



INDIA
GHG
PROGRAM

Promoting profitable, sustainable
and competitive businesses.



Carbon Pricing

- Paris to Marrakesh - Big on Coverage
 - ❖ 90 INDCs expressed interest in using carbon markets to reach their emission reduction goals
 - ❖ Article 6 to ensure INDCs remain the floor, and countries being encouraged to go *beyond their minimum*
- Global Carbon Markets on the rise
 - ❖ State & Provincial Efforts (California, Quebec, RGGI, China)
 - ❖ Pluri-lateral Forms (EU ETS)
 - ❖ Multilateral Forms (191 nation led International Civil Aviation's initiative for global market-based measure)
 - ❖ Implicit Forms (PAT Scheme for India)

What Carbon Pricing means in Practice (and in Context)

Governments

*Cap-and-trade or
emissions trading system*

Carbon tax



Companies

Shadow price

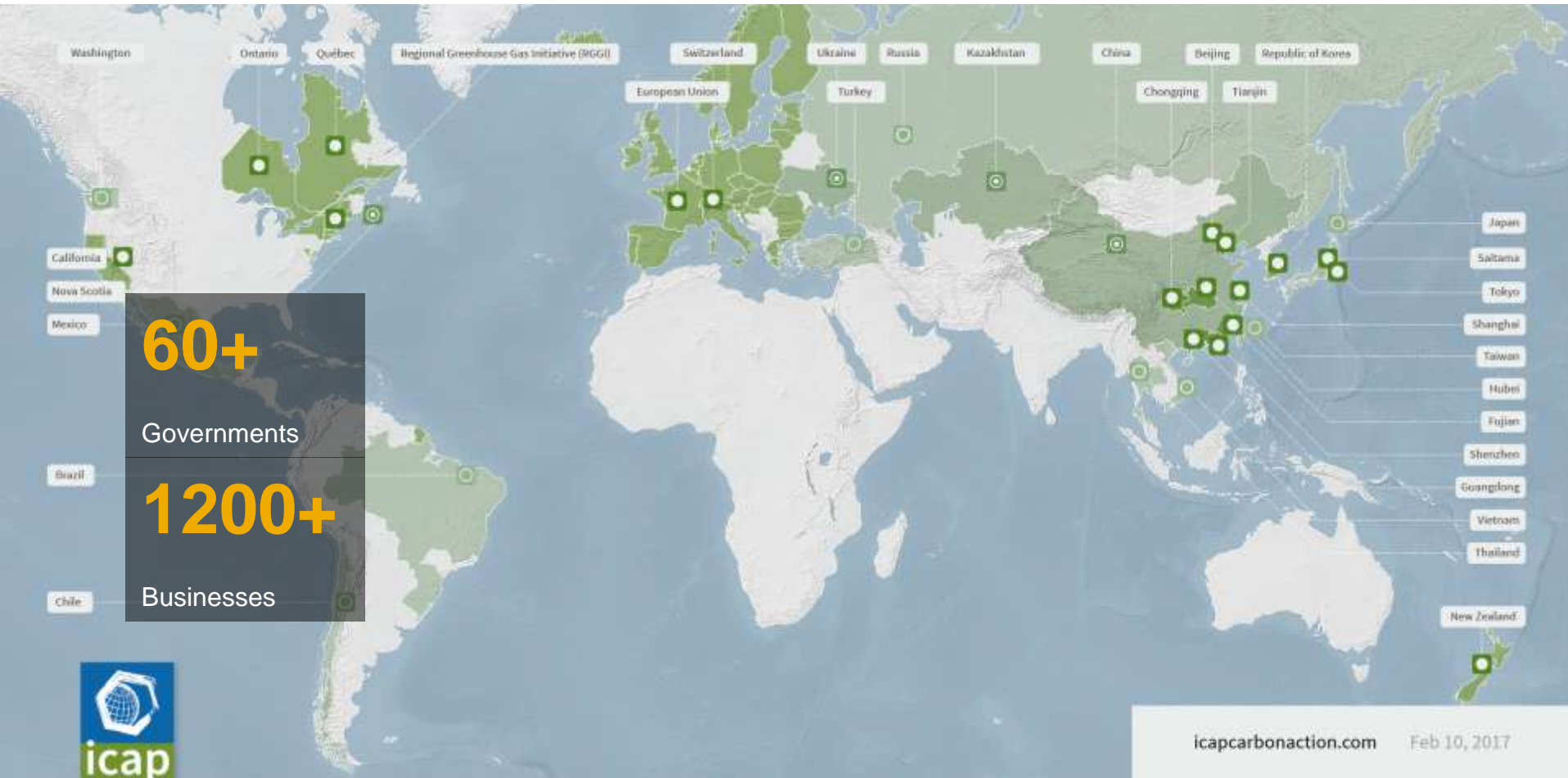
Internal taxes, fees, or trading systems

Implicit price



Different actors applying the same principle: Polluter Pays

World Map



Source: https://icapcarbonaction.com/en/?option=com_attach&task=download&id=457



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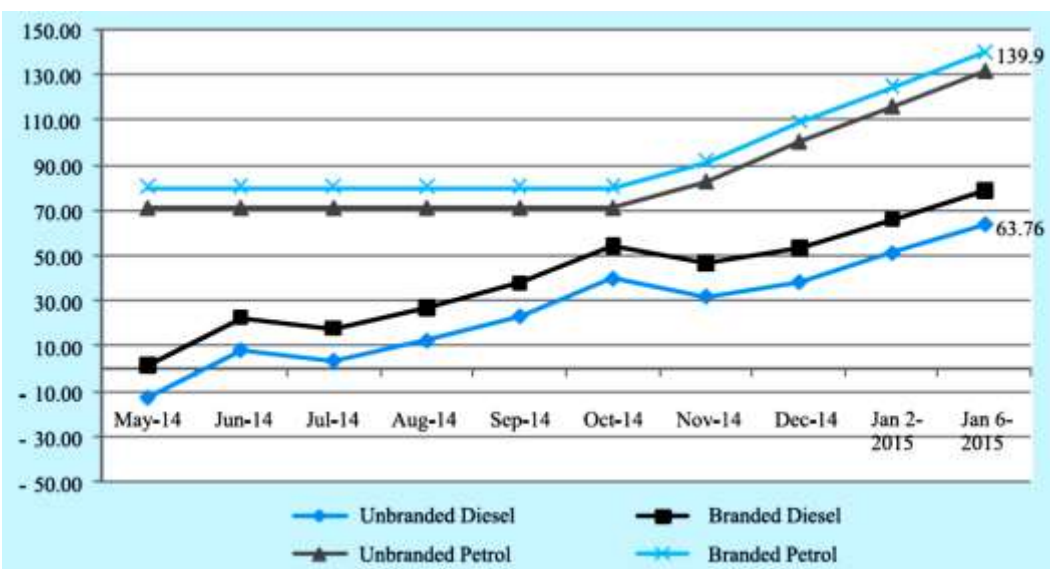
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Carbon Price in National Context

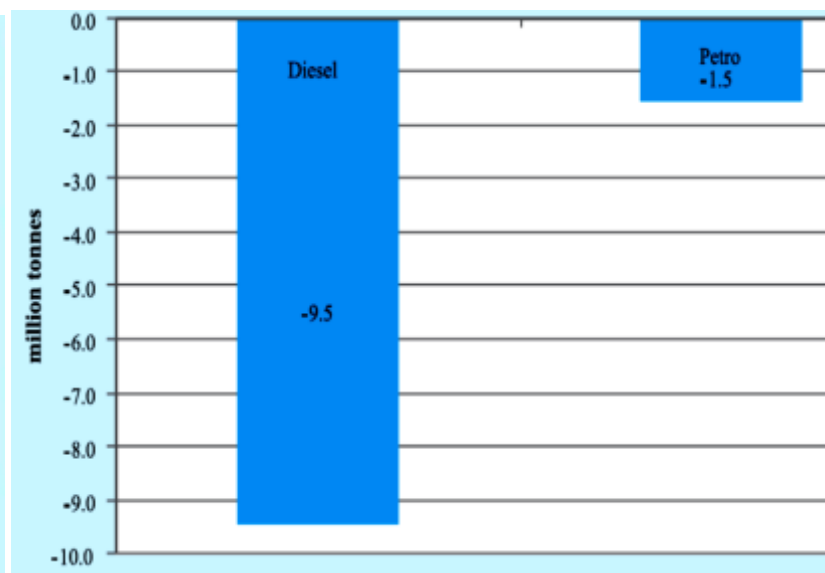
LANDSCAPE: India and Carbon Tax

Implicit Carbon Tax from Increasing
Excise Duty on Petrol & Diesel,
May 2014-Jan2015 (USD/tCO₂)



Source – India Economic Survey, 2014-15

CO₂ emission reduction from Petrol &
Diesel Pricing Measures in 2014

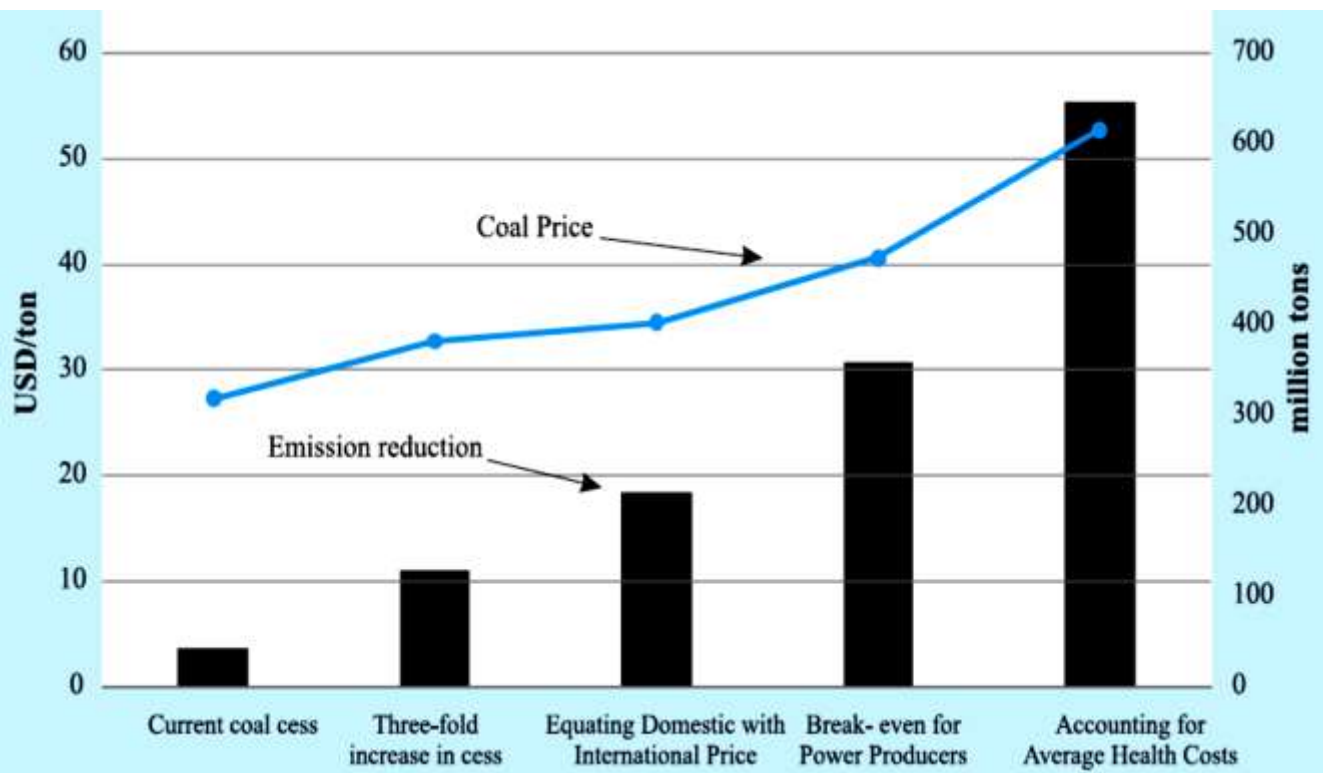


India's actions have already resulted in savings of 9.5 million tCO₂ from Diesel and 1.5 million tCO₂ from Petrol as compared to the business as usual scenario, in the situation of excise duties being increased.

Source - World Bank Estimates

LANDSCAPE: India and Carbon Tax

Implications of Alternative Coal Taxation, Coal Price Increase and CO₂ Reductions



A potential increase in coal cess to about \$30/ton i.e. the level at which coal based power producers could still break-even; would result in an estimated 358 mtCO₂ savings per year.

Source - World Bank Estimates

India's Market Readiness Proposal

Upstream Policy Work

- ✓ Identifying SMART policies
- ✓ Analysis of policy interactions
- ✓ Assess learnings from existing mechanisms



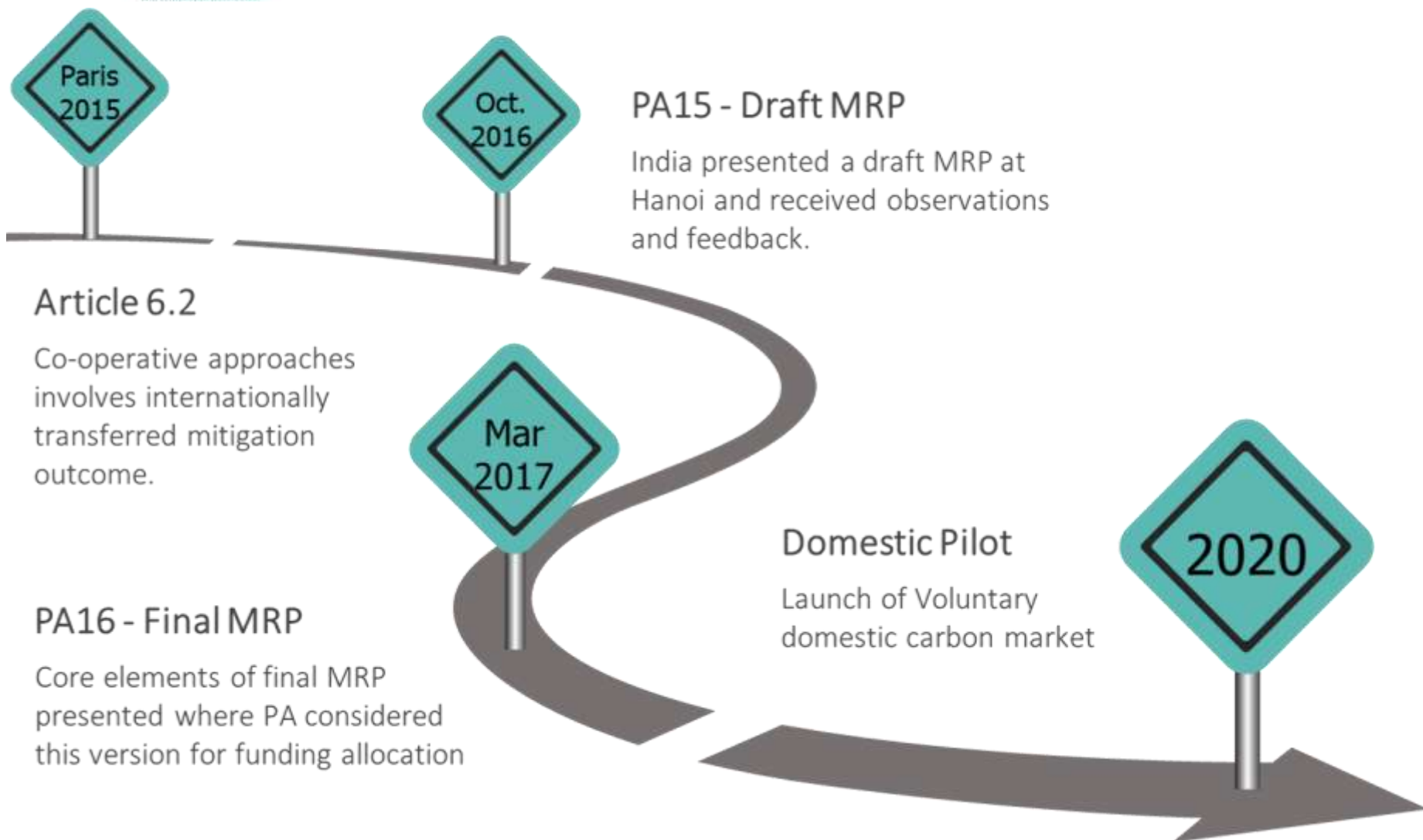
Meta registry

- ✓ Data management and transaction
- ✓ Option of linking existing MBMs with new MBMs
- ✓ Explore Opportunity of linking with new international registry

Designing a Pilot

- ✓ Emphasis on Co-benefits
- ✓ Explore linking and enhance fungibility
- ✓ Creating demand

Domestic Carbon Market



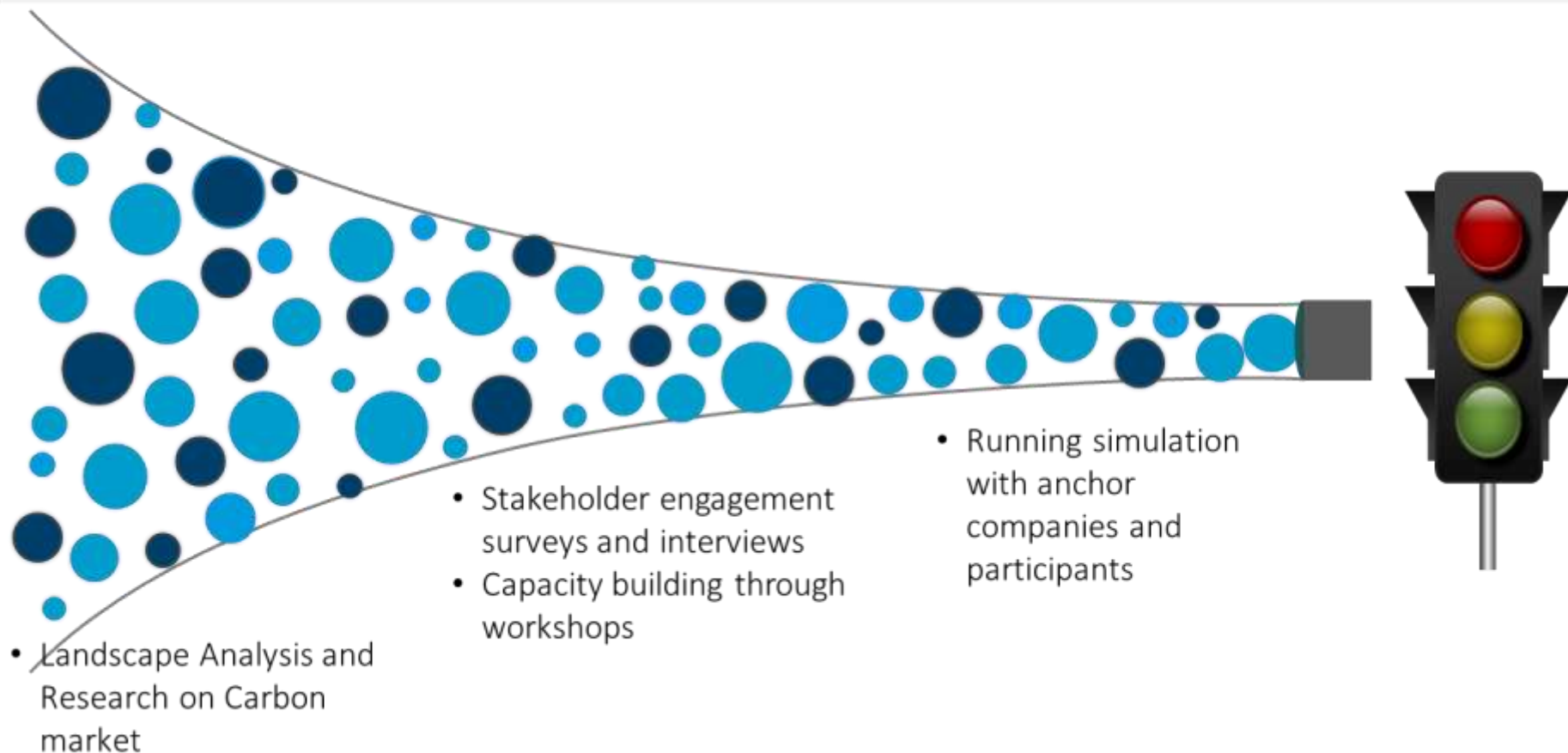
Carbon Market Simulation

Design Research

Stakeholder
Consultations

Simulation
Exercise

Outcome
Measurement





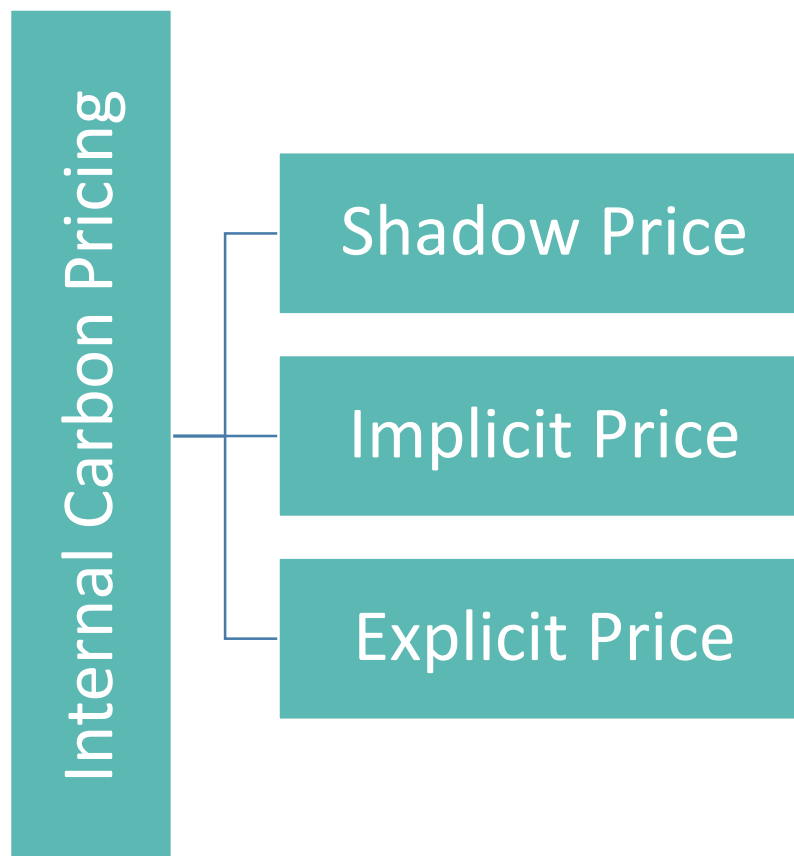
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Internal Carbon Pricing

Types of Internal Carbon Price



Goals

Emission reduction
(Absolute vs
Intensity)

Net Carbon
Neutrality

Target Specific
GHGs phase out

Shift Business
investments

Investment Risk
Assessment

Achieve Science
Based Targets

Align with
Regulatory

Buying offsets

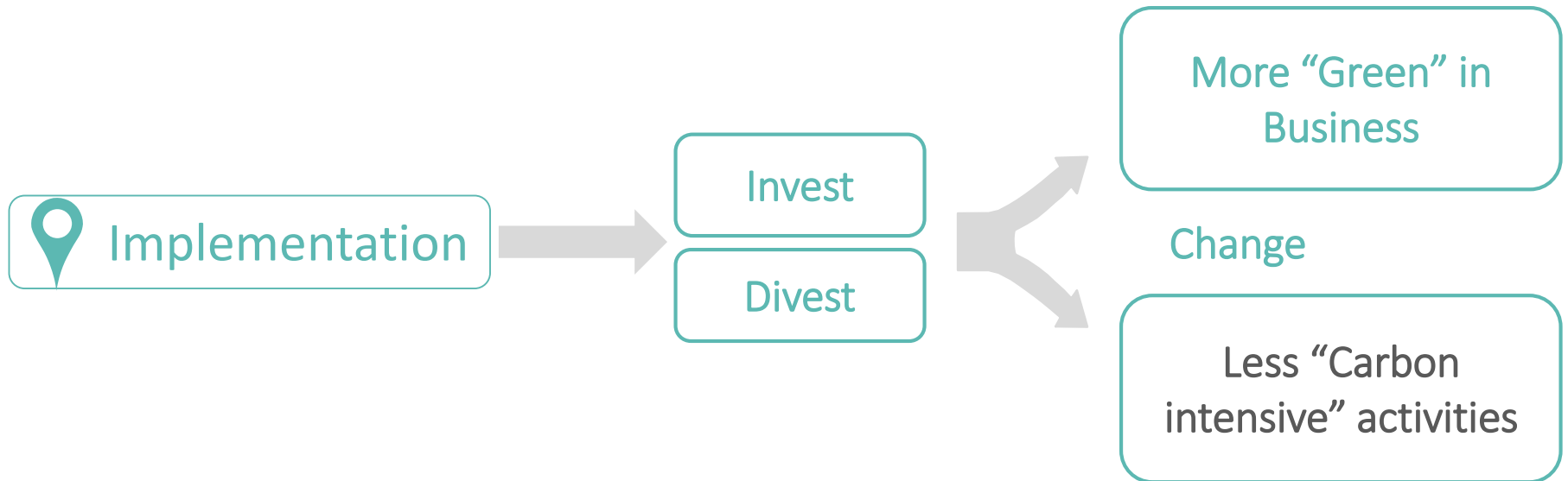
Reduce operational
Emissions

An emerging Matrix

	Non-regulated	Regulated
Shift investments	SHADOW PRICE IMPLICIT PRICE	SHADOW PRICE
Raising Funds	EXPLICIT PRICE	EXPLICIT PRICE

	Goals				Shift Investments	
	Risk Assessment	Mitigation Targets	Encourage Innovation	Emission Reduction	Non-regulated	Regulated
Shadow Price	✓	✗	?	?	✓	
Implicit Price	✓	✓	?	✓	✓	
Explicit	?	✓	✓	✓		✓

Operationalize



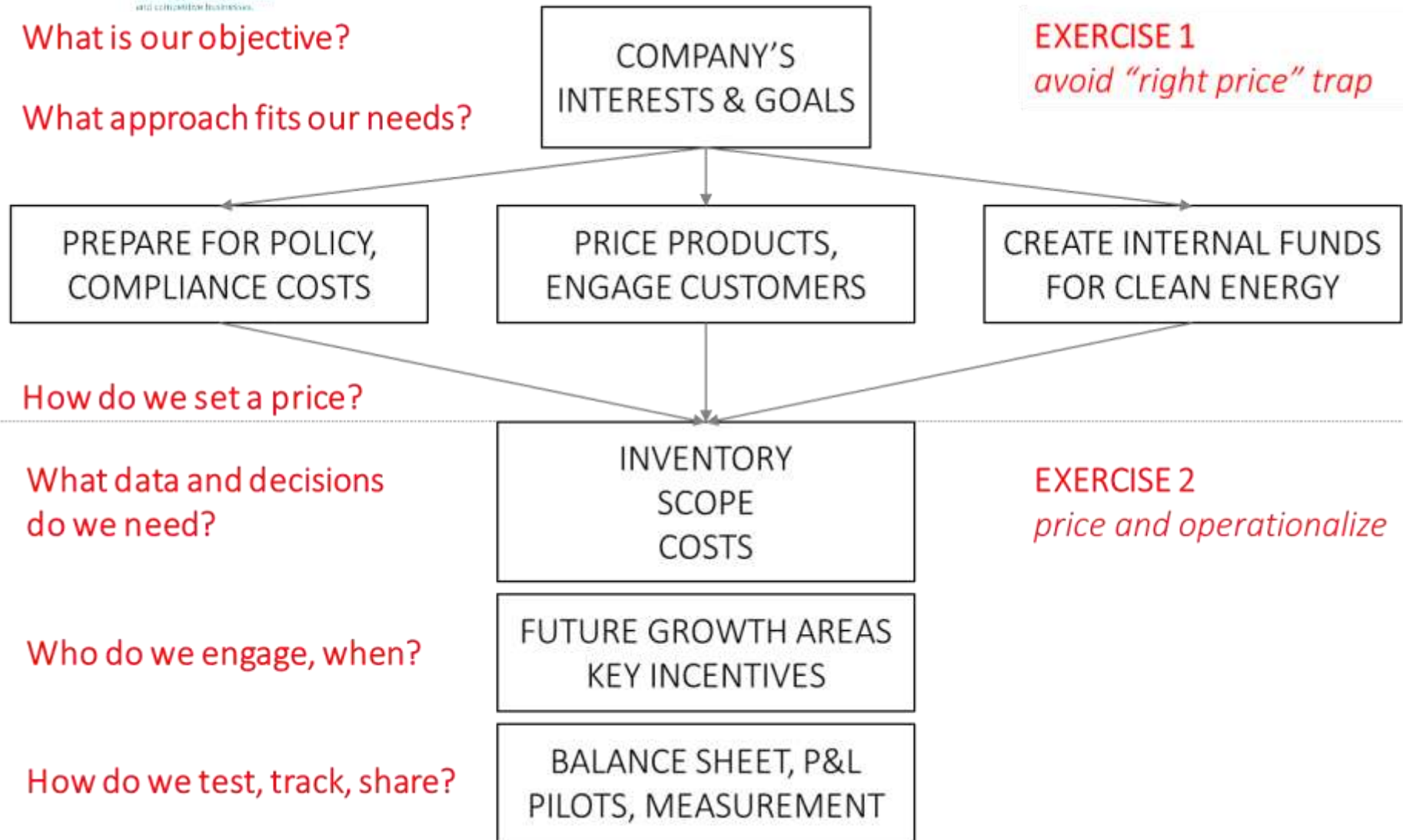
EXERCISE

What is our objective?

What approach fits our needs?

EXERCISE 1

avoid "right price" trap



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