International Dialogue on Climate and Trade
RIO DE JANEIRO WORKSHOP – MAY 21-23, 2025

- TAKEAWAYS -

This workshop, the second of three regional workshops organized by GGEP and partners as part of the International Dialogue on Climate and Trade, was conducted under the Chatham House rule. This high-level readout is not a comprehensive summary of the workshop but serves rather as a distillation of salient information presented and views expressed, as input to the next stages of the Dialogue.

Climate-Trade Tensions Amidst Global Fragmentation

- New conflicts are arising at the intersection of climate and trade as some major economies pursue ambitious green policies affecting trade flows in ways that many developing countries view as unfair and inconsistent with multilateral agreements. These tensions emerge against a backdrop of increased trade fragmentation and geopolitical competition, reflecting in part the growing tendency of some major powers to employ trade levers and favor bilateral over multilateral solutions. They also are exacerbating long-standing friction among countries over the equity impacts of climate change and responses to it. There is growing concern that, if allowed to escalate, climate-trade discord will impede climate, trade, and development objectives.

- The potential for climate-trade tensions has been evident since the start of the global climate effort. In recent years, those tensions have intensified considerably, driven largely by national green industrial policies aimed at protecting or strengthening national competitiveness, securing clean technology supply chains, and/or accelerating decarbonization, including by addressing carbon leakage. These policies in many cases conflict – or appear to some to conflict – with global trade rules.

The International Dialogue on Climate and Trade is an initiative of the [Trade and Clean Energy Transition](#) program, a collaboration of the Center on Global Energy Policy (CGEP) and the Institute of Global Politics (IGP) at Columbia University's School of International and Public Affairs. This workshop is organized in cooperation with:

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- The European Union's Carbon Border Adjustment Mechanism (CBAM) and Deforestation Regulation (EUDR) are of particular concern to many developing countries. In the United States, the generous green subsidies enacted under the previous administration appear likely to be dismantled, while President Trump's aggressive and shifting imposition of tariffs has injected tremendous uncertainty into global trade relations. China, meanwhile, is likely to continue dominating the global clean-tech market as its industries consolidate and it ramps up related investment in the Global South.

Latin America: Challenges and Opportunities

- In Latin America, as elsewhere in the Global South, developing countries generally view the new wave of green industrial policy as inherently trade-distorting, serving to concentrate green investment in the North and putting developing country industries and exports at a competitive disadvantage in the net-zero transition. Some view these unilateral policies as effectively creating an alternative trade framework that defies established multilateral norms and compounds climate inequities by shifting climate burdens to the South.

- The net-zero transition presents significant economic opportunities for the region, owing to its critical mineral stocks and clean energy and biomass potential. Some Latin American countries have begun pursuing their own green industrial policies, including tariffs, subsidies, and export controls, aiming to capture a larger share of the value generated by the development of their raw materials. However, the region faces structural challenges in realizing these opportunities, including a lack of infrastructure and capacity, high finance costs, and heavy tax and debt burdens. Some also caution against heavy investment in "moving up" the value chain, noting the higher margins available in resource extraction and the difficulty for locally manufactured products to compete internationally.

- Latin American countries feel disadvantaged by external green policies on several fronts: Many lack the fiscal capacity to compete on green subsidies. They lack technical, financial, and institutional capacity to meet new trade requirements (e.g., traceability systems, product-level emissions tracking, and standards compliance). And they believe their industries and exports are penalized by policies that fail to account for regional circumstances, citing a need to "tropicalize" green standards.

- Brazil has sought to advance consideration of these issues in its recent G20 Presidency and as current chair of the BRICS group, and may have the opportunity to facilitate further progress as President of COP30.

Carbon Border Measures

- The EU CBAM and the prospect of other unilateral carbon border measures are drawing a mixed response. Developing country governments broadly oppose such unilateral measures on equity and legal grounds. Among specific objections, Latin American countries cite the EU CBAM's exclusion of Scope 2 and 3 emissions in the calculation of import charges, denying the region's industrial exports credit for the clean power used in their production. Other objections center on a perceived lack of flexibility – for example, CBAM does not allow for carbon credits, offsets, or compensation for removals. At the same time, prompted by CBAM, some developing countries are moving to establish carbon pricing policies, to ensure that any carbon revenues generated are retained domestically, and are considering border measures of their own.

- Exporting companies are preparing to comply with CBAM but feel hampered by a lack of supporting infrastructure at home, such as mandatory emissions registries and consulting capacity. Some welcome a recent streamlining of CBAM to greatly reduce the number of entities subject to import charges.

- The Foreign Pollution Fee Act (FPFA) introduced in the U.S. Congress seeks to capitalize on U.S. industry's carbon "efficiency" (i.e., comparatively low emissions intensities for some highly traded products) by imposing fees on imports from countries with higher-emitting industries. The proposal would establish no mandatory requirements for domestic producers, and some question its value or viability amidst the Trump administration's broader use of blanket tariffs, as well as its effectiveness in driving decarbonization.

- A fundamental difference between CBAM and the FPFA – one based on carbon pricing and the other on performance-based carbon intensity – highlights the importance of "interoperability" among emerging systems to ease compliance and trade barriers. A provision of the FPFA that would exempt countries entering "international partnerships" with the United States suggests the potential value of coupling border measures with other measures including support for lower-income countries.

<u>Accounting and Standards</u>

- Product and performance standards linked to sustainability aims can be an important means of driving decarbonization. However, the current profusion of heterogeneous standards, and the divergent carbon accounting and MRV methodologies underlying them, pose significant compliance challenges and potential barriers to trade. Compliance is especially challenging for small- and medium-sized enterprises and in developing countries.

- In addition, there is a strong view in Latin America that standards developed in the North such as the EUDR do not reflect the region's realities, or adequately credit its sustainability assets, such as in their treatment of biomass-based fuels and nature-based carbon removal. An important aim of any effort toward a more global framework of standards/taxonomies should be flexibility to accommodate regional differences and thereby reward sustainability rather than geography.

- Consistent or comparable emissions accounting methodologies are a critical foundation for better aligned standards (and for a wide range of other decarbonization policies). An analysis of carbon metrics experience and needs by the OECD-sponsored Inclusive Forum on Carbon Mitigation Approaches (IFCMA) recommends three principles in their design: ensuring proportionality (between data accuracy and resource intensity); promoting innovation while preserving markets; and fostering interoperability (e.g., mutual recognition, rather than full harmonization).

- Through initiatives such as the Carbon Club, there is growing convergence around standards in carbon-intensive industrial sectors such as steel and cement. In these and other sectors, companies investing in sustainability say greater consistency and rigor in the application of standards will help justify these investments by ensuring their products the "green premium" they embody.

- Among companies seeking to build markets for lower-carbon products and technologies, there is quiet advocacy beginning for performance-based sectoral standards across carbon-intensive sectors that are technology-neutral and tradable and tighten over time. While industry-led standards may be more politically viable in the near term, regulatory backing will likely be required over time to level the playing field and ensure compliance.

Paths Toward Cooperative Approaches

- Countries may find it easier to align climate and trade objectives through agreements or partnerships that link issues and approaches – for instance, by coupling border measures and/or standards with programs providing finance or capacity support. Options could include easing intellectual property terms or waiving restrictions on the use of local content requirements for lower-income countries. Such linkages, as well as a fuller accommodation of regional differences, could help ease geopolitical tensions and foster more inclusive cooperation on climate-aligned trade.

- Different aspects of the climate-trade nexus are being debated or addressed across a growing number of international fora. Developing countries are pressing their concerns in the UNFCCC and WTO. Under Brazil's leadership, the G20 recently adopted Principles on Trade and Sustainable Development. A small number of countries including Costa Rica have adopted a formal Agreement on Climate Change, Trade and Sustainability.

- A growing number of countries are participating in the Climate Club launched by the G7 in 2022, though no major emerging economies have joined, and some participating developing countries feel their views have not been fully taken on board. Most recently, under Brazil's leadership, BRICS countries have announced a laboratory to analyze "hybrid" climate-trade policies and have put forward carbon accounting principles and IP-related proposals.

- There remains a need for a more inclusive "interdisciplinary" space where climate and trade expertise can be brought together to tackle core issues – a space where governments cannot "escape" by objecting that the issues belong elsewhere. Identifying common ground on core political issues, while progress continues to be made on the more technical aspects, could open the way for more effective and equitable cooperative approaches.