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

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 Rather than threatening the United States based on outdated trade rules or pushing for more trade agreements, the EU should increase its efforts to pursue a genuine ecological and fair industrial policy for workers and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 gases, 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-

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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,

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