



**Australian Fair Trade and Investment
Network (AFTINET) Submission to the JSCOT
inquiry into the Indo-Pacific Economic
Framework for Prosperity relating to the
Clean Economy
October 2024**

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Introduction

AFTINET is a national network of 60 community organisations and many more individuals supporting fair regulation of trade consistent with democracy, human rights, labour rights and environmental sustainability.

AFTINET supports the development of fair-trading relationships with all countries, based on the principles of human rights, labour rights and environmental sustainability. We recognise the need for regulation of trade through the negotiation of international rules.

AFTINET supports the principle of multilateral trade negotiations, provided these are conducted within a transparent and democratically accountable framework that recognises the special needs of developing countries and is founded upon respect for democracy, human rights, labour rights and environmental sustainability.

AFTINET welcomes the opportunity to make a submission to this inquiry into the Indo-Pacific Economic Framework for prosperity (IPEF) agreement relating to supply chain resilience between 14 IPEF members: the US, Australia, Brunei, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, Fiji and Vietnam.

Summary and recommendations

IPEF is not a traditional trade agreement, as there is no market access through tariff reductions and commitments made by governments cannot be enforced by trade penalties. The four agreements of IPEF are Pillar 1, Trade (not yet completed), Pillar 2, Supply Chains (already ratified), Pillar 3 Clean Economy and Pillar 4, Fair Economy. There is also a fifth overarching IPEF agreement which establishes a Joint Council and Joint Commission to oversee the three agreements.

AFTINET supports the broad objectives of the Clean Economy agreement to achieve a just transition to net-zero economies and environmentally sustainable development. However, we advocate for stronger commitments to achieve these goals.

The IPEF clean economy agreement has a comprehensive range of articles detailing pathways to advance the transition to clean economies and achieve net-zero, as well as promoting community consultation and international labour standards and labour rights, but by DFAT's own admission contains minimal legally binding obligations¹.

There are crucial pathways set out to address the need for decarbonisation in energy, aviation, maritime, rail and road transport

The commitments throughout the agreement are not strong and there are no penalties for failure to comply with them. It is, in effect, a voluntary cooperative agreement.

¹ DFAT (2024), National Interest Analysis (NIA) on Indo-Pacific Economic Framework for Prosperity Agreement Relating to a Clean Economy, 6 June, p. 6, para. 14, https://www.apf.gov.au/-/media/02_Parliamentary_Business/24_Committees/244_Joint_Committees/JSCT/2024/IPEF_Clean_Economy/NIA.pdf?la=en&hash=CC03019DAC3F6EEC9CDD0B9E0325E6D7632BF655

The main binding commitments are around the establishment of an IPEF Clean Economy Committee, whose role is to deal with these issues and to promote cooperation between parties².

The agreement allows for a general review of the agreement 5 years after entry into force to be completed in 6 months³. The test of the agreement will be whether non-binding commitments are actually implemented. Our recommendations focus on areas where stronger commitments and action are needed.

Recommendation 1

The Australian government should use the five-year review of the agreement to ensure a rigorous assessment of whether its goals have been achieved and to advocate for stronger commitments and implementation to achieve those goals...

Recommendation 2

Australia should use the review to ensure transparency and consultation for a just transition with non-government organisations, unions, business, women, indigenous Peoples, persons with disabilities, minorities and local and rural communities.

Recommendation 3

Australia should use the five-year review of the agreement to support a full commitment to International Labour Organisation labour standards into the text of the agreement with stronger commitments to their implementation and enforcement.

Lack of binding commitments

IPEF is not a traditional trade agreement, as any commitments made by governments cannot be enforced by trade penalties. The agreement has the legal status of a diplomatic agreement between governments but there are no penalties if governments do not implement their commitments.

The commitments themselves also vary between “affirm”, “may”, “should” or “intend” to the more definite “shall.” Only the latter are binding commitments.

The clean economy text deals with a number of areas of cooperation, including energy security and transition, advancing low-greenhouse-gas technologies and solutions in the industrial and transport sectors, sustainable land, water and ocean solutions, incentives to enable the clean economy transition and just transition. Much of what is included are positive proposals but are non-binding.

Energy security and transition

The agreement emphasises enhancing energy security and transitioning to clean energy technologies through collaborative efforts among the Parties⁴. They aim to share knowledge, conduct technical analyses, and promote investment in clean energy, targeting at least \$120 billion for clean energy

² DFAT (2024), Indo-Pacific Economic Framework (IPEF) for Prosperity Agreement Relating to a Clean Economy, Article 24, <https://www.dfat.gov.au/sites/default/files/ipef-piii-clean-economy-agreement.pdf>

³ DFAT IPEF Text Article 38

⁴ DFAT IPEF Text Article 4

storage by 2030. This includes expanding access to reliable power, ensuring transparent licensing processes, and implementing safeguards for social and environmental impacts.

The agreement also focuses on intending to develop a hydrogen ecosystem to facilitate cross-border trade in low-carbon fuels. It highlights the urgency of reducing greenhouse gas emissions, promoting renewable energy investments, and enhancing energy efficiency. Furthermore, signatories intend to work on cross-border electricity interconnections, diversify clean energy supply chains for resilience⁵, and share best practices in methane abatement⁶, supporting technologies that capture wasted methane in the energy sector.

Aviation, maritime, rail, and road transport

The agreement sets out the need to decarbonise and otherwise reduce the climate impacts of aviation, maritime, rail, and road transport⁷. It sets out multiple steps in achieving this, including the intention of at least five green shipping corridors in the region by 2027, and the increase of the sale, production, share, and uptake of zero-emission light-duty vehicles.

Sustainable land, water and ocean solutions

Section D focuses on sustainable agricultural practices and the management of natural ecosystems. It recognises that the agricultural sector both contributes to clean economies and presents challenges due to greenhouse gas emissions⁸. The parties agree to intend to improve environmental outcomes through sustainable land and water use⁹, promoting climate-smart agricultural practices, and enhancing partnerships with various stakeholders.

The agreement also aims to strengthen sustainable forest management and conservation efforts, addressing drivers of deforestation while supporting sustainable supply chains¹⁰.

Incentive for clean economy transition

The agreement outlines non-binding strategies to strengthen demand for low- and zero-emission goods and services¹¹. It outlines the aim to create a clear operating environment by establishing standards and reducing trade barriers while supporting the private sector to promote sustainable markets. It also gives recognition to the significance of carbon markets¹² and affirms intent to share best practices and build capacity for effective participation and alignment with environmental integrity standards.

⁵ IPEF Text Article 5

⁶ IPEF Text Article 7

⁷ DFAT IPEF Text Article 9

⁸ DFAT IPEF Text Article 11

⁹ DFAT IPEF Text Article 13

¹⁰ DFAT IPEF Text Article 12

¹¹ DFAT IPEF Text Article 15

¹² DFAT IPEF Text Article 16

The agreement encourages parties to mobilise investment and sustainable finance to support low-emission projects while addressing climate-related financial risks¹³, aiming for an inclusive transition that protects vulnerable communities.

It is worth noting that these are the first regional treaty-level arrangements that would seek to facilitate cooperation on the above matters¹⁴, however they remain non-binding.

Recommendation 1

The Australian government should use the five-year review of the agreement to ensure a rigorous assessment of whether its goals have been achieved and to advocate for stronger commitments and implementation to achieve those goals.

Just transition: community consultations and labour rights need to be more than intentions

Section G of the agreement deals with community consultations and ensuring a just transition for workers to a clean economy

The agreement notes the intention of involvement from **non-government organisations, unions, business, women, indigenous Peoples, persons with disabilities, minorities and local and rural communities**¹⁵, but this is nonbinding.

The agreement also includes recognition of the importance of the ILO Guidelines for a Just Transition Towards Environmentally Sustainable Economies and the ILO Declaration on Fundamental Rights at Work¹⁶. These include the goals of decent work for all, social inclusion and the eradication of poverty, and the promotion of labour rights¹⁷. However, none of the articles in this section are binding, including the section dealing with forced labour:

The Parties intend to cooperate to eliminate forced labour from supply chains and sectors covered by this Agreement, with attention to high-risk sectors. As appropriate, such cooperation may include sharing of best practices on due diligence and supply chain mapping, supply chain management, procurement procedures, traceability from raw materials to finished product, timely remediation of violations, and encouraging the creation or expansion of supply chains in which responsible labour practices can be verified.¹⁸

Recommendation 2

Australia should use the review to ensure transparency and consultation for a just transition with non-government organisations, unions, business, women, indigenous Peoples, persons with disabilities, minorities and local and rural communities.

Recommendation 3

¹³ DFAT IPEF Text Article 17

¹⁴ DFAT (2024) NIA p. 4 para. 8

¹⁵ DFAT IPEF Text Article 22

¹⁶ The labour rights in the ILO Declarations are set out in the definitions in Article 2.

¹⁷ DFAT IPEF Text Article 19

¹⁸ DFAT IPEF Text Article 20

Australia should use the five-year review of the agreement to support a full commitment to International Labour Organisation labour standards into the text of the agreement with stronger commitments to their implementation and enforcement.

IPEF Clean Economy Committee

The IPEF Clean Economy Committee consists of senior officials from the central governments of the member parties. Each party must designate its representative within 30 days of the agreement's entry into force, and a Chair is to be elected by consensus within 60 days. This structure outlines a formal governance process intended to facilitate coordination among member states regarding clean economy initiatives¹⁹.

The committee's terms of reference will be established within 120 days, detailing procedures for meetings, decision-making, and information sharing as outlined in Article 25. The committee will hold annual meetings, where it can address various matters related to the implementation of the agreement, consider submissions from parties, and form working groups as necessary. This framework indicates a structured approach to addressing clean economy issues but the non-binding nature of the remainder of the agreement risks diminishing its effectiveness.

Each party is to provide updates on their implementation efforts, detailing relevant policies and measures. Initial updates must be submitted 60 days before the committee's first annual meeting, followed by biennial reports. This requirement aims to ensure accountability and facilitate ongoing communication among parties, though the effectiveness of this needs to be bolstered with enforceability.

¹⁹ DFAT IPEF Text Article 24