

# LEGAL FRAMEWORK FOR ENERGY CONSERVATION

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# Enactment of Energy Conservation Act - 2001

The concept of energy conservation had originated in India in early 70s after the "Gulf oil shock", followed by an awareness programme initiated by PCRA. Later EMC, NPC, NCB, TERI and CII had also joined the campaign for promoting energy efficiency but not much headway was made and consumption spiralled. Therefore, a need was felt for a legal framework and the Energy Conservation Act - 2001 was enacted for encouraging energy efficiency and discouraging wasteful use of energy. – Editor

India's energy intensity per unit of GDP is higher by 3.7 times of Japan, 1.4 times of Asia and 1.5 times of USA, indicating to very high energy wastage. In the globalized economy, countries with high energy intensity may become uncompetitive due to high energy input cost. Therefore, energy cost reduction becomes one of the important benchmarks for economic success. Efficiency in consumption of energy and its conservation could be one of the most important means of energy cost reduction and also for meeting future energy demand.

India has a huge scope for energy saving. Various studies undertaken suggest substantial energy saving potential in industrial, commercial and domestic sectors. Efficient use of energy provides the least cost and environmentally friendly option for capacity creation in the shortest time frame. Energy efficiency also assumes further importance, as *"one unit of energy saved at consumer end, avoids 3 units of fresh capacity addition"*.

With the background of high energy saving potential and its benefits, bridging the gap between demand and supply, reducing environmental emissions through energy saving, and to effectively overcome the barrier, in October 2001, the Government of India had enacted the Energy Conservation Act - 2001. The Act provides the much-needed legal framework and institutional arrangement for embarking on an energy efficiency drive.

## **Historical background:**

Energy efficiency is not a new programme in India though its impact has been somewhat limited. A number of industries have been quite successful in implementing energy saving measures but these efforts were restricted to few industrial units, while majority of the industrial units lagged behind.

In the wake of global oil crisis, the Government of India made several efforts to propagate conservation of petroleum products. This led to establishment of Petroleum Conservation Research Association (PCRA) in 1976, which has done commendable work to this end.

The Ministry of Power is charged with energy and energy conservation. Earlier the Department of Power under Ministry of Irrigation and Power had a concern for energy conservation in its generating power stations right from inception. However, realizing the potential of energy efficiency and conservation in end use of energy, a holistic and systematic view was taken and an inter ministerial working group was constituted in 1981 that submitted its report in 1984, which provided the vision for instituting energy efficiency in the country.

Consequently, an energy conservation wing was created in the Department of Power way back in 1985, which formulated various policies, schemes and energy management programmes. Subsequently, the Energy Management Centre (EMC)-a registered society, was set up in 1989 by the erstwhile Ministry of Energy, Department of Power, to promote energy conservation in various sectors of economy. In absence of any legislation on conservation of energy, there were no legal powers available for enforcement of energy efficiency and only promotional activities were being taken up in order to reduce the energy intensity of the Indian economy. Therefore, the Govt. of India felt the need to evolve a regulatory and promotional mechanism to that end.

In 1994, the Ministry of Power constituted a Working Group consisting of representatives from various Ministries for formulation of suitable proposal for a selective legislation on energy conservation. Proposal of energy conservation legislation as formulated was modified in the light of the comments of the State governments and discussions held in the inter-ministerial meeting held in January 1997. The proposal was reviewed again by Ministry of Power in July 1997 and it was decided to propose an enactment for energy conservation, which *inter alia* would provide setting up of a Bureau of Energy Efficiency (BEE) to perform various functions relating to energy conservation. This revised proposal was circulated to all the concerned ministries. The Union Minister of State for Power held a meeting with various industry associations. A Cabinet note was then prepared and the same was approved by the Cabinet on September 10, 1997. Subsequently, the Ministry constituted a one man Expert Committee to review the various provisions made in the proposed Energy Conservation Bill.

The present Energy Conservation Act -2001 is-based largely on the recommendations of the Expert Committee. After obtaining the approval of the Cabinet, Energy Conservation Bill - 2000 was introduced in Lok Sabha in February 2000. The Speaker referred it to the Standing Committee on Energy (1999-2000 - 13th Lok Sabha). The Committee heard the views of representatives of industry, institutions, experts, Ministry of Power and others and submitted its recommendations in its 9th Report in November 2000. The Cabinet approved the proposal for enactment of the EC Bill - 2000 incorporating all the recommendations of the Committee on Energy in 2001. The amended EC Bill was finally passed by both Houses of Parliament and the President of India gave his consent to the EC Bill in September 2001. Finally, the Govt. of India enacted the Energy Conservation Act, 2001, which has come into force from 1st March, 2002. As a follow up, a Bureau of Energy Efficiency (BEE) was set up with legal backing for promotion of energy efficiency.

## IMPORTANT MILESTONES OF EC ACT

- An Energy Conservation Bill - 2000 was introduced in the 13th Lok Sabha in February 2000.
- Both Houses of Parliament passed the EC Bill and it received President's consent in September 2001.
- EC Act was published in Gazette of India on October 1, 2001 and it became effective from 1st March 2002.
- The EC Act makes it mandatory for all users of energy to follow its efficiency norms. The Act has penalty provisions for non compliance.
- The EC Act will come into full effect from 1 st April 2007, providing adequate time for compliance.
- Bureau of Energy Efficiency (BEE) operationalized from 1st March 2002 for the implementation of the EC Act.

## 10 Chapters of EC Act at a glance

The Energy Conservation Act-2001, which provides for efficient use of energy and its conservation and for matters connected therewith or incidental thereto, is spread over to 22 pages and divided into 10 chapters as follows:

- **Chapter 01:** Short title, extent and commencement
- **Chapter 02:** Establishment and incorporation of Bureau of Energy Efficiency
- **Chapter 03:** Transfer of assets, liabilities and employees of Energy Management Centre
- **Chapter 04:** Powers and functions of Bureau
- **Chapter 05:** Power of Central Government to enforce efficient use of energy and its conservation
- **Chapter 06:** Power of State Government to enforce certain provisions for efficient use of energy and its conservation
- **Chapter 07 :** Grants and loans by Central Government
- **Chapter 08 :** Penalty
- **Chapter 09 :** Establishment of Appellate Tribunal
- **Chapter 10 :** Power of Central Government to issue directions to Bureau.