

Regulatory, financial hurdles impact India's clean energy transition: Report



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Article Content:

The study, titled 'The Intersection of Power Sector Regulation & Sustainability Goals in India', outlines the critical reforms needed to ensure a stable investment climate and policy certainty for renewable energy expansion.

India's transition to a clean energy future faces regulatory and financial challenges that could impact its ability to meet the 500 GW non-fossil capacity target by 2030, according to a new report by Primus Partners. The study, titled 'The Intersection of Power Sector Regulation & Sustainability Goals in India', outlines the critical reforms needed to ensure a stable investment climate and policy certainty for renewable energy expansion.

The report highlights the financial distress of India's power distribution companies (discoms), regulatory inconsistencies, land acquisition hurdles, and grid infrastructure constraints as major barriers to clean energy deployment.

Discom financial reforms critical for clean energy growth

The report notes that India's discoms have accumulated losses exceeding ₹ ₹6.77 lakh crore (~\$82 billion), which could impact payments to renewable energy developers and hinder further investments in the sector. It suggests financial restructuring, tariff rationalization, and direct benefit transfers for subsidies as essential measures to improve cost recovery and ensure timely payments.

"India's power sector transformation requires a multi-pronged approach. Strengthening discom finances, ensuring regulatory certainty, and expanding grid infrastructure will be key to unlocking the full potential of clean energy investments," said Nikhil Dhaka, Vice President at Primus Partners.

Regulatory uncertainty impacting investment climate

The report identifies inconsistent state policies on open access, net metering and power

purchase agreement (PPA) renegotiations as key deterrents to long-term investments in renewables. Standardizing open access rules, enforcing contract sanctity, and strengthening dispute resolution mechanisms are crucial steps to boost investor confidence in the sector.

The study also points to land acquisition and permitting challenges as significant roadblocks for large-scale renewable energy projects. While solar parks have streamlined the process in some areas, a lack of clear guidelines for land-use change and environmental clearances remain a concern. The report recommends expanding pre-cleared renewable energy zones and implementing GIS-based approval systems, similar to the model adopted by Rajasthan, to facilitate faster approvals.

Grid infrastructure and emerging market mechanisms

Transmission bottlenecks have been another major challenge in integrating renewable energy into the grid. The report calls for synchronized grid expansion with renewable energy targets, enhanced forecasting mechanisms, and increased policy support for battery storage to stabilize supply.

Additionally, the study highlights the need for market-based incentives such as carbon credit trading, green energy certificates, and ancillary service markets to attract further investment. Expanding these mechanisms will help create a competitive and investment-friendly environment for clean energy.

Aligning with global climate goals

India's clean energy transition is also aligned with its international climate commitments, including the Paris Agreement and COP26 pledges. The report emphasizes that strengthening policy implementation and leveraging international partnerships will be key to meeting sustainability goals.

"Achieving India's ambitious 500 GW renewable energy target by 2030 will require policy commitments as well as sustained regulatory and financial reforms. The success of this transition is contingent on a stable investment climate and robust implementation mechanisms," said Neetish Kumar, co-author of the report.

The road ahead

The report underscores that while India has made significant progress in renewable energy adoption, addressing regulatory inconsistencies, financial instability, and infrastructure gaps will be critical to sustaining this momentum. Policy certainty, investment-friendly regulations, and strengthened grid infrastructure will play a decisive role in ensuring that India meets its clean energy targets within the next decade.