

## Regulatory Insights

6 July 2023

### Ministry of Power notifies Carbon Credit Trading Scheme, 2023 – Key highlights

#### In brief

India's Carbon Credit Trading Scheme, 2023 (CCTS 2023) was notified<sup>1</sup> by the Government of India on 28 June 2023 under the Energy Conservation Act, 2001, to develop the country's first-ever domestic carbon market. The notification underlines the necessary framework and the roles of diverse stakeholders for the development and functioning of the Indian Carbon Market (ICM). The market will be driven by setting Greenhouse Gas (GHG) emission intensity reduction targets in line with India's Nationally Determined Contributions (NDC) for selected entities to be obligated under CCTS 2023.

#### In detail

The CCTS 2023 entails the formation of a National Steering Committee or Indian Carbon Market (NSCICM) for the governance and direct oversight of the ICM. The committee will be chaired by the Secretary; Ministry of Power (MoP); and co-chaired by the Secretary, Ministry of Environment, Forests and Climate Change (MoEF&CC).

Below mentioned are the key stakeholders under ICM –

- (i) The Bureau of Energy Efficiency (BEE) will be the administrator for the ICM and will be responsible for the development of the GHG emissions trajectory and the targets for the entities to be obligated under the notification.
- (ii) The Grid Controller of India Limited will be the designated agency for the maintenance of the ICM Registry and will register the obligated entities and maintain the record of the transactions among the obligated entities, among other functions.
- (iii) The Central Electricity Regulatory Commission (CERC) will be the regulator for the trading of carbon credit certificates. They will safeguard the interests of the buyers and the sellers, decide on the frequency of trading, and take action to prevent fraud or mistrust. The CERC will register the power exchanges to trade the carbon credit certificates and decide on and notify the rules of trading periodically.

The key compliance requirements under CCTS 2023 are listed below.

- (i) MoP, based on the recommendations from the BEE and NSCICM, will decide on the list of the sectors and

<sup>1</sup> Notification No. S.O. 2825(E) dated 28 June 2023

the obligated entities who will be mandated to record and maintain the GHG emissions intensity data.

- (ii) After duly considering the recommendations of the BEE and the NSCICM, the MoP will recommend the GHG emission intensity targets for the obligated entities to the MoEF&CC for notification under the Environment Protection Act, 1986.
- (iii) The obligated entities will be required to achieve the GHG emission intensity targets notified by the MoEF&CC. The entities that overachieve the set targets will be issued carbon credit certificates and entities that fail to achieve the targets will meet the shortfall by purchasing the carbon credit certificates from the ICM. One carbon credit certificate will be equivalent to one tonne of CO<sub>2</sub>e (carbon dioxide equivalent).
- (iv) The obligated entities will also be required to meet any other targets such as the use of non-fossil-based energy or reduction of specific energy consumption as may be notified by the MoP under the Energy Conservation Act, 2001 as amended periodically.

### **The takeaways**

The ICM framework is likely to ensure long-term investments in GHG emissions reduction technologies, projects, and processes towards accelerated decarbonisation of the Indian economy. The CCTS 2023 will also incentivise progressive Indian companies who have already charted their low-carbon growth trajectories. The emphasis on reducing carbon emissions is in line with India's target to achieve its updated (NDC) by 2030 and its vision of becoming net zero by 2070. The framework for monitoring, reporting and verification of GHG emissions, and the criteria for issuance of carbon credit certificates including, but not limited to the validity, floor and forbearance price of the certificates will be outlined in the detailed procedures.

## About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

© 2023 PwC. All rights reserved.

## Follow us on

[Facebook](#), [LinkedIn](#), [Twitter](#) and [YouTube](#).

## **pwc.in**

In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

©2023 PricewaterhouseCoopers Private Limited. All rights reserved.