

Why Does Jharkhand Need a Just Transition?

Current Scenario

In the fiscal year (FY) 2022-23, fossil fuels made up 32% of Jharkhand's own revenue, with coal contributing 17% and petroleum contributing 15%.

Fossil fuels contribute significantly to the state's economic activity.

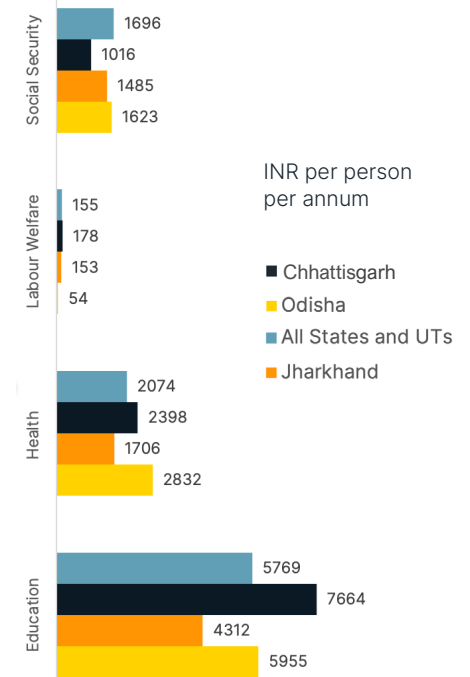
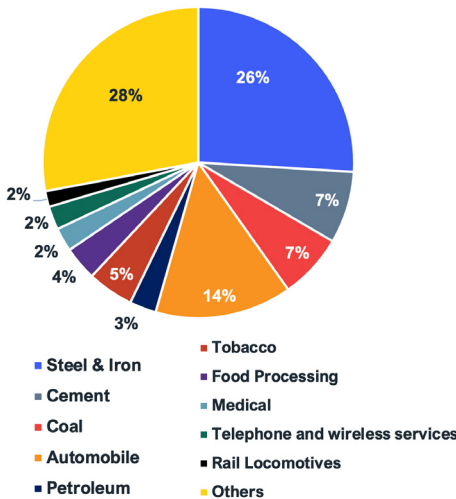
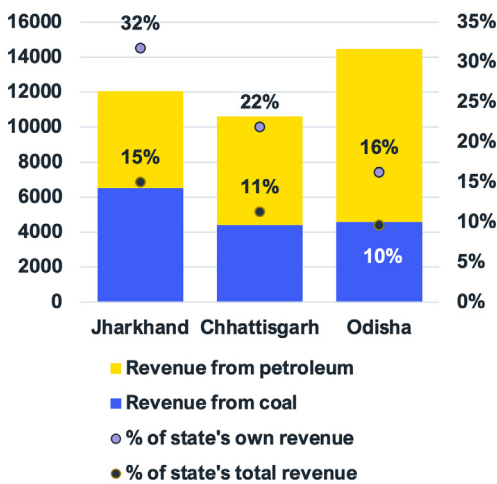
Jharkhand is at a critical juncture due to its heavy reliance on fossil fuel revenue, especially from coal and petroleum.

Per capita spending on key social services is still below the national average and that of other coal-dependent states.

Revenue from Fossil Fuel in FY2022-23 (INR crore)

Value of Goods Supplied (FY2022-23)

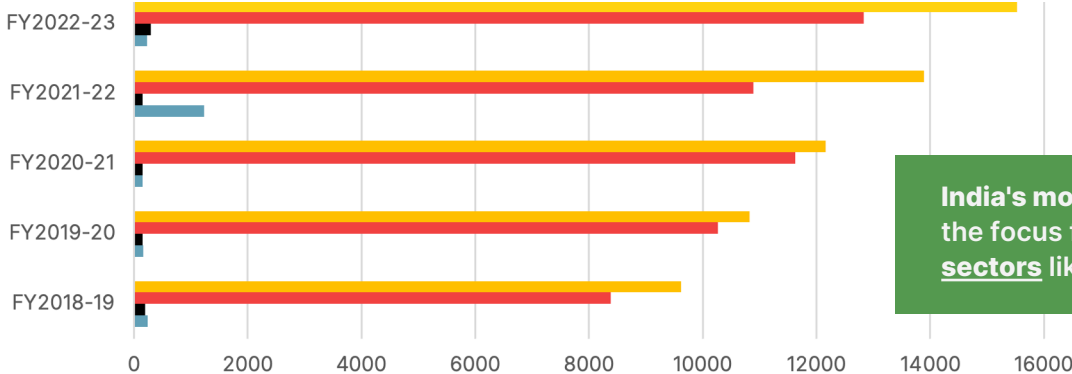
Per Capita Expenditure in FY2022-23 by State Governments



Jharkhand is among the **most fossil fuel-dependent coal-producing states** in India.

About **57% of GST value addition** comes from fossil fuel-dependent sectors.

Sectoral Expenditure of Jharkhand State Budget FY2022-23 (in INR crore)



While Jharkhand increased spending on key social sectors, **spending on just transition sectors remains low.**

India's move towards **net-zero** will shift the focus from fossil fuels to **low-carbon sectors** like renewable energy.

- Primary Sectors**: Primary, Secondary Education and Health
- Enabling Sectors**: Higher Education Training
- Legacy**: Non-Ferrous Mining and Metallurgical Industries
- Just Transition Sectors**: New and Renewable Energy



The shift to low-carbon sectors will **reduce fossil fuel revenues** and **increase costs** for climate adaptation, economic diversification, etc. Hence, it will **heavily impact social sector expenditure**, such as health and education, due to the **inflexibility of fixed administrative expenses**, such as salaries and pensions.

Just Transition Financing Pathway

Early action is essential for Jharkhand to advance towards a just transition by minimising any adverse socio-economic impact. This requires a three-pronged strategy.



Prioritising public expenditure through a green budgeting framework

The state needs to channel scarce public investment into emerging sectors by developing a systematic classification system for sectors in the state, focussing on maximising impact.



Mobilising additional finance through a sustainable finance framework

The state can raise additional capital through private, public and blended sources. It can channelise it through several mechanisms and instruments, including thematic debt issuances, blended finance mechanisms and a dedicated just transition fund.



Building state capacity

Capacity building of state actors is crucial for implementing sustainable initiatives. Training will help them identify and evaluate environmentally positive projects, utilise financial instruments and manage investments for sustainable development.

Jharkhand should advance its sustainable development goals by prioritising public expenditure through green budgeting, mobilising additional finance using a sustainable finance framework and establishing a dedicated just transition fund. The state should also train officials in green budgeting and sustainable finance to enhance investment management for sustainable development.

Introducing Green Budgeting for Jharkhand's Just Transition

A critical aspect of diversifying Jharkhand's economy into low-carbon sectors is to map current budgetary spending on fossil fuels versus green sectors through **a green budgeting exercise**.

Role of Green Budgeting in Jharkhand's Fiscal Planning



Introduces **environmental factors** in financial decision-making



Ensures that **public funds promote sustainability**



Evaluates the **environmental impacts** of projects



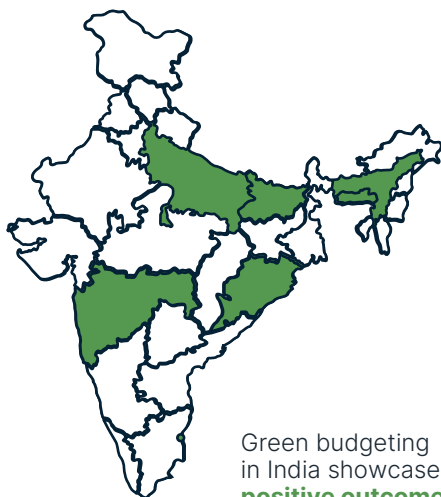
Prioritises investments with **sustainability goals**



Uses budgetary tools to **assess environmental effects**



Fosters evidence-based discussions on **sustainable growth**



Green budgeting in India showcases **positive outcomes in several states**

Timeline for implementing green budgeting in Jharkhand

Element	Essential (Phase 1)	Developed (Phase 2)	Advanced (Phase 3)
Timeline	1 st and 2 nd Year	3 rd and 4 th Year	5 th Year Onwards
Objectives	Climate-related objectives with participation from priority departments	Climate- and just transition-related objectives with participation from all relevant departments	Climate- and just transition-related objectives with participation from all relevant departments and extra budgetary bodies (e.g. DMFT)

The process is divided into three phases to gradually enhance green budgeting practices; each phase adds more comprehensive features and strategies.