

TRADE AND CLIMATE CHANGE

5th September 2024, for National University of
Lesotho



outline

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Introduction

- Climate change can impact trade negatively by disrupting distribution and SS chains leading to increase in trade costs
- Trade and Climate change policies potentially can contribute towards climate action; also ensuring opportunities for economic growth and diversification.
- WTO agreements do not cover/address climate change expressly, but WTO gives members the platform to hold open and informed dialogue on trade and climate change e.g plurilateral agreements(Environmental Goods Agreements)
 - WTO provides avenue for MS to implement trade-related measures to protect the environment and human health and so long as these measures comply with GATT rules or are exceptions
- Globally there is a general consensus that Trade Policy has potential to address environmental concerns by removing trade restrictions on environmentally sound goods and services

Introduction...



Transformation at industrial production scale is shifting from conventional methods to renewables-



Transition presents opportunities and challenges to the developing World and calls for increased adaptation rates in various sectors e.g. Agriculture, manufacturing, energy production



Environmental goods are traded under normal conditions, governed by WTO agreements

Policy Background

NSDP II – aims to transform the economy from consumer-based to producer and export driven economy.

Regionally and internationally aligned with the SDGs, AU Agenda 2063 goals, SADC RISDP

Four goals:

- **Enhancing inclusive and sustainable economic growth & private sector- led job creation**
Agriculture, Manufacturing, Tourism and Creative Industries and technology and innovation
- **Strengthening Human Capital- investment, nutrition, skills development, social protection and migration**
- **Enabling Infrastructure**
- **Strengthening National Governance and Accountability**
- ❖ **overarching goal of creating jobs, Promoting inclusive economic growth and Poverty reduction**
- All developmental programmes/interventions should be aligned with outcomes envisioned in NSDP II.

Policy Background

- **NSDP II** – acknowledges that “climate change in particular, has wide-ranging implications on job creation and economic growth and climate change adaptation and mitigation are essential.”
- Climate change is directly connected to Agricultural sector (about 70% of population rural) and over 65% live of Agr.
 - Performance of agriculture in Lesotho frequently undermined by environmental challenges e.g. floods and regular droughts
- Also connected to tourism
 - Scenery and fauna
 - Water sports- fly fishing
- Infrastructure – road network, ICT negatively affected by weather extremes

NSDP II – Strategic objectives and interventions: Climate related

Strategic Objective	Interventions
1. Build Sustainable Infrastructure for Agriculture	<ul style="list-style-type: none">- Promote environmentally- friendly and energy-saving irrigation and water harvesting- Promote Climate smart and resource efficient infrastructure
2. Improve Technology and use for Agriculture	<ul style="list-style-type: none">- Promote conservation agriculture
3. Improve Production of High- value crops and Livestock Products	<ul style="list-style-type: none">- Develop climate screening guidelines to reduce production risks and vulnerabilities- Promote crop diversification with differing susceptibilities to droughts
4. Strengthen Business and Trade Facilitation for Exportation Promotion	<ul style="list-style-type: none">- Upgrade key infrastructure for trade facilitation ...- Upgrade customs processing and clearance facilities to enable high-speed border transit
5. Enhance collaboration between Institutions of Higher Learning, Industry and Government on Learning and Research	<ul style="list-style-type: none">- Strengthen tertiary institutions-industry- government collaborations in research and innovation
6. Improve Air Transport to support International Trade and Tourism	<ul style="list-style-type: none">- Upgrade MIA infrastructure and facilities to meet International Civil Aviation Organisation Standards and make infrastructure climate resilient and carbon neutral

National Trade Policy Framework(NTPF) 2021-2025

NTPF : provides transparent guidelines for implementing the GoLs trade agenda and identifies specific policy and regulatory goals aimed at advancing Lesotho`s development for investors(domestic and foreign) and citizens

Organised across 9 thematic areas, including Trade facilitation, **Trade and Sustainable Development**, Regional integration and export and Trade Agreements

Impetus to improve environmental governance and developing strategy to build environmentally resilient economy

NTPF- Trade and Sustainable Development

Lesotho faces environmental challenges including climate variability, infrastructure damages, environmental degradation

These stem from various origins, global climate change, boundary changes, rise and fall of migrant remittances etc.

Environmental policy ensures that economic activities are sustainable with systems and procedures in place to limit pollution

- Alignment with Lesotho Climate Change Policy (2017-2027): “Promote climate resilience and reduce greenhouse gas emissions in manufacturing” ; policy actions “integrate climate change into industrial and manufacturing sector” *Policy Statement 6*

Well-designed environmental regulations have the potential to encourage investment in clean technologies and discourage continued development and operation of more polluting technologies

NTPF Policy Recommendations

Improve cross-border infrastructure to further reduce trade costs

Simplify cross-border administrative procedures through implementing the TFA

Introduction of plastic levy to curb amount of waste and level of littering

Remove allowance for “pollution license” (section 44) as this undermines the existing environment legislation.

Work within SACU to remove restrictions on the importation of environmentally sound goods

Measures/Initiatives



Climate Smart methods of Agriculture:

Promotion of climate smart Agriculture e.g. SADP, MCC, EIF



Trade Facilitation: (still to implement over 60%)

simplification, modernisation and harmonisation of export and import processes

Improves efficiencies and reduction in costs of trading across borders, Increased trade flows, better revenue collection

- LS automating the export and import processes e.g. Single Window, automation of customs systems(ASYCUDA), integration with other trading partners
- Improvement of road infrastructure
- Improvement of ICT resources

Measures/Initiatives...



Energy Generation:

Renewable energy legislation: Mini-Grid Power Generation, Distribution and Supply Regulation 2021 – to develop mini grids systems in hard to reach areas



Climate resilient infrastructure:

Upgrading of road infrastructure, bridges etc.

Measures/initiatives...

- **Tariff Liberalisation of environmental goods – *partial***
 - Existing Trade Agreement provides relief to local sector to some environmental goods/products: shade nets, solar panels, solar geyser etc

Photovoltaic cells assembled in modules or made up into panels

AfCFTA- African Continental Free Trade Agreement	Free	Preferential
EU- SADC Economic Partnership Agreement	Free	Preferential
SADC	Free	Preferential
General	10%	none
MERCOSUR	10%	Preferential

List of Environmental Goods

- No formal list in Lesotho
- Examples
- Solar water heaters (HS 841919)
- Biofuels (HS 2207710/220720)
- Compact fluorescent lamps (HS 853931)
- Electric and hybrid vehicles (HS 870390)

Transition Challenges

- **Undeveloped Capital Market**

Lesotho financial markets not well developed, econ size, few investments in renewables

- **Access to private capital markets limited**

- **Trade Policies of major export markets**

Major export destinations introducing new trade policies

e.g. EU Carbon Border Adjustment Mechanism (CBAM) targets Cement, Iron& Steel, aluminium, fertilisers, electricity and hydrogen

Green deal

- **Huge infrastructure gap** – basic infrastructure development: road network, ICT, energy

- **High Cost to transform econ to carbon neutrality**

Opportunities

Market Access opportunities

AfCFTA, SADC, EPAs for “clean goods” e.g. aquaculture, high value products

High potential to generate clean renewable energy

Faster transition to climate resilient economy

Introduction of environment friendly and sustainable technologies

Research and innovation – academia and private sector

END

Thank you