Creating policy coherence between the climate change and trade regimes

ICTSD - IPCSide Event on “Climate Change, Agriculture and Trade: Promoting Policy Coherence”

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OUTLINE

• What does the international community say about trade and climate change – in theory?
• Where is there incoherence - in practice?
• Does trade law hinder coherence?
• Where trade can help the climate
• The case of agriculture
• Conclusion: areas for action
Trade & Climate Change

UNFCCC Article 3.4: Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.
We are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive.
Agreement on Technical Barriers to Trade

Recognises that countries **may take measures necessary to ensure ... the protection... of the environment**, ... subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on international trade
GATT

Article XX : Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures …

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;
Policy incoherence

- Biofuels – agriculture, climate, environment, food security and trade can all lose.
- Good intent, bad science: “food miles”
- Subsidise the bad – fossil fuels, (some) ethanol - and tax the good –(other) ethanol and energy efficient light bulbs
- The climate challenge has had no influence on the Doha round
Does trade law prevent coherence?

- Emissions trading – AAUs: a good? A service? Neither?
- Subsidies – is free allocation a (prohibited/ actionable) subsidy?
- PPMs – are they allowable for embedded carbon?
- Border taxes (or Border Tax Adjustment)?
- On most of these, the answer is “uncertain”
Trade rules to help the climate

- More effective as incentives than penalties
- Not a substitute for negotiations
- Schedule approach - NAMAs registry
- International standard on carbon footprinting - ISO
- Biofuels sustainability criteria
Trade rules in a climate agreement?

- As an integral part of a climate agreement - dubious
- To address competitiveness for early movers
- To coerce the unwilling or free riders
The case of agriculture

- UNFCCC Article 2: *(greenhouse gas concentrations stabilisation)* level should...allow ecosystems to *adapt naturally to climate change*, to ensure that food production is not threatened
Agriculture and climate: win/lose?

- All developed and developing countries are both producers and consumers of food
- Agriculture: 14% of global emissions
  - emissions to increase 30-40% by 2030
  - food demand to increase 50% by 2030 – meat 90%
  - energy demand increase unknown
- REDD: lower emissions but less land for food
Agriculture, trade and climate

• Trade distortions rule, but:
  • major source of income for many of the world’s poor
  • livestock sector alone engages 1.3 billion people

• Climate change will have local and regional impacts on agriculture production
  • trade will be more important for food security

• Should aim for optimal global production pattern for agriculture
Agriculture, trade and climate: win/win/win

- Realise untapped mitigation potential in developing countries - technical potential into economic and market potential
- Increase investment in research and development
- Remove trade distortions
- Create broader price signals - NZ example
Conclusion: areas for action

- Remove climate unfriendly trade measures – e.g. fossil fuel subsidies
- In the climate negotiations, focus on incentives
- Price agriculture emissions, do more research
- Conclude a Doha trade and environment package
- Promote international standards
- Seek clarification of
  - Border tax adjustments
  - Subsidies rules
  - PPMs clarification in WTO
- Consider a “peace clause” while a climate agreement is finalized