A power gap for RE players

Despite protective tariff barriers, domestic manufacturers of renewable energy equipment struggle to make their mark

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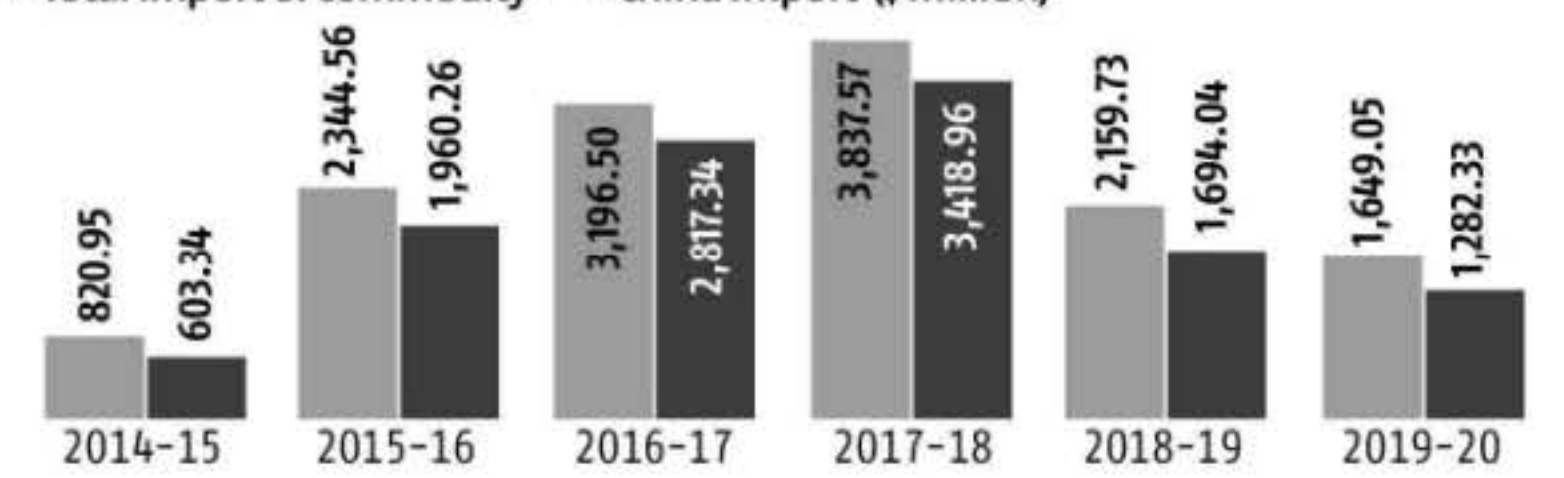

Commodity: Solar cells/photovoltaic cells (whether or not assembled in module/panel)

	'14-15	'15-16	'16-17	'17-18	'18-19	'19-20
%Growth in total import		185.59	36.34	20.06	-43.72	-23.65
%Share of China in total import	73.49	83.61	88.14	89.09	78.44	77.76
%Growth in Chinese import		224.9	43.72	21.35	-50.45	-24.30

* from all countries including China

Source: Ministry of Commerce

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New Delhi, 4 December

Domestic manufacturers of solar energy equipment should have been the happiest businesspeople in India. Over the past two years, the Centre has offered it the protection of high tariff barriers. But instead of spreading cheer, these moves have created more confusion, with manufacturers upping their demands for protection, and their customers, developers of solar power projects, crying foul.

As part of the recent efforts to ban imports from China, the Ministry of New and Renewable Energy (MNRE) has proposed a 20 per cent basic customs duty (BCD) on solar cell and module imports. The finance ministry is yet to approve this proposal. At the same time, in a recent order, the Directorate General of Trade Remedies (DGTR) extended the safeguard duty of 15 per cent on solar equipment imports from China, first imposed in 2018, for another year.

This extension has come as a big relief for domestic solar equipment makers who have been at the receiving end of dumping by Chinese competitors. But project developers are less happy because solar equipment costs will rise — imports still account for 85 per cent per cent of solar cells and modules — and, therefore, the cost of solar power. Project delays are also possible since developers may postpone imports till the safeguard duty expires.

The problem is the constant flux in import policies. "We have juggled through too many policy changes in the last few years. We are talking about a BCD framework but that should be stable. It should remain for 10 years," said Ramesh Nair, CEO, Adani Solar, an end-to-end solar power equipment manufacturer.

Nair was speaking at RE-Invest, an annual event hosted by the Centre for investors in renewable power, last week.

As he pointed out, "Manufacturing has not taken off in solar for two reasons. One, the technology moves very fast. Secondly, there has been huge amount of dumping. There is an infrastructure and supply chain volume in China supported through government subsidy. That is something we are not able to match."

Nair is correct. Almost 75 per cent of India's solar power capacity is built on Chinese solar cells, which is a component of a solar panel) and modules (the entire panel). India's solar cell manufacturing capacity stands at 3 Gw and for modules it is 5 Gw, whereas the country's solar power generation capacity stands at 32 Gw.

It is no exaggeration that Chinese solar cells and modules have been instrumental in the growth of Indian solar power generation. Chinese solar equipment imports jumped nearly six times in 2013-14 when tenders for solar power projects were gathering momentum in India. Till 2017-18, imports grew steadily, tapering 24 per cent after 2018, under the combined impact of the safeguard duty and a slowdown in the award of solar projects. Analyst reports show that China has reduced the benchmark price of solar photovoltaic panels by more than half to a global low of $0.15-0.20 per kwh in the past eight months.

So how can Indian solar equipment manufacturers counter this competition? Domestic competitiveness has become critical because the industry has the potential to create close to 500,000 jobs and to meet India's commitments under the Paris Climate Change Agreement. "We need a robust policy — tariff barriers such as BCD, safeguard duty, anti-dumping duty for at least four or five years and treatment for manufacturers operating in special economic zones that is on a par with domestic companies," said Gyanesh Chaudhary, managing director, Vikram Solar, at the RE-Invest conference.

Sixty-three per cent of India's solar cell and 43 per cent of module manufacturing facilities are located in SEZs. This has made BCD counter-productive for players such as Adani Solar and Vikram Solar because any duty imposed on imports is also levied on SEZs.

Last month, the Union Cabinet allocated ₹4,500 crore for the MNRE for "High Efficiency Solar PV Modules" under the production-linked incentive (PLI) scheme that the finance ministry announced for 10 sectors. Nair, however, doubted whether this would be enough.

Meanwhile, the country's wind turbine manufacturing industry has for long boasted about its strong domestic presence, despite the fact they have no duty protection. In recent years, however, many turbine makers have either fled the market or are making losses. One major reason for pushing the indigenous manufacturing to the brink has been a change in tariff regime in the wind power sector, which accounts for 45 per cent of RE power generation, roughly the same as solar power.

Aimed at reducing the tariff on wind power the Centre in 2017 retired the 25-year-old Feed-in-Tariff (FiT) mechanism under which the electricity regulator decide the tariff to award wind projects and introduced competitive bidding. As a result, tariffs almost halved to ₹2.5 per Mw, bringing wind power cost on a par with thermal and solar power. At the same time, capacity addition fell to a record low of 1860 Mw in 2017-18 from 5502 Mw the year before.

"The Indian market is driven by bidding by independent power producers. This does not give manufacturers room to grow," said Tulsi Tanti, chairman and managing director, Suzlon Energy, India's first indigenous wind turbine manufacturer, at the conference. So, he added, "Aatmnirbhar Bharat comes at right time to relook at manufacturing across the value chain in the wind sector too." There is, as yet, no PLI scheme for wind power equipment makers, however.

As the clouds of Covid-19 disperse, the result of policy interventions might soon start to show. Earlier this year, the Centre awarded the first tender for solar manufacturing, which was won by Adani Solar and NYSE-listed Azure Power for constructing 2 Gw each of solar manufacturing units with allied solar power plants. Another tender is expected soon.

But in the absence of a settled policy towards the sector, the domestic renewal energy sector remains where it has been for the past 15 years. Chaudhary quoted a Mirza Ghalib *shayari* to explain its plight: "*Hazaaron khwahishen aisi ke har khwahish pe dam nikle*" (thousands of desires, each worth dying for).