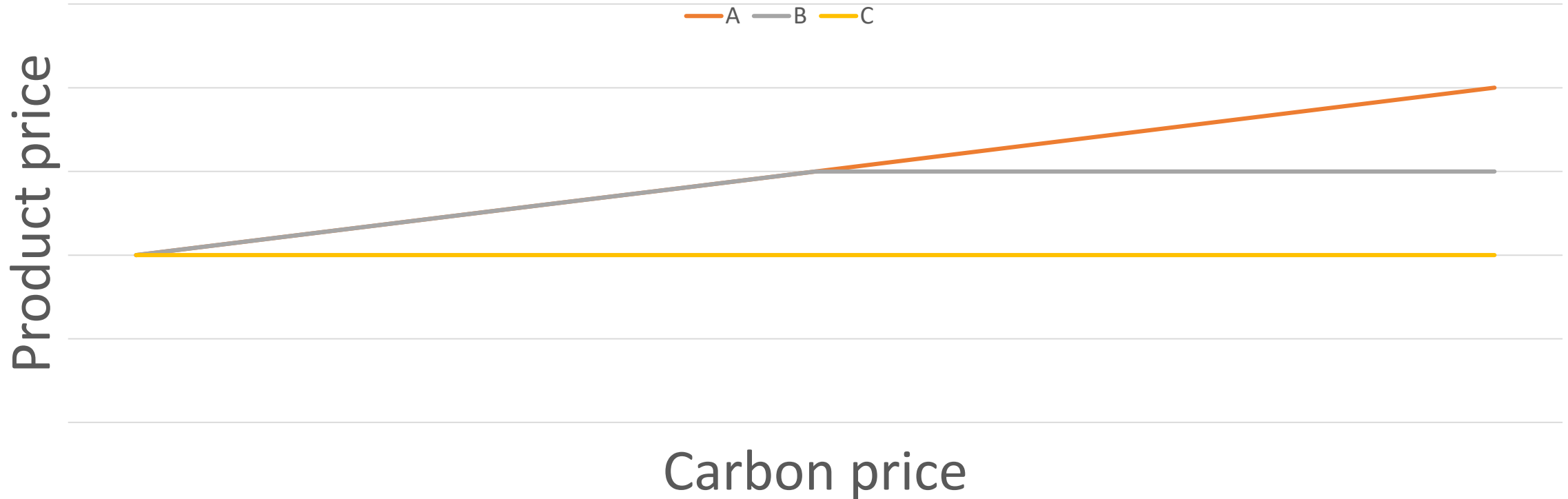


Trade and Climate Change
BIZMEF COP25 Business Dialogue
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The problem: selling prices, carbon prices and trade exposure



- 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

Option	Signal	Compete	Equity	WTO	Practical
Exempt trade exposed	X	✓	X	✓	✓
Free allocation	?	?	?	✓	✓
Border adjustment, punitive	✓	✓	?	X	X
Border adjustment, neutral	✓	✓	?	?	?
Carbon clubs / trade deals	?	?	?	?	?
Policy without trade measures	✓	X	X	✓	✓

Thank you

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