

Unlocking the Potential of Solar in India: Investment Trends and Funding Strategies Outlook



HIMANI SABHARWAL

MANAGER
Investments at Ampin Energy Transition.

India's renewable energy sector stares at significant expansion in the coming years. Projections indicate cumulative annual energy installations to be around 45GW by FY25. With an anticipated annual renewable energy installation of 20 GW in fiscal year 2024, predominantly from solar projects, India continues to draw attention as a top destination for solar investments. As of July 2023, India's installed RE capacity stands at ~130 GW, solar comprising ~71 GW (54%) of the same.

As part of sweeping sustainability measures advancing its clean energy agenda of 500GW installed RE by 2030, the Indian government has successfully coupled incentives and policies- not just for implementation but those across the supply chain to lure investors to finance and build renewable energy-related projects.

The promising growth outlook for the solar sector in India is driven by its vast potential as well as timely-implemented government policies that encompass its entire delivery value chain- from module manufacturing until building solar parks, as well as transition plans that entail strategies for transmission line, grid and RTC power development. Schemes such as the PLI Scheme allocating US \$ 2.57 Bn across two tranches to boost manufacturing of high-efficiency solar modules, development of solar parks, and independent state policies that actively encourage the installation of distributed solar systems, especially in remote and off-grid populations- all continue driving investment in the sector.

Such has been the response and enthusiasm of the investors that in the first six months of 2023, it has been understood that solar power is poised to overtake investments in oil production for the first time, highlighting the commitment of India to its RE implementation goals. Such investment has spanned project financing from global and domestic players, NBFCs, FDI, as well as Development Finance Institutions.

The next investment tide shall however encompass systemic adoption of solar technologies, extensively focussing on the sector's value chain as well as complementing technologies like battery storage and green hydrogen. More efficient batteries

and adoption of complementing technologies with solar for storing and efficiently generating round-the-clock power shall further cut the solar energy cost by 66% as compared to the current cost, driving up return ratios. The potential for high returns is one yet not the only compelling incentive for investors in India's clean energy investment ecosystem. Apart from return ratios, what remains key is innovation- across manufacturing, policy adoption, as well as financing. Project developers and manufacturers have multiple innovative structured credit options- right from the lesser-restricted FPIs to Investment Trusts and ECBs to implement not just vanilla solar projects but floating solar, PV manufacturing, as well as smart farms that promote sustainable food production systems.

India continues reaping from such opportunities and is poised to benefit from a new wave of investment inspired by stakeholders who demand high environmental, social, and governance standards. Additionally, India's advantageous global position vis-à-vis China continues bolstering its solid economic and diplomatic ties with the US and Europe thereby opening doors for the export of technological know-how and inflow of development capital. In that pursuit, one shall also expect further interest from large Asia-based investors including those from Malaysia, Singapore, and UAE, as has been the latest trend, more so given that such foreign low-cost funding remains critical to realising the country's RE capacity target.

Strategically balancing economic growth with environmental consciousness shall however require thinking beyond the implementation of solar investments as mere solar plants, parks, DG systems- rather the focus shall expand to recycling, upcycling as well as efficient management of solar panels, or waste that one might create. The solar industry cannot be seen to be one functioning in isolation, rather one beaming with other industries that pose green and meaningful investment horizons.

