Carbon Tax in India

What is carbon tax?

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- A carbon tax is a fee for making users of fossil fuels pay for climate damage their fuel use imposes by releasing carbon dioxide into the atmosphere, and for motivating switches to clean energy
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- India introduced a nationwide carbon tax in 2010, which is currently Rs.400/tonne
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Where does India stand on climate change?

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- The **National Action Plan on Climate Change was launched in 2008.**
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- It has eight vertical missions on water, energy efficiency, solar, sustainable habitat, agriculture, forestry, Himalayan ecology and strategic knowledge on climate change. India’s ambition for renewable energy production is well known.
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- Under Prime Minister Narendra Modi, the timelines to achieve renewable capacity has been aggressively advanced, and the scale vastly enlarged.
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- So India’s commitment for action on greening, to mitigate climate change and to act against global warming is not in doubt.
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- Indeed by some reckoning, India’s initiatives and leadership for environmental activism dates back to the **1972 UN conference in Stockholm.**
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Is India overdoing the greening of energy?

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- In the aggregate terms, India is now in the third highest emitter of carbon dioxide. (not in per capita terms)
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- Firstly, **the coal cess that was introduced a few years ago is now at Rs400 per tonne, almost one-fifth the cost of mining coal.**
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- This is something like a 20% carbon tax.
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- India has the world's third largest endowment of coal, which can help double our per capita electricity usage at a relatively low cost.
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- Due to the coal bidding scams and the coal cess, India now might have become the most expensive place to produce coal-fired electricity.
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- It is greatly hurting our competitiveness, and will directly undermine industry as it faces an onslaught of imports from China and other trade partners.
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- Also, we already have a system **of renewable purchase obligations (RPOs)** on all electricity distribution companies and also captive producers.
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- There is often not enough solar or wind energy available for purchase, within state boundaries.
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- Across states, wheeling of solar is not yet possible and the RPOs burden goes up steadily every year. This increases the cost of energy.
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What is the solution?

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- It is not as if India should stay away from global joint efforts at curbing greenhouse gases.
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- Green energy, apart from mitigating climate change has great potential for job creation.

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- India is uniquely blessed with sunshine almost all the time, and hence solar can contribute hugely to our energy needs.
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- Electric vehicles are a nascent industry, which eventually can change the economics of oil and geopolitics.
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- But it is not necessary for India, whose per capita consumption of electricity is barely half the world average, to embrace the highest rate of carbon taxes in the world.
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- Success in mitigating climate change requires global and absolute cooperation.
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- India needs to cautiously calibrate its “greening pace” and de facto carbon taxation.
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Source: Live Mint

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