

Shift to the renewables

What is the issue?

\n\n

\n

- In the backdrop of stressed thermal power sector there is an increased push for the renewables.

\n

- However, a larger picture reveals the challenges in a rapid shift to the renewable energy sector at present.

\n

\n\n

What is the status of the thermal sector in India?

\n\n

\n

- Growth optimism of the mid-2000s encouraged an over-expansion in the thermal capacity in the last decade.

\n

- However, the period also combined with the financial stress in the distribution companies.

\n

- This ultimately resulted in falling capacity utilisation in the thermal sector.

\n

- As a result, the status of India's thermal power and coal assets is that of a stressed one at present.

\n

\n\n

Can renewables be the solution?

\n\n

\n

- Renewables are indeed an alternative but the time and pace of the shift has many factors for consideration.

\n

- **Social Cost** - Coal is located predominantly in the poor, eastern hinterland

of India.

\n

\n\n

\n

- But the proposed alternatives, the renewables potential, is mostly in richer, peninsular India.
- A random shift to the renewables leaves scope for a high social cost and a stress on the existent thermal sector.
- This is because, coal provides livelihoods for millions and fiscal revenues for many states.
- **Financial implication** - The poor health of the banking sector and the distribution companies reveal that time is not ripe for any large scale **investment** in the renewable energy sector.
- Also, the extensive **subsidies** given for the renewables do not reveal the true information on their costs.
- Subsidising renewables at a time when its social costs are above those of coal is a **double stress for the government**.
- As the government has to tackle with the resultant stranded assets in thermal sector in the event of a shift.

\n

\n\n

What is the challenge and the way out?

\n\n

\n

- In the **Indian context**, the social costs of renewables are likely to exceed those of thermal.
- However, in the **international context**, the social costs of thermal power is high given the fact that it contributes to global warming.
- India must beware this “**carbon imperialism**” of advanced countries, which risks biasing our judgements about energy.
- Thus, coal and renewables must be the joint focus of policy directions by the government.

\n

- Long-run decisions on renewables must consider the **investments** already incurred in the energy forms they will displace i.e. thermal power and coal.

\n

- It is optimal for India to accelerate thermal generation when coal remains socially less costly than renewables.

\n

- A gradual phasing down thereafter and parallel policy initiatives on the renewable energy sector is the way ahead.

\n

- India needs coal in the short-medium term and it cannot allow the narrative of “carbon imperialism” to impede rational, realistic planning for the future.

\n

\n\n

\n\n

Source: Business Standard

\n

