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Task Force 02

SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS

Repurposing Public Support to Agriculture to Accelerate the Transition to Low-Carbon and Sustainable Food Systems

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Abstract

Globally, public support to the agriculture sector totals over USD 850 billion annually. Much of this support incentivises practices that drive climate change and biodiversity loss, threatening the sustainability of our food systems, undermining food security, and generating significant economic costs. In a world of constricted public finances, support to agriculture needs to better meet sustainable development outcomes. Investor groups such as the FAIRR Initiative have also called for such public reforms to send the right signals to the private sector, so that the latter can prioritise and channel more financing towards nature- and climate-positive business practices.

Several G20 countries provide significant public support to their agriculture sectors, and some are taking steps to reform and better align public spending with climate and biodiversity outcomes. Brazil's Low Carbon Agriculture Programme demonstrates how repurposing harmful agricultural support can help achieve climate mitigation efforts, alongside improving both the efficiency and adaptive capacity of agricultural production systems.

In 2023, G20 Climate and Environment Ministers adopted language committing members party to the Convention on Biological Diversity (CBD) to identify and repurpose support harmful to biodiversity by 2030. Building on this, and recognising the key role played by finance ministries in allocating domestic budgets, G20 countries should adopt similar language on agricultural subsidy reform in the G20 Finance Ministers' Communique in 2024. This would send a strong signal of commitment to tackling agriculture-related emissions and protecting the natural capital upon which billions worldwide depend for their livelihoods and food security. The communique could also be used to demonstrate G20 countries' intentions to share practical lessons on

repurposing agricultural support to accelerate transitions to sustainable food systems, including on mitigating impacts on affected stakeholders.

Public Support to Agriculture Needs to Be Better Aligned with Climate and Biodiversity Goals and the G20 Needs to Spearhead Global Reform Efforts

Governments around the world provide support to their agriculture sectors worth over USD 850 billion per year, a figure projected to climb to USD 1.8 trillion by 2030. More than USD 500 billion of this support comes directly from government budgets. Despite this spending, agricultural production systems are failing to overcome major global development challenges such as food insecurity and persistent rural poverty. Moreover, much of this public support incentivises practices that contribute to climate change and biodiversity loss, or which exacerbate global health challenges.

Public support that incentivises large-scale, industrial production—such as that coupled with the production of a given commodity, or to acreage farmed—has been linked to increased emissions and loss of biodiversity due to increased land conversion and deforestation. Subsidisation of chemical inputs, such as inorganic fertilisers and pesticides, is likewise linked to soil contamination and declining soil health, increased carbon dioxide and nitrous oxide emissions, and water pollution. Furthermore, a significant share of public support to agriculture is focused on emissions-intensive or unhealthy commodities, undermining efforts to tackle climate change and improve nutrition outcomes worldwide.

The cumulative effect of harmful public support on our climate, biodiversity, and ecosystems impacts our ability to secure adequate food production and access to safe and nutritious diets for all, as well as placing the long-term security of rural livelihoods and economic development in jeopardy. It poses significant risks to the economic activity of private actors in the sector, including farmers, agribusinesses, and investors. For example, climate change impacts, such as heat stress on livestock and lower animal feed yields, are projected to result in cumulative losses of USD 1.3 trillion by 2030 for 40 of the largest livestock companies. Moreover, biodiversity loss has a material impact on economic activity, as nearly USD 44 trillion of global gross domestic product (GDP)— more than half—is dependent on ecosystem services. This impact on GDP has a trickle-down effect on the financial system and all diversified investment portfolios.

Governments around the world need to make better use of their support to their agriculture sectors, ensuring such support advances rather than undermines sustainable development objectives. Doing so will also send the right signals to the private sector, encouraging investors to prioritise and channel more financing towards nature- and climate-positive business practices.

G20 countries account for the vast majority of the public support provided to agriculture globally and contribute approximately 85% of current global greenhouse gas emissions. They therefore have a responsibility to take the lead in identifying and phasing out support that incentivises agricultural activities and practices that cause environmental harm, as well as those that generate social harm, such as increased inequality or the marginalisation of groups such as women and smallholder farmers. G20 countries should transition away from environmentally and socially unsustainable agricultural practices, such as support which drives inequality and the marginalisation of groups such as women and smallholder farmers, and reorient their support towards activities and practices that reduce emissions and biodiversity loss, and which accelerate the transition to the kinds of low carbon and sustainable food systems needed to limit global warming to 1.5 degrees or less. This repurposing of public support to agriculture can help deliver on a range of sustainable development goals related to poverty, food security, climate change, biodiversity, and human health. As a country already repurposing domestic support to agriculture under the Low Carbon Agriculture (ABC+) Programme, Brazil is well-placed to capitalise on growing interest and momentum in the G20.

A Commitment from G20 Finance Ministers to Align Domestic Budgets with International Climate and Biodiversity Goals and Targets

Momentum is now growing across a range of international fora and processes for the repurposing of support away from harmful practices and behaviours towards practices that deliver for people, climate, and biodiversity. Since the launch of the global Policy Dialogue for Sustainable Agriculture in 2021 by the UK Government and the World Bank, over 45 governments from around the world have come together to share best practices and lessons learned on efforts to repurpose public support and policies in their respective agriculture sectors. The new Global Biodiversity Framework launched in August 2023 includes a target dedicated to identifying by 2025, and eliminating, phasing out or reforming incentives, including subsidies harmful to biodiversity. At 2023 United Nations Climate Change Conference (COP28) in Dubai, over 150 countries signed the COP28 Emirates Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action, committing to revisit or reorient policies and public support related to agriculture and food systems to better deliver across a range of economic, climate, and nature outcomes.

Within the context of the G20, the 2021 G20 Sustainable Finance Roadmap recognises the pressing need to phase out fossil fuel subsidies. The 2022 Bali Leaders' Declaration likewise includes language on the need to better align both public and private financial flows with biodiversity outcomes. Under the Indian G20 Presidency last year, Climate and Environment Ministers also reaffirmed the commitment of those G20 members party to the CBD to identify, eliminate, phase out, or reform incentives harmful to biodiversity. There is an established precedent for G20 cooperation on reforming and repurposing harmful subsidies and incentives across a range of sectors, which can be built upon in 2024 and beyond.

The repurposing of harmful support and incentives in the agriculture sector is discussed in various international fora, such as the World Trade Organisation and the United Nations Framework Convention on Climate Change (UNFCCC) and CBD COPs. These discussions have involved civil society, international organisations, and representatives from national ministries of trade, agriculture, and environment, among others. However, ultimate responsibility for determining government budgets rests with finance ministries, who have been largely absent from these discussions to date.

Many governments currently find themselves under increasing pressure to deliver more with less, as domestic budgets and fiscal space have become increasingly stressed. Alongside the potential to repurpose support and incentives to deliver better results on a range of economic, social, and environmental outcomes, repurposing harmful support to agriculture presents an opportunity to improve value for money for domestic agriculture and food systems. It also allows governments to signal to private sector actors the need for a shift in production and investment towards more environmentally, economically, and socially sustainable agricultural products and practices.

Building on existing G20 commitments made under the Indonesian Presidency in 2022 to align public finance with biodiversity outcomes, the Brazilian Presidency is well-placed to pivot the discussion into the Finance Ministers' Meetings. Including language on the repurposing of agricultural support and incentives in the G20 Finance Ministers' Communiqué is an important step towards G20 governments agreeing how they plan to align their domestic budgets, not only with biodiversity outcomes, but broader climate and environmental outcomes.

As such we recommend that in 2024, the G20 Finance Ministers commit to the following:

1. Phasing out support to agricultural activities and production practices that have a proven detrimental impact on our climate and environment or on human health, and reorienting public support towards more sustainable practices such as payments for ecosystem services, enhancing fertiliser efficiency, or facilitating low-interest loans for farmers who implement sustainable agricultural practices. Such reform should be aligned with the existing international commitments of G20 countries, such as with respect to the Global Biodiversity Framework and Emirates Declaration on Food and Agriculture, and should be informed by local contexts, knowledge, and expertise, as well as credible data and evidence.

2. Establishing funds or other mechanisms, such as multi-stakeholder dialogues, to support farmers and other stakeholders who are negatively impacted by the reform of domestic support and incentives in the agriculture sector. In addition to mitigating negative socioeconomic consequences that could arise from repurposing support, such funds or mechanisms can also help facilitate dialogue and provide assurances to address opposition that may arise from the reform of existing public support to agriculture.

3. Being held accountable for progress on the implementation of reforms, including for building the capacity for both domestic and G20 institutions to monitor and analyse

progress. Regular monitoring and evaluation would allow for identifying if and where progress is off track and what amendments are necessary, alongside providing improved transparency and accountability to domestic constituents.

Recognising also that several of the organisational members of the G20 Sustainable Finance Working Group—namely the OECD, World Bank, and United Nations—are well regarded for their research and thought leadership on the issue of repurposing harmful support and incentives, the Brazilian Presidency should seek to facilitate the sharing and harnessing of this research, and of the relationships these organisations have built with G20 governments, to help inform the activities of the working group. In particular, this should include how the Sustainable Finance Working Group is working across other G20 groups to implement Action 16 of the 2022 Sustainable Finance Roadmap, relating to the phasing out of fossil fuel subsidies.

Building bridges, both with the incoming South African 2025 G20 Presidency and the incoming Canadian G7 Presidency, will be key to ensuring the repurposing of harmful support and incentives to agriculture remains on the agenda across the Gs in the coming years. This could include, for example, coordinating with the G7 on the implementation of the 2030 Nature Compact, in particular the commitment to identifying and replacing domestic support that has been identified as harmful to nature with nature positive alternatives.

From Commitment to Action: Aligning Domestic Spending

Should G20 Finance Ministers commit to the above recommendations, there are a range of actions that can be pursued to increase the chances of successful implementation of reforms. It is worth noting, however, that the reform or repurposing of public support and incentives to food and agriculture is a contentious issue in several G20 countries and not without political headwinds and challenges. Recent attempts to reform policies and incentives in Europe have been met with strong opposition from a range of stakeholders. As such, the engagement of stakeholders who stand to be impacted by changes to how finance ministries support their respective agriculture sectors must be front and centre of any G20 policy reform efforts. Countries already implementing reforms are well-placed to share their experience so far, including any strategies they have found helpful for engaging and uniting stakeholders to back reforms.

There are groups and processes within the G20 that can support governments to navigate challenges associated with the repurposing of harmful support and incentives in the agriculture sector. The G20 Sustainable Finance Working Group, for example, is tasked with identifying barriers to the mobilisation of sustainable finance in alignment with Agenda 2030 and the Paris Agreement, as well as suggesting options for overcoming these barriers. The Working Group, therefore, is well-placed to support G20 Finance Ministers in identifying challenges to reforming or repurposing harmful public support and incentives in the agriculture sector, as well as proposing solutions to help mitigate these challenges. The Working Group can also provide a platform for G20 Finance Ministers to track and share progress on their respective reform efforts, as well as for sharing lessons learned that may assist other G20 countries with their own reforms.

Target 16 of the 2021 G20 Sustainable Finance Roadmap already recognises the vital role that the phasing out of fossil fuel subsidies can play as a policy lever to help influence sustainable investment. Expanding the scope of the target to cover all harmful subsidies can help not only give a more holistic overview of how the negative effects of harmful subsidies across different sectors potentially compound one another—such as the energy and agriculture sectors—but also how reform in one sector can help encourage sustainable investment in another sector.

Ensuring private sector engagement with the agenda will also be critical to successful implementation of policy reform. Many private sector actors—including farmers and agribusinesses—stand to be impacted by reforms to public support and incentives to the agriculture sector. Facilitating ongoing dialogue, for example through multi-stakeholder consultations, is critical for quickly identifying where concerns and challenges might arise and for providing space to co-create a suitable path forward. Likewise facilitating dialogue with private financiers on reorienting agricultural support will allow governments to signal the need for a shift in investments away from environmentally harmful commodities and practices. Investors require governments to provide guidance and an enabling environment to help them meet their net-zero investment commitments under frameworks such as the Institutional Investors Group on Climate Change Net Zero Framework.

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