Shift to the renewables

What is the issue?

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- In the backdrop of stressed thermal power sector there is an increased push for the renewables.
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- However, a larger picture reveals the challenges in a rapid shift to the renewable energy sector at present.
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What is the status of the thermal sector in India?

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- Growth optimism of the mid-2000s encouraged an over-expansion in the thermal capacity in the last decade.
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- However, the period also combined with the financial stress in the distribution companies.
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- This ultimately resulted in falling capacity utilisation in the thermal sector.
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- As a result, the status of India's thermal power and coal assets is that of a stressed one at present.
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Can renewables be the solution?

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- Renewables are indeed an alternative but the time and pace of the shift has many factors for consideration.
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- **Social Cost** - Coal is located predominantly in the poor, eastern hinterland

of India.
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- But the proposed alternatives, the renewables potential, is mostly in richer, peninsular India.
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- A random shift to the renewables leaves scope for a high social cost and a stress on the existent thermal sector.
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- This is because, coal provides livelihoods for millions and fiscal revenues for many states.
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- **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.
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- Also, the extensive **subsidies** given for the renewables do not reveal the true information on their costs.
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- Subsidising renewables at a time when its social costs are above those of coal is a **double stress for the government**.
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- As the government has to tackle with the resultant stranded assets in thermal sector in the event of a shift.
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What is the challenge and the way out?

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

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- Long-run decisions on renewables must consider the **investments** already incurred in the energy forms they will displace i.e. thermal power and coal.
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- It is optimal for India to accelerate thermal generation when coal remains socially less costly than renewables.
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- A gradual phasing down thereafter and parallel policy initiatives on the renewable energy sector is the way ahead.
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- 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.
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Source: Business Standard

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