

Budget 2023: Green foundation for Amrit Kaal

The first budget of *Amrit Kaal* presented by Union Finance Minister Nirmala Sitharaman on February 1, 2023 (“**Budget**”), lays the foundation for a pioneering green development model for India@100 (one hundred) in 2047. ‘Green growth’ is amongst the 7 (seven) priority areas or ‘Saptarishi’ as they are called, in the Budget 2023. Hence, the focus is on a growth strategy aimed to reduce the economy’s carbon intensity and provide for large scale green job opportunities. Towards this end, amongst other things, the budget:

- has earmarked a sum of INR 35,000,00,00,000 (Indian Rupees thirty five crore) to be allocated towards achieving the net zero goal, energy transition and energy security. As per Prime Minister’s announcements in COP26 in Glasgow and India’s updated Nationally Determined Contribution (NDC), India has pledged to achieve net zero carbon emissions by 2070 and achieve about 50% cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030.
- declares that a ‘Green Credit Programme’ will be notified under the Environment (Protection) Act to encourage behavioural change. The programme is intended to mobilize additional resources for and incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, The programme, granting credit for cleaner actions seeks to encourage behavioural change, aligned with India’s pitch for lifestyle for environment (“**LiFE**”), i.e., environmentally conscious lifestyle, to reduce carbon footprint, both domestically and internationally.
- announces the construction of an inter-state transmission system for evacuation and grid integration of 13 (thirteen) GW renewable energy from Ladakh at an investment of INR 20,700,00,00,000 (Indian Rupees twenty thousand seven hundred crore), including central support of INR 8,300 (Indian Rupees eight thousand three hundred crore).
- provides to support 4000 (four thousand) MWh of battery energy storage systems through viability gap funding. A detailed framework for pumped storage projects will also be formulated. Enhancing battery energy storage is a critical element for steering the economy on a sustainable development path.
- promotes the growth of coastal shipping both for passengers and freight as energy efficient and lower cost mode of transport, through public private partnership mode with viability gap funding.
- exempts goods and services tax paid compressed biogas from excise duty to avoid cascading of taxes on blended compressed natural gas.
- enables a circular economy model under the GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme which sets out to establish 500 (five hundred) new ‘waste to wealth’ plants. These will include 200 (two hundred) compressed biogas (“**CBG**”) plants, including 75 (seventy five) plants in urban areas and 300 community or cluster-based plants with a total investment of INR 10,000,00,00,000 (Indian Rupees ten thousand crore). Further in due

course a 5% CBG mandate will be introduced for all organizations marketing natural and bio gas and for collection of bio-mass and distribution of bio-manure, appropriate fiscal support will be provided.

- emphasises the Green Hydrogen Mission with an outlay of INR 19,700,00,00,000 (Indian Rupees nineteen thousand seven hundred crore). This mission is expected to facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and ensure technology and market leadership. The mission is aimed at development of green hydrogen production capacity of at least 5 (five) MMT (million metric tonne) per annum with an associated renewable energy capacity addition of about 125 (one hundred twenty five) GW in the country by 2030 and to bring investment of over INR 8 lakh crore (Indian Rupees eight lakh crore) in total investments. The mission is also aimed at cumulative reduction in fossil fuel imports worth over INR 1 lakh crore (Indian Rupees one lakh crore). It will help in abatement of nearly 50 (fifty)MMT of annual greenhouse gas emissions.
- extends custom duty exemptions to import of capital goods and machinery required for manufacturing lithium-ion cells for batteries used in electric vehicles.

The budgetary allocation for 2 (two) prominent ministries in the green sector, Ministry of Environment, Forest and Climate Change (“**MoEFCC**”) and Ministry of New and Renewable Energy (“**MNRE**”) has also increased significantly. For MoEFCC, the budget has allocated INR 3,079,40,00,000 (Indian Rupees three thousand seventy nine crore forty lakh), which is a 24% increase from last year’s INR 2,478,00,00,000 (Indian Rupees two thousand four hundred seventy eight crore) and for MNRE, the increase this year is by more than INR 30,00,00,00,000 (Indian Rupees three thousand crore), i.e. INR 10,222,00,00,000 (Indian Rupees ten thousand two hundred twenty two crore) as compared to INR 6,900 (Indian Rupees six thousand nine hundred crore), last year.

While ‘green’ found prominence in the Budget 2023, no reference was made with respect to climate change induced disasters unfolding in different parts of the country and no budgetary allocations have been made for critical programmes such as National Climate Change Action Plan and the National Adaptation Plan, important for adaptation and climate resilience. The commitment of INR 35,000,00,00,000 (Indian Rupees thirty five thousand crore) for priority capital investments towards energy transition and energy security has been allocated to Ministry of Petroleum & Natural Gas (“**MoPNG**”). More clarity will be required to understand the details of such priority capital investments. Support measures for battery energy storage systems and energy evacuation infrastructure are important with the rapidly increasing share of renewables in India’s grid. However, details on this front is awaited and timely implementation of these measures will be crucial. Further, more clarity is required with respect to nuances of the Green Credit Programme. It is hoped that the said programme will encourage climate-conscious action to collectively reduce carbon footprint.

Multiple ministries, including MoEFCC, MNRE, MoPNG, along with the newly established Infrastructure Finance Secretariat will be central to ensuring a smooth ‘green growth’ journey and the policy measures taken by the relevant ministries towards this end are now awaited.

Overall, the budget has infused a renewed sense of vigour in India’s climate actions and the fight against climate change. The announcements reflect the country’s roadmap to achieve its net zero ambitions and push for LiFE for a resilient tomorrow.

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As part of our Energy practice, we are also involved in advising clients in the renewable energy and cleantech space. Our team has been part of complex corporate transactions involving entities engaged in the renewable energy sector including solar and wind energy entities, drafting as well as advising clients on issues related to commercial agreements such as power purchase agreements, EPC contracts and O&M contracts, advising on regulatory issues being faced by clients in the renewable energy sector as well as representing such clients before various judicial and regulatory fora. Our team is leading the green hydrogen sector and are advising clients in the public and private sector in relation to some of the first green hydrogen related acquisitions in India.

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