Exit of the U.S. from the International Solar Alliance (ISA)

Mains: *GS II – International Issues*

Why in News?

On January 7, the U.S. government announced its decision to withdraw from 66 international organisations, including major climate platforms. Among them was the International Solar Alliance (ISA)—an India-headquartered body jointly led by India and France.

What is the International Solar Alliance (ISA)?

- **ISA** – The ***ISA was established in 2015*** with the objective of making solar energy affordable, accessible, and scalable, particularly for developing countries located in the tropical region.
- **Mandate and Work of the ISA –** While the ISA does not directly build solar power plants, it plays a critical facilitative role by:
  - Helping countries ***access low-cost finance***
  - ***Reducing investment risks*** for private players
  - Supporting ***policy frameworks, training, and capacity building***
  - Accelerating the ***deployment of solar technologies***
- **Membership and Reach –** The ISA has ***over 120 member countries.***
- Active across ***Africa, Asia, and Small Island Developing States.***
- Acts as a key platform for ***South-South cooperation.***
- **Role of the United States in the ISA –** The U.S. joined the ISA **relatively late, in 2021.**
- Over three years, it contributed about ***$2.1 million.***
- This accounted for roughly 1% of the Alliance's total funding.

What is the impact of U.S. Exit on the ISA?

- **Financial impact** – From a financial perspective, the impact is limited.
- The U.S. contribution was not critical to ISA's budget
- **Operations** – Indian officials have confirmed that day-to-day operations and ongoing programmes will continue.
- Training and capacity-building initiatives remain unaffected
- **Confidence impacts** – Confidence matters in global economics.
- The U.S. exit sends a broader signal that could affect:
  - Investor sentiment
  - International cooperation in climate finance

- **Implications for India's Solar Industry –** The exit has no direct negative impact on India's solar sector.
- India does not rely on the U.S. for solar panels or key components
- Domestic manufacturing capacity has expanded significantly:
    - **Solar module manufacturing:** ~144 GW (late 2025)
    - **Solar cell manufacturing:** ~25 GW and rapidly growing
- Indian firms are investing across the entire solar supply chain
- **Role of China and Imports –** China dominates global solar manufacturing with ~70% of global cell production capacity
- India imported about $1.7 billion worth of photovoltaic (PV) modules from China in FY25, as per MNRE data
- This underscores that the U.S. exit does not increase project costs or electricity tariffs in India.
- For Indian consumers, nothing changes**.**
- **Effects on investments –** Investments are unlikely to slowdown because:
    - Solar projects are driven by strong domestic demand.
    - Backed by long-term power purchase agreements with state utilities and central agencies.
    - Investment decisions depend on policy stability, power demand, and growth prospects, not U.S. participation in ISA.
    - Funding mainly comes from Indian banks, global investors, and development finance institutions.
- **Employment Impact –** Solar jobs in India are concentrated in manufacturing, installation, and operations.
- India's growing domestic manufacturing base protects employment.
- **Potential advantage:**
    - As the U.S. slows renewable approvals domestically but still needs clean energy equipment.
    - With supply tensions with China and Mexico, Indian firms could:
        - Export solar equipment.
        - Set up manufacturing units aligned with U.S. standards.
- Much depends on the outcome of a bilateral trade agreement between India and the U.S.

Where is the real economic risk?

- **Impacts outside India –** Africa and poorer developing countries, where ISA is deeply engaged.
- These regions rely on:
    - Cheap international finance
    - Multilateral cooperation
- **Other impacts** – A U.S. retreat from climate engagement may:
    - Make lenders more cautious
    - Slow project approvals
    - Delay decision-making
- This could affect Indian companies looking to expand abroad.

What are the implications for India's climate diplomacy?

- **Key pillar** – ISA is a key pillar of India's climate leadership in the Global South.
- It helps India:
  - Build diplomatic influence
  - Open new markets
  - Support Indian firms overseas
- **Superiority to India** – While the U.S. exit removes a powerful partner and some technical expertise:
  - Leadership of the ISA remains with India
  - India now bears greater responsibility in sustaining momentum

What lies ahead?

- Solar power in India remains affordable, projects are secure, and jobs are protected.
- The bigger challenge is a fragmented global climate order, where cooperation and finance become harder to mobilise.
- Compared to the past, India is better prepared—economically, industrially, and diplomatically—to handle this shift.

Reference

[The Hindu| US Exit from ISA.]

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