**Economics of Transitioning to Low Carbon Himalayan Economies:**

**Opportunities, Challenges and Policy Options for Tackling Climate Risks**

Dr. Falendra K. Sudan, Professor

RCE Jammu

Department of Economics

University of Jammu, Jammu

Email: [fk\_sud@rediffmail.com](mailto:fk_sud@rediffmail.com)

**ABSTRACT**

The Himalayan economies are facing climate risks due to low investment in energy, unsustainable cities, poor land use and inadequate transport infrastructure. In future, innovative and adaptive public institutions and financial services will shape the Himalayan economies to ease the pressure of population, resources and energy systems from increasing climate risks to foster growth opportunities, tap new markets and adopt new innovations, failing which investors, firms and households will be vulnerable to shocks. In this context, the governments must provide clear and credible policy incentives to stimulate resource efficiency, better infrastructure investment and innovation for a structural transition shift to a low-carbon economy. Robust economic growth increases quality of life and robust climate reduces the dangerous climate risk. In this context, the short-run opportunities to tackle market imperfections that lower economic growth and increase climate risk are needed to be tapped through investment and growth by adopting flexible approaches to manage transition and distributional issues through improve economic decision-making and better policy choices. There are opportunities to pursue strong economic growth to reduce market failures and associated socio-economic-environmental costs and climate risks. The market failures call for policy reforms to boost productivity and growth, which includes reducing fiscal distortions to enhance resource efficiency and lower local air pollution, and capital markets reforms to boost productive infrastructure investment and stimulate innovation, thereby leading to a Pareto improvement with at least one person better off and nobody worse off.Suchefficient policies must promote economic flexibility, better labour markets, educated workforce, open and free trade along with robust institutions. Low-carbon growth requires additional investment for upgrading and constructing new low-carbon energy infrastructure. Climate policies incentivize substitution away from more to less carbon-intensive goods and save fuel, which lower the economic cost with innovation of more substitutes. New policy is required to drive investment in low-carbon growth and to boost demand for environmental goods and services and reduce emissions growth and promote investment in low-carbon industries. In transitioning to low carbon economy, the challenges of political pressures, powerful vested interests, competitiveness, and regressive impact on households requires strong institutions for clear and credible policies. In sum, the Himalayan economies are facing climate crisis hampering economic growth, which calls for accelerating a low-carbon transition, better resource efficiency, reduce fiscal distortions, lower pollution-related health issues, improve energy security, and promote low-carbon innovation for welfare of population.