



WCO Climate Change and Customs Workshop (14-15 September 2023): Post-Workshop Briefing

Workshop Briefing

The WCO, as a critical component of international trade and border security, should play a pivotal role in addressing climate change. It has the mandate and expertise conducive to enabling the uniting of Customs administrations worldwide to address the climate emergency. Climate change is a global challenge that requires collaborative efforts from all sectors of society, including the public sector, private sector, and academia. We are pleased to provide a post-workshop brief summarizing the outcomes and key recommendations from the recent workshop titled "Climate Change and Customs " which took place from 14-15 September 2023, in Brussels at the WCO Headquarters, with the support from CCF-Korea. This workshop brought together key stakeholders from the Customs administrations, universities, and the private sector (see Appendix 1) to explore the crucial role of Customs in addressing climate change through focused climate action. The workshop considered the WCO Green Customs Action Plan (GCAP) ¹ and resultantly offers new recommendations built off the foundation of the "Being, Doing, Innovating" pillars. We are aware that this workshop marks the initial step in Customs' climate action efforts, and there is an absolute need for a more inclusive approach and additional input from various perspectives.

Workshop Objectives

Participants were challenged to think critically about the role of Customs and the WCO in climate change prior to attending the workshop to meet the following ends:

- **Promote collaboration** to develop tangible, interdisciplinary, and actionable strategies and encourage 'outside of the box' thinking.
- **Enhance understanding** across stakeholders to grasp the landscape of Customs and climate change issues.
- **Develop innovative strategies** for the WCO, Customs administrations, and researchers to contribute to climate change mitigation and adaptation efforts.
- **Create knowledge and determine how to disseminate** this knowledge given the spectrum of expertise from stakeholders in attendance.

Key Outcomes

The workshop yielded several significant outcomes as follows.

Innovative thinking leading to concrete strategies: Through the mutual exchange of knowledge and the exploration of new frontiers in our understanding, we can project into the future and anticipate the changes that the WCO and indeed Customs as a profession will have to accommodate in the coming decade. Workshop attendees engaged in a foresight modelling exercise, resulting in 6 key trends that we can start working on now:

1. Establishing new trade-climate agreements and policies with Customs relevance (bilateral/regional/plurilateral). These encompass agreements addressing emission

¹ Adopted at Policy Commission in June 2023 (SP0822Ea)

reduction targets, sustainable supply chains, carbon pricing mechanisms, capacity building, environmental standards, renewable energy trade, and so on. In this context, Customs administrations assume a pivotal role in overseeing the movement of goods across borders, enforcing regulations related to both trade and climate, and collecting relevant duties and/or taxes. The collaborative engagement of Customs administrations with other agencies is essential to address environmental concerns comprehensively. This collaboration ensures that trade activities align with climate goals, recognizing the interconnectedness of economic and environmental considerations. The term "Customs relevance" underscores the integral nature of Customs procedures and regulations in the effective implementation and enforcement of these agreements. Customs procedures are foundational to ensuring that trade practices align with the outlined climate-related commitments. The WCO holds a significant position in shaping the approach to integrating trade into climate action. For instance, the implementation of carbon pricing in trade. It acknowledges that trade, while contributing to climate change, also presents an opportunity to leverage impactful action. Recognizing trade as both a contributor and an avenue for positive change is crucial for a comprehensive and effective approach to addressing climate concerns on a global scale.

2. Authorized Economic Operator (AEO) transformation and modernising AEOs through evidence-based, trader-friendly practices and policies. These policies should take into consideration how incentivization can play a role in shifting behaviours to encourage green initiatives across the supply chain. This could be accomplished in more than one way: It could be seen as integrating environmental aspects into the AEO programme and linking them with additional facilitation that recognises AEOs for their commitment to environmental compliance and performance (e.g., priority treatment traders' requirements related to environmental data). This will ultimately incentivise the supply chain and the traders in general to engage in environmentally friendly practices. Alternatively, environmental compliance could become a basic requirement for AEOs. Finally, new incentives could be provided if the "green" AEO is expanded as a certification given in conjunction with other agencies, such as environmental agencies.
3. Digitisation and the role/creation of digital product passports as a way to allow Customs to access business data for Customs risk management. Such access to visibility infrastructures/ product passports/ certificates can allow for working with different trust models. For example, the availability of additional business data in advance may allow Customs to do cross-validation before the goods arrive when this makes sense. Complementary, other trust models can rely on data that can be used after the fact for verification given its availability.
4. Food supply and security initiatives extend to integrating transport carbon costs into taxation and Customs valuation. This involves considering climate impacts within the Customs value, where negative impacts are assessed based on factors such as the number of food kilometres and carbon emissions, contingent on the mode of transport. Addressing food supply and security goes beyond traditional measures and encompasses a holistic approach that incorporates the environmental dimension of transportation. Integrating transport carbon costs into taxation and Customs valuation represents a strategic step in this direction. In this framework, Customs valuation extends beyond the monetary value of goods to include their environmental footprint. Negative climate impacts are evaluated concerning the distance food travels (food kilometres) and the carbon emissions associated with the chosen mode of transport. This approach recognizes the environmental costs linked to transportation and

aims to internalize these costs into the overall value of traded goods. On the positive side, the Customs value is influenced by practices that contribute to sustainability. This includes fostering organic agriculture, which has a lower environmental impact compared to conventional methods. Additionally, adherence to fair trade principles, ensuring equitable compensation for producers and environmentally responsible practices, contributes positively to the Customs value. This initiative can indeed extend beyond food; however, the focus of this trend was on food supply and security. In this regard, it is necessary to be mindful that excessive implementation of integrating transport carbon costs into valuation may impact production patterns and, as a result, there is a possibility of an increase in the total CO2 emissions at global level.

5. Strategies to ensure Customs are involved from the beginning of legislative processes where Customs is affected at some stage. For example, Customs should be collaboratively involved in biodiversity conversations (such as the EU Deforestation Free Commodities directive – Regulation (EU) 2023/1115 - and other such deforestation legislation) at the outset instead of in retrospect. Another important factor to consider in this light is the essential collaboration between Customs and other authorities. This becomes unclear when an authority other than Customs takes the lead in specific legislation, and Customs may only play a role later in enforcement. Given the dependencies and uncertainties surrounding the roles in new legislation related to circularity or climate issues, initiating some initial piloting at an early stage could be advantageous. This would help assess how authorities can cooperate in the enforcement aspect, enabling the early identification of potential issues. Providing feedback while the legislation is still in the drafting stage becomes feasible through this approach.
6. Waste and recycling initiatives that can be advanced through digital solutions such as digital product passports, appropriate HS codes, definitional clarity, and scaled global tariffs (such as the minimum rate of taxation applied at the global level) in new materials versus recycled materials. Current policies do not encourage trade in green goods; setting trade liberalization standards with a select set of goods is one suggestion to address this. Waste will be seen more and more as a resource; Customs can play a role in facilitating a well-functioning market of secondary raw materials.

Short-, medium- and long-term planning for climate action: Participants at the workshop developed actionable proposals to integrate climate-conscious practices into Customs operations based on the 6 identified trends. These proposals all consider trade's new risk agenda and are considered the main governance mechanism for Customs climate action. They go beyond a policy approach and provide pathways for integration.

Increased Awareness: Participants gained a deeper understanding of how Customs operations can impact climate change and the role they can play in addressing this global challenge. We discussed how to promote and understand circularity, overcoming educational and institutional challenges regarding the implementation of the Carbon Border Adjustment Mechanism (CBAM), dissemination and educational challenges with the green Customs agreement, and importantly how the traditional role of Customs has changed from a tax assessment and collection function to contain a broader landscape of responsibilities.

Ongoing collaboration: The workshop launched a collaborative initiative among Customs officials, academics, and private sector representatives, encouraging the exchange of innovative ideas and best practices.

Recommendations

Based on the discussions and action plans developed during the workshop, we have compiled a set of key recommendations for consideration:

Establishing the Customs and Climate Change Coalition (C4): There is currently a lack of coordination on climate action (including issues such as circular economy, green Customs, CBAM, waste management, etc.) in the Customs environment. This is largely due to the complexity of the problem, the multiple Customs domains involved, the profusion of norms, agreements/conventions to consider and their complexity, the profusion of actors and a lack of common understanding of the role of Customs in this ecosystem. The WCO is well-placed to coordinate research, strategy, reporting, and education. The C4 is a WCO-led dedicated partnership involving academics, the public sector (e.g. WTO, Customs administrations, European Commission, UN), and the private sector (shipping companies, traders, industry experts) from around the world, ensuring representation from the Global South and the Global North. The C4 will be responsible for overseeing and coordinating Customs and climate change research and education (such as those related to Green Customs initiatives, including circular economy and sustainability), recommending strategies for climate action across Customs administrations, and reporting on activity. This is important to establish as it will ensure coordination of climate action activities across the WCO and stakeholders which results in knowledge sharing and a collective approach to deal with a global challenge. The C4 facilitates public-public, public-private, and private-private partnerships which have proven applicability in similar global challenges. The C4 could welcome technical attachés from member nations. The C4 embodies green Customs, or rather represents environmentally conscious Customs, therefore ensuring visibility and becoming a hub of knowledge and policy discussion.

The C4 has 3 main functions it will be responsible for:

1. **Educational initiatives:** There is an identified need to fill a gap in education about climate action across frontline Customs organizations. We recommend communicating ideas via an online WCO portal. This portal can host and disseminate visual representations (such as reference material for circular economy initiatives), short working papers, relevant public reports, and webinars/educational videos. Member nations can contribute material to the portal, such as nation-branded diagrams to create reference points for other nations. As time for action is critical, partnership and collaboration can be established with other organizations working on similar topics for cross-references to materials and partnership for sharing materials and resources for creating a wider pool and reach in a limited time. Working papers can be outsourced via a call for papers to Customs organizations. We also recommend a research corner in the quarterly WCO news to disseminate material.
2. **Research initiatives:** There is an identified need to establish a baseline. There is no current aggregation of what member nations are doing in terms of Customs practices or policies and climate action. By surveying all nations, we can identify what is being done and what gaps exist, and then develop strategies to recommend across the Customs network. An additional mapping exercise can also be completed for all environment-related agreements that could

impact Customs at borders. A database of agreements related to Customs and the environment can be produced from this.

3. **Policy Alignment:** Ensure that WCO-led policies and practices align with international climate goals and commitments. Opening up a C4 dialogue with other relevant international organisations (e.g. WTO, UNFCCC) will also be an integral element of this process. To ensure the C4 can be prescriptive in its policy advice and ensure the educational aspects have functional policy/advisory outcomes, it must be properly resourced.

Next Steps

To further advance the initiatives and recommendations arising from the workshop, we propose the following next steps:

Establish the C4: Resource the coalition comprising representatives from the academia, the public sector, and the private sector to oversee and coordinate research and policy related to climate action.

Establish an online WCO portal: Resource a website to coordinate the efforts of the coalition and ensure swift dissemination of educational materials².

Pilot Programs: Launch pilot programs to test and refine the recommended climate actions and evaluate their effectiveness.

Monitoring and Reporting: Implement a robust monitoring and reporting framework to track progress and measure the impact of climate-conscious Customs initiatives across member nations.

Continued Collaboration: Resource accordingly to foster ongoing collaboration with relevant stakeholders to ensure the success and sustainability of these initiatives.

2024 Conference: Recommend a larger, internationally representative conference in September 2024 at the WCO to ensure continued discourse³.

Conclusion

The transformative workshop "Climate Change and Customs" marked a significant step for the WCO by catalyzing active participation in the ongoing debates surrounding climate action. We believe that by implementing the recommendations outlined in this brief, the WCO can be positioned as a leader at the forefront of sustainable trade practices and policies, contributing to environmental protection. Thank you to the WCO for the support for this workshop, which will enable us to embark on this important journey toward a more climate-conscious and sustainable future.

² The WCO has a dedicated webpage on Green Customs (<https://www.wcoomd.org/en/topics/key-issues/green-customs.aspx>)

³ The WCO organized the Green Customs Global Conference in June 2022. The summary report is available on the website (<https://www.wcoomd.org/en/topics/research/overview.aspx>).

Appendix 1: Participants

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