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INDIA'S MARKET READINESS PROPOSAL

Project Implementation Status

28-29 May, 2019

Brussels, Belgium

Objectives

- I. To explore and pilot new market based mechanisms (MBMs) in Waste and MSME sectors**
- II. To establish an integrated data management and registry for India's GHG emissions**

Background

Approval of India's Market Readiness Proposal (MRP): March 2017

Total Grant to Government of India: US\$ 8 million

Implementing Agencies: Ministry of Environment, Forest and Climate Change (MoEFCC), Government of India (US\$ 5 million) and The World Bank (US\$ 3 million)

Grant Effectiveness and Closing Date: 05/09/2017- 06/30/2020

Waste and Micro Small and Medium Enterprises (MSME) identified as priority sectors for piloting MBM

Progress

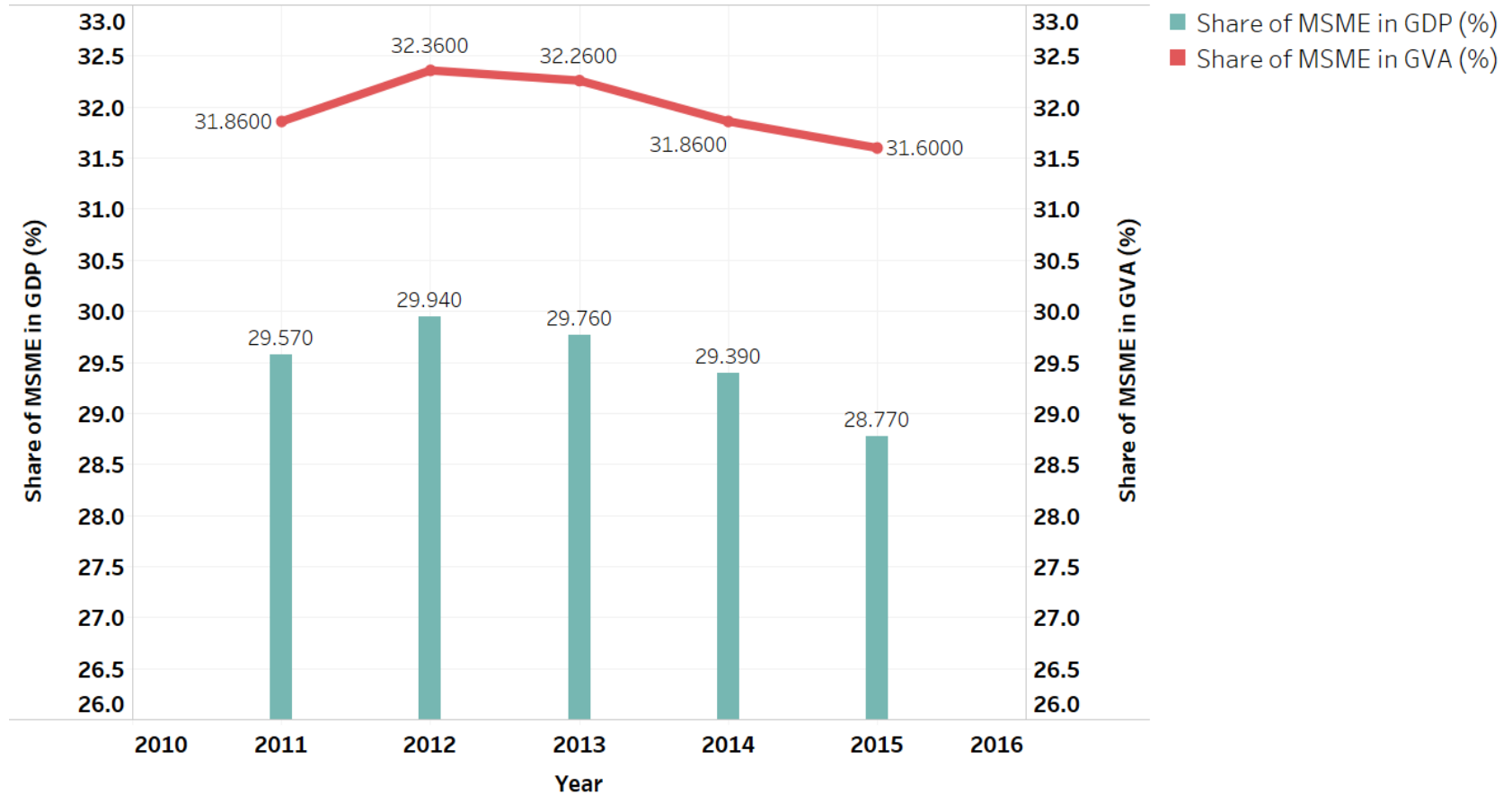
Activities initiated by World Bank under US\$ 3 million

- 1) Study on 'Development of a Roadmap and Action Plan for Implementation of the Market-Based Mechanism for GHG reduction in MSME sector'
- 2) Study on 'Development of a Roadmap to Design a Market-Based Mechanism for the Waste Sector in India'
- 3) Study on 'System Assessment and Design of a National Meta Registry'

- **Final draft reports submitted to MoEFCC in February 2019**
- **An inter-ministerial consultation organized for comments on draft reports**
- **Feedback from MoEFCC on the study reports (March 2019):**
 - **Waste sector study unsatisfactory-** no clear and actionable roadmap to launch the pilots- no decision can be taken based on the report- team was advised to revisit and resubmit.
 - It was decided to **not proceed further on the meta-registry** as no market based instrument had been clearly identified, which could be piloted quickly.
 - **MSME study- workable model;** it was advised to submit final draft for consideration- final draft received in May 2019
 - **Ministry of MSME is being consulted to proceed with piloting MBM in MSME sector**

Overview of MSME Sector in India

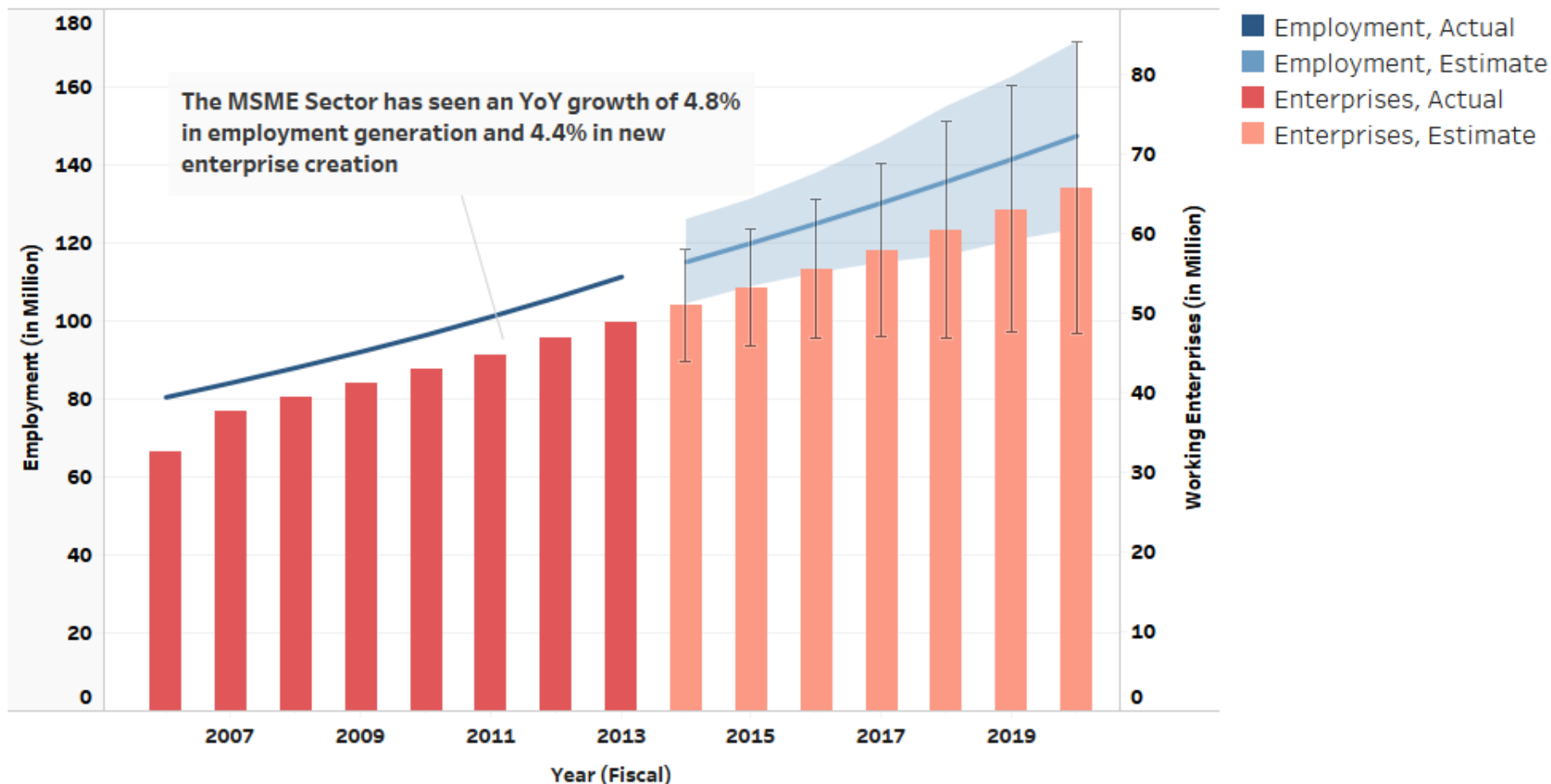
MSME Sector in India



Contribution of MSMEs in Country's Economy at Current Price (GVA and GDP)

Source: Annual Report 2017-18; Ministry of Micro, Small and Medium Enterprises; Government of India

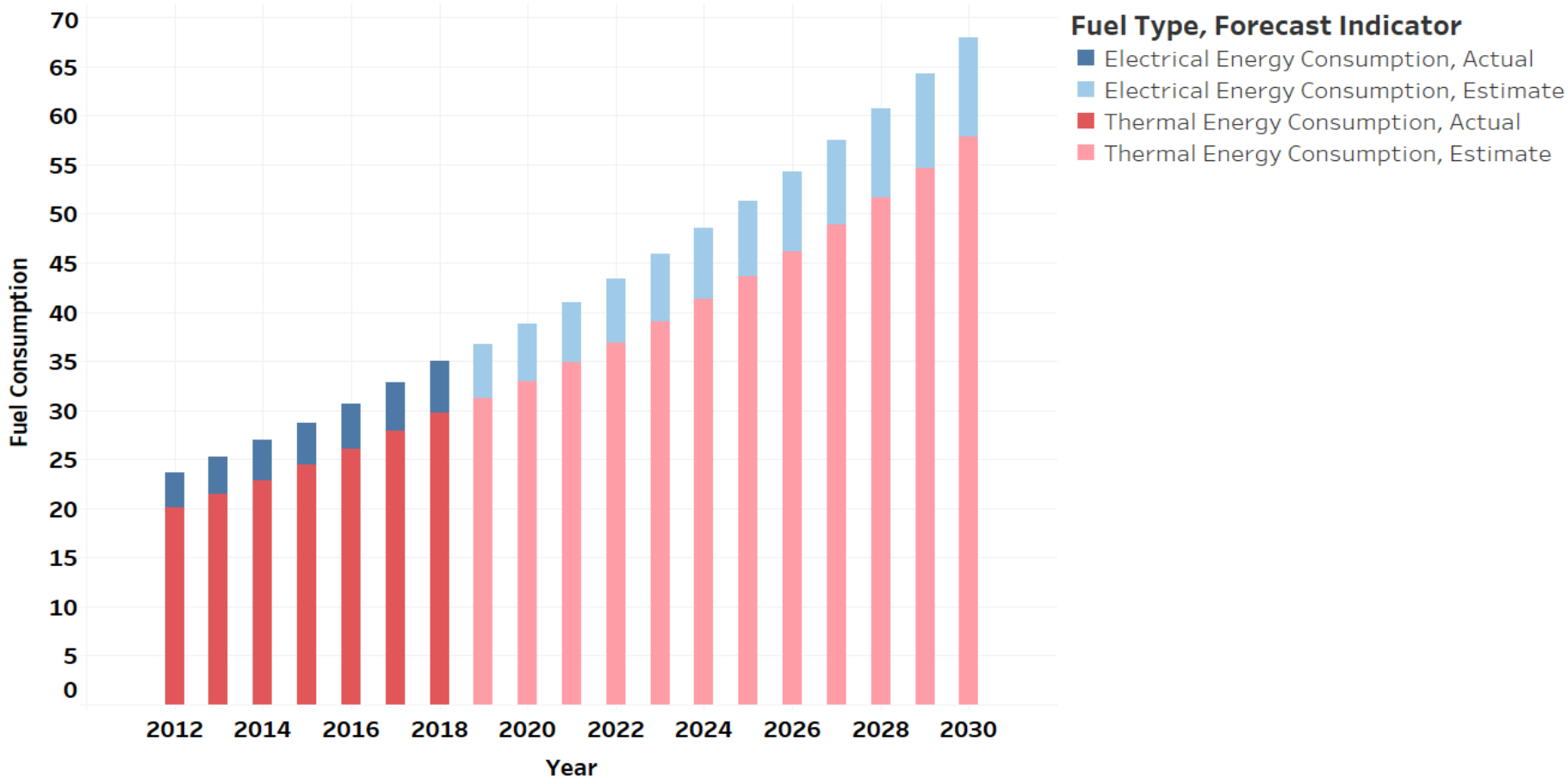
.....MSME Sector in India



Actual and Estimated Number of Working Enterprises and Employment in MSME Sector

Source: Annual Report 2014-15; Ministry of Micro, Small and Medium Enterprises; Government of India

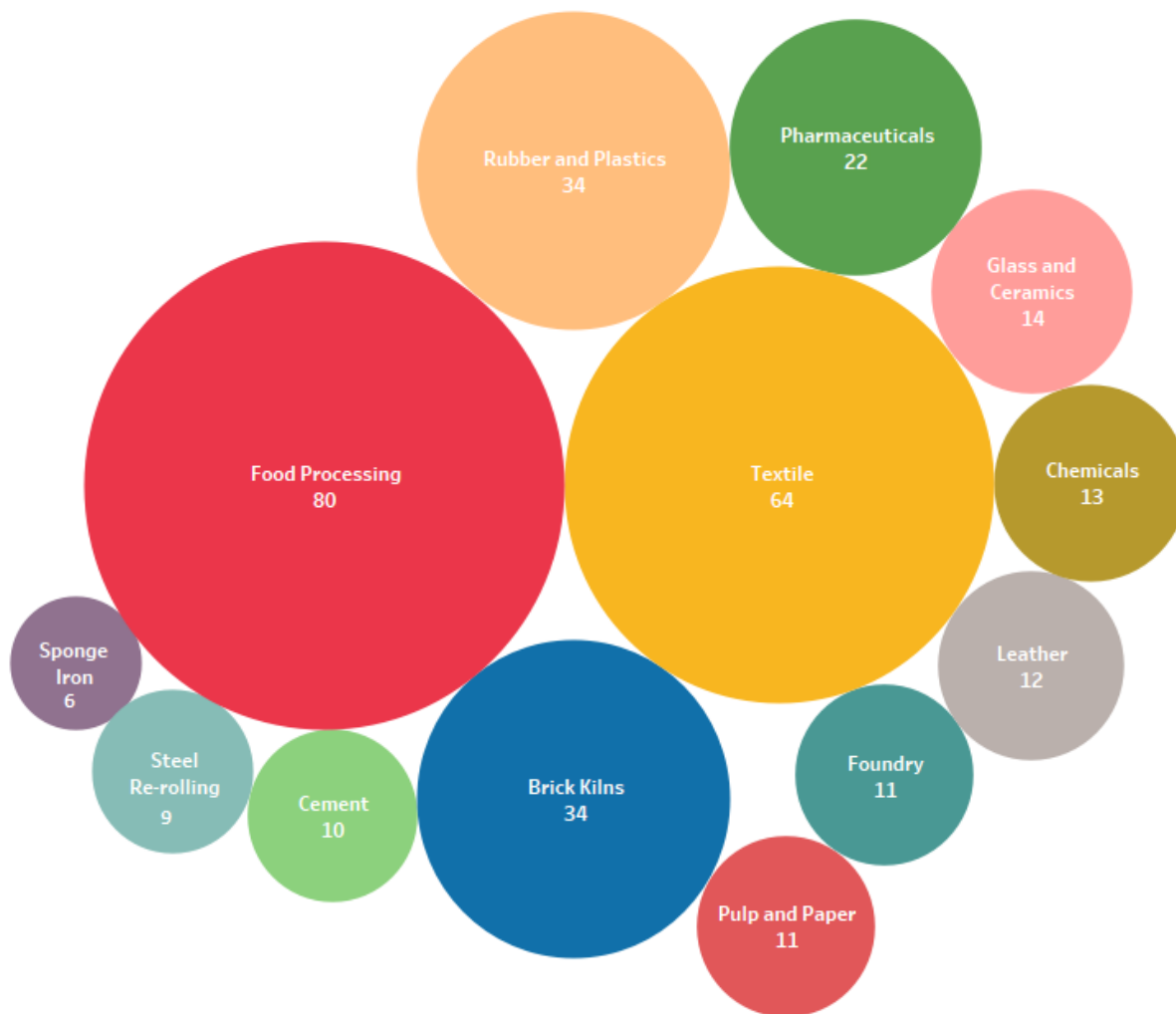
.....MSME Sector in India



MSME Energy Consumption Baseline from 2012-13 to 2029-30

Source: Development of an Energy Efficiency Strategy for Small and Medium Enterprises in India; Shakti Sustainable Energy Foundation (January, 2017)

.....MSME Sector in India

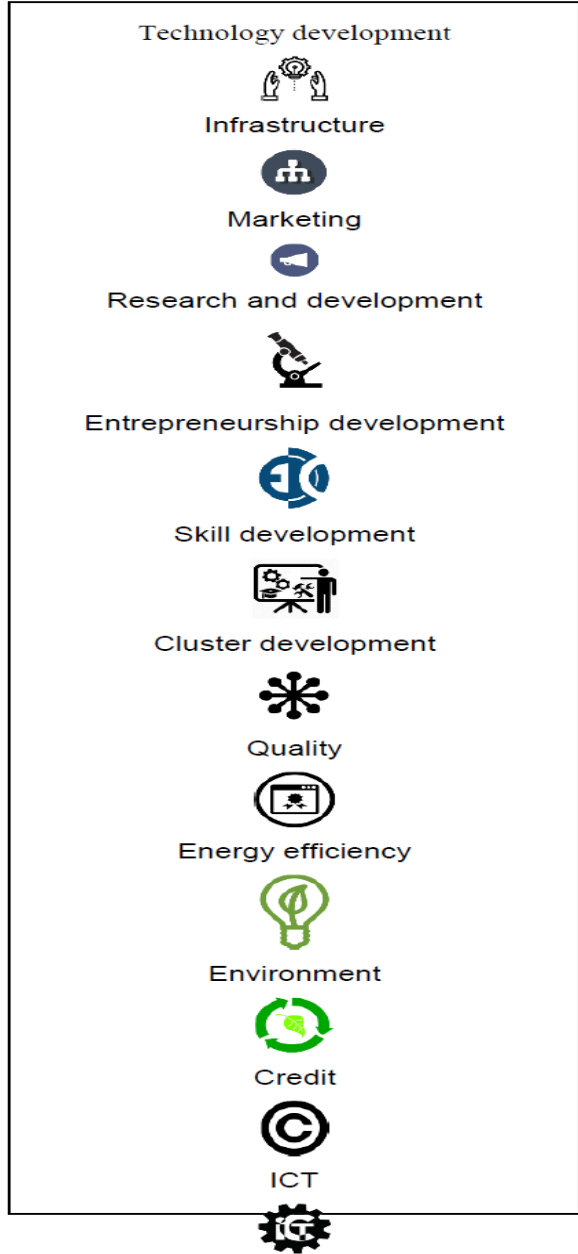
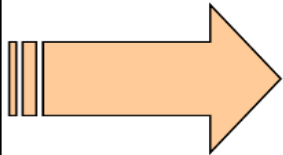


Source: Enabling Emission Reductions in the MSME Sector in India (November, 2018)

**Ministry of MSME &
Other Central
Ministries / Agencies /
Departments**

**State Departments of
Industries / MSME /
DIC / Other Agencies**

**Indian Financial
Institutions**

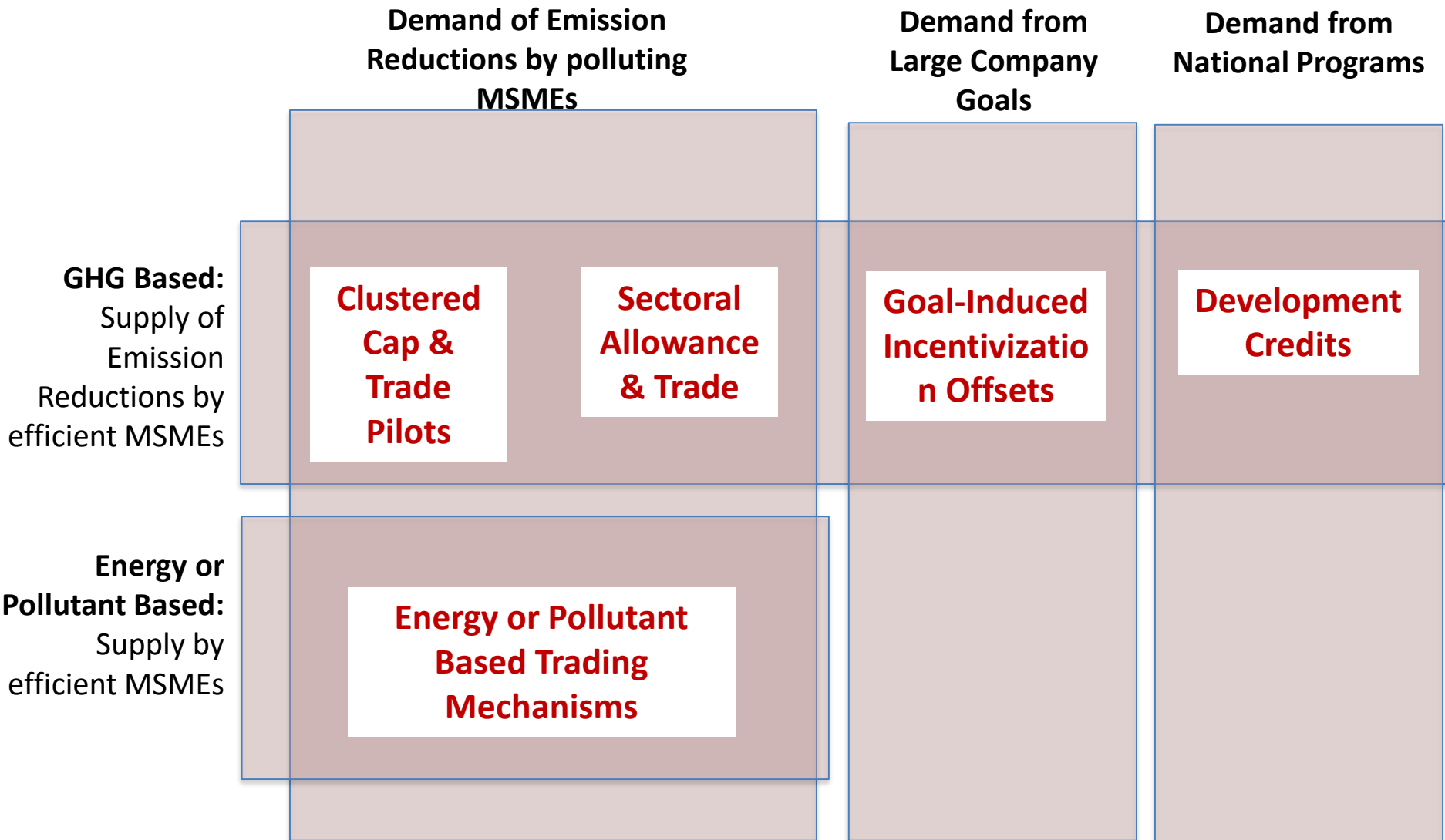


Carbon Market

Roadmap and Action Plan for piloting voluntary Carbon Market in MSME sector

Proposed MBM Options

Five Key Options / Mechanisms proposed



Elaborating the Options/Mechanisms



Clustered Cap & Trade

- Coverage based on regions / geographical clusters
- Based various international learnings including RGGI, China Pilots etc.



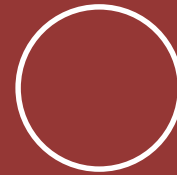
Sectoral Allowance & Trade

- Coverage based on specific industrial sectors
- Based various domestic and international learnings including the PAT scheme, aviation guidelines, CSI etc.



Goal Induced Offset Program

- MSMEs to become supplier of credits here, while large companies can tap into the designated offset program to meet their carbon reduction goals.
- Based on CDM, Climate Neutral now



Energy or Pollutant Mechanism

- Extension of the PAT scheme for specific MSME sectors for the energy conservation approach.
- Pollutant based schemes to be explored for specific target areas



Development Credits

- Links with national priorities and development goals.
- Demand coming in either from public sector or Govt. Programs
- MSMEs to get development credits

Next Steps

MoEFCC & MoMSME to jointly organize a consultation with MSME clusters to discuss the proposed MBM options and way forward



Grant Agreement to be signed at an early date. All necessary documents are in place.



Activities to commence for piloting MBM in MSME sector

thank you