Syllabus subtopic: Government policies and interventions for development in various sectors and issues arising out of their design and implementation

Prelims and Mains focus: about the significance of the govt.’s move to waive carbon tax on coal

News: Prime Minister’s office (PMO) has proposed waiving a tax on coal to help finance pollution-curbing equipment, according to documents, but the move would also make coal more competitive in price with solar and wind energy.

- The PMO has proposed waiving the carbon tax of R.400 per tonne that was levied on the production and import of coal.

Background

- Despite struggling with some of the world’s worst air pollution levels, India has already pushed back a deadline to cut emission levels to up to 2022.
- Over half of India’s coal-fired plants are already set to miss a phased deadline starting December 2019 to cut emissions of sulphur oxides, which have been proven to contribute to lung disease.

Significance of the move

- The savings would improve the financial health of utilities and distribution companies, and help power producers to install pollution curbing equipment.
- The proposal is a big win for India’s coal industry, which has lobbied for government help, citing high debt levels and burgeoning payment dues from government-owned power distribution companies.

COAL VS RENEWABLES

- The proposal comes at a time when India is set to open up coal mining to global mining companies for the first time. An implementation of the proposal would provide a fillip to state-run Coal India, whose stock has lost a fifth of its value over the last 12 months. Thermal power companies, in addition to emitting greenhouse gases, account for 80 percent of all industrial emissions of particulate matter, sulfur and nitrous oxides in
The average rate at which coal-fired power is sold to distribution companies stands at about 3.50 rupees per unit, according to a Reuters analysis of data provided to the power ministry by many Indian utilities in October. That compares with an average cost of 2.50 rupees to 3.00 rupees for renewable energy projects. The current carbon tax on coal contributes to 0.25 rupees per unit, according to industry estimates.

If implemented, the move would reduce the price gap between coal-fired power and renewable, and potentially impact Modi’s plan to increase adoption of green energy. Cutting taxes on coal would impact growth of renewable energy as well as the transition away from coal.