



**Maintaining Competitiveness in a  
Carbon Constrained World**

Nepal case study

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The image is a white rectangular box containing the ODI logo in the top left corner. The main title 'Maintaining Competitiveness in a Carbon Constrained World' is centered in a bold teal font. Below it, 'Nepal case study' is centered in a smaller teal font. A horizontal dotted line separates the title from the authors' names, 'Karen Ellis & Alberto Lemma', and their affiliation, 'Private Sector & Markets Programme', which are centered in a bold teal font. Below the affiliation is the date '26<sup>th</sup> July 2013' in a smaller teal font. In the bottom left corner is the UKaid logo, featuring the Union Jack flag above the text 'UKaid from the British people'. In the bottom right corner is the sawtee logo, which includes a stylized teal swirl icon followed by the word 'sawtee' in a teal sans-serif font.



## The hypotheses

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- Climate change, international mitigation, and natural resource scarcity will transform global trade patterns.
  - This affects competitiveness and creates opportunities and threats for developing countries.
  - It creates incentives for low carbon growth.
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## Three drivers affecting global trade patterns

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### 1. Natural resource scarcity

- Energy prices
- Competition for land and water

### 2. Climate change mitigation

- Carbon footprinting / sustainability certification
- Carbon 'leakage'
- Climate finance

### 3. Effects of climate change

- Reducing agricultural yields
  - Reducing reliability of hydropower
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## Why is this important?

- Important to developing country governments and businesses because of opportunities and risks posed
- Important to international community more broadly because of synergies with low carbon growth

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## Synergies with low carbon growth

|                      | Problem   | Solution   |
|----------------------|---|--|
| <b>Energy</b>        | High and rising energy prices reduce national competitiveness               | Renewable energy reduces dependence on fossil fuels  |
| <b>Agriculture</b>   | Low yields and land degradation undermine competitiveness                   | Sustainable agricultural practices increase yields, access to markets, and soil carbon, and reduce deforestation |
| <b>Forestry</b>      | Unsustainable forest exploitation   | Sustainable alternative livelihoods e.g. non-timber forest products, ecotourism, waste-to-energy                 |
| <b>Manufacturing</b> | High and rising energy prices erode competitiveness of manufacturing sector | Energy efficiency reduces costs and yields competitive advantage   |
| <b>Tourism</b>       | Poor natural resource management undermines tourism development             | Tourism industry support for sustainable natural resource management and protection of natural assets            |

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## Three questions

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- How will these drivers affect competitiveness in Nepal?
  - How will / should policymakers and businesses respond?
  - Implications for low carbon growth – identifying synergies and trade-offs
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## Emerging overall story

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- Nepal faces major threats and opportunities
  - Carbon markets are a big disappointment
  - But competitiveness drivers can stimulate low carbon growth
  - Though there are also major trade-offs
  - But business is tackling some key problems
  - So a shift in focus is required by policymakers
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Shaping policy for development

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