

## Sembcorp's Comments/suggestions on Draft CERC (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024

S.N.	Draft Amendment	Suggested change	Suggestions / Remarks
1	<p><b>6. Functions of Administrator -</b></p> <p>(1) For the purpose of dealing with CCCs issued under the EC Act, the Bureau shall act as the Administrator</p> <p>(2) Subject to the provisions of these regulations, the Bureau shall-</p> <p>(a).....</p> <p>.</p> <p>.</p> <p>i) discharge such other functions as may be assigned under these Regulations.</p>	<p><b>6. Functions of Administrator -</b></p> <p>(1) For the purpose of dealing with CCCs issued under the EC Act, the Bureau shall act as the Administrator</p> <p>(2) Subject to the provisions of these regulations, the Bureau shall-</p> <p>a).....</p> <p>.</p> <p>.</p> <p>i) discharge such other functions as may be assigned under these Regulations.</p> <p><b>J) Developers will have option to sell carbon credits both within India and internationally under voluntary carbon market. Additionally, grid-connected renewable energy projects should be included in the list of 'Approved Sectors in the Offset Mechanism under the Carbon Credit Trading Scheme (CCTS)' as defined by the Central Government.</b></p> <p><b>k) BEE shall provide recommendations to MoEFCC for granting Host Country Approval (HCA) to grid-connected renewable energy projects that have been approved by the UNFCCC for transition from the Clean</b></p>	<p>The Compliance Mechanism and Detailed Procedure for Offset Mechanism for certificates issued under the Offset Mechanism, developed under Section 12 of the Carbon Credit Trading Scheme, 2023 does not include provisions for issuing carbon credit certificates to Renewable Energy (RE) generators seeking to participate in the carbon credit trading scheme on a voluntary basis.</p> <p><b>Credits from renewable energy (RE) projects should be permitted for sale in both domestic and international offset markets, giving project developers the flexibility to choose between selling within India or abroad. Allowing the sale of carbon credits in international voluntary carbon markets would not only help generate foreign exchange but also enhance investor returns through improved opportunities under carbon financing.</b></p> <p>The suggested inclusion would enhance the scope of the Indian carbon market while incentivizing diverse climate-positive initiatives.</p>

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		Development Mechanism (CDM) to Article 6.	
2	<p>8. Category of Certificates -</p> <p>(1) CCCs shall be categorized by the Bureau for the obligated and the non-obligated entities.</p> <p>(2) The Commission may, on an application made in this behalf, permit the Power Exchange(s) to introduce such category of CCCs in accordance with the Power Market Regulations.</p>	<p>8. Category of Certificates -</p> <p>(1) CCCs shall be categorized by the Bureau for the obligated and the non-obligated entities.</p> <p>(2) The Commission may, on an application made in this behalf, permit the Power Exchange(s) to introduce such category of CCCs in accordance with the Power Market Regulations.</p> <p>(3) The Commission may request Bureau, to introduce separate class for CCCs i.e. Carbon Credits (AAA), ESCerts (AA), RECs(A) in accordance with the cost of carbon abatement.</p>	<p>Energy Conservation Amendment Bill 2022 suggested that Energy Saving Certificates (ESCerts) and Renewable Energy Certificates (RECs) will be merged into one single commodity that will be called Carbon Credits Certificate (CCC).</p> <p>Presently, there are many Indian projects which have passed ‘additionality’ test and are registered under global carbon schemes (UNFCCC, VCS &amp; GS). These registered projects are supplying premium carbon credits to global carbon markets and command higher unit prices than ESCerts or RECs due to ‘additionality’. The concept of ‘additionality’ is important as only carbon credits from projects that are “additional to” the business-as-usual scenario represent a net environmental benefit.</p> <p>However, Energy Saving Certificates (ESCerts) and Renewable Energy Certificates (RECs) have no ‘additionality’ requirement at present. Both certificates have unique qualifying requirements for certificate issuance and are regulated by CERC and BEE respectively. The proposed merger of certificates may create an oversupplied carbon market which is already</p>

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			<p>crowded and facing integrity and confidence issues. It may also create chaos among global carbon buyer community leading to additional scrutiny of every Indian project.</p> <p>It is suggested that there should be a clear distinction between type of carbon credits originating from ESCerts, RECs, additional and non-additional projects.</p>
3	<p><b>11. Pricing of Certificate –</b></p> <p><i>(1) The denomination of one CCC shall be as per clause 2(1) (c) of the CCTS Scheme 2023, which shall be equal to a reduction or removal or avoidance of greenhouse gas emissions achieved and shall be equivalent to one ton of carbon dioxide equivalent (tCO<sub>2</sub>e).</i></p> <p><i>(2) The market price of CCC shall be as discovered through the process of bidding at the respective Power Exchange.</i></p> <p><i>(3) 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.</i></p> <p><i>(4) The Commission may by order give such directions to the Power Exchange(s) or the Registry as may be considered necessary, on being satisfied that any of the following circumstances exist or are likely to occur:</i></p> <p><i>(a) Abnormal increase or decrease in prices of CCCs;</i></p> <p><i>(b) Sudden volatility in the prices of CCCs; and</i></p> <p><i>(c) Sudden high or low dealing of CCCs on a Power Exchange</i></p>	<p><b>11. Pricing of Certificate –</b></p> <p>(1) The denomination of one CCC shall be as per clause 2(1) (c) of the CCTS Scheme 2023, which shall be equal to a reduction or removal or avoidance of greenhouse gas emissions achieved and shall be equivalent to one ton of carbon dioxide equivalent (tCO<sub>2</sub>e).</p> <p>(2) The market price of CCC shall be as discovered through the process of bidding at the respective Power Exchange.</p> <p>(3) <b>The price of CCCs shall be linked to the cost of emission abatement and specific technology applicable for each sector. The CCCs shall be exchanged without floor price and forbearance price reflecting cost of emission abatement within specified sector. <del>The CCCs shall be exchanged within the floor price and the forbearance price, which shall be as approved by the Commission on a</del></b></p>	<p>To establish a fully functional domestic carbon market, we propose the creation of a <b>Carbon Stability Fund/Reserve</b> to address excessive price volatility and ensure market stability. This can be achieved through various measures, such as adjusting the allocation of credits, limiting the use of offsets, setting floor and ceiling prices for trading, creating reserves, and introducing new credits into the market.</p> <p>Eg., the <b>Market Stability Reserve (MSR)</b> mechanism employed by the UK Emissions Trading System (EU ETS) is a proven model. A portion of allowances auctioned are automatically transferred to the MSR, managed by the European Commission, which oversees the system.</p>

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		<p><del>proposal to be submitted by the Bureau.</del></p> <p>(4) The Commission may by order give such directions to the Power Exchange(s) or the Registry as may be considered necessary, on being satisfied that any of the following circumstances exist or are likely to occur:</p> <p>(a) Abnormal increase or decrease in prices of CCCs;</p> <p>(b) Sudden volatility in the prices of CCCs; and</p> <p>(c) Sudden high or low dealing of CCCs on a Power Exchange</p> <p>(5) The commission may issue suitable directions to create <b>Carbon Stability Fund/Reserve</b> to address excessive price volatility and ensure market stability</p>	
4	<p>12. Fees and Charges -</p> <p><i>The Commission, in consultation with the Bureau, may from time to time determine, by order, the fees and charges payable by the obligated and the Non-obligated entities to the Registry for the purpose of meeting the cost and expense towards the management of the Registry and software platform.</i></p>	<p><i>The Commission, in consultation with the Bureau, may from time to time determine, by order, the <b>nominal</b> fees and charges payable by the obligated and the Non-obligated entities to the Registry for the purpose of meeting the cost and expense towards the management of the Registry and software platform.</i></p>	<p>It is suggested that the proposed fee structure should be such that it promotes the development and growth of carbon market which is at nascent stage. Either a Nominal fees may be collected on project-to-project basis, or the fees should be based on a certain percentage of annual potential of carbon credits. There may also be a waiver of registration costs to support developers of smaller projects.</p>