

# United Nations Conference on Trade and Development

## **LAUNCH OF THE COMMODITIES AND DEVELOPMENT REPORT 2019: COMMODITY DEPENDENCE, CLIMATE CHANGE AND THE PARIS AGREEMENT**

**11 September 2019, Geneva**

### **Commodity dependence, climate change and the Paris Agreement**

by

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## UN TRADE FORUM

Launch of the Commodities and Development Report 2019

Geneva, 11 September 2019

# Commodity dependence, climate change and the Paris Agreement

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# Outline

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- Why this report? Facts on GHGs & commodity dependence
- Likely effects of mitigation and adaptation on CDDCs
- Creating enabling environment in CDDCs for mitigation & adaptation
- Conclusion



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# Conjunction of commodity dependence & GHG emissions

- The issue
- Facts and figures



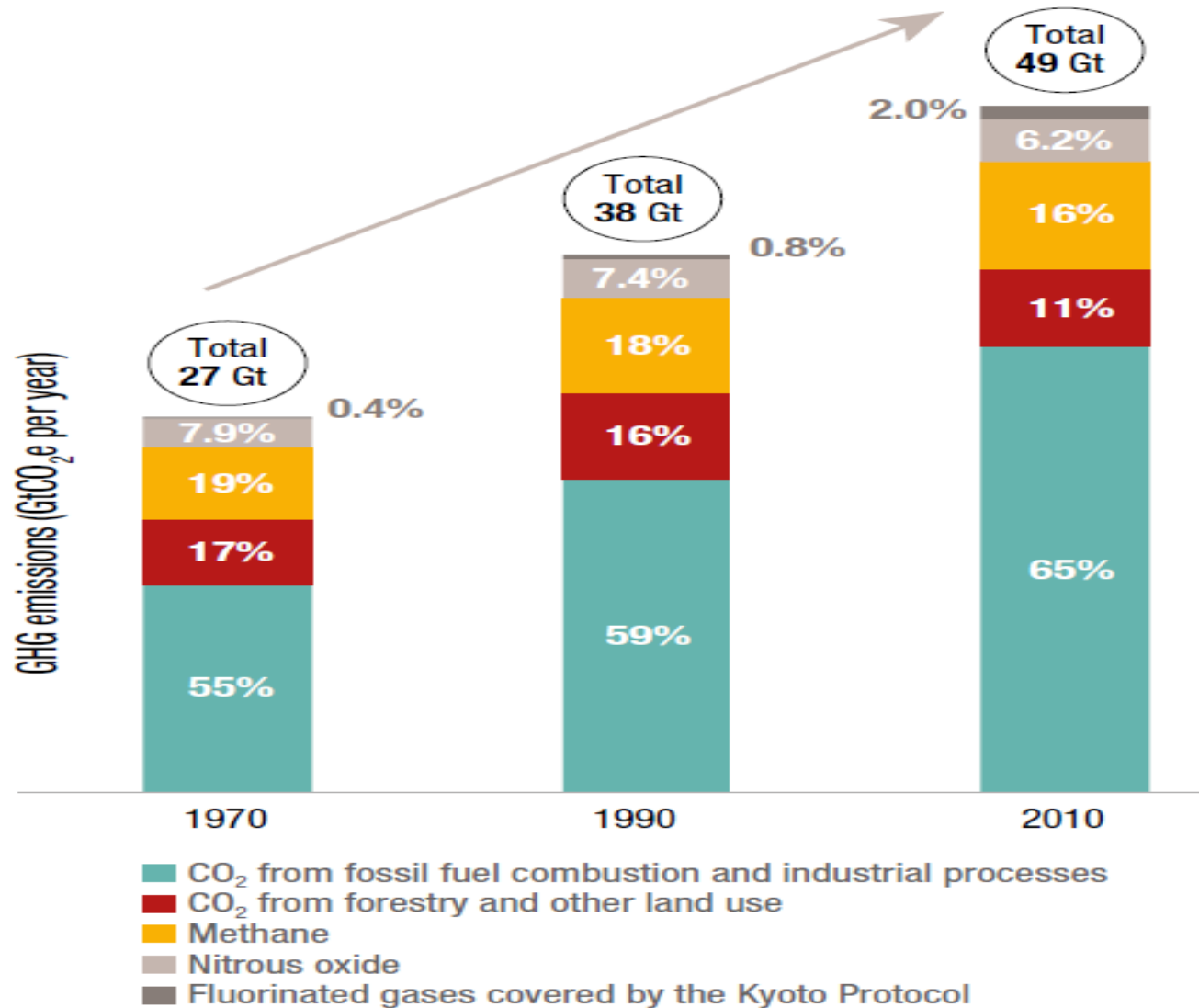
# Why this report? Conjunction of two phenomena

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- Global warming due to GHG emissions linked with products essential to most developing countries' economies
- GHGs mostly generated by actions along commodity value chains:
  - production
  - transformation
  - transportation
  - use and disposal
- Mitigation and adaptation measures fundamentally affect commodity-dependent developing countries (CDDCs)
- What does this mean for CDDCs?



# GHG emissions strongly linked to commodities...



... and developing countries highly commodity dependent

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- Commodities  $\geq$  60% of merchandise exports
- Three major groups:
  - Agriculture
  - Minerals, Ores and Metals
  - Fossil fuel energy
- Country depends on a commodity group when:
  - it is commodity dependent (60% merchandise exports) and
  - more than 1/3 of exports are from specific commodity group



# Commodity dependence means...

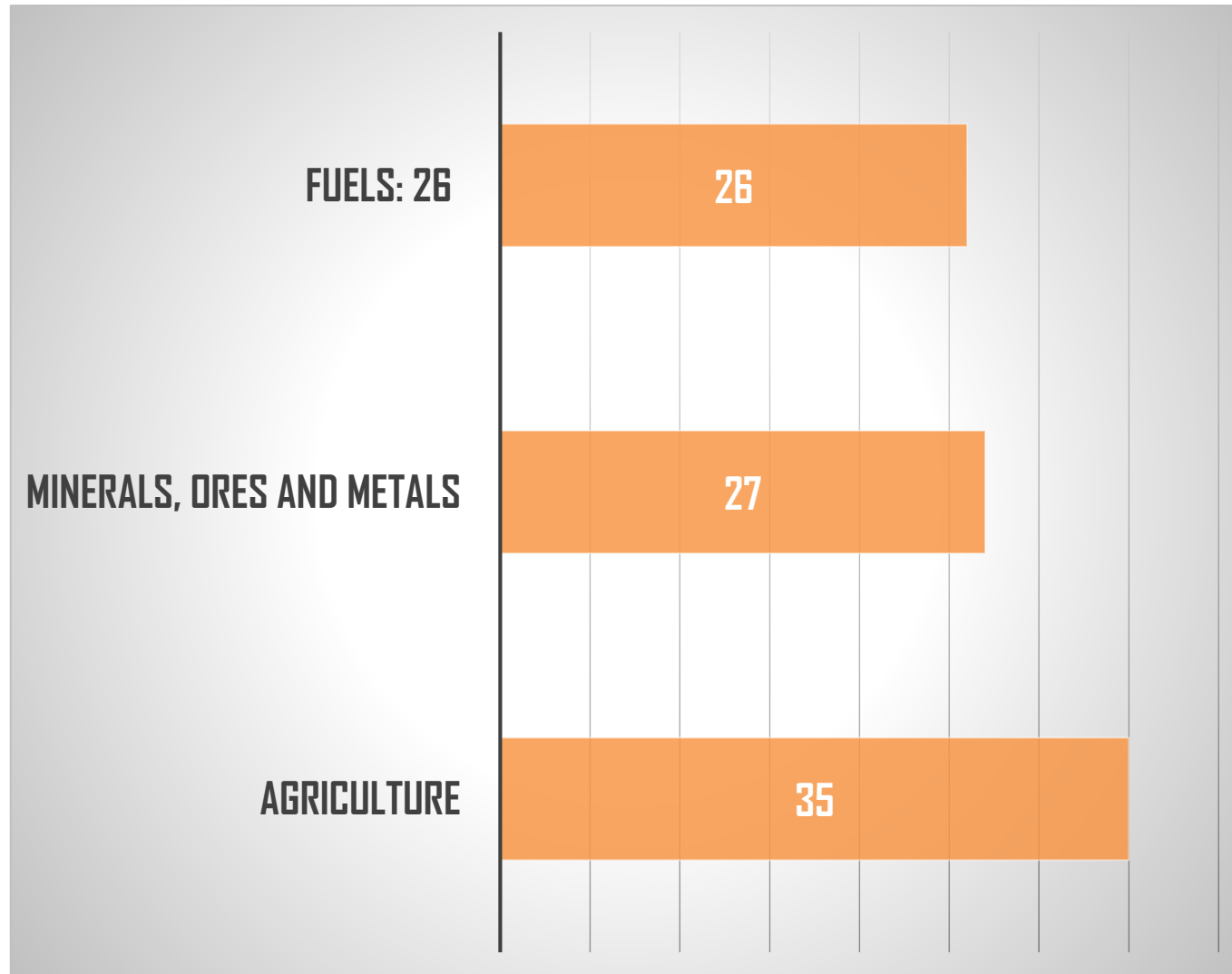
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- Dutch disease: de-industrialization & high export concentration, increasing vulnerability to economic shocks
- Negative terms of trade: declining export revenue, reducing capacity to import and invest
- Macroeconomic challenges: low investment, increasing sovereign risk, high debt, currency devaluations, slow growth
- Low HH incomes and firm profitability

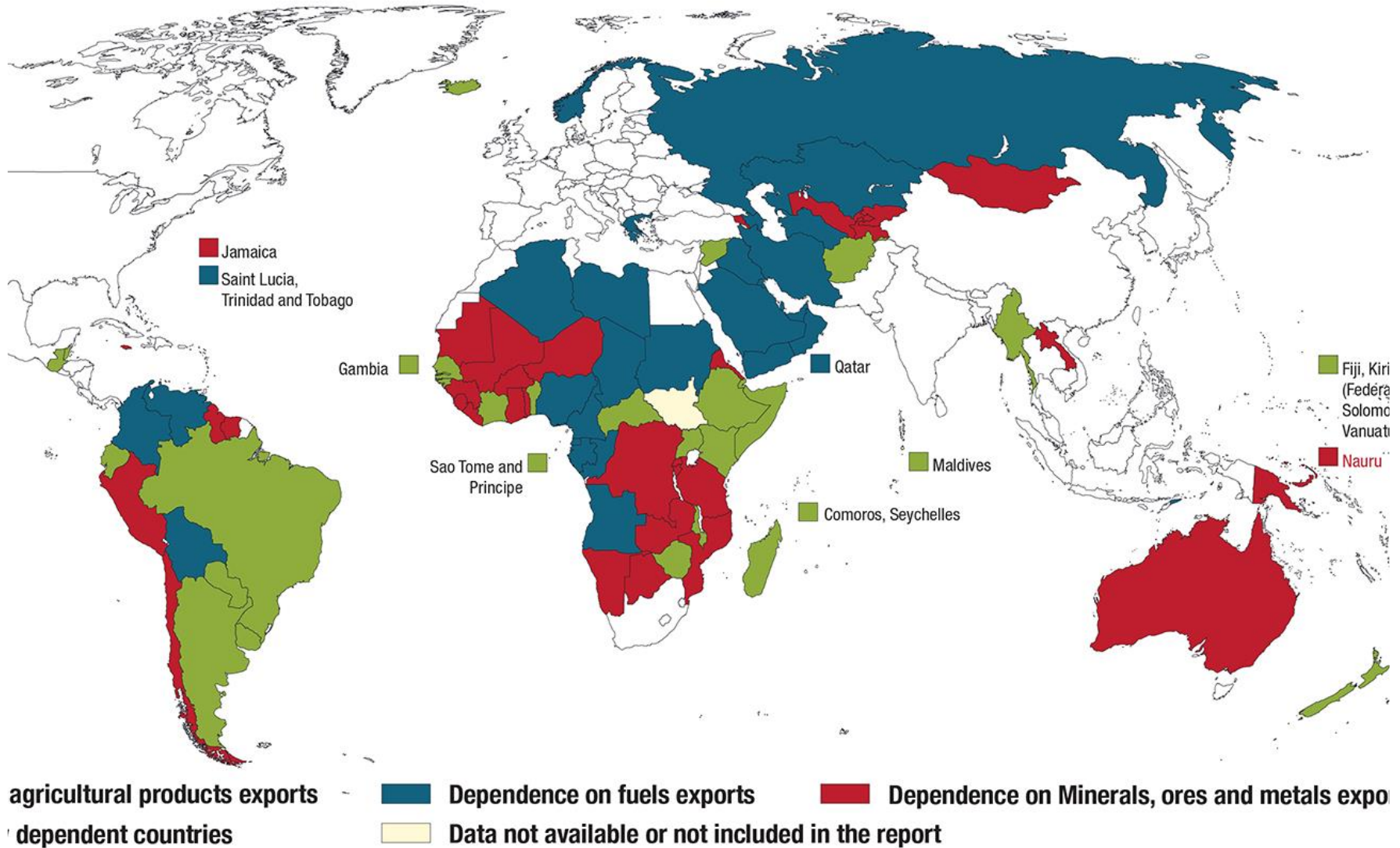




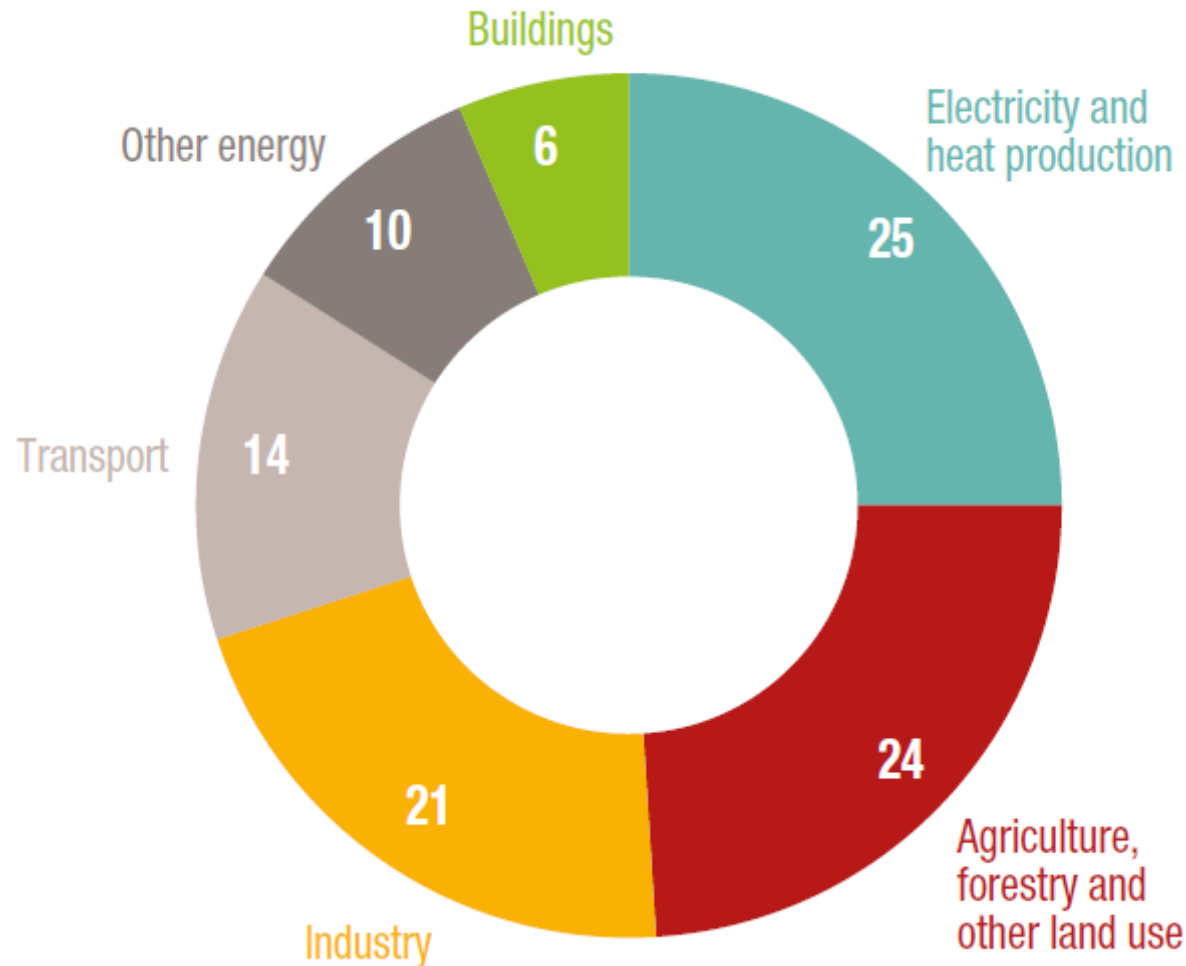
# 88 CDDCs (period 2013-2017)



## World Commodity Export Dependence by commodity groups, 2013–2017 average (per cent)

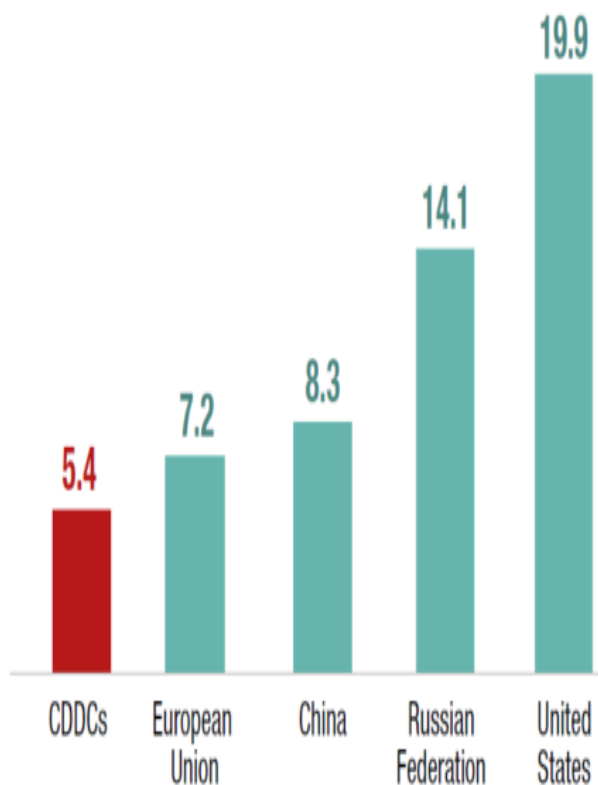


# Most GHGs not generated at commodity production stage

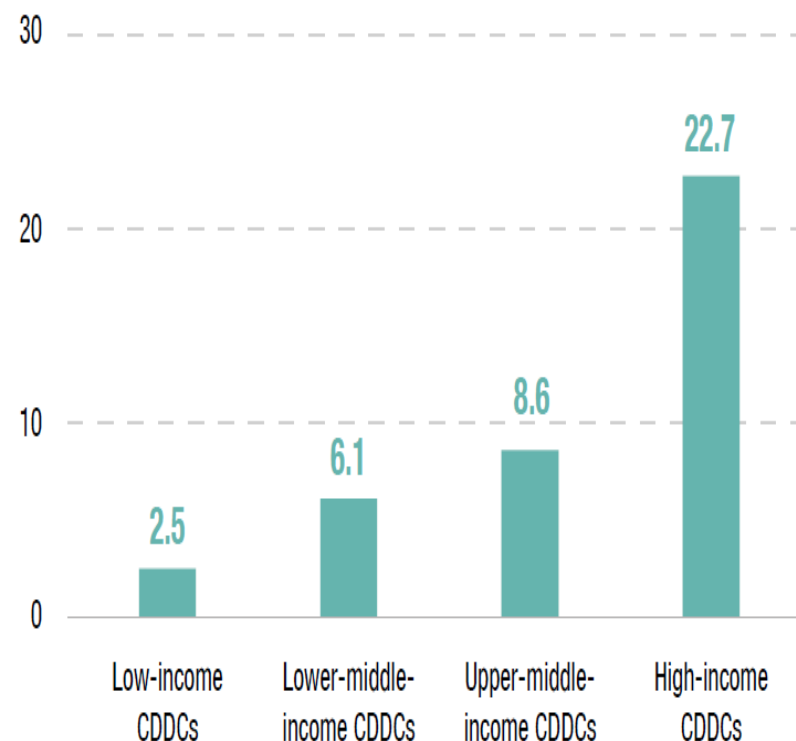


# Who's polluting? GHG emissions per capita & per income (tCO<sub>2</sub>e)

## GHG emissions per capita (2014)



## GHG emissions/capita & income (2014)



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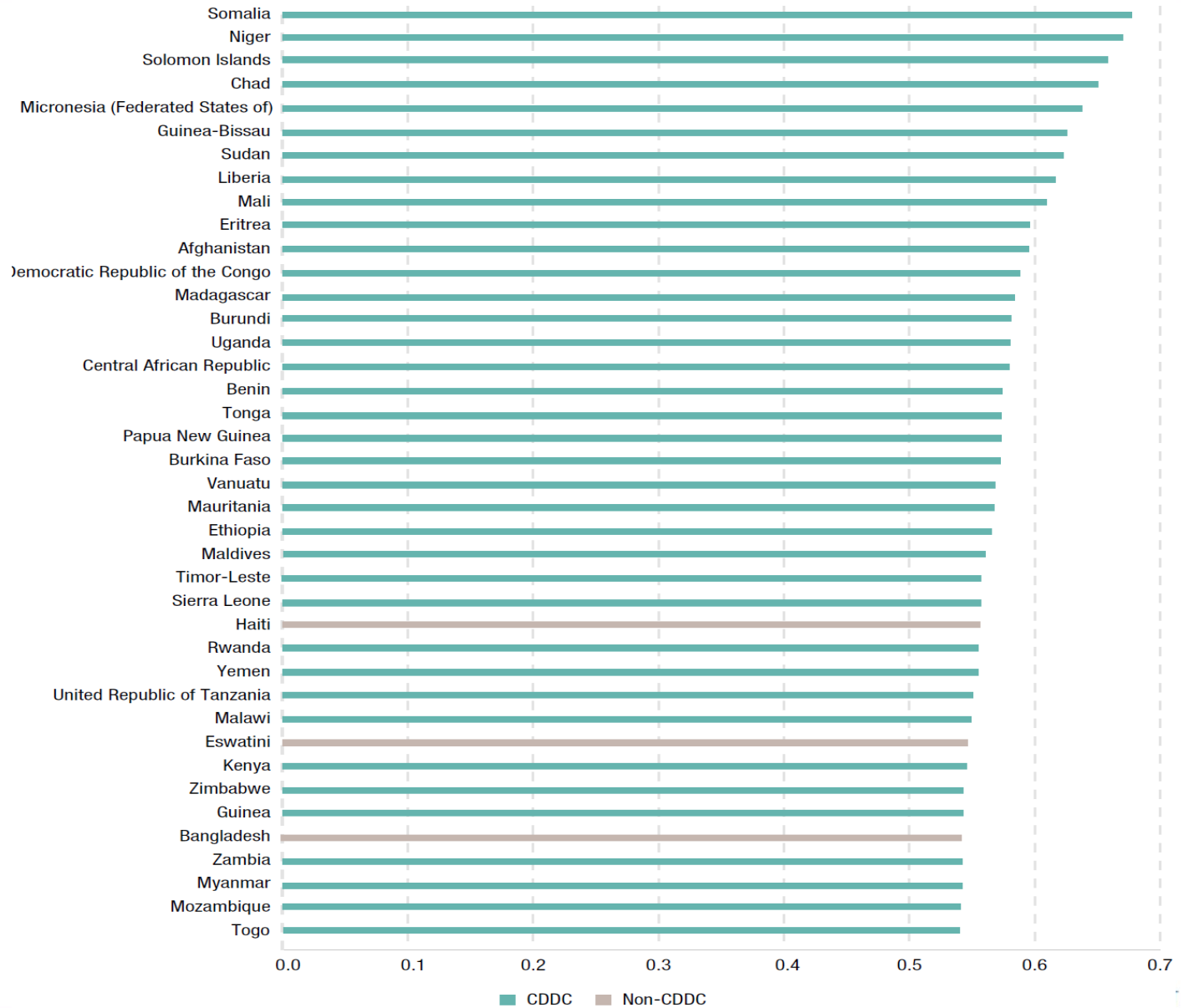
# Challenge: coping with CD, mitigation & adaptation

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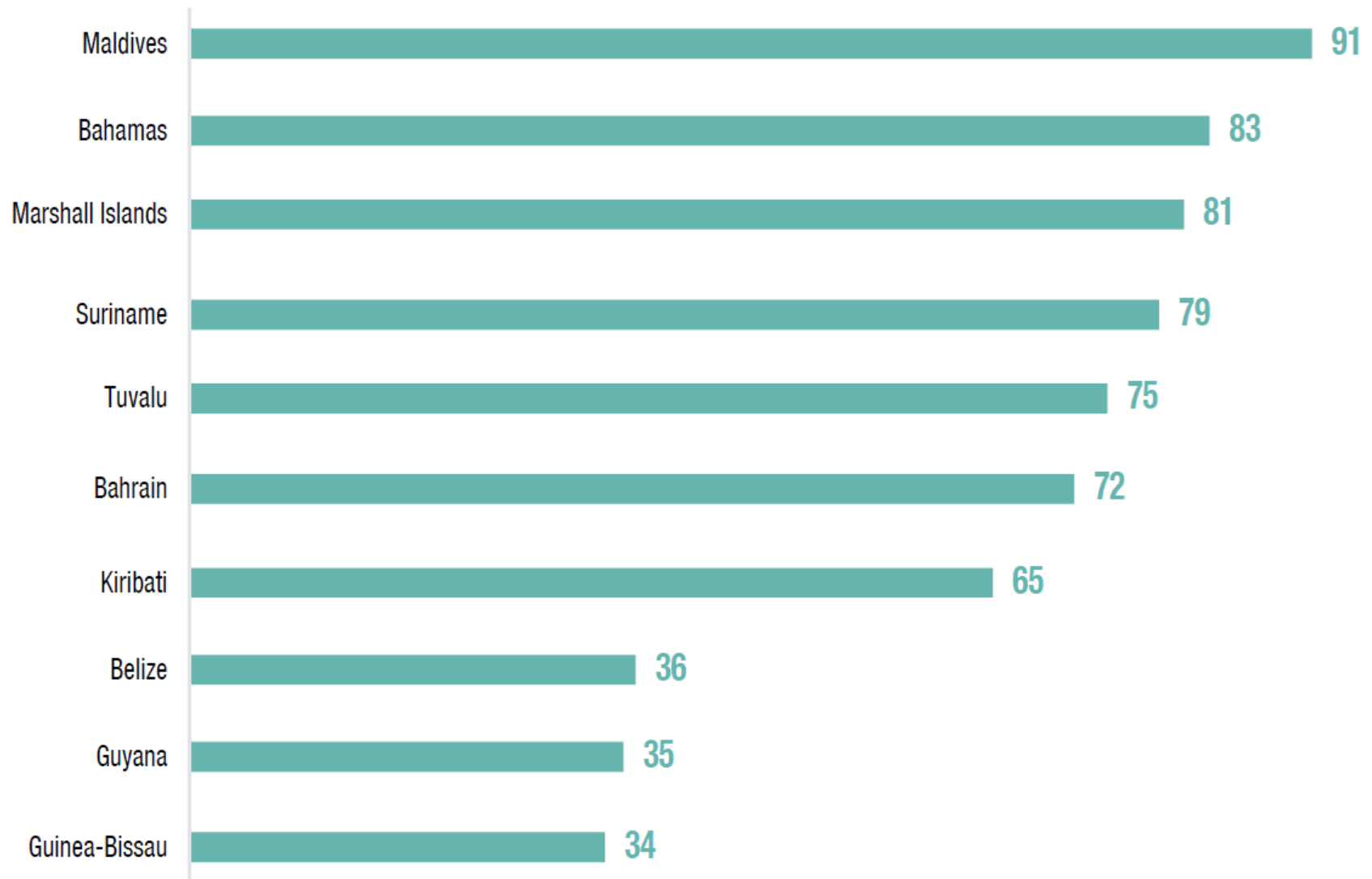
- Climate change adds another layer of vulnerability to CDDCs & compounds economic vulnerability
- Commodity dependence & climate vulnerability go hand in hand
- Not coincidence that 37/40 (that is 92%) countries most vulnerable to climate change are CDDCs (see next figure)
- SIDS are particularly vulnerable, especially CDDCs among them



# Climate change vulnerability meets CDDC vulnerability



# SIDS more vulnerable: % population living below 10 m above sea level



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# Likely effects on CDDCs

- challenges associated with mitigation
- challenges associated with adaptation
- potential opportunities





# Challenges associated with mitigation

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- Major issue: commitments of major players to curb GHG emissions not ambitious enough; implementation also wanting
- As for CDDCs:
  - contributed modestly to climate change but bearing brunt of its effects
  - some major mitigation efforts not valued (e.g. protection of tropical forests; Amazon)
  - large parts of mitigation commitments understandably conditional on external assistance



# Challenges associated with adaptation

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- Double burden: CDDCs must adapt to effects of climate change & to response measures of third Parties
- Most CDDCs lack the financial, technical and institutional capacities to adapt
- Issue of stranded assets resulting from third Party measures is expected to affect a large number of CDDCs (next slide)



# Share of fossil fuels in total merchandise exports in 2017 (%)



# Potential opportunities

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- Some CDDCs could harness their dominant position in terms of controlling production & export of strategic minerals; e.g.:
  - Cobalt in DRC (58% of global cobalt production in 2017)
  - Lithium in Argentina-Bolivia-Chile lithium triangle (Argentina & Chile account for more than 50%)
- Developments in solar energy enabled access to energy in rural communities not connected to grid
- Technological innovations due to climate change (e.g. in agriculture) could benefit CDDCs



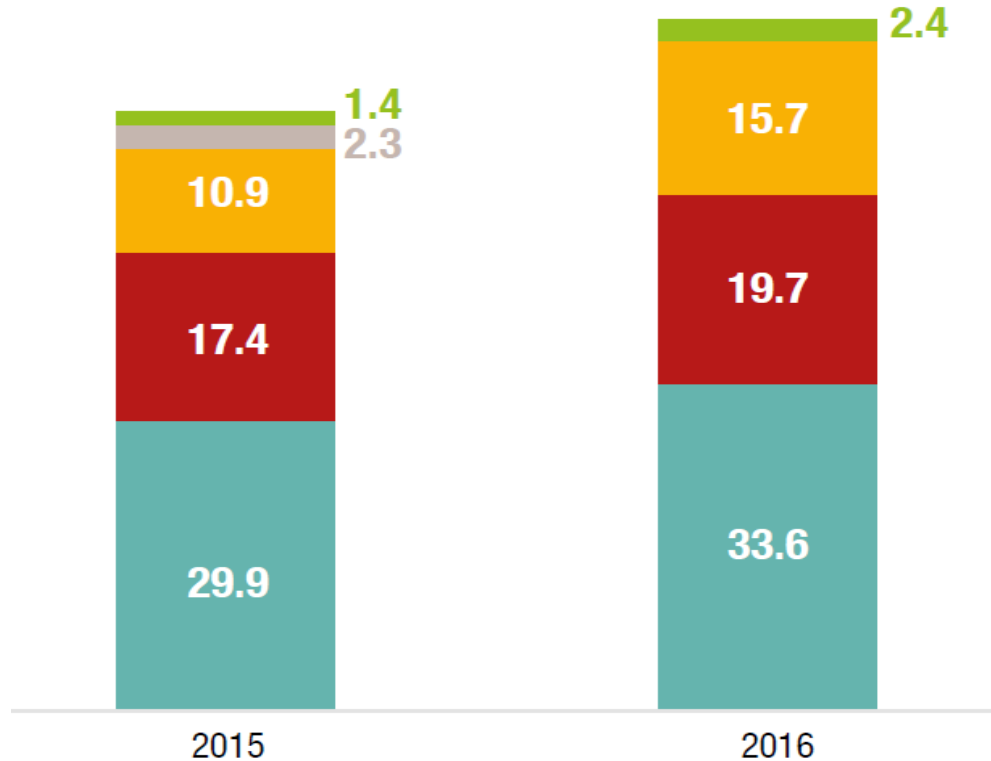
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# Creating an enabling environment in CDDCs for mitigation & adaptation

- Climate finance
- Adapting policies
- Capacity building
- Technology



# Climate finance flows to developing countries (\$bn)

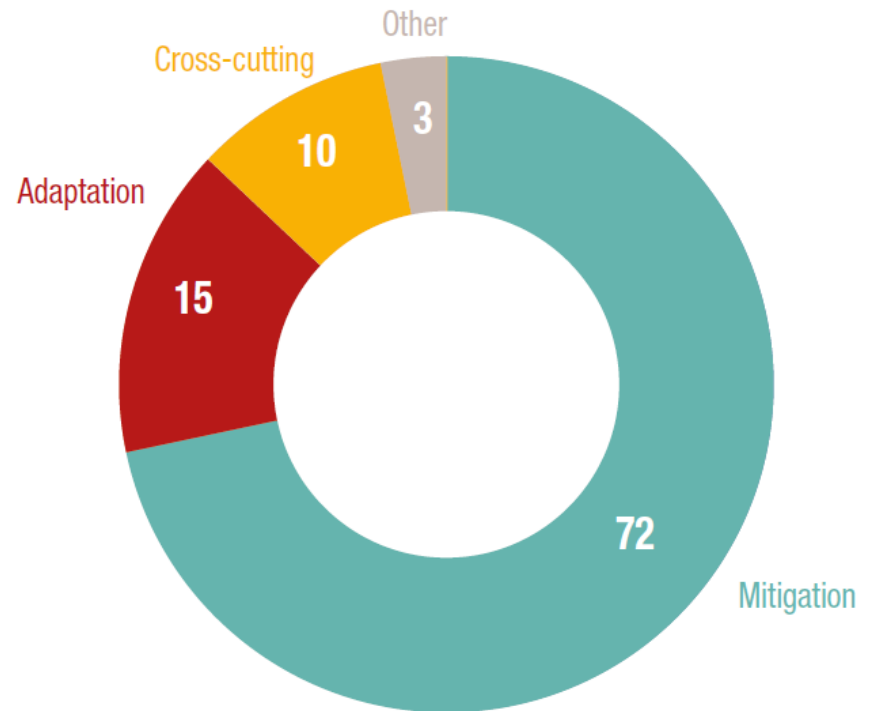


- Multilateral climate funds (including UNFCCC)
- Private climate finance mobilized by bilateral and regional institutions
- Private climate finance mobilized by multilateral development banks
- Multilateral development banks' climate finance
- Climate-specific finance through bilateral, regional and other channels



# Funding is inadequate

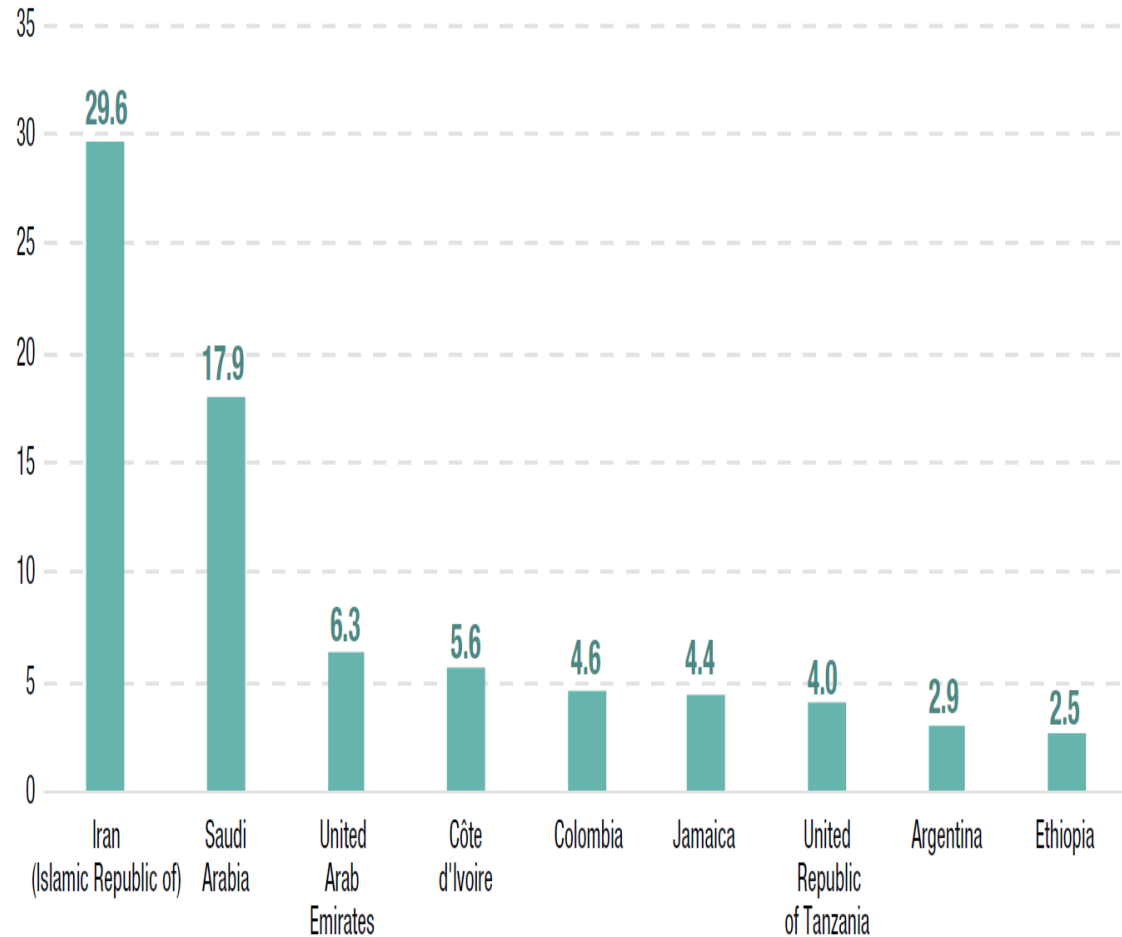
- Amounts raised are far below pledges & needs
  - Funding should be scaled up
- Current financing mostly through bilateral channels
  - More funds should be channelled through multilateral channels
  - Simplify procedure for access by CDDCs
- Allocation skewed towards mitigation
- Paris Agreement calls for balance between mitigation & adaptation
  - More resources needed for adaptation, the main challenge facing CDDCs



# Adapting policies for mitigation and adaptation

- Greening fiscal policies are needed to help implement country commitments
  - Use carbon taxes
- Remove fiscal incentives that contradict climate policy objectives
  - Reform or remove fuel subsidies (we acknowledge its political sensitivity)
  - Total subsidies in 2015 were \$4.7 trillion & forecast 5.2 tn. in 2017
  - Amount almost equivalent to cost of adaptation & mitigation for 80 developing countries
- Properly value global goods such as forest preservation
  - Compensate CDDCs that privilege environmental preservation to immediate economic gain

GDP shares of fuel subsidies in 2015, percentage





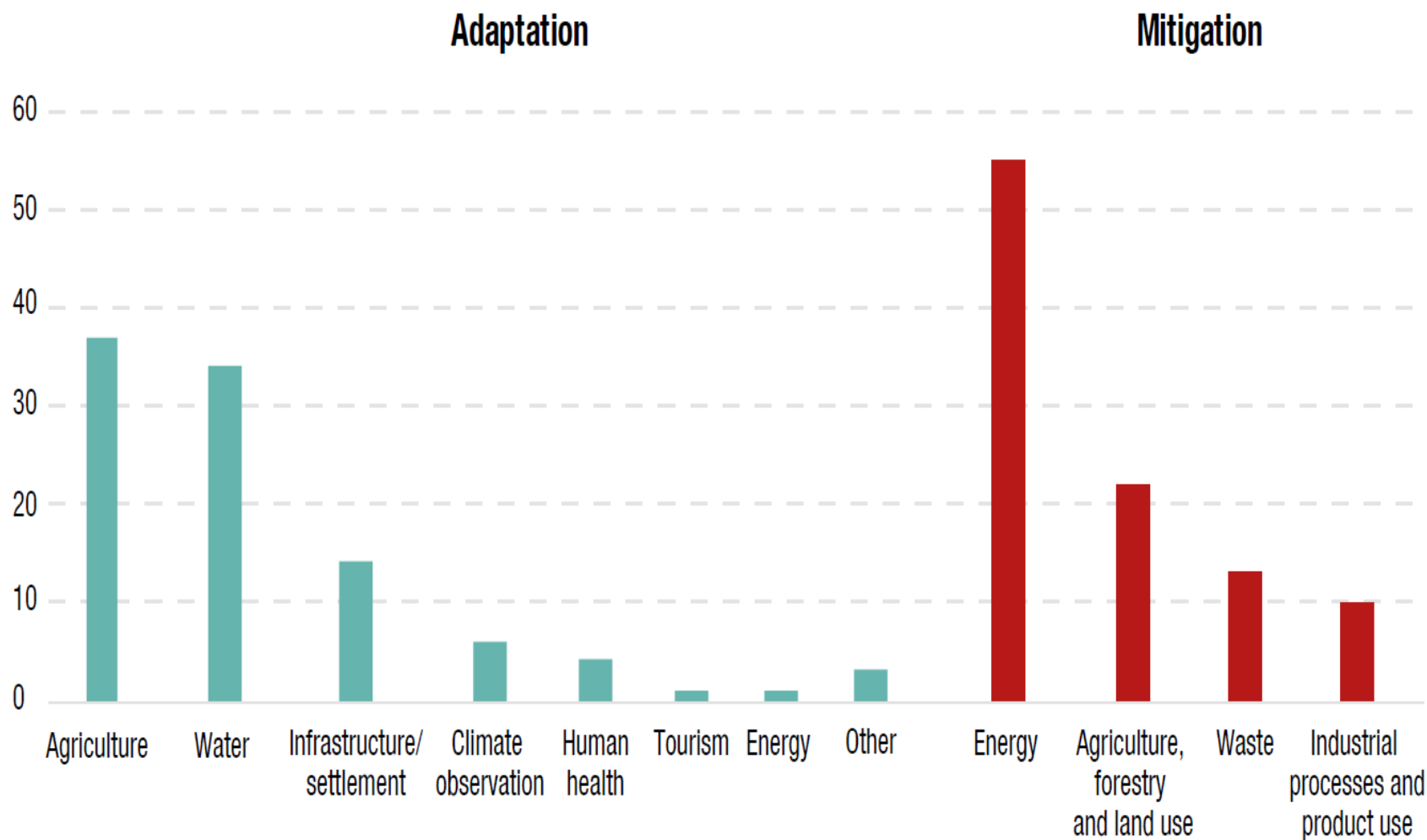
# Important needs for capacity building

- CDDCs need capacity building in several areas (see figure)
  - Focus on capacity development of local actors as they know best local conditions
- Special focus on agriculture to increase climate resilience & improve food security
  - The sector is highly vulnerable to impacts of climate change
- Economic diversification as a response to climate challenge
  - Strengthen capacity to design & implement product and export diversification policies

## Capacity-building for implementation of NDCs



# Technology: priority sectors as reported in developing countries' TNAs (%)



# Technology needs for mitigation & adaptation

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- Technology transfer has been central to climate change negotiations, highlighting its importance
- Mitigation requires technology transfer to CDDCs to:
  - help transition towards low-carbon energy
  - improve energy efficiency
- Adaptation requires development & deployment of new technologies adapted to CDDC needs (crops, efficient irrigation, water purification, etc.)
- Strengthen national capacities to use & maintain equipment, and adapt technologies to local conditions



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# Conclusion



# Conclusion

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- Activities in commodity value chains affect the climate; CDDCs affected disproportionately even though most GHGs produced outside CDDCs
- Developed countries should meet their commitments to help developing countries (and CDDCs) become more resilient through, among others:
  - transfer of adequate financial resources
  - capacity building in all relevant areas
  - Technology transfer
- For CDDCs, economic diversification key to adapting to economic effects of climate crisis & commodity dependence
- Need strong political leadership at global level to unite the world in fight against climate crisis



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Thank you.

