ENERGY and CLIMATE WATCH

December 2023

We welcome you to the December 2023 edition of our monthly newsletter on energy and climate change. It consists of significant developments worldwide in India's energy and climate change space

Switching from energy systems based on fossil fuels to renewables is vital to lessen reliance on the unpredictable fossil fuel market and combat climate change. Additionally, renewable energy can increase employment across all regions, mainly rural areas. It is essential to emphasise India's enormous renewable energy potential to attract international investments and start the Green Energy Revolution. However, comprehensive policy and regulatory framework assistance is required for the renewable sector. The push from industry is also necessary to adopt new technologies and rapidly transition to a non-fossil-based energy ecosystem.

Similarly, we are also focusing on the issue of climate change in this edition. India's high population density, large spatial and temporal variability in rainfall, and high poverty rates make it particularly vulnerable to the impacts of climate change. There has been an increase in the national mean surface air temperature and hot days, significant regional variations in rainfall patterns, measurable melting of Himalayan glaciers, and rising sea levels. India will need better climate adaptability models to predict impacts on states and regions, a prerequisite for an informed adaptation policy.

Additionally, the newsletter captures power statistics for December 2023 to update the reader on the developments in the power sector. CUTS International organised a COP 28 side event on ‘Creating a Fund of Funds: Paving the Path Beyond the Loss and Damage Fund.’ A brief description of the side event is discussed in the CUTS AT WORK section.

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1. Bihar Notifies Electric Vehicle Policy 2023

The Bihar government has approved its first electric vehicle (EV) policy to promote a transition from fuel-powered vehicles to zero-emission models. The policy, led by Chief Minister Nitish Kumar, aims for EVs to account for at least 15 percent of total vehicle sales within five years.

The overall aim of this policy is to promote sustainable mobility and create an EV ecosystem through subsidies and incentives. It is effective for five years from the publication date.

What is it about?

The Bihar Electric Policy 2023 offers incentives and subsidies to attract buyers to EVs, including up to 75 percent subsidies on motor vehicle tax and ₹1.25 lakh each for the first 1,000 electric cars purchased in the state. Similar benefits will be extended to the first 10,000 electric two-wheelers, including ₹10,000 discounts on purchase and a 75 percent waiver of tax, and for electric three-wheelers, there is a 50 percent rebate in motor vehicle tax. Newly registered EVs are exempt from permit fees.

The policy proposes using renewable energy for charging stations, with approved tariff rates for high-tension charging stations set at ₹8/KvA for the current financial year. Incentives for charging stations will be applicable if they comply with the guidelines of the Ministry of Power. Additionally, the policy also aims to incentivise those scrapping old EVs and EV components.

The policy also seeks to establish an EV ecosystem, attract investments, and promote renewable energy for charging stations. The government has approved the purchase of 400 electric buses under the PM-e Bus Sewa scheme. Development in charging infrastructure will create new opportunities.

With the development of charging infrastructure and other supporting industries, the Bihar government is planning to create more jobs in the state. Along with employment, the new policy will also help reduce the overall pollution level in the state.

Read in detail

2. Ministry of Mines Issues Draft Rules for Offshore Minerals Auction

The Ministry of Mines amends the Offshore Areas Mineral (Development and Regulation) Act, 2002 [OAMDR Act] to come up with draft rules for offshore mineral auctions.

The amended Act now calls for the development and regulation of mineral resources in the territorial waters, continental shelf, exclusive economic zone, and other maritime zones of India.

What is it about?

The recent amendment removed the process of discretionary renewals and provided a uniform lease period of 50 years, introduced composite licences, provided for area limits of various operating rights, provided for easy transfer of composite licences and production leases, etc. It also includes provisions for establishing trusts for mining-affected persons, increasing exploration, providing relief in case of disasters, and eliminating the process of discretionary renewals.

The Ministry has identified some blocks in the exclusive economic zone of India for minerals such as lime mud and polymetallic nodules and has sought input from concerned ministries and departments for the availability of these offshore blocks for the grant of operating rights. To implement the provisions of the amended Act, the Ministry has framed two draft rules: Offshore Areas Mineral Auction Rules and Offshore Areas Existence of Mineral Resources Rules.

The Offshore Areas Mineral Auction Rules are broadly based on the Mineral (Auction) Rules, 2015, framed under the MMDR Act. The salient features of the draft Offshore Areas Mineral Auction Rules include bidding through an ascending forward online electronic auction, upfront payment for production lease, performance security, net worth requirements for auction of production lease and composite licence, bid security, and the existence of mineral resources rules.

The Ministry of Mines is also in the process of framing other rules under the OAMDR Act, such as the Offshore Areas Mineral Conservation and Development Rules, Offshore Areas Mineral Concession Rules, and Offshore Areas Mineral Trust Rules.

Read in detail

3. CPI and GCA Released State and Trends in Climate Adaptation Finance Report 2023

The Climate Policy Initiative (CPI) and the Global Centre of Adaptation (GCA) have released the 2023 State and Trends in Climate Adaptation Finance report that covered the global status and trends of adaptation finance.

The report highlighted areas where climate adaptation finance was lagging, i.e., geography-wise, financing-wise, and sector-wise loopholes were identified in adaptation finance, and a way forward was suggested.

What is it about?

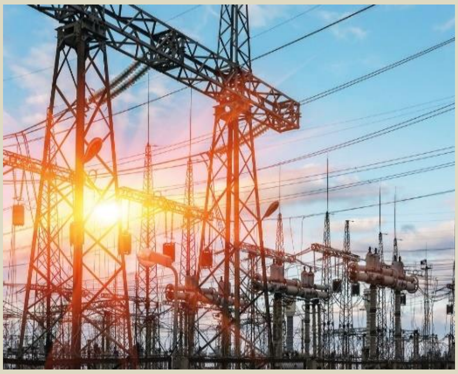
The report released in December highlights that while mitigation finance has seen a significant increase to US$1.2tn annually, adaptation finance has only seen a minute increase. The global adaptation funding gap continues to widen, driven by accelerating climate impacts and slower growth in adaptation finance flows. Estimating adaptation finance needs requires robust data, effective modelling, and strong technical capacity.

The report highlights that adaptation finance tracking is significantly constrained by data gaps, methodological inconsistencies, and reporting issues at both domestic and international levels. Institutional public commitments to adaptation finance are currently lacking, with 60 public financial institutions evaluating their commitments as insufficient, opaque, and lacking clear delivery timelines. Corporations, institutional investors, and commercial banks must play a role in financing adaptation activities and aligning their commitments with a climate-resilient future.

Debt remains the primary financial instrument for adaptation, and a wider range of financial approaches are required to close the gap between current adaptation flows and country needs. The private sector's climate commitments have been primarily focused on the low emissions component of the Paris Agreement, but there is room for growth in articulating commitments towards a climate-resilient future. Debt-for-climate adaptation swaps have emerged as an alternative to bridge adaptation finance gaps and tackle debt distress.

Read in detail

4. Power Transmission and Distribution Losses Come Down to 15.41 Percent in FY 22–23



The Ministry of Power has released a year-end review that encompasses key achievements, policy initiatives, and progress in the power sector.

This comprehensive review provides insights into the ministry's efforts to enhance energy access, promote renewable energy, and address challenges in the power sector. The highlight of the report was the aggregate technical and commercial losses (AT&C losses).

What is it about?

The year-end review highlighted that average availability of power has increased to 20.6 hours in rural areas and to 23.8 hours in urban areas, and the major highlights of the report were AT&C losses in the power sector coming down to 15.41 percent (provisional) in FY 22–23 from 25.7 in FY 15. This was due to the launch of the Revamped Distribution Sector Scheme (RDSS).

The Government of India launched RDSS to help distribution companies (DISCOMs) improve their operational efficiencies and financial sustainability by providing result-linked financial assistance to DISCOMs to strengthen supply infrastructure based on meeting pre-qualifying criteria and achieving basic minimum benchmarks. RDSS has an outlay of ~ ₹3.04 lakh crore over 5 years, i.e., FY 2021–22 to FY 2025–26. The outlay includes an estimated Government Budgetary Support (GBS) of ~₹ 0.98 lakh crore.

The ultimate goal of RDSS is to reduce AT&C losses to pan-India levels of 12–15 percent by FY 2024–25, while reducing the ACS-APR gap to zero by FY 2024–2025 and improving the quality, reliability, and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector.

The other highlights of the year-end report were the development of stalled hydroelectric projects in Arunachal Pradesh, the SAMARTH Mission, the National Smart Grid Mission, Unnat Jyoti by Affordable LEDs for All (UJALA), the Street Lighting National Programme (SLNP), and Amendments in Electricity (Promoting Renewable Energy through Green Energy Open Access) Rules, 2022.

Read in detail

5. Government Issues Offshore Wind Energy Lease Rules 2023

The Offshore Wind Energy Lease Rules, 2023, have been introduced by the Central Government to govern the installation and operation of offshore wind energy projects within the Exclusive Economic Zone.

These rules establish a regulatory framework for leasing, operation, and maintenance of offshore wind projects.

What is it about?

Under the Wind Energy Lease Rules, 2023, lease terms and conditions will include three-year validity for resource measurement or study/survey activities, extendable for two more years, and up to 35 years for construction and operation. Financial requirements will include a refundable security deposit and an annual lease fee, with security deposits varying based on project type.

Environmental and security measures are imposed to ensure environmental sustainability and national security. The lease-granting process is governed by the National Offshore Wind Energy Policy, with clearances from various ministries. Lessees are granted exclusive rights within the lease area for activities related to offshore wind energy and transmission.

Dispute resolution and cancellation would be managed by a committee chaired by the Secretary, Ministry of New and Renewable Energy, which would attempt amicable resolution before arbitration. Lessees are required to decommission installations within two years of lease termination, responsibly dispose of materials, and deliver the lease area to the Central Government after termination.

The Central Government has the authority to issue instructions regarding the spacing of wind turbines, offshore substations, and least distances from boundary coordinates, and agencies like the Indian Coast Guard can supervise and control operations. The Offshore Wind Energy Lease Rules, 2023, aim to facilitate renewable energy growth while ensuring environmental sustainability and national security.

Read in detail

6. Ministry of Power Seeks Comments on Draft Electricity Second Amendments Rules, 2023

The draft Electricity (Rights of Consumers) second amendment rules, 2023, were proposed by the Ministry of Power to amend the Electricity (Rights of Consumers) Rules, 2020.

These rules aim to provide more rights and choices to the consumers of electricity, especially in the areas of individual connections, electric vehicle charging, and meter testing and the Ministry of Power has notified that it is open to comments on the draft.

What is it about?

Some of the key features of these draft rules are:

(a) On request of any owner or occupier of any premise in a group housing society, residential colony, or resident welfare association, the distribution licence shall provide individual connections for the supply of electricity.

(b) The tariff charged by such associations from the owner or occupier of any premise shall not exceed the retail tariff for that category of consumers. However, they can charge an additional amount for the cost incurred for providing electricity up to the premises of the individual consumer.

(c) The distribution licensee shall provide a separate connection for the supply of electricity for the EV charging system on request by an individual consumer, a group housing society, a residential colony, a resident welfare association, or other such registered associations.

(d) The distribution licencee shall test metres within 30 days of receiving a complaint from the consumer. If the consumer complains that his metre readings are not per his consumption, the distribution licencee shall install an additional metre to verify the consumption for a prescribed minimum period.

These draft rules were published on December 14, 2023, and are open for public comments and suggestions until January 12, 2024.

Read in detail

7. MNRE Issues National Repowering & Life Extension Policy for Wind Power Project, 2023

The Ministry of New and Renewable Energy (MNRE) has issued the 'National Repowering and Life Extension Policy for Wind Power Projects, 2023.'

The policy is aimed at repowering or replacing turbines of up to 2 MW that are not in compliance with quality control or have completed 15 years post-installation.

What is it about?

The revision seeks to permit the repowering or replacement of older-generation turbines. These turbines will be replaced with newer generation turbines that are more efficient. Moreover, they also contemplate the refurbishment of wind turbines for life extension beyond design life. This shall be subject to safety and performance assessment.

The National Institute of Wind Energy estimates the overall repowering potential of the country at 25.40 GW, with the states of Tamil Nadu, Maharashtra, Karnataka, Gujarat, and Rajasthan having the major share of repowering potential at 21.44 GW.

To oversee the effective implementation of the repowering policy, MNRE is set to establish a monitoring and advisory committee, the Wind Repowering Committee. The committee will act as a liaison between industry stakeholders and government organisations, recommend policy interventions, and monitor the progress of repowering projects. Developers can choose between repowering or refurbishing turbines based on specified eligibility criteria. The repowered or refurbished projects must increase annual energy generation by a minimum of 1.5 times compared to the original project. Repowering projects can be standalone or aggregation projects.

With this policy, the Ministry aims to optimise the utilisation of wind energy resources by maximising energy (kWh) yield per square kilometre of the project area and utilising the latest state-of-the-art onshore wind turbine technologies.

Read in detail

CUTS AT WORK

CUTS hosted a side event at COP 28 that centred on the critical discussion of establishing a "Fund of Funds" to address challenges beyond the Loss and Damage Fund, On December 10, 2023.

The event commenced with Sajeev Nair, Board Member and Regional Director of CUTS International Lusaka, highlighting COP28's primary focus on tackling climate finance challenges. He emphasised the urgency in addressing these issues and outlined CUTS International's proactive role in initiating a global campaign titled "Innovative Finance for Climate and the Planet." This campaign aims to unite individuals and organisations under a "Global Alliance for Leveraging Innovative Finance," to create sustainable funds to combat climate change effectively.

A presentation by Martha Getachew Bekele, Africa Lead for Delivery Quality and Impact, Development Initiatives delved into factual discrepancies in reporting and accountability issues in climate financing at present. She scrutinised the transparency and actual utilisation of committed funds under the Paris Agreement of 2015 questioning whether announced commitments translate into practical disbursements for climate-related initiatives in developing countries.

Pallavi Das, Programme Lead, Council on Energy, Environment and Water highlighted the absence of a clear definition for climate finance, hindering decisive actions. Lydia Chibambo, Programme Officer, Energy Gender, Zambia Climate Change Network highlighted challenges and gaps in addressing climate change-related biodiversity loss, advocating for comprehensive solutions that consider diverse aspects of the crises affecting developing countries.

Brian Omenyi, National Coordinator, Sustainable Energy Access Forum, Kenya focussed on strategies to effectively address climate-related damages. He underscored the importance of analysing existing structures, leveraging alternative models, and enhancing capacity through technology transfer and focused workshops.

Read more about the event here: http://tinyurl.com/3825xdhb

Power Statistics for December 2023									
Installed capacity (GW)	Thermal		RE (including large hydro)		Thermal power penetration in the generation mix	RE power penetration in the generation mix	Peak demand (GW)	Peak demand met (GW)	Shortage
	Capacity (GW)	As a % of the total installation	Capacity (GW)	As a % of the total installation					
426.13	239.07	56.10	179.57	42.13	80.48	16.08	204.86	204.60	0.1

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