

No Proof Required

There is no Chindia in Copenhagen

By

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Blurb: China and India are on different sides of the climate change debate, and after the US, China has to make the most cuts

The climate talks start today in Copenhagen and this article concludes our four part series. Several conclusions emerge from a historical and future simulation exercise. The first major conclusion is that the debate about climate change and what can be done about it should no longer be couched in per capita terms. Population growth is an ex-event in most countries, and in the next few decades this rate is going to decline, and decline sharply. Most projections of population growth, and the one used by the research community, are gross overestimates of the likely outcome. World population is expected to increase by 1 % per annum for the next two decades, only a marginal decline from the 1.2 percent growth over the last decade. The likely scenario: world population at 7.2 billion in 2025 versus the received wisdom of 8 billion; and at around the same level in 2050 versus the projected 9 billion. In 2007, world population was at 6.6 billion. This is good news for the world – the problem is about 15 to 20 percent less than formulated. But this 15-20 percent less, while helpful, does not solve the problem.

The basic problem facing the world is not that there are going to be too many new people in the world, but rather that the existing people will be a lot richer. And that most of this growth will accrue to the present poor countries. The developed world share in world income is projected to decline from 40 percent today to only a fourth in 2025. The developing country share will correspondingly increase, and since these countries are on the upward trajectory of growth, the CO2 emissions will also correspondingly increase. As has been pointed out before by several scholars, the developing countries will have a larger portion of the world population, and a much larger share of world income, than ever before. The climate change problem is no longer a developed country problem; it is a universal problem.

There are, in the main, two methods for deciding on the burden of adjustment for each country. The reduction allocation can either be decided on a per capita basis, or on an intensity of use basis. The former is fast fading from the scene as a worthy contender, and both its erstwhile champions, China and India, have changed course by announcing voluntary cuts in emission intensity. The per capita allocation favors large poor countries, but no more than the intensity criterion. Further, this “benefit” becomes zero somewhere in the late 2020s. The more stringent the world decision to reduce global emissions, the sooner does the population criteria become binding on the poor countries. This follows from the simple math that the share of population is staying fixed, and output, and therefore emissions, are increasing at a fast pace. If the denominator (world emissions) is reduced, the share of carbon space occupied goes up. Perhaps the policy makers in the two countries have done this calculation, seen the future, and decided to go for an allocation criterion that keeps their growth ambitions intact.

But this might be the only topic on which the two population giants are on the same side. The strong conclusion that emerges from even a cursory examination of climate issues is that the population twins have opposite interests. Note that no matter what the criteria, a “fair” allocation of burdens of adjustment would involve a comparison with world *averages*. In this regard, it might be reverse payback time for India’s past bad policies. A systematic discrimination against the industrial sector has meant that India’s share of industry in GDP is a low 30 percent, and China’s is a high 50 percent. Both countries should have an industry/GDP ratio close to 40 percent with India somewhat lower. This divergence has predicted consequences. If per capita is your criteria, then India’s per capita emissions are near the bottom of the league, only 1.2 tons per capita (25th percentile). China is near the top of the inefficiency table with a per capita emissions average of 4.6 (75th percentile); the world average in 2007 was 4.4.

But maybe China is efficient in carbon emissions. Again, not so. Its intensity of emissions in 2007 (intensity defined as kg of CO₂ emissions as a percent of 2007 PPP GDP) was a high 47 (75th percentile); India, one of the most efficient, was a low 25 (20th percentile). The world average was 37. Perhaps China has been improving its efficiency. It has, but so has India. So is there a common negotiating ground between the two population giants? Nyet.

What these very simple statistics suggest is that Copenhagen will be historic in breaking the forced China India alliance on climate change. This conclusion is further buttressed by simulation analysis of future emissions. The only fair basis for any allocation or simulation is that those who are inefficient, however defined, should bear most of the burden of adjustment. This

is akin to the well accepted polluter pays principle. On a combination of per capita and intensity basis (the exact share between the two is dependent on the time path of reductions) China's share of total global cuts, between now and 2050, would be in the range of 10 to 30 percent; the US share, roughly between 40 and 60 percent. If only per capita is a criterion, the US share of global cuts falls and that of China rises. This provides a perspective on why the developed countries might want a per capita criterion! In either case, India's share is miniscule, less than 10 percent. For the earlier more important high growth period of 2010-2030, most calculations suggest that India's share in reductions is less than one-fourth of 1 percent.

No matter how one does the math, the burden will have to fall, must fall, on US and China. Equal sharing of the planet's resources means equal sacrifice. India is in the most enviable situation of having all the capacity to grow and in a position to help dictate the terms of the climate agreement. For that to happen, it must shed its Cold War attitudes of Oh Marx, I am so poor and they are out to get me.

This is the final part of the four part series; all the articles are available at www.oxusinvestments.com. In addition, the paper "Climate Change – What's it all about and what is to be done", will soon be available.