The need of BRICS carbon market partnership

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Why in news?

Following the reaffirmation of the ***BRICS Carbon Markets Partnership*** *under the New Delhi Declaration, attention has shifted from high-level political commitments to practical implementation.*

What are the fragmented domestic carbon markets?

- **Divergent Cap Systems - China and India** implement output-based **emissions-intensity benchmarks** (capping emissions per unit of economic output rather than placing an absolute ceiling on total emissions).
- India's Carbon Credit Trading Scheme (CCTS) focuses heavily on compliance/voluntary structures across designated sectors.
- **Brazil** has advanced toward an absolute cap-and-trade system under its domestic greenhouse gas emissions trading legislation (SBCE).
- **Inward-Looking Offset Rules-** Most member systems restrict offsets to domestic projects or recognize narrow national categories (e.g., China restricting to CCERs; India prioritizing newer timelines), preventing cross-border fungibility.
- **Varying Legal Definitions -** Carbon units are governed differently across jurisdictions regulated as securities instruments in some nations while functioning via power exchanges or administrative permits in others.

Comparative Framework

Dimension	Common Trading Platform (Premature)	Common Rulebook & MRV (Recommended)
Focus	Direct cross-border exchange of carbon credits and financial clearing	Harmonizing measurement, reporting, verification standards, and registries
Feasibility	Low, due to differing domestic caps, intensity vs. absolute targets, and capital account restrictions	High, as it builds on existing frameworks (e.g., ISO 14064 standards)
Response to External Pressures	Fails to protect exporters against external carbon taxes without verified data	Directly equips exporters with credible documentation to minimize Carbon Border Adjustment Mechanism (CBAM) liabilities
Institutional Load	Requires massive new multinational financial infrastructure	Leverages existing institutions like the New Development Bank (NDB)

What are the external pressures?

- The urgency for a unified BRICS carbon accounting framework is heightened by external trade measures such as the European Union's Carbon Border Adjustment Mechanism (CBAM) (which entered its definitive phase) and upcoming rules from the United Kingdom:
- **Risk of Double Penalization -** Exporters of carbon-intensive goods (such as steel, aluminum, and cement) face severe levies unless they can prove that an equivalent carbon price was paid at origin.
- **The Need for Credible Data -** While external bodies (like the UK) have begun recognizing domestic systems like India's CCTS under strict verification parameters, exporters lacking robust, transparent measurement data face punitive default values.
- A cohesive BRICS standard would strengthen the bloc's collective negotiating power against unilateral trade barriers.

What the BRICS carbon market partnership needs?

- **Prioritizing Common Measurement, Reporting, and Verification (MRV) -** Establishing shared rules for carbon accounting aligned with international frameworks (like ISO 14064) ensures that a ton reduced in one member state carries equivalent credibility in another.
- **Mutual Recognition of Verifiers -** Formally recognizing accredited validation and verification bodies across national boundaries prevents redundant compliance checks for cross-border businesses.
- **Harmonized Registry Data Architecture-** Adopting compatible digital fields across national registries prevents double counting and mitigates the risk of dual issuance of credits.
- **Targeted Article 6.2 Pilots -** Rather than full market linkage, a subset of members can initiate small-scale bilateral or trilateral trading pilots under **Article 6.2 of the Paris Agreement**, utilizing institutions like the **New Development Bank (NDB)** to host shared registry infrastructure.



What is the way forward?

- The success of the BRICS Carbon Markets Partnership depends on shifting its focus away from broad political declarations toward technical convergence.
- By establishing transparent carbon accounting rules, addressing capital-account transfer complexities, BRICS can turn its vast carbon market potential into a functional instrument for

sustainable development.

Reference

[The Hindu | BRICS carbon market partnership]

