

An ESG lens on the Indian 2022 Budget

By Spandan Shah, ESG Consultant & Founder of GreenAlytics

Analysing tax and financial implications of a Finance Budget on corporates and industry sectors as well as on individuals has always been central to our Chartered Accountant profession. On the personal front, the focus has evolved overtime from simply remembering a change in the tax rate/slab (at the start of my career) to slowly getting to grips with new provisions or legislations being introduced, followed by discussing the underlying economic and commercial rationale of such regulatory changes (as an experienced professional) to eventually discussing a 'wish-list' from the upcoming budget.

This time round, I'm breaking the 'tradition' to focus on the Indian 2022 Budget ('the Budget') from a very different perspective by overlaying an Environmental, Social and Governance ('ESG') lens.

The Budget focuses quite strongly on a) climate action and energy transition – the environment/planet agenda and b) inclusive growth and welfare – the social/people agenda. The proposals in the Budget are a welcome step towards achieving India's climate related goals announced last year at COP26 as well as addressing the social challenges around rising inequality, declining farmer income, increasing access to improved infrastructure, etc.

I discuss and outline some of the key initiatives proposed in the Budget on the Planet & People agenda.

Environment/Planet agenda

1) Climate finance

Lack of funding has historically been a key challenge for the transition towards sustainability and a climate friendly economy. The Budget provides for some key initiatives aimed at financing the climate agenda. These include:

- Issue of sovereign Green Bonds to mobilise resources for green infrastructure. Proceeds of these bonds will be deployed in public sector projects aimed at reducing carbon intensity.
- Introduction of Climate Action focused funds providing blended finance to projects advancing the climate agenda under a public-private ownership model, where government ownership will be restricted to 20% and the balance ownership will be with private fund managers.
- Allocation of additional INR 19,500 crore to boost domestic solar power manufacturing to reach an ambitious goal of 280 GW of installed solar power capacity by 2030.
- Setting up services for global capital for sustainable & climate finance in GIFT city, Gandhinagar, Gujarat.
- Through NABARD, provide finance to agriculture & rural enterprise start-ups engaged in activities improving the farm produce value chain.

2) Circular economy

- The Budget includes an Action Plan for facilitating adoption of circular economy principles aimed at reducing waste and promoting reuse and recycling of raw materials.
- The Action Plan covers ten waste management sectors including electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste.
- The Budget also mentions expansion of public policies to facilitate R&D and innovation, expansion of existing regulations and EPR frameworks to boost adoption of circular economy principles across the economy.

3) Net-zero goals and Environment protection

- 5-7% biomass pellets will now be used in thermal power plants resulting in 38 MMT of CO2 savings annually.
- The Budget provides for launching new policies to promote agroforestry and private forestry.
- Pilot projects for coal gasification will be undertaken to test technological feasibility for upscaling in the future, further advancing the net-zero agenda.
- INR 3,030 crore (a 5.6% increase) allocation to the Environment ministry to promote and facilitate multiple initiatives which include national afforestation programme, national coastal mission, tiger & elephant conservation, enhancing knowledge and capacity building.

- Chemical-free Natural Farming will be promoted throughout the country, with an initial focus on farmers' lands in 5-km wide corridors along river Ganga.

4) Energy efficiency

- Promotion of Energy Savings Company business model to drive energy efficiency and savings measures.
- Develop 400 new Vande Bharat trains with better energy efficiency over the next three years.
- Encouraging private sector to develop innovative 'Battery/Energy as a Service' models to improve efficiency in Electronic Vehicle ecosystem.

Social/People agenda

For promoting inclusive welfare and growth, the Budget provides for various people-focused initiatives.

1) Reducing gender and income inequalities

- Affordable housing: 80 lakh houses will be completed for the identified eligible beneficiaries of PM AwasYojana; reduction in time for land/construction approval for promoting affordable housing in urban areas.
- Multiple programmes aimed at boosting farmers' income and creating more job opportunities in the agriculture & food processing sectors.
- Three key schemes launched to provide integrated benefits to women and children.

2) Sustainable Infrastructure & Urban development

- Focus on sustainable urban planning and mass transport by modernising building byelaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD). This enable people to live and work closer to mass transit systems.
- Implementing Ken Betwa Link Project aimed at providing irrigation benefits to 9.08 lakh hectare of farmers' lands, drinking water supply for 62 lakh people, 103 MW of Hydro, and 27 MW of solar power. Five additional projects are under process of implementation.
- National Master Plan aimed at creating world class and modern infrastructure and logistics synergies.
- Additional 25,000 km national highways planned for completion during 2022-23.
- Access to tap water to additional 3.8 crore households during 2022-23 through Nal Se Jal yojna.

3) Financial inclusion

- Enabling financial inclusion by bringing 100% of post offices on the core banking system.
- Scheduled Commercial Banks to set up 75 Digital Banking Units in 75 districts.

4) Education

- 750 virtual labs and 75 skilling e-labs to be set-up to promote critical thinking skills and stimulated learning environment.
- Establishing a Digital University with world class quality universal education.
- Delivering high quality e-content through Digital Teachers and 'one class-one TV channel' programme.

5) Health

- It is quite commendable to see the Budget launch a programme aimed at tackling growing mental health issues, particularly in light of the Covid-19 pandemic. A National Tele Mental Health Programme will be launched for quality counselling.
- Another key health related initiative includes roll out of National Digital Health Ecosystem aimed at facilitating universal access to health facilities.

Concluding remarks

So, does this Budget get a 10/10 on the ESG score? Possibly not as a lot many experts would say. As in most instances, there will always be some items missing from our 'wish-list'. However, I believe the Budget sets a great foundation for kick-starting, and in various instances, advancing India's efforts on the ESG front.

This analysis is by no-means an exhaustive or an in-depth one. I am likely to have missed a few noteworthy mentions and references, and my apologies for that. My intent is simply to increase awareness of the ESG agenda and the growing imperative for corporates (and individuals) to collaborate and work together to address the environmental and social challenges we face today.