

GENERAL STUDIES III

Global Carbon Coalition: Why India Should Engage | UPSC

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Should India join the Open Coalition on Compliance Carbon Markets? Explore its benefits, risks, links with India's carbon market and CBAM, and UPSC takeaways. The Open Coalition on Compliance Carbon Markets offers a platform for cooperation on carbon pricing, emissions accounting, and market integrity. India's engagement could strengthen its domestic carbon market and influence international standards, provided it safeguards development priorities, environmental integrity, and policy autonomy.

A Case for Joining the Global Carbon Coalition

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As carbon pricing becomes an increasingly important part of climate policy, India faces a strategic choice: how actively should it participate in international efforts to improve carbon-market rules? Engagement can help India shape standards, strengthen domestic institutions and support cleaner industry, while preserving its development priorities.

UPSC syllabus relevance: GS Paper II — international institutions and agreements; GS Paper III — environmental conservation, climate change, industrial development and economic policy.

Scope: Here, "global carbon coalition" refers to the Open Coalition on Compliance Carbon Markets, or OCCCM. Joining a cooperative platform is different from linking carbon markets or accepting a common international price.

In this article

- [Context and the coalition](#)
- [Carbon-market fundamentals](#)
- [India's carbon-market framework](#)
- [The case for Indian participation](#)
- [Risks and safeguards](#)
- [CBAM and Article 6](#)

- [Way forward](#)
- [UPSC revision and practice](#)

1. What Is the Global Carbon Coalition?

The Open Coalition on Compliance Carbon Markets is a voluntary, collaborative initiative intended to strengthen cooperation on domestic carbon pricing and carbon markets.

It was formally launched in Florence, Italy, on **7 May 2026**, with the European Union, Brazil and China as founding partners. Brazil became the initial chair, with China and the European Commission as co-chairs.

At its second high-level meeting in Wuhan on **14 September 2026**, the coalition adopted its work plan and endorsed institutional arrangements. Its purpose includes technical exchange and greater interoperability between national systems.

Major areas of cooperation

- Effective design and implementation of carbon pricing.
- Reliable monitoring, reporting and verification.
- Transparent and comparable carbon accounting methods.
- Environmental integrity of carbon market instruments.
- Technical learning across different national systems.

2. Understanding Carbon Pricing and Carbon Markets

Greenhouse-gas emissions impose costs on society that may not be reflected in market prices. Carbon pricing seeks to incorporate an economic cost for emissions into production and consumption decisions.

The policy logic is straightforward: if emitting becomes costly and cleaner alternatives become relatively more attractive, firms have an incentive to reduce emissions. Actual results depend on policy design, enforcement, available technologies and the credibility of targets.

Important carbon-pricing instruments

Instrument	How it works	Key distinction
Carbon tax	A government sets a charge on covered emissions.	The tax rate is set; the resulting emissions response varies.
Cap-and-trade system	A cap limits covered emissions and allowances can be traded.	The cap constrains emissions; allowance prices vary.
Intensity-based baseline-and-credit system	Entities earn or surrender credits according to performance against an emissions-intensity benchmark.	Lower emissions per unit of output do not necessarily mean lower total emissions.

Instrument	How it works	Key distinction
Project-based crediting	Eligible activities receive credits for verified mitigation against an approved baseline.	Credibility depends on baseline quality, additionality and verification.

Compliance markets versus voluntary markets

In a compliance market, covered entities face obligations established by law or regulation. In a voluntary market, buyers generally purchase credits without a mandatory surrender obligation under that particular system.

A voluntary purchase does not automatically satisfy a statutory compliance requirement. Eligibility depends on the rules of the receiving system.

3. India's Carbon Credit Trading Scheme

India notified the **Carbon Credit Trading Scheme, 2014** – **CCTS** under the Energy Conservation Act, 2001, following its amendment in 2022. The framework includes a compliance mechanism and an offset mechanism.

A. Compliance mechanism

Obligated industrial entities receive greenhouse-gas emissions-intensity targets. Performance is assessed in terms of emissions per unit of output.

- Entities performing better than their prescribed targets may qualify for Carbon Credit Certificates.
- Entities falling short must meet the applicable certificate-surrender requirements.
- The mechanism builds on India's experience with the Perform, Achieve and Trade scheme.

B. Offset mechanism

Eligible non-obligated entities can register projects for greenhouse-gas reduction, removal or avoidance, subject to approved methodologies and verification. Having an offset mechanism does not mean every offset is automatically eligible for compliance use.

Institutional capacity

The Bureau of Energy Efficiency administers the scheme. Reliable measurement, accredited verification and transparent records are essential to ensure that certificates represent credible performance.

Illustrative example: A factory's emissions intensity falls from 1 tonne to 0.8 tonnes of CO₂ equivalent per unit, while output rises from 100 to 150 units. Total emissions increase from 100 to 120 tonnes, despite a 20% improvement in intensity.

Exam takeaway: Emissions intensity and absolute emissions are different indicators.

4. Why Should India Consider Joining?

A. Influence standards while they are developing

Participation would give India a platform to explain the needs of a large developing economy. It could contribute to discussions on practical accounting methods, proportionate reporting burdens and recognition of different national circumstances.

B. Strengthen domestic implementation

Technical exchange could help India improve verification, registry design and regulatory capacity. Better domestic institutions would remain valuable even if India chose not to link its market internationally.

C. Improve investment confidence

Credible rules can make emissions data and certificates easier for investors to assess. Greater confidence may support investment in cleaner production, although coalition membership alone cannot guarantee capital inflows or higher credit prices.

D. Prepare industry for carbon related trade requirements

Exporters increasingly need reliable product-level emissions information. Stronger accounting systems can help firms understand their carbon exposure and identify cost-reducing improvements.

E. Support cooperation among developing economies

India could advocate technical assistance, affordable verification and fair treatment of development needs. Participation offers an opportunity to advance climate equity through practical institutional proposals.

5. What Are the Risks and Concerns?

A. Policy autonomy and development space

India must assess whether proposed standards reflect its industrial structure, energy-access needs and administrative capacity. Cooperation should allow nationally appropriate transition pathways.

B. Unequal compliance costs

Detailed measurement and verification can be expensive. Smaller firms may struggle with technical expertise, equipment and recurring audit costs. Capacity support should accompany stronger reporting expectations.

C. Weak environmental integrity

Overestimated baselines or unreliable verification can create credits without equivalent climate benefits. Poor-quality units undermine market confidence and may delay genuine emissions reductions.

- **Additionality:** Does the credited mitigation go beyond the relevant baseline and applicable requirements?
- **Permanence:** Can stored carbon later be released?
- **Leakage:** Does reducing emissions in one location increase them elsewhere?

- **Double counting:** Is the same mitigation outcome being claimed more than once?

D. Risks from premature market linkage

Linking markets with different targets, enforcement standards or eligible units can transmit price volatility and weaken incentives. Technical cooperation should precede any decision on mutual recognition or cross-border trading.

E. Protecting India's own climate commitments

International transfers require careful consideration of which mitigation outcomes India needs for its own Nationally Determined Contribution. Export revenue should be assessed alongside the cost of replacing transferred mitigation where required.

6. How Does the Coalition Relate to CBAM?

The European Union's **Carbon Border Adjustment Mechanism — CBAM** addresses carbon emissions embedded in specified imports. Its definitive regime applies from **1 January 2026**.

Covered sectors include iron and steel, aluminium, cement, fertilisers, electricity and hydrogen, subject to the detailed product scope and applicable rules.

Under the EU framework, a qualifying carbon price effectively paid during production may be taken into account when calculating the relevant CBAM obligation, subject to guidance and applicable conditions.

Important distinction: Joining the coalition does not automatically exempt Indian exports from CBAM. It also does not automatically make Indian certificates acceptable in the EU system.

Coalition participation could support technical dialogue on accounting and verification. Questions of trade compatibility, equity and recognition remain separate policy and legal matters.

7. Relationship with Article 6 of the Paris Agreement

Article 6 provides a framework for voluntary international cooperation in implementing climate commitments. The coalition is a cooperation platform; it does not replace the Paris Agreement's rules.

- **Article 6.2:** Accounting and reporting for cooperative approaches involving internationally transferred mitigation outcomes.
- **Article 6.4:** A UN-supervised mechanism for crediting mitigation activities.
- **Article 6.8:** Non-market approaches to climate cooperation.

Where required under Article 6 rules, corresponding adjustments help prevent participating countries from counting the same transferred mitigation outcome towards their respective climate commitments. These are accounting adjustments, rather than changes to the physical national emissions inventory.

8. A Balanced Way Forward for India

1. **Evaluate participation strategically:** Examine the coalition's terms and the scope for shaping its technical work.
2. **Prioritise domestic credibility:** Strengthen measurement, independent verification, transparent registries and enforcement.
3. **Keep linkage as a separate decision:** Require detailed assessment before recognising foreign units or allowing international market linkage.
4. **Support smaller firms:** Provide training, shared technical services and proportionate compliance arrangements.
5. **Apply climate-equity principles:** Seek finance, technology access and recognition of different national capabilities.
6. **Protect communities:** Ensure relevant projects respect land rights, participation and fair benefit sharing.
7. **Review outcomes:** Judge success through verified mitigation, industrial improvement and social outcomes, rather than trading volumes alone.

9. UPSC Prelims: Quick Revision

Concepts that should not be confused

Concept	Meaning
Coalition membership	Participation in a cooperative platform.
Market linkage	Recognition of units across systems under agreed rules.
Carbon allowance	An instrument permitting covered emissions within an emissions-trading framework.
Carbon credit	A unit issued for eligible mitigation under a crediting framework.
Emissions intensity	Emissions per unit of output or another specified activity measure.
Absolute emissions	Total emissions over a defined period.
MRV	Monitoring, reporting and verification.
CBDR-RC	Common but differentiated responsibilities and respective capabilities.

Practice Question

Consider the following statements:

1. An improvement in emissions intensity always results in a reduction in absolute emissions.
2. Membership of a carbon-market coalition automatically establishes cross-border trading between member countries.
3. Article 6.8 of the Paris Agreement concerns non-market approaches to cooperation.

Which of the statements given above is or are correct?

- A. 1 only
- B. 2 and 3 only
- C. 3 only

- D. 1, 2 and 3

View answer and explanation

Correct answer: C. 3 only. Total emissions may rise despite lower emissions per unit if production expands sufficiently. Coalition membership does not automatically link markets. Article 6.8 provides for non-market cooperation.

10. UPSC Mains Practice

Question: "Participation in international carbon-market cooperation can strengthen India's climate strategy, but requires safeguards for development and environmental integrity." Discuss. (250 words)

Suggested answer structure

- **Introduction:** Explain carbon pricing and the purpose of international technical cooperation.
- **Opportunities:** Discuss influence over standards, institutional learning, investment confidence and exporter readiness.
- **Concerns:** Examine verification costs, weak credit, policy autonomy and risks from premature linkage.
- **Safeguards:** Recommend strong MRV, transparent records, support for smaller firms and careful Article 6 accounting.
- **Conclusion:** Support constructive engagement guided by national priorities and measurable climate benefits.

11. Frequently Asked Questions

Does the coalition establish one global carbon price?

No. Cooperation on national carbon-pricing systems should not be confused with imposing a single worldwide price.

Does participation require India to link its market?

Participation itself does not establish linkage. Mutual recognition and cross-border trading require separate decisions and compatible rules.

Does every carbon-pricing system raise public revenue?

No. Carbon taxes and allowance auctions can generate government revenue. Trading between firms under a baseline-and-credit system does not automatically create equivalent public revenue.

Can carbon markets replace other climate policies?

No. They work alongside measures such as clean-energy infrastructure, research, efficiency standards, affordable finance and support for affected workers.

Conclusion

India has a strong case for evaluating participation in the Open Coalition on Compliance Carbon Markets. Constructive engagement could help it improve domestic systems and contribute to international standards. The value of participation should be measured through credible emissions reductions, industrial development and fair outcomes, with decisions on market linkage assessed separately.

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