

Energy Budget 2020: Impetus for power, renewable energy sectors, says industry

Talking to ETEnergyworld, industry players gave a thumbs up to the announcements on lower corporate tax for new energy firms, extension for PM Kusum, setting up solar power capacity along railway tracks and the focus on smart prepaid metering

Anshul Joshi | ETEnergyWorld | February 02, 2020, 18:25 IST



New Delhi: The provisions in Budget 2020 received a positive response from the power sector with the industry largely applauding the big push for renewables and rural economy through solar power and the emphasis on smart metering to ease out discom woes.

Talking to ETEnergyworld, industry players gave a thumbs up to the announcements on lower corporate tax for new energy companies, extension for PM Kusum scheme, allowing farmers to utilise their barren land for renewable energy generation, the proposal for setting up large solar power

capacity along railway tracks and the focus on ensuring smart prepaid metering over the next 3 years.

Sumant Sinha, Chairman and Managing Director of India's largest private renewable energy company ReNew Power said the announcement to bring new energy companies under the lower corporate tax rate is expected to encourage investments. "Similarly measures to strengthen the Contract Act to improve financial condition of distribution companies, allowing farmers to utilise their land for renewable energy generation and an increased outlay for clean air in cities will provide further impetus to clean energy," he said.

He also said while there was pressure on the government to move away from fiscal responsibility, it has chosen to walk a middle path allowing an acceptable increase in fiscal deficit while putting some extra money in the hands of tax payers.

Ashish Khanna, Managing Director & Chief Executive Officer, Tata Power Solar and President, Tata Power Renewables said the budget allocations are in the direction of supporting renewables and the focus on KUSUM scheme is a positive step which will help farmers improve livelihood through solar pumps.

However, Gagan Vermani, Founder & CEO of solar rooftop company MYSUN said the budget was a mixed bag for the solar sector. "To boost generation and use of power, the government has brought institutional changes in some schemes. The government has allocated Rs 22,000 crore for power and renewable sectors but the bigger question will be, where and how that will be utilised," he said, adding the finance minister left a grey area when it comes to custom duties on imports.

Pawan Singh, Managing Director and Chief Executive Officer, PFS (PTC India Financial Services) said the new power generation companies will now have to pay just 15 per cent tax under the new corporate tax regime which will help to set up generation capacity including renewable energy.

According to Anil Chaudhry, Zone President & Managing Director at Schneider Electric India, the decision to extend concessional corporate tax rate of 15 per

cent to new power generating companies will give a major boost to the renewable sector. "The focus on ensuring smart metering replacing conventional energy meters by prepaid smart meters in the states and UTs over the next 3 years will prove to be a positive step in addressing the financial stress of DISCOMs, if there is 100 per cent compliance," he said.

Reacting on the budget announcements, Tulsi Tanti, Chairman of Indian Wind Turbine Manufacturers Association said the budget provides a boost to propel domestic consumption through income tax sops for nearly 30 million income taxpayers and through improved financial health of 120 million marginal farmers. He also said the special focus on agriculture with a 16-point plan is very encouraging.

Rajiv Srivasatava, Managing Director and Chief Executive Officer of India Energy Exchange (IEX), the country's largest online power trading platform, said the focus on gas and renewable energy will enable a shift towards clean energy and also deliver on commitments under the Paris Climate Agreement.

According to rating agency ICRA the measures to boost decentralised solar generation, including through solar pumps, is likely to lower subsidy dependence for discoms and also provide demand boost to solar equipment and energy efficient pump manufacturers.

"The proposal to boost coverage of prepaid smart meters over the next three-year period is expected to aid discoms in curtailing distribution losses; benefit consumers by providing flexibility to choose suppliers and rates; and provide demand boost to smart meter manufacturers," he said.

On the government's proposal to shut old thermal power plants, Majumdar said the move will shift generation to newer projects and provide a moderate boost to their PLFs. Also, the abolition of dividend distribution tax and lower tax rates will encourage fresh investments in the power sector, especially renewable energy and transmission sectors.

Kameswara Rao, Leader-Government Reforms and Infrastructure Development, PwC India said the continued focus on decentralised renewable

energy, closure of inefficient plants, and a restatement of the commitment to climate change is encouraging. "This should translate into real actions, especially given the Budget proposals to attract external funding. The corporate tax cut for power generators should attract new investments, encourage early closure of inefficient plants and reduce the marginal cost of generation," he said.

Rao also said that sovereign wealth funds with presence already in India's renewables, hydro, transmission and distribution sectors will see the 100 per cent tax exemption on interest, dividend and capital gains as a huge positive.