



Institute for Solid Waste Research & Ecological Balance (INSWAREB)

February 28, 2007

Mr P Chidambaram
Hon'ble Union Minister for Finance
Government of India
New Delhi 110 001

Dear Mr Chidambaram,

Sub: Union Budget for 2007-08: Issues on Climate Change

We commend your budget for 2007-08 on various counts, but have reservations on certain counts. One of them is the Climate Change. The attention paid by you on climate change issues did not receive adequate deal except presentation of a brief paragraph as follows:

108. India is not a significant contributor to green house gas (GHG) emissions, nor will it be so in the foreseeable future. Nevertheless, in line with the principle of "common but differentiated responsibility", India has taken important steps to mitigate GHG emissions and adapt to climate change impact. India has also strongly promoted the clean development mechanism (CDM) under the Kyoto Protocol and has the world's largest number of CDM projects. Nevertheless, India is among the countries more vulnerable to climate change. Hence, Government proposes to appoint an expert committee to study the impact of climate change on India and identify the measures that we may have to take in the future.

One of the spokesmen from Ministry of Environment & Forests indicated at one instance that the revenue earnings through Clean Development Mechanism (CDM) would be exempted from Income tax. However no official document could be cited. We considered that it was an inter-ministerial decision that would be clarified by you in your budget speech, which incidentally missed.

Please note that CDM has a lot of spin off for pollution abatement and ecological welfare as explained below:

- In order to earn CDM revenue, the industry has to make additional investments for the adoption of advanced technologies that costs considerably on know-how, equipment, plant and machinery.
- Unless the earnings of CDM revenue prove attractive to offset the investments for modernization, industry does not take proactive steps to tap the full potential. (Whichever CDM activity witnessed in this country today is decimal to the full potential of CDM revenue estimated at US \$ 35 billions annually).



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- CDM revenue being an emerging source of earnings to the country with no consumption of internal sources (minerals, fuels, man power etc), the contribution to GDP is blemishless and phenomenal.

Hence the government need to encourage this foreign exchange-earning activity by extending fiscal relieves. The loss of revenue on account of tax exemption on these earnings is miniscule in comparison to the tangible wealth accrues owing to conservation of energy/fossil fuels, minerals etc, and intangible wealth due to ecological welfare through Sustainable Development.

Hence your ministry needs to pay special attention to Climate Change and view the issues holistically with long term vision. For example, the environmental damage that cannot be repaired despite billions of budget allocation can be prevented through a proactive step from industry. All of us should work out to elicit these motivating factors and invoke them.

Thanking you and with kind regards,

Sincerely yours

Dr N Bhanumathidas
Director General

N Kalidas
Director

Copy to:

Dr Manmohan Singh
Hon'ble Prime Minister
Government of India.

Dr Pradipto Ghosh
Secretary
Ministry of Environment & Forests
Government of India.

Ms Gayathri Ramachandran
Special Chief Secretary and
Director General:EPTRI
Government of Andhra Pradesh

For kind information and necessary coordination.