

India's Draft Shanti Rules & Regulations and Unresolved Constraints

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On August 14, India's Department of Atomic Energy released the [Draft Rules and Regulations](#) for the SHANTI Act, 2025 for public consultation, inviting comments until September 4. The draft rules are meant to operationalize the SHANTI Act, which envisioned privatizing India's nuclear sector and bringing all things nuclear, from construction, ownership, operation, decommissioning, liability, to safety, under a single umbrella into operational details.

Regarding licensing, the draft Rules propose a "composite license", covering construction through decommissioning. Complementing it is the "[in-principle approval](#)" mechanism, which would allow applicants who have not finalized a site or reactor technology to negotiate with vendors and acquire land before submitting the final license application. This will reduce the time from application to development.

Under the financial architecture, rules require operators to maintain “[irrevocable](#)” financial security through insurance, a financial guarantee, or both, until all spent fuel has been removed from storage. The rules also introduce a [sliding structure](#) for the liability cap based on reactor size. INR 3,000 crore for reactors above 3,600 MW thermal power, declining to INR 100 crore for reactors up to 150 MW. This is well below the earlier ceiling of INR 1,500 crore for any 10 MW reactor and the damages incurred in the Fukushima and Chornobyl nuclear accidents.

The limits will be reviewed every five years. The government will step in if the damage exceeds an operator’s liability cap. Additionally, statutory suppliers’ liability has been revoked, with the terms of such liability to now be determined contractually. The Rules also design a regulatory filter for foreign technology that must be certified in the “[country of origin](#)” and must be operational either in the home country or a third state.

Unresolved Constraints

When it was passed in December 2025, the SHANTI Act was meant to revitalize India’s largely underdeveloped nuclear energy sector, especially to meet India’s targets of 22 GW by 2032 and 100 GW by 2047, while current installed nuclear capacity remains around 8.78 GW. Functionally, it addresses three principal aspects with regard to India’s nuclear energy sector – opening the door to private and foreign participation and removing the government’s sectoral monopoly; overhauling India’s nuclear liability regime; and granting the AERB statutory status to recast regulation and innovation under a single, integrated law. While India’s political opposition (led by the INC) remains antagonistic to both the Act’s substance and the process of its passage, the Draft Rules present a few additional concerns for the effort to streamline investment avenues for India’s nuclear sector.

The August 2026 Draft Rules further the Act's effort to create a workable risk framework that can attract the requisite capital and technology. Moreover, the provision for [captive nuclear power](#), with nuclear plants directly providing dedicated baseload generation to energy intensive facilities, is expected to be consequential for India's expanding AI and semiconductor industry.

However, the new rules raise three specific issues.

First, the regulatory filter for foreign technology risks becoming a new investment inhibitor, especially for potential investors from the United States. Large-scale gigawatt reactors, such as Russia's VVER-1200 and France's EPR, are already operational and are therefore inherently compliant with the Act's Rules. However, Western Small Modular Reactors, such as NuScale's VOYGR, Westinghouse's AP300, and the Rolls-Royce SMR, remain under development or licensing. Hence, the "operational" requirement gives Russia's Rosatom, which already runs floating and land-based SMR modules commercially, a significant [first-mover advantage](#). Russia is already an active player in India's nuclear sector (Rosatom supplies the PWR plant at Kudankulam), and the SHANTI Act was meant to, inter alia, address issues inhibiting the India-US 123 Agreement's operationalization and enable Western entry into the sector. Presently, the 2026 Rules imply that the latter remains challenging.

Second is the more fundamental question of liability. While the lower fixed cap incentivizes private investment, petitioners who have moved the [Supreme Court against the Act](#) argue that a hard cap set far below the potential cost of a major nuclear accident and governments stepping in to cover the residual liability over the cap could conversely incentivize private players to cut corners and shift the residual burden of an accident from operators to the public. The Supreme Court has sought the government's clarification on whether the statutory caps constrain constitutional courts'

ability to award “fair and just” compensation, thereby leaving open the question of how much accountability the new framework will actually embed. Among other issues, the liability question remains the heart of the discourse around India’s potential cooperation with Western firms; both the politics around India’s 2010 Civil Liability for Nuclear Damage Act (now revoked/subsumed under SHANTI) as well as historic popular concerns in India vis-à-vis accountability for industrial accidents (after the Bhopal Gas leak) means that the liability question remains a key bone of contention in India’s political space. The INC’s concerns from this January that the Act does not sufficiently guardrail the AERB from executive influence, as well as sets liability caps not at par with international precedent, still remain.

Third, [tariffs](#) present another unresolved constraint. The Rules specify funding and financial-security mechanisms but leave tariff methodology largely within the government’s domain. Under Section 37 of the Act, nuclear tariffs remain government-determined. Industry has increasingly demanded the freedom to set tariff amounts for nuclear power sales. However, India is in a tight spot, as it aims to meet its energy capacity needs through the nuclear sector, which is relatively [expensive](#) and capital-intensive. The Central Electricity Authority estimated nuclear tariffs in April 2026 at INR 7.77 to INR 7.88 per unit, compared to INR 5.25 per unit for firm, despatchable renewable power. Thus, policymakers will have to devise mechanisms in their rules for fiscal support and cheaper financing in order to absorb cost overruns, alongside longer-term efforts to make SMRs commercially viable.

The SHANTI Act’s larger framework remains actively debated, but if the Draft Rules are implemented without key amendments, judicial hurdles to the Act are likely to increase. Moreover, while India’s National Thermal Power Corporation has identified more than 30 potential locations and begun

preliminary studies at 10, Adani Group's joint venture with NPCIL for a 1.6 GW commercial nuclear project in Uttar Pradesh featuring eight 200 MW SMRs is yet to receive final clearance. Note that while the SHANTI Act enabling private sector participation in India's nuclear sector was welcomed, opposition to the Act had also centered around executive favoritism to particular companies, given the Adani Group's announcement of its entry into the nuclear sector around the same time as the Act's passage in Parliament.

The Draft Rules therefore represent an important step toward operationalizing SHANTI, but they also expose tensions within India's nuclear energy strategy. The government desires rapid capacity addition, private capital, foreign technology and an indigenous ecosystem, but unresolved constraints will determine whether SHANTI merely opens India's nuclear sector or actually enables it to scale.