

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

Sr. No.	Clause Ref.	Current Regulation	Proposed Changes/New Clause to be added	Reason for change
1.	Clause 2 (1) (c)	<p><b>“Banking and Extinguishment of CCCs”</b> means banking and Extinguishment of CCC as provided in the Detailed Procedure for Compliance Mechanism developed under Section 12 of the Carbon Credit Trading Scheme, 2023 , as amended from time to time</p>	<p>a) Instead of “Extinguishment”, “Surrender” of CCCs can be used</p> <p>b) Include details of retirement of credits in context offset mechanism</p>	<p>a) Currently in the published detailed procedure for compliance mechanism there is no mention of “Extinguishment” and surrender of certificates is used.</p> <p>b) At present the extinguishment is only defined in context of compliance mechanism, but as the regulations also covers trading of CCCs under offset mechanism, it is suggested to have this provisions as well.</p>
2.	Clause 2 (u) & (v) – Floor Price and Forbearance Price	<p><b>“Floor Price”</b> means the minimum price at which the Carbon Credit Certificates shall be traded on the power exchanges.</p> <p><b>“Forbearance Price”</b> means the maximum price at which the Carbon Credit Certificates shall be traded on the power exchanges.</p>	<p>a) Value of Floor Price &amp; Forbearance price of certificate should be defined.</p> <p>b) We propose the price higher than the minimum floor price equivalent to last notified price of ESCerts or separate mechanism can be in place to determine this.</p> <p>c) It can be mentioned that Floor price and forbearance price are only applicable to compliance mechanism and not offset mechanism.</p>	<p>a) CCC should have a floor &amp; forbearance price to protect the Obligated Entities from market fluctuations</p> <p>b) As current floor price are determined based energy cost which INR 2100 /toe comes to around INR 700/t CO<sub>2</sub>e</p> <p>c) Traditionally the floor price and forbearance price are included in compliance mechanism (such as ETS) and voluntary carbon market does not have such provisions. The voluntary market operates on buyer willingness to pay for the credits,</p>

Sr. No.	Clause Ref.	Current Regulation	Proposed Changes/New Clause to be added	Reason for change
				and it also depends on type of projects, their associated co-benefits.
3.	<b>Clause (7)</b>	<b>The value of the carbon credit certificate shall be as specified in subparagraph 1(c) of Section 2 of the Carbon Credit Trading Scheme, 2023, as amended from time to time</b>	a) It is suggested that value of credit is not specified and let the market decide it and Government can bring necessary market stability provisions such as – floor or forbearance price.	a) The definition in CCTS, the value is notional from definition perspective. There is no monetary value included in CCTS, 2023. Even under ESCerts government does not specify the value, but market conditions discovers it and government only mention floor price/forbearance price
4.	<b>Clause (8)</b>	CCCs shall be categorized by the Bureau for the obligated and the non-obligated entities	a) It is recommended that the categories of certificate be classified as for compliance mechanism and offset mechanism	a) Under the CCTS, 2023, it is also mentioned that non obligated entities can buy carbon credit certificates from compliance mechanism as well, so non obligated entities are expected to participate on both – compliance and offset mechanism. And also, the credits from offset and compliance mechanism are different in their attributes mainly generation, additionality and other aspects. Thus, it is suggested that the credits are differentiated from perspective mechanism and not the entities.
5.	<b>Clause (8)</b>	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 Regulation	It is suggested that the CERC decides on the type of credits to be issued.	It is suggested that CERC takes decision on type of credits, because different exchanges may come up with different terminologies for such CCCs and this may create many type of credits in the market.

Sr. No.	Clause Ref.	Current Regulation	Proposed Changes/New Clause to be added	Reason for change
6.	<b>Clause 9 - Dealing in the Certificates</b>	Sub clause 1 provides that CCCs shall be dealt with only through the <b>Power Exchange</b> and not in any other manner.	Propose that CCCs shall be allowed through bilateral transaction or over the counter (through exchange) also beside trading at Power Exchange. Exchanges can make required platform to facilitate such transactions thus security and transparency is ensured.	This will help corporates – a. To meet its obligation of deficit units though certificate generated from surplus unit b. To meet obligation of different companies within same group
7.	<b>Clause 9 - Dealing in the Certificates</b>		<b>Interchangeability of CCC -</b> Offset Certificates should also be allowed for compliance shortfall target	OE may develop any offset carbon project with intend meeting its target compliance. In case it is not allowed, OE will not have any option to do compliance except to purchase the compliance certificate which will put undue cost pressure on OE and not the intend of law.
8.	<b>Clause 9 - Dealing in the Certificates</b>		<b>Fungibility of Ecerts -</b> ECerts from PAT Cycle should be allowed for conversion in CCC based on requirement of OE.	This will help OE to reduce its compliance cost in initial period till all Escerts exhausted.
9.	<b>Clause 10 - Banking and Extinguishment of CCCs</b>		<b>Compliance within same Company -</b> We suggest to allow CCC utilization for compliance of other OE of same company - CCC of surplus unit will be allowed to set off against another unit shortfall of <b>same company</b>	This bilateral transaction will help to use the available certificates, first for own use by company, before putting for sale in exchange
10.	<b>Clause 10 - Banking and Extinguishment of CCCs</b>		<b>Compliance within same Group Company -</b> We suggest to allow CCC to be used for compliance <b>other company within same group.</b>	
11.	<b>Clause 9 – Dealing in certificates</b>	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.	<b>It is suggested that there is separate consideration for frequency of transaction under the compliance and offset market.</b>	As there could be different volume availability for offset and compliance credits, it is suggested that compliance and offset have different frequency depending on volume and demand.

Sr. No.	Clause Ref.	Current Regulation	Proposed Changes/New Clause to be added	Reason for change
12.	Clause 10 - Banking and Extinguishment of CCCs		Offset mechanism credit do not require banking provisions,	Banking is market stability provisions under compliance carbon market and hence not applicable under offset.
13.	Registration of entities	-	It is suggested that there should be one single registration for three platforms – IT Portal (BEE), Registry (GCI) and Power Exchanges.	Currently three different registration process creates administrative burden as well as increased cost. It can be similar to how we register on Equity market, where we do not register separately with SEBI, CDSL and trading platform and registration is only at one place and information is considered in background and registration is completed across all platforms.
14.	GST	-	It is requested to provide clarity on how GST will be applicable in different transaction of CCCs. (issuance/transfer/surrender/retirement)	