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FM's green energy proposals fall short, plan for key reforms put in abeyance

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THE PROPOSALS IN Budget 2024-25 for the renewable energy (RE) sector may help in promoting energy storage capacity and expediting capacity creation but falls short of outlining a few crucial reforms required for the country's power sector, industry players say.

Analysts had expected incremental focus on corporate RE procurement, more effective implementation of green open access regime, and virtual PPAs (power purchase agreements) to be incentivised through some mechanism.

"The industry was expecting budgetary provisions including classifying RE as a part of 'Priority Sector lending' and helping make available project finance at very competitive rates for RE projects," said S K Gupta, CFO at AMPIN Energy Transition.

Gupta said that rationalisation of indirect tax-GST rates on turbines and modules should be revised to 5% each against existing 12% and there should be exemption of ALMM for Corporate & Industrial projects.

Manoj Sinha, CEO and Co-founder, Husk Power Systems noted that the Budget missed out on spelling out the use of Artificial intelligence enabled Virtual Power Plant to systematically integrate decentralised energy resources and with the centralised grid.

Industry players are now of the view that even though the thrust has been provided, successful implementation of the outlined objectives will remain crucial.

"Climate adaptation funding is the right way to look at financing renewable energy programmes," Sinha said. "I am hoping to see more clarity on this action and subsequently policies supporting climate adaptation projects."

The government has announced encouraging private partnerships in setting up Bharat Small Nuclear Reactors (including R&D funding), promoting use of nuclear energy which accounts for approx 3% of electricity generation.

"While this move is indeed welcome and aligns with the strategies of several other global economies, it remains to be seen how quickly this will result in tangible outcomes," said Ashwin Jacob, Partner & Industry Leader, Energy, Deloitte India.

Girishkumar Kadam, senior vice president & Group Head - Corporate Ratings, Icra also highlighted that measures on green energy continue to reinforce the commitment towards achieving energy transition in the long run but timely implementation of policy measures remains key.

"Renewable being a continuously growing industry, providing clean energy at competitive rates, we request the government to reconsider extending concessional tax rates for new projects for a further period of 2 years," Gupta said. All said and done, the government, this Budget, has made sure of an increased capital outlay to the renewable energy ministry in its attempt to expedite scaling up of RE capacity and realising energy transition goals.

The government has allocated ₹19,100 crore to the Ministry of New and Renewable Energy in FY25, registering an increase from ₹10,222 crore in the Budget estimates of FY24 which was later revised to ₹7,848 crore. The allocation to the Ministry of Power, however, has decreased this fiscal to ₹20,502 crore for FY25, down from ₹20,671 crore for FY24.