



APEC Business Advisory Council

SWG I 2024

**Leveraging trade for climate:
2024 work plan**

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COP28: The end of fossil fuels in sight

- Key outcome: “**transition away from fossil fuels** in energy systems, in a just, orderly, and equitable manner, accelerating action in this critical decade, to achieve **net zero by 2050.**”
- Other important outcomes:
 - **Loss and Damage Fund:** but pledges of only \$792 million out of \$580 billion needed
 - Parallel **energy** processes: 3x ↑ renewables by 2030; decarbonize ↓ the existing energy system
 - **Methane** is a major focus (oil, gas, food, waste)
 - **Financing** is critical (including from private sector) – but still a \$41 trillion funding gap
 - We have the **technologies** for net zero, but need to accelerate deployment rapidly
 - **Adaptation** is critical to mitigate impacts on lives, livelihoods, nature, health, food systems (130+ leaders signed a Declaration on Sustainable Agriculture, Resilient Food & Climate Action)
 - **Nature** integration: nature-based solutions; align business, nature & climate goals
- Recognition of the **critical role of trade**
 - Environmental goods and services, green skills, access to technologies/know-how
 - Multilateral approach is needed to avoid barriers for MSMEs, developing economies



Leveraging trade for climate: 2024 work plan

Based on ABAC Climate Leadership Principles:



Reduction



Adaptation



Just Transition

1. **Creating an enabling environment for trade tools** needed in the climate fight:
 - Liberalisation of environmental goods and services, trade in renewable energy, greening supply chains, verifiable climate credentials (e.g. coherence in carbon accounting in trade) and eco-labelling, sustainable food trade, and fostering inclusion/just transitions
2. **Avoiding green protectionism** (e.g. distorting/discriminatory subsidies, non-tariff barriers)



➔ Deliverable: FTAAP “Early Harvest”

Identifying the most important ‘trade and sustainability’ elements for the eventual FTAAP from a business perspective

Carbon Accounting

Carbon accounting is essential to measure, manage and report GHGs

- ✓ Understand environmental impact, decarbonise supply chains and trade
- ✓ Comply with regulations
- ✓ Satisfy consumer/customer demand for “sustainable” products

BUT carbon accounting standards are complex, piecemeal and incoherent:

1. Standards are complex

- Multiple standards e.g. Greenhouse Gas Protocol, ISO, and many others...
- Differ depending on context/use: carbon footprint; carbon offsets; climate disclosure; certification of carbon neutrality
- Differences over including Scope 1/2/3 emissions make comparisons difficult

2. There is **no single international approach**

- Creates different reporting requirements across different jurisdictions
- Creates complexities through supply chains/global value chains

3. This **creates business risk**

- May affect trade, disadvantage some producers, raise compliance costs
- Implications for regulatory risk, investment, financing, supply chain management

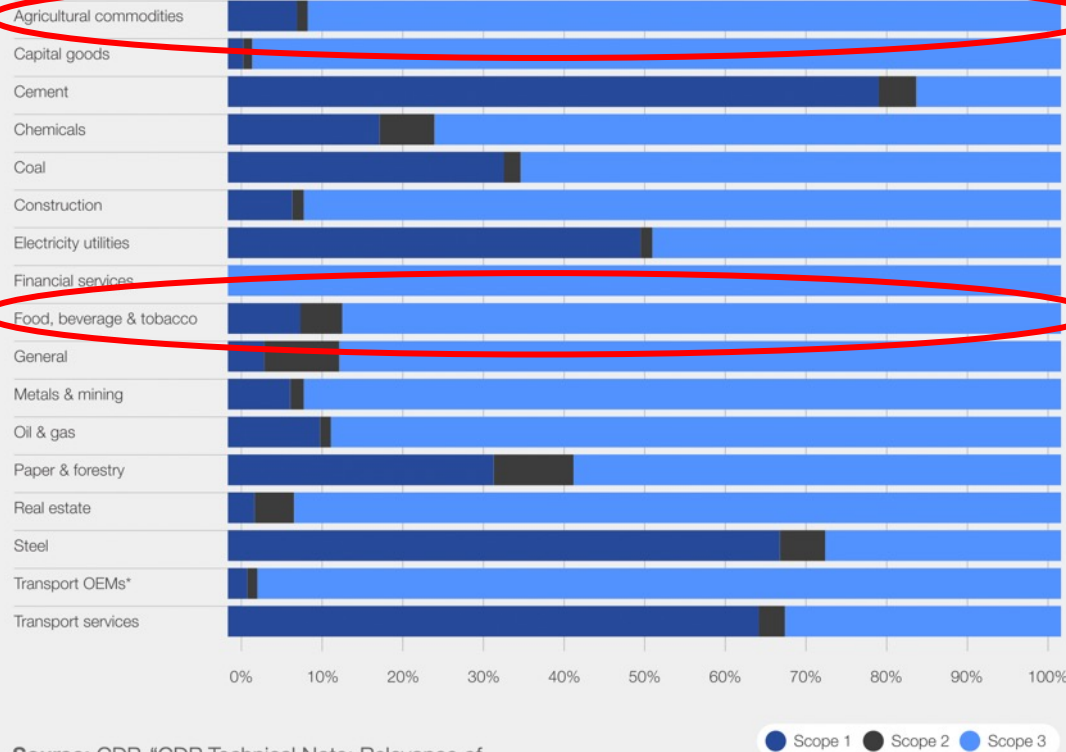


Sectoral challenges – especially for ag/food

Emissions Measurement in Supply Chains: Business Realities and Challenges



Estimated shares of emissions scopes per sector



Source: CDP, "CDP Technical Note: Relevance of Scope 3 Categories by Sector".10

Note: *Original equipment manufacturers.

- *Scope 1: Direct emissions*
- *Scope 2: Indirect emissions from purchasing energy*
- *Scope 3: Emissions from upstream and downstream activities*

- Reporting on Scope 3 emissions is driven by expectations from consumers, customers, regulators, investors – and regulation (e.g. CBAMs)
- Unique challenges in the agri-food sector:
 - Important source of emissions
 - Variable emissions across agri-food sectors and from production factors (affected by soils, climate, weather, feed)
 - Downstream processors have challenges in verification, fragmented data from suppliers
 - Consumer or regulator expectations may not match well with accounting standards

A more coherent approach is needed

- Emissions measurement and accounting in supply chains is critical and necessary
- Inaccurate or inconsistent measurement and accounting could lead to trade barriers, undermine the credibility of reduction efforts or tilt the playing field
- Businesses need greater coherence to manage risks and enhance effectiveness – and so do policymakers
- APEC is very well-placed to lead in this area, and should spearhead work to ensure
 - Greater coherence regionally and internationally
 - Measurement and accounting systems should build in:
 - Consistency and interoperability
 - Transparency
 - A basis in science, accuracy and credibility
 - Feasibility, including for MSMEs

Recommendations

- Members to note the COP28 outcomes
- Members to endorse workplan on Leveraging Trade for Climate
- Members to agree that APEC should work towards coherent, transparent, science-based and inclusive approaches to carbon accounting