India's Carbon Market Targets

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Why in News?

Recently, A Climate Risk Horizons report warns India's proposed Carbon Credit Trading Scheme may fail to drive industrial decarbonisation due to weak targets, low carbon prices, and governance gaps.

Carbon Credit Trading Scheme (CCTS)

- **Approach –** Intensity-based (emissions per unit of production), not cap-based emissions trading systems.
- **Mechanism –** Companies reducing emissions beyond targets earn credits and those falling short can buy credits to comply.

International Comparison

- **Global Emissions Trading Scheme –** Cap-based systems limit total emissions; India's scheme allows absolute emissions to rise with production growth.
- **Carbon Prices –** India's projected 10 dollars/tonne far below international benchmarks.
- **Best Practices –** Independent regulators, reserve price floors, stability reserves, harmonisation with renewable obligations.

Concerns Raised

- **Weak Targets –** Encourage incremental improvements, not deep decarbonisation.
- **Lack of Aggressive Ambition –** 2–5% emission cuts by 2026–27 let heavy industries rely on minor efficiency tweaks, not deep decarbonisation.
- **Omission of the Largest Emitter –** Power sector, responsible for 55% of India's GHG emissions, is excluded from mandatory compliance and kept

under voluntary participation.

- **Risk –** Paying to pollute could become preferred strategy for high-margin polluters.
- **Governance –** Government acts as regulator and operator risks to competitive neutrality.

Reference

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