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The Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building
36, Janpath Road,
New Delhi - 110 001

**Subject: Comments/ Suggestions on draft Central Electricity Regulatory Commission
(Terms and Conditions for Purchase and Sale of Carbon Credit Certificates)
Regulations, 2024**

Reference: RA-14026(13)/1/2024-CERC dt: 13-11-2024


Sir,

With reference to RA-14026(13)/1/2024-CERC dt: 13-11-2024, I in the capacity of Carbon Market Professional, furnish my comments/ suggestions on the above draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024 for your kind consideration. I shall be grateful if the Hon'ble Commission recognizes my concerns and makes necessary modifications.

I also crave leave to submit at a future date further materials on the subject which may be available to me in the event I am of the opinion that the same would render meaningful assistance to the Hon'ble Commission in the matter.

I would like to inform you that, I will attend the public hearing as decided by Hon'ble Commission in Online Video Conferencing mode. I shall be grateful if the Hon'ble Commission shall share the Microsoft teams link of the Public Hearing with my email id: arkajyoti009@gmail.com

Yours faithfully,


Arkajyoti Bhattacharjee
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Comments on Draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024

Observations & Comments:

1. Role of Registry (Clause 5):

- The Grid Controller of India as the Registry is a step forward, but clarity is needed regarding the responsibilities and operational independence of the Registry. In the EU ETS, registries operate under strict guidelines ensuring neutrality and preventing conflicts of interest. The framework should ensure this independence.
- **Suggestion:** Explicitly include provisions for data security, conflict of interest prevention, and alignment with international standards, such as ISO 14064.

2. Functions of Administrator (Clause 6):

- The Bureau's detailed roles are commendable. However, monitoring, reporting, and verification (MRV) mechanisms need explicit elaboration to align with international best practices, such as those under EU ETS.
- **Suggestion:** Incorporate a clear MRV framework in the responsibilities of the Administrator, emphasizing third-party validation.

3. Value and Validity of CCCs (Clause 7):

- EU ETS provides a long-term view of certificate validity to ensure market stability and predictability. The regulation should specify mechanisms to extend or phase out CCC validity based on market and environmental objectives.
- **Suggestion:** Define a dynamic adjustment mechanism for certificate validity in response to market conditions.

4. Category of Certificates (Clause 8):

- Categorizing CCCs for obligated and non-obligated entities is a good practice. However, learning from CBAM, the regulation can address potential overlaps in obligations and avoid double counting.
- **Suggestion:** Introduce explicit safeguards against double counting of reductions across markets and mechanisms.

5. Dealing in Certificates (Clause 9):

- The proposed separation of Compliance and Offset Markets mirrors international practices but needs stringent rules for cross-segment transfers, if allowed.
- **Suggestion:** Provide clarity on rules for cross-market transactions and price control mechanisms to address volatility, drawing parallels from CBAM's stabilization policies.

6. Pricing of Certificates (Clause 11):

- The proposed bidding system aligns with market-driven approaches. However, it must ensure a robust mechanism for price discovery and floor price adjustments akin to EU ETS's Market Stability Reserve.

ABM
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- **Suggestion:** Include provisions for periodic floor price reviews and introduce a reserve system to manage price volatility.
7. **Market Oversight (Clause 13):**
- Oversight is critical for maintaining market integrity. EU ETS has stringent monitoring and penalties for non-compliance.
 - **Suggestion:** Enhance this clause with provisions for regular audits, transparent reporting, and penalties for market manipulation or non-compliance.

Objections:

1. **Clause 9(1): Limited Trading Channels:**
 - Limiting CCC trading to Power Exchanges might stifle liquidity and innovation. EU ETS allows secondary markets for improved price discovery.
 - **Objection:** Consider permitting secondary markets or over-the-counter (OTC) transactions under strict oversight to enhance liquidity.
2. **Clause 6(g): Expiry of CCCs:**
 - Automatic expiry without recovery mechanisms might lead to economic inefficiencies. EU ETS permits banking of credits under certain conditions.
 - **Objection:** Allow banking of unused CCCs for a specified duration to enhance flexibility for market participants.

Additional Suggestions:

- **Harmonization with CBAM:** The regulation should ensure compatibility with global mechanisms like CBAM to avoid trade disputes.
- **Capacity Building:** Introduce provisions for capacity-building programs for stakeholders to understand the CCC framework.

Technology Integration: Emphasize the use of blockchain or similar technologies for transparent and tamper-proof tracking of CCCs.


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