

February 27, 2023

To: U.S.-EU Trade and Technology Council¹

At the most recent meeting of the U.S.-EU Trade and Technology Council, the Global Trade Working Group announced its intent to embark on a transatlantic sustainable trade initiative. The undersigned organizations, representing a broad range of civil society, labor, environment, development and community-based organizations throughout the European Union and United States, urge our governments to ensure that any such transatlantic sustainable trade initiative recognize that the climate imperative requires a rethink of trade rules that were written before governments committed to take action on climate change.

In August 2022, the United States passed the Inflation Reduction Act (IRA), a sweeping package that includes historic investments to boost manufacturing in the clean energy economy. While the final text of the bill was far from the comprehensive legislation needed to address the urgent climate crisis, it was the result of a difficult compromise negotiated in a narrow but historic window of political opportunity and is a critical step that the U.S. has taken to meet its climate commitments.

However, the European Union claims that the structure and the domestic content requirements of tax incentives for electric vehicle, electric battery, and renewable energy production offered through the IRA violate World Trade Organization (WTO) rules. And it has repeatedly threatened to refer the matter to the WTO Dispute Settlement Body, attempting to force the U.S. to change this law. The EU even publicly complained about the incentives before the bill had passed, potentially threatening passage of the important legislation, which passed by the narrowest of margins.

Time is running out to meet our climate commitments. Investments in green jobs and production of green products will be needed to usher in the clean energy transition the world needs. Rather than threatening the United States based on outdated trade rules or pushing for more trade agreements, the EU should increase its efforts to pursue a genuine ecological and fair industrial policy for workers and adapt the rules to accelerate a just transition. Recent announcements from the European Commission and national governments are a hopeful sign that this path is now being pursued more vigorously.

As part of any EU-US transatlantic sustainable trade initiative, we urge the EU to refrain from challenging the IRA with trade instruments. And we call on the U.S. and EU to commit to a Climate Peace Clause to protect climate policies around the world from trade disputes, as well as to make good on climate financing and green technology transfer to countries in the Global South.

As advanced economies and major current and historic emitters of greenhouse gasses, it would be a powerful step for the U.S. and EU to agree to a Climate Peace Clause – a binding commitment by these governments to refrain from using dispute settlement mechanisms in the WTO or other trade and investment agreements to challenge each other's climate policies. Not only should the EU refrain from using trade rules to challenge the IRA, but both should commit to refraining from challenging other countries' policies meant to hasten the green transition. This would set an example and create the much-

¹ Cc: European Commission Executive Vice-President Margrethe Vestager
European Commission Executive Vice-President Valdis Dombrovskis
U.S. Secretary of State Antony Blinken
U.S. Secretary of Commerce Gina Raimondo
U.S. Trade Representative Katherine Tai

needed space for governments to adopt and maintain the climate policies needed to create green jobs and meet their commitments under the Paris Climate Agreement.

Such an agreement between these two powers must also include climate financing for countries in the Global South and the sharing of green technologies, as [outlined](#) in the United Nations Framework Convention on Climate Change and the Paris Agreement, to support/contribute to climate solutions that are truly sustainable and equitable for all. This will be necessary to support the clean energy transition in countries that cannot afford similar subsidy-based incentives.

A true transatlantic collaboration to address catastrophic climate change, and related global social, health, and biodiversity crises, will entail supporting – rather than undermining – green industrial policies on both sides of the Atlantic. Further, we must work together to meet commitments for financial support and technological transfer to developing countries and to transform inequitable global structures in order to facilitate a just transition for all.

Sincerely,

1. Anders Handeln	Austria	23. 350.org	USA
2. ACV-CSC	Belgium	24. ActionAid USA	USA
3. CNCDD-11.11.11	Belgium	25. Earthjustice	USA
4. Carbon Market Watch	Belgium	26. Foreign Policy for America	USA
5. Corporate Europe Observatory	EU	27. Global Exchange	USA
6. European Trade Justice Coalition, formerly Seattle to Brussels Network	EU	28. Institute for Agriculture and Trade Policy	USA
7. Aitec	France	29. International Center for Technology Assessment	USA
8. Veblen Institute	France	30. Justice Is Global	USA
9. Berliner Wassertisch	Germany	31. Natural Resources Defense Council	USA
10. PowerShift	Germany	32. Network Lobby for Catholic Social Justice	USA
11. Naturefriends	Greece	33. Our Revolution	USA
12. Védegyület Egyesület	Hungary	34. Pax Christi USA	USA
13. Fairwatch	Italy	35. People's Action	USA
14. Mouvement Ecologique	Luxembourg	36. Presbyterian Church	USA
15. Centre for Research on Multi-national Corporations (SOMO)	Netherlands	37. Public Citizen	USA
16. Transnational Institute	Netherlands	38. Sierra Club	USA
17. Umanotera, Slovenian Foundation for Sustainable Development	Slovenia	39. Sisters of Mercy of the Americas Justice Team	USA
18. Confederación General del Trabajo	Spain	40. Trade Justice Education Fund	USA
19. STEILAS	Spain	41. United Church of Christ, Justice and Local Church Ministries	USA
20. Confederacion Intersindical	Spain		
21. Ecologistas en Acción	Spain		
22. Global Justice Now	UK		