

Publication:	Business Standard	Headline: Module producers, project developers at loggerheads over solar policy
Date:	14 th Sep 2022	
Edition:	New Delhi	
Pg No.:	05	
URL:	Clip Attached	



Atmanirbhar cloud over solar power

Module producers and project developers are at loggerheads over government policy privileging local suppliers over importers

S DINAKAR
13 September

Subhra Mohanka and Ritu Lal represent two sides of India's solar coin. The first is a producer, aggressively expanding solar module capacity fourfold; the other, a developer, with an eye on the fast-growing commercial and industrial market (C&I), crucial to meeting India's solar power target.

Both are cogs in the wheel to help India install 500 gigawatts (Gw) of non-fossil-fuelled power by 2030. And oiling the apparatus is Prime Minister Narendra Modi's government, with taxes and incentives, on the path to net zero by 2070.

But the wheel seems to be slowing, especially after New Delhi's priorities shifted towards Atmanirbharta, or getting Indian companies to make solar modules in India, instead of relying on Chinese imports. The policy on self-reliance is also directed towards addressing rising unemployment but it will crimp New Delhi's plans to increase solar installations sixfold by 2030 — a previous target of 100 Gw of solar by 2022 is short by 42 Gw despite permitting Chinese imports.

India's new solar production policy has two components, and is indefinite. It entails a 40 per cent tax on module imports and 25 per cent on cells from April this year. But the more controversial aspect was mandating developers to buy the equipment from local manufacturers, which appear in a list called the Approved List of Models & Manufacturers (ALMM). In short, Chinese imports of modules are banned. The imports of cells and other components, which go into the modules, are still allowed because India lacks the expertise and capacity to



make them.

Both provisions apply to utility scale developers, as of now. Lal, senior vice president at Amplus Solar, has got a reprieve, as have other smaller developers working on C&I projects after the government agreed to postpone implementing the ALMM list to 1 October this year. But the import duty stands.

"We must have access to the latest and the best," Lal said, who has developed over 1 Gw of solar projects. "A sub optimal choice that may compromise module life and energy generation, while also taking up costs significantly, is not in the national interest." Domestic manufacturing does not exist today because we don't have the capacities, she added.

But a six-month reprieve is not sufficient for C&I developers, Shriprakash Rai, head C&I

business, Amp Energy, said. "We would like to be given the freedom to import for another couple of years by when Indian manufacturers will scale up capacity and quality," he added.

To be fair, the government's new policy of slapping a heavy import tax on module imports, and mandating use of domestically made panels is what prompted Mohanka, director at Gautam Solar, to consider increasing capacity fourfold in a year to 1 Gw — her company had taken nearly a decade to get to 250 Mw.

"We would not have invested in expanding capacity if the government had not imposed duties and mandated ALMM," Mohanka said. "This makes us compete better with Chinese imports."

"ALMM has done a great job in encouraging and supporting

manufacturing," said Gyanesh Chaudhary, managing director, Vikram Solar, one of the country's biggest module makers. "Chinese solar suppliers are backed by state subsidies, an established supply chain and manufacturing infrastructure. Therefore, there is an immediate need to support the Indian solar manufacturers to achieve economies of scale and enhance cost-competitiveness."

But critics contend that the ALMM mandate, which initially started life as a manufacturing quality standard, robs developers, who are key to meeting clean energy targets, of the freedom of choice even after using their own money.

The Atmanirbhar solar policy will have a disproportionate impact on distributed solar projects (DRE), which are key to meeting India's climate targets. DRE plays a significant market volume and to achieve the ambitious rooftop target of 40 Gw India will require a nine-fold increase in annual investments to \$18 billion by 2024 from 2019, according to industry estimates.

ALMM is now mandated for any project with government assistance. "It's bad in principle. It's something like the government says we made highways so we will dictate what brand of tyres to run on it," a developer said. "It has ended up as a non-tariff barrier," another developer said. "We find this level of intervention difficult to do business and unusual for the government to get involved in."

The solar manufacturing math doesn't add up, for now. India has 4 Gw of cell manufacturing capacity and 18 Gw of module capacity. Not all of the latter is available

though as throughput is much lower (also, companies such as Adani and Tata Solar use their output in their own projects). Considering that India has to add 25-30 Gw a year of solar capacity in the next eight to nine years (to fulfil 280-300 Gw by 2030), and that solar module production capacity is expected to double only in two or three years — even the equipment to manufacture modules

locally comes from China — there is a gap that has to be met via imports.

"The present supply of solar modules is not enough to cater to government funded projects," said Barnik Maitra, managing partner of Arthur D Little, South Asia.

"The biggest hurdle to solar project execution momentum are supply chain related issues," said Hetal Gandhi, director, research, CRISIL. "These pertain to additional taxation on imported produce and inadequate availability of domestically produced PV components." The additional custom duty is expected to increase capital costs by 20-25 per cent which may lead to an increase in tariffs."

Also of concern is the quality of components. "We struggle to find domestic supplies of modules that we can put money on," Lal says, citing a 13 per cent rejection rate for domestically sourced modules compared to a nil rejection rate from imports.

"In India, the quality and safety of solar photovoltaic (PV) systems — and their installation — have become a concern for investors, regulators, consumers, and discoms," Maitra said. "Lack of quality standards and a push for low prices has led to the installation of poor-quality products which deliver less energy and have a lower overall lifespan."

Domestic manufacturing is essential, Rai said. It helps reduce working capital needs — you need a LC and it's a 60-day process to import from China,

compared to seven to 10 days for Indian producers. But that's two or three years down the line, he added. "If I want 600-watt peak power modules from Indian makers they ask for a six-month delivery period; Chinese makers such as Trina, Jinko, J Solar and Longhi sell off the shelf," he added. Also, Indian producers can quote a premium knowing fully well developers have no options, Rai said.

Banning imports may have other unintended consequences. Some producers are using Delhi's incentives to export to Europe for better realisations, denying Indian developers capacity.

The Atmanirbhar solar policy will have a disproportionate impact on distributed solar projects, which are key to meeting India's climate targets