

Joint Statement from the inaugural India - U.K. Track II Dialogue on Climate Change and Energy

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The Ananta Aspen Centre and the Grantham Research Institute of the London School of Economics hosted the inaugural meeting of the India-U.K. Track II Dialogue bringing together an exceptional group of thought leaders from both countries encompassing industry leaders, academia, former senior policy makers and civil society representatives (see Annexure for list of participants) to consider how to enhance bilateral and multilateral cooperation on the climate agenda between the two countries.

Both sides stressed their commitments to concerted actions to meet the goals of the Paris Agreement. India is on track to meet its NDC targets consistent with the 2-degree Celsius limit. Prime Minister Modi has launched several important initiatives to strengthen national actions and foster global cooperation on climate, technology and environmental protection including setting a domestic ambition of having 450 GW of renewable energy by 2030. The UK was the first major economy to commit in 2019 to the net-zero emissions target by 2050 and has set the most ambitious reduction in carbon emissions by 2030 towards this goal.

There is great scope for the two countries to work together on different facets of the climate agenda including on overall strategy and policies, energy transitions, sustainable transport, technology and finance. The UK Presidency of the G7 and COP26 provides a special moment for injecting urgency and ambition on the part of all and for bolstering the support that will be needed by developing countries. India too has a leadership role to play at COP26, especially as it prepares for the G20 Presidency in 2022.

The COVID-19 pandemic has highlighted the fragilities and risks that had been building in the world economy, society and planet including the impacts of climate on health and pandemics. The recent announcements by major economies to reach net-zero emissions by mid-century is a key element in shaping action to stabilizing climate. India, as a major and growing economy, will need its net-zero target too. **The primary focus now should be on accelerated commitments and actions on emission reductions by 2030.**

Participants agreed that the transition to a low-carbon climate-resilient economy offered a historic opportunity to boost jobs and competitiveness and chart a new path on development based on more sustainable and inclusive growth. There is no horse race between development and economic and financial performance and climate responsibility. Development, mitigation and adaptation are mutually reinforcing and must go hand in hand. India is well positioned to successfully navigate the historic development transformations over the coming two decades, from energy to transport to cities to agriculture to water and waste to land and natural assets, all in a climate-challenged world, but it will require acting with urgency and at scale.

Mobilising the scale of financing that will be needed for climate-related investments is also a looming challenge. A much larger proportion of investment and financing will have to come from the private sector. Understanding and reducing risk will be crucial and that will require reducing information asymmetries and tackling regulatory uncertainties. It will also be important to ensure that end users get access to finance. There are also large gaps to be filled in insurance against climate risk and underwriting finance for research and development. Multilateral financial institutions could make an important contribution in both scaling up and tackling some of the gaps but so far, they have not done so. There is significant potential to boost green finance including through green windows and green securitization. India and the UK could profitably collaborate on green taxonomies. The financial sector can also be a powerful catalyst for change; for example, asset owners can bring pressure on asset managers to align portfolios. There are also significant opportunities from scaling up voluntary carbon markets.

In managing the development and climate transitions, it will be important to focus on the needs and give voice to those that are less well positioned including the poor and vulnerable, small and medium enterprises and the informal sector. Much greater attention is warranted on **adaptation and resilience** given the accelerating pace of climate change. There is also a need and opportunity to accelerate investments in nature-based solutions for restoring ecosystems, protecting biodiversity and building resilience. While there are multiple possible pathways to climate ambition, they should all have the following elements: a long-term vision; credible near-term action consistent with that vision; and a laid out institutional and policy pathway.

Engagement of the public and public information campaigns can play an important role. Although the UK and India face very different contexts, sharing lessons on institutional solutions would be a fruitful area of collaboration between our governments, particularly thinking about long-term, analytically sound approaches to envision climate and development futures. India and the UK can also collaborate on how to raise climate ambition while ensuring climate justice. Rich countries and past polluters have a duty to help with technology, finance and other support; in so doing they will boost the prospects for the global economy and their own savings and ensure a safer and sustainable future for all people and the planet.

Accelerating the energy transition is arguably the most important task to raise climate ambition, and an area of exciting opportunities with great potential for collaboration between India and the UK. Progress in moving to low-carbon solutions in energy generation, buildings, industry and transport has been much faster than anticipated because of sharply falling costs (including solar, storage and offshore wind) and new technological options. There is large potential for expansion of distributed

energy; this together with combined cold chains, promotion of small rural enterprises and community energy (schools, health centres) could drive inclusive development and jobs. Policy has to recognize these fundamental changes. The cost of capital may be the more binding constraint rather than technology transfer. The regulatory issues in managing the transition are complex especially with respect to the phase out of coal. It is crucial to keep employment and just transition at centre stage. In India there are also complex state-federal and inter-Ministerial coordination issues.

The group agreed to meet next in September 2021, in the lead up to the COP 26 summit. It also agreed to set up five working groups to advance the agenda and jointly collaborate through the year on: energy transition, finance, adaptation and resilience, bilateral and international cooperation, and the role of the private sector. The co-chairs also agreed to continue work and discussions on how to raise collective ambition including on the pathway to net-zero emissions.