

Viability of Indian Solar Projects amid Trade Shocks

Why in news?

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Rise in Chinese solar module prices could hurt India's solar parks.

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What is the background?

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- A recent assessment was made by "Investment Information & Credit Rating Agency" (ICRA) on solar investments.

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- It says that the recent rise in China's Photo-Voltaic (PV) module prices could make the costing of India's solar sector unviable.

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- Solar projects in India is now seeing bids well below Rs. 3/kwh, with the lowest being Rs.2.44/kwh at Bhadla phase III in Rajasthan.

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- The rise in imported PV module prices between May and August, has been from 30-32 cents per watt to 35-37 cents per watt.

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- This is expected to impact the viability of all projects where bid tariff is below Rs. 3.5 per unit.

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Why has this unexpected price spike emerged?

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- It has been attributed to the sudden spurt in buying in the US, as a trade ruling against China's solar module makers is anticipated.

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- Two US panel manufacturers, Suniva and Oregon World, have moved the US International Trade Commission for protection against Chinese

imports.

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- If the President intervenes, the US may see a slowdown in demand for Chinese panels.

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- That could lead to lower prices for Indian panel buyers.

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- But uncertainty prevails currently since it cannot be said whether these price spike will last for months or years.

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- In this backdrop, some Chinese suppliers are reported to be delaying on supplies and are seeking renegotiation of contracts.

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How does the future look?

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- For solar power to raise its presence, the industry will have to step up installations and improve panel efficiencies.

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- The annual imports of solar equipments, amounts to over \$2 billion at present.

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- India is touted to emerge as one of the world's largest markets for PV modules in future.

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- Hence, indigenous solar equipment production capacity needs to be enhanced to cope with financial and trade shocks even if costs go up a little.

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Source: Business Line

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