Cabinet approves Rs.14,500 crore Viability Gap Funding Scheme for development of 92 GWh Grid-Scale Energy Storage Systems

Scheme to support 30 GWh Battery Energy Storage Systems, 60 GWh Pumped Storage Projects and 2 GWh emerging storage technologies

Will accelerate renewable energy integration, strengthen grid stability and ensure reliable and affordable round-the-clock power supply

Mandatory domestic content requirement for BESS to promote indigenous manufacturing and reduce import dependence

Posted On: 04 NOV 2026 3:27PM by PIB Delhi

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has approved the Viability Gap Funding (VGF) Scheme for Development of Grid-Scale Energy Storage Systems, with a total financial support of Rs.14,500 crore for the period FY 2026-27 to FY 2030-31. The scheme aims to support the development of 92 GWh of, yet to be commissioned; energy storage capacity across the country. The scheme will support creation of new capacities equivalent to 170% of the present-day Grid Scale Energy Storage System capacity in the country and help meet the required Grid Scale ESS capacity of 411 GWh by 2031-32.

The scheme marks a significant step towards strengthening India's power sector infrastructure, facilitating large-scale integration of renewable energy and ensuring reliable, affordable and round-the-clock power supply. It will also provide an impetus to domestic manufacturing of battery energy storage systems, reduce import dependence and enhance the country's long-term energy security.

The scheme envisages the development of 60 GWh of Hydro Pumped Storage Plant (PSP) capacity, 30 GWh of Battery Energy Storage System (BESS) capacity and 2 GWh of capacity through alternative energy storage technologies, with a total estimated investment of Rs.97,600 crore. The VGF support will help improve the financial viability of these projects and accelerate the deployment of large-scale energy storage infrastructure in the country.

Energy storage capacity will be allocated through a tariff-based competitive bidding process. Public and private sector electricity distribution companies will be eligible for VGF support for BESS and Hydro PSP projects, while projects based on alternative energy storage technologies will be implemented by public and private sector entities.

A key objective of the scheme is to strengthen India's domestic energy storage manufacturing ecosystem through demand-side financial support and reduce dependence on imported components. To promote indigenous manufacturing, BESS projects will be subject to a minimum Domestic Content Requirement (DCR) of 40%. The requirement will encourage domestic manufacturing, create opportunities for Indian industry and complement existing supply-side incentives for battery manufacturing.

The scheme represents an important intervention towards building a flexible, resilient and future-ready electricity system. By accelerating the deployment of grid-scale energy storage, it will facilitate greater utilisation of renewable energy, address the variability of renewable energy generation and reduce dependence on conventional generation for meeting balancing round-the clock power supply. The initiative will strengthen grid stability, improve renewable energy integration, encourage domestic manufacturing and enhance India's energy security, while advancing the vision of Atmanirbhar Bharat and Viksit Bharat.

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(Release ID: 2332474) Visitor Counter : 3773
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