

India Budget FY2022: Facilitating a Carbon-neutral Transition

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Summary

India's Budget for Financial Year 2022 has made several suggestions to facilitate the country's transition to a carbon-neutral economy. The success of these measures will depend on the proactivity of businesses, investors and local government authorities in implementing them.

India made [significant commitments](#) at the COP26 Summit at Glasgow in November 2021. These include expanding non-fossil fuel energy capacity to 500GW by 2030 to meet 50 per cent of the country's energy requirements from renewable energy; reducing carbon emissions by one billion tons by 2030 and slashing carbon-intensity by more than 45 per cent; and becoming a 'net zero' economy by 2070.

The commitments raised expectations of the Budget for Financial Year 2022 announcing specific policies for achieving the above goals. There are [several proposals in the Budget](#).

An interesting proposal is developing ropeways. Ropeways use cable cars and are eco-friendly modes of transportation. They work particularly well in high altitudes and difficult terrains, where conventional all-weather roads are difficult to build. The Budget proposes eight ropeway projects to be built through public-private-partnership mode. Successful progress on these projects can set off an interesting trend of commuting by sustainable public transport, not just for hills, but in congested urban areas too.

Environmental clearances for projects take time to be obtained, leading to delays in project implementation. The scope of the existing single window portal for green clearances (*Parivesh*) has been expanded by the Budget. The portal will now provide information on specific approvals based on project locations. Monitoring progress on applications has also been made simpler.

Reducing projected carbon emissions and the carbon intensity of the economy depends heavily on India's success in making urban public transport less reliant on fossil fuels. The Budget has two important suggestions in this respect. The first is creating special mobility zones in urban areas with zero fossil-fuel policy. The details of the proposal haven't been spelt out. The policy could be a game-changer in reducing emissions in urban areas.

The second suggestion is on a battery swapping policy for electric vehicles. India's push towards eco-friendly transport emphasises heavily on the use of electric vehicles. This is not possible without adequate public charging facilities. The Ministry of Power recently announced [new policy guidelines](#) to augment public charging infrastructure facilities. Since

urban areas lack space to set up multiple large-scale charging stations, the Budget has proposed a battery swapping policy with inter-operability standards.

Like special mobility zones, the details of the swapping policy have not been spelt out. These will be eagerly awaited as various Indian states try to get more electric vehicles on their roads. Enthusiasm for investing in charging infrastructure should also get a boost with the Budget proposing 'infrastructure' status for dense charging infrastructure and grid-scale battery systems.

Enhancing renewable energy capacities was one of India's commitments at the COP26. The Budget has enlarged the scope of the previously announced Production Linked Incentive (PLI) scheme to manufacture high-efficiency solar photo-voltaic modules. Domestic businesses establishing full solar power supply chains, beginning from polysilicon to the modules, will be getting priority in receiving support from the PLI scheme.

A couple more announcements on clean energy intend to limit use of fossil fuel and promote energy efficiency. These include proposing co-firing of biomass pellets in thermal power plants for saving 38 million metric tons of carbon dioxide annually. The Budget also proposes the adoption of energy efficiency and savings measures in large commercial buildings through the Energy Service Company business model.

An important aspect of India's transition to a carbon-neutral economy will be implementing circular economy transitions. Circular economy emphasises re-using all items used in the supply chains of products and minimising waste. The Budget has mentioned the preparation of circular economy action plans in 10 major sectors, including electronic waste, vehicles that are no more in use and oil waste. The welcome push will need to be backed by strong public policies and regulations by states and industrial authorities.

The last affirmative policy push towards a carbon-neutral economy comes from the Budget's announcement to raise resources by issuing green bonds. These bonds would be used to fund green infrastructure projects of various public sector companies.

Through a combination of innovative eco-friendly policies (for example, ropeway projects, battery swapping, special mobility zones), greater support for renewable energy (for example, solar modules, co-firing of biomass pellets) and policies for long-term sustainable transition (for example, circular economy, green bonds), the Budget has aimed to provide impetus to India's long-term commitment of becoming a net-zero economy. Much will depend now on the proactivity of businesses, investors and state and local governments in India to implement the suggestions.

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