



सत्यमेव जयते



Ministry of Environment, Forest and Climate Change
Government of India

Carbon Market & Article 6 of Paris Agreement

Introduction: Carbon Credits

- **Carbon Credit is a tradable certificate.**
- **Generated from activities involving mitigation or removal of one ton of carbon dioxide** from the atmosphere.
- Issuance of carbon credits is done after following a **detailed methodology**.
- **Validation and verification** process ensures the integrity and quality of the carbon offset projects.
- **Carbon markets brings additional public and private finance** and catalyze emissions reductions in a country hosting the mitigation activity.

Voluntary & Compliance Carbon Market

- Two distinct markets that exist for carbon credits:
 1. **Voluntary as well as compliance carbon market**
 2. **Market under Art 6 mechanism of the Paris Agreement under UNFCCC.**
- **Voluntary carbon market: Companies, non-profit organizations, governments, and individuals may buy and sell carbon offset credits.**
- **Compliance market: Established by governments or multi-government bodies, with certain industries from identified sectors required to participate, that control the supply of credits and regulate their trading.**

- The carbon credits bought or sold in **voluntary or compliance carbon markets do not require corresponding adjustments** in Nationally Determined Contributions (NDCs).
- **Corresponding adjustment** is when a **country selling carbon credits adds the sold emission reductions back to its own national accounting**, while the buying country subtracts the same amount from its emissions, ensuring no double counting of reductions

Article 6: Overview & India's Status

- **Article 6 of the Paris Agreement** allows countries to **voluntarily cooperate** with each other to **achieve emission reduction targets set out in their NDCs**.

6.2

Article 6.2: Bilateral cooperative approaches and the transfer of Internationally Transferrable Mitigation Outcomes (ITMOs)

Methodologies will be approved by relevant **mechanisms established by the two countries**.

6.4

Article 6.4: Market Mechanism for trading GHG emission reductions between countries under the supervision of UNFCCC.

Methodologies must be approved by the **Supervisory Body under the United Nations Framework Convention on Climate Change (UNFCCC)**.

For trading in international market, **host country-approval will be needed**.

6.8

Article 6.8: Non-market approaches for cooperation through finance, technology transfer, and capacity building, where **no trading of emission reductions** is involved.

- **MoEFCC has notified National Designated Authority for the Implementation of Article 6 of Paris Agreement (NDAIAPA) on 30.05.2022.**
- **NDAIAPA has finalized a list of 13 activities for trading of carbon credits under Article 6.2 mechanism.** The list of activities are as follows:
 - **I. GHG Mitigation Activities:** Renewable energy with storage (only stored component), Solar thermal power, Off- shore wind, Green Hydrogen, Compressed bio-gas, Emerging mobility solutions like fuel cells , High end technology for energy efficiency, Sustainable Aviation Fuel, Best available technologies for process improvement in hard to abate sectors, Tidal energy, Ocean Thermal Energy, Ocean Salt Gradient Energy, Ocean Wave Energy and Ocean Current Energy, High Voltage Direct Current Transmission in conjunction with the renewal energy projects
 - **II. Alternate Materials:** Green Ammonia
 - **III. Removal Activities:** Carbon Capture Utilization and Storage

- These activities will **facilitate adoption/ transfer of emerging technologies** and may be used to **mobilise international finance** in India. The activities will initially be for **first 03 years** and may be updated/ revised by NADAIPA.
- The list has been compiled based on the inputs and **discussions with the concerned Ministries/ departments including MoP, MoPNG, MoRD, M/o Steel, and others**; and is based on assessment of parameters such as **significant transition potential, technological readiness level, IPR/ technology transfer, cost of abatement/ financial, innovation and alignment with national goals**.
- India has started bilateral conversations with Japan, Singapore & South Korea under Article 6.2.

Carbon Credit Trading Scheme, 2023

- **India's Carbon Credit Trading Scheme, 2023 (CCTS 2023)** was notified 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 Bureau of Energy Efficiency (BEE)** has been designated as the administrator. The **Central Electricity Regulatory Commission** has been designated as the regulator for the trading activities under the Indian Carbon Market. **The Grid Controller of India Limited** shall act as the registry for the Indian carbon market.

- **CCTS** would enable trading of carbon credits among domestically obligated entities in the Indian Carbon Market(ICM). ICM is primarily, a compliance market, since regulated entities will be required to ensure by own GHG mitigation and carbon credits trade that they are in compliance with their **assigned emission intensity targets**.
- **CCTS 2023** was amended on 19 Dec 2023 to add the ‘**offset mechanism**’. This allows non-obligated entities to register projects and issue carbon credits for GHG emission reduction or removal or avoidance.
- ‘Non-obligated entities’ can purchase carbon credit certificates on a voluntary basis.

Thank You