

# Standing Committee Report Summary

## Hydro power

- The Standing Committee on Energy (Chair: Kirit Somaiya) submitted its report on Hydro power on May 6, 2016. Key observations and recommendations of the Committee include:
- **Hydro power as renewable energy:** Presently, hydro power plants with capacity up to 25 MW are considered as renewable energy sources and above this capacity are considered as conventional sources. The Committee noted that there is no logic for the segregation of hydro power into renewable energy and conventional energy. The Committee recommended that all types of hydro power must be treated as renewable sources. It also recommended that legislative provisions could be introduced as defining hydro as renewable source involves a policy decision and allocation of business in the government.
- **Share in total capacity:** The share of hydropower in the total energy mix has been reducing over the years. The share has reduced from 51% in 1962-63 to 15% in 2015 (as on September 2015). The Ministry stated that the reasons for the decline include lack of adequate infrastructure and inadequate funds by bilateral agencies, etc. The Committee recommended that the hydro power policy must be revised based on the current needs.
- **Finances:** The Committee observed that while hydro power projects have assets with lifespan from 25 to 100 years, banks provide them with loans for about 12 years. Therefore, higher cash flow is required in the initial 10 to 12 years to repay the debt. This leads to higher hydro power tariffs in the initial years, due to which states are reluctant to buy hydro power. The Committee recommended that (i) the average lifespan of hydro power projects for tariff determination must be treated as 30 to 40 years, and (ii) banks and financial institutions must be persuaded to lend long term finances to hydro projects.
- **Environment clearances:** The Committee observed that one of the main reasons cited for delay in hydro projects was obtaining environment clearances. By scrutinizing the facts and considering differing views, the Committee noted that the perception that environment clearances are the biggest roadblock in development of the hydro power sector is not true. Further, it noted that in spite of being granted environment clearance, various projects are not being developed.
- The Committee observed that both environment and development activities are important. Therefore, there is a need to strike a balance between the two. It recommended that certain sensitive areas with respect to environment and biodiversity should not be used. However, in other areas, the process of granting environment clearances for hydro power projects must be expedited. The Committee recommended that the Ministry of Environment, Forest and Climate Change must prepare clear guidelines with respect to granting clearances.
- **Private projects:** The Committee noted that the capacity addition in hydro power projects by the private sector has been low. It noted that private players who have been allocated projects find it difficult to complete projects due to reasons such as inexperience in the field. It noted that the government has not made much effort to remove obstacles in the development of the hydro power sector. Due to this, the focus of the private players has shifted towards thermal power, which is easier, less risky to develop and has a shorter gestation period. The Committee recommended that the government while taking efforts to revive the sector must also enable provisions to attract private players. In order to achieve timely completion of projects, the government must only allow private players with required capabilities.
- **Public sector projects:** The Committee observed that in spite of Public Sector Undertakings (PSUs) having the required infrastructure etc., they do not have many projects to develop. It noted that the under-utilisation by these companies was a wastage of resources and expertise. It recommended that PSUs engaged in hydro power must be promoted by allocating them more projects.
- The Committee noted that in Arunachal Pradesh the hydro-power projects were allocated on first come first served basis by means of upfront payment (one-time non-refundable commitment). As Public Sector Undertakings do not have provisions to pay upfront premiums, all projects allocated to them were taken back and given to private companies who have paid the premium. It recommended that the government should take necessary measures to discontinue the practice of upfront payments for hydro project allocation.

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