Aligning SD with LCS

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Two key issues of Sustainable Development (SD) and Low-Carbon Society (LCS) are: (a) How to make LCS compatible with growth, and (b) How to engage developing countries in post-Kyoto climate regime?

A paradigm shift is required from quantity of growth towards quality of growth. Quality must include measures of ecological and social quality, besides economic quality. Hence, not just market cost efficiency, but also ecological efficiency needs to be emphasized. Increasing ecological efficiency implies maximizing resource efficiency and minimizing pollution impact by internalization of ecological costs into market price.

The governments have an important role to play in effecting this shift. They must modify the price structures so as to close the gap between market and ecological prices, and provide ecologically efficient infrastructure like public transport and energy efficient buildings to support ecologically efficient performance of economic activities. The concept of ecological efficiency has to be applied in the designs of cities, public transport systems, and consumption and production patterns.

We have to replace the negative perception that mitigation is a burden on economy with the positive view that mitigation is not a burden rather an opportunity to improve energy efficiency and save energy costs tus improve economic efficiency and competitiveness. Climate actions could even create new markets, employment and growth.

However, while the gains will mostly accrue in the long run, there may be certain costs to bear in the short run. Hence policy options are required to minimize short-term burdens and maximize long-term gains.

Following are the best ways to induce emission reduction in developing countries:

1. Internalize Ecological Costs into the market price of energy: Internalization of ecological costs into market price of energy can be achieved by changing tax base from Income to Carbon. Ecological tax reform of reducing income tax while increasing carbon tax could be an effective tool to move towards low carbon society by putting a price on carbon.
2. Market-Based Climate Regime and CER Discounting: CDM can be reformed to function as a full-fledged market mechanism to provide incentives to developing countries to initiate mitigation projects. Project scope of current CDM has to be further expanded by removing project and fiancial additionality criteria. Mitigation costs per ton of CO_2 is cheaper in developing countries. If developing countries could be allowed to turn their mitigation into carbon credit and sell at a higher price than their actual costs, then investment for mitigation of GHG emission in developing countries will have commercial viability. Net global recution is possible not only by imposing target on developing countries but also introducing a rule of CER discounting scheme. The CER discounting scheme means that a part or all of CDM credits, i.e., CERs, made by developing countries through unilateral CDM projects will be retired rather than sold to developed countries to increase their emissions. Then unsold protion of CER will be net global reduction. Agreeing on the CERs Discounting Scheme will have a better political chance than agreeing on imposing emission reduction targets on developing countries.
3. Domestic Voluntary Efficiency Targets as Climate Action: Explicit recognition of domestic and voluntary targets and efforts towards improvement of economic efficiency

or energy efficiency as a part of climate action will provide further incentive and recognition to those countries and governments. A case in point is China's target of 20% improvement in energy efficiency. Voluntary emission reduction efforts must be allowed for carbon credits. As a lot of such voluntary actions are being taken by countries to further their own energy security and economic growth objectives, recognizing such efforts as climate action will create win-win synergy between climate and economic goals.