

The National Clean Energy Fund

India

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Background

India is one of the largest carbon dioxide emitters worldwide. Yet, it has refused to sign binding contracts to decrease its' emissions. Nevertheless, in 2009 India announced that it plans to reduce its carbon intensity by 24 per cent from the 2005 levels by the end of 2020. The emissions shall be reduced by the increased use of solar power, higher energy efficiency and making use of carbon sinks (Ramesh 2009). In addition to reducing carbon intensity, India's prime minister Manmohan Singh announced plans to rapidly increase the use of solar power in India; 20GW shall be generated by 2020 (Rahman 2009).

Quick facts

Zone	National Territory
Project Started	2009
Theme	Clean Energy
Leading Agency	National Government

National Clean Energy Fund

To reach the carbon intensity reduction target, the Indian Finance Minister Pranab Mukherjee stated in his budget speech for 2010-2011 that the Indian government plans to establish a National Clean Energy Fund (NCEF) which is to be financed by "a clean energy cess on coal produced in India at a nominal rate of Rs.50 per tonne" (Mukherjee 2010).

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It is built on the 'polluter pays' principle to hold emitters of carbon dioxide responsible for the pollution (Press Information Bureau 2010). The Fund shall not only finance projects on clean and renewable energy, but will also promote innovation and research for clean energy (Paliwal 2013).

In addition to this, he also announced that a "National Solar Mission" is to be established. In order to increase investment in solar energy, he proposed "to provide a concessional customs duty of 5 per cent to machinery, instruments, equipment and appliances etc. required for the initial setting

up of photovoltaic and solar thermal power generating units" (Mukherjee 2010).

Coal tax

The tax on domestic as well as imported coal came into force on 1 July 2010 (Obiko Pearson 2010). Before implementation, it was estimated that the tax could raise revenues of around 30 billion rupees (US\$ 660 million) giving an expected use of 600 million tons of coal during the period from April 2010 to March 2011 (Singh 2010).

Use of the fund

The following table gives an overview about the usage of the fund.

Ministry/department	Project	NCEF amount approved (crore)
MNRE*	Solar water heaters	64.14
MNRE	Solar photovoltaic systems in six states	85.88
MNRE	Financing through NABARD	46.80
MNRE	Biomass cook stoves	6.55
MoEF	Green India Mission	200
MoP	Fuel gas based aqua ammonia power cycle	8.00
MoP	Establishment of 1200 KV National Test Station	39.40
MNRE	Bihar Saurkranti Sichai Yojna	17.64
MNRE	Funding for off grid PV systems to be installed under national solar mission in nine villages of North 24 Paragana district of West Bengal	44.64
MNRE	Installation of PV plants with an aggregate capacity of 50MW	70.90
MNRE	Financial support for extending subsidy for installation of PV lights and small systems through NABARD	73.71
MNRE	Installation of PV plants of 4 MW capacity at different railway locations	15.20
MNRE	Pilot grid connected solar thermal power projects under solar mission	1020.00
MNRE	Viability Gap Funding for 750 MW of PV under solar mission	1875.00
MDWS	Solar energy based dual pump piped water supply in 74 backward districts	221.30
Total		4,422.16

Source- Ministry of Finance.

*MNRE- Ministry of New and Renewable Energy, MoP- Ministry of Power, MoEF- Ministry of Environment and Forests, MDWS-Ministry of Drinking water and sanitation

Source: <http://www.downtoearth.org.in/content/crores-gamble,02/06/2014>.

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Criticism and Development

Critics claim that the money is mostly used to compensate shortfalls in the budget and “to deploy existing technology” (Paliwal 2013). Also, the programme has been criticised for being underfinanced and consisting more of promising words than of actual action to boost renewable energy (Bhushan 2014).

In February 2014 the Cabinet Committee on Economic Affairs (CCEA) made changes to the NCEF leading to the eligibility of already existing programmes and schemes for renewable energy to be financed by the NCEF (IANS 2014). To tackle the costs of planned projects, the coal tax was doubled to Rs.100 (\$1.67) per tonne (Mittal 2014). The list of planned programs is long: “22,000 MW solar power capacity by 2022, a dedicated national-level program for promoting wind energy generation, implementation of the world’s largest solar power projects (with capacity of up to 4,000 MW), covering canals with solar panels, implementing dedicated transmission corridors for distributing electricity from renewable energy projects, and cleaning one of the largest rivers in India.” (Mittal 2014)

An example of a project is “a 1,000 MW solar photovoltaic (PV) park in the southern state of Andhra Pradesh” (Chadha 2014). It is estimated that it will cost about 1 billion USD. It will mainly be financed by the NCEF (20 per cent of the costs) as well as by the Japanese International Cooperation Agency (JICA).

Impact

So far, the fund has been used to finance many sustainable energy projects, yet there is still a lot of potential to improve and expand the use of the fund. Recently a lot of changes have been made to the fund such as doubling the coal tax and including more renewable energy programmes. These changes are a promising perspective to ensure that India is successfully proceeding on its path to a more sustainable development and to decrease

its reliability on coal and other fossil fuel energy carriers.

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Additional material

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