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GLOBAL WARMING AND CARBON TRADING : A CONTRADICTION BETWEEN BUSINESS ETHICS AND BUSINESS PRACTICE

KEY WORDS: Global warming, Carbon credits, Business ethics, CDM projects.

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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 gasses released by people burning fossil fuels. Carbon trading is a system whereby countries or individual companies are set emission 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"

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.

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. Global warming changes the weather pattern of the World which has a serious effect on global environment. Global warming spawned a new form of commerce: "Carbon Trading".

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 '.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 "Corpotate 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.

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.

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 CO2, SO2, NOx and BoD into tradable instruments. NOx and SOx 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.

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 constrains 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.

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. The investment decision would include an agreement between the two parties and their respective countries on the dispensation and transfer of the emission reductions resulting from the project.

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. 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.

Carbon Trading in India:

India signed and ratified the protocol in August 2002. India is expected to capture between 20 per cent and 30 per cent of the CDM market bring in up to $300 million in revenue. The ministry of environment and forests deals with the climate change and CDM issues in India. From January 2004 to June 2005, the national CDM authority approved 80 projects, for more than in any other country during the same period.

Two Indian companies from Gujrat and Hariyana, both in the business of refrigerants, are leaders in the world of carbon trading that goes under the CDM of United Nations convention on climate change (UNFCCC). GLF was the first Indian company to get registered for a CDM project in March 2005. So far GLF has received around Rs.300 corer (including advance) towards sale of carbon credits (The Indian Express, January, 28,2007). While many companies are also looking at generating additional revenue through the sale of carbon creditsIndia has generated approximately 30 million carbon credits and approximately 140 million in run, the second highest transacted volumes in the world. As per the Prime Minister's council on climate change, the revenue from 200 projects is estimated at Rs. 97 billion till 2012. India has been able to register approximately 350 projects spread across various sectors with major dominance of renewable energy, energy efficiency and biomass energy projects. Carbon, like any other commodity, has begun to be traded on India's Multi Commodity Exchange (MCX) and has become first exchange in Asia to trade carbon credits.

Carbon trading in International market:

Now a days, a number of companies of the international market understand the importance of addressing unavoidable emission in an effort to reduce the effect of climate change. Some of the
Major Player's are-

Google:

Google have been carbon neutral since 2007 and recognise the importance of combatting climate change in order to preserve a sustainable environment for their business and the generations to come. They have a three-way approach to becoming a greener company: they optimise their energy by optimising their efficiency, maximise their renewable energy sources where they can and offset their residual emissions. When considering an offset project, (they) carefully examine the project's environmental integrity, its ability to be monitored and verified, and ensure that the carbon savings of the project are real and additional to what would have happened without (their) investment."

Climatecars:

Climatecars is a green car service company in London who take their environmental responsibility very seriously. Their policy adheres to the following key principles: investment in low-emission technology, reduction and recycling of waste, offsetting residual emissions and finally, ensuring a low carbon supply chain.

Puma:

PUMA published its first Environmental Profit and Loss Account (EP&L) in 2010, a sustainability initiative that reported the group's total environmental impact for key areas of greenhouse gas emissions. The EP&L valued PUMA's water, land air and waste pollution generated by its operations at €145 million for that year. This innovative approach to evaluating its environmental impacts has encouraged PUMA to improve its energy use and innovate to develop more sustainable products. The group is also engaging in carbon neutral supply chain and helping its suppliers become carbon neutral.

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. To achieve this goal, every party involved including offices and public events should be educated about how to reduce their consumption and that way the emissions, which are created because of their consumption needs.In order to have a control over it, awareness among the people is very important. The concept of carbon trading has developed to fight against it. But the mechanism has so many limitations. It does not provide "level playing field" for both developed as well as developing countries. 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.

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