

# Nangia Andersen LLP



## Energy Conservation Amendment Bill 2022 passed

December 2022



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The “Energy Conservation (Amendment) Bill 2022”, to the Energy Conservation Act, 2001, earlier introduced and passed by the Lok Sabha in August 2022 has now been passed by the Rajya Sabha.

The Power Minister R.K. Singh terms the Bill as "futuristic" that essentially espousals mandatory use of non-fossil sources, seeks to establish carbon markets, and empowers the State Electricity Regulatory Commissions to make regulations for smooth discharge of its functions.

### Key Highlights of the Bill

#### Central Government’s authority to administer efficient use of energy and its conservation

The Bill vests in the Central Government the following prime authorities, besides other supplementary powers.

Foremost, the Central Government may specify the norms for processes and energy consumption standards for prescribed equipment or appliances which consume, generate, transmit or supply energy.

The Government may require “designated consumers” to meet a minimum share of energy consumption from non-fossil sources. Different consumption thresholds may be specified for different non-fossil sources and consumer categories.

Likewise, it can prescribe “energy conservation and sustainable building codes” for efficient use of energy and its conservation in buildings. These codes shall be the norms and standards of energy consumption expressed in terms of per square metre of the area wherein energy is used.

Under the Act, the energy conservation code applies to commercial buildings erected after the notification of the Code, and having a minimum connected load of 100 kilowatt (kW) or contract load of 120 kilo volt ampere (kVA). Under the Bill, the new Energy Conservation and Sustainable Building Code will also apply to the office and residential buildings meeting the above criteria.

Designated consumers include industries such as mining, steel, cement, textile, chemicals, and petrochemicals; transport sector including Railways, and commercial buildings, as specified in the schedule.

## Central Government's authority to administer efficient use of energy and its conservation

The Bill entitles the State Government to direct every owner or occupier of a building or building complex being a designated consumer to comply with the provisions of the energy conservation building codes.

Further, the State can amend the foregoing codes to suit the regional and local climatic conditions, or even notify codes vis-a-vis use of energy in the buildings.

In addition, the **State Energy Conservation Fund** shall be constituted to promote efficient use of energy and shall be applied for meeting the expenses incurred for implementing the provisions of this Act. The credits, pertinently, shall be of all grants and loans that may be made by the State Government or, Central Government or any other organisation or individual for the purposes of this Act.

### Carbon Credit Trading Scheme

The Bill empowers the central government to specify a carbon credit trading scheme. Carbon Credits are intangible commodities entailing a tradable permit to produce a specified amount of carbon dioxide or other greenhouse emissions.

The Central Government, or any agency authorised by it may issue carbon credit certificate to a registered entity which complies with the requirements of the carbon credit trading scheme, which can then purchase or sell the carbon credit certificate.

Notably, any other person may also purchase energy saving certificate or carbon credit certificate on voluntary basis.



### Nangia Andersen LLP's Take

*The bill is a facilitative step aimed at helping the country achieve its international commitments on climate change. Its provisions would facilitate the achievement of "Panchamrit"— as five nectar elements presented by India in COP-26 (Conference of Parties -26) in Glasgow 2021.*

*The bill also underpins India's Long-Term Low Emission Development Strategy (LT LEDS) submitted to the United Nations Framework Convention on Climate Change (UNFCCC) during the COP27.*

*The energy conservation standards and sustainable building codes stipulated in the bill are in line with the salient features of the strategy viz. rational utilization of national resources with due regard to energy security, sustainable and climate resilient urban development driven by energy and resource efficiency and effective green building codes.*

*The introduction of Carbon trading scheme and requirements of mandatory use of non-fossil sources would ensure faster decarbonization of Indian economy and help in achieving sustainable development goals in line with the Paris Agreement and various other actions related to climate change.*



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