

India must significantly step up clean energy subsidies to meet its 2030 targets: CEEW-IISD

New Delhi, May 31, 2022: Renewable energy subsidies in India have fallen by 59% to INR 6,767 crore after peaking at INR 16,312 crore in FY 2017 as deployment slowed during COVID-19 pandemic-induced lockdowns and grid-scale solar PV and wind achieved cost parity, according to a joint independent study released today by the Council on Energy, Environment and Water (CEEW) and the International Institute for Sustainable Development (IISD). To achieve the 2030 clean energy targets, more subsidy support will be needed to scale up solar manufacturing, green hydrogen, and promising decentralised renewable energy technologies.

The report [*'Mapping India's Energy Policy 2022: Aligning Support and Revenues with a Net-Zero Future'*](#) found that overall India's subsidies for fossil fuels, such as coal, oil and gas, have dropped notably by 72% to INR 68,226 crore during the seven-year period between 2014 and 2021. However, subsidies in FY 2021 are still nine times higher than renewable energy subsidies. The country, therefore, needs to further shift support away from fossil fuels and towards clean energy technologies to reach 500 GW of non-fossil power capacity by 2030 and net zero emissions by 2070.

Overall, India provided over INR 540,000 crore to support the energy sector in FY 2021, including nearly INR 218,000 crore in the form of subsidies. Most notably, in May 2022, India reintroduced LPG subsidy of INR 200 per gas cylinder (for up to 12 cylinders) for the beneficiaries of the Pradhan Mantri Ujjwala Yojna (PMUY) scheme.

"The reintroduction of the LPG subsidy is a welcome move. As the fiscal situation improves, rapidly scaling up targeted LPG subsidies is the only solution to ensure that the benefits of the PMUY scheme are sustained in the long run. Further, the Centre and the states must ensure adequate support and financing models for clean energy in the medium- and long-term, in line with India's stated decarbonisation goals," said co-author of the study Karthik Ganesan, Fellow and Director of Research Coordination at CEEW.

The study further notes that electric vehicle (EV) subsidies have more than tripled since FY 2017 to INR 849 crore in FY 2021. During the year, India announced a production-linked incentive program to attract investments in domestic manufacturing of EVs and components.

The report also highlights that India's non-banking financial companies (NBFCs) are now playing a major role in shifting public finance away from fossil fuels, but as of today, no public finance institutions (PFIs) have established clear plans for phasing out finance for fossil fuels. In fact, annual disbursements by the largest PFIs were 3 times higher for fossil generation than renewable energy in FY 2021, according to the report. While several public sector undertakings (PSUs) have announced new clean energy partnerships and targets, they need to set out clear strategies for adjusting business models to the energy transition and net-zero goals.

“To accelerate the pace of India’s energy transition, public finance institutions need to increase the clean energy sector lending targets, in line with stated policy targets, and develop a medium to long-term roadmap for phasing out public finance for fossil fuels and managing possible stranded assets,” said co-author of the report Swasti Raizada, Policy Advisor at IISD. “They should seek to swiftly end new public finance for coal-based power plants which are at a high risk of becoming stranded assets.”

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About CEEW

The Council on Energy, Environment and Water (CEEW) is one of Asia’s leading not-for-profit policy research institutions. The Council uses data, integrated analysis, and strategic outreach to explain – and change – the use, reuse, and misuse of resources. It prides itself on the independence of its high-quality research, develops partnerships with public and private institutions, and engages with wider public. In 2021, CEEW once again featured extensively across ten categories in the *2020 Global Go To Think Tank Index Report*. The Council has also been consistently ranked among the world’s top climate change think tanks. Follow us on Twitter @CEEWIndia for the latest updates.

About IISD

The International Institute for Sustainable Development (IISD) is an award-winning independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Our work inspires better decisions and sparks meaningful action to help people and the planet thrive. We shine a light on what can be achieved when governments, businesses, non-profits, and communities come together.