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## WEBINAR REPORT ON

# Reviewing the Indian Climate Transition: A Special Focus on the Electricity Sector

November 30, 2021 | 12:00 PM Onwards IST



### Organised by:

Forum of Indian Regulators (FOIR) Centre,  
Indian Institute of Corporate Affairs (IICA)

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## Chief Guest



**Prof (Dr) S. S. Jaswal**

*Registrar, Himachal Pradesh National Law University,  
Shimla.*

Prof (Dr) S.S. Jaswal is Registrar at the Himachal Pradesh National Law University, Shimla. He has been a member of the Evaluation Committee, Ministry of Law & Justice, Government of India, Legislative Department, Vidhi Sahitya Prakashan, New Delhi, 2005-2021. He is also a Life Member of the Indian Law Institute, New Delhi; Member, of the Board of Advisors, Indian Journal of Law & Policy. He was also a Member, Academic Council, (2008-10) & Member, the Board of Studies, Indian Law Institute, New Delhi, (2009-2011). Prof Jaswal was also member of the Programme Working Committee, National Legal Services Authority, 2009-2010.

Prof Jaswal has also participated in numerous conferences, seminars, workshops, training programmes, and undertook many research projects for the Indian Law Institute, namely - The study of Local Laws of Scheduled States to bring them in conformity with the provisions of Panchayat (Extension to Scheduled Areas) Act, 1996 sponsored by the Ministry of Panchayati Raj, Government of India, March 2006; Judiciary and the Evaluation of Panchayati Raj Jurisprudence: 1995-Onwards, A Study of Case Law, sponsored by the Ministry of Panchayati Raj, Government of India, July 2006 and Pendency of Criminal Cases, 2008.

## Speakers



**Prof (Dr) Ajay Shah**

*XKDR Forum; Research Professor of Business, O.P. Jindal  
Global University, Sonapat, Haryana*

Prof (Dr) Ajay Shah studied at IIT, Bombay and USC, Los Angeles. He has held positions at the Centre for Monitoring Indian Economy (CMIE), the Indira Gandhi Institute for Development Research (IGIDR), the Department of Economic Affairs at the Ministry of Finance and the National Institute for Public Finance and Policy (NIPFP). He does academic and policy-oriented research on India, at the intersection of economics, law and public administration. His second book, co-authored with Vijay Kelkar, “In service of the republic: The art and science of economic policy” was published in 2019 by Penguin Allen Lane. His areas of focus are macroeconomics, finance, health, and technology policy.

## Speakers



**Mr Akshay Jaitly**

*President, 262 Advisors, Senior Advisor, Trilegal; Honorary  
Advisor. National Institute for Public Finance and Policy*

Akshay Jaitly is the co-founder of the leading Indian law firm, Trilegal, and is currently Principal at 262 Advisors, Paris. With over 25 years of experience in the legal field, he has been an advisor on cross-border transactions, strategy and risk management for businesses across the globe. He was rated as one of India’s top energy and Infrastructure lawyers for over a decade. At present, Mr Jaitly is a Senior Advisor at Trilegal and a member of their board and is now involved with research initiatives on policy issues in the Indian power and infrastructure sectors. He is also an Honorary Advisor of NIPFP and an Independent Director on the board of KKR-sponsored Virescent Infrastructure. He holds BA in History from St. Stephen’s College, Delhi, a Master’s in International Affairs from Columbia University and law degree from Oxford University.

## Convenor & Moderator



**Dr Abha Yadav**

*Associate Professor, School of Competition Law & Market Regulation  
and Director Forum of Indian Regulators (FOIR) Centre,  
Indian Institute of Corporate Affairs (IICA)*

Dr Abha Yadav (PhD) is a faculty at IICA who leads research and capacity-building initiatives at the School of Competition Law & Market Regulation. She is also the Director of the Forum of Indian Regulators (FOIR) Centre at IICA which is the knowledge and capacity-building hub for the Central and State government regulators of the country. She steers policy discussions, thematic discourses and enhancement of capacity-building initiatives that are an integral and vibrant part of this unique Centre. She serves as Course Director of the prestigious Certificate Course in Competition Law and Advanced Professional Course in Competition Law and Market Regulation.

She is faculty for Competition Law, Law and Public Policy, Freedom of Information, Regulatory Affairs, Laws for Women, Regulatory Impact Assessment, Labour laws etc. She is a recipient of the prestigious Fox International Fellowship at Yale University, U.S.A. and the Lok Sabha of India Fellowship. She is an eminent scholar who has lectured widely on various legal issues in India and internationally.

# Participants Profile

Regulatory officials from regulatory bodies across India, researchers, experts in power sector & FOIR Member Organizations representatives facilitated the session with their kind presence.

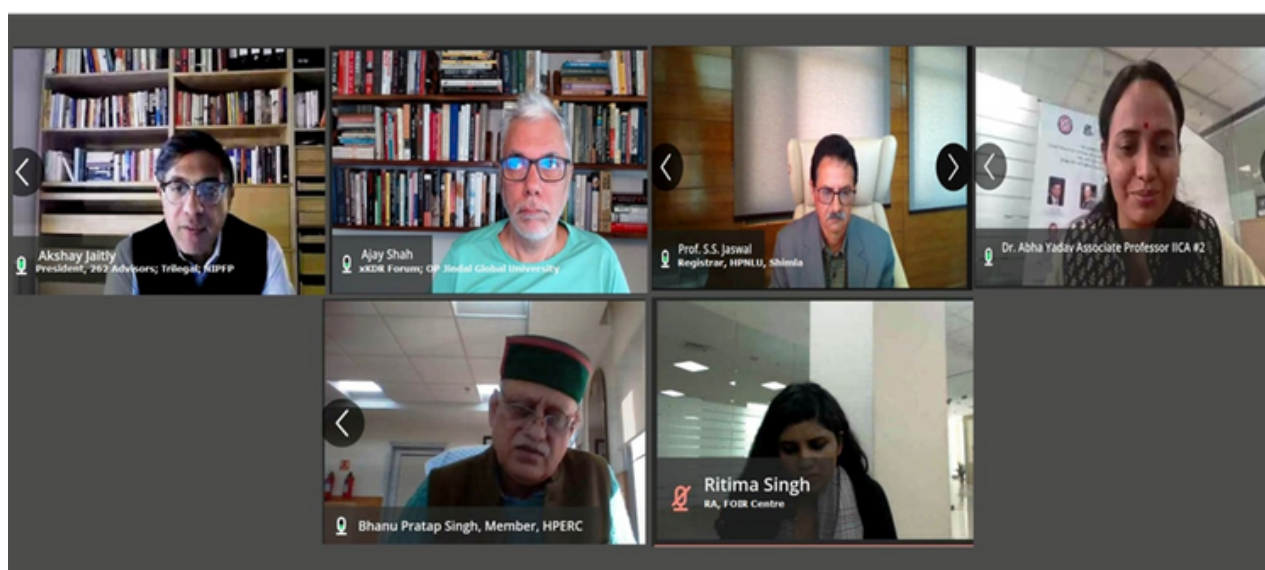
55 participants attended the webinar.





## Program Outline

The Forum of Indian Regulators (FOIR) organized the first quarterly webinar of FOIR on the theme “Reviewing the Indian Climate Transition: A special focus on the electricity sector” on 30th November 2021. The webinar aimed to explore the possibility of transition in the Indian climate by reforming the existing price system of the electricity sector and strengthening its policies to tackle the threat of climate change.



## Program Flow

The webinar commenced with a welcome speech by Dr Abha Yadav, Associate Professor, School of Competition law & Market regulation & Director, FOIR Centre. She began by giving a brief introduction about the relevance of the topic highlighting the developments and challenges faced in the ever-changing climate dynamics. The brief on the theme of the webinar was followed by the introduction of the Chief Guest and the speakers. Dr Abha further elaborated on the format of the webinar to the participants.

The webinar followed with an opening note from Prof (Dr) S.S. Jaswal, Registrar at the Himachal Pradesh National Law University Shimla, followed by the presentation by Mr Akshay Jaitly, President, 262 Advisors, Senior Advisor, Trilegal; Honorary Advisor, National Institute for Public Finance and Policy and Prof (Dr) Ajay Shah, XKDR forum; O.P. Jindal Global University, Sonipat, Haryana. The presentation by Prof (Dr) Shah and Mr Jaitly was followed by a question-answer round, where questions were taken up from the participants by the moderator and efficiently answered by the speakers.

The participants received insights into the need to decarbonize the power sector by introducing non-fossil-based electricity generation systems and low-carbon technologies

# Introduction to the Webinar

Globally, nations are undergoing a rapid and radical transition in procuring energy by enabling the urgency to secure the proper energy supply, limit climatic changes and achieve sustainable development. However, in the Indian context, there is a wide gap in India's action plan towards climate change and the global insistence on procuring climate justice. The Recent outcome of this gap has been the exhaustion of coal stocks in the coal inventories that massively impacted power generation. The identified reason behind this has been an unprecedented surge in the electricity demand post the COVID-19 pandemic. Presently, the daily consumption of electricity in India has crossed beyond 4 billion units per day. This soaring power demand and disruption caused on the supply side may soon lead to causing threat to the current economic growth momentum.

India is one of the world's fastest-growing economies and aims to become the third-largest economy globally by the year 2028. Over the years, decarbonisation in India has emerged as a large and complex problem for its growing economy. As the electricity sector directly generates CO<sub>2</sub>, it is majorly considered responsible for the carbon transition. Conclusively, the time is for a complex and expansive transformation in the Indian decarbonisation process with a special focus on the functioning and resource allocation system of the existing electricity regime.

Therefore, for tendering a comprehensive transformation, the need is to decarbonise the power sector by introducing non-fossil-based electricity generation systems and low-carbon technologies. In this regard, the speakers for the webinar, Prof (Dr) Ajay Shah and Mr Akshay Jaitly have been regularly conducting discussions and research activities highlighting the means to secure sustainable energy resources. Their recent working paper, titled "The lowest hanging fruit on the coconut tree: India's climate transition through the price system in the power sector", provides a roadmap to enable India's decarbonisation.

Against this backdrop, the webinar provided introductory information on climate transition and highlighted the means to secure sustainable energy resources. Further, it explored the possibility of transition in the Indian climate by reforming the existing tariff system of the electricity sector.



# Opening Remarks by the Chief Guest

The webinar began with the opening remarks of the Chief Guest highlighting that for developing countries like India, strong climate action may appear to be a trade-off at the expense of efficient and robust economic growth. He thereafter, asserted that gradual decarbonization in India is emerging as a major threat to its growing economy. He highlighted that India is the third-largest emitter of carbon emissions after China and the U.S. and at its current pace is projected to overtake the U.S. by 2030. This puts India on the centre stage for bringing in strong measures against global warming and towards decarbonization. He further stated that the sectoral decarbonisation policies when implemented together, may lead to significantly reducing emissions.

During the speech, he also highlighted the recent announcement made by the Prime Minister about the enhanced targets for climate action by India, particularly for achieving net-zero emissions by 2070, which has clearly reflected the importance of long-term planning for decarbonising the economy. Therefore, it is time for India to have a coordinated approach with other countries, as a long-term planning process and to formulate an autonomous and credible agency, to monitor the progress and give advice for decarbonisation of the economy.

# Presentation by Prof (Dr) Ajay Shah & Mr Jaitly

The webinar proceeded with a brief introduction of the topic by Mr Jaitly highlighting the Indian climate structure. He stated that at present, India is the 4th largest source of CO<sub>2</sub> in the world, accounting for 7% of emissions, with emissions that are roughly as large as those of the European Union. India is emitting 2.5 Gt/year with a long-term trend growth rate of about 5%. He further highlighted that there is a legitimate debate about climate justice and that India needs to pull back from its CO<sub>2</sub> emissions.

During the course of the presentation, he highlighted the problems faced by the Indian electricity sector by discussing how most of the DISCOMS are chronically impoverished. In India, the electricity sector is hamstrung. The DISCOMS run a cross-subsidy system, where paying customers are over-charged and are loath to lose these customers to renewables.

Thus, in most parts of India, expensive, unreliable and carbon-intensive power is supplied. He also stated that the private sector participation in the electricity generation process faces concerns about the creditworthiness of the monopoly buyer. He also highlighted that most electricity prices are regulated and are not made through the price system, thus leading to inadequate investment or lack of incentives for supply and demand. In his words, the centrally planned decarbonisation will impose higher costs upon society than what the self-organising system will discover.

Thereafter, Mr Jaitly asserted the reasons that impede the Indian decarbonisation process. Decarbonisation involves switching from the current usage of energy for applications such as cooking and mobility, which use fossil fuels for electricity generation. Now looking at the increase in electricity demands as a consequence of growth, these energy switches also lead to a requirement for increased electricity generation. Within the electricity sector, the idea is to reshape it into a renewable and nuclear world through which the reliance on fossil fuels will reduce significantly. In addition to the supply side, there is also a need for demand side adjustments. He asserted that the electricity sector accounts for about 25% of emissions and it is the most important sub component of the carbon transition.

## A bridge too far?

- ▶ For 30 years, very capable policy makers have stayed within the centrally planned paradigm
- ▶ Why might Indian electricity *now* be ripe for the full reform, in the fashion that was done for mutual funds, telecom, airlines?
- ▶ We think it is feasible *now* in a way that was not the case earlier.

He also added that in India CO<sub>2</sub> emissions are likely to arise which is a global concern, as India is one of the larger and growing economies in the world. The international community is concerned about the fact that Indian emissions are going to impede the global response to climate change. He also mentioned that if the Indian industry does not switch its production of goods through renewable energy, its export will become less competitive internationally.

During the discussions, he speculated that the internal stress in the electricity sector will worsen on the following parameters:

1. The legacy system makes expensive, unreliable, CO<sub>2</sub>-intensive power
2. Renewables are often cheaper
3. The best customers are trying to exit (price and ESG)

The grid requires large investments for the renewable revolution.

### From here to there

1. Political economy: Bombay slums analogy
2. We now know more about how to design electricity regulation: clarity on market failures + modern thinking on the working of regulators
3. Play this one state at a time. States with more exporting and more private firms will take the lead.
4. Pressures from international relations.
5. It is possible to find the requisite money.
6. The legacy electricity system is facing increasing stress.

According to the speakers, the need is for strategic thinking and organization of the electricity sector through the price system. As the supply and demand of goods or services determine the price, the only role of the state is regulation.

The speakers' further state that the need is to privatize all the state assets. Further, establish a list of carbon tax rates for the next 20 years and thereafter leave it to the private sector to figure out all the required adjustments on supply and demand. Thereafter, every five years, the review could be conducted for the past and projected CO<sub>2</sub> trajectory, and changes could then further be introduced in the carbon tax rates for the next 20 years.

Concluding, the speakers suggested that to ensure India's decarbonisation, there is a need to shift the electricity sector from central planning to the price system. Additionally, to do so, a large amount of creative research and problem-solving is required in translating the different ideas into tangible strategies for the decision-makers in the public sector and the private sector.

## Question/Answer Round

The presentation was followed by a question-answer round, where the participants raised questions and shared several observations and opinions on the possibility of a transition in the Indian climate by reforming the existing price system of the electricity sector. The speakers while answering these questions mentioned that coal-intensive technology and fossil fuel technology would suffer higher taxation.

The first question addressed to the speakers was “How are you suggesting carbon taxing? How do you suggest setting the carbon tax rates?” Answering the question Dr Ajay Shah highlighted that what basically they thought of is to focus on fossil fuels so it would be crude oil petroleum products and coal. The tax will be paid as per extraction or usage of CO<sub>2</sub>. Further, the tax rates may vary as per the usage and shall be a non-VATable tax and shall be separate from GST. Further, he highlighted that globally this is done by considering the carbon tax as the “revenue-neutral tax” which means that back to back the Union government working with the GST council would introduce the carbon tax and reduce the GST rates. So, the net tax on household expenditure becomes zero.

The tax rate increase should be set for another 30 years and thereafter, it should be left to the private parties, if they wish to invest in the renewable capacity or shut down some fossil fuel capacity etc. Moving forward, all the related and technological decisions should be made by the private parties. The role of the government is to standardize carbon taxing beyond that and it is not the government’s responsibility to micro-manage or plan future actions.

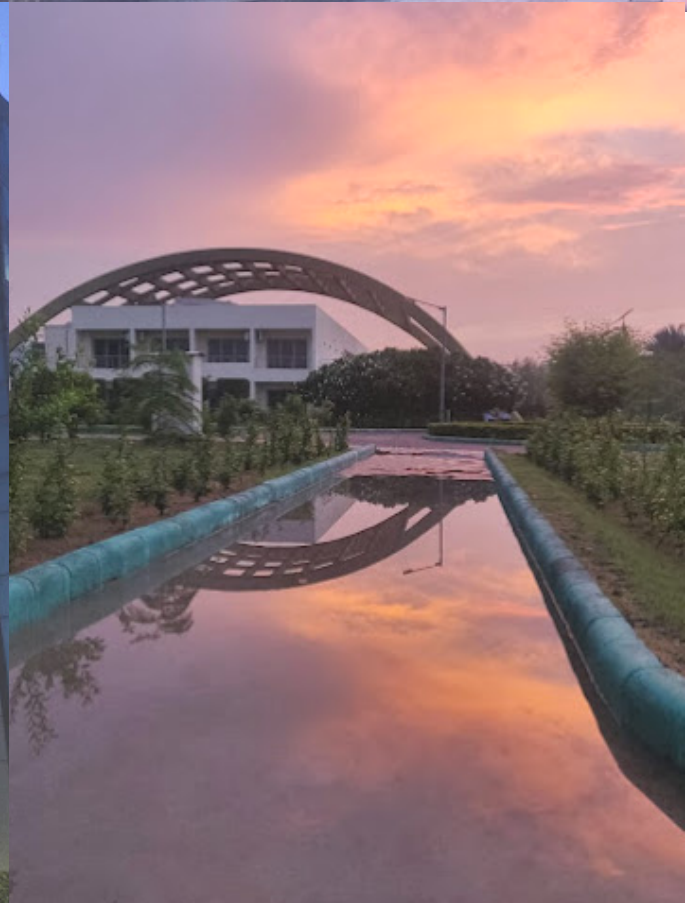
## Vote of Thanks

The webinar ended with a vote of thanks by Dr Abha Yadav thanking the esteemed speakers and participants for sharing their knowledge and allowing their Indian counterparts to learn from their experiences. The efforts of FOIR and IICA for the webinar were appreciated by the panellists and the participants.

### For Queries and Feedback:

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