**POWER AND ENERGY**

**ANALYSIS OF UNION AND KERELA BUDGET**

In 2024-25, the Ministry of Power has been allocated Rs 20,502 crore, an increase of 16% over the revised estimate for Key announcements in the 2024-25 Budget Speech Nuclear energy: The government will partner with the private sector for R&D on small modular reactors and newer technologies for nuclear energy. Pumped Storage Policy: A policy for promoting pump storage projects will be formulated. Emission targets for industries: For certain industries, emission targets will be formulated instead of currently applicable energy efficiency targets. Support to micro and small industries: Energy audit for micro and small industries will be facilitated. Financial support will be provided for shifting to cleaner forms of energy and improving energy efficiency 2023-24 ,5% of this allocation is towards capital expenditure. 61% of the total expenditure has been allocated towards the Revamped Distribution Sector Scheme (RDSS). This scheme was launched in 2021 to provide support to distribution companies for improving financial and operational performance. A key component of RDSS is the assistance for installation of prepaid smart meters. Other key heads of allocation are: (i) assistance to central public sector undertakings for power projects (15% of the allocation) and (ii) strengthening of power systems (12%), which mainly includes spending on transmission systems 3%. Economic Survey Highlights, Growth Projections: The survey projects a moderate GDP growth, indicating a recovery post-pandemic but tempered by global uncertainties. This impacts energy demand as economic activity correlates with energy consumption. Renewable Energy Focus: The survey emphasizes India's commitment to renewable energy, aiming for significant capacity additions. This shift impacts traditional energy companies, necessitating adaptation and investment in green technologies. Infrastructure Development: Increased spending on infrastructure is expected, driving demand for energy and creating opportunities for power utilities and renewable firms. Union Budget Implications, Increased Allocations: The Union Budget outlines enhanced allocations for the power sector, particularly for renewable energy projects. This benefits companies involved in solar, wind, and hybrid energy projects. Subsidies and Incentives: Continued subsidies for solar panel manufacturing and incentives for electric vehicle (EV) infrastructure are likely to boost investment in these areas, leading to a surge in business opportunities. Fossil Fuel Taxation: Higher taxes on fossil fuels aim to discourage reliance on traditional energy sources, pushing businesses toward cleaner alternatives. Under pricing of tariff Tariffs charged to consumers are regulated by State Electricity Regulatory Commissions. Often, tariffs are designed on a multi-year basis. At times, they are designed such that the tariff is lower than the cost in initial years, and cost recovery is offloaded to upcoming years. These costs, recoverable in future, are termed regulatory income. For instance, in 2022-23, Maharashtra discoms booked a regulatory income of Rs 16,614 crore.54 However, non-recovery of costs would add up as annual losses for discoms. This would also require discoms to incur costs on working capital loans. The Kerala government has prioritized investments in renewable energy projects, particularly solar energy. This provides opportunities for local businesses to engage in installations, maintenance, and innovations in renewable technologies. Infrastructure Development: The budget allocates funds for upgrading energy infrastructure, which could lead to increased efficiency and reliability in power supply, benefitting various sectors reliant on stable energy. Support for Small Enterprises: Incentives for small and medium enterprises (SMEs) in energy efficiency improvements may encourage businesses to invest in energy-saving technologies, reducing operational costs. Electric Mobility Initiatives: Plans for enhancing electric vehicle (EV) infrastructure can open up new markets for businesses involved in EV manufacturing, charging stations, and related services.

**Implications for Businesses**

Investment Opportunities: Increased government focus on renewable energy and infrastructure can attract investments, allowing businesses to scale and innovate. Competitive Advantage: Companies that adopt sustainable practices and technologies may gain a competitive edge as consumer preferences shift towards greener options. Cost Structures: Changes in energy pricing could affect operational costs, prompting businesses to optimize energy consumption and explore alternative energy sources. Regulatory Compliance: Businesses will need to stay abreast of regulatory changes regarding energy policies, emissions, and sustainability to avoid penalties and leverage incentives. Market Dynamics: The shift towards renewable energy may disrupt existing energy markets, leading to the emergence of new players and technologies, thus creating a dynamic business environment.