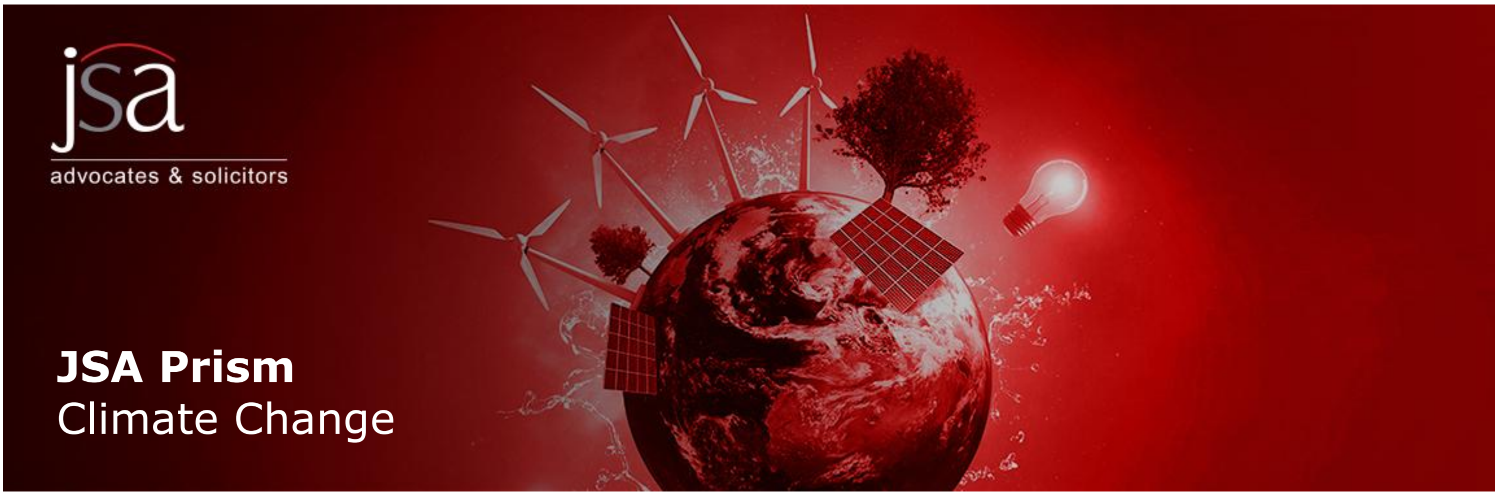

April 2025

Draft Framework for emission targets under the Carbon Credit Trading Scheme, 2023

The Ministry of Environment, Forest and Climate Change ("**MoEFCC**"), *vide* draft notification dated April 16, 2025, has issued the draft 'Greenhouse Gas Emission Intensity Target Rules, 2025' under the Energy Conservation Act, 2001 and the Environment (Protection) Act, 1986. The rules form part of India's Carbon Credit Trading Scheme, 2023 ("**CCT Scheme**") and aim to operationalise a national framework for reducing greenhouse gas emissions through emission intensity targets and market-based carbon trading mechanisms. Comments and suggestions on the draft may be submitted within 60 (sixty) days of publication to the MoEFCC.

Salient features

1. **Emission intensity targets for designated sectors**: The Bureau of Energy Efficiency will prescribe Emission Intensity Targets ("**EITs**") for designated entities, expressed in tonnes of carbon dioxide equivalent per tonne of equivalent production. These targets will apply for the compliance periods 2025–26 and 2026–27, based on baseline data from FY 2023–24.

2. **Compliance through carbon credit trading**: Entities failing to meet their EITs must procure eligible carbon credit certificates through the Indian Carbon Market ("**ICM**") portal. Surplus certificates may be banked for use in subsequent compliance periods. All submissions, including compliance reports and supporting documents, must be uploaded through the ICM portal within specified timelines.

3. **Penalties for non-compliance**: The Central Pollution Control Board is empowered to levy environmental compensation equivalent to twice the average market price of carbon credit certificates for the relevant period. Penalty amounts will be deposited in a dedicated account and utilised for the promotion of the CCT Scheme.

4. **Sector-specific targets notified**: The draft notification includes baseline and target emission intensity levels for high-emission sectors such as aluminium and cement. For instance, Vedanta Limited's Smelter II in Odisha is required to reduce its emission intensity from 13.4927 (baseline) to 13.2260 in 2025–26 and further to 12.8259 in 2026–27.

Conclusion

The draft rules mark a significant move towards market-based decarbonisation in India. By linking EITs with carbon trading, the framework introduces both compliance obligations and commercial incentives for industry. Entities that exceed targets can monetise surplus credits, while non-compliance will attract steep penalties—making emissions performance a material consideration for business planning and investment. Stakeholders should engage with the consultation process to ensure sector-specific nuances are reflected and begin aligning internal systems to manage compliance and capitalise on trading opportunities.

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- Legislative, Regulatory and Policy reforms;
- Public Procurement;
- Compliance and Strategy;
- Transactional advice including mergers and acquisitions, project finance, structuring legal, regulatory and contractual frameworks.
- ESG compliance, Carbon Markets and nature-based projects

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