

December 23, 2024

Shri Harpreet Singh Pruthi

Secretary

Central Electricity Regulatory Commission (CERC)

7th Floor, Tower B, World Trade Centre,

Nauroji Nagar, New Delhi 110029

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

Dear Secretary Pruthi,

We write to you in relation to Public Notice No. RA-14026(13)/1/2024-CERC, issued by the Central Electricity Regulatory Commission ("CERC") on November 13, 2024 (and then updated on December 11, 2024).

Pursuant to the Carbon Credit Trading Scheme, 2023 ("CCTS 2023"), CERC, through the aforementioned public notice, issued the Draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024 ("Draft Regulations") and invited comments and suggestions from stakeholders. We encourage the Commission to leverage the guidance under Article 6 of the Paris Agreement recently agreed to during COP 29, which includes calls for cooperative approaches among countries and may provide clarity and add value to the Commission's work.

In this regard, please find attached our detailed comments on the Draft Regulations in **Annexure I** for your kind consideration.

Should you require any further information or clarification, please feel free to reach out to us.

Regards,



Sidhanta Mehra

Head of Energy, Environment, and Infrastructure

U.S.-India Business Council

ANNEXURE I

Sr. No.	Regulations No.	Provision/ Context	Comment/ Suggestion
GENERAL COMMENTS			
1.	-	-	Under CCTS 2023, Section 7, Clause 2(b), the Commission’s functions also include- <i>“to safeguard interest of both sellers and buyers”</i> . This function has not been captured clearly in the Draft Regulation.
2.		Link the ICM to Global Carbon Markets	Link the ICM to global carbon markets to expands its scope for trading emission allowances across borders and promotion of global cooperation in addressing climate change.
3.		Benchmarking Standards for Project Verification and Issuance	Standards for project verification and issuance of carbon credits to non-obligated entities under the offset mechanism should also be benchmarked to global best practices such as followed by Verra and Gold Standard. Other voluntary approaches including the Voluntary Carbon Markets Integrity Initiative and the Integrity Council for the Voluntary Carbon Market should also be included as the Commission implements the benchmark.
4.		Penalty Provisions	The draft regulations do not contemplate any penalties on obligated entities for non-compliance with the GHG

			emission targets. Without any penalty, any mandate on the obligated entities will be meaningless.
5.			<p>Clarification required: If a non-obligated entity has generated CCCs and wants to use the CCCs to voluntarily offset its own emissions, whether it has to get registered on the Power Exchanges as a seller and buyer both and make transactions under the Floor Price and Forbearance Price.</p> <p>Suggestion: The administrator (BEE) should acknowledge 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.</p>
REGULATION-WISE COMMENTS			
6.	6(2)(g)	<p>Functions of the Administrator</p> <p><i>“Intimate the Registry regarding the expiry of CCCs from the accounts of the concerned Obligated Entity; and”</i></p>	<p>“Obligated Entity” should be replaced by “Obligated & Non-Obligated Entity”.</p> <p>Remark: The CCTS Scheme 2023 covers both the obligated entities (under compliance mechanism) and non-obligated entities (under offset mechanism)</p>
7.	11(3)	Pricing of Certificate	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’.

		<i>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>	The Draft Regulations provide that CCCs will be exchanged within the floor price and the forbearance price, which will be as approved by the Commission on a proposal to be submitted by the Bureau. 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. We suggest the introduction of price stabilization mechanisms, such as a Carbon Market Stability Reserve, to manage price volatility, as used in the European Union Emissions Trading System.
8.	9 (3)	Dealing in the Certificates <i>“The CCCs issued to obligated or non-obligated entities by the Bureau on the approval of the Central Government and credited in the CCC Registry may be placed for dealing in any of the Power Exchanges 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.”</i>	This clause implies that only those CCCs issued to the entities by BEE will be 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 the Bureau 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.
9.	9 (9)	<i>“The Obligated or non-obligated entities with more than three cases of default specified in sub-regulation 9(h) in a quarter ...”</i>	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.
10.	8	Category of Certificates	Clarifications required:

			<p>What categories of CCCs are proposed to be created under the framework? What will be the specific framework or criteria for determining and notifying the categories of CCCs?</p> <p>Suggestion: It is suggested that the inclusion of “technology credits” be considered as a distinct category within the CCC) framework. These credits could originate from emission mitigation activities employing zero or low-carbon technologies, such as point-source carbon capture, direct air capture, and similar innovative solutions.</p>
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END OF ANNEXURE I
