

## **Extension in FGD installation timeline, a much-needed relief for TPPs: Infomerics Ratings**

*Ministry of Environment, Forest, and Climate Change (MoEFCC) has for the third time extended the timeline for FGD (Flue Gas Desulfurization) installation in Thermal Power Plants (TPPs). Infomerics Ratings believes that this is a pragmatic step considering ground realities like regulatory delays in approving the capex, regulatory uncertainty in terms of tariff revisions and pass through, no clarity on recovery especially for non-contracted TPPs and lack of funding. These reasons are amply reflected in limited progress in implementation of this capex. The multiple extension of timelines on the other hand may be criticized as to causing further delay in achieving emission norms of the country. India remains amongst the top emitters globally and coal-based power generation is a significant contributor to this.*

Says Mr. Amod Khanorkar, Chief Rating Officer of Infomerics Ratings, “Extension of timeline for FGD installation augurs well for TPPs. Regulatory and financial bottlenecks have impacted the timelines for installation of FGDs. Faster regulatory approvals, timely tariff revisions are critical to tie up funding without putting undue stress on the financial risk profile of TPPs. Resolution of these primary issues will not only help meet implementation timelines but also achieve clean energy timelines set for the country.”

Growing significance of Renewable Energy (RE) in the total energy mix of India backed by Government of India’s international commitments to reduce emission levels have necessitated TPPs to undertake FGD capex. FGD is a technology which removes sulfur dioxide from the flue gas emitted from fossil-fuel power plants prior to its release into the atmosphere. FGD installation entails large capital expenditure of approx. Rs.0.75 crore/ MW. Infomerics Ratings believes the sluggish implementation of FGD projects are primarily because of the lender reluctance in funding FGD projects due to regulatory uncertainty in terms of revision of tariffs for recovery of FGD capex. Also, complete pass through would also result in increasing power procurement cost for power distribution companies, many of which are already financially weak. Higher tariff would also result in making TPPs less competitive in the merit order vis a vis RE tariffs which have been coming down over the years. In recent times TPPs have also been struggling with internationally increasing coal prices.



Considering the challenges faced by the industry which resulted in limited progress, MoEFCC has issued a notification on September 5, 2022, extending the deadline again by two years up to December 2024 from December 2022 for TPPs within 10km radius of National Capital Region or cities having million plus population. Similarly, for TPPs within a 10-km radius of critically populated areas, the new deadline is December 2025, instead of December 2023; and for the rest of the TPPs, the deadline now is December 2026, instead of December 2024. These TPPs are non-retiring units. Further, all retiring TPPs will have time till December 2027 and those scheduled to retire before December 31, 2027, will be exempted from installation of FGDs. The Ministry first specified emission norms on December 7, 2015, giving TPPs time until December 2017 for FGD installation. Subsequently the deadline was extended. Later, due to disruptions caused by Covid it was again extended to December 2022.

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