

## Feature

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### India's Action Plan on Climate Change *By Nitin Desai, IDEACarbon Advisor*



*Nitin Desai is a member of Prime Minister Manmohan Singh's Climate Change Council, which was closely involved in the preparation of India's National Action Plan on Climate Change. Mr. Desai has a long and*

*distinguished career in the Government of India and is former Under Secretary General for Economic and Social Affairs at the United Nations in New York. He has recently joined the Advisory Board of IDEACarbon.*

On Monday 30 June, 2008 Prime Minister Manmohan Singh released the long awaited National Action Plan on Climate Change (NAPCC). The NAPCC builds on the 2008/09 budget, published in February, which contained important provisions for a scaling up of climate change policy. The budget laid out the mandate of a new expert committee, created in July 2007, and identified specific measures that India can take in its own self-interest in the future. In short:

- India's Action Plan on Climate Change adds concrete objectives to the country's climate change policy, without shifting the country's firm position in the post-Kyoto negotiations.
- The plan could open up opportunities in the low-carbon technology sector, particularly for venture capitalists, based on fairly aggressive renewables targets and the prospect of government support.
- Other key planks of the plan are energy efficiency and adaptation, opening investment opportunities in the building sector, public transport, water, and recycling / waste management (e.g., through public-private partnerships).
- There is less in the plan for carbon investors beyond a vague promise to consider a domestic carbon market and

calls to streamline the CDM. However, some of the low-carbon and forestry investments promoted by the plan may be eligible for the CDM.

- None of these opportunities will materialise immediately. The plan outlines principles, not concrete policies. But it establishes the process to translate the principles into action.

At the NAPCC launch the Prime Minister asserted poverty eradication as the basis for India's development policy, and the need for high growth for this purpose. But he also spoke about the potential impact of climate change on growth and urged that India look at development more broadly so that it included improvements in environmental quality.

Private sector players will welcome the principle of "new and innovative forms of market, regulatory and voluntary mechanisms to promote sustainable development." The Action Plan also speaks of public/private partnerships and emphasises venture capital funding to promote private sector initiatives for development of innovative technologies for adaptation and mitigation.

The NAPCC is organized around eight missions, a mix of measures aimed at adaptation and mitigation. Four of the eight missions clearly focus on reducing emissions of GHGs. The three missions dealing with water, agriculture and Himalayan ecosystems are primarily adaptation oriented. The last one on strategic knowledge covers both areas.

A Technical Note, appended as the last chapter of the Action Plan gives some information on what is proposed and gives a few figures for targets or expected emission reductions:

- On solar energy, the NAPCC proposes 80% coverage of low temperature and 60% of medium temperature applications,

1000MW of local solar PV production and 1000MW Concentrating Solar Power (CSP) generation capacity by 2017.

- In the large industries sector it projects a potential reduction of 605 million tonnes of CO<sub>2</sub> emissions by 2031.
- In the transport sector more public transport and bio-diesel are projected at 433 million tonnes of CO<sub>2</sub> by 2017.

The NAPCC is clearly a serious effort, and mission documents for these eight areas will be prepared by December 2008. The seriousness of intent is also reflected in the promise that methodologies and indicators will be developed to measure climate benefits of all actions being taken in terms of avoided emissions with reference to business as usual and for assessing adaptation benefits of the actions.

**The NAPCC is clearly in favour of the extension and simplification of the CDM mechanism.** Among the various deficiencies it would like corrected it refers to the lack of interest from insurance companies in providing risk and financial analysis skills.

For private sector players in the CDM market and venture investors the points of particular interest are:

- Subsidies for renewables and energy efficiency measures, and an accelerated programme of reforestation which may create more opportunities for CDM projects.
- An internal carbon market if emission caps or mandatory efficiency norms are put on major emitters, as the NAPCC seems to promise.
- The interest in risk analysis, financial intermediation and insurance for CDM projects.
- The repeated reference to the role of venture funds in promoting technological change.

The NAPCC offers relatively little promise to the international carbon market beyond that which exists already. India has reiterated on numerous occasions its unwillingness to take on binding targets to cut emissions, which is a prerequisite for participation in cap-and-trade schemes.

**It is clear that India will not undertake domestic actions that are not cost effective**

The tone of the Plan suggests India is keen to attract continued inward investment and technology transfer for mitigation and adaptation schemes. The “missions” on solar energy, forestry and energy efficiency are likely to offer some opportunities for inward investment but it is difficult to see international funds flowing towards ecosystem or sustainable agriculture projects.

But the Plan still focuses on expansion and development of market mechanisms such as the Clean Development Mechanism as a vehicle for inward investment – it’s clear that India will not undertake any domestic actions that are not cost-effective. The Plan forecasts cuts of 605 million mt/yr CO<sub>2</sub>e from large industry from energy efficiency actions, which could be funded through the CDM. It is not yet clear where the international market will find a new and expanded role.

Notwithstanding its inward-looking nature, the Plan has immense practical value for India, not only as a framework for domestic climate change action, but as a valuable tool to enhance local financial capacity. Given that much of the Plan focuses on actions outside the international markets, it should act as a catalyst for local banks and industrial companies to begin considering their role in a future low-carbon economy.

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