

'CBAM should consider where country is going, not just where it is'

Economist **NICHOLAS STERN**, the IG Patel professor of economics and government, London School of Economics, and chairman of the Grantham Research Institute on Climate Change and Environment spoke to Ruchika Chitravanshi in New Delhi on Carbon Border Adjustment Mechanism (CBAM) and India's efforts towards becoming net zero. Edited excerpts:

What do you think of India's efforts towards becoming net zero by 2070?

India has really accelerated its actions on climate in the last few years. One landmark in that acceleration was Prime Minister Narendra Modi's speech in Glasgow two years ago, when he set very strong targets for 2030 for energy efficiency and emission content. You've seen a very big expansion of renewable energy and very big falls in the cost. The cost per kilowatt from round-the-clock renewables is now substantially cheaper than it is for coal. You're seeing really quite strong progress in India. Indian companies such as Reliance and Tata are now leading the race on green hydrogen and green steel. But India is very big and a very important country. What happens in India is a big influence on the world.

You've talked of more than \$2 trillion of investment, which is required by 2030. How will emerging markets meet this challenge?

For emerging markets and developing economies outside China, the total

flow of climate-related investment should be \$2.4 trillion. The majority of that will be internal finance, but there will be a flow of \$1 trillion a year from external finance. And then, \$250 billion or so from multilateral development banks (MDBs) and \$150-200 billion of concessional flows.

How can India secure more climate funding?

India has started in a very good way with Finance Minister Nirmala Sitharaman launching the G20 independent expert group on MDB reforms. I salute and congratulate the finance minister on launching that because it has changed the debate, starting a discussion among countries on reforming MDBs. That I think will lead to a major expansion and will be a very important source of finance that will help trigger private funding.

What is your view on green bonds that India has started?

Those are all ways of raising resources. It helps embody your commitment to



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the green transition. You're saying we're going to raise these resources and we're going to give special focus to these areas. But I think India is making these investments not only to meet its obligations. India is making these investments because it makes development sense.

Our finance minister recently said that many countries are going towards coal and nobody has the moral authority to tell them not to do so. Your take?

Nobody should be telling anybody what to do. We as a world have to recognise that our current path is very destructive and that we will undermine our prospects for development if we continue down that path. The renewable path with management of demand and supply is actually cheaper

and more secure than coal.

India wants to become a developed country by 2047. Do you think growth and climate action can be competing priorities?

It's a completely artificial horse race between climate action and growth. The investment for climate action is about investment for development. It's about energy, electricity and cities where you can move and breathe, and efficient buildings. It's about much more productive and less destructive land use.

What does India need to do in order to achieve its 2047 target?

Invest in new ways of doing things and invest in its own people. The infrastructure, which India will have in the

mid century, 80 per cent of that will be built between now and then.

Do you think we are strategising in the right direction?

It's really starting to move. The capacity for renewables in India is growing very quickly. India is building its Metros to make its cities work in different ways and moving strongly in a good direction. But it will need a determined, strong and clear policy in order to get there. The route to being a developed country in 2050 is through clean investment, not dirty investment.

What is your view on the EU's Carbon Border Adjustment Mechanism (CBAM) and also the need to have non-price mechanisms as barriers?

First, we have to recognise that the log-

ic of those kinds of border adjustments have some substance. If an importer is doing something, which is polluting in order to be cheaper, then it's standard World Trade Organization (WTO) understanding that you can levy a tariff. We have to recognise that those CBAMs are there partly in the logic of the WTO and partly out of political pressure from internal firms, who are trying to adjust to the carbon price. It's actually wrong in these circumstances to look at the CBAM simply from the point of view of where the country currently is. I'd be very cautious about overdoing the CBAM. It should be taking into account where the country is going, not just where it is.

What do you think India can do about stubble burning?

I've been visiting and living in India for nearly 50 years. There are technological ways around. If you move to regenerative agriculture where you don't do so much ploughing and you drill in the seeds, then you don't need to burn quickly. I've been working in an Indian village called Palampur since 1974. They often plough many many times and that's partly why stubble is burnt to get going quickly between kharif from rabi. If you harvest in a way which cuts a bit lower, then you don't need to have the burning.

Q&A