



CII-ITC Centre of Excellence  
for Sustainable Development



Confederation of Indian Industry

# Building a Climate-Smart & Resilient MSME Food Processing Ecosystem in Madhya Pradesh

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## Policy Brief

September 2025

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## CII Representation on Amendment of Madhya Pradesh MSME Promotion Policy (February 2025) and the Madhya Pradesh State Action Plan on Climate Change and Human Health (2022-2027)

As India strives to meet its Nationally Determined Contributions (NDCs) and global climate commitments, it is imperative to empower the MSME sector to transition toward a low carbon economy. Madhya Pradesh serves as a key hub for India's agro processing exports, catering to diverse global markets. The State exports a wide range of products, including chocolates, confectionery, ghee, paneer, milk powder, wheat flour, dal, ready-to-cook items, edible oil and soybean based products to Bangladesh, China, United States of America, and to regions such as European Union, Middle East, North America, Southeast Asia and United Kingdom (UK), among others.

However, recent trade restrictive measures targeting carbon intensive imports such as aluminium, cement and steel have the potential to indirectly affect exports of Madhya Pradesh's food processing industry. Australia, Canada, and Japan are also exploring policies similar to EU and UK's CBAM, signalling a global shift that exporters must anticipate and address to maintain market access and competitiveness. Food processing involves various stages, including production, packaging, and transportation, each contributing to the product's overall carbon footprint. If upstream suppliers in sectors such as packaging (e.g., aluminum cans) face increased costs due to CBAM, these expenses may get transferred to the food processing companies, affecting their price competitiveness.

Consumers and retailers in Europe are increasingly favouring products with lower carbon footprint. Exporters demonstrating sustainable practices may gain a competitive edge, while those lagging in environmental performance could encounter market resistance. Energy intensive activities such as grain milling, oilseed processing, and cold storage are likely to face increased scrutiny for their carbon footprint. To counter these issues and remain competitive, processed food exporters may need to align their production processes with low carbon standards. The focus on embedded emissions in supply chains might also necessitate carbon accounting and reporting by MSMEs.

The CII Climate Action Charter's (CCAC) MSME toolkit guides organizations on their climate action journey. Designed to align with the Task Force on Climate-related Financial Disclosures (TCFD) framework, the toolkit enables MSMEs to baseline their Scope 1 and 2 emissions; evaluate climate risks; strategize for sustainable growth as well as for GHG emission reductions. With support extended across prominent industrial clusters in Madhya Pradesh such as Nemawar Road, Palda, Pithampur, Sanwer Road, and others, CII supported 28 food processing MSMEs to baseline their emissions. This support resulted in a 12% emission reduction among early adopters between 2022 and 2023.

## CII RECOMMENDATIONS

To ensure that Madhya Pradesh’s Micro, Small, and Medium Enterprises (MSMEs) transition to sustainable and resource efficient practices without compromising on competitiveness, it is essential to build a policy framework that combines regulatory reforms, capacity building,

and targeted financial support. These recommendations are designed to support MSMEs, particularly in the food processing sector, in aligning with national and global climate goals while strengthening their long term viability, market readiness, and environmental responsibility.

# RECOMMENDATIONS FOR THE MADHYA PRADESH MSME PROMOTION POLICY (FEBRUARY 2025)



The following recommendations are organized under three strategic pillars of Amendments, Collaborative Approaches, and Consultative Approaches, each offering actionable pathways to scale low carbon technologies, improve energy and resource efficiency, and enhance the MSME ecosystem’s resilience.

### Amendments

#### Industry friendly open access policy for green energy

Implement low wheeling charges, offer banking options, make proportional reduction in fixed charges, and place no limits on open access power use to enable MSMEs to access renewable energy more affordably and sustainably.

#### Support development of eco-friendly industrial clusters

Provide centralized solar installations, waste recycling units, and energy efficient shared facilities for food processing MSMEs to create eco-friendly industrial clusters in the State.

### Collaborative Approaches

#### Technical and financial support

Offer technical and financial support for MSMEs to implement carbon accounting tools and carbon audits to help businesses align with international regulations such as the EU’s CBAM and enhances global competitiveness.

### Consultative Approaches

#### Preferential treatment for green Initiatives

Make provisions for financial incentives or preferential treatment for MSMEs with Green Certification to recognize MSMEs adopting sustainable practices such as energy efficiency, waste reduction, and water recycling.

#### Targeted financial assistance schemes

Design and offer targeted financial assistance schemes to encourage the setting up of energy efficient cold storage and refrigeration systems. These could be beneficial for small and medium food processing companies operating in resource constrained settings.



## RECOMMENDATIONS FOR THE MADHYA PRADESH STATE ACTION PLAN ON CLIMATE CHANGE (2022 - 2027)

To align with the State's climate goals and support sectoral decarbonization, it is essential to integrate policies that are both environmentally impactful and economically viable for MSMEs. These recommendations, structured under three key pillars of Amendments, Collaborative Approaches, and Consultative Approaches aim to build a resilient, climate smart industrial ecosystem in Madhya Pradesh. The emphasis is on supporting MSMEs, especially in the food processing sector, to transition toward sustainability while maintaining global competitiveness.

### Amendments

#### **Increase net metering limit for solar**

Raise the cap from 500 KW to 1500 KW and introduce solar adoption incentives to accelerate renewable energy transition.

#### **Build common effluent treatment plants (ETPs)**

Use industrial wastewater to generate methane gas to reduce pollution while producing renewable energy.

#### **Set absolute water reduction targets**

Mandate water conservation goals to promote responsible usage and address water scarcity challenges.

#### **Set up plastic reprocessing units**

Establish recycling hubs in industrial clusters to reduce plastic waste and promote circular economy principles.

#### **Incentivize energy efficient boilers and heat recovery systems**

Financially support adoption of advanced industrial boilers and thermal optimization technologies.

#### **Facilitate transition to electric/hybrid vehicles**

Offer subsidies for clean logistics solutions to reduce emissions in supply chains.

#### **Offer subsidies for biogas plants**

Promote organic waste-to-energy conversion at the enterprise level.

#### **Support resource efficient agricultural practices**

Launch schemes to encourage drip irrigation and water saving farming systems among MSME linked farmers.

#### **Subsidize eco friendly packaging solutions**

Provide financial aid for adopting biodegradable or

reusable packaging to boost sustainability and enhance export readiness.

#### **Promote energy efficient factory designs**

Incentivize factory infrastructure that uses natural light, ventilation, and insulation to reduce operational energy use.

#### **Deploy smart energy monitoring systems**

Financial support for automated tools that optimize energy use and reduce wastage in real time.

#### **Encourage LED lighting adoption**

Provide subsidies to replace conventional lighting with energy efficient LED systems under energy efficiency programmes.

#### **Support adoption of energy efficient wastewater systems**

Extend assistance for water recycling technologies to minimize industrial water footprint and pollution.

## Collaborative Approaches

### Tiered subsidy framework for renewable energy adoption

Offer graded financial support to MSMEs, especially micro and small units, for adopting solar, biogas, and energy efficient equipment.

### Green certification incentives

Launch a certification programme for food processing MSMEs that meet sustainability benchmarks and offer reduced fees and financial benefits.

### Export readiness and compliance support

Help MSMEs navigate global regulatory standards (e.g., CBAM) with training in carbon accounting, export documentation, and international certifications (FSSAI, ISO, USDA Organic, etc.).

## Consultative Approaches

### Tax credits for renewable energy investment

Enable MSMEs to claim partial tax reductions for capital investments in renewable infrastructure.

### Performance based incentive programmes

Reward enterprises for measurable energy savings and emission reductions achieved through sustainability efforts.

### Outcome based financial rewards

Introduce schemes that offer incentives tied to specific achievements such as GHG reductions, kWh savings, or water use efficiency.

### Climate action capacity building hub

Create a state supported platform to offer sector specific training on GHG inventorying, energy audits, and decarbonization strategies.

## Mandatory or incentivized carbon audits

Institutionalize carbon audits and reward MSMEs that meet or exceed state set emission reduction thresholds.

These recommendations reflect an integrated approach to climate action where policy amendments, collaborative mechanisms, and consultative pathways converge to support Madhya Pradesh’s MSMEs in becoming more resilient, energy efficient, and globally competitive. CII is committed to continuing its partnership with the Government of Madhya Pradesh to facilitate the implementation of these proposals, ensuring that the State’s food processing and other sectors lead by example in achieving sustainable development and climate resilience.



**CII-ITC Centre of Excellence  
for Sustainable Development**



The CII-ITC Centre of Excellence for Sustainable Development (CESD) is the ecosystem creator for sustainable development in India. As a 20 year old Industry led institution within CII, the Centre drives sustainable, environmental, inclusive and climate friendly transformation among stakeholders through research, data-driven digital tools, frameworks, collaborative initiatives and capacity development.

CESD works towards bringing local and global macro challenges to the centre stage; building policy consensus on critical issues; strengthening stakeholders' awareness and representation on policy and regulatory reforms and enabling actions that positively impact the environment, nature and communities.

With a vision to drive transformation towards sustainable development, CESD continues to play a focal role in Government-Industry dialogues on national regulations; articulating stakeholders' discourse on global policies; putting forth Indian Industry's stand on macro-economic issues and accentuating the need for sustainable and inclusive transformation.

CESD focuses on six transformational pathways: Advancing Creation of a Circular Economy; Facilitating an Enabling Ecosystem for ESG Reporting; Accelerating Nature Positive Actions; Enhancing Solutions for Clean Air; Building Climate Resilience and Low-Carbon Economy and Fostering Dialogues, Engagements & Knowledge Exchange.

### **Confederation of Indian Industry**

3rd Floor, Andhra Association Building, 24,25 Institutional Area, Lodi Road

New Delhi - 110 003 | T :011-40028856 | M: +91 9958890372

W: <https://sustainabledevelopment.in>

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## Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government and civil society through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organisation, with around 9,700 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 365,000 enterprises from 318 national and regional sectoral industry bodies.

For 130 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with the Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness, and business opportunities for industry through a range of specialised services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Through its dedicated Centres of Excellence and Industry competitiveness initiatives, promotion of innovation and technology adoption, and partnerships for sustainability, CII plays a transformative part in shaping the future of the nation. Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes across diverse domains, including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

For 2025-26, CII has identified "Accelerating Competitiveness: Globalisation, Inclusivity, Sustainability, Trust" as its theme, prioritising five key pillars. During the year, CII will align its initiatives to drive strategic action aimed at enhancing India's competitiveness by promoting global engagement, inclusive growth, sustainable practices, and a foundation of trust.

With 70 offices, including 12 Centres of Excellence, in India, and 9 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with about 250 counterpart organisations in almost 100 countries, CII serves as a reference point for Indian industry and the international business community.

## Confederation of Indian Industry

The Mantosh Sondhi Centre  
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)  
T: 91 11 45771000  
E: [info@cii.in](mailto:info@cii.in) • W: [www.cii.in](http://www.cii.in)

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