Trade and Climate Change

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The problem: selling prices, carbon prices and trade exposure

A - universally applied carbon price, non-substitutable product (selling prices increase with carbon prices; producer life easier)
B - universally applied carbon price, substitutable product (selling price rises limited by price of substitute; producer must work hard)
C - single-country carbon price, globally traded product (selling prices do not rise because of global competition; producer in danger)
# Requirements for solutions

## Signal for change
- Approach must preserve incentive to cut emissions – but for who?
- Short term optimisation versus investment in decarbonisation

## Competitiveness
- Approach must prevent uneven CO2 policy from distorting trade
- Can be in tension with social equity, but also supports it

## Social equity
- Approach must avoid harm to vulnerable people and be seen as fair
- Can be addressed within climate policy and/or broader social/economic

## WTO-consistency
- Approach must not further undermine global trade rules and norms
- Scope to amend rules would help compatibility, but may be hard

## Practicality
- Approach must be actually implementable
- Relates to emissions/policy data, tools, policy-making process
Some options for solutions

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<th>Option</th>
<th>Signal</th>
<th>Compete</th>
<th>Equity</th>
<th>WTO</th>
<th>Practical</th>
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<tbody>
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<td>Exempt trade exposed</td>
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Thank you

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