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## **THE IMPLICATIONS OF HIGH FOOD AND ENERGY PRICES FOR ECONOMIC MANAGEMENT – PRIVATE SECTOR PERSPECTIVES**

Paper for the Commonwealth Secretariat\*

Commonwealth Secretariat  
Marlborough House  
London SW1Y 5HX

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\* Paper prepared by the Commonwealth Business Council (CBC). The views expressed do not necessarily represent the position of the Commonwealth Secretariat or member Governments of the Commonwealth. The CBC is grateful to Unilever and Swiss Re for their contributions to the preparation of this paper.

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# **THE IMPLICATIONS OF HIGH FOOD AND ENERGY PRICES FOR ECONOMIC MANAGEMENT – PRIVATE SECTOR PERSPECTIVES**

## **EXECUTIVE SUMMARY**

This paper provides a private sector perspective on issues related to high food and energy prices for consideration by Finance Ministers. It complements the analysis and views provided in papers by the Commonwealth Secretariat and recent work on this topic by the IMF<sup>1</sup> and World Bank.

2. The upward price rises of both food and energy over the past year have posed a number of challenges for governments and the private sector world-wide. The impact on countries has been different depending on whether they are net importers or exporters of both food and energy. For low-income countries, there has been a double shock of increasing costs of oil and food imports. There has also been a differential effect on markets and the private sector, depending on the nature of different businesses (energy producing or consuming; farmers and users of grains and producers of fertilizer and foodstuffs). However, the resulting turbulence for the wider international economy has had a destabilising effect, provoking social turmoil in the form of protests and food riots in many countries. It is therefore in the wider interest to address the volatility, particularly since it is likely to continue.

3. Individual governments have begun to implement various policy responses and the multilateral institutions have begun to engage on these areas, however a fully co-ordinated international approach with the involvement of the private sector is still lacking. The suddenness of the accelerated price rises have also raised questions related to the various causes and possible solutions: are the price rises a short-term or long-term phenomenon? How are the rises tied to policy challenges and market-based supply and demand considerations? How should these challenges be addressed?

4. The collapse of the Doha round of trade negotiations has meant a lost opportunity to address longer-term issues on trade in agricultural products, protectionism and market access. Developing countries have responded to food price rises through subsidies, by reducing tariffs on imported grains and by restricting or taxing grain exports. These short-term measures, however, will have a longer-term impact on incentives to increase production and investment in agriculture.

5. With the partial easing of oil prices and commodity prices as at August 2008, there is a temptation to view these as short-lived phenomena which will be solved by market regulated supply and demand. The CBC takes the view, however, that the price rises for both food and energy are part of longer term trends that pose risks and therefore need to be addressed in that light.

6. There is an important nexus between food and energy policy which has been brought to the fore particularly by policy decisions on bio-fuels targets and production. With rising oil prices and pressures to utilise low carbon emission fuels, grains including corn and wheat have become important fuel substitutes. Agricultural inputs (e.g. fossil fuel based fertilisers) and transport costs have also been affected by energy prices. The price of grains has therefore

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<sup>1</sup> IMF, "Food and Fuel Prices, Recent Developments, Macroeconomic Impact, and Policy Responses", Fiscal Affairs, Policy Development and Review and Research Departments, June 30, 2008

followed the price of oil. A dramatic expansion of biofuel production (for example by doubling actual biofuel production plans/ projections) could lead to more than doubling the price of important agricultural commodities.

7. To ensure the best outcome, policy responses should address both demand and supply side issues. The private sector can play a key role in terms of supply responses to help meet growing demand, however, this can be developed more effectively with the support of government policy measures, particularly as follows.

## **RECOMMENDATIONS**

1. Ensure better international coordination on food and energy policy involving governments, business, multilateral institutions and donor agencies
2. Re-evaluate policy on bio-fuels production and utilisation targets in the light of significant price pressures with an impact on food prices – Governments should abolish the setting of mandatory targets for biofuels and the use of subsidies for the production of biofuels derived from food crops.
3. Develop private-public partnerships to help mobilise investment, expand agricultural production and improve productivity
4. Renew efforts to achieve agricultural trade liberalisation including through negotiations to meet the objectives of the Doha Development Round.
5. Strengthen risk management measures through financial and commodity markets to better identify and mitigate risk.
6. Provide Government support for subsidizing agriculture insurance and developing parametric and index solutions, particularly to assist small-scale farmers.
7. Give greater clarity on long-term policy decisions on carbon markets to enable business to make investment decisions.
8. Encourage investment in efficient alternative energy sources

8. For its part, the Commonwealth Business Council stands ready to work in collaboration with governments and the private sector to achieve common objectives. The CBC is currently working with its private sector members to help mobilise long term investment for agriculture in Africa which has significant potential to boost production to meet domestic requirements and for export. CBC will be glad to discuss this initiative with interested governments.

## OVERVIEW

The challenges for economic management posed by rising food and energy prices have been well identified by the IMF in its recent paper “Food and Fuel Prices, Recent Developments, Macroeconomic Impact, and Policy Responses” (June 2008) as follows:

“Policies should (i) ensure that food and finance reaches the most affected countries as quickly as possible, (ii) include targeted and scaled-up social measures, and (iii) avoid high costs in terms of macroeconomic instability or loss in future agricultural production. Purely financial factors, including market sentiment, can have short-term effects on the prices of oil and other commodities, but a lasting impact on recent oil price trends remains difficult to establish. The food price surge is expected to take longer than usual to unwind, given expectations of further increases in biofuels production, continued strong growth in emerging and developing economies, and the cost impact of high oil prices. A lasting supply response is likely to be gradual and depend on improved policy frameworks.

To promote efficiency and sound fiscal policy, higher global commodity prices should be passed through to consumers and producers. This, however, can have significant effects on poverty, requiring mitigating measures. Less than full pass-through and/or other fiscal measures to mitigate the impact of higher prices typically result in fiscal costs that need to be assessed carefully. Consumption tax decreases and universal price subsidies are not well targeted, result in over consumption, and may be difficult to reverse. Public-sector wages should be adjusted only in line with those in the private sector. A key challenge is thus to strengthen targeted transfer programs as part of the social safety net. More broadly, governments need to balance financing and adjustment, taking into account country-specific conditions and priorities.”

2. The emerging consensus on oil price trends remains one of uncertainty, whereas food price rises are expected to continue in the medium term. Volatility, particularly of oil prices, has created instability in global markets which has also come at the time of a significant credit squeeze in financial markets triggered by the sub-prime crisis. These factors in turn have contributed to a slowdown in growth.

3. The CBC’s view is that over the longer term, these are long-term trends which will affect economic growth and development. Increasing demand for energy and food will continue particularly as developing countries, notably India and China and now many countries in Africa, experience growth rates above 6 per cent and require more energy and food. In addressing this challenge, the private sector perspective is that greater stability and predictability is preferred to help business make decisions and invest accordingly. Increased investment in agriculture and energy production from a variety of sources will assist in lowering prices over the longer term.

4. There is an important nexus between food and energy policy which has been brought to the fore particularly by policy decisions on bio-fuels targets and production. With rising oil prices and pressures to utilise low carbon emission fuels, grains including corn and wheat have become important fuel substitutes. Agricultural inputs (e.g. fossil fuel based fertilisers) and transport costs have also been affected by energy prices. The price of grains has therefore followed the price of oil. A dramatic expansion of biofuel production (for example by doubling actual biofuel production plans/ projections) could lead to more than doubling the price of important agricultural commodities<sup>2</sup>.

5. The private sector can play a key role in terms of supply responses to help meet this growing demand, however this can be developed more effectively with supportive government policy measures and effective consultation between business and government.

## **FOOD PRICES AND AGRICULTURAL PRODUCTION**

6. The prices for many key agricultural commodities have risen to record levels. Most experts expect this trend to continue in the short to medium term. Several factors have changed the supply and demand of agricultural raw materials in a structural way:

- i. Demand for food on world markets is soaring due to increased population and dietary changes (particularly in China and India);
- ii. The impact of climate change – changing weather patterns are impacting agricultural productivity (e.g. droughts in Australia, floods in Europe);
- iii. Low stocks for most commodities, which creates higher market volatility;
- iv. Increased global feedstock demand for bio-fuel production

7. This is a global phenomenon. It is heightening concerns in many countries about the impact on food availability and pricing – and the disproportionate impact that this may have on the poor who typically spend more than 50 per cent of their overall budget on food.

8. For the private sector, the issue has had an impact on all companies in the food, beverage and retail sector, and business has been responding. For example, along with other companies, CBC member Unilever has been working to mitigate the impact of rising commodity costs through strategies including hedging, product reformulation and cost savings programmes. Price increases of some products have been passed on to retail customers who stock them and ultimately decide on prices charged to end consumers.

9. CBC's consultations with business on responding to the food crisis have pointed to the need for governments, donors and the private sector to pool their strengths, to establish dynamic public private partnerships to deliver beneficial change quickly. The private sector has become engaged in the short-term emergency response through food aid programmes delivered by the World Food Programme (WFP) and other agencies. Unilever, for example, continues to support and work in partnership with organizations like the WFP and UNICEF to provide food and nutrition to the most vulnerable, particularly children.

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<sup>2</sup> The International Food Policy Research Institute's IMPACT Model forecasts that maize prices will rise by 26 per cent by 2020 under current plans for biofuels production, and by 72 per cent with a drastic expansion of production – cited in Overseas Development Institute Briefing Paper 37, "Rising food prices: A global crisis

10. In the medium and longer-term, however, the provision of food aid will not help address the underlying structural changes in agriculture production that are necessary. A co-ordinated global response that targets specific areas is required, as called for by organizations like the UN Food and Agriculture Organisation. Private sector engagement is an important part of this solution.

11. Co-operation and coordination between donors would bring significant benefits as would the formation of clusters of suppliers and stakeholders in the food supply chain at a local level. Whilst it is recognised that there is a need for a high level strategic approach and overall policy direction, the delivery and benefits have to happen locally. There is also a need to be pragmatic and use already tried and tested activities to supply and distribute nutrition and food. The private sector is already supplying food and products, but because they can only operate on a viable commercial basis it is often problematic in areas of low population density and difficult logistics. Closer dialogue between donors and business, together with funding, would make supply to these areas viable, and could help eradicate malnutrition and hunger.

## **POLICY RESPONSES**

12. To ensure the best outcome, policy responses should address both demand and supply side issues.

13. Biofuels: The world will face more trade-offs between food and fuel. In the EU, for example, more than 65 per cent of rapeseed production is now used for bio-fuels. The US has recently become the number one bio-fuel producer and now uses 34 per cent of its domestic corn crop to produce bio-ethanol. Projections based on the 2007 US Energy Independence and Security Act and the proposed EU Directive for Renewable Energy indicate that 13 per cent of world coarse grain production and 20 per cent of world vegetable production could shift to biofuel production in the next 10 years, rising from 8 per cent and 9 per cent in 2007, respectively. Projected increases in bio-fuel production are estimated to increase maize prices by 72 per cent and oil seeds by a further 44 per cent in coming years<sup>3</sup>. According to the World Bank, biofuel demand is the main factor for the recent food price increases.

14. While policies have been largely driven by the objective of reducing carbon emissions, there is emerging evidence that several feedstocks (including corn) cannot be regarded as a low carbon emission fuel<sup>4</sup>. Research indicates that ethanol from sugar cane reduces greenhouse gas emissions by at least 80 per cent compared to fossil fuels, whereas the reduction from biofuels produced from wheat, sugar beet or vegetable oil rarely produce emission savings of more than 60 per cent; reductions from corn (maize) based ethanol are generally less than 30 per cent. Given this low performance of first generation biofuels, there should be a phasing out of current government policies which support inefficient biofuel production. Governments should abolish the setting of mandatory targets for biofuels and the use of subsidies for the production of biofuels derived from food crops. Instead, investment in more efficient alternative energy sources should be encouraged.

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<sup>3</sup> International Food Policy Research Institute

<sup>4</sup> See OECD Report "Economic Assessment of Biofuel Support Policies", July 2008

15. Trade Liberalisation: Governments may feel the need to introduce restrictions on the import/export of food as well as setting pricing controls to address inflationary pressures within their domestic economies. These ultimately work against the interests of individual consumers as well as those of the broader global economy. In order to improve the supply of raw material, agricultural production needs to be increased and import barriers need to be reduced. The Doha Development Round of trade negotiations needs to be completed urgently to have a multilateral system that allows agricultural trade without prohibitive trade barriers. This is essential to meet the joint objectives of increasing food production and reducing poverty.

16. Investing in Agriculture: More investment is required in research, innovation and extension services in agriculture in order to increase productivity and yields. Yield increases are a must in order to double production for food and feed by 2050. The CBC is currently working in collaboration with CRU Investment Management to help mobilise long-term investment for agriculture in Africa. Through a private-public partnership model, this joint initiative aims to develop large scale farming projects in up to twelve countries in Africa. CBC will be glad to discuss with interested governments.

17. Sustainability: The high prices for agricultural commodities could put increased pressure on land use, affecting water, biodiversity and eco-systems (including tropical forests). We need to ensure that increased agricultural production will be achieved in a sustainable way. New partnerships with the private sector for sustainable agriculture can help achieve these objectives.

## **AGRICULTURE INVESTMENT AND RISK MANAGEMENT - NEW SOLUTIONS**

18. Governments increasingly make use of newer risk management approaches to complement crop insurance schemes or to overcome difficulties of implementing insurance covers. In some occasions, governments leverage the use of capital market instruments to smooth and protect budgets at reduced opportunity costs. For this, partners outside the insurance sector are involved into the Private Public Partnership (PPP) concept so that governments can benefit from the same solutions as already used in the corporate business segment. As the farming sector in many developing countries represents a large portion of the economy, governments often have to intervene after weather related events or disasters that lower agriculture production levels. This puts a financial burden on the government, which often struggle to finance this unexpected burden.

### ***Bancassurance***

19. One example of such a partner outside the insurance sector could be the involvement of a bank. In a bancassurance program, crop insurance is tied to the farm credit and subsidized insurance policies are distributed and administered by bank agents. Where agriculture lending institutions are affiliated to the government, implementation can be better coordinated. And it makes credits for farmers more available. In many cases, farmers hardly get money from banks to improve their production due to the lack of collateral. In the case of bancassurance the recoveries will come from the insurance policy.

20. While the green revolution made its way to Brazil, it also brought some downside in the form of monoculture soybean plantation. These plantations are very vulnerable to drought. After two severe drought years in Southern Brazil, the government decided to

subsidise MPCCI covers in 2005 after high disaster relief payments. As it is usual practice to use future harvests as collateral for farm credit and input cost re-payment, farm loans and debts for input costs were not be paid back and many farmers were out of business. Key to the development was the decision of the country's largest rural lender, Banco do Brasil, to embed crop insurance into their loans for soybean and corn farmers in the South and make insurance compulsory. A clear win-win situation emerged: farmers have access to more loans, banks have insurance as collateral of the loan in case of low harvest and while the government subsidizes this bancassurance scheme, it reduces potential disaster payments through risk transfer to the private sector. The insurance program is reinsured internationally through the state-owned reinsurer IRB and has rapidly expanded to include other Brazilian states and other crop types.

### ***Index Insurance***

21. In order to complement crop insurance, government increasingly embraces capital market solutions in the form of index covers. One of these solutions is index insurances where indemnity is defined by parametric triggers based on official yield statistics or weather data. Index solutions induce basis risk, i.e., the non-perfect correlation between losses in agriculture production and the payout of the index program. In other words, a farmer in a community only receives payment if an entire area is severely affected and vice versa. Indexes work best if risk is aggregated. Index insurance also have lower administrative costs which makes it cheaper than crop insurance with the additional benefit of faster payments.

22. Large-scale production indexes – also called Group Risk Plan (GRP) – are based on large scale production and yield statistics measured by governmental entities, and indemnify a larger farming community for deviations in yields compared to pre-agreed (historical) levels – similar to MPCCI but on a larger scale. GRP is very common in North America and parts of Latin America and is gaining interest from grain boards and food processors to secure a stable supply of agriculture raw material at an agreed price or including a protection for a certain price volatility.

23. In weather insurance, defining a function of temperature and/or rainfall parameters measured at officially recognized weather stations, shortfalls of agriculture production can be compensated in function of deviations of the pre-agreed normal. This concept is widely used in the energy sector.

24. India's farming communities have used weather insurance to secure crop production from impacts of excessive rainfall and droughts and the government recently decided to subsidize weather index products. To date, more than 500,000 Indian farmers have taken weather insurance policies through schemes provided by state-owned Agriculture Insurance Company of India and private sector insurance companies including ICICI Lombard and Iffco Tokio. This is a good way to complement the state-run agriculture MPCCI insurance program. The international reinsurance market is supporting these developments in providing guidance on pricing and providing reinsurance cover to local insurers.

25. In Mexico the Secretariat of Agriculture (SAGAPRA) compensates cattle farmers for losses from reduced biomass and additional costs for feed in severe drought years through a subsidized index insurance cover. To define a drought index, satellite images are used to calculate a Normalized Difference Vegetative Index (NDVI) reflecting chlorophyll levels of vegetation. If the current index falls below the guaranteed index in a given municipality, an

indemnity is payable to cattle farmers. The state reinsurer Agroassemex runs the program which is internationally reinsured. Currently, some 750 municipalities in 19 Mexican states benefit from this cover. Similarly, the Agroassemex also runs a drought program for crops.

### ***Government Fund Protection***

26. Using the same financial instruments to provide stability to farming communities, governments can benefit to reduce volatility in spending in cases of agriculture disasters.

27. For example, wildfire activity increases particularly in drought years in Alberta, Canada, and suppression costs significantly exceed the budget. In order to manage and stabilize this budget the Forest Protection Division of Alberta's Ministry of Sustainable Resource Development bought a parametric cover through province-owned agriculture insurer AFSC, which is reinsured internationally. Given a good correlation between historical fire activity (ha burnt) and past suppression costs including aircraft fuels, equipment expenses and re-allocation of manpower, a pre-agreed indemnity per surface burnt above a pre-defined level is payable. The structure is highly cost effective, with moral hazard limited due to strict operational procedures in fire detection and suppression. Due to recorded fire fighting activity, moral hazard is limited. The Forest Protection Division provides weekly on-line updates on fire activity, hazard levels and uses remote sensing applications for monitoring.

28. In the context of losses for livestock from epidemic diseases, i.e.: avian flu or foot and mouth disease, government affiliated insurers and livestock associations could choose to cover aspects of business interruption and government obligations for payments to farmers whose animals are culled under government slaughter order.

### ***Catastrophe Models***

29. As already used for other lines of business (e.g. property and motor), sophisticated natural catastrophe models can ultimately be utilised for agriculture exposure to model flood and typhoon losses and to define an index based on modeled losses following a severe event. However there is quite a way to go. First insurance exposure information needs to be detailed (at least district level and per crop type) and more research is needed to define vulnerability functions (i.e. relationship between modeled peril intensity and possible losses) for different growth phases and crop types. At one point provincial governments could benefit from recent advances in research of reinsurers with in-house catastrophe model development capabilities.

## **ENERGY PRICES**

30. The current market for energy is very large: at present the world consumes about 15 terawatts of power valued at \$6 trillion per year (about 10 per cent of the world's economic output). By 2050, power consumption is likely to have risen to 30 terawatts<sup>5</sup>. In this wider context, present concerns over oil prices need to be set against longer-term issues of choices on diversified energy sources and how to stimulate research, development and investment. CBC member, Shell International, takes the view that the world needs every kind of energy source that it can find in a period of increased demand.

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<sup>5</sup> Economist Special Report on the Future of Energy, June 2008

31. As at August 2008 (13.08.08), oil prices reached a three month low of \$113 per barrel which was more than \$30 per barrel lower than the July 2008 peak of \$147 per barrel. The International Energy Agency (IEA) estimated that global oil supplies would be more than sufficient to meet a slightly higher than expected increase in demand in 2009. The IEA expects that global demand for oil products in 2008 will be virtually unchanged at 86.9 m barrels a day and in 2009 slightly higher at 87.8 m barrels.

32. The IMF's view based on the oil futures markets is that "oil prices will ease gradually over the next five years, with a wide band of uncertainty....Futures prices embed the widely shared expectation that only high prices will induce the capacity expansion needed for continued robust oil demand growth. Prices for oil futures options also imply a much wider than usual band of uncertainty. This reflects a broad range of views by market participants about downside risks to near-term global growth prospects, the medium- term evolution of demand and supply—including their responses to sustained high prices"<sup>6</sup>.

33. A number of factors are considered to affect the price movements: (a) slowing growth in the global economy (even amongst the fast growing developing economies such as India and China); some production increase from OPEC; (b) easing concerns about geopolitical and weather-related factors such as US-Iranian tensions, supply disruption in Nigeria, and risk of a major hurricane in the Gulf of Mexico; (c) financial developments particularly related to the strength of the US dollar (oil is priced in US dollars and a strengthening dollar has helped to lower oil prices); (d) it appears that market sentiment and hedge fund speculation in the context of weakened global economic growth is now helping move prices downward (whereas earlier speculation was driving them up). All of these factors, however, are subject to change.

34. From the perspective of the private sector oil companies, it is difficult to make predictions on the future of oil prices and planning is carried out on both high-price and low-price scenarios. The longer term risk is that the supply of oil may soon peak as consumption grows, supplies run out and new reserves become more difficult to find; however views on these risks posed by "peak oil" are hotly debated.

## **ENERGY DEMAND AND INVESTMENT**

35. Under-investment today increases the likelihood of future power shortages and consequently of future high prices for electrical power<sup>7</sup>. As economic growth in many developing countries accelerates, increased demand for power has already resulted in shortages and bottlenecks, compounded due to a time lag in increased investment and new power sources coming on-line. In developed economies, the power sector in Europe and the United States is delaying investments required to replace older power stations because of uncertainty on future regulation to reduce greenhouse gas emissions. Price rises have therefore arisen from both demand and supply considerations.

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<sup>6</sup> IMF, "Food and Fuel Prices, Recent Developments, Macroeconomic Impact, and Policy Responses", Fiscal Affairs, Policy Development and Review and Research Departments, June 30, 2008

<sup>7</sup> World Economic Forum, "Global Risks 2008", January 2008

36. There are also pressures created by competing policy objectives of cheap energy vs. clean energy. In the current circumstances, coal fired power stations might appear attractive with some prospect of clean coal technology and carbon capture and storage, however this is strongly resisted in a number of countries by environmental analysts and pressure groups. China is moving ahead quickly in this area while in America uncertainty has delayed decisions. With the prospect of expanded carbon markets under a cap and trade system, power companies considering coal are concerned that they will have to pay heavily for future carbon emissions. Clarity and greater policy certainty on carbon markets would help business make long term investment decisions.

### ***Alternative Energy Sources***

37. There is much enthusiasm over the potential for a variety of alternative energy sources, and energy companies, both large and small are investing in research and development of a number of technologies. Demand for solar power photovoltaic cells and wind power turbines is rising significantly, leading to short-term supply bottlenecks. The current size of the global market for renewable energy technology is around USD\$50 billion, with some analysts projecting the growth of the market to USD \$226 billion by 2016<sup>8</sup>. According to the World Bank<sup>9</sup> based on some estimates, current biofuel policies could lead to a fivefold increase of the share of biofuels in global transport—from just over 1 percent today to around 6 per cent by 2020.

38. In the longer term, however, there are questions about the scalability of some green technologies such as wind power. Among currently available and scaleable technologies, nuclear power is considered a good option for carbon-neutral energy but is linked with concerns over waste disposal, fear of nuclear accidents and questions on the desirability of the global spread of nuclear technologies. Enhanced investment in alternative energy sources, including research and development to evaluate viability and scalability, is required and should be incentivised.

### ***International Policy Coordination***

39. From the viewpoint of the private sector, the “failure to develop a clear holistic policy approach to management of both energy security and reducing carbon emissions may end up threatening both objectives”<sup>10</sup>. There is a need for regulatory certainty (particularly on market based mechanisms and the price of carbon) to enable longer term decisions and investment in energy sources. As highlighted by the World Economic Forum, “Better dialogue is needed at all levels – between emerging and developed countries and between the corporate sector and the government and regulators- so that the current misalignments of incentives (on energy) can be addressed effectively.”<sup>11</sup>

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<sup>8</sup> Clean Edge 2006, [www.cleandedge.com](http://www.cleandedge.com)

<sup>9</sup> World Bank, World Development Report 2008: Agriculture for Development

<sup>10</sup> World Economic Forum, with Citigroup, Marsh & McLennan Companies, Swiss Re, Wharton School Risk Center, Zurich Financial Services, “Global Risks Report 2008”, January 2008, page 18

<sup>11</sup> WEF Global Risks Report 2008, page 19

## CONCLUSION AND RECOMMENDATIONS

40. To ensure the best outcome in responding to high food and energy prices, policy responses should address both demand and supply side issues. The private sector can play a key role in terms of supply responses to help meet growing demand for both food and energy, however, this can be developed more effectively with the support of government policy measures, particularly as follows:

1. Ensure better international coordination on food and energy policy involving governments, business, multilateral institutions and donor agencies
2. Re-evaluate policy on bio-fuels production and utilisation targets in the light of significant price pressures with an impact on food prices – Governments should abolish the setting of mandatory targets for biofuels and the use of subsidies for the production of biofuels derived from food crops.
3. Develop private-public partnerships to help mobilise investment, expand agricultural production and improve productivity.
4. Renew efforts to achieve agricultural trade liberalisation including through negotiations to meet the objectives of the Doha Development Round.
5. Strengthen risk management measures through financial and commodity markets to better identify and mitigate risk.
6. Provide Government support for subsidizing agriculture insurance and developing parametric and index solutions, particularly to assist small-scale farmers.
7. Give greater clarity on long-term policy decisions on carbon markets to enable business to make investment decisions.
8. Encourage investment in efficient alternative energy sources.

41. For its part, the Commonwealth Business Council stands ready to work in collaboration with governments and the private sector to achieve common objectives. The CBC is currently working with its private sector members to help mobilise long term investment for agriculture in Africa which has significant potential to boost production to meet domestic requirements and for export. CBC will be glad to discuss this initiative with Interested governments.

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