

## **The Project:**

The “Carbon Market Simulation” project under the India GHG Program aims to develop corporate readiness and help businesses best leverage the opportunities from potential market based mechanisms to meet their emission reduction goals. Through a review of relevant domestic and international experiences, extensive stakeholder engagement and the evidence base created from the simulation, the project would also help provide concrete policy recommendations for an internationally linked carbon market for India. This aligns with the Paris Agreement’s call for internationally tradeable mitigation outcomes (ITMOs), that is efficient, sustainable and facilitates accelerated emission reductions to help India achieve its NDCs.

## **Background:**

Launched in July 2013, the India GHG Program (IGHGP) aims to facilitate profitable, competitive, and sustainable businesses through mainstreaming GHG emissions measurement and management in India. With India’s ratification of the Paris Agreement and its committed Nationally Determined Contributions (NDCs), IGHGP partners are exploring avenues to help facilitate a low carbon pathway to achieving these targets. While India has implemented an implicit carbon tax (national clean energy cess) since a few years, additional considerations on an industry wide cap and trade scheme are being made to accelerate progress towards India’s NDCs. To this effect, India has signed up and is now a participant to the World Bank’s Partnership for Market Readiness (PMR), which supports countries to assess, prepare, and implement carbon pricing instruments to scale up greenhouse gas mitigation. The PMR has announced an \$8 million grant for India to prepare for and pilot the use of carbon pricing instruments<sup>1</sup>. To help strategic realignment in the wake of the new climate regime, IGHGP proposes to advance this thinking both in the policy circles as well as industry and active civil society, think tank and research organizations by simulating a real-time, virtual cap & trade scheme across businesses in India, starting with the IGHGP’s cross sectoral member base and industry network, representing more than 50-60% of India’s industry related emissions.

WRI India, as the Secretariat of the IGHGP, would engage intensively with the key stakeholders to design and implement a virtual carbon market at the national or sectoral level from conception to trading that would help inform policymaking with insights and recommendations on design, implementation, and monitoring, reporting and verification (MRV) that build on current and emerging practices in carbon or particulate emission markets and through existing global and domestic case studies. The outcomes and learnings from the simulation will help draw recommendations relevant to the Indian context on implementation elements as scope, allocation, price stability, MRV and flexibility mechanisms (banking and borrowing) for internationally tradeable permits, which is in line with the Paris Agreement’s call for internationally tradeable mitigation outcomes (ITMO). The main aim for the simulation exercise would be to help businesses assess their readiness (in case of an incumbent carbon market), as well as help build internal strategic insights within the corporate sector for boosting emission reductions by participating in market based mechanisms.

## **Approach**

To provide effective recommendations, the following key steps are being considered and will be split across two phases – Design and Implementation:

### **Phase I – Design**

1. Landscape Analysis and Desk Research
2. Stakeholder Engagement
3. Recruitment of Registry/Management Partners/Auditors
4. Roundtable and Capacity Building

### **Phase II – Implementation**

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<sup>1</sup> <https://www.thepmr.org/content/india-pilot-carbon-pricing-instruments-8-million-pmr-support>

1. Launch of the Simulation
2. Trading of Permits
3. Measurement of Outcomes
4. Compilation of Learnings/Recommendations