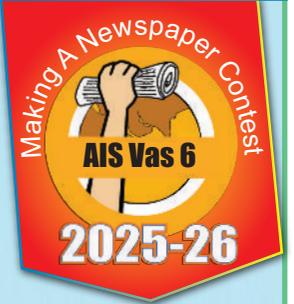


# A call from green future



## India Set For Its Own Carbon Market In 2026... Are You?

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Tring, tring, tring.... Click! Don't hang up! I have an offer that you just cannot refuse. One where you can earn money while keeping every tree standing. Hi, I am calling from 'a green future', and this is an infomercial call like no other. I know what I just said sounds far-fetched, but the impossible is possible in the world of carbon trading. This idea is so enticing that India has planned to launch its own regulated carbon market in 2026. In a fast-moving world like ours, ignorance is not a bliss. So, let's delve a little deeper to have a better understanding.

### The price of pollution

The 2025 data is not out yet, but the global fossil fuel carbon emissions in 2024 hit an all-time high of 37.8 billion tonnes CO<sub>2</sub>. Latest reports say CO<sub>2</sub> emissions are projected to reach a new record of 38.1 billion tonnes in 2025, representing a 1.1% increase. One can say there's no escaping pollution or global warming. So perhaps the logical step is to put a price tag on it. In a carbon market, greenhouse gas emissions are measured, capped, and converted into tradable units called carbon credits. Companies that emit less than their permitted limit can sell surplus credits. Those who exceed must buy credits. The result is a financial incentive to rely on cleaner technologies. One credit represents one metric tonne of CO<sub>2</sub> equivalent, and varies widely in value, ranging from two USD to 500

USD, depending on the market. This 'cap-and-trade' approach first took shape under the Kyoto Protocol in 1997 and gained renewed momentum with the 2015 Paris Agreement, under which 196 nations vowed to limit global warming to well below 2°C, and ideally to 1.5°C above pre-industrial levels. The framework for carbon trading under the Paris deal is outlined in Article 6, whose broad rules were agreed at the 2021 COP26 in Glasgow. Today, carbon pricing covers 28% of global emissions, generating over 100 billion USD in 2024, as per the World Bank's State and Trends of Carbon Pricing 2025 report.

### Two markets, one objective

Globally, carbon trading operates in two distinct ways: compliance markets (mandatory, government-regulated) and voluntary markets (non-mandatory, corporate-driven). Both aim to reduce emissions, but in a compliance market, the government sets legally binding emission limits for specific sectors, and participation isn't optional. The latter, operated by project developers, brokers, and specialised exchanges, is more fluid and allows it to be accessed by every sector of the economy instead of a limited number of industries. Established in 2005, the EU Emissions Trading System remains the world's most established and comprehensive carbon market. But in terms of emissions volume, China's national ETS - established in 2021 - is the largest, covering 1/7<sup>th</sup>

of global emissions. The voluntary carbon market is thriving, too. Analysts at S&P Global Energy Horizons estimate the VCM could reach an annual market value of up to four billion USD by 2030.

### The newbie in town

Until recently, India's engagement with carbon trading was largely limited to voluntary projects. That is now changing. The government has introduced Carbon Credit Trading Scheme (CCTS) to operationalise the Indian Carbon Market. Power minister Manohar Lal has said that the rate-based ETS will be in place as early as mid-2026, covering nine energy-intensive industrial sectors. The legislative groundwork for it was laid in 2022 with the passage of the Energy Conservation (Amendment) Bill. The CCTS will operate in the dual format of the carbon market, with a compliance mechanism for sectors such as iron and steel, cement, aluminium, fertilisers, petrochemicals, textiles, pulp and paper, chlor-alkali, and oil refineries. A 21-member National Designated Authority has been established to oversee and authorise carbon credit projects. Initial targets are likely to be conservative, but thresholds will tighten

over time to meet India's goal of net-zero emissions by 2070.

### Success and cracks

There are already examples that the mechanism works. In Surat, a pilot emissions trading scheme targeting particulate air pollution led to an estimated 24% reduction in emissions. In Indore, a municipal waste-to-energy initiative generated carbon credit revenues running into tens of lakhs of rupees over a few years. Globally, the EU ETS has helped cut emissions by over 40%. In 2023, Tesla earned 1.79 billion USD through the sale of carbon credits to other automakers. But there's no system that's perfect. Without oversight, it can allow greenwashing, where companies buy credits and simply pay to pollute. For success, the government needs tough regulations and necessary tools in place. In Budget 2026-27, 20,000 crore INR outlay has been proposed for Carbon Capture, Utilisation and Storage (CCUS) scheme, which includes technologies that trap CO<sub>2</sub> from industrial processes and either reuse it or store it safely underground. In the larger carbon market ecosystem, it's seen as a supporting mechanism to help industries shrink their carbon footprint.

Carbon trading isn't the ultimate solution to climate change, but it's worth a try. This call isn't a spam call... maybe it's the future on the line, saying: Cut emissions. Grow smarter. Earn green.

