

## Comments on Draft CERC (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations 2024

Thank you for sharing the Draft Regulations and considering our recommendations as below.

### Clause 4 - Scope

**Issue:** Carbon Credit Certificate trades to be regulated as per the provisions of the power market regulations

**Comment:** None of the initial sectors likely to be obligated by the ICM are current participants in the power market. Therefore, while the framework exists administratively, market participants will need to learn an entirely new process and governance structure. Regulating CCC trades under power market regulations seems contradictory. The current nine sectors considered under compliance mechanisms are Aluminium, Chlor Alkali, Cement, Fertiliser, Iron & Steel, Pulp & Paper, Petrochemicals, and Petroleum Refinery, with no inclusion of the power sector. Thus, regulating all carbon trades from these non-power obligated entities under power market regulations doesn't make sense.

### Clause 8 - Category of Certificates

**Issue:** CCCs shall be categorized by the Bureau for the obligated and the non-obligated entities

**Recommendation:** Sub-categorizing CCCs for obligated and non-obligated entities would lead to multiple classifications and categories. Within both obligated and non-obligated entities, there are different categories of emitters operating at varying efficiency levels. We recommend having a common CCC base for all entities trading—obligated or non-obligated. To address differences in efficiencies and eligibility for different sectors, the carbon credits generated from non-obligated entities can be a factor (e.g., 0.3 as determined by the Authorities) of the carbon credits generated from obligated entities. This accounts for the lesser regulatory environment under which non-obligated entities operate and generate environmental benefits.

### Clause 9 (3) - Dealing in the Certificates

The CCCs issued and credited in the CCC Registry may be placed for dealing in any of the Power Exchanges by the CCCs holder

**Clarification:** We need clarification on whether CCCs can be placed for dealing in any of the Power Exchanges. Are there separate power exchanges for trading in the compliance market and offset market? If so, we also need clarification on the dealing/trading of VCM credits (VERRA/Gold Standard) in the domestic offset market.

Given that Environmental Carbon Projects (Afforestation, Reforestation, Revegetation, Agroforestry, etc.) are not included in the compliance mechanism and fall under the 'non-obligated' category in the Offset Market segment (not Compliance Market), we need clarity on whether such project proponents can register their projects in the registry and sell offset-CCCs to potential buyers. If they choose not to register on this registry, can they continue to with Verra/GS registry and sell locally/export their carbon credits as desired over the counter?

## General Clarifications:

- Will standalone carbon trading/non-obligated agencies be allowed to participate in the ICM from a buy-sell and speculative trading perspective?
- Can obligated entities buy/sell offset-CCCs, and to what extent? Similarly, can non-obligated entities buy/sell compliance-CCCs, and to what extent?
- Can the compliance market exchange credits or interface with the offset market in any way, or are these two completely separate markets with different price discoveries based on buyers and sellers dealing in compliance and offset CCCs respectively?