Cease of Solar subsidies and its implications

Why in news?

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- The Union government has planned to subsidize solar power panel manufacturing may come at the expense of solar power generation.
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- The Centre is planning to do away with the subsidy schemes for the solar power sector — from rooftop to central financing assistance in several projects.
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What are the implications?

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- The government is moving fast to give direct subsidies to solar panel manufacturing, as solar tariffs are market-determined now, subsidies were no longer needed for solar programmes.
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- To help domestic manufacturing and bring down the cost of solar power equipment, the government is designing a subsidy-cum-support programme for solar panel manufacturing.
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- The removal of the subsidy will strengthen competitive bidding in the sector, leading to a faster adoption of technology and a fostering of relations between the government and the sector.
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- In a bid to promote domestic solar equipment manufacturing and also comply with the global trade norms, the government was looking to refurbish the domestic sourcing scheme under the flagship National Solar Mission (NSM).
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- This would involve boosting manufacturing through subsidy programmes and increasing the procurement of indigenous solar panels by government

agencies and public sector utilities (PSUs).
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Conclusion:

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- Some power generators, however, say that programmes such as rooftop projects need subsidies.
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- The low tariffs discovered in some of the projects is because the Centre or the States provide financial support or some sort of subsidy in capital cost. Removing central grants could escalate the tariffs.
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- The government is not looking to provide opportunity to the domestic players but also open up the solar panel manufacturing sector for global players.
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- The aim is to amalgamate the Make in India campaign with the promotion of green energy. It would provide for a level playing field and investment environment.
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