Carbon credit revival a likely boon for developing nations

But 'greenwashing' fears abound

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A decade back, the first and only global carbon-trading system collapsed with prices falling 85 per cent — from $20 to $3 in five years.

With buyers in the developed world hard to find and acute lack of emission-reduction projects in developing nations, the clean development mechanism, under the 1997 Kyoto Protocol, suffered a slow death.

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The world's largest and richest economy, the US, has now pitched for a resurrection of the carbon-credit market. John Kerry, climate envoy for the US government, last week at COP27 announced a carbon offset plan, "Energy Transition Accelerator" (ETA), which, he said, would help the developing countries meet their energy-transition goals.

The ETA plan has underlined 5 per cent of the credits generated through the mechanism would be for raising money for international adaptation support.

India could be one the major beneficiaries, having recently announced in legislature building its own carbon-credit market, and is expected to be one of the world's largest carbon exporters.

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WHAT IS A CARBON CREDIT

Projects or entities that save on emissions can issue carbon credits against their savings. These are usually energy-efficient, renewable energy, and sustainable agriculture projects.

These credits can be bought by an entity that is a carbon emitter. A carbon credit allows its owner to emit a certain amount of carbon dioxide (CO_2) or other greenhouse gases. One credit is equivalent to a tonne of CO_2 or the equivalent of other greenhouse gases.

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department by 40 per cent and Deloitte by 55 per cent. PwC is expecting to double its cybersecurity division next year.

Skilled manpower is still a big challenge. Most companies are opting for campus recruitment and training personnel hired in-house.

As the cyberwar ensues, consulting firms feel they can keep containing these attacks. But can they really? "We are always trying to get inside the mind of the hacker. It is a constant mindgame," said Shukla.

Carbon...

"Our intention is to put the carbon market to work to deploy capital to speed the transition from dirty to clean power specifically, to retire unabated coal-fired power and accelerate the buildout of renewables," Kerry said last week when unveiling the ETA.

The US government will build this programme with the Bezos Earth Fund and Rockefeller Foundation and has urged other public and private sector players to join in.

The aim is to operate it till 2030 and then possibly extend to 2035. The concept of the ETA focuses on "(scaling) up and derisking private investment in accelerating the clean energy transition in developing countries by inviting climate-leading companies to provide upfront finance commitments in exchange for high-quality carbon credits, with strong guardrails to ensure high environmental integrity in both their generation and their use".

Push for India's carbon market efforts

In August this year, through an amendment to the Energy Conservation Act, the Union government introduced the setting up of India's own and first ever carbon-credit market. Industry executives said the voluntary carbon-credit market in India could touch $200 billion by 2030 from the current $2 billion.

The ETA initiative of the US would provide the much-needed global market for Indian carbon exports. This has enthused several carbon-intensive industries -- steel and cement -- trying to meet their sustainability targets, and existing players in the carbon-offsetting space.

Manish Dabraka, chairman and managing director (MD), EKI Energy, said the new ETA scheme would enhance the credibility of the voluntary carbon-credit market in emerging economies in need of long-term climate finance. "This will definitely improve the participation of businesses through the adoption of climate-friendly novel technologies," Dabraka said. EKI, a listed company, is one of India's leading carbon-credit developers and suppliers and claims to have a 90 per cent share of credits originating in India. India's "Emission Trading Scheme" (ETS) is being developed under the National Carbon Market policy by the Bureau of Energy Efficiency.

Shailendra Rao, founder and MD, Creduce, another carbon-credit developing agency in India, said for firms like his ETA was good news. "Not only will we be able to connect with governments and private players, but we would be able to help fringe players gather on one single platform and discuss ways for climate mitigation."

India, under its Nationally Determined Contribution, has committed to be a net carbon zero economy by 2070. According to industry estimates, for installing renewable energy capacity, India would invest $223 billion by 2030. An energy transition infrastructure would cost around $140 billion annually and the cost of energy would be close to $400 billion.

Real intent or greenwashing?

Global climate experts have criticised the US for shifting its responsibility to fund the energy transition of developing nations to the private sector. Several experts this paper spoke to said the ETA at its outset undermined the negotiation on just transition, climate funding especially for loss and damage. Ulka Kelkar, director, Climate Change Programme, World Resources Institute (India), said developing countries needed predictable finance, not offset markets.

"The proposed initiative cannot make up for the United States' failure to provide its fair share of climate finance -- an estimated $40 billion of the unmet goal of $100 billion a year. It also should not substitute for deep decarbonisation needed within the United States and other industrialised countries," Kelkar said.

Capex...

"Discussions, so far, have been informal. A formal discussion on the scheme is expected between the Centre and states during the finance minister's pre-Budget meeting with state FMs," said the official. This meeting may happen later this month or in December.

The scheme, for FY23, consists of ₹1 trillion, 50-year, interest-free capex loans to states. It is part of the Centre's capex budget of ₹7.5 trillion.

In her 2022 Union Budget speech, Finance Minister Nirmala Sitharaman said that the Scheme for Financial Assistance to States for Capital Investment was extremely well received by states, and the allocation was increased to ₹15,000 crore, from ₹10,000 crore initially planned for FY22.

"For 2022-23, the allocation is ₹1 trillion to assist states in catalysing overall investments in the economy. These 50-year interest-free loans are over and above the normal borrowings allowed to states," she said.

The entire amount has already been disbursed. Of the ₹1 trillion, ₹80,000 crore is mostly without conditions. ₹20,000 crore is tied to PM Gatishakti-related capex investments, the Pradhan Mantri Gram Sadak Yojana, urban sector reforms, and the laying of fibre-optic cables under the Digital India initiative.

The ₹80,000 crore has been distributed among states under the same formula as for share from the divisible tax pool under the recommendations of the 15th Finance Commission.

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