
Taxing Coal in India to Fund Renewable Energy (/full-blog/2010/03/taxing-coal-in-india-to-fund-renewable.html)

"Coal" (/full-blog/category=%22Coal%22), "Environment" (/full-blog/category=%22Environment%22), "India" (/full-blog/category=%22India%22)

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When I drive to Kroger for my weekly grocery trip hoping that I remember to get all the necessities, the last thing on my mind is the pollution caused by the exhaust of my car. This is not because I somehow enjoy polluting or harbor resentment toward the natural environment. Instead, it is a negative externality, which is defined as “a consequence or side effect of one’s economic activity, causing another to . . . suffer without compensation.” Black’s Law Dictionary 273 (3rd pocket ed. 2006). The idea is that because I do not have to pay for the pollution I am causing, I will drive to Kroger as many times as is necessary because there are no negative economic consequences for my trip. If the legislature decided that they wanted to make me pay for my pollution, then the solution would be to impose some cost on my Kroger trip, which would force me to decide whether it was worth the cost to make the trip each time I went.
The above rationale used to curb my Kroger trips is being used on a much wider scale in India to encourage renewable energy projects at the cost of the coal industry. India's Finance Minister, Pranab Mukherjee, announced in his annual budget speech to parliament that "[a] clean energy tax of 50 rupees ($1) a metric ton will be imposed on domestic and imported coal," which will be used to start a national fund to support renewable energy projects. Natalie Obiko Pearson and Gaurav Singh, India to Start Clean Energy Fund by Taxing Coal Use, Bloomberg, Feb. 26, 2010, available at http://www.bloomberg.com/apps/news?pid=20601091&sid=awGqKRFV_PQ. Based on information from Emergent Ventures, a climate change consulting company, this new tax could raise around 25 billion rupees. Id. But this increase in revenue will not come without its costs, and those costs are, in fact, a major reason underlying the new levy. As Ashutosh Pandey, an employee of Emergent Ventures, states, the new tax will "help encourage the development of cleaner energies and impose some kind of cost on users of coal." Id._

This new initiative comes as India, the world's fourth largest polluter, has set a voluntary goal of cutting its carbon intensity "by as much as 25 percent by 2020 from its 2005 levels." Id. Whether this goal can be met by 2020 or not, India is clearly showing that it finds the negatives of carbon emissions from coal use destructive enough to warrant imposing a great deal of new costs on coal companies, which will likely be passed down to the coal company's customers resulting in higher energy bills. It will be interesting to see how India's coal industry will react and whether this decision will be a step forward for alternative energy projects.