

Analysis of Budget 2024 on Renewable Energy

The Budget focused on specific infrastructure centric areas such as manufacturing and services, energy security, infrastructure, innovation, research and development as well as the promisingly titled next generation reforms.



M. Arun Kumar · ETEnergyWorld

Published On Jul 29, 2024 at 12:54 PM IST



As India stands at the crucible of development and stakes a claim for global leadership, it is imperative for it to focus on infrastructure development in this era. Finance Minister

Ms. Nirmala Sitharaman,

cognizant of this fact, presented the Union Budget 2024-25 (“Budget”) evidently showing that India is poised to expand its infrastructure and green energy sector and harness the resulting capital expenditure for the growth and prosperity of the nation.

The Budget focused on specific infrastructure centric areas such as manufacturing and services, energy security, infrastructure, innovation, research and development as well as the promisingly titled next generation reforms. The Union Government taking into account the multiplier effect of investments in these sectors stated that it would provide concentrated attention and incentives for these areas in the current as well as for the forthcoming financial years.

This article provides an in-depth analysis of the announcements made in the Budget for these priority areas and analyses their potential impact on the Indian green model of development for the coming years.

Infrastructure: Lever of growth and development

The Budget has continued the momentum of the Interim Budget presented in February this year and allocated a corpus of INR 11,11,111 crore equivalent to 3.4% of GDP for infrastructure development. It has provided for long term interest free loans for an additional sum of Rupees One Lakh Crore for state governments to develop local infrastructure projects. The Economic Survey for 2024-25 (“Economic Survey”) had underscored the need for higher resource allocation for infrastructure sector investment stating that a higher level of private sector financing and resource mobilisation from new sources is urgently required by the sector. The Budget thus was conscious of the need for viability gap funding for private investments, along with a promise for bringing enabling policies and regulations in the infrastructure sector.

As India grows in population its urban areas will sprawl further, it is expected that 40% of the Indian population would be living in urban cities by 2036, thus the urban infrastructure has a critical need to be made future ready. The Budget has identified cities as growth hubs for development. It aims for development in 14 large cities across the country along with provision of appropriate financing facilities. Water supply, sewage treatment and solid waste management shall also be developed in 100 large cities across India. To provide for industrial development of the nation, the Budget has made a provision for development of 12 industrial parks under the National Industrial Corridor along with plug and play development of industrial parks in 100 cities across the country.

The Union Government has realised the importance of infrastructure development particularly as a lever of progress and growth of economy. It has aimed to resolve the longstanding issue of land identification by providing for an array of policies and programmes. The Budget provides for assignment of Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhar for all rural lands. It aims for digitisation of cadastral maps, survey of map divisions as per current ownership, establishment of land registry and linking it with farmers registry. Along with it the Union Government is aiming for digitisation of urban lands by GIS mapping with an IT based system for record administration. This will help in augmenting credit flow for growth of agriculture and improve local governance, record keeping and facilitate ease of doing business.

With the increasing urban migration the gulf between villages and cities is widening. The Union Government plans to narrow this gap and bring villages closer to cities by boosting rural road connectivity. It has thus identified 25000 rural areas where road connectivity would be improved under the fourth phase of Pradhan Mantri Gram Sadak Yojana.

Renewable Energy and India’s Goal of Energy Independence

A country grows on the back of infrastructure, but it is powered by energy. In the modern age where nations strive to become net-zero economies, reliance on green energy for the growth of a nation is particularly important. India has pledged to add 500 GW of renewable energy capacity by 2030 as per the Nationally Determined Contribution under the Paris Agreement of the UNFCCC. The Union Government is thus steadily progressing on its path of expansion of renewable energy. With flagship schemes like PM Surya Ghar Muft Bijli Yojana currently being implemented on a wide scale, solar installed capacity particularly through rooftop solar power plants is set to witness an unprecedented growth. The Budget also aims to shift micro and small industries to cleaner forms of energy thus increasing the demand base of renewables in the country.

However, despite concentrated policies by Union and state governments, India’s current installed capacity of renewable energy stands at 170 GW with plenty of room to grow. The Economic Survey also warned that India’s focus on renewable energy sources on a large scale is beset with its own set of unique challenges, the principal of which being reliance on imported goods and the intermittent nature of renewable energy. The Budget therefore aims to reduce dependency on China for rare earth minerals which are essential for manufacturing of renewable energy components. Under the Critical Mineral Mission , the Union Government plans to allocate funds for the production, recycling and overseas acquisition of rare earth assets. The Central Government also plans to augment technology, training and provide for a financing mechanism to private entities involved in extracting and utilizing these rare earth minerals. The Budget has also exempted twenty five critical minerals from basic custom duty and reduced rates on elements like Graphite, Silicon Quartz and Silicon Dioxide to aid local manufacture of key raw materials in the electronic vehicles and renewable industries.

To overcome the intermittent nature of renewable energy and help in the transition of the nation to net-zero, augmentation of renewable energy with other clean sources of round the clock sources of energy will need to be explored. The Union government is therefore exploring pumped energy storage systems as well as exploring research programmes for the small modular nuclear reactors with Bharat Small Reactors.

Hits and Misses- A vision for 2030

As India plans to have fifty percent of its installed capacity from renewable energy by 2030, the sector was envisaging a more concentrated package of incentives. The Budget was ominously silent on extension of the ISTS waiver which expires in June 2025 and there was no relief in tariff charges to boost the growth of the sector. The Budget also did not ruminate on the plight of DISCOMS under the new shift to decentralized renewable energy generation. A long term solution to cleaning up finances of ailing DISCOMS is urgently needed to secure the backbone of power distribution.

Additionally, industry experts in the biogas sector were also disappointed as the Budget failed to live up to the momentum built for the sector in the Interim Budget. The industry was expecting a dedicated financing and research package for the expansion of the biogas sector, similar to the current SIGHT scheme for green hydrogen, however their demands seemed to have fallen on deaf ears.

However, keeping the criticisms aside, the flurry of reforms in the infrastructure sector ranging from the construction of large scale road networks to exploring small nuclear energy reactors, has given proof that the Union Government is keen to use infrastructure as a catalyst of development. With novel ideas and policies all across the spectrum, India is surely set to witness a historic rise in economic activity over the coming years. Let us hope that the nation succeeds in building on the momentum and beckons the next five years with the intent and promise of a global superpower.