



## Global boiling is here and it's unfair

### The Fair Trade Movement calls for immediate action

UN Secretary General Antonio Guterres recently declared that the world has entered the era of “global boiling”<sup>1</sup>.

Climate change has become impossible to ignore, and so has the fact that its effects are unequally distributed across systems, regions and sectors, leading the people least responsible to be the ones worst affected. Producers and local communities struggle with unstable, reduced yields and income<sup>2</sup>, unsuitable land severely affected by changing weather patterns, degraded crop quality, scarce water resources availability, and food insecurity, resulting in economic hardship.

In that context, international organisations, decision-makers and donors must play a leading role in rapidly disbursing funds to communities most affected by climate change. The latter must be able to sell their products under fair terms that allow them to cover the cost of sustainable production or transitioning towards it. Furthermore, companies must perform stringent human rights and environmental due diligence to ensure that trade can become mutually beneficial for people and the planet. Fair trade practices and core principles must be mainstreamed and emulated.

In light of the upcoming COP28, the Fair Trade Movement reiterates its plea for immediate action: **to create a meaningful and lasting impact, climate justice must be the foundation of all climate action taken.**

# 1. Championing climate finance as a force for good

Increased and reshaped international climate finance is a prerequisite for many countries who are heavily affected by climate change to be able to implement ambitious nationally determined contributions (NDCs).

- Climate finance discussions have concentrated on a tiny fraction of the estimated US\$ 2.4<sup>3</sup> to US\$4 trillion<sup>4</sup> needed per year by 2030 for poorer countries to be able to reduce their emissions, efficiently deal with climate change impacts, and boost their resilience<sup>5</sup>.
- UNEP's Adaptation Gap Report 2022<sup>6</sup> highlights that **international adaptation finance flows are 5 to 10 times below the estimated needs and the gap is widening**. Prioritising actions that both reduce greenhouse gas emissions (GHG) and help communities adapt, such as **agroecology practices**, would contribute to resilience while supporting the reduction of farmers' footprint. Income generated via their Fair Trade activities is not enough to cover losses or repair damaged ecosystems.
- Applying a **gender lens** when looking at climate finance for farmers is key: in most countries, the share of female smallholders who can access credit is 5 to 10 percent lower than that of male smallholders<sup>7</sup>.
- **Structural barriers** to access climate finance for smallholder farmers<sup>8</sup> remain and include logistic issues, access to information, and limited access to warranties. They also face **regulatory barriers**, high interest rates, a lack of collateral rates, inadequate legal frameworks, and complex loans that increase their transaction costs.
- Between 2008 and 2018, the agriculture sector in low-income countries (LIC) and lower-middle-income countries (LMIC) **suffered 82 percent of all economic damage and losses caused by medium to large-scale disasters**, although not responsible for the climate crisis<sup>9</sup>.

The Fair Trade Movement calls on policy-makers, donors and businesses to:

- Develop a new roadmap, outlining actionable and time-bound deliverables to unlock new and inclusive financing sources, develop transparent report mechanisms on financial pledges, and scale up context-specific adaptation finance tools, while providing greater attention to adaptation-mitigation linkages.
- Reform the global financial architecture, creating a system which provides the necessary leeway to scale up producers' investments in training and sustainable practices, balance out financial risks, diversify crops, introduce relevant technology, efficient irrigation, and conservation methods.
- Build effective bridges between climate and conventional agricultural finance tools available to smallholders to multiply their cross-benefits.

- Develop financial products and services that are tailored to the needs of small-scale farmers, including flexible repayment terms, lower interest rates, and simplified application processes.
- Target farmer organisations as direct recipients of grants, e.g., in the grant portion of the Green Climate Fund.
- Ensure smallholders inclusiveness in designing, prioritising, implementing and monitoring efficient climate finance tools.
- Include advisory services on business planning, marketing, and financial management.
- Ensure civil society organisations are able to apply for funding as part of the Loss and Damage Fund and facilitate their application procedure.
- Consider structuring the Fund into a “disaster response window” (e.g., for storms, heavy rainfalls), a “slow-onset window” (e.g., for sea level rise) and a “micro/small-grant window”

## 2. The enabling environment

Climate finance plays an important role but is not a magic wand. Environmental protection as well as climate mitigation and adaptation go hand in hand with poverty eradication. The Fair Trade Movement calls for a **multi-dimensional approach** to fully understand, prevent and cope with the consequences of the current climate crisis.

Smallholder farmers’ participation in the Sharm el-Sheikh joint work on implementation of climate action on agriculture and food security is critical. It will help to identify solutions that are locally relevant and in line with their priorities. In this context, recognizing the specific challenges faced by women is key to address existing power imbalances and truly achieve inclusiveness.

- **Agroecology Principles** (as promoted by organic farming and agroforestry) are part of the solution to put an end to the land-clearing incentives and to reduce the dependency on pesticides. However, high financial and technical investments are necessary to transform production methods (e.g., purchase of equipment and seedlings, compost-making, equipment, labour etc).
- There is a growing expectation that farmers implement sustainable and net-zero production patterns at their own costs. This needs to change by building the business case for sustainably produced goods, including through an **equitable distribution of wealth embedded in fair business practices** such as long-term sourcing relations between buyers and suppliers, and pricing mechanisms that allow to cover the costs of sustainable production.
- **Ethical and Fair Trade businesses and approaches** have proven their models to be good for people and the planet, particularly resistant to external crises, while remaining economically viable. Such models must receive increased consideration and be mainstreamed.

- There **is no climate justice without trade justice and vice-versa**. In its current configuration, trade typically tends to reinforce power asymmetries within global supply chains while failing to deliver on the reduction of GHG emissions and the preservation of biodiversity.

Therefore, the Fair Trade Movement would like to emphasise that:

- Farmers' voices must be central to structure UNFCCC related processes affecting them and COP28 must address the operationalisation of the Sharm el-Sheikh joint work on implementation of climate action on agriculture and food security.
- Policy-makers and donors must design and finance support measures for smallholder farmers to transition to agroecology. Furthermore, value distribution should be at the centre of political discussions to ensure a favorable framework for the development of agro-ecological practices.
- Policy-makers must adopt robust and inclusive human rights and environmental due diligence legislative frameworks that includes binding provision on living income and living wages, and regulate companies to review their sourcing, trading and purchasing practices to ensure their prices reflect the true costs of sustainable production.
- For new supply chain laws to be transformational and not lead to unintended consequences, policy-makers must conduct thoughtful impact assessments and based on their findings, design fit-for-purpose accompanying measures for supply chain actors in the weakest position, as well as ensure a fair repartition of costs of compliance to new market access requirements.
- Trade agreement models and trade policies must be rethought, so that sustainable development can be concretely achieved by parties involved, creating equal benefits for all trading partners while fostering the transition towards more resilient and climate-neutral supply chains.
- Enforceable Trade and sustainable development (TSD) chapters embedded in Trade agreements should become the new norm.
- Current and future negotiation processes should guaranty consultative processes, allowing farmers, workers, and indigenous people to have a seat at the table.

In a nutshell, what is the Fair Trade Movement's stocktake on our climate crisis?

**We urge global leaders at COP28 to accelerate climate actions, honour their commitments, be bold, and work together in transforming our current economic system into one that is fair and prosperous for all.** Let's place people at the centre, let's accelerate inclusive and participative solutions. Let's be fair with our climate promises!



## Footnotes

1. [The 'era of Global boiling' is here, Un chief warns](#)
2. [Climate Change and Fairtrade Tea – Factsheet](#)
3. According to a [report](#) commissioned by the U.K. and Egypt ahead of last years' COP27
4. According to Institute for Climate Economics
5. [Paris climate finance summit delivers momentum but few results – POLITICO](#)
6. [Adaptation Gap Report 2022 | UNEP - UN Environment Programme](#)
7. [UNDP Gender, Climate change and Food Security. 2016](#)
8. [In 2020 the International Fund for Agricultural Development \(IFAD\) reported that less than 2 percent of climate finance goes to smallholders.](#)
9. [FAO, The State of Food and Agriculture 2021. Making agri-food systems more resilient to shocks and stresses, Chapter 1, Agrifood systems' resilience: What it is.](#)

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