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GREEN INVESTMENT OPPORTUNITIES IN INDIA

Regulatory Reforms Encouraging Green Investments in India

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As India prioritizes its ambitious goals of decarbonizing energy to 50% and achieving 500 GW ofgreen energy capacity by 2030, and a long-term net zero strategy, the role of regulations in fostering and accelerating green investments is crucial. Few of such key recent regulatory reforms in the green sectors are discussed below.

Renewable Energy

India's installed renewable energy capacity stands at 179.322 gigawatts (GW) as of July 2023, which is globally the fourth largest installed capacity of renewable energy, as per the International Renewable Energy Agency's Renewable Energy Statistics, 2023. The renewable energy sector in India has witnessed exponential growth over the last decade, and supporting regulatory reforms are a key reason. Recent regulatory developments that continue to provide impetus for green investment:

(a) Electricity sector reforms

- The introduction of the Central Electricity Regulatory Commission **(CERC)** (Connectivity and General Network Access to the Inter-State Transmission System) Regulations, 2022 **(GNA Regulations)** marked a new paradigm in transmission system planning by enabling flexible and non-discriminatory open access. Generating stations now have open access without need to identify the consumer, unlike the erstwhile regulations. This enables the flexibility to schedule and dispatch surplus power to demand centers across the country. Honoring the "must-run" status of generating stations based on renewable energy sources **(REGS)**, the regulations clarify that bilateral transactions and collective transactions of power, based on conventional sources will be curtailed before the transactions involving REGS.
- The recent CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 provide a 25 years' waiver of the transmission charges payable for scheduling power sourced from REGS commissioned up to 30 June 2025. Further, the transmission charges for battery energy storage system **(BESS)** charged with REGS, commissioned up to 30 June 2025, is also waived for 12 years.
- The Ministry of Power **(MoP)** notified the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022 **(GEOA Rules)**[1] which aim to encourage the use of clean energy including from waste-to-energy plants, by eliminating capacity limits for captive consumers, allowing for renewable energy banking and providing for appointment of nodal agencies for streamlining the open-access approval process. The GEOA Rules allow consumers with a sanctioned load of 100 kW or above to purchase electricity directly from the renewable power producers through open access (DISCOMs)[2]. These rules benefit Commercial and Industrial (C&I) sector and MSME consumers who can purchase green power and allows captive consumers to take power with no minimum limitation. The GEOA Rules provide a significant boost for private renewable energy procurement in India and support individual consumers in their choices to decarbonise through open access.
- The GEOA Rules also grant incentives such as fixing standards for levy of the cross-subsidy surcharge (for C&I consumers) and standby charges, exempting the open access consumers from levy of additional surcharge if the power is produced from offshore wind projects commissioned up to 2032, and exempting levy of cross subsidy surcharge and additional surcharge if the power is produced from non-fossil fuel based waste-to-energy plants or is utilised for production of green hydrogen or green ammonia.

(b) Green Hydrogen

- The Green Hydrogen Policy was introduced by the Government in 2022 to promote the generation and procurement of green hydrogen and green ammonia. The policy incentivizes production of green hydrogen and green ammonia by waiving inter-state transmission charges for green hydrogen projects commissioned before 30 June 2025 and capping banking charges. The policy also eases the allotment of land for green hydrogen projects by providing allotting land in renewable energy parks and creating manufacturing zones for such projects.
- The Government has also launched the National Green Hydrogen Mission with the aim to create green hydrogen production capacity of 5 million metric tons per annum and add 125 GW of renewable energy capacity by 2030. The mission seeks to attract over INR 8,00,000 crores in investments, reduce fossil fuel imports, and decrease annual greenhouse gas emissions by nearly 50 million metric tons.
- The Ministry of New and Renewable Energy recently unveiled an INR 4 billion research

and development **(R&D)** road map for the National Green Hydrogen Mission. The roadmap recommends R&D actions for each aspect of the green hydrogen value chain and prioritizes technologies, infrastructure and safety to improve the efficiency and reliability of green hydrogen production, storage and transportation. The roadmap categorises projects basis their impact horizon and gives first priority to initiation of projects with up to 5 years of impact horizon. The mission will also facilitate a public-private partnership framework for R&D.

(c) Energy Storage

In its effort to transition from simple vanilla grid connected REGS to REGS with energy storage solutions to manage peak power demand nationwide, the government has approved the Viability Gap Funding **(VGF)** scheme for the development of 4,000 MWh of battery energy storage systems **(BESS)** projects by 2030-31. This is to ensure to round-the-clock supply of power and access to such green power. Under the VGF scheme, the government will provide financial support up to 40% of the capital cost as VGF.

Pumped Storage Projects **(PSPs)** form a crucial component of the Government's renewable energy integration strategy as they form clean, green, safe sources of energy without any poisonous/ harmful output. The Government has notified guidelines to promote PSPs by granting incentives such as exemptions from stamp duty and registration fees, grant of government land at concessional rates and waiver of electricity duty and cross subsidy surcharge.

Transport and Mobility

- The Government had introduced the National Electric Mobility Mission Plan **(NEMMP)**, 2020 to boost the manufacturing and adoption of electric vehicles in India. As a part of NEMMP, 2020, the Ministry of Heavy Industries **(MoHI)** is currently implementing the second phase of 'Faster Adoption and Manufacturing of Hybrid & Electric Vehicles in India' scheme **(FAME)**, to facilitate the deployment of e-vehicles in public transportation by providing charging infrastructure and demand incentive for consumers (in the form of an upfront reduced purchase price of certain categories of hybrid and electric vehicles to enable wider adoption, which will be reimbursed to the OEM by Government). The cabinet has also recently approved the 'PM e-Bus Sewa' scheme under which the Government aims to augment city bus operations with 10,000 e-buses along with associated infrastructure, on public private partnership model.

Circular Economy

- With the emergence of more sustainable production and consumption practices across the globe, the Indian Government in 2021, recognised 11 focus areas to expedite the transition of the country from linear to circular economy, i.e. an economy that incorporates the principles of reusing, re-manufacturing, and recycling. These focus areas include municipal solid waste and liquid waste, ferrous and non-ferrous scrap metal, electronic e-waste, solar panels, toxic and hazardous industrial waste, agriculture waste and end-of-life vehicles.
- To promote circular economy, Ministry of Environment, Forest and Climate Change of India **(MoEFCC)** notified the Plastic Waste Management Rules, 2016 (as amended in 2022), E-Waste (Management) Rules, 2016 (as amended in 2022) **(E-Waste Rules)** and Construction and Demolition Waste Management Rules, 2016. Pursuant to these rules, the Central Pollution Control Board **(CPCB)** issued guidelines on environmental management of construction and demolition wastes, 2017 and the framework for issuance and recently amended the 'extended producer responsibility' **(EPR)** which require producers and industrial users of plastic packaging to meet a minimum level of recycling of plastic packaging waste on a category wise basis.
- The Ministry of Road Transport and Highways also notified the Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility) Rules, 2021, and introduced registered facilities which are authorised for scrapping of un-fit vehicles. Similarly, the Ministry of Steel issued a recycling policy for steel scraps to promote circular economy and the 6Rs principles in the steel sector, i.e. 'Reduce, Reuse, Recycle, Recover, Redesign and Remanufacture' through scientific handling, processing and disposal of all types of recyclable scraps, including non-ferrous scraps.

Carbon Markets

- The Energy Conservation Act, 2001 was recently amended to pave the way for an Indian carbon market. The amendment empowers the Government to specify a carbon credit trading scheme **(CCTS)** under which an authorized agency will certify carbon credit for trading in India. It also allows any person to purchase an energy saving certificate on a voluntary basis. Thereafter, the power ministry notified the Carbon Credit Trading Scheme, 2023 **(Scheme)** on June 30, 2023. The Scheme identifies a National Steering Committee and the Bureau of Energy Efficiency **(BEE)** to institutionalize and oversee the operations of the carbon market, formulate procedures and set emission targets for obligated entities.

- The Green Credit Programme Implementation Rules, 2023 **(GCP)** was notified on 13 October 2023 as an innovative market-based mechanism designed to incentivize voluntary environmental actions across diverse sectors. The GCP contemplates a domestic voluntary mechanism for individuals, industries, private sectors to earn green credits which will be tradable on a domestic market platform. The Ecomark Scheme was also notified on 13 October 2023 which provides accreditation and labelling for consumer products that meet quality standards ensuring minimal environmental impact. These initiatives are intended to build consumer awareness of environmental issues, encourage eco-conscious choices and motivate manufacturers to shift towards environment friendly sustainable production.

Notes:

1. While the GEOA Rules have been notified by the Central government, the implementation of these rules remain under the purview of the State governments. The GEOA Rules have already been adopted by Karnataka, Madhya Pradesh, Haryana, Punjab and West Bengal, and various other states have introduced drafts for implementation of the GEOA Rules.

2. Earlier limit was 1 MW.

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