

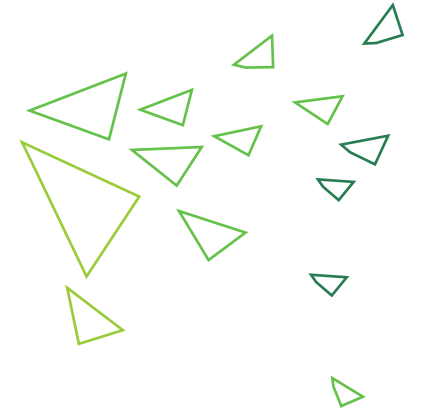
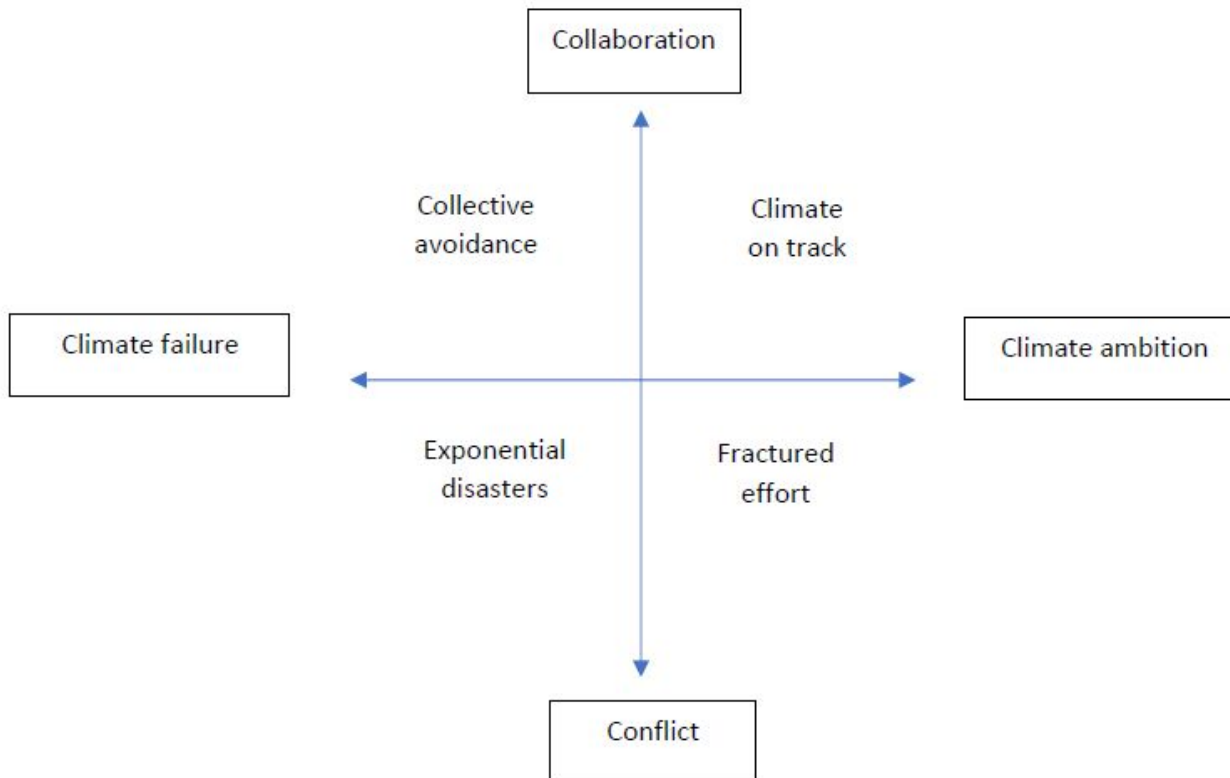


Scenarios and strategies
for carbon
competitiveness

IEF September 2023

Scenario building

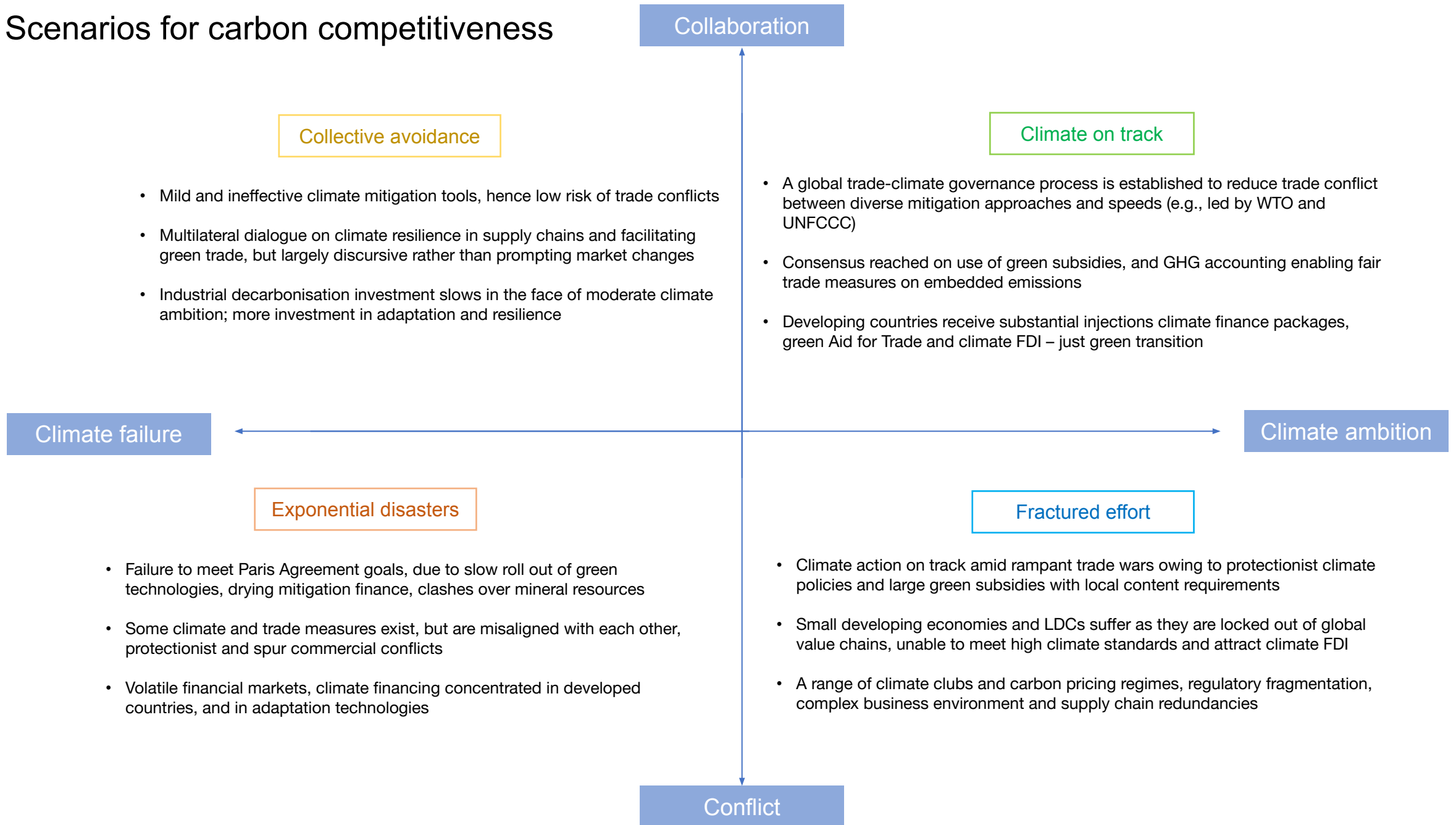
What might carbon pricing and trade relations look like by 2030?



In each scenario:

1. What is happening to trade relations?
2. What is happening on climate action?
3. What is the role of the U.S.?

Scenarios for carbon competitiveness



Collaboration

Collective avoidance

Climate on track

- Mild and ineffective climate mitigation tools, hence low risk of trade conflicts
- Multilateral dialogue on climate resilience in supply chains and facilitating green trade, but largely discursive rather than prompting market changes
- Industrial decarbonisation investment slows in the face of moderate climate ambition; more investment in adaptation and resilience

- A global trade-climate governance process is established to reduce trade conflict between diverse mitigation approaches and speeds (e.g., led by WTO and UNFCCC)
- Consensus reached on use of green subsidies, and GHG accounting enabling fair trade measures on embedded emissions
- Developing countries receive substantial injections climate finance packages, green Aid for Trade and climate FDI – just green transition

Climate failure

Climate ambition

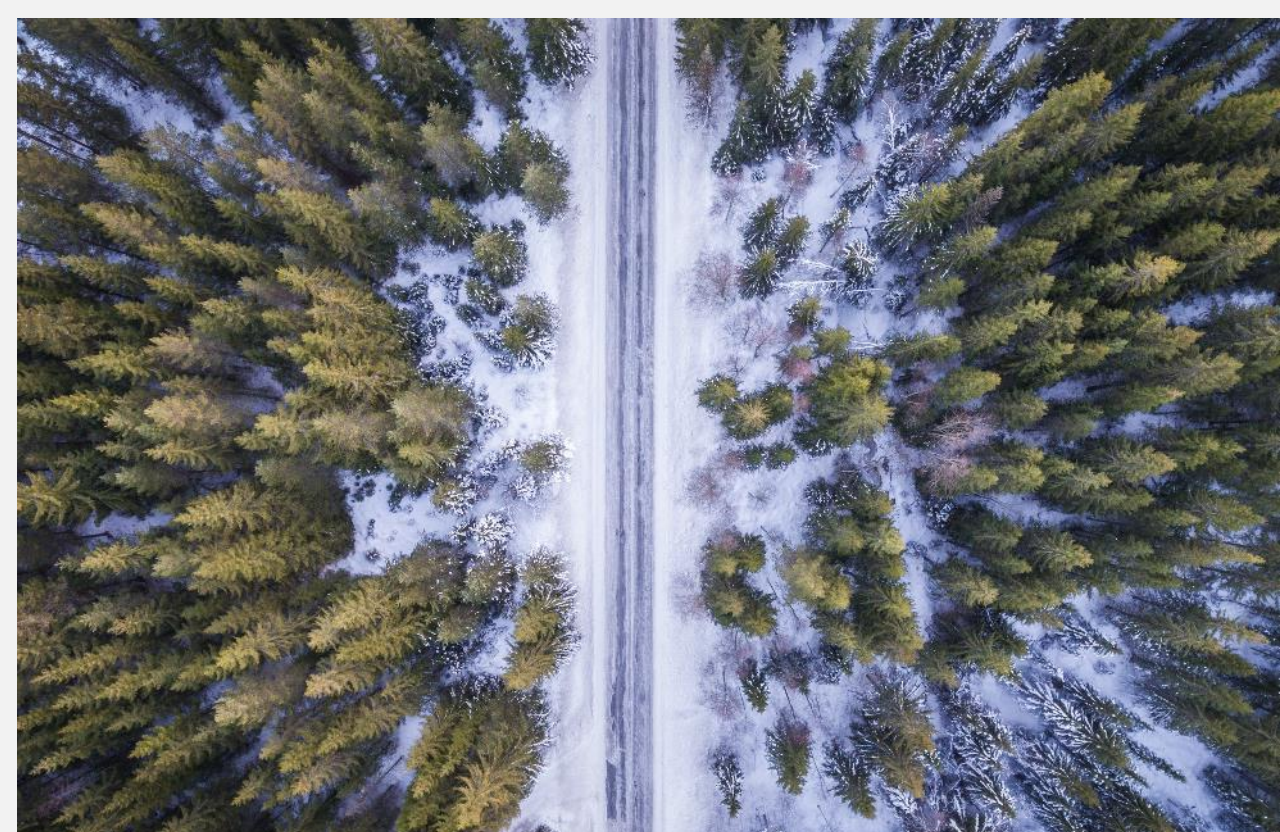
Exponential disasters

Fractured effort

- Failure to meet Paris Agreement goals, due to slow roll out of green technologies, drying mitigation finance, clashes over mineral resources
- Some climate and trade measures exist, but are misaligned with each other, protectionist and spur commercial conflicts
- Volatile financial markets, climate financing concentrated in developed countries, and in adaptation technologies

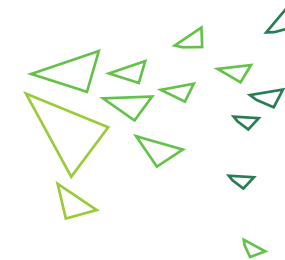
- Climate action on track amid rampant trade wars owing to protectionist climate policies and large green subsidies with local content requirements
- Small developing economies and LDCs suffer as they are locked out of global value chains, unable to meet high climate standards and attract climate FDI
- A range of climate clubs and carbon pricing regimes, regulatory fragmentation, complex business environment and supply chain redundancies

Conflict



Trajectory setting

*Joachim Monkelbaan
Climate Trade Lead, World Economic Forum*



1. What types of trade interventions are needed [to move from one side of the diagram to the other]
2. What needs to change in the trade community's approach to climate?
3. What needs to change in the climate community's approach to trade?
4. What is the role of your organization in influencing those drivers and points of intervention?
5. How does the policy and political context shape the potential drivers and points of intervention?

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