Focus on Renewable Energy

Why in news?

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India will host the second edition of RE-Invest, its largest investor conference for renewables soon.

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What is the objective?

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- The RE-Invest series of Investors' Meet & Expo will be hosted by the Ministry of New and Renewable Energy (MNRE).
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- It showcases India's renewable energy potential and the Government's efforts to scale up capacity to meet the national energy requirement in a socially, economically and ecologically sustainable manner.
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- This edition will also host the First Assembly of International Solar Alliance (ISA) and the 2nd Meeting of Indian Ocean Rim Association (IORA) Renewable Energy Ministers.
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What is the current RE status?

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- India announced a target of 175 gigawatts (GW) of renewable electricity capacity.
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- Renewable power installed capacity has already reached over 70 GW and over 40 GW renewable power capacity is under construction/tendered.
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- Globally, India stands 4th in wind power, 5th in renewable power and 6th in solar power installed capacity.
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- Trends suggest that India's target will not only be achieved but exceeded.
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- Tariff based competitive bidding process has increased competition and lowered India's RE tariffs, among the lowest in the world.
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- Yet, annual investment is just 3% of the global total which has averaged $10 billion in the last four years.
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What should be the focus areas?

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- **Decentralisation** – There is a need to increase demand for renewables not only at the central level but also at state, district and city levels.
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- Demand could be aggregated at the household level so that bottom-up, demand-driven RE growth be strengthened.
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- **Power purchase agreements** - The rapid fall in RE tariffs has created expectations that each subsequent round of bidding will bring prices down further.
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- While the resultant cheap RE prices are advantageous for discoms, utilities get lower financial realisations than they previously received.
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- But the larger concerns that affects power utilities like poor procurement practices, system-wide inefficiencies, and cross-subsidised electricity still persists.
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- This makes the utilities reluctant to sign PPA's or failing to honour the discovered prices resulting in failed contracts.
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- PPA's have to be structured in a way that it balances transparent reverse auctions and the state-imposed tariff caps, so that it benefits both power producers and the consumers.
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- **Risk assessment** – Currently, there is no compensation for RE developers if the grid doesn't absorb variable renewable electricity.
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- Hence, to reduce curtailment risk, a **'grid integration guarantee'** is being designed to apportion risk across not just developers but also grid planners/operators for transmission related issues.

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- With proper risk assessment, it should eventually lead to insuring developers against the curtailed power.
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- **Safeguard duties** – SC recently lifted a stay on proposed duties of 25 per cent on solar cells and panels imported from China and Malaysia.
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- On one hand, increased costs of these equipment could increase generation costs and make previously bid tariffs unviable, while on the other the government is also capping RE tariffs.
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- This creates double burden on the project developers.
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- Safeguard duties could give a temporary respite to domestic manufacturers, but cannot alone build a robust manufacturing base.
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- Domestic manufacturing capacity should be boosted while reducing over-dependence on cheap/subsidised imports from China.
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- This needs focus on the entire manufacturing value chain, including cells, modules, wires, inverters, and balance of systems.
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What more could be done?

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- India’s RE focus should not be restricted to solar photovoltaic and onshore wind.
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- Emerging ones like Solar thermal technologies needs to be explored which reduces the need for storage and could increase domestic manufacturing value addition.
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- Financial instruments that could de-risk projects or give easier access to credit for rooftop owners/developers should be developed.
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- Utilities could develop new business lines to integrate RE, distributed generation and electric vehicle charging.
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- Decarbonisation of the industrial sector could be done by leveraging industrial sector to invest in renewables.
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- RE-Invest is an opportunity to reaffirm our commitments to targets, respecting contracts, reducing losses, and encouraging innovation.
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- This will make India as the largest clean energy market in the world to operate on market-friendly principles.
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Source: Business Standard

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