



EDITORIAL: INDAIN EXPRESS

GENERAL STUDIES 3: ECONOMY

DATE: 28.01.2025

TOPIC: BUDGET

THE UNION BUDGET AS A TURNING POINT FOR CLIMATE ACTION

Focus on Climate Action Amidst Urgent Challenges

- India is racing against the clock to meet its interim Net-Zero targets, which are just five years away. With the urgency to address climate change amplified by extreme weather events and global climate commitments, the Union Budget for FY26 must prioritize a holistic approach to climate action.
- Immediate and decisive steps are needed to safeguard vulnerable populations and ensure India's path towards sustainable growth. As the country stands at the crossroads of development and climate resilience, it's essential to integrate climate action into the fiscal blueprint to meet its global sustainability obligations.

Past Achievements in Climate Initiatives

- The Indian government has made substantial strides in climate-related policies in recent years. Notable achievements include the launch of programs like the PM Surya Ghar Muft Bijlee Yojana, which aims to provide solar power to low-income households, and increased funding for the National Green Hydrogen Mission, signifying India's commitment to clean energy.
- Furthermore, substantial investments have been made to support EV charging infrastructure and offshore wind energy projects. While India's renewable energy capacity has reached 203.18 GW, it remains far behind the target of 500 GW by 2030, highlighting the need for accelerated efforts and financial support.

Strengthening the Green Energy Transition

1. **Review and Expansion of PM Surya Ghar Muft Bijlee Yojana:** Despite over 1.45 crore registrations under the PM Surya Ghar Muft Bijlee Yojana, only 4.37% of installations have been completed, indicating significant implementation gaps. The FY26 budget should prioritize increased fiscal support for the Renewable Energy Service Company (RESCO) model, which will help in making solar energy affordable and accessible for low-income households. A streamlined approach to implementation, along with stronger financial incentives, can ensure that this initiative reaches its intended beneficiaries.
2. **Expanding Solar Manufacturing Capacity:** India faces a significant challenge in meeting domestic solar panel demand, with only 40% of the requirement being met locally. The cost of locally produced solar panels is 65% higher than imported ones. To bridge this gap, the Union Budget should allocate additional resources to expand the production-linked incentives

P.L. RAJ IAS & IPS ACADEMY | 1447/C, 3rd floor, 15th Main Road,

Anna Nagar West, Chennai-40. Ph.No.044-42323192, 9445032221

Email: plrajmemorial@gmail.com Website: www.plrajiasacademy.com

Telegram link: <https://t.me/plrajias2006> YouTube: P L RAJ IAS & IPS ACADEMY



(PLI) for the solar module supply chain, focusing on improving the competitiveness of Indian manufacturers and reducing dependence on imports.

3. **Harnessing the Renewable Energy Potential of Indian Railways:** Indian Railways, with its extensive land and corridors, holds immense potential to contribute to the green energy transition. It has the capacity to generate up to 5 GW of solar and wind energy. Public-private partnerships can play a crucial role in unlocking this potential and creating an additional source of clean energy, which would align with the government's commitment to sustainable infrastructure.

Addressing the EU Carbon Border Adjustment Mechanism (CBAM)

- In January 2026, the European Union will implement the Carbon Border Adjustment Mechanism (CBAM), which will levy carbon taxes of 20%-50% on Indian exports, including iron, steel, cement, aluminum, fertilizers, electricity, and hydrogen. This mechanism could pose significant challenges for India's MSME sector, which contributes 30% to GDP and 45% to exports.
- The FY26 Budget must create a dedicated 'Climate Action Fund,' akin to Japan's Green Transformation Fund, to support decarbonization in vulnerable export sectors. Additionally, building capacity within MSMEs to comply with CBAM standards will help mitigate potential financial losses.

Promoting a Circular Economy

- The circular economy offers tremendous potential to reduce greenhouse gas emissions and generate economic value. A recent report suggests that a circular economy could reduce emissions by 44% and yield ₹40 lakh crore annually by 2050. The FY26 Budget must incentivize recycling and refurbishment activities by providing a 150% weighted deduction on investments in recycling infrastructure.
- Furthermore, introducing accelerated depreciation benefits for circular economy assets can make the transition smoother for industries. To catalyze circular economy initiatives, the creation of a sovereign green bond framework to finance such projects should also be a key priority.

Enhancing Climate Resilience Through Insurance

- India's insurance penetration has been declining, falling from 4% in FY23 to 3.7% in FY24. To enhance climate resilience, the government should offer tax deductions for insurance companies that provide climate-linked policies.
- Additionally, lowering the GST rates for premiums associated with climate insurance can incentivize individuals and businesses to secure themselves against climate risks. Such measures would contribute to building a more resilient economy that can withstand the growing impacts of climate change.



Advancing Green Finance

India's climate goals require an estimated ₹162.5 trillion in funding by 2030. To unlock these funds, the FY26 Budget should focus on establishing standardized definitions for green finance and creating a robust climate finance taxonomy. Strengthening verification systems and building financial institution capacity will ensure transparency and accountability in green investments. Additionally, offering differential tax treatment for green investments can further incentivize the private sector to contribute to India's climate action agenda.

Conclusion: A Green Fiscal Future

The FY26 Union Budget must integrate climate policies with fiscal planning to ensure that India remains competitive in trade and investment. By prioritizing renewable energy, green finance, circular economy initiatives, and climate resilience, India can not only meet its climate targets but also seize new market opportunities in the global green economy. A proactive budget that addresses these priorities will ensure India's progress towards its long-term climate and sustainability goals, while also fostering economic growth and resilience in the face of a rapidly changing global climate landscape.

Source: <https://www.thehindu.com/opinion/op-ed/the-union-budget-as-a-turning-point-for-climate-action/article69147731.ece>

