The benefits of a carbon

Context:

- China, the largest carbon dioxide emitter, announced that it would balance out its carbon emissions with measures to offset them before 2060. The spotlight is now on the U.S. and India, countries that rank second and third in emissions.

What are India's commitments to tackle Climate Change?

- India has committed to 40% of electricity capacity being from non-fossil fuels by 2030.
- India has also committed lowering the ratio of emissions to GDP by one-third from 2005 levels.
- It has agreed to enhance its forest cover which will absorb 2.5 to 3 billion tonnes of carbon dioxide (CO_2, the main gas responsible for global warming) by 2030.

A Stronger Action is required – Pricing Carbon:

- It is in India's interest to take stronger action before 2030, leading to no net carbon increase by 2050. A smart approach is pricing carbon which can be done in following ways:

- **Emission Trading:** One way to price carbon is through emission trading, i.e., setting a maximum amount of allowable effluents from industries, and permitting those with low emissions to sell their extra space.
- It is a market-based approach to controlling pollution by providing economic incentives for reducing the emissions of pollutants.
- This is in contrast to command-and-control environmental regulations imposed by governments.
- **Carbon Tax**: Another way is to put a carbon tax on economic activities — for example, on the use of fossil fuels like coal, as done in Canada and Sweden.
- A carbon tax is a fee on the carbon content of fossil fuels.
- It is a powerful monetary disincentive that motivates transition to clean energy across the economy, simply by making it more economically rewarding to move to non-carbon fuels and energy efficiency.
- **Example**: Canada imposed a carbon tax at $20 per tonne of CO2 emissions in 2019, eventually rising to $50 per tonne. This is estimated to reduce greenhouse gas pollution by between 80 and 90 million tonnes by 2022.
- **The fiscal gains from pricing carbon can be sizeable**. A carbon tax at $35 per tonne of CO2 emissions in India is estimated to be capable of generating some 2% of GDP through 2030.
- **Carbon Tariff on Imports**: Big economies like India should also use their global monopsony, or the power of a large buyer in international trade, to impose a carbon tariff as envisaged by the EU.
- Focusing on trade is vital because reducing the domestic carbon content of production alone would not avert the harm if imports remain carbon-intensive.

Conclusion:

- By reducing carbon emission through carbon pricing there are immense health benefits. A significant part of more than 3 % percent of India's GDP currently spent on pollution-induced diseases will inevitably come down.