The role of trade in climate change adaptation

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Adaptation

Preparing for and protecting against the negative impacts of climate change

Structural and physical measures

- **Engineered / built environment**: Sea walls, cyclone shelters
- **Application of technologies**: New crop and animal varieties
- **Use of ecosystem services**: Wetland restoration, green roofs
- **Delivery of specific services**: Social safety nets, vaccination

Social measures

- **Educational**: Awareness raising
- **Informational**: Hazard mapping, early warning
- **Behavioural**: Migration, changing cropping practices

Institutional measures

- **Economic**: Taxes, subsidies, insurance
- **Laws and regulations**: Zoning, codes, property rights
- **Government policies and programs**: National plans

Barriers and needs

The growing adaptation gap

Not adapting fast enough

- Most current efforts are fragmented, small in scale, incremental, sector-specific, respond to near-term risks

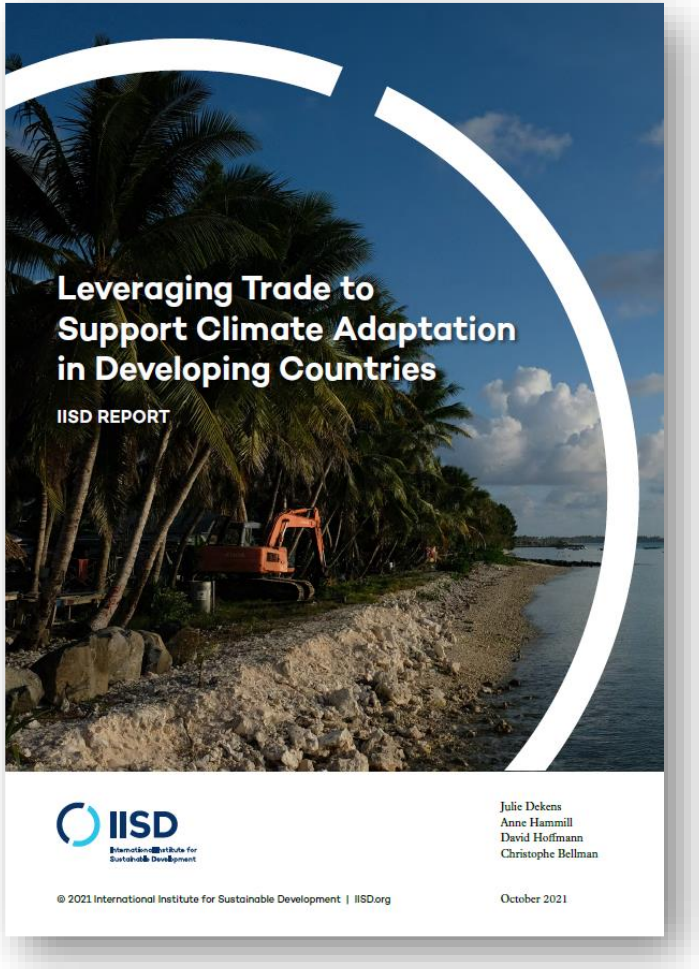
Soft and hard limits to adaptation

- Hard – no additional adaptive actions possible,
- Soft – options not currently available but can becomes so in future
  - **Financial**: Lack of finance, access to credit
  - **Informational**: Monitoring slow-onset events
  - **Technological:** Outdated infrastructure
  - **Human capacity**: Skills to analyse climate information
  - **Governance**: Coordination between levels of government
  - **Institutional**: Land tenure
  - **Policy**: Lack of plan, conflicting strategies

Role of trade in supporting adaptation

Three general pathways

1. Domestic trade policy measures that enhance access to adaptation goods and services;
2. Access to trade-related financing mechanisms that support climate adaptation; and
3. International collaborative frameworks on trade in support of climate adaptation



Pathway 1

Domestic trade policy measures that enhance access to adaptation goods and services

- Trade policy measures can be designed to facilitate the availability and accessibility of particular goods and services required to adapt to climate change

- Adaptation – and therefore adaptation goods and services – is highly context specific and priorities may change over time with shifting climate conditions; trying to develop comprehensive and static checklists of goods & services won't work → maladaptation

- **Trade policy instruments to remove barriers to trade in adaptation goods and services**: Tariffs, subsidies, government procurement, intellectual property rights, private, voluntary sustainability standards, labels, and certification schemes, trade and investment facilitation

Adaptation goods

Goods produced in a manner that explicitly manage climate risks (along whole VC)

Flood-resistant maize using specially bred species, use of cover crops and no-till farming to manage water in increasingly flooded areas

Clothing produced with special fibers that consume less water from a cotton-sourcing region experiencing drier conditions

Food / beverages processed using recycled water to minimize water consumption in a region affected by more droughts

Adaptation goods (2)

Goods used or consumed to reduce the negative impacts of climate change

Final goods


Climate-resilient seeds and **water efficient irrigation** technologies for use in drier conditions

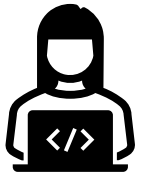
Desalination technologies to ensure freshwater supplies in the face of sea level rise

Early warning systems in context of more extreme events

Intermediate goods: Machinery, spare parts, technologies needed to produce abovementioned final goods

Adaptation services

Range of activities necessary to support the production and use of adaptation goods



- Qualified labour for collecting / analyzing climate data
- Engineering services to design and build climate-resilient infrastructure
- Climate impact modelling and sector-specific data analysis
- Climate change vulnerability and risk assessments
- Research and development
- Agricultural extension services to farmers (including on climate-smart agriculture)
- Provision of weather index insurance

Pathway 2

Access to trade related financing mechanism that support climate adaptation

- **Global adaptation finance gap is large**: annual costs estimated to reach USD 300 and 500 billion in 2030 and 2050, respectively; about USD 30 billion went to adaptation in 2017-18

- **Aid for Trade,** two entry points**:**
  - **Leveraged** as co-financing to secure climate finance from Green Climate Fund or Adaptation Fund – especially in agriculture and infrastructure (Ghisu and Ancharaz, 2013)
  - **Integrate adaptation** into trade-related ODA to ensure trade supports adaptation

- **Enhanced Integrated Framework**
  - Integrate adaptation considerations into tools such as Diagnostic Trade Integration Studies, which are then translated into specific technical assistance and capacity building programs

Pathway 3

International collaborative frameworks on trade in support of climate adaptation

- Trade agreements as entry points to identify and advance mutual areas of interest through targeted cooperation
- **Possible avenues to integrate trade and adaptation provisions in trade agreements**
  - Broader policy cooperation on adaptation
  - Information sharing and dialogue
  - Cooperative capacity building
  - Liberalization of climate adaptation goods and services
  - Working towards harmonization or mutual recognition of environmental standards and regulations
  - Fostering climate-resilient foreign direct investment
  - Incentivizing adaptation through subsidies

Thank you

https://www.iisd.org/system/files/2021-10/trade-support-climate-adaptation-developing-countries.pdf

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