



## ***Enabling Sustainable Trade through EU-US Cooperation – Policy Recommendations for the Trade and Technology Council***

### ***Draft White Paper (as of January 10, 2023)***

The United States European Union Trade and Technology Council (TTC) have the opportunity to strengthen trade, enable growth of small and medium businesses (SMBs), create more resilient supply chains, and come together on shared climate actions by agreeing on a series of concrete steps to support sustainable trade. The TTC could provide a blueprint for broader regional and global agreements in the areas of trade in sustainable goods, environmental reporting, standard setting, and technology sharing. These opportunities could also serve as confidence building measures as part of the resolution of new and ongoing trade disputes in the areas of climate change adaptation and mitigation.

### **Sustainable Trade is Critical to Address the Climate Challenge**

The cost and availability of clean goods and services has a direct impact on their diffusion in the economy. The World Economic Forum estimates that eliminating tariffs and non-tariff barriers (NTBs) on certain clean energy technologies and energy efficiency products could increase their trade volume by 14% and 60%, respectively. Enabling this kind of trade will help members of the TTC access more environmental goods and by extension reduce harmful emissions.

- Huge demand for innovation in Environmental Goods including sustainable packaging (for e-Commerce purchases), and sustainable transportation (e-vehicles and transportation equipment).
- Remanufactured and refurbished goods cut e-waste and resolve supply chain issues at the same time
- Strong interest in renewable energy services, R&D for Sustainable fuels, digital tools for optimization routes and supply chains

### **Enabling More Climate Friendly Supply Chains, Supporting Small Businesses**

In recent years, companies have become subject to a host of new regulations and government policies within TTC economies. These policies, aimed at both measuring and accounting for private sector emissions and encouraging more rapid reductions in harmful emissions to meet Paris commitments, has started to impact global supply chains. This has resulted in EU and US rules having extraterritorial standard setting implications.

The private sector has responded to these rules with increased attention on scope 2 and scope 3 emissions and sharing of climate goals upstream and downstream within the supply chain. Scope 3 emissions are more challenging, both for reporting and achieving emissions reductions. The longer and more complex the value chain, the more difficult it is to identify and calculate scope 3 emissions.

The result of this complexity can be especially harmful for SMBs. Many of the reporting requirements and new rules remain difficult for SMBs to meet or understand. This has created a



need for greater support for SMBs and official recognition of the impact climate legislation has on their businesses.

### **Climate and Clean Tech**

The TTC presents an opportunity for the EU and US to align efforts to improve transport and infrastructure that accelerates the green transition. We welcome the TTC progress towards coordinating EU-US approaches on technology standards for heavy-duty electric vehicle charging.

An accelerated and coordinated energy policy for Sustainable Aviation Fuel (SAF) will help ensure efficient industry advancement which will support broader uptake. Due to the high cost of sustainable aviation fuel (SAF) a coordinated approach to support R&D, grow production, increase supply, and achieve scale so it can be commercially viable. Priority should be given to closing the price gap between SAF and conventional jet fuel as fast as possible by reducing the price of SAF to incentivize airlines' purchase of SAF and competitiveness. Approaches based on tax incentives for the use of SAF can be an effective tool to catalyze the development of the industry, as by rewarding high emission reduction values with higher incentives it is ensured that more sustainable pathways are supported effectively.

**Sustainable goods:** Common standards and certification schemes for eco-friendly products, as well as through the development of joint initiatives to promote the use of sustainable materials and production processes. In particular, the TTC can work to expand the scope of the EGA to include a wider range of environmental goods and services, with the aim of reducing tariffs and other barriers to trade in these products. To further this goal, the EU and US can consider incorporating language into the agreement that commits to reducing tariffs and other barriers to trade in environmental goods and services, with the aim of promoting the use of these products and supporting the transition to a more sustainable economy.

**Environmental reporting:** Establishing common reporting standards and mechanisms can ensure that companies operating within the US and EU borders are transparent about their environmental impacts and are held accountable for any negative impacts they may have. To minimize the administrative burden on the private sector, the goal should be to set jointly agreed and non-duplicative reporting standards that are as simple and streamlined as possible. In this regard, the EU and US can consider incorporating language into the agreement that commits to establishing common reporting standards and mechanisms, with the aim of promoting transparency and accountability in relation to environmental impacts.

**Standard setting:** The development of joint standards for products, services, and production processes, as well as the sharing of best practices and expertise in standard setting can further the environmental commitments of the EU and US. One specific example of an area where cooperation in standard setting could be beneficial is in the development of standards for commercial electric vehicles. By establishing common standards, the TTC can provide a basis for the private sector to increase investments in zero carbon vehicles, which will help to reduce greenhouse gas emissions and combat climate change. To further this goal, the EU and US can consider incorporating language into the agreement that commits to the development of joint standards for commercial electric vehicles, with the aim of supporting the transition to zero carbon transportation.