



A Maharatna Company

एन टी पी सी लिमिटेड

(भारत सरकार का उद्यम)

NTPC Limited

(A Govt. of India Enterprise)

केन्द्रीय कार्यालय / Corporate Centre

Date: 30.12.2024

The Secretary
Central Electricity Regulatory Commission,
7th floor, Tower-B, World Trade Centre
Nauroji Nagar, New Delhi-110029

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

Sir,

Hon'ble Commission has published draft "Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024" and has invited comments from the stakeholders on the draft Regulation.

In this regard, please find enclosed NTPC submissions on Draft "Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024".

Thanking you,

Yours sincerely

Ajay Dua
ED (Commercial)

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

1. Clause-7 (2) in regards with “Value and Validity of Carbon Credit Certificate” provides the following:

“(2) The validity of the carbon credit certificate shall be as specified in the Detailed Procedure for Compliance Mechanism for certificates issued under the Compliance Mechanism and in the Detailed Procedure for Offset Mechanism for certificates issued under the Offset Mechanism, developed under Section 12 of the Carbon Credit Trading Scheme, 2023, as amended from time to time.”

Submission: It is submitted that as per presently accepted norms, voluntary carbon credits do not expire and can be traded multiple times until they are eventually used to offset some emissions and retired.

In view of above, certificates issued under the Offset Mechanism in Indian Carbon Market may also be made non-expiry in nature till it is retired and the validity of carbon certificates issued under the Offset Mechanism may be considered as non-expiry type.

It is also pertinent to mention that Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 in regards with RECs also provides that the RECs shall remain valid till they are redeemed.

Further the draft Regulations provide that “the validity of the carbon credit certificate shall be as specified in the Detailed Procedure for Compliance Mechanism for certificates issued under the Compliance Mechanism....”

It is requested that, the guidelines/principles for determining validity of carbon credit certificates under compliance mechanism may be provided in the Regulations.

2. Clause-9 (1) in regards with “Dealing in the Certificates” provides the following:

“(1) Unless otherwise specifically permitted by the Commission by order, the CCCs shall be dealt with only through the Power Exchange and not in any other manner.”

Submission: It is submitted that dealing in CCCs Offset Market for the non-obligated entities may also be allowed on Bilateral basis as per prevailing practice in domestic and international voluntary markets.

3. Clause-9 (2): Dealing in the Certificates provides the following:

“There shall be two separate market segments in the Power Exchanges for dealing in CCCs, namely, Compliance Market for the obligated entities and Offset Market for the non-obligated entities”

Submission:

- i. It is submitted that a provision for dealing offsets in compliance market may be kept in view of ongoing discussion regarding allowing 5 to 10 % Offsets (voluntary credits) against requirement under Compliance Mechanism. This practice is already adopted by various ETS scheme implemented in some countries.
- ii. The interchangeability of CCC for obligated and as non-obligated entity, may be allowed e.g. if an entity takes some project resulting in earning CCC but subsequently notified as obligated entity than the CCC earned earlier as nonobligated entity should be allowed to be used to off set the targets.
- iii. A provision for allowing off market transfer of obligation within a company with establishments at multiple locations or among any other company falling under common control (i.e., direct, or indirect shareholding of 20% or more) of promotor of such company may be provided.

4. “Clause-9 (4): Dealing in the Certificates” provides the following:

“(4) The frequency of transaction of CCCs through the Power Exchanges shall be on a monthly basis or in such periodicity for all registered entities as per the procedure approved by the Commission.”

Submission: It is submitted that the practice of transaction of CCCs through the Exchanges on daily basis is being followed by prevalent exchanges such as CBL, CTX etc. dealing in trading of voluntary/offset credits. Therefore, frequency of transaction of CCCs through the Power Exchanges may be kept on a daily basis as being the case in other exchanges for voluntary credits.

5. Clause-9 (6-i): Dealing in the Certificates provides the following:

“All the obligated and the non-obligated entities who intend to participate in the dealing of CCCs on Power Exchange shall register themselves with the Power Exchange”

Submission: It is submitted that mandatory registration requirement for obligated and the non-obligated entities may be reviewed. However, provision for registration by carbon market participants i.e. project developers, consumers, retails traders, brokers, etc may be kept to develop and improve domestic carbon market depth.

6. Clause-11 (3): Pricing of Certificate provides the following:

“The CCCs shall be exchanged within the floor price and the forbearance price”

Submission: It is submitted that offset prices may varies disproportionately based on the technologies. In present carbon markets scenario tech-based avoidance credits commands very less price in comparison to removal based credits. Therefore, in case of offset mechanism the provision for forbearance price may be reviewed.

Further, the general principles of adjustment of floor and forbearance prices according to market dynamics and evolving carbon reduction targets may be incorporated in the Regulations.

7. The Draft Regulation in regards with “Fees and Charges” provides the following:

“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.”

Submission: It is submitted that the entities already registered for Renewable Energy Certificates should not be charged again for Registry in CCTS as Nodal agency is same.

8. General Comments:

- i. It is submitted that clarity may be provided in regards with Re-sale/trading of CCCs purchased by the entity.
- ii. Mechanism/procedure for resolving disputes between entities, Registry, and Power Exchanges may be considered for inclusion.
- iii. The mechanism of adjustment of floor and forbearance prices to reflect market dynamics and evolving carbon reduction targets, may also be provided.
- iv. Explicit definitions and criteria for classifying obligated and non-obligated entities may be considered for inclusion.
- v. A mechanism may be provided wherein the entities holding the RECs & Escerts are allowed to convert such certificates to Carbon Credit Certificates.
- vi. Clause (9) of Regulation 9 provides that:

“The Obligated or non-obligated entities with more than three cases of default specified in sub-regulation 9(h) in a quarter shall be barred from dealing with CCCs for the next six months, notwithstanding any penalty due to be imposed as per the provisions of the Energy Conservation Act, 2001.”

However, Sub regulation 9(h) has not been provided. It is submitted that Sub regulation 9(h) may please be provided.

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