

Talk by Special Envoy of Prime Minister, Shri Shyam Saran in Mumbai on Climate Change

21/04/2008

Climate Change – From Back Room to Board Room – What Indian Business Needs to Know About India’s Approach to Multilateral Negotiations on Climate Change

Shyam Saran

I wish to thank the Ministry of External Affairs and the Confederation of Indian Industry (CII) for inviting me to address this distinguished gathering of business and industry leaders on the subject of Climate Change. Of course, CII itself has done an excellent job by bringing out an extremely informative publication recently, entitled “Building a Low-Carbon Economy.” I wish to pay special tribute to Shri Jamshyd Godrej, Chairman of the CII Mission for Sustainable Growth and Climate Change, for taking the initiative in alerting Indian business and industry to the issues that are on the table and more important, both the challenges and opportunities likely to emerge in the coming years as the world comes to term with this new and existential threat to its very survival. For there is no doubt any more that the risks emanating from climate change, caused by anthropogenic greenhouse gas emissions, are real and serious and unless addressed expeditiously could have catastrophic consequences, perhaps even in our own lifetime, and that the worst suffering would be visited upon precisely those least able to cope, that is, the poor and disadvantaged across the globe, but particularly those residing in the developing countries.

How does India respond to this threat, despite the knowledge that its own contribution would probably make only a modest difference? Our total emissions are only a fraction of the global figure – just 4% compared to 20% for the U.S. and 16% for China. If you take per capita figures, then the differences are even more stark. India emits about 1.1 tonnes of CO₂ per capita while the corresponding figure for the U.S. is more than 20 tonnes. Furthermore, the energy intensity of India’s economy has been consistently declining and today, we are able to deliver 8% plus annual growth with only 4% increase in energy consumption. This trend is likely to continue and could even accelerate if government and industry were able to work together on improving industry standards in a host of energy intensive sectors.

For India, the most important argument in favour of adopting climate friendly technologies and embracing an environmentally sustainable strategy of growth stems from a very compelling and practical reality i.e. unless we are able to develop economically viable and new sources of energy, energy will become a major constraint on our growth. If we continue to rely on fossil fuels to underpin our growth, and fossil fuels become increasingly more scarce and expensive, as oil has already become, there is little doubt that our ability to sustain high levels of growth of our economy over the medium and medium to long-term, could face severe constraints. Therefore, even if there were no climate change argument, we would still need to evolve an energy strategy that, over time, would involve a shift from fossil fuels to non-fossil fuels, non-renewable sources of energy to renewables, and conventional to non-conventional sources of energy. Such a strategy would, by definition, also be climate friendly.

There is no escape from the reality that as India develops, its consumption of commercial energy is bound to increase. Therefore, realistically speaking, even with continuing decline in the energy intensity of GDP growth, carbon emissions will rise in the years to come, before they flatten and decline as new and hopefully renewable sources of energy kick in. It is to our advantage to build a low-carbon Indian economy and to be even ambitious in this regard. But this is a national effort dictated by our own growth choices. When it comes to multilateral negotiations on dealing with climate change, the dynamics are different.

India’s stand in international negotiations, as also that of most developing countries, is based on the simple principle – “The polluter pays”. If we consider the period between 1850-2000, cumulative CO₂ emissions will show how the available carbon space is currently occupied. The U.S. leads with 30%, the EU-25 with 27.2%, China with 7.3% and India with only 2%. It is for this reason of historical responsibility that in the UNFCCC, negotiated in 1992, it was agreed by consensus that emission reductions would only be required of the developed countries. The ensuing Kyoto Protocol formalized this understanding by setting targets for emission reductions by so-called Annex I countries, or

developed countries during the first commitment period lasting upto 2012, with the promise of even deeper cuts in the subsequent commitment period post-2012. The explicit understanding has all along been that developing countries would not be required to undertake legally binding mitigation targets. Their mitigation efforts, according to UNFCCC, will have to be fully compensated through transfer of financial resources and technical know-how from developed countries.

Therefore whatever action we take domestically to pursue sustainable development, let it be clearly understood that there is no legal obligation on the part of India, under existing international instruments, to take on binding emissions reduction obligations, now or in the post 2012 period.

I say this, because considerable and sometimes deliberate confusion has been sown in the minds of our civil society and business and industry through the use of terms such as "post-Kyoto regime" or negotiation of a "new international framework for climate change" or a "post-2012 climate treaty." What we are currently engaged in are multilateral negotiations within the existing UNFCCC and its Kyoto Protocol. The principles underlying these agreements have been reaffirmed most recently at Bali in November 2007. What is currently being negotiated is (i) fresh emission targets that the developed countries must adopt – post 2012 in the second commitment period under the Kyoto Protocol; and (ii) an Action Plan that would enable the more effective implementation of the objectives of the UNFCCC, including through measurable reportable and verifiable action on the transfer of financial resources and technology from developed to developing countries.

There is a persistent attempt on the part of the several developed countries to avoid their legal obligations under the UNFCCC and the Kyoto Protocol, by advancing a wholly fresh set of arguments. We will need to be particularly alert in this respect. Let me deal with some of the major arguments one by one:

(i) Countries like the U.S., Japan and some EU countries have begun using the argument that so long as so-called "major emitters" like China and India, remain outside the emissions reduction regime, their own efforts will make little difference to the global goal of reducing and stabilizing anthropogenic CO₂ emissions. China can speak for itself but India certainly does not consider itself to be a major emitter though it is a major economy. Neither the total volume of our CO₂ emissions nor our per capita emissions today, would qualify us in that category. Nor is it justifiable to simply extrapolate current emissions trend to arrive at conclusions for 30 or 40 years hence. The major emitters today, as also those historically most responsible for cumulative emission levels, continue to be the developed countries.

(ii) The U.S. President has recently been reported as saying that the U.S. cannot be expected to agree to emissions reductions unless India and China undertake similar obligations. He also argued that doing so will result in U.S. industries and jobs moving out to countries that do not have emission reduction commitments and would in any case not lead to global mitigation. We reject this argument.

First, it ignores what we call the "legacy" aspect i.e. the historical responsibility for cumulative emissions.

Second, it brings in extraneous considerations of industrial competitiveness and employment that is completely contrary to the principle of equity that underlies the historic Rio compact which is enshrined in the UNFCCC. To accept the U.S. argument is to accept what I call the NPT Approach to Climate Change – that is, I get to keep what I have because I got here first. You have to stay where you are because you are a latecomer. This is precisely what has been done in the nuclear domain.

(iii) There is another important distinction we must maintain when discussing carbon emissions. This is a distinction between what I would call "lifestyle emissions" and "survival emissions". Reducing emissions that require an adjustment in affluent lifestyles and reduction of waste, for example, cannot be equated with reducing emissions which may impact on the already low levels of livelihood of people in developing countries. Capping or reducing emission levels in India may mean that 600 million Indians who do not have access to electricity today, must be permanently denied this very basic energy service. Should this be put on the same level as putting a speed limit on Germany's autobahns, which could result in major energy savings, or a gasoline tax in the U.S., which will have a minimal impact on the already high standards of living in those countries?

(iv) In recent months, countries like Japan, supported by the U.S., have advocated a "sectoral approach" to reducing carbon emissions. The idea is to identify high energy intensity industries like power, steel, cement, transportation and building and construction and to set uniform global efficiency norms and lower carbon emission standards for each sector. It is argued that this bottom-up approach would be more logical and practical than setting of top-down national targets for each country. Now, as developing countries, we do not have any problem with our developed country partners adopting a range of measures, including sectoral measures, to set and to reach their overall national targets. We would also welcome any collaboration with advanced countries to improve our own efficiency standards, exchange best practices and bring about technological upgradation in our own industries. This can be done bilaterally or multilaterally. Unfortunately, the sub-text is that internationally binding norms for specific sectors must also cover major economies or so-called "major emitters" like India. The justification given is that if major developing economies were to be excluded then there would be a competitive disadvantage to industry in the developed world. Their costs will go up as they upgrade and retool their existing units. The developing countries, not having to meet these norms, will have lower costs in addition to lower wages.

(v) This argument, deceptively reasonable, again violates the very basis of the UNFCCC. The UNFCCC did not qualify the responsibilities of the developed and developing countries with extraneous considerations such as maintaining inter-se competitiveness. Nor is there any reference to maintaining a so-called level playing field. The UNFCCC was itself designed to address a grossly unlevel playing field, already stacked heavily against the developing countries. Now there is a barely disguised attempt to overturn this very basic equity principle through so-called sectoral approaches.

(vi) There is a very real danger that in adopting sectoral standards among themselves, the developed countries would use the competitiveness argument to put up protectionist tariffs against products from developing countries. This must be resisted at all costs.

Let me now turn to issues relating to the transfer of financial and technological resources from developed to developing countries to enable the latter to pursue environmentally sustainable strategies of growth. This, again, is a fundamental principle underlying the UNFCCC and has been reiterated in the recent Bali Action Plan. The transfer of such financial and technological resources are not conditioned by any mitigation actions to be taken by recipient countries. In actual fact, the record on this score has been dismal, and with an economic down-turn looming large on the horizon, the prospects are not very encouraging. India has argued for additionality of funds for climate change related activities in developing countries. For technology transfer, we have argued that since climate-friendly technologies are in the nature of public goods, addressing an urgent global challenge, the IPR regime in respect to such technologies must be adjusted to enable them to be adopted by developing countries at affordable prices. A global Climate Change Venture Capital Fund could be set up, which could purchase patents on such technologies and enable their transfer to developing countries. We have also suggested an international collaborative effort among major developed and developing countries to promote new climate friendly technologies. This could be called CLEAN-NET. Unfortunately, none of these proposals have received a serious response from the developed countries.

At a recent meeting, an argument was made that developing countries should institute a zero-tariff regime for a designated list of "green goods" and also create an investment-friendly regime to enable companies possessing green technologies to invest in such countries. Again, one has to be careful in dealing with such propositions. They can distort trading patterns, detract from the legal obligations which developed countries have in respect of transfer of finance and technology and introduce considerations of trade competitiveness which do not belong to the domain of climate change.

Let me summarize India's negotiating position on Climate Change:

(i) The UNFCCC remains the multilateral, legally binding instrument available to the international community to deal with the challenge of Climate Change. Its principles and objectives continue to be fully valid and must govern all our future activities on this subject. The Bali Action Plan has removed any ambiguity on this count.

(ii) The Kyoto Protocol to the UNFCCC will remain in force post-2012. What is under negotiation is the setting of emission reduction targets by developed country parties in the second commitment period which commences in 2012. The Kyoto Protocol does not expire in 2012, nor are developing countries

expected to take on reduction commitments in post-2012 period.

(iii) The responsibility to support sustainable development strategies in developing countries, through the transfer of financial resources and technology from developed countries, is not linked to any conditionalities.

(iv) While developed countries are free to adopt sectoral approaches as a means to achieve their national emission reduction targets, there cannot be an imposition of industry-wide norms on a global basis, nor recourse to arguments about maintaining trade competitiveness or a level playing field.

Does this mean that India is not prepared to make its own contribution to meeting the challenge of Climate Change, as responsible player in the international community?

While we insist that all parties to the UNFCCC and its Kyoto Protocol fulfill their legal obligations under these instruments, we have made a number of positive and forward looking proposals:

(i) In the G8+G5 Summit at Heilengendamm, Germany, last year, Prime Minister, Dr. Manmohan Singh made an extremely important proposal. He gave a public assurance that while India's carbon emissions will inevitably rise in the short and medium term as we pursue accelerated growth, we would ensure that at no time would our per capita carbon emissions exceed the average of the developed countries' per capita emissions. The Prime Minister was thus responding to two related complaints frequently voiced by our developed country partners – first, that India is not prepared to accept any current or future limitation on its carbon emissions, and second, that its efforts are not commensurate with what it expects the industrialized countries to do. By giving an assurance that our per capita emissions would never exceed the average per capita emissions of the developed world, we have responded to the first complaint; we have accepted a limit on our emissions. We have, however, linked this limitation to the scale of effort that the developed countries are themselves prepared to put in. The more ambitious they are, the lower the limit that India would be prepared to accept. Thus, there is an inbuilt mutuality of incentive. Further, by insisting on the per capita standard, we maintain the equity principle. In the long-term there would have to be convergence of per capita emissions globally.

(ii) We have agreed to play an active role in the CDM market, which can and is playing an important role in enabling the developed countries to meet their emission reduction targets under the Kyoto Protocol, even while transferring, though as yet in a limited manner, climate-friendly technologies to developing countries. India has the largest portfolio of CDM projects to date, and this is a major opportunity for Indian industry. Our effort in multilateral negotiations is to ensure that the CDM mechanism continues beyond 2012 and in a more expanded form.

Irrespective of what happens in international negotiations on Climate Change, it is important that we evolve and pursue a strategy of environmentally sustainable development, for reasons of our own vital national interests. An India which is heavily dependent on fossil fuel imports to sustain its high level of growth, is an India which will be increasingly vulnerable. In the short to medium-term there may be few alternatives to fossil fuels and our strategy must, therefore, be to secure such supplies from a diversity of sources to ensure predictability as well as affordability. We can also increase supplies of energy by further improving energy efficiency standards, through technological upgradation, improved management and adoption of best international practices. A Vice-President of Dow Chemicals recently said – “..... improving energy efficiency is the cheapest and most renewable fuel of all.” We will need to accelerate the development of renewable and non-conventional sources of energy including nuclear energy, wind energy, bio-mass and solar energy.

We are in the process of formulating India's National Action Plan on Climate Change. It is likely to be released in June this year. In a very real sense, this Action Plan really constitutes a Strategy for Sustainable development. It will include major national level missions, such as a Solar Mission, a National Solid Waste Management Plan, a nation-wide effort to create a huge carbon sink of afforested land of an additional 6 million hectares, a Water Conservation mission and the adoption of international best practices and efficiency norms for a range of key industries. All these are seen as public-private partnerships, where government action must be supported and supplemented by private sector, by civil society and the country's citizenry at large. Climate Change is everyone's business and can only be tackled by mobilizing all our available creative and organizational energies.

India's business and industry is, I am glad to say, ahead of the curve in recognizing the challenge and gearing itself to deal with it effectively. The CII publication on "Building a Low Carbon Economy" contains many useful recommendations. Several are very much in line with Government's own thinking on the subject. The idea of a domestic market which could catalyse higher efficiencies industry-wide is something worth exploring. The provisions of the Energy Conservation Act would certainly lend themselves to a possible market-based approach in achieving efficiency norms that are being formulated by the Bureau of Energy Efficiency in consultation with business and industry. We need to discuss this further.

I would like to conclude this presentation on a note of optimism. India can play a leadership role on the subject of Climate Change, because it has its own particularities. It is heir to a civilizational legacy which places high value on the preservation of the environment and the maintenance of ecological balance. We look upon Nature, instinctively, as a source of nurture, not as a force to be subdued. This is a very powerful asset. India also has a wider spectrum of choice precisely because we are not already locked into a specific pattern of development. We can chart our own course, if we so choose. In making our choices, we must always observe Gandhiji's wise dictum: The earth has enough to meet our needs, but will never have enough to satisfy our greed.

Speeches Ministry of External Affairs, New Delhi