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Road to net-zero status

Relevance: Prelims & GS Mains III; Environment

Why in news?

- A year after announcing its intention to achieve a net-zero emission status by 2070, India told the world at COP-27 how it was going to reach there.

Targets under Paris Agreement

- Under the 2015 Paris Agreement, countries have to prepare and submit two kinds of climate action plans — one for the short term, and another for long-term.
- The short-term climate action plans, also called Nationally Determined Contributions (NDCs), have to be submitted every five years, with specific actions being taken over 5- or 10-year periods. The NDCs of all countries currently contain the actions they are taking till 2030. Every subsequent NDC — next one is due in 2025 — must be a progression from the existing NDC.
- In its NDC, India has promised three main targets for 2030 —
- 1. a 45 per cent reduction in emission intensity (emission per unit of GDP) from 2005 levels,
- 2. 50 per cent share of renewables in electricity generation, and
- 3. Creation of 2.5 to 3 billion tonnes of additional carbon sink through forests.

Long term Targets

- Apart from NDCs, the Paris Agreement also asks countries to submit their long-term strategies to reduce emissions, also called LT-LEDS (Long Term-Low Emission Development Strategy).

- There is no particular time frame for which these long-term strategies have to be prepared, but it is generally understood that countries will draw out plans till the middle of the century.

- Countries have announced target years for achieving net-zero status. In the case of most developed countries, this is 2050. China has set 2060 as its target year, while India said it would reach there in 2070.

India's road to 'net zero'

At COP-27, India announced its long-term strategy to transition to a 'low emissions' pathway to become carbon neutral by 2070

KEY MILESTONES

- The National Hydrogen Mission, launched in 2021, aims to make India a green hydrogen hub
- At least a three-fold increase in nuclear capacity by 2032
- Achieving an ethanol blending target of 20% by 2025
- Maximising the use of electric vehicles, increase public transport
- Increased climate finance to be provided by developed nations
- The long-term strategy aims at keeping global temperatures well below 2 degrees Celsius and, ambitiously, 1.5 degrees Celsius by the century-end

Environment Minister Bhupender Yadav at the COP-27 summit in Egypt on Monday. REUTERS

India's Strategy

- To reach the net-zero destination, India is planning largescale interventions in five sectors —

1. Energy and electricity,
2. Transport,
3. Urban design,
4. Industries, and
5. Forestry.

- The plan also involves focused research and development efforts aimed at developing climate-specific technologies, and mobilisation of financial resources, both public and private, domestic and international.

Criticism

- **Absence of Mid-term goals:** There are no mid-term goals or indicative pathways. Most of the 60-odd countries that have submitted their long-term strategies have not offered mid-term targets or pathways, but some, including the UK and the US, have provided a few sectoral projections with expected milestones they hope to reach.

- **Agriculture missing:** One of the sectors India has not mentioned in its long-term strategy is agriculture, which is mainly responsible for methane emissions. The good thing is that unlike carbon dioxide, methane is largely a sectoral gas, so its reduction does not have economy-wide repercussion the way carbon dioxide has.

- However, methane emissions is a sensitive issue for India, mainly because major contributors happen to be agriculture — paddy crops in standing water, for example — and belching of cattle, which India has the world's largest population of.

Carbon border taxes

Relevance: Prelims & GS Mains III; Environment

Carbon border taxes- Meaning

- The carbon border tax involves imposing an import duty on a product manufactured in a country with more lax climate rules than the one buying it.

- The Carbon Border Adjustment Mechanism is a plan from the European Union (EU) to tax carbon-intensive products, such as iron and steel, cement, fertiliser, aluminium and electricity generation, from 2026.

- While its advocates, like the EU, claim the tax will benefit the environment and provide a level playing field to companies, those opposing it call the tax unfair and protectionist. They say it puts the burden of climate compliance on developing countries, when historically, they have done much less to pollute the environment and yet are often more vulnerable to effects of climate change.

Carbon leakage

- Some developed nations, in efforts to cut emissions, impose high costs on carbon-intensive businesses in their own countries. Businesses can potentially sidestep this simply by moving production to a country with less stringent rules, a practice called carbon leakage.

EU’s CBAM

- The EU came up with the Carbon Border Adjustment Mechanism (CBAM) in 2021.

- According to European Commission, the CBAM system will work as follows: EU importers will buy carbon certificates corresponding to the carbon price that would have been paid, had the goods been produced under the EU’s carbon pricing rules. Conversely, once a non-EU producer can show that they have already paid a price for the carbon used in the production of the imported goods in a third country, the corresponding cost can be fully deducted for the EU importer.”

Opposition and response of India

- A group of countries including India has opposed the carbon border taxes policy at the COP27 in Sharm El Sheikh, saying it could “result in market distortion”.

- India has maintained that developed countries cannot push the burden of doing more to tackle climate change while they evade responsibilities themselves.

- India has also stressed that ‘just transition’ to cleaner sources of energy did not mean that all countries should strive for the same level of decarbonisation.

- For India, just transition means the transition to a low-carbon development strategy over a time scale that ensures food and energy security, growth, and employment, leaving no one behind in the process.

Vostro accounts, and why they are in news?

Relevance: Prelims & GS Mains III; Economics

Why in news?

- On November 15, the government announced that nine special Vostro accounts have been opened with two Indian banks after permission from the RBI to facilitate trade in rupee in the wake of sanctions on Russia by the US and European countries.

Vostro account

- A Vostro account is an account that a domestic bank holds for a foreign bank in the domestic bank's currency — which, in the case of India, is the rupee.
- The RBI allowed nine such accounts, including IndusInd Bank and Uco Bank.
- In the case of trade with Russia, payments in rupee for the export and import of goods will go to these Vostro accounts.
- The owners and beneficiaries of this money will be the exporters and importers in both the countries. The banks will keep the record of money transferred.

Nostro account

- If an Indian bank like the SBI wants to open an account in the United States, it will get in touch with a bank in the US, which will open a Nostro account and accept payments for SBI in dollars.
- The account opened by the Indian bank in the US will be a Nostro account for the Indian bank, while for the US bank, the account will be considered a Vostro account.
- Literally, Nostro means 'ours' and Vostro means 'yours' in Latin. Therefore, the accounts opened by IndusInd and UCO are Vostro, and the ones opened by Russia's Sberbank and VTB Bank are Nostro accounts.

Creation of the Vostro accounts

- On July 11, the RBI put in place a mechanism to settle international trade in rupees "in order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in the rupee".
- The central bank's move has come in the wake of increasing pressure on the Indian currency in the wake of Russia's invasion of Ukraine and sanctions by the US and the EU.
- According to the central bank, AD (authorised dealer) banks in India have been permitted to open rupee Vostro accounts. Accordingly, for settlement of trade transactions with any country, an AD bank in India may open special rupee Vostro accounts of correspondent banks of the partner trading country.