



## GLOBAL WARMING AND CARBON TRADING: AN ECONOMIC AND ETHICAL DIMENSIONS

**Dr Santanu Das**

Assistant Professor, Department of Commerce, Srikrishna College, Bagula, Nadia, West Bengal-741502.

### ABSTRACT

Global warming is the most significant threat to the world during 21st century. It is the unusual rapid increase in earth average surface temperature over past century primarily due to the green house gases released by people burning fossil fuels. Carbon trading is a system whereby countries or individual companies are set emission targets. Those that cannot meet their target can buy credits from countries or companies. Carbon credits as a concept was discussed and formalized in the Kyoto Protocol. In December 1997, the Third Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Kyoto Protocol. The protocol requires developed and developing countries to limit their Greenhouse Gas (GHG) emissions to individual targets. The notions of 'right' or 'wrong', 'good' or 'bad' are meaningless without any reference to the idea of ultimate end or highest good. Our actions are right if they are conducive to the highest good. Thus, "Ethics" is sometimes defined as "an enquiry into the nature of the ultimate end of human action --the highest good of man --- and the means of attaining it" The possibilities are endless; hence making it an open market. Operators that have not used up their quotas can sell their unused allowances as carbon credits, while businesses that are about to exceed their quotas can buy the extra allowances as credits, privately or on the open market. As demand for energy grows over time, the total emissions must still stay within the cap, but it allows industry some flexibility and predictability in its planning to accommodate this. This paper intends to explore the contradiction between "Business Ethics" and "Business Practice" in the light of Kyoto Protocol.

**KEYWORDS :** Business ethics, CDM projects, Green house gases, The Clean Development Mechanism (CDM), Drivers, Actor.

### INTRODUCTION:

Global warming is the most important environmental issue of this century. It refers to increase in the average temperature of the planet. Basically it is related with progress of technology. Carbon trading is a system whereby countries or individual companies are set emission targets. Those that cannot meet their targets can buy credit from countries or companies that bear theirs. The notions of 'right' or 'wrong', 'good' or 'bad' are meaningless without any reference to the idea of ultimate end or highest good. Our actions are right if they are conducive to the highest good. Thus, "Ethics" is sometimes defined as "an enquiry into the nature of the ultimate end of human action --the highest good of man --- and the means of attaining it" The term 'ethics' corresponds to the Greek word ethica. 'Ethica' is derived from the word ethos meaning 'character', 'customs', 'usage' or 'habits'. Ethics has been described as a 'moral philosophy'. The word 'moral' comes from the Latin word mores which signifies customs or habits. Hence Ethics may also be defined as the science of character as expressing itself in right or wrong conduct or action. Ethics discusses men's voluntary acts, their habits and customs, or in other words considers what it is that constitutes the rightness or wrongness of those principles.

Ethics, therefore, deals with human action, and not with actions of lower animals. Ethics is confined to the study of conduct of human beings living in societies. If it were not for his social background, a human being would not be real human being capable of right and wrong action.

"Business Ethics" or "Corporate Ethics" is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

### OBJECTIVES:

The objectives for study are as follows:  
To know what is carbon trading and its impact on atmosphere.  
To know world market of Carbon trading.  
To know about the Carbon trading market in India

### REVIEW OF LITERATURE:

According to Shilpa Shanbhag, [Dataquest the business of InfoTech] India needs to put a price on carbon, since true leaders do not wait for international climate mandates. There is nothing stopping India from setting up a domestic environmental exchange based on the guidelines of the international carbon market and converting air and water pollutants such as CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> and BOD into tradable instruments. NO<sub>x</sub> and SO<sub>x</sub> trading schemes in the US have shown that it is possible to reduce emissions and acid rain under an environmental trading scheme. Later she add instead of switching off light bulbs for an hour each year or holding concerts to raise climate change awareness, it would be much sensible to invest in a wind mill, which produces clean power. This mill would offer two-fold benefits of supplying power to the state grid for the next 25 years and it would also earn carbon credits.

### BACKGROUND:

The idea of Carbon Trading has come in response to the Kyoto Protocol. The Kyoto Protocol is an agreement under which developed countries will reduce their green house gas emissions between the years 2008 to 2012 to levels that are 5.2% lower than those of 1990.

The idea behind Carbon Trading is quite similar to the trading of securities or commodities in market place. Carbon would be given an economic value, allowing people, companies or nations to trade it. If a nation bought carbon, it would be buying the rights to burn it, and a nation selling carbon would be given up its right to burn it. The value of carbon would be based on the ability of the country owing the carbon to store it or to prevent it from being released into the atmosphere. A market would create to facilitate the trading to rights.











### KYOTO PROTOCOL AND GREEN HOUSE GAS EMISSIONS:

Kyoto Protocol is an agreement on global warming made under the United Nations conference on climate change in Kyoto, Japan in 1997. It is an international treaty, which entails binding constraints on green house gas emission. The agreement came into force on February 16, 2005. According to this protocol, industrialized countries will reduce their

combined GHG emissions at least five per cent below their 1990 levels by the first commitment 2008 to 2012. It is a key step towards the mitigation of climate change due to increased GHG accumulation in atmosphere.

It was the first international agreement, which legally binds, developed nations to reduce worldwide emission of GHG from these countries.

**Table 1: Top 10 countries with CO<sub>2</sub> emission:**

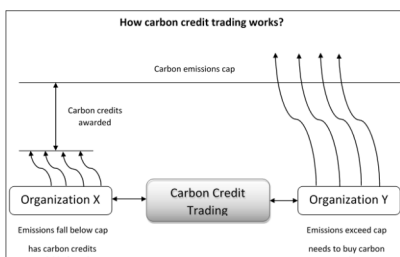
Rank	Country	Annual CO <sub>2</sub> emissions (in thousands of metric tonnes)	Percentage of global total
	World	29,321,302	100%
1	 China	6,538,367.00	22.30%
2	 United States	5,838,381.00	19.91%
-	 European Union (27)	4,177,817.86	14.04%
3	 India	1,612,362.00	5.50%
4	 Russia	1,537,357.00	5.24%
5	 Japan	1,254,543.00	4.28%
6	 Germany	787,936.00	2.69%
7	 Canada	557,340.00	1.90%
8	 United Kingdom	539,617.00	1.84%
9	 South Korea	503,321.00	1.72%
10	 Iran	495,987.00	1.69%

(Source: Netherland Environmental Assessment Agency)

**CLEAN DEVELOPMENT MECHANISM (CDM):**

The Clean Development Mechanism (CDM), defined in Article 12 of the protocol, allows the country with an emission-reduction or an emission-limitation commitment under the Kyoto protocol (Annex B party) to implement an emission reduction project in developing countries. The objective of CDM is to benefit both investor and the host countries by contributing to sustainable development in the host countries. Under this mechanism, emission reduction projects in developing countries can earn certified emission reduction credits. Industrialized countries to meet a part of their emission reduction targets under the Kyoto protocol can use these salable credits.

They are of particular interest to developing countries, as it provides for investment in projects in developing countries for their sustainable development. While generating GHG statements a country complying with the Kyoto Protocol, which has its Carbon Credits left, may transfer to developed countries or countries which might not be able to meet up its standards, towards meeting their targets under Kyoto Protocol. CDMs address providing alternative technological options and incentives to developing countries, to pursue their socio-economic goals but with lesser climate change impacts.



**DRIVERS OF CDM PROJECTS:**

There are a number of unique drivers encouraging participation in CDM project activities for various entities such as developing country, developed country, NGOs, Corporations, niche companies, industry associations, brokers, development banks, institutional investors, private equity investors and venture capitalists. These drivers have been summarized as below:

Actor	Drivers
Developing country	Promote sustainable development through investment
Developed country	Meet Kyoto targets at low costs
NGOs	Promote the environment and development
Corporations	Offset emissions; investment opportunity
Niche companies	Commercial opportunities, diffuse technology
Industry associations	New opportunity for members
Brokers	Commercial opportunity
Development banks	Promote sustainable development; create new markets
Institutional investors	Portfolio diversification; socially responsible investing

There is a lot of evidence that the climate of the earth is changing. The average surface temperature has risen; glaciers have been melting and sea levels rising in the recent years. There is also strong evidence that humans and their actions contribute the changes in the climate. The human caused emissions have been rising dramatically after the beginning of the industrialization. There is no doubt that industry is the biggest source of the carbon dioxide emissions. It is important to reduce the emissions from industry, and the emission limits are a good way to do so. However, it would be important to identify also other causes of CO<sub>2</sub> emissions, and especially to recognize the reasons why industry causes so much carbon dioxide. In fact the reason is that there is a great demand for the products of industry. So the consumers of industry who create the demand have a big role in the emission reduction. Identifying the real causes of the emissions is the only way to reduce them significantly.

**CONCLUSION:**

Global warming is the most alarming threat to the world in 21st century. There is a lot of evidence that the climate of the earth is changing. The average surface temperature has risen; glaciers have been melting and sea levels rising in the recent years. The human caused emissions have been rising dramatically after the beginning of the industrialization. The objectives of the concept have changed now a day. It is going to be a new tool of capitalist exploitation and a real contradiction between "Business Ethics" and "Business Practice" in the 21st century.

**REFERENCES:**

- Bhalla A., "PTC India looking at selling carbon credits to Europe" < [http://articles.economictimes.indiatimes.com/2008-04-10/news/27701061\\_1\\_carbon-credits-renewable-energy-ptc-india](http://articles.economictimes.indiatimes.com/2008-04-10/news/27701061_1_carbon-credits-renewable-energy-ptc-india) > accessed on July 28, 2011.
- Choudhary S., "SRF raises Rs 500 crore from carbon credits sale"
- Carbon Trade Watch, 'Hoodwinked in the Hothouse'
- Carbon Trading, 2006. 'Made in USA'-A Short History Of Carbon Trading, pp 33-62
- CDM India Designated National Authority (2005). Designated National Authority, Ministry of Environment and Forests, Government of India.
- IETA, 2005. State and Trends of Carbon market, Washington DC.
- IPCC, 2001. Climate Change 2001. Cambridge University Press, Cambridge.
- Kyoto protocol status. UNFCCC. Kyoto Protocol: Status of Rat
- Willam K.Frankena : Ethics
- W.Lillie : An Introduction to Ethics