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# ICRA's CLIMATE SERIES

## The Union Budget FY2025

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Union Budget FY2025 focuses on climate cost, finance, infrastructure, sustainable practices to build a green ecosystem in the long term

**JULY 2024**

### CLIMATE CHANGE

The biggest crisis of our time

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*Green announcements in the Union Budget FY2025 are in line with the 'Green Growth' priority taken for achieving climate goals in the next 25 years.*

*For the first time – the Union Budget focuses on issues like climate finance, critical minerals availability, apart from encouraging domestic RE usage.*

The Union Budget FY2024 had included 'Green Growth' as one of the seven priorities for the next 25 years (Amrit Kaal) to reduce carbon emissions by adopting green energy, going forward. The Revised Union Budget FY2025 followed the path laid down in Budget FY2024 with announcements supporting the green ecosystem. Some of the key 'Green' announcements in Budget FY2025 have been covered in this report.

#### **Rooftop solarisation of one crore houses:**

- This scheme would help promote domestic usage of Renewable Energy (RE) and reduce carbon emissions from buildings - which contribute ~5% in total carbon emissions for India.
- Interim Budget FY2025 had announced rooftop solarisation for one crore households. The scheme has received remarkable response with more than 1.28 crore registrations and 14 lakh applications. The Union Budget FY2025 encourages the same with provision of Rs 62.5 billion in FY2025 BE under the PM Surya Ghar Muft Bijli Yojana towards rooftop solarisation.

#### **Exemption of customs duties on 25 critical minerals and reduction of basic customs duty on a few. Setting up domestic production, overseas acquisition, recycling of critical minerals**

- A reliable supply chain of these critical minerals – a necessity for building green infrastructure - will help support India's sustainable economic growth.
- Exemption/reduction in custom duty will reduce cost and production/acquisition/recycling of critical minerals will assure supply for these minerals - which will help domestic manufacturers and attract investment for green infrastructure.

#### **Taxonomy for climate finance:**

- There are multiple climate finance avenues available in India, however, considering the current carbon emissions and their potential rise with India's steady economic growth, more funding will be required to build a green environment.
- Climate finance taxonomy refers to a set of standardised regulations and guidelines to inform companies and investors on making investments towards climate projects. Introduction of taxonomy can accelerate capital flow into sustainable projects.

*Announcements with regard to natural farming and climate-resilient crop varieties will address cost and climate change impact on agriculture.*

*The Gol's focus on climate adaptation and mitigation will increase as we come closer to the climate goal timelines in 2030.*

## **Agriculture sector:**

The sector contributes ~5% of the carbon emissions for the country. The Union Budget FY2025 announced the support for sustainable agriculture through natural farming initiatives, bio-input resource centres to help natural farming and climate-resilient crop varieties. It has allocated Rs 3.65 billion in FY2025 BE under the National Mission on Natural Farming, which includes natural farming initiatives and climate-resilient crop varieties.

## **Natural farming initiatives:**

- This not only aims at environmental benefits but also at improving the livelihoods of farmers by reducing input costs (less use of fertilisers and pesticides - differs from crop to crop) and enhancing market value through certification and branding.

## **Climate-resilient crop varieties:**

- The Government of India (Gol) will release 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops. The introduction of these crop varieties is a strategic move to help farmers adapt to changing climatic conditions.
- These varieties can withstand extreme weather events, pests, and diseases, ensuring stable yields and food supply. This initiative supports the resilience of the agricultural sector, avoid crop loss and contributes to the overall sustainability and productivity of Indian agriculture.

- The Union Budget FY2025 focuses on climate cost, finance, infrastructure and sustainable practices to build a long-term green ecosystem.
- The Gol's focus on climate adaptation and mitigation will increase as we approach the climate goal timelines in 2030. Upcoming Union Budgets are also expected to include such announcements, until the net zero target taken by India for 2070 looks feasible.



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