KENYA PRIVATE SECTOR ALLIANCE

The Voice of the Private Sector in Kenya

Climate Change and Your Business Briefing Note Series | April 2014

Climate Change and the Kenyan Private Sector


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The climate change challenge is real for the private sector in Kenya. The science of climate change indicates that human activities are causing a rise in global temperatures, particularly carbon dioxide emissions. This change disrupts climate and weather patterns. This presents challenges for the Kenyan economy, which is very reliant on natural resources that are the foundation of such sectors as tourism and agriculture. Recent experience with extreme weather events highlights Kenya's economic exposure to changes in weather and climate phenomena. Kenya's National Climate Change Action Plan 2013-2017 (NCCAP) reports that some estimates place the cost to Kenya related to droughts and flooding at about 2.4 per cent of GDP per year.[1] The Intergovernmental Panel on Climate Change has determined that the incidence and intensity of extreme weather events is expected to increase in the future (see Box 1).

But a changing climate is not bad for everyone's business, and the private sector can take steps to lessen the negative impacts. The business case for action on climate change builds on the notion that the private sector can lessen its risk through planning, and at the same time act on opportunities. This can include enhanced resource use efficiency in a cost-effective way, improved industrial energy efficiency, affordable small-scale renewable energy technologies, and recycling waste products for energy production. Competitive advantage awaits those companies that take early action.

KEPSA and Climate Change

The Kenya Private Sector Alliance (KEPSA) is helping the private sector manage climate change risks and access opportunities. KEPSA has developed the Climate Business Information Network (CBIN), a network of interested firms that aims to help the private sector understand the risks and opportunities associated with climate change. In addition, KEPSA was engaged in the development of the NCCAP, representing the private sector on the taskforce that oversaw the development of the plan. The NCCAP, developed under the leadership of the (then) Ministry of Environment and Mineral Resources, sets out actions to enable Kenya to reduce vulnerability to climate change and to improve our country's ability to take advantage of the opportunities that climate change offers.

The NCCAP sets out actions to guide the government's response to climate change, and notes that private sector investment and support must be encouraged for results to be long lasting. The private sector is expected to play a significant role in tackling climate change and supporting green economic growth.

The Climate Context in Kenya

The NCCAP explains that the key climate change impacts for Kenya are drought and water scarcity, flooding and sea level rise. Research suggests that temperatures will continue to increase, and the frequency of hot days and nights will rise. Precipitation is expected to increase in some areas, with the largest rainfall occurring in the highland and coastal regions. The greater part of the country comprising the arid and semi-arid regions is expected to become significantly drier.[2]

These climatic changes have many adverse impacts on hydropower generation, agricultural production, forestry, wildlife and tourism, among other climate-sensitive sectors. The Kenyan private sector is vulnerable to climate risks because of impacts on: water availability (Kenya is one of the most water scarce countries in Africa[3]); hydroelectricity power that currently makes up over half the installed capacity of electric power; and tourism and export-oriented crops (such as coffee, tea and horticulture) whose sales make up a significant proportion of Kenya's foreign exchange earnings. Kenya's highly diverse private sector will be strongly influenced by the changing climate, as well as elsewhere in the world because of the impacts on international trade flows and prices of internationally traded goods.

Box 1: Highlights from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC)

- The warming of the climate system is unequivocal and observed changes (warming of the atmosphere and ocean, sea level rise and melting ice) are unprecedented over decades to millennia.
- It is extremely likely that human activities are the main cause of the warming since the 1950s.
- Climate changes are occurring in all geographical regions, resulting in:
  - Warming atmosphere,
  - Warming and acidifying oceans,
  - Diminishing ice and snow, and
  - Changing weather patterns, causing more hot and fewer cold days, longer and more frequent heat waves, and dry areas to become drier and wet areas wetter.

Source: IPCC (2013), Summary for Policymakers, in: Climate Change 2013: The Physical Science Basis, Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (Stocker, T.F., Qin, D., Plattner, G.K., Tignor, M., Allen, S. K., Boschung, J., Nauels, A., Xia, Y., Bex, V. and Midgley, P.M. [eds.]), Cambridge and New York: Cambridge University.

Private Sector Action on Climate Change

Action on climate change and implementation of the NCCAP can be supported by the private sector in two ways:

- **Adaptation** – making sure your business can adjust as well as possible to any consequences of climate change by managing risk and exploiting opportunities.
- **Mitigation** – reducing greenhouse gas emissions from business operations to minimise the impacts of climate change in the future.

The private sector can act on adaptation and mitigation in ways that are aligned with core business strategies and create value. Various levers can be used by the private sector to advance the climate change agenda in Kenya, including:

- **Operations:** Businesses can assess climate risks and impacts, and prepare for future climatic changes. Actions can include addressing anticipated resources shortages or supply chain disruptions, and ensuring infrastructure and equipment can withstand expected climatic changes, particularly extreme weather events. For example, East Africa Breweries began producing a sorghum-based beverage, providing a market for a product that is lower cost and more drought resistant than barley, the traditional input.
- Businesses can transform their operations through actions that reduce greenhouse gas emissions, including increased energy efficiency and the use of renewable energy alternatives. An example is Kenafric, which has significantly reduced electricity consumption through process improvements, leading to lower costs and reduced emissions (see briefing note #10 for more information). Another example is Safaricom, which has turned to solar energy to power some of its cell towers located in regions that receive abundant sunlight[4].
- **Products and Services:** Businesses can innovate and modify their products and services to meet the new and developing market demands created by climate change. Kenyan firms are producing, assembling and distributing energy-efficient products such as improved cookstoves and efficient lights; sustainable energy technologies such as solar and wind; and mobile phone applications that enable farmers to access insurance products and make claims. An example is Kilimo Salama, which makes insurance policy payments through M-Pesa to farmers when drought or excess rain negatively impacts harvests. Businesses can also track and act on opportunities that are likely to arise through the NCCAP, such as the need for clean energy, energy efficient products, flood mitigation systems, cooling systems, water saving technologies, insurance and risk management.


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- **Social Investment and Philanthropy:** Businesses can identify ways to establish a strategic link between their core strategies and investments that improve communities' ability to adapt to climate change. For example, the Kenya Tea Development Agency has worked with the Ethical Tea Partnership to help farmers become more resilient to climate change by infilling with drought resistant tea varieties, conserving biodiversity to increase the resilience of ecosystems, and promoting improved cookstoves to help reduce deforestation.
- **Advocacy and Public Policy Engagement:** Businesses can seek to engage national and county governments on climate change issues related to competitiveness and business opportunities. KEPSA is well placed to assist the private sector in its advocacy and public engagement efforts, and indeed, has taken a leading role in putting forward private sector interests in the development of the NCCAP and Kenya's emerging Climate Change Policy and Bill[5].

Most private sector decisions on climate change are driven by the need to improve the bottom line, and action on climate change can bring benefits to your business. These benefits can be internal through reduced costs, improved recruitment and retention rates, competitive advantage and improved brand value; as well as external through reduced carbon emissions, reduced pollution, energy independence and job creation. To take action, you will been to overcome barriers, including a lack of information and capacity to assess and manage climate risk within private supply chains, and a limited understanding of the potential commercial opportunities that arise through climate action.

Support for the Private Sector

Various initiatives can help Kenyan businesses address climate change issues, including:

- The Government of Kenya's NCCAP includes a wealth of information on climate change. The plan and its background documents are available at http://www.kccap.info.

- Climate change innovation is supported through government and donor programmes. The Climate Innovation Centre (CIC) at the Strathmore Business School in Nairobi provides business acceleration and market development support to companies for innovative green technologies in the areas of renewable energy, agriculture and water supply. The Africa Enterprise Challenge Fund has a Renewable Energy and Adaptation to Climate Technologies (REACT) window that funds business ideas based on low cost clean energy and solutions that help rural people adapt to climate change. The governments of the United Kingdom, Denmark and Sweden, among others, provide funding for these initiatives (please see briefing note #3 for more information).
- Energy efficiency improvements for companies are supported through the Centre for Energy Efficiency and Conservation, a program managed by the Kenya Association of Manufacturers (KAM) in conjunction with the Ministry of Energy (see briefing note #10 for more information). KAM also implements renewable energy and energy efficiency programmes, with support from the governments of France and the United Kingdom.

Climate Change and Your Business: What can you do?

Climate change is beginning to influence the private sector in Kenya, but for the most part, accounting for climate change is not common in business activities and decisions. Your business will need to build resilience by preparing assets and operations for climate impacts. In addition, a good business decision is to reduce your emissions and the overall environmental footprint of your firm's operations. This leads to cost savings and helps to positions your company as sustainable, green or eco-friendly.

Take action to adapt your business to climate change. Climate change may alter your comparative advantage for producing certain goods and adapting to climate change will be necessary for many businesses. The adaptive action depends on your location and the nature of your business. Examples include:

- Understanding how climate change will affect your business activities and what risks this poses for growth and production. This includes assessing climate change impacts on infrastructure; business and regulatory risks, such as changes in insurance coverage; and markets risks, such as potential changes in the pattern and volume of supply chains and trade flows.
- Ensuring your buildings and infrastructure can cope with heavier downpours.
- Being prepared to manage short-term events like floods and storms while building long-term resilience through employee and management training.
- Increasing your ability to manage climate change impacts along your supply chains.

- **Take action to reduce greenhouse gas emissions in your business.** In many businesses there is room to improve resource efficiency and improve energy efficiency. You can:
  - Undertake an energy audit of facilities and processes, and implement those energy efficient actions with the shortest payback time.
  - Take first steps such as installing energy-efficient lighting – replacing incandescent lamps with compact fluorescent lamps or light emitting diodes (LEDs).
  - Consider renewable energy sources to power your facilities.
  - Maintain equipment regularly to prevent efficiency losses and reduce heat losses or gains.
  - Rely less on raw materials, and recycle and use recycled products where possible to minimise waste.
  - Use and produce green or eco-friendly goods and services.
- **Become a leader in sustainability by creating a positive, climate-friendly image for your company.** Your actions to reduce their environmental footprint and produce fewer greenhouse gas emissions may provide a competitive advantage for your business. It may offer the opportunity for environmentally responsible and climate-friendly niche products that differentiate you from the competition.

Box 3: Private Sector Engagement on Climate Change

"It is critical that the private sector engage more fully and see the battle against climate change not as a burden or a form of taxation but rather the major economic opportunity of our generation. A key message to both policymakers and the private sector is that the resources and strategies needed to adapt to and mitigate against climate change can be a source of national and private sector competitiveness."

Mr. Suresh Patel, Chair, Environment, Water, Forestry & Wildlife Sector Board, KEPSA.

How KEPSA Can Help You?

- **Provide climate change information directed at the private sector.** KEPSA can give you information on climate change, including the "Climate Change and Your Business" briefing note series that provides examples of successful private sector responses to climate change. KEPSA also can provide you with a list of climate change funds and programmes available to the private sector, as well as a report on publically available tools and frameworks for assessing climate risk in your business.
- **Undertake an assessment of climate change impacts on the private sector, drawing on the information in the NCCAP.** You need to understand how climate change is expected to affect your region and what risks this poses for your business activities. KEPSA's assessment could look at:
  - Physical risks to resources – such as changes to biodiversity and water supply;
  - Risks to Infrastructure – such as impacts on coastal resorts and ports, and roads to move people and goods;
  - Business and regulatory risks – such as changes in insurance coverage; and

- Market risks – such as changes in international competitiveness.

KEPSA's assessment should include economic valuation of the climate risks to help you make the business case for investments to increase climate resilience.

- **Work to include climate change in various sectoral strategies.** KEPSA could engage as a stakeholder in government processes to promote climate change adaptation and mitigation planning and action that accounts for private sector interests. In addition, KEPSA could lead public-private sector dialogue to advocate for an improved enabling environment for private sector solutions for climate change.
- **Encourage climate-friendly policy and regulation, and position KEPSA as a leader in this area.** Several climate-friendly opportunities have been created by recent policy changes and public-private partnerships. For example, the Government of Kenya has made considerable progress in facilitating renewable energy investment in Kenya through revisions to the policy framework on energy and tariffs for renewable energy sources, such as wind, hydropower and geothermal.
- **Support firms to work toward a sustainable climate-friendly business model.** Working through its various sector boards, KEPSA could develop specific sectoral guidelines to help you address both mitigation and adaptation concerns. KEPSA could share information about successful business models that encourage a low-carbon footprint or reduce vulnerability to climate impacts.

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Endnotes

1. Government of Kenya (2013), National Climate Change Action Plan 2013-2017: Executive Summary (Nairobi: Ministry of Environment and Mineral Resources), page 8.
2. Government of Kenya (2013), National Climate Change Action Plan 2013-2017 (Nairobi: Ministry of Environment and Mineral Resources).
3. International Institute for Sustainable Development (IISD) (2012), Climate Risks, Vulnerability and Governance in Kenya: A state of the art review, pre-publication version (Winnipeg: IISD), page 24.
4. Herbling, D. (2013), Safaricom invests Sh96m on cell towers' backup batteries, Business Daily (23rd April).
5. This section draws on the framework presented in: Accenture (2012), Sustainable Energy for All: The Business Opportunity (New York: United Nations Global Compact), page 14.

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