



The clock is ticking!

The Fair Trade Movement COP27 Position Paper

The verdict from the recent Intergovernmental Panel on Climate Change (IPCC) reports is unanimous and jarring: the planet's climate is changing, and that change has been triggered by humans. The climate target set in 2015 by the Paris Agreements to maintain global temperatures below the 1.5C° threshold is still within reach but the probability of meeting it continues to fade as time progresses and climate action stalls. The need for urgent, radical change is now paramount.

There is no question: we must urgently transform our global economy into a system that is sustainable for everyone, everywhere. And we must start by addressing international trade as part of our ambition for a sustainable future. From production to consumption, international trade today remains a significant contributor to our climate crisis. Above all, it operates unfairly, unequally distributing the impacts of climate change upon those most vulnerable to and least responsible for the status quo. This must also change.

That's because smallholder farmers, Small and Medium Enterprises (SMEs), and workers in low-income countries where fair trade goods are produced contribute the least to greenhouse gas emissions yet they suffer the most from the harmful impacts of climate change. The evidence is clear and it illustrates the severity and frequency of climate events, painting a vivid picture of how heatwaves, erratic rainfall, and other climatological changes currently affect smallholder farmers, workers, and their communities.

But this isn't the future we want, and it isn't the future we're working for. Fair Trade envisions a society that respects both people and the planet while embracing sustainable approaches across global markets where regulation fosters sustainable production and consumption. More than 1.9 million farmers, SMEs, and workers at the core of Fair Trade are the proof that new economic models built upon solidarity and partnerships are indeed available. And they work.

OUR CALL TO ACTION

A) Governments

- ▶ Meet the \$100 billion climate aid promise by end of 2022
- ▶ Address loss and damage
- ▶ Ensure climate finance delivers for smallholder farmers, SMEs and workers, including by involving them in the design of climate programmes
- ▶ Pursue trade policy in support of human and environmental rights
- ▶ Agree on regulations that tackle the root causes of environmental degradation (for instance deforestation) by penalising noncompliance, whilst ensuring the burden of meeting those regulation do not fall on smallholders

B) Business

- ▶ Support farmers, SMEs and workers with the cost of adaptation and mitigation
- ▶ Pay fair prices to smallholder farmers, SMEs and workers
- ▶ Work collaboratively across and within supply chains to achieve these goals

How is Fair Trade Taking Climate Action?

Fair Trade Organizations have a deep understanding of the interconnected nature of human and environmental rights, and we continue to take concrete steps to advance these rights. To date, 1,880 organizations across more than 70 countries are producing Fair Trade certified goods, including Fairtrade carbon credits. In fact, Fairtrade carbon credit projects have reduced more than 650,000 tons of CO₂e generating more than €7 million in sales over the past five years. More than 450 Verified Fair Trade Enterprises worldwide show that other business models are possible.

From Papua New Guinea to Mexico, Fair Trade certified producer organizations are also investing in open viable economic alternatives for new generations of farmers in producing countries. This means evaluating said organizations' exposure to environmental risks, working with them to implement climate adaptation plans, and collaborating on training efforts to support male and female youth leaders in protecting and restoring nature. Today, more than 500 Fair Trade Organizations across Asia, the Pacific, Africa, the Middle East and Latin America are adopting agroecological practices and sustainable supply chains, with most of them producing products such as coffee, cocoa, bananas, fashion, jewellery, home decoration, and processed foods.

Fair Trade believes the unprecedented global climate and biodiversity crisis can only be tackled with a deep understanding of human contexts in order to move forward with a sustainable economic model that facilitates solutions for those people most affected. And as a global movement, we recognize the urgent need to work towards eradicating unfair power dynamics in global, regional, and national trade by shifting power to smallholder farmers, workers and artisans. That's why at COP26 we **called on all actors in the global supply chain** to step up, take responsibility, and own the fight against climate change by procuring trade deals that are fair for people and the planet, and by leading through human rights and environmental due diligence.

Through Fair Trade's vision of climate action, Fair Trade Organizations and Entrepreneurs are promoting renewable energies and energy efficiency, reforestation and stopping deforestation, and restoring soil health to enhance its productive potential, thereby limiting the expansion of agricultural land in places with high carbon stock. These actions promote efficient use of natural resources in an environmentally sustainable manner, protecting, managing and restoring modified ecosystems that affect the most vulnerable communities.

The Fair Trade Objective: "A Fair and Fully Funded Transition"

Smallholder farming communities and SMEs understand better than anyone how climate change affects their local environments and they can provide invaluable insights on how to make the necessary changes towards become more resilient and more sustainable. Farming communities and SMEs must have the power to steer the direction of carbon reduction schemes and secure clear community and financial benefits from them. They must also benefit from a high level of additional carbon capture. But achieving a fairer and more sustainable future for all means all key stakeholders in our global supply chain will need to step up, do more, and make a difference. And they will need to do this while centring smallholder farming communities and SMEs as well as their needs.

Member States and their Governments must provide critical support for communities to mobilize and leverage local and expert knowledge on climate change work. In addition, they must deliver on their climate finance promises, and create a regulatory system that rewards environmental performance and punishes environmental damage. For their part, **businesses** must embrace the true value of food and other natural resources and pay fairer prices for them. Paying fair prices, respecting the true values of produce, and adhering to fair trading practices ensures farmers, SMEs, and workers in low-income countries have the resources to make the investments needed for climate adaptation and mitigation.

If global trade does not call for all actors in the supply chain to share an equitable amount of responsibility for ensuring that their practices do not harm people and the planet, climate justice will never become a reality. And **policy makers** must be fair with their climate promise and invite supply chain actors to join forces with the Fair Trade movement and its partners in demonstrating how to build climate justice in trade systems.

In order to achieve a sustainable future, it is also vital that all stakeholders ensure that the costs of complying with current and future environmental and climate legislation are not pushed down to producers. Instead, they must be reflected in better prices for the products they offer, as well as better pay, so that living incomes and living wages as key ingredients of sustainably produced products become a reality.

Fair Trade Calls on Member States

- ▶ **Fair Trade strongly supports international calls for wealthy countries to deliver on their promise to meet the \$100 billion in climate aid promised by the end of 2022 and develop critical strategies to help vulnerable communities overcome loss and damage sustained from climate change.** By reiterating this call, we want these funds to reach smallholder farmers, workers, and SMEs, and urge that these stakeholders be empowered in shaping how they spend financing in their communities' best interests.
- ▶ **In the same vein, we call on all Member States to support, enable and encourage sustainable partnerships. Member States must promote and incentivize sustainable production through taxation systems or tariff conditionality for sustainable products in trade agreements. In our experience, partnerships are more effective when farmers and SMEs are at the centre of decision making.**
- ▶ **Climate finance must also deliver for smallholder farmers and workers. That's why we call for financing and partnerships at the farm-level that empower smallholder farmers and workers to adapt and become more resilient, while also helping the shift to net zero supply chains.** With less than 2% of climate finance currently making its way to small scale farmers, the awarding criteria and procedures of financial mechanisms such as the Green Climate Fund – as well as new commitments like the **deforestation fund** announced at COP26 – must be made accessible to small producers and their organizations in a clear and unbureaucratic manner.

Fair Trade Calls on the Private Sector

- ▶ **The Fair Trade movement urges collaborative support in affecting change from both consumer and production levels across all supply chains.** It is unjust for vulnerable communities in low-income nations to absorb the full cost of the climate crisis. They have contributed the least to climate change yet feel the brunt of its harmful consequences. Those historically responsible for emissions hold the greatest responsibility for footing the bill for tackling them. We cannot expect smallholder farmers, SMEs and workers to bear the cost of transitioning to a sustainable future when they are paid too little for the goods they produce, and when endemic, exploitative trade practices concentrate power at the top of supply chains.
- ▶ **Our global trade system requires a rapid and comprehensive transition towards sustainable practices, including the payment of living incomes and living wages. The dramatically low prices and unequal conditions experienced by smallholder farmers, workers and SMEs hold them and their communities back from the flourishing futures they deserve.** If any action within global trade results in the deterioration of the environment and of human and labour rights, that trade should not be considered fair.

Fair Trade Calls for Policies that Work for People and Planet

- ▶ **Global trade policy must support the highest environmental standards, human and labour rights, and must work to drastically reduce carbon emissions.** This is to drive best practices and low-carbon innovation, encourage the production and trade of sustainable products, and encourage the uptake of sustainable technologies along supply chains, including investments in sustainable freight options.
- ▶ We know that the impacts of the climate crisis are already being felt by local communities in low-income countries. Thus, trade policy has a vital role to play in ensuring more value reaches farmers, SMEs, and workers to support living incomes and living wages. Moreover, trade policy must enable them to invest in crucial adaptation and mitigation techniques while also working in support of development outcomes, regional integration, and greater market access.
- ▶ **In addition, all trade agreements must demonstrate an unwavering commitment to human rights, International Labour Organization (ILO) conventions, the Sustainable Development Goals (SDGs), and the Paris Agreement through binding and enforceable requirements.** Only in this manner, can we bring trade, development and the environment together as corresponding pieces of the solution to tackling the climate crisis.

Fair Trade Calls for Human Rights and Environmental Due Diligence

- ▶ Fair Trade calls for increased initiatives to strengthen environmental and human rights rules, such as those currently being pursued by the European Union. In particular, we applaud the Sustainable Corporate Governance Directive and the Regulation on deforestation-free products. Fair Trade also welcomes the Brazilian Supreme Court recognition of the Paris Agreement as a human rights treaty, as well as the United Kingdom's Environment Bill, aimed at tackling deforestation in value chains to avoid unintended negative implications for smallholder producers.
- ▶ **Fair Trade believes no one should be left behind. Therefore, we call on policy leaders to tackle the root causes of deforestation and forest degradation, while issuing new market regulations.** Among other things, this includes explicitly underlining the importance of living wages and incomes in due diligence legislation, along with an evaluation of the way in which company purchasing practices, including prices, have an impact on human rights and the environment. It will also involve commitments to complementary financial support mechanisms for small-holders either through government aid spending, public-private partnerships and/or supporting SMEs.
- ▶ **We also urge the introduction of robust measures to penalise companies that do not comply with climate regulations and ensure that smallholder farmers, SMEs, and workers are financially supported with the cost of complying with due diligence measures. They cannot be left alone to shoulder the costs of a climate crisis they did not cause.** Binding legal framework conditions must be designed and enforced in such a way that they promote a sustainable approach to doing business, prevent unfair competition, stop the exploitation of communities and nature, and guarantee that those affected have their rights protected and receive access to legal remedy.

Our vision for a climate justice future

It is unfair to push the cost of our climate crisis onto the shoulders of the planet's most vulnerable communities. This is why the global Fair Trade movement is calling for the enforcement of public climate commitments and for trade actors to be accountable for their climate promises. But we don't stop there.

We also know that smallholder producers, workers and SMEs are part of the climate solution. And we know that our planet's future depends on embracing proven alternatives to current production patterns, prioritizing investments for fairer transitions, and the scaling up of climate adaptation and mitigation options within this decade.

Fair Trade Organizations and Entrepreneurs understand that taking concrete actions towards climate change is a challenging, time-consuming, and ever-evolving task. But we also understand that climate justice within trade is feasible. We are all are willing to make the necessary investments to galvanize change. But we call on all supply chain stakeholders to do the same.

Fair Trade Organizations and Entrepreneurs invite all actors across the global supply chain to increase their support for producer countries in managing environmental risks and increasing climate resilience toward a new economic model characterized by climate justice.

We must act together, and we must act now. There is no climate justice without trade justice.

