

**Implications of the Copenhagen Meet, Impact on Indian Business - A  
Panel Discussion, 18<sup>th</sup> January 2010, The Hall of Culture, Nehru Centre, Mumbai.**



The opening remarks were made by Mr. Somak Ghosh - Group President – Corp. Finance & Development Banking, YES BANK



*Mr. Somak Ghosh - YES Bank*



*Dr. P. Ram Babu- Chairman, CSD*

Dr. Ram Babu, Chairman, Centre for Sustainable Development (CSD), delivered the keynote address, and provided an overview of the developments at Copenhagen.

Dr. Ram Babu then invited the panelists to the dais.



Panellists (L to R): Ajit Ranade, Sanjay Chaudhary, Vivek Mehra, Ram Babu (Moderator), Fergus Auld, Satish Kashyap, Chaitanya Kalia

The Report “Copenhagen: Delivered Climate for Change”, compiled by **General Carbon, Knowledge Partner** to the event is released by Mr. Somak Ghosh.



### Panel Discussion

Dr. Ram Babu in his role as moderator, posed a series of questions to the panelists, based on their industry knowledge and specialisation. The Panel discussion centered on the **Copenhagen Accord, its impact and a post Copenhagen scenario.**

**Panellists:**

- Mr. Ajit Ranade, Chief Economist, Aditya Birla Group.
- Mr. Sanjay Chaudhury, Chief Sustainability Officer, Tata Chemicals.
- Mr. Vivek Mehra - Managing Director: Sustainable Investment Banking, YES BANK.
- Mr. Fergus Auld, First Secretary, Climate Change & Energy Unit, British High Commission- DFID, India.
- Mr. Chaitania Kalia, Partner - Ernst & Young.
- Mr. Satish Kashyap, Director, General Carbon.

**Discussion Issues:**

**1) Historical Responsibility and EU Position**

**Are developed countries unjustly transferring the historical responsibility to developing world, by asking them to commit to a "Peaking Year" beyond which emissions cannot increase? Will EU go ahead with their plans of aggressive emission reductions and EUETS Phase III if the commitments communicated by January 31st this year, fall short of EU expectations?**



Mr. Fergus Auld said that EU 'accepts' historic (emissions) responsibility. Further, the spirit of 'common but differentiated responsibilities' as per the Kyoto Protocol (KP), Article 10 was to be followed.

However, his opinion was that the 'differentiated responsibilities' have to be established as per the present situation and taking into account the future emission trends as well. Thus, KP's Annex I and non Annex I differentiation alone may not be enough. There has to be added categorization for the countries considering the future emission growth.

He further emphasised that this also needs to consider the fact that developing countries cannot compromise their growth further especially where millions still do not have access to electricity. Thus, the 'peaking years' can not be common and developing countries can not be asked to peak within next 10 years.

The other Panellists also supported these views and in summary the moderator Dr. Ram Babu said that the GHG atmospheric concentration stabilization can not be achieved by looking at the historic emitters alone and by 'stock and flow' principle, future emission growth centres also have to be part of the efforts.

## 2.) Role of Private Investment

**To what extent private investments and markets will be allowed /invited to play role in the new international climate framework? Do you anticipate any shift from Kyoto vis-a-vis private/market role? Will Copenhagen impact investments into clean technology and CDM projects, in the short term?**



Mr. Vivek Mehra on explaining the role of private investment in the future emission reduction efforts emphasised that there is no alternative to private investment

The Governments already had a paucity of funds due to the recent slow down and huge financial packages announced.

He informed that the private investors are already very active on 'harnessing renewable energy and other clean technologies' financing and investments. He further said that the Copenhagen Accord had created an element of uncertainty in the mind of private investors due to emphasis on 'funding' and not 'markets'.

He further said the emission reduction market was already touching 120 billion USD in 2008 and clarity on role of market mechanisms would revitalise private investments.

Mr. Kalia felt that as markets were 'regulatory driven', the absence of a regulatory regime due to the Accords' emphasis on 'voluntary' targets, would result in the absence of markets t. He gave an example of the rise and fall of 'Chicago Climate Exchange - CCX'.

Mr. Kashyap said that there is a strong possibility of 'mixed role for funding and markets'. Wherever there are large identified emission reduction (ER) projects, it could be supported through funding and other smaller, innovative projects could be dealt through market mechanisms.

In summary, Dr. Ram Babu said that due to private investments that have gone into establishing market mechanisms, there would definitely be a role for these in a post 2012 scenario. The mix of funding for large identified projects and markets for other, newer and innovative projects is a likely scenario.

## 3) Readiness of Indian Business

**Is Indian business ready for commitments like 25-30% reduction in emission/energy intensity that is most likely to be proposed by the Government? Will such a commitment impact our competitiveness?**

Explaining the preparedness of Indian business for a carbon constrained economy, Mr. Sanjay Chaudhary said that there is a mixed reaction in industry sectors. The renewable energy sector is upbeat due to positive developments. Large corporate are studying the impacts and strategising



on possible regulations. Presently, carbon foot printing, emission abatement strategies and considering GHG emissions of future investment plans are underway.

Thus Indian corporate will respond to 'top down' targets, if announced under National Action Plan on Climate Change by the Government of India, . However, he further emphasised that the whole of the supply chain will have to respond to any such possibility and this will need a lot of preparation. These will need training and capacity building.

Mr. Chaudhary gave examples of Government's efforts and its flaws. The 10% 'Renewable Purchase Obligation' for the electricity distribution companies faces problem as there is not enough renewable energy available in the market. In another example, in the treatment of municipal sold waste (MSW), Bangalore Municipal Corporation has started giving tipping fees for the MSW treatment. However, these funds are also not sufficient for private investors due to treatment costs involved.

Mr. Mehra felt that apart from large corporations, the SMEs and other unorganised sectors are unprepared and will be adversely impacted in case of carbon regulated regime. Dr.Ram Babu summarised that there is basic difference in the funding costs in relation to markets. The funding mechanisms finance at the cost of emission reduction development. On the other hand, markets provide a margin to the developer as these are sold at the cost of buyer's need (carbon tax or quality of voluntary emission reduction units).

#### 4) Politics and Economics of Climate Change

**Did Copenhagen point to new balance of power amongst nations and new mode of international negotiations? Will Copenhagen accord lead to legally binding and just international climate agreement by this year end at Mexico?**



Mr Ajit Ranade felt like there could be a G-20 like group formed for emission reduction measures. This is more evident as the Copenhagen meeting saw active groups like BASIC, EU, USA, Island countries. He also said the working of such a Group will be like a G-20 and unlike a WTO where even a single country can veto the decisions.

## 5) CER supply and Prices Pre 2012

**Will the proposed reforms in CDM process accelerate the generation of CERs and will it have adverse impact on CER prices? Will the REDD benefit India and South Asia countries and what is the quantum and nature of such opportunity to Private business?**



Speaking on CDM Executive Reforms proposed in the Copenhagen Accord, Mr. Chaitanya Kalia felt there is serious and immediate need for reforms and CDM process could only improve. However, he is not optimistic about the results.

On the CER prices, he said that a downturn in EU business may have caused prices to have dropped in the short term. The uncertainty post the Copenhagen Accord and negative market sentiments may have also caused CER prices to drop. The US's entry and 'certainty on role of markets in post-2012' would also increase the CER market size and prices.

On the future of markets, he said REDD+ is an area of opportunity. For the role of emission markets on investments in such projects, he felt that these are 'market accelerators and not drivers' as the carbon credit revenue has a very low contribution in the revenues.

## 6) Post 2012 Market Outlook

**Will low ER commitments lead to a dull EUETS phase III and hence lower Pre and Post 2012 CERs? With subdued EU commitments, added to others' (US, China) commitments increases Global ER effort - do you, then, expect post 2012 CER price increasing? What can the scenario emerging in US vis-a-vis climate bill in the next few months?**



On giving the emissions market outlook in the post -2012 period, Mr. Satish Kashyap said that the market size is already 1 billion USD and is expected to rise to 1.5 billion USD. From the CDM pipeline, already projects with annual emission reduction worth of 250 million tCO<sub>2</sub>/year exist. This is also close to the estimate market demand and a demand-supply balance exists.

As for US's entry – the Cap & Trade bill faces difficulties due to market down turn and other national priorities like healthcare bill, Afghanistan. So US Senate passing the bill this year is possible but difficult.

Mr. Kalia added that Australia has already announced regulation markets entry and with linking derivatives in place, the Japan and US can follow the path.

Ram Babu summarised the discussion by saying that Copenhagen targets had increased emission reduction efforts significantly...estimated as seven times that of Kyoto. Even if a part of such effort is driven by multilateral funding approach, markets still will have a significant role to play.

Questions were invited from the audience as a part of a Q&A session, questions on India's solar mission announcement and EB reforms and appeal process against DOEs for CDM project developers were discussed.

Dr. Ram Babu summarised the discussions and the discussions were concluded.

A representative of Yes Bank then made the Vote of thanks

---