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Green credit programme will help mitigate climate change and ensure ecosystem sustainability

The green credit programme, once developed and established, will prove to be a crucial approach in advancing the country's sustainable goals and facilitating energy transition.

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New Delhi: India is fast striding to meet its [Panchamrit](#) and net-zero goals. Considering the global climate action and our own climate goals, the Union Budget 2023 was expected to make some key declarations and announce initiatives that affirm country's vision for net-zero carbon emissions by 2070. We have to agree that the budget lived up to the expectations.

Several green growth provisions were outlined in the budget and one of the most significant announcements is the creation of regulations for the [Green Credit Programme](#), which will be notified under the Environmental Protection Act. Let's understand this initiative and the likely provisions of the programme.

Understanding the Green Credit Programme

The establishment of regulations for green credit programme is a welcoming move by the Government as countries across the globe are moving closer towards their net-zero goals. The programme aligns with the vision for 'Lifestyle for Environment (LiFE)', panchamrit and net-zero carbon emissions by 2070. It will be largely focused on mitigating climate change, improving the overall state of the environment by encouraging environmental conservation and increasing energy and resource use efficiency, and building adaptive capacity among other measures.

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The aim of this newly launched initiative is to encourage behavioural change and incentivise environmental services and ecosystem services across different sectors and activities that support LiFE or Lifestyle for Environment, a concept introduced by Prime Minister [Narendra Modi](#) at COP26 in Glasgow. LiFE promotes a pro-planet, pro-people way of life and “mindful and deliberate utilisation, instead of mindless and destructive consumption” to protect and preserve the environment. The idea is to adopt an environmentally conscious lifestyle and circular economy to protect Earth and ensure sustainability.

Further, the green credit programme will incentivize sustainability and climate action related to forest and ecosystem services, waste management, air quality, water quality and access. It will also incentivize the distribution of additional resources for adoption of environmentally sustainable technologies and processes by local bodies, individuals and companies and provide fiscal incentives.

The green credit programme is a unique initiative of the Government of India. Though not completely, it aligns with [Sustainable Development Verified](#) Impact Standard (SD VISTa) and other SDG labelling activities to some degree. SD VISTa is the premier standard for certifying the real-world benefits of social and environmental projects, from gender equity and economic development to affordable clean energy and restoration of wildlife. It facilitates large-scale investment in sustainable development.

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Indicative Green Credit Mechanism

A mechanism (Policy and Regulation) aligned with the domestic and international carbon market is requisite to create a significant impact and align the green credit programme with the country's vision for a net-zero future. An indicative green credit mechanism shall include high-quality projects in priority sectors like waste management, water, forest ecosystem and transport in addition to legal framework and legislation.

The market infrastructure shall also be re-developed to facilitate green credit trade or transfer. The new market infrastructure could include a national 'mega-registry' for all carbon instruments which could be potentially linked to international registries. Demand side management strategies should ensure market stability, existing trading infrastructure should enable the trade of green credits and MRV protocols should be aligned with global best practices. The Carbon component of green credits could be mobilised under CORSIA, Article 6 and domestic/international voluntary carbon market.

Potential types of credits could be Water Quality and Access Credits, Air Quality Credits, Forest & Ecosystem Credits, Waste Management Credits, [Renewable](#) Energy Generation Credits and Energy Efficiency Credits among others. These credits will be an addition to already existing domestic (Indian) emission trading system carbon credits under ECAct2022, Article 6 carbon credits under [Paris Agreement](#), international voluntary carbon credits and plastic credits under EPR Regulations.

An Indicative Governance Framework

Ministry of Environment, Forest and Climate Change of India ([MOEFCC](#)) and its sub-committees/bodies could be the regulatory body of the Green

consultation, MOEFCC or the regulating body will devise an overall policy framework, prepare guidelines under FCA & EPA, set up institutions for the implementation of the scheme at a large scale and allocate functions to all institutions. The strategic advisory committee will ensure alignment with international mechanisms, review new methodologies and ensure demand-supply analysis of green credits. The creation of a domestic carbon market will further enhance the significance and adoption of the scheme.

Potential Mechanisms to Leverage Demand for Green Credits

The regulatory and governing agencies will be required to work with existing corporates to catalyze green credits by initiating voluntary net-zero or carbon neutrality pledges and capturing sustainable outcomes from projects in priority sectors. A platform shall be created to engage the private sector for enhancing capacity building and promoting knowledge creation on green credit mechanism.

One of the significant moves shall be the development of high-quality green credit generating projects to attract demand from corporates and ensure that green credits are a preferred mechanism for corporates to achieve sustainable outcomes. These initiatives will also help in capturing additional benefits including community development, income/livelihood generation, biodiversity enhancement, gender equality etc.

A Positive Affirmation

The Budget 2023 affirms the country's commitment to a net-zero and sustainable future. The initiatives and declarations are key to our green growth agenda and will play a critical role in this journey towards a carbon-neutral future. The green credit programme, once developed and established, will prove to be a crucial approach in advancing the country's sustainable goals and facilitating energy transition.

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