



# **Climate Clubs as a Lightning Rod for Tensions in Trade and Industrial Competitiveness**

**Executive Summary**

**SCI4climate.NRW** steht für die wissenschaftliche Begleitung der Industrietransformation. Das Ministerium für Wirtschaft, Industrie, Klimaschutz und Energie des Landes Nordrhein-Westfalen (MWIKE) hat Ende 2022 das Wuppertal Institut, das Fraunhofer-Institut für Umwelt-, Sicherheits- und Energietechnik UMSICHT, das Institut der deutschen Wirtschaft, die VDZ Technology gGmbH und die VDEh-Betriebsforschungsinstitut GmbH (BFI) beauftragt, Transformationspfade für den klimaneutralen Umbau der Industrie in Deutschland zu erforschen. Nordrhein-Westfalen dient dabei als Modellregion. Die Forschung baut auf den Ergebnissen des Vorgängerprojekts SCI4climate.NRW 2018-2022 auf. Die Institute stehen in engem Austausch miteinander und mit Industrie und Politik in der Initiative IN4climate.NRW.



### Bibliographische Angaben

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## Climate Clubs as a Lightning Rod for Tensions in Trade and Industrial Competitiveness (Online workshop)

When: 20/09/2023 | Time: 5–7 pm (CEST)

The Paris Agreement has established a transformative paradigm. The climate-neutral transformation of industries will create winners and losers. Overall, however, there are tremendous opportunities. With the of the Inflation Reduction Act in the US, a race seems to have begun between major industrial powerhouses, the United States, the European Union, China and increasingly India, to seize these opportunities through ambitious industrial policies. At the same time, the COVID-induced supply chain crisis of 2021/22 and the Russian assault on Ukraine have contributed to a push to secure and relocate key strategic supply chains under the banner of industrial policy. Consequently, concerns have been raised that these two developments are leading to the introduction of protectionist measures that may ultimately harm global decarbonization.

While it is clear that we will need an innovation race to build green industries to support the global transformation, we need to ensure that this race takes place under fair conditions and in a spirit of international cooperation rather than cut-throat competition. In this transatlantic online workshop, we explored options for facilitating a fair distribution of opportunities. In particular, we looked at the role of climate clubs.

### Organizers

The [Wuppertal Institute](#) (WI) is a think tank for sustainability research focused on impacts and practical application. The organisation's activities are centred on developing transformation processes aimed at shaping a climate-friendly and resource-efficient world. The overriding goal of the Institute's work is to help to ensure that the planetary boundaries are respected. The WI has put this goal into concrete terms with a guiding vision of a climate-neutral and resource light society.

The [German Economic Institute](#) (IW) is a private economic research institute in Germany, which is an advocate of a liberal economic and social order. What are the strengths of our economic system? How are Germany and the European Union to remain competitive as the world changes? These are the questions to which the German Economic Institute endeavours to find answers based on sound scientific research.

[IN4climate.NRW](#) is a nationwide platform where industry, science and politics work together in developing innovative strategies for a climate-neutral industry. SCI4climate.NRW supports the work of the initiative from a scientific perspective with the goal of identifying ways towards a climate-neutral and sustainable industry.

[NDC ASPECTS](#) is a project that provides inputs to the Global Stocktake and supports the potential and gender-responsive revision of existing NDCs, as well as the development of new NDCs for the post-2030 period.

## Executive Summary

The speakers' contributions highlight the complexity and opportunities associated with promoting international cooperation to address climate challenges: Tackling climate change requires coordinated international efforts, as the discussions in the online workshop have shown. The following policy recommendations have been formulated to guide efforts towards a more comprehensive and effective global approach. They are intended to provide a framework for improving global climate cooperation and take into account the different perspectives and challenges discussed by the workshop participants.

### **1. Inclusive Industrial Policies**

Encouraging countries to develop comprehensive industrial policies that are consistent with climate goals and prioritise a just transition away from fossil fuels. This includes promoting innovation, supporting affected communities and ensuring economic resilience during the transition to sustainable practices. A comprehensive policy should consider the social, economic and environmental dimensions of sustainability and recognise that these factors are interlinked in achieving long-term climate resilience.

### **2. International Coordination in Key Sectors**

Advocate for collaborative/ joint efforts in critical sectors such as steel and aluminium to address the impacts of climate change. Emphasise the need of global frameworks to prevent carbon leakage and ensure a fair and just transition. Coordinated international strategies can mitigate the environmental and economic challenges of these key industries. The transition to sustainable practices requires a collective effort, with coordinated action at the global level essential for meaningful progress.

### **3. Sectoral Agreements and Climate Clubs**

Exploring sectoral agreements as practical solutions for climate challenges. Promote the establishment of inclusive climate clubs involving major economies such as China and India, starting with sub-national entities. Such sectoral collaborations provide targeted approaches for emissions reduction and technology sharing and foster a global community of shared responsibility. Climate clubs provide opportunities for innovative solutions and knowledge exchange, paving the way for transformative change across industries and regions.

### **4. Common Ground on Emission Reduction**

Support the development of common basis for emission reduction targets, emphasising shared goals, joint implementation of policies and the importance of global standards to streamline efforts. Creating a unified framework enables effective coordination, harmonises country efforts and facilitates a coherent response to the urgent need for climate action. Common ground fosters trust and cooperation, enabling countries to leverage their collective strengths and resources to achieve ambitious emission reduction targets.

## **5. Global South Involvement**

Prioritise the perspectives and needs of the Global South in emission reduction efforts. Advocate for inclusive discussions that take into account the growth of industries in emerging countries and promote environmentally sound practices. Recognise the particular challenges faced by these countries and ensure their active participation in shaping global climate policies. Empowering the Global South is critical to building resilience and promoting sustainable development pathways that address climate change while promoting social justice and economic prosperity.

## **6. WTO Involvement and Reform**

Recognising the WTO as an important venue for international climate discussions. Exploring ways to make the WTO more environmentally sustainable and support reforms in line with global climate goals. Using the WTO's influence can help integrate climate considerations into trade policies and promote a sustainable and resilient global economy. Reforming the WTO to prioritise environmental sustainability is essential to ensure that trade practices support, rather than undermine, global efforts to combat climate change.

## **7. Financial and Technological Support**

Highlighting the importance of global support for the green transition, promoting cooperation among nations to provide financial and technological assistance to developing countries. Ensure a just and equitable distribution of resources for an effective transition, acknowledging the shared responsibility in addressing the global climate crisis. Mobilising financial and technological support is critical to enable developing countries to leapfrog to cleaner, more sustainable development pathways and ensure that no one is left behind in the transition to a low-carbon future.