Abstract

These days, the main peril that our planet faces is, undoubtedly, global warming. With the commencement of industrial revolution, the CO$_2$ level in the earth atmosphere has gone up. To postpone the time of global warming, few countries of the world have taken an initiative in the form of Carbon Credits. On February 16, 2005, around 8 years subsequent to the world’s nations came together at Kyoto, Japan in 1997 to discuss the global warming; so the Kyoto protocol finally came into force which covers six greenhouse gases and these gases are responsible for the global warming.

This research explains the carbon credits trading market and its future potential. The research addresses the policies and practices of carbon credits trading for a range of manufacturing organizations in India. In addition, this research also addresses the different technologies took up by organizations and baselines, factors and risk level linked with the different registered Clean Development Mechanism (CDM) projects of manufacturing sector organizations in India. It also examines the challenges allied with execution of carbon credit trading practices in the organizations and the impact of CDM projects for running the carbon credits project. Drawing upon the research from manufacturing sector organizations of India, the study puts forward the number of hypotheses related to awareness, duration of involvement, present status of carbon credits trading, different factors involved by the organizations in this trading and different practices adopted by the organizations. Based on the normality of the dataset, the z-test was used.

The result of the research demonstrates that a good number of the organizations are aware of carbon credits trading; however the duration of involvement is around one to two years. This research also illustrates pros and cons of the present status of prevailing carbon credits trading practices with respect to the industry such as carbon credits trading is affected by the pollution level of the industry and by the environmental regulation / laws of that country although Carbon Credits Trading is not affected by the geological location of the industry. This research also explains that offset credits are the most frequently traded by the organizations. According to this research, most of the organizations are involved in carbon credits trading for environment shield and receiving additional revenue but they are also willing to boost their shares with respect to market value. The type of operation, product and number or quantity of products manufactured by an organization has an effect on the level of carbon credits trading while the size, financial
position and core competency of an organization do not affect the level of carbon credits traded by the organization.

This research confirms some impact of carbon credits revenues registered in the organizations’ account. Most of the organizations have accounted the aforesaid as other income and they have entered as assets in balance sheet but only few organizations have accounted as operating income. The revenues generated by carbon credits trading have not been accounted as sales and integrated with sale of service/product. As per the research, there have been plenty of benefits achieved by the organizations on executing carbon credits trading practices. The foremost advantage of this notion has been the enhancement in social status of the organizations. Second, it renders great help in the decreasing overall cost of meeting the emission reduction targets. The carbon credits’ trading proffers additional revenue to the various organizations which can be utilized for the purpose of research and development.

In carbon credits trading, there have been lots of challenges regarding taxation since accounting of carbon credits witnesses ambiguity by reason of lack of proper accounting standards. This trading encourages the rich to move in direction of more sustainable ways but the export of carbon credits has been made to the foreign buyers’ yielding no tax, so there has been no explicit mention of these transactions as exports. The carbon credits stand as a source of perverse incentive to the organizations as well as to the country.

Finally, the research is concluded with a framework for attaining carbon credits in India. This research also highlights some contributions to the society as it helps to reduce the carbon emission at a significant level, provides lots of opportunities for the global investors to invest their funds and encourage the people in societal activities like tree plantings and reduction in use of carbon emission equipment as much as possible in daily life.

**Keywords:** Carbon Credits Trading, Certified Emission Reduction (CER), Kyoto Protocol, Clean Development Mechanism (CDM), Carbon and Green House Gas (GHG) Emission and International Emission Trading (IET).