

‘AP, Uttar Pradesh and Rajasthan are top investor-friendly States for clean energy’

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For investors navigating India’s crowded renewable energy landscape, a new study offers a roadmap. Andhra Pradesh, Uttar Pradesh and Rajasthan have emerged as the most investor-friendly destinations for clean energy capital, according to The Institute for Energy Economics and Financial Analysis (IEEFA)’s annual *Indian States’ Electricity Transition (SET) 2026* study.

IEEFA evaluated 21 States on their preparedness to navigate the next phase of electricity transition, scoring them across regulatory initiatives, market enablers, infrastructure readiness and demand-side factors.

The study’s authors, Saloni Sachdeva Michael, IEEFA’s Lead Energy Specialist for India Clean Energy Transition, and Tanya Rana,



Energy Analyst for South Asia, said, “The pace and effectiveness of electricity transition will ultimately be shaped at the subnational level, where policy implementation, infrastructure development and demand-side realities intersect.”

THE FRONT-RUNNERS

Rajasthan makes perhaps the most compelling case on pure cost grounds. The State offers the lowest green tariff premium in the country —

just ₹0.05 per kilowatt-hour — reflecting its renewable resource abundance and policy choices to keep the cost of clean power competitive. Its renewable energy policy landscape is among the most well-established in India, giving investors the regulatory predictability they prize above almost everything else.

Uttar Pradesh has set itself an ambitious solar capacity target of 22 GW by FY27. It has introduced solar-hour-aligned time-of-day tariffs and is making early moves in green hydrogen, with a target of 1 million tonnes by 2028. This is a market that global investors are increasingly circling. Its green tariff premium for FY26 stands at ₹0.34 per kWh, lower than the previous year, signalling a direction of travel that investors will find encouraging. The study noted, however, that the State “could benefit from accelerating its

efforts to install storage capacity to facilitate reliability of renewable energy sources”.

Andhra Pradesh rounds out the list with perhaps the most diversified clean energy profile. With 1.44 GW of pumped hydro storage either operational or under construction, it directly addresses the intermittency problem that remains renewable energy’s central challenge for investors. It has adopted the Green Energy Open Access Rules of 2022, easing the path for large consumers to directly procure renewable power, and is actively deploying smart meters to implement solar-hour-aligned tariffs.

Andhra Pradesh’s progress across multiple dimensions “has attracted significant investments across energy storage, green hydrogen production and exports, and renewable energy projects,” the study said.