

India's Carbon Credit Mechanism

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Giving Shape to India's Carbon Credit Mechanism

Context

- **COP29** is placing a strong emphasis on **climate finance**, focusing especially on the **carbon credits framework**.
- There is an ongoing debate between **developed and developing countries** regarding carbon credits.
- **India** has prioritized a **domestic carbon market** in its updated **Nationally Determined Contributions (NDCs)** in 2023 as part of its **climate strategy**.
- To make this market effective, India must **learn from global experiences** to ensure **credibility, efficiency, and fairness**.

Understanding Carbon Credits and India's Initiatives

Carbon Credit Mechanism

- **Carbon credits** represent measurable reductions in **greenhouse gas emissions** and can be **traded or sold** to incentivize emission reductions.
- For the market to contribute effectively to **emission reductions**, the **integrity of carbon credits** is essential.
- Without stringent standards, carbon credits risk becoming tools for **greenwashing**, where companies appear eco-friendly without making real reductions.

India's Initiatives

- India's **2023 NDCs** highlighted establishing a **domestic carbon market** as part of its climate commitments.
- The **Energy Conservation (Amendment) Act of 2022** introduced a **Carbon Credit Trading Scheme (CCTS)**, giving a legal framework to the market.
- This initiative aligns with India's **Paris Agreement commitments** and broader **economic goals**.
- India must incorporate **global best practices** to ensure the market's **credibility** and **long-term success**.

Challenges in the Carbon Credit Mechanism and Ensuring Integrity

Greenwashing and Additionality Concerns

- **Greenwashing:**

- Many **voluntary carbon markets (VCMs)** globally suffer from greenwashing due to lax standards.
- In sectors like **forestry**, projects sometimes **overstate** environmental benefits.
- India's **Green Credit Programme (GCP)** has faced similar issues, with criticisms about **non-scientific methods** in tree planting projects.

- **Additionality:**

- A key criterion for credible credits is **additionality**—reductions that would not occur without the project.
- Without strict additionality standards, credits might be awarded to **projects with no real emissions impact**, undermining the market.

Measures to Strengthen Integrity

- Implement **stringent verification standards** in India's carbon credit system.
- Establish a **national registry** to prevent **double-counting** of carbon credits, ensuring each credit represents a real reduction.
- **Transparency** through accurate tracking will build **stakeholder confidence** in the market.

Learning from International Best Practices

- India should follow **international standards** set by organizations like the **International Emissions Trading Association (IETA)** and **Gold Standard**.
- The **Gold Standard** emphasizes **additionality**, **permanence**, and **sustainability** for credible carbon credits.
- Adopting such best practices will help India's market **align with global expectations**, facilitating **international trade** of carbon credits.

Additional Measures for Long-Term Success

Alignment with Global Standards and Article 6 of the Paris Agreement

- India's carbon market must align with **Article 6** of the **Paris Agreement**, which allows for **international emissions trading**.
- **Article 6.2** facilitates **Internationally Transferred Mitigation Outcomes (ITMOs)**, making it essential for India to comply with these guidelines.

- **Prevention of Double-Counting:**

- Mechanisms to prevent **double-counting** are essential for credibility.
- Transparent systems for **tracking emissions reductions** will align India's market with **global standards**.

Emphasizing Transparency and Disclosure

- **Transparency** is crucial to building trust in India's carbon market.
- India should provide detailed disclosures on **carbon reduction methods**, **project standards**, and **third-party verification reports**.

- A **centralized platform** for data access will ensure **public trust** in the emissions reductions claimed.
- **Independent audits** by certified bodies, such as India's **Bureau of Energy Efficiency (BEE)**, will further verify the sustainability of projects.
- **Real-time tracking** of credit transactions will improve **accountability** and provide insights into each project's **environmental impact**.

Conclusion

- India's **carbon credit market** is in its early stages, and its success depends on **strict enforcement** and **alignment** with international and domestic goals.
- By focusing on **transparency** and maintaining **rigorous standards of integrity**, India can create a **robust carbon market**.
- A credible market will help India achieve its **climate finance goals** and support **sustainable development** objectives.



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