NEXT IAS

# DAILY EDITORIAL ANALYSIS

## TOPIC

## COP29, Climate Finance, and India's Pathway to Sustainable Development

# COP29, CLIMATE FINANCE, AND INDIA'S PATHWAY TO SUSTAINABLE DEVELOPMENT

## In Context

- The **29th Conference of Parties (COP29)** under the **United Nations Framework Convention on Climate Change (UNFCCC)** has underscored the centrality of climate finance in achieving global climate goals.
- The **'Raising Ambition and Accelerating Delivery of Climate Finance' report** presented at COP29 outlines the **significant financial investments required globally, particularly for emerging markets and developing countries (EMDCs)**.

## Highlights of the Report

- **Massive Investment Required:** The report underscores the urgent need for a significant **global investment of $6.3-6.7 trillion per year by 2030** to effectively combat climate change.
- **EMDCs' Significant Burden:** Emerging market and developing countries (EMDCs), excluding China, face a substantial financial burden, requiring **$2.3-2.5 trillion annually**.
- **Uneven Distribution:** Currently, climate investments are concentrated in specific economies like India and Brazil.
- **Non-Traditional Sources:** The report highlights the crucial role of non-traditional financing sources, such as **voluntary carbon markets, South-South cooperation, and Special Drawing Rights (SDRs)**, in bridging the financing gap.
- **Declining Technology Costs:** The decreasing costs of solar power present a significant opportunity for developing countries to transition to clean energy.
- **Increased Supply from China:** China's growing capacity to produce renewable energy technologies can further accelerate the clean energy transition in developing countries.

## Key Issues in the Global Carbon Credit Debate

- **Equity and Fairness: Developing countries argue that they have historically emitted less** greenhouse gases and should not bear the same burden as developed nations.
- **Access to Finance:** Developing countries require financial support to adapt to climate change and transition to low-carbon economies. Carbon credit markets can provide a source of funding, but equitable access and fair distribution are crucial.
- **Avoiding Greenwashing:** Ensuring that carbon credits represent real and additional emissions reductions is essential to prevent "greenwashing," where projects claim emissions reductions that would have occurred anyway.
  - **Greenwashing:** Low-quality carbon credits could lead to overstated emissions reductions.
- **Rigorous Standards:** Strict standards and verification processes are necessary to maintain the integrity of carbon credits and avoid double-counting.

## India's Stance at COP29

- **Financial Commitment:** India is advocating for a significant increase in climate finance from developed countries, specifically demanding $1.3 trillion per year by 2030.
- **No Strings Attached:** India emphasizes that this financial support should be provided without imposing conditions that could hinder the economic growth of developing nations.
- **Challenging the Status Quo:** India is pushing for a clear definition of climate finance and resisting attempts to expand the donor base beyond developed countries.
- **Accountability for Past Commitments:** India is reminding developed countries of their past commitments, particularly the $100 billion annual climate finance goal, and highlighting the shortfall.

## India's Carbon Credit Framework

- **Energy Conservation (Amendment) Act of 2022:** India's legislative framework for its **Carbon Credit Trading Scheme (CCTS)** was formalized through this amendment:
  - Aligns with India's Nationally Determined Contributions (NDCs).

- Establishes a structured carbon market with regulatory oversight to ensure transparency.
- India's carbon market aspires to:
  - **Drive sustainable development:** By internalizing carbon costs, businesses are incentivized to adopt green practices.
  - **Attract investments:** Both domestic and international, for renewable energy and low-carbon technologies.
  - **Support rural and agroforestry sectors:** Carbon credits generated through these initiatives can directly benefit local communities while enhancing carbon sequestration.
- **India's Green Credit Programme (GCP)** has faced criticism for:
  - Non-scientific approaches, such as plantation initiatives with limited ecological benefits.
  - Challenges in ensuring additionality—whether projects genuinely result in emissions reductions beyond business-as-usual scenarios.
- **Alignment with International Standards:** India's carbon market must align with global frameworks to attract international investments and maintain credibility:
  - Harmonizing with Article 6
  - Participation in ITMOs can enhance India's role in the global carbon market.
  - Adhering to Article 6.2's requirements ensures recognition of India's credits internationally.
  - Environmental Integrity
  - COP26's Article 6 rulebook emphasizes environmental integrity, preventing low-quality credits from undermining global climate goals.
  - India's proactive adherence to these guidelines strengthens its market's credibility.

## Implications for Global Climate Action

- **Fairness and Equity:** India's stance underscores the principle of equity and fairness in climate action. Developing countries should not be burdened with the costs of climate change caused by historical emissions from developed nations.
- **Accelerated Climate Action:** Adequate climate finance is essential for developing countries to implement ambitious climate action plans and transition to low-carbon economies.
- **Geopolitical Significance:** India's position strengthens its role as a global leader in climate diplomacy and reinforces its commitment to multilateralism.
- **Global Cooperation:** The success of COP29 and future climate negotiations depends on the willingness of developed countries to meet their financial commitments and support the climate aspirations of developing nations.

## Potential Challenges and Opportunities

- **Negotiation Dynamics:** The negotiations are complex, with diverse interests and competing priorities. India will need to build strong coalitions with other developing countries to advance its position.
- **Domestic Priorities:** Balancing climate action with domestic development priorities will be a significant challenge for India.
- **Leveraging Carbon Markets:** India can leverage its carbon market to attract climate finance and promote sustainable development.
- **Technological Innovation:** Investing in clean technologies and energy efficiency can help India reduce its carbon footprint and create new economic opportunities.

## Way Forward for India in Climate Finance

- **Strengthening the Carbon Market:** India should continue to refine its carbon market, ensuring robust regulations, transparency, and international alignment.
- **Promoting Green Finance:** Develop a comprehensive framework to promote green finance, including tax incentives, subsidies, and green bonds.
- **Strengthening Multilateral Institutions:** Support the reform and strengthening of multilateral development banks to increase their capacity to mobilize climate finance.

- **South-South Cooperation:** Collaborate with other developing countries to share experiences, technologies, and best practices.
- **International Technology Transfer:** Facilitate the transfer of clean technologies from developed to developing countries.
- **Capacity Building for Institutions:** Strengthen the capacity of government institutions to design and implement climate policies and projects.
- **Mitigating Risks:** Establish a national registry for tracking carbon credit issuance and transactions.
  - Align with global standards like the Gold Standard and International Emissions Trading Association (IETA) for robust verification protocols.
- **Regular Audits:** Independent audits by Bureau of Energy Efficiency (BEE)-approved auditors can validate projects, ensuring the credibility of emissions reductions.

## Key Climate Finance Mechanisms

### Global Environment Facility (GEF):

- **Established:** 1991
- **Purpose:** To address global environmental issues, including climate change, biodiversity loss, and land degradation.
- **Role in Climate Finance:** Provides grants and concessional loans to developing countries for climate mitigation and adaptation projects.

### Green Climate Fund (GCF):

- **Established:** 2010
- **Purpose:** To support developing countries in their efforts to respond to climate change, particularly by investing in low-emission and climate-resilient development pathways.
- **Role in Climate Finance:** Provides grants and loans to developing countries for climate-related projects.

### New Collective Quantified Goal (NCQG):

- **Under Negotiation:** A proposed financial goal to replace the $100 billion annual climate finance goal.
- **Purpose:** To provide increased financial support to developing countries, particularly for adaptation and loss and damage.
- **Role in Climate Finance:** The NCQG aims to mobilize significantly more climate finance than the previous goal.

■■■■

## Mains Practice Question

[Q] Discuss the role of climate finance in achieving global climate goals, with special emphasis on India's carbon credit framework. Highlight the challenges and opportunities in aligning India's carbon market with international standards.