



India 2026 Decarbonisation Due Diligence for M&A, Capex and Project Finance

By Sudarshan Karweer · 31 August 2026 · growthifye.com

How Indian firms and lenders can assess decarbonisation risk in M&A, capex and project finance in 2026 using MRV, carbon costs and RE strategy.

Industrial transactions in India now need a carbon lens. Whether the decision is a plant acquisition, brownfield expansion, refinancing, vendor due diligence, or a new manufacturing line, decarbonisation risk is directly affecting valuation, debt sizing, DSCR resilience, export competitiveness and compliance readiness.

In 2026, this is no longer limited to ESG teams. Investment committees, credit teams, strategy heads and operating teams increasingly need to answer a practical question: what is the real cost and timeline of getting this asset onto a credible low-carbon pathway?

For Indian commercial and industrial energy consumers, developers, lenders, utilities and policymakers, decarbonisation due diligence has become a core workstream because five cost vectors are converging at once:

- grid power tariffs remain volatile across states and time blocks
- open access and captive renewable procurement economics are improving but remain state-specific
- BRSR Core and supply-chain disclosure pressure are pushing better emissions data
- CBAM exposure is shaping export strategy in sectors such as steel, aluminium and cement-linked value chains
- industrial electrification, process efficiency and green hydrogen pilots are creating new capex choices with uneven payback profiles

This article sets out a practical 2026 framework for decarbonisation due diligence in Indian M&A, capex approvals and project finance.

Why decarbonisation due diligence matters in India in 2026

A decade ago, energy diligence in industrial transactions was often limited to connected load, utility dependence, fuel contracts and backup arrangements. In 2026, that is insufficient. Two facilities with similar EBITDA can carry very different medium-term carbon liabilities and energy transition capex needs.

A buyer or lender reviewing an Indian industrial asset should now test at least six questions early:

- What is the current Scope 1 and Scope 2 emissions intensity at plant level?
- How much of the energy bill is exposed to rising grid tariffs, cross-subsidy surcharge, additional surcharge, fuel price volatility or DG backup costs?
- Can the site practically shift 20-60% of electricity demand to open access, group captive, rooftop, storage-backed or RTC renewable structures?
- Which abatement levers are no-regret measures and which require major process redesign?
- Is the company exposed to export-market carbon rules, customer PCF requests or disclosure obligations?
- Is the current emissions data robust enough for audit, financing, customer due diligence and future market mechanisms?



These questions influence valuation because decarbonisation gaps can show up as:

- higher future operating cost
- near-term capex requirements
- weaker offtake competitiveness in export-linked supply chains
- delayed compliance readiness under evolving carbon market architecture
- lower lender comfort on long-tenor assumptions

In energy-intensive sectors, a poor decarbonisation profile can materially change the investment case. For example, a plant paying blended industrial power tariffs of Rs 7.0-9.5/kWh may have immediate savings potential if 25-50% of demand can move to open access renewable power in the Rs 4.0-6.0/kWh equivalent range depending on state charges, profile and contract structure. Conversely, a plant with inflexible load, weak grid connectivity, poor metering and high thermal process dependence may need a far larger transition budget.

The four layers of a robust diligence framework

A practical diligence process for India in 2026 should be built in four layers rather than treated as a generic ESG checklist.

1. Data integrity and MRV readiness

The first task is to establish whether the plant data can be trusted. Many assets still rely on invoice-level assumptions, annual averages and incomplete fuel logs. That is not enough for investment-grade diligence.

The review should cover:

- 24-36 months of electricity bills by connection and tariff category
- time-of-day consumption where available
- captive generation output and heat-rate performance
- fuel purchase records for coal, petcoke, furnace oil, natural gas, LPG, biomass and diesel
- process-level steam and heat balances
- production volumes by product line for emissions-intensity analysis
- refrigerants and other fugitive sources where relevant
- site metering architecture and data gaps

The goal is not only to calculate current emissions but to assess whether the company is ready for auditable [Carbon accounting & disclosure](/coreservices/netzerodecarbonisation/carbonaccountinganddisclosure) and future MRV requirements. If the baseline is weak, every downstream conclusion on carbon cost, target setting and capex sequencing becomes unreliable.

In diligence, data-quality scoring is useful. A plant with meter-backed energy balances and monthly production-normalised emissions can move quickly into scenario analysis. A plant dependent on broad annual estimates may first require a 90-120 day data remediation plan.

2. Cost and competitiveness exposure

The second layer is cost exposure. Decarbonisation is not only about tonnes of CO₂e. It is about how energy sourcing and process choices affect the P&L.

This workstream should test:



- current landed electricity cost by source
- share of consumption during peak and non-solar hours
- backup power usage and diesel dependence
- thermal fuel mix and substitution options
- export share and customer-level low-carbon requirements
- internal transfer pricing sensitivity to carbon-related costs

For many Indian manufacturing sites, electricity remains the fastest lever. If daytime demand is strong and substation connectivity is viable, solar open access or group captive structures can lower both emissions and cost. Where operations run round the clock, the analysis should test hybrid RE, firming options, storage, and residual grid dependence rather than assume simple solar replacement.

Illustratively, battery energy storage costs are becoming more competitive for peak shaving and firming in selected use cases, but economics remain profile-dependent. A diligence model should examine avoided demand charges, peak tariffs, curtailment risk and backup displacement instead of applying generic assumptions.

3. Abatement pathway and capex sequencing

The third layer is technical feasibility. A common transaction mistake is to identify high-level abatement options without ranking them by cost, downtime impact, technology maturity and implementation timeline.

A sector-specific abatement stack should usually include:

- no-cost and low-cost operational efficiency measures
- compressed air, motors, drives, pumps and utility optimisation
- waste heat recovery where thermal profiles support it
- electrification of low- and medium-temperature processes where technically feasible
- RE procurement for grid electricity displacement
- biomass, biogas or gas substitution in selected applications
- refrigerant management and fugitive reduction
- process redesign or feedstock changes for hard-to-abate lines
- green hydrogen only where process conditions justify it and alternatives are limited

This is where [Net-zero roadmaps & MACC](/coreservices/netzerodecarbonisation/netzeroroadmapsandmacc) becomes commercially useful. A marginal abatement cost curve can separate measures with negative or low abatement cost from measures that are strategic but expensive. In diligence, buyers and lenders do not need a 2047 vision document. They need a sequenced plan showing what can be delivered in 12, 24 and 60 months, at what capex, with what savings, and with what execution risk.

For example:

- utility and motor-system optimisation may pay back in 1-3 years
- rooftop solar may deliver attractive economics depending on roof condition, evacuation and behind-the-meter profile
- open access procurement may reduce cost quickly but depends on state charges, banking rules, scheduling and contracting



- electric boilers, heat pumps or e-heaters may be viable for specific temperature bands but not for all process loads
- green hydrogen may make sense first in pilot or blending applications rather than full substitution

A credible diligence output should quantify abatement potential in tCO₂e per year, capex in Rs crore, expected IRR or payback, implementation lead time, and dependencies such as shutdown windows or utility approvals.

4. Policy and market exposure

The fourth layer is policy and market risk. This is particularly important in export-oriented sectors and heavily regulated domestic sectors.

In 2026, a diligence review should map exposure to:

- BRSR Core data and assurance expectations where applicable
- customer-driven product carbon footprint requests
- EU CBAM-linked value-chain pressure for affected sectors and suppliers
- India's Carbon Credit Trading Scheme architecture and likely future compliance interfaces
- renewable energy policy changes at state level
- electricity-duty, wheeling, banking and surcharge risks for open access strategies
- potential use of Article 6 or voluntary market claims only where MRV quality is robust and claims are legally defensible

This is not about speculative forecasting. It is about understanding how current and emerging policy could alter future cash flows, customer access or financing conditions.

What buyers, lenders and promoters should ask for in diligence

A practical diligence request list should be tighter than a generic ESG questionnaire. The following items usually provide a strong starting point:

- site-wise monthly power bills for the last 24-36 months
- sanctioned load, contract demand and substation details
- interval load data where available
- DG consumption, runtime and maintenance data
- thermal fuel consumption and procurement contracts
- production data by line and product
- current sustainability disclosures and any prior emissions inventory
- customer questionnaires on emissions, PCF or renewable content
- planned capex relevant to efficiency, electrification or fuel switching
- land, roof and evacuation feasibility for on-site RE
- details of any existing open access or captive arrangements

For project finance and refinancing, lenders should also examine whether the sponsor has institutional capability to implement the transition plan. A technically sound roadmap without governance, metering, procurement discipline and plant ownership often underperforms.

Sector-specific red flags in Indian transactions



Different sectors carry different decarbonisation signatures. Diligence should be calibrated accordingly.

For steel and metals:

- high coal or coke dependence
- export customer pressure on embodied carbon
- constrained near-term abatement options beyond efficiency, RE and selected process upgrades

For cement and building materials:

- thermal intensity and clinker-factor issues
- WHR upside and alternative fuel readiness
- quarry-to-plant logistics emissions

For chemicals and pharmaceuticals:

- steam-system inefficiencies
- fuel-switch complexity due to process stability requirements
- refrigeration and solvent-related emissions issues

For textiles and food processing:

- strong electrification and low-temperature heat opportunities in some subsegments
- high value from steam optimisation, condensate recovery and solar-thermal or electric process options where suitable

For automotive and engineering supply chains:

- customer disclosure pressure may move faster than regulation
- supplier decarbonisation readiness increasingly affects sourcing decisions

For data centres and commercial assets linked to financing transactions:

- hourly power profile matters more than annual RE percentages
- backup and cooling efficiency materially affect emissions and cost

Turning diligence findings into transaction decisions

The value of decarbonisation diligence is not the report itself. It is how findings alter transaction structure and post-deal execution.

In M&A, findings may influence:

- valuation adjustments for identified capex
- conditions precedent related to metering or environmental data
- transition capex reserves in the post-acquisition plan
- management KPIs tied to energy intensity and RE procurement

In capex approvals, findings may influence:

- whether a brownfield upgrade beats a new line on lifecycle emissions and cost
- whether the plant should electrify first or secure low-cost RE first
- how to phase investments to protect IRR and uptime



In project finance and refinancing, findings may influence:

- base-case and downside energy-cost assumptions
- lender comfort on future DSCR under tariff and fuel volatility
- covenant design around reporting, metering and implementation milestones
- technical advisor scope during construction and operations

The strongest outcomes typically come when diligence is integrated across commercial, technical and financing teams rather than left with sustainability teams alone.

A practical India 2026 playbook

For most Indian industrial transactions, an effective 8-12 week decarbonisation diligence process can be structured as follows:

- Week 1-2: data collection, plant interviews, tariff and fuel review
- Week 2-4: baseline Scope 1 and 2 assessment, data-quality scoring, emissions-intensity benchmarking
- Week 4-6: RE sourcing analysis, electrification screening, efficiency opportunity mapping
- Week 6-8: MACC development, capex sequencing, policy-risk mapping
- Week 8-10: scenario modelling for tariffs, carbon exposure and export/customer requirements
- Week 10-12: IC-ready recommendations for valuation, financing and implementation planning

The output should be decision-oriented, not presentation-heavy. At minimum, decision-makers should receive:

- a verified current-state emissions and energy-cost baseline
- a ranked list of abatement levers with economics and implementation timing
- a state-specific RE procurement view
- a policy and market exposure note
- a list of immediate data and governance fixes
- a 3-5 year transition capex roadmap linked to business priorities

In 2026 India, the winners will not necessarily be the companies with the most ambitious slogans. They will be the ones that can convert decarbonisation into bankable operating decisions: cheaper and cleaner power, lower thermal losses, better export readiness, stronger disclosure quality and clearer financing conversations.

That is why decarbonisation due diligence now belongs inside mainstream transaction and capital-allocation processes. For acquirers, lenders and promoters, the key question is no longer whether the asset has emissions. Every industrial asset does. The real question is whether the pathway to lower emissions is measurable, affordable and executable.

If you are evaluating an acquisition, expansion, refinancing or industrial transition program, contact Growthifye's advisory desk. We support transaction-ready assessments across [RE-led decarbonisation]/(coreservices/netzerodecarbonisation/releddecarbonisation), Industrial efficiency & electrification, and Carbon markets & MRV with India-specific commercial and policy insight.

Explore Growthifye's related capabilities



This analysis connects directly to our advisory practice: [Carbon accounting & disclosure](/coreservices/netzerodecarbonisation/carbonaccountinganddisclosure) · [Net-zero roadmaps & MACC](/coreservices/netzerodecarbonisation/netzeroroadmapsandmacc) · [RE-led decarbonisation](/coreservices/netzerodecarbonisation/releddecarbonisation) · [Industrial efficiency & electrification](/coreservices/netzerodecarbonisation/industrialefficiencyandelectrification).

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