



## Need For A Sound Energy Policy For India!

This article: [Over The Barrel: How to boost the energy drive](#) appeared in Indian express on 3<sup>rd</sup> of June. It talks about the measures that India need for a sound energy policy.

Indian government's on-going energy sector policies aim "to provide access to affordable, reliable, sustainable and modern energy", in that pursuit several domestic goals and the global development agenda is lined up. For example:

- Make available 24x7 power to all by 2019.
- Achieve 175 GW of renewable energy generation capacity by 2022
- Reduce imports of oil and gas by 10 per cent by 2022-23.
- Continue to reduce the emission intensity of GDP in a manner that will help India achieve the intended nationally determined contribution (INDC) target of 2030.

### What are the challenges in India's energy sector?

- India is still heavily dependent on petroleum imports to meet its requirements – we imported approximately 85 percent of crude oil and 45 percent of natural gas requirements
- A variety of subsidies and taxes distort the energy market and promote the use of inefficient over efficient fuels.
- Old inefficient plants continue to operate whereas more efficient plants are underutilized
- Lack of market-driven gas prices for old fields disincentivize further production.
- Land for coal mining is becoming a major issue. Also, there is no competitive coal market.
- There are supply chain issues in biomass power generation.
- The non-availability of sufficient credit facilities and difficulties in obtaining required finances for energy saving projects are strong deterrents to investments in energy efficiency in India.
- Limited technical capabilities, high initial capital expenditure, limited market and policy issues have adversely affected efforts to achieve energy efficiency.

### What should be the salient features of the energy policy of India?

- **Integrate energy and environment policy:**
  - For holistic energy policy, various ministries currently engaged with energy and the environment should be merged into one Ministry of Energy and Environment.
  - Also, the "Energy and Environment Security Act" should be passed at the earliest as possible.
    - The objective of such an act should be to balance economic development and energy demands.
  - An integrated energy data centre must be established to bridge the gap between policy and investment.
- **Focus on Decarbonisation**, as a key component of energy policy. This can be done by:
  - Focusing on solar and wind energy
  - Incentivising electric vehicles
  - Curtailing diesel consumption in agriculture,

- Enforcing standards and emission norms,
- Redesigning buildings and factories to make them carbon neutral
- Influencing behavioural change towards energy conservation.
  - For instance, the government has launched various projects/schemes to implement these like National Solar Mission, FAME India, KUSUM yojana, Bharat emission norms VI, GRIHA building code.
- The "**clean energy fund**" which is currently funded through a cess on coal production only should be augmented also through the issuance of "green bonds" and a clean energy tax
- **Energy diplomacy:**
  - The oil supply of India comes from a highly volatile region i.e. West Asia
  - Any turmoil in the region will significantly impact India's strategic concerns.
  - In this scenario, India must engage diplomatically with nations to secure long-term supply contracts.
    - For this government can look to develop a specialized cadre of "energy diplomats, who can be induced through lateral entry.
- India must implement changes in **exploration and enhance recovery policy:**
  - The current revenue-sharing model must be replaced with a production-sharing model for new exploration.
  - The government should increase access to the domestic retail market by removing the condition that only companies that have invested Rs 2,000 crore will be eligible for a marketing licence.
  - The government must allow international players with proven enhanced oil recovery technologies. in field oil fields like Mumbai high and other ageing oil fields in Gujarat
    - The current recovery rates of production from these fields are well below the global average.
- **Reforms in the Coal sector:**
  - Increase competition in coal mining so as to infuse efficiency in Coal India Limited (CIL)
  - Though commercial coal mining by private sector companies is allowed it must be backed by positive policy intervention to expedite the coal mining.
  - Set up coal commission of India, to deal with disruptions caused by the renewable energy sector in the coal sector.
- **Reforms in the natural gas sector:**
  - The price of gas should be determined on the basis of market and competitive principles.
  - A gas trading hub should be expeditiously established
  - Gas Authority of India Limited (GAIL)'s monopoly as a monopoly gas pipeline company must end
  - GAIL should be divested of its upstream (production/ re-gasification of LNG) and downstream (petrochemicals) operations.
- Finally, special energy courts should be established to expedite the adjudication of disputes and ensure the sanctity of contracts related to the energy sector.

## Conclusion

- India is the world's third largest energy consumer and according to International Energy Agency, India's energy demand growth outpaced global demand growth in 2018. In this light, it is high time for the government to formulate a comprehensive energy policy with a view to balancing socio-economic growth with environmental protection.

### ***Drishti Input:***

India's energy sector is currently reeling under various challenges and loopholes in keeping pace with growing energy demand and suggest steps to ensure energy security of India.

