Green credit rules tweaked to favour canopy cover, remove trade provision

- The green credit programme incentivises corporations and other entities to participate in eco-restoration activities by awarding them credits that can be used to meet social and environmental compliances.
- The environment ministry has tweaked the methodology to make green credits from planting trees non-tradable and non-transferable, a shift from the earlier version of the scheme that allowed trading credits.
- The new regulation states that land parcels need to achieve a canopy density of at least 40% after five years in order to generate credits, with one credit issued for each surviving tree.

SIMRIN SIRUR

India's environment ministry has revised the methodology to calculate "green credits" from planting trees, more than a year after the programme was criticised for promoting potentially damaging practices.

The scheme seeks to incentivise corporations and other entities to participate in eco-restoration activities by awarding them green credits. The credits can then be used to meet compliances under corporate social responsibility (CSR) or environment social governance (ESG) frameworks. As per the original notification, a range of activities – including water conservation and green buildings – are covered by the scheme, but so far, only regulations for tree planting-related activities have been specified.

Apart from CSR and ESG, green credits generated from tree planting can also be used to fulfil compensatory afforestation obligations under the Forest Conservation Act, which requires project proponents to offset the loss of forest land caused by infrastructure development activity.

While the new methodology addresses some of the concerns previously raised by experts, gaps still remain. It also appears to rule out a fundamental component of the scheme when it was first introduced – the trade of green credits.

The government had introduced the scheme in 2023 as an "innovative market-based mechanism designed to incentivise voluntary environmental actions across diverse sectors". The idea was to set up a green credit market similar to the voluntary carbon market, where individuals, corporations, farmers unions, and others could buy and sell green credits to aid restoration activities.

The new methodology, however, specifies that green credits from tree planting "shall be non-tradable and non-transferable except for the transfer between the holding company and its subsidiary companies."

As per the Green Credit Programme (GCP) website, 22,656 hectares of land have been selected for eco-restoration work. Public sector undertakings (PSUs), mainly in the coal, oil, and electricity sectors, have been the biggest takers of the scheme so far, with the Indian Oil Corporation having committed to the most number of eco-restoration blocks.

"Entities are demanding the tradable aspect of the scheme be brought in. The government hasn't entirely closed the door on this prospect, but credits from tree planting will not be tradable," said an official, aware of the scheme, on the condition of anonymity, as they are not authorised to speak to the media.

Changes in the methodology

Initially, the government stipulated that entities needed to plant 1,100 trees per one hectare of land, on degraded land parcels maintained by the forest department. Green credits would be issued two years after the plantations were raised, with the benefits from the plantation activity open to earning carbon credits as well, the previous methodology, released in February 2024, had said.

Mongabay India had reported on a host of issues experts had raised, including that such a high density of plantations could actually exacerbate degradation and reduce chances of sapling survival.

That green credits could be bought and sold two years after the plantations were raised – without any parameters to ensure long-term survival – also drew criticism. Intended linkages with the carbon market also threw open uncertainties about whether emissions reductions achieved would be additional.

The new methodology, released on August 29, rules out any linkages with the carbon market, and does away with the 1,100 trees parameter in favour of canopy density. The new regulation states that land parcels need to achieve a canopy density of at least 40% after five years in order to generate credits, with one credit issued for each surviving tree.

"Dropping the 1,100 trees-per-hectare density requirement is a positive step, as many so-called degraded lands are actually grasslands or savannahs where dense plantations disrupt local uses like grazing," said Gautam Aredath, a policy analyst at the Ashoka Trust for Research in Ecology and the Environment (ATREE).

"Expanding the activities under the GCP to include planting native grasses and shrubs, and activities like soil and water conservation and removal of invasives is equally welcome. However, green credits remain tied only to tree growth, not ecosystem restoration, which risks skewing investors' incentives toward fast, dense plantations," he added.

The new regulation clarifies that green credits can be exchanged just once, in order to meet compensatory afforestation requirements, CSR requirements, or any other plantation-related requirements under any other law. "Once the Green Credit is exchanged for any of the purposes mentioned above, it shall be deemed to have been extinguished to the extent such Green Credit has been used and to that extent it cannot be used again," the notification says.

The new methodology also makes raising and maintaining the plantations the responsibility of the entity seeking to earn credits, and not the forest department.

However, the scheme's tenure is still a point of concern, said Aredath. "Why the five-year period has been chosen, needs strong justification. It is an improvement from the earlier two years, but still very short compared to permanence requirements usually applicable to carbon credits to provide some confidence that benefits will not be easily reversed," he said.

Concerns about forest rights

In November 2024, the government revealed eco-restoration work had already started on 3,409 hectares of land, even as the contours of the scheme were being worked out.

The eco-restoration blocks selected by states for inclusion in the programme are supposed to be "free from all encumberances," as per the regulations.

However, the lack of specific mention recognising rights under other laws, like the Forest Rights Act, could open the door to conflict in the future, experts say. The Forest Rights Act (FRA) recognises the historical rights that forest dwelling communities have over forest resources.

"The programme sidesteps gram sabhas that have rights under the Forest Rights Act and whose lands and livelihoods are directly at stake in restoration decisions. Many gram sabhas themselves have been seeking support to restore their forest lands, and if green credit programme can be re-conceptualised in a true participatory manner, aligned with the FRA, there can be a win-win here," said Aredath./*MONGABAY*