How to balance the application of the common but differentiated responsibilities principle in a world of carbon differentiation products?

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Poznan,
December, 9th 2008
Outline

- The importance of linking the climate change and trade negotiations/regulations;
- Is it possible to use carbon differentiation without causing discrimination and creating restrictions to trade?
- The land use change debate on the sugarcane production in Brazil as an example;
- Technology Transfer and Environmental Goods;
- Conclusions.
UNFCCC Core Principle and its relation to Trade

- Article 3.1: The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof.

- Article 3.5: [...] 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.
Linking Climate Change and Trade

- Carbon accounting as an indicator for climate change compromises as a tool to differentiate between like products and/or as a marketing option?

- What is the real aim to do carbon lifecycle analysis:
  - Fighting climate change?
  - Applying an extra tax to a like product?
  - Protecting a local industry?

- Methodologies concerns:
  - Full lifecycle vs traditional Food Miles;
  - iLUC: Indirect Land Use Change;
  - Carbon Stocks: in the Cerrado Biome for example; above and below ground.
Agricultural Land Use in Brazil: The iLUC debate over sugarcane production

<table>
<thead>
<tr>
<th>Millions of hectares (2007e)</th>
<th></th>
<th>% of total</th>
<th>% of arable land</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRAZIL</td>
<td>851</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ARABLE LAND</td>
<td>354,8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - Crop land</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soybean</td>
<td>20,6</td>
<td>2,4%</td>
<td>5,8%</td>
</tr>
<tr>
<td>Corn</td>
<td>14,0</td>
<td>1,6%</td>
<td>3,9%</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>7,8</td>
<td>0,9%</td>
<td>2,2%</td>
</tr>
<tr>
<td>1 - Crop land</td>
<td></td>
<td>9,0%</td>
<td>21,6%</td>
</tr>
<tr>
<td>Sugarcane for ethanol</td>
<td>3,4</td>
<td>0,4%</td>
<td>1,0%</td>
</tr>
<tr>
<td>Orange</td>
<td>0,9</td>
<td>0,1%</td>
<td>0,3%</td>
</tr>
<tr>
<td>2 – Pastures</td>
<td>172,3</td>
<td>20,2%</td>
<td>48,6%</td>
</tr>
<tr>
<td>3 - Available area</td>
<td>105,8</td>
<td>12,4%</td>
<td>29,8%</td>
</tr>
</tbody>
</table>

Source: IBGE, Elaboration: ÚNICA.
### Land Use Classes Converted to Sugarcane: Compared Results in the South-Central Region (1,000 ha)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sugarcane expansion</td>
<td>1,030</td>
<td>2,184</td>
<td>3,848</td>
</tr>
<tr>
<td>(12%)</td>
<td>(53%)</td>
<td>(41%)</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>122</td>
<td>1,152</td>
<td>1,594</td>
</tr>
<tr>
<td>(12%)</td>
<td>(53%)</td>
<td>(41%)</td>
<td></td>
</tr>
<tr>
<td>Pasture</td>
<td>793</td>
<td>991</td>
<td>2,369</td>
</tr>
<tr>
<td>(77%)</td>
<td>(45%)</td>
<td>(62%)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>114&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>42</td>
<td>24</td>
</tr>
<tr>
<td>(11%)</td>
<td>(2%)</td>
<td>(1%)</td>
<td></td>
</tr>
</tbody>
</table>

Source (1): Secondary data from IBGE; (2): Satellite images; (3): Projection model; (4) 3 percent of the total agricultural expansion.
Cattle raising: animals per ha

Source: IBGE (Agricultural Census 1996 and 2006; Livestock Municipal Survey); Scot Consultancy.
Note: (e) estimated.
Brazil: Pastureland Area

Source: IBGE (Agricultural Census 1996 and 2006)
Note: (e) estimated.
Technology Transfer and Environmental Goods as a way to promote Climate Change Benefits

- Is there enough clean technology available to allow efficient and robust climate change mitigation to a wide range of countries?

- Technology transfer and the reduction of trade barriers (i.e. environmental goods) can benefit a broad number of countries?

- Spreading clean technology:
  - Adoption vs Climate Change needs: 2012; 2020; 2050.
  - Private vs/or Public?
  - Intellectual property rights;
  - Clean vs unclean tech.

- What really is and environmental good: sugarcane ethanol is eligible? (ethanol vs biodiesel)
Conclusions

- Carbon life cycle analysis is increasingly important;
- The trade rules can easily oppose the differentiation effect contained in a Carbon friendly label: TBT Agreement of the WTO; Article XX of GATT;
- The possibility to rise barriers to trade based on the climate change appeal is very present:
  - The debate about indirect land use changes related to the Brazilian sugarcane ethanol production is a clear example;
- There´s nothing wrong about Carbon accounting:
  - The problem is to do that with disguised purposes;
  - The Common but Differentiated Principle needs to be taken into account.
- Case studies would be interesting in order to contribute to this debate: ethanol and beef for example.
Thank you for your attention.

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