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Need to Ease Carbon Taxes: NITI Aayog

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India is one of the most expensive places to produce coal-based electricity despite having a competitive advantage in coal. From a developing country's perspective with low per capita consumption of electricity, carbon tax seems to be excessive.

- According to NITI Aayog, high energy-intensive sectors are being penalized by paying high carbon tax through various cesses and duties.
- India's use of carbon taxes to promote clean energy has gone too far and there is a case for easing them to let energy-intensive industries compete globally.
- As per renewable power obligations, power distribution firms have to buy a stipulated part of their overall power purchase from solar and other clean energy suppliers.
- For the current financial year, the target is 17%. Renewable power is unpredictable and the need for battery backup adds to its hidden costs.

Example: In a recent report by NITI Aayog titled 'Need for an aluminium policy in India' it states that apart from higher power cost, additional burden in the form of power distribution firms' obligation to purchase renewable power and coal cess of Rs 400 a tonne, the carbon trading system and electricity duty on power generation (levied by states) have increased the overall production cost of aluminium, a strategic metal critical to infrastructure, automobiles and defence industries.

- Steps to discourage use of coal and promote solar and wind power comes at a time India is taking a global lead in climate change policies.
- However, it may be practically difficult for India to go back on policies meant to promote clean energy including use of carbon taxes as there is globally a negative sentiment about coal because of climate change concerns and there is a declining trend in its consumption in most of the major economies.
- Also, considering the recent decline in clean energy prices, it may not be difficult for power distribution firms to meet renewable purchase obligation.

Way Forward

- India cannot allow the narrative of “carbon imperialism” to come in the way of realistic and rational planning for the country’s energy future.
- A separate energy policy for high energy intensive sectors must be introduced wherein power supply should be ensured at globally competitive rates so that these industries too can compete with global players.
- Renewable purchase obligations, coal cess and electricity duty charges must be looked at and rationalized as well to make these sectors competitive.