



Budget Highlights 2024 Aviation and Power Sector

July 2024

Highlights of the budget with focus on aviation and power

While the interim budget promised various incentives for Civil Aviation industry such as expansion of airports and introduction of new air routes, the Union Budget for 2024-25 ("**Budget 2024**"), seems to have focus on developing the Maintenance, Repair and Overhaul ("**MRO**") facilities in India.

In the power sector, Budget 2024 demonstrates the decision of the Government of India ("**GOI**") to give a boost to the renewable energy sector. The Ministry of New and Renewable Energy is allocated INR 19,100 crore (Indian Rupees nineteen thousand and one hundred crore), while INR 16,394.75 crore (Indian Rupees sixteen thousand three hundred and ninety-four point seven five crore) is allocated to the total solar energy segment, INR 851,00,00,000 (Indian Rupees eight hundred and fifty-one crore) to wind and other renewable sources and INR 600,00,00,000 (Indian rupees six hundred crore) on National Green Hydrogen Mission. The major takeaways from the Budget 2024 for aviation and power are discussed below.

Aviation

New initiatives

1. An overall budget of INR 2,357.14 crore (Indian Rupees two thousand three hundred fifty-seven point fourteen crore) has been allocated to the Ministry of Civil Aviation which is reduced from last years' budget.
2. New airport will be constructed in Bihar for which additional allocation of capital investment will be provided by the GOI.
3. The GOI will obtain the legislative approval for 'Variable Capital Company Structure' for efficient and flexible financing for leasing of aircrafts and pooled funds of private equity through this structure.
4. To support domestic aviation and boat and ship MRO, the GOI has offered to extend the period for export of goods imported for repairs from 6 (six) months to 1 (one) year.
5. The GOI has extended the time limit for re-import of goods under warranty from 3 (three) to 5 (five) years.
6. Requisite airport infrastructure to be upgraded/revived by Airport Authority of India ("**AAI**") and concerned States based on the proposals awarded under the Regional Connectivity Scheme ("**RCS**"). The proposal is for revival of 22 (twenty-two) airports across the country.
7. Efforts to be made towards enhancing RCS air connectivity by connecting airports, heliports and water aerodromes through 124 (one hundred and twenty-four) RCS routes.

8. To improve regional air connectivity in North-Eastern Region, the GOI will provide Viability Gap Funding along with a new scheme for air connectivity and aviation infrastructure for the region. The number of RCS flights to be operated in the region is estimated to be 5,000 (five thousand).
9. The GOI will also present the Bhartiya Vayuyan Vidheyak 2024 in the upcoming monsoon session, which will replace the existing Aircraft Act 1934, providing provisions for ease of doing business in the civil aviation sector.
10. The first schedule to the Customs Tariff Act, 1975 is being amended to create new tariff lines in respect of defence products, technical textiles, sustainable blended aviation fuel, products used in Indian semiconductor machines, e-bicycles, natural menthol, printer cartridge etc. This is to align the tariff lines with world customs organisation classification and better identification of goods. These changes will come into effect from October 1, 2024.

Scheme wise allocation

1. The budget allocation for UDAN (*Ude Desh Ka Aam Nagrik*) RCS is cut by 60% and fixed at INR 502,00,00,000 (Indian Rupees five hundred and two crore) from its previous record-high grant of INR 1,244 crore (Indian Rupees one thousand two hundred and forty-four crore). This funding aims at rejuvenating unused and underused airports in tier-2 and tier-3 cities.
2. 'Production Linked Incentive (PLI) Scheme for Drone and Drone Components' gets an allocation of INR 57,00,00,000 (Indian Rupee fifty-seven crore) while Krishi Udaan Scheme gets INR 1,00,000 (Indian Rupees one lakh).
3. INR 85,00,00,000 (Indian Rupees eighty-five crore) is allocated for providing medical benefit to retired employees of Air India post disinvestment.

Budgetary allocation to authorities

1. The allocation for the Director General of Civil Aviation is reduced to INR 302,64,00,000 (Indian Rupees three hundred and two crore and sixty-four lakh) which will be utilised for meeting the establishment expenditure, training projects, eGCA Project, construction of DGCA Bhawan and towards India's contribution to International Civil Aviation Organisation.
2. Bureau of Civil Aviation Security also gets a reduced allocation of INR 89,00,00,000 (Indian Rupees eighty nine crore) which is to be utilised for establishment expenditure, procurement of security and IT equipment, construction of Headquarter building, as well as India's contribution for ICAO's Cooperative Aviation Security Program and for conference and summits related to aviation security.
3. On the other hand, allocation to Airports Economic Regulatory Authority has been increased to INR 17,45,00,000 (Indian Rupees seventeen crore forty-five lakh) as compared to INR 13,00,00,000 (Indian Rupees thirteen crore) in Budget 2023-24.

Power

New initiatives

1. Policy document prepared for energy transition pathways for ensuring employment, growth and environment sustainability in power sector.
2. The GOI will promote pumped storage project for storage of electrical power generated through renewable energy sources.
3. An amount of INR 600,00,00,000 (Indian Rupees six hundred crore) is allocated to 6 (six) North-Eastern States viz. Assam, Manipur, Meghalaya, Mizoram, Tripura and Nagaland for power system improvement.
4. Budgetary support for intra-State transmission and distribution projects for Sikkim and Arunachal Pradesh have been segregated in view of these States having sensitive borders. An amount of INR 1,315.01 crore (Indian Rupees

one thousand three hundred and fifteen point zero one crore) has been allocated towards strengthening of transmission system in these 2 (two) States.

5. Additionally, INR 449,25,00,000 (Indian Rupees four hundred forty-nine crore and twenty-five lakh) is allocated for support for flood moderation storage at hydro-electric projects.
6. Development of indigenous capacity for production of high-grade steel and other materials to benefit the power sector as well.
7. Submission of the final mega power project certificate is extended from 120 (one hundred and twenty) months to 156 (one hundred and fifty-six) months, from the date of assent to the Finance (No.2) Bill 2024.

Nuclear power plants

1. The GOI to encourage Research and development (“**R&D**”) in small and modular nuclear reactors. The GOI to partner with private players for (a) Bharat small reactors; (b) R&D in Bharat Small modular reactors; (c) new technologies for use of nuclear energy for power generation.
2. Bharatiya Nabhikiya Vidyut Nigam Limited (BHAVINI) situated in Tamil Nadu, is entrusted with task of planning, executing and operating an integrated program of Fast Breeder Technology (“**FBR**”) based Nuclear Power Stations for generating electricity on a commercial basis. An amount of INR 1,184 crore (Indian Rupees one thousand one hundred and eighty-four crore) is allocated towards development of India’s most advanced nuclear reactor-Prototype Fast Breeder Reactor.
3. Amount of INR 7,597.92 crore (Indian Rupees seven thousand five hundred ninety-seven point nine two crore) is allocated to Nuclear Power Corporation of India Limited (NPCIL) which is the nodal agency to undertake the design, construction, operation and maintenance of the atomic power stations for generation of electricity under the provisions of the Atomic Energy Act, 1962.

Thermal power plants

1. The GOI to introduce indigenous technology for Advanced Ultra Super Critical Thermal Power plants with much higher efficiency. The joint venture between National Thermal Power Corporation and Bharat Heavy Electricals Limited will set up 800 MW (eight hundred megawatt) commercial power plant using aviation science technology.
2. Power projects, including setting up of a new 2400 MW (two thousand four hundred megawatt) power plant at Pirpainti, will be taken up at a cost of INR 21,400 crore (Indian Rupees twenty-one thousand and four hundred crore).

Solar Power projects

1. GOI has allocated INR 24,01,00,000 (Indian Rupee twenty-four crore and one lakh) for implementation of Phase-III of the Off-grid solar PV program which covers installation of 3,00,000 (three lakh) solar street lights, distribution of 25,00,000 (twenty-five lakh) solar study lamps and installation of solar power packs of total aggregated capacity of 100 MW (one hundred megawatt). In addition, under AJAY Phase-II over 3,00,000 (three lakh) solar street lights would be installed.
2. An amount of INR 6,250 crore (Indian Rupee six thousand two hundred and fifty crore) is allotted in PM Surya Ghar Muft Bijli Yojana launched by Government of India, which is to subsume the existing 'Solar Power (Grid)' scheme.
3. The GOI to has also revised the Basic Customs Duties (“**BCD**”) subsequent to a periodic review undertaken in consultation with the trade and other ministries:
 - a) exemption to machinery/components for initial setting up of non-conventional power generation plants (81/2005-Customs dated September 8, 2005) extended upto March 31, 2026 to encourage commissioning of grid connected solar power (ground mounted/rooftop) in the country;
 - b) BCD on specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods is reduced from 7.5% to 0%, while BCD on solar glass for manufacture of

solar cells or solar modules is increased from 0% to 10% (w.e.f. from October 1, 2024) and BCD on tinned copper interconnect for manufacture of solar cells or solar modules is increased from 0% to 5% (w.e.f. from October 1, 2024). These aim at increasing domestic manufacturing of solar panels and solar cells.

Scheme wise allocation

1. **Energy Conservation:** An allocation of INR 25,00,00,000 (Indian Rupees twenty-five crore) is made towards 'Energy Conservation' project which will be utilised for (a) carrying out awareness creation on Energy Conservation through print, electronic and other media for general public, (b) continuation of EC awards and painting competition on Energy Conservation, (c) implementation of the National Mission for Enhanced Energy Efficiency (NMEEE) (d) the upscaling of the efforts to create and sustain market for energy efficiency to unlock investments and (e) shields and certificates given by the Ministry of Power to generating stations, transmission and distribution utilities and rural distribution franchise for recognising meritorious performance in operation, project management and environmental protection.
2. **National Electricity Fund:** GOI has allocated INR 500,00,00,000 (Indian Rupees five hundred crore) to National Electricity Fund which will provide interest subsidy on loans to be disbursed to the distribution companies both in the public and private sector, to improve the distribution network for areas not covered by Rajiv Gandhi Grameen Vidyutikaran Yojana (for rural areas) or Restructured Accelerated Power Development and Reforms Programme (for towns with population greater than 30,000) schemes (since subsumed in DDUGJY and IPDS respectively).
3. **Power System Development Fund:** An amount of INR 1,200 crore (Indian Rupees one thousand two hundred crore) is allocated towards Power System Development Fund for enhanced execution of projects to bring improvement in grid safety and operation.
4. **Reform Linked Distribution Scheme:** The Reform Linked Distribution Scheme aimed to ensure 24x7 sustainable power along with a financially viable and operationally efficient distribution sector, is allocated a budget of INR 12,585 Crore (Indian Rupee twelve thousand five hundred eighty-five crore) in this budget.
5. **Manufacturing zones under the Atmanirbhar Bharat Package:** GOI has also allocated INR 80,00,00,000 (Indian Rupees Eighty Crore) for setting up of 3 (three) Manufacturing zones under Atmanirbhar Bharat Package for Power and Renewable equipment in 3 (three) different States. The manufacturing facilities in the zones shall be based on cutting edge, clean and energy efficient technology for minimising dependency on import of equipment, critical components, basic raw material, critical spares etc. required for Power sector and renewable.
6. **Green Energy Corridor:** GOI has allocated INR 600,00,00,000 (Indian Rupees six hundred crore) towards Green Energy Corridor for construction of transmission system in 10 (ten) implementing States and grid integration of large-scale renewable generation capacity in the states.
7. **National Green Hydrogen Mission:** With a budget of INR 600,00,00,000 (Indian Rupees six hundred crore), National Green Hydrogen Mission aims to make India the global hub for production, usage and export of green hydrogen and its derivatives and to achieve the aim of being self-sufficient through clean energy and serve as an inspiration for the global Clean Energy Transition.
8. **Bio energy program:** A total of INR 300,00,00,000 (Indian Rupees three hundred crore) has been allocated to Bio energy program.

Sector wise allocation

1. The overall budgetary allocations for various sectors stand as under:
 - a) **Ministry of Power:** INR 20,502 Crore (Indian Rupees twenty thousand five hundred and two crore) allocated.
 - i) Solar energy segment - INR 16,394.75 Crore (Indian Rupees sixteen thousand three hundred and ninety-four point seventy-five crore)

- ii) Wind and other renewable sources - INR 851,00,00,000 crore (Indian Rupees eight hundred fifty-one crore)
 - iii) Bio energy – INR 300,00,00,000 (Indian Rupees three hundred crore)
- b) **Ministry of Petroleum and natural gas:** INR 15,930.26 crore (Indian Rupees fifteen thousand nine hundred thirty point twenty six crore) allocated.
- c) **Ministry of New and Renewable Energy:** INR 19,100 Crore (Indian Rupees nineteen thousand one hundred crore) allocated.

Aviation Practice

JSA is known for its specialist domain knowledge in several infrastructure sectors such as aviation, energy, telecommunication, etc. JSA's expertise and cross-disciplinary approach along with substantial industry knowledge combine to put the Firm in a unique position to navigate the complexities that clients are facing in the aviation sector. JSA is one of the few firms with established knowledge and experience in the aviation sector, with specific expertise with respect to regulated areas being aeronautical tariff, non-aeronautical services, Operations Management and Development Agreement, State Support Agreement, Civil Aviation Policy et al. In fact, the Firm is recognised for its domain-focused specialised regulatory practice and strength in dealing with complex issues involving public policy, market economics, technology, finance and project management, balancing interests of both, the airport operator and airlines. JSA is regularly consulted by several government departments, regulators, airport operators, airlines, stakeholder associations and organisations, development financial institutions, industry bodies, suppliers, lenders and investors.

JSA has a vast experience in the aviation sector across all the three practice areas namely Corporate, Finance and Disputes Resolution. JSA's practice has contributed to several landmark and precedent-setting decisions passed by Consumer Fora, the Airports Economic Regulatory Authority Appellate Tribunal, Bombay High Court, Delhi High Courts and the Supreme Court of India.

Clean Energy & Climate Change Practice

Our team's climate change and sustainability practise is regarded as a leading specialized practice acknowledged for its domain knowledge, multi-dimensional expertise and strengths in grappling with complex issues involving public policy, economics, technology, finance, project management besides law. The practice is handled by domain expertise-based team which has advised various stakeholders in renewable energy, electric mobility, energy efficiency, carbon markets, ESG and new and emerging low carbon technologies, including green hydrogen. The team is highly ranked by various legal ranking agencies and is credited for contributing to several landmark and precedent setting projects. This practice encompasses:

- Legislative, Regulatory and Policy reforms;
- Public Procurement;
- Compliance and Strategy;







This Prism has been prepared by:



Poonam Verma Sengupta
Partner



Priyakshi Bhatnagar
Senior Associate

| | | |
|--|---|---|
|  |  |  |
| <p>18 Practices and 25 Ranked Lawyers</p> | <p>14 Practices and 38 Ranked Lawyers</p> | <p>Recognised in World's 100 best competition practices of 2024</p> |
|  |  |  |
| <p>19 Practices and 19 Ranked Lawyers</p> | <p>12 Practices and 42 Ranked Partners IFLR1000 APAC Rankings 2023 ----- Banking & Finance Team of the Year ----- Fintech Team of the Year ----- Restructuring & Insolvency Team of the Year</p> | <p>Among Top 7 Best Overall Law Firms in India and 11 Ranked Practices ----- 11 winning Deals in IBLJ Deals of the Year ----- 12 A List Lawyers in IBLJ Top 100 Lawyer List</p> |

| | | |
|---|--|---|
|  |  |  |
| <p>Employer of Choice 2024 ----- Energy and Resources Law Firm of the Year 2024 ----- Litigation Law Firm of the Year 2024 ----- Innovative Technologies Law Firm of the Year 2023 ----- Banking & Financial Services Law Firm of the Year 2022</p> | <p>7 Ranked Practices, 16 Ranked Lawyers ----- Elite – Band 1 - Corporate/ M&A Practice ----- 3 Band 1 Practices ----- 4 Band 1 Lawyers,1 Eminent Practitioner</p> | <p>Ranked #1 The Vahura Best Law Firms to Work Report, 2022 ----- Top 10 Best Law Firms for Women in 2022</p> <hr/>  <hr/> <p>7 Practices and 3 Ranked Lawyers</p> |

For more details, please contact km@jsalaw.com

www.jsalaw.com



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this update disclaim all and any liability to any person who takes any decision based on this publication.