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Shri Ghanshyam Prasad
Joint Secretary to GOI & Convenor of Committee on NEP
Ministry of Power
Shram Shakti Bhawan
Rail Marg
New Delhi - 110001

Subject: Representation from the Biomass Energy Industry on the draft NEP policy

Dear Sir,

Greetings from CBEII,

About CBEII

Confederation of Biomass Energy Industry of India (CBEII) is the industry body that represents the needs, interests and concerns of the entire Biomass energy industry in India. The industry is amongst the fastest growing industries worldwide with a potential to create major impact on the environment but also socially on lives of farmers and rural economy. The industry is a sunrise sector and like other sectors which are at an early stage of development, they need special focus from policy makers and regulators. One of the key stakeholders / members of CBEII are the investors, financiers and stakeholders of the Biomass based IPP's/Cogen plants that are today significantly contributing to generation of renewable energy, providing employment in rural India but also reducing pollution/greenhouse gas emissions.

Biomass is the most sustainable fuel and source of thermal energy with potential to develop as the most sustainable source of Natural Gas and Hydrogen in the future

Introduction

1. The biomass-based electricity / energy capacity is one of the cleanest sources of electricity production as it not only reduces the open field burning of agri-residue by farmers therefore curbing pollution but also replaces the more toxic conventional thermal energy plants which use coal for energy production. The country has an active and growing biomass-based electricity sector, which was being supported by government & regulators however lately we are unable to observe this policy continuation, and this has hindered the progressive growth of the biomass energy sector. *All industries need policy support to continue for a limited duration in order to allow stabilization of technology, capital but also provide the necessary business environment for investors/players.*

2. While we acknowledge that the cost of electricity from biomass based IPPs is higher as compared to solar and wind, it remains competitive to thermal energy especially in the context of the net social and environment impact as well as upgradation costs in thermal plants for SOX and NOX filtering equipment (FGD). *While there is mention of Cogen and biomass-based power capacity and also mention of the need to support other renewable energy industries in order to curb pollution, in the new draft NEP policy, we are unable to find any specific policy-based support to the sector which would enable the stakeholders to address the industry wide challenges.*



3. We would also like to highlight that the Government of India should ensure that there is cohesion, coordination and alignment of policies between various ministries in order to effectively address the country's commitment to global emission norms. Ministry of Renewable Energy, Ministry of Petroleum and Natural Gas as well as Ministry of Agriculture and Rural development consider the biomass industry as an important aspect towards nations energy security, rural development as well as reduction of pollution. However, the NEP being drafted has no mention of biomass based IPPs and the Ministry of Power's vision towards addressing the needs of these IPPs. There is also no mention about the biomass co-firing in all the coal fired IPPs, thus the much-hyped co-firing of biomass has been completely missed out in the draft NEP document.

Key issues faced by Biomass IPP

4. Through this representation, CBEII would like to bring to your notice the key challenges that affect the players in this segment and the support expected from your good offices to inculcate the following in the New Energy Policy document being developed by Ministry of Power and where you have invited suggestions from various industry participants.

- (a) Absence of regular pipeline of projects / bids Need to support demand / requirement of biomass IPPs
- (b) Absence of good quality PPA since most are state discom offtakes
- (c) Absence of market aligned tariff / VGF aligned to the business model of biomass IPP
- (d) Policy support for availability of biomass & long term energy mix from biomass.
- (e) Regular bid / capacity creation to support interest and scope for investors in the biomass energy sector, through international competitive bidding tenders akin to solar & wind sectors, thus creating the right energy mix in the NEP.

5. MoP should ensure that each state regularly issues new tenders for biomass IPP projects in their state basis of the agriculture area under production (which is the raw material for these IPPs) through MW quote per state depending on the agri-residues data available through Govt of India TIFAC report. This will ensure that the agri-residue finds a source of utilization in each state commensurate to the agriculture production. Without any sustainable use of this agri-residue, farmers are incentivized towards open field burning.

6. Currently several biomass IPPs face financial crunch owing the poor financial health of the respective states Discoms. Poor financial condition of the discoms also discourage international investors or financial investors from taking any business call since elongated receivable cycles is a big negative on the sector. Therefore, like SECI offtakes for solar projects, MoP should ensure similar tenders from SECI for biomass based IPPs



7. Preferential Tariffs and VGF for biomass power to make it sustainable. This tariff is likely to be significantly higher than Solar/other non-conventional means. A sustainable VGF model may be adopted such as below.

a. Pollution Tax to be introduced for Polluting Industry primarily burning Coal/low purity fossil fuels. Graded Tax Slabs based upon percentage biomass co-firing. This tax may be partially used for VGF. Pollution Tax also applicable to industry without proven, active and online pollution control devices.

b. Tax holiday for industry utilising/generating 100% RE. Exemption Slabs may be based upon tCO² offset (audited by Govt. appointed energy auditors).

c. Incentives and availability of low cost capital for installation of biomass boilers/upgradation. These incentives should be for a limited time in order to incentivize quick/time bound change-over.

d. Working Capital for biomass IPPs/ biomass Aggregators will be made available on easy terms through Banks & NBFCs.

8. Since its a Policy, we should also look at the circular economy aspects & include a clause classifying the ash generated as green ash and fit for disposal in landfills / farms & compulsory usage by cement block manufacturers, since this shall provide a resource for the top soil carbon regeneration & also provide the green ash generated as a further downstream small scale industry to be developed.

9. MoP should develop a similar structure as CER in the Indian markets wherein industry that reduces consumption of fossil fuels or assists in reduction of open field burning, is financially incentivized. This market driven model will not create burden on the exchequer by penalizing the industries which donot phase out their fossil fuel consumption in a progressive manner.

Key issues faced by Densification for Biomass Co-Firing

10. NEP does not outline the policy towards biomass co-firing which needs to be made mandatory for all coal IPPs. MoP has issued the policy for co-firing of biomass vide CEA/TETD-TT/2017/M-25/1137-1251 dated 24.11.2017 the advisory for biomass co-firing was issued by CEA.

While there have been announcements made by state owned IPPs, these have not yet translated into action over the past 5+ years.

11. In the absence of any policy for mandatory co-firing of biomass across all the coal utilising power generation units, both public sector & private sector, including high energy consumption industries like steel, cement, industrial boilers, Oil & Gas sector plants, petrochemical plants, etc there will be a gross injustice to miss out a big renewable energy source which is within our country & is in line with the government mandates of:

- a. *Energy security.*
- b. *Increasing farmer income.*
- c. *Make in India.*
- d. *Ann Data se Oorja Data.*
- e. *Reduction in import of fossil fuel & move towards green renewable fuels.*
- f. *Development of decentralised RE projects at the tail end of the grid.*
- g. *Atmanirbhar Bharat.*



12. Value chain of biomass-based industry for densification of biomass is as under:

Agri-residues from fields → Collection, Aggregation & Storage → Processing of the biomass requiring setting up of industry → Densification of biomass into briquettes/ pellets requiring setting up of industry → Storage/ Warehousing of densified biomass → Transportation of briquettes/pellets by road/rail rakes → warehousing at plant/last mile distribution.

Each of the above activity requires a confirmed demand side & the NEP should clearly lay down the requisite time bound mandate for the energy mix of biomass, thus ensuring the demand side requirement to be firm with certainty of policy push.

Based on this then further, the banking system shall need to formulate special financing schemes so that this nascent industry has the requisite support for development to achieve the objectives of RE for India in line with the declared targets.

NEP must give due recognition to biomass energy in all its forms, replacement of fossil fuels & for development of biomass to energy sector in line with the energy mix which is envisaged.

13. *Representatives from CBEII shall be available for any meeting/ discussions/presentation which might be required to strengthen the case for the biomass sector to find its due place in the NEP & please do advise us on the next steps please.*

Request your kind acknowledgement receipt of this industry representation and we look forward to a positive engagement with you and your team to develop this industry further in India

Warm regards,



Chandan Goswami
Founder
Confederation of Biomass Energy Industry of India