

## How can Union Budget 2020 help the environment?

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With climate change causing damage to sensitive ecosystems and affecting the lives of many in several ways, there is an urgent need for greater commitment on the part of the nation to reduce carbon emissions and encourage citizens to live eco -friendly lives. There are many ways in which the Union Budget 2020 can help regular citizens and industries to become more environment-friendly.

India has one of the lowest carbon emissions per capita for a large economy but the amount of total emissions, energy consumed and waste generated has an adverse impact on the environment and puts it squarely in third place for total carbon dioxide emissions.

Here are some Union Budget suggestions based on basic principles and theories of behavioural economics and macroeconomics.

### **Incentives and disincentives**

Incentives can be increased for eco-friendly behaviour such as the purchase and manufacturing of electric vehicles and hybrid vehicles. The present incentives in India for

the manufacture and purchase of electric vehicles have not reduced the costs of eco-friendly cars. Increasing such incentives would make the purchase of electric vehicles a more rational option for consumers.

Similarly, incentivising other eco-friendly behaviours such as domestic adoption of solar energy, the use of low-waste or no-waste products, low-energy electrical goods etc. can help modify consumer behaviour.

The Union Budget can also disincentivise behaviour that is harmful to the planet such as increasing taxes on fossil fuel vehicles, air travel and purchase of products that consume large amounts of energy. Since industrial pollution is a large component of emissions, it is important that appropriate incentives and disincentives are increased to reduce industrial carbon emissions.

### **Investment in clean, renewable energy**

The World Bank has recognised India as a “frontrunner in the global fight against climate change”. Though India’s investment in clean energy has increased in recent years, the quantum of investment that has gone into clean and renewable energy is high enough to reach the goals set in the Paris Accord.

Investment in solar and wind energy needs to increase significantly to induce the reduction of prices of renewable energy due to economies of scale. Furthermore, support for smaller companies that produce domestic and commercial clean energy solutions needs to be prioritised. Lowering the cost of acquiring capital for green ventures can prove effective in encouraging clean energy companies to conduct research and manufacture products.

Using limited public funds to encourage investment in clean energy is the need of the hour. Setting up a clean energy fund to steer foreign investments into clean energy can increase the speed of adopting clean energy.

### **Protection of biodiverse ecosystems**

While forest cover has been increasing in India for a few years now, rising numbers such as percentage increase of area under forest cover do not necessarily mean ecological balance has been maintained.

According to data, India may be on track to achieve its Paris Accord target of creating an additional carbon sink by increasing forest cover but if this additional forest area is not created on the basis of grounded research, it can be detrimental the ecological balance of several ecosystems in the country. Hence, a significant amount of investment is needed for research into biodiversity and preserving the natural balance of biodiversity in various parts of India.

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