

# Indian Carbon Credit Trading Scheme

## General Information

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### ETS Description

The government of India introduced an amendment to the “Energy Conservation Act, 2001”, providing a legal basis for the establishment of a Carbon Credit Trading Scheme (CCTS) and issuance of carbon credit certificates. The amendment bill, incorporating these provisions, was passed in the Lower House (Lok Sabha) in August 2022, adopted, and subsequently passed in the Upper House (Rajya Sabha) in December 2022. The amendment bill provides the legal basis to establish a domestic carbon market (ICM) and grants the power to issue carbon credit certificates (CCCs) for the reduction of emissions.

Following passage of the amendment, the government began work on the institutional and regulatory framework for the CCTS. The draft notification was published for stakeholder consultation in March 2023. Based on received comments, the notification was revised and officially issued in June 2023. This notification established an institutional framework, including the National Steering Committee for the Indian Carbon Market, tasked with overseeing the ICM framework. Additionally, roles and responsibilities of the administrator, technical committee, and other stakeholders were defined. CCCs (denominated in one tonne of CO<sub>2</sub>) will be issued or surrendered based on performance against emission intensity targets for obligated entities.

Under the compliance mechanism, the obligated entities will receive an annual emissions intensity target covering a three-year trajectory period, notified by the Ministry of Environment, Forest and Climate Change (MoEFCC) and denominated in tCO<sub>2</sub>e per unit of product. New emissions intensity targets will be announced every three years to enable longer-term planning for covered entities. If an obligated entity overachieves its emissions intensity target, it can earn CCCs based on the difference between the achieved and the targeted emissions intensity. Entities that fail to achieve their targets will have to surrender/purchase a corresponding number of CCCs to ensure compliance and this will be achieved by facilitating trading among the obligated entities on a registry/trading platform.

Applying a “gate-to-gate” approach to cover the emissions along the entire value chain, the CCTS scope will include both direct emissions from fuel combustion and industrial processes, as well as indirect emissions from electricity and heat consumption. It will cover CO<sub>2</sub>, and perfluorocarbons (PFCs).

The CCTS will be based on the existing Perform, Achieve and Trade (PAT) scheme – a mandatory energy efficiency scheme covering more than 1,000 entities from 13 energy-intensive sectors – that should be gradually transitioned into a compliance carbon market. The carbon market will utilize existing MRV guidelines and administrative infrastructure.

It is expected that a phased transition from the current PAT scheme to the compliance mechanism under CCTS will begin in 2024. The compliance mechanism will be jointly managed by the Ministry of Power, the Ministry of Environment, Forests and Climate Change, and the Bureau of Energy Efficiency (BEE).

In December 2023, the government amended the CCTS notification, introducing provisions for the offset mechanism to support non-obligated entities and promote mitigation efforts, encompassing a comprehensive approach for GHG reduction. The government is actively working to operationalize both the compliance and offset mechanisms.

At the subnational level, in May 2022 the government of Gujarat declared its intention to implement a cap-and-trade scheme. The proposed subnational carbon market is set to cover emissions from large industrial and power sector sources in the state. Details are currently being developed by authorities, with assistance from researchers from the University of Chicago, Yale University, and Abdul

## ETS Status

under development

## Jurisdictions

India

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

3,132.03 MtCO<sub>2</sub>e (2019)

### GHG reduction targets

**By 2030:** Reduce emissions intensity by 45% below 2005 levels (updated NDC)

**By 2070:** Net Zero (updated NDC)

## Other Information

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### Institutions involved

**Ministry of Environment, Forest and Climate Change:** responsible for the national climate strategy

**Ministry of Power:** responsible ministry for national energy policy and the national carbon market

**Bureau of Energy Efficiency (BEE):** Government agency responsible for the administration and implementation of the planned carbon market as well as the existing PAT scheme

### Regulatory Framework

[Carbon Credit Trading Scheme, 2023](#)

[Energy Conservation \(Amendment\) Bill \(2022\)](#)

[Energy Conservation Act \(2001\)](#)

[The Environment Protection Act \(1986\)](#)

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