

'UN carbon programmes may help India take a fifth of \$1 trn global market'

At COP29 in Baku last year, the International Emissions Trading Association (IETA), a global body working on pricing and trading greenhouse gas reductions, pushed to operationalise Article 6, the United Nations' (UN's) carbon-credit mechanism. Meanwhile, India is working to launch a Carbon Credit Trading Scheme (CCTS) by October 2026, which is being sped up to alleviate the impact of the European Union's (EU's) cross-border carbon tax (CBAM) on India's exports to the EU from next year. In an interview with **S Dinakar** in New Delhi on the sidelines of Prakriti 2025, the government's first global carbon event, **DIRK FORRISTER**, president and chief executive of the IETA, spoke about Article 6 and CCTS. Edited excerpts:

How much more needs to be done before Article 6 gets fully operationalised?

The operationalisation depends on getting the methodologies updated. The registry that was used in the Clean Development Mechanism programme (precursor to Article 6) was rock solid, and people had confidence in it. But that was 20 years ago; technology has moved, particularly around block chain, which is seen as more secure, contains more information, and gives the whole document flow. The UN has floated a tender to appoint a registry. We are expecting to see more in the June-October 2025 timeframe.

How much value can Article 6 offer to India's economy?

We did some economic modelling of a perfectly functioning Article 6. It showed that the global market size

would be of the order of \$250-300 billion by 2030. India will have an edge within that. It is one of the big sellers, with something like a 20 per cent share. That market would grow to \$1 trillion a year by 2050. That is, if you are trying to get to a global-warming cap of two degrees Celsius. If you go to 1.5 degrees, it will be more like \$1.5 trillion a year. That is the value of international cooperation under Article 6.

Will there be an additional value to the Indian economy from the domestic carbon market?

Yes, I think it will generate its own economic engine. It will propel India-developed technologies into a new use. That money doesn't go away. It is employing people and materials.

What is IETA looking for in India's proposed CCTS?

Firstly, it sees the target set in a way that

reduces emissions and creates demand. They will, therefore, either make reductions or produce reductions to sell.

There's some additional clarity needed around offsetting categories like accrediting methodologies — whether the list is long enough, and whether we need additional ones brought in. Again, another technical thing is having the system approve verifiers that are high-integrity firms which can be trusted to carry out emission verification.

So, India would need stringent standards. But there is a cost to these standards...

There is definitely a cost to running the programme because the companies, the covered entities, will buy equipment to improve their own performance. At the same time, if there are sectors that are not covered and can produce credits at a lower cost, they may use that to bridge the time when they can get everything they want to do installed on

their plant.

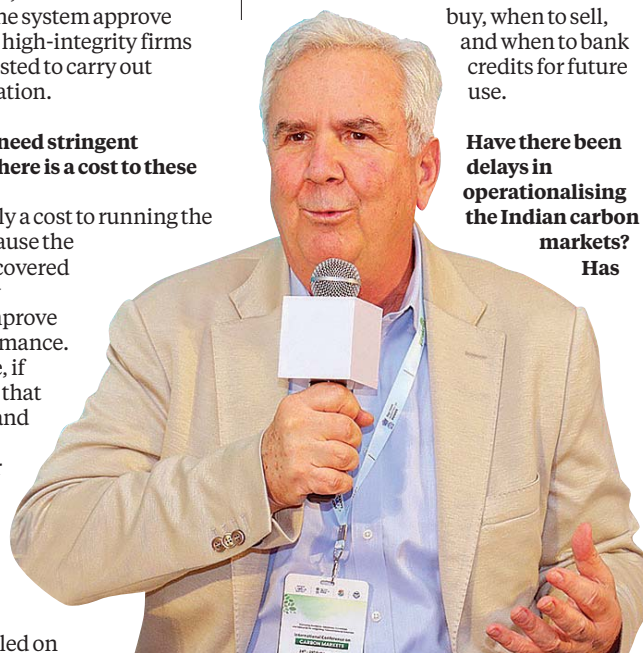
But the cost of the product goes up, right? So, the competitiveness of Indian companies will be impacted...

But it is happening to all of them at the same time. It creates a competitive model that should help businesses that can use the market to their advantage to know how to and when to

buy, when to sell, and when to bank credits for future use.

Have there been delays in operationalising the Indian carbon markets?

Has



that got to do with the delay in operationalising Article 6.4?

I don't know all the inner workings of the ministries here, but I think a part of it is coordination across ministries with governance responsibilities over some sectors involved, and getting the details right. This is one of the early lessons in the EU: They didn't have great data when they started, so the first phase was a little sloppier than the second.

How does the operationalisation of Article 6.4 impact the Indian carbon markets?

Well, I think there is a broad effort to have a threshold standard that all crediting programmes use. The availability of the 6.4 mechanisms gives a country an option for something completely independent of them, especially if it wants to sell internationally — that is an internationally recognised UN stamp of approval.

I think India is probably recognising some of those challenges before; the ability to do it yourself has got some appeal, but it is also a complicated thing to run yourself. California recognises independent standards which it then reviews and approves. It takes a lot of detailed work off its plate so that it can operate more efficiently.

How does India's CCTS compare with

an EU ETS or California's? I believe CCTS is based on emissions intensity.

That extra step of getting to emissions intensity is more complex than absolute caps used in the more mature markets. China has had an intensity-based programme for its power sector, but it has been a bit more staff-intensive to operate; it is thinking of changing to absolute because it will be simpler to administer. India is looking at intensity. It fits with its NDC, the pledge made to the Paris Agreement.

But will it be more difficult to manage an intensity-based scheme compared to an absolute cap scheme?

The challenge is, if you are in a rapidly growing economy and implementing a flat absolute target, it is hard to get the political buy-in. So, it is natural to start with the other and see what kind of results you get. I'm sure there are going to be adjustments.

India is also going for unit-based compliance targets instead of sector-based? Is that complicated to administer?

Well, there's a new movement in some of the crediting programmes — to what they call a jurisdictional level, which is like a sectoral level — right? Those are usually more absolute in nature, but they also have a better protection against carbon leakage worries.