ENERGY and CLIMATE WATCH

March 2024

We welcome you to the March 2024 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 March 2024 to update the reader on the developments in the power sector. CUTS International organised a webinar on "Gig Workers' Welfare in India: Concerns and Solutions". A brief description of the webinar is discussed in the CUTS AT WORK section.

Contents

1. Government Approves EV Policy to Promote Electric Vehicle Manufacturing in India

The Government of India has approved a scheme to promote India as a manufacturing destination so that e-vehicles (EVs) with the latest technology can be manufactured in the country.

The policy is designed to attract investments, targeting ₹4,150 crores in the EV space by reputed global EV manufacturers.

What is it about?

The policy will provide Indian consumers with access to the latest technology, and boost the 'Make in India' initiative. The initiative aims at strengthening the EV ecosystem by promoting healthy competition among EV players. This will lead to a high volume of production, economies of scale, and lower cost of production. It is a commendable move to reduce imports of crude Oil, lower the trade deficit, and reduce air pollution, particularly in cities.

The policy entails the following:

- The minimum investment required is ₹4,150 crores
- No limit on the maximum Investment
- The timeline for manufacturing is three years for setting up manufacturing facilities in India, and to start commercial production of EVs, and reach 50 percent domestic value addition (DVA) within five years at the maximum
- DVA during manufacturing: A localisation level of 25 percent by the 3rd year and 50 percent by the 5th year will have to be achieved
- The customs duty of 15 percent would be applicable for five years
- Vehicle of CIF value of US$35,000 or above will be permissible
- The total number of EVs allowed for import would be determined by the total duty foregone or investment made, whichever is lower, subject to a maximum of ₹6,484 crores
- Not more than 8,000 EVs per year would be permissible for import under this scheme. The carryover of unutilised annual import limits would be permitted
- The investment commitment made by the company will have to be backed up by a bank guarantee in lieu of the custom duty forgone
- The Bank guarantee will be invoked in case of non-achievement of DVA and minimum investment criteria defined under the scheme guidelines.

Read in detail

2. WMO Releases State of the Global Climate 2023

World Meteorological Organisation (WMO) released the report entitled 'State of the Global Climate 2023', providing a summary of the state of the climate indicators in 2023, extreme events and impacts.

The report highlighted extreme events including those related to tropical cyclones and wind storms; flooding, drought and extreme heat and cold events. It also provided the most recent findings on climate-related risks and impacts including on food security and population displacement.

What is it about?

The report assesses the current global climatic condition based on the key indicators including global temperatures, greenhouse gas (GHG) concentration, ocean heat content, sea level rise, ocean acidification, Arctic and Antarctic sea ice, Greenland ice sheet and glaciers and snow cover, precipitation and stratospheric ozone, with an analysis of major drivers of inter-annual climate variability during the year including the El Niño Southern Oscillation and other ocean and atmospheric indices.

The report talks about the concentrations of the three main GHGs – carbon dioxide, methane, and nitrous oxide. It has reached a record high. Ocean heat content has reached its highest level in the 65-year observational record. The report has identified that 2023 was by far the warmest year on record. The global average temperature in 2023 was 1.45 ± 0.12 °C above the 1850–1900 average. Antarctic sea ice extent hit record observed lows. Key glaciers suffered record losses.

Extreme weather continues to lead to severe socio-economic impacts. Extreme heat has affected many parts of the world. Wildfires in Hawaii, Canada, and Europe have caused loss of life, the destruction of homes, and large-scale air pollution. Flooding associated with extreme rainfall from Mediterranean Cyclone Daniel has affected Greece, Bulgaria, Türkiye, and Libya with particularly heavy loss of life in Libya.

Food security, population displacement, and impacts on vulnerable populations continue to be of mounting concern in 2023, with weather and climate hazards exacerbating the situation in many parts of the world.

Read in detail

3. Ministry of Heavy Industry Launches Electric Mobility Promotion Scheme 2024

Ministry of Heavy Industry announces Electric Mobility Promotion Scheme 2024 for faster adoption of electric two-wheelers and three-wheelers to provide further impetus to the green mobility and development of EV manufacturing eco-system in the country.

With a total outlay of ₹500 crore, the Scheme is to be implemented from April 01-July 31, 2024.

What is it about?

With greater emphasis on providing affordable and environment-friendly public transportation options for the masses, the scheme will apply mainly to those Electric Two-Wheelers (e-2w) and Electric Three-Wheelers (e-3w) including L3 and L5 registered for commercial purposes. Further, in addition to commercial use, privately or corporate-owned registered e-2W will also be eligible under the scheme.

The Scheme aims to support 3,72,215 EVs including 3,33,387 e-2W and 38,828 e-3W (13,590 in L3 i.e., e-rickshaws and e-carts and 25,238 in L5 category). A total outlay of ₹333.39 crores has been allocated for e-2w. A total outlay of ₹33.97 crores has been allocated for e-rickshaw and e-cart segments and ₹126.19 crores have been allocated for the L5 category. To encourage advanced technologies, the benefits of incentives will be extended to only those vehicles that are fitted with advanced batteries.

The Scheme promotes an efficient, competitive, and resilient EV manufacturing industry in the country thereby promoting the Prime Minister's vision of Aatma-Nirbhar Bharat. For this purpose, the Phased Manufacturing Programme (PMP) has been adopted which encourages domestic manufacturing and strengthening of the EV supply chain. This shall also create significant employment opportunities along the value chain.

Read in detail

4. MNRE Issues Scheme Guidelines for the R&D for Green Hydrogen

The Ministry of New and Renewable Energy (MNRE) issued Scheme Guidelines for the Research and Development (R&D) of Green Hydrogen under the National Green Hydrogen Mission (NGMH).

The scheme provides details, terms, and conditions for approving and implementing R&D projects under the mission. The scheme has a budgetary outlay of ₹400 crores till FY 2025-26.

What is it about?

The Scheme has the following objectives:

(i) To increase the affordability of Green Hydrogen production, storage, transportation, and utilisation, and to enhance the efficiency, safety, and reliability of the relevant systems and processes;

(ii) To build industry-academia-government partnerships to leverage the opportunity to establish an innovation ecosystem for Green Hydrogen technologies; and

(iii) To facilitate scaling up and commercialisation of the technological advancements by providing requisite policy and regulatory support.

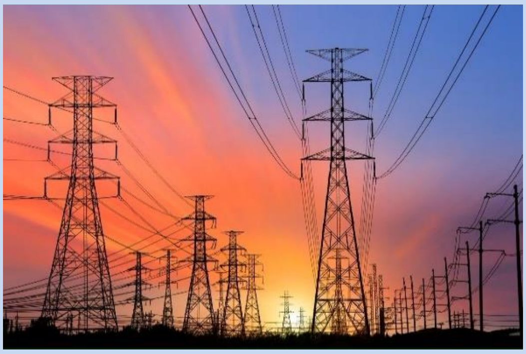
Broad areas for support under the R&D programme *inter alia* include hydrogen production, storage, compression, transportation, utilisation, testing, and techno-economic analysis. The R&D projects supported under the Mission will be goal-oriented, time-bound, and suitable to be scaled up to achieve quantifiable returns. Support will be provided under the Mission for the following types of projects:

(i) **Mission Mode Projects with short-term (0-5 years) horizon:** Under this mode focus will be end-product development in partnership with the industry. Efforts will be made to aggregate and leverage existing capabilities and infrastructure during this phase.

(ii) **Grand Challenge Projects with a mid-term (0-8 years) impact horizon:** These projects will be initiated with a focus on critical technologies to overcome licensing challenges and supply constraints. These projects are proposed to be taken up in consortium mode and would require augmentation of existing capabilities and infrastructure.

Read in detail

5. Ministry of Power Amends Electricity (Late Payment Surcharge and Related Matters) Rules, 2024



Ministry of Power Introduced Electricity (Late Payment Surcharge and Related Matters) (Amendment) Rules, 2024 will ensure an adequate supply of electricity to meet the growing demand in the country.

Amended Rules will increase the likelihood of surplus electricity getting utilised and increase the availability of power to consumers.

What is it about?

Some power generators were not offering the surplus power in the market, thus resulting in unused power capacity at the national level. To address this issue and optimise the use of available power, the Ministry of Power Introduced the Electricity (Late Payment Surcharge and Related Matters) (Amendment) Rules, 2024. As per the rules, power generators that do not offer their surplus power will now not be eligible to claim capacity or fixed charges corresponding to that surplus quantum. Additionally, this surplus power cannot be offered for sale in the power exchange, at a price of more than 120 percent of the energy charge plus the applicable transmission charge.

This will increase the likelihood of the surplus electricity getting purchased and utilised. To be eligible for claiming fixed charges for surplus power, generating companies will now have to offer in the power exchange the quantum of power not requisitioned by discoms

The amendments have been made to align the Rules with statutory provisions related to accessing the national power grid. These amendments facilitate distribution companies facing curtailment of access due to payment defaults, in getting quicker restoration of access to the national grid once they settle their outstanding dues.

The Power and New & Renewable Energy Minister stated that the Electricity (Late Payment Surcharge and Related Matters) Rules were introduced in 2022 to tackle cash flow challenges faced mainly by generation companies and transmission companies and to promote timely payments across the power sector. Since their notification, there has been significant progress in recovering outstanding dues, with most distribution companies now adhering to regular payment schedules. The total unpaid bills have been reduced from around ₹1.4 lakh crores in June 2022 to around 48,000 crores in February 2024.

Read in detail

6. Union Cabinet Approves Continuation of ₹300 Targeted Subsidy to PM Ujjwala Yojana Consumers

The Union Cabinet chaired by Prime Minister Narendra Modi approved the continuation of the ₹300 targeted subsidy to Pradhan Mantri Ujjwala Yojana (PMUY) consumers for 2024-25 for one year till March 2025.

The total expenditure will be ₹12,000 crores for the financial year 2024-25. The subsidy is credited directly to the bank accounts of the eligible beneficiaries.

What is it about?

The cabinet approved the continuation of the targeted subsidy of ₹300 per 14.2 kg cylinder (and proportionately pro-rated for 5 kg cylinder) for up to 12 refills per year to be provided to the beneficiaries of PMUY during FY 2024-25. As of 1st March 2024, there are more than 10.27 crore PMUY beneficiaries.

The total expenditure will be ₹12,000 crore for the financial year 2024-25. The subsidy is credited directly to the bank accounts of the eligible beneficiaries.

To make Liquified Petroleum Gas (LPG), a clean cooking fuel, available to rural and deprived poor households, the Government launched the PMUY in May 2016, to provide deposit-free LPG connections to adult women of poor households.

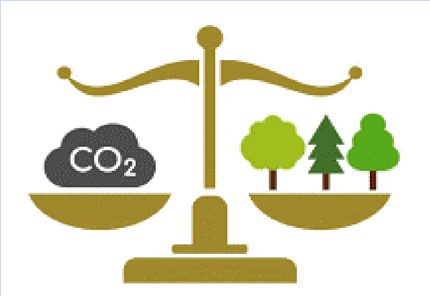
India imports about 60 percent of its LPG requirement. To shield PMUY beneficiaries from the impact of sharp fluctuations in international prices of LPG and to make LPG more affordable to PMUY consumers thereby ensuring sustained usage of LPG by them, the Government started a targeted subsidy of ₹200 per 14.2 kg cylinder for up to 12 refills per annum (and proportionately pro-rated for 5 kg connections) to the PMUY consumers in May 2022.

In October 2023, the Government increased the targeted subsidy to ₹300 per 14.2 kg cylinder for up to 12 refills per annum (and proportionately pro-rated for 5 kg connections). As of 01.02.2024, the effective price of domestic LPG for PMUY consumers is ₹603 per 14.2 Kg LPG cylinder (Delhi).

The average LPG consumption of PMUY consumers has increased by 29 percent from 3.01 refills in 2019-20 to 3.87 refills (till January 2024) prorated for 2023-24. All PMUY beneficiaries are eligible for this targeted subsidy.

Read in detail

7. India to Join US-Led Co-Operative Work Programme on Carbon Market



India has decided to join at least one of the four cooperative work programmes launched under the 'clean energy pillar' of the US-led Indo-Pacific Economic Framework (IPEF).

IPEF promotes carbon market initiatives. The collaboration will help India develop its carbon market by taking insights from other countries.

What is it about?

India has decided to join the cooperative work programme focusing on facilitating and promoting carbon market activities under the US-led IPEF. This decision aligns with India's efforts to deepen its carbon markets and establish independent standards for carbon trading. The Ministry of Power will lead India's participation, with the Bureau of Energy Efficiency acting as the nodal body.

Additionally, India is considering joining two other cooperative work programmes initiated by the IPEF: one on clean electricity proposed by Japan and another on sustainable aviation fuel proposed by Singapore. Internal discussions are ongoing within relevant ministries to determine India's participation based on the country's interests and objectives.

The IPEF, spearheaded by US President Joe Biden, aims to strengthen cooperation among its 14 regional partners to counter China's influence. It focuses on four pillars: connectivity and digital trade, resilient supply chains, clean energy, and corruption-free fair trade. India has decided to exclude itself from the trade pillar but has joined the other three. The negotiations within the IPEF are progressing rapidly, with agreements already reached on two pillars, including clean energy.

Read in detail

CUTS AT WORK

CUTS International in collaboration with GIZ, Germany and CUTS Institute for Regulation & Competition organised a Virtual Roundtable Discussion entitled "Gig Workers' Welfare in India: Concerns and Solutions" on March 15, 2024.

The webinar was a part of CUTS's extensive work on Good and Better Jobs in India. Through this Roundtable, both CUTS and GIZ sought to understand the current scenario of the Indian gig economy and the aspect of welfare in it.

Kicking off the event, Sarah Wagner, Project Manager at GIZ, Germany pointed out that it is important to provide information and counselling about workers' rights and training for skill development to increase workers' bargaining power. She presented that gig workers across the world are facing challenges emanating from either policy inadequacies or market concentration.

Moderating the discussion, Bipul Chattopadhyay, Executive Director at CUTS highlighted the intricate intersection between law and economics in addressing the vulnerabilities of India's gig economy.

Dr. Aruna Sharma, Former Secretary to the Ministry of Steel & distinguished Fellow at CUTS, called for a centralised approach through the introduction of a universal social security code. She emphasised the need for synergy between labour laws, the IT Act, and competition regulations to safeguard workers' rights and enhance the labour market.

Industry stalwarts like Gayathri Vasudevan, CEO of LabourNet India, highlighted the onus placed on blue-collar workers to self-upskill amidst technological advancements, while Badal Malick, CBO & Co-Founder of KarmaLife AI, emphasised the financial hardships endured by gig workers, advocating for innovative solutions to empower them financially.

Bornali Bhandari, Professor at the National Council for Applied Economic Research highlighted the issue of no pension and no paid leave for gig workers. She rightly pointed out that "high income is the reason why people join the gig economy, especially the food delivery system and it is high income which forces them to leave the sector", indicating the low entry barrier nature of the economy.

Ujjwal Kumar, Associate Director at CUTS drew parallels with international practices, suggesting learnings from the USFTC regarding the implications of corporate deals on workers' welfare.: https://tinyurl.com/3w238sxf

Power Statistics for March 2024									
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					
434.19	243.21	56.01	183.49	42.26	79.93	17.50	222.72	222.00	0.3

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