

FEEDBACKS FROM STAKEHOLDERS ON THE DRAFT OF “CARBON CREDIT TRADING SCHEME (CCTS)”

Shared By

MINISTRY OF POWER (MOP)

S. No.	Input	Suggestions	Rationale
1	Section 1- Definition & Eligibility Criteria	(i) Definition and Eligibility Criteria for Carbon Credits should be stringent (ii) Indian Carbon Market should have clear timeline by when credits available in market should tend to zero (assume EU has set this deadline to be 2040) (iii) Price of Carbon Credit should tend to increase over the years to ensure the scheme's success (could be supported by floor price mechanism if practical)	Experience from EU ETS was that the carbon credit prices were too low for longer period as a result of too many credits being available in the market with certain credits getting introduced in 2019
2	Section 2- ICMGB & its function	Further clarity is required on the determination of eligibility criteria for claiming CCCs, it is suggested that sources pertaining to agriculture (including agro-waste management/waste to energy) and other nature-based activities be promoted in lieu of the lifecycle impact they have on the ecology.	Carbon Offsets generated from Nature-based Solutions (NBS) have a wider ecological impact but come at a higher price therefore adequate protection should be provided for Nature and Agro-based credits
3	Section 2.2 - Composition of ICMGB	The ICMGB should also have representation from the civil society, in the form of technical experts from the fields of - climate change scientists, non-profit civil society organizations and economists. These should be highly regarded, pre-eminent experts from the respective fields, with domestic and international repute and high integrity.	This will enable that the requisite technical capabilities needed for making informed decisions is available to the ICMGB. This will also strengthen the governance mechanism, since this structure will be similar to having independent directors in public companies.
4	Section 3- ICM Administrator and its Functions	Provisions for 'Power of Inspection' to Administrator may be included.	Since it is a compliance mechanism, 'Power of Inspection' will provide power to the administrator to ensure authentic data submission and hence may be included in the draft.
		Provision to seek data from non-obligated/ other potential entities may get included.	The draft should provide power to administrator to ask for the relevant data from the non-obligated/ other potential entities which are not under compliance yet but are likely to come under compliance in future.
		ICM administrator & its Functions should also include the procedures for the issues raised by the non-obligated entities for resolution in a time bound manner just like UNFCCC has.	Standard practice, will improve ease of trade

		Clarity required on the definition of “voluntary” and “compliance” markets mentioned in the draft policy	Would enhance knowledge of stakeholders and provide clarity
		The eligibility criteria and the period from which an entity can avail/claim the benefits be clearly defined in the policy.	The eligibility criteria and the period from which an entity can avail/claim the benefits be clearly defined in the policy.
5	Section 4- ICM Registry and its Functions	The bodies governing the registry and CCTS should be different	Both function should be separate and should be independent otherwise there would be conflict of interest
		The Old projects (prior to 2016) should be allowed to get registered under Indian Voluntary carbon standards	Projects which are helping environment should get acknowledgement in term of credits
		Time lines should be shared to all stakeholders	stakeholder will align their activities according to the timeline
		The credits should have a life of minimum 10 years	longer time line will provide incentive to investors to invest large amount of money in renewable projects
6	Section 5- ICM Trading Regulator and its Functions	Suggest the creation of an independent price and quality regulatory body with adequate industry representation/participation to recommend to the ICMGB- i. Measures to standardize pricing of Indian carbon credits in line with different international carbon markets. ii. Quality, SDG impact and other parameters to be fixed in line with India’s sectoral targets and NDCs to promote high quality, nature-based solutions through preferential pricing and other policy instruments. iii. Regulatory and trading guidelines to promote ethical and transparent certification and trading of carbon credits.	This would facilitate differential pricing based on quality and sector wide impact of the type of projects. This is a critical component of carbon markets worldwide and an effective policy instrument to regulate quality standards for projects.
		Provision for Penalty & Adjudication' to Administrator/ Regulator may be included.	Penalty and Adjudication provisions will aid in better enforcement of the compliance mechanism.
7	Section 6- Technical Committee & its function	Further clarity is sought on the exact role and scope of the proposed “Technical Committees”, what would be the subjects under which they will be formed, who would be eligible for membership etc.	Standard practice, will improve ease of trade
		It is recommended to have industry representation in the sector specific technical committee. The industry representation to bring the external perspective and previous experiences with carbon trading	The industry can bring the challenges and opportunities associated with their respective sector for carbon trading.

8	Section 7- Accredited Carbon Verifiers	The financial implication of “Accredited Carbon Verifying Agency” for verification of carbon credit should be properly laid down	Corresponding charges in the earlier CDM scheme were exorbitant, thus rendering many Green Energy Generator stay away from the carbon certificate scheme.
9	Section 8- Power Exchanges and its Functions	Scheme should be customized according to industries / sectors	Power sector is an easy target because switch to renewable energy is obvious choice. However, there are challenges and lack of enough clarity / roadmap / additionalities on how hard-to-abate sectors like Cement, Steel, etc. plan to access this scheme.
10	Section 9- Compliance Mechanism	The entities notified under the compliance mechanism should be provided a fixed time frame to meet the respective compliances, as notified under the prescribed GHG emission norms. In case of non-adherence to the said time frame, there should be a provision of penalty / levy.	This would improve transparency in the mechanism and create incentive for compliance
11	Section 10 (b)- Detailed Procedures	ICMGB and other Authorities may define the 'Criteria for qualifying as an obligated entity 'may get included under this section	It will provide a threshold/ guidelines for the entities.
		include the highlighted text ----- who reduce <i>or lead to an equivalent removal of</i> GHG emissions	For greater clarity
		An additional point is required regarding the following - Procedures for replies, justification/reconsideration of submissions related to registration, issuance of credits & trading by the project proponents.	For ease of trading
12	Section 11- Voluntary Mechanism	Deemed Conversion: Allowing the EScerts/RECs to be available for trade in carbon market without conversion until the trade is cleared. The respective EScerts/ RECs would be blocked (dematerialized form) while these are submitted for trade in the ICM. Conversion to carbon credits will only take place once a price - quantity bid is submitted by the seller. If no trade takes place then the EScerts/ RECs would remain to be in their original form and can be traded in their respective markets. Hence allowing for flexibility of trade while reducing risk of revenue for market participants and supporting liquidity.	Being recently established the ICM will suffer from limited liquidity of SCERs/RECs as there would be apprehension about the discovered price of the credits. Hence voluntary conversions might be limited and few.

OTHER FEEDBACKS

S.No	Suggestions	Rationale
1	The indexes for CCTS should be introduced for various type of credits	It will bring transparency in the system
2	The credits should be allowed to sell in international market	It will bring lot of revenue to the country
3	Requirement for detailed stakeholder consultation to arrive at a baseline for the concerned sectors. The baseline study for identified sectors for carbon trading	Develop consensus on baseline for identified sectors
4	On ground execution of Indian carbon market. The draft should elaborate on “how” the carbon market will be implemented	Clarity on execution and pre-empt roadblocks if any.
5	Clarify whether the carbon credit certificates be interchangeable with existing trading schemes operational in the energy sector in India: (i) Renewable Energy Certificate under the Electricity Act, 2003 for promoting renewable energy, and (ii) Energy Savings Certificate under the Energy Conservation Act, 2001 for promoting energy efficiency. (A proper checks and balances to be incorporated)	Ensure an entity is not taking advantage of double benefits for same activity using available certificates.
6	Funding opportunities (mechanism) for low carbon/climate mitigation technologies and funding opportunities for each part of the value chain (infrastructure, development, and deployment) should be considered	Incentivize development of low carbon technologies
7	Outline the final authority in case an issue comes under jurisdiction of more than one authority. The clarification by jurisdictional authority should be provided for each authority in case an issue is governed by more than one authority	The draft has mentioned 5 authorities who will be working closely on carbon trading and implies lot of co-ordination
8	Detailed consultations on bringing all the stakeholders at par with the important concepts and applicability of carbon trading. In addition, a Pilot Phase should be conducted to identify risks and challenges, if any.	Provide enough time to the participants to understand the operational aspects of the carbon credit trading scheme via a pilot phase.

9	Transparent and IT-enabled MRV as well as data accessibility. All stages of the MRV should be made transparent and visible in the public domain to ensure that there is no leakages, slippages and miscalculations.	Removing the shroud of secrecy surrounding carbon markets and their processes would help with bolstering market participant efforts and build trust with the general public. This would further contribute to the CCC's robustness as well as reliability in a global market.
10	A Unified Carbon Emission Target introducing a carbon target must embrace the targets under the PAT mechanism as well. Entities must be given choice of complying with energy efficiency target or the associated carbon target.	This would lead to economic flexibility and reduce cost of compliance due to an optimized and unified approach.
11	Type of Exchange (OTC / Exchange-Traded) Prefer Exchange-Traded over OTC	Activities like verification and validation of carbon credit claims, etc. to be undertaken by the Exchange or affiliated organizations of repute
12	Scheme to be designed in such a way that beneficiaries would use the derived monetary benefits towards further investments into Sustainability initiatives (For instance- greener technologies, carbon capture technologies, etc.)	This would help in achieving India's Net Zero targets effectively (like a self-propelling fly-wheel rather than requiring continued government focus and energy)
13	To ease the Interaction with other Global Regulations the synchronization and adherence to regulations like recently introduced EU Carbon Border Tax, Japan's carbon trading partnership arrangement, etc.	Global regulations like EU Carbon Border Adjustment Tax could have significant impact on Indian Carbon Market (demand & supply dynamics)
14	Annual Target based on NDC's so that an annualized target based on India's NDC commitments on a sectoral/ entity level.	A defined target would give clarity to the market participants and prevents the loss of demand for carbon question. Thus ensuring that the market does not suffer from low liquidity and loss of competition.