



# WORLD SUSTAINABLE DEVELOPMENT SUMMIT 2023

MAINSTREAMING SUSTAINABLE DEVELOPMENT  
AND CLIMATE RESILIENCE FOR COLLECTIVE ACTION

February 22-24, 2023  
New Delhi



WORLD BANK GROUP

## Role of Carbon Markets in India's Developmental Transition

### THEMATIC TRACK SUMMARY

Venue: Jacaranda I

Date: February 23, 2023

Time: 4:00 pm - 5:30 pm (IST)

#### Suggested Citation

World Sustainable Development Summit (2023), Role of Carbon Markets in India's Developmental Transition, Thematic Track Summary (Rapporteurs: Krupa Manerkar and Pratyush Pranjal), New Delhi: The Energy and Resources Institute.

## Actionable Messages

**Message 1:** The domestic market has the potential to be linked on an international level. Having a national carbon registry which can be linked to an international registry would be part of a solution.

**Message 2:** A balance should be maintained. The cost of MRV shouldn't be exponentially high.

**Message 3:** Countries need to define their needs based on national requirements. Infrastructure is critical to the efficiency and functioning of the market.

**Message 4:** Digitization of MRV systems is a must in a country like India.

**Message 5:** There has to be some idea on how the convergence of voluntary and compliance markets would look like, including the time field it applies to, which sectors are going to play a role, and attracting private investments in ongoing projects.

**Message 6:** Some considerations while selecting a suitable voluntary standard are activity type, credibility, co-benefits, price offered, safeguarding, and user-friendliness.

**Message 7:** A lot more financing is required for domestic and international markets to proliferate and to fill the gaps.

**Message 8:** Price regulation is important, otherwise, there will not be adequate carbon financing and there will be a reversal of credits.

## Narrative

The thematic track session titled, “Role of Carbon Markets in India’s Developmental Transition” was conducted as part of the World Sustainable Development Summit (WSDS) - the annual flagship initiative of The Energy and Resources Institute (TERI). The aim of the session was to seek inputs on critical next steps to operationalize India’s carbon markets, means to strengthen the domestic carbon framework, and more importantly, to increase the role and participation of the private sector in these markets. The panel discussion was chaired by **Mr. RR Rashmi, Distinguished Fellow, TERI**. Discussions on various topics unfolded, which included: role of markets in supporting sectoral decarbonization towards meeting India’s climate ambition, essential design elements for an internationally linkable domestic carbon market, how markets can include non-energy sectors in the subsequent phases, role of voluntary carbon markets in this decarbonization story, and how markets can enable greater RE beyond solar and help scale the clean energy transition.

The session began with the opening remarks by Mr. RR Rashmi, who noted that carbon markets is an area that has been developing at a fast rate. He went on to say that India is not a stranger to carbon markets and different initiatives have already started working in this sector. He also said that the achievements of the carbon market in the process of its implementation is something we need to understand along with the possible aspects of growth, potential, and areas where different stakeholders can contribute. He then posed a question to the panellists regarding whether we are looking at carbon markets as a means to financing growth and decarbonization, or we are looking at them to simply reduce emissions? Since India is not at the stage of growth of using the carbon market to reduce emissions but rather to use it to finance our growth, Mr Rashmi pointed out that the recent amendment to the Energy Conservation Act will help to power this process. He drew attention to different contradictions that troubled carbon markets, like the use of carbon markets for the purpose of finance or the purpose of decarbonization, if the markets will be completely domestic or they’ll also be internationally linked, whether the market will be of voluntary or compliance form, and whether the carbon market will deal with renewable energy or it’ll shift its focus on other energy sectors as well.

After the opening remarks, **Ms. Ritu Ahuja, Climate Change Analyst, The World Bank** gave the framing presentation. She remarked that the developmental transition that we are in and likely to be in, in the years to come will be very complex, not only because we will be aiming for higher growth rates in the future but also due to severe social, economic, and developmental challenges that will have to be tackled simultaneously. She said that some developmental challenges include the scale of urbanization, the amount of increase in energy demand and the burden on the energy system that it could induce and the scale of infrastructure that is yet to be built. She also spoke of how India has continued to increase its ambitions amidst all of this by recently updating its NDCs, which aim for a higher level of installed capacity of non-fossil fuel sources and also for reduced emissions intensity. India’s net zero target for 2070 was mentioned along with a need for scalable finance to further this movement. She sought out the use of green credits, interchangeable credits, and incentive-based market mechanisms.

The keynote address was given by **Mr. Saurabh Diddi, Director, Bureau of Energy Efficiency, Ministry of Power, Government of India**. He shared his thoughts about how decarbonization is going to accelerate the market. According to him, we shouldn’t restrict the market to a domestic carbon market, because it will eventually be linked with international markets. He elaborated on how our meta registry will be in sync with international and voluntary carbon markets. He stressed on how the validation of credits and their credibility is of importance and the need for a robust MRV is crucial. Stringent procedures of accreditation will cause the cost of MRV to increase and a lot of projects could become unviable, so he

also suggested a balance to be maintained to control this phenomenon. He also talked about the linkage of certificates to SDGs in offset markets.

Taking the discussion forward, **Dr. C S Sinha, Advisor on Climate Change, The World Bank** talked about necessary infrastructural requirements to support carbon markets. He said that registries, which are online databases that issue, record, and track the carbon units that are exchanged within market mechanisms or financed through results-based climate finance programs, contain ranges within which they operate. In order to ensure transparency of registries, he explained how a metadata layer created by World Bank will capture data from the registries and allow transaction between countries. This will help gather information in real time and could be used to avoid double counting. He also said that countries need to define their needs based on national requirements and infrastructure is critical to the efficiency and functioning of the market.

Next, **Ms. Mahua Acharya, MD and CEO, CESL** spoke on the role of carbon markets in India's development transition. She mentioned that if she had a carbon credit revenue stream coming in from the electric bus program she was on, it would've been much easier to build the business model and convince the state government to shift to electric buses. She emphasized how the digitization of MRV systems is a must in a country like India. She concluded with the point that countries are developing their own registries and to fix the problem of double counting, all the registries could be connected with each other.

After this, **Mr. Deepak Gupta, Senior Vice President & Head of Carbon Business, ReNew Power** touched upon the role of markets in scaling renewables beyond solar. He said that the international focus on carbon markets has increased multi-fold in the last few years. Alongside, he mentioned that we should have an idea of how the convergence of voluntary and compliance markets would look like, including the time field they apply to and which sectors would play a role and attract private investments in the ongoing projects. He endorsed the idea of funding through private sectors instead of just relying on the government.

**Dr. Lokesh Chandra Dube, Senior Standards Manager, Gold Standard, India** shared his thoughts on the voluntary carbon market. He emphasized the need to have voluntary markets that reach difficult-to-access areas, users, and citizens. He laid down some considerations in selecting a suitable voluntary standard, such as activity type, credibility, co-benefits, price offered, safeguarding, and user-friendliness.

**Ms. Neha Khanna, Manager, Climate Policy Initiative** went through the landscape of climate finance in India and the role of carbon markets. She elaborated why energy transition needs to happen in India because it will lead to generalized pricing in domestic and international carbon markets. She also said that we need a lot more financing for domestic and international markets to proliferate and fill the gaps in the markets. Her focus was on monetizing carbon and making the process accurate.

**Mr. Vikash Kumar Singh, Executive/Compliance Officer, Carbon Checks (India) Pvt. Ltd** insisted that the carbon pricing for nature-based solutions should be optimized. According to him, price regulation is another important aspect to be considered, which, if neglected, could lead to inadequate carbon financing and a reversal of credits.

## Making Words Count @WSDS 2023

“	<p>India is not a stranger to carbon markets and different initiatives have already been started in this regard. The achievements of the carbon market in the process of its implementation is something we need to understand along with the possible aspects of growth, potential and areas where different stakeholders can contribute.</p> <p style="text-align: right;"><b>Mr RR Rashmi, Distinguished Fellow, TERI</b></p>
“	<p>The developmental transition we are in now and that which is to come in the future is very complex. There are severe social, economic, and developmental challenges that are all happening at the same time. The domestic market has the potential, if needed, to be linked on an international level. Having a national carbon registry which can be linked to an international registry would be part of a solution.</p> <p style="text-align: right;"><b>Ms Ritu Ahuja Climate Change Analyst, World Bank</b></p>
“	<p>An important area is MRV and who does the validation of credits. In the voluntary markets of India, the credits should have more credibility, which is yet to be seen. A balance should be maintained. The cost of MRV shouldn't be exponentially high.</p> <p style="text-align: right;"><b>Mr Saurabh Diddi Director, Bureau of Energy Efficiency, Ministry of Power, Gol</b></p>
“	<p>Metadata layer created by World Bank will capture data from registries and allow transaction between countries. Countries need to define their needs based on national requirements. Infrastructure is critical to the efficiency and functioning of the market.</p> <p style="text-align: right;"><b>Dr C S Sinha Adviser Advisor, Climate Change, World Bank</b></p>
“	<p>Digitization of MRV systems is a must in a country like India. Countries are developing their own registries and to fix the problem of double counting, all the registries can be connected with each other.</p> <p style="text-align: right;"><b>Ms Mahua Acharya MD &amp; CEO, CESL</b></p>
“	<p>International focus on carbon markets has increased multi-fold in the last few years. We should have some idea on how the convergence of voluntary and compliance markets would look like, including the time field it applies to, which sectors are going to play a role, and attracting private investments in the ongoing projects.</p> <p style="text-align: right;"><b>Mr Deepak Gupta Senior Vice President &amp; Head-Carbon Business, ReNew Power</b></p>
“	<p>We need to have voluntary markets that reach difficult-to-access areas, users, and citizens. Some considerations in selecting a suitable voluntary standard are activity type, credibility, co-benefits, price offered, safeguarding, and user-friendliness.</p> <p style="text-align: right;"><b>Dr Lokesh Chandra Dube Senior Standards Manager, Gold Standard, India</b></p>
“	<p>Energy transition needs to happen in India as this will lead to a generalized pricing in domestic and international carbon markets. We need a lot more financing for domestic and international markets to proliferate and to fill the gaps.</p> <p style="text-align: right;"><b>Ms Neha Khanna Manager, Climate Policy Initiative</b></p>
“	<p>The carbon pricing for nature-based solutions has to be optimized. Price regulation is important, otherwise, there will be inadequate carbon financing and a reversal of credits.</p> <p style="text-align: right;"><b>Mr Vikas Kumar Singh Executive/Compliance Officer, Carbon Checks (India) Pvt Ltd</b></p>