

Climate and sustainability

Key expectations from Budget 2025

A bird's eye view

By 2030, the clean energy market in India is likely to reach

USD **80** billion given that the country intends to achieve net zero emissions by 2070.¹

As of October 2024, India's installed renewable energy capacity crossed 200 GW. By 2030, this is targeted to

grow up to **500** GW.

Source IBEF and PIB

Key roadblocks and issues

Sustainable and clean energy projects continue to rely on a high-cost import source for raw materials, leading to longer gestation periods and volatility in import prices of raw materials. This impacts project costs and timelines.

Limited sources and high cost of capital are acting as a deterrent for new greenfield projects

There is a lack of adequate infrastructure such as efficient waste management systems and limited sources of reliable clean energy.

The lack of a favourable tax regime and incentives to promote cross-border technology transfers is another obstacle.

The absence of R&D incentives restricts technological innovations in the renewable energy sector.

Since electricity is exempt from GST, piled up input tax credit contributes to increased costs.

Key tax expectations from Union Budget 2025



Tax incentives (either through tax holidays or a concessional rate of tax of 15%) for greenfield projects in the renewable energy sector



Tax incentives to be provided to operators in the EV ecosystem (e.g. battery charging stations, battery storage or swapping entities)



Focused tax incentives such as accelerated depreciation, enhanced deduction (up to 200%) on capex/R&D activities



Tax benefits in the form of reduced taxes on interest payouts, capital gains for green bonds to enable cheaper access to financing



Tax exemption with respect to income earned from carbon credits and trading of other forms of renewable energy certificates



Deemed valuation rule of 70:30 (for goods and services respectively) in respect of renewable energy projects to be abolished and valuation to be undertaken based on actuals



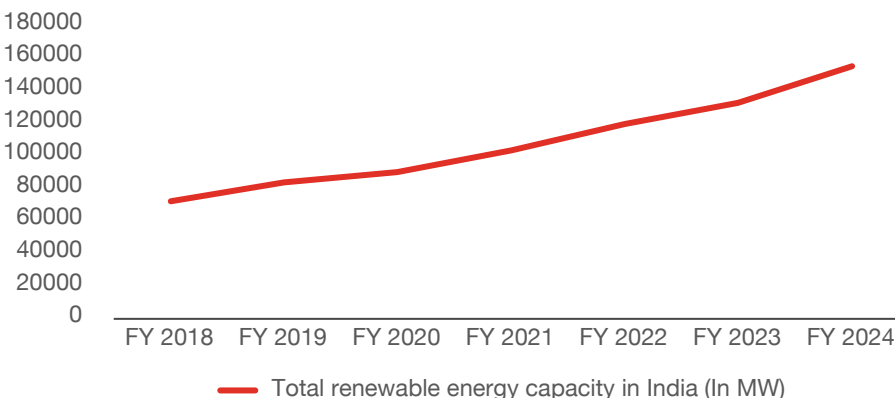
Inclusion of electricity within the ambit of GST to ensure seamless credit availability and lower costs to end consumers



Reduction in/exemption from customs duties on import of materials for setting up green hydrogen production plants

Renewable energy capacity in India

Total renewable energy capacity in India¹



Source: IBEF



Our perspective

Renewable energy and efficient waste management are twin pillars for combating climate change by boosting India's energy security and reducing its dependence on fossil fuels. Targeted tax policy measures that cater to the renewable energy and waste management sector are critical to accelerate growth and meet the Government's vision of a Viksit Bharat by 2047."