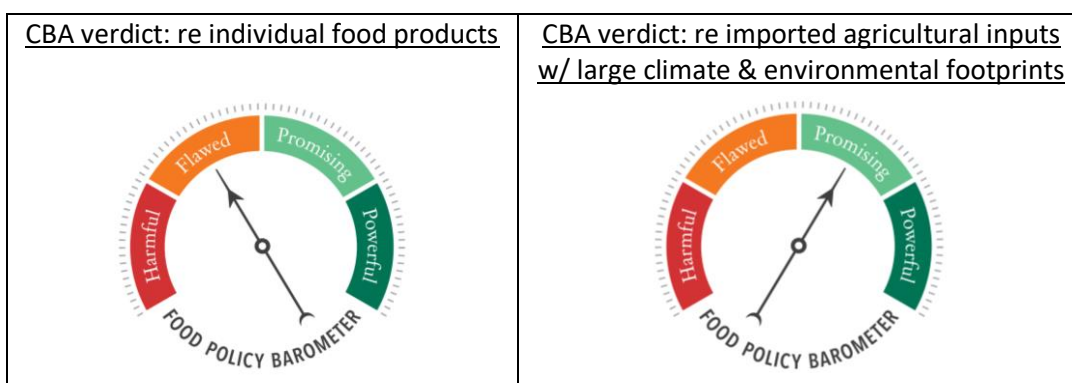


**#FoodPolicyOnTrial: Fourth in the dock – Carbon Border Adjustment tax and food systems
15th June 2021 - JURY'S VERDICT AND SUMMARY**

This paper represents a summary of the Food Ethics Council's fourth *Food Policy On Trial* event, critically exploring the idea of a Carbon Border Adjustment tax as a way of contributing to fairer food systems. The event was held online on 15th June 2021, with four expert witnesses being questioned both by a jury panel of members of the Food Ethics Council and the audience.

1. JURY'S 'IN THE ROUND' JUDGEMENT – FOR THE ATTENTION OF PUBLIC POLICY MAKERS



VERDICT: Our jury judged that Carbon Border Adjustment (CBA) tax is a **FLAWED idea in relation to (downstream) food products, but a (more) **PROMISING** idea in relation to those agricultural *inputs* that have large climate and environmental footprints.**

The trial highlighted several issues and principles that the Jury felt merited urgent attention, namely:

- i. **Stop offshoring climate (and other) impacts from our food systems** - Our jury welcomed the principle of fairness inherent in an adjustment mechanism like this, to avoid 'offshoring' or shifting responsibility for greenhouse gas ('GHG') emissions to another country.
- ii. **Focus on the biggest impacts** – We must urgently address climate impacts caused by food systems, as well as in all sectors. However, the quest for 'perfect' metrics could become an excuse for inaction. The jury was open to exploring CBA's potential, but cautioned against relying solely on it. If a CBA mechanism were brought in, the jury felt it would be better applied to other GHG-intensive sectors initially, along with some imported agricultural inputs with large environmental footprints e.g. fertilisers and animal feed. This feels more pragmatic than trying to apply CBA to individual food products, whose GHG footprints can be challenging to measure, but would require thinking through to ensure UK producers remain competitive.
- iii. **Take a holistic approach and watch out for unintended consequences from CBA** - There is very little evidence as yet to evaluate the likely effectiveness of CBA, particularly in relation to food and farming. With a complex mechanism like CBA, there is a real danger of unintended consequences, particularly impacts on the poorest in society – both the Global South and the poorest in countries like the UK. There is also the potential for other adverse environmental and social impacts, e.g. on animal welfare if there is tunnel vision on the climate issue alone.
- iv. **Focus on other measures likely to address challenges more quickly** – Our jury felt other measures were likely to be more effective and fit better with the need for urgent, but considered, action than CBA. These include core food standards, import bans of undesirable products or practices, clear labelling (including method of production) and international standards (e.g. ISO, GlobalG.A.P standards) as ways to measure and control GHG emissions.

2. CONTEXT

What is meant by a 'Carbon¹ Border Adjustment' ('CBA') tax and 'carbon leakage'?

2.1 A CBA tax is a mechanism *“designed to level the playing field for European companies [and other companies] by holding imports responsible [and accountable] for their greenhouse gas emissions the same way domestically produced products are²”*.

2.2 Proponents of carbon border adjustment (CBA) argue that such a mechanism is necessary in the absence of a global minimum carbon price agreed by all countries. It has been suggested that the UK would be naïve to rely on an agreed global carbon price, hence why measures such as CBA have been proposed to redress the balance and help with 'carbon leakage'.

2.3 Carbon leakage occurs *“when goods that would normally be purchased locally are instead imported from companies elsewhere that don't face the same regulations. It also occurs when local companies move their production to another location to avoid having to cut their emissions. They might relocate to another country or, more commonly, shift production to foreign plants. The result is emissions that continue unabated, and those emissions affect the entire planet. A carbon border tax is intended to prevent this leakage by imposing the same cost on imports that don't face carbon taxes at home.²”*

The food system context

2.4 The starting point for the Food Ethics Council's interest in critically exploring this idea is our desire to bring fairness to the centre of our food systems. Part of our work involves critically exploring policy options – both food policies and other policies that have food system outcomes. A CBA mechanism, if introduced, would impact food and farming in several ways, directly and indirectly. We are not aware of a previous discussion that seeks to reflect on carbon border taxes in a food system context.

3. SUMMARY OF KEY EVIDENCE AND ARGUMENTS FROM EXPERT WITNESSES

The following is a summary of selected evidence and arguments from expert witnesses, who were chosen to provide a range of views and evidence on this policy idea, drawing on their own experiences and expertise. *To explore the full evidence presented, please refer to [the audio recording](#) of the event.*

3.1 Food and farming are major contributors to the climate emergency and biodiversity crisis

Food and farming are estimated to be responsible for c. 30% of global greenhouse gas emissions (the precise figure is debated), and for c. 50% of terrestrial and 70% of freshwater biodiversity loss. *How* food is produced hugely affects the size of its environmental and social footprint.

3.2 Countries like the UK currently offshore accountability for lots of food system impacts

Somewhere in the region of (or just over) half of the food consumed in the UK is produced in the UK, with the rest being imported. While the UK's territorial greenhouse gas emissions have reduced considerably since 1990, in reality, the UK's greenhouse gas footprint ('carbon¹ footprint' for short) has not fallen that much. The UK has been causing a lot of climate change by outsourcing production of carbon-intensive products to other countries like China, and importing them. It is not merely the territorial location - the basis of UK's net zero targets – that should be addressed, but the overall

¹ Any mention of 'carbon' in this paper should be interpreted as a shorthand for 'greenhouse gases' (GHGs) which includes carbon dioxide, methane and nitrogen oxides. We acknowledge that different greenhouse gases have different levels of persistence in the atmosphere and different global warming potentials. Although they are often lumped together for convenience, their differences should be considered carefully with respect to climate change issues

² Timothy Hamilton, Associate Professor of Economics, University of Richmond (April 2021), the Conversation <https://theconversation.com/the-eu-wants-a-carbon-border-tax-on-imports-but-would-it-do-the-job-officials-expect-157118>

carbon footprint. However, it was suggested that there is little evidence that carbon leakage has increased in recent years despite the introduction of schemes like the EU's Emissions Trading System.

3.3 There is a moral argument for being held accountable for overseas impacts

There is a strong moral argument for having an adjustment mechanism because the climate emergency is a global, not a national, issue. Simply shifting emissions from one place to another will not help. GHG emissions need to be urgently reduced globally. More and more food companies are making net zero commitments. However, there is a growing obligation on all companies (including food and farming businesses) to take responsibility for the whole scope of their emissions.

3.4 Agri-food trade is highly politicised

Agri-food is arguably one of the most politicised areas of global trade. It was suggested the UK government may have underestimated the political importance of agri-food trade. As it negotiates trade deals around the world post EU exit, it may now be realising the strength of feeling about food and farming in the UK – and in other countries. The UK has recently agreed in principle to a controversial trade deal with Australia, which will allow tariff-free access of products like beef to be exported from Australia to the UK. The idea of CBA is likely to be regarded by some as a form of protectionism and a danger to free trade. However, proponents of CBA would argue it would not be protectionist because it would have to sit alongside some form of domestic carbon pricing.

3.5 Potential impacts on the poorest must be considered

The consequences on poorest parts of the population, both in the Global South, but also in the Global North, must be addressed. It was argued that, if a CBA mechanism were introduced, products imported from developing countries might become less competitive, which could result in lower exports (including to countries in Europe), with potential negative impacts on jobs and beyond. It could even 'undermine the investment of those countries in a just transition' and potentially damage their capacity to face the climate crisis.

"It is important to engage in a constructive dialogue with... countries and also consider differentiation among countries in the implementation of these instruments [like CBA], for example, with exemption for least developed countries or also building partnerships"
(Chiara Putaturo)

There could also be a regressive effect on those buying products (including food) in the EU and the UK. Oxfam estimated the EU is collectively responsible for 15% of global cumulative consumption emissions from 1990-2015, while the poorest 50% of the world accounted for just 7% of cumulative emissions. If CBA were introduced, should (some) countries in the Global South be exempt?

3.6 A pragmatic approach to CBA is unlikely to start with food products

CBA mechanisms should only be introduced when there are robust (enough) metrics available and complementary measures in place to avoid negative consequences.

"I am very worried by the suggestion we shouldn't make perfect the enemy of the good and get on with it.... Using very simple proxies could encourage the wrong kind of production systems"
(Angela Francis)

Sectors that have high greenhouse gas footprints should be the initial focus for any CBA. When exploring CBA, the Zero Carbon Commission proposed starting with other sectors that have high greenhouse gas footprints and are less piecemeal than agriculture. The European Commission's recently leaked draft CBA document proposed an initial focus on steel, iron, cement, fertilisers, aluminium and electricity.

Hence, agriculture – particularly carbon-intensive inputs like imported fertilisers - could be considered as a phase two for CBA, but not one of the first areas to focus on.

“It is pointless to try to work out the precise carbon content of a particular type of yoghurt imported from a particular region of France. It is just nonsense to try to do that.... Let us start pragmatically... with a small number of highly carbon intensive products, and within that frame, fertilisers for example will figure very high.... Start simple with a few major components, with carbon trade, and gradually generalise out. And what we will see is some remarkable changes in the whole structure of food supply chains and in agriculture as a result. But that is what we need to do.”

(Professor Dieter Helm)

3.7 It is important to consider broader sustainability and to take ‘in the round’ decisions

Taking the example of beef, if you just want climate-friendly beef, you might choose beef grown using hormones as that may get you a lower carbon footprint. However, when considering a range of issues, including animal welfare, you may come to a different decision. There are lots of issues that need incentivising alongside climate issues, including – but not limited to – water quality, habitat, biodiversity, public health, zoonotic diseases, animal welfare and fair treatment of workers.

“If it becomes too focused about carbon, you can quickly lose focus of the other elements of sustainability.”

(Jack Watts)

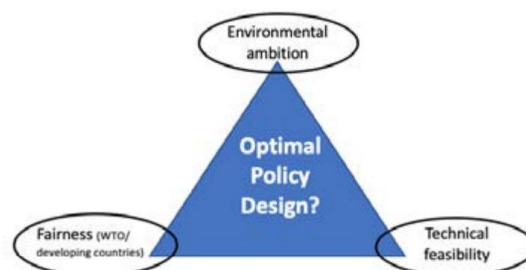
3.8 Others can learn from US’s approach to seafood core standards

While the US’s farming practices have rightly been under heavy scrutiny recently, it was argued that some of what the US is doing in relation to fishing is world-leading. The US has in place a certification scheme that requires every country that wants to send seafood to the US to submit to a certification system that shows they are managing their fisheries in a way that protects marine mammals. If they can’t, they are not allowed to send their seafood to the US at all. US learnings from previous WTO judgements enabled the development and roll out of this certification scheme without dispute. It was suggested that the UK could do something similar – for agricultural products.

3.9 It is important to balance environmental ambition, fairness and technical feasibility

The Carbon Border Adjustment Trilemma, from Emily Lydgate, is a valuable tool, if exploring the design of some form of CBA. Lydgate highlights three, often conflicting, dimensions: environmental ambition, fairness and technical feasibility:

Figure 1. The CBA Trilemma



Source: Emily Lydgate (2021), the carbon border adjustment trilemma

3.10 The UK should show climate leadership but be internationalist, not inward-looking

Emily Lydgate (2021) wrote that *“The UK has not yet produced a domestic proposal on CBA. However, as a country that has committed to net-zero by 2050 target and the host of the upcoming G7 and COP, it is well situated to convene these discussions on making climate clubs a reality, and will hopefully*

take up the challenge.”. There is certainly an opportunity and a responsibility for the UK government to show climate leadership, to take bolder action and to encourage others to follow suit. In relation to CBA, if every individual country decides about CBA on their own, then they arguably have the ability to ‘weaponise it’, i.e. use it for their own benefit. An important question was raised about who should be leading this agenda and who should be deciding how to set a carbon tax or consider what a CBA mechanism should look like globally. Should that be the role of the WTO or someone else?

3.11 Alternative measures are needed, either instead of or in addition to, a CBA

Phytosanitary and sanitary rules relate to food safety and apply to all food that is for sale in the UK, including imports. Hence recent debates about whether products such as chlorinated chicken and hormone beef should be allowed to be imported into the UK is focused on whether we keep these import rules in place. It was argued that what is needed are import rules for environment and animal welfare to sit alongside food safety rules. One of the recommendations from both the National Food Strategy Part One and the Trade and Agriculture Commission was setting core standards. A compelling proposal was put forward to set core standards for environment and animal welfare, and to work with farmers in the Global South, alongside UK farmers, to move to that new system. There is potential for taxes and bans to work together:

“We have alcohol taxes for the higher the alcohol content, and that might be how carbon taxes work, but we also just ban moonshine³. We don't let people drink something that lets them go blind... There are things you say you can set a tax to try and discourage it and there are just things you ban. If you were sitting there thinking, 'We've got an alcohol problem here...' you don't introduce the tax first, you ban the moonshine first. You ban the really bad thing and say, 'Let us get that out of the system and we will worry about the niceties later,' and that is where core standards fit in.”

(Angela Francis)

4. PROCESS

4.1 Food Policy on Trial events are intended to allow a quickfire evaluation of a policy idea, consider arguments and explore whether the idea has potential to make an ‘in the round’ positive contribution to fair food systems. The Food Ethics Council believes it is important to take an ‘all things considered’ perspective and to consider likely impacts of particular courses of action for the UK, within a global context. There are unlikely to be many interventions that are win-win-win-win (across environment, human health, animal welfare and social justice), hence weighing up trade-offs may be necessary. In doing so, it is important to understand who the biggest losers are likely to be from a policy intervention, whether those losses are justified, and where they are not, to take mitigating steps.

4.2 There are many arguments for and against CBA – both at a general level and relating it more directly to food system outcomes. In this event, we sought to unpick some of these arguments and have a nuanced debate that allows people to come to their own judgements.

4.3 This *Food Policy on Trial* event adopted a select committee style format (but held online during the COVID-19 lockdown). A panel of members of the Food Ethics Council took evidence from, and asked questions of, four expert witnesses on the idea of CBA. This was enriched by additional insights and questions from the audience, before a separate jury deliberation and judgement.

4.4 List of expert witnesses:

- **Prof Dieter Helm**, Professor of Economic Policy at the University of Oxford (pre-recorded)
- **Angela Francis**, Chief Advisor, Economics and Economic Development, WWF-UK

³ Moonshine is illegally produced alcohol

- **Chiara Putaturo**, EU Inequality and Tax Policy Advisor, Oxfam
- **Jack Watts**, Agri-food Policy Delivery Manager, National Farmers' Union (NFU)

4.5 Jury of [members of the Food Ethics Council](#):

- **Pete Ritchie**, Executive Director of Nourish Scotland and organic farmer (Chaired the event)
- **Julian Baggini**, Freelance writer and philosopher
- **Chloe Donovan**, Founder of Hundred River Farm
- **Ralph Early**, Independent food scientist and ethicist
- **Jo Lewis**, Strategy & Policy Director, Soil Association

4.6 Caveats to the process:

- Evidence was limited to four expert witnesses, chosen by the Food Ethics Council, and comments from audience members and the panel.
- It was a short process, not a comprehensive analysis. It was designed to raise important ethical concerns and encourage 'in the round' deliberative thinking about policy.

4.7 Nevertheless, we believe it is possible to come to an initial broad-based judgement founded on the evidence and viewpoints raised, to help with developing policy in this area. As well as the outcome, the *process* of encouraging 'in the round' consideration of food policies is in itself important. The Food Ethics Council is committed to 'joining the dots' across public health, animal and human welfare, and the natural environment, in consideration of the food system. It provides space to help people come to practical, ethical decisions, with an 'all things considered' approach.

4.8 We strongly encourage people to listen to the evidence and views from the Food Policy on Trial event - and other evidence - and to form their own judgements.

We are very grateful to Polden Puckham Charitable Foundation for their generous support of this Food Policy on Trial series. The views and judgement above do not necessarily reflect the position of Polden Puckham.

APPENDIX: USEFUL RESOURCES

The following are some articles, blogs and videos mentioned during the course of the Food Policy on Trial – by expert witnesses and jurors and/ or that we picked up in our initial research. This is not an exhaustive list. It is intended to highlight just a selection of key resources relating to this topic:

- Angela Francis (June '21) [Can the environment emerge as the winner from a UK-Australia trade deal?](#)
- Rachel Wolf (April 2021) for the Zero Carbon Campaign, [How a Border Carbon Adjustment would make Net Zero an opportunity for Global Britain](#)
- Sam Lowe (January 2021) for the Zero Carbon Campaign, [Should the UK introduce a border carbon adjustment mechanism?](#)
- Dieter Helm (Feb 2021), [Bespoke carbon taxes on food](#)
- Emily Lydgate (May 2021), [The carbon border adjustment trilemma](#)
- Arvind P. Ravikumar (2020), MIT Technology review, [Carbon border taxes are unjust](#)
- Reuters - Carbon border tax [video](#)
- WWF and Client Earth (Dec 2020) [blog on core standards](#) based on a IEEP briefing
- Megan Waters (March 2021) former US trade negotiator, [blog](#) and [briefing](#) on US seafood certification scheme
- WWF (March 2021) [Briefing on core standards and codex planetarius](#)
- Carolyn Deere Birkbeck (May 2021) [Greening International Trade](#)