

# Policies against nature? Towards a reform of biodiversity harmful subsidies

Report<sup>1</sup> of the international conference organised by the Fondation d'entreprise Hermès and IDDRI at the Théâtre de la Cité internationale, Paris, on 1<sup>st</sup> June 2012.

The Hermes Corporate Foundation and the Institute for Sustainable Development and International Relations (IDDRI), as part of their schedule of international conferences on biodiversity, organised a conference entitled "Policies against nature? Towards a reform of biodiversity harmful subsidies" on 1<sup>st</sup> June 2012, at the Théâtre de la Cité Internationale in Paris. This theme provided a complement to the 2011 conference that focused on market-based instruments for biodiversity conservation and thus the means to finance conservation strategies, rather than the issue of eliminating funding that contributes to biodiversity erosion<sup>2</sup>.

In his introduction, **Romain Pirard**, chief scientist of the conference and IDDRI economist specialized in forestry, agriculture and biodiversity issues, recounted how the theme of harmful subsidies evolved within the Convention on Biological Diversity (CBD), and that its starting point was the CBD's Article 11, which mentions the need for positive incentives. While this issue was considered by working groups during the 1990s, the terms of the debate took a different turn when perverse incentives were discussed at the COP 6 in 2002. This led to the adoption of Goal 3 of the Strategic Plan during the 2010 COP 10 in Nagoya, by which the Parties agreed on the gradual removal, reduction or reform of harmful subsidies by 2020. This objective represents an all-out attack by the CBD to tackle the causes of biodiversity loss, although much remains to be done in terms of the identification, quantification and reform of such subsidies, which exist at all levels and in all countries.

Romain Pirard continued his analysis by highlighting the eminently political aspect of the issue, which results from the traditional tensions that exist among the critics of public subsidies, for reasons of ideology, of competitiveness in a context of trade globalization, or of

1. While the participants have reviewed and validated the text, the author fully assumes responsibility related to any subjective interpretation of their talks.

2. The report of the 2011 conference is available on [www.iddri.org](http://www.iddri.org).

environmental impact. Thus, in the 1990s, coalitions of countries with liberal agendas attacked in particular the agricultural sector of Europe and the United States, on the grounds of alleged environmental impacts, even though most of the tangible evidence to support this approach did not come to light until the following decade. The introductory talk concluded with a reminder of certain key figures that illustrate the phenomenal importance of these subsidies—about a trillion dollars a year—an amount of a different order of magnitude compared to the estimated funds needed for biodiversity conservation (around tens of billions of dollars per year<sup>3</sup>).

**Patrick ten Brink**, senior analyst at the Institute for European Environmental Policy (IEEP), opened the first session by discussing some of the methodologies developed, especially those of the OECD, to identify and quantify harmful subsidies. He indicated that subsidies could be classified according to a gradient ranging from the worst (negative on all levels) to the best (positive on all levels), which enables the identification of priority areas for action. Thus, some manoeuvre room exists for their reform, as shown by the example of water subsidies in Spain. OECD methods should be seen in a broad perspective (to serve a political vision) rather than from a narrow viewpoint of simple quantification. Society also has a role to play in this regard, by pushing for an update on the reform agenda.

**Guillaume Sainteny**, lecturer at the École Polytechnique, presented a study that he presided over in 2011 carried out by the Centre for Strategic Analysis (CAS) on biodiversity harmful subsidies in France. Of course, France lags behind in this area due to the priority traditionally given to regulatory tools, but the *Grenelle de l'environnement* (French environmental table)—which was the originator of this study—as well as the decline in public funds, may open a window of opportunity for action to reduce and/or redirect state subsidies that are particularly harmful. While recognizing certain limitations to this study—in particular the absence of funding that is provided by local authorities—Guillaume Sainteny advocated the approach taken which addressed in priority and in that order the public development assistance (ODA), the maritime areas, the French overseas departments and territories and then mainland France, because of the emergency in terms of biodiversity and the

key role of the tropics. He concluded with a positive point (two proposed measures are already included in the 2012 Finance Act) along with a precautionary note (not to rely on cost savings to fund environmental protection activities because of the level of public debt).

**Vincent Renard**, senior advisor at IDDRI, opened the second session devoted to the emergence of these subsidies in different sectors. He began by noting the lack of consensus on the subject in the field of urban dynamics, emphasizing the probably limited impact of subsidies related to urban sprawl. The problem is complex because of the many tax measures related to these urban dynamics. But more importantly, it seems that the phenomenon of urban sprawl is largely a social reality dictated by the natural desire of people to possess their own homes (which will be increasingly located on the peripheries of cities because of the unaffordable prices in urban centres) and subject to passing and often contradictory trends. Ultimately, there remains much debate around the concepts (what does “space consumption” mean?) while contradictory proposals emerge from successive reports, such as “de-densification”, taking environmental objectives into account, the freedom to build, and the need to plan to save on infrastructure (e.g. access to water), etc.

**Xavier Poux**, ASCA consultant and board member of the European Forum on Nature Conservation and Pastoralism, gave a broad address on the issue of agriculture. He explained that from the 1960s onwards, agriculture has gradually become more specialized, and that awareness should be raised regarding certain production modes, such as highly mechanized and chemical-intensive systems, and their large-scale and indirect impacts on other agricultural systems. Thus, development in cereal production has encouraged the implementation of industrialized livestock farming, at the expense of more extensive livestock rearing. However, successive Common Agricultural Policy (CAP) reforms since 1992 have led to increased decoupling, which makes the direct link between subsidies and intensification increasingly tenuous. Therefore, the evaluation of the impact of aid on biodiversity must consider the different types of farming systems on which they are targeted (*via* a mechanism of policy filters and allocation rules) but also the dynamics of development that they maintain globally, by encouraging the further injection of capital funds into certain systems—the largest and most intensive—to the detriment of others. Ultimately, there is a need to specifically target well-identified practices, as opposed to generalized subsidies that are blind to the diversity of systems.

3. A paper on this issue is available on IDDRI's website: Feger, C. and R. Pirard, 2012, “Assessing funding needs for biodiversity: critical issues”, IDDRI, *Policy Brief* N°06/11, Paris.

The last speaker of the second session was **Markus Knigge**, adviser to the European Marine Programme of the Pew Environment Group organisation, who discussed the fisheries sector. This is an area of major concern due to the well-known global overexploitation of fish stocks, including those in European waters (it must be remembered that the overexploitation of natural resources is one of the five main acknowledged causes for biodiversity loss). Subsidies, estimated at around 27 to 34 billion dollars annually, are probably the main engine driving this overexploitation. While fishermen often dispute the existence of overfishing, Markus Knigge advocates a reversal of the burden of proof, proposing that the fishing industry should be required to demonstrate the sustainability of operations before being allowed to receive subsidies. Indeed, a lack of transparency is a recurring problem, with many issues remaining regarding access to data, even though subsidies could be used to improve data collection. It is clear, contrary to official statements, that large fleets are currently the main beneficiaries of subsidies—particularly through funding for modernization but also due to tax exemptions on fuel that allow boats to travel longer distances from the coasts. This “diversion” of subsidies towards industrial fleets has the additional negative effect on biodiversity caused by the “bottom trawling” activities of large vessels.

**Pascal Reyssset**, head of Expertise urbaine, opened the third session on the possible pathways to subsidy reform. First, he sought to attenuate a number of beliefs that were contained in the CAS report (2011), regarding the causal links between urban sprawl/loss of green space and biodiversity loss. Indeed, it is theoretically possible to reconcile these aspects through the use of well-designed infrastructure, although such an approach is unfortunately not commonplace. Thus, a potential route to reform would be to improve the regulations governing developers, where non-compliance with defined standards could lead to the withdrawal of “professional licences”. This could be combined with improved monitoring after environmental impact studies have been carried out, to better ensure the effective implementation of mitigation measures. However, while the housing crisis in France today is in a critical situation, cutting building industry subsidies would be inconceivable given that these funds are crucial (although insufficient) to achieve the target of 400,000 new homes a year. It is also vital to consider that the objective of urban densification is complicated by the fact that the income level of a majority of the French population is below that required for investment in city centre properties. Perhaps one

solution might be the development of “townhouses” on plots of land less than 300m<sup>2</sup>. Finally, the development of logistic zones should be encouraged, provided that close attention is given to their design and implementation.

**Trees Robijns**, EU agriculture and bioenergy officer at Birdlife International, explained the vision of her organisation regarding the reform of the CAP, which is currently under negotiation at the European level. Birdlife International seeks to achieve a reduction in the extinction rate of bird species, a decline that has been proved beyond doubt. The second pillar of the current CAP should serve as a model and starting point through which rural development is encouraged in harmony with a respect for the environment. Several foundations are therefore proposed, which should be based on better adherence to the law. Currently, we can say that the European Commission’s proposals have not followed these recommendations, other than through paying them lip service.

**Roger Martini**, senior analyst on fisheries for the Organization for Economic Cooperation and Development (OECD), began his speech by describing a set of positive characteristics of subsidies that can emerge when they are skilfully designed (and in the appropriate context), echoing the classification of Patrick ten Brink on good, bad and ugly subsidies. Roger Martini insists that the impacts of subsidies are heavily dependent on the system in which they operate, including the calculation of catch quotas, the level of law enforcement and others. However, there remains major leeway for reform, especially as subsidies are not directly linked to incomes (and encourage practices that are harmful to biodiversity, as previously noted by Markus Knigge). Although many barriers exist—lobbying, traditional resistance, sector decline, etc.—reforms can follow a path from the setting of clear and reasonable targets to the gradual reorientation of subsidies, with minimal impact on the overall budget and by rigorously documenting the results obtained. A promising path, according to Roger Martini, is to generalize the distribution of individual transferable quotas.

These speeches were followed by reactions from three participants. **Jean-Michel Charpin**, inspector general of finance, raised the possibility of a future coalition between environmentalists and proponents of the consolidation of public finance. Personally, he refused to accept the fact that the acknowledged vagueness regarding the concept of biodiversity, and therefore necessarily regarding the impacts of various activities and subsidies that support it, should be brandished as an excuse to delay the moment of action. This is a serious issue,

and action on the reform of harmful subsidies must be rapid. Jean-Michel Charpin also, however, drew attention to the fact that a number of the proposed reforms would generate significant administrative costs, such as the implementation of regulations. With regards to the question of fishing, he affirmed his support for the generalization of quotas, as this sector is unique in that it concerns the overexploitation of stocks of “common goods” (non-excludable but rivalrous), while expressing reservations on the merits of making them tradable because of the high risk of the concentration of capacities.

**Christiane Lambert**, senior vice-president of the National Federation of Farmers’ Unions (FNSEA), draws a parallel between the need to produce new housing and that of developing agricultural production during the post-war period. This era was followed by another agricultural revolution: that of product quality and traceability. Through successive CAP reforms—conditionality of aid, grassland subsidies, agri-environmental measures—farmers have realized the importance of balancing food production and the environment. Christiane Lambert underlined the need to enhance these environmental services and to acknowledge the ecological responsibility of farmers. She insisted that agricultural land is the “victim” of a double penalty, namely the transformation of land for the construction of housing and infrastructure, and the gradual implementation of the Avoid Reduce Offset approach. This involves obliging developers to compensate (when they cannot *avoid* or *reduce* on a particular site) for their impact on biodiversity through the restoration and sustainable management of other sites, thus having a double impact on the production potential.

The final speaker, **Bernard Coloos**, director for economic, financial and international affairs at the French Building Federation (FFB), underlined that the densification of cities is extremely expensive, even though it may seem to be a solution to the problem of biodiversity loss caused by urban sprawl and land consumption. Urban planning policies are central and have been debated for a long

time with mixed results, which in itself shows the extent of the challenge. The combined pressure of the housing crisis and the economic crisis makes the task even more complicated today. Guillaume Sainteny also noted that the transport sector could provide a simpler starting point for the reform of subsidies that are harmful to biodiversity.

By way of conclusion, the conference, which followed a sectoral approach, highlighted the degree to which industries lend themselves to reform. This enabled sectors to be classified in order of priority, starting with fisheries (where overexploitation is well documented and clearly linked to subsidies), agriculture (where production systems are diverse in terms of their direct and indirect impacts) and the urban sector (high social sensitivity, poorly responsive to subsidies, complex). The best pathway for reform should ideally take several criteria into account including the ability to trace the impacts of subsidies, and the technical and political feasibility of reforms. In reality, the concept of a window of opportunity for political action is essential, and society as a whole has a role to play in the process through the selective targeting of efforts, as apposed to overly general campaigns that could be counter-productive. While the promotion of free trade and neoliberalism in the functioning of the economy can have converging objectives with environmentalists—as was seen in the 1990s—such a coalition is not without risk. The management of public finances in the context of a profound debt crisis in the developed world has tended to place the focus on the reduction of government spending, rather than the reallocation of funds that could be obtained from the abolition of certain subsidies (including incentives) in the name of biodiversity conservation. ■

This text by Romain Pirard provides an account of the presentations at the international conference “Policies against nature? Towards a reform of biodiversity harmful subsidies”, which was organised by the Hermes Corporate Foundation and the Institute for Sustainable Development and International Relations (IDDRI) on 1st June 2012 at the Théâtre de la Cité Internationale in Paris. The views expressed by the speakers at this seminar do not necessarily reflect the official positions of the institutions to which they belong. In publishing and making this document available on its website, IDDRI aims to disseminate works that it considers to be of value for the debate. Please direct any questions to: [romain.pirard@iddri.org](mailto:romain.pirard@iddri.org)