

Special Address on International Trade and Environment

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1. Bioenergy, and in particular biofuels, are attracting attention worldwide. A large number of countries are focusing their attention on this alternative form of energy. The current prices in the energy market has brought special focus to these efforts.
2. At present ,the largest producers are Brazil, the United States, and the EU.
3. Most developing countries are in the early stages of developing their biofuel sector. Among the developing countries with emerging markets in biofuels are Thailand (sugar), Malaysia (palm oil), Indonesia and the Philippines. But a large number of these countries i.e. developing countries are focusing on biofuels, given the importance of energy, and in certain cases to manage their structural change in the economy in order to adapt themselves to changes in the economic environment. Also, bioenergy production has a great potential in many developing countries where production costs of biomass are comparatively lower. Hence, the prospects for supplying domestic energy markets as well as export markets are becoming particularly appealing to some developing countries.
4. However, available trade statistics reveal that the biofuel sector is only just taking off. Currently, only one tenth of global production worldwide is internationally traded.
5. Nonetheless, while international trade in bioenergy is limited at the moment, it is expected to grow considerably over the coming years. There is clearly a potential for trade in biofuels, as the countries where biofuels are produced most cheaply and the countries with the greatest demand for biofuels will not necessarily be the same. This growth will be accompanied by changes in crop and land use patterns, socio-economic and environmental effects, and availability of employment and energy opportunities locally as well as within the economy in general. While a large number of stakeholders have a positive view on these effects, there are also those which are concerned about linked effects which may be difficult to manage and leave adverse effects.

6. Interest in biofuels may be motivated by diversification of energy sources and lower exposure to price volatility of the international oil market; rural development and job creation in feedstocks production; reduction in harmful pollutants from vehicle exhaust; and reduction in greenhouse gas emissions as part of countries' efforts to meet their emissions reduction commitments under the international agreement. On the other hand, there are also concerns regarding the interlinkages, over-exploitation of the land, impact on soils, habitats and water quality, limitation of natural resources, pressure on biodiversity, and possible price increases for food items. This is the debate that needs to be addressed and clarity obtained for maximising net benefits from such initiatives.

7. In this background, we also know that how this market evolves will depend on a complex interplay of geopolitical and economic factors that will be shaping both the supply as well as the demand for alternative energy sources. This growth will also depend on the opening of markets and the reduction of barriers to trade, such as tax incentives, high tariffs, R&D, extension of available knowledge and improvement in related technologies.

8. Thus, now is the time to examine the issues which arise in this thrust toward rapid expansion of biofuels. The potential of biofuels calls for a better understanding of the benefits and costs implications associated with the commercialization of biofuels, as well as how government policies may interface with the multilateral trading system. By bringing together such a multi-stakeholder group of experts, events such as this one can contribute to inform future developments in this important area.

10. Biofuels are subject to existing rules international trade rules under the WTO. In addition, some of the issues addressed in the Doha Round of negotiations are likely to be of relevance to bioenergy trade. The most obvious inter-linkages are with disciplines in the area of agriculture, namely as regards market access and domestic support, and WTO disciplines that apply to standards and technical regulations. Other issues arise, for instance, in the area of trade and environment where bioenergy has come up in the negotiations that deal with environmental goods and services liberalization.

11. Being subject to trade rules does not necessarily mean that there is a curb on the use of various means of addressing the concerns regarding biofuels. For example, given the relatively early phase for biofuels, there continues to be a need for research and development to make biofuels cost-effective and energy-efficient, as well as the need for capacity building and infrastructure to produce and utilize biofuels and use it in a sustainable manner. It is notable that research and development subsidies could be provided without restrictions, under the so-called "Green Box" of the WTO's Agriculture Agreement.

12. With respect to trade and environment and today's event, the relevant initiatives under the Doha Round negotiations relate to relationship with Multilateral Environmental Agreement, and facilitating trade in Environmental Goods.

13. With the former topic, i.e. the relationship between trade rules and the rules set out in multilateral environmental agreements, the main objective of these negotiations is to ensure that the trade and environment regimes remain mutually supportive. In this context, some Members have considered trade provisions contained in MEAs that may have an impact on trade. While there are ongoing discussions on whether existing WTO rules are adequate to take into account trade-related measures in MEAs, there is no doubt that these negotiations are raising Members' awareness of how the trade and environment regimes interface, and the importance to ensure that the different systems develop in an harmonious fashion.

14. Regarding environmental goods, the discussions have been going on for some time, and as yet there is no agreed definition of what may constitute an "environmental good" for the purpose of these negotiations. Some Members have suggested that renewable energy-related goods such as methanol, biodiesel, and ethanol, could be considered as environmental goods, given their lesser impact on the environment as compared to petroleum fuels. The discussion on these matters have focused on a number of other issues also, including for example, the issue of the multiple uses of products proposed, as well as development implications.

15. The discussion also encompasses the issue of environmental services, and in this context services related to biofuels could be considered for further initiatives under the negotiations.

16. Taking account of these and other relevant issues, the discussion on environmental goods is basically focusing on two different approaches, and the Members are yet to reach any consensus on the matter. It is important that there is constructive and substantive engagement by Members when the talks will resume. The mandate for the elimination of tariffs and non-tariff barriers in this area offers a unique opportunity to facilitate access to environmentally-friendly goods and technologies, including in the field of renewable energy. It has been argued in this context that the elimination of trade barriers for such goods could lead to a "triple-win situation" for trade, the environment, and development.

17. If there are to be gains from trade in biofuels, we must all guard against attempts for being inward looking and we must make a case for the successful conclusion of the negotiations so that the multilateral trading system and the Doha Round can help us ensure that the opportunities of bioenergy translate into potential gains for all.. In the context of these negotiations, the discussions would also throw light on the likely environmental trade-offs, and provide a better basis to follow appropriate policies that give us the triple win situation.