

# OPINION: A comprehensive energy policy is the need of the hour

*In the light of recent developments in clean technologies, a fundamental rethink of an integrated energy policy is essential.*

- *ETEnergyWorld*
- *November 13, 2020*

*By Priyavrat Bhati*

A comprehensive energy policy is vital to India meeting its developmental goals; however, it has fallen short. India's extant Integrated Energy Policy (IEP), which was prepared in 2006 by the Planning Commission, is dated. Renewable power, electric vehicles, Nationally Determined Contributions (NDC) goals, etc., have meant that a fundamental rework of the energy policy is warranted. Revision of the policy by the NITI Aayog began in 2015, and a draft National Energy Policy (NEP) was released in 2017. Three years later, it is yet to get the government's nod.

The fact that the NEP has not yet been approved underscores the challenges in implementing the energy policy. The draft NEP listed three conventional goals: increased accessibility of energy at an affordable price, enhanced energy independence, and greater sustainability, which can be in conflict with each other and, therefore, necessitate trade-offs. The draft suggested tackling these goals by strengthening governance—strong institutions, fair and supportive regulations, and transparent pricing. The draft also recommended regulatory reforms in diverse areas such as electric vehicles, cooking fuel, buildings, and industry.

To these, the NEP tagged on another goal—higher economic growth. To achieve this, the NEP needed to pull in a wide range of stakeholders and ministries. Perhaps, this partly explains why the draft NEP is languishing since it materially increased the policy's scope. Given the individual challenges and priorities of a vast number of sectors it had covered, the NEP offers numerous specific ideas but less clarity on how to achieve them.

Thus, the NEP, which was supposed to address the energy issues in an integrated manner, became a curious hybrid between a 'vision document' of the energy sector and prioritised set of key policy ideas. Early this year, the International Energy

Agency (IEA) reviewed the NEP but offered no valuable insights. In the light of recent developments in clean technologies, a fundamental rethink of an integrated energy policy is essential.

What it entails?

First, a comprehensive energy policy should rethink both the fundamental drivers of energy demand and, accordingly, the quantum. Energy demand is broadly seen in the context of various needs—ranging from lighting, cooling, and transportation to production of goods and materials—translating into an economic growth-focused approach. However, looking through the prism of human priorities such as food, health, and clean water gives interesting insights into the nature of energy demand. The two are not necessarily in conflict; however, it is useful to understand their interdependence and trade-offs, and arrive at prioritised policy goals.

A recent study by the Center for Study of Science, Technology and Policy shows that the ‘Desired Quality of Life’—defined as meeting certain developmental goals such as nutritious food, adequate housing, efficient transportation, good healthcare, etc.—can be best met by both nudging demand (e.g., towards water-efficient agriculture) and tweaking supply (e.g., towards clean electricity and cooking fuel). These goals can be achieved by using resources sustainably, which will concurrently lower energy consumption compared to the business-as-usual scenarios.

Second, with increasing climate change-related risks, the global pressure to act is rising. Dramatic shifts in the energy sector—which are responsible for a vast share of greenhouse gas emissions—are more likely than ever. The NEP should account for those scenarios and suggest climate mitigation strategies. Deep decarbonisation of the industrial sector would require not only technological interventions but also economic and financial tools to enable the transition. The electrification of transport sector would require a restructuring of both the oil and gas and the automobile industry, the backbone of the country’s manufacturing base.

Third, within the energy sector, the electricity sector has an outsize role. The most recent National Electricity Plan, prepared by the Central Electricity Authority (CEA) in 2017, is flawed in several aspects. Its starting point is projected demand, which is based on inputs from states and econometric analyses. However, the methodology is not transparent and has historically led to an overestimation of demand, leading to excess capacity addition. The CEA has relied heavily on government and

stakeholder goals (175 GW renewable energy by 2022; new coal power plant pipeline) to project future power-supply mix. A comprehensive analysis that considers the trade-offs between multiple objectives (minimisation of electricity costs, emissions cut targets, renewable energy goals, etc.) to recommend optimum resource mix has not been undertaken. This has resulted in the misallocation of investment and underutilisation of power capacity—coal and RE.

A related risk is that while the renewable energy targets have been steadily increased to very ambitious levels, far less attention has been paid to the enabling ecosystem—upgrading the grid infrastructure and introducing electricity market reforms for efficient utilisation of new renewable capacity. Reforming the distribution companies (DISCOMs), a goal that past administrations have repeatedly failed to achieve, is critical to ensure electricity supply to all at equitable pricing, while ensuring the financial stability of DISCOMs. These would require independent regulators, increased competition, and transparent market-based rules.

Finally, the basic rationale and approach of NEP should be reconfigured. Preparing a long-term plan that goes into a lot of prescriptive details may not be desirable and could even be counterproductive for a vast and diverse economy such as ours. Instead, it should aim to establish a framework of strategic goals, including a set of broad, prioritised policies. That said, the NEP policy direction should take into consideration future uncertainties and, be imbued with flexibility to allow for course correction, given the changes that are inevitable in the dynamic energy sector.

[The author heads the Climate, Environment, and Sustainability sector at CSTEP, a research-based think tank]

*[Disclaimer: The views expressed are solely of the author and ETEnergyworld.com does not necessarily subscribe to it. ETEnergyworld.com shall not be responsible for any damage caused to any person/organisation directly or indirectly.]*