

## BUDGET 2025 AND ENERGY SECTOR

R.V. Shahi



Budget 2025 was particularly looked upon as one of the most important policy instruments on account of the fact that this is the first Budget in the third term of the present NDA Government. Experience of the previous two terms – Budgets and outcomes of various years, achievements of different policy initiatives and, more importantly, the approach toward energy transition that has been followed during the last one decade. This time the, post US President Election, it was anticipated that there would be significant impact on the global initiatives towards managing energy transition. Obviously, India, which has embarked upon a long-term programmes going up to 2050 on growth of energy sector and particularly on management of transition, will need to be sensitive about the changing global scenario. It has also been a wide spread

expectation that the Budget 2025 would also factor in the changing global scenario besides India's ongoing programmes and future outlook structured thus far. Prior to the presentation of the Budget in the Parliament, normally Economic Survey is a comprehensive document with detailed analysis of the trend of economic parameters, critical evaluations of policies and programmes and suggestions for different sectors of economy and industry. This document is an important input, besides suggestions from various quarters, in formulation of the Budget.

Budget 2025 appropriately emphasizes on the role of Energy in the development of economy. Some of the important initiatives highlighted in the Budget are discussed below:

- i. The Government will set up a National Manufacturing Mission covering small, medium, and large industries for furthering "Make in India" by providing policy support, execution road maps, governance and monitoring framework for Central Ministries and States. Details of these have also been provided in the Budget separately. Enlarging the manufacturing base is at the core of economic development. This requires faster expansion of energy supply and expansion and management of energy inputs. This also generates employment, improves the quality of life of people, and enables significant amount of export to further strengthen the economy and national income of the country. While our overall GDP has, no doubt, increased, in terms of per capita income India continues to be at 125th rank among 200 nations.
- ii. Following the principle of common but differentiated responsibility toward managing climate change, the Budget highlights India's support for Clean Technology Manufacturing. This will aim to improve domestic value addition and build the eco system for Solar PV Cells, EV Batteries, Motors and Controllers, Electrolyzers, Wind Turbines, Very High Voltage Transmission Equipments and Grid.
- iii. Thrust on Renewable Energy has been further strengthened toward the overall target of 500 GW by the year 2030. And, it is for this purpose that further emphasis has been provided on domestic manufacturing of Renewable Energy Systems. Already the existing policy of production linked incentive undergoes reviews from time to time, and, depending on the need the incentive support is renewed or new schemes are

introduced. To the list of exempted capital goods, 35 additional capital goods for Electric Vehicle Battery Manufacturing and 28 additional capital goods for Mobile Phone Battery boost domestic manufacture of Lithium-ION Battery both for Mobile Phones and Electric Vehicles.

The Union Budget 2025 – 2026 has allocated Rs. 26,550 Crores to the Ministry of New and Renewable Energy, up 53.48% against revised estimate of Rs. 17,294 Crores for 2024 – 2025. The allocation has increased by more than 900% since FY-2021. The Budget for FY-2026 includes Rs. 1,500 Crores for Solar Power (Grid) Rs. 2,600 Crores toward Kusum and Rs. 20,000 Crores toward PM Surya Ghar Yojna.

iv. A mention has been made about the reform in power sector “We will incentivize Electricity Distribution Reforms and augmentation of Intra-State capacity by States. This will improve financial health and capacity of electricity companies. Additional borrowings of 0.5% of GSDP will be allowed to States contingent on these reforms.” It is relevant to mention that from time-to-time Distribution Sector Reform is emphasized and is also brought on the agenda. However, actions fall substantially short of specifics with appropriate strategy, plans, and management of change. As a result, this segment of power sector continues to be a drag affecting adversely all other segments in the supply chain.

v. This Budget will always be remembered for the unprecedented priority and thrust accorded to Nuclear Power. Energy Sector professionals have particularly been concerned as to why Nuclear Power continued so long to be in the margin of overall power sector profile. In spite of the Atomic Energy Act providing for Nuclear Energy to produce power, the overall status for Nuclear Power during the last about sixty years has remained between two to three percent of the installed power capacity of the country. The Budget Bharat – development of at least 100 GW of Nuclear Energy by 2047 is essential for our energy transition efforts.” Besides several other reasons, the contribution of Nuclear Power remaining in the margin, was that we could not open up this sector for participation even by other public sector undertakings, let alone private sector participation. This Budget has made a historic move “For an active partnership with the private sector toward this goal, amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage Act will be taken up.” The Budget also provides for Nuclear Energy Mission for Research and Development of Small Modular Reactors (SMR) with an outlay of Rs. 20,000 Crores. The Budget further provides that at least five indigenously developed small and medium reactors will be operationalised by the year 2033. Implementation of the Budget statements will obviously require legislative changes, policy changes, conducive conditions for private sector participation, reinforcement of Safety Regulatory Framework etc. More importantly, sufficient availability of Nuclear Fuel, which will be a challenge, will need to be ensured for the type of expansion which is being targeted.

vi. Read with the Economic Survey, the Budget 2025 will also be remembered for a renewed trust on coal to be an important source of energy and power “Despite global shifts toward Renewable Energy the Survey argues that Coal cannot be neglected in India’s quest for sustainable development due to the country’s unique resource endowments. India, which possesses approximately 10% of the world’s Coal reserves, has a long-standing reliance on this resource for its power generation.” The Survey also highlights Coal continued significance due to limited natural gas availability and argues against prematurely shutting down Coal plants.

- vii. The reforms in the mining sector, especially with respect to critical minerals will mark a major step toward realizing the vision of Vishist Bharat 2047. The allocation of Rs. 300 Crores for Coal and Lignite Gasification will provide pathways to lower emissions, Carbon Capture and Hydrogen Production. Obviously, these Budget provisions will need a close follow up in terms of project formulation and implementation. Coal Gasification has been on the Agenda for several decades without reaching anywhere near critical mass. Carbon Capture Utilisation is also a very important need for continued deployment of Coal. Coal and Power sectors will have to prepare on these fronts more sincerely and effectively than in the past.
- viii. The Budget has allocated Rs. 5,597 Crores to the Petroleum and Natural Gas Ministry for Phase – 2 for the Indian Strategic Petroleum Reserved Ltd. (ISPRL) Project aimed at two vast underground Petroleum Storage facilities. The funds will go toward construction of two commercial cum strategic reserves in Orissa and expansion of the facility in Karnataka. This is an increase from Rs. 408 Crores allocated in 2024-2025. The project is aimed at enhancing in India's energy security.

One of the biggest concerns in the energy sector is the excessive dependence on import for Petroleum fuels including Gas. While several efforts are being made to shift the consumption profile from Petroleum fuels to Power and other sources of energy, for example, shifting consumption in the Railway System from Diesel Engines to Electric Locomotives, in transport from liquid fuel to Electric Vehicles, in agriculture from liquid fuel to Solar Systems etc., continued dependence on Petroleum fuels remain inevitable even though its proportion will be reduced. It is heard that much larger and several other initiatives will need to be taken. The programme and the budgetary allocation for strategic reserves is laudable. Perhaps its volumes will have to be increased many folds. Gratifyingly, Petroleum Sector Companies and organisations are well alive to these challenges and have taken a few initiatives of diversifications. Speed and volume will need to be scaled up since we still continue to depend to the extent of more than 85% on import.

- ix. The Budget has, no doubt, covered many other areas of energy. An attempt has been made in this paper to pick up a few important segments considering the nature and priority of the segment and also considering the type of priority that Budget 2025 has accorded. To sum up the ambitious Nuclear agenda will need quick follow up on legislative and Policy changes, identifying projects, understanding the concerns of new investors, strengthening of the Safety and Regulatory Framework. Most importantly procurement, storage, and allocation of fuels will need a very carefully structured organization and the delivery system. In terms of Nuclear fuel, if the dependence has to be on import, long term arrangement for predictable and comfortable arrangement of supply and appropriate pricing arrangement will have to be worked out. Each of the missions which have been envisaged in the Budget will need not only to be set up, but arrangements for them to work in project management mode will need to be carefully structured and ensured.

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