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Budget 2024: Key highlights for the energy, infrastructure and mining sectors

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Partners: *Neeraj Menon, Riyaz Bhagat,* ***Counsel:*** *Kaneeka Mehta,* ***Associates:*** *Manasvi Sharma and Yashaswi Belani*

This update covers:

The Union Budget 2024-2025, announced on 23 July 2024, proposes policies and fiscal measures with respect to certain important aspects in the energy, infrastructure and mining sectors. This update discusses the key highlights of the budget impacting these sectors.

The Finance Minister presented the budget for 2024-2025 (**Budget**) to the Parliament on 23 July 2024 with a focus on sustainable development and inclusive growth as part of the government's vision for a *'Viksit Bharat'* (developed India) by 2047. The Budget further underscores the government's commitment to infrastructure development and economic growth.

While the government of India has refrained from announcing sweeping policy and fiscal commitments for the energy and infrastructure sectors, the Budget includes significant steps to support India's goal to achieve *'net zero'* by 2070. The establishment of a Critical Mineral Mission to boost domestic production and processing of essential minerals, auction of offshore mining blocks and the expansion of solar energy capabilities through enhanced customs duty exemptions are likely to be favourably received. The key highlights of the Budget are discussed in detail below.

1 Facilitating renewable energy transition and promoting domestic manufacturing for the energy sector

a. *Solar energy*

i. The solar energy sector has been allocated a total of INR 16,394.75 crore (including the allocation for PM Surya Ghar Muft Bijli Yojana) in the Budget for implementation of various schemes introduced by the central government, installation of solar streetlights and for other renewable energy applications (OREA), amongst others.

ii. To promote domestic manufacturing of solar cells and panels, the government has expanded the list of capital goods exempt from customs duties. Additionally, to encourage domestic production of solar glass and tinned copper interconnects, the government has discontinued their customs duty exemptions. Starting 1 October 2024, a 10% basic customs duty (**BCD**) will be imposed on solar glass, and a 5% BCD on tinned copper interconnects.

b. *Pradhan Mantri Surya Ghar Muft Bijli Yojana*

The Pradhan Mantri Surya Ghar Muft Bijli Yojana, launched in February 2024 to provide impetus to India's solar rooftop sector, has been allocated INR 6,250 crore in the Budget. While certain implementation issues for this scheme need to be ironed out by the government and other stakeholders (particularly, distribution companies), the increased fiscal allocation is an overall positive development for the sector, as noted by the Finance Minister. Approximately 1.28 crore registrations and 14 lakh applications have been filed under the scheme, as of 23 July 2024, on the dedicated portal for the scheme.

c. *Pumped storage projects and energy storage*

A comprehensive policy will be announced to promote pumped storage projects (**PSP**) for storage of electricity, enhancement of electricity storage and integration of renewable energy in overall energy mix.

d. *Wind and hydro energy*

For the wind and hydro power sectors, a total of INR 851 crore have been allocated in the Budget towards central financial assistance for development of grid connected and off-grid small hydro power projects, and grid connected wind projects.

e. *Advanced Ultra Super Critical Thermal Power Plants*

The National Thermal Power Corporation and Bharat Heavy Electricals Limited are proposed to jointly set up a full-scale 800 MW thermal power plant using the Advanced Ultra Super Critical (**AUSC**) technology. The AUSC technology based thermal power plants are expected to reduce India's carbon footprint by reducing coal consumption and carbon dioxide emissions by approximately 11% as compared to super-critical plants, and yield plant efficiency of about 46%. While no specific budgetary allocation has been set aside for AUSC thermal power plants, the government has undertaken to offer the necessary fiscal support for this initiative.

f. *Research and development of small and modular nuclear reactors*

The government expects nuclear energy to play a significant role in the nation's energy security and overall development in the years to come. To this end, INR 2,228 crore have been allocated for prospective partnerships with the private sector to set up *'Bharat Small Reactors'*, and to undertake research and development of *'Bharat Small Modular Reactor'* and newer technologies for nuclear energy.

g. *Micro and small industries*

Financial assistance has been announced for the transition of traditional micro and small industries in 60 clusters (and later 100 clusters in the next phase), including brass and ceramic, to cleaner energy sources and help such industries implement energy efficiency measures.

h. *Hard to abate industries*

A roadmap and appropriate regulations will be formulated to shift focus of the *'hard to abate'* industries, such as iron and steel industries and refineries from *'energy efficiency'* targets to *'emission targets'*, and to transition these industries from the current *'Perform, Achieve and Trade'* (PAT) system to the *'Indian Carbon Market'* (ICM) framework. This will mean that hard to abate industries will not only focus on achieving energy efficiency but also aim to reduce emission by incentivising voluntary actions taken by entities for greenhouse gases reduction.

i. *Other allocations*

The government has allocated INR 600 crore for capacity addition of 6000 km transmission infrastructure under the intra-state Green Energy Corridor Project, INR 600 crore for the National Green Hydrogen Mission, and INR 300 crore for bio-energy programmes including for on-grid and off-grid bio-power. These allocations will further expedite achievement of India's net zero goal and renewable energy integration into the national grid, strengthening the renewable energy sector.

2 Focussing on rural connectivity and promoting electric vehicles

The Budget has reinforced the government's focus on spending on capital expenditure for the infrastructure sector with a total allocation of INR 11.11 lakh crore. An additional INR 1.5 lakh crore have been separately allocated for long-term interest-free loans to assist states in their resource allocation.

While public spending on infrastructure development will continue, the Finance Minister also announced that private sector investment will be encouraged through appropriate viability gap funding schemes, supportive policies and regulations, and a market-based financing framework.

Few key budgetary allocations that have been made for the infrastructure sector are as follows:

a. *All weather access roads*

Phase IV of the Pradhan Mantri Gram Sadak Yojana will be launched to provide all-weather connectivity and access to 25,000 rural habitations by construction of roads.

b. *Electric vehicles*

The second phase of the Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India (**FAME II**), that commenced on 1 April 2019, has been given an allocation of INR 2,671 crore. FAME II is aimed at: (i) providing subsidies for 1 million electric two-wheelers, 5,00,000 electric three-wheelers, 55,000 electric cars and 7,090 electric buses, (ii) establishing a network of charging infrastructure for electric vehicles, and (iii) promoting usage of electric vehicles through campaigns and discussions with stakeholders.

The government is currently finalising the third phase of FAME. However, no new allocation has been made in the Budget for the third phase.

3 Focussing on critical minerals and exploring offshore mining

a. *Critical Mineral Mission*

To promote domestic production, recycling, and overseas acquisition of critical mineral assets, the government will establish a Critical Mineral Mission. This initiative will focus on technology development, skilled workforce, extended producer responsibility, and providing a suitable financial mechanism.

b. *Exemption of basic customs duty*

An exemption of BCD on 25 critical minerals has been announced, including those critical for the renewable energy sector, coupled with a reduction of BCD on two critical minerals, effective from 24 July 2024, as elaborated in the table below. An exemption from the whole of Social Welfare Surcharge (**SWS**) has also been announced with effect from 24 July 2024. The exemption/reduction of BCD and SWS will benefit various sectors which utilise such minerals, including renewable energy, defence, telecommunications, high-tech electronics and nuclear energy sector.

Minerals and their specific compounds	BCD rate changes (in%)	
	from	to
Antimony, beryllium, bismuth, cobalt, copper, gallium, germanium, hafnium, indium, lithium, molybdenum, niobium, nickel, potash, REE, rhenium, strontium, tantalum, tellurium, tin, tungsten, vanadium, zirconium, selenium, cadmium, and silicon	10/7.5/5/2.5	Nil
Artificial graphite, colloidal or semi-colloidal graphite, preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5/5	2.5
Quartz and silicon dioxide	7.5/5	2.5

c. *Offshore mining of minerals*

Following the government's exploration of offshore mining of mineral resources, the first tranche of offshore mining blocks is set to be auctioned.

Looking ahead

The government's continued focus on infrastructure development and overall energy transition bodes well for India's commitment to advancing sustainable development and boosting economic growth. A conducive policy environment for the continued development of rooftop solar and energy storage projects (particularly, PSPs) and research into small modular reactors will help India's long-term vision of integrating large-scale renewable energy into the national grid and securing India's overall energy mix. However, spurring private sector investment for capital expenditure in infrastructure and continuing to remove policy and regulatory bottlenecks in the energy sector will remain key focus areas for the upcoming year.