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Energy Budget 2023: What do the experts say?

For energy transition FM Sitharaman announced Rs 35,000 crore of priority capital investment in her speech alongwith, Rs 20,700 crore including Central support of Rs 8,300 crore for evacuation and grid integration of 13 GW renewable energy from Ladakh

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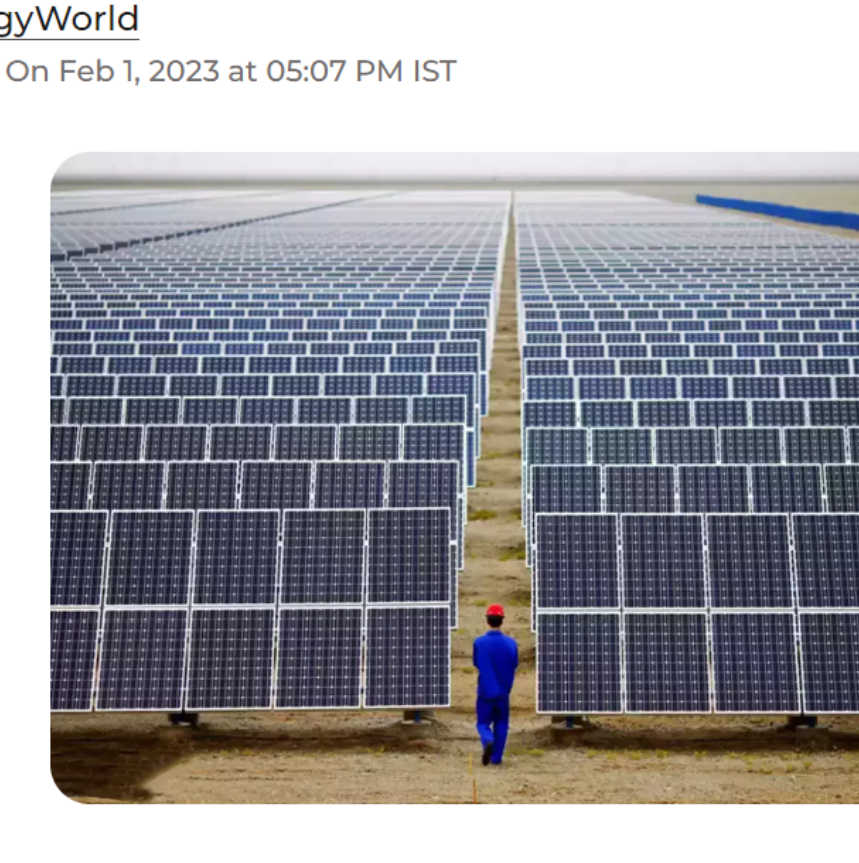

New Delhi: Finance Minister Nirmala Sitharaman presented the Union Budget 2023 in the Parliament on Wednesday. For energy transition she announced Rs 35,000 crore of priority capital investment in her speech. Alongwith, Rs 20,700 crore including Central support of Rs 8,300 crore for evacuation and grid integration of 13 GW renewable energy from Ladakh.

She also said that as the country heads for its net zero 'Panchamrit' goal by 2070, the Union Budget bills on the government's focus for green growth.

EXPERTS TAKE:

Christian de Guzman, senior vice-president, Moody's Investors Service:

"The narrower deficit forecast in the Union government budget for 2023-24 underscores the government's commitment to longer-term fiscal sustainability and supports the economy amid high inflation and a challenging global environment. Although changes to the tax regime will forego some tax revenue, the budget predicts largely buoyant revenue on the back of strong nominal GDP growth and gains from tax administration. This will help to mitigate pressures on debt affordability from increasing debt servicing costs associated with rising interest rates."

"At the same time, the budget's continued emphasis on capital expenditure suggests an ongoing improvement in the quality of spending. Although the gradual fiscal consolidation trend remains intact and will help to stabilize the government's debt burden relative to nominal GDP, the high debt burden and weak debt affordability remain key constraints that offset India's fundamental strengths, including its high growth potential and deep domestic capital markets."

Sumant Sinha, Chairman and CEO, ReNew Power:

"We welcome the budget proposals presented by the Hon'ble Finance Minister. The focus of the budget on expanded support for infrastructure investment, growth of small industry and agriculture sectors, while committing to fiscal consolidation, strikes the right balance. In the context of overall geopolitical and economic outlook, the outlay of Rs. 35,000 crore for energy transition and energy security is a significant step forward. We believe the Finance Minister has presented a Green Budget that demonstrates the government's unwavering commitment to achieving net zero by 2070."

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"For the clean energy sector, there are several welcome announcements. Support for Battery Energy Storage Systems (requested by ReNew Power during pre-budget consultations), the transmission infrastructure to evacuate power from Ladakh, the allocation for biogas to energy projects and the initiatives for scrapping of old vehicles of the central and state governments are all significant steps in the right direction. We look forward to seeing further details on the recently announced Rs. 19500 crores allocation for the National Green Hydrogen Mission."

"The Budget will give a thrust to accelerating clean energy in India and ReNew Power is committed to support the government in this endeavour."

Mahesh Palashikar, president, GE South Asia:

"We welcome India's Union Budget 2023-24, unveiled today. We applaud the Government for focusing on green growth as one of the top four opportunities for transforming the Nation during Amrit Kaal. Green growth will certainly drive cleaner economy and create large-scale jobs, and be a vital 'Saptarishi' priority to achieve net zero by 2070. We are encouraged by the commitment of capital investments of Rs. 35,000 Crores to accelerate energy transition towards net zero. The well-deserved recognition of pumped hydro storage as a robust storage solution and the proposed detailed framework is indeed a pragmatic step forward. As India moves towards round-the-clock cleaner power, a cost-effective storage solution like pumped hydro would be a game-changer in providing sustainable, affordable and reliable power access for all citizens."

"We are pleased to note the proposed investment for construction of the inter-state transmission system for evacuation and grid integration of renewable energy from Ladakh. The policy interventions in specific fuels like green hydrogen and wind must continue for India to succeed in achieving its long-term decarbonization objectives. This is an exciting time of country's green industrial and economic transition. We continue to remain committed as strong partners to help the Nation in its journey towards net-zero!"

Girish R Tanti, vice-chairman, Suzlon Energy:

"Today marks a momentous occasion as we welcome the Union Budget 2023, a reflection of the government's vision for a prosperous and sustainable future for India. India continues to shine brightly amidst global challenges, offering a beacon of hope and resilience in uncertain times."

"The Union Budget presents a positive outlook for the renewable energy sector in India. The allocation of Rs 35,000 crore towards the green energy transition is a step in the right direction and demonstrates the nation's will for a sustainable future."

"The government's commitment to increasing the use of renewable energy in the country is commendable, and will play a crucial role in reducing carbon emissions and mitigating the impact of climate change. The National Green Hydrogen Mission will complement our efforts towards net-zero."

"Overall, the budget strikes a good balance between economic growth and social welfare, and I am confident that it will pave the way for a stronger and more prosperous India."

Anil Agarwal, Chairman, Vedanta

"This Budget is one of the best budgets ever, truly inclusive and addresses the aspirations of every section of society. It empowers India's 1.4 billion people as drivers of the India story. I compliment the PM and FM for the long term vision that was laid out in the Budget speech as well as the many progressive announcements, like increased outlay for capital expenditure, incentives for the start-ups and MSMEs, green energy, a lower tax for the middle class and boost to tourism which will create massive jobs and reinforce India's position as the fastest growing major economy in the world"

Kush Singh, CEO, Essar Power:

"The Union Budget 2022-2023 reflects the country's rapid economic growth whilst projecting a bright future. Honourable FM has based the budget on 7 priorities wherein Green growth has been given a major spotlight which is the current need of the hour for the energy sector. Green hydrogen will emerge as an important instrument to decarbonise the energy value chain, including the corporate sector. The decision to reduce custom duty on lithium ion batteries will promote energy storage to provide round-the-clock renewable power at reduced cost."

"The amalgamated steps taken will not only help reduce carbon intensity of the economy but will simultaneously help create job opportunities. The ultimate goal is to reduce dependence on fossil fuel inputs and make the country assume technology and market leadership in this sunrise sector. This is a growth oriented budget and the efforts made towards green growth including policies and fund allocations will help us achieve the target of green hydrogen production of 5 mn tonne by 2030."

N Venu, MD and CEO, India and South Asia, Hitachi Energy:

"This Budget outlines an integrated ambition using physical and digital platforms to build on the foundation laid last year and accelerate towards an overall structural transformation. Sizeable government capex commitment – at 4.5 per cent of GDP, including the largest ever allocation to rail - is aimed to crowd in private investments in further strengthening of infrastructure across rural, urban & digital India. This, along with measures towards improving investor confidence, will eventually drive inclusive Green Growth, helping reduce India's carbon intensity and creating green jobs."

"Focus on green energy transition shines through with allocations for green hydrogen, energy storage, building next generation talent, etc. While we await measures towards better managing state-level T&D networks, the government's vision to develop long-gestation ISTS to evacuate and integrate bulk solar power, before setting up fast turnaround solar power plants is a welcome reaffirmation of India's energy transition."

Sunil Mathur, MD and CEO, Siemens, India:

"The inclusive, growth-oriented Budget builds on the foundation of previous years and is consistent with the Government's efforts to maintain macro-economic stability while focusing on growth. The increase in investments in capital infrastructure, including 'Green Growth', sustainable cities and railways & transport infrastructure will give the necessary boost to the domestic economy. I also welcome the enhanced support for MSMEs, exports, domestic manufacturing and value-add, technology and youth, which are all imperative to maintain India's economic growth."

Srinivasan Viswanathan, CEO, Vibrant Energy:

"The Budget was progressive and beneficial to the energy sector. The statement on Green Growth is highly comprehensive, with a vision for the green hydrogen mission costing Rs 19,700 crore, which would undoubtedly accelerate the energy transformation. The promotion of Ladakh green energy corridor is a welcome step. We appreciate the Rs 35,000 crore capital investment for reaching the net zero goal, however, we look forward to receiving the policy structured in a detailed manner. With this budget announcement, we are encouraged to keep up the rapid expansion in energy production, manufacturing required equipment, and construction of energy storage capacity. We will need to continue having a closer industry-government collaboration to reach the net-zero aim by 2070."

Vishal Kapoor, MD, and CEO, CESL:

"The Finance Minister, Smt. Nirmala Sitharaman has given a big boost to green India initiative and expand the horizon of energy transition through initiatives like fiscal benefits to pump energy transition, battery energy storage via viability gap funding, renewable energy evacuation and green credit program. This will give a big fillip to the efforts to achieve the net zero goal by 2070 as announced by the Honourable Prime Minister, Narendra Modi."

"To promote sustainability and encourage shift to electric vehicle (EV) mobility, customs duty exemption has been extended to the import of capital goods and machinery required for the manufacturing of lithium-ion (Li-ion) cells for batteries used in EVs. This will give a big boost to the domestic industry and make them more competitive."

"Green hydrogen, pumped hydro, RE evacuation from Ladakh and inclusion of Green Credit in Environment Protection Act will go a long way in decarbonising the Indian economy. This reiterates the commitment of the government towards taking India in a big way to green mobility and achieve the targets set for 2030."

Sabyasachi Majumdar, senior vice-president and group head - corporate ratings, ICRA:

"The Budget's focus on green growth reinforces the commitment towards achieving energy transition in the long run. The announcement of a Viability Gap Funding (VGF) scheme for battery energy storage projects and the stated intent of coming out with a framework for pumped hydro projects is a positive for the RE energy sector, given the importance of storage for RE sources, which are intermittent in nature."

"However, the fleshing out of the details is awaited; and timely implementation of these measures will remain crucial. The proposal for investment in transmission lines for large-scale evacuation of green power from Ladakh is likely to support RE capacity addition and grid integration. The already announced National Green Hydrogen Mission with a target to produce 5 MMT of Green Hydrogen is also a positive, although the cost competitiveness of the same remains a key monitorable. The increased budgetary allocation under reform lined result-oriented capex scheme is likely to enable state discoms to augment their infrastructure & thus reduce their operational inefficiencies."

Manish R Sharma, Partner and Leader, capital projects and infrastructure, PwC India:

On Green Mobility

"With the Government controlling a large fleet of vehicles, replacing the old and polluting ones is a fantastic move, which will provide a fillip to the auto sector. The scrapping policy will have a lot to gain, making scrapping centres significantly more viable than they were without the vehicle replacement scheme. With Rs 19,700 crore on the green hydrogen mission, the Government is keeping all the options open - from green hydrogen based vehicles to BS-VI to e-mobility. All of these options stand a chance to gain from the vehicle replacement scheme."

"From a tax perspective, while commitment on electric mobility is seen on the battery segment, alternate fuels, like biogas, also finding a place clearly indicates that the future is open to innovation, and the best technology will win. This is in addition to the push coming on the generation side of biogas under the Gobardhan scheme. Alternate fuel like biogas and hydrogen is a push towards circular economy, but it also signals e-mobility players to plan for resilience if alternate fuel and technologies come up faster."

On Infrastructure for Cities

"With urban land comprising 3 per cent of the overall landmass and contributing 60 per cent to the overall GDP, planning reforms for the cities of tomorrow is a critical need identified in the Union Budget. Transit-oriented development has been emphasised, coupled with attendant outlay of Rs 23,000 crore towards urban transport, thereby underlining the criticality of planning for the cities of tomorrow."

"Urban Infrastructure Development Fund targeted at tier-II and tier-III cities is also a good move. With close to 70 per cent of India's population living in cities by 2050, existing tier-I cities may not be able to cater to that demand. That said, non-tax revenue of cities remains low and would not be able to drive the needed investments. Thus, we see a push for user-charge mechanisms for revenue improvements, especially for funding urban infrastructure schemes."

Gautam Mohanka, managing director, Gautam Solar:

"For reaching our goal of net zero carbon emission by 2070, Green Growth has been made one of the 7 priorities of this year's budget. The government is implementing various programs for green growth which will help reduce carbon intensity and create green jobs. The Rs 35,000 crores capital investment for achieving energy transition and net zero objective and energy security by the Ministry of petroleum and natural gas will help the country's goal of decreasing the share of fossil fuels and the increase the share of renewable energy. The Finance Minister highlighted the National Green Hydrogen Mission with outlay of 19000 crore to help achieve annual production target of 5 MMT by 2030 for facilitating the net-zero target. The government highlighted the Green Credit Programme under the Environment (Protection) Act to incentivize sustainable actions which is a net positive for the renewable energy industry. Promotion of Battery energy storage systems by Viability Gap funding of capacity 4000 MWh and extending exemption on machinery for production of Li-Ion battery manufacturing will further increase India's domestic production capacity"

Gautam Malhotra, Managing Director, FuelBuddy:

"The Union Budget 2023-24 focuses on the government's commitment to a net-zero carbon emission nation by boosting the energy industry. The government intensifying the adoption of green fuel, green energy, and green mobility and promoting a carbon-neutral and sustainable lifestyle is a great step. This budget provides huge investments towards energy transition and net zero objectives and energy security. With this Union Budget, we appreciate the government encouraging start-ups and young entrepreneurs to start businesses. India stands as the third largest ecosystem for startups. This Budget intensifies the benefit of carrying forward losses on change of shareholding of start-ups from seven years of incorporation to ten years."

Pramod Chaudhari, executive chairman, Praj Industries:

"The Finance Minister has done a commendable job of presenting an all inclusive budget without losing focus on growth and development. The MSME sector, regarded as the backbone of the Indian economy will be one of the major beneficiaries of this budget. While laying strong emphasis on energy transition, Hon. Finance minister has made several provisions that will bolster the nation's bioeconomy and the agritech sector in particular. Five per cent CBG mandate for entities marketing natural gas in India and Rs 10,000 crore provision for setting up 200 CBG plants will accelerate India's Net Zero journey while creating jobs in rural India."

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