NEXT IAS

DAILY EDITORIAL ANALYSIS

TOPIC

BRICS CARBON MARKET PARTNERSHIP

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In News

- The BRICS countries have backed greater cooperation on carbon markets, including implementation of a **BRICS Carbon Markets Partnership**, while opposing **unilateral carbon border adjustment mechanisms (CBAMs).**

What are Carbon Markets?

- Carbon markets are mechanisms through which **carbon credits or emission allowances** are traded to incentivise reduction of greenhouse gas emissions.
- One carbon credit generally represent**s one tonne of carbon dioxide equivalent (CO₂e)** reduced or removed.
- They help put a price on carbon and encourage cost-effective emission reductions.

About the BRICS Carbon Markets Partnership

- BRICS members reaffirmed Carbon Markets Partnership through a Memorandum of Understanding (MoU).
- It focuses on capacity-building, experience-sharing, and aligning carbon markets with climate finance.
- It represents a unified pushback by the Global South against unilateral, protectionist climate-trade policies, most notably the European Union's Carbon Border Adjustment Mechanism (CBAM), which entered its definitive operational phase in January 2026.

Why is a Common BRICS Carbon Market Rulebook Needed?

- **Measurement, Reporting and Verification (MRV)**: Different carbon accounting methods make it difficult to compare emission reductions across countries.
  - Common MRV standards would ensure transparency, credibility and comparability.
- **Mutual Recognition of Verifiers:** Countries currently follow different verification and accreditation systems.
  - It would create a more consistent certification process across BRICS.
- **Harmonisation of Registry Systems**: Carbon registries record the issuance, ownership and retirement of carbon credits.
  - Harmonised data fields and interoperable systems would enable secure information exchange.
  - This would reduce the risk of duplicate issuance and fraudulent claims.

Challenges in Integrating BRICS Carbon Markets

- **Differences in Domestic Carbon Markets**: BRICS countries follow different carbon-pricing systems.
  - Brazil uses a cap-and-trade model, while India and China primarily use emissions-intensity-based systems. These differences make integration difficult.
- **Carbon Price Disparity**: India's carbon price is much lower than that of the UK and EU .
  - Therefore, despite recognition of India's CCTS, Indian exporters may still face substantial additional CBAM charges.
- **Heavy MRV Burden on MSMEs:** CBAM requires accurate Measurement, Reporting and Verification (MRV) of supply-chain emissions.
  - Indian MSMEs often lack the technology, funds and expertise to meet these requirements, making them vulnerable to losing export competitiveness.
- **Unequal Distribution of Carbon Revenues**: The EU's proposed retention of 75% of CBAM revenues in its own budget (2028–2034), rather than supporting developing countries' green transition, raises concerns about climate justice and unequal burden-sharing.

Significance for India

- **Strengthens India's position** in international climate negotiations.
- **Helps Indian exporters** respond to carbon border measures.
- **Improves credibility** of India's Carbon Credit Trading Scheme.
- **Supports development of domestic carbon markets** and green investments.
- **Creates opportunities for technology transfer** and climate finance.
- **Reinforces India's role as a bridge** between developing countries and global climate governance.

Way Ahead

- **Developing a Common Rulebook:** BRICS should standardise Measurement, Reporting and Verification (MRV) systems and carbon-credit standards instead of immediately creating a unified carbon market.
  - This will improve transparency and global trust.
- **Strengthening India's CCTS:** India must expand its Carbon Credit Trading Scheme and gradually improve domestic carbon pricing to reduce the additional CBAM burden on Indian exporters.
- **Supporting MSMEs:** The government should provide digital carbon-accounting tools, subsidies for verification costs and technical assistance to help MSMEs comply with international carbon standards.
- **Using Diplomatic Leverage**: India should use FTA negotiations with the EU and UK to seek CBAM exemptions or relief and demand that carbon revenues collected from Indian exports support India's renewable energy transition.

Conclusion

- The BRICS Carbon Market Partnership is a **strategic masterstroke that shifts the Global South** from a defensive posture to an offensive one. While combating unilateral mechanisms like CBAM will require tough economic diplomacy, standardizing carbon trading within BRICS offers India the opportunity to define the rules of the new global green economy.

Source :TH

Daily Mains Practice Question

[Q] What is the BRICS Carbon Markets Partnership? Discuss its significance in strengthening climate cooperation among developing countries.