



**KAMARAJ IAS ACADEMY**  
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# India Launches First Comprehensive Carbon-Trading Programme

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India is finalising implementation of its first-ever comprehensive carbon-trading programme, marking a major step in the nation's climate policy framework to monitor and trade carbon emissions among industrial entities for the FY 2025-26 period. The programme has begun issuance of emission targets for participating industries and prepares for credits issuance and trading later in 2026.

## Key Features of the Carbon-Trading Scheme

### Programme Structure:

The scheme includes a mandatory compliance component covering 800 units in nine sectors and a voluntary offset component. Carbon credits will be issued and traded separately across these components.

### Notification and Coverage:

Emission targets were issued for around 490 units across seven sectors through notifications issued by the Bureau of Energy Efficiency (BEE) in October 2025 and January 2026. This initial group covers about 20 % of India's industrial emissions.

### Exclusions in Phase-I:

Steel and fertiliser sectors — major industrial emitters — have not yet received emission targets, delaying their inclusion.

The power sector, India's biggest polluter, is not part of the first phase.

### Timeline:

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The first compliance cycle will run until 31 March 2026, followed by verification and assessment phases.

Carbon credits are expected to be issued by October 2026, and trading is likely between November 2026 and January 2027.

### **Price Setting:**

Carbon cost targets have been designed to keep prices around USD 10 per tonne of CO<sub>2</sub>, balancing industry competitiveness and climate incentives.

### **Additional Facts:**

#### **Carbon Market Explained:**

A carbon market creates a financial value for carbon emissions and allows regulated entities to trade emission permits or credits, encouraging cost-effective emission reduction.

#### **Compliance vs. Voluntary Markets:**

Compliance markets are regulated by governments with mandatory emission caps.

Voluntary markets allow organisations to offset emissions beyond compliance requirements to achieve carbon neutrality.

#### **India's Climate Goals:**

India has pledged to achieve net-zero emissions by 2070 and reduce emissions intensity by 45 % by 2030 compared to 2005 levels. Efficient carbon pricing systems are crucial to these goals.

#### **Role of the Bureau of Energy Efficiency:**

BEE, under the Ministry of Power, is responsible for implementing and monitoring the carbon trading programme, including issuing targets and overseeing verification systems.

#### **Carbon Credits vs. Offsets:**

Carbon credits/allowances represent the right to emit a specific amount of greenhouse gas.

Carbon offsets are reductions from verified environmental projects that can be used to compensate emissions elsewhere.