

PRESS NOTE

IN CONNECTION WITH THE SIGNING CEREMONY OF
EMISSION REDUCTION PURCHASE AGREEMENT (ERPA)
BETWEEN WORLD BANK AND ECO CARBON PVT. LTD.
FOR PROMOTING CARBON CREDITS OUT OF FaL-G BRICK PLANTS

Venue: World Bank office, Lodi Road, New Delhi Time: 18:30hrs. July 26,2006

The session was chaired by Dr Pradipto Ghosh, Secretary, MOEF. Mr Rachid Benmessaoud, Operations Adviser, World Bank, India, delivered the introductory remarks.

The following are the excerpts from the power point presentation made by Mr N Kalidas.

1) Sustainable Development is defined by UNFCCC in climate change perspective. But INSWAREB, the technical partner of the Project, defines Sustainable Development in technological perspective. They uphold that a “Sustainable Development Technology” is that which contains all the elements of:

- Appropriate Technology to use local materials and man power.
- Advanced Technology to bring a shift in the conventional practices with cost effectiveness.
- Energy Efficient Technology.
- Eco-Friendly Technology, to conserve mineral wealth and, at the same time, utilise industrial byproducts contributing for sustenance of resources for many generations.

Only a few technologies qualify to assimilate all these yardsticks in a single project. FaL-G has the distinction of one of such rare technologies to Serve Sustainable Development in all applicable means.

2) In the production of clay bricks over 200 tons of coal, eq. to ~ 4.02 TJ, is used to manufacture one million (1540 cu.m) bricks. This results in the emission of over 360 tons of CO₂. By replacing the application of clay bricks in the construction segment, both in housing and infrastructure, FaL-G bricks/blocks generate carbon credits to the tune of 350 tons per every million bricks (eq. to 1540 cu.m.) after considering the Project Emissions.

3) The following are the salient features of FaL-G as CDM project offered to World Bank:

- In view of cap of 45 GWth per project, total of 8-9 bundles are going to be registered in a span of three years, aggregating to 800,000 VERs. However, the contract is signed for 600,000 tons, as a conservative approach, keeping the balance 200,000 under call option.
- Each bundle, with an aggregate output of over 60,000 cu.m. would generate over 14,000 VERs annually.
- This project spends Rs. 3.27 Crores for Environment Monitoring and Community Development, vide the Environment & Social Review plan put in the Web: www.fal-g.com.

4) INSWAREB has been spearheading the cause of fly ash utilization for the last 16 years and propagating FaL-G technology relentlessly. However, as against the potential for 100,000 plants and as against the self-imposed target of 50,000 plants, INSWAREB could witness the proliferation of only over 2000 plants. They hope that, this tie up with World Bank in fetching carbon revenue to the Entrepreneurs would trigger off much more enthusiasm in technocrats, contributing for rapid proliferation to meet the target.

5) Eco Carbon Pvt. Ltd., the Project Entity of the Project, highlights that through FaL-G technology alone there is a scope to achieve over 35 million tons of Emission Reductions. In the absence of World Bank Project this would take at least half a century to achieve the task. Now, FaL-G as CDM project, we hope to accomplish this task in the next couple of decades.

6) **Tax implications with CDM Project!**

Is Carbon Credit a commodity to attract **sales tax**?

By virtue of getting sold, Emission Reductions can be considered as commodity and are liable to attract Sales tax. But, as the total product is exported, sales tax is exempted under export norms.

TDS: Matters are not clear whether Tax has to be deducted at source before making payment to the small entrepreneur? MOEF indicates that income earned out of carbon credits is exempted from income tax. A clear document acceptable to tax authorities is necessary.

Already excise personnel are knocking the doors of Eco Carbon to explore the Service component in order to Compute **Service Tax** revenue! There is dire need for MOEF and Finance Ministry to come out with clear cut guidelines before cases are piled up at tribunals and courts.

Generators of Carbon Revenue do contribute for **Net Worth** of the Nation in tangible terms, than any other industrial or Commercial activity. Government should cherish and

nourish this segment in all the earnestness in order to tap the potential of carbon revenue market in the country, which is projected as US \$ 35 billions by one of the Studies (Benito Muller et.al) of Oxford University.

7) Fiscal reliefs to compete with Clay brick industry:

Most of the clay brick activity, positioned in unorganised sector, do not submit to tax regimes and laws of the land. This gives them price edge. Fly ash brick activity, positioned in organised sector, suffers all the tax burdens, losing its price edge over clay bricks. Hence Fly ash brick industry need to be saved from the liabilities of Excise Duty and VAT taxes.

N Kalidas

Director: INSWAREB

Executive Director: Eco Carbon Pvt. Ltd.,