

# Organics and carbon markets

Getting rich **and** saving the planet?

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## Main message

- Organics high potential performer in reducing agriculture sector emissions
- But, markets for carbon are weak or missing
- Insufficient incentives for farmers to reduce emissions
- Can not leave CC mitigation to the market - government intervention urgently needed to price negative externalities and remove fuel subsidies

## Agriculture and climate change

- 13% of global GHG emissions
- 30-40% if include deforestation, agro chemicals, transport
- 30% of emissions come from livestock
- But 90% potential for mitigation in carbon sequestration

## How do you sequester carbon in soils?

- Avoid bare fallows
- Build up organic matter in soils (compost)
- Plant legumes
- .....organic
- See FAO, FIBL, Rodale, Soil Association studies

## Organics appears well positioned but can it profit?

- Need a market sending right signals to farmers, but we:

Subsidize energy

Allowed to pollute, destroy biodiversity and landscape

- Payments for carbon storage problematic:

Agriculture is difficult (measurement problem)

And consumers enjoy a free ride (won't pay for environment)

- So have reached fundamental market failure

## Agriculture is difficult

Establishing a market for carbon storage in agriculture means:

- **M**easure the good (what is the level of existing carbon and potential for storage, what is the change)
- **R**eport the change (feed the database and report internationally)
- **V**erify the change (check it is really happened)
- High admin costs (90% of payments)

## Consumers are free riders?

- Consumers buy organic for private health benefits not environment
- WTP for environment v. small
- Free rider problem

What are the market mechanisms to deliver carbon storage in soils

1. Agri environmental schemes
2. Voluntary « offset » carbon markets
3. Product carbon footprint (PCF) labels
4. Carbon neutral

## 1. Agri-environmental schemes

- EU / US / Australia: reduce agrochemical usage, conservation
- Finally not lucrative at USD10/tonne CO2 (paperwork)
- MRV related issues in terms of contracting and enforcement
- Permanence and additionality

Outlook: feasible medium term prospect for EU/US but not developing countries

## 2. Voluntary carbon markets

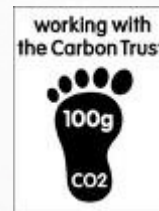
- USD 700m in 2008, but growing fast
- Structural weaknesses of market
  - Showing additionality
  - Permanence of projects
- Slow to open to agriculture (no till/agroforestry)
- Low carbon price
- Outlook: IFOAM working group (to establish a standard)

### 3. Product carbon footprint (PCF) labels

- Measure emissions along supply chain
- Report to the consumer through a label
- 3 main international carbon standards for supply chain (PAS2050, WRI, ISO)
- Different organic versions of PCFs

## Absolute figure claim

- First product footprint label – Carbon Trust UK PAS 2050



« Lower emissions » (relative) claim

- Compare emissions across a line of products (e.g. Migros Climatop)
- Compare emissions between organic and non organic (e.g. Aldi Austria)



## « Carbon neutral » claim



- This product or service is carbon neutral because we have « offset » emissions of transport, production, etc.
- Nature and More:
  - Instead of letting « green rot waste », it is composted
  - Adding value to existing environmentally friendly practice
  - Different from relative claim (15% lower) where carbon sequestration is subtracted from carbon footprint
- Carbon neutrality growing market but reputational problems (gives me the right to pollute – e.g. take a plane vs train)

## Organic « plus climate »

- Standards that include wider supply chain emissions
  - Max CO2 per tonne for transport (draft KRAV)
  - No airfreight (Biosuisse/Coop)
- Other instances e.g. animal welfare
- Driven by CSR, market differentiation
- How are standards set?
- Discriminatory (why cut out airfreight but not beef?)

## Common issues

Organic needs to compete on other sustainable values (local, carbon, fair trade), but

Higher costs of certification without necessarily premium (bad for small companies)

Methodology

- What are the boundaries of measurement?
- What are the emissions factors used?
- How do you measure Land Use Change? (info scare/ cut off date)

Moral offsetting

Buy a low carbon sandwich and take a plane?

Can standards (voluntary) deliver change?

How to involve developing countries (ISO yes, private standards no)



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## Concluding thoughts.....

- Organic good for carbon storage
- Markets for carbon in agriculture plagued by MRV problems in both government PES and voluntary offset markets – the market is failing
- Methodological and ethical issues
- Mitigating climate change requires government intervention to price externalities and investing in R and D for low carbon economic development
- Related to that is removing distortions in agriculture (fuel subsidies, allowing farmers to pollute) and so level the playing field for organics

Thank you

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