

NCAER suggests ₹14K cr annual green grant for states to meet RE target

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In a bid to meet the Centre's target of 500 gigawatt (Gw) of installed capacity in renewable energy by 2030, the 16th Finance Commission needs to provide an average yearly green grant of nearly ₹14,000 crore to all states over the next five years, a recent working paper by the National Council of Applied Economic Research (NCAER) shows.

The paper notes that public investment must lead the way in developing the renewable energy sector, as these projects often "face higher investment risks due to high capital costs, emerging technologies, and long payback periods, apart from being hampered by the poor financial health of distribution companies and payment delays".

Among states, the paper notes that nearly ₹4,300 crore needs to be provided to Jharkhand as the yearly green grant, followed by Maharashtra (₹1,700 crore), Chhattisgarh (₹1,600 crore), Madhya Pradesh (₹688 crore), Odisha (₹642 crore), Manipur (₹595 crore), and Arunachal Pradesh and Uttar Pradesh (₹569 crore each).

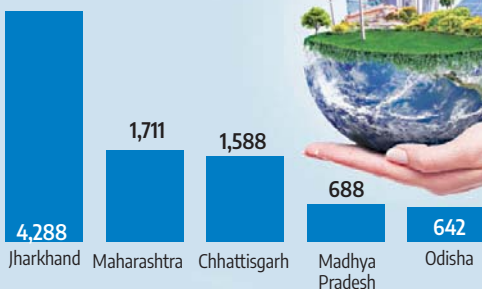
"The Finance Commission can drive renewable energy development through suggesting green grants linked to climate goals. It can incentivise states to invest in clean energy by recommending performance-based grants for renewable energy expansion, energy access improvements, and reductions in fossil fuel depend-

Going green

Top 5 states with avg yearly green grant

Suggested grant (₹ cr)

Grand Total 14,064



Source: NCAER

ency," the paper observed.

Though environmental considerations were part of the 15th Finance Commission recommendations, with 10 per cent weight accorded to forest cover and ecology in the devolution formula, it did not consider development of the renewable energy sector. It had suggested some state-specific grants targeted towards renewable energy for four states, amounting to a total of ₹2,095 crore for five years (₹419 crore per year), the paper says. "However, given the ambitious targets in the renewable energy sector, the allocation is not sufficient. In light of the evolving need to strengthen the green energy sector, the Finance Commission needs to take a proactive role in allocating funds to states specifically for renewable energy. We are suggesting that to meet the government's renewable energy target of installed capacity of 500 Gw by 2030,

the Finance Commission needs to provide a green energy grant to the states," the paper further reads. A state-wise analysis by the authors shows that renewable energy budgets remain limited in many states, as "only a few states demonstrate a strong commitment" to sustainable energy transitions.

States such as Chhattisgarh (₹680 crore; 0.63 per cent of the total budget), Gujarat (₹627 crore; 0.26 per cent), and Jharkhand (₹291 crore; 0.38 per cent) have emerged as leaders in renewable energy prioritisation in their state Budgets. These allocations indicate a strategic shift towards green energy transitions, despite differing economic capacities.

Haryana, Maharashtra, and Uttar Pradesh also show moderate allocations to renewable energy, balancing between conventional energy needs and clean energy initiatives.