

Indian Carbon Market

As per the Third National Communication (TNC) submitted to the United Nations Framework Convention for Climate Change (UNFCCC) in December 2023, India has successfully continued to decouple its economic growth from Greenhouse Gas emissions, resulting in the reduction of the emission intensity of its Gross Domestic Product (GDP). The details are given below:

Period	GHG Inventory year	Reduction in Emission Intensity w.r.t. 2005 levels
2005-2010	2010	12%
2005-2014	2014	21%
2005-2016	2016	24%
2005-2019	2019	33%

To develop the carbon market, the necessary amendments were proposed in the Energy Conservation Act, 2001 (52 of 2001) in the year 2022. Thus, the regulatory framework for the Indian Carbon Market is established under the Energy Conservation Amendment Act, 2022, where clause (w) of section 14 of the EC Act empowers the Central Government, in consultation with the Bureau of Energy Efficiency (Bureau) to specify the carbon credit trading scheme.

Carbon Credit Trading Scheme

Based on the above, the Central Government has notified the Carbon Credit Trading Scheme vide notification S.O. 2825(E), dated 28th June www.theknowledgeandlearning.com

2023, and amendment notification S.O. 5369(E), dated 19th December 2023. The Carbon Credit Trading Scheme (CCTS) is expected to contribute to achieving India's climate goals in line with the commitments under UNFCCC and its Paris Agreement.

To facilitate the achievement of India's enhanced Nationally Determined Contributions (NDCs) targets, the Government of India intended to develop a robust framework for the Indian Carbon Market (ICM) to decarbonize the Indian economy by pricing the Green House Gas (GHG) emission through trading of the carbon credit certificates.

CCTS defines the two mechanisms namely; compliance mechanism and offset mechanism. Under the compliance mechanism, the obligated entities shall comply with the prescribed GHG emission intensity reduction norms during each compliance cycle of CCTS. Obligated entities that reduce their GHG emission intensity below the prescribed level will be eligible for issuance of Carbon Credit Certificates. Under the offset mechanism, the non-obligated entities can register their projects for GHG emission reduction, removal, or avoidance to qualify for the issuance of Carbon Credit Certificates. The Carbon Credit Trading Scheme is expected to support India's climate goals, aligning with its commitments under the UNFCCC and the Paris Agreement.

The Perform Achieve and Trade (PAT) Scheme

The Perform Achieve and Trade (PAT) Scheme, launched in 2012, is a market-based mechanism designed to enhance energy efficiency in energy-intensive industries by assigning specific energy consumption

reduction targets to these industries (referred to as Designated Consumers or DCs). The Government of India has developed a comprehensive transition plan to facilitate a smooth shift of energy-intensive sectors and designated consumers (DCs) from the Perform, Achieve, and Trade (PAT) scheme to the compliance mechanism under the Carbon Credit Trading Scheme (CCTS). This plan ensures continuity, consistency, and alignment with national climate goals while avoiding target duplication. To commence the transition, the Government has identified nine energy-intensive sectors for inclusion under the CCTS: Aluminium, Cement, Steel, Paper, Chlor-Alkali, Fertiliser, Refinery, Petrochemical, and Textile.

Carbon Credit Trading Scheme (CCTS)

Under the Carbon Credit Trading Scheme (CCTS), the Bureau of Energy Efficiency has developed a Detailed Procedure for Compliance Mechanism incorporating a comprehensive Measurement, Reporting, and Verification (MRV) framework to ensure accurate, transparent, and credible compliance. The MRV framework's key elements include target setting, Monitoring, Reporting & Verification procedures, and the issuance and Trading of Carbon Certificates. The development process of the MRV guidelines has followed a consultative approach, including stakeholder consultations and a draft circulation to the concerned stakeholders, culminating in the finalization of the document. The finalized MRV framework was published by the Government of India in July 2024.

A critical component of the MRV framework is the verification process, which mandates annual verification of GHG emissions data. To uphold the credibility of the CCTS, the BEE will accredit Carbon Verification Agencies based on specific eligibility criteria. The detailed procedures for Accreditation Eligibility Criteria and the Accreditation Process for Carbon Verification Agencies were developed by the Bureau of Energy Efficiency through extensive stakeholder consultations and published in July 2024.

References

<http://www.pib.gov.in/Pressreleaseshare.aspx?PRID=2082528>

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