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**KYOTO COMPLIANCE MEASURES AND TRADE IMPLICATIONS:
HOW THE WTO MAY DEAL WITH "COMPETITIVENESS" IN TRADE
IN THE ENERGY-INTENSIVE SECTOR**

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Abstract

To perform their obligations under the Kyoto Protocol, of GHG emissions reduction, the UNFCCC Annex1 Parties institute measures such as carbon/energy/green taxes and tax adjustment, new energy efficiency standards, eco-labelling and aid for development of new and renewable energy and environment-friendly technologies. These measures, which are aimed at environmental protection ends, may have trade effects also affecting the Parties international competitiveness in cross-boarder trade, especially in energy-related products and services, regulated by, and in most cases, contrary to, the WTO rules. The paper addresses the question whether and to what extent will the WTO rules allow the Kyoto Protocol compliance measures especially those taken also to ameliorate the competitiveness effect of the climate regime. It will suggest that since both climate and the WTO regimes share sustainable development objectives, Kyoto compliance measures that are anti-trade rules should be considered as necessary and serving the legitimate objectives of the protection of the climate, exhaustible natural resources. This argument may be supported inter alia under the general environmental exceptions of GATT Article XX(b) and (g).