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News: Carbon Border Adjustment Mechanism (CBAM)

- The European Union (EU) has announced that its Carbon Border Adjustment Mechanism (CBAM) will be introduced in its transitional phase from October 2023, which will levy a carbon tax on imports of products made from the processes which are not environmentally sustainable or non-Green.

Carbon Border Adjustment Tax (CBAT)

- A Carbon Border Adjustment Tax (CBAT) is a duty on imports based on the amount of carbon emissions resulting from the production of the product in question.
- As a price on carbon, it discourages emissions. As a trade-related measure, it affects production and exports.
- The proposal is part of the European Commission's European Green Deal that endeavours to make Europe the first climate-neutral continent by 2050.
- CBAM is a part of Fit for 55 in 2030 package by European Union.
- A carbon border tax is arguably an improvement from a national carbon tax.
- A national carbon tax is a fee that a government imposes on any company within the country that burns fossil fuels.

Reasons behind Imposing Carbon Tax

- **European Union and Climate Change Mitigation:** The EU has declared to cut its carbon emissions by at least 55% by 2030 compared to 1990 levels. Till date, these levels have fallen by 24%.
- However, emissions from imports contributing to 20% of the EU's CO_2 emissions are increasing.
- Such a carbon tax would incentivise other countries to reduce GHG emissions and further shrink the EU's carbon footprint.
- **Carbon Leakage:** The Emissions Trading System of the EU makes operating within the region expensive for certain businesses.
- The EU authorities' fear that these businesses might prefer to relocate to countries that have more relaxed or no emission limits.
- This is known as 'carbon leakage' and it increases the total emissions in the world.
- Several countries, including India, have been opposing the implementation of Carbon Border Adjustment Tax.

Issues regarding Carbon Border Adjustment Tax

- **Response of the BASIC Countries:** The BASIC (Brazil, South Africa, India and China) countries' grouping had opposed the EU's proposal in a joint-

statement terming it "discriminatory" and against the principles of equity and 'Common but Differentiated Responsibilities and Respective Capabilities' (CBDR-RC).

- These principles acknowledge that richer countries have a responsibility of providing financial and technological assistance to developing and vulnerable countries to fight climate change.
- **Impact on India:** The EU is India's third largest trading partner. By increasing the prices of Indian-made goods in the EU, this tax would make Indian goods less attractive for buyers and could shrink demand.
- The tax would create serious near-term challenges for companies with larger greenhouse gas footprint.
- **Non-Consensual with Rio Declaration:** The EU's notion of having a uniform standard all over the world for the environment is not borne out by the global consensus contained in the Article 12 of the Rio Declaration which says that the standards applicable to developed countries cannot be applied to developing countries.
- **Change in the Climate-Change Regime:** The greenhouse content of these imports would also have to be adjusted in the greenhouse gas inventories of the importing countries which essentially imply that GHG inventories would have

to be reckoned not on the production basis but at the point of consumption basis.

- This would turn the entire climate change regime upside down.
- **Protectionist Policy**: The policy can also be regarded as a disguised form of protectionism.
- Protectionism refers to government policies that restrict international trade to help domestic industries. Such policies are usually implemented with the goal of improving economic activity within a domestic economy.
- There is the risk that it becomes a protectionist device, unduly shielding local industries from foreign competition in so-called 'green protectionism'.

Fit for 55 Package

- Fit for 55 Package is the new climate proposal released by European Union.
- The EU in December 2020 submitted a revised Nationally Determined Contribution (NDC) under the Paris Agreement.
- The new package attempts to deliver the Nationally Determined Contribution and carbon neutrality goal through proposed changes that would impact the economy, society and industry, as well as ensure a fair, competitive and green transition by 2030 and beyond.

- It claims to achieve a balance between "regulatory policies" and market-based carbon pricing to avoid the pitfalls of each.
- It proposes to increase the binding target of renewable sources in the EU's energy mix to 40% (from 32% earlier) and improve energy efficiency by 36% (from 32.5% earlier) by 2030.
- Vehicular Carbon Emissions must be cut by 55% by 2030 and by 100% by 2035, which means a phaseout of petrol and diesel vehicles by 2035.
- It also includes some provisions that benefit the auto industry. Public funds will be used to help build charging stations every 60 kilometers, on major highways, a move that will encourage sales of electric cars.
- It will also help finance a network of hydrogen fueling stations.

Emissions Trading System

- It calls for the creation of an Emissions Trading System (ETS) for buildings and road transport, separate from the EU's current ETS, to become operational from 2026.

News: Sugarcane

- Recently, Madras High court in its judgment observed that Fair and Remunerative Price (FRP) of Sugarcane is not the fair market price and that Marginal farmers can survive only if the State governments paid them the much higher State Advised Price (SAP).

Price Determination of Sugarcane in India

- The Prices of Sugarcane are determined by the Central Government and the State Governments.

Central Government: Fair and Remunerative Price (FRP)

- The Central Government announces FRP which are determined on the recommendation of the Commission for Agricultural Costs and Prices (CACP) and announced by the Cabinet Committee on Economic Affairs (CCEA).
- CCEA is chaired by the Prime Minister of India.
- The FRP is based on the Rangarajan Committee report on reorganising the sugarcane industry.

State Government: State Advised Prices (SAP)

- The SAP is announced by the Governments of key sugarcane producing states.

- SAP is generally higher than FRP.
- The price is calculated by the experts, who calculate the entire economics of the crop by taking input cost and then suggest to the government, which may agree or not.

Sugarcane

- Sugarcane is a low-land tropical, plantation, and cash crop which are grown in the regions having high temperature and heavy rainfall.
- This crop is usually grown in regions have monsoonal type of climate. Some major producers include India, Java, Formosa, Cuba, Jamaica, Trinidad and Barbados.
- India is the top country with sugar cane production in the world beating Brazil in 2022. However, Brazil is the largest exporter of Sugar in the world. India is also the largest consumer of sugar in the world.
- India accounts for about 19 percent of the world's production of sugarcane. But it occupies only 2.4 percent of total cropped area in the country.
- This industry provides employment for more than 4 lakh persons directly and a large number of farmers indirectly.

- The sugar industry is a seasonal industry because of the seasonality of raw materials.
- The development of the industry on modern lines dates back to 1903 when a sugar mill was started in Bihar. Subsequently, sugar mills were started in other parts of Bihar and Uttar Pradesh.
- In 1950-51, 139 factories were in operation. The number of sugar factories rose to 662 in 2010-11.
- Sugarcane is a weight-losing crop. The ratio of sugar to sugarcane varies between 9 to 12 percent depending on its variety.
- Its sucrose content begins to dry during haulage after it has been harvested from the field.
- Better recovery of sugar is dependent upon its being crushed within 24 hours of its harvesting.
- Sugar factories hence are located within the cane producing regions.
- Maharashtra has emerged as a leading sugar producer in the country and produces more than one-third of the total production of the sugar in the country.
- Uttar Pradesh is the second-largest producer of sugar. The sugar factories are concentrated in two belts – the Ganga-Yamuna doab and the Tarai region.
- The major sugar-producing centers in the Ganga -Yamuna doab are Saharanpur, Muzaffarnagar, Meerut, Ghaziabad, Baghpat, and Bulandshahr districts; while

Kheri Lakhimpur, Basti, Gonda, Gorakhpur, Bahraich are important sugar-producing districts in the Tarai region.

- The crop yield is low in Northern India than in Southern India. Uttar Pradesh's yield is low, but in Maharashtra, Karnataka, and Tamil Nadu the yield is high.
- Area under sugarcane is expected to be almost 54.55 lakh hectare in 2021-2022 sugar season (October to September) or 3% higher than the current season's area, according to the Indian Sugar Mills' Association (ISMA).

Advantages of increasing Sugarcane production

- Sugar production generates several by-products, such as molasses, bagasse, and press mud, which can be used for the production of other products such as ethanol, paper, and Bio-Fertilizers.
- Sugar mills can divert excess sugarcane to ethanol, which is blended with petrol, which not only serves as a green fuel but also saves foreign exchange on account of crude oil import.
- The government of India has fixed a target of 10% blending of fuel grade ethanol with petrol by 2022 & 20% blending by 2025.
- India achieved its target of an average of 10% blending across the country five months ahead of the targeted timelines of November 2022.

- Cultivating sugarcane provides farmers with an opportunity to diversify their agricultural activities and increase their income.
- Sugarcane cultivation can be integrated with other crops such as vegetables, fruits, and spices to promote crop diversification. This can lead to better soil health, reduced pest and disease pressure, and improved crop yields.

Challenges Associated with Growing Sugarcane

Longer Duration to Harvest

- Sugarcane takes a long time to grow and be ready for harvest (around 10 to 12 months). Growing sugarcane is not an easy task as it requires the farmer to plant and harvest two more crops before they can finally harvest sugarcane.
- This means that growing sugarcane demands a lot of hard work over a period of about three years.

Higher Investment

- Growing sugarcane requires farmers to invest more money because they have to prepare the fields properly before planting. This involves tilling the soil to a greater depth, followed by harrowing and leveling it to make it suitable for sugarcane.

- Moreover, buying sugarcane seedlings is expensive, and before planting, farmers need to add manure and fertilizers to the soil, which also comes at a high cost.

High Labor Cost

- The labour for cutting sugarcane costs huge and if the cutting season is dry without rains, it gravely affects the total weight of the cane and if it rains, there will be slush on the path resulting in lorries/trucks not being able to come near the field.
- Farmers have to spend a lot to transport the sugarcane from their fields to the main road by employing labour.

Unviability Sugar Exports

- India is finding it difficult to export sugar as the cost of producing it is higher compared to the international market price, mainly due to the high cost of sugarcane.
- To help bridge this gap, the government has been providing export subsidies, but other countries have raised objections with the World Trade Organization (WTO).

- Although India is currently allowed to continue with these subsidies until December 2023, there is uncertainty about what will happen after that.

Problem with India's Ethanol Programme

- Blending ethanol with petrol to use as auto fuel was first announced in 2003, but this initiative has not been very successful due to several challenges. One of the key challenges is the poor pricing of ethanol supplied for blending.
- Since the price of ethanol is often higher than the price of petrol, blending ethanol with petrol becomes less economically viable. This can discourage ethanol producers from supplying ethanol for blending.