Trade Policy and Sustainable Procurement Nexus

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- Tariffs and nontariff barriers
- Standards and certification

Adaptation

Climate-smart agriculture

practices · Change in structure and location of production

Mitigation

· Switch to green production and consumption by liberalizing measures to facilitate trade in environmental goods and services



What is Green **Public Procurement?**

- Core to a **modern public procurement system**
- Smart, rational public spending that reduces damage while contributing to national priorities (citizen health, energy security, job creation, innovative industries)
- Transformation of the procurement function from an **administrative to strategic role** (from "lowest cost" to delivering "value for money")

Energy Efficient

Renewables

GHG emissions Product life-span LOW-CARBON End-of-life treatment Waste reuse

INNOVATION PROCUREMENT Value for money

Fair Competition

GREEN PROCUREMENT

Water Efficient

Product as

a Service

Pollution control

Local

sourcing

Biodiversity

Recycled & biobased materials

CIRCULAR PROCUREMENT

SMEs.

Youth employment

Minorities. disabilities.

Women-owned businesses

SOCIAL PROCUREMENT

Economy

Accountability

Integrity

Transparency

STRATEGIC PROCUREMENT

Mainstreamed into PFM system

Whole-of-Government

Market Practices

E-procurement

Monitoring

SUSTAINABLE

PROCUREMENT

The Role of GPP in **Climate Action**

- Public procurement represents 15 to 22% of **GDP**, a strategic tool to achieve net zero goals
- Public procurement spend, estimated at \$11 trillion globally, is directly or indirectly responsible for 15% of global greenhouse gas (GHG) emissions -7 times the amount of the entire aviation industry
- Major obstacle is **overcoming the "green** premium", higher costs of environmentallyfriendly goods and technologies



In collaboratio with the Boston **Consulting Group**

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SSION

WØRLD ECONOMIC

Green Public Procurement: Catalysing the Net-Zero Economy

Scope 3 emissions make up $\frac{2}{3}$ of total procurement GHG



Scope 1 Scope 2 Scope 3

40% of emissions can be abated at a cost of less than \$15 per tonne of CO2e





WORLD TRADE ORGANIZATION

Plurilateral Agreement on Government Procurement

(GPA) aims to mutually open government procurement markets among its parties. GPA in 2015 amended to allow "technical specifications to promote the conservation of natural resources or protection of the environment"

Challenges:

• LCRs (local content requirements: Requirements for local inputs in renewable energy projects may raise prices, keep the most innovative products out of the market and slow down the scale-up of clean energy

No consistent definition of "sustainable":

Requirements vary greatly national government tenders, requiring suppliers to invest time in compliance and tailoring bids.

What spend categories have a high-potential for lowcarbon solutions?

	Main category
	Alternative refrigerants (refrigerant recovering and reclaiming units). Replacing hydrofluorocarbon (HFC) refrigerants currently includes trade-offs, but is a priority since the 2016 global pledge to phase out HFCs. Practices to better manage fluorinated gases currently widely used as refrigerants would also lead to significant emissions savings.
	Renewable energy and energy efficiency
2	Onshore wind power
ŝ.	Offshore wind power
à	Utility scale PV
ġ.	Distributed solar PV
à.	Concentrated solar power
8	Biomass
Ŋ.	Geothermal

9	Small hydropower	
10	Tidal systems	
11	Biogas stoves	
12	High-efficiency heat pumps	
13	Waste-to-energy systems (transition solutions)	
14	Solar water heaters	
15	Efficient motors (rated international efficiency 3 or	
16	LED lighting	
17	Solar cookstoves	

r higher)	

	Buildings	
18	High-performance glass	
19	Insulation materials	
20	Thermostats (smart)	
21	Building automation systems	
Fuels		
22	Hydrogen	
	Transport	
	Transport	
23	Electric trains	
24	Electric cars ¹⁶	
25	Carbon capture and storage	



What solutions to leverage the trade & procurement nexus to drive climate action?

Help suppliers with improved access to regional & international market opportunities.

Harmonize "sustainability requirements" to minimize compliance burden on suppliers & make green business the new norm

Voluntary sustainability standards (VSS)



But VSS could be "unnecessary obstacles to trade" that crowd out SMEs especially in developing countries.



19 Free Trade Agreements mention VSSs or

similar terms such as "eco-labelling," "sustainability standards," or "certifications" as mechanisms to promote objectives concerning environmental and social provisions.

Mainly promoted by **developed countries**.

Chile-Brazil

Equivalence agreement signed between Chile and Brazil recognizes both national organic standards and assurance systems to enable trade of organic-certified products between both countries.

Agreement recognizes products that have been certified by **Participatory Guarantee Systems (PGS)**, an affordable means of verification conducted by producers and supporting agents.





European Union

Drivers for green market development in the EU:

- common Green Public Procurement (GPP)
 criteria for major procurement spend categories
- Mandatory GPP requirements for vehicles, building energy efficiency, equipment energy efficiency with proposals on batteries, construction products, packaging
- Proposal for a Regulation on Ecodesign for Sustainable Products: harmonized framework to make sustainable products the norm
- Standards: Environmental Product Declarations (EPD), Product Environmental Footprint (PEF)



Portal for Sustainable Suppliers

haps - Adquisiciones de Impacto

















WORLD ECONOMIC FORUM

Accelerating Decarbonization through Trade in Climate Goods and Services

SEPTEMBER 2022

The Trade and **Climate Change Nexus**

The Urgency and Opportunities for Developing Countries

Paul Brenton and Vicky Chemutai







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