

How Water credits can fund climate needs?

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Introduction

- One of the agenda in the ongoing 27th Conference of the Parties of the UNFCCC is to discuss on the critical question on **climate finance**.
- The COP negotiations can mark an important year for the **Global South**, given that these countries are **the most vulnerable to climate change**.
- According to the **World Bank**:
 - India **losses** \$9.8 billion each year as a result of extreme events.
 - **Floods** cost 50 % of all damages.
 - In 2020, **floods** led to damages of 0.15 % of India's GDP.
- One of the solutions to address such adverse impact of climate change is to take a collective approach such as the **usage of water credits**.

About water credit

- Water credits represents a fixed quantum of water that is conserved or generated and can be

transacted between water deficit and water surplus entities within a sub-basin.

- Its concept is similar to **carbon credits**.
 - However, the main difference is that for **water credit** the spatial limit of transaction should be within the **same hydrological unit**, that is, a river basin or watershed.

Example of usage of water credit

- Multiple industries can **buy** water credits from fund crunched municipalities.
- Finance large-scale **floodwater harvesting** or **wastewater treatment projects**
- **Conserve** freshwater resources at a city level
- **Promote** wastewater reuse.
- **Innovation** in adaptation finance to achieve water resilience.

Current challenges in climate funding (Need for water credit)

The current efforts for climate finance have many challenges which necessitate to act collectively for 'net water positive' outcomes through efforts like the usage of water credit.

Challenge in Mobilising finances from both domestic and international source:

- Most of the international support is towards climate mitigation efforts rather than on adaption front. International support towards mitigation projects is weak and the modalities of financing mechanisms shifted from grants to loans.
- Use **local financing opportunities** for financing climate mitigation and adaption efforts.
 - From the private sector, **CSR allocations** can be taken as **adaptation finance**.
 - Adaptation finance help communities reduce the risks they face and harm they might suffer from **climate hazards** like storms or droughts.
 - It provides for things like **stronger housing, drought-tolerant crops, social safety nets**, or improved **decision-making** related to **climate-related risks**.
 - In a study by **KPMG**, in 2018-19, the top 100 companies in India spent around \$1.06 billion towards **CSR initiatives**.
 - In 2020, 20 % of the total funds were used in **adaptation activities**.

Challenge in CSR Funds:

- CSR funds is focused on **developmental goals** rather than **climate adaptation**.
- CSR funds, that represent 3rd **largest pool of climate finance** after government spending and multilateral financing, shows fragmented and ineffective.
- **Example:** Industrial sector is the **second highest user of freshwater** in India. To address the risk of decreasing water availability, the sector is investing CSR funds in watershed programmes.
- But most of the benefits of these initiatives **remains local at the cost of other regions**.
 - For example, an increase in the local water table can encourage farmers in the region to take up intensive farming at the **cost of downstream flows**.

What needs to be done?

- The adoption of water credits would require a **multiplayer approach** including regulatory players and local governance institutions as well as sustainability advocacy groups and industry leaders.
- There is **need for innovation** in adaptation finance to achieve water resilience.
- There is need to fundamentally re-evaluate our priorities towards climate change by striking a better balance between mitigation and adaptation efforts.

Conclusion

Water credit is important for national-level adaptation goals and will help meeting country's target against goal of **1.5°C** when evaluated at **Global Stocktake** at **COP28** in 2023. Also, this was an objective of the **Glasgow-Sharm el-Sheikh work programme** on the **Global Goal on Adaptation**. Channelling CSR funds effectively towards climate adaptation may provide a new source of climate finance.

IT's input

Data on water scarcity

- The **World Economic Forum** ranked water crises amongst the top-5 **risks** in terms of impact in its **global risk report 2020**.
- As per **UNICEF report**-India is on a track of 50 percent shortfall in its water supply by 2030.
- According to **NITI Aayog**, 21 major Indian cities are in immediate danger of running out of groundwater. **Three-quarters** of Indian districts, home to 638 million people, are hotspots for water related diseases.
- **One-third** of the world's largest **groundwater basins** have been depleted.
- Water shortages affect **40 percent** of the **global population**.
- There is a gap between the supply and demand of the finance necessary to rectify this problem.

Government schemes for water conservation

- **Jal Shakti Abhiyan**-to promote water conservation and water resource management by focusing on implementation of five target interventions - water conservation and **rainwater harvesting**, **renovation** of traditional and other water bodies/ tanks, reuse and recharge of **bore wells**, **watershed development**, **intensive afforestation**.
- **Atal Bhujal Yojana**- focuses on sustainable ground water management by- **strengthening capacity** of States to manage their ground water, improving **ground water management** with community participation, preparing village level water security plans, **converging** various other on-going schemes.
- **National Water Mission – Sahi Fasal** – encouraging farmers to use fewer intensive crops, **Water Talk**- monthly seminar a platform wherein best water conservation practices are discussed.