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North-South divergences at climate and trade dialogue

Bonn, 16 June (Jinghann Hong) – The first of three ‘Climate and Trade Dialogues’ [CTD] commenced on 13 June during the 64th session of the UNFCCC Subsidiary Bodies [SB64] at the ongoing climate talks in Bonn, Germany. Presided over by SBSTA Vice-Chair **Carol Franco (Dominican Republic)** and the SBI Chair **Julia Gardiner (Australia)**, Parties provided substantive input over their desired scope, modalities and outcomes of these dialogues following presentations from the World Trade Organisation (WTO), the International Trade Centre (ITC) and the UN Conference on Trade and Development (UNCTAD).

The first dialogue saw many divergences between developing and developed countries. On the content of the dialogue, many developing countries desired to discuss and examine the compatibility of trade-climate measures within the principles and provisions of the UNFCCC [viz. Article 3.5 of the Convention, and the principles of equity and common but differentiated responsibilities and respective capabilities (CBDRRC)], and its Paris Agreement (PA), while developed countries preferred to conduct exchanges of technical knowledge and information sharing. Developed countries also stated a preference for the non-duplication of mandates given the work already happening in other international fora such as the WTO, UNCTAD and ITC.

On how to capture the outcome of the discussions, developing countries were broadly in favour of a summary report capturing the substance of each of the three dialogues to ensure continuity and accountability, whereas developed countries wanted one report summarising the discussions to be presented in 2028 at the high-level event. Several developing countries also called for the appointment of co-facilitators and the establishment of a work programme, and a dedicated agenda item to oversee this body of work.

[The mandate for the CTD comes from para 57 of the “Global Mutirão” decision at COP 30 in Belem which requested the SBs to hold a *dialogue* at SB 64 (2026), SB 66 (2027) and SB 68 (2028), with the participation of Parties and other stakeholders..... “to consider opportunities, challenges and barriers in relation to enhancing international cooperation related to the role of trade, taking in account para 56...” and decided “to exchange experiences and views on related matters at a high-level event in 2028. The decision also requested the SBs to *present a report* summarising the discussions at the high-level event. (See Belem TWN Update for more).]

[Para 56 reaffirms “that Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable

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economic growth and development in all Parties, particularly developing country Parties, thus enabling them better to address the problems of climate change and also reaffirms that measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade”, which reflects Article 3.5 of the Convention.]

During the dialogue, **Saudi Arabia** requested the WTO for clarification on the different terminologies used such as “trade-related climate measures”, “climate-related trade measures”, “trade and climate measures” and “climate and trade measures”. The WTO said that “fundamentally, in terms of analytical approach, what matters more is the measure itself, its actual design, its scope, and its effects.”

In response to Parties’ interventions, particularly on scope, modalities and outcomes, the SB Chairs said that they would convene consultations with Parties on the way forward in the coming week, the conclusions of which would then be presented at the closing plenary.

KEY INTERVENTIONS FROM PARTIES

Uruguay, for **G77 and China**, welcomed the dialogue and said that measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. On trade, it said that Parties should examine how trade can contribute to a supportive and open international economic system that delivers sustainable economic growth and development in all Parties, so they can address climate change. Reaffirming that principles in the Convention and PA are “unambiguous”, it said that trade-related climate measures should be designed and implemented in a manner consistent with equity, CBDR-RC and the sustainable development priorities of developing countries and respecting nationally determined nature of contributions. It said that the role of international cooperation is to serve as an enabling channel for developing countries in many ways, such as scaled-up predictable finance, technology transfer, and by facilitating access to technologies and services and low emission infrastructure.

G77 and China underscored the need for an objective and meaningful assessment of the impacts of such measures on implementation of the PA, and on developing countries’ capacity and potential to address climate change. It said that climate action cannot be implemented by closing markets, shifting costs, extracting revenues, or imposing one-size-fits-all policy models designed elsewhere without consent. Stressing “our multilateral system cannot hold without the mutual recognition of each other’s sovereignty and equality in status,” it called on Parties to use this dialogue to promote a focused and in-depth consideration of issues related to what Article 3.5 of the Convention requires in a concrete and balanced manner.

It also said that trade-related climate measures should avoid creating disproportionate compliance costs, reduced market access and new barriers for developing countries, acknowledging developing countries limited institutional, technical and financial capacity, and recognising the special circumstances of Small Island Developing States [SIDs] and Least Developed Countries [LDCs]. Highlighting the challenges faced by developing countries, amongst them, import dependence, commodity exports dependence, high transport and logistics costs, reliance on maritime connectivity and vulnerability to external shocks, it said that international cooperation can seek to ensure that developing countries’ ability to engage in climate action is strengthened without shifting the costs onto countries that have contributed least to climate change and possess the fewest resources available to respond. It said further that the dialogue should serve as a constructive space for Parties to assess, analyse, and discuss approaches to address trade-related climate measures’ impact on developing countries’ capacity and potential to address climate change, and looked forward to a concrete process that builds from one dialogue to the next.

The **Like-Minded Developing Countries (LMDC)** stated it was deeply concerned that climate policy - such as border carbon adjustment measures, deforestation-related import restrictions, carbon-intensity standards, corporate sustainability due diligence among others, is increasingly being used to justify unilateral trade-restrictive climate-related measures designed and imposed by

developed countries, which affect exports, employment, fiscal revenues, industrial development, food security, energy security, micro, small and medium enterprises [MSMEs], small producers, workers and communities in developing countries.

It contrasted how “these measures are often presented as promoting global climate ambition, notwithstanding that domestically, some Parties promoting them are themselves backtracking on or not complying with their longstanding obligations under the Convention and PA.” The “injury is compounded” when Parties impose costs on developing countries that contributed least to historical emissions, and that such measures are designed without meaningful consultation; privilege developed country technologies, carbon pricing systems and regulatory models; and are not accompanied by finance, technology transfer and capacity-building; and are inconsistent with the spirit and purpose of the Convention.

The LMDC described such unilateral trade-restrictive climate-related measures and unilateral coercive measures as “effectively extraterritorial regulatory projection by those with dominant market power and greater historical responsibility for global warming onto those with fewer resources and less historical responsibility”, and cautioned that such measures risk turning climate action into a new form of conditionality, protectionism and economic coercion and that unilateral measures generate revenue for those who impose them by taking that revenue away from developing countries whose exports are adversely affected by such measures.

On the dialogue, the LMDC said that it must be Party-driven, evidence-based, development-centred and outcome-oriented; must examine the real impacts of trade-restrictive climate-related unilateral measures on developing countries by assessing whether such measures are consistent with Article 3.5 and para 56, and must identify corrective actions, remedial approaches and multilateral cooperative alternatives.

On the process, it said “At SB64, we should begin with mapping and diagnosis: what unilateral measures exist or are being planned, what information gaps remain and where and how can

these gaps be addressed, and what work is needed before SB66. At SB66, we should move to corrective actions such as agreements to cease these measures and cooperative alternatives: recognition of nationally determined and non-price climate policies, international cooperation in the place of unilateral action. In the case that corrective actions and cooperative alternatives are not taken forward by those imposing unilateral measures, remedial approaches must be pursued. These include developed country Parties providing financial support to developing countries at levels commensurate and proportional to economic impact arising from unilateral trade-restrictive and climate-related measures. At SB68, we should consolidate the work and prepare recommendations for continued COP and CMA consideration.”

The **African Group** welcomed the exploration of the trade and climate nexus to help in identifying and addressing barriers and constraints to securing the legitimate right of African countries to pursue sustainable development, economic growth, and poverty eradication. It also drew on the recognition of industrialisation and structural transformation as legitimate and necessary for low carbon development pathways in Africa, and on instruments of the multilateral trade regime where the principle of sustainable development is enshrined, including through flexibilities and Special and Differential Treatment [SDT].

The AGN noted that trade-related climate measures, such as CBAMs, carbon taxes, tariffs, subsidies, and regulatory standards are increasingly shaping global trade conditions, with significant implications for African export competitiveness and market access through additional costs at the border and associated compliance requirements. It also noted that standards and regulatory requirements can function as non-tariff barriers where compliance costs are high or where developing country capacities are not adequately considered, thereby constraining integration into emerging green value chains and limiting access to third markets.

It also expressed concern that measures implemented to address externality concerns - such as carbon leakage, through pricing mechanisms - neglect consideration of the

fundamental tenets of the CBDR-RC. Similarly, that market mechanisms “reinforce structural inequality, where African carbon credits and ecosystem services are consistently undervalued relative to developed country markets.” It also highlighted that “developing countries are exporting carbon sink capacity while developed countries import emissions rights,” and that these dynamics reinforced by global finance and trade architectures, and further noted that current valuation systems do not adequately reflect environmental and climate costs, leading to the persistent undervaluation of African ecosystems and natural capital.

AGN said that fiscal and policy space are central to Africa’s industrialisation and development objectives, and that “subsidies and industrial policy tools in developed countries significantly shape global competitiveness while indirectly constraining the effective policy space available to developing countries.” It said that the trade system must leave room for developing countries, in a just transitions framework to be agreed, to retain the ability to deploy sustainability enhancing industrial policy tools and outlined steps such as facilitating the access to requisite technologies including through liberalisation of intellectual property rights, and reducing tariff and non-tariff barriers on green goods and services. The AGN noted that the trade–climate interface reflects a broader institutional fragmentation between the multilateral trading system and the UNFCCC regime, and underscored the need for coherent coordination between these systems to ensure mutually supportive outcomes.

As for the dialogue, the AGN emphasised the importance of ensuring that the dialogue considered not only the identification of adverse impacts but also appropriate institutional responses, including mechanisms to address and mitigate negative effects of trade-related climate measures on developing countries. In order to ensure continuity and accountability, it also emphasised the need for structured interim reporting from the SBs throughout the 2026–2028 dialogue cycle, rather than relying solely on a consolidated report at the high-level event in 2028. It also said that it is important that the mandate is appropriately reflected in the relevant COP and CMA agendas, including consideration of the

establishment of a dedicated agenda item to provide sustained political and institutional guidance for the dialogue process.

The **Arab Group**, on the imposition of unilateral trade measures, stated that its member states’ had losses from the European Union’s CBAM, and said that it had already raised concerns about this, including the EU’s Corporate Sustainability Due Diligence Directive (CSDDD), Corporate Sustainability Reporting Directive (CSRD), Digital Product Passport (DPP) and EU Deforestation Regulation (EUDR), but these concerns were not addressed. It said, “Whereas in the past countries imposed political control over the Global South, today they attempt to control sovereign decisions through economic coercion,” comparing the PA’s bottom-up nature and its respect for countries’ different pathways when unilateral trade measures’ top-down nature which superimposes developed countries’ pathways on developing countries.

It said further that the dialogues must build upon previous work to create an evolving body of work. The dialogues must also facilitate corrective action focused on ending unilateral trade measures or cooperative alternatives that ensure developing countries’ concerns with these measures are addressed; and where not possible, for remedial action where developed countries provide finance to affected countries at a scale commensurate and proportionate to impacts. It stated that each dialogue must be summarized in a report to inform the final report, and called upon the SB Chairs to appoint co-chairs to manage the dialogue and develop a work plan.

South Africa on behalf of the **BASIC [Brazil, South Africa, India and China]** said that “An open, inclusive multilateral trade system is a key enabler for climate action and just transitions. That, for us, is the substance of Article 3.5 of the Convention, and the test of any ‘supportive and open international economic system’.” It said that for developing economics, the critical challenge is that “increasingly unilateral and discriminatory trade-related climate measures are distorting normal international trade,” exerting profound negative impacts on developing countries’ participation in higher-value, lower-carbon industries. The international system should be adjusted

accordingly to curb unilateral measures under the guise of climate action, and to keep normal trade channels open. This is essential to guarantee that developing countries can reliably supply into that global demand based on their respective advantages, supported by the predictable offtake, the technology cooperation and the supplier development that make industrial investment viable.

Affirming that measures taken for the climate must not quietly move the cost of the transition onto those least able to carry it, it said that such unilateral, trade-restrictive measures cuts against the differentiated responsibilities the climate regime is built on, overrides the nationally determined logic of the PA, and pushes resources from developing economies back toward developed ones, thus setting back the very goal the regime claims to serve.

It cautioned that the dialogue should resist fixing on a single instrument; in addition to border carbon adjustments, rules targeting imports linked to deforestation, product standards, certification schemes and due-diligence requirements all also deserve equal scrutiny. The dialogue should identify the measures actually in play and weigh its impacts on developing countries' capacity to act on climate and to the affordability and availability of the technologies the transition relies on. It said the dialogue needs an institutional space in the UNFCCC to promote the implementation of Article 3.5. It also said that each session should leave a clear, even-handed account of where Parties converge and differ, and the accounts should build on one another and feed into what SBs will present to the high-level event in 2028, so that the work compounds rather than restarting each time.

The **Alliance of Small Island States (AOSIS)** said that for SIDS, "trade can play an important role in supporting the achievement of the objectives of the Convention and the PA" as it can facilitate access to technologies needed for mitigation, adaptation and resilience-building, support sustainable development and economic diversification, and strengthen SIDS' ability to respond to climate change.

It highlighted the importance of trade-related climate measures being developed and

implemented in a manner that is consistent with the principles and objectives of the Convention and PA, including equity, CBDR-RC, and the right of developing countries to pursue sustainable development. For SIDS as island economies, AOSIS said that the heavy dependencies on maritime transport and international supply chains for access to essential goods, technologies and services, meant that corresponding support needed to be considered for meeting requirements through finance, technology transfer, capacity-building and relevant associated technical assistance.

AOSIS welcomed this dialogue as "a space to exchange views, share experiences and deepen understanding of both the opportunities and challenges arising at the intersection of trade and climate policy." It cautioned that the process should not "duplicate discussions taking place in other forums, nor to address trade disputes", but that its value lies in examining how trade and climate interactions affect implementation of the Convention and PA - such as the implementation of nationally determined contributions (NDCs), national adaptation plans (NAPs) and long-term resilience strategies, and provision of corresponding support needs - thus providing an opportunity to analyze how trade-related climate measures interact internationally, and to identify ways to promote interoperability that can reduce barriers and costs for developing countries.

Chile, speaking for the Independent Alliance of Latin America and the Caribbean (AILAC), stated that this dialogue was an opportunity to "deepen in our collective understanding of the role of measures at intersections of environment and trade", particularly, "how they could be designed and implemented to advance our shared goals and principles in a transparent, non-discriminatory, proportionate and comparative manner, while avoiding burdens on developing countries."

AILAC said that the design of measures in the intersection of climate and trade must account for differentiated impacts across the most vulnerable segments of our economies and societies, and also said that the global industrial transition must not reproduce existing inequalities, whether through the concentration of subsidies, preferential access to technology, or the consolidation of value chains

in countries with greater fiscal space. For AILAC, the dialogue must promote cooperation to better understand the intersections and interoperability of standards, pursue gradual and sequenced approaches to implementation, strengthen financial and technical support for developing countries, and ensure that natural circumstances and capacities are recognized in the design and assessments of any measures, all in a manner consistent with the principle of CBDR-RC.

On the scope, it welcomed impact assessment of different types of measures and said that such assessments must be “evidence-based” and “directly and exclusively anchored in their relationship with the Convention and PA, and nothing beyond that”. Cautioning that these issues are global in nature, AILAC said this is not the space to single specific region over others. It also underscored that while trade-related topics already dedicated governance bodies with competence, that this does not preclude collaboration between the UNFCCC and these bodies but that “any such collaboration must remain within their respective mandates and competencies.”

Bhutan for the **Landlocked Developing Countries (LLDCs)** trade must “act as an enabler of sustainable development and climate action” through facilitation of technologies, goods and services, and that the principle of CBDR-RC “must actively reduce, rather than exacerbate” the high transit and trade costs faced. It pointed out that not all LLDCs are members of the WTO, and as such measures undertaken by the WTO’s Committee on Trade and Environment in major markets leave LLDCs with no recourse to the impact of these measures on exports from non-members. It said that measures must be designed and implemented in a manner that supports, rather than restrict international trade and economic development, energy security, and the sovereign interest of developing countries. Stating that “under the UNFCCC, we are emphasizing building climate resilience, but real resilience is built through prosperity generated through free and fair trade,” and must ensure that such measures should not have unintended consequences of disrupting trade and prosperity by increasing compliance costs to trade.

China observed a concerning shift from trade as “a bridge for cooperation” to “a tool of competition”, where unilateral measures are undermining global mitigation potential and causing a net flow of climate finance from the South to the North. Calling Article 3.5 of the Convention as “the North Star guiding our pursuit”, it called for the clarification of the destination stipulated in Article 3.5 and the dimensions and indicators of an “open and supportive international economic system”; the identification of measures and assessment of impacts of development on the Global South; dissemination of climate solutions and global potential to address climate change; an evaluation of measures’ in compliance with the Convention and the PA, including CBDR, and the nationally determined nature of NDCs; the operationalisation of Article 3.5 including a dedicated work programme with a clear agenda; and for Parties to deliver tangible outcomes, with the three dialogues building on each other, with Chair’s summaries and reports for consideration by the COP and CMA.

Calling carbon leakage is a “pure violation” of the Convention and its PA in particular the principles of equity and CBDR-RC, China explained that unilateral climate measures pursue solutions from symptoms rather than problems, and called for Parties to correct course, as these pose barriers for developing countries to accelerate ambition and transition absent means of implementation. Poetically, China said “it is actually like raising the price of a ferry ticket to urge people to cross the river faster; however, without providing any boat, it will not deliver.”

India said that the focus of the dialogue must be on “how unilateral trade measures disguised as climate policy have severe distributional consequences for developing countries,” such as placing disproportionate compliance burdens on developing country exporters, affecting market access, and production directly, and employment and livelihoods, poverty eradication, and adaptive capacity indirectly. It reminded that the existing international trade regime already burdens the developing countries with stringent market access requirements in the form of phytosanitary requirements in an attempt to harmonise standards. It also said that developed countries have disproportionately exhausted the global carbon budget, and continue to deplete even the

little remaining carbon budget by continuing to emit far more than their fair share. In that sense, unilateral climate-related trade measures, by imposing mitigation on developing countries, is a further additional appropriation of developing countries' fair share of the carbon budget.

South Africa said that neither the UNFCCC nor the WTO provides a mandate for trade measures designed to shield domestic industries from competition under the guise of climate action. It said that the 'Forum on the Impact of the Implementation of Response Measures and its Katowice Committee of Experts' were established to facilitate consideration of implications of trade-related climate measures for equity, sustainable development and the principle of CBDR-RC, and should remain central platforms for this work. It also said that an optimal use of this dialogue and the most useful way forward for the COP would be to prohibit the use of unilateral trade measures by some developed countries to pursue climate-change objectives in ways that undermine equity and development. It supported establishing a durable institutional basis for this work, including a dedicated agenda item, stating that it remained open to alternative arrangements that provide equivalent continuity and standing.

Brazil clarified that the dialogue, a major outcome of COP 30, was meant to build "a shared diagnosis of where trade and climate intersect, a common understanding of the questions that intersection raises and a sense of where the comparative advantage of this regime lies." As such, the trade-climate question "needs an institutional home within the UNFCCC", rather than being addressed only reactively or settled elsewhere on terms in which developing countries do not always have a presence. It attached importance to the proper sequencing of these dialogues, where the first dialogue should help map the landscape on opportunities, challenges, barriers and principles; the second could move towards tools, methodologies and cooperative approaches; and the third could identify options for institutional follow-up. It said that the report to be delivered to the high-level event should be an aggregation of annual synthesis reports produced on the basis of each dialogue; and that the high-level event in 2028 should also have a relation to the second global stocktake, and should help consolidate

climate and trade as a structured area of work under the UNFCCC.

Egypt expressed deep concern by the proliferation of unilateral climate-related trade measures and standards with significant implications for market access and competitiveness, such as the imposition of substantial costs and compliance burdens on developing-country exporters through requirements related to carbon accounting, reporting, verification, traceability and certification. It said that the value of dialogues was to be able to share with and "alert" other developed countries who are on the verge of articulating new mechanisms, to realise that such mechanisms bring about significant impacts to developing countries who suffer from them.

It also pointed out that such unilateral measures are applied universally and hence, are inconsistent with the requisite differentiation which underlies the climate regime and that such mechanisms are "coercive" in that they effectively subvert the bottom-up, NDC-based, nature of the Paris regime by demanding that, irrespective of what a given country's NDC says, it must decarbonise immediately and at a pace and scale imposed externally by those with vastly larger resources and capacities. It called for the dialogue to include an assessment of the real world financial, economic and social impacts of such climate related trade measures and mechanisms on development in developing countries. It also wanted the dialogue consider how to operationalize Article 3.5 of the Convention as well as undergo a mapping exercise on existing and projected climate related trade measures with a view to ensuring that the legally binding provisions of the climate regime are upheld and that impacts of such measures on, and concerns of trading partners in the Global South are central to the implementation of current, and future mechanisms.

Botswana said that paras 56 and 57 of 1/CMA.7 established two distinct but inseparable imperatives that must be addressed: para 56 reflects a "shared prosperity imperative" and para 57 reflects a "historical responsibility imperative". It also stated that the UNFCCC had an important "orchestration" role to play in the provision of normative guidance to the broader international cooperation ecosystem, as "declaratory statements

and political signals from this body carry weight, and they can shape the behaviour of actors across the finance, trade, and technology landscape.” It highlighted the priorities of African countries, namely industrialisation and economic development through local content requirements and integration into technology value chains, and called for the Technology Mechanism of the UNFCCC to be activated to deliver on Article 4.5 of the Convention and Article 10 of the PA, to enable technology development, transfer, and endogenous capacity.

The **European Union (EU)** emphasised that there is a need for policies to “send the right market signals necessary for trade-related decarbonisation strategies” adding that it strives for trade that is open, fair, clean, and can support sustainable development goals. It warned that if Parties disregard sustainability considerations, negative environmental externalities can emerge and lead to dependencies, which undermine efforts to protect the environment and climate. The EU said that the CTD should focus on exchanging views on how to increase synergies between climate action, sustainable development, and trade. In particular, it said that the dialogue should allow Parties to explore ways in which trade policies support implementation of NDCs and the PA.

For the EU, the dialogue should focus on discussing the design and implementation of those trade and climate policies, for example, labelling and standards, fighting carbon leakage, and ways to boost trade in a manner that is beneficial for climate action and the clean transition. It urged Parties to build on similar discussions that take place at multilateral level in the WTO, where the dialogues [at the UNFCCC] can serve as a platform to debrief on these discussions, both from the WTO Secretariat and the WTO members, to also inform the non-WTO members.

It also said that these dialogues can collectively explore how trade policies do and can support the implementation of the PA, for example, by enhancing the global deployment of clean technologies, adding that it was open to discuss the positive contribution that Free Trade Agreements can have in fighting climate change. It said it was also looking forward to discussing different solutions to common challenges such as risks

related to carbon leakage, achieving the interoperability of carbon accounting methodology, measures to reinforce sustainable supply chains, policy design tools, good regulatory practices, transparency provisions, and impact assessments.

The EU concluded by reiterating that these dialogues should be “based on facts”, “being partial” and “not aimed at undermining one Party’s regulatory autonomy, or questioning how they choose to comply with their climate commitments.”

The **United Kingdom (UK)** said that trade is a critical enabler of climate action but also recognised challenges such as carbon leakage. On modalities, it said that “this is a non-negotiating, non-rule setting space” and that the dialogue’s strength lies in facilitating open exchange and shared learning. In that, it said that it was essential that Parties preserve this character and do not undermine the mandate on the report that will be produced in 2028. On the content of the dialogues, it said that dialogues should help build a shared understanding of how trade intersects with PA objectives, including on mitigation and adaptation. It would like to focus on practical areas, such as trade and environmental goods and services, where facilitation and liberalisation support the uptake of clean technology, including within developing countries. It suggested for Parties to share their experiences on addressing fossil fuel subsidy reform and progress made in the WTO which could be explored. It also suggested that Parties share experiences on how trade policy is supporting climate at the national levels, and to explore the impacts of climate change on trade.

It also said that the framing of this discussion must be non-prejudicial, including the language which Parties use to describe such measures, as this process is not intended to scrutinise or single out individual domestic measures. The UK said that its approach to trade-related climate measures is “grounded in the need to deliver our ambitious NDCs, and is entirely consistent with international legal frameworks, including WTO rules and national determination under the PA”, and that the consideration of their wider context of use in the UK included efforts to support international industrial decarbonization, and for the uptake of

carbon pricing schemes globally. It also said that it is as important to ensure that discussion in these dialogues does not duplicate these discussions and that there was value in strengthening coherence across international discussions and carbon leakage, and to draw insights from other areas, such as ongoing work at the WTO.

Japan stated that it views trade as a tool to address the risk of carbon leakage, provided that they are consistent with the WTO rules and take into account the various decarbonisation measures introduced by each country, such as carbon pricing, carbon markets, and other relevant regulations. It said that in order to make substantive progress, it is necessary to make sure that these discussions are held inclusively, involving the people with appropriate mandates. It understands that discussions on climate and trade have already been progressing in the appropriate forum and said that Parties should take into account the risk that this overlap in such frameworks, which could disperse limited resources and may adversely affect the discussions. Therefore, Japan concluded that “it is necessary to carefully consider whether it needs to exist in the first place, and if so, what should be discussed, with discussions ongoing on existing forums, within and outside of the UNFCCC, fully respecting the mandates of the other organisations.”

Norway said that it wanted to use existing spaces under WTO for information-sharing in trade-related climate measures. It supported enhancing access to technologies to environmentally sound solutions - such as renewables and electric mobility - that required lowering tariffs and more open markets. It said that “we must make full use of the tools available within the UNFCCC, including through Article 6, to reduce costs and enable ambitions.” Emphasising that trade and climate policies are mutually supportive, it said that “international cooperation is essential to prevent major differences in policy approaches from the competition in global markets. It also helps ensure that trading climate agreements support, rather, than undermine each other.”

Switzerland said that trade and environment are mutually supportive: they can accelerate the diffusion of technologies and sustainable goods, and can also support the climate goals by creating

incentives for low-carbon productions and investments. On the dialogue, it said that Parties must be “disciplined” about what this dialogue should cover, as discussions on trade and environment, including climate, already take place at a technical and legal level in other international organizations. Therefore, there is a need to avoid reiterating the same discussions, adding that this forum should be “about working together to explore how trade can be harnessed as a possible tool towards our common goals”. Stating that the UNFCCC’s “comparative advantage” lies in convening Parties under the PA, “it is not important to discuss trade law nor discuss its compatibility.”

It called for a more interactive format for the next session and to increase Parties’ exchanges with organizations that already tackle these issues and focus on areas where trade and climate intersect, and where the UNFCCC can genuinely add value. First, on fossil fuel subsidies, which are “both a climate problem and a trade distortion”, Switzerland suggested exploring how inefficient fossil fuel subsidies inhibit the deployment of clean energy technologies. Another area would be in minerals, as achieving global climate objectives require substantial increases in production, processing, recycling, and cross-border movement of minerals; in this case, the dialogues could focus on how international trade on minerals can support the implementation of NDCs and the achievement of PA goals, while ensuring that environmental impacts are not displaced.

Canada said that trade-related climate measures should be designed and implemented in a transparent, predictable, and non-discriminatory manner. Such measures should support climate objectives while minimizing unnecessary disruptions to trade in global supply chains. They should also avoid becoming arbitrary, unjustifiable restrictions on international trade, consistent with longstanding principles reflected in both the climate and trade systems. It said further that greater cooperation can help reduce fragmentation, lower compliance costs, and improve predictability for business and trading partners. It stated further that these dialogues can add value by convening cross-cutting dialogues to improve understanding across climate and trade communities, supporting equitable and inclusive transitions, and encouraging practical cooperation

that supports the objective of the Convention and the PA. At the same time, Canada said that the discussion should remain complementary to work underway in other international organisations.

On the next dialogue topics, Canada said that it would see particular value in practical discussion around interoperability, equivalence, transparency, and compatibility approaches, including with respect to standards, measurement, reporting, and verification systems, and carbon-related reporting approaches. It also wanted to have more time for question and answer between Parties and panellists to improve technical exchanges and learning in this space. It also wanted only one report for this dialogue.

New Zealand said that coalitions around a set of principles is helpful, where key principles include “non-discrimination, WTO compliance, and consistency with obligations under the PA, transparency, having a basis in robust science, being environmentally effective, least trade restrictive, and informed by consultations with international and domestic partners.”

The **Russian Federation** called the dialogue “long over-due” and a “needed space” to discuss both the opportunities and their unintended negative consequences of trade on climate action. Stating that the growing number of climate-related requirements create the perception that the transition is a “zero-sum game”, it said that it was

hard to build domestic support for ambitious climate policies where other development priorities remain pressing, and reminded Parties that there is no single pathway to climate action. It also said that it did not believe that these discussions belong exclusively in the WTO, as the implications of many climate measures merit discussion in the UNFCCC, consistent with the Convention and the PA. It stated its hope that the dialogue will become a permanent workstream within the UNFCCC process, to ensure that trade supports, rather than complicates, effective and inclusive climate action.

In response to some interventions, **Saudi Arabia** pointed out that the focus on plurilateral initiatives as a central focus were “symptoms of further fragmentation”, and clarified that the SB Chairs do not need a mandate to produce a report, and struggled to find where in the decision there is language for the prevention of the report production.

Referring to Parties who are saying that discussions should not be punitive in nature, it drew attention to the penalisation of other Parties who are experiencing through measures such as CBAM. As for Parties stating that “we all have an obligation” to climate change, Saudi Arabia emphasised that this was a “fundamental misunderstanding” given that Parties must respect the principle of CBDRRRC and national circumstances.