

## ➤➤➤ NEWS AT A GLANCE ◀◀◀

# INDIA'S CARBON MARKET: A STRATEGIC APPROACH TO BALANCING ECONOMIC GROWTH AND CLIMATE GOALS

Biodiversity & Environment

Carbon Markets  
As A Tool For Climate Financing:  
**The India Story**



## NAVIGATING CARBON MARKETS IN INDIA

### INTRODUCTION

AS INDIA DEVELOPS ITS ECONOMY TO MEET THE GROWING NEEDS OF ITS PEOPLE, THE COUNTRY CONFRONTS SERIOUS CHALLENGES DUE TO CLIMATE CHANGE CONSEQUENCES AND THE NECESSITY TO CURB CARBON EMISSIONS. WITH THE IMPACT OF GLOBAL WARMING BECOMING MORE SEVERE, THERE IS AN IMMENSE URGENCY TO ADOPT PRACTICES THAT MITIGATE GREENHOUSE GAS (GHG) EMISSIONS. AMONG THE NUMEROUS SOLUTIONS BEING CONSIDERED, A VIBRANT CARBON TRADING NETWORK STANDS OUT AS A KEY TOOL.

- **Voluntary Markets:** Emitters voluntarily buy carbon credits to offset emissions. Credits are created by activities such as afforestation. For example, airlines may purchase credits to offset their flights' carbon footprints. These credits are verified by private firms.
- **Compliance Markets:** Established by policies at national, regional, or international levels and are officially regulated. These markets operate under a "cap-and-trade" principle, which is most popular in the European Union (EU).

### ➤➤➤ UNDERSTANDING CARBON MARKETS

**Definition:** Carbon markets are mechanisms that put a price on carbon emissions by establishing trading systems where carbon credits or allowances can be bought and sold.

- A carbon credit is a tradable permit equivalent to one tonne of carbon dioxide removed, reduced, or sequestered from the atmosphere, as per United Nations standards.
- Carbon allowances or caps are set by governments according to their emission reduction targets.
- Origin: Carbon trading formally began in 1997 under the United Nations' Kyoto Protocol.

### TYPES ◀◀◀

**TYPES OF  
CARBON  
MARKETS**

## STATUS OF THE CARBON MARKET IN INDIA

- The Indian government plans to establish the **Indian Carbon Market (ICM)** by creating a national framework to decarbonize the domestic economy.
- The **draft framework for the Indian Carbon Credit Scheme 2023** was recently notified by the Union government.
- The **Bureau of Energy Efficiency (BEE)**, under the Ministry of Power, is developing the Carbon Trading Scheme in collaboration with the Ministry of Environment, Forest & Climate Change.

### Benefits of Carbon Markets

1. **Financial Incentives:** Establishes a financial incentive system where entities trade emission permits, encouraging companies to reduce emissions below their limits.
2. **Cost-Effective Reductions:** Prioritizes cost-effective emission reductions, encouraging companies to reduce emissions at a lower economic cost.
3. **Business Flexibility:** Offers multiple strategies for businesses to reduce emissions, such as investing in cleaner technologies or purchasing carbon credits.
4. **Promotion of Clean Technologies:** Stimulates the development and adoption of cleaner technologies and practices.
5. **Support for Sustainability:** Generates funds for projects like renewable energy, afforestation, and energy efficiency, which earn carbon credits for the market.
6. **Alignment with Climate Goals:** Aligns with national climate goals and international commitments, such as those under the Paris Agreement.
7. **Transparency and Accountability:** Requires accurate measurement and reporting of emissions, leading to greater transparency and accountability.

## BENEFITS OF CARBON MARKETS

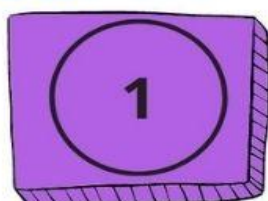
### Clearing the Air

**Targets to reduce emissions to be worked on** | **Credit certificates for sectors, entities exceeding targets**

### VOLUNTARY CARBON CREDIT TRADING NOT INCLUDED

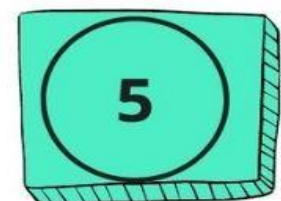
**National Steering Committee to oversee market** | **Bureau of Energy Efficiency to create rules**

### CERC TO REGULATE MARKET



### Reduces Emissions Intensity

Helps lower India's emissions intensity by 45% by 2030, meeting



### Encourages Innovation

Creates awareness, fosters change, and drives innovation in emission

## ADVANTAGES OF IMPLEMENTING A CARBON TAX

### >>> ADVANTAGES

1. **Incentivizes Green Innovation:** Creates a financial incentive for businesses to reduce their carbon footprint, spurring innovation in clean technologies.
2. **Revenue Generation for Climate Adaptation:** Carbon taxes generate substantial revenue that can fund critical climate adaptation measures.
3. **Improves Public Health:** Reduces fossil fuel consumption, thereby improving air quality and reducing healthcare costs.
4. **Raises Consumption Consciousness:** Encourages consumer awareness and promotes sustainable choices by making carbon-intensive products more expensive.

### >>> CHALLENGES BEFORE CARBON MARKETS

- **Double Counting of Emissions Reductions:** Occurs when the same emission reduction is claimed by multiple entities, undermining market credibility.
- **Quality and Authenticity of Climate Projects:** Ensuring the credibility of climate projects through principles like additionality, measurability, permanence, and avoidance of emissions shifting.
- **Poor Market Transparency:** Ambiguity about





## MEASURES TO OVERCOME THE CHALLENGES OF CARBON MARKETS

- 1. Develop a Common Taxonomy and Terminology:** Create a consistent framework to avoid double counting of emissions reductions.
- 2. Establish Clear Quality Criteria:** Implement verification mechanisms for climate projects generating carbon credits or offsets.
- 3. Enhance Market Transparency:** Provide reliable and timely data on the supply, demand, and impacts of carbon credits or offsets.
- 4. Prevent Greenwashing:** Set enforceable rules and guidelines for claims about carbon credits or offsets and ensure public scrutiny.
- 5. Harmonize Carbon Market Systems:** Integrate different carbon market systems at national, regional, and international levels.
- 6. Phased Implementation:** Start with a low carbon tax rate and gradually increase it, allowing industries to adapt.
- 7. Border Carbon Adjustments:** Implement carbon pricing on imported goods to prevent carbon leakage.

