



ICRA's CLIMATE SERIES

Green spots in Budget

Interim Union Budget FY2025
announcements in line with India's
long term climate goals; plan to
reduce carbon emissions in most
polluting sectors

February 2024

CLIMATE CHANGE

The biggest crisis of our time



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Green announcements in the Interim Union Budget FY2025 are in line with the 'Green Growth' priority taken for achieving climate goals in the next 25 years.

Building a green ecosystem for most polluting sectors like power, industry and transport remains the key.

The Union Budget FY2024 had included 'Green Growth' as one of the seven priorities for the next 25 years to reduce carbon emission by adopting green energy going forward. Subsequently, the Interim Union Budget FY2025 followed the path laid down in the earlier budget with announcements supporting green ecosystem in most polluting sectors power, industry and transport. Some of the key 'Green' announcements in Interim Union Budget FY2025 in each of these sectors have been covered in this report.

Power

- **Rooftop solarisation of one crore houses** – Rooftop solarisation, which is expected to generate 250-300 units per month, would lead to savings of ~Rs 15,000 per year for residential consumers. This scheme would help promote domestic usage of Renewable Energy (RE) and reduce carbon emissions from buildings - which contribute ~5% in total carbon emissions for India.
- **Viability Gap Funding (VGF) for offshore wind** - Given the challenges in securing sites with high wind generation potential in the onshore segment, the Government envisages the offshore wind power segment to contribute to the incremental wind power installations in the country. However, offshore wind projects have higher capital cost, longer deployment cycle, significant investment in transmission infrastructure and also challenges associated with logistics, grid interconnection, security and higher number of approvals. VGF will support infrastructure projects that are economically justified but short of financial viability.

Transport

- **Electric Vehicle (EV) ecosystem** – The Government of India (GoI) continues to support the EV ecosystem by increasing the outlay to procure e-buses, address payment security for private electric bus fleet operators etc. This will help in accelerating the adoption of EV buses.
- Also, the GoI's announcement in strengthening charging infrastructure will help increase the number of public charging stations and reduce range anxiety and promote EV adoption.

By products of coal gasification to help reduce multiple sectors imports.

Focus on conservation of nature through developing recyclable ecosystem is a step in right direction.

Industry

- **Coal gasification and liquefaction capacity of 100 MT** - Imports of natural gas and key downstream products from coal gasification process stood at USD 26.6 bn for the year FY2023, which is ~4% of the total imports for that year. Investments in coal gasification projects carry potential to substitute a chunk of the imports of natural gas, urea, ammonia, and methanol used in multiple industries.
- **Biomass collection, ecofriendly-production and biogas consumption** – The biomass collection initiative seeks to harness economic value from under-utilised biomass resources and agricultural residues by transforming them into compressed biogas (CBG) and bio-manure. The GoI has also offered financial assistance to CBG producers for the acquisition of machinery.
- Eco-friendly production will provide environment-friendly options like biodegradable polymers, bioplastics, bio-pharmaceuticals and bio-agri-inputs.
- Phased mandatory blending of CBG in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will reduce import dependency on natural gas and stimulate demand for CBG.
- **Blue economy** – The Interim Union Budget FY2025 has put considerable importance on the 'Blue Economy' with allocation for 'Blue Revolution' increasing by ~57% in FY2025 (BE)*. Considering India's wide coastline, fisheries and aquaculture share in India's GVA, the number of ports and employment, the GoI's announcement for blue economy is a step in the right direction to ensure conservation of marine ecosystem.



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