



**Friends of
the Earth**



E3G



The UK Global Tariff

Consultation response from ClientEarth, Friends of the Earth, E3G, Green Alliance, Compassion in World Farming, CHEM Trust and Sustain

Introduction

Trade rules, including global approaches to tariff reform, can put the environment and environmental laws at risk through mechanisms and processes that prioritise trade liberalisation over the achievement of environmental goals. They tend to benefit large-scale production, including industrial agriculture, and can drive deforestation, both of which contribute significantly to climate change.¹ Within the context of the ecological and climate crisis, the development of a trade policy that aligns with environmental ambitions is paramount. It is possible to redesign both tariff and non-tariff based trade policy in a way that is more conducive to achieving environmental goals.

To do this, the UK government should design a policy that places higher tariffs on goods that have greater environmental impacts and lower tariffs on goods that are produced in line with the highest environmental standards. While this approach is a sensible element to improving the green credentials of trade policy, it does not eliminate the need for regulatory measures including import bans where appropriate.

Together with appropriate non-tariff measures, the UK's future global tariff policy should aim to prevent goods from entering the UK that do not meet its own standards and enable UK producers to compete fairly with imports. Designed properly and holistically, UK trade policy as a whole should aim to facilitate the UK's production of and trade in green goods and services on the basis of high UK standards, and support our trading partners in ratcheting up their own environmental protections and transitioning towards a net-zero future.

Tariffs versus Non-Tariff Barriers

Tariffs are one of the tools that can be used to restrict the trade of environmentally damaging goods. However, it is important to note that using high tariffs to prevent the import of environmentally damaging goods should not be used as a substitute for banning products that do not meet high UK environmental quality standards, but rather as one of the tools used within a robust trade policy strategy.

As trade tariffs, with the exception of agriculture, are already relatively low, recent trade agreements have focused increasingly on other trade rules designed to protect domestic industry and consumers. These 'non-tariff barriers' are an important mechanism in allowing states to maintain domestic protections and support higher standards in partner nations. For this reason, any future UK tariff policy must explicitly protect the use of non-tariff measures and reject regulatory

¹See the [WTO Agreement On Agriculture](#), which places significant restrictions on domestic support to farmers whilst also committing countries to liberalise their agricultural sectors through lower tariffs.

cooperation mechanisms which aim to harmonise or mutually recognise existing or future regulations and procedures.

This will prevent products that do not meet UK standards from entering the UK market, and protect UK producers, manufacturers and farmers from competition from cheaper, lower-standard products produced according to less stringent food security, environmental, animal welfare, labour, and consumer protection standards. For example, the United States has long singled out the EU's REACH chemicals regulatory system as a non-tariff barrier to trade that hinders exports of US products. The US chemicals regulatory system is considerably weaker than the EU's, so closer harmonisation between the US and UK could result in the relaxation of UK regulations, increasing exposure of UK consumers and the environment to hazardous chemicals.

UK tariff approach

Tariffs can have a huge and sometimes even decisive impact on the attractiveness of goods and hence the environment, which is not always straightforward. For example, the EU levied import tariffs on Chinese solar panels from 2013- 2018.² This ensured the development of relevant EU sectors, protected domestic producers and raised public revenue, but the tariffs were reduced and eventually terminated because of a desire to decrease cost and hence increase uptake of more sustainable technologies. In contrast, EU import tariffs on Indonesian biodiesel continue,³ not only because of an ongoing desire to provide a level playing field to EU biodiesel producers, but due to additional ongoing concerns about the sustainability of palm oil as a biofuel and continued evidence of environmental and human rights harms associated with its production.

The UK approach to tariffs should minimise or eliminate the contribution of trade to climate change and environmental destruction, and seek to ensure that the UK's global footprint is decreased. The approach must consider the environmental credentials and impact of both the end product and the production methods.

Tariffs must be set within a framework of lower quotas and higher tariffs for goods with greater environmental impacts, and lower tariffs on goods that are produced in line with the highest environmental standards. Trade agreements must specify that tariff and non-tariff mechanisms are liable to become more restrictive if and where trading partners do not fulfil previously agreed international commitments, including implementation of the Paris Agreement, and must allow for the modification of these mechanisms in response to non-compliance with environmental commitments made within the structure of the FTA.

Green goods tariffs must, however, be carefully constructed. The 2015 Environmental Goods Agreement (EGA), developed jointly between 17 WTO members and aiming to cut tariffs for sustainable products, provides a clear example of how overly broad definitions of 'green goods' can embed perverse outcomes. NGO Transport and the Environment found that of the 650 goods listed, around 120 items had no environmental justification for inclusion - including products such as asbestos, aircraft engines and biofuels.⁴ The UK government must work with academics and civil society to establish the required evidence-backed requirements for any future UK green goods tariff to ensure a clear definition and selection criteria for qualification.

The concept of utilising a Border Carbon Adjustment (BCA), alongside existing tariff schemes, to create a level playing field between domestic producers operating to strict emissions limits and those in other Global North nations has gained increasing traction in recent years. Such schemes must be sensitively designed to minimise friction and embed support for nations with less historical responsibility for climate change. They must also be informed by more-developed and better-

² <https://www.euractiv.com/section/economy-jobs/news/commission-scraps-tariffs-on-chinese-solar-panels/>

³ <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2057>

⁴ https://www.transportenvironment.org/sites/te/files/publications/2015%2009%20TE_EGA%20briefing%20note_FINAL.PDF

informed systems to assess the carbon content of goods. These are challenges the UK is well placed to rise to.

A nascent BCA might well begin with a focus on quotas and specified requirements for specific products associated with high GHG emissions and where alternative production technologies are already available, before moving to a more widespread tax-based intervention. It could also initially exempt products from other nations implementing similar BCA mechanisms, and as such guide the development of a more sustainable approach to trade in other future trading partners.

Feasibility

Rules in the General Agreement on Tariffs and Trade (GATT) allow members to adopt trade-related measures for the protection of the environment. Article XX of the GATT specifically states a party can apply measures that are necessary to protect public morals (paragraph a) and human, animal or plant life or health (paragraph b), and measures that relate to the conservation of exhaustible natural resources provided they are applied in conjunction with restrictions on domestic production or consumption (paragraph g).

Adjusting tariff rates to reflect their environmental impacts is therefore permissible and should be used as a mechanism to better align our trade and environmental goals. The UK could play a helpful international role in the WTO, in developing debates around the concept of like products in order to make non-incorporated processes or production methods (PPMs) more clearly accessible as grounds for 'discrimination' both in terms of tariff and non-tariff mechanisms.

Under current rules, BCAs and other similar mechanisms may be claimed as WTO-incompatible. This does not mean they are not feasible - WTO members must simply ensure that a carbon tax (eg) does not constitute a violation of the prohibition on excessive taxation of imported goods under GATT Article III:2.

Again, the UK might make positive strides here in leading the drive for a 'climate waiver'⁵ to allow governments to adopt a BCA or other measures which aim to combat climate change or environmental harm, including measures taken in order to comply with MEAs such as the UNFCCC. This could be possible under Article IX:3 of the WTO Agreement, which allows the Ministerial Conference to waive an obligation in 'exceptional circumstances'.

A WTO climate waiver could also clearly allow trade restrictions through carbon markets, restrictions on fossil fuel subsidies, or green subsidies that support innovative outcomes rather than particular technologies. Along with a climate waiver, the UK should request that WTO members jointly confirm that carbon taxes qualify as border tax adjustments under trade rules.

Recommendations

- The UK approach to tariffs should minimise or eliminate the contribution of trade to climate change and environmental destruction, and seek to ensure that the UK's global footprint is decreased. The approach must consider the environmental credentials and impact of both the end product and the production methods.
- Goods and services that are responsible for high levels of environmental harm should be excluded from liberalisation in trade agreements and potentially subject to other non-tariff restrictions.
- Tariff reductions for 'green goods' should be established, while ensuring that producers in the Global South are not unduly affected. Definitions and criteria must be clear and specific, as inadequate definitions could unintentionally stimulate trade in damaging goods.

⁵ <https://www.cigionline.org/publications/content-wto-climate-waiver>

- A Border Carbon Tax Adjustment on goods produced in developed countries should be explored as an alternative tool alongside tariffs.
- Non-tariff measures must also play an important part in protecting the environment, consumers and UK industry, and ensuring the government retains the right to regulate.
- Mechanisms should be in place that allow tariff and non-tariff barriers to be raised in the event of non-compliance with environmental commitments. For example, these mechanisms could be activated in the event of a national contribution that is not compatible with the 1.5° trajectory, failure to comply with the national contribution, or failure to pay the pledged international climate financing.

More information

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