

F. No.21/6/2022-EC
Government of India
Ministry of Power

F-Wing, 2nd Floor, Nirman Bhawan,
New Delhi, the 27th March, 2023

To

- (i) The President,
Confederation of Indian Industry (CII),
The Mantosh Sondhi Centre,
23, Institutional Area, Lodi Road, New Delhi -110003.
- (ii) The President,
ASSOCHAM,
4th Floor, YMCA Cultural Centre & Library Building,
01, Jai Singh Road, New Delhi-110001.
- (iii) The President,
FICCI,
Federation House, Tansen Marg, New Delhi -110001.
- (iv) The President,
Carbon Market Association of India,
A-65, Sector-71,
Noida, Uttar Pradesh -201304.

Sub: Forwarding of draft Carbon Credit Trading Scheme (CCTS) –Request for furnishing comments thereon– Reg.

Sir/Madam,

I am directed to say that the Parliament has passed the proposed Energy Conservation (Amendment) Bill, 2022 and notification for the same was issued in December, 2022. One of the provisions of this amendment includes empowering Central Government to "Specify Carbon Trading Scheme", in consultation with Bureau of Energy Efficiency (BEE). Ministry of Power is in the process to finalize the Carbon Credit Trading Scheme (CCTS).

2. In this context, a copy of the draft Carbon Credit Trading Scheme (CCTS) is forwarded herewith for comments.
3. It is requested that comments on the draft Carbon Credit Trading Scheme (CCTS) may please be forwarded to Ministry of Power at the earliest before 14th April, 2023.
4. This issues with the approval of the Competent Authority.

Encl: As above.

Yours faithfully,


(Govind Kumar)

Under Secretary to the Government of India
Tel: 23061623

MINISTRY OF POWER
NOTIFICATION
New Delhi, the ___ of _____, 2023

S.O._____/ – In exercise of the powers conferred by clause (w) of Section 14 and clause (1) and (2) of Section 14AA of the Energy Conservation Act, 2001 (52 of 2001) as amended from time to time, the Central Government, in consultation with the Bureau, hereby specify the Carbon Credit Trading Scheme to establish framework for Indian Carbon Market:

1. Definitions.- (1) In this framework, unless the context otherwise requires,-

- (a) **‘Accredited Carbon Verifier’** means an agency accredited by the Bureau to carry out validation or verification activities in respect of the Carbon Credit Trading Scheme;
- (b) **‘Act’** means the Energy Conservation Act, 2001 (52 of 2001), as amended from time to time;
- (c) **‘Bureau’** means the Bureau of Energy Efficiency as established and incorporated under Section 3 of the Act;
- (d) **‘Carbon Credit Certificate’** or **‘CCC’** means the Certificate issued to the Registered Entity by the Central Government or any agency authorised by it under Section 14AA of the Act, in the Carbon Credit Trading Scheme where each Certificate issued shall represent reduction or removal of one ton of CO₂ equivalent (tCO₂e);
- (e) **‘Carbon Credit Trading Scheme’** means the scheme for reduction or removal of GHG emissions notified by the Central Government under clause (w) of Section 14 of the Act;
- (f) **‘Commission’** means the Central Electricity Regulatory Commission (CERC) referred to in sub-section (1) of Section 76 of the Electricity Act, 2003;
- (g) **Compliance Mechanism** – A mechanism under the Carbon Credit Trading Scheme under which the obligated entities shall comply with the prescribed GHG emission norms notified by the Central Government;
- (h) **‘EP Act’** means the Environment Protection Act, 1986 (29 of 1986), as amended from time to time;

- (i) **‘GHGs’** means the Green House Gases as defined by the United Nations Framework Convention on Climate Change (UNFCCC);
- (j) **‘Indian Carbon Market (ICM)’** means a national framework established with an objective to decarbonize the Indian economy by pricing the GHG emission through trading of the Carbon Credit Certificates;
- (k) **‘Non-Obligated Entities’** means ‘registered entities’ that are not notified under the compliance mechanism and which can either register their projects or purchase the carbon credit certificates on voluntary basis;
- (l) **‘Obligated Entities’** means ‘registered entities’ that are notified under the Compliance Mechanism;
- (m) **‘Power Exchange’** means an electronic trading platform as defined under sub-clause (as) of clause (1) of Regulation 2 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021;
- (n) **‘Registered Entity’** means any entity, including designated consumers, registered for carbon credit trading scheme specified under clause (w) of Section 14 of the Act;
- (o) **‘Registry’** means the agency designated as such to perform such functions as defined in this framework in respect of Carbon Credit Trading Scheme;
- (p) **‘United Nations Framework Convention on Climate Change (UNFCCC)’** means the United Nations entity tasked with addressing the global response to the threat of Climate Change;
- (q) **‘Validation’** means the process of evaluation of a project under the Voluntary mechanism by an Accredited Carbon Verifier against the requirements of the voluntary mechanism;
- (r) **‘Verification’** means an evaluation by the Accredited Carbon Verifier of the activities undertaken by the registered entity under either compliance or voluntary mechanism for issuance of CCC;
- (s) **Voluntary Mechanism** – A mechanism under the Carbon Credit Trading Scheme where the non-obligated entities can register their projects for GHG emission reduction or removal for issuance of Carbon Credit Certificates;

(2) Words and expressions used in this notification and not defined herein but defined in the Act or EP Act or any other rules or regulations issued under the said Act(s), shall have the same meaning as assigned to them in the respective Act(s), or such other rules or regulations.

2. Indian Carbon Market Governing Board (ICMGB) and its Functions.-.

(1) The governance of the Indian Carbon Market(ICM) and direct oversight of its administrative and regulatory functioning shall vest in the Governing Board, to be called as ICMGB.

(2) The ICMGB shall consist of the following members:

- (a) Secretary, Ministry of Environment, Forest and Climate Change- *ex-officio* Co-Chairperson;
- (b) Secretary, Ministry of Power – *ex-officio*Co-Chairperson;
- (c) Joint Secretary or above from Ministry of Finance – Member;
- (d) Joint Secretary or above from Niti Aayog – *Member*;
- (e) Joint Secretary or above from Ministry of Power – *Member*;
- (f) Joint Secretary or above from Ministry of Environment, Forest and Climate Change- *Member*;
- (g) Joint Secretary or above from Ministry of New and Renewable Energy – *Member*;
- (h) Joint Secretary or above from Ministry of Steel – *Member*;
- (i) Joint Secretary or above from Ministry of Coal – *Member*;
- (j) Joint Secretary or above from Ministry of Petroleum and Natural Gas – *Member*;
- (k) Chairperson, Central Electricity Authority – Member;
- (l) CMD, Grid Controller of India Limited –Member;
- (m)any other Member as nominatedby ICMGB – Member;
- (n) Director General, Bureau of Energy Efficiency – *ex-officio*Member Secretary;

(3) ICMGB shall discharge following functions:-

- (a) recommend procedures for institutionalizing the Indian carbon market for the approval of Central Government;
- (b) recommend to the Central Government the rules and regulations for the functions of ICM;
- (c) recommend methodologies to be used undervoluntary mechanism for the approval of the Central Government;
- (d) recommend guidelines regarding sale of carbon credit certificates to outside Indiato the Central Government;
- (e) approve projects under the voluntary mechanism;

- (f) recommend to the central government or its designated agency for issuance of carbon credit certificate (CCC);
- (g) approve the process/conditions for crediting period/renewal/ retirement of CCC;
- (h) ;
- (i) oversight of the administrative and regulatory functions of Indian Carbon Market;
- (j) to constitute any Committee or Working group as required in connection with ICM;
- (k) any other function as assigned by the Central Government.

(4) ICMGB shall meet at least once in a quarter of every year, or as may be required.

3. ICM Administrator and its Functions.- (1) The Bureau shall be the Administrator for the Indian Carbon Market. Bureau shall also work as the Secretariat for ICMGB.

(5) As the administrator, the Bureau shall discharge the following functions:-

- (a) develop standards and processes for registering projects under voluntary mechanism;
- (b) develop, methodologies for registering projects under voluntary mechanism;
- (c) develop trajectory and targets for the entities under compliance mechanism;
- (d) issue carbon credits certificate (CCC) as recommended by the ICMGB;
- (e) develop market stability mechanism for carbon credits;
- (f) develop the procedure for Accredited Carbon Verifiers;
- (g) accredit the agencies in accordance with the approved procedure for Accredited Carbon Verifiers;
- (h) constitute one or more technical committees for the purposes of the Carbon Credit Trading Scheme;
- (i) recommend the type and amount of fees and charges for the purpose of meeting the cost and expense towards implementation of Carbon Credit Trading Scheme for the approval of ICMGB;
- (j) collect fees from Registered Entity as approved by the ICMGB;
- (k) develop the process/conditions for crediting period/renewal/ retirement of CCC;
- (l) develop data submission formats, forms for effective functioning of ICM;
- (m) undertake capacity building activities for the stakeholders;
- (n) develop and maintain the IT infrastructure including the knowledge platform required for ICM;
- (o) maintain secure database with all security protocols as approved by ICMGB;
- (p) to coordinate any committee or working group formulated by ICMGB in connection with ICM;
- (q) any other function assigned by the ICMGB or Central Government.

4. ICM Registry and its Functions.- (1) The Grid Controller of India Limited shall be the registry for the Indian Carbon Market.

- (2) The Registry shall discharge the following functions, in the manner, as may be specified from time to time:-
- (a) comply with the directions issued by the ICMGB or the Commission from time to time;
 - (b) undertake registration of obligated or non-obligated entities;
 - (c) maintain secure database with all security protocols as approved by ICMGB;
 - (d) maintain records of all transactions;
 - (e) sharing of transaction records with Power Exchange(s) and ICM Administrator;
 - (f) assistance in development of IT Platform for maintaining database of Carbon Credit Certificates;
 - (g) to function as Meta-Registry for India;
 - (h) establish linkages with other National/International registries as approved by the ICMGB;
 - (i) any other function assigned by the ICMGB or the administrator.

5. ICM Trading Regulator and its Functions.- (1) The Central Electricity Regulatory Commission (CERC) shall be the Regulator for the trading activities under the Indian Carbon Market.

- (2) The CERC shall discharge the following functions, in the manner, as may be specified from time to time:-
- (a) regulate matters relating to trading of CCCs;
 - (b) safeguard interest of both sellers and buyers;
 - (c) regulate frequency of CCCs trading;
 - (d) provide market oversight and take necessary corrective actions to prevent fraud or mistrust.

6. Technical Committee and its Functions.-

- (1) Bureau shall constitute, one or more technical committees for different areas as required under either compliance or voluntary mechanism for the purposes of the Carbon Credit Trading Scheme.
- (2) Each Technical Committee shall be chaired by a member who has the requisite knowledge for the specified area and respective sectors.
- (3) Each Technical Committee shall consist of other members as may be required.
- (4) Each Technical Committee shall perform functions for the purposes of Carbon Credit Trading Scheme as specified by Bureau from time to time.
- (5) Technical Committee shall make its recommendations to the Bureau, in respect of the matters assigned to it.

- 7. Accredited Carbon Verifiers.-** (1)The Bureau shall specify the procedure including eligibility criteria for accreditation of agencies to function as Accredited Carbon Verifiers with the approval of ICMGB.
(2) Accredited Carbon Verifiers shall perform functions for the purposes of Carbon Credit Trading Scheme as published by Bureau from time to time.
- 8. Power Exchanges and its Functions.-** (1) The Commission shall approve participation of power exchanges for the purpose of ICM trading, from time to time;
(2) The Power Exchange(s) shall seek approval of the Commission for their respective Bylaws and Rules for trading of Certificates in the Power Exchange(s).
(3) The power exchanges shall perform functions regarding trading of CCC, in accordance with the regulation notified by the Commission.
- 9. Compliance Mechanism.-** (1) The obligated entities including designated consumers covered under compliance mechanism, as notified by the Central Government from time to time, shall register themselves for Carbon Credit Trading Scheme.
(2) Obligated entities shall be required to reduce GHG emission intensity in terms of tCO₂e/tonne of production, as notified by the Central Government .

10. Detailed Procedures

- (a) ICMGB and other Authorities as defined in the these Rules shall develop the Detailed Procedure for operationalizing ICM and various mechanisms in accordance with these rules
- (b) The Detailed Procedure shall contain the following, but not limited to:
- (i) criteria for issuance of Carbon Credit Certificates to those obligated entities who reduce their GHG emissions below the prescribed GHG emission norms;
 - (ii) validity of Carbon Credit Certificates;
 - (iii) floor and forbearance price of Carbon Credit Certificates;
 - (iv) requirement, format and timeline for submissions;
 - (v) monitoring, reporting and verification;
 - (vi) other related and incidental matters, regarding compliance mechanism.

- 11. Voluntary Mechanism.-** (1) The Bureau shall develop methodologies and detailed procedure for registration of projects and issuance of carbon credit certificates for different sectors, as and when required, with support of technical committees and submit the same to ICMGB;

- 12. Power to give directions.-** ICM Administrator may, from time to time, issue such directions and orders to the registered entities, with the approval of the Central Government, as considered appropriate for the implementation of this scheme.

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AJAY TEWARI, Addl. Secy.