

Weather the Change

2023 should be the year climate change is mainstreamed into India's development decisions



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There is no dearth of worrying questions at the end-of-the-year conferences on India's future prospects. How well have we emerged from the Covid-19 crisis? What do the growing signs of global economic headwinds imply for India, not least because of the Ukraine crisis? Added to these is a growing recognition of the serious and systemic risks that climate change may bring to India, brought into focus by this year's catastrophic floods in Pakistan. While many economists and policy practitioners are sure that climate change is an important, and growing, part of the policy landscape, they are far less sure of the answers.

They are not alone. Addressing climate change is an extremely complex problem. The mitigation problem — how to limit emissions — requires unravelling the co-evolution of industrial development with fossil fuels beginning with the industrial revolution. Adaptation — making society more resilient against climate impacts — also requires rethinking whether and how development decisions make a society more or less resilient. Economists at year-end conferences now have to rethink the quality and characteristics of growth to account for these factors.

Climate change is a global issue, requiring global coordination. But it is also becoming increasingly clear that global cooperation is a slow-moving ship, and countries such as India cannot wait to act. At the same time, global support is needed, particularly on finance, and as leader of the G20 in this critical year, India can and should try and shape this agenda.

Even while engaging globally, what can India do at home? Preparing for adaptation is critical because the world is estimated to be headed for around 2.5°C warming based on countries' current level of policies and pledges. This level of warming is associated with more violent weather events, destabilisation of ecosystems, decreased crop yields and many other effects that make the development challenge harder. Thinking through how the Centre and states can complement each other to enable adaptation across sectors is necessary.

For example, in agriculture, heat and drought-like conditions led to decreased wheat yields that then led to restrictions on India's wheat exports. To be more resilient, the agricultural sector requires rethinking cropping choices, improving forecasting and building mechanisms to spread financial risks. Similar and scaled-up actions are required in many other areas, such as disaster management, heat preparedness, making cities resilient, coastal ecosystems, water management and mountain ecosystems. This work has started but in 2023, it needs to be scaled up with some urgency. Whether or not international funds are forthcoming, India will need to deepen, but also go beyond its current approach of relying on finance commission prescriptions to steer funds to adaptation. Indeed, a climate resilience filter needs to be applied to all major government infrastructure investment.

In 2022, India made a start in laying out a comprehensive approach to mitigation through its Long-Term Low Emission Development Strategy released at Sharm El-Sheikh during the climate meetings. This outlines sector-by-sector approaches — in electricity, transport, urbanisation, industry, carbon dioxide removal and forests — to achieve development goals, but with attention to a low-carbon future. This approach deserves to be built on. In addition to identifying elements of action within each sector, as India has done, sectoral plans must spell out institutional and regulatory changes required, design packages of policies to bring about these changes and identify finance needs.

One reason these sectoral plans are important is because as a fast-growing country, India has a chance to pivot to a low-carbon future, rather than developing in a high-carbon way, and subsequently having to reverse course and face stranded assets. If done strategically, doing so may also open competitive opportunities and create jobs in sunrise industries such as electricity storage, electric vehicles and even help make India a leader in a future hydrogen economy. While this is an alluring future, and worth pursuing, it requires adequate analysis before placing such bets, attention

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to difficult reforms such as fixing India's broken distribution sector, and a viable plan for meeting the financial needs of this capital-intensive transition.

These large-scale opportunities should also not blind us to the opportunities in a more prosaic, but important, area such as building infrastructure and cities to encourage low-carbon lifestyles. India is promoting Lifestyle for Environment as a key agenda at the G20, which depends critically on supporting infrastructure. The design of India's cities to ensure collocation of work and home, high-quality public transport and efficient buildings will reduce emissions, but will also make for more livable cities with less air pollution. Designing for these synergies should be at the heart of India's low-carbon development efforts.

None of this is easy. It will take strategic thinking and realignment among bureaucracies. It will require sending the right signals to the private sector on what is needed, and, crucially, on what is to be avoided. And, critically, it will require mobilising finance, including from global sources. This is a hard road. With images of Pakistan's plight fresh in our minds, 2023 should be the year climate change is mainstreamed into India's development decisions.