Finance mechanisms for accelerating industry decarbonisation-

Event Summary

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India Habitat Centre, New Delhi

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Track 1: Accelerating carbon pricing for low carbon finance in the corporate sector

Moderator: Mr. Dipak Dasgupta

Speakers

- Mr Damandeep Singh, Director, CDP India
- Dr Venkata Ramana Putti, Program Manager, World Bank
- Ms Tamiksha Singh, Associate Fellow, TERI
- Mr. K N Rao, Director, Energy, Environment & Sustainability, ACC Limited
- Ms Mathsy Kutty, Regional Manager, Infosys Limited

Carbon pricing is an effective and critical tool for setting a social cost of carbon to correct externalities and efficiently reduce emissions from the corporate sector. In 2018, there were 14 companies in India that had incorporated a carbon price with the global figure being 594. In 2019, the number increased to 20 in India and 697 globally. The average price the Indian companies are reporting is about \$25 per ton of CO2. The range of carbon prices reported by companies is pretty vast from \$5 to \$120 per ton of CO2. The panel discussion threw up some interesting and thought-provoking insights from the panelists. They were unanimously of the view that carbon pricing will become mainstream in coming years despite Article 6 of Paris Agreement being unresolved at COP25. Dr Venkata Ramana Putti threw light on the carbon financing arena worldwide as highlighted in the World Bank's annual carbon pricing report. As of 2019, 47 countries have been implementing carbon pricing programs with around 700 companies internalizing carbon pricing into their operations. He added that the vast carbon price range globally can be attributed to the differing objectives of the company. The panel shared their views on the role that can be played by the corporates in accelerating decarbonization within the economy. Ms Tamiksha Singh shared with the panelists her insights from an ongoing research on financial barriers that corporates are facing in transitioning to decarbonization pathways. These barriers include lack of enabling policy framework and lack of clear external carbon pricing signals. Talking about the Indian landscape, she threw light on how corporates have been taking proactive initiatives in pushing carbon pricing forward. Mr. K N Rao shared his views on how ACC can stand to benefit by internalizing carbon pricing into their operations. He mentioned that companies who are proactive now will stand to gain in the long term and will be able to avoid the potential risks that can affect its very survival. Ms Mathsy Kutty added her valuable insights to the session pertaining to Infosys which has its own carbon imprint due to its huge scale of operations and energy consumption among its many industrial estates. The company started its journey of being carbon neutral way back in 2011. This move of internalizing carbon pricing from the very start had a management buy-in because of the company's orientation in achieving sustainability.

Track 2: Mainstreaming green finance for decarbonizing industries

Moderator: Mr. Dipak Dasgupta

Speakers:

- Mr Will Hall, Associate Fellow, TERI
- Dr Ashwani Pahuja, Chief Sustainability Officer, Dalmia Cement
- Dr Nils May, Senior Research Associate, DIW Berlin

Industrial decarbonisation is the ultimate goal for all the companies that are currently undergoing the green transition. This shift to being green will be possible through access to adequate affordable finance and regulatory support. Track 2 of the session dealt with mainstreaming green finance for decarbonising industries in India's hard-to abate sectors such as cement and steel. Mr. Will Hall, Associate Fellow TERI, started off by explaining the roadblocks prevalent for these hard-to-abate industries in undergoing the green transition. India faces a unique challenge that it doesn't only has to replicate old technology but also has to innovate in order to shift to this decarbonisation pathway. Moreover, low carbon alternatives are capital intensive. Capital intensive technologies need a lot of upfront capital to be deployed. RD&D is focused mainly in Europe and the US with India significantly lagging behind. India thus, needs to be proactive in forming international collaborative partnerships with such technology providers to bring much needed innovation within the economy. Finance is needed in India to establish pilots and introduce viable technologies through commercialisation.

Dr. Nils May shared his valuable insights on developing policy and financial instruments to help support the transition to low carbon and climate friendly pathways. Developing such policies would also aid in incentivising private financial flows through investments. Low carbon technologies are capital intensive and hence require large investment volumes. The inherent interdependency of sector policies and financing can help takeout risks and facilitate low-cost financing. International climate finance can step in to cover incremental costs of new technologies if regulatory frameworks are consistent and companies want to invest into new technologies. Policies are available and are necessary to facilitate financing to attract transition and reduce the risks related to low carbon investments. In India, investments are needed in large quantum with high risk quotient, which makes provision of international climate finance the need of the hour. International climate finance can offer fundamental support to the developing countries in achieving their NDCs, and thus, investing into such industries and sectors should be encouraged.

Dr. Ashwani Pahuja, Chief Sustainability officer, Dalmia Cement, gave an industry perspective. He focused on what is needed to accelerate financing for decarbonisation. There exists a short-term concern about financing but the larger problem exists about the future costs, when technologies become demonstrable and scalable. Hence, policies should be developed to support this industrial shift. This is the assumption on which industrial green transition is based on and is responding to. Policies should be defined well because that will have an impact on the prices of the technologies, and private sector is willing to expand and spend on this provided policies are set to complement this change. He iterated on how policies should be supportive of an industrial transition by giving an example of carbon capture. Technologies like carbon capture used to cost around \$150-\$200 per ton of CO_2 three years ago and has now significantly come down to \$40-\$50 per ton. It is further expected to decrease in the future due to economies of scale. Therefore, in such a case, price and cost should not be the only focus but the policies should be developed to aid this modulation. He also stressed on the need for funding agencies to be available for private sector as well. Most private sector companies are ready to transition towards a greener future and invest from their internal resources to put forth demonstrable projects. Funding agencies should focus on the private sectors, so that existing technologies can be expedited. Green financing, green procurement and scaling of technologies, with the help polices and external funding (even international players to aid risk based financing) will soon become possible and the coming decade maybe termed as the "decade of carbon capture and utilisation."

The three panelists were torn among their understanding of need of green finance and regulatory support. On the one hand, Dr. Ashwani Pahuja spoke about how financing gap should not be the prioritised discussion, in terms of businesses transition, as technology is already available, and just requires being scaled-up through policy intervention. On the other side, Mr. Will Hall spoke about how finance is just one part of the story and providing the finance relies on people having security to invest, which is dependent on policy framework, which needs to be specific to country and region. However, financial access is still a priority for countries like India which will not be able to decarbonize hard-to-abate industries without access to much larger scale of financing availability. Dr. Nils May added to this by pointing out the need to work on the financing challenge and regulatory challenge together. It is important to link policy and regulatory schemes to financial schemes that will help to act as incentives to investment.