Global Gateway

Emerging Opportunities and Market Shifts for Economic Diversification

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Looking ahead: three trajectories shape where opportunity lies

Climate

Physical impacts intensify and response measures change demand and market access

Technology

AI, automation, advanced manufacturing and new energy technologies reset productivity

Economy

Rising development demand meets high debt, stubborn inflation and uneven growth

A three-part test for diversification pathways

Reduces climate risk | Leverages new technology | Cost and competitiveness benefits

Six emerging opportunity areas, and the market transformation, MSME capacity and enablers that decide who captures them

Climate Trajectories: physical and transformation risks

Physical risks intensify

24–26°C

Above this range, labour productivity starts to fall (ILO)

2.2%

of global working hours could be lost to heat stress by 2030 (ILO projection)

- Agriculture accounts for about 60% of the lost hours; construction is also hit
- Heatwaves, droughts, floods and storms raise costs and add fiscal pressure
- Small firms are less resilient to such shocks (ITC)

Transformation risks: climate policy is spreading

29%

of global emissions now covered by 87 carbon pricing instruments (World Bank, April 2026)

China	ETS extended to steel, cement and aluminium in 2025; absolute caps planned from as early as 2027
Japan, India, Viet Nam	New national carbon pricing introduced in the past year: GX-ETS, CCTS and an ETS
UK and others	UK CBAM from 1 Jan 2027; Thailand, Canada, Australia and others exploring border carbon approaches
EU	CBAM (from Jan 2026), deforestation rules (30 Dec 2026) and battery passport (18 Feb 2027)

Together, climate impacts and climate policy are narrowing the set of activities that are viable, competitive and insurable.

Sources: ILO (2019); ITC SME Competitiveness Outlook; World Bank, State and Trends of Carbon Pricing 2026; ICAP; EU and UK CBAM sources

Technology Trajectories: reconfiguring how value is created

$400bn+

Big-tech capital spending in 2025, expected to rise another 75% in 2026

AI and advanced software

Agentic software and AI-driven optimisation reshape productivity

Robotics and humanoids

Automation in manufacturing, logistics and maintenance

~2×

Data-centre electricity use, from 485 TWh in 2025 to about 950 TWh in 2030

3D printing

Local, on-demand production and design for repair and reuse

New energy technologies

Renewables, storage, smart grids and green hydrogen

$2.2tn

of about $3.4tn global energy investment in 2026 goes to clean energy, grids, storage and efficiency

Data and digital infrastructure

Data centres link the digital and energy transitions

Skills and participation

Who benefits depends on skills, infrastructure and value-chain access

Technology is not only reducing emissions. It is changing where and how value is created, what skills are needed, and who can participate.

Sources: IEA, Key Questions on Energy and AI (2026); IEA World Energy Investment 2026 (via secondary reports)

Economic Trajectories: rising demand meets tight finance

Structural demand

Countries move toward middle-income status, cities grow and a middle class emerges, mainly in Asia, Africa and parts of Latin America.

~60% Asia-Pacific share of global material consumption (2017)

3.6% a year Global electricity demand growth, 2026–2030 (IEA)

1.6bn to 5.6bn Air conditioners in use by 2050 (IEA, 2018)

Financial constraints

Growth is steady but uneven: 3.0% in 2026 and 3.4% in 2027 (IMF), with upside concentrated in technology-intensive sectors.

94% to 100% Global public debt, share of GDP, 2025 to 2029 (IMF)

4.1% to 4.7% Global headline inflation, 2025 to 2026 (IMF)

32 of 67 Low-income countries in, or at high risk of, debt distress (March 2026)

Rising aspirations push demand up, but in a high-debt, moderate-growth world public money alone cannot fund the transition: market transformation that mobilises private capital must be capitalised.

Sources: IMF WEO Update (Jul 2026) and Fiscal Monitor; IMF LIC DSA list (Mar 2026); IEA Electricity 2026 and Future of Cooling; Schandl et al. 2024

What this means: a three-part test for diversification

1

Reduces Climate risk

Lowers exposure to physical impacts, or to transition and trade-standard risk.

2

Leverages New Technology

Raises productivity and opens participation in emerging value chains.

3

Clear Cost and Competitiveness Benefits

Quicker paybacks and predictable policy signals make it bankable.

Pathways that pass all three tests are the most likely to attract sustained public and private finance.

Market transformation, as in renewables, turns pathways that pass the test into bankable investments. Circular economy is the next candidate.

Six emerging opportunity areas for diversification

Clean energy, efficiency, grids and storage

Market transformation at scale: about $2.2tn of $3.4tn energy investment in 2026. Efficiency and electrification spending must almost triple to reach the COP28 efficiency goal.

Digital and AI-enabled services

Data-centre demand roughly doubles by 2030; AI-driven demand lifts tech-integrated economies.

Low-carbon industry and clean tech

CBAM covers cement, steel, aluminium, fertilisers, electricity and hydrogen: low-carbon output becomes market access.

Resource-efficient, circular value chains

The next market transformation: material efficiency cuts emissions, costs and import dependence; circularity is only 6.9%.

Sustainable agriculture and food

Deforestation-free rules on seven commodities favour traceable supply chains and climate-smart production.

Cooling, adaptation and resilience

Air conditioners could rise from 1.6bn to 5.6bn by 2050; efficient cooling could save up to $2.9tn.

Sources: IEA WEI 2025 and 2026, Energy Efficiency 2025, Key Questions on Energy and AI; IMF WEO Jul 2026; Circularity Gap Report 2026; EU CBAM, EUDR; IEA Future of Cooling

Market Transformation: what renewables teach us

89%
fall in the cost of solar PV electricity since 2010

90%+
of new utility-scale renewable projects in 2025 were cheaper than fossil alternatives

$480bn
of fossil fuel costs avoided by renewable generation in 2025

Policy signal
targets, auctions, standards

→

Financial de-risking
guarantees, offtake, blended finance

→

Lower cost of capital
better risk-return profile

→

Private investment
mobilised at scale

→

Learning and scale
costs fall further

PUBLIC LEVERS

MARKET RESPONSE

UNDP's de-risking framework: public instruments reduce, transfer or compensate for risk, lowering financing costs, often more cost-effectively than higher direct incentives.

Where policy support is weak and risks are high, financing costs stay high: developing countries, notably in Africa, face rising technology and finance costs (IRENA).

In a finance-constrained era, use scarce public money to change the risk-return profile so that private capital follows.

Sources: IRENA, Renewable Power Generation Costs in 2025 (Jul 2026) and 2024; UNDP, Derisking Renewable Energy Investment

Circular Economy: the next market transformation

Material efficiency: decarbonisation and resilience

9.3 Gt — CO2e a year by 2050 from circular strategies in five sectors (Ellen MacArthur Foundation)

up to 60% — of industry emissions come from four materials: steel, cement, chemicals, aluminium (WEF)

€35bn — EU trade gain, plus about 4.7% less fossil energy demand, from circularity in four heavy industries (JRC)

Gap today: virgin materials are often cheaper than recycled ones, and Asia and the Pacific attracts only 8% of plastic circularity investment.

Apply the renewables playbook

Policy signal — Recycled-content and design standards, EPR with eco-modulated fees, GPP with ecolabels, circular targets in NDCs (84% include them)

De-risking — Offtake agreements for recycled materials; guarantees and blended finance for recycling infrastructure

Aggregation — Bundle small deals: 45% of disclosed circular investments in low- and middle-income countries are under $1m (IFC)

Inclusion — Bring informal workers and MSMEs into the value chain

Renewables show the way: policy signals plus de-risking crowd in private capital. Circular economy is the next highest-potential market transformation.

Sources: Ellen MacArthur Foundation (2019); WEF; EC Joint Research Centre (2025); IFC Circular Economy Investment Tracker; ADB; UNDP Climate Promise

Market Shifts: standards and public demand

External: standards redefine access

1 Jan 2026	EU CBAM definitive phase; certificate sales open 1 Feb 2027
Jul 2026	WTO members raise concerns on digital product passports
30 Dec 2026	EU deforestation rules apply to large operators
18 Feb 2027	EU battery passport mandatory

The concern: data, verification and conformity costs fall hardest on MSMEs. Capacity-building and cooperation decide who gains.

Domestic: GPP paired with ecolabelling

Public procurement: $9.5tn a year, 13–20% of GDP in many countries

- **Credible criteria:** ecolabels give buyers verifiable standards, and GPP gives ecolabels a market. Korea's law directs agencies to buy products for which ecolabel criteria exist.
- **Locally appropriate, gradual:** start with a few product groups and widen. China mandates 9 energy-saving products and keeps ecolabelled ones voluntary; Thailand encourages.
- **Economic value:** Korea's 2017 green purchases cut 665,000 t CO2e, saved about $35m in pollution costs and supported 4,415 green jobs.

Standards open or close markets abroad; GPP with ecolabelling builds them at home. MSME capacity and cooperation decide who benefits.

Sources: EU CBAM, EUDR, Batteries Regulation; WTO TBT Committee (Jul 2026); UNEP GPP and ecolabelling studies; Open Contracting Partnership (Korea)

MSMEs: most exposed, fastest to adapt

90%+ of firms worldwide are MSMEs

~70% of employment, on average

~50% of GDP worldwide

Most exposed

- Crop losses, damaged infrastructure and disrupted logistics hit small firms first (ITC)
- Certification and compliance carry fixed costs that weigh more on small firms (WTO)
- Finance gap of about $5.2tn a year; East Asia and the Pacific holds 46% (IFC)

Fastest to adapt, with support

- In an ITC survey, 42% of African firms had invested in climate-conscious measures within three years
- SWITCH-Asia has indirectly reached up to 80,000 MSMEs with cleaner production
- Productivity is about half that of large firms: closing the gap is the upside (McKinsey)

Capacity levers to capitalise on the six opportunity areas

- **Skills and know-how**
- **Access to finance**
- **Standards and data compliance**
- **Market links: GPP and lead firms**
- **Digital tools and networks**

Sources: IFC; ITC SME Competitiveness Outlook and surveys; WTO research note on small business and climate change; McKinsey Global Institute; SWITCH-Asia

Making opportunities bankable and inclusive

Finance

- Public de-risking that crowds in private capital: guarantees, offtake, blended finance
- Concessional finance where debt space is tight
- Working capital and credit for MSMEs

MSME capacity

- Compliance capacity: data, verification, conformity
- Skills and reskilling linked to sector plans
- Ecolabel certification support and access to public procurement and lead-firm supply chains

Just transition

- Formalise informal workers and include them in new systems
- Gender-responsive and regional programmes
- Social protection during restructuring

Diversification succeeds only if people and firms can participate in the new economy. Session 4 covers finance, technology and capacity-building in depth.

Sources: IMF LIC DSA list (Mar 2026); UNFCCC Katowice Committee on Impacts publications

Three trajectories shape where opportunity lies

Climate

24–26°C productivity starts to fall above this range (ILO)

2.2% of global working hours lost to heat by 2030 (ILO projection)

29% of global emissions priced, through 87 instruments (World Bank)

Climate impacts and policy narrow what is viable, competitive and insurable

Technology

$400bn+ big-tech capital spending in 2025; a further 75% rise expected in 2026 (IEA)

~2× data-centre electricity by 2030: 485 to about 950 TWh (IEA)

$2.2tn of $3.4tn 2026 energy investment: clean energy, grids, efficiency (IEA)

Technology changes where value is created and who can participate

Economy

3.6% a year: global electricity demand growth, 2026–2030 (IEA)

94% to 100% global public debt, share of GDP, 2025 to 2029 (IMF)

32 of 67 low-income countries at high risk of, or in, debt distress (IMF)

Demand rises while finance tightens: bankable pathways get funded

Three-part test: reduces climate risk | leverages new technology | offers clear cost and competitiveness benefits

Pathways that pass all three tests are the most likely to attract sustained public and private finance.

Sources: ILO (2019); World Bank, State and Trends of Carbon Pricing 2026; IEA (Key Questions on Energy and AI, WEI 2026, Electricity 2026); IMF (Fiscal Monitor, WEO Jul 2026, LIC DSA list)

Turning transition risks into diversification gains

Five actions

1. **Align**
   NDCs, industrial strategy and procurement around priority pathways
2. **Anticipate**
   trade, jobs and distributional impacts before measures are adopted
3. **Accelerate**
   technology, finance and skills, with MSMEs at the centre
4. **Activate markets**
   policy signals, de-risking and GPP with ecolabels, phased to local context
5. **Assure fairness**
   informal workers, women and youth share the gains

Questions for the breakout groups

INNOVATION AND NEW INDUSTRIES

Which industries could realistically create domestic value, jobs and export opportunities?

TECHNOLOGY AND MARKET TRANSFORMATION

How can countries join emerging value chains and adapt to new standards?

NEW INDUSTRIES AND DECENT WORK

How do we make sure new industries deliver decent, inclusive jobs?

Thank you

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