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1 Variable Rate Repo (VRR) (Source: The Hindu)

VRR is a type of liquidity adjustment tool used by the RBI, where banks can borrow funds for short term at market-determined interest rates through an auction mechanism.

How it works?

- RBI conducts VRR auctions where banks bid for funds, specifying amounts and interest rates they are willing to pay. The RBI accepts the lowest (most favourable) bids to determine the cutoff rate, which becomes the variable repo rate for that auction, typically for tenures of 1-14 days.

Features

- Market-driven rates, unlike the fixed repo rate set by RBI's Monetary Policy Committee.
- Provides flexibility during liquidity shortages when banks avoid fixed-rate borrowing.
- Ensures rates stay above the reverse repo rate floor for monetary stability

2 Defence Acquisition Council (DAC) (Source: The Hindu)

The DAC is the highest decision-making body of the Defence Ministry on procurement.

- **Objective**: To ensure expeditious procurement of the approved requirements of the armed forces.
- **Formation**: It was formed after the Group of Ministers' recommendations on 'Reforming the National Security System', in 2001, post-Kargil War (1999).
- **Composition**:
  - The defence minister is the chairman of DAC.
  - Its members include the Chief of Defence Staff (CDS) and chiefs of the Army, Navy, and Air Force.

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3 Carbon Credit Trading Scheme and Carbon Border Adjustment Mechanism (CBAM) (Source: The Hindu)

Carbon Credit Trading Scheme

- *The Carbon Credits Trading Scheme (CCTS) is a market-based mechanism to reduce greenhouse gas (GHG) emissions by creating a national carbon market.*
- It enables industries to trade carbon credits, thereby encouraging cost-effective emission reductions.
- CCTS is notified under **Energy Conservation (Amendment) Act, 2022.**
- **Jointly Implemented By:**
  - Bureau of Energy Efficiency (BEE) – Ministry of Power
  - Ministry of Environment, Forest and Climate Change (MoEFCC)

Carbon Border Adjustment Mechanism (CBAM)

- *Carbon Border Adjustment Mechanism (CBAM) is a key component of the European Union's (EU) European Green Deal, aimed at preventing "carbon leakage" and ensuring fair competition between EU industries and foreign producers subject to different climate regulations.*
- **Sectors Covered under CBAM**
  - Cover high-emission sectors like cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen.
- Concerns for India
  - **Impact on Exports**: Carbon-intensive Indian exports may become less competitive in the European market.
  - **Small and Medium Enterprises**: Smaller firms may face difficulty in measuring, verifying and reporting product-level emissions.
  - **Administrative Burden**: Indian exporters need reliable systems for carbon accounting, emissions verification and documentation.
  - **Developmental Concerns**: Developing countries argue that they should not face the same obligations as historically high-emitting developed economies.
  - **Question of Carbon Sovereignty**: India may lose revenue if carbon-related charges are collected by the EU rather than through an Indian carbon-pricing system.
  - **Risk of Protectionism**: India argues that environmental objectives could be used as a justification for protecting European industries.