



India Union Budget 2025-26

Point of view

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ESG

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India has made significant strides in embracing sustainability and ESG (Environmental, Social and Governance) principles as crucial elements for its long-term growth and development. The country has set a national net-zero target to achieve carbon neutrality by 2070, demonstrating its commitment to global climate action. The 2025-26 union Budget of India aligns with the country's vision for sustainable development and inclusive growth.

Key announcements for the sector

Environmental

- Nuclear Energy Mission
 - 100 GW nuclear energy target by 2047, including Small Modular Reactors (SMRs) with INR 20,000 crore outlay
 - Amendments to Atomic Energy Act to enable private sector partnerships.
- Clean Tech Manufacturing
 - Support for solar PV cells, EV batteries, wind turbines, electrolyzers, and grid-scale batteries under the National Manufacturing Mission
 - To strengthen domestic electric vehicle (EV) production, 35 additional capital goods and machinery have been introduced for use in lithium-ion batteries manufacturing
 - Basic Customs Duty (BCD) exempts cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals.
- Shipbuilding Circular Economy
 - Credit Notes for shipbreaking in Indian yards to promote recycling and circular economy
 - 10-year basic customs duty exception extension on shipbuilding materials
 - Maritime Development Fund, with corpus of INR 25,000 crore, will be set up for long term financing for maritime industry.

Social

- Agricultural Support
 - PM Dhan-Dhaanya Krishi Yojana for 1.7 crore farmers across 100 low-productivity districts
 - Kisan Credit Card loan limit doubled to INR 5 lakh for 7.7. crore farmers

- Promoting sustainable farming by increasing productivity through climate-resilient seed varieties and organic farming techniques under 'National Mission on High Yielding Seeds'
- Focused programmes on the mission to develop climate-resilient pulses and organic cotton farming to reduce environmental degradation.
- Urban Development
 - INR 1 lakh crore Urban Challenge Fund for smart cities and water/sanitation project
 - A broader definition of MSMEs will include more enterprises under the MSME umbrella, ensuring better credit access and incentives.
- Jal Jeevan Mission Extension
 - 100% rural tap water coverage by 2028, with focus on infrastructure equality and citizen participation ("Jan Bhagidhari").
- Healthcare Expansion
 - 200 Day Care Cancer Centers in district hospitals by 2025-26
 - 75,000 new medical education seats targeted over 5 years.
- Employment Generation
 - Target of creating more than 21 lakh job opportunities across key sectors, including fisheries, tourism, food processing, textile, and electronics manufacturing, among others
 - The proposed framework for expanding Global Capability Centers (GCC) into tier-2 cities is expected to create further employment opportunities and significantly enhance the job market.
- Digital Access
 - 50,000 new labs (Atal Tinkering Labs) to be set up in government schools to encourage innovation, particularly in AI, robotics, and sustainable technology
 - Broadband connectivity to all Government secondary schools and primary health centers in rural areas.
- Inclusive Economy
 - Healthcare coverage under PM Jan Arogya Yojana for 1 crore platform gig workers
 - UPI-linked Credit System for Street Vendors
 - Target to create 21 lakh direct and indirect jobs. This includes internship initiatives, job schemes for rural artisans and craftspeople, increasing employment in the textiles sector and new age sectors such as semiconductors.

Implications for the sector

By addressing sustainability, social equity, and governance efficiency, the budget aims to create a more resilient and prosperous economy while progressing towards the vision of a Viksit Bharat (Developed India). Based on the budget priorities outlined, here are the key trends that organizations need to examine:

- Changing Energy Mix
 - Moving away from fossil fuels purely with the help of wind and solar is difficult for energy intensive sectors. With nuclear getting added into India's energy mix in this budget, companies need to prepare for different cost structures and manufacturing technologies that will emerge on the horizon. Decarbonization plans will also need to factor this in. The Budget allocates INR 20,000 crore for nuclear Small Modular Reactors (SMRs) and EV battery manufacturing. This signals a strong push towards clean energy and sustainable transportation. Companies in energy, automotive, and infrastructure sectors should prepare for increased demand in renewable technologies, nuclear power components and electric vehicle ecosystems

- As government pledges to incentivize electricity distribution reforms for intra-state transmission capacity, existing grid infrastructure may need changes to manage nuclear energy’s high, steady power output and ensure efficient integration with variable renewable sources. Also, the role of renewable energy becomes significantly critical in the light of announcement to establish a Centre of Excellence in Artificial Intelligence (AI), given that the necessary infrastructure for AI development is highly energy intensive.
- Circular economy and Supply Chain Localization
 - ESG regulations across the world and the move towards imposing carbon taxes will significantly impact Indian exports. Localization of manufacturing can boost the Indian economy and simultaneously impact value chain emissions. Moreover, many of the new technologies that are considered clean and green, require critical minerals that are only available in certain parts of the world. The government has announced duty exemptions on critical minerals such as cobalt, lithium-ion battery scrap, and other minerals. This move aims to secure the availability of these materials for domestic manufacturing, particularly benefiting the electronics and renewable energy sectors
 - To improve India’s presence in the global shipbuilding market, Union Budget 2025-26 offers a slew of incentives, which includes facilitating shipbuilding clusters to increase the range, categories, and capacity of ships. Additional infrastructure facilities, a credit note scheme, skilling, and technology will be provided to develop the entire ecosystem. Under the proposed ship recycling credit note scheme, a credit note equivalent to 40 per cent of the scrap value of a ship being dismantled in an Indian ship breaking yard would be given to a fleet owner—both Indian and global—which can then be reimbursed against the cost of construction of a new vessel at an Indian yard. The budget also emphasizes the recovery of critical minerals from mining tailings. This indicates a growing focus on resource efficiency and waste reduction.
- Skills initiatives
 - A ‘Rural Prosperity and Resilience Programme’ will be launched with states to tackle underemployment in agriculture through skilling, investment, and technology, ensuring migration is optional. The National Action Plan for Toys will support India’s emergence as a global toy hub by fostering clusters, skills, and a strong manufacturing ecosystem for high-quality sustainable toys under ‘Made in India’ brand. Five National Centers of Excellence for Skilling will be set up with global partnerships to equip youth for “Make in India, Make for the World” manufacturing, covering curriculum design, trainer development, and certification. The top 50 tourist destinations will feature intensive skill development programs for youth in tourism and hospitality. A national framework for Global Capability Centers (GCCs) will guide states in enhancing talent availability, infrastructure, and industry collaboration with Tier-2 cities through byelaw reforms and policy support.
- Climate resilient agriculture
 - The National Mission on High-Yielding Seeds focuses on advancing climate-resilient agriculture by bridging the gap between research and field application. This initiative aims to strengthen the research ecosystem and accelerate the development and widespread adoption of high-yielding, pest-resistant, and climate-adaptive seed varieties. By ensuring the commercial availability of over 100 improved seed varieties released since July 2024, the program will enhance agricultural productivity, support farmers in adapting to changing climatic conditions, and contribute to long term food security.

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