

With respect to Carbon trading, analyze the critical factors which can help in attaining the climate goals of Country.

Carbon trading is an important way to reduce the cost of cutting emissions & creates a price for carbon that provides an incentive to invest in cleaner technologies.

According to India, six key factors are critical in attaining the climate goals:

1. Common Carbon Currency:

New National Carbon should link Market

→ link with existing trading mechanisms like Perform achieve trade (PAT) & Renewable energy certificates.

Responsive to demand & supply. ← Improve liquidity of the market making ← one common currency

2. Diversity of Sectors: It should be extend to

Sectors like MSMEs that can adopt clean technologies.

3. Monitoring, Reporting & Verification (MRV) systems:

- to ensure genuine emission cuts & avoid double counting
- to ensure the credibility & comparability of all participants' data

4. Policies for innovation & competitiveness:

- Incentives to deep decarbonisation will require complimentary policies to spur innovation and ~~support~~ support the building infrastructure.
eg: EU's energy trading system.

5. Long term price signal:

- Communication with long-term reduction target for the carbon market ensure long term price signal in innovation.

6. Stakeholder capacity building:

- communicating the policy, developing the market in consultation will all relevant stakeholders & address challenges need to increase capacity building

A carbon market is an effective economic policy in India's toolkit for new energy sources & technologies to achieve carbon neutrality by 2030. The six key factors in carbon trading can contribute to an efficient carbon market.