

# Union Budget 2026: Sustainable infrastructure and the blueprint for India's net zero future | Opinion

As India prepares for a new budget session, it is important to recognise clean energy as the backbone of infrastructure growth going forward



By Pradeep Misra | Updated: January 14, 2026 12:15 IST



Infrastructure, once defined largely by roads, ports, and power plants, is now central to a broader vision of a green, inclusive, and climate-resilient India.

With Budget 2026 on the horizon, this is a timely moment to reassess investment priorities, policy frameworks, and institutional mechanisms needed to support sustainable infrastructure aligned with India's net-zero ambitions.

Sustainable infrastructure was once associated primarily with energy-efficient buildings and green design. Today, it encompasses a much wider ecosystem, including renewable energy corridors, electric vehicle infrastructure, hydrogen mobility, circular construction practices, and digital-first urban planning.

India's G20 presidency in 2023 and its commitment to achieving net-zero emissions by 2070 have firmly embedded sustainability into the national development agenda. Subsequently, ESG is also gaining its firm ground across industries and the companies in the urban and infrastructure sector.

What follows must now focus on building systems that are scalable, investable, and outcome-driven.

#### Long-term capital for sustainable assets

Infrastructure development is inherently capital-intensive and long-gestation in nature. Green infrastructure adds further complexity due to evolving technologies and uncertain early-stage returns.

In this context, instruments such as Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) have emerged as effective vehicles for capital mobilisation.

InvITs, REITs & SM-REITs have gained strong traction among domestic and global investors by offering predictable, yield-based returns from operational assets.

Extending these structures to green assets, including renewable energy projects, electric mobility infrastructure, and smart urban utilities, can unlock significant private investment for climate-positive development. Targeted policy support can further accelerate this momentum.

An important evolution within this landscape is the emergence of Small and Medium Real Estate Investment Trusts (SME REITs).

SME REITs enable investment in mid-sized, income-generating commercial assets such as Grade A and B+ offices, warehousing facilities, and mixed-use developments that often remain outside the reach of large institutional platforms.

By broadening investor participation and offering transparent exposure to quality assets, SME REITs can deepen India's real estate capital markets while supporting sustainable urban growth.

#### Clean energy and infrastructure growth

The transition to clean energy will remain central to India's sustainable infrastructure agenda. With over 180 GW of renewable capacity already installed, the focus must now shift toward scaling to 500 GW by 2030. It can be achieved through sustained investment in grid modernisation, energy storage, and green hydrogen infrastructure.

Green hydrogen will be a critical enabler of India's next phase of industrial transformation. While the National Green Hydrogen Mission has laid a strong foundation, the next phase must focus on infrastructure readiness—developing hydrogen refuelling networks, logistics corridors, and regional hubs integrated with industrial clusters. This approach will strengthen industrial competitiveness while embedding decarbonisation into the country's core economic systems.

#### The next phase of urban infrastructure

Electric mobility is a critical pillar of India's net-zero transition, yet infrastructure constraints continue to limit scale. While EV adoption is rising, gaps remain in charging networks, battery recycling systems, energy storage, and renewable-powered transport depots. Addressing these deficiencies over the coming decade will be essential to enable mass adoption across urban and regional markets.

Recognising EV infrastructure as an investable asset class can accelerate this transition. Treating charging stations, energy storage facilities, and electric logistics fleets as yield-generating infrastructure allows greater participation by private capital and InvIT platforms.

Structured public-private partnerships can improve standardisation, unlock long-term funding, and ensure that electric mobility infrastructure develops at the scale and speed required for a low-carbon transport ecosystem.

For sustainable infrastructure investment to scale effectively, policy alignment across sectors is essential. Establishing a national green infrastructure fund can help leverage multilateral and private capital. Integrating ESG metrics into lending frameworks can encourage banks and financial institutions to offer favourable terms for certified sustainable projects. Operationalising carbon markets with clear pricing signals can further improve project viability and reduce reliance on subsidies.

Equally important is the adoption of data-driven tools such as digital twins, which enable real-time monitoring of sustainability performance and enhance transparency. Promoting circular construction practices, including the use of recycled materials and waste-to-energy solutions, can significantly reduce the environmental footprint of infrastructure development.

#### Private capital, innovation, and risk sharing

Technology-driven transparency will be critical to strengthening trust in sustainable infrastructure outcomes. Tools such as blockchain-based asset tracking and AI-driven sustainability audits can improve disclosure, enable real-time performance monitoring, and enhance confidence in ESG compliance.

At the same time, effective risk-sharing mechanisms remain essential for emerging sectors such as green hydrogen and carbon capture. Structured partnerships that distribute early-stage technological and market risks can accelerate adoption while ensuring long-term commercial viability.

Sustainable infrastructure investment is not only an environmental necessity but also a significant economic opportunity. The International Finance Corporation estimates that India's green transition could unlock more than \$1.4 trillion in investment opportunities by 2030. From resilient cities to clean industries, each step towards sustainability enhances India's global competitiveness.

As the country prepares for the next Union Budget, aligning fiscal priorities with the green growth vision is imperative. Clear policy signals, investor-friendly frameworks, and scalable financial instruments, including InvITs and SME-focused REIT structures, can ensure that sustainability becomes the foundation of India's infrastructure story.

The green future is not a distant aspiration. It is a roadmap India is already building, one investment, one innovation, and one policy reform at a time.

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