Center on Global Energy Policy at COLUMBIA | SIPA

INTERNATIONAL DIALOGUE ON CLIMATE AND TRADE
SOUTH AFRICA – AUGUST 1-2, 2025

- TAKEAWAYS -

This workshop, the third of three regional workshops organized by CGEP 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 and Equity Amidst Global Fragmentation

- Trade is playing an increasingly central role in shaping climate outcomes and debates, both as an important enabler of decarbonizing activities and as an area of growing friction. As major economies undertake green industrial strategies to advance both climate and economic objectives, their policies invariably, and in some cases intentionally, impact trade flows and other countries' relative competitive positioning in emerging clean energy markets. Many in emerging and developing countries view these policies as inherently protectionist in nature and as further exacerbating historic climate inequities.

- These climate-trade frictions come against a backdrop of increased global fragmentation and rising geopolitical rivalries, including the weaponization of trade and a weakening of multilateral institutions. The growing conflicts between climate and trade are being aired within their respective multilateral settings – the U.N. Framework Convention on Climate Change (UNFCCC) and the World Trade Organization (WTO) – but neither forum appears likely to produce meaningful near-term resolutions. In the absence of a more inclusive and practical dialogue on transition pathways and potential areas of cooperation, there is risk of

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increased policy divergence and geopolitical tension threatening shared climate and development goals.

- A host of technical, policy, and strategic issues arise along the climate-trade nexus. These range from the practical challenges of calculating and tracking emissions to the spillover effects of green industrial policies (both positive and negative) to the race to secure clean energy supply chains. Countries' interests vary widely depending on their levels of development, natural endowments, technological capacities, climate strategies, and broader geopolitical objectives.

- The climate-trade debate is in many ways a manifestation of the core equity debate that has suffused the international climate effort since its launch. Many developing countries fear that developed countries' green industrial policies will further limit their access to markets and investment, unfairly disadvantaging them in the clean energy transition, even as promised climate finance flows fall far short of needs. A closer analysis of the real-world effects of trade-impacting climate policies could help distinguish concrete equity impacts from broader ideological concerns and point towards effective just transition strategies.

Africa: Challenges and Opportunities

- African countries are increasingly focused on transitioning to clean energy and broader strategies to decarbonize their economies. For instance, South Africa is working to shift away from coal and investing in green steel and hydrogen, Nigeria is pursuing climate-smart agriculture, and Morocco has launched a zero-emission strategy. However, these aims must compete with overriding development objectives and face deep structural challenges, including weak infrastructure, limited fiscal and technical capacity, and the high cost of capital. South Africa additionally must contend with the triple challenge of poverty, inequality, and unemployment, combined with a deeply rooted carbon-intensive dependency on coal.

- Green industrial development may present significant economic opportunities, particularly for countries with large critical mineral reserves. However, the dominant trade paradigm continues to rely on low-value exports. Rather than serving as suppliers of raw materials, these countries can realize greater economic returns by establishing domestic processing capabilities and exporting value-added products. This, however, requires large-scale investment, technological transfer, and strategic partnerships with purchasing economies.

- Private and multilateral finance remain insufficient to support the scale of transformation required. Proposals to improve investment flows include scaling debt-for-climate swaps, redirecting border measure revenues, expanding sovereign wealth fund involvement, and increasing regional value-addition for critical minerals. There is an increasing call to incorporate African priorities and realities in global trade in order to minimize barriers to integration into low-carbon supply chains.

- Regional instruments such as the African Continental Free Trade Area (AfCFTA) present an opportunity to foster intra-African trade, climate-compatible growth, and increased leverage in international negotiations, but progress on implementation has been slow. Targeted investments in MRV systems, harmonized standards, and carbon pricing frameworks could enhance regional preparedness and avoid marginalization from evolving trade systems.

- Africa's long-term competitiveness will depend on its ability to localize value chains, enhance regional collaborations, reduce import dependency, and participate more meaningfully in global standards development.

Carbon Border Measures

- The introduction of carbon border measures is accelerating global debates over trade fairness and regulatory design. Coming against a backdrop of rising protectionism and unilateral trade action, border measures are viewed by many in developing countries as protectionist trade barriers in the guise of climate action. At the same time, there are signs that the prospect of carbon border measures is contributing to climate ambition by leading more countries to consider adopting their own carbon pricing systems.

- As the EU's Carbon Border Adjustment Mechanism (CBAM) nears implementation, there is growing concern about the compliance challenges faced by developing countries – small and medium enterprises, in particular – due to administrative burdens, insufficient MRV systems, and limited access to emissions data. The exclusion of Scope 2 and 3 emissions and broader decarbonization efforts from current methodologies has created tension with producers who rely on renewable electricity or invest in emissions reductions not captured by formal carbon pricing systems. The lack of flexibility to account for local mitigation strategies, many feel, limits recognition of diverse transition efforts. Recent streamlining efforts by the EU aim to reduce administrative burdens by exempting SMEs and low-volume exporters from the CBAM scope.

- Several proposals have emerged to adapt the CBAM and similar measures to better reflect global diversity, including a dual pricing system that links carbon prices to GDP per capita and introduces export taxes. Other suggestions include recycling revenue back to exporting countries, technical assistance, or exemptions for countries engaging in climate-trade partnerships with the EU or other blocs.

- The risk of trade diversion toward jurisdictions with weaker carbon constraints, including within Africa, underscores the need for coordination. Discussions are emerging on ways to better align border measures with national decarbonization roadmaps and to ensure that emerging carbon accounting frameworks are interoperable, transparent, and fair.

Accounting and Standards

- The growing use of trade-impacting sustainability measures, including product- and performance-based standards, has made emissions accounting a central component of the climate-trade landscape. However, inconsistent methodologies, fragmented data systems, and limited technical capacity in many developing countries create significant barriers to compliance—particularly with respect to Scope 2 and 3 emissions. Divergent standards may function as non-tariff barriers by increasing the cost and complexity of market access.

- Calls for convergence or harmonization have focused on the need for proportionality, interoperability, and fairness. Emerging efforts such as the Climate Club, the OECD's Inclusive Forum on Carbon Mitigation Approaches, and BRICS-led initiatives are exploring ways to align carbon accounting methods across jurisdictions while preserving space for national discretion and innovation. Policy-mandated MRV systems could support this effort by generating reliable and interoperable carbon intensity metrics across countries.

- Current accounting frameworks often fail to integrate with financial or trade reporting systems, creating duplication and inefficiencies. There is no unified methodology for tracking embedded emissions in traded goods, and the lack of transparency in standard-setting processes has reduced confidence among some countries in the fairness and inclusiveness of emerging rules.

- Sectoral approaches are gaining traction, particularly in hard-to-abate industries like steel, aluminum, and cement. Proposals for global benchmarks, sector-specific thresholds, and performance-based standards that tighten over time are seen as a potential bridge between voluntary initiatives and regulatory compliance.

- Differentiation remains a central concern. Standards that do not account for development levels may risk locking out producers with limited capacity to upgrade. Gradual phase-in, capacity support, and mutual recognition mechanisms are suggested pathways to avoid exacerbating trade and development divides.

Paths Towards Cooperative Approaches

- The growing fragmentation of trade and trade governance (and the multilateral sphere more broadly) is a barrier to the development of more inclusive frameworks. At the same time, Global South actors are working to increase their influence in standard-setting processes, climate finance design, and supply chain negotiations, often through plurilateral arrangements.

- While cooperation on climate and trade remains fragmented, several platforms—including the G20, BRICS, WTO, and Climate Club—are testing new approaches to bridge divides. These include principles on sustainable trade, regional decarbonization alliances, and deeper analysis of hybrid climate-trade policies.

- Proposals for more effective and inclusive approaches emphasize flexibility, proportionality, and the need to link climate ambition with developmental realities. These include blending border measures with investment support, easing IP restrictions, and creating exemptions for local content requirements in low-income countries.

- A stronger role for development finance is widely seen as essential. Current project-based funding models fall short of what is needed to support structural transformation. More predictable, long-term investment frameworks—aligned with national policies and sectoral transition plans—can help de-risk capital flows and scale private sector investment.

- A more inclusive and coherent architecture must balance competing priorities: agility and durability, inclusivity and enforceability, and economic competitiveness and climate integrity. Metrics of success include reduced climate-trade tensions, a more equitable distribution of transition benefits, and durable norms that support both environmental and development goals.