Towards 100GW of Solar Energy Capacity

What is the issue?

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- India has set an ambitious goal of reaching 100 Gigawatt (GW) of solar energy capacity by 2022.
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- However, various tariff and market factors make achieving the target uncertain.
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How is solar capacity addition in India?

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- With regard to solar capacity addition in India, real volumes have started to come.
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- Evidently, FY18 has been a good year as far as the installation of large-scale projects and focus towards solar pumps is concerned.
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- Last year, India was in third place in terms of solar market growth over the year.
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- The trajectory towards capacity addition is accelerating too.
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- If this trajectory is to continue over the next few years, it will certainly be possible to achieve the target of 100GW.
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- However, the momentum is slowed down by various factors.
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What are the concerns?

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- In the last few months, investor sentiments have been dampened due to various factors.
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- **Safeguard duty** - The Director General (Safeguards) had earlier recommended imposing a 70% safeguard duty. Click here to know more.
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- This applied to imported solar cells, panels and modules, for a minimum period of 200 days.
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- No decision has yet been taken on this.
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- But the proposal is causing a lot of uncertainty in the industry.
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- This is because the proposed 70% safeguard duty would also inflate the project costs by 25%.
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- It would also push the viable tariff to Rs. 3.75 per unit from Rs. 3 estimated earlier.
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- All these eventually make solar power less attractive to discoms.
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- Tariff complications, added with protectionism are big concerns.
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- **GST** - In the pre-GST regime, there was zero tax on solar panels.
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- However, the case now is 5% GST.
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- Moreover, there is a lot of confusion surrounding the GST on project execution, which needs clarity.
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- **Uncertainty** - In the case of bids, certain tariffs are decided upon.
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- But there is uncertainty over the incidence of future taxes and how they would affect the tariffs.
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- Developers cannot mitigate that risk by keeping a margin in the bid.
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- **Power purchase Agreements** - Another issue is State governments renegotiating past power purchase agreements.
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- This is due to lower tariffs being discovered subsequent to the signing of

their PPAs. Click here to know more.
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- There have been instances of lower-than-contracted payments or grid curtailments.
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- India thus lacks an effective ecosystem to make solar capacity addition happen in a speedy and time-bound manner.
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- **Rooftop solar component** - Another aspect holding up the 100 GW target, is the rooftop solar component within this target.
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- Out of the total, utility scale capacity is to make up 60% of the target.
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- Rooftop solar is to make up the remaining 40%.
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- Out of the total achievement of 20 GW (out of 100GW) at present, about 18 GW is probably from utility scale.
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- The volume installed on the rooftop side is modest at less than 2 GW.
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- The utility scale segment has thus achieved 30% of the 2022 target with four years to go.
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- On the other hand, the rooftop segment has achieved less than 4%.
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What should be done?

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- The installation base in solar in India has touched 20 GW. Notably, in the last 10-12 years, it has come from 10 MW to 20 GW.
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- But with 2022 as the target, India needs to make 20 GW every year in the coming 4 years.
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- Imposing import duties on the primary materials of these projects could work against the goal.
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- In a VUCA [volatility, uncertainty, complexity and ambiguity] environment, what investors and financiers need is certainty.
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Source: The Hindu

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