

INDIA'S FIRST MAGAZINE ON LEGAL AND CORPORATE AFFAIRS

L E X

WITNESS

Volume 14 Issue 5 | March 2024

₹ 100 US \$10 UK £6



A LEGACY BEYOND BORDERS

Remembering Fali Sam Nariman

10th January 1929 - 21st February 2024

Overview: Green Credit Programme: India¹

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INTRODUCTION

In a world facing pressing environmental challenges, the need for innovative, market-based mechanisms to incentivise green practices and sustainable living has become paramount. To address this, The Ministry of Environment, Forest and Climate Change has notified the Green Credit Rule, 2023, on 12th October, 2023. The Green Credit Programme is a national-level program in pursuance of the Government of India’s mission titled ‘LIFE – Lifestyle for Environment’, which seeks to combat climate change, enhance environmental actions to propagate a healthy and sustainable way of living based on traditions and values of conservation and moderation, and for sustainable and environment-friendly development—a ground breaking initiative aimed at encouraging environmental stewardship and sustainability across the nation. The rules were established under the powers conferred by the section 3, section 6, and 25 of the Environment (Protection) Act, 1986, with a mission to reward and promote eco-friendly actions in the form of tradable green credits.

The Green Credit Rule 2023 finds their roots in two vital concepts: a Green Credit Program and the “LIFE” movement. The Green Credit Program is designed to operate independently

of the Carbon Credit Trading Scheme, 2023, aiming to generate green credits for activities that can have climate co-benefits, such as carbon emissions reduction. Concurrently, the “LIFE” movement, standing for “Lifestyle for Environment,” focuses on fostering a sustainable way of living, drawing upon traditions and values of conservation and moderation for sustainable, environment-friendly development.

CORE COMPONENTS OF THE GREEN CREDIT PROGRAM:

I. Incentivizing Environmental Actions:

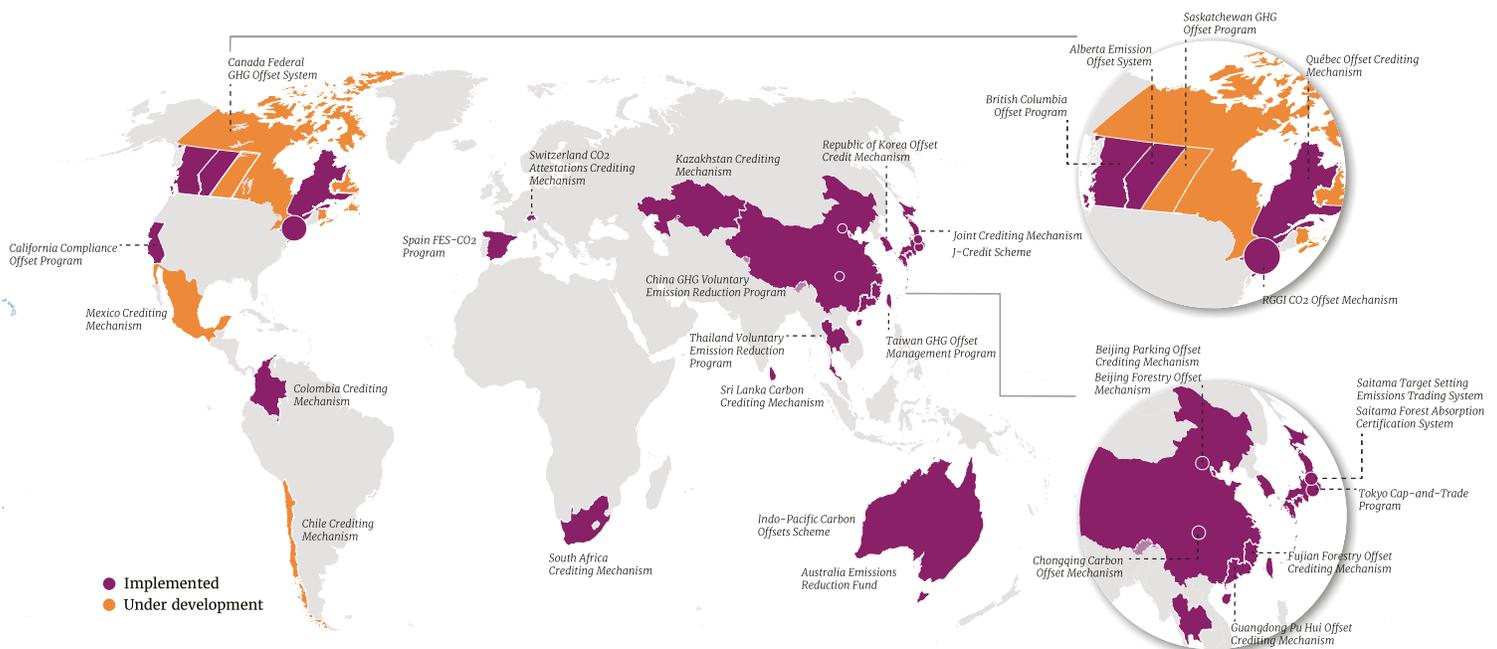
At the heart of the Green Credit Program is the aim to motivate individuals, industries, and entities to take actions that positively impact the environment. This initiative acknowledges and rewards environmentally responsible behaviour. The program encourages participants to embrace sustainable and eco-friendly practices by providing incentives through green credits. It’s a system of rewards for being environmentally conscious.

II. Tradable Environmental Credits:

A distinctive feature of the Green Credit Program is the creation of tradable green credits. These credits are generated due to the positive environmental actions taken by individuals or entities. They represent a quantifiable



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Circles represent crediting mechanisms in subnational jurisdictions and cities. "Implemented" crediting mechanisms have the required framework (e.g., legislative mandate) as well as the supporting procedures, emission reduction protocols and registry systems in place to allow for crediting to take place.

measurement of the environmental impact of those actions. Importantly, green credits are not just certificates of accomplishment; they can be bought, sold, and traded on a domestic market platform. This means that those who earn green credits can sell them to other parties, creating a market for these incentives. This trading aspect adds an economic dimension to environmental stewardship, as green credits have a real monetary value.

III. Compliance and Obligation Fulfilment:

The Green Credit Program isn't

limited to encouraging voluntary environmental measures. While it certainly promotes these actions, it also recognises the importance of compliance with existing legal obligations. This means that industries, companies, and entities are encouraged to meet their current environmental and regulatory obligations. The program motivates other individuals and entities to take voluntary environmental measures, thus going beyond compliance with the law. It's important to note that green credits generated for fulfilling legal obligations are not tradable. This distinction reinforces the program's aim to promote

additional environmental actions beyond what is legally required.

These core components work in synergy to create a dynamic and flexible program that encourages various environmental activities, acknowledges their impact, and provides incentives that can be traded and utilised for compliance and voluntary measures. By aligning economic incentives with environmental stewardship, the Green Credit Program aims to foster a sustainable and environmentally friendly way of life, benefiting both individuals and the broader ecosystem.

ENVIRONMENTAL ACTIVITIES AND GREEN CREDITS

The Green Credit Scheme Rules outline various activities for generating green credits. Some of these activities include:

I. Tree Plantation: Promoting efforts to increase the green cover in India.

II. Water Management: Encouraging water conservation, harvesting, and use efficiency.

III. Sustainable Agriculture: Supporting natural and regenerative agricultural practices for increased productivity and soil health.

IV. Waste Management: Encouraging sustainable waste management practices.

V. Air Pollution Reduction: Measures to reduce air pollution and other forms of pollution.

VI. Mangrove Conservation and Restoration: Initiatives for the conservation and restoration of mangrove ecosystems.

VII. Ecomark Label Development: Encouraging manufacturers to obtain ecomark labels for eco-friendly goods and services.

VIII. Sustainable Building and Infrastructure: Promoting the construction of eco-friendly buildings and infrastructure.

IMPLEMENTATION AND GOVERNANCE

The Green Credit Program is administered by the Indian Council of Forestry Research and Education, which is responsible for developing



guidelines, methodologies, and the Green Credit Registry. A Steering Committee, constituted by the Central Government, oversees the program's implementation, while Technical Committees provide guidance on the program's various activities.

AUDITING AND REPORTING

Auditing and reporting are integral to the Green Credit Program, contributing to transparency, accountability, and integrity. These processes encompass the assessment of entities involved in the program and the monitoring of its various aspects. Independent auditors, appointed by the Central Government based on recommendations from the Steering Committee, undertake audits of entities like the Administrator, designated agencies, Green Credit Registry, trading platform, and knowledge and data platform. These

audits are conducted at the end of every third financial year, ensuring regular evaluation. Auditors examine operations, compliance, adherence to program guidelines, and data security measures. Audit reports are then submitted to the Administrator for review, highlighting any non-compliance or discrepancies. The administrator takes corrective actions to address the identified issues, fostering compliance and rectification. Reporting is a multifaceted process involving different program entities responsible for reporting on their respective operations and functions. Designated agencies are required to file annual returns detailing verification activities and assessments. the program includes mechanisms for market stability reporting, which helps monitor trading, safeguard interests, and mitigate fraud. Importantly, the Green Credit Program ensures the preservation of rights, privileges, obligations, and

liabilities. Actions taken under previous program circulars are considered as if executed under the corresponding provisions of the current Master Circular, ensuring previous commitments and obligations remain unaffected. Auditing and reporting mechanisms enhance the program's accountability, transparency, and trust, ultimately contributing to its success in promoting positive environmental actions.

CONCLUSION

The Green Credit Scheme, 2023, is a comprehensive and forward-thinking initiative to foster a culture of environmental responsibility and sustainability in India. Market-based incentives and rewards encourage various activities contributing to environmental conservation and a healthier, more sustainable way of living. The program's core components, including the Green Credit, the Green Credit Registry, the Trading Platform, and the Knowledge and Data Platform, work together to facilitate, monitor, and enhance the environmental actions of stakeholders. With a robust governance structure, stringent auditing and reporting mechanisms, and the involvement of designated agencies, the program aims to ensure transparency, accountability, and effectiveness.

The Green Credit Program is a significant step towards aligning environmental conservation with economic incentives, effectively addressing climate change, and creating a sustainable and eco-friendly future for India. It encourages individuals, companies, and industries to voluntarily participate in actions that benefit the environment and society. By generating and trading Green Credits, stakeholders meet their environmental obligations

and contribute to a greener, healthier planet. As it evolves and matures, the Green Credit Program will likely play a pivotal role in India's environmental and economic landscape, reinforcing the importance of responsible and sustainable living for the benefit of current and future generations.

This initiative represents a significant step toward encouraging environmental stewardship and sustainability nationwide, addressing pressing environmental challenges and promoting a healthier, eco-conscious way of life.

Rule 4

Green Credit Programme

Rules 4 allow individuals and entities to take actions for environmental protection and conservation, such as tree planting, water management, sustainable agriculture, waste management, air pollution reduction, mangrove conservation, and more. To earn green credits for these activities, one must register them with the Administrator through a government website. The Administrator verifies the activities through a designated agency and, upon verification, issues a green credit certificate. These rules aim to encourage environmentally friendly practices and reward those contributing to environmental preservation.

Rule 5

Methodology of generating green credit

The methodology for determining green credits for any activity will be specified by the Central Government, based on the Administrator's

recommendation. This methodology will consider factors like resource requirements, scale, scope, size, and other relevant parameters to ensure an equitable and fair calculation that aligns with the desired environmental outcomes.

Rule 6

Procedure for generation of green credit

The Administrator will determine the methodology for evaluating and verifying activities for green credit calculation. They will also establish the procedure for activity registration and create an electronic platform for registration, evaluation, verification, and issuance of green credits.

Rule 7

Administrator

The Indian Council of Forestry Research and Education is the Administrator responsible for implementing these rules. Their responsibilities include developing guidelines, processes, and procedures for the green credit program, as well as overseeing the issuance and trading of green credits. They will seek approval from the Central Government for these guidelines and methodologies.

Rule 8

Steering Committee

A Steering Committee, appointed by the Central Government, will oversee the Green Credit program's implementation. It includes representatives from various sectors and experts. The committee will review the program periodically

and make recommendations on which activities and sectors to include in the program, as well as other matters referred by the Central Government.

Rule 9

Technical Committee

The Central Government can create Technical Committees, suggested by the Administrator, for specific activities within the Green Credit program. These committees consist of experts who develop methodologies for calculating Green Credits, registration processes, and provide technical advice to the Administrator as required.

Rule 10

Green Credit Registry

The Administrator or designated agency will establish an electronic Green Credit Registry for registering and issuing Green Credits. This Registry will ensure accurate accounting, maintain secure data, and perform other functions as assigned by the Administrator.

Rule 11

Trading platform

The Administrator will establish and run a trading platform for green credit trading, following guidelines approved by the Central Government.

Rule 12

Knowledge and data platform

The Administrator will create a

knowledge and data platform with Central Government approval to enhance transparency and report on various activities and sectoral progress. This platform will compile essential data, sectoral achievements, best practices, and capacity-building information.

Rule 13

Designated agency

The Administrator will appoint designated agencies according to Central Government-approved guidelines. These agencies are responsible for verifying and reporting on activities for green credit issuance and filing annual returns as per the guidelines.

Rule 14

Demand generation for green credit

The Participation in the Green Credit program is voluntary. The Steering Committee will suggest measures to boost demand for green credits in the country.

Rule 15

Auditors

Every three years, independent auditors appointed by the Central Government will audit the activities of the Administrator, designated agency, Registry, trading platform, and knowledge and data platform. The audit report will be submitted to the Administrator, and the Administrator must provide an action taken report on the audit findings to the Central Government within six months. 



Sonal Verma leads the ESG Practice in the firm as a Partner and Global Leader – Markets & Strategy. With his crossroad working with business & laws – he brings advice & technology for effective change management in the journey of ESG. Sonal is well acclaimed for his work in regulatory & compliance programs over the last decade. He had in the past worked with 1800 plus clients in India and 61 other countries globally. He has worked with the top 3 unicorns and many Fortune 500 companies. His clients have been across different industries, viz. Automotive and OEMs, Pharma and Life Sciences, Manufacturing, Chemical Industry, BFSI, Infrastructure and Utilities (including stateowned PSUs), e-Commerce and Fintech Companies, Diversified Conglomerates etc.



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¹<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1967476>
²<https://legazette.gov.in/WriteReadData/2023/249377.pdf>