भारतीय कम्पनी सचिव संस्थान

THE INSTITUTE OF

Company Secretaries of India

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

Vision

"To be a global leader in promoting good corporate governance"

Motto

सत्यं वद। धर्मं चर। speak the truth, pursue righteousness

Mission

"To develop high calibre professionals facilitating good corporate governance"

ESG

CATALYST

An **ICSI** initiative towards building awareness in the **ESG landscape**

"Where Sustainability Meets Innovation"

Transforming Carbon into a Regulated Corporate Asset: The Indian Carbon Market (ICM)

Background

As India pursues its Nationally Determined Contributions (NDCs) under the Paris Agreement—committing to reduce the emissions intensity of its GDP by 45% by 2030 and ultimately reaching Net-Zero by 2070—***Corporate Sustainability*** has fundamentally evolved.

It has transitioned from corporate philanthropy and Environmental, Social, and Governance (ESG) guidance into a sophisticated, legally mandated financial and compliance architecture.

India's Historical Experience with Environmental Markets

The operationalization of the Indian Carbon Market (ICM) is backed by decades of institutional learning from legacy environmental market mechanisms:

Environmental Market Mechanisms

Clean Development Mechanism (CDM)
Under the Kyoto Protocol, India emerged as a major global supplier of carbon offsets.

Perform Achieve and Trade (PAT) Scheme
Managed by BEE, PAT focused on energy-efficiency targets for energy-intensive sectors, allowing overachievers to trade Energy Saving Certificates (ESCerts).

Renewable Energy Certificate (REC) Scheme
Designed to promote renewable energy generation by providing tradeable certificates

India's Carbon Credit Trading Scheme (CCTS)

While legacy mechanisms like the PAT scheme focused on energy efficiency, the modern **Carbon Credit Trading Scheme (CCTS)** essentially improves upon them by directly targeting the reduction of Greenhouse Gas (GHG) Emission Intensity (measured as tCO2e/unit of product).

The ICM officially transitioned to its full operational framework with the launch of the Indian Carbon Market Portal and the notification of binding Greenhouse Gas Emission Intensity (GEI) targets placing India among the world's largest cap-and-trade style emission trading systems.

Governance and Legislative Backing

The ICM is fortified by a robust, multi-tiered regulatory and legislative architecture established under the Energy Conservation Act, 2001 (as amended in 2022) and the Environment (Protection) Act, 1986.

INDIAN CARBON MARKET (ICM) ARCHITECTURE

National Steering Committee	Central Government constituted National Steering Committee for Indian Carbon Market (NSCICM) under the Carbon Credit Trading Scheme (CCTS) to oversee the functioning of ICM.
ICM Administrator Bureau of Energy Efficiency	BEE is responsible for identifying sectors with significant potential for GHG emission reductions and recommending their inclusion in the Indian Carbon Market to the Ministry of Power.
ICM Registry Grid Controller of India Limited	GCI is the registry operator manages and operates the ICM registry.
ICM Regulator Central Electricity Regulatory Commission	CERC is the regulator for trading activities under the ICM.
Measurement, Reporting, and Verification (MRV) Framework	Regulated facilities must follow strict gate-to-gate (Scope 1 and Scope 2) monitoring plans. Performance reports must be formally submitted (via Form A) and verified by Accredited Carbon Verification Agencies (ACVAs).

Scope & Market Design Elements of the ICM

The ICM is designed around a dual-pillar framework structured across a multi-phase roll-out plan:

A. The Compliance Mechanism:

The Central Government will designate certain entities as obligated entities

BEE will identify eligible sectors and recommend their inclusion in the Indian Carbon Market based on emission-reduction potential.

BEE will recommend sector-specific targets in terms of tonnes of CO_2 equivalent (tCO_2e) per unit of product, considering available technologies, feasibility, and implementation costs.

Based on recommendations from BEE and NSCICM, the Ministry of Power will propose targets to the Ministry of Environment, Forest and Climate Change (MoEFCC) for notification under the Environment (Protection) Act, 1986.

Obligated entities must meet their emission intensity targets annually.

The Notified Sectors:

The compliance scope actively covers heavy industrial and hard-to-abate sectors including: Aluminium, Chlor-Alkali, Cement, Fertiliser, Iron & Steel, Pulp & Paper, Petrochemicals, Petroleum Refinery, and Textiles.

The Trading Metric:

Carbon Credit Certificates (CCCs), where 1 CCC = 1 tonne of carbon dioxide equivalent (1 tCO_2e) reduced below the facility's baseline.

Incentives vs. Penalties:

- Entities that outperform their GEI targets receive tradeable CCCs.
- Conversely, those that experience a shortfall must purchase and surrender CCCs on regulated power exchanges (such as the IEX) or face strict environmental compensation penalties enforced by the CPCB, projected at twice the average market price of the missing credits.

B. The Offset Market (Voluntary Mechanism):

Non-obligated entities can register their projects for GHG emission reduction, removal, or avoidance against the baseline for the issuance of Carbon Credit Certificates (CCC).

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Every project under offset mechanism will be approved on the basis of detailed procedure for the offset.

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The project will undergo a project cycle before it becomes eligible for issuance of CCCs.

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Sectors proposed to be included in offset mechanism under a phased manner:

Phase I - Energy, Industries, Agriculture, Waste Handling and Disposal, Forestry and Transport.

Phase II - Fugitive Emissions, Construction, Solvent Use, Carbon Capture, Utilisation and Storage of CO_2 and other removals.

Role of Company Secretaries

With carbon emissions directly impacting corporate balance sheets, Company Secretaries (CS) serve as vital bridges between carbon accounting, financial impact, and board-level strategy:

- **Regulatory Compliance & Reporting:** CS must ensure meticulous tracking of compliance timelines and prevent catastrophic financial exposure arising from non-compliance penalties.
- **Strategic Asset Management:** As carbon transforms into a standardized corporate asset, the CS is entrusted with the responsible to advise the Board on banking, holding, or monetizing surplus CCCs, as well as managing the procurement of credits via power exchanges.
- **ESG Assurance and Value Chain Mapping:** The mandate for SEBI BRSR Core assurance requires extensive disclosures. Company Secretaries are uniquely positioned to audit value chains and align corporate governance with climate-related risk management.
- **Anti-Greenwashing Safeguards:** Ensuring that carbon claims and offset project filings under the voluntary mechanism strictly adhere to approved BEE methodologies

The operationalization of the Indian Carbon Market signals a monumental shift in how Corporate India accounts for its environmental footprint. Carbon inefficiency is no longer a peripheral ethical concern; it is a direct operational liability that affects profitability and investor valuation. Conversely, proactive decarbonization represents a lucrative, legally tradeable revenue stream.

As guardians of Corporate Governance, Company Secretaries are critical to steering enterprises through this green transition, safeguarding financial resilience, and driving India closer toward its Net-Zero 2070 horizon.

ESG IN NEWS

World Bank Drops 45% Climate Lending Target

The World Bank has decided to retire its goal of directing 45% of its annual lending toward projects with climate co-benefits, marking a significant shift in its development strategy. The move comes amid pressure from the Trump administration, which has urged the institution to prioritize its core mission of economic development, poverty reduction, and financial stability. While the bank will continue its efforts to address climate-related challenges by extending its Climate Change Action Plan, it will move away from specific climate-financing targets and instead focus on achieving broader development outcomes and measurable results for borrowing countries.

https://esgnews.com/world-bank-drops-45-climate-lending-target/

GLOBAL FRAMEWORKS AND EMERGING TRENDS

European Commission Adopts Finalized Corporate Sustainability Reporting Standards

The European Commission has adopted the revised European Sustainability Reporting Standards (ESRS) and a voluntary sustainability reporting standard for companies outside the scope of the Corporate Sustainability Reporting Directive (CSRD), marking a major step in its Omnibus simplification agenda.

The reforms significantly reduce reporting requirements by cutting mandatory ESRS datapoints by more than 70% overall and limiting CSRD coverage to larger companies with over €450 million in revenue and more than 1,000 employees. The revised ESRS aligns more closely with ISSB standards by allowing companies to use either a financial-control or operational-control approach for greenhouse gas reporting and requires transparency when climate transition plans are not aligned with the 1.5°C target. The final standards also clarify that asset managers are not required to disclose sustainability information for investments managed on behalf of clients, reducing duplication and administrative burden. Additionally, the Commission adopted a voluntary reporting framework, based on the VSME standard, for companies outside CSRD scope, which is considered suitable for firms with up to 1,000 employees. The standards will now be reviewed by the European Parliament and Council before entering into force.

https://www.esgtoday.com/european-commission-adopts-finalized-corporate-sustainability-reporting-standards/

Delhi Cabinet approves new EV policy with a ₹15,000-crore budget

The Delhi government approved new EV Policy on June 29, 2026 with a budget allocation of ₹15,000 crore. The policy is expected to come into force on July 1 and will remain in effect until March 31, 2030.

Under the policy, purchase incentives will be offered for two-wheelers during the first three years:		
₹30,000 in the first year	**₹20,000** in the second year	**₹10,000** in the third year

N1 commercial trucks will receive a subsidy of ₹1 lakh in the first year. Scrapping incentives for vehicles operating under BS-IV emission norms will be approximately:		
₹10,000 for two-wheelers	**₹25,000** for three-wheelers	**₹50,000** for N1 trucks

For three-wheelers, corresponding incentives will be:		
₹50,000 in the first year	**₹40,000** in the second year	**₹30,000** in the third year

Additionally, Gramin Seva Units will receive ₹15,000 as scrapping incentives.

The policy further offers a scrapping incentive of `1 lakh to owners of BS-IV or older four-wheelers who scrap their vehicles and switch to electric vehicles.

However, hybrid vehicles will not be eligible for any subsidy under the policy. A dedicated online portal will be developed to allow applicants to apply for EV-related incentives and benefits provided under the policy.

https://www.thehindu.com/news/cities/Delhi/delhi-cabinet-clears-new-electric-vehicles-policy/article71160900.ece

Share in your ESG-centric inputs via email at ***esgsb@icsi.edu.***