

# India, Japan may sign pact on sharing emission-reduction credits

PUJA DAS

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India and Japan are finalising the Joint Crediting Mechanism (JCM) to share emission reduction credits, with a memorandum of cooperation expected within two months, according to two government officials.

The JCM will facilitate the deployment of decarbonising technologies through Japanese investments, contributing to greenhouse gas (GHG) reductions and sustainable development under Article 6.2 of the Paris Agreement. Once finalised, carbon credits will be tracked through a registry, with joint committees managing projects and certifying credits issued based on reports. These credits will help both countries meet their Nationally Determined Contributions (NDCs) — a climate action plan aimed at reducing emissions and adapting to climate-related impacts — one of the officials informed.

“We have negotiated a draft memorandum of cooperation with the government of Japan and are currently seeking approval from our government.

All relevant ministries — including economic affairs, power, renewable energy, and petroleum and natural gas — are being consulted. Most ministries have submitted their comments, and some are still pending. Once the inter-ministerial consultation is complete, it will go to the cabinet for approval,” the second official stated. The JCM is a Japan-initiated bilateral framework that facilitates the transfer of climate-friendly technologies and expertise from developed to developing countries to achieve emission reductions and promote sustainable development. In turn, the developed country can use these credits to help meet its NDC targets under the Paris Agreement.

Although no specific capital expenditure is outlined in the draft as it will vary from project to project, principles like mobilising international finance and subsidising projects to keep output costs manageable for the Indian economy are involved it, the official informed. “You can subsidise projects to the extent that the final product price is comparable to traditional sources, which



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## IN A NUTSHELL

- The JCM aims to promote the transfer of Japanese technologies and expertise to partner countries to reduce greenhouse gas emissions
- The mechanism contributes to the sustainable development of partner countries by supporting the implementation of low-carbon technologies and infrastructure
- It uses a quantitative approach to

assess and verify emission reductions, ensuring transparency and environmental integrity

■ The JCM helps both Japan and partner countries achieve their Nationally Determined Contributions (NDCs) under the Paris Agreement

■ These credits can be used by Japan to contribute to its NDC while the remaining credits can contribute to the partner country's NDC

is how you account for the pricing of credits,” the official explained.

Queries sent to spokespeople and secretaries of the mentioned ministries and the Japanese embassy in New Delhi remained unanswered till press time.

Certain activities, technologies, and actions needed for lower carbon emissions are either not readily available or are very expensive. For instance, electricity can be generated through traditional coal methods or coal thermal

power. There is a significant cost difference between the two methods, which is attributed to emissions.

India seeks to adopt technologies that can help achieve zero emissions in the long term. However, these technologies cannot be deployed immediately due to their high costs or unavailability. The plan is to introduce these technologies under Article 6.2 of the Paris Agreement once the cooperation pact is signed.

“Then the cooperating country can

achieve carbon neutrality, but they must subsidise the project so that the cost of the output product — such as electricity — becomes equal to or competitive with coal power,” the official revealed about the intent of the JCM partnership with Japan. “If the technology is in Japan and not in India, the project should include additional incentives for India so that it can eventually deploy the technology,” the official added.

Japan will receive the credits in

exchange, which they can incorporate into their NDC.

In return, Japan can account for the emission reductions resulting from the collaboration and add it to their environmental expenses. “It is primarily an accounting exercise, but they have to pay for it,” explained the official. While the officials couldn't estimate the number of projects Japan would be willing to subsidise, they mentioned around 14 sectors outlined under the UN's Article 6.4 carbon mechanism. This list includes renewable energy with storage, solar thermal power plants, green hydrogen, and sustainable aviation fuel. The nature of each project will differ, and negotiations will be conducted accordingly. “We are getting negotiation principles approved. However, we will enter the negotiation phase once the MoU is signed,” one of the two official said.

According to Avantika Goswami, programme manager for climate change at the Centre for Science and Environment, high-cost mitigation strategies should target sectors that are currently not attracting the right financing or have high costs of implementation.