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# How can trade contribute to climate change adaptation objectives?

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# How can trade contribute to climate adaptation objectives?

Range of physical impacts facing developing countries

These impacts have economic impacts that require adaptation actions.

These actions require national and local assessments and action plans in order to develop effective actions.

Accessing goods and services at low cost important to utilize scarce resources efficiently.

These goods and services can be sourced domestically but also through imports

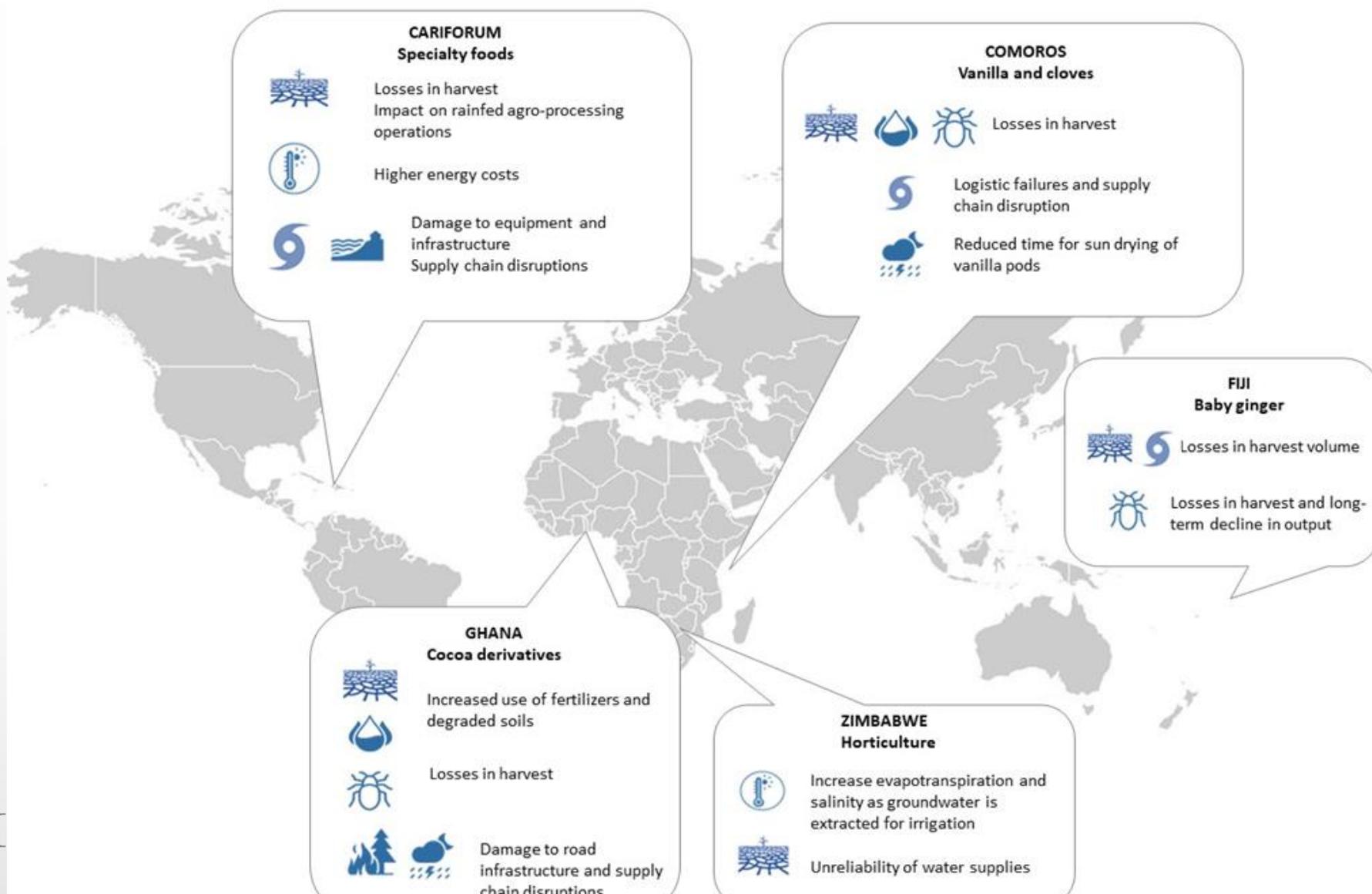
Reducing import barriers thus important for securing these goods and services at low cost.

# Selected economic impacts of climate change

Physical impacts	Economic impacts	Goods and services
Increased land temperature Increased duration of heatwaves and period of drought	Reduced <b>agricultural</b> productivity	Drought resistant varieties Introduction of new livestock breeds Drought management Improved processing facilities High efficiency irrigation systems Access to fertilizers and advisory Agriculture insurance
Coral bleaching Increase in seaweed Inland expansion of coastal flood zone	Reduced attractiveness in <b>tourism</b> Increased insurance costs for tourism operators	Coastal flood protection Water conservation and desalinization Landscape management Climate vulnerability assessments Tourism strategies
	Damaged buildings and <b>infrastructure</b>	Climate proofing trade infrastructure
	<b>Financial services</b>	Investing in weather indexed based insurance programs Developing new climate related financial products

Source: adapted from UNCTAD 2021: IISD 2021

# ITC climate risk assessments for project design



# Trade restrictions in environmental goods - tariffs

Environmental goods, are often still subject to **high tariffs adopted to protect domestic industries** from foreign competition

Environmental goods on average face higher trade barriers than less complex but more carbon-intensive products.

Tariffs are **on average low** (2..6% on the 54 goods on the APEC list)

As goods cross borders many times in value chains, **zero tariffs are preferable** (Solleder & de Mel 2020).

However many are **nuisance tariffs** (>3%) ie. the costs of collection are higher than the revenue generated.

# Non tariff measures

The key barrier to trade in environmental goods are **non-tariff measures**.

Technical barriers to trade (TBT) measures are the most frequently implemented NTMs particularly in high- and medium-income countries.

Other NTMs include sanitary and phytosanitary measures (SPS) and pre-shipment inspection and other formalities, which SPS being mostly applied in low-income countries

Packaging and labeling requirements or technical standards and norms can impose substantial NTBs for trade in environmental goods.

Source: World Trade Report, WTO 2022; Jakob et al. 2022

# Non tariff barriers (NTBs) in services

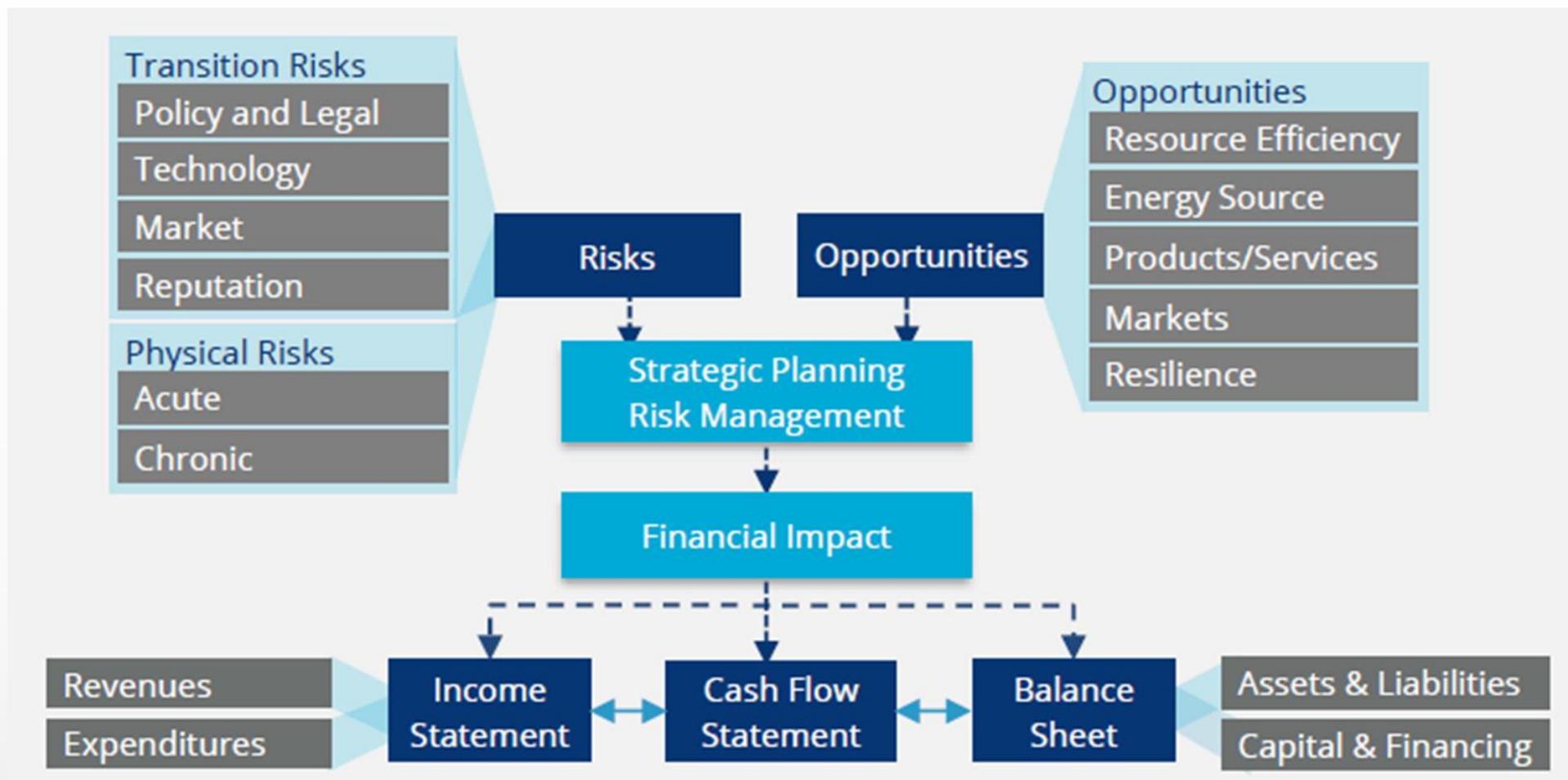
Products are often “joined” with services e.g. importing wind turbines requires ongoing technical and management support.

Therefore important to reduce services NTBs

NTBs related to labour market regulations, such as visa and work permit requirements, may hamper trade in environmental services—for instance, for the sustainable management of energy, water, and forest resources

Environmental services are excluded from the EGS negotiation agenda

# SME context of climate resilience



Source: Task Force for Climate Related Disclosures

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## Example of transition risks

Measure	Restrict production and trade that damages climate	Promotes production and trade that supports adaptation and mitigation
Border measure	Apply taxes to avoid carbon leakage (e.g. CBAM)	Remove tariff and NTMs on climate friendly goods, services and technologies
Economic incentives	Remove subsidies on production, transformation and/or consumption of fossil fuels	Subsides for the production or consumption of clean energy
Regulatory measures	Climate-related mandatory requirements, standards and regulations (e.g. energy efficiency requirements)	Green government procurement rules Voluntary standards and labels

Source: C. Bellmann (2022)

# ITC survey of firms in Botswana

- 62% of the companies that were interviewed for the SME competitiveness survey said that environmental risks were significant for their business. Rising temperatures were the top concern, followed by water scarcity and the availability of inputs
- Just a quarter of respondents had invested in a measure to reduce environmental risks (soil management; temperature controls)
- Two-fifths of the surveyed firms said they had invested in measures in the prior three years to reduce their negative impact on the environment (waste management; energy efficiency)



# Examples of opportunities



## Resource efficiency

Efficient heating solutions, LED lighting technologies; Retrofitting buildings; Circular economy business models; Advances in industrial motor technology; Electric vehicles.



## Energy sources

Solar; Wind; Hydro; Nuclear; Biofuels; Geothermal; Tidal; Wave; Carbon capture and storage.



## Products and services

Low carbon consumer products; producer goods that reduce emissions; Sustainable marketing and labelling; Monitoring and advisory services.



## Markets

New emerging markets, stemming from collaboration of multiple stakeholders (e.g., banks, governments, SMEs, community groups); Underwriting or financing green bonds and infrastructure.



## Resilience

Goods and services that reduce exposure and sensitivity to climate hazards and/or increase the adaptive capacity of asset, resources, operations and organisations.

**Source: TCFD 2017**

# Aid for Trade projects to build climate resilience

## Objective

- Primarily market focus to build SME competitiveness in developing countries
- Climate change is a hazard multiplier so systematic identification of climate related risks and opportunities in project design
- Outputs and activities integrate climate resilience for work with SMEs and policy makers

# #1 Promoting awareness of green economy opportunities in developing countries (EU)

Working with 6 countries

*To assess trade barriers to dissemination of environmental goods and services (EGS) for adaptation and mitigation*

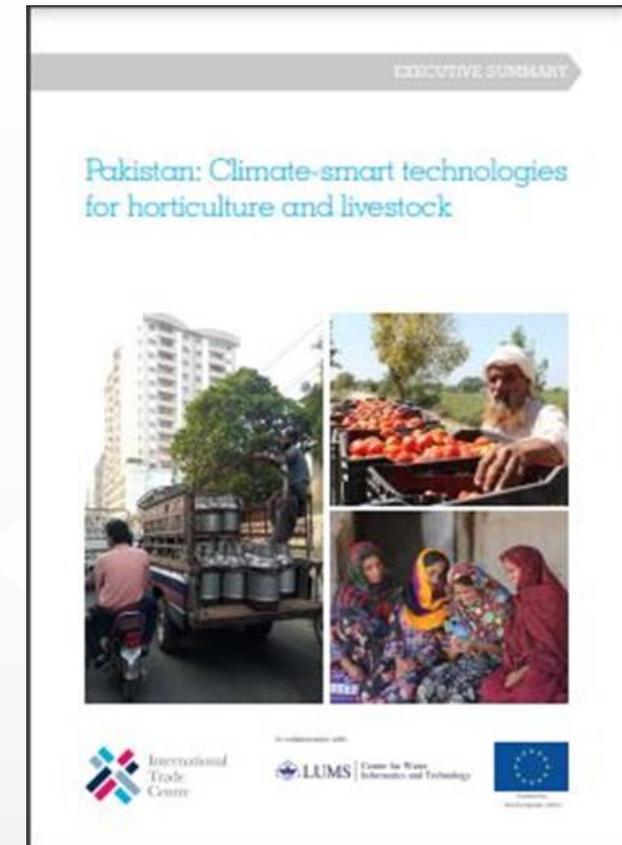
*To survey companies on NTBs faced in import and export of goods and services; for climate related element to voluntary standards*

*To understand domestic policy environment to incentive local development of EGS*



## #2 Pakistan: Improving access to climate smart practices and technologies (EU)

- Assessment of climate smart practices and technologies to enable adaptation to climate change in Pakistan
- Capacity building of farmers and SMEs to adopt climate smart technologies
- Improve access to finance through linking to financial intermediaries (FIs) and Matching Grants schemes



## #3 Uganda: Strengthening Agribusiness Resilience and Competitiveness (Koica)

To increase the resilience to natural disasters and the competitiveness of agro-pastoralist households and SMEs active in the cassava, shea, and oilseed value chains

Activities include:

- Introducing climate smart farmer practices
- Building SME market competitiveness
- Building climate resilience into national policies on disaster management



Thank you

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