Choosing a climate action path wisely

For a climate-sensitive development plan, India must walk a line between the 'development-first' and the 'untrammeled opportunity' view.

The past week saw another set of devastating images of likely climate-related disasters. The floods in preceding Pakistan affected 30 million people, destroyed vast acreage of crops and left a third of the country submerged. No country is immune from such impacts. There is a global imperative to act on the climate crisis, and also no doubt that India has to take climate change seriously in how we plan our development future. The question is how.

Some argue that as India has played very little role in causing the climate crisis, which is true, we should focus on conventional paths to development and address climate change later. Yet, climate change is changing the very nature of development. Without being proactive, India will be left behind in a new low-carbon global economy and fail to adequately build climate-resilience.

Another view, however, is that climate change is an untrammeled opportunity: India has only to boldly and ever more ambitiously commit to being in the vanguard of global action, and good things will invariably follow. However, this perspective ignores the very real challenges of realising a low-carbon future while pursuing development.

The pitfalls of the second view were brought home last month through an international report by the Asia Society Policy Institute. The top-line is that India's net zero emissions by 2070 could result in higher Gross Domestic Product (at its highest, 4.7% higher than the baseline), create millions of jobs, and lead to an improved trade balance. If the net zero target is brought forward to 2050, the report stated, the positive effects would be even greater. Released by global dignitaries such as former United Nations (UN) secretary-general Ban Ki-moon and former Australian Prime Minister Kevin Rudd, among others, the report is hard to ignore. In their foreword, they suggest that to trigger this virtuous cycle, India should signal that it is ready and willing to pursue a sustainable transition, which, in turn, will de-risk and enable overseas capital flows to fuel this transition. More ambition from India, it implies, will generate more credibility and result in more global money.

Looking under the bonnet, though, reveals a rather more complicated picture. First, to reach net zero by either 2070 or 2050, India's CO2 emissions are projected to plateau at current levels and then start declining by the end of the decade. This risks placing upper limits on much-needed growth in India's energy use — currently, a tenth of the United States (US) and a third of that of China per capita. Indeed, the report suggests that energy demand in buildings will have to decrease this decade, although it can rise somewhat in transport and industry. Realising this constrained energy and emissions profile will require heroic levels of decarbonisation and energy efficiency; in the 2050 net zero scenario, coal use must decline from three-quarters of electricity supply to one-quarter by 2030. All this must happen in a decade when India needs to build infrastructure, expand cities and create jobs. Failure to achieve these heroic transitions risks a lost decade of development.

Second, much turns on the investment story — the report says $10-13 trillion is needed to achieve net zero — that drives the growth and jobs results of the model. If the overseas investment does not materialise and this capital has to be mobilised at home, Indian households will end up consuming 1-2% less by 2060, compared to a baseline scenario. Banking on foreign investment to avoid this outcome is a big risk. Other countries are also competing for investment and the track record of the rich world in providing finance is suspect; the Paris Agreement-related pledge of $100 billion has not been met.

Even taking the study at face value, the implied bargain in the report looks like a very poor one for India. However, the bigger issue is whether models such as this should be taken at face value. For one, they make tenuous assumptions about technologies and costs for up to 50 years out; how well would someone in 1970 have predicted 2020 energy patterns? Moreover, these are frictionless models that cannot capture idiosyncratic features such as the fraught legacy of India's power distribution companies or the social implications of disruptive transitions such as a steep decline in coal use. They are better used to understand technical aspects such as how different forms of urbanisation affect India's future, but only if they are explicitly designed to do so. These models have their place but are most useful when they explicitly consider India's immediate development needs and resultant emissions implications, not the other way around. And they are certainly inadequate as the foundation for grand political bargains.

Where does this leave India? We have to walk a line between the "development-first" and the "untrammeled opportunity" view. India must absolutely strive to remade our economy to take advantage of an increasingly low-carbon-focused global economy, thereby creating jobs. And doing so could bring other development benefits, such as less congested cities and cleaner air.