# NEWS ITEMS ON CAG/ AUDIT REPORTS (25.08.2022)

## 1. Supreme Court to relook 2013 ruling on freebies, says issue is serious, needs debate *(indianexpress.com)* 25 August 2022

THE SUPREME Court Wednesday agreed to set up a three-judge bench to take a relook at its 2013 ruling in the S Subramaniam Balaji vs State of Tamil Nadu case, wherein it had held that the "state distributing largesse in the form of distribution of colour TVs, laptops etc. to eligible and deserving persons is directly related to the Directive Principles of State Policy" and warrants no interference by the court.

"Alright, I will constitute a three-judge bench," said Chief Justice of India N V Ramana, presiding over a bench hearing petitions seeking a ban on parties promising freebies in the run-up to elections.

The bench, also comprising Justices Hima Kohli and C T Ravikumar, was responding to requests by Senior Advocates Arvind Datar, Vikas Singh and Solicitor General Tushar Mehta.

The CJI said while the initial petitions were on the promise of freebies before elections, there are now petitions about subsequent schemes, promises and grants too. "…unless and until there is a conscious, unanimous decision that we have to stop somewhere, this type of scheme or this type of freebies… is going to destroy the economy. Nothing can happen by way of legislation, by way of model code of conduct, or by way of our orders… If I pass a mandamus that no political party should make such promises from tomorrow onwards, nobody will care. That's why there must be a debate. The issue is serious, no doubt," he said.

The CJI asked why the government could not call a meeting of all political parties to discuss the issue. "We have some political parties claiming before the highest court that this is our fundamental right. So there is no question of starting a debate by the Government of India," responded Mehta.

Earlier, the CJI-led bench had expressed an inclination to set up a committee to look into the freebies issue.

Mehta said a committee headed by Chairman, Finance Commission, or RBI Governor, or Comptroller and Auditor General or some constitutional authority, as suggested by the petitioner, could look into the issue.

"…why doesn't Government of India constitute a committee to study freebies and the economy," asked the CJI.

"Your Lordships are seized of the matter. The Government of India would provide all assistance," Mehta responded.

Appearing for the petitioner, Advocate Ashwini Kumar Upadhyay, Senior Advocate Vikas Singh also said the decision in the Balaji case "is definitely not correct" and even the respondents had said it must be reviewed.

Datar submitted that the SC's conclusion in the Subramaniam Balaji case "is not a correct proposition of law".

"In the 2006 election, a party promised colour TVs; they succeeded. In the 2011 election, a party promised free laptops, gold chains, mixer-grinders etc and they came to power. So there is clear evidence that free promises can shift the outcome of the polls," said Datar, who had appeared for Subramaniam Balaji earlier.

In the 2006 Tamil Nadu polls, the DMK had promised free colour TVs to all households which did not own one. The DMK won and a provision of Rs 750 crore was made in the budget for implementing the promise. In the 2011 polls, the AIADMK-led alliance promised free mixer-grinders, electric fans, laptops, 4 gms gold, thali (mangalsutra), Rs 50,000 cash for women getting married, greenhouses, 20 kg rice to all ration card holders including those above the poverty line. The AIADMK won and took steps to implement its promises. https://indianexpress.com/article/india/supreme-court-to-relook-2013-ruling-on-freebies-says-issue-is-serious-needs-debate-8110076/

## 2. Set up all-party panel to study freebies: SC *(financialexpress.com)* 25 August 2022

The Supreme Court on Wednesday asked the Central government to convene an all-party meeting to discuss what constitutes freebies, and its impact on the economy and free and fair polls, as no legislation or judicial order can stop this 'irrational' culture.A bench led by Chief Justice NV Ramana also said that it will constitute a new three-judge bench led by Justice DY Chandrachud to look into the issue ,and also revisit an older judgement on the freebies.

The apex court said that no legislation or judicial order can stop the freebies culture "unless there is a conscious decision to stop it" emanating from political parties."Biggest problem is, who will head the committee? Ultimately it is the political parties which make promises and contest elections, not individuals. Suppose if I contest I won't even get 10 votes. Because individuals do not have much importance. That is how our democracy is," the CJI said, adding that "it is only the political parties that make the promises (for freebies). Individuals do not have much importance in such a scenario… Such promises are part of political ideologies, political parties' manifesto, etc."

The CJI said that he will constitute a new three-judge bench, led by Justice Chandrachud, to look into the issue and revisit the 2013 judgement, in the case of Subramanian Balaji vs Govt of Tamil Nadu, that had refused to give instructions to the government on the ground that the court had limited powers on the subject, besides holding that promising freebies does not amount to corrupt practice.The SC had then held that promises made by political parties in the election manifesto would not amount to 'corrupt practices' as per Section 123 of the Representation of People Act. It had also ruled that the comptroller & auditor general of India cannot dictate how governments spend their money, and that the court cannot make guidelines or laws on what election promises should be allowed. Also, the EC can't use its plenary power under Article 324 to regulate manifestos, it had then held.

Justice Ramana on Wednesday yet again emphasised the need to hold discussions on the issue of political parties offering goods and services for free, and the fiscal impact of these steps on the government's finances.On the court's suggestion of an all-party meeting on the issue, solicitor-general Tushar Mehta, without naming the DMK and the Aam Aadmi Party, said that political parties are already before the court arguing that giving freebies is a fundamental right. The two political parties had asked the SC to refrain from passing any orders in the case, as welfare measures intended to uplift the marginalised persons cannot be termed as “freebies”.

Mehta requested the bench to form a committee which could have all stakeholders including all the political parties, the RBI and the Finance Commission, besides industries that are impacted by the freebies, such as power producers and power distribution companies.The Aam Aadmi Party’s senior counsel AM Singhvi wondered why the Central government wants the court to take action while refraining from acting on this issue itself. He said that this assumption that a political party can win elections merely by making promises is wrong. India opted for universal adult suffrage when less than 30% of the population was literate, to say that today when the population is more than 70% literate a party will be able to mislead voters with promises is not right, said Singhvi. The SC was hearing a PIL filed by lawyer Ashwini Upadhyay challenging the practice of political parties promising freebies during elections. https://www.financialexpress.com/india-news/set-up-all-party-panel-to-study-freebies-sc/2643110/

## 3. Debate on revdi culture highlights bitterness between Centre and states *(indianexpress.com)* Updated: August 24, 2022

One may call it much ado about a candy that half the country hasn’t even heard about, but the acrimony about “revdi culture” has only helped rev up the debate on the existential crisis looming over the cooperative federalism envisaged by our founding fathers. The Supreme Court should, in all its earnestness, turn its attention to the plaque of opaqueness that has accumulated over Centre-state relations instead of so-called freebies. It’s time the country and its opinion makers understood the Centre’s stranglehold over states on almost all fronts, which is leading to a breakdown of trust between the two “partners”.

The framers of our Constitution were aware of the apprehensions raised when India embraced a federal structure with strong unitary features. But they would have never dreamt of a situation where trumpeting unilateralism is hailed as some kind of a good governance model.

It’s interesting to recall how Jawaharlal Nehru defended the unitary slant of our polity. “It would be injurious to the interests of the country to provide for a weak central authority which would be incapable of ensuring peace, of coordinating vital matters of common concern and of speaking effectively for the whole country in the international sphere.” But B R Ambedkar assured the Constituent Assembly: “The Constitution is a federal Constitution…The Union is not a league of states…nor are the states the agencies of the Union, deriving powers from it. Both the Union and the states are created by the Constitution, both derive their respective authority from the Constitution.”

I will restrict this article to fiscal federalism since “revdi culture” is the focal point of the debate although the process of centralisation is now all-pervasive. Over the years, the very nature of fiscal transfer has become thoroughly centralised. For a long time, the Planning Commission and Finance Commission were the cardinal pillars of Centre-state relations on the fiscal front. But the ushering in of the Goods and Services Tax (GST), the scrapping of the Planning Commission and non-adherence to Finance Commission recommendations have led to an asymmetrical framework.

The GST that was once hailed as a milestone for cooperative federalism is now touted as a manifestation of the growing dependence of the states on the Centre. When the Planning Commission was disbanded to make way for the Niti Aayog, all the powers of allocation of resources to states were passed on to the Ministry of Finance. Consequently, even the pretence of an objective allocation of resources to states has disappeared, and all decisions were rendered ad-hoc. Under the Planning Commission, the Gadgil formula was used to allocate funds to states. However, after 2015, transfers to states are determined based not on any formula but purely political exigencies.

Consequently, the federal foundations of the Indian polity were also enormously weakened. The National Development Council (NDC), where the prime minister used to regularly meet the chief ministers, has long been abolished. Instead, CMs were made members of the governing council of the Niti Aayog. This was neither a substitute for the discussions between the planning bodies of state governments and the Planning Commission, nor the discussions in the NDC. Even the occasional visits of Niti Aayog members to states have been reduced to a formality: No serious policy discussion, leave alone decision-making, takes place during these visits.

The concerns of CMs over the dwindling state revenues raised in the recently held Niti Aayog meeting presided over by the PM needs to be taken in its right perspective. It's the states that deal with the broad range of aspirations of the people on the ground. As per the 15th Finance Commission, states bear more than 62 per cent of expenditure responsibilities but are given only 37 per cent of revenue raising power, while the Union government owns 63 per cent of revenue raising power to spend on 38 per cent of its expenditure responsibilities.

The share of cesses and surcharges, as percentage of gross tax revenue, has more than doubled: From 6.26 per cent in 2010-11 to almost 20 per cent in 2021-22. Moreover, the Comptroller and Auditor General ( CAG) has pulled up the Centre as it failed to transfer a substantial portion of the money collected from cesses and surcharges to the designated funds which ensures that they are used for the intended purpose. The very idea of a cess is being turned on its head.

Interestingly, whenever confronted with this stark reality Union Finance Minister Nirmala Sitharaman goes on the offensive saying that the Centre distributes these to states via central schemes. She doesn't realise the fact that states are not merely implementing agencies of central schemes. The Constitution empowers the states to conceive schemes to provide sustenance and relief to people. And every study proves that state government schemes are more innovative and appropriate to the targeted groups.

Non-adherence to the recommendations of its own finance commissions is the tipping point in the chaotic Centre-state relations. Despite the last two successive Finance Commissions pegging the share of states in gross taxes to over 40 per cent, the actual transfer never reached this prescribed level. The peak was 36.6 per cent in FY19 and it fell to a meagre 29 per cent subsequently. In effect, the actual share of states has only shrunk.

The Centre invited rebuke when it turned a recent all-party meeting convened to discuss the Sri Lankan issue into a podium to "discipline" states on the fiscal front. Ironically, the Centre's debt burden has shot up from Rs 53 lakh crore to Rs 136 lakh crore since 2015 but it considers states imprudent in fiscal management. The Centre's record is even worse on the fiscal deficit front and off-budget borrowing, but the propensity to find faults with states has become a permanent feature.

India is at a crossroads today and the need of the hour is cohesion and not confusion. We need unity and not uniformity, assimilation not extinction. The Narendra Modi government has to find a new narrative instead of usurping the powers of the states and crying foul at the same time. https://indianexpress.com/article/opinion/columns/debate-on-revdi-culture-highlights-bitterness-between-centre-state-8109618/

## 4. Gas flares take a toll on finances and environment *(hindustantimes.com)* 24 August 2022

**The scale of flaring in local oil and gas fields is quite high, which is a waste of a scarce energy resource and also harmful for the environment**

At a time when India is forced to buy costly natural gas form from international markets after long-term liquefied natural gas imports from Russia is disrupted, some domestic producers are flaring at least 3 million standard cubic metres of gas per day — sufficient to produce about 750 MW of electricity — due to a skewed pricing policy for indigenously produced gas.

The scale of flaring in local oil and gas fields is quite high, which is a waste of a scarce energy resource and also harmful for the environment. The government is aware of the matter and looking for ways to bring this gas into the supply system through incentives, as it would involve considerable investments and, at current pricing policy, does not make any commercial sense, two people aware of the development said, requesting anonymity.

This matter has been frequently raised by the Comptroller and Auditor General of India (CAG), the first person working in an economic ministry said. High pressure gas valued at ₹816.08 crore was flared in Mumbai High field of state-run Oil and Natural Gas Corporation (ONGC) during 2012-20, according to a CAG report released in December 2021.

The petroleum ministry did not respond to an email query on this matter.

ONGC, however, accepted flaring is a technical necessity. "During the first quarter of the year 2022-23, gas flaring has been 2.32% of total gas production. ONGC makes continuous efforts to minimise gas flaring. This gas flaring is a technical necessity for processing of oil and gas at installations to maintain pilot flares for avoiding escape of unburned hydrocarbons into atmosphere… in order to ensure safety and environmental protection," a company spokesperson said.

The real reason lies somewhere between technical necessity and economic sense, experts said. "The cost of tapping this gas would be several times high and would not make any commercial sense due to the currently regulated pricing policy," a second person mentioned above said.

There are companies such as Reliance Industries that do not flare any gas. While Reliance did not respond to a query on this matter, another state-run firm Oil India Ltd, said that "flaring is required for safety reasons" as the company maintains "minor gas flaring" for safe operation of crude oil and natural gas production and processing installations as a technical and safety requirement.

India regulates domestic gas pricing every six months. While gas price for April-September 2022 is $6.10 per unit, natural gas produced from deep and ultradeep water is capped at $9.92 per unit. Recently, after the Ukraine war, the supply of long-term cheaper Russian liquefied natural gas was abruptly stopped, forcing India to pay spot price of LNG, which is about 127% higher at around $50 per unit. HT reported it on August 10.

“It is technically essential to flare some of the low-pressure gas,” said SC Sharma, an energy expert and former officer on special duty at the erstwhile Planning Commission. “However, there had been economic reasons as the gas flaring nations mandate low price of gas for domestic use rather than commercialise it at an opportunity cost.”

India, which imports 55% of the natural gas it consumes, is not in a position to flare gas like other producing countries, he said.

“It is assumed that the high volume gas flaring nations like Russia, Iran, Iraq, Venezuela and to some extent the US are flaring natural gas as the gas prices are very low in these gas producing and exporting countries for domestic consumers compared with the price of gas to exporting nations,” he said.

Nations like India that import LNG as also produce domestic gas should minimise flaring of gas to zero given high import dependence on LNG at a high volatile price ranging from $12 to 18 per mmbtu (million metric British thermal unit) during high oil prices, as a majority of long-term LNG import contracts are either oil or Henry Hub gas indexed, he said.

“Recently, the oil companies have also announced a price band for purchase price of compressed biogas ranging from about $17.5 to 24 per mmbtu,” he added.

“Considering high import dependence of natural gas, government should come up with policy to monetise the flared gas from both onshore and offshore installations as a part of Aatmnirbhar Bharat (self-reliant India),” Sharma said.

Flaring is also detrimental for the environment. “Flaring of gas also has an adverse impact on environment as the emission of carbon dioxide leads to greenhouse gases and global warming,” the CAG report said.

During 2012-13 to 2019-20, a total of 1,227.343 mmscm (million metric standard cubic metres) high pressure gas valued at ₹1,021.08 crore was flared, it added. https://www.hindustantimes.com/india-news/gas-flares-take-a-toll-on-finances-and-environment-101661331971813-amp.html

## STATES NEWS ITEMS

### 5. Under-Funded?: FM Sitharaman highlights huge increase in tax devolution, Grants-in-aid to Nagaland *(morungexpress.com)* 25 August 2022

Union Finance Minister Nirmala Sitharaman, on August 24, highlighted that central funds to Nagaland in terms of tax devolution and grants-in-aid have increased considerably in recent years, particularly after the National Democratic Alliance led by the Bharatiya Janata Party assumed office in 2015.

Without directly stating so, the Minister, in essence, disagreed with the oft-cited under-funding argument, while stressing on better resource allocation to the State than the previous United Progressive Alliance, during an interaction with media here at Rhododendron Hall, Central Police Officers Mess in Chümoukedima.

Nagaland certainly requires a lot of help in terms of resources, Sitharaman observed, while informing that on August 23, Nagaland Chief Minister Neiphiu Rio had invited her to meet his cabinet colleagues and gave her a detailed presentation "of what the situation is about the capital and the current account, balance and deficit."

"All of that has been explained, but I just want to highlight some data through you for the people in Nagaland," she stated, before presenting a comparative data five years before and after 2014.

Tax devolution to Nagaland has increased from just Rs 3844 crore from 2009-2014 to Rs 20,812 from 2014-19, indicating a percentage change of 258.53%, Sitharaman pointed out, on the last day of her 3-day visit to Nagaland.

However, she noted that while tax devolution is done as per formula given by the finance commission to each state from the total tax collected, the grant-in-aid from the centre has also gone up.

Citing the Comptroller and Auditor General of India Audit report, the Minister said that between 2014-19, the grant-in-aid from the Government of India has reached Rs 29, 483 crore, up by 41.66% from Rs 20, 812 granted between 2009-14.

Thereafter, tax devolution till 2022-23 is Rs 16, 188 crore while grants-in-aid till 2022-23 is estimated at Rs 30,202 crore.

Under tax devolution, so far in this financial year up to June 26, a sum of Rs 812 crore has been transferred to the State out of Rs 4647 crore estimated for 2022-23, she said.

The grant-in-aid for FY 2022-23 is also estimated at Rs 9720.

The Finance Commission Grant from the Centre to Nagaland are budgeted to be Rs 4773 crore in 2022-23, a significant increase over Rs 1283 crore that was released in 2009-10, she stated.

In addition, a total of Rs 455 crore and Rs 1600 crore has been allotted to Nagaland under Special Assistance to States for capital expenditure, the FM highlighted.

While the former is under the Special Assistance to States for capital investment 2022-23, in the latter, Nagaland may submit capital expenditure projects in any sector up to amount of Rs 1600 crore subject to reform criteria under the Part IV to VI of the scheme.

Sitharaman, however, explained that about 20% of the component will be tied to some reforms while 80% of the amount can be untied.

"You can take it as it is," she said, adding that 20% is tied only because the Centre wants to ensure that with these kind of monies, reforms that are considered 'difficult' are implemented.

"So one of two steps have been given which I'm sure the state government will consider in the interest of better governance and take it up from there," Sitharaman added.

On infrastructure challenge
Continuing her argument, the Minister noted that there has always been a 'question about infrastructure particularly when it comes to Nagaland,' but said that other than the usual infrastructure funds, special assistance were provided during the COVID-19 years

"We had extended a special assistance for States for building their infrastructure that is - scheme of special assistance to States for capital expenditure. It was given to all states particularly for Northeast...That's a very important aspect," she maintained.

It helped States during the COVID-19 years of 2020-2021.And it was extended for 2022 too, she said.

Sitharaman also highlighted on the Prime Minister's Development Initiative for North-East (PM-DevINE) announced in the Union Budget 2022-23 for infrastructure development of the region.

She said an initial allocation of Rs 1,500 crore was made for the North-East and states can submit proposals under the scheme.
Among others, she also highlighted on how the GoI has released total of Rs 245 crores for Kohima Smart City Mission, and out of which Rs 195.99 crore have been utilised as of July 8, 2022.

A total of 17 out of over the 35 projects under Kohima have been completed, she said.

In the mostly one-sided interaction, she also dodged questions on whether the State was 'underfunded or mismanaged' and said that her call to the banks and State government machinery to undertake outreach missions in a time-bound manner was not sign that works were not happening, but rather to complete those which are incomplete; "and they shall complete it by September 30." https://morungexpress.com/under-funded-fm-sitharaman-highlights-huge-increase-in-tax-devolution-grants-in-aid-to-nagaland

## 6. CAG pulls up Bengal govt, Mamata asks for 'corrective' steps *(newindianexpress.com)* 25 August 2022

KOLKATA: The West Bengal government has asked all 128 urban civic bodies, municipal corporations and municipalities across the state to initiate a slew of ''corrective'' measures in their daily functioning after the Comptroller and Auditor General (CAG) has highlighted irregularities in their affairs. The state government's directive comes after the CAG pointed out the anomalies which could result in the disruption in the fund flow from the Centre.

The municipal corporations and municipalities get Central funds under schemes like housing for the poor, management of solid waste and drinking water facilities. Besides, funds of the Finance Commission are also given to the civic bodies.

On Tuesday, a meeting between senior urban development and municipal affairs officials and representatives of the civic bodies was held where it was decided that the finance officers of the civic bodies would have to play a key role to ensure that the direction of corrective measures were followed, said a senior official at Nabanna, the state secretariat.

"By suspending the release of funds under several schemes, the Centre has sent a message to the state government that no financial irregularities will be tolerated. The corrective measures were initiated to avoid the Central government's stern action. The cash-strapped state government does not want the funds to be held up by the Centre like it happened for rural bodies," said the official.

The Centre has stopped releasing funds for gram panchayats under several schemes, which include 100-day work, housing for the poor and construction of rural roads, alleging irregularities and change of central projects' names by the state government. https://www.newindianexpress.com/nation/2022/aug/25/cag-pulls-up-bengal-govt-mamata-asksfor-corrective-steps-2491176.html

## 7. CAG hails Maharashtra govt's initiatives to contain revenue deficit at 2.69% against 4% target in 2020-21 *(freepressjournal.in)* 25 August, 2022

Despite the impact of coronavirus pandemic on the finances, the Comptroller and Auditor General of India (GAD) has hailed the Maha Vikas Aghadi government's slew of efforts especially the former finance minister Ajit Pawar's initiative to contain the fiscal deficit below 3% at 2.69% during 2020-21 against the target of 4%. However, the revenue deficit of Rs 17,116 crore in 2019-20 increased to Rs 41,141.85 crore in 2020-21. During 2020-21, the fiscal liability (total outstanding to debt) to gross state domestic product (GSDP) ratio at 20.15% was higher than the targets prescribed in the Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005.

During the five year period 2016-21, the state could achieve revenue surplus only during Rs 2017-18 and 2018-19.

CAG observed that the extraordinary situation of COVID 19 pandemic, the complete lockdown and then step by sep removal of these restrictions had impacted the economic activities as a result of which GSDP registered a negative growth of Minus 5.57% in 2020-21. The agriculture and allied activities was the only silver lining as it grew by 11.7% but industry reported minus 11.3% growth and service sector minus 9%. Further, during 2016-17 and 2020-21, while there was a decrease in the relative share of industry to GSDP, there was a marginal increase in the relative share of agriculture and service sector.

The outstanding debt (fiscal liabilities) of the state government increased from Rs 3,95,858 crore in 2016-17 to Rs 5,48,176 crore at the end of 2020-21. The outstanding debt grew by 12.43% due to an increase in the outstanding internal debt by Rs 46,903 crore and loans from Government of India by Rs 14,025.29 crore which included Rs 11,977 crore in lieu of GST compensation.

According to CAG, the state's tax revenue, the major contributor of revenue receipt declined steeply by 13.07% capital outlay decreased by 18.48% and market borrowings increased drastically by 51.59% in 2020-21. The state availed the additional borrowing of 2% of GSDP in 2020-21. However, due to reduced expenditure the state could contain its fiscal deficit to GSDP ratio at 2.69%.

State's revenue receipts grew at minus 4.85% at Rs 2,69,467.91 crore and the growth of state's own revenue was negative at minus 11.32% in 2020-21. https://www.freepressjournal.in/mumbai/cag-hails-maharashtra-govts-initiatives-to-contain-revenue-deficit-at-269-against-4-target-in-2020-21

## 8. Maharashtra PSUs report an accumulated loss of Rs 42,839.19 crore in 2020-21 *(freepressjournal.in)* 25 August, 2022

The Comptroller and Auditor General of India (CAG) in its report for the year ended March 31, 2021, has pointed out that the accumulated loss incurred by 109 state public sector undertakings (PSUs) in 2020-21 was reported at Rs 42,839.19 crore.

The state government's investment in sector-wise PSUs (power, agriculture and allied), infrastructure, service, finance, manufacturing and miscellaneous) total investment (equity and long-term loans) was Rs 4,23,109.39 crore as on March 31, 2021, against Rs 3,37,775.59 crore, a rise of 25.26%.

The investment consisted of 77.01% towards equity and 22.99% as long term loans. The long-term loans advanced by the state government constituted 1.35% 9Rs 1,308.30 crores) of the total loan term loans of the PSUs whereas 98.65% (Rs 95,950.99 crore) of the total long-term loans were availed from the Centre and other financial institutions.

According to CAG, the annual budgetary assistance to these PSUs ranged between Rs 9,759.55 crore and Rs 15,028.73 crore during 2018-19 to 2020-21.

The budgetary assistance of Rs 12,316.35 crore during 2020-21 included Rs 0.30 crore and Rs 12,316.05 crore in the form of equity and grants/subsidy respectively. ''The state government did. not provide any loans to these PSUs during 2020-21,'' it said.

The state government provided significant assistance to Maharashtra State Electricity Distribution Company Limited (Rs 10,715.76 crore) and Tapi Irrigation Development Corporation (Rs 787.30 crore) in the form of grants and subsidies for different projects and to Police Housing and Welfare Corporation Limited (Rs 437.88 crore) for the purpose of construction of police quarters and administrative buildings.

Out of the budgetary assistance of Rs 12,316.35 crore given to the state PSUs during 2020-21, Rs 357.86 crore was given to the Maharashtra State Road Transport Corporation (MSRTC), a loss making statutory corporation. MSRTC receives budgetary support in lieu of transport-related subsidies announced by the state government to benefit various sections of the society such as students, ex-servicemen and senior citizens.

CAG said the state government gives guarantee to PSUs to obtain financial assistance from banks and financial institutions. The government charges the guarantee fee from the same and it varies from 0.50% to 2% depending upon the loanees.

The guarantee commitment of the state government decreased to Rs 48.49 crore during 2020-21 from Rs 56.95 crore in 2019-20. Further, two PSUs did not pay guarantee fees/commission which was payable during the year. The accumulated outstanding guarantee fees/commission was Rs 87.20 crore as on March 31,

2021. https://www.freepressjournal.in/mumbai/maharashtra-psus-report-an-accumulated-loss-of-rs-4283919-crore-in-2020-21

## 9. Mumbai: BMC to be put under CAG lens *(mid-day.com)* 25 August, 2022

Deputy Chief Minister Devendra Fadnavis has announced that the Comptroller and Auditor General (CAG) will do a special audit of the irregularities that have been reported in certain complaints against the BMC.

In addition, the Urban Development Department will investigate the allegations that some BMC officials had started their own companies to bag contracts during the Coronavirus pandemic. The assurance came in the Assembly during a debate on the issues related to Mumbai.

The announcement is seen in tune with the BJP's agenda of "exposing the Uddhav Thackeray Sena-led BMC" ahead of the forthcoming civic poll. Fadnavis, the then opposition leader, was at the forefront in demanding the special CAG audit of the BMC. He had said the BMC was a 'hub of corruption' which he had been monitoring for a long time.

The MLAs complained against several projects including road construction and repairs, and the overall functioning of the civic body. The allegations that were made when the BJP sat in the opposition were reiterated in the house. The irregularities in COVID-19 centres and other projects were raised by corporator-turned-MLAs—the BJP's Amit Satam, Congress's Amin Patel and Samajwadi Party's Rais Sheikh. Corruption was alleged in Ashray Yojana as well.

About COVID centres, Fadnavis said, "FIRs have been registered with the police who are investigating. The matter has also been reported to the Lokayukta. Prima facie, there are some irregularities in the centres. The police will be asked to complete the probe in a time-bound manner."

He said inquiries into the changes made in the original plan of Bhendi Bazar's Saifee Burhani Upliftment Project by the BMC will also be conducted. About the BMC officials running their own companies, Fadnavis said the civic body has replied that they were being probed.

"This will not work. Inquiry cannot be conducted for years. I request the CM that a senior officer from the Urban Development Department be asked to probe this. The officials have established companies overnight and bagged contracts during the COVID pandemic," he said while reading out information that said about 500 BMC employees were being probed for irregularities.

"Inquiries should not become a farce and protect the officers. It should be time-bound. And there are some complaints that need a special audit by the CAG because the public money has been siphoned off. The CM has directed so. It won't be political because if we wanted so, we could have done it by some retired people," the Dy CM stated further. https://www.mid-day.com/mumbai/mumbai-news/article/mumbai-bmc-to-be-put-under-cag-lens-23242593

## 10. CAG to conduct special audit into BMC's functioning: Fadnavis *(telegraphindia.com)* 24 Aug 2022

Maharashtra Deputy Chief Minister Devendra Fadnavis on Wednesday told the state Legislative Assembly that the Comptroller and Auditor General (CAG) will conduct a special audit into the functioning of the Brihanmumbai Municipal Corporation (BMC).

Speaking in the Lower House of the state legislature in reply to a discussion, he also said that the state Urban Development Department will separately conduct a time-bound probe into the allegations that serving civic officials in Mumbai have started their own companies and accepting work contracts.

"A special audit will be conducted by the CAG into the BMC's functioning, including the quality of roads, allegation of scams in setting up of COVID-19 centres," he said.

The cash-rich Mumbai civic body was ruled by the Uddhav Thackeray-led Shiv Sena for more than two decades. After the term of elected members ended in March this year, the Maharashtra government appointed Iqbal Singh Chahal as the BMC's administrator. Municipal elections in the city are scheduled to be held soon.

"There should not be a farce of an inquiry and it should be done in a time-bound manner. We will focus on upgrading the road quality in Mumbai. In three years, we aim to have pothole-free roads. All concrete roads in the city will have a duct facility," he said.

Fadnavis also said the civic body had resources to redevelop its own chawls and dilapidated units.

He informed the House that the state government has paid Rs 800 crore to the railways for in exchange of the land for the Dharavi redevelopment project.

"Talks are on with the central government over some issues related to the project and a decision is expected by August 30," the deputy chief minister said, adding that once the decision is taken, revised tenders will be invited and the project will be expedited.

He also said 29,009 sanitation workers of the BMC will get their ownership houses. https://www.telegraphindia.com/india/comptroller-and-auditor-general-to-conduct-special-audit-into-brihanmumbai-municipal-corporations-functioning-devendra-fadnavis/cid/1882175

## 11. CAG to investigate corruption in BMC, Fadnavis tells House *(indianexpress.com)* Updated: August 25, 2022

DEPUTY CHIEF Minister Devendra Fadnavis on Wednesday announced a probe by the Comptroller and Auditor General (CAG) into the alleged corruption in Brihanmumbai Municipal Corporation (BMC). He was speaking in the Assembly while replying to a debate on issues pertaining to the Mumbai Metropolitan Region.

The discussion began on Tuesday with BJP legislators making a slew of allegations of corruption in the BMC and they were supported by some Congress legislators as well.

Fadnavis said the issue of BMC officers floating companies in their relatives' names and bagging tenders during Covid times would be probed by an officer of the state urban development department and a report would be given in a timely manner. Fadnavis said, "Prima facie, I think there are irregularities in this." Pointing out that out of Mumbai's 1,900 kms of road, 1,200 kms are still made of asphalt, Fadnavis said all the roads will be concretised in the next two years.

He said the BMC commissioner has been asked to ensure all potholes are filled and similar directions have been given to the officers of MMRDA and Maharashtra State Road Development Corporation.

Replying to the debate, he said there will be in situ rehabilitation of some slums around the airport.

He said tenders will be issued in September for Dharavi redevelopment. https://indianexpress.com/article/cities/mumbai/cag-to-investigate-corruption-in-bmc-fadnavis-tells-house-8110037/lite/

## 12. Central stance on off-Budget loans discriminatory: Kerala CM *(thehindu.com)* UPDATED: AUGUST 24, 2022

**As per CAG report, Union government has not shown extra-Budget borrowings in Centre's figures**

The Union government is of the view that extra-Budgetary resource mobilisation is okay for it but not for Kerala, Chief Minister Pinarayi Vijayan has said.

Pointing out the remarks on the Union government in the Comptroller and Auditor General (CAG) of India report of 2022 during the Question Hour in the Assembly on Wednesday, the Chief Minister said then loans of the Air India Assets Holding Ltd., Indian Railway Finance Corporation, and the National Highways Authority of India (NHAI) had not been shown in the Union government's figures. Of the ₹21,985 crore loan taken by Air India Assets Holding Ltd., only ₹7,000 crore had been shown and the loans of ₹14,985 crore had not been included in the statement. The Union government had even given guarantee for ₹14,985 crore.

The loan of ₹36,400 crore taken by Indian Railway Finance Corporation too had not been included in the statement.

In the 2016-17 financial year, the Union government had taken off-Budget loans to the tune of ₹79,167 crore, in 2017-18 that for ₹88,095 crore, in 2018-19 for ₹1,62,605 crore, and in 2019-20 for ₹1,48,316 crore, Mr. Vijayan pointed out. https://www.thehindu.com/news/national/kerala/central-stance-on-off-budget-loans-discriminatory-kerala-cm/article65805411.ece

## SELECTED NEWS ITEMS/ARTICLES FOR READING

### 13. States' revenue growth to slide to 9% despite robust GST collections: Study *(business-standard.com)* August 24, 2022

States' revenue growth will slide to 7-9 per cent in FY23 even as handsome GST collections will help in the accretion, a report said on Wednesday.

The revenue growth had galloped 25 per cent in FY22 courtesy a lower base in the pandemic-affected FY21, the report by rating agency Crisil, which analysed 17 states accounting for 90 per cent of the aggregate GSDP, said.

In FY23, healthy tax buoyancy will be supporting the revenue growth, with Goods and Services Tax (GST) collections and devolutions from the Centre -- which together comprise up to 45 per cent of the states' revenue -- expected to show robust double-digit growth, it said.

The agency's senior director Anuj Sethi said the biggest impetus to the revenue growth will come from aggregate state GST collections, which had already rebounded by 29 per cent in FY22.

"We expect this momentum to sustain and collections to further increase 20 per cent this fiscal, supported by better compliance levels, higher inflationary environment and steady economic growth," Sethi said.

A flattish or low single-digit growth in sales tax collections from petroleum products (8-9 per cent of total revenue) and grants recommended by the Fifteenth Finance Commission (13-15 per cent) will be acting as the moderating factors, it said.

The share of states in central taxes is expected to grow further this fiscal, the agency said, adding that while the proportions are determined by the Finance Commission, the overall kitty is linked with the central government's gross tax collections. This pool, which expanded 40 per cent last fiscal, should further grow by 15 per cent this fiscal, it said.

Fuel tax collections are expected to be almost unchanged because gains from a 25 per cent increase in crude price and better sales volumes will be offset by the reduction in central excise on petrol and diesel in November 2021 and May 2022, and sales tax cuts by some states.

Centre's grants, including Centrally Sponsored Schemes, Finance Commission grants and revenue deficit, are likely to see only marginal growth this fiscal, it said.

Additionally, GST compensation payments, which were 7-9 per cent of revenue in past two fiscals, will also end, with the expiration of the compensation period on July 1, 2022, it said.

The outlook is based on an assumption of real GDP growth at 7.3 per cent and no lockdown-related impacts, it said, adding that a slowdown in economic activity due to higher-than-expected inflationary pressures could negatively impact revenue. https://www.business-standard.com/article/economy-policy/states-revenue-growth-to-slide-to-9-despite-robust-gst-collections-study-122082400878_1.html

## 14. Banks took a haircut of 69 per cent while resolving IBC cases: Report *(business-standard.com)* August 25, 2022

For every Rs 100 admitted for the claims under the Insolvency and Bankruptcy Code (IBC), the banks could realise only 30 per cent of the value. According to a report by Business Line, the latest IBBI data till June 30 showed that the banks took a haircut of Rs 69 for every Rs 100 of admitted claims.

However, this comes down to Rs 17 when it is considered relative to the fair value of the assets, the report added. Haircuts are defined as the losses incurred by creditors (banks in this case) on resolving bad debts or stressed assets.

According to data, creditors realised Rs 2.35 trillion in 517 cases. The total value of the claims stood at Rs 7.67 trillion. When compared to the liquidation value of Rs 1.31 trillion, the realisation stands at 179 per cent.

Among the top reasons for the large haircuts is the delay in the process of recovery under the IBC. The delay has been attributed to the large number of vacancies in IBC tribunals, incomplete knowledge of the stakeholders, and the piling of cases before the tribunal.

The experts were quoted in the report as saying that a benchmark of the quantum of haircuts needs to be set in the insolvency cases.

"Lenders ideally will always peg the returns from IBC resolution process to the outstanding amount (as opposed to fair value)... it is therefore advisable that this issue be addressed conclusively by amending the regulations to provide a benchmark for the quantum of haircuts in the resolution plan. Any plan which doesn't comply with the benchmark should be considered ineligible," Siddhart Srivastava, partner of Restructuring and Insolvency at Khaitan & Co was quoted as saying.

However, some experts stated that the comparison should be made to the liquidation value of the assets and not the claimed value.

"Emphasis must be given to ascertain the resolution value vis-à-vis the liquidation value," Dinesh Padnekar, partner at Economic Laws Practice told BL. https://www.business-standard.com/article/finance/banks-took-a-haircut-of-69-per-cent-while-resolving-ibc-cases-report-122082500248_1.html

## 15. IBC cases: For every ₹100 of claims admitted, banks took haircut of ₹69 *(thehindubusinessline.com)* Aug 25, 2022

**Urgent need to introduce global standards which mandate that haircuts outside certain benchmarks should lead to failed resolution**

Banks continue to reel under disproportionately large "haircuts" with an average of ₹69 going towards losses for every ₹100 of their claims admitted towards resolution of stressed assets under the IBC process, latest IBBI data for end June 30 showed.

Though the picture looks somewhat better at 17 per cent when the quantum is measured relative to fair value of assets, the real assessment should be measured against admitted claims, say experts.

Till June 30, 2022, creditors have realised ₹2.35-lakh crore through resolution plans in about 517 cases of the total claims of ₹7.67-lakh crore, IBBI data showed. With liquidation value at ₹1.31-lakh crore, the creditors' total realisation in resolution plans stood at about 179 per cent of the liquidation value.


**How banks fared**

| Period | Total admitted claims (in ₹ cr) | Total Realisable Value (in ₹ cr) | Realisable value as % of admitted claims |
|---|---|---|---|
| April-June 2022 | 10,697 | 1,145 | 10.71 |
| **Total** (till June 2022) | **7,67,385** | **2,35,094** | **30.64** |

Source: IBBI

Haircuts are losses incurred by banks (creditors) on resolution of stressed assets.

**Plummeted recovery**

Some of the key factors that have contributed to a plummeted recovery under IBC is delay in the process of insolvency. The prime reasons for delay are non-filling of vacancies at the Tribunal, rise in the backlog of cases before the Tribunal, insufficient knowledge and training of the stakeholders. To compound matters, the Covid-19 pandemic further slowed down the insolvency and bankruptcy proceedings. The inordinate delays in resolution process are also leading to a waning of the appetite of potential investors to acquire stressed assets in India.

Corporate insolvency provisions came into effect on December 1, 2016. A total of 5,636 CIRPs have commenced by the end of June 2022 . Of these, 3,637 have been closed.

**Experts' views**

Insolvency law experts say the current trend of disproportionately large haircuts calls for urgent regulatory changes to introduce the concept of benchmarks (for the quantum of haircuts ) in the resolution plan.

Siddharth Srivastava, Partner, Restructuring & Insolvency, Khaitan & Co, said, "Lenders ideally will always peg the returns from IBC resolution process to the outstanding amount (as opposed to fair value)... it is therefore advisable that this issue be addressed conclusively by amending the regulations to provide a benchmark for the quantum of haircuts in the resolution plan. Any plan which doesn't comply with the benchmark should be considered ineligible".

Mukesh Chand, Senior Counsel, Economic Laws Practice, said haircuts need to be looked at in the context of time value of the amount realised. He said the IBC was never conceived or meant as a recovery mechanism, therefore, the basic approach of haircuts is flawed.

Pritika Kumar, Founder, Cornellia Chambers, said over the recent years, there has been an increase in bankers accepting huge haircuts. “The NCLT Benches, too, have been raising questions in recent cases over lenders approving such big haircuts and are asking for an explanation behind the same. One reason for this could be the inordinate delays in the completion of CIRP proceedings owing to which lenders are accepting big haircuts,” she added.

Dinesh Pednekar, Partner, Economic Laws Practice, said, “While the statistics show that the lenders have taken huge haircuts relative to their admitted claims, such comparisons with respect to the outstanding and recovery amounts may not be logical. Emphasis must be given to ascertain the resolution value vis-à-vis the liquidation value.” https://www.thehindubusinessline.com/money-and-banking/ibc-cases-for-every-100-of-claims-admitted-banks-took-haircut-of-69/article65806562.ece

## 16. GenNext reforms needed in power sector *(thehindubusinessline.com)* Updated: Aug 25, 2022

**Proposed amendments to the electricity law will lower entry barriers in distribution. The sector needs infusion of private capital**

Sectoral reforms in India have rarely been linear. The power sector is a good example of how they have been shaped by changing circumstances. The Electricity (Amendment) Bill, 2022, marks a major step forward.

By way of a background, the Electricity Act 2003 initiated the first generation of power sector reforms by making the necessary institutional and structural changes. These included unbundling the State electricity boards, setting up independent regulatory commissions, and introducing competition.

The reforms opened the sector to private participation and countered years of sluggish expansion of generation and transmission, which had not kept pace with growth in electricity demand. The competitive framework supported a significant increase in the addition of thermal power plants and renewables. Furthermore, the transmission grid was unified into a “national grid” and all households gained access to the power grid. For the first time in India’s history, power shortages due to lack of generation capacity were eliminated.

However, circumstances have changed of late. The private sector has invested huge amounts of capital in the generation sector and is now less optimistic about new investments. This retreat is triggered by certain vulnerabilities in the distribution sector. These include poor financial condition; weak contract enforcement; lack of payment security mechanisms; and payment delays. All domestic and foreign investors in generation and transmission are struggling owing to these problems.

**Unviable discoms**
The below data points highlight the scale of the challenge:

— A June 2022 RBI article titled "State Finances: A risk Analysis" highlighted the impact of State subsidies and freebies noting that Discoms' overdues posed the highest fiscal risk to State finances;

— A November 2021 RBI report on State finances said States need to address debt sustainability issues. The State debt-to-GDP ratio was 31 per cent in FY21 and is expected to rise above 33 per cent in FY23, well above the 20 per cent limit set by the NK Singh Panel on Fiscal Responsibility & Budget Management;

— The MoP's 10th Annual Integrated Rating & Ranking of Distribution utilities in August 2022 showed that the Discoms recorded a loss of 0.93 ₹/unit loss in FY21 and the outstanding liabilities to generation are at over ₹1.2 lakh crore

Distribution is the sole point for revenue collection in the electricity value chain. Its efficiency is critical to the viability of the entire sector. Unfortunately, the above data shows that the continued near-bankruptcy of Discoms is increasing input costs and hurting consumers.

As things stand, there is just no way the country will see continued investment in the sector that is so vital to our journey to India@100. This comes at a time when the transition to clean energy is imminent, and the country is committed to decarbonisation on the world stage. The impact will be catastrophic for our economy. Crises are important events where the 'Overton Window' widens and a larger space of opportunities emerges. Now is the time for the second generation of reforms, to create a favourable policy framework that supports and increases private sector investment in the generation sector and addresses the problems in the distribution sector.

It is hoped that the implementation of the Electricity (Amendment) Bill 2022 will start a revolution in this sector.

The Bill gives necessary legislative support to the mechanism of payment security and the enforcement of contracts. The bigger role entrusted to the National Load Dispatch Center and regulatory commissions is critical in this regard. Once roles and rights are defined, effective results can be achieved.

The Electricity Act 2003 allowed consumer choice through parallel licensees, requiring new licensee build their own network to serve consumers. Obviously, there were not many takers due to the high costs and frictions, as witnessed in Mumbai.

The Electricity (Amendment) Bill 2022 allows multiple distribution licensees, with the new licensees being able to use the incumbent licensee's network. This significantly lowers the barrier to entry in the distribution sector.

The amendments to the Act will support the enforcement of a higher share of renewables. It is also necessary to strengthen regulatory and jurisdictional mechanisms and improve corporate governance of distribution licensees.

It is paramount that this be done while respecting the constraints of cooperative federalism. The one "criticism" of the Bill relates to the strengthening of some rights in favour of the central government, in a concurrent list matter.

It is hoped that the States will truly recognise that the financial situation of Discoms is unsustainable and poses a systemic risk to the Indian banking system, so that an atmosphere can be created in which the concerns of the States can be addressed and an acceptable solution to the State and Central governments, investors, and most importantly consumers can be found.

The Bill, if passed, will breathe new life into the power sector and bring hope for a sustainable and competitive power sector. https://www.thehindubusinessline.com/opinion/gennext-reforms-needed-in-power-sector/article65807020.ece

## 17. India on course to have 1.8 lakh km national highways, 1.2 lakh km rail lines by 2025: Report *(millenniumpost.in)* August 25, 2022

Mumbai: The country is on course to build more national highways and rail lines during the decade ending 2025 than it has cumulatively done between 1950 and 2015, a report said on Wednesday.

The total length of national highways is expected to reach 1.8 lakh kilometres, while that of the railway lines 1.2 lakh kilometres by 2025, Bank of America Securities India said in a report.

Between 1950 and 2015, the nation built only 4,000 kilometres of national highways, taking the total length to 77,000 kilometres in 2015. However the highway length is on course to cross 1.8 lakh kilometres by 2025 -- more than double the existing length -- in ten years time. When it comes to the rail network, the nation had only 10,000 kilometres of rail lines in 1950, which rose to 63,000 kilometres in 2015. But it is slated to touch 1.2 lakh kilometres in 2025, the report said.

The port capacity which was only 777 MTPA in 1995 rose to 1,911 MTPA in 2015 and is on course to more than double to 3,000 MTPA by 2025, it said.

The country has been rapidly augmenting transportation and basic infrastructure capacity across sectors such as highways and railways since 2015.

Basic infrastructure like sanitation access has touched 89 per cent of the population in 2021 from 43 per cent in 2015; cooking gas coverage reached 100 per cent in 2021 from 56 per cent in 2015; 96 per cent households have electricity access now up from 56 per cent in 2000; tap water coverage is 52 per cent now from 13 per cent in 2015 and is likely to be 100 per cent coverage by 2024; piped gas connections is at 10 million now from 2.5 million in 2015; and affordable rural housing is at 25 million now up from 1 million in 2015, the report said.

On the de-carbonisation front, the report said that the country will be spending USD 385 billion over 2015-30 just to meet its 2030 de-carbonisation goals, which will accelerate materially over time and help it transition to the net-zero goal by 2070.

On the financial front, and financial digitisation front, the report said bank account penetration has reached 80 per cent now from 35 per cent in 2011.

"We see the 2015 Paris agreement as an inflection point in our efforts towards de-carbonisation. In fact, we are leading the de-carbonisation efforts globally in spearheading the International Solar Alliance; pace of execution -- the fastest transition globally from Euro IV to VI norms and is on track to exceed its Paris agreement targets for 2030; and pollution norms stringency for gensets and energy efficiency norms for ACs are likely to be most stringent globally," the report said.

The rapid de-carbonisation will also lead to a cut in diesel intake as natural gas will constitute 15 per cent of the energy mix and ethanol blending in petrol will touch 20 per cent from 5 per cent now by 2030, up from 6 per cent in 2021; renewable capacity will reach 450 gw by 2030 from 101 gw in 2021. The report sees all these leading to a capex of USD 385 billion and 106 GW energy savings and 1.1 billion tonne per annum CO2 reduction by 2030. http://www.millenniumpost.in/business/sensex-rises-over-300-points-in-early-trade-nifty-nears-17700-490777?infinitescroll=1

## 18. Flaws in our emission reduction goals *(thehindubusinessline.com)* August 24, 2022

**There are no specifics on how growing energy needs can be reconciled with decarbonisation of the economy**

The recent government decision to update the Nationally Determined Contributions (NDCs) under the Paris Agreement has revived the debate on how India can meet its green commitments as well as its rising energy needs.

Initially, there was anxiety that India may wait to update its NDCs till 2023 when the first Global Stocktake of climate actions of all countries begins. This worry has been put to rest. But, doubts persist over how the update of the NDC will advance India's march towards a cleaner energy and greener economy.

The updated NDC includes increase in the two economy-wide targets relating to emissions-intensity of GDP and the share of non-fossil fuel based electricity capacity. But it has left out two other significant announcements made by the Prime Minister at COP 26, Glasgow — 500 gigawatt capacity of renewables and 1 billion tonne of CO2 emission reduction by 2030. Why were they omitted? Are these omissions a result of a well thought out policy? What impact will it have on the domestic ambition for clean energy?

The government appears to have been guided by the view that the left-out targets are of inconsequential nature and do not add extra value. Gigawatt capacity is implicit in the economy wide electricity capacity ratio if and when 50 per cent of the electricity capacity from renewables is achieved.

Similarly, the emissions reduction of a certain order from the 'Business As Usual' scenario would be a natural consequence if the economy wide emissions intensity of GDP falls. The CO2 reductions from the operations of Railways (70 million p.a.) and LED bulbs (30 million p.a.) alone may lead to a total of 1 billion CO2 reductions by 2030.

However, there is a strong feeling that the non-inclusion of publicly announced targets relating to GW capacity and CO2 reduction in the NDC is a case of missed opportunity. Their importance lies in their ability to give a specific direction to the strategy. Given the fact that NDC is only a statement of goals, the two left out targets could have partially filled the void in the strategy and acted as a template for actions of investors and planners.

**No low emissions policy**

Till date, India does not have a long-term strategy of low emission growth of economic and social sectors. There is no statutory regime either for climate actions. No guidance is available to the investors and planners for low carbon development either in the short or the long run. A low emission development strategy as required by the Paris Agreement is not in place even after seven years since the submission of the NDC in 2015.

On the other hand, India's emissions in critical sectors — power, transport, industry, building and urban infrastructure — are bound to rise as the economy grows. Given the commitment to renewable energy, it is incumbent that the targets are set for each source of energy — conventional, alternative and renewable — that would take us towards a low emissions future in a specific time frame.

The update gives no indication of how this will be done. The net zero target is mentioned but the pathway for decarbonisation is not even hinted at. In fact, it wishes away the problem by emphasising that the NDC does not bind it to any sector specific obligation or action. The inability to indicate specific targets on supply or demand side for various sectors or sources of energy is bound to affect the process of decarbonisation.

**States' key role**

Besides the long-term low emission strategy of growth of economic sectors, two other things that would determine the pace of decarbonisation of Indian economy are the involvement of the States and actions of the corporates. States are key players.

It is not enough to simply lay down policies at the national level. The constraints and priorities of the States are different. They understand and appreciate the benefits to economy more than the benefits to global environment. Second is the involvement of the corporates and businesses. Most of the corporates that swear by the science-based targets have only notional goals. They are yet to put in place decision-making mechanisms for investing in green projects having high climate risks.

Is it possible to do something in the course of current or future updates of NDC that would help this process? Encouraging States to have a GW capacity target and incentivising them for the purpose could be a possible option. Incentives of fiscal or non-fiscal nature for setting up the renewable energy capacity at the consumption level are as important as obliging the Discoms to buy renewable energy in a certain share.

Mobilising finance for employing low emission technologies and products is the other key intervention. Businesses do not take decisions merely on the promise of a goal. They require either a regulatory framework or a financial package that increases the scale of operations and reduces the risk on investments. The Reserve Bank of India has recently come out with a discussion paper on ways of mitigating climate risks for financial institutions. This should be taken to the logical end to devise the risk mitigation instruments that lower the cost of capital and risk of green investments.

An effective carbon market is the other way of lowering or mitigating the cost of operations by the corporate investors. The incorporation of CO2 reduction goal into the NDC would have given the right signal. India already operates a market in energy savings.

In view of the cross sectoral needs for decarbonisation, it is time that we allow this to grow into a full-fledged carbon market for domestic industry. https://www.thehindubusinessline.com/opinion/flaws-in-our-emission-reduction-goals/article65806871.ece

## 19. Land acquisition continues to be a roadblock for renewable energy projects *(thehindubusinessline.com)* August 25, 2022

**Land purchase in India is hindered by issues such as loss of livelihoods, the compensation provided, and socio-cultural norms of land ownership**

The process of acquiring land can be difficult, especially in developing nations. This is true for our country, where acquiring land remains a significant barrier that frequently causes delays in the successful completion of renewable energy projects.

The agrarian nature of the Indian economy is a contributing factor to this difficulty. Land purchase in India is hindered by issues such as the loss of livelihoods, compensation provided during the acquisition process, and socio-cultural norms of land ownership, which in turn contribute to the country's sluggish infrastructure growth and economic expansion.

The key factors that lead to delays in renewable energy projects:

**Inefficient maintenance of land records**
Land ownership in India is determined by government survey records, registered sale deeds, and property tax records. Ambiguous property records have led to ownership-related legal challenges that have impacted renewable energy projects. Gaps in the legal system and inadequate administration of land records frequently result in legal conflicts regarding ownership. Land records are kept by several departments at the district or village level and contain a variety of information, including property details and prior transactions. Data held by departments is not promptly or appropriately updated. As a result, land records are marred by inaccuracies. When data is held by several departments, accessing land records is a cumbersome task. For anyone to stake ownership claims on property, they must sift through paperwork accumulated over years. Such convoluted procedures lead to inefficiencies and delays.

**Lack of a formal policy in certain key states**
Rajasthan has approximately 85,000 square kilometres of wasteland, much of which is made up of desert and arid areas. Jammu & Kashmir has 75,000 sq km of wasteland, whichis primarily made up of hills and has no grid connectivity. There are no explicit land allocation policies in place in most of the key states. The Central Government should exploit land availability in these regions by deploying suitable land allocation regulations, in order to capitalise on the enormous opportunity for solar and wind. Only four states, Rajasthan, Madhya Pradesh, Maharashtra, and Gujarat, have formulated suitable policies for government land allocation in terms of renewable projects, while the others still suffer on this account.

**Delay in government land allotment under Solar Park Scheme for ISTS projects**
Prior to auctioning solar park projects, it's crucial to finish the necessary land purchase requirements. There have been multiple instances where the government has rushed to auction solar park projects before all the necessary land acquisition procedures are completed. This

causes delays for developers, because even after project allocation, the necessary infrastructure is not ready for them to begin developing the project.

**Lack of digitization of land records**

Digital land records can reduce the likelihood of property conflicts, and result in more open land records. The process will be made more contemporary by digitising land records. A recent study of 100 land parcels scattered over five villages and two tehsils revealed that newly computerised land records accurately reflected land ownership. Clear land titles can provide solutions to a host of problems, from allowing the poor to borrow from the official banking system, to reducing the need to acquire commercial land for infrastructure projects.

Obtaining environmental and local clearance from authorities

There are several legal procedures that must be followed in order to gain access to land for a solar project. Numerous environmental factors, including SEBI-monitored PACL assets, wildlife, legal titles, ceiling limit, government land allotment, state rules on the sale of ancestral property, khatedari rights, and many others, control land. Unfortunately, the ongoing conflict between land seekers and conservationists has remained a barrier in India up to this point.

Since land is a state subject, adequate coordination between state and Central Government entities is necessary for the evaluation and publishing of tenders. The anticipated due dates should match the actual situation. A critical step toward streamlining and accelerating the land allocation process is the digitisation of land records Also, in order to improve cooperation and speed-up the approvals and permissions process, fewer agencies should be involved. https://www.thehindubusinessline.com/opinion/land-acquisition-continues-to-be-a-roadblock-for-renewable-energy-projects/article65809202.ece

## 20. Top refiner Indian Oil Corp to spend $25 bn for 2046 net-zero goal *(business-standard.com)* August 25, 2022

Indian Oil Corp, the country's top refiner, plans to invest more than $25 billion to achieve net-zero emissions from its operations by 2046, its chairman S. M. Vaidya said at an annual shareholders meeting on Thursday. India, one of the world's biggest greenhouse gas emitters, is aiming to reach net-zero emissions for the country by 2070.

"The company is embarking on a decarbonisation journey that will be crucial not only for the company's destiny but also for the planet," Vaidya said.

"On the 99th year of India's independence (2046), Indian Oil will be operationally independent of emissions," he said.

IOC plans an investment of over 2 trillion rupees ($25 billion) to mitigate emissions to about 0.7 billion metric tonnes of carbon dioxide a year by then.

Vaidya said IOC has prepared a roadmap to achieve net zero Scope 1 and 2 emissions - that is, emissions produced from its crude refining operations and energy consumption.

Most of IOC's efforts will be targeted at decarbonising its refineries and petrochemical complexes, which account for 97% of its operations, he said. https://www.business-standard.com/article/companies/top-refiner-indian-oil-corp-to-spend-25-bn-for-2046-net-zero-goal-122082500406_1.html