

AKSHAYA SHAKTI NIDHI (GREEN ENERGY FUND) - KARNATAKA

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Adding an additional 4,200 MW through renewable sources

The Government of Karnataka has proposed to create a Green Energy Fund by levying a cess on commercial and industrial consumers of energy. The funds would be utilized for financing of renewable energy and energy efficiency projects. However, after several years of the announcement, the cess is yet to be implemented. This policy brief highlights the Fund modalities as planned and also reports on the current status of the Fund.

Framework

Origin and Purpose

The Karnataka Renewable Energy Policy (2009-14) sets a target of generating an additional 4200 MW through renewable energy (RE) sources. As part of this policy, the Government of Karnataka (GoK) plans to introduce a “Green Energy Cess” on commercial and industrial consumers to generate funds for financing of renewable energy projects and energy efficiency measures. The fund thus generated will be termed as the “Green Energy Fund” or “Akshaya Shakthi Nidhi”.

Operational Procedure

The Green Energy Cess is applicable on commercial and industrial consumers. A cess of Rs 0.05 (five paise) per kWh will be introduced. The “Akshaya Shakthi Nidhi”

will be administered by Karnataka Renewable Energy Development Limited (KREDL) for promotion of renewable energy, particularly in Public Private Partnership (PPP) mode, decentralized generation and distribution, and renewable energy projects for the benefit of rural communities. Preliminary selection and clearance for renewable energy project proposals initiated by private enterprises will be done by KREDL. This will be assessed based on the individual power generating capacity. KREDL will largely cater to deployment of funds for land clearance and infrastructure investment. The exact proportion of fund to be deployed will be disclosed once the proposal is finalized for implementation.

Institutional Mechanism

Various Government agencies will be involved in the planning, regulation, design and disbursement of the fund. Table 1 below provides a list of the various stages and the responsible agencies.

TABLE 1: INSTITUTIONAL MAPPING OF THE AKSHAYA SHAKTHI NIDHI

STAGES	STATE AGENCY (PUBLIC BODY)	PRIVATE AND PUBLIC UTILITIZATION
Policy	Karnataka Renewable Energy Development Limited (KREDL)	–
Planning	Karnataka Renewable Energy Development Limited (KREDL)	–
Regulation	Karnataka Electricity Regulatory Commission (KERC)	–
Generation	Karnataka Electricity Regulatory Commission (KERC)	–
Transmission	Karnataka Electricity Regulatory Commission (KERC) via Karnataka State Finance Corporation (KSFC)	–
Execution	Karnataka Renewable Energy Development Limited (KREDL)	Both for private as well public enterprises
Disbursement	Karnataka Renewable Energy Development Limited (KREDL)	Both for private as well public enterprises

Source: Communication with KREDL, GoK

Revenue Generation

The cess is estimated to generate revenues of about Rs. 55 crores annually. Out of the Rs. 55 crores, 10 % of this fund to the tune of Rs. 5 crores will be set apart as contribution to Energy Conservation Fund for financing energy efficiency and demand side management activities. The balance of Rs. 50 crores will be utilized for renewable energy project financing. In addition to the cess, a support of Rs.25 crores will be added to the Akshaya Shakti Nidhi by the State Government, which will be used to complement and encourage solar rooftop grid-connected projects.

Eligible Activities

Various activities are eligible for funding from the Akshaya Shakti Nidhi. A complete list is provided below:

- Commissioning of RE projects in a public private partnership mode.
- For realizing timely payment for the renewable energy sold to Electricity Supply Companies (ESCOMs), developers will have the facility of Letter of Credit (LoC). KREDL will reimburse the cost of opening these letters to ESCOMs from the Akshaya Shakti Nidhi.
- RE projects commissioned within schedule will be incentivized through certificates of appreciation or cash awards. The latter will be funded from the Akshaya Shakti Nidhi.
- Decentralized renewable energy generation and distribution at the local level for the benefit of rural areas in the State.
- Financing land acquisition for renewable energy projects:
 - According to estimates, about 1200 Ha of land would be needed to achieve the targeted potential (4200MW), requiring enormous expenditure during the policy period (2009-2014).
 - Under section 71 of Land Revenue Act, Government of Karnataka will set aside land categories such as Government barren land, revenue land, private land, panchayat land and forest land etc. to harness renewable energy. As per the industrial planning, 10 % of the Government barren land will be assigned to KREDL for initiating renewable energy projects.
 - Purchase of suitable private land requires necessary amendments to be made in section 79(a), 79(b) and 80 of the Karnataka Land Reforms Act.

- If land identified for renewable energy projects falls under the jurisdiction of the Forest Department, then under the provisions of the Forest Conservation Act (1980) subject to the Ministry of Environment & Forest guidelines, the land will be processed and considered for the project within a period of four months by the State Forest Department.
- Land development activity for RE projects:
- KREDL will accelerate setting up of RE projects on land identified under all three categories- private, revenue and forest.
 - Akshaya Shakti Nidhi funds will be utilized for land development activities including land owned by the Forest Department. If the land belongs to the Forest Department, the fund will be used to support development activities like compensatory afforestation and payment towards net present value.
 - The idea of utilizing this fund for land development is to fast track the process of RE development projects by offering “ready to use” developed land. KREDL will lease out land to renewable energy developers for a period of 30 years, after which it will be transferred back to the Government. The lease rent under this agreement would be as per the prime lending rate over current market price subject to financial limits and land availability on a case-to-case basis.
 - Under any circumstance, the renewable energy developers do not have the authority to mortgage land to any other financial agency/ institution etc.

TABLE 2: SUMMARY OF ELIGIBLE ACTIVITIES

CATEGORY	ACTIVITIES TO BE UNDERTAKEN
Public Private Partnerships	Commissioning of RE projects in a PPP mode, facility of Letter of Credit, and incentives for timely completion of projects.
Land acquisition for RE projects	For purchase of suitable private lands. In case of forest owned land, for payment towards compensatory afforestation projects.
Land development activity for RE projects	In case of Government owned land, the fund will be utilised to develop ready to use lands to fast track RE development projects. These ready lands will be leased out for RE projects (public/private venture) for a period of 30 years after which will be transferred back to the government.
Decentralised generation	Generation and distribution at the local level for the benefit of rural areas.

Current Status

The Akshaya Shakti Nidhi has not yet been implemented in the State. The Finance Department, GoK has asked the Energy Department to introduce the “Green Energy Cess” as a “tariff” instead of a cess, as this would result in the revenue generated being distributed to the respective Electricity Supply Companies and not flow into the State exchequer. The comments are under consideration by the Energy Department and the Akshaya Shakti Nidhi will be implemented after discussions with the individual Electricity Supply Companies (ESCOMs) and the Energy Department¹.

References

Karnataka Renewable Energy Policy 2009-14; Department of Energy - Government of Karnataka; Published by KREDL; Available at: <http://kredlinfo.in/general/Renewable%20Energy%20Policy%202009-14.pdf>

‘Green cess to raise Rs 55 crore’; Available at <http://timesofindia.indiatimes.com/city/bangalore/Green-cess-to-raise-Rs-55-crore/articleshow/4637249.cms>

¹ Communication with KERC, GoK



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