Maintaining Competitiveness in a Carbon Constrained World
Nepal case study

Karen Ellis & Alberto Lemma
Private Sector & Markets Programme
26th July 2013
The hypotheses

- 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.

Three drivers affecting global trade patterns

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
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

Synergies with low carbon growth

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

- 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

Emerging overall story

- 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