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GHG Emissions and Economic Growth

A Computable General Equilibrium Model
Based Analysis for India

 Springer

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Preface

We decided to get this book published to help the larger audience make sense of the discussion on climate change and its implications for economic growth in India. Issues linking climate change and economic growth are now at the centre of discussions regarding climate friendly development strategies which are increasingly becoming a necessity rather than an option for late-industrialising countries like India. This book contributes to this discussion by systematically analysing the relationships between economic growth and GHG emissions in India with explicit reference to all major economic sectors. Although the science of the impact of climate change on earth and its inhabitants is moving rapidly in the direction of certainty and precision, lack of clarity on how emerging economies can manage their developmental imperatives in the face of pressing carbon constraints with judicious policy interventions persists. Whether a global carbon price will help incentivising developmental actors to choose low-carbon growth strategies is still an open and debatable issue. Many suggest carbon tax at the border or nationally implemented under sovereign national fiscal regimes. Suggestions for benchmarking-monitoring-reporting-verification of all activities by best practices are also on the table. So, it is quite a complex issue for anybody to try to resolve without detailed knowledge and information on pros and cons of each of the alternative interventions and institutional arrangements suggested. Moreover, the impact of climate change is all pervading. It is not confined to one single activity or sector but extends to each and every economic activity and sector and to people of all socioeconomic groups.

Our joint effort in this area began in 2006 when India's Ministry of Environment and Forest, gave a small research grant to National Council of Applied Economic Research (NCAER) and Jadavpur University (with the former and latter being then the institutions of affiliation for the first three authors and the fourth author respectively), to provide them with knowledge and analytical support on India's GHG emissions profile. The necessity and inevitability of pooling multiple expertises to get this empirical investigation accomplished brought all of us together with the lead author of the book also availing the opportunity to find an interesting and relevant research topic for his Ph.D. work which he eventually completed by virtue of hard labour and patience to our great pleasure.

This book estimates latest Social Accounting Matrix (SAM) for India. It provides a very important database describing the complete circular flow of income and input-output transactions among the sectors of the economy. Striking novelty of the book lies in the fact that for the first time to the best of our knowledge, a SAM for Indian economy has been prepared with environmental indicators and detailed methodology is also presented in the book. The environmental social accounting matrix (ESAM) based analysis has been included in the book to show direct and indirect linkage between economic growth and GHG emissions.

The work we present here goes beyond SAM and applies computable general equilibrium (CGE) modelling to conduct climate change policy analysis and simulations. The analysis is an important contribution in the current debate around carbon tax and its possible impacts on macroeconomic growth. Knowledge sharing by Dr. Pradipto Ghosh on CGE modelling as applied to climate change issues needs special mention.

During the course of this detailed work we received help from a number of excellent people in various forms. Administrative support from Prof. Binay Kumar Pattanayak, Director ISEC, Director General of NCAER, Dr. Shashanka Bhide, senior research councilor, NCAER, Dr. Anushree Sinha, Senior Fellow, NCAER, Mr. N. J. Sebastian, Former Secretary and Librarian, NCAER; and Dr. Nandita Bhattacharyya of Faculty of Arts, Staff members of Department of Economics-Jadavpur University, made the progress of the work smooth. Comments and academic advice received from Prof. Pradeep Biswas, CSIR-NISTADS, Prof. Rajashree Majumder, University of Burdwan, Prof. M. R. Naryana, ISEC, Prof. K. V. Raju, ISEC, Prof. Meenakshi Rajeev, ISEC, and Mrs. B. P. Vani, ISEC needs special acknowledgement. Study material collected by NCAER library staff, from Dr. Maniparna Shyam Roy, and Dr. Duke Ghose of Global Change Programme of Jadavpur University were immensely useful. Lastly, we thank for never ending family support for each one of us.

What has driven us and kept us together until we finished this book is the genuine wish to advance the knowledge on the subject and deep concern for saving our planet and ourselves from extinction if global warming remains unchecked.

Last but not least, the results expressed in this book are those of the authors and are not attributable to the institute/organization to which they belong.

Barun Deb Pal
Vijay P. Ojha
Sanjib Pohit
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Contents

1 Economic Growth and Greenhouse Gas (GHG) Emissions: Policy Perspective from Past Indian Studies	1
1.1 Climate Change and Economic Growth: Global Context	2
1.2 Climate Change and Economic Growth: Indian Context	2
1.3 Past Studies	4
1.4 Study Goals	8
1.5 Framework for Assessment	8
1.6 Scheme and Scope of This Study	10
References.....	10
2 Social Accounting Matrix of India: Concepts and Construction	13
2.1 Concept and Structure of SAM	13
2.2 Purpose of Constructing SAM	14
2.3 Methodology of Construction of SAM	19
2.3.1 Expansion of Electricity Sector (Hydro, Non-hydro, and Nuclear)	19
2.3.2 Construction of Biomass Sector	20
2.3.3 Disaggregation of “Services Incidental to Transport” Sectors	21
2.3.4 Aggregation of IO Table	22
2.3.5 Extension of IO Table to SAM	22
2.3.6 Construction of Tax Account (Direct and Indirect Taxes)	28
2.3.7 Construction of Capital Account	28
2.3.8 Treatment of Foreign Trade	28
2.4 The SAM for India 2006–2007	29
References.....	30
3 Environmentally Extended Social Accounting Matrix of India: Definition and Construction Methodology	31
3.1 The Framework and Methodology	31
3.2 Estimation of Environmental Data	34
3.2.1 Estimation of Generation of Damaging Substances	34

3.2.2	Estimation of Abatement or Absorption	39
3.2.3	Estimation for Depletable Natural Resources	39
3.2.4	Estimation for Environmental Themes	39
References	41
4	Impact of Economic Growth on Greenhouse Gas (GHG)	
	Emissions—Social Accounting Matrix (SAM) Multiplier Analysis	43
4.1	Approach to Link Economic Growth with GHG Emissions	43
4.2	Method of Estimating SAM Multiplier	44
4.3	Pollution Trade-Off Multiplier	47
4.4	Impact of Sectoral Output Growth Resulting from any Exogenous Changes in the Economy on Energy Use	48
4.5	Impact on GHG Emissions due to Sectoral Growth Resulting from any Exogenous Changes in the Economy	52
4.6	Impact of Change in Employment on GHG Emissions	55
4.6.1	Employment Multiplier	56
4.6.2	Impact of Employment Creation on GHG Emissions	57
References	60
5	Greenhouse Gas (GHG) Emissions in India—A Structural	
	Decomposition Analysis	61
5.1	Concept of Structural Decomposition Analysis	61
5.2	Decomposition Method	62
5.2.1	Data and Empirical Estimation	64
5.2.2	Aggregation of 60-Sector IO Table of the Year 1994–95	65
5.3	Observed Changes in GHG Emissions in India	67
5.4	Findings from Structural Decomposition Analysis	68
References	71
6	An Environmental Computable General Equilibrium (CGE)	
	Model for India	73
6.1	Model Structure	74
6.1.1	Sectoral Disaggregation and SAM	75
6.1.2	The Production Structure	76
6.1.3	Greenhouse Gas Emissions	76
6.1.4	Carbon taxes	78
6.1.5	Savings	78
6.1.6	Capital Stocks	78
6.1.7	Land and Labor	79
6.1.8	Commodity Market Clearing, Market Closure and Dynamics	79
6.1.9	Technological Change	80

6.2	Mathematical Description of the Model	80
6.3	Data Sources of the Model	90
	References.....	93
7	Reference and Policy Scenarios of CGE Model	95
7.1	Reference Scenario	95
7.1.1	Gross Domestic Product in the Reference Scenario	96
7.1.2	Energy Use in the Reference Scenario	98
7.1.3	Carbon Emissions in the Reference Scenario	99
7.2	Policy Scenarios	101
7.2.1	Analysis of Results: Revenue Positive Carbon Tax	103
7.2.2	Analysis of Results: Revenue Neutral Carbon Tax	105
	Reference	118
8	Policy Message for Mitigating India's Greenhouse Gas (GHG) Emissions	119
Appendix	123
	Appendix A: Description of 130 Sectors of 2006–2007 IO Tables	123
	Appendix B: The Social Accounting Matrix of India 2006–2007 (₹ lakh)	125
	Appendix C: Environmental Social Accounting Matrix of India 2006–2007 (₹ Lakhs for Monetary Transaction and Others in Physical Units)	137
	Appendix D: SAM Multiplier Matrix for India for the Year 2006–2007	158
	Appendix E: The description of 60 sectors of 1994–1995 IO Tables	170
	Appendix F: 35 Sectors Input–Output Tables of 1994–1995 (₹ Lakhs) ...	171
Bibliography	181
	Websites	182

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Abbreviations

AEEI	Autonomous energy efficiency improvement
AGRIM	Agriculture, growth and redistribution of income model
ANFI	Aggregate non-factor input
ASI	Annual Survey of Industries
CAB	Current account balance
CDM	Clean development management
CE	Compensation to employees
CES	Constant elasticity of substitution
CET	Constant elasticity of transformation
CGE	Computable general equilibrium
COP	Conference of the parties
CO ₂ EQ	Carbon equivalent
ESAM	Environmental social accounting matrix
FDI	Foreign direct investment
GAMS	General algebraic modelling systems
GCMs	General circulation models
GDP	Gross domestic product
GEF	Global Environment Facility
GVA	Gross value added
HYV	High-yielding variety
IO	Input output
KgOE	Kg of oil equivalent
LES	Linear expenditure system
LFPR	Labour force participation rate
MBI	Market-based instruments
MoEF	Ministry of Environment and Forests
NAMEA	National Accounting Matrix for Environmental Accounting
NAS	National accounts statistics
NATCOM	National communication
NCAER	National Council of Applied Economic Research
NHPCL	National Hydro Power Corporation Limited
NPCIL	Nuclear Power Corporation of India Limited

NSSO	National Sample Survey Organization
NVA	Net value added
OS	Operating surplus
PCE	Per capita emission
PFCE	Private final consumption expenditure
PPP	Purchasing power parity
PPM	Parts per million
PPB	Parts per billion
SAM	Social accounting matrix
SDA	Structural decomposition analysis
SGM	Second generation model
TERI	The Energy and Resource Institute
TFPG	Total factor productivity growth
TL	Translog
UNFCCC	United Nations Framework Convention on Climate Change
US\$	US dollar

List of Figures

Fig. 4.1	Sector-specific shares in gross domestic product	59
Fig. 5.1	Observed changes in GHG emissions.	67
Fig. 5.2	Factor-wise GHG emissions change.	69
Fig. 6.1	Flow of conventional commodities, factors, payments, and transfer in the economy	74
Fig. 6.2	The production nesting. <i>QQ</i> composite output, <i>CES</i> constant elasticity of substitution, <i>QD</i> domestic sales, <i>QM</i> final imports, <i>QX</i> gross domestic output, <i>QE</i> domestic exports, <i>AEN</i> aggregate of energy inputs, <i>MAT</i> aggregate materials, <i>CET</i> constant elasticity of transformation.	77
Fig. 7.1	Growth rate of GDP, labor force, and foreign savings.	96
Fig. 7.2	Growth rate of energy use (percentage).	98
Fig. 7.3	Energy intensity (KgOE/US\$ of GDP in PPP).	99
Fig. 7.4	CO ₂ EQ emission intensity (grams/US\$ of GDP in PPP).	100
Fig. 7.5	Per capita CO ₂ EQ emission (tons per capita).	101
Fig. 7.6	GDP in policy scenarios (US\$ billion of GDP in PPP).	105
Fig. 7.7	CO ₂ EQ emission in policy scenarios 1a, 1b, 1c, 1d (million tons).	107
Fig. 7.8	Per capita CO ₂ EQ emission in policy scenarios 1a, 1b, 1c, 1d (tons/person).	110
Fig. 7.9	GDP in policy scenarios 2a, 2b, 2c, 2d (US\$ billion of GDP in PPP).	111
Fig. 7.10	CO ₂ EQ emission in policy scenarios 2a, 2b, 2c, 2d (million tons).	114
Fig. 7.11	Per capita CO ₂ EQ emission in policy scenarios 2a, 2b, 2c, 2d (tons/person).	117

List of Tables

Table 2.1	A schematic social accounting matrix (SAM) for India.	15
Table 2.2	Stylized facts of social accounting matrices (SAMs) of India.	16
Table 2.3	Mapping between social accounting matrix (SAM) sectors and sectors of input-output (IO) table.	18
Table 2.4	Description of economic agents.	19
Table 2.5	Mapping between social accounting matrix (SAM) sectors and National Sample Survey Organization (NSSO) items.	26
Table 3.1	Schematic structure of environmentally extended social accounting matrix.	32
Table 3.2	Mapping between environmentally extended social accounting matrix (ESAM) sector and sector of Indian Network on Climate Change Assessment (INCCA) report.	35
Table 3.3	Wastewater generation in Indian industry.	37
Table 3.4	Direct pollution coefficient matrix 2006–2007 (unit tons/lakh of output).	40
Table 4.1	Schematic structure of social accounting matrix (SAM).	45
Table 4.2	Impact of sectoral growth on primary energy use for the production.	49
Table 4.3	Impact of output growth on greenhouse gas (GHG) emissions (tons/lakhs of rupees of output).	53
Table 4.4	Sectorwise share of employment and labor intensity (2006–2007).	56
Table 4.5	Impact of employment change on GHG emissions.	58
Table 4.6	Energy cost per unit of labor employed (energy in rupee value/labor).	58
Table 4.7	Sector-specific share in gross domestic product at factor cost.	59
Table 5.1	Mapping between 2006–2007 IO sectors and the 1994–1995 IO sectors	66
Table 5.2	Observed changes in GHG emissions (thousand tons)	67
Table 5.3	Factor for which GHG emissions changes in India (unit thousand tons).	69

Table 5.4	Change in emission intensity, technical coefficients, and consumption share between 1994–1995 and 2006–2007	70
Table 6.1	Time Series of Exogenous Variables	92
Table 7.1	Macro variables in the reference scenario.	97
Table 7.2	Primary energy use under the assumption of Total Factor Productivity Growth (TFPG)=3 and AEEI=3.	98
Table 7.3	Total CO ₂ EQ emissions in the reference scenario (Million tons).	100
Table 7.4	The policy scenarios.	102
Table 7.5	GDP in policy scenarios 1a, 1b, 1c, 1d (US\$ billion of GDP in PPP).	104
Table 7.6	Change in GDP and energy use in policy scenarios 1a, 1b, 1c, 1d (with respect to reference scenario; %).	106
Table 7.7	Energy intensity in policy scenarios 1a, 1b, 1c, 1d (KgOE/US\$ of GDP in PPP).	107
Table 7.8	CO ₂ EQ emission in policy scenarios 1a, 1b, 1c, 1d (Million tons).	108
Table 7.9	Change in GDP and CO ₂ EQ emission in policy scenarios 1a, 1b, 1c, 1d (with respect to reference scenario).	109
Table 7.10	CO ₂ EQ emission intensity policy scenarios 1a, 1b, 1c, 1d (grams/US\$ GDP in PPP).	110
Table 7.11	Per capita CO ₂ EQ emission in policy scenarios 1a, 1b, 1c, 1d (Million tons per capita).	111
Table 7.12	GDP in policy scenarios 2a, 2b, 2c, 2d (US\$ GDP in PPP).	112
Table 7.13	Change in GDP and energy use in policy scenarios 2a, 2b, 2c, 2d (with respect to reference scenario) (Percentage).	113
Table 7.14	Energy intensity in policy scenarios 2a, 2b, 2c, 2d (KgOE/US \$ of GDP in PPP).	114
Table 7.15	CO ₂ EQ emission in policy scenarios 2a, 2b, 2c, 2d (million tons).	115
Table 7.16	Change in GDP and CO ₂ EQ emission in policy scenarios 2a, 2b, 2c, 2d (with respect to reference scenario).	116
Table 7.17	CO ₂ EQ emission intensity in policy scenarios 2a, 2b, 2c, 2d (grams/US\$ GDP in PPP).	117
Table 7.18	Per capita CO ₂ EQ emission in policy scenarios 2a, 2b, 2c, 2d (tons per capita).	118

Appendix

Appendix A: Description of 130 Sectors of 2006–2007 IO Tables	123
Appendix B: The Social Accounting Matrix of India 2006–2007 (₹ lakh). . .	125
Appendix C: Environmental Social Accounting Matrix of India 2006–2007 (₹ Lakhs for Monetary Transaction and Others in Physical Units)	137
Appendix D: SAM Multiplier Matrix for India for the Year 2006–2007	158
Appendix E: The description of 60 sectors of 1994–1995 IO Tables.	170
Appendix F: 35 Sectors Input–Output Tables of 1994–1995 (₹ Lakhs). . . .	171