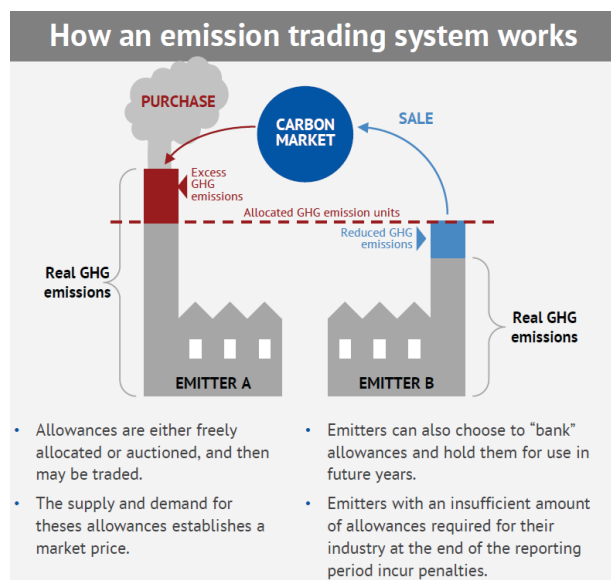


## Carbon Credit Trading- An Overview

A carbon credit is a tradable instrument that is either allocated directly to an emitting source or offered for sale at an auction. Carbon credits are sold in carbon markets. These are divided into compliance (mandatory and regulated) markets and voluntary carbon markets (VCMs). The term “credit” is usually used in reference to the VCMs.

The Government permit each industry to emit certain amount of Carbon Dioxide or other greenhouse gases in the atmosphere. The organisation that achieves to release such gases in the limits lesser than the permitted threshold either has to purchase carbon credits from the organisations that have been issued the Carbon Credit Certificates.

On the contrary, the organisation that emits greenhouse gases in excess of the permitted threshold either has to purchase Carbon Credit Certificates from the organisations that have been issued the Carbon Credit Certificates- thereby offsetting their excess emissions, or are levied with penalties by the government. The process of carbon credit trading is provided in the diagram below.



Source: Carbon Credits.com

The Ministry of Power notified the Carbon Credit Trading Scheme, 2023, to develop the domestic carbon market as the country aims at decarbonising the economy and has committed to cut emissions by 45% from the 2005 levels by 2030.

According to the scheme, the central government shall constitute the National Steering Committee for Indian carbon market which will monitor the functions of Indian carbon market and recommend to Bureau to issue carbon credit certificate, among other functions.

The Grid Controller of India Limited shall be the registry, while the Central Electricity Regulatory Commission shall be the regulator for the trading activities under the Indian carbon market. The Commission shall register the power

exchanges and approve the carbon credit certificate trading in the Indian carbon market, from time to time. This scheme assigns a value, known as a carbon credit, to every ton of carbon dioxide equivalent (TCO<sub>2e</sub>) reduced or avoided, providing a structured framework for the country’s carbon market.

Under the new Scheme, industries will play a significant role in contributing to India’s emission reduction goals. The Ministry of Power will set up designated consumers, including numerous energy-intensive industries, and assign them carbon emissions target to meet. Previously, these targets were in the form of energy efficiency goals.

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2. <http://www.indiaenvironmentportal.org.in/content/475326/carbon-credit-trading-scheme-2023/>

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