

# 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

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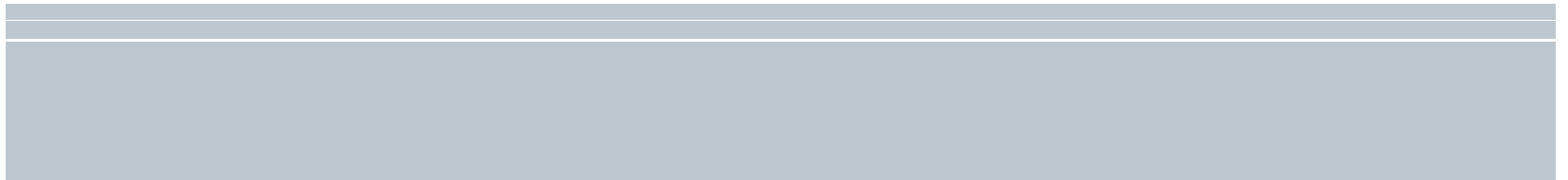
- What does the international community say about trade and climate change – in theory?
- Where is there incoherence - in practice?
- Does trade law hinder coherence?
- Where trade can help the climate
- The case of agriculture
- Conclusion: areas for action



# Trade & Climate Change

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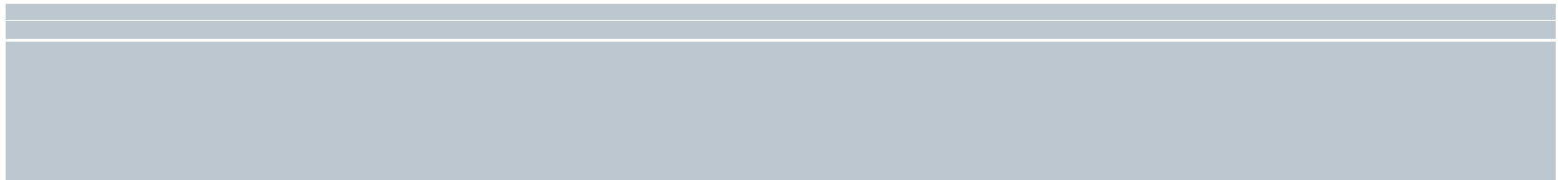
*UNFCCC Article 3.4: Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.*



# Doha Ministerial Declaration, 2001

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*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

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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

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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

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- 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?

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- 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

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- 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?

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- 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

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- 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?

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- 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

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- 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

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- 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

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- 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

