

An International Seminar on Carbon Standards in Agricultural Production and Trade

International Food & Agricultural Trade Policy Council (IPC)



Trade and Investment Implications WTO Considerations


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São Paulo

October 26th, 2010

Where does the GHGs demands come from



UNFCCC and Kyoto (multilateral)	<ul style="list-style-type: none"> ▪ Ambitious targets to developed countries and mitigation actions by developing countries; ▪ Mitigation, Adaptation, Technology Transfer, Financing and Capacity Building.
Public Policies in Brazil (unilateral)	<ul style="list-style-type: none"> ▪ National Policy on Climate Change (Low Carbon Agriculture, Energy, Planted Forests, Deforestation and other mitigation actions); ▪ States regulations (9 states adopted climate change policies); ▪ Debate about a Brazilian “Cap and Trade” or Carbon taxes: Sao Paulo state must establish a carbon market in 2011 and enforce its 20% GHGs reduction target.
Public Policies from abroad (unilateral)	<ul style="list-style-type: none"> ▪ <i>Carbon Adjustment Taxes</i> (Boarder Tax Adjustments) for products with high carbon intensity; ▪ EPA, California and EU regulations about biofuels; ▪ In the US, 23 states adopted GHG reduction targets.
Market NGOs Civil Society	<ul style="list-style-type: none"> ▪ The market demand is fast and dangerous: who set the GHG thresholds? ▪ Lifecycle Analysis and Certifications: what’s the best methodology? ▪ Clear concern about non tariff and tariff barriers to trade.

Climate Change and WTO are mutually supportive?

Climate Change

- Common but Differentiated Responsibilities Principle;
- Measures adopted to combat climate change should not create disguised restrictions to trade;
- Emissions Reduction Targets for Annex I Countries;
- Compromise of all countries for a new climate deal (now, up and beyond 2012);
- Cap and Trade and Targets vs non-mandatory reductions (Annex I and other countries including the US, China).

WTO

- ❖ Boarder Tax Adjustments or Carbon Taxes can be justified under the GATT/WTO system?
- ❖ Process and production methods (PPMs)
- ❖ National treatment and MFN principles?
- ❖ Article XX (b) could allow GHG measures that affect trade?
General exceptions: necessary to protect human, animal or plant life or health
- ❖ TBT measures (Article 2.2) can be used to justify trade restrictions based on carbon content?
Such legitimate objectives are, inter alia: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, inter alia: available scientific and technical information, related processing technology or intended end-uses of products.

Product Carbon intensity and WTO rules: Main Issues

- UNFCCC and WTO: can they talk?
- PPMs
 - Discrimination among like products (although environmental impacts might be different)
 - Environmental impacts as a whole (water, biodiversity, etc.) or only GHG emissions?
 - Example: emissions associated to land use changes
- Methodologies to measure carbon embedded in trade
 - Lifecycle analysis
 - Compatibilization of input-output matrix, energy matrix and carbon emissions inventories
 - Who should be in charge to bear the responsibility: the producer or the consumer?
- Obligations must not be discriminatory among domestically produced and foreign produced products
- Voluntary certification schemes
- National cap and trade systems are not compatible among each other

Soybean and Beef Tariffs in the EU

Product	HS	Applied Tariff		Bound Tariff	
		Ad-Valorem	Específica	Ad-Valorem	Específica
Soybean	1201.00	0%	–	0%	–
Soybean Meal	1208.10	4.50%	–	4.50%	–
Meat of bovine fresh or chilled	0201.10	12.80%	1768 €/ton	12.80%	1768 €/ton
	0201.20	12.80%	[1414 €/ton, 2652 €/ton]	12.80%	[1414 €/ton, 2652 €/ton]
	0201.30	12.80%	3034 €/ton	12.80%	3034 €/ton
Meat of bovine frozen	0202.10	12.80%	1768 €/ton	12.80%	1768 €/ton
	0202.20	12.80%	[1414 €/ton, 2653 €/ton]	12.80%	[1414 €/ton, 2653 €/ton]
	0202.30	12.80%	[2211 €/ton, 3041 €/ton]	12.80%	[2211 €/ton, 3041 €/ton]

Source: WTO

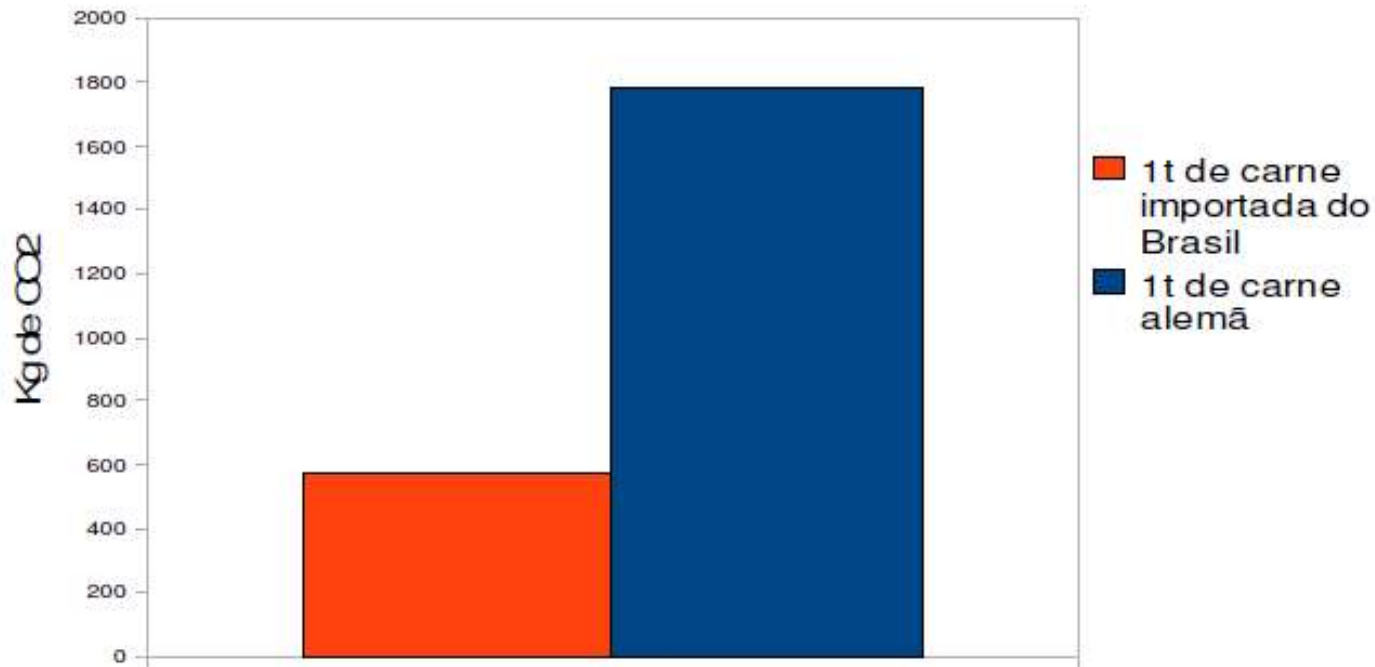


Distância de Sorriso a Hanover = 12 806 km

- Reducing emissions but not reducing protectionist measures;
- Market driven: not necessarily linked to Public policies;

Emissions of CO2 equivalent for the transportation of grains and beef from Sorriso to Hanover

Emissões de CO2 equivalente no transporte de insumos ou produto final de Sorriso a Hanover



1 ton of beef = 8 tons of grains

Conclusions

- Countries will adopt carbon measures and this is will certainly challenge WTO rules: GATT Article XX(b) and TBT as ground rules;
- The iLUC case is a very good example of who carbon intensity measures can create trade restrictions;
- Certifications imposing carbon content can easily become a barrier to trade;
- WTO consistency of carbon measures would rely on broadly accepted methodologies to establish carbon thresholds;
- And would also need to be accompanied of internal measures to meet national treatment;
- And would require the WTO to move ahead with the environmental agenda.