

**Comments by Prayas (Energy Group) on Draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024.**

Central Electricity Regulatory Commission (CERC) has recently issued draft regulations on terms and conditions for purchase and sale of carbon credit certificates (CCC) as per the relevant provisions of the Carbon Credit Trading Scheme (CCTS) published by the Ministry of Power (MoP) in 2023 and its amendment. This forms a critical step in the effective implementation of carbon markets in India and we appreciate CERC's efforts towards the same. Please find our brief comments on the regulations below.

1. In section 2 on Definitions, 1 (c) defines the term 'Banking and Extinguishment of CCCs' as banking and extinguishment of CCCs as provided in the Detailed Procedure for Compliance Mechanism developed under Section 12 of the Carbon Credit Trading Scheme, 2023. However, the compliance mechanism document does not have the term 'extinguishment'. Instead the term 'surrender' of certificates is used in chapter 8 on page 37. Assuming that these two terms are meant to have identical meaning, **we recommend that the current regulations also use the term 'Banking and Surrender of CCC' to avoid any confusion.**
2. In section 4 on Scope, it is mentioned that *These regulations shall be applicable to the CCCs offered for transactions on Power Exchange(s), including contracts in CCCs as approved by the Commission in accordance with the provisions of the Power Market Regulations.* However, the definitions do not include the meaning of the term 'contracts'. None of the other documents related to CCTS have the term contracts either. **Hence, it is recommended that regulations should clearly define the term 'contracts' or remove it from the regulations.** Furthermore, if the term is included, the regulations should also ensure that the contracts are standardised and transparent with all relevant details being published in the monthly market reports. Moreover, given the nascent nature of the CCTS, we recommend that such contracts do not include contracts such as futures and options.
3. In section 9 on Dealing in the Certificates, sub-regulation 3 mentions that *The CCCs issued to obligated or non-obligated entities by the Bureau on the approval of the Central Government and credited in the CCC Registry may be placed for dealing in any of the Power Exchanges by the CCCs holder, and such CCCs shall be available for dealing in accordance with the Rules, Business Rules and Bye-Laws of the Power Exchanges.* This implies that only those CCCs issued to the entities by BEE will be traded, and an entity cannot re-sell a CCC bought by it. This also implies that a purely trading entity may not work in the market. Both of them are allowed under the CCTS. **We recommend to remove the phrase 'to obligated or non-obligated entities' from the sub-regulation 9(3) to make it clear that re-selling of CCC is allowed as per the CCTS.** Similar correction can also be made in 9 (6) (ii).
4. 9(4) states that the periodicity of transactions shall be as per the procedure specified by the Commission. However, other aspects of CCC transactions such as demand-supply matching, settlement, payments and dispute resolution also need to be defined. Therefore, as part of the procedure to be specified, **we recommend that, the Commission should also specify other details of transactions for CCCs on the Power Exchange.**

5. In 9 (9), there is a typological error. In the sentence, “*The Obligated or non-obligated entities with more than three cases of default specified in sub-regulation 9(h) in a quarter.....*”, 9 (h) should be 9 (8).
6. In section 10 on Banking and Extinguishment of CCCs, the term should be corrected as pointed in the comment 1 of this submission.
7. In section 13 on Market Oversight, we recommend addition of a provision that **the Commission shall publish monthly market monitoring reports**. These reports can be similar to the reports being published on electricity trading. This will help in increasing transparency and building credibility.

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