

ESG NEWSLETTER

AVA Insights x MGC Global

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As India accelerates its national sustainability agenda, carbon credits and the newly introduced green credits are emerging as key policy instruments to drive climate mitigation, ecological restoration and responsible environmental stewardship across sectors. While often conflated, these two market mechanisms serve distinct purposes and have gained significant prominence in shaping the country’s environmental strategy.

	 Green Credits	 Carbon Credits
 Parameters		
Definition	Incentives for environmental conservation and restoration activities (beyond carbon focus).	Tradable certificates representing the reduction or removal of 1 tonne of CO ₂ equivalent (tCO ₂ e).
Objective	Promote broader sustainability and ecosystem improvement.	Support climate change mitigation through Green House Gas ('GHG') reduction.
Regulatory Authority	Ministry of Environment, Forest and Climate Change (MoEFCC).	Ministry of Power (MoP).
Implementing Agency	Indian Council of Forestry Research and Education (ICFRE).	Bureau of Energy Efficiency (BEE).
Legal Framework	<u>Green Credit Programme (2023)</u> under Environment (Protection) Act, 1986.	<u>Carbon Credit Trading Scheme (2023)</u> under Energy Conservation Act, 2022.
Scope of Activities	Tree plantation, water conservation, sustainable agriculture, waste management, mangrove restoration.	Renewable energy, energy efficiency, carbon capture, industrial emission reduction.
Measurement Unit	Environmental benefit unit (not based on CO ₂ e).	1 Carbon Credit = 1 tonne of CO ₂ e reduced or avoided.
Beneficiaries	Individuals, communities, corporates, local bodies.	Industries, project developers, investors.
Market Type	Domestic green credit trading platform (under development).	Compliance and voluntary carbon markets (domestic & global).
National Alignment	Supports Mission LiFE and national sustainability goals.	Contributes to India’s Net Zero by 2070 and NDC commitments.
Co-benefits	Enhances biodiversity, community engagement, and ecosystem resilience.	Drives industrial decarbonization, technology innovation, and climate finance.



Green Credits
Environmental stewardship and sustainability.



Carbon Credits
Climate mitigation and emission reduction.



See Pg 7 for how low-carbon steel pathways align with national carbon trading efforts.

Kerala sets a national benchmark by adopting India's first comprehensive state-level ESG policy.

KERALA'S FIRST STATE-LEVEL ESG POLICY (2025)

OVERVIEW

- Kerala became the first Indian state to adopt a comprehensive ESG Policy, approved by the State Cabinet in 2025.
- The policy integrates ESG principles into industrial growth, investment facilitation, and governance mechanisms.
- Led by the Department of Industries & Commerce, Government of Kerala.

MAJOR TARGETS

- 100% renewable energy by 2040.
- Net carbon neutrality by 2050.
- Foster circular economy and responsible industrial practices.

REPORTING FRAMEWORKS ENCOURAGED

- Business Responsibility and Sustainability Report ('BRSR'), Global Reporting Initiative ('GRI'), Sustainability Accounting Standards Board ('SASB') and Task Force on Climate-related Financial Disclosures ('TCFD').
- Encourages industries to adopt transparent ESG disclosures.

SIGNIFICANCE

- Positions Kerala as India's model state for sustainable industrial development.
- Encourages private sector alignment with state and national climate and sustainability goals.
- Strengthens ESG governance and investor confidence through measurable environmental and social outcomes.

KEY OBJECTIVES

- 100% renewable energy by 2040.
- Net carbon neutrality by 2050.
- Foster circular economy and responsible industrial practices.

IMPLEMENTATION & INCENTIVES

- Nodal Agency: Kerala State Industrial Development Corporation ('KSIDC').
- Incentives for ESG-compliant industries:
 - 100% tax reimbursement on capital investment for 5 years.
 - 10% subsidy on fixed capital investment (up to ₹50 lakh).
 - 20% margin preference in government procurement.
 - Regular ESG performance monitoring and compliance assessment.

Quick Facts!

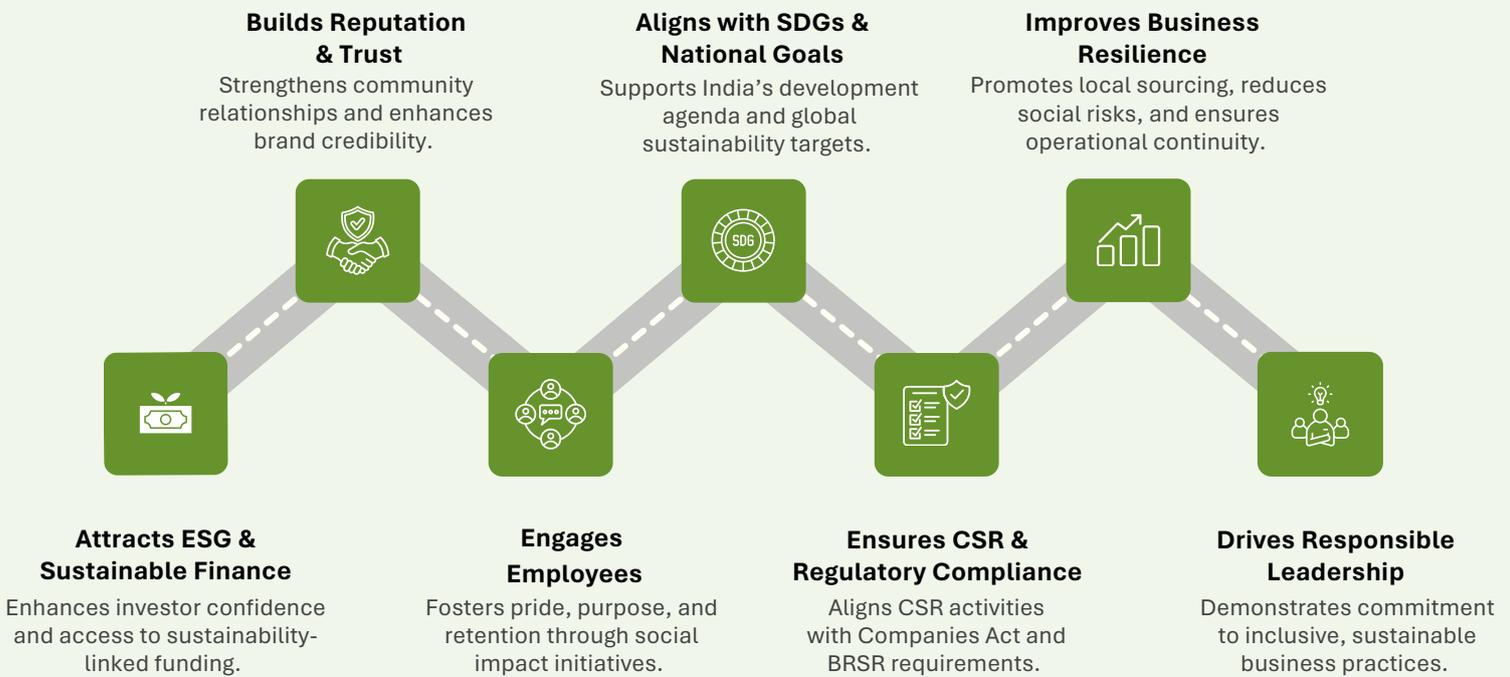
- 2040: 100% RE
- 2050: Net Carbon Neutrality
- ₹50 lakh: Max subsidy

Businesses are expected to operationalize inclusive growth by embedding equity and community upliftment into their value chains.

Core essence:

This principle emphasizes that businesses have a responsibility to contribute to the economic and social development of the communities in which they operate, ensuring that their growth benefits all sections of society, especially marginalized, vulnerable, and disadvantaged groups.

How reporting on Principle 8 benefits companies



Key reporting metrics – BRSR Principle 8



CSR Investments & Impact

Total CSR spend, focus areas, and measurable social impact outcomes.



Local Employment & Livelihoods

Percentage of employees hired locally and programs for skill development or livelihood creation.



Supplier Inclusivity

Share of procurement from MSMEs, local vendors, or disadvantaged communities.



Community Partnerships

Collaborations with NGOs, government bodies, and social enterprises for community development.



Impact Assessment & Monitoring

Systems and KPIs used to evaluate social and economic outcomes of development programs.



Alignment with SDGs & National Goals

Linkages of company initiatives with relevant UN SDGs and national development priorities.

Mapping Principle 8 to UN SDGs:

1 NO POVERTY

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS



DID YOU KNOW?

1

India crosses a historic milestone as 25 steel firms achieve global low-carbon benchmarks.



25 Indian steel companies received Green Steel Certification from the Ministry of Steel, based on verified low-emission intensity benchmarks.



Certifications are valid for 12 months and issued through NISST, using a star-rating system (5-star for <math><1.6\text{ tCO}_2/\text{tonne}</math>).



Helps companies align with CBAM requirements, improving global market competitiveness.



Supports India's broader decarbonization roadmap and incentivizes cleaner technologies in steelmaking.



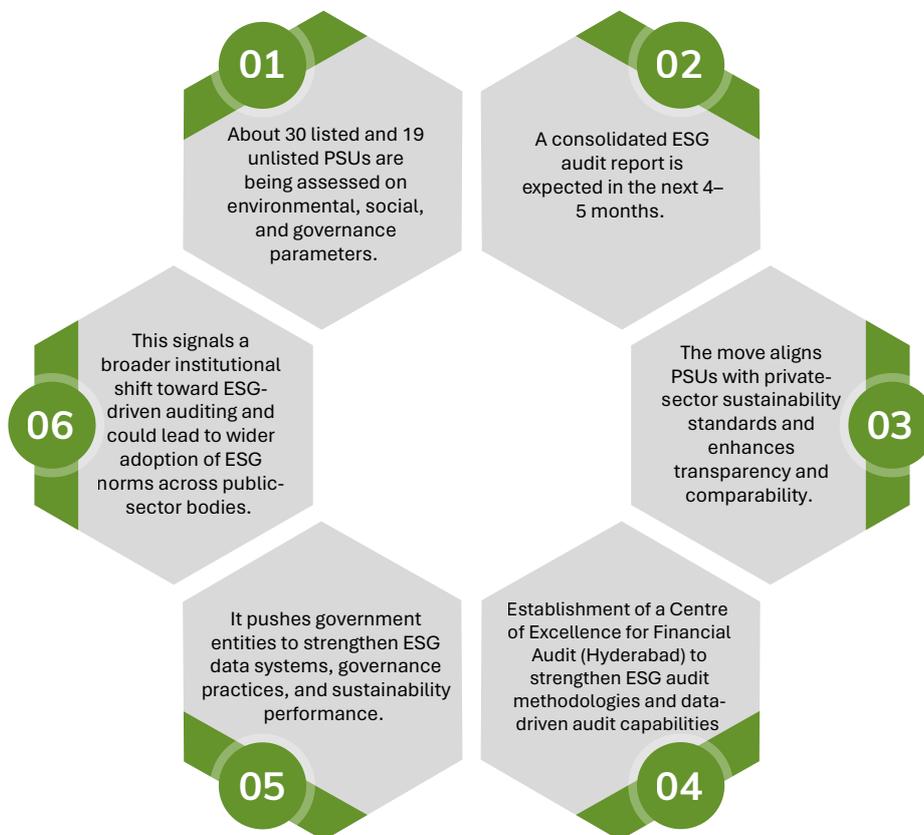


DID YOU KNOW?

2

Comptroller and Auditor General of India ('CAG') brings ESG into the heart of public audits.

The CAG has initiated a major governance reform by incorporating the Securities and Exchange Board of India's (SEBI) ESG framework specifically the BRSR standards into the audit of government-owned companies, marking a significant expansion of public-sector accountability.



These developments signify a transformative era for India's ESG ecosystem, representing a comprehensive shift toward sustainable growth and greater accountability. They hold great potential to unlock new avenues for climate finance, improve transparency and accelerate decarbonization across key sectors.

Our expertise in policy alignment, certification readiness, ESG data management and strategic advisory positions clients to navigate and lead in this rapidly maturing ecosystem. Together, we set the stage for India's transition to a resilient, low-carbon and inclusive economy.



Connect with our experts



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