



APEC Business Advisory Council

ABAC III 2022

Climate Change

**Presentation by Malcolm Johns,
Co-Chair
SWG III
27 July 2022**

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ABAC Climate Leadership Principles



1. Reduction

Businesses should play their part in the transition to a low-carbon region.

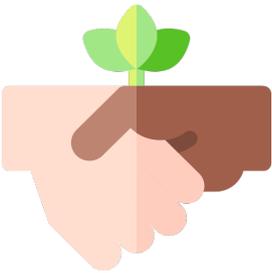
Measuring, monitoring, reporting GHG footprints, emissions reduction targets, decoupling from fossil fuels



2. Adaptation

Businesses should support behavioural and technological adaptation.

Risk assessment and management, ESG investing, low-carbon technology, digitalisation



3. Just Transition

Businesses should seek sustainable and equitable transitions within open rules-based trade.

Building a fair transition, challenging polarisation, supporting underserved communities

Climate response matrix: ABAC



Working Group	Reduction	Adaptation	Just Transitions
SWG	Advancing transition for energy-intensive enterprises etc.	Framework for Trade and Investment in Renewable Energy etc.	Just Transitions for Women and Indigenous Peoples etc.
MSMEIWG	Enhancing sustainable practices of MSMEs etc.	Building the Digital Market Infrastructure for Supply Chain Finance	Promoting MSME digital transformation etc.
REIWG	WTO TESSD Plurilateral, WTO Agriculture Domestic Support reform etc.	FTAAP (sustainability) etc.	WTO Gender and MSME Plurilateral etc.
FEWG	Financing the Transition to Sustainability etc.	Financing the Transition to Sustainability etc.	Promoting Speedy and Sustained Recovery etc.
Other	Work on Emissions Trading Schemes etc.	Innovative tech to replace high-carbon assets/services, etc.	"Fair", collaborative, coherent approaches to CBAMs, etc.

Climate response matrix: APEC

Putrajaya Vision: Aotearoa Plan of Action	Reduction/Mitigation	Adaptation	Just/Fair Transitions
Trade and Investment	<ul style="list-style-type: none"> • FTA/WTO climate change responses including CBAMs • WTO Plurilaterals (<i>TESSD, fossil fuel subsidies, distorting agriculture subsidies</i>) • Trade in environmental goods and services • Financial support system for decarbonisation 	<ul style="list-style-type: none"> • Trade in environmental goods and services • Trade in digital & innovative low-carbon goods/services • Framework for Trade & Investment in Renewable Energy • WTO Plurilateral (TESSD) • FTAAP (sustainability) • FTAAP (services) 	<ul style="list-style-type: none"> • “Fair” trade rules to address carbon at the border (CBAMs) • Food Security Roadmap • ABAC Work on “Just Transitions” for Women, Indigenous etc. (ABAC) • WTO Plurilaterals (<i>Trade & Gender, MSMEs</i>) • FTAAP (Inclusion)
Innovation and Digitalisation	<ul style="list-style-type: none"> • Financing the transition to sustainability • Emissions Trading Schemes • CBAMs 	<ul style="list-style-type: none"> • Data sharing, interoperable and enabling regulatory environment • Enabling physical infrastructure for digital connectivity (5G etc.) 	<ul style="list-style-type: none"> • Digital Identities to support inclusion, verified credentials for ESG • Speedy, sustained recovery
Strong, Balanced, Secure, Sustainable and Inclusive Growth	<ul style="list-style-type: none"> • Enhancing sustainable practices of MSMEs • Climate change workstream proper (reduction/mitigation work) 	<ul style="list-style-type: none"> • Digital Market Infrastructure for Supply Chain Finance • Food Security Roadmap (sustainable agriculture, including Bio-Circular Green models, Digital Food Plan, other elements of adaptation) 	<ul style="list-style-type: none"> • Promoting MSME digital transformation • Capacity-building for MSME, women, Indigenous and other underserved groups’ economic inclusion



Just Transitions

- Women and Indigenous communities are potentially the most affected groups in the transition to a low-carbon economy
 - Women and Indigenous groups are more likely to lose their livelihoods after climate-related events like droughts, landslides and floods
 - In OECD tracking of green recovery measures (post-pandemic), only 2.5% were “gender-relevant”
- At the same time, achieving a “fair” net zero transition can broaden economic opportunities and inclusion for underserved groups
- This requires integrated policy and governance frameworks that recognise the synergies between inclusion and green recovery

Trade

- The WTO ‘rulebook’ and principles support ambitious environmental provisions, provided these are not discriminatory or a disguised restriction on trade (GATT Art XX)
 - New WTO Plurilaterals, especially the Trade and Environmental Sustainability Structured Discussions, may eventually develop more coherent approaches
 - Agriculture subsidies
- FTAs are only just starting to incorporate climate change-related provisions and related principles (post-Paris)
 - Many include “Sustainable Development” (environment and labour/social goals)
 - Example of EU-NZ FTA: Most ambitious (and enforceable) environment provisions



Trade #2



- Unilateral climate-related action emerging e.g. the EU CBAM (Carbon Border Adjustment Mechanism)
- There is a high potential for climate change responses to be “weaponized” and used as disguised protectionism, especially if unilateral action is taken
- The most effective path will be collaborative and regionally-coherent approach to carbon at the border
- There is scope for APEC to lead development of a regional approach – counter to unilateral EU CBAM

Recommendations

- Members to note that ABAC and APEC's workstreams can be situated within a matrix of the Climate Leadership Principles, and agree this framework should help orient future agendas
- Members to recognise the strong case for coordinated rather than unilateral climate responses