

India's "Green Recovery" is attracting attention

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There are more than a few countries advocating for a "green recovery" based on a growth strategy that targets decarbonisation as the key to revival after the COVID-19 pandemic, and India – the world's third largest producer of CO₂ emissions – is no exception.

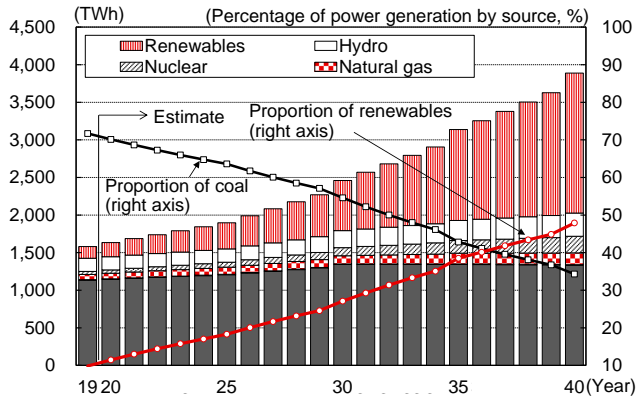
A variant of the COVID-19 virus is ripping through India and the situation turned very serious for a while with the daily number of new cases in May exceeding 400,000. Since then, the number of new cases has peaked and restrictions on movement are being eased in stages as economic activities slowly re-start. However, with the vaccine rollout still in progress, the domestic economy has significantly deteriorated since last year due to the pandemic, and there is now an urgent need to turn the situation around.

One of the ways India is trying to do this is by encouraging investment in decarbonisation and it has set forth a target of increasing the amount of power generation by renewable energy sources fivefold to 450GW (around 40% of total energy produced) by 2030, which it announced at the climate change summit hosted by the US in April (Chart 1). Currently, India's nominal GDP per capita is around one fifth that of China, but taking into account the increase in CO₂ emissions per capita as economies grow, it is highly likely that India's total emissions will continue to increase (Chart 2). Therefore, taking this into account as well as the global trend towards decarbonisation, urgent action is required. However, the Institute for Energy Economics and Financial Analysis (IEEFA) calculated that meeting this target by 2030 would require USD 500 billion (approximately 19% of nominal GDP) in investment. Attracting such investment is an issue. India was invited to participate at the G7 summit as a guest country and showed a willingness to contribute to post-COVID-19 actions led by developed countries. It appears that India's desire to attract investment is aligned with developed countries' wish to enlist the cooperation of India – a top producer of CO₂ emissions – in achieving a greener society.

Although the hurdle to achieving this target is extremely high, decarbonisation has been designated an issue of utmost importance globally, which gives India an opportunity to reinvigorate its economy by attracting investment from developed countries. Rather than just a simple energy strategy, decarbonisation is expected to result in medium- and long-term industrial development, starting with industrialisation of the solar power business. While India's

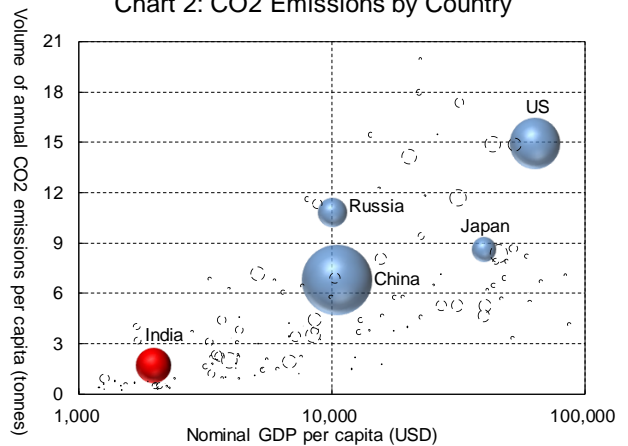
victory over the COVID-19 pandemic through the distribution of vaccines is a pressing issue, it will also be important to keep an eye on India's "Green Recovery" in the future.

Chart 1: Estimation of India's Power Generation



Note: 1. "Renewables" = solar, wind, biofuel etc.
 2. Data is IEA estimate which reflects government's plan. Unpublished values are estimated along trendlines
 Source: IEA, MUFG Bank Economic Research Office

Chart 2: CO2 Emissions by Country



Note: Size of bubbles denotes volume of annual CO2 emissions
 Source: IEA, IMF, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

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