5. INFRASTRUCTURE SECTOR

5.1 Reducing Emissions: Greenhouse gas intensity targets established for major industrial sectors

In 2025, India introduced sector-specific emission intensity targets for heavy industries, aiming to reduce emissions by up to 60% and lay the foundation for a national carbon trading market. These rules mark a shift from voluntary pledges to enforceable climate action, positioning India as a potential leader in low-carbon manufacturing ahead of a full carbon market launch in 2026.

Refined Reflections:

A carbon trading system puts a price on greenhouse gas emissions by allowing companies to buy and sell allowances. This encourages firms to reduce emissions in a cost-effective way, turning decarbonisation into a market-driven process. Around the world, the EU's Emissions Trading System is the most established example, setting a benchmark for climate regulation. Other regions like China, South Korea, and parts of the United States have also launched their own trading schemes to meet net-zero goals.

India recently took a big step by introducing sector-specific emission targets, moving from voluntary climate promises to enforceable rules. The Greenhouse Gas Emissions Intensity Target Rules, issued in April 2025, require heavy industries such as cement, aluminium, pulp and paper, and chlor-alkali to cut emissions per unit of production by 40 percent in the first year and 60 percent the following year. This is more than just reducing emissions. It also lays the foundation for a national carbon trading market. In June 2025, the government expanded the scheme to include iron and steel units and secondary aluminium producers.

This new approach could position India's heavy industries as leaders in low-carbon manufacturing, especially if strong systems for monitoring and reporting are in place. At the same time, these rules demand high levels of transparency and cooperation among industries, verifiers, and regulators. Smaller plants may face difficulties unless they receive help with technology and financing. Globally, carbon markets have faced issues like greenwashing and unreliable emissions data. For India to succeed, enforcement and public trust will be crucial. If handled well, this move will strengthen the country's climate efforts and give credibility to its carbon market ahead of a full launch in 2026. This could make India a serious player in global industrial decarbonisation.

Official Notification: Greenhouse Gas Emissions Intensity Target Rules, 2025

Draft size of target setting notification under compliance mechanism of Carbon Credit Trading Scheme 2023