

# 05 Five critical areas of focus for policy makers



**The efforts to increase green hydrogen economy should be backed by firm measures to develop a local supply chain to ensure indigenous capabilities:**

India may require at least 30-40 GW of green hydrogen production capacity by 2030 to address the green hydrogen opportunities. To enable self-sufficiency, it is critical that the Phase 2 of the policy brings in clarity on indigenous production of electrolyser manufacturing and incentivizes this through production linked incentives. Further, focus on innovation through promotion of domestic R&D, creation of a startup ecosystem would be extremely critical to increase efficiencies and bring down cost across the value chain.

01



**A strong alignment needs to be created between center and states:**

A significant start has been made through supply side measures at the center. However, alignment between center and states will need to be created as projects or consumers may invariably be in the remit of the state regulations. These regulations would not only need to facilitate some of the provisions of the policy such as banking but also provide further incentives such as intra state transmission waivers, cross-subsidy waivers, etc.

02

India needs a well-defined policy framework to not only create a market for green hydrogen but to also ensure its procurement in a cost-effective manner. While the National Hydrogen Policy addresses some of the key demands of the industry, it remains uncertain on certain critical elements. It is important for Government policy to focus on five critical areas as they create durable institutional arrangements:



**Demand side impetus would need to be created to facilitate green hydrogen uptake:**

It is vital to build upon the first phase of the policy and for the government to subsequently come up with demand mandates and incentives to create initial demand. In absence of such measures, it would be difficult for businesses to plan their procurement especially as many of them are amidst a major capex cycle.

03



**A well-built procurement policy framework will be needed to enable demand aggregation, cost reduction and better risk management.**

The policy should identify or create a nodal agency, such as the Solar Energy Corporation of India (SECI), to tender green hydrogen projects. However, this would need both expertise and capacity building for implementation and execution.

04



**Access to finance at low cost would be a pre-requisite to facilitate development of the supply chain:**

Access to low-cost green financing needs to be facilitated to improve viability of the resource. India needs to co-opt assistance from multi-lateral and bilateral financial institutions and also leverage international green finance at low cost through innovations in climate finance.

05

# 06 Conclusion

India's landmark Green Hydrogen Policy released in February 2022 was a welcome initiative. While it sets the ball rolling it marks only the first steps in a long road. Challenges do remain in both implementing these measures as well as additional measures needed. Signals to the demand side to adopt green hydrogen at scale are essential for both 'drop in' applications as well as for new industrial processes where hydrogen based processes can replace carbon intensive methods of production.

Directionally, India is clearly seeking to position itself as a strong candidate to lead the world's low-carbon hydrogen transition, with promise from policy makers and industry alike to implement the subsequent phases of development effectively in this journey.

However, it is critical to ensure that the technology, capital, and capacities do not pose a significant test for India's domestic capabilities.

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## **Content contributions:**

Anish De  
Anvesha Thakker  
Arjun Mehta  
Devina Anand  
Kaushik Tirumala  
Ketan Lukhi  
Ravi Chandrakar

## **Publication support:**

Anupriya Rajput  
Lata Rathod  
Rahil Uppal  
Satyam Nagwekar

# KPMG in India contacts:

## **Anish De**

**Global Sector Head** – Power and Utilities, KPMG and  
**National Head** – Energy, Natural Resources and Chemicals  
**E:** anishde@kpmg.com

## **Anvesha Thakker**

**Partner and Lead**  
Renewable Energy  
**E:** anveshathakker@kpmg.com



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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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