

Perform Achieve and Trade (PAT)

Background:

The National Action Plan on Climate Change (NAPCC), released by the Prime Minister on 30th June 2008, recognizes the need to maintain a high growth rate for increasing the living standards of the vast majority of people and reducing their vulnerability to adverse impacts of climate change. The Action Plan enunciates the following principles.

- Protecting the poor and vulnerable sections of society through an inclusive and sustainable development strategy sensitive to climate change
- Achieving national growth objectives through a qualitative change in direction that enhances ecological sustainability, leading to further reduction in emissions of GHGs
- Devising efficient and cost-effective strategies for end-use demand-side measures
- Deploying appropriate technologies for both adaptation to and mitigation of the adverse effects of emissions of GHGs extensively as well as at an accelerated pace
- Engineering new and innovative forms of market, regulatory, and voluntary mechanisms to promote sustainable development

1.1 The National Action Plan outlines eight national missions that represent multi-pronged, long-term, and integrated strategies for achieving key goals in the context of climate change. These missions are listed below.

- a) National Solar Mission
- b) National Mission for Enhanced Energy Efficiency**
- c) National Mission on Sustainable Habitat
- d) National Water Mission
- e) National Mission for Sustaining the Himalayan Ecosystem
- f) National Mission for a Green India
- g) National Mission for Sustainable Agriculture
- h) National Mission for Strategic Knowledge for Climate Change

1.2 The Ministry of Power (MoP) and BEE were entrusted with the task of preparing the implementation plan for the national mission for enhanced energy efficiency (NMEEE). NMEEE will usher in the following four initiatives, in addition to the policies and programmes for energy efficiency being implemented by BEE. These initiatives are as follows:

- Perform, Achieve, and Trade (PAT), a market-based mechanism to make improvements in energy efficiency in energy-intensive large industries and facilities more cost-effective by certification of energy savings that could be traded

- Market transformation for energy efficiency (MTEE) by accelerating the shift to energy-efficient appliances in designated sectors through innovative measures that make the products more affordable
- Energy efficiency financing platform (EEFP), a mechanism to finance DSM programmes in all sectors by capturing future energy savings
- Framework for energy efficient economic development (FEEED), or developing fiscal instruments to promote energy efficiency

1.3 The implementation plan of NMEEE seeks to upscale the efforts to create the market for energy efficiency, which is estimated to be about Rs 74,000 crore. The Mission would create conducive regulatory and policy regime to foster innovative and sustainable business models to unlock this market. As a result of implementing NMEEE, we estimate that by the end of five years, about 23 million tonnes of oil equivalent (MTOE) of fuel will be saved, capacity addition of over 19,000 MW avoided, and emissions of carbon dioxide reduced by 98.55 million tonnes annually.

1.4 The NMEEE set out a comprehensive strategy, which comprised the following components.

- Create demand for energy-efficiency products, goods, and services by spreading awareness about the efficacy of these products and services, amending government policies and programmes to integrate energy efficiency, preparing bankable projects to stimulate the process, and offering the right incentives to cost-effective improvements in energy efficiency in energy-intensive industries and facilities through certification of energy savings that could be traded.
- Ensure adequate supply of energy-efficient products, goods, and services. This is being done by creating a cadre of certified energy professionals; promoting energy service companies (ESCOs), standards, and labelling of end-use equipment and appliances; and preparing structured programmes to leverage international financing instruments including the Clean Development Mechanism (CDM) to reduce transaction costs to attract private investment, etc.
- Create and promote the energy efficiency financing platform, set up partial risk guarantee funds, and develop innovative financial derivatives of performance contracts and fiscal and tax incentives for investment in this sector.
- Create and adopt robust and credible monitoring and verification protocols to capture energy savings from all energy-efficiency activities in a transparent manner.
- Take necessary steps to overcome market failures by appropriate regulatory and policy framework to support the measures mentioned above.