Boosting Domestic Industries in Solar Sector

What is the issue?

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- Renewable energy is identified as a champion sector under the Make in India 2.0 programme.
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- With increasing significance for renewable energy, the government is resorting to trade remedies to encourage domestic industries.
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- However, this needs a relook in the long term context and requires a consideration for policy change.
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What is the concern with renewable energy sector?

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- India currently meets almost 90% of its annual requirement of solar panels through imports (mainly China).
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- This impedes the growth of a nascent domestic solar manufacturing sector.
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- Policy support for the solar sector is increasingly focussed on domestic manufacturing.
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- These take the form of both capital subsidies and considerations of trade regulation.
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- However, these interventions are doubted to be the right kind of signals to send to an already uncertain solar sector.
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- Compliance with global trade regime and keeping up the ambitions on renewable energy (RE) are also doubted.
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What are the concerns and priorities in this regard?

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- **Trade remedies** - Trade remedies are attractive because they create tangible short-term benefits.
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- These include job creation, reduction in trade deficit, and higher local tax collection.
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- However, it would result in higher tariffs and make solar power less attractive for the already financially strained and RE-sceptical utilities.
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- The newer victim of anti-competition implications for trade remedies has thus been clean energy.
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- Two large solar energy markets, India and US, have either imposed or are contemplating to impose safeguards duty on solar panels.
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- These protectionist measures are accompanied by diplomatic tensions, encouraging other major economies also to retaliate.
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- **Trade Regime** - Previous measures to assuage the concerns of the domestic solar manufacturers were challenged and overturned at the WTO.
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- These include the domestic content requirement or DCR scheme.
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- The DCR scheme did not impose any restrictions on imported sources.
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- It only sought to secure an assured market for domestically manufactured panels.
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- But other countries opposed the scheme as it discriminated against foreign solar cell suppliers.
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- Prioritising domestic goals without complying with international trade rules affects the much-needed stakeholder confidence.
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- It is hence vital that India remains compliant with the global trade regime.
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- **Governance** - India’s solar sector is currently caught in inter-ministerial

cross-fire.
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- Both Ministry of Finance (safeguard duties) and Ministry of Commerce and Industry (anti-dumping duties) have the power to implement trade remedies.
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- Further, the Ministry of New and Renewable Energy is grappling with issues posed by the MoF.
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- This is regarding the re-classification of solar panels as electrical motors (the current classification is photosensitive semiconductor devices), imposing additional duties and cesses on importers.
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- **Coordination** - The industry needs one unified voice representing the key concerns of each stakeholder-category.
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- Developers and manufacturers need to voice their needs clearly and respond to policy implications in an unequivocal manner.
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- However this should be without ignoring the broader interests of the sector.
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What is the way forward?

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- Trade remedies to back domestic manufacturing industry may not prove to be effective in the long run.
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- The government could instead tilt its green manufacturing mix in favour of nascent industries of the future.
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- This may comprise of energy storage, electric vehicles, and IT solutions for grid integration.
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- To get ahead in that race, India will need a comprehensive strategy on issues such as:
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i. effective sourcing of critical minerals
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ii. investment in R&D

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iii. access to patient venture capital (long term capital)
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iv. fiscal benefits for the industries of the future
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- An inter-ministerial committee headed by the MNRE must be constituted.
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- This is to coordinate moves among the MoF, MoCI, Ministry of Power, and Central and State Electricity Regulatory Commissions.
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Source: The Hindu

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