

GOVERNMENT OF INDIA
MINISTRY OF ENVIRONMENT, FOREST AND CLIMATE CHANGE

LOK SABHA
UNSTARRED QUESTION NO. 2189
TO BE ANSWERED ON 09.12.2024

Indian Carbon Market

2189. SHRI DUSHYANT SINGH:

Will the Minister of ENVIRONMENT, FOREST AND CLIMATE CHANGE be pleased to state:

- (a) the details of the Indian Carbon Market (ICM) in helping to achieve the climate goals of the country, particularly the Nationally Determined Contribution (NDC) target of reducing the emissions intensity of GDP by 45% by 2030 compared to 2005 levels;
- (b) the mechanism adopted by the ICM to decarbonise the Indian economy through carbon credit trading;
- (c) the details of the ICM build on existing market mechanisms, such as the energy savings-based market to expand its scope to cover additional energy sectors in India; and
- (d) the details of the steps taken by the Government to develop a robust Monitoring, Reporting, and Verification (MRV) process under the ICM and the manner in which consultation on Accredited Carbon Verifiers (ACVs) contribute to the Scheme's successful implementation?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF ENVIRONMENT, FOREST AND CLIMATE CHANGE
(SHRI KIRTI VARDHAN SINGH)

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

(b) 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) with the objective of decarbonizing 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. In the compliance mechanism, the obligated entities shall comply with the prescribed GHG emission intensity reduction norms in each compliance cycle of CCTS. The obligated entities which reduce their GHG emission intensity below the prescribed GHG emission intensity shall be eligible for issuance of Carbon Credit Certificates. In the offset mechanism, the non-obligated entities can register their projects for GHG emission reduction or removal or avoidance for issuance of Carbon Credit Certificates. The Carbon Credit Trading Scheme is expected to contribute to achieving India's climate goals in line with the commitments under UNFCCC and its Paris Agreement.

(c) The Perform Achieve and Trade (PAT) Scheme was initiated in the year 2012 and is a market-based mechanism aimed to improve energy efficiency in energy-intensive industries by notifying specific energy consumption reduction targets to industries (called Designated Consumers or DCs). The Government of India has developed a detailed transition plan to smoothly shift energy-intensive sectors and designated consumers (DCs) from the Perform, Achieve, and Trade (PAT) scheme to the compliance mechanism under Carbon Credit Trading Scheme (CCTS). This plan ensures continuity, consistency, and alignment with national climate goals while avoiding duplication of targets. To initiate the transition, the Government has identified nine energy-intensive sectors for inclusion under the CCTS, namely, Aluminium, Cement, Steel, Paper, Chlor-Alkali, Fertiliser, Refinery, Petrochemical, and Textile.

(d) Under the Carbon Credit Trading Scheme (CCTS), Bureau of Energy Efficiency has developed Detailed Procedure for Compliance Mechanism which covers comprehensive Measurement, Reporting, and Verification (MRV) framework to ensure accurate, transparent, and credible compliance. The key elements of the MRV framework include target setting, Monitoring, Reporting & Verification procedure along with issuance and Trading of Carbon Certificates. The development process of the MRV guidelines has followed a consultative approach which includes Stakeholder Consultations, Draft Circulation to the concerned stakeholders based on which the document was finalized. The finalized MRV framework was published by the Government of India in July 2024. An essential aspect of the MRV framework is the verification process, which requires annual verification of GHG emissions data. To ensure credibility of the CCTS scheme, BEE will

accredit Carbon Verification Agencies based on specific eligibility criteria. The detailed procedures containing the Accreditation Eligibility Criteria and Procedure for Accredited Carbon Verification Agency has been developed by Bureau of Energy Efficiency after extensive stakeholder consultation and published in July 2024.
