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# Cabinet Approves Small Hydro Power Scheme — Rs 2,584 Crore for 1,500 MW Capacity

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# Cabinet Approves Small Hydro Power Scheme — Rs 2,584 Crore for 1,500 MW Capacity

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## WHY IN NEWS

The **Union Cabinet** chaired by Prime Minister Narendra Modi approved the **Small Hydro Power (SHP) Development Scheme** for **FY 2026-27 to FY 2030-31** with an outlay of **Rs 2,584.60 crore** and a target of installing **approximately 1,500 MW** of small hydropower capacity. The scheme prioritises **hilly and Northeastern states**, where small rivers and streams offer untapped renewable energy potential.

## KEY FEATURES OF THE SCHEME

| PARAMETER | DETAILS |
|---|---|
| **Outlay** | Rs 2,584.60 crore |
| **Target capacity** | ~1,500 MW |
| **Period** | FY 2026-27 to FY 2030-31 (5 years) |
| **Project size** | 1 MW to 25 MW capacity |
| **Implementing agency** | Ministry of New and Renewable Energy (MNRE) |
| **Beneficiary** | State governments, public sector undertakings, private developers |

### Central Financial Assistance (CFA) Pattern

| REGION | CFA RATE | MAXIMUM PER PROJECT |
|---|---|---|
| **NE States + border districts** | Rs 3.6 crore/MW or **30% of cost** | Rs 30 crore |
| **Other states** | Rs 2.4 crore/MW or **20% of cost** | Rs 20 crore |

The differential CFA reflects the **higher construction cost in remote, hilly terrain** and aligns with the broader policy of giving NE states preferential treatment under the **Act East Policy**.

## WHAT IS SMALL HYDRO POWER?

Small Hydro Power refers to hydroelectric projects with **installed capacity up to 25 MW**, governed by the **Ministry of New and Renewable Energy (MNRE)**. Larger projects (above 25 MW) come under the Ministry of Power.

| CATEGORY | CAPACITY |
|---|---|
| Pico hydro | < 5 kW |
| Micro hydro | 5 - 100 kW |
| Mini hydro | 100 kW - 2 MW |
| **Small hydro** | **2 MW - 25 MW** |
| Medium/Large hydro | > 25 MW (under Ministry of Power) |

### Why SHP Matters

- **Decentralised generation:** No need for massive dams or transmission infrastructure
- **Low ecological footprint:** Run-of-the-river designs avoid large reservoirs
- **Reliable baseload:** Unlike solar/wind, hydro can provide round-the-clock power
- **Rural electrification:** Ideal for remote villages off the central grid

## INDIA'S SHP STATUS

| PARAMETER | DATA |
|---|---|
| Installed SHP capacity (as of 2025) | ~5,000 MW |
| Identified potential | ~21,000 MW |
| Untapped potential | ~16,000 MW |
| Top SHP states | Karnataka, Himachal Pradesh, Andhra Pradesh, Kerala, Uttarakhand |
| Number of SHP sites identified | 7,135 across 22 states/UTs |

The scheme aims to reduce the **gap between installed capacity (5,000 MW) and identified potential (21,000 MW)** by adding 1,500 MW over 5 years.

## SHP IN INDIA'S RENEWABLE ENERGY MIX

India's renewable energy targets:

- **500 GW non-fossil capacity by 2030** (Panchamrit commitment, COP26 Glasgow)

- **50% of installed capacity from non-fossil sources by 2030**
- **Net zero by 2070**

Current renewable capacity (~190 GW as of early 2026):

| SOURCE | CAPACITY |
|---|---|
| Solar | ~85 GW |
| Wind | ~46 GW |
| Large Hydro | ~47 GW |
| **Small Hydro** | **~5 GW** |
| Biomass | ~10 GW |

SHP is a small but strategically important component — ideal for hilly states where solar/wind potential is limited but rivers are abundant.

## WHY NE STATES GET PRIORITY?

The Northeastern region has **massive hydro potential** (~63 GW total identified hydro potential across all NE states) but limited capacity addition due to:

- Difficult terrain
- High construction costs
- Land acquisition challenges
- Insurgency-related delays (now largely resolved)

The 30% CFA (vs 20% for other states) addresses the **cost premium** of NE construction. This aligns with the **Act East Policy** and the Centre's broader Northeast development push.

## ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

**Advantages:**

- Run-of-the-river design avoids large reservoirs
- Minimal land submergence
- No relocation of large populations

**Challenges:**

- Cumulative impact of multiple SHPs on river ecology
- Fish migration disruption
- Sediment flow alteration
- Conflict with riparian communities

The **Sustainable Sand Mining Management Guidelines (2016)** and **Environmental Impact Assessment (EIA) Notification 2006** apply to SHP projects above certain thresholds.

## UPSC RELEVANCE

**GS Paper 3 — Energy, Environment, Infrastructure**

- Renewable energy policy: India's 500 GW target
- Hydropower categorisation and ministry jurisdiction
- Centre-State financing models (CFA, VGF)
- Northeast development and Act East Policy

**GS Paper 2 — Governance**

- MNRE vs Ministry of Power: institutional jurisdiction
- Cooperative federalism in scheme design

**Prelims Fast Facts:**

- SHP scheme outlay: **Rs 2,584.60 crore** for FY 2026-27 to FY 2030-31
- Target capacity: **1,500 MW**
- SHP definition: **up to 25 MW** capacity
- Implementing ministry: **MNRE** (above 25 MW = Ministry of Power)
- CFA for NE/border districts: **Rs 3.6 crore/MW or 30% of cost**
- India's renewable target: **500 GW by 2030**
- India's SHP potential: **~21,000 MW**

## FACTS CORNER

- The **Ministry of New and Renewable Energy (MNRE)** was formerly the Ministry of Non-Conventional Energy Sources, renamed in 2006 to reflect the focus on "new" technologies (solar, wind) alongside traditional renewables (small hydro).

- India's **first hydroelectric project** was the **Sidrapong Hydroelectric Power Station (130 kW)** built in **Darjeeling in 1897** — making India one of the earliest adopters of hydroelectric power in Asia.
- **Karnataka** has the largest installed SHP capacity in India (~1,200 MW), followed by Himachal Pradesh and Andhra Pradesh.
- The **Bhakra-Nangal project** (1948-1963) and **Hirakud Dam** (1948-1957) were India's first large-scale hydroelectric projects — built in the Nehru era as "temples of modern India."
- **Pumped storage hydropower** is a related concept — water is pumped uphill during off-peak hours and released to generate power during peak demand. India is rapidly expanding pumped storage as a complement to solar/wind.
- The **PM-KUSUM scheme** is the parallel solar equivalent of SHP — supporting solar pumps and decentralised solar generation in agriculture.

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