

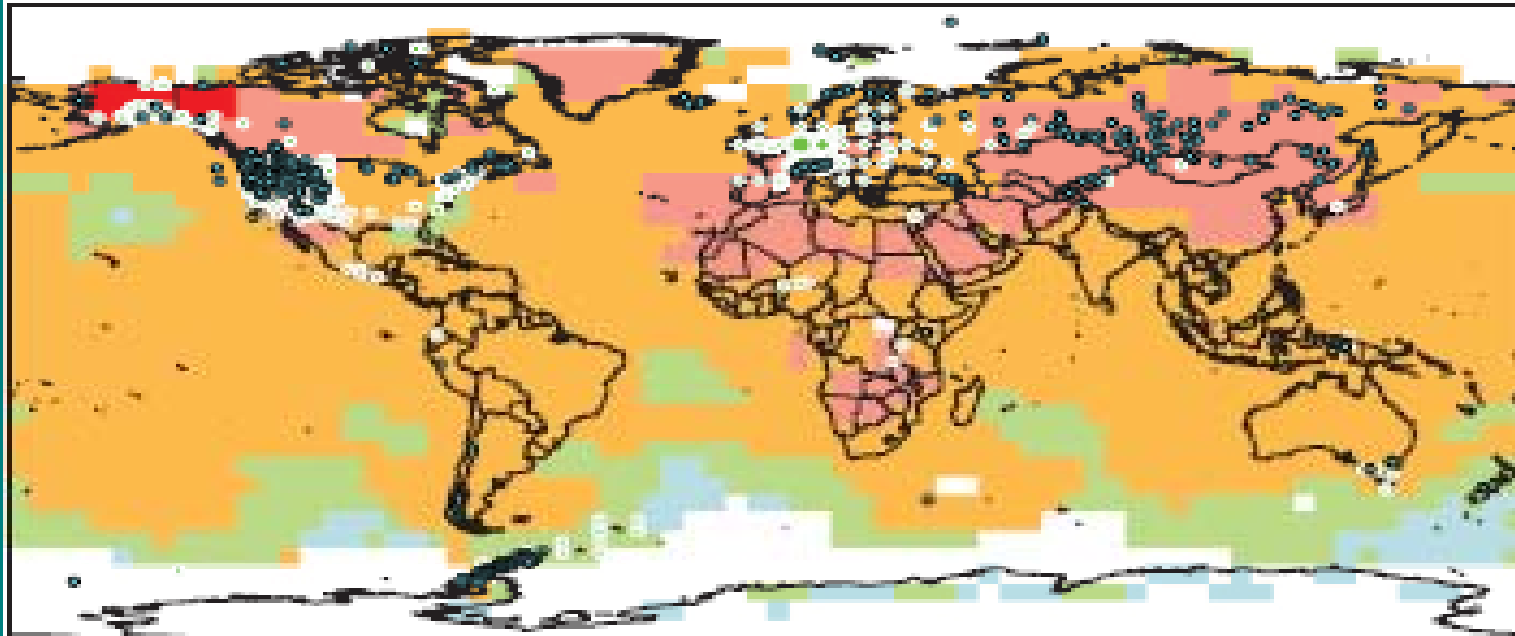
Climate Change Mitigation – How might it affect market access and domestic support policies?

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Changes in physical and biological systems and surface temperature 1970-2004

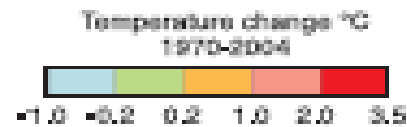


NAM		LA		EUR ²⁰¹¹⁵		AFR		AS		ANZ		PR*		TER ²⁰⁵⁰⁰		MFW**		GLO ²⁰⁴⁷¹	
385	452	23	2	118	1	2	2	106	6	6	0	120	24	768	1	1	62	762	1
94%	92%	98%	100%	94%	95%	92%	92%	96%	92%	92%	—	91%	92%	94%	92%	92%	92%	94%	92%

Observed data series

- Physical systems (snow, ice and frozen ground; hydrology; coastal processes)
- Biological systems (terrestrial, marine, and freshwater)

Europe ***	
•	1-30
⊙	31-100
⊚	101-600
⊛	601-1,200
⊜	1,201-7,500



Physical Biological

Number of significant observed changes	Number of significant observed changes
Percentage of significant changes consistent with warming	Percentage of significant changes consistent with warming

Current Issues

- Trade liberalization in agriculture
 - Tariffs in South are high, also on some important agricultural products and some biofuels
 - Domestic support levels in some 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 and global economic crisis
- Climate change mitigation will inevitably add to tensions – has already done so!

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 products and services
- Border taxes discussed to accompany national emissions caps, minimize leakage
- Proliferating technical regulations and process-based standards
- New ideas (tradable performance standards reflecting product carbon intensity coupled with permit trades), old problems.

Some relevant questions

- Tariffs
 - Will present tariff and support structures work to aid mitigation and adaptation to climate change or to complicate it? What role do biofuel tariffs play?
 - Is the Doha negotiation on Environmental Goods and Services useful for climate change mitigation?
 - Will liberalized trade in forest products further enable deforestation?
- Subsidies
 - Do present agricultural and biofuels subsidies work to increase GHG emissions or to mitigate them?
 - Do Agriculture Agreement rules limit whether governments can provide offsets for producers?

More Questions

- Standards
 - Are carbon content labels and standards for products WTO-inconsistent?
- GHG mitigation measures
 - Carbon taxes - are carbon taxes adjusted at the border consistent with WTO rules?
 - Do WTO rules govern emissions permit allocation?
 - Will emissions caps on nitrogen fertilizer production cause increases to fertilizer prices that disadvantage producers in developing countries?
 - Will GHG mitigation and adaptation measures be targeted in WTO dispute settlement?

Consider how tariffs will affect adaptation

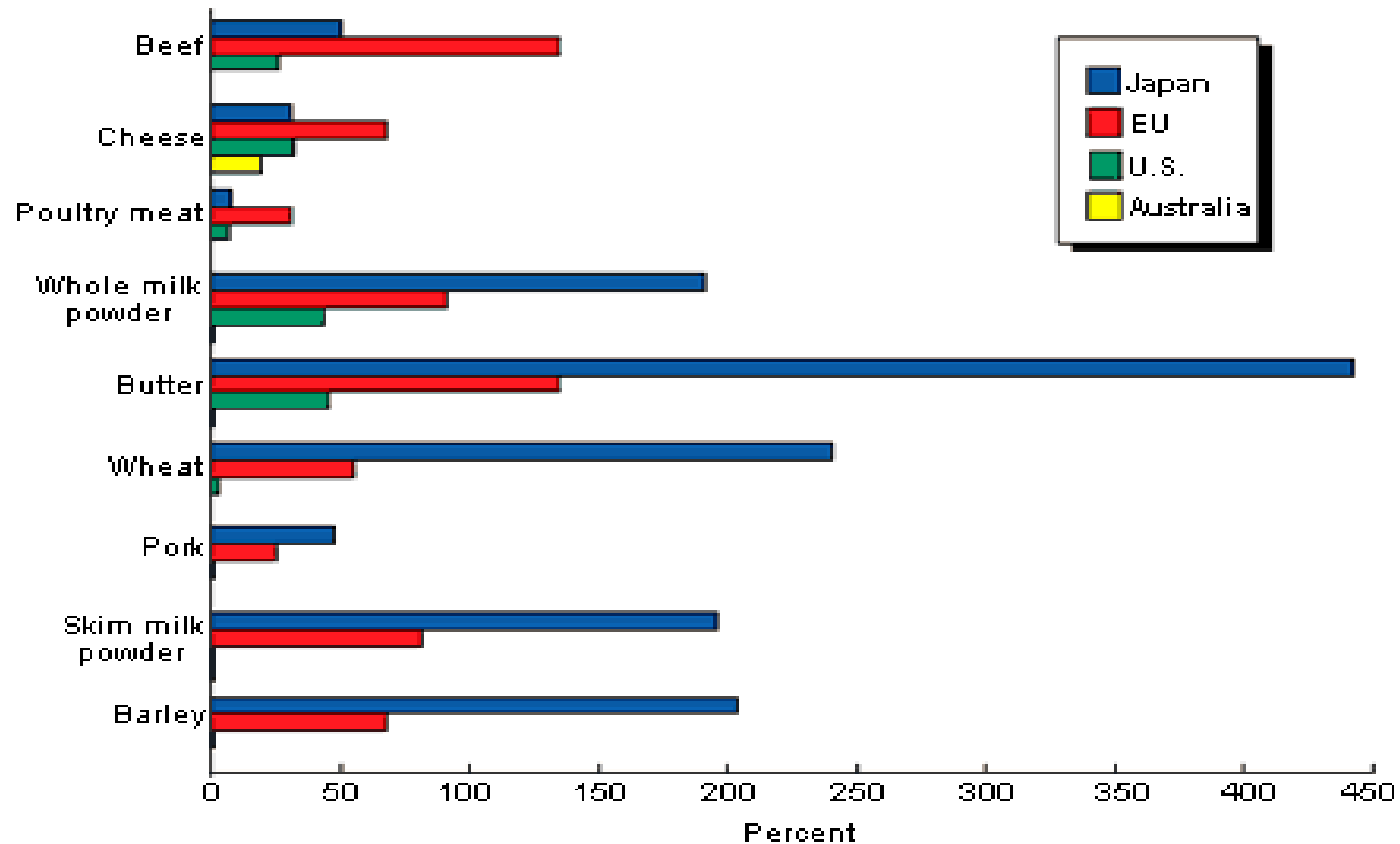
- Huge increases in agricultural production needed to feed increased populations
- 10-40% higher trade flows of mid- to high-latitude products (cereals and livestock) to low-latitude countries by 2080
- Trade must be seen as a tool to assist in mitigation and adaptation – yet the focus has been national and local. How can this dynamic be modified?
- Not just how to boost production – also how to reduce barriers to trade

Tariffs - AoA on Market Access

- All quotas converted to tariffs & scheduled (bound)
- Developed countries committed to decrease average tariffs by a minimum of 36 percent by the year 2000 (15 percent for developing countries by the year 2004).
- Tariff rate quotas encouraged. These allow limited imports at low in-quota tariff rates (initially 3 percent, expanding to 5 percent of domestic consumption during the implementation period), and unlimited imports at much higher over-quota tariffs.

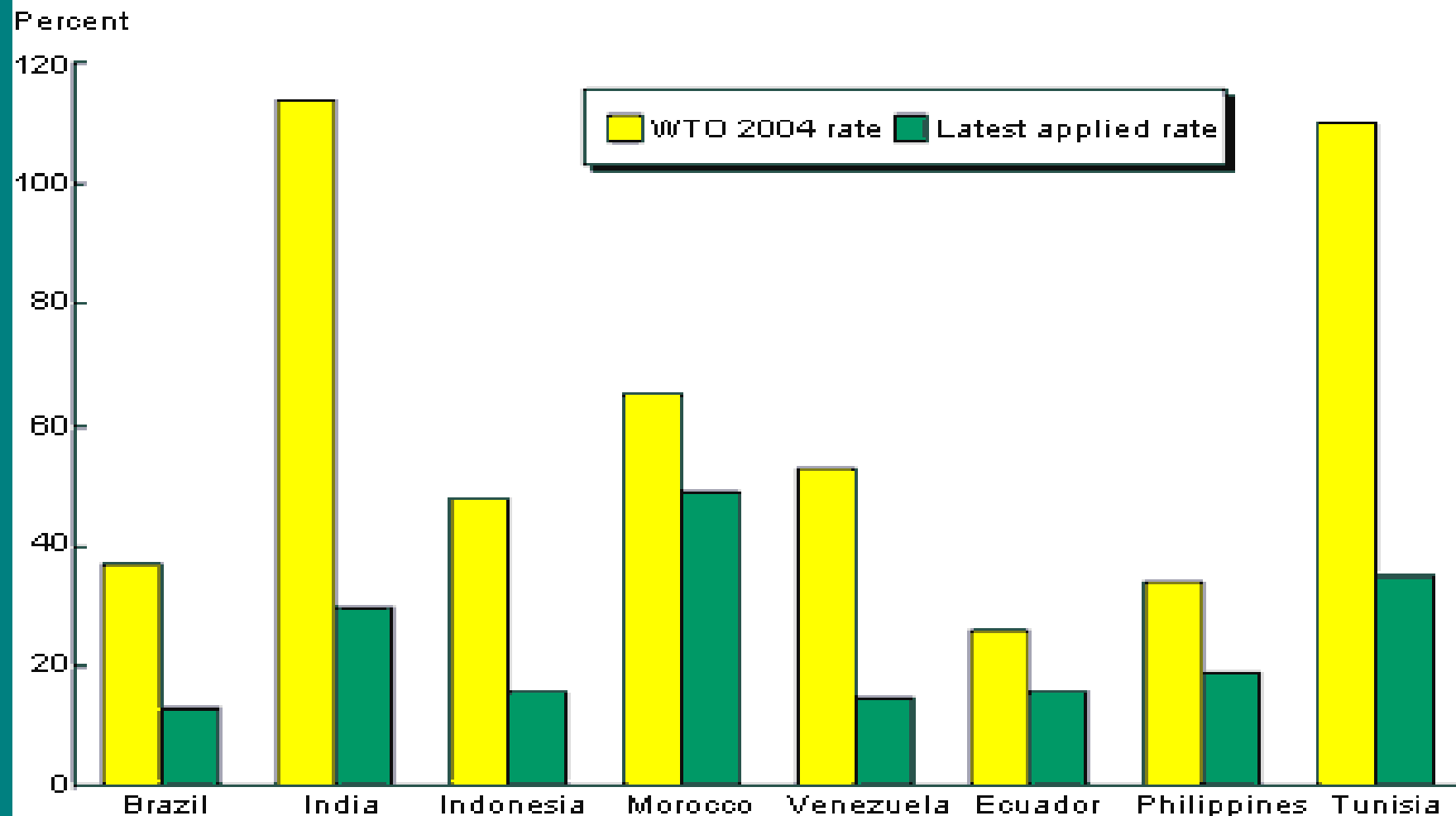
Where are the highest tariffs?

The highest tariffs are concentrated in a few major commodities



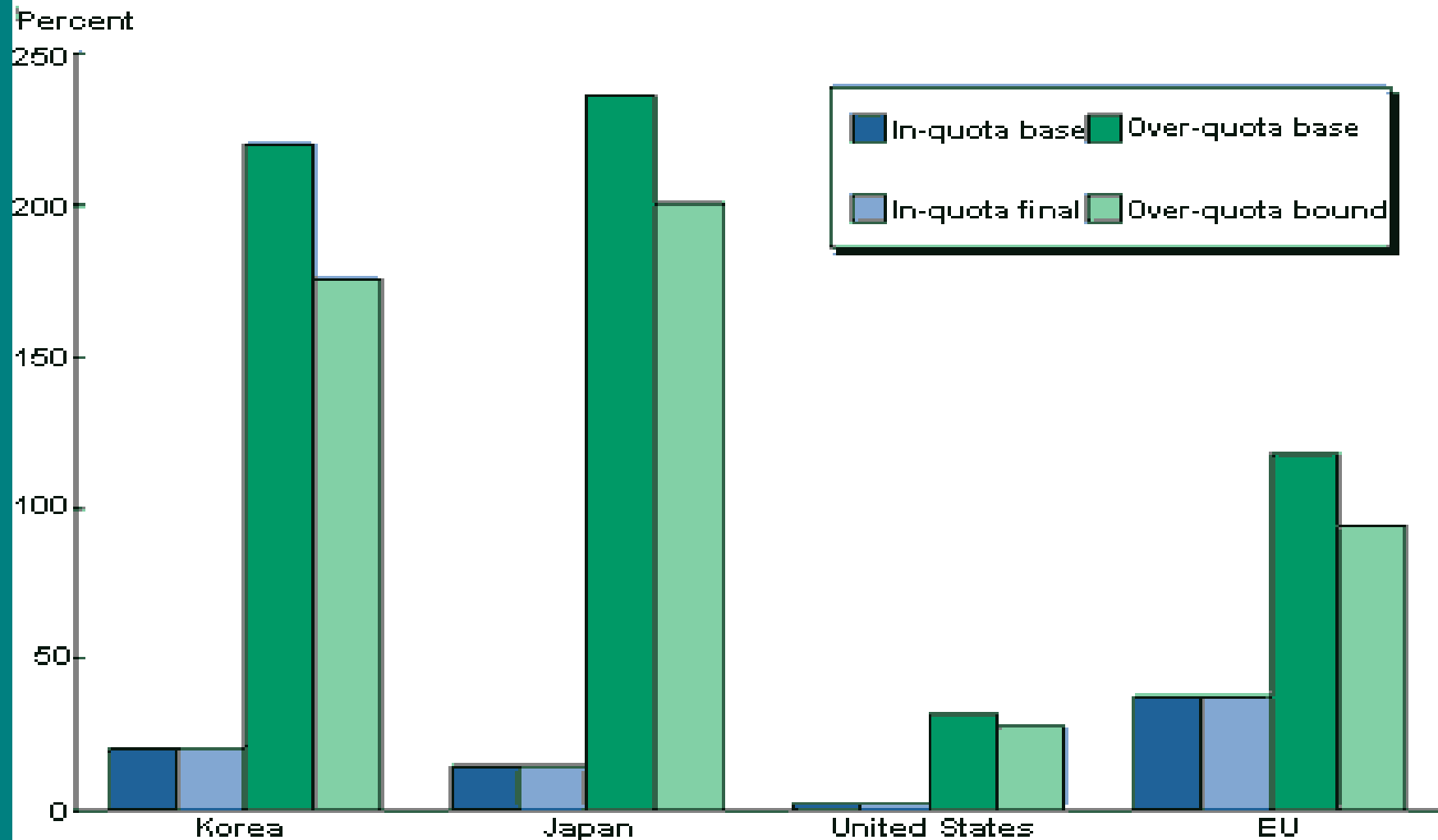
Developing Country Tariffs - a problem?

Some developing countries already apply tariffs well below WTO ceiling rates



TRQ's - What effect?

Over-quota tariff rates may be prohibitive



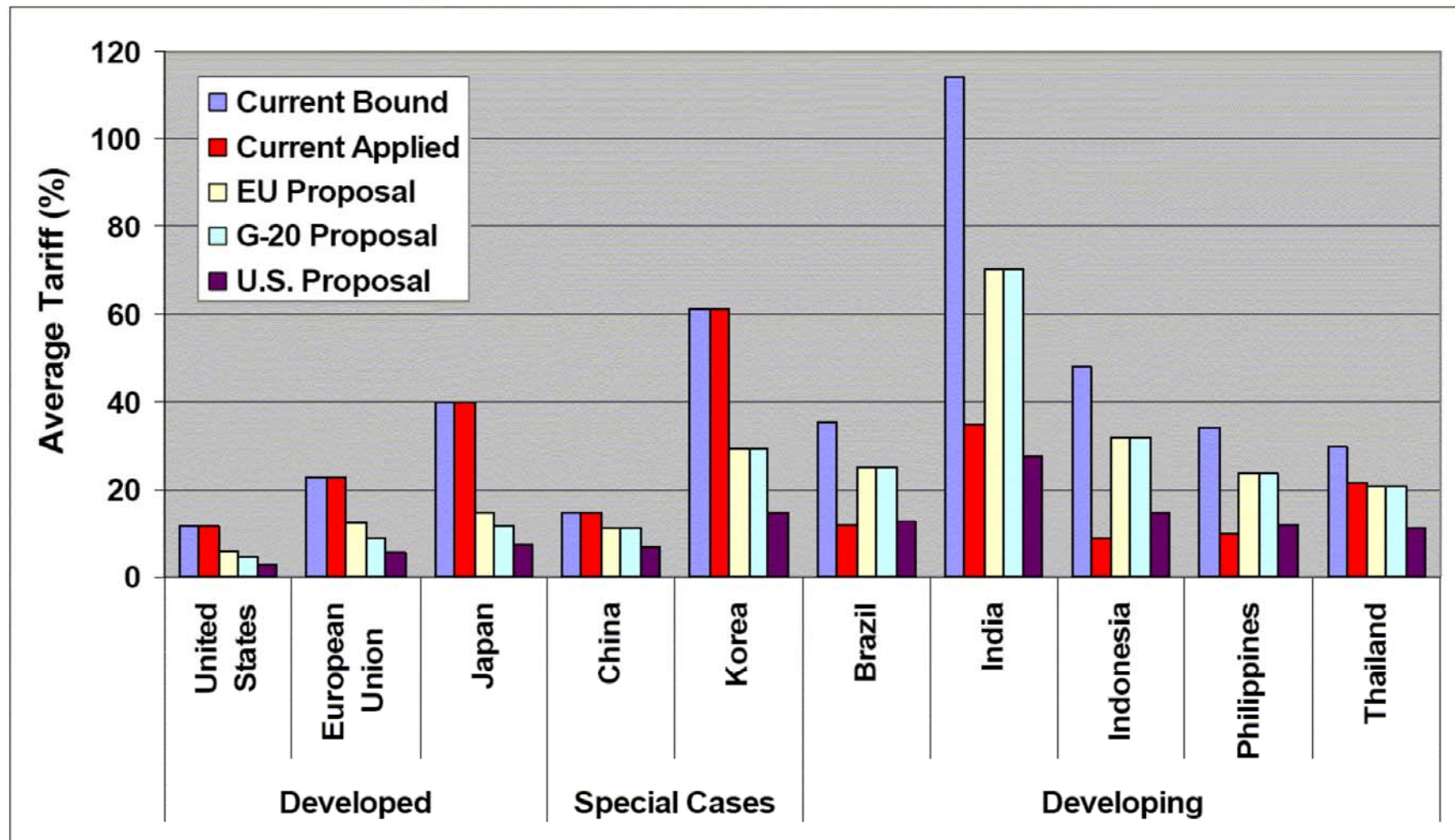
Tariff Quota Administration

- Barrier to entry for developing countries.
- History proves only a few countries participate in advantages.
- Only 66% were filled.
- Lack of specific rules.
- Disaggregation a must (commodity + processed).

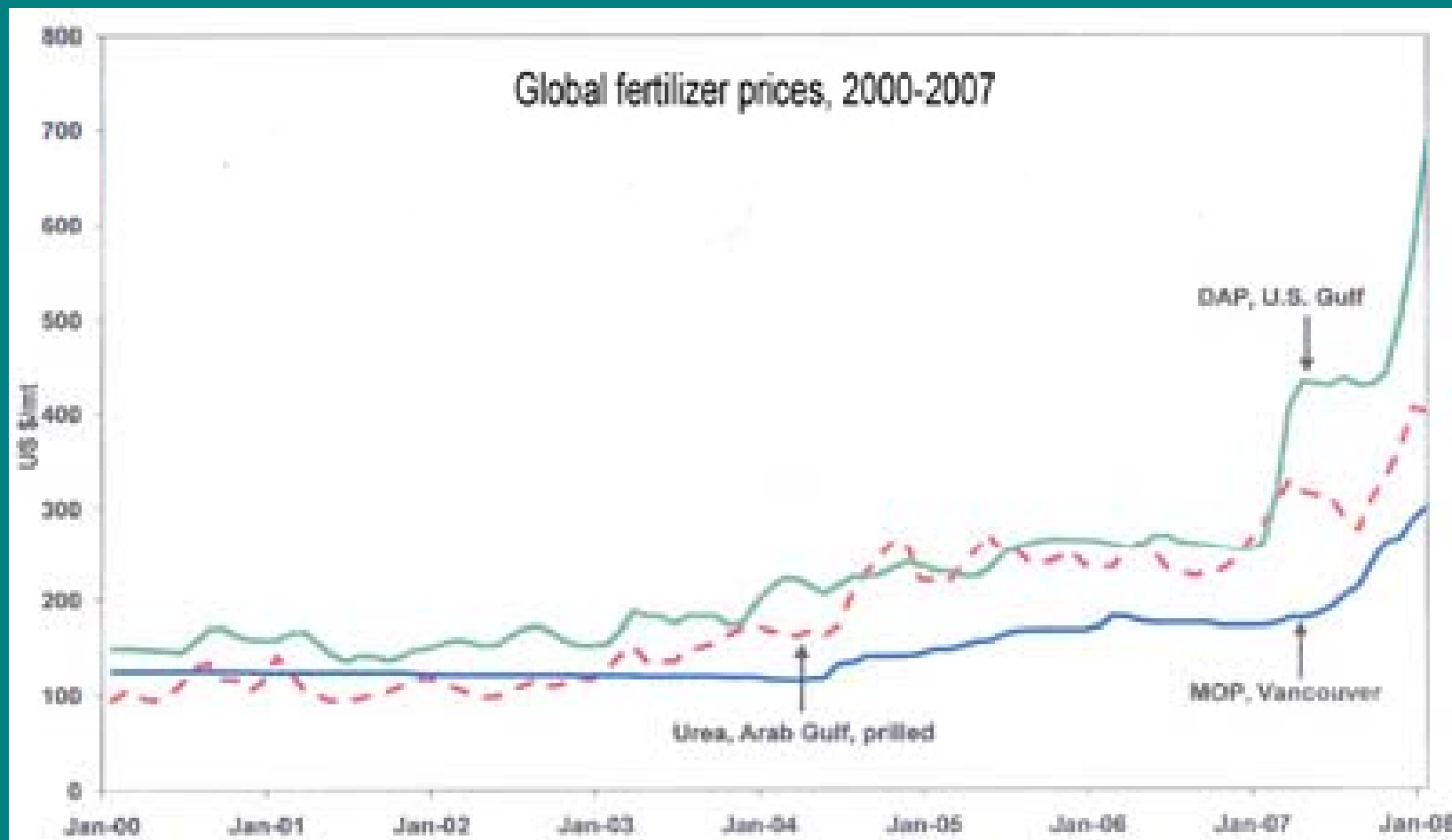
Revisiting the Doha Development Round

- Overtaken by events - global economic crisis, need to address climate change
- Will lower agricultural (and industrial) tariffs from bound rates, reduce tariff escalation
- Agriculture problems - “water,” special products, sensitive products, special safeguard mechanism
- Climate problems/opportunities
 - Food security volatility and price volatility - do developing countries need MORE tariff protection?
 - Adaptation scenarios - do developing countries need LESS tariff protection?

Impact of Doha Proposals on Agriculture Tariffs



Note: Just tariff reduction; does not incorporate flexibilities for “special” and “sensitive” products and/or special safeguard mechanisms.



Fertilizer

- Nitrogen - natural gas
- Phosphate and Potash are mined
- Prices of nitrogen fertilizer tied to natural gas - 1.52t of CO₂ produced per ton of ammonia
- N₂O loss rate is 1.00% of fertilizer applied
- Increased crop yields are heavily fertilizer-dependent
- What is the trade-off? To cap fertilizer production emissions and increase fertilizer prices will also reduce N₂O emissions, but will also reduce crop yields and make fertilizer too expensive for poor countries

Subsidies

- Two agreements govern subsidies in the WTO - SCM and AoA
- SCM - subsidies text - adverse effects are basis for challenge - but harm is disruption of economic expectations NOT ENVIRONMENTAL
- AoA - limits the quantitative amount of subsidies to agricultural producers depending on whether they are production-related and distort trade.
- “Stop light approach” - offsets would be in the “Green box” but may not qualify because of definitional limitations

What mitigation measures could be seen as subsidies?

- Biofuels development and support?
- Payments to agricultural producers to provide incentives for them to sequester carbon using no-till and other production methods?
- Emissions permits?
- Offsets?
- CDM payments?
- REDD payments?

Lessons from the Fishery Subsidies Negotiation

- Listed subsidies do not capture those that are actually harmful to a shared resource
- Definition of harm in SCM does not capture harm to a resource
- Countervailing measures could be made available to those who want to address harm
- But there is no source of scientific expertise available to the WTO to ascertain when this is justified

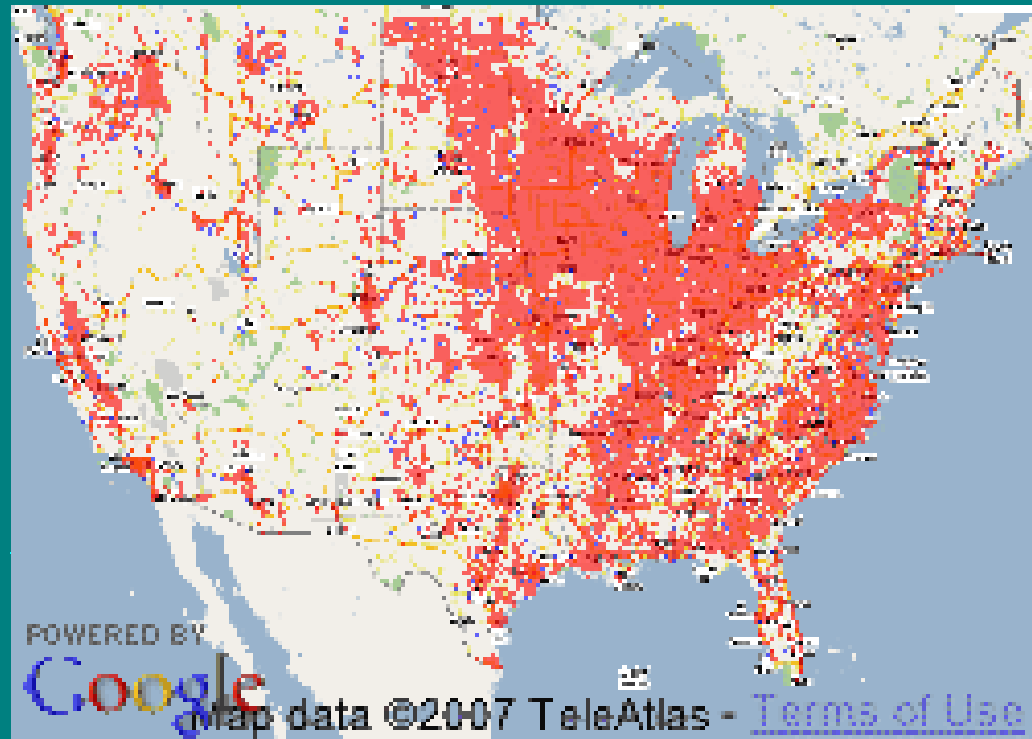
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• \$34.8 billion in commodity program payments for program years 2003-2005.

Standards

- Debate in the WTO about whether product standards based on processes and production methods not related to product characteristics (NPR-PPM's) are allowed.
- Concern over (private sector) standards based on production processes (sustainable biofuels, etc.)
- Issue is whether the WTO allows countries to discriminate against imports based on how they are produced (are they “like products” and are countries applying “national treatment”)
- Some jurisprudence, no resolution yet

Competitiveness, climate change and agriculture

- Issue is not academic in the WTO, goes to the heart of comparative advantage -
- Border tax adjustment would be evaluated using some of the same considerations
 - Does it unfairly discriminate against imports from countries using different mitigation measures
 - Do the same conditions apply?
 - Do environmental exceptions to WTO disciplines apply?
- Multilateral agreement can prevent recourse to WTO DSU - agriculture linkages important