Border Adjustments, Climate Change, and WTO Law

Prof. Dr. Felix Ekardt, LL.M., M.A.
Research Unit Sustainability and Climate Policy (Leipzig/Berlin)
& University of Rostock, Faculty of Law
& Research Institute for Philosophy Hanover
mail@sustainability-justice-climate.eu
www.sustainability-justice-climate.eu
EU: Role-Model in Climate Policy?

- climate policy: only example (resource politics do matter, too)

- challenge: prevent serious effects of climate change in terms of food and water supply, economic effects, human lives etc. = carbon-free society by 2050

- relevance: not only electric power and industries, but also heating, mobility, fertilizers, etc.

- reality in the EU: stable emissions on a high level
  - emissions still five times higher than sustainable level
  - myth of emission reductions: absolute numbers matter – and relocation of emissions to other countries
Criteria for Policy Options

- most important political solution: pricing for fossil fuels and land-use with ambitious caps (or prices), covering all sectors and as many countries as possible

- triggers renewable energy, energy efficiency – and sufficiency (= behavioral change), if technical options alone (!) don’t manage to match the cap

- avoids rebound effects and relocating effects (to other countries, sectors and resources – not only carbon leakage!)

- carbon leakage to non-participating countries?
  
  >>> border adjustments for imports/ exports
Intentions of Border Adjustments

>>> border adjustments (tax adjustment, obligation to buy certificates, etc.) against countries that don’t participate in appropriate carbon pricing (by caps, charges, etc.)

- integration of as many countries as possible in pricing systems such as ETS from the beginning
- avoiding carbon leakage
- avoiding global race to the bottom
- showing the possibility of an economically reasonable environmental policy
- spreading pricing systems on a worldwide scale
- offering the revenues to developing countries that participate in carbon pricing
Problems of WTO Law

>>> Pascal Lamy: conformity with WTO law (+)

- Art. II:2a, Art. VI:4 and footnote 61 of Annex II seem to explicitly allow border adjustments

- only valid for “charges” (and not for the costs of ETS)?

- in any case, conformity with Art. III GATT (= equal treatment for like products from abroad) has to be discussed

- maybe Art. III GATT = no problem, since foreign products are not discriminated = level playing-field

- in case of non-conformity with Art. III GATT >>> violation justified by Art. XX GATT?
Art. XX GATT

- climate protection (global good!) as a sufficient goal for justification under Art. XX GATT

- „sustainability“ as central WTO target in WTO Framework Convention

- colliding international environmental law (relevant with regard to Art. 31 Vienna Convention): **Art. 2 UNFCCC**

- for chapeau = conservative calculation of border adjustments – and try firstly to integrate as many countries as possible into the system of carbon pricing
References

- Ekardt/ Schmeichel, Border Adjustments, WTO Law, and Climate Protection, Critical Issues in Environmental Taxation 2009, p. 737


Thank you!

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