

Ref. No: IPCL/RA/II/002/24-25/61

Date: 13-12-2024

The Secretary

Central Electricity Regulatory Commission

3rd & 4th Floor, Chanderlok Building 36, Janpath Road, New Delhi-110001

Subject: Comments/ Suggestions on draft CERC (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, we would like to furnish our 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. We shall be grateful if the Hon'ble Commission recognizes our concerns and makes necessary modifications.

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


13/12/2024
Deputy Manager (Regulatory Affairs)



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

A. Observations & Comments

1. Role of Registry (Clause 5)

- **Observation:** The selection of the Grid Controller of India as the Registry is a progressive move. However, its operational independence and specific responsibilities require further elaboration. International frameworks like the EU ETS ensure that registries are neutral and free of conflicts of interest.
- **Suggestion:**
 - Include provisions for maintaining neutrality, data security, and conflict of interest prevention.
 - Align operational standards with internationally recognized frameworks, such as ISO 14064, to enhance credibility.

2. Functions of Administrator (Clause 6)

- **Observation:** The detailed responsibilities of the Bureau of Energy Efficiency (BEE) are a positive step. However, Monitoring, Reporting, and Verification (MRV) mechanisms must align with global best practices, like those seen in EU ETS.
- **Suggestion:**
 - Explicitly define a robust MRV framework, including independent third-party validation and reporting guidelines.

3. Value and Validity of CCCs (Clause 7)

- **Observation:** Providing long-term validity for certificates helps market stability, as demonstrated by EU ETS. A mechanism to manage validity extensions or phase-outs based on market dynamics is absent.
- **Suggestion:**
 - Introduce a dynamic adjustment mechanism for certificate validity to ensure flexibility in response to environmental and market objectives.

4. Category of Certificates (Clause 8)

- **Observation:** Segregating CCCs for obligated and non-obligated entities is effective. However, overlaps in obligations might arise, risking double counting.
- **Suggestion:**
 - Implement safeguards to prevent double counting of reductions, ensuring coherence across markets and mechanisms.

5. Dealing in Certificates (Clause 9)

- **Observation:** Separation of Compliance and Offset Markets is logical, but cross-market transactions need stringent rules. Allowing bilateral transactions can foster market depth.



- **Suggestion:**
 - Clarify rules for cross-market transactions, emphasizing price stability and transparency.
 - Permit bilateral transactions under appropriate oversight to promote flexibility.

6. Pricing of Certificates (Clause 11)

- **Observation:** A market-driven bidding system is proposed, but mechanisms to manage price volatility are not elaborated. EU ETS's Market Stability Reserve serves as an excellent reference.
- **Suggestion:**
 - Define periodic reviews for floor price adjustments and introduce a stabilization reserve to address market volatility.

7. Market Oversight (Clause 13)

- **Observation:** Oversight mechanisms must be robust to prevent manipulation and maintain market integrity.
- **Suggestion:**
 - Enhance provisions for regular audits, transparent reporting, and strict penalties for non-compliance or market abuse.

B. Objections

1. Clause 9(1): Limited Trading Channels

- **Objection:** Restricting CCC trading exclusively to Power Exchanges might hinder liquidity and innovation. Global frameworks like EU ETS allow secondary markets to foster price discovery and participation.
- **Suggestion:**
 - Permit secondary markets or over-the-counter (OTC) transactions under strict regulatory oversight to enhance liquidity.

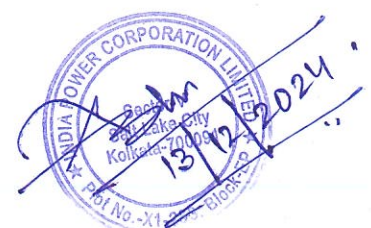
2. Clause 6(g): Expiry of CCCs

- **Objection:** Automatic expiry without provisions for recovery or banking may lead to inefficiencies. EU ETS allows banking of unused credits under specified conditions to maintain market flexibility.
- **Suggestion:**
 - Allow the banking of CCCs for a defined duration to accommodate market variability and stakeholder needs.

C. Additional Suggestions

1. Harmonization with CBAM

- Ensure compatibility with global mechanisms like the Carbon Border Adjustment Mechanism (CBAM) to prevent trade disputes and promote seamless integration with international carbon markets.



2. **Capacity Building**

- Include capacity-building programs to educate stakeholders about the CCC framework, ensuring effective implementation and compliance.

3. **Technology Integration**

- Leverage blockchain or similar digital technologies for transparent, secure, and tamper-proof tracking of CCC transactions and ownership.

