The Energy Conservation (Amendment) Bill

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In news– The Energy Conservation (Amendment) Bill was introduced in the Parliament recently.

Key features of the bill-

- The Bill seeks to amend the Energy Conservation Act, 2001.
- The Bill has **provisions to establish carbon markets(domestic) and** facilitate trade in carbon credits.
- **It aims to empower state electricity regulatory commissions** to make regulations for a smooth discharge of its functions.
- The Bill seeks to **mandate the use of non-fossil sources, including green hydrogen, green ammonia, biomass** and ethanol for energy and feedstock.
- It **seeks to make it compulsory for a select group of industrial, commercial and even residential consumers to use green energy**. A prescribed minimum proportion of the energy they use must come from renewable or non-fossil fuel sources.
- It seeks to **widen the scope of energy conservation to include large residential buildings as well**. Till now, the energy conservation rules applied mainly on industrial and commercial complexes.
- The amendment Bill seeks to build upon the progress made so far. For example, just like the standards for appliances and equipment, energy consumption standards would be specified for motor vehicles, ships and other water vessels, industrial units, and buildings.

What are carbon markets?

- **Carbon markets allow the trade of carbon credits** with the overall objective of bringing down emissions.
- These markets c**reate incentives to reduce emissions or improve energy efficiency**. For example, an industrial unit which outperforms the emission standards stands to gain credits.
- **Another unit which is struggling to attain the prescribed standards can buy these credits** and show compliance to these standards.
- The unit that did better on the standards earns money by selling credits, while the buying unit is able to fulfill its operating obligations.
- **Under the Kyoto Protocol, the predecessor to the Paris Agreement, carbon markets have worked at the international level as well**.
- The Kyoto Protocol had prescribed emission reduction targets for a group of developed countries. Other countries did not have such targets, but if they did reduce their emissions, they could earn carbon credits.
- These carbon credits could then be sold off to those developed countries which had an obligation to reduce emissions but were unable to.
- A similar carbon market is envisaged to work under the successor Paris Agreement, but its details are still being worked out.
- **Domestic or regional carbon markets are already functioning in several places, most notably in Europe,** where an emission trading scheme (ETS) works on similar principles.
- Industrial units in Europe have prescribed emission standards to adhere to, and they buy and sell credits based on their performance. **China, too, has a domestic carbon market.**
- **A similar scheme for incentivising energy efficiency has been running in India for over a decade now. This BEE scheme, called PAT,** (or perform, achieve and trade) allows units to earn efficiency certificates if they

outperform the prescribed efficiency standards. The laggards can buy these certificates to continue operating.

- However, the new carbon market that is proposed to be created through the above mentioned amendment to the Energy Conservation Act, would be much wider in scope.

Energy Conservation Act, 2001-

- The 2001 law **defined standards for energy conservation and efficiency** to be followed by a select group of industries and commercial complexes.
- Efficiency standards were also prescribed for equipment and appliances like air conditioners or refrigerators.
- **This law set up the Bureau of Energy Efficiency (BEE) t**o promote the use of more efficient processes and equipment in order to save energy.
- T**he star ratings on various household appliances and the largescale shift to LED bulbs** were some of the successful initiatives of BEE that have resulted in massive energy savings over a period of time.