



International Centre for Trade
and Sustainable Development

Exploiting Synergies Between the Climate and Trade Negotiations: Digging into Agriculture

UNEP-ADAM

International Workshop on Post 2012 Climate and Trade Policies

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ICTSD

The Policy Context

- ❖ Uncertainty about the climate regime after 2012 and role of large emitters currently not bound by mandatory reduction obligations triggers
- ❖ Sectoral coverage of emission reductions still under negotiations
- ❖ Deadlock in the Doha Round of multilateral trade negotiations following collapse of mini-ministerial

Areas of climate action in the Kyoto Protocol ...and beyond

- ❖ The Kyoto Protocol to the UNFCCC (Art 2.1) expressly encourages parties to take a number of measures to achieve GHG reduction objectives incl:
 - ❖ Enhancement of energy efficiency
 - ❖ Protection and enhancement of sinks and reservoirs of GHG, promotion of sustainable forest management practices, afforestation and reforestation
 - ❖ Promotion of sustainable forms of agriculture in light of climate change considerations
 - ❖ Development and increased use of new and renewable forms of energy
 - ❖ Progressive reduction or phasing out of market imperfections and subsidies in all greenhouse gas (GHG) emitting sectors
- ❖ Several trade rules and agreements come at the intersection of these policy interventions

A conceptual framework for linking mitigation/adaptation strategies (IPCC 2007) with trade-related policy instruments

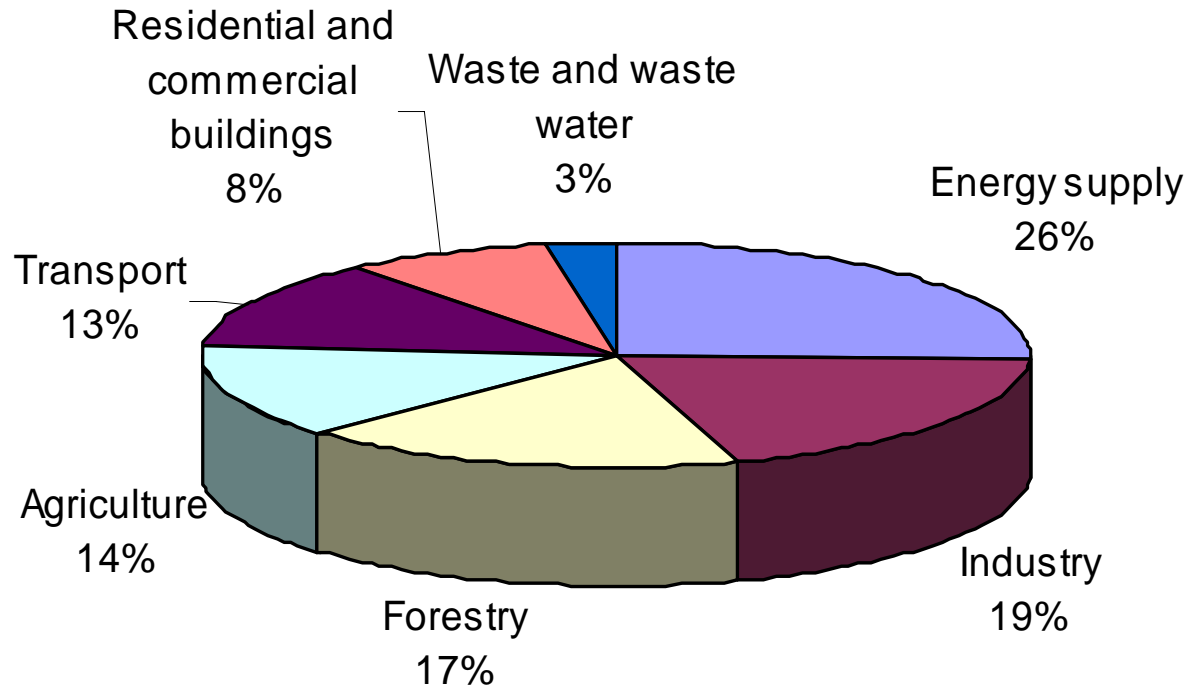
Example of mitigation/adaptation strategy/options	Example of economic/trade-related instruments	Opportunities and Issues
A) Improved supply and distribution efficiency	<ul style="list-style-type: none"> •Energy/fuel efficiency standards •Market creation for efficient products •Financial incentives •Carbon/energy taxes •Harmonisation of standards 	<ul style="list-style-type: none"> •Markets expanded for clean/efficient technologies •Rapid technology deployment •Product differentiation/PPM/classification issues •Production/market distortions
B) Renewable energy development	<ul style="list-style-type: none"> •Incentives for R&D •Producer incentives •Market creation for clean energies •Carbon/energy taxes 	<ul style="list-style-type: none"> •Markets expanded for clean/efficient technologies •Rapid technology deployment •Product differentiation/PPM/classification issues •Production/market distortions
C) REDD and agricultural emissions/sinks	<ul style="list-style-type: none"> • Incentives for climate-friendly agricultural/forestry practices •Market creation for sustainable agricultural/forestry products •Defensive trade instruments (SP) 	<ul style="list-style-type: none"> •Markets expanded for sustainable agricultural products •Product differentiation, PPM and classification issues •Production/market distortions

A conceptual framework for linking mitigation/adaptation strategies (IPCC 2007) with trade-related policy instruments

Example of mitigation/adaptation strategy/options	Example of economic/trade-related instruments	Opportunities and Issues
D) Technology development and transfer	<ul style="list-style-type: none"> •Incentives for innovation •Indicators of technology development and transfer •Gradual phasing out of GHG emitting products & technologies •Intellectual property 	<ul style="list-style-type: none"> •Markets expanded for clean/efficient technologies •Rapid technology deployment •Intellectual property protection
E) Diffusion of low carbon goods & technologies	<ul style="list-style-type: none"> •Market creation for low carbon goods and technologies •Financial incentives 	<ul style="list-style-type: none"> •Markets expanded for clean/efficient technologies •Rapid technology deployment •Product differentiation/PPM/classification issues •Production /market distortions
F) Leakage	<ul style="list-style-type: none"> •Sector-based incentive/disincentives measures •Import/export carbon/energy taxes 	<ul style="list-style-type: none"> •Mitigation across key emitting sectors •Production/market distortions

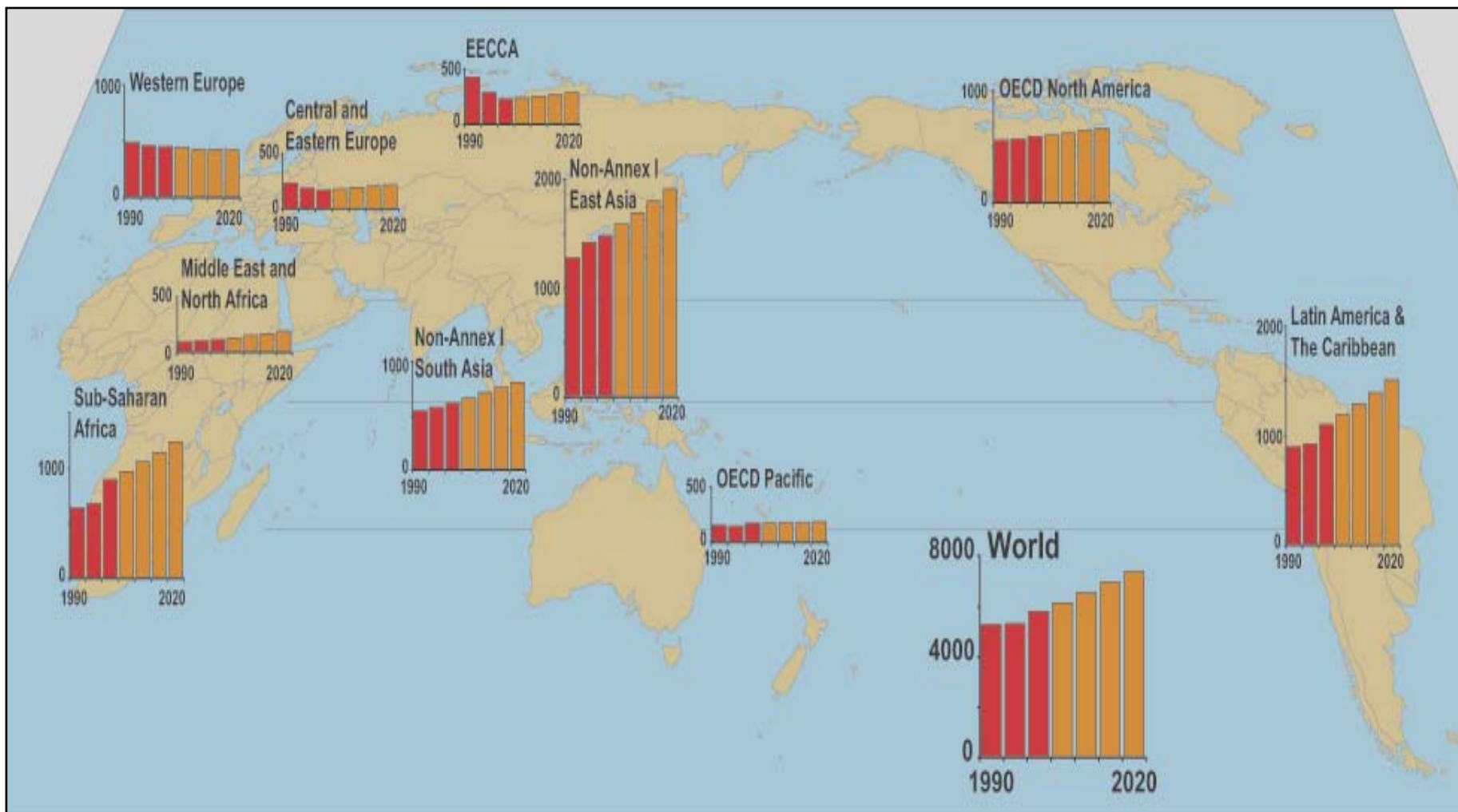
An overview of carbon emissions by sector

Global anthropogenic GHG emissions by sector, 1970-2004



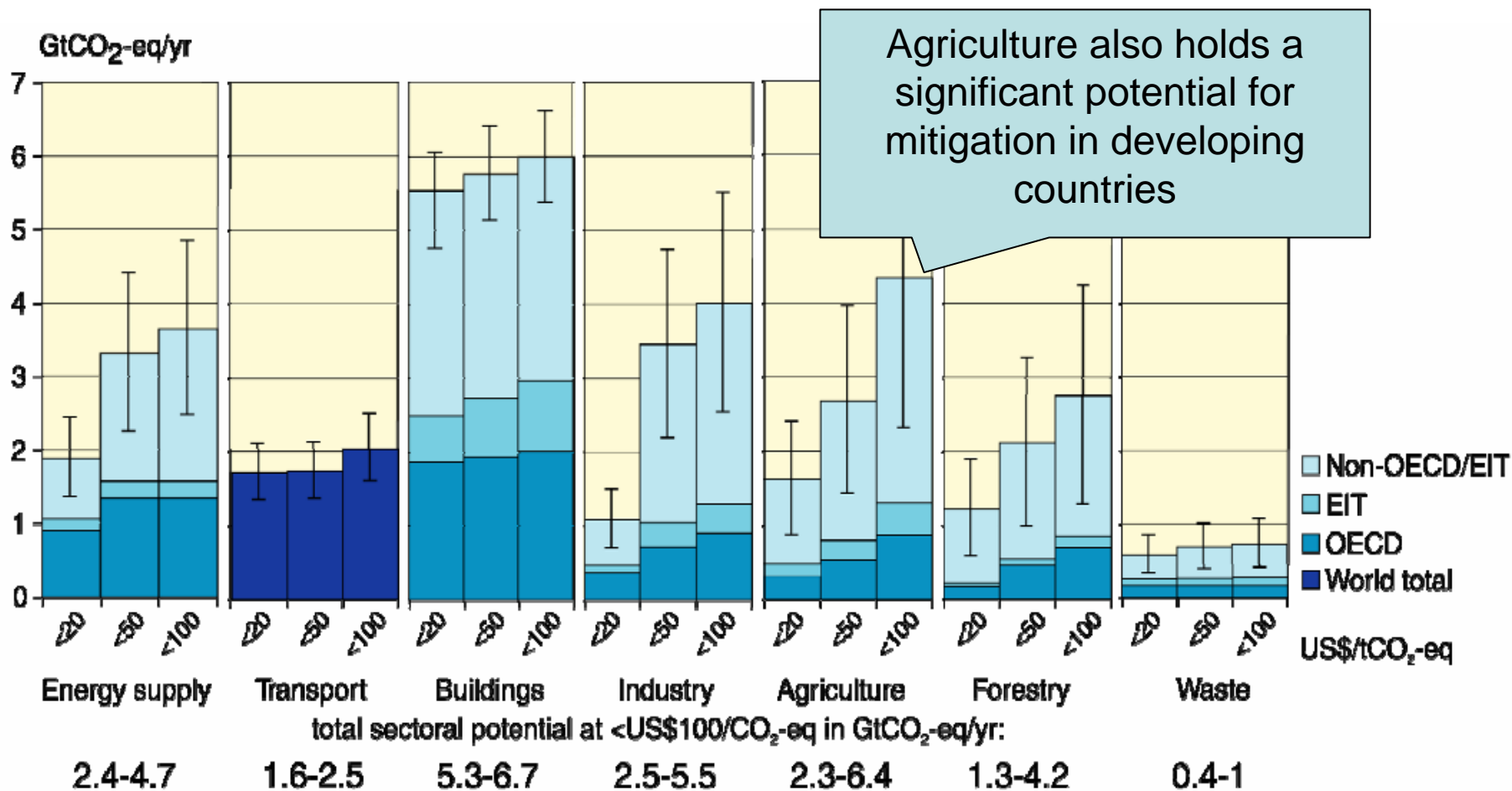
Agriculture and forest account for over 30% of global GHG emissions

Regional contributions of agricultural GHG



An overview of mitigation potential by sector

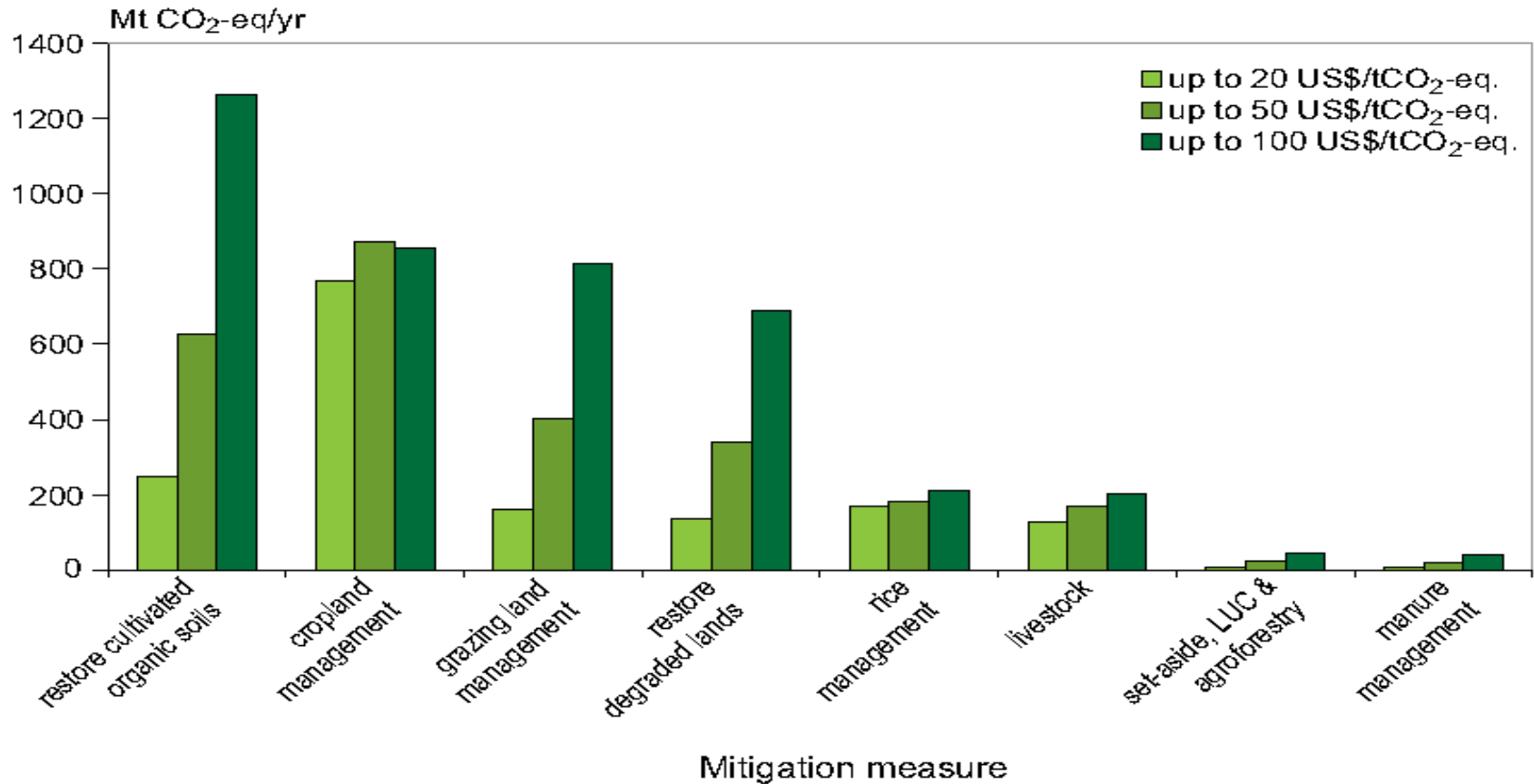
Economic mitigation potential by sector in 2030 estimated from bottom-up studies*



Source: IPCC, 2007, * assuming macro-economy as unchanged and not including lifestyle changes

Reducing emissions from agriculture and enhancing sinks

Economic potential for GHG agricultural mitigation by 2030 at a range of prices of CO₂-eq



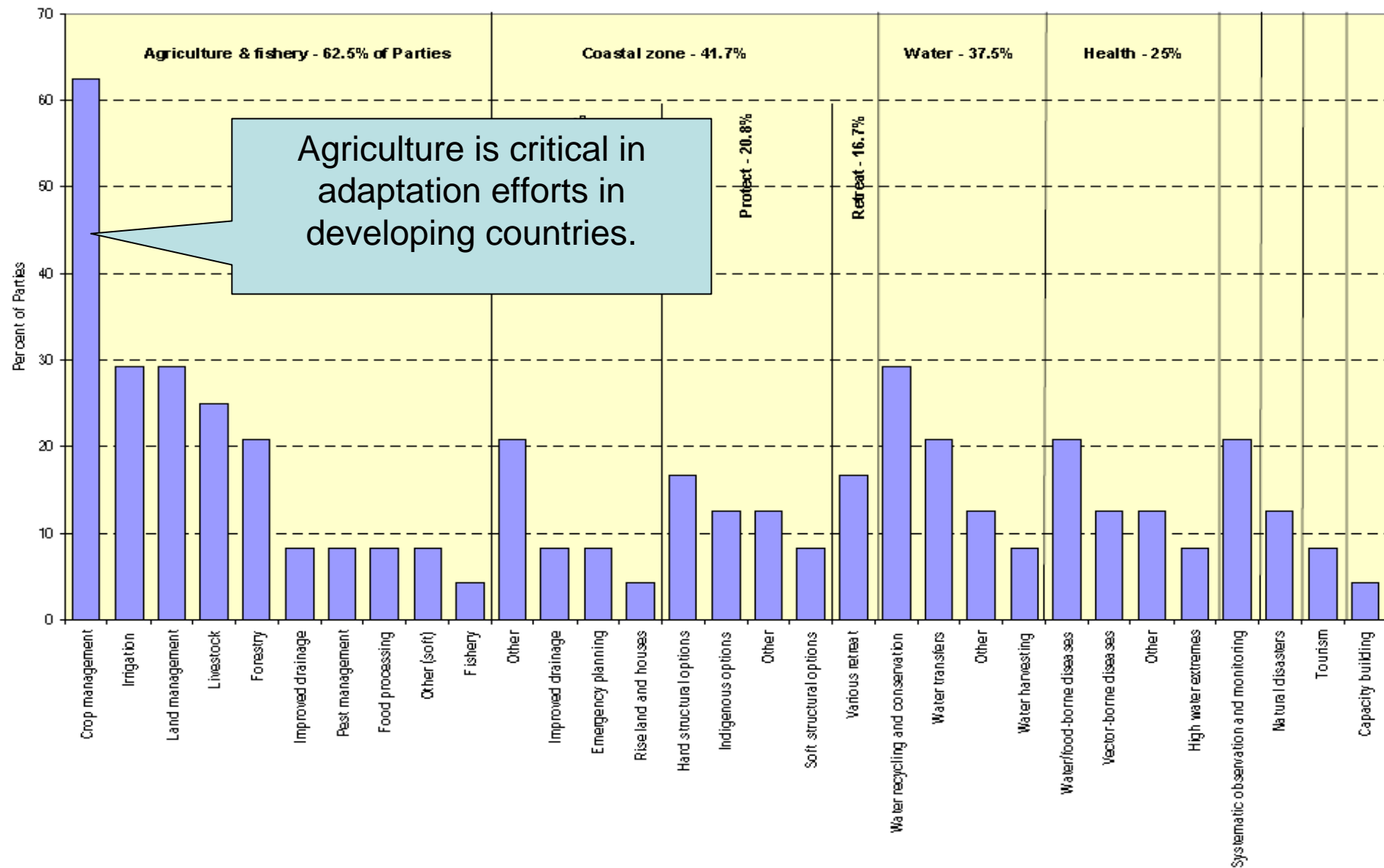
Source: IPCC, 2007

Note: Based on B2 scenario, although the pattern is similar for all SRES scenarios.

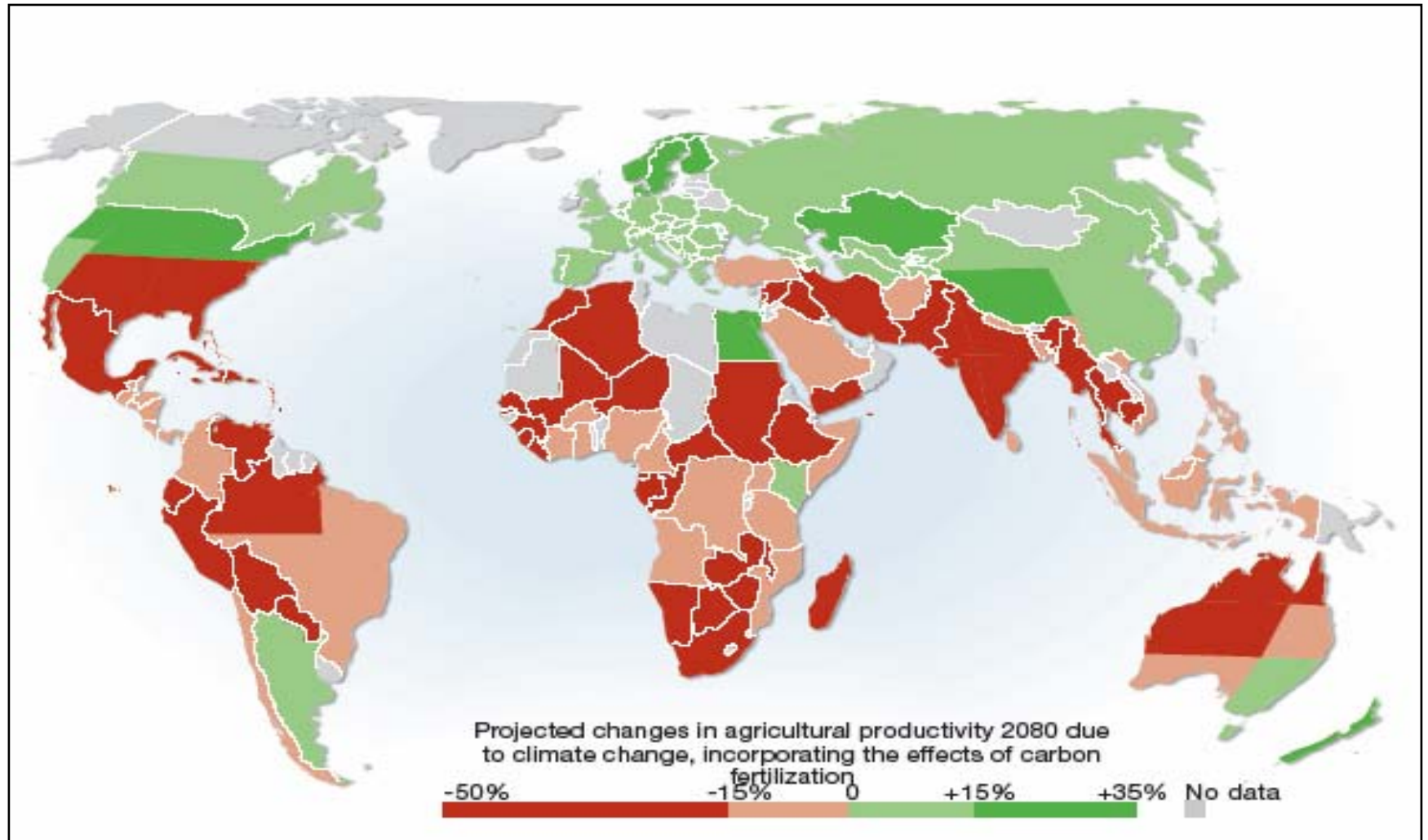
Climate change mitigation in agriculture

- ❖ Most of the agricultural contribution to GHG is from the developing countries
- ❖ About 70% of economic potential for mitigation is in the developing countries
- ❖ Mitigation options
 - cropland management,
 - grazing land management and pasture improvement,
 - management of organic/peaty soils,
 - restoration of degraded lands,
 - livestock management,
 - manure management, and
 - bioenergy.

Commonly identified adaptation sectors, subsectors and technologies considered by UNFCCC Parties in TNAs



Projected changes in agricultural productivity by 2080 as a result of climate change



Source: IPCC, 2007

Climate change and agriculture - Socio-economic impacts

❖ Global cereal production and agricultural GDP

- ❖ Increase in northern latitudes and decline in lower latitudes
- ❖ Increase in agric GDP up to 2.6% in high latitudes and decline of up to 1.5% in others
- ❖ Up to 20% increase in agricultural prices in short and medium term

❖ Food security

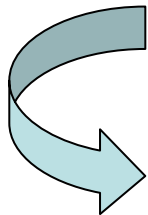
- ❖ By 2080, about 768 million people malnourished
- ❖ By 2030, additional 10 million Africans at risk of hunger

**Enhancing resilience in the agricultural sector:
Defensive trade tools and instruments**

Special Products (SP)

Hong Kong Ministerial Declaration:

« Members will have the flexibility to *self designate* an appropriate number of tariff lines as Special Products *guided by indicators* based on the criteria of food security, livelihood security and rural development ... »



These products will be eligible for « more flexible » treatment

Special products

- ❖ Large influx of agricultural products, such as soybeans, corn, wheat, cotton, and vegetable oil, often heavily subsidised, can have negative impacts on agricultural development and farmers' livelihoods
- ❖ Opportunity for countries to shield certain products from tariff cuts
- ❖ Based on food security, livelihood security and rural development concerns
- ❖ Protect small, vulnerable farmers
- ❖ Allow the sector to build resilience and develop long-term adjustment strategies

Incentivising sustainable forms of agriculture in light of climate change considerations

Agricultural subsidies

- ❖ Reforming production and trade distorting subsidies and domestic support
- ❖ Green Box subsidies and climate friendly agricultural practices
 - ❖ The Kyoto Protocol (Art 2.1): Promotion of sustainable form of agriculture in light of climate change considerations
 - ❖ Climate related payments could theoretically fall under environmental payments

Reforming harmful subsidies

Sectoral distribution of subsidies notified by WTO Members, yearly Av. 1999-2002 (%)

	Agriculture	Industry	Horizontal
Australia	30	51	19
European Communities	42	8	50
EU (15)	1	19	80
Japan	78	22	0
United States	60	8	32

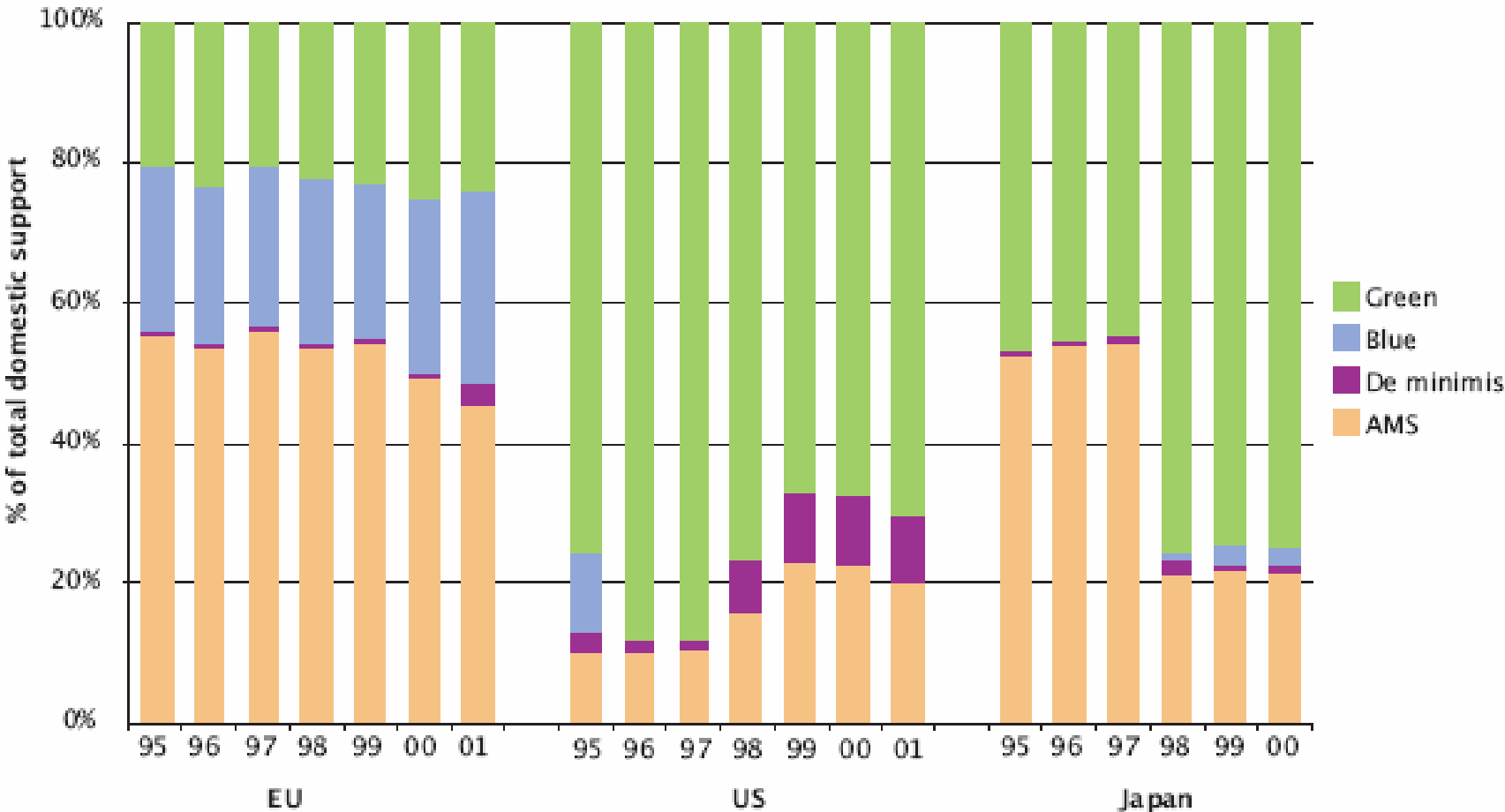
Source: WTO Secretariat.

- **Total support to agriculture is calculated at:**
 - **About \$310 billion per year**
 - **About 40 percent of the value of world production**
 - **Seven times the total value of overseas development assistance**
 - **More than the entire GDP of Sub-Saharan Africa**
(Rebecca Berendt, MAF Policy)

Using green box subsidies to promote environmentally friendly agriculture?

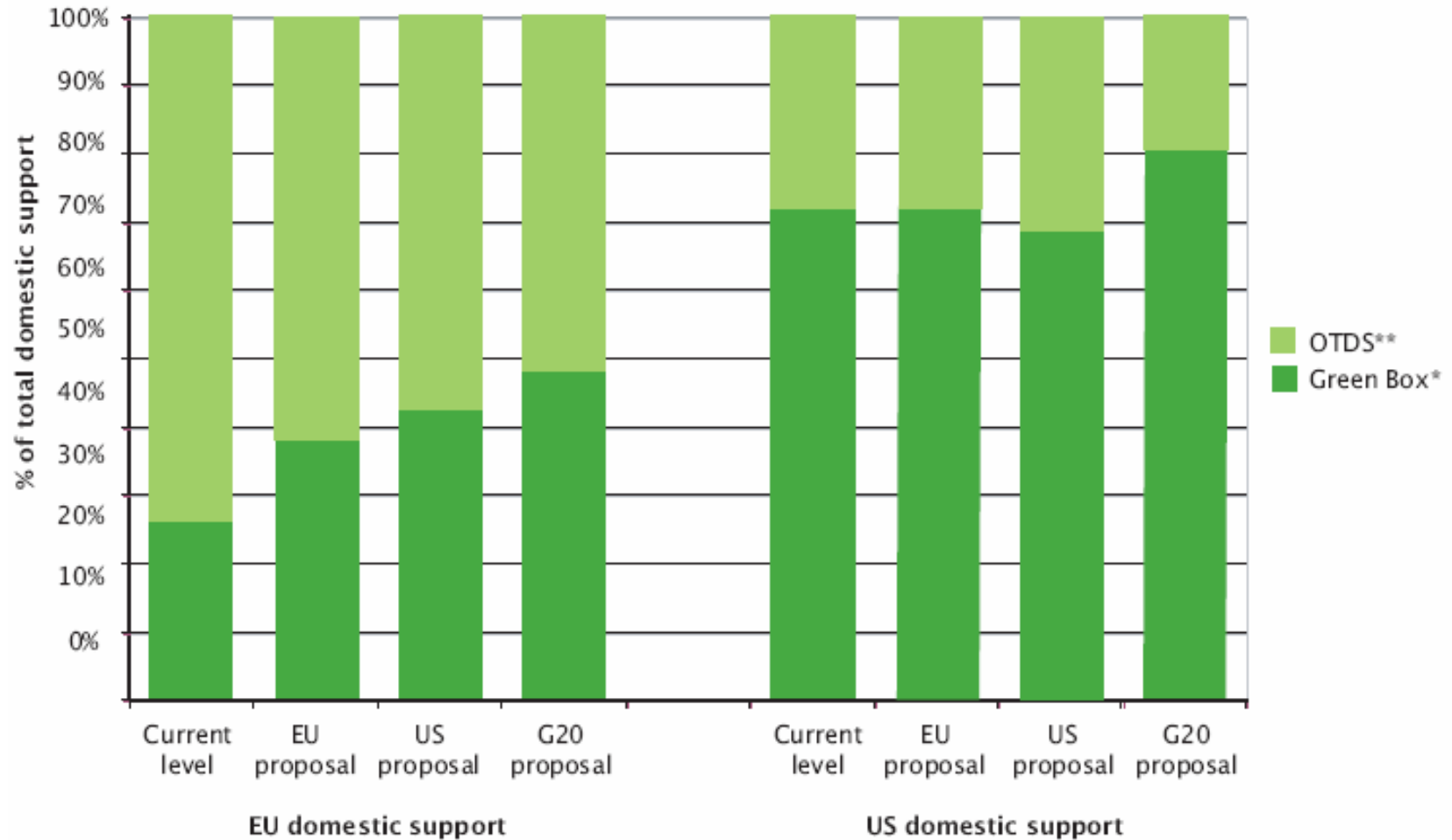
- ❖ Payments meant to have no, or at most minimal, trade-distorting effects or effects on production
- ❖ Include payments provided under government-run environmental and social programmes, as well as those for research, infrastructure and building public food stocks
- ❖ Some developing countries already make some payments in this category to achieve various goals
- ❖ Example: China makes Green Box payments for food security purposes, infrastructure and, increasingly, to support the protection of the natural environment

Green box trends: Total domestic support in relative terms - EU, US and Japan



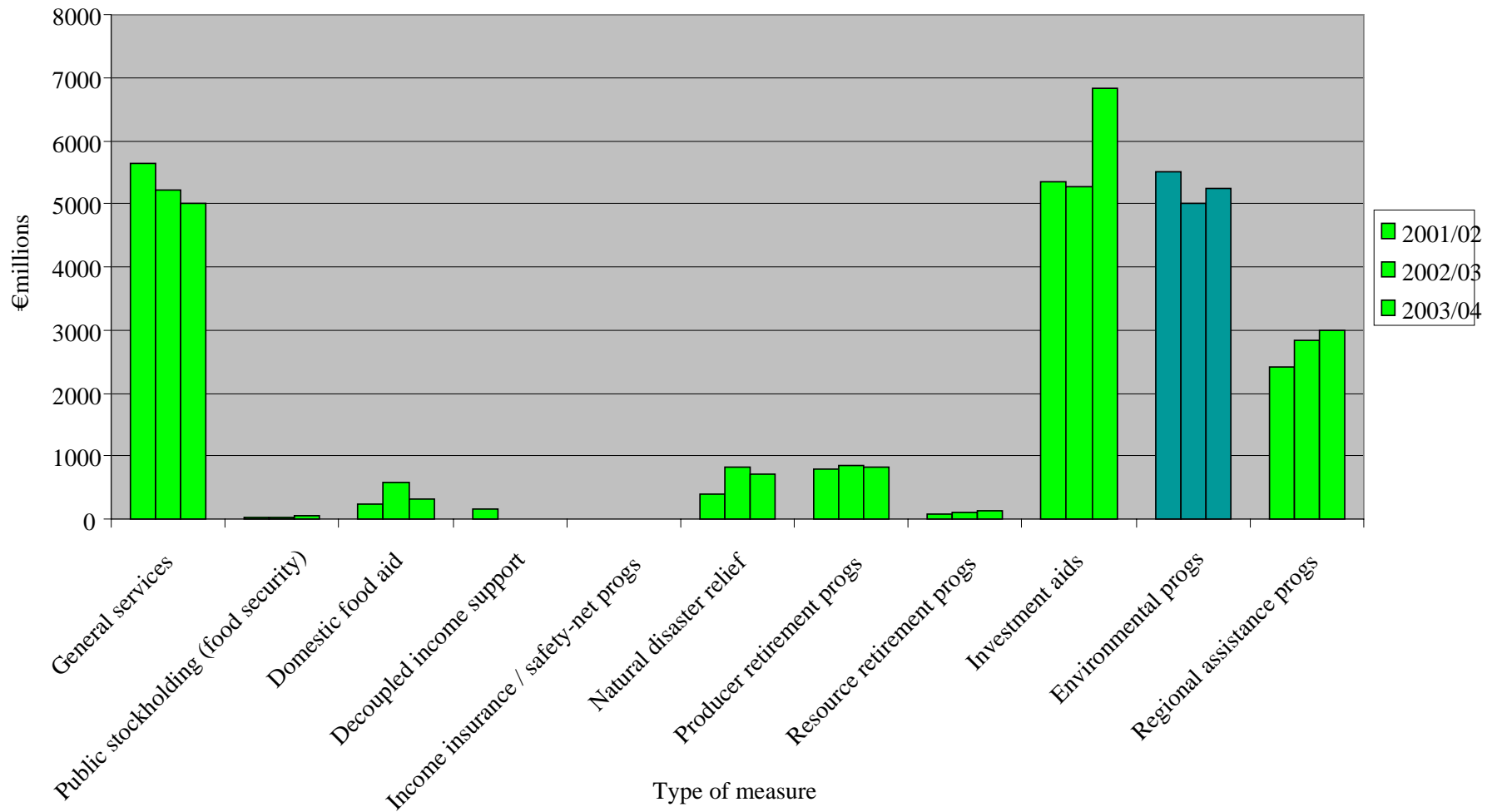
Source: ICONE, Brazil; WTO notifications. Compilation of data by ICTSD

Relative importance of Green Box subsidies under different scenarios: EU and US



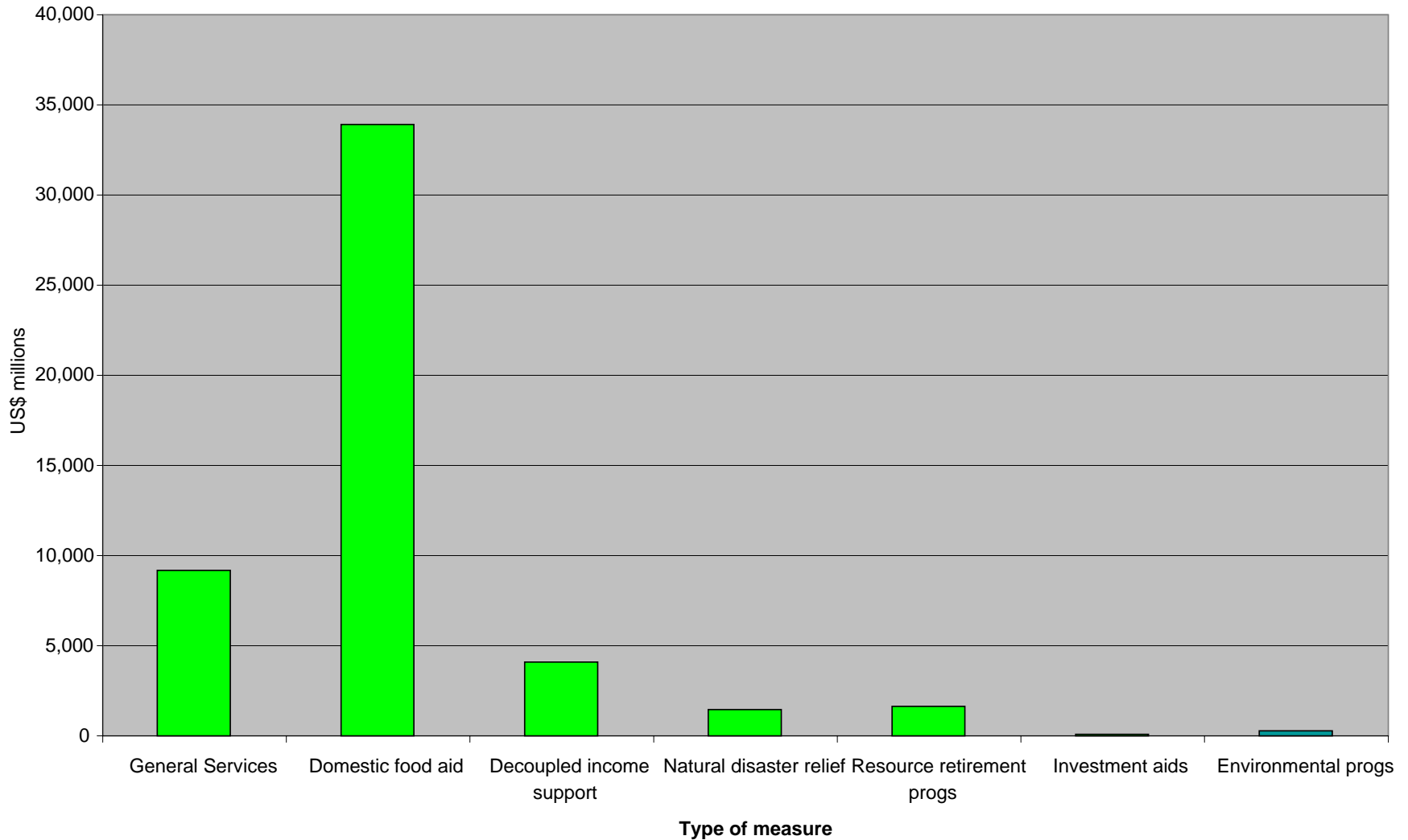
Source: ICONE, Brazil; WTO notifications; and 'Agriculture Domestic Support Simulations', communication from Canada (JOB(06)/151). Compilation of data by ICTSD.

EU notified Green Box spending, marketing year 2001/02, 2002/03 and 2003/04



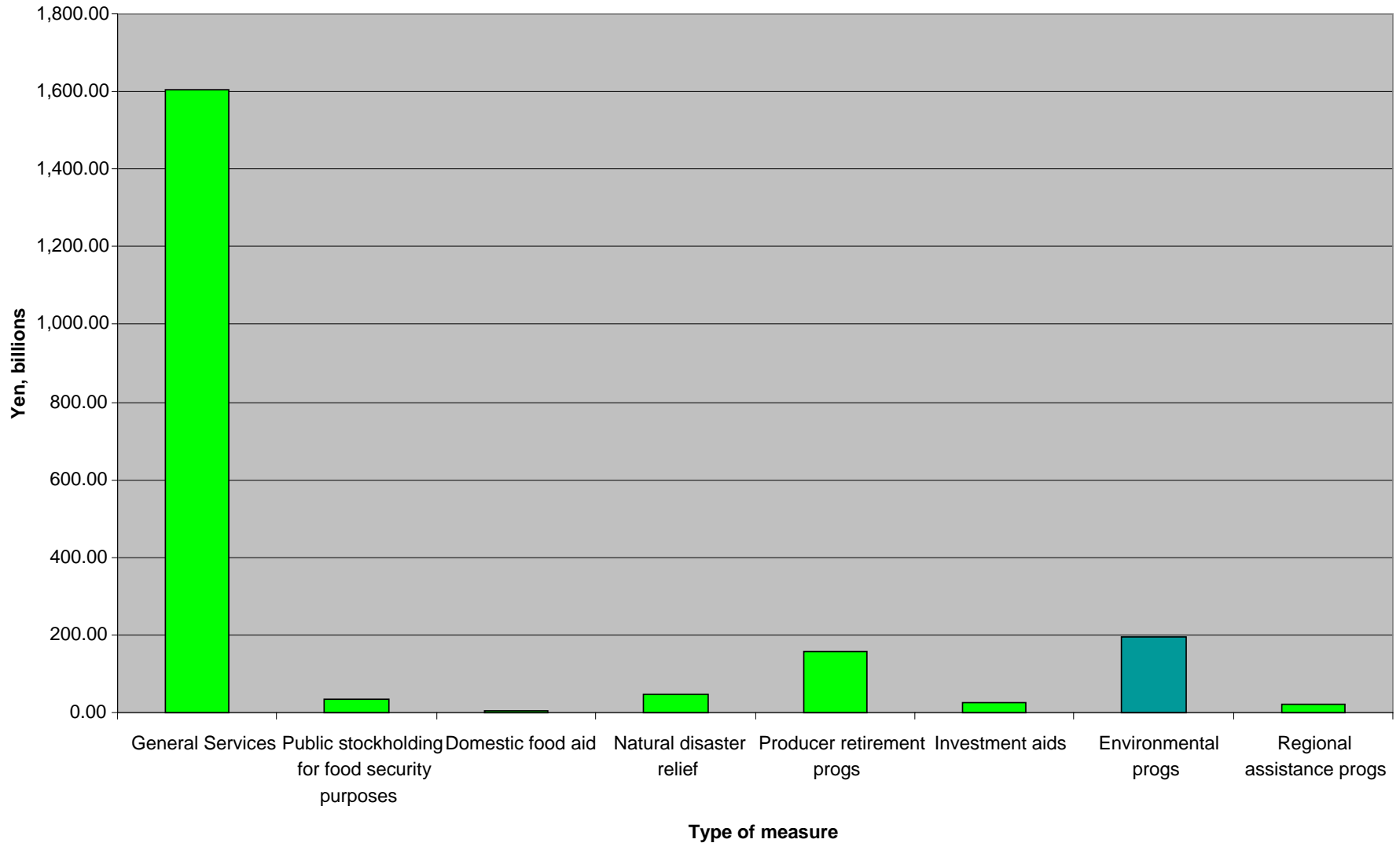
Source: ICTSD compiled, 2007

US notified Green Box spending, 2001



Source: ICTSD compiled, 2007

Japanese notified Green Box spending, 2003



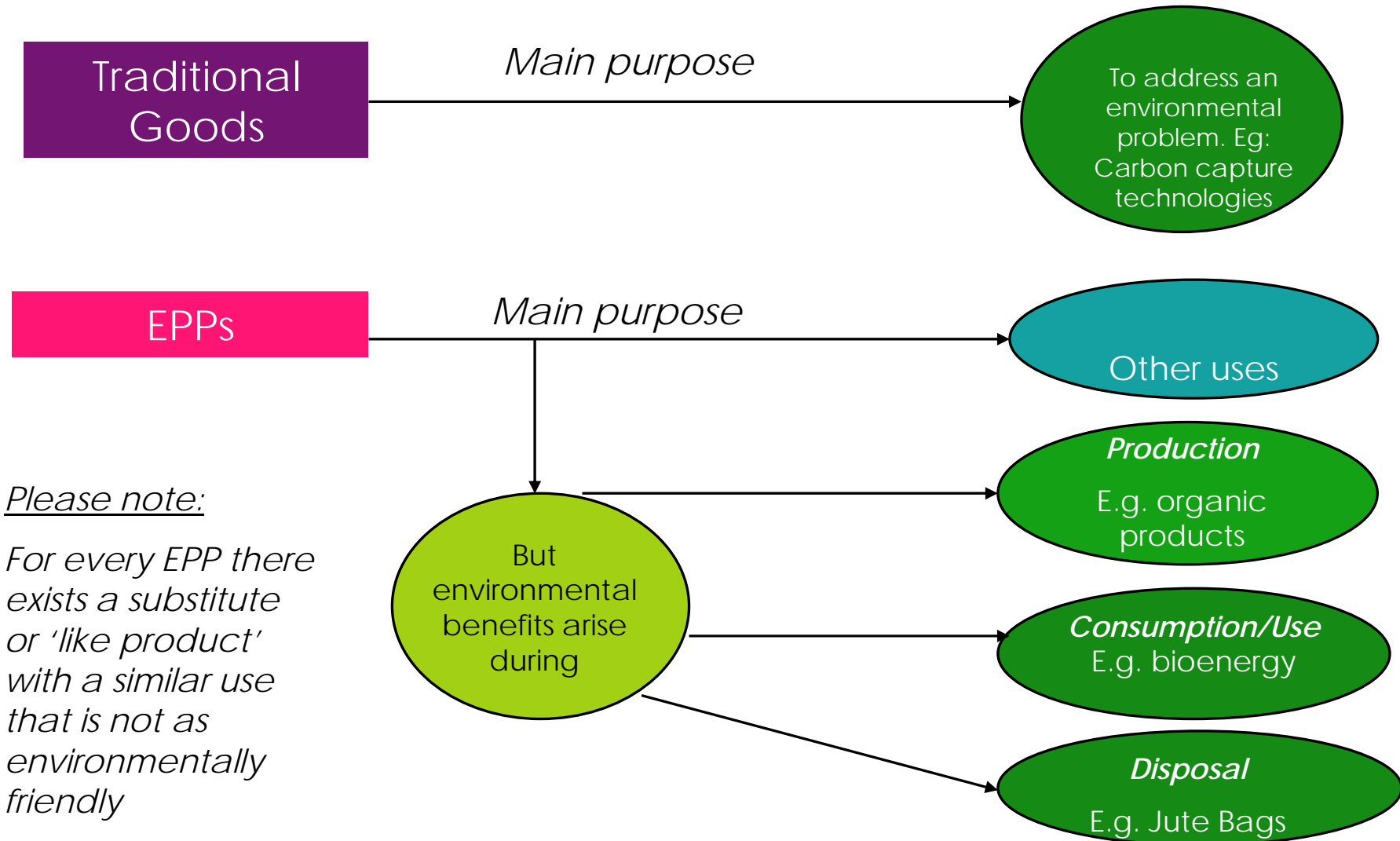
Source: ICTSD compiled, 2007

**Expanding markets for agricultural products
providing climate benefits**

Trade liberalisation in agriculture environmental goods

- ❖ Developing countries gains in environmental goods liberalisation likely to come from environmentally-preferable products (Howse-ICTSD, 2006)
- ❖ Organic agricultural products
- ❖ Biofuels
 - ❖ Environmental integrity
 - ❖ Product differentiation criteria (PPM)

Traditional goods vs EPPs





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Thank you

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