bp submission: Draft CERC (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024.

S. No	Regulation	Clause/Provision	Recommendation
1.	6(2)(g)	Functions of Administrator *"Intimate the Registry regarding the expiry of CCCs from the accounts of the concerned Obligated Entity; and"*	"Obligated Entity" should be replaced by "Obligated & Non-Obligated Entity" as the CCTS Scheme 2023 covers both the obligated entities (under compliance mechanism) and non-obligated entities (under offset mechanism)
2.	11(3)	Pricing of Certificate *The CCCs shall be exchanged within the floor price and the forbearance price, which shall be as approved by the Commission on a proposal to be submitted by the Bureau.*	As per CCTS Scheme 2023, Section 12, Clause 2 (iii), the procedure for floor and forbearance price of carbon credit certificates shall be under purview of 'The National Steering Committee for Indian carbon market'. Clear and transparent rules/ parameters with respect to price determination of the CCCs should be provided to avoid uncertainty in this regard and also volatility in terms of pricing of CCCs. Its key to ensure that the floor price is at sufficiently high levels to affect investment decisions in a material way-incentivize electrical/ mechanical storage and flex-gas power adoption along with enforcement on obligated parties. A low price of the carbon market and its overall valuation will lead to issues similar to those in the PAT market (oversupply of ESCerts with all purchases have done at the floor price indicating a lack of market and price discovery mechanism). We suggest introduction of price stabilization mechanisms, like the Carbon Market Stability Reserve, to manage price volatility, as used in the EU-ETS.
3.	9 (3)	Dealing in Certificates	This clause implies that only those CCCs issued to the entities by BEE will be

		"The CCCs issued to obligated or non-obligated entities by the Bureau on approval of the Central Government and credited in the CCC Registry may be placed for dealing in any power exchange by the CCCs holder, and such CCCs shall be available for dealing in accordance with the Rules, Business Rules and Bye-Laws of the Power Exchanges."	traded, and an entity cannot re-sell a CCC bought by it. The same may be clarified. Further, the clause suggests that CCCs issued by BEE may be placed for dealing on the power exchanges. Does this imply that CCCs issued by the Bureau may not be transacted bilaterally on OTC basis. The same may be clarified.
4.	9 (9)	*"The Obligated or non-obligated entities with more than three cases of default specified in sub-regulation 9(h) in a quarter …"*	The regulation has reference to sub-regulation 9 (h). There is no regulation 9(h) in the Draft Regulations. Hence the cross referencing may be corrected.

Other Suggestions

- **Penalties and monitoring**: Within the entire CCTS framework, there is no mechanism of penalty for noncompliance-what will drive the obligated entities to adhere to the guidelines, penalties must be binding in nature; No penalties may lead to volatility in the market and more buyers, certain price determination mechanism in addition to penalties to be sent. On the monitoring aspect, checks and balances should be in place to ensure no false claims are being put in place.
- **Liquidity**: While CERC will step in to address volatility, some guidance on how the stability is maintained and the market remains liquid is required
- **Project verification** standards and issue of carbon credits to non-obligated entities should be benchmarked against global best practices
- **CO2 intensity reduction requirements of obligated entities**: Specifically for CO2 intensity reduction requirements of obligated entities led by non-power/non-electrical fossil use (but not processes which are exempted), the current regulation appears to apply largely to fossil power displacement and the resultant saving. Clarity on whether thermal

applications (heaters, dryers, boilers, burners, etc) which do not run on power/use fossil fuels combustion are in scope.

- **Methane emissions**: Clarity on whether methane emission saving will be treated at par with CO_2 or will methane emission saving be considered at a higher value than CO_2.
- **CCCs generated by non-obligated entities**: If a non-obligated entity has generated CCCs and wants to use the CCCs to voluntarily offset its own emissions, clarity is required on whether it has to get registered on the Power Exchanges as a seller and buyer both and make transactions under the floor/forbearance Price. The administrator (BEE) may acknowledge the usage of CCC as offset claimed by the non-obligated entity if the CCCs are not listed on the power Exchanges within a period of six months from issue of such CCC or such intimation by the non-obligated entity, whichever is earlier.