Climate Change Mitigation – How might it affect market access and domestic support policies?

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Current situation

• Trade liberalization in agriculture
  – Tariffs in South are high
  – Domestic support levels in Annex I countries also very high (some notable exceptions)
  – Export subsidies still problematic
  – Doha Development Round remains to be completed, despite paradigm-shifts

• Climate change mitigation will inevitably add to tensions – has already done so!
Symphony of Trade Restraints – present and potential

- Export prohibitions and differential export taxes for crops, fertilizer
- Biofuels subsidies – healthy and growing
- Tariff walls growing around new forms of production
- Stimulus packages limit procurement to domestic
- Border taxes may accompany carbon taxes, or possible mis-allocation of emissions permits
- Proliferating technical regulations and standards
- New ideas (tradable performance standards reflecting product carbon intensity coupled with permit trades), old problems (lack of MFN and national treatment)
Some very troubling questions

• General questions:
  – Will present tariff and support structures work to aid adaptation to climate change or to complicate it?
  – Is the political price for climate change mitigation too high for the multilateral trading system?
  – Do present agricultural subsidies work to increase GHG emissions or to mitigate them, and can WTO negotiations address this?
  – Can the trading system serve as a venue for resolution of some of these issues?
Specific Questions

• Specific questions
  – Would green box rules preclude accounting for carbon offsets there?
  – Will agricultural offsets replace other payments as support for agriculture?
  – Will fertilizer production emissions caps inspire new subsidies? Will this promote lower emissions or just expensive fertilizer, and increased hunger?
Tariff and Support structures

- 10-40% higher trade flows of mid- to high-latitude products (cereals and livestock) to low-latitude countries by 2080
- Not just how to boost production – also how to reduce barriers to trade
- Tariff escalation – does it work to reduce or increase “leakage”? 
- Can consensus be achieved on tariff elimination in sectors clearly mitigation-enhancing? (EGS, biofuels)
- Trade must be seen as a tool to assist in mitigation and adaptation – yet the focus has been national and local. How can this dynamic be modified?
Monthly averages of fertilizer prices from 2000 to 2008. World fertilizer prices -- especially diammonium phosphate -- have skyrocketed during 2007. FOB = Free on board. Average price, with supplier paying freight and insurance to destination port.

**DAP** = diammonium phosphate

**MOP** = muriate of potash

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Subsidies
Farm Subsidies: Top 20 Individual Beneficiaries 2003-2005

Your Farm Subsidy Dollars At Work

Site Slow? Here's Why

What's new in this database?

Full Disclosure: Who really benefits from federal farm subsidies

Additional Analyses

Commodity Crop Payment Distribution

Farm Businesses by Number of Pass-Through Beneficiaries

Beneficiaries Receiving Pass-Through Subsidies From Multiple Farm Businesses

Crop Subsidies by Congressional District

Farm subsidies to the Districts Represented by the House Agriculture Committee

Concentration of Crop Subsidies

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$34.8 billion in commodity program payments for program years 2003-2005.