SHANKAR IAS PARLIAMENT
Information is Empowering

Emission Reduction Compliance Mechanism

Prelims* | *Current Events of National Importance

Mains (GS III)* | *Environmental Pollution & Degradation

Why in News?

The environment ministry has issued a draft notification proposing GHG emission intensity (GEI) reduction target under Carbon Credit Trading Scheme (CCTS), 2023.

- All traditionally high-emission industries in India such as aluminum, cement and pulp & paper are obligated to reduce their greenhouse gas (GHG) emissions to meet specific targets.
- **Compliance mechanism under -** Carbon Credit Trading Scheme, 2023.
- **Notification -** Industries have to reduce GEI within a specified time-period.
- If industries do not meet their GEI targets by reducing emissions for the respective compliance year, they will have to purchase ***carbon credit certificates*** from the Indian carbon market.
- In case an obligated entity *fails to comply with the GEI target or fails to submit the carbon credit certificates* equivalent to the shortfall for compliance, the Central Pollution Control Board (CPCB) will impose 'environmental compensation' (penalty) for the shortfall.
- The penalty will be equal to twice of the average price at which the carbon credit certificate is traded during the trading cycle of that compliance year.
- The average price will be determined by the ***Bureau of Energy Efficiency (BEE)***, which has finalized detailed procedures to fix GEI targets (in tonnes of carbon dioxide equivalent) for each of the high emission sectors from the 2023-24 baseline year.
- Environmental Compensation shall be paid within the 90 days from the day of such imposition.
- The targets are in sync with the country's 'net zero' emission goal of 2070 and will contribute to meet its Nationally Determined Contribution (NDCs) climate action targets.
- It is expected that the move may also make these industries ready to face the European Union's proposed *Carbon Border Adjustment Mechanism (CBAM)*, which is to be implemented from next year.
- The CBAM is a tool to put a price through imposing border tax on carbon intensive goods, like iron & steel, aluminium and cement.
- India has, however, strongly opposed the EU's move as it will put a tariff burden on such products of developing countries and impact their trade.

Carbon Credit Trading Scheme (CCTS), 2023

• It is a ***market-based mechanism*** for reducing greenhouse gas emissions.
• It aims to establish the *Indian Carbon Market (ICM)* and supports the country's climate goals.
• The scheme operates through a compliance mechanism and an offset mechanism, allowing entities to reduce emissions through various projects and *trade carbon credits*.
• **Compliance Mechanism -** Mandatory for specific sectors, such as power, cement, steel, and others, with specific emission intensity targets.
• Entities are required to meet these targets or purchase carbon credits from the ICM.
• **Offset Mechanism -** Incentivizes voluntary emission reduction projects from entities not under the compliance mechanism.

References

1. MSN | Emission intensity reduction targets
2. Energetica | Draft GEI target Rules