# NUL –WORLD TRADE ORGANISATION CHAIR

## *3rd Annual Research Seminar*

# Leveraging International Trade for Climate Action in Africa: Opportunities and Challenges for Lesotho

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# Structure of Presentation

- Background
- Challenges
- Opportunities
- Conclusions
- Recommendations

# BACKGROUND

**Ecological Zones of Lesotho**

- Lowlands – 17%
- Foothills – 15%
- Senqu River valley – 9%
- Mountains - 59%


- Economic activities are concentrated in lowlands and foothills.
- Mountanious regions are more suitable for grazing and water resource development.

# BACKGROUND (Cont.)

- Only 10% of the land area is considered arable in Lesotho
- Estimated 80% of Lesotho's population depends on subsistence agriculture.
- Around 293,000 people residing in rural areas from May and September 2024 are facing severe poverty as per IPC Acute Food Insecurity analysis.

# BACKGROUND (Cont.)

## Fossil Carbon Dioxide ($CO_2$) Emissions of Lesotho

- **$CO_2$ emissions per capita** in Lesotho are equivalent to **0.34** tons per person (based on a population of 2,286,110 in 2022).
- This is an increase by **0.03** over the figure of 0.32 $CO_2$ tons per person registered in 2021.

| Year | Fossil CO2 Emissions (tons) | CO2 emisions change | CO2 emissions per capita | Population | Pop. change | Share of World's CO2 emissions |
|---|---|---|---|---|---|---|
| 2022 | 779,000 | 9.18% | 0.34 | 2,286,110 | 1.09 % | 0.00% |
| 2021 | 713,490 | 0.14% | 0.32 | 2,261,542 | 1.15 % | 0.00% |
| 2020 | 712,480 | 1.46% | 0.32 | 2,235,727 | 1.19 % | 0.00% |
| 2019 | 702,200 | 4.43% | 0.32 | 2,209,405 | 1.18 % | 0.00% |

**Lesotho does not emit a great amount of $CO_2$ tons per person registered between 2019 and 2022.**

# CHALLENGES – Climate Change

| No. | Climatic Fluctuations | Impact |
|---|---|---|
| 1 | Increased seasonal mean temperature (0.7° C) | - Perennial springs running dry<br>- Diminishing river and water bodies<br>- Decline in subsistance farming<br>- Reduced maize yields<br>- Impacted livestock farming due to limited water availability |

# CHALLENGES – Climate Change (Cont.)

| No. | Climatic Fluctuations | Impact |
|---|---|---|
| 2 | Heavy rainfall | - Roads in rural areas become inaccessable due to landslides & rocks falls.<br>- Damaged drainage systems causing flooding on some roads and bridges. |
| 3 | Freeze-thaw cycles | - Damaged the base and paved surface |

**THE NET EFFECT IS LOW COMPETITIVENESS DUE TO LIMITED ECONOMIC ACTIVITIES AND NON-PRODUCTIVE LABOUR FORCE**

# CHALLENGES – Energy in Lesotho (Cont.)

- Participation of local private sector players in the energy business is limited.
- Low access to modern and clean forms of energy.
- Limited energy efficiency programs and activities.
- Reliance on imported electricity.
- Dwinding forest reserves due to drought conditions and excessive harvesting.
- Obsolete network infrastructure for electricity transmission.

# CHALLENGES – Energy in Lesotho (Cont.)

- Coordination of the energy sector in Lesotho is inadequate.
- Limited storage facilities for petroleum products.
- Collateral is one of the factors prohibiting access to funding that supports energy initiatives.
- Limited participation of local private sector in supply chain of petroleum products.

# CHALLENGES – Constraints on Renewable Energy Development (Cont.)

## ❑ Regulatory framework:

- Still an affiliate of the International Electrotechnical Commission (IEC).
- Lack of national standards for renewable energy appliances and installations.

## ❑ Environmental Barriers:

- Declining of biomass stock.
- Limited availability of suitable land for renewable energy development.

## CHALLENGES – International Trade (Cont.)

- **Carbon Border Adjustment Mechanism (CBAM)**

**- EU introduced CBAM as of 01st October, 2023.**

**- Objective: To put a fair price on the carbon emitted during the production of carbon-intensive goods that enter the European Union and to encourage cleaner industrial production in non-EU countries.**

# CHALLENGES – International Trade (Cont.)

- **Implications of CBAM to Non-EU countries**

**- High procedural burden to determine the embedded carbon in their products.**

**- Spill-over effect for Least Developed Countries (LDCs) given the complex trade linkages between LDCs and countries that have not implemented similar climate policies.**

# CHALLENGES – International Trade (Cont.)

- **Implications of CBAM to South Africa**

**- South Africa exported around US$1.5 Billion of iron, steel, and aluminum to the EU between 2017 and 2021.**

**- The iron, steel, and aluminum sector has employed 28, 000 employees.**

**- Around 0.4% of iron, steel, and aluminum sector from South Africa will be negatively affected by CBAM.**

# CHALLENGES – International Trade (Cont.)

- **Implications of CBAM to SACU**

**- Once South Africa is negatively affected by CBAM, SACU Revenue Pool will decline because it relies heavily on South Africa's GDP and import projections.**

**- Since more than 50% of Lesotho's National Budget comes from SACU Revenue Pool, Lesotho will adversely affected by the CBAM.**

# OPPORTUNITIES

- **Commitment**
  - Lesotho committed to reducing greenhouse gas emissions by 10% by 20230 with further reduction of 25% by 2025.
- **Regulatory framework**
  - Government of Lesotho (GoL) seeks to manage the environment targeting the energy sector through National Adaptation Programme of Action (NAPA) and Environment Act, 2008.

# OPPORTUNITIES (Cont.)

- **Regulatory framework**

  - The GoL introduced regulatory measures such as :

    1. Energy Policy 2015-2025;
    2. Electrification Master Plan 2018-2025;
    3. National Climate Change Policy 2017 – 2027 & Implementation Strategy; and
    4. Public Private Partnership (PPP) Policy 2018.

# OPPORTUNITIES (Cont.)

## ❑ Priorities

- The GoL had prioritized some mitigation measures through Nationally Determined Contribution (NDC) in 2017 as follows:

a) Energy Efficiency: Increment of renewable energy sources;

b) Building Construction: New standards and regulations for the design of new buildings; and

c) Waste Sector: Recycling and installing biogas digesters to generate cooking gas.

# OPPORTUNITIES (Cont.)

## ❑ Funding

**The GoL should establish a National Implementing Entity (NIE) to widen more access to Green Climate Fund-supported projects and other funding agencies such as:**

**1) African Development Bank – Africa Climate Change Funds;**

**2) Development Bank of Southern Africa – Climate Change Fund;**

**3) Global Environment Facility – Least Developed Countries Fund;**

**4) EU – Global Gateway;**

**5) World Bank – Africa Climate Resilient Investment Facility;**

**6) USAID – Power Africa; and**

**7) UNDP – Africa Minigrids Program, Sustainable Energy Fund.**

# CONCLUSIONS

- Lesotho does not emit a great amount of $CO_2$, but is adversely affected by climate change fluctuations.
- Absence of national standards on renewable energy appliances and installations has compromised the potential of Lesotho.
- There is low demand from households and industries for modern and clean forms of energy due to inadequate information dissemination.
- High costs of imported electricity made high prices of electricity for local households and industries consumption.
- EU's CBAM will affect South Africa's iron, steel, and aluminum sector, thereby negatively affecting SACU Revenue Pool, which in turn adversely affects the National Budget of Lesotho.

# CONCLUSIONS (Cont.)

- Despite having more measures to address climate change - related matters, the coordination and cooperation amongst key relevant stakeholders still need to be improved.

- With more funding opportunities, Lesotho stands a better chance to do the following:

  - To generate power through hydro, wind, and solar for local consumption and export purposes; &

  - To build adaptive capacity in improving food security through massive food production.

- Access to finance will allow the local private sector to get into the supply chain of energy products and food production.

- Cheap and clean forms of energy can make Lesotho a better destination for attracting foreign direct investment (FDI) which shall meet the EU market requirements, especially CBAM.

# RECOMMENDATIONS

- Lesotho should strengthen the office of the National Designated Authority (NDA) to coordinate climate-related matters effectively.
- Lesotho should establish a Climate Change Commission (CCC).
- The CCC will provide advice, monitoring, and reporting that support Lesotho's transition to a climate-resilient and low emissions future.
- The CCC will be in a better position to develop programs that enable the local private sector to play a meaningful role in the climate change space.
- With vibrant local private sector in the climate change space, it will be possible to offer a wide portfolio of low carbon solutions that help to access EU market and others.

# KEA LEBOHA