

COUNTING CARBON IN EXPORTS

CARBON FOOTPRINTING INITIATIVES AND WHAT THEY MEAN FOR EXPORTERS IN DEVELOPING COUNTRIES.

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Science has delivered a grim message. Reduce emissions of greenhouse gases by 90 per cent in the next 30 years or risk catastrophic climate change. The private sector and governments are taking their own initiatives to reduce the carbon footprint of consumption. This has important implications for developing country exporters.

The consumer

In 2007, the UK retailer Tesco decided to label all its products with information on carbon dioxide emissions in their production, processing and transport. Further carbon labelling schemes have emerged. Carbon labels now join organic and fair trade as the "must have" labels to attract the "ethical" consumer.

The labels vary in the type of information they provide, ranging from a measurement (100g of CO₂) to a comparison between products (15.7 per cent less CO₂).

However, surveys show that while consumers want climate-related information, they don't necessarily understand it. For example, is 100g of CO₂ excessive? Will consumers ignore the information?

Another problem is "moral offsetting" when consumers buying "green" feel they gain permission to license bad behaviour – eating lentils rather than beef and then buying a plane ticket.

The corporation

The business interest in carbon labelling is clear. According to Matthew Bateson of the World Business Council for Sustainable Development, carbon labelling is "driven by the need to cut costs through energy savings, but also market differentiation, i.e., there are market opportunities among climate-aware consumers. Similarly,

carbon management can be integrated into companies' CSR [corporate social responsibility] programmes".

The growing importance of reducing emissions in the supply chain is underlined in a recent report by AT Kearney which shows that 6 per cent of leading companies already deselect suppliers who fail to "manage" carbon and 56 per cent of these companies said they are committed to do so in future.

Paul Dickinson, CEO of the Carbon Disclosure Project, who commissioned the survey, said, "It is clear that some companies now require their suppliers to address carbon management as a core business issue. This is no longer a 'nice to have' for the leaders, it is becoming a 'need to have', and we expect to see this trend growing across the whole business sector."

Governments have also endorsed carbon footprinting, particularly for the agro-food sector. Japan, the Republic of Korea and the United Kingdom have all sponsored new schemes for measuring supply chain emissions. France has even introduced legislation making it mandatory for food products in France to have environmental labelling, including for carbon.

The exporter

For developing country food exporters, are carbon requirements an opportunity to gain a competitive advantage or simply a non-tariff barrier to trade?

Stephen Mbithi, CEO of the Kenya Fresh Fruits and Vegetable Exporters' Association, says his sector is being proactive in reducing emissions. However, he still sees an "inevitable increase in costs" due to measurement and certification needs. Costly life-cycle assessments and information provision will be required

of suppliers. For Dr Mbethi, fair competition between Africa and Europe in the green niche relies on a system of measurement that is transparent and credible.

"Food safety is easier to verify... while a buyer can test if a lettuce exceeds pesticide residue limits, it is not possible to know whether the water pump or heater was on 24/7."

The types of methodologies used in measurement are also crucial to determining exporters' competitiveness on carbon.

A World Bank study published in 2010 found that many methodologies require the use of generic data on emissions from electricity generation, soils and land-use change. These data are expensive and risk overestimating the carbon footprint of production in developing countries.

Generic data cannot adequately describe a whole country's situation. Diverse ecosystems, microclimates and agricultural practices complicate data collection and impose costs.

Estimating emissions, particularly for land-use change, requires expertise. Including emissions from clearing land for agriculture heavily influences the carbon footprint of the final product. Deforestation in Europe, of course, has already occurred and is excluded from calculations.

Other climate related standards also appear to favour European farmers. The Swiss organic label Biosuisse, for example, does not accept air-freighted products (important for African exporters), although it will certify Swiss beef production which is highly intensive in greenhouse gas emissions.

A further issue is getting major importers to recognize each other's carbon standards. Prof. Joost Pauwelyn of the Graduate Institute of International Studies in Geneva notes, "Post-



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- 01 Chocolate bar with three environmental labels: organic, fairtrade and carbon.
- 02 Linking organic label with the production of local origin.
- 03 Label conveying product's carbon footprint.

Copenhagen we will have carbon accounting in trade... it will be crucial for developing countries which export to five different countries to know that if they comply with one EU [European Union] standard, it will be considered equivalent in the US or Japan."

During 2010-11, ITC's Trade, Climate Change and Environment Programme is running a project in East Africa to help agricultural exporters meet carbon retail standards.

The immediate priority for developing country exporters is to equip themselves with the tools to measure emissions and thus satisfy buyers' demands.

Developing country governments and trade associations need to get involved in standard setting and lobby for equivalent, transparent and fair methodologies. Once standards are set, they are difficult to change. 

¹ The opinions expressed in this article are those of the author and do not necessarily represent those of the ITC.