

The L-14 Proposals on “Breaking Global Environmental Deadlocks” An Indian Perspective

“We are keenly aware of the looming effects of climate change. But, the science of climate change is still nascent and somewhat uncertain. This is why Indian scientists must engage in exploring the links between greenhouse gas emissions and climate change. We, in the developing countries, cannot afford to ape the West in terms of its environmentally wasteful lifestyles. Equally, developed industrial countries must realize that they too must alter their consumption patterns so that so few do not draw upon so much of the Earth’s resources. The developing world cannot accept a freeze in global inequity. We are today living in an increasingly globalized, increasingly interdependent world. The challenge before all of us is to make this growing interdependence of Nations a win-win game rather than a game which leaves two-third of humanity at the bottom rung of social and economic ladder.

The measures that the global community takes to protect our environment and deal with climate change therefore must be equitable in their impact on the development prospects of the developing world. The new environment-friendly technologies being developed must be shared and made available to us as international public good so that our planet is saved. We can and must use the inventiveness and ingenuity of our knowledge to find new pathways to growth. But in the world increasingly interdependent as it is today, this must be a shared effort. It must be an effort that enables the poor to improve their quality of life, their well-being, their consumption levels without being forced to pay the price for the profligacy and excessive consumption of the rich and the super rich.”

- Speech by Indian Prime Minister to Indian National Science Congress, Jan 2007

In one sense, this small quotation from a recent speech delivered by the Prime Minister encapsulates the criteria that any workable agreement on global climate change will have to meet. Rather than going into a long discussion of the history of India’s response to climate change, it might be useful to begin with laying out some principles that, implicitly or explicitly, govern India’s thinking on this matter. We can then work backwards from that and ask if the proposals on the table come close to meeting some of India’s concerns. These principles are implicit in the PM’s speech. But a summary account of the feasibility of the proposals in the “Non Chair Non Text” would go like this. The “Deadlock” may remain a deadlock. The riposte to Eisenhower may be that “we never solve a problem, we only change the question.” The strength of the L14 proposal is that it is a version of changing the question. If alternative energy supplies can be secured and technology solutions can be found – great! But its weakness may be that it does look like changing the question. But on specific points, here is how the picture looks.

- a) The most innovative and politically feasible part of the proposals on the table is the emphasis on restructuring energy use. The basic thrust of the proposal is that if countries like India can shift to more nuclear power, or natural gas, a significant proportion of the challenge posed by GHG emissions will have been met. This is line with a lot of Indian thinking on the matter, particularly on civilian nuclear energy use.
- b) There will be considerable support for "technology based" solutions
- c) India will have serious problems with the principles enshrined in the "Declaratory Introduction." They acceptable propositions in them more like – to use a phrase used by the Deputy Chairman of the Planning Commission – motherhood principles. The devil is going to be in the detail. But India would like more emphasis on something like the following thought: "Any measures adopted should not, in any way, impede the growth of developing countries, or if they do, there should be some compensating mechanisms." For instance, proposition 3 "achieving a balance between industrialization and protecting the environment" sounds reasonable on the face of it. But it will have to be accompanied by a commitment that the costs of this balance do not fall on developing countries.
- d) Although this is being presented as Kyoto "plus" Indian interlocutors would see this as an attempt to supplant Kyoto is two fundamental respects. First, it does not as fully acknowledge the principle of differentiated responsibility as Kyoto. Second, it does not place any BINDING commitments on developed countries. While the emphasis on national strategies is important and salutary, this emphasis opens up the following question: Either the national strategies are significant, in which case there is no "problem;" if they are not, there is no "binding" mechanism.
- e) The worry is that the other acceptable matter in these proposals, like "reenergizing" CDM's, diffusion of technology, etc are very much part of Kyoto. What value added will an L-14 bring on these matters? There is also concern that CDM's are low hanging fruit for developed countries to avoid real changes and developing countries will pay the price for this later.
- f) There is a sense in which this proposal violates the principle of equity which India has been stressing. A "one time" sinks credit adjustment for the US will be hugely controversial (perhaps even amongst the Europeans). But without any corresponding mention of some the ideas India has championed (a per capita basis for calculating national tradable carbon quotas), this proposal looks like shifting the burden of responsibility on countries like India.
- g) There is an implied claim that developed countries will not require lifestyle adjustments. There is also relatively little emphasis on support for adaptations mechanisms.
- h) What is the reason for thinking that coordination of varied autonomous efforts will not also produce the lowest common denominator?
- i) There is a huge issue of sequencing. The debate over climate change would transform fundamentally where countries like India convinced

about the seriousness of the US on this issue. While dramatic policy changes may be in the offing in the developed world, their credibility is yet to be tested. The refrain is “let the US adopt a credible national strategy first...”

- j) There is also considerable worry about using fiscal instruments. In a way China has an advantage over India because it does not tax fuel much. So it has a lot of headroom in this area.
- k) There is still a reluctance to agree to emission reduction targets, but some possibility of cumulative targets being considered.

In short, the reactions to this proposal are enthusiasm on the energy restructuring front – if there can be a credible and cost effective way of doing it. There is also great enthusiasm for technology based solutions. But there is skepticism that the rest of the discussion is just a gloss to avoid developed country responsibility.

Do We Have a Common Understanding of the Problem?

The proposal rightly stresses the need to evolve a common scientific understanding of the objectives and means of addressing climate change. There is still, surprisingly, a lot of divergence in this area and any mechanisms to address this would be welcome. But the question will be: what will a new bicameral commission achieve that cannot be achieved through existing mechanisms? Although this is not India’s “official” position, we have to begin by acknowledging that discussions of climate change are still not as serious as the gravity of the subject might warrant. There is a widespread realization in official circles of the profound impact climate change might have on India. But it has not yet been articulated in a publicly meaningful way just yet. Even though there is a huge turnaround in US opinion, it would be premature to assume that there is consensus that something quite radical needs to be done. This is important, because the political economy of decision making on the environment will require exceedingly complex domestic negotiations, and it is far from clear that the preparatory political work has been put in place to achieve drastic targets. In other words, domestic feasibility, especially in democratic societies will have to be factored in any international negotiations. But the in short run, measures will have to be taken to prepare the intellectual and political basis for significant movement in this area. Could high visibility summits themselves be an aspect of this public consciousness raising?

Development versus Environment Tradeoff

While almost everyone agrees with the general proposition that achieving a balance between development and environmental concerns is imperative, there is considerable disagreement over just how this balance is going to be achieved and what the costs are going to be. Just take some “stylized” facts that form the basis for much Indian discussion

1. Most of the scientific community in India is convinced that CO₂ emission reductions impose costs in terms of GDP growth and higher poverty. An influential figure, much used in Indian policy circles is that a 30 percent CO₂ reduction over 30 years would reduce total GDP by at least four percent and increase the number of poor by almost 18 percent by 2035.
2. Depending whose numbers you use, India will need capital inflows of around 300 billion dollars over the next 30 years to reduce its carbon emissions cumulatively.
3. If the carbon emission reduction need to be front loaded then the costs to developing countries like India goes up even more considerably.
4. While India has made considerable progress on “energy intensity” efficiency, the whole idea of energy efficiency measurement remains a rather grey area
5. As the Prime Minister indicated, a significant amount of reduction will have to come from “lifestyle” choices. But the political economy of regulating “lifestyles” is exceedingly complex in most democracies. But at the very least, putting the regulatory and other infrastructure in place for a life style reconfiguration would require additional compensatory measures.

The proposal on the table skirts a fundamental issue: what is going to be the extent to which developing countries like India are going to be compensated for taking proactive measures? While tradable emission quotas are an indirect mechanism for compensation, will these quotas be enough? The question going to be asked is this: Why not have a compensatory fund or mechanism as explicitly part of the negotiating agenda? This fund should be large and visible enough to both fund the adoption of new technologies and possible adaptation requirements. The scale of funds required for CO₂ reductions is possibly being underestimated. Let us say for instance that cities like Kolkatta in India needs to move to CNG based mass transport systems, like Delhi did. It is obvious that this sort of thing will need to be subsidized by someone. In actual practice the tradeoffs entailed by investing in new measures are very stark – there is a direct budgetary conflict between environmental spending and things like basic education and health. This question becomes particularly relevant, if the CO₂ reductions are going to be front loaded even more than was previously thought.

While CDM and tradable emission quotas are indirect compensation mechanisms, the question of the desirability of more direct compensation mechanism needs to be discussed more frontally. What impact does having a large pool of funds available that can be tapped have on the likelihood that mitigation measures will be adopted?

The Issue of Energy Intensity

This is a tricky issue, both in terms of measurement and how targets are set. It has been suggested that developing countries should adopt national energy intensity targets that would simultaneously promote development and mitigation objectives. Economy-wide energy intensity targets will be seen as inappropriate for a developing country because shifts in the sectoral composition of GDP can cause energy intensity figures to go up or down. For example, the steady improvement of India's energy intensity figures in recent years is due largely to improvements in energy efficiency but also partly because of the increased contribution of the services sector to the GDP. In India there is a concern that if a shift were to occur from the services sector to energy intensive sectors, such as cement or steel, the trend in improving economy-wide energy intensity figures may be slowed down or even reversed. Developed countries as a rule have balanced economies in which sharp changes are unlikely to occur in the inter-sectoral composition of GDP. In contrast, such shifts are common in developing countries. For this reason, it would be more appropriate for a developing country to consider energy efficiency targets for specific sectors or industries, rather for the economy as a whole. Such sectoral or programmatic targets could, indeed, be incorporated into development plans, wherever appropriate.

It must be emphasized, however, that such targets, likely all plan targets, are only of an *aspirational* nature. They cannot be interpreted as constituting *international commitments*, just as growth targets of developing countries do not amount to binding international commitments. It would be incorrect to refer to voluntary sectoral energy efficiency targets as *new commitments* for the developing countries. Rather, they should be viewed as a more intensive implementation of an existing commitment under Article 4, paragraph 1 of the Framework Convention and Article 10 of the Kyoto Protocol, respectively. Developing countries have made it amply clear that they see no justification for the imposition of new commitments on them.

What is India doing?

The following is how India's position goes something like this:

"The first misconception is the oft-repeated assertion that the developing countries have no commitment under the Kyoto Protocol. This is quite untrue, as will be clear from a reading of Article 10, which lays down a set of common commitments applicable to all Parties – Annex I and non-Annex I alike. These include an important commitment to "formulate and implement...programmes containing measures to mitigate climate change". The National Communications submitted by developing countries such as India, China and Brazil detail many important measures that have significantly moderated the rate of increase of greenhouse gas emissions. A Pew Center study entitled "Climate change mitigation in developing

countries”, demonstrates that actions taken by six countries – Brazil, China, India, Mexico, South Africa and Turkey – have “reduced the growth of their combined annual greenhouse gas emissions over the past three decades by nearly 300 million tons a year”.

While the developing countries are bound by the commitments incorporated in Article 4, paragraph 1 of the Framework Convention and Article 10 of the Kyoto Protocol, they are exempted from the emission limitation and reduction commitments applicable to the Annex I Parties because they are not responsible for inducing climate change. If all countries had the same historical and current per capita emission levels of, say, India, a climate change problem would not have arisen. The problem has arisen because the industrialized countries have used up more than their fair share of the planet’s atmospheric resources. Developing countries are the victims, not the agents of climate change. The Framework Convention explicitly recognizes that “per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs.” It also explicitly recognizes, in Article 4, paragraph 7, that “economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties”. Hence, the convention does not require developing countries to divert resources from development priorities by implementing mitigation projects or proposals involving incremental costs - unless the incremental costs are met by financial transfers from the industrialized countries. In the words of the Framework Convention, “the extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology”.

In short, developing countries do have significant mitigation commitments under the Framework Convention and the Kyoto Protocol but measures involving incremental costs are excluded unless transfers of finance and technology from developed countries cover them through the GEF or the Clean Development Mechanism.

A second misconception is that the priority accorded to development by the poorer countries reflects a lack of concern for the environment and for sustainable development. In reality, health-related local environmental concerns, particularly those arising from air and water pollution, are a central feature of development plans. Lack of access to clean drinking water takes a toll of millions of lives in developing countries. Local air pollution caused by smoke and particulate emissions, result in respiratory diseases affecting hundreds of millions of people in these countries. For developing countries, the threat posed by these environmental problems is just as serious as climate change - and much more immediate. Differences in priorities should not be mistaken for disregard for the environment.

A third misconception concerns the implications of the inevitably increasing emissions originating in the developing countries. It is being argued that that these growing emissions will swamp any reductions in the industrialized countries and that developing countries should, therefore, be also required to limit their emissions. This line of argument confuses the issue. No one questions the need to moderate the rate of increase of emissions originating in the developing countries to the extent feasible. The real question is "who pays for it?" The Framework Convention and the Kyoto Protocol make it clear that all incremental costs should be covered by the industrialized countries. There can be no objection to ambitious measures for moderating the rising emission trends of developing countries, provided the incremental costs are met by the developed countries, in accordance with their commitments under the convention. The developing countries are not opposed to feasible measures for moderating emissions originating in their territories – they only oppose attempts to shift on to their shoulders a part of the financial burden which, under the Framework Convention and the Kyoto Protocol, should be borne by the industrialized countries."

India has for quite some time pursued GHG friendly policies in her own interest. India's obligation to minimize energy consumption – particularly oil consumption – and to deal with its environmental problems prompt it to follow many such policies. Directly or indirectly these efforts are made by Government as well as by people to reduce energy consumption. These include: -

- a) Emphasis on energy conservation.
- b) Promotion of renewable energy sources.
- c) Abatement of air pollution.
- d) Afforestation and wasteland development.
- e) Economic reforms which bring about energy efficiency
- f) Fuel substitution policies.

India is committed to taking initiatives at the "national level." But the question is: are they enough?

To sum up: The "Deadlock" may remain a deadlock. The riposte to Eisenhower may be that "we never solve a problem, we only change the question." The strength of the L14 proposal is that it is a version of changing the question. If alternative energy supplies can be secured and technology solutions can be found – great! But its weakness may be that it does look like changing the question.

