

ESG NEWSLETTER

AVA Insights x MGC Global

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Introduction

The Ministry of Power has transitioned from the **Renewable Purchase Obligation ('RPO')** framework to a consolidated **Renewable Consumption Obligation ('RCO')** regime effective from FY 2024-25, marking a significant shift in India's renewable energy policy landscape.

Reasons for Replacing RPO:



RCO provides a stronger legal basis under the **Energy Conservation Act, 2022**, replacing the older RPO under the Electricity Act, 2003.



RCO covers more consumers such as Distribution Companies (**'DISCOM'**), **captive power users**, and **open access consumers**, unlike RPO which largely targeted DISCOMs only.



RCO sets **uniform national targets** with clear year-wise escalation, unlike the state-specific varied RPO targets.



RCO **includes distributed renewable energy** (rooftop solar, behind-the-meter), which RPO did not fully capture.



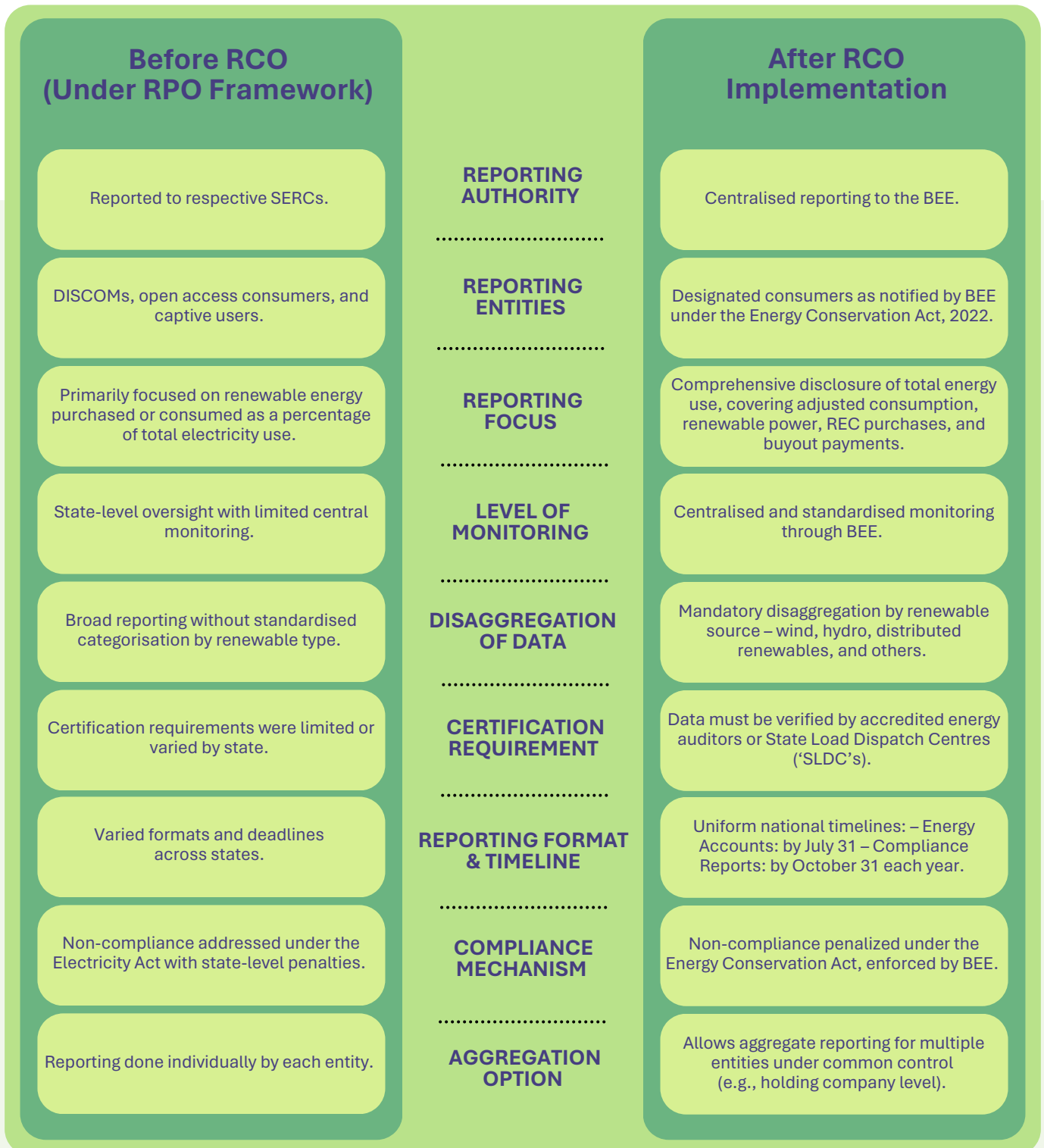
RCO enforcement is centralised via the **Bureau of Energy Efficiency ('BEE')** with stricter penalties, unlike the decentralised RPO oversight.



Compliance under RCO is based on **actual renewable energy consumption**, not just purchase, driving cleaner operations.

RPO TO RCO: WHAT'S CHANGED?

Parameters	RPO	RCO
Legal Framework	Governed under Electricity Act, 2003, enforced by State Electricity Regulatory Commission ('SERC')s	Mandated under Energy Conservation (Amendment) Act, 2022, enforced by Ministry of Power and BEE
Scope & Applicability	Applied mainly to electricity distribution licensees (DISCOMs)	Expanded to include distribution licensees, open access consumers, and captive power users nationwide
Renewable Energy Targets	Varied by state, generally lower and less uniform	Nationally uniform and more ambitious targets (29.91% in 2024-25 increasing to 43.33% by 2029-30)
Renewable Sources Covered	Mainly wind, solar, hydro, and co-generation	Cover wind, hydro, distributed renewables (<10 MW including rooftop solar), and other renewable sources with clarity
Compliance Options	Purchase of renewable energy or Renewable Energy Certificates ('REC's)	Direct consumption, REC procurement including virtual Power Purchase Agreements ('PPA's), or buyout price with reinvestment in renewable energy
Calculation & Exclusions	Based on electricity purchased from utilities	Refined with exclusions for nuclear, fossil-based co-generation, and includes behind-the-meter generation
Enforcement & Penalties	Monitored by SERC	Monitored by BEE; penalties under Energy Conservation Act up to ₹10 lakh + daily fines; stronger statutory backing
Flexibility & Aggregation	Limited fungibility across renewable types; state-specific	Fungibility between wind, hydro, and other renewables for compliance; distributed renewable energy is non-fungible for shortfalls but surplus can offset others
Regulatory Oversight	State-level SERCs	Centralized enforcement by Ministry of Power and BEE with coordination across states
Transition Status	Superseded for most part by RCO post 1 April 2024	Current operative framework for renewable energy consumption obligations



Why this Matters?

The [shift from RPO to RCO](#) creates a clearer and enforceable renewable energy mandate aligned with India's 2030 goals (**50% electricity from non-fossil sources**) and longer-term visions for 2047 (**energy independence**) and 2070 (**net-zero emissions**).

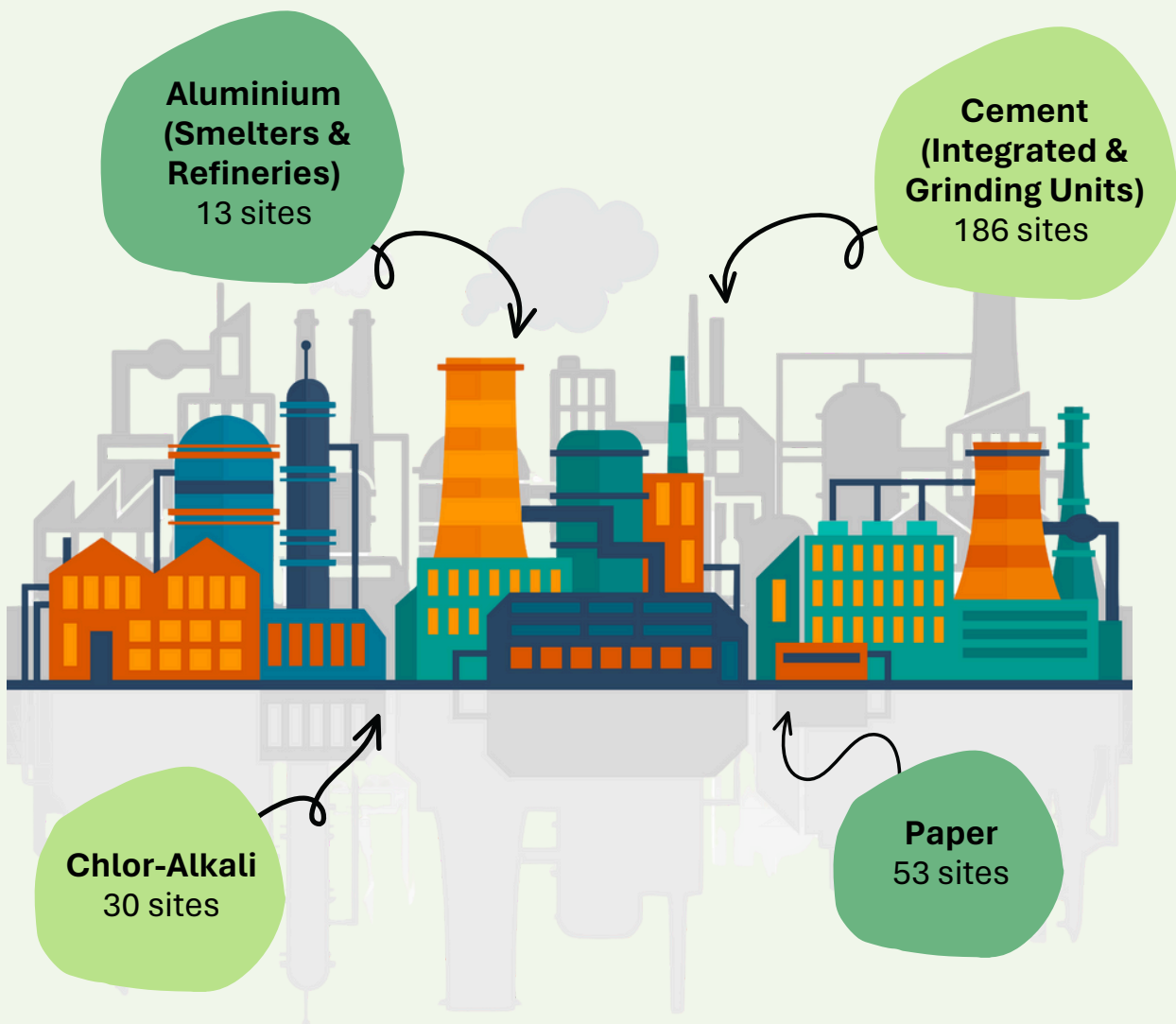
By incorporating distributed and behind-the-meter renewables, the new framework enhances consumer participation and grid resilience.



Introduction

The Carbon Credit Trading Scheme ('CCTS'), initially introduced last year and previously featured in our newsletter, has now been expanded to cover a broader range of industrial sectors and additional manufacturing sites.

Sectors Covered Under 8th October, 2025 Gazette



Requirements of the New CCTS Law:



Companies are mandated to meet **prescribed Greenhouse Gases ('GHG') emission intensity targets** established against their respective baseline performance.



Overachievement of targets will generate tradable **Carbon Credit Certificates ('CCC's)**, creating financial incentives for emission reductions.



Underachievement must be offset through the purchase of credits or will attract **Environmental Compensation**, set at twice the average market price.



Failure to comply may further result in penalties under the **Environment (Protection) Act, 1986**.

Mechanism for Credit Adjustment Under CCTS

Under CCTS, the number of CCCs allocated or required is proportionate to the entity's equivalent product output during the compliance year.

1. Issuance of Credits (Overachievement of Target)

If an entity exceeds its emission reduction target, it is eligible to receive CCCs. The calculation is as follows:

CCCs to be issued

$$\begin{aligned} &= (\text{Target Emission Intensity} \\ &\quad - \text{Achieved Emission Intensity}) \\ &\quad \times \text{Equivalent Product Units produced in the compliance year} \end{aligned}$$

This approach ensures that the credit allocation reflects both the magnitude of overachievement and the scale of the entity's operations.

2. Requirement to Purchase Credits (Underachievement of Target)

If an entity falls short of its emission reduction target, it must acquire CCCs to fulfill its obligations. The calculation is:

CCCs to be purchased

$$\begin{aligned} &= (\text{Achieved Emission Intensity} \\ &\quad - \text{Target Emission Intensity}) \\ &\quad \times \text{Equivalent Product Units produced in the compliance year} \end{aligned}$$

This ensures that entities are proportionately accountable based on the shortfall relative to their production output.

Key Points

In both scenarios, the difference between target and achieved emission intensity, multiplied by the equivalent product output, represents the proportionate adjustment. For any shortfall, entities can surrender banked CCCs or purchase new CCCs to comply. Non-compliance triggers an Environmental Compensation penalty, calculated as twice the average market price of a CCC during the trading cycle.

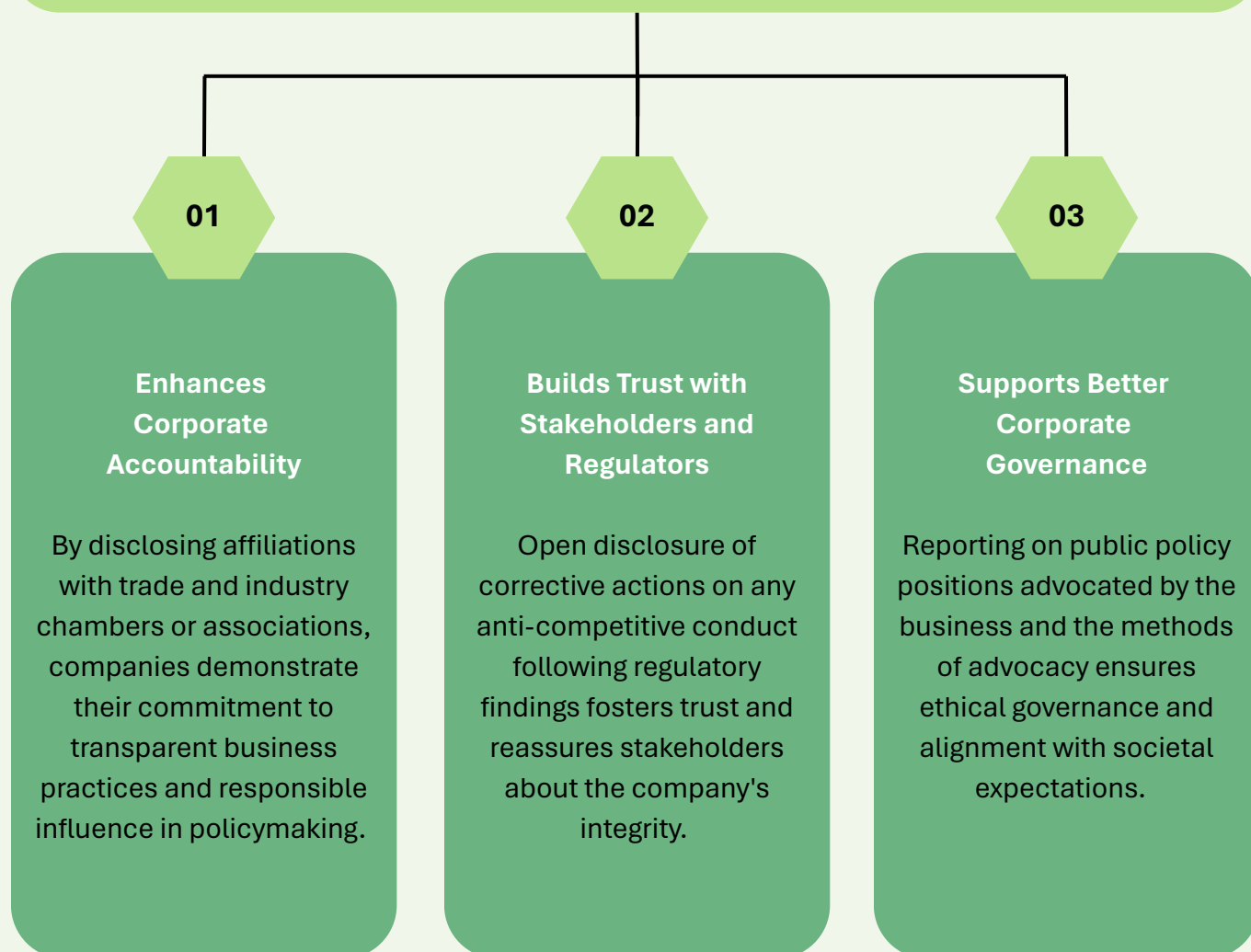
Conclusion

The expansion of CCTS to becoming a law marks a significant step in **India's transition toward a low-carbon economy**. By extending its coverage across key energy-intensive sectors, the scheme aims to **accelerate industrial decarbonisation, incentivise emission efficiency, and strengthen India's carbon market ecosystem**. As implementation progresses, active industry participation will be critical to achieving national climate goals while driving sustainable competitiveness.

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Principle 7 of the Business Responsibility and Sustainability Reporting (‘BRSR’) framework emphasizes that businesses should conduct their involvement in public and regulatory policymaking responsibly and transparently. This ensures that corporate influence is exercised ethically and openly, supporting fair regulatory environments and preventing anti-competitive practices.

How Reporting on Principle 7 Helps Companies:



Reporting Metrics in BRSR for Principle 7

1. Affiliations with Trade and Industry Chambers/Associations:

- Number of such affiliations.
- List of top 10 trade and industry chambers/associations the company is affiliated with, including their reach (State, National, or International).

2. Corrective Actions on Anti-Competitive Conduct:

- Details of any corrective actions taken or underway based on adverse orders from regulatory authorities concerning anti-competitive behavior.

3. Public Policy Advocacy:

- Details of public policy positions the company advocates.
- Methods used for advocacy (e.g., public consultations, submissions, membership).
- Whether the information is available in the public domain.
- Frequency of review of public policy positions by the Board.
- Web links to published positions or advocacy materials (if available).

Mapping Principle 7 to UN SDGs:





DID YOU KNOW?



A Defining Milestone: Renewables Surpass Coal in Global Power Generation

In the first half of 2025, **global renewable electricity generation** (from solar and wind) reached **5,072 TWh**, surpassing coal's 4,896 TWh for the first time. According to Ember, this marks a critical inflection point in the global energy transition.

Key Drivers of the Shift



Asia Leading the Transition

China expanded its solar output by 43% and wind generation by 16%, while reducing fossil fuel-based generation by nearly 2%.

India recorded a 31% increase in solar generation and a 29% rise in wind generation, coupled with a 3.1% decline in coal and gas-based electricity.



Solar Power as the Primary Growth Engine

Solar energy accounted for 83% of the global increase in electricity demand during H1 2025, with wind contributing an additional ~97 TWh.

In several markets, new solar installations have become more cost-effective to build and operate than existing coal plants, driving faster capacity additions.



Fossil Fuels Retain Momentum in Select Regions

In the United States, coal generation increased by 17%, even as gas generation declined by ~4%.

The European Union also saw modest increases in both coal (+1.1%) and gas (+14%) generation, partly due to weakened hydroelectric output.



Significance of the Transition

The trend reinforces the economic and policy rationale for large-scale deployment of solar and wind energy as dependable sources of power.

Global electricity demand growth is now being met without a corresponding rise in coal generation, signaling the decoupling of economic growth from fossil fuel reliance.

Sustaining this trajectory will require continued investment in grid modernization, energy storage systems, and supportive policy frameworks to manage renewable intermittency.



DID YOU KNOW ?

1

Looking Ahead

The data from the first half of 2025 signifies more than just a statistical achievement—it represents a structural shift in the global power mix. While coal continues to play a role in certain regions, the balance of momentum has shifted decisively toward renewables. With continued progress, the world is moving closer to a cleaner, more resilient, and sustainable energy future.





DID YOU KNOW?

2

EU Delays Sustainability Reporting Standards for Non-EU Firms

The European Commission has announced a postponement in implementing the **European Sustainability Reporting Standards ('ESRS')** for companies outside the EU under the **Corporate Sustainability Reporting Directive ('CSRD')**.

What's Changing

- The ESRS requirements for “third-country undertakings” will no longer be adopted before October 2027, as part of a “de-prioritisation” of non-essential regulatory acts.
- Initially, these rules were expected to apply by mid-2024. A prior delay shifted that to June 2026.
- The postponement is part of the Commission’s broader simplification agenda, intended to ease administrative burdens and enhance Europe’s global competitiveness.

What's Driving the Delay

- The Commission notes that in past years, it has accumulated some 430 follow-up legislative acts, of which 115 have been flagged as “non-essential” to core EU policy objectives — including the ESRS for non-EU entities.
- This move is tied to the Omnibus I package, currently under deliberation, which proposes reforms to CSRD, the Corporate Sustainability Due Diligence Directive ('CSDDD'), and seeks to narrow their scope, such as raising the employee threshold for coverage.
- The shift also aligns with recent EU–U.S. discussions, wherein the EU committed to ensuring that the CSRD and CSDDD “do not pose undue restrictions on transatlantic trade.”



DID YOU KNOW?

2

Implications for Businesses & Stakeholders

- Non-EU companies with operations or revenue in the EU will have extra runway before needing to comply with EU sustainability reporting under ESRS.
- However, ongoing regulatory uncertainty—especially as the Omnibus reforms are negotiated—means firms should stay alert to changes in scope, thresholds, or reporting obligations.
- For stakeholder communications, investor scrutiny, and strategic planning, this delay doesn't eliminate the need to monitor global ESG reporting norms — many jurisdictions and markets are moving forward independently.





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