

Background Note

on

Expert Report on Budgetary, Fiscal and Financial Reforms for Development of Renewable Energy in India

A Climate Parliament initiative to support Parliamentary actions for stepping up Renewable Energy growth by focusing on financial, fiscal and policy mechanisms, to achieve the NAPCC as well as 12th Five Year Plan target

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Background

The National Action Plan on Climate Change (NAPCC) has set the priority of promoting clean energy by setting targets and advancing towards them through eight national missions. One of the targets as defined in the NAPCC is to increase share of renewable energy in energy mix to 15% by 2020. Specific provision in the NAPCC is, *“national renewable standard may be set at 5% of total grid purchase, to increase by 1% each year for 10 years. SERCs may set higher percentages than this minimum at each point in time.”*

While during the 11th Plan period several key policies and a robust regulatory framework has evolved, the 12th Plan period is expected to be the period during which the most of the implementation would take place so as to achieve the targets set out in the NAPCC.

The 11th plan had envisaged a capacity addition of 14,000 MW. Against this target, 16742 MW RE capacity was installed in the country, which amounts to about 3348.4 MW capacity addition per year. In a welcome move, the Government of India has more than doubled the target for the 12th Plan RE capacity addition to 30,000 MW, which corresponds to 6000 MW per annum. If India is able to achieve this target, RE capacity at the end of 12th Plan Period would be 54503 MW.

As per the Integrated Energy Policy Report prepared by the Planning Commission, the electricity demand in 2020 will be approximately 1700 BU which, if NAPCC target is to be achieved, creates a market for 255 BU of RE. In order to achieve this target of 255 BU of RE generation, an annual RE capacity addition of around 12,000 MW is required during period 2013-2020.

It therefore becomes critical to understand the challenges and constraints for development of renewable energy in India. Under the project, *“Parliamentarians’ actions for achieving Renewable Energy targets of the 12th Five Year Plan, to promote Indian Government’s low carbon inclusive growth agenda”*, Parliamentary actions for stepping up RE growth by specifically focusing on financial, fiscal and policy mechanisms, to achieve the NAPCC as well as 12th Five Year Plan target are being supported. As a part of this initiative, a detailed study is being carried out that will analyse, in view of the above target, the sector’s progress after four years of its initiation and recommend fiscal, financial and policy measures that need to be taken for achieving it. It is envisaged that the findings and recommendations of the report will form the basis for leveraging further action by parliamentarians in the renewable energy sector.

The main objectives of the study are to:

1. **Critically analyse the existing policies, schemes, programmes etc. as prevalent in the renewable energy sector for their adequacy to meet the NAPCC target.**
2. **Recommend measures on the budgetary, financial, fiscal front with respect to Central and state government policies to achieve the above target.**
3. **Devise a chronological implementation plan for the above recommendations.**

Anticipated impacts of the Study are as follows:

1. **Increased cognizance amongst the stakeholders regarding the current status, progress and requirements of the sector in view of the target of 15% of RE in India's electricity mix by 2020**
2. **Increased awareness amongst parliamentarians regarding the opportunities and issues affecting growth of the RE sector**
3. **Uptake of the recommendations provided in the report by respective implementing agencies**
4. **Increased activity and initiatives amongst parliamentarians to garner attention from the Government and step towards fast-tracking Government actions towards this goal.**

In this regard, Idam Infrastructure Advisory Private Limited (Idam Infra) is assisting Climate Parliament in preparing an *“Expert Report on Budgetary, Fiscal and Financial Reforms for Development of Renewable Energy in India”*. Mr. V Subramanian, Former Secretary – MNRE, and Dr. S Narayan, Former Principal Economic Advisor to Prime Minister have kindly extended their guidance to Idam Infra team working on this assignment.

The execution of this project required extensive consultations with experts in the field of renewable project development, finance, policy makers, regulators, etc. Idam Infra, in consultation with Climate Parliament had formed Steering & Advisory Group consisting of eminent persons from the Government and Industry for necessary guidance and support. During two meetings of the group, the members expressed their opinions and guided Idam Infra on the various aspects of the renewable energy development. Apart from this, Idam Infra team also had several ‘one on one’ consultations with stakeholders in the sector.

Major Areas of Recommendations

The following ideas on Parliamentary Action for rapid deployment of Renewable Energy in India have emerged during extensive stakeholder consultation and in-house research:

- Alignment of RPO targets to NAPCC target
- Ensure RPO compliance
- Strengthening of REC as a statutory instrument
- Increased avenues for funds for renewable energy
- Integration of renewable energy with national policies/schemes
- Increasing MNRE budget commensurate with the capacity addition targets
- Ensuring Policy certainty over a longer time horizon
- Encouraging domestic equipment manufacturing
- Promotion of off-grid renewable energy applications
- Deployment of CSR funds for renewable energy

During the workshop, it is proposed to have wider discussion and in-depth discussion on these ideas. The proposed workshop will not only help in ensuring that none of the important issues are ignored while framing recommendations but also in building consensus on recommendations.