New Hydro Policy

The government, under New Hydroelectricity Policy, has approved ‘renewable energy status’ for large hydel projects.

Earlier, only smaller projects of less than 25 Megawatt (MW) in capacity were categorised as renewable energy. Large hydro projects were treated as a separate source of energy.

Renewable Energy Sector

- India’s renewable energy sector had an installed capacity of 75,055.92 MW as of February 2019, according to data with the Central Electricity Authority.
  - This made up about 21.4% of the overall energy mix, with the rest coming from thermal, nuclear and large hydro sources.
  - However, with the inclusion of large hydro in renewable energy, the energy mix will change drastically.
  - Renewable energy capacity would now be 1,20,455.14 MW or 34.4% of the overall energy mix.
- This policy will also drastically change the renewable energy mix as well.
  - Before February 2019, the wind energy contributed nearly 50% of all renewable energy capacity, it will now make up only 29.3%.
  - Similarly, solar energy’s share will fall from 34.68% to 21.61%.
  - The hydro sector, however, will see its share grow from just over 6% to over 41%.

Impact

- Hydroelectric energy provides grid stability which a renewable source like wind and solar do not. The key reasoning seems to be providing grid stability and a better energy mix.
- There has been a huge imbalance in the thermal-hydro mix for the last few years because of a sharp growth in thermal and complete stagnation in hydro.
- This reclassification will **immediately help India** achieve its target of **175 GW by 2022**.
- Another benefit from the policy could be the **positive impact on the stock prices** of State-run hydroelectric companies such as Sutlej Jal Vikas Nigam (SJVN).
- This will help large hydel projects avail cheaper credit and increase demand from distribution companies for cleaner energy. State distribution companies will be obliged to purchase a certain percentage of hydropower—similar to renewable purchase obligations. This will create a market for hydropower, making the sector competitive.
- These projects will not only get the budgetary support for infrastructure, but will also be able to access “green finance”.