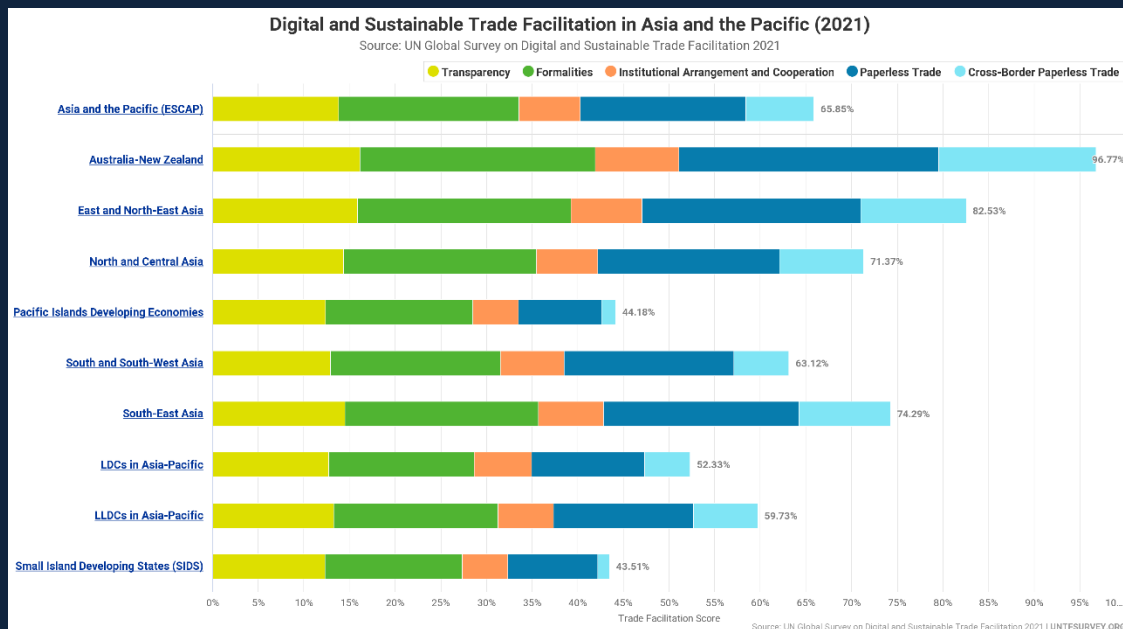
Private sector initiatives: internal carbon pricing, sustainability reporting (increasing required by investors)...





# 5. Accelerate trade digitalization

*“Each single end-to-end trade transaction undertaken fully digitally could save emissions equivalent to planting 1.5 trees. For the whole of Asia-Pacific, this implies savings of about 13 million tons of CO2 annually, equivalent to the carbon absorbed by 400 million trees.”*



Source: [www.untfsurvey.org](http://www.untfsurvey.org)



## 6. Transition to climate-smart transport

*“CO2 emissions from freight transport were estimated to account for 42 percent of all transport related CO2 emissions in 2019, including both domestic and international freight”*

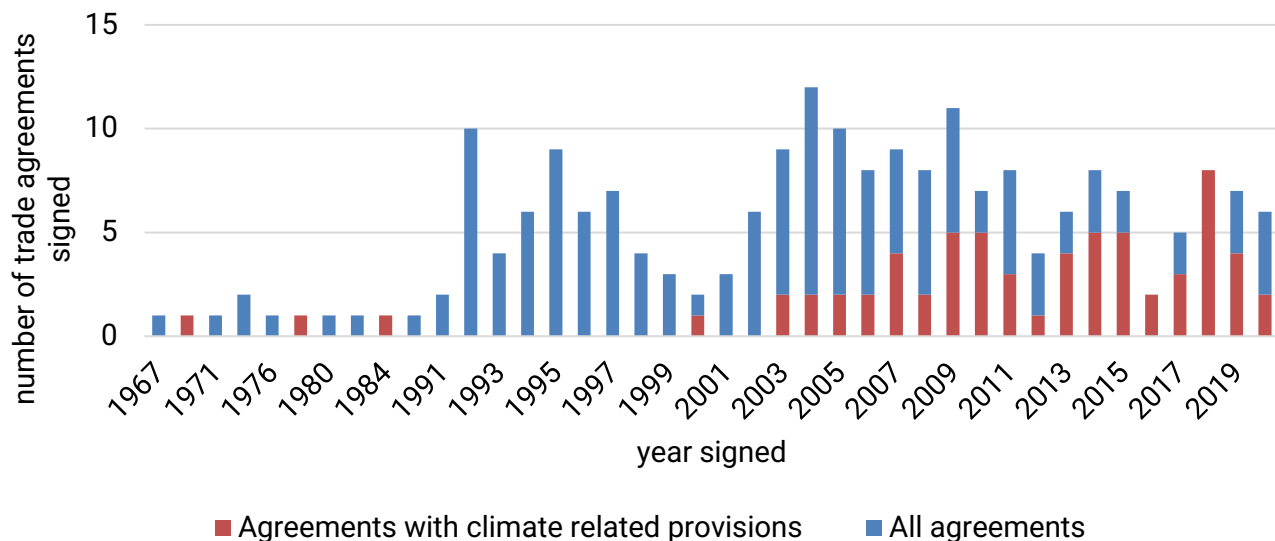
### Greening trade logistics through digital and smart transport systems

- The Enable-Avoid-Shift-Improve (EASI) framework
  - Enable (improve governance and access to data)
  - Avoid (unnecessary travels/shipments)
  - Shift (to more efficient/cleaner transport modes)
  - Improve (infrastructure, services, operations)
- Importance of digitalizing transport processes
- Regional approaches useful to facilitate interoperability



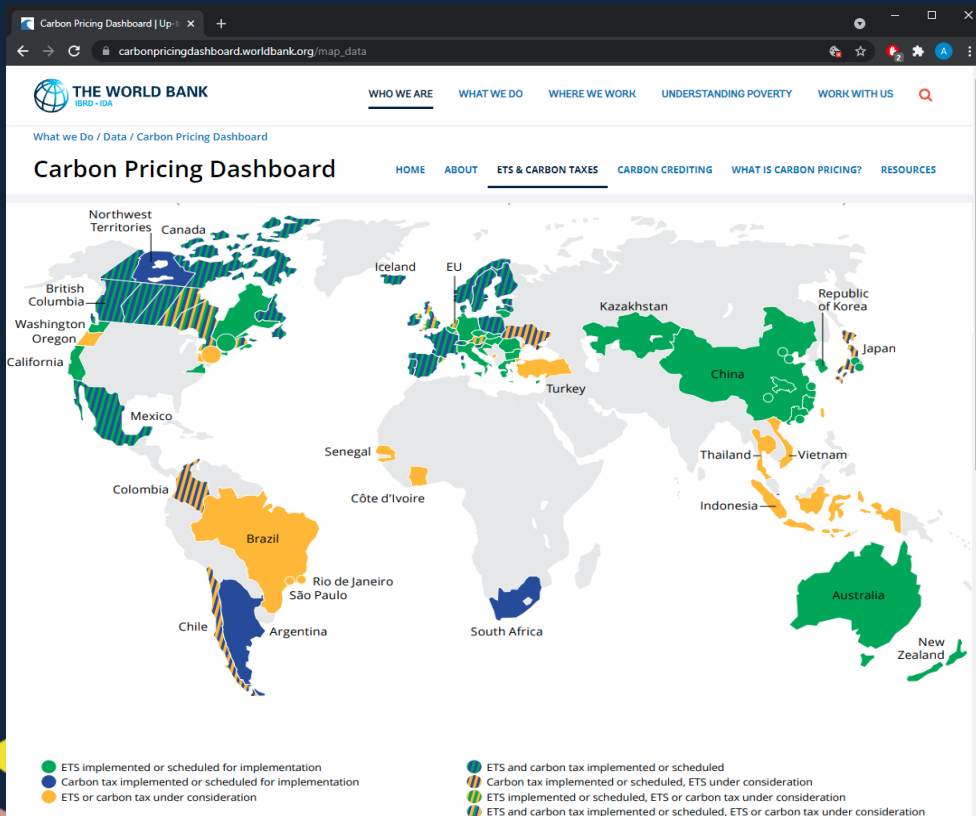
## 7. Incorporate climate considerations in regional trade and investment agreements

*“85% of the RTAs involving an Asia-Pacific economy and containing at least one climate-related provision were signed after 2005”*



# 8. Prepare for carbon pricing

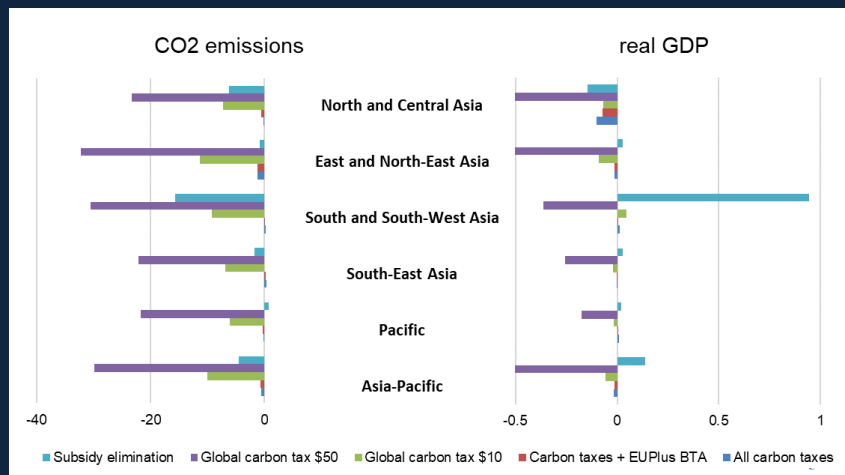
*“Only 7.8% of emissions in the region are covered by carbon pricing – vs 21.5% globally”*



**Source:**

World Bank Carbon  
Pricing Dashboard

## 8. Prepare for carbon pricing (and carbon border taxes)



Existing carbon pricing comes at an economic cost to subregions implementing them

– with a marginal windfall to subregions not implementing them due to carbon leakage

- Except for South and South-West Asia, Asia-Pacific subregions do not experience a substantive change in GDP due to EU+ Carbon Border Adjustment Mechanism
- Imposing global carbon prices of only \$10 reduces emissions in all Asia-Pacific regions much more significantly than existing carbon pricing mechanisms
- With global price of carbon of \$50, GDP to decline in all Asia-Pacific subregions between 0.18 and 0.64 per cent



## 9. Incorporate climate consideration in COVID-19 crisis recovery packages

- Consider aligning COVID-19 recovery spending with climate action
- Support sectors and activities that can help reduce GHG emissions
- Some may be seen as discriminatory in nature and inconsistent with current multilateral trade rules.
- Governments may seek to make further progress at WTO in aligning multilateral trade regulations with climate action – and environmental protection in general.



## 10. Strengthen capacity for climate-smart trade and investment policy

- Need for policymakers and analysts to upskill in order to
  - design and negotiate climate-smart trade and investment policies and agreements that meet the need of their countries; and
  - mitigate the impact of third-party climate-change policies.
- Specific capacity building programmes to be developed, taking advantage of digital technologies and services.
- ESCAP, UNEP and UNCTAD stand ready to support.



ASIA-PACIFIC  
TRADE AND INVESTMENT REPORT  
**2021**

*Accelerating Climate-smart Trade and Investment  
for Sustainable Development*



# THANK YOU

Read more at:

[www.unescap.org/kp/APTIR2021](http://www.unescap.org/kp/APTIR2021)

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