

Zero Duty, Maximum Energy: Why Budget 2026 Is a Win for Renewables

Feb 14, 2026



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The Union Budget 2026 didn't arrive with the loud fireworks people usually expect. Instead, it delivered something more interesting: a set of customs duty changes that could reshape the economics of the country's energy transition.

Let's walk through what happened, sector by sector and why it matters.

Solar power: A seemingly small change that will support the entire sector

The government has reduced basic customs duty (BCD) on sodium antimonate from 7.5% to zero, but only for solar glass manufacturers. Sodium antimonate is added in small, required amounts to molten glass. It acts as a fining and clarifying agent, and helps remove tiny gas bubbles and impurities that naturally form when glass is melted.

Though sodium antimonate constitutes a tiny portion of the total costs, the duty waiver in Budget 2026 would help reduce the dependency on imported inputs and make domestic solar glass manufacturing cheaper and affordable.

How it compares with earlier Budgets

In previous Budgets, the focus was largely on group-level incentives for solar component manufacturing; for example, the GST rate was changed from 12% to 5% on solar goods from September 2025 onwards. Budget 2026 takes a step further by waiving customs duty specifically on sodium antimonate (input). Instead of just macro-level support in previous Budgets, the present Budget also aims at micro-level support and fixes key supply chain issues.

Why the government is supporting this sector

The solar energy sector's ambitions rely largely on cost-effectiveness. Reducing the cost of manufacturing a niche input will help in the production cycle. Along with the overall

reduction in the GST rates on the product, waiver of BCD on a niche input will reduce the overall reliance on imports and boost the domestic manufacturing sector.

Battery Energy Storage Systems (BESS): Lowering the cost of capital goods

The BCD rate of specified capital goods used in the manufacture of lithium-ion cells for batteries of Battery Energy Storage System has been reduced to zero.

These BESS aren't the everyday batteries; they are giant industrial ones that store electricity when the sun is bright or the wind is strong and release it later when the grid needs it. Most of the cost of setting up a cell manufacturing line comes from machinery.

Earlier approach vs present one

In prior Budgets, capital goods and machinery for lithium-ion cells and batteries attracted varying customs duties ranging roughly from about 5% to 20% or were made duty-free through specific exemptions that were periodically extended. Budget 2026 extends support to cover capital goods used specifically for storage-grade cells too.

Why the government is backing this sector

As India adds more solar and wind power, having storage becomes essential to keep the electricity grid stable. Making batteries and other storage components cheaper helps build local manufacturing capacity, supports energy security, and reduces long-term reliance on fully finished imported batteries. This also means that the machinery used in EV battery production can now be imported duty free.

Wind Energy: A Rising Cost Pressure from Lapsing Concessions

Permanent magnets for synchronous generators (>500 kW) used in wind operated electronic systems will no longer enjoy concessional customs duty. Crucial exemption is set to lapse on 1 April 2026. Earlier, BCD was 5% (concessional rate) instead of higher standard rate on such permanent magnets.

As these magnets are almost entirely imported and form a critical part of turbine design, the lapse could push up procurement costs unless replaced by an alternative incentive.

Nuclear Energy: Laying the ground for the future

Budget 2026 has rolled out a red carpet for nuclear energy. The rate of BCD for the following has been reduced to Nil.

- All goods for generation of nuclear power falling under CTH 8401 30 00 (previous rate was 7.5%);
- Control and Protector Absorber Rods, Burnable Absorber Rods for generation of nuclear power falling under CTH 8401 40 00 (previous rate was 7.5%);

It has been proposed to extend the existing BCD exemption on imports of goods required for Nuclear Power Projects till the year 2035 and expand it for all nuclear plants irrespective of their capacity.

How this differs from earlier years

Although previous Budgets extended customs duty exemption for imports used in nuclear

power projects, the coverage and the period had been narrower. The relief was applied only in the case of select large plants or to projects that satisfy very specific conditions; Notifications granting these exemptions typically had short validity periods. The result was that developers were never quite sure whether the benefit would continue from one year to the next and, therefore, any long-term planning was a problem.

Budget 2026 is more stable in its approach. For instance, the exemption of basic customs duties on all imported goods required for the implementation of nuclear power projects has been extended to 2035. Perhaps the more crucial aspect is the fact that the exemption of duty is applicable to all nuclear power plants, irrespective of capacity. The waiver of duty is also applicable to the earlier standard rate of duty (like the 7.5% duty imposed on certain nuclear-grade goods), thereby cutting costs in the establishment of nuclear power plants.

Why is the government extending support to the nuclear energy sector

The government's incentives to nuclear energy sector can be attributed to the stable and assured nature of energy produced, which is not the case with the other alternative sources such as solar and wind power since they are weather dependent. For nuclear projects to be viable, the certainty in import duty is necessary. Thus, the duty exemptions have been extended till 2035 irrespective of their capacity.

Critical Minerals: Securing the Raw Materials of the Future

The Budget has reduced BCD on Monazite from 2.5% to Nil. Monazite is basically a mineral found in beach sands, and it is surprisingly valuable because it carries rare-earth elements that modern technology depends on. Inside monazite are elements which are essential for making powerful magnets used in wind turbines, electric vehicles, electronics and even defense equipment. India actually has large deposits of monazite along its coasts, but the catch is that most of the global processing of these rare-earth materials is controlled by just a few countries, mainly China. That's why monazite is called a "critical mineral".

In her Budget speech, the Hon'ble Finance Minister also announced that the government will work with States like Odisha, Kerala, Andhra Pradesh and Tamil Nadu to create 'Rare Earth Corridors'. These Corridors are meant to bring everything together in one place, from mining the minerals to processing them, turning them into metals and alloys, and eventually manufacturing magnets.

Earlier budget approach

Earlier Budgets had recognized that critical minerals were important, but the focus remained mostly on finding and exploring deposits.

Why the government is supporting this sector

By making it cheaper to process these minerals at home, India is slowly moving closer to controlling the parts of the supply chain where the real value lies. In fact, EVs use rare earth magnets in their electric motors. This will also support the domestic supply chain for EVs.

Conclusion

While Budget 2026 proposals largely focus on AI-based procedural reforms for smoother Customs clearances over the next two years, the tariff changes aim to provide necessary

impetus to specified sectors, including the energy sector, which are aligned with India's long-term growth ambitions.