

Accelerating India's Transition to a Low-Carbon Future: Reviewing the Energy Conservation (Amendment) Bill, 2022

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Introduction

In the year 2022, the Energy Conservation (Amendment) Bill, 2022 was passed by the Parliament to amend the Energy Conservation Act 2001, to facilitate the achievement of the COP-26 Glasgow goals. This bill introduces significant new elements such as mandatory utilization of non-fossil fuel sources and the implementation of carbon credit trading, accelerating the decarbonization of the Indian economy. The Central government has been granted the authority to establish a carbon credit trading scheme and establish an Energy Conservation and Sustainable Building Code.

The primary objective of this bill is to bring large residential buildings, with a maximum connected load of 100 kilowatts (kW) or contract demand of 120 Kilovolt Ampere (Kva), under the purview of the Energy Conservation regime. Additionally, it empowers the state to lower the aforementioned threshold to encompass a larger number of buildings. The bill expands the scope of the Energy Conservation Building Code, modifies penalty provisions, and increases

the membership of the Governing Council of the Bureau of Energy Efficiency. Furthermore, it grants state electricity regulatory commissions the authority to establish regulations to ensure the efficient discharge of their functions. The bill also seeks to establish carbon credit markets in India.

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Key features

- **The trading of Carbon credit** - The bill empowers the Central Government to specify the carbon credit trading scheme, which involves tradable permits for a specified amount of carbon dioxide or other greenhouse gas emissions. Authorized agencies or the Central Government have the authority to issue carbon credit certificates to entities registered and compliant with the prescribed scheme. These certificates can be traded, and individuals can also voluntarily purchase them.
- **Obligation to use non-fossil sources of energy** - The Act requires the Central Government to specify energy consumption standards, including the minimum share of energy consumption from non-fossil sources. Various consumption thresholds are specified for different non-fossil sources and consumer categories, including industries such as cement, petrochemicals, chemicals, textiles, mining, and steel; the transport sector, including railways; and commercial buildings as outlined in Schedule. [\[1\]](#) Failure to meet these obligations can result in penalties of up to Rs 10 lakh, with an additional penalty of up to twice the price of oil equivalent to the energy consumed above the specified norm.
- **Energy conservation code for buildings** - The Act empowers the Central Government to establish an Energy Conservation and Sustainable Building Code, which sets energy consumption standards for buildings. The bill introduces new rules to promote energy efficiency, conservation, the use of renewable energy, and other requirements for green buildings. The energy conservation code applies to commercial buildings that are constructed after the Code's notification and has a contract load of 120-kilo volt-ampere (kVA) or a minimum connected load of 100 kilowatts (kW). The new Energy Conservation and Sustainable Building Code will also apply to office and residential buildings that meet the aforementioned conditions. The bill allows State Governments to lower the load thresholds.
- **Standards for vehicles and vessels** - The Act specifies energy consumption standards for equipment and appliances involved in energy consumption, generation, transmission, or supply. The bill expands the scope to include vehicles (as defined under the Motor Vehicles Act,

1998) and vessels (including ships and boats). Non-compliance with the standards can result in penalties of up to Rs 10 lakh, with vessels attracting an additional penalty of up to twice the price of oil equivalent to the energy consumed above the prescribed norm. Vehicle manufacturers violating fuel consumption norms may be subject to penalties of up to Rs 50,000 per unit of vehicles sold.

- **Composition of the Governing Council Bureau of Energy Efficiency** - The Act establishes the Bureau of Energy Efficiency and includes a governing council with a membership ranging from 20 to 26 individuals, including secretaries from six departments, representatives from regulatory authorities such as the Central Electricity Authority and the Bureau of Indian Standards, and four members representing industries and consumers. The recent changes increase the number of members to between 31 and 37, with twelve secretaries and seven members representing industries and consumers.
- **Penalty** - The Amended Act includes Section 26, which introduces new penalties and strengthens existing ones for violations of certain provisions. It enhances the penalty for equipment and appliances that do not conform to the prescribed energy consumption standards and for those that lack specified particulars. The Amendment Act introduces an additional penalty ranging from a maximum of five thousand rupees to a minimum of two thousand rupees per appliance or equipment in cases of non-compliance.

Key Issues and Analysis

- **Regulation of Carbon Credit Trading** - The Bill grants the Central Government the authority to specify the regulations for carbon credit trading. Carbon credits refer to tradable permits that allow the holder to emit a limited amount of greenhouse gases, such as carbon dioxide, methane, and nitrous oxide. These credits can be obtained by reducing emissions or creating carbon absorption sinks, such as through forestry. Entities that exceed their emission limits can purchase carbon credits. A carbon credit trading scheme aims to reduce greenhouse gas emissions and address climate change.
- **Uncertainty regarding the regulation of the carbon credit market** - Currently, trading platforms in various sectors are regulated by different regulatory bodies. Share and commodity trading, for example, are regulated by SEBI, while electricity trading is regulated by the Central Electricity Regulatory Commission (CERC) under the [Electricity Act](#), of 2003. The Bill does not provide clarity on how carbon credit certificates will be traded or which regulatory body will oversee such trading. The Act also mentions energy savings certificates, but it does not specify the regulatory authority for trading these certificates. Currently, power exchanges regulate the trading of these certificates under the supervision of CERC.
- **Compatibility with the Energy Conservation Act, 2001** - The provisions of the Energy Conservation Act, 2001 primarily focus on energy

conservation. In contrast, the present bill addresses environmental conservation and climate change mitigation by targeting the use of both fossil and non-fossil fuels in electricity generation. The bill also aims to monitor and control carbon emissions and climate change, which fall under the purview of environmental laws.

- **Lack of coordinated approach** - There is a lack of coordination between the Central Government and State Governments in implementing the bill. While the Central Government has specific roles and responsibilities, the Act authorizes State Governments to carry out a different set of roles in the implementation of energy conservation measures.

Conclusion & Suggestions

- To make energy-efficient appliances more affordable, a combination of taxation and technology can be implemented. However, certain constraints may arise, such as the imposition of taxes on imported items in the LED industry to promote domestic production. One approach to distributing the cost of these appliances is to add a small monthly fee, for example, Rs 10, to the electricity bill, allowing the cost to be recovered gradually without causing a significant burden.
- Public transportation holds significant potential for energy savings, particularly in railways, buses, and metros. Metros, in particular, have effectively controlled emissions and have even earned carbon credits from European countries.
- Improving extraction techniques is crucial, especially in the mining of coal, which currently utilizes outdated technology in India. Adopting new and better technologies can lead to more efficient extraction processes. Similarly, oil and gas extraction can be carried out using advanced and efficient methods.
- In the agriculture sector, where diesel-operated pumps are prevalent, promoting the use of efficient pumps and solar-operated pumps is essential. This shift can contribute to energy conservation and reduce reliance on fossil fuels.
- By implementing these suggestions and promoting energy-efficient practices across various sectors, India can make significant strides in achieving its energy conservation goals and combating climate change.

FAQs

What is the aim of the Energy Conservation Amendment Bill 2022?

The aim of the Energy Conservation Amendment Bill 2022 is to prohibit carbon emissions. It provides for the regulation of energy consumption by appliances, buildings, equipment, and industries.

What is the significance of the bill?

The bill facilitates achieving *Panchamrit* principles initiated by India in COP-26 at the Glasgow Summit, in 2021. It will promote renewable energy and the development of a domestic Carbon market to fight climate change. It will pave the way for the introduction of new concepts such as Carbon trading and will help in adopting clean technologies.

What is a carbon credit?

Carbon credit is defined as a tradable permit or certificate which provides the holder of the credit the right to emit one ton of carbon dioxide or an equivalent of another greenhouse gas. It restricts the emission to one ton of carbon dioxide or the mass of another greenhouse gas with a carbon dioxide equivalent corresponding to one ton of carbon dioxide.

[\[1\]http://164.100.47.4/BillsTexts/LSBillTexts/Asintroduced/177_2022_LS_Eng.pdf](http://164.100.47.4/BillsTexts/LSBillTexts/Asintroduced/177_2022_LS_Eng.pdf)

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