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Indian Federalism in Terms of Energy Transition Policy: Cooperation or Competition Between the Union and the State of Jharkhand

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Abstract. India's energy transition is essential for fulfilling Paris Agreement commitments and achieving sustainable development, necessitating exceptional coordination between the central and state governments. This research paper analyzes Centre-State relations within India's federal system as they pertain to energy transition policies, with a particular focus on the dynamics of cooperation and competition between the central government and the state of Jharkhand. The study highlights the often-overlooked political interactions inherent in federal energy governance. The inclusion of energy on the Concurrent List allows both levels to legislate, frequently resulting in conflicts, especially when political parties in power differ. Jharkhand, which derives approximately 70 % of its revenue from coal, exemplifies the challenges posed by national renewable energy initiatives, making it a critical case for assessing how federal institutions can either facilitate or hinder green transitions in developing countries. This study employs secondary data analysis, utilizing sources such as the Indian Constitution, the Paris Agreement, and reports from the National Institution for Transforming India (NITI Aayog), International Renewable Energy Agency (IRENA), Central Electricity Authority, and relevant state departments. The research adopts a longitudinal approach covering the period from 2016 to 2025, with occasional references to pre-2016 developments. Data analysis involves a comparative evaluation of policy documents, legislative acts, and institutional outputs to identify patterns of cooperation and competition. The study integrates systems theory to conceptualize intergovernmental relations as interdependent systems and applies institutionalism to examine organizational constraints on policymaking. The Marble Cake model of cooperative federalism is used to illustrate mechanisms for coordinating central and state actions. The research offers practical recommendations for addressing biases, promoting nonpartisan, citizen-oriented policies, and enhancing the effectiveness of energy transitions within governmental frameworks. These insights may also inform reforms in other resource-dependent governments and international federations facing similar climate challenges.

Keywords: federalism, energy transition, developing countries, cooperation, policymaking

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Индийский федерализм в контексте политики энергетического перехода: сотрудничество или конкуренция между Союзом и штатом Джаркханд

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Аннотация. Энергетический переход Индии имеет важное значение для выполнения обязательств Парижского соглашения и достижения устойчивого развития, что требует исключительной координации между центральным и региональными правительствами. Проанализированы отношения между центром и региональными правительствами в рамках федеральной системы Индии в контексте политики энергетического перехода, с особым акцентом на динамику сотрудничества и конкуренции между центральным правительством и штатом Джаркханд. Исследование подчеркивает часто упускаемые из виду политические взаимодействия, присущие федеральному управлению энергетикой. Включение энергетики в список вопросов, находящихся в совместном ведении обоих уровней, позволяет принимать законы обоим уровням, что часто приводит к конфликтам, особенно когда правящие политические партии расходятся во мнениях. Джаркханд, получающий около 70 % своих доходов от угля, является примером проблем, связанных с национальными инициативами в области возобновляемой энергетики, что делает его критически важным примером для оценки того, как федеральные институты могут либо способствовать, либо препятствовать «зеленому переходу» в развивающихся странах. В данном исследовании используется анализ вторичных данных с применением таких источников, как Конституция Индии, Парижское соглашение и отчеты Национального института трансформации Индии (NITI Aayog), Международного агентства по возобновляемым источникам энергии (IRENA), Центрального управления электроэнергетики и соответствующих государственных департаментов. Исследование использует лонгитюдный подход, охватывающий период с 2016 по 2025 г., с периодическими ссылками на события до 2016 г. Анализ данных включает сравнительную оценку политических документов, законодательных актов и институциональных результатов для выявления закономерностей сотрудничества и конкуренции. В исследовании используется системная теория для концептуализации межправительственных отношений как взаимозависимых систем и применяется институционализм для изучения организационных ограничений на разработку политики. Модель кооперативного федерализма «Мраморный пирог» используется для иллюстрации механизмов координации действий центрального и региональных правительств. Исследование предлагает практические рекомендации по устранению предвзятости, продвижению беспристрастной, ориентированной на граждан политики и повышению эффективности энергетических преобразований в рамках государственных структур.

Эти выводы могут также послужить основой для реформ в других ресурсозависимых государствах и международных федерациях, сталкивающихся с аналогичными климатическими проблемами.

Ключевые слова: Федерализм, энергетический переход, развивающиеся страны, сотрудничество, разработка политики

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Introduction

While energy transition, climate change, and sustainable development are prominent topics in policy and research, the complexities of policy development for energy transition have received comparatively limited academic attention. The literature on Indian federalism and the energy transition starts from a simple institutional fact. India's climate and energy governance is shaped by a deeply centralized federation where the Union has substantial fiscal and regulatory power, while states carry the principal implementation responsibilities in sectors critical to the outcomes of the transition. The asymmetric importance of energy transition is because it is not only about national targets, but also about negotiation of power-sector reform, renewable deployment, access to land, industrial policy, and social compensation across tiers of government. In that sense, Indian energy transition policy is best understood as a problem of federal governance rather than a purely technical or market problem [Pillai & Dubash 2023].

The correlation between federal structures and environmental governance has been touched by several researchers around the world. The effect of federalism on climate policy has been described as both facilitating and limiting. For instance on one hand Barry G. Rabe in his article "Beyond Kyoto: Climate Change Policy in Multilevel Governance System" comes to conclusion by stating how the states in America have served as the "Laboratories for Democracy" in renewable energy policy [Rabe 2007], while on the other hand Kathryn Harrison in her article "Federalism and Climate Policy Innovation: A Critical Review" draws attention to the obstacles posed by Canadian federalism to coherent national climate action [Harrison 2013].

Coming to the Indian context, few scholars like Rajamani argue that the constitutional provisions have led to tendencies for centralisation regarding environment [Rajamani 2007], whereas others like Kashwan put forward opinions on how the federal institutions provide opportunities to the states to resist central environmental mandates in India [Kashwan 2015].

However, the literature on India's energy transition has been dominated by technical, economic, and climate dimensions with the Federal political dynamic sitting on the outskirts. Therefore, research expressly centred around centre-state

relations in energy transition policy remains limited, let alone the focus on the coal dependent state of Jharkhand and its relations with the centre.

One underexplored challenge is the role of the federal political system. India, often described as the world's largest democracy, presents a complex case due to its federal structure. The country faces the dual imperative of pursuing economic development while fulfilling its ethical responsibility to reduce emissions and transition to a greener economy. This balancing act is particularly challenging for coal-dependent states such as Jharkhand, which rely on coal for economic stability and basic livelihoods.

India's ratification of the Paris Agreement in the year 2016 has resulted in the central government's inclination towards transitioning to cleaner sources of energy, and expected the states to do the same on the state and the local level. The central government had to come this decision after a careful discussion at the cabinet level[1] without giving in to the western pressure for a universal agreement, but instead contributed in building a flexible agreement. Under the updated Nationally Determined Contributions (NDC)[2] submitted to the United Nations Framework Convention on Climate Change (UNFCCC) for the period of 2021–2030 India communicates the goals to reduce emissions intensity of its GDP by 45 per cent by the year 2030, and to install 50 per cent cumulative electric power capacity from non-fossil fuel based energy resources, in addition to its long term national goal of zero carbon emission by the year 2070.[3] All these goals and commitments create pressure on the states that depend solely on conventional sources of power.

However, the constitutional establishment of India creates a strain between the centre and state when it comes to questions related to energy. The seventh schedule of the Constitution of India,[4] enlists the subjects for making laws and decisions, and divides them into the Union list, State list, and the Concurrent list. The makers of the constitution had put Energy or electricity under the concurrent list, thus providing both centre and the state with lawful rights to make decisions on the subject, therefore

[1] The Cabinet approved ratification on 27 September 2016 and the Agreement was ratified on 2 October 2016. The government had made it clear that India will consider its development agenda, national laws, means of implementation and access to affordable cleaner energy as the context for ratification. That language is important because it shows the decision was not the surrender of sovereignty to the Agreement, but rather joining on the terms of India. It was not just external pressure, as India, too, linked the move to Gandhi Jayanti, projecting moral leadership and development-without-destruction politics. [Cabinet approves ratification of the Paris Agreement. (2016). *Pib.Gov.In.* Retrieved June 17, 2026, from https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=151205&reg=48&lang=2]

[2] NDC (Nationally Determined Contribution) refers to each country's self-defined climate plan under the Paris Agreement, outlining mitigation and adaptation commitments that are revised periodically to reflect greater ambition. [All About the NDCs. (2020). *United Nations*. Retrieved June 17, 2026, from https://www.un.org/en/climatechange/all-about-ndcs]

[3] India's revised NDC, submitted in August 2022, strengthens the country's pledges under the Paris Agreement by increasing its 2030 targets for reduction in emissions intensity and non-fossil electricity capacity, and increases attention on adaptation, cleaner development paths, and climate-related capacity building. [India | UNDP Climate Promise. (2022). Retrieved June 17, 2026, from https://climatepromise.undp.org/what-we-do/where-we-work/india]

[4] The Seventh Schedule of the Constitution of India, under Article 246, sets down the Union, State, and Concurrent Lists that allocate legislative powers between the Centre and the States.

resulting in a situation of conflict in the contemporary times. To achieve coordination amongst the centre and the 28 states and 8 union territories of India is a challenge in the present governance landscape.

While the central government establishes national objectives and policy frameworks, state governments are crucial not only for policy implementation but also for managing the socio-economic impacts of transitioning away from fossil fuels. This research contends that the political and financial dynamics of federalism are central to understanding the trajectory of the green transition in India. The analysis centers on Jharkhand, a state that possesses nearly 30% of the country's coal reserves and derives approximately 70% of its tax revenue from mining, predominantly coal. For Jharkhand, coal is integral to its fiscal health, employment, and broader political economy. Consequently, the national push for renewable energy, though environmentally necessary, presents a significant challenge to the fiscal stability and development model of Jharkhand.

This paper analyzes the relations between the central government of India and the state of Jharkhand between 2016 and 2025, a time defined by the implementation of the Paris Agreement. This period has been defined by recurring political divergences between the Bhartiya Janta Party-led central government and the Jharkhand Mukti Morcha-led state government in Jharkhand, since 2019. Through the perspectives of systems theory and institutionalist theory, the Marble Cake Model of federalism has been used as an analytical tool to examine if the federal institutions in India catalyze cooperation or competition in the country's energy sector. This paper is based on primary sources of data in the form of policies, legislative acts, and institutional publications.

To understand the complex relationship between the central government and the states in India, this paper will apply a multi-theoretical approach that will shed more light on the complications involved in the concept of federalism in the context of the energy transition, with Jharkhand being the critical case study.

Through the systems theory perspective on Indian federalism, the central government and the states will be considered as subsystems within a larger political-administrative system. The actions of a subsystem, such as the mandate for Renewable Purchase Obligations (RPOs) that requires the discoms to procure 25% of the total power from renewables by the end of the financial year 2024–2025, will provide the necessary input that will elicit feedback from the other subsystem, such as Jharkhand Bijli Vitran Nigam Limited's (JBVNL) procurement of only 11.33% from renewables, which led to the imposition of penalty due to the coal revenue crunch [The Commission in its own motion Vs. Jharkhand Bijli Vitran Nigam Limited & Others 2025].[5] The energy transition will be considered a subsystem stressor that will carefully test the flexibility of the Indian federal system, with Jharkhand State being in dire need of $25.6 billion for the clean energy transition due to the negative impacts of the phase-

[5] The Commission in its own motion v. Jharkhand Bijli Vitran Nigam Limited & Ors. is a suo motu proceeding by the Jharkhand State Electricity Regulatory Commission, indicating the regulator's own initiative to examine JBVNL's compliance with regulatory obligations.

down of coal on state royalties. Cooperation will be exemplified when the subsystems adapt to the decarbonization pathway, while competition will be exemplified when the states give priority to the phase-down of coal over the decarbonization pathway.

The Institutionalism theory further clarifies these issues by focusing on the rules that influence political actors. Although the Constitution provides the rules of the game, the rules are further set by institutions such as NITI Aayog and the Finance Commission, which set the operational terrain for Jharkhand in terms of financial transfers and incentives for the power sector. The federated nature of Jharkhand, in terms of the Centre's fiscal powers and the state's control over land, also creates constraints, such as the National Solar Mission, where Jharkhand's institutional capacity was found wanting, with solar capacity at only 0.18 GW despite central funding for the viability gap.[6] The national missions of the Centre are also linked to the state's interests in coal revenues, such as the stalled tenders for hybrid solar-wind schemes under central support.

Leaving the "layer cake" ideal with its separate and distinct layers behind, this book takes a step into the "Marble Cake" ideal, with its blending and mixing of roles and responsibilities. The Centre provides funding and policy directions through schemes such as the RDSS to upgrade smart meters at JBVNL, while the state implements the projects despite DISCOMs facing losses over 30%. However, there are still issues between the Centre and the State over grid management for intermittent energy sources and land management for solar parks in coal belts. For instance, delays in the completion of the 500 MW capacity solar projects are due to tribal land issues and grid infrastructure that the Centre is yet to provide. The ideal is one of perfect cooperation in theory, but reality is different in Jharkhand with its coal and financial dependencies and risks.

Significance of the Case of Jharkhand

There are sharp differences when it comes to making policies for the developed regions and making policies for the underdeveloped regions. Because a number of factors come into play such as the demand for resources, the need to provide energy at affordable prices, retaining the developmental growth alongside the environmental issues [Henderson, Sen 2021]. Jharkhand is one such state in India whose local economy is highly dependent on the conventional sources of power, namely coal. Jharkhand was created in the year 2000 by joining districts majorly from the state of Bihar, and a few districts from West Bengal, Odisha, and Madhya Pradesh. The basis of this creation was the majority of the tribal and the backward castes in this region because they have a specific cultural and social identity. This adds up to the complexity of the situation with governance since the mineral rich state has a huge population of poor tribals [Roy 2000]. This socio-economic complexity not only makes more complex the regional situations but the national priorities as well.

[6] Government of Jharkhand published its Power Policy in 2023, this included description of obstacles about installing renewable energy capacity, and transitioning away from coal.

Jharkhand's economic profile is heavily dependent on coal, and this is a structural weakness at the heart of its political economy. The state's Annual Financial Statements reveal that mining revenues, mostly in the form of coal royalty, District Mineral Foundations, and GST compensation, account for a huge chunk of its own tax revenues. The revenues are used to pay salaries, fund social welfare measures, and construct basic infrastructure, as per the Union of India Budget 2024. But apart from these economic linkages, there is also the reality of millions of jobs being supported by the coal belt. Hence, any reduction in coal demand is bound to affect its budgetary independence as well as its social fabric, making energy transitions a controversial issue in its politics.

This is in sharp contrast to the Centre's renewable drive. The Paris Agreement's aftermath has seen a sharp rise in renewable energy capacity targets in the National Electricity Plan (2022–2032) by the Central Electricity Authority. Coal-fired power generation is expected to plateau in the same time frame according to the plan established by the Ministry of New and Renewable Energy. The Centre's initiatives like the PM-KUSUM Scheme, encouraging solar pumps in agriculture, and its strict Renewable Purchase Obligation norms are compelling states to change their purchasing patterns [PM KUSUM, Ministry of New and Renewable Energy 2024].[7] The Centre's initiative in leading these changes, complemented via initiatives like the International Solar Alliance, positions India as a pioneer in the move to renewable energy globally. But in Jharkhand, this is a reality that sounds hollow, given its economic disconnect with national initiatives.

Cooperation and Competition (2016–2025)

The relationship between the central Indian government and Jharkhand can be seen as an intricate network of cooperation forced by necessity, rivalry for benefits, and historical institutional conflicts. It is an exemplary case of the role of federalism in the pursuit of an energy transition. The areas of cooperation include:

- Programmatic convergence: Jharkhand has committed itself to central programs by developing solar parks and rooftops, availing funding from the Ministry of New and Renewable Energy.[8] Jharkhand's State Action Plan on Climate Change (SAPCC) aligns itself with national climate change targets, showing its pledge to the transition despite the financial costs of diversifying the energy mix.[9]

[7] PM-KUSUM (Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan) is a central government scheme to provide farmers reliable solar-based energy through solar pumps, decentralised solar power plants and solarisation of agricultural feeders, and also support India's broader renewable energy transition.

[8] Annual Report 2022–23 | MINISTRY OF NEW AND RENEWABLE ENERGY | India. Retrieved June 17, 2026 from Retrieved from https://mnre.gov.in/en/annual-reports-2022-23/

[9] Government of Jharkhand, Commissioner, D., Mrs Tiwari, A., Tiwari, Gupta, H.S., Jharkhand Tribal Development Society, S.P. D., Prasad, S., Gupta, D., Sarkar, A. K., Tiwari, A., Khiangte, L., Satpathy, S.K., Nigam, B.C., Jageshwar, S.L. S., Sinha, S., Mishra, Y., Singh, A.K., Sone, K.K., Wadood, A., Singh, V.K.,. . Bawari, D. (2014). *Jharkhand- Action Plan on climate change*. Government of Jharkhand.

• Institutional engagement: The NITI Aayog Governing Council and the Eastern Zonal Council are examples of routine institutional engagement that allows Jharkhand to detail the financial costs of the transition.

• Technical convergence: The central Indian government's Grid-India, under the auspices of POSOCO,[10] ensures interstate infrastructure development that is essential for the assimilation of Jharkhand's intermittent renewable energy into the national grid.

Whereas the spheres of competition and conflict between the union and the state can be summed as follows:

• Fiscal federalism is under strain: The main area of contention is the revenue gap. Jharkhand has requested the Finance Commission for a separate "green transition compensation" fund or higher coal royalty payments to offset the losses from the transition. Instead, the Centre has relied on ad hoc grants.[11]

• Regulatory conflict: The Centre has promoted the privatization of distribution companies and market reforms through the Electricity (Amendment) Bill from 2016 to 2023.[12] Jharkhand has strongly opposed the bill, preferring state-owned utilities for cheaper tariffs and patronage for the ruling party.

• Land and Resource Governance: The Coal Bearing Areas (Acquisition and Development) Act grants the Centre authority over land with rich mineral deposits. Jharkhand has requested higher royalty payments and veto rights due to the state's bearing of the costs of mining, including environmental and social consequences.

• Narrative Divergence: The conflict is not just over the issue of fiscal federalism; the Centre and Jharkhand have differing narratives. On the one hand, the Centre argues that renewable energy is the path to national security. On the other hand, the state's Chief Minister argues that it is not right for the state, which is mineral poor, to be burdened with the costs of climate change lacking significant support from the Centre. The narrative has become more divided since the 2019 elections.

The data indicates a contradictory situation in India's national framework, where the same bodies that drive the move forward also place roadblocks in its path. The situation can be described as a contradiction of a tightly connected system with a number of coordination issues.

Systems Theory Perspective and Institutionalist Insights

From a Systems theory point of view, the drive to move to a new form of energy causes a great deal of stress for India's national framework. The drive for renewable energy at the Central Government level, indicated by tools such as higher Renewable

[10] POSOCO (Power System Operation Corporation Limited) is a Government of India enterprise under the Ministry of Power responsible for the secure, reliable, and integrated operation of India's national power system, including the National Load Despatch Centre and Regional Load Despatch Centres.

[11] *15th Finance Commission Report (English) | Department of Economic Affairs*. (2021). Retrieved June 17, 2026, from http://dea.gov.in/budget-division/15th-finance-commission-report-english

[12] The Electricity (Amendment) Bill, repeatedly introduced and revised between 2016 and 2023, sought to reform India's power sector by improving competition, financial viability, regulatory accountability, and renewable-energy integration, but it also faced sustained political and stakeholder opposition.

Purchase Obligations, has led to a sharp counterattack from Jharkhand, raising issues of revenue and political opposition. The system as a whole appears to be trending towards a new balance, but the absence of a feedback loop such as a Just Transition fund causes the stress to be manifested as a state of conflict instead of a smooth transition. The sub-systems remain tightly connected, with Jharkhand requiring Central Government funds and the Central Government requiring state compliance, but they do not move forward towards a new equilibrium of transition.

Institutionalist analysis shows that our old institutions simply aren't designed to meet the challenge of the road ahead. The Finance Commission rule of devolution prioritizes horizontal equity over climate-specific compensation. This has left coal-dependent states like Jharkhand without a remedy. The GST Council's decision to include coal in the compensation pool has eliminated an important revenue source for the state. NITI Aayog, in its capacity as a collaborative think tank, does not have the coercive funding powers of the old Planning Commission. Together, these policies create a path dependency that is pushing us towards incremental rather than radical change.

Indian energy federalism is like a Marble Cake. The Centre and the States are inextricably linked. However, the marbling is unsettling. This results in friction rather than harmony. The Centre brings the fiscal and policy dough. Jharkhand brings the capacity, the land, and the legitimacy. However, in the absence of a well-defined cost-sharing recipe, the marbling is chunky. This is reflected in ad hoc grants and stalled projects. This marbled reality implies that what is needed is an institutional innovation that can convert the federal complexity into integrative, well-ordered swirls.

The Solution

The case of Jharkhand presents valuable lessons for India and other countries that face the challenges of climate change. In areas where the economy depends on the exploitation of certain resources, such as the case of Jharkhand and its plentiful deposits of coal, the challenges of meeting the country's goals of decarbonization at the local level become apparent. A national transition policy that is one size fits all has the consequence of increasing the equity gap. The policy effects are seen most in the resource-rich but economically weaker states that are made to bear the brunt of the coal transition without the required support [Ordonez et al. 2023]. There is also the consequence of increased political risk, where the transition becomes the focal point for the political battle that ensues, consequently undermining the progress made and the public's confidence in the political system [Busby, Shidore 2021]. To these issues, there is the problem of the implementation gap, where the central targets are lofty but the states that are tasked with the implementation are financially stressed and disconnected from the transition [Bhatia 2023].

To confront these problems, what can be proposed is that the Indian government establish a statutory body such as a "Just Transition Commission". This body would include representation from both the Centre and the states. It would assess the impacts of the transition, recommend customized fiscal packages, and establish a dedicated National Just Transition Fund. This is in line with the International Labour

Organization's recommendations which states that, "Sustainable development is only possible with the active engagement of the world of work".[13]

Furthermore, the Finance Commission should expand its mandate to include consideration of the capacity of the states to adapt to the low-carbon transition in the apportionment of resources between the Centre and the states, as well as between different states, this was also suggested in the 15th Finance Commission Report.[14]

Perhaps just as important is the need to strengthen the cooperative federalism mechanism. This would include elevating the status of NITI Aayog's governing council to that of decision-makers in national missions such as the energy transition, including cost-sharing and timelines [Mothkoor et al. 2024]. Another option is to establish what is known as "Transition Compacts," whereby the Centre would sign compacts with coal-dependent states outlining plans to invest in renewable energy, skills, and infrastructure to diversify the economy [Jordan, Tenzing 2024].

Lastly, it is proposed that the Indian government depoliticize the planning process by empowering bodies such as the Central Electricity Authority (CEA) and NITI Aayog to develop transparent just transition plans that would create a common knowledge base.[15]

Conclusion

The Jharkhand case illustrates the manner in which the changing climate of energy forces the renegotiation of the central-state relationship in India under the pressures of the global climate. It adds to the discussion on the nature of the relationship between the state, the politics of the economy, and what can actually be done. The Indian federal system is based on both teamwork and rivalry, but is skewed towards asymmetry. The Centre practices a form of 'coercive federalism' through funding and policy agendas, while the states, such as Jharkhand, practice the role of veto players that slow down the pace and push back. Economic interests overtake environmental interests in the case of coal, leading to the problem of path dependence that creates conflicts over who bears the costs in the divided political system. Climate change policies are generally a top down process rather than the other way round.

The case thus reveals the limits of state capacity, where national-level targets are threatened by the economic consequences for the entire system and require approaches that take into account the power relations and the 'new institutionalism.' The solution for the successful transition lies in the political strategies that are put into practice.

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