India solar: targets and reality

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One of the world's fastest growing renewables markets has ambitious goals and a government upbeat on meeting them. But is New Delhi too optimistic?

Prime Minister Narendra Modi set the ambitious target to install 100GW of solar capacity by 2022 back in June 2015.

There has been a frenzied pace of tenders over the past year. To date 23GW has been installed, with around 10GW under construction and another 24GW is in the process of being tendered out, according to official figures as of July 2018.

Though still some way short of their target, the government remains bullish. "The Ministry of New and Renewable Energy has planned a detailed trajectory so as to meet the target of 100GW by 2022," Power and New and Renewable Energy Minister R K Singh recently told parliament. "The country is on track to comfortably achieve the target of 100GW of solar capacity by 2022."

The eventual total may be even bigger, according to Singh: the National Institute of Solar Energy reckons the country's total solar power potential at some 748GW.

The government's own agencies and policies may turn out to be a road bump, however.

Stumbling over itself

Solar Energy Corporation of India (SECI), which is part of the ministry and has been the largest tenderer, has recently taken to cancelling auctions altogether when developers failed to match the record low tariff of Rs2.44 ($0.04) per kWh.

In July (2018), SECI cancelled 950MW of solar tenders and Uttar Pradesh also annulled a 1,000MW auction, citing higher tariffs.

This month, SECI cancelled all but the lowest bid at its 3GW solar auction. Only Acme Solar's Rs2.44 ($0.04) per kWh bid, in line with the historic low, for 600MW was spared. The other bids came in at between Rs.2.64 and Rs.2.71 per kWh.

"The government must be live with the outcome of bid price. It should go ahead with these projects even if tariffs are higher than what they like," rating agency Crisil Research director Rahul Prithiani recently said in an interview with local media. "If bids are scrapped, you'll further delay the overall programme."

The Indian government also has been seeking to encourage domestic manufacturing of solar panels.

One policy solution, imposing so-called "local content" requirements, had to be scrapped after the US government won its case against India at the WTO in 2013. India complied with the ruling from December (2017).

Another policy has hit domestic opposition. At the end of July (2018), New Delhi's imposed 25% tariffs on solar imports

from China and Malaysia for two years, another effort to prop up domestic manufacturing. The tariffs risked raising capital costs by 15-20%, according to industry experts cited in local media.

That prompted developers to threaten to pull out of NTPC's 2GW auction if they could not pass on the cost of the tariff to offtakers.

The situation has been put on hold since then. Acme Solar won an interim directions to suspend the tariffs in the High Court of Orissa. Shapoorji Pallonji Infrastructure has also challenged the tariffs in the Madras High Court.

In response, the government shelved the tariffs for the "time being", which was enough to ease bidders concerns and see the NTPC auction proceed. The lowest bid came at Rs2.59 per kWh.

What effect the cancellations and the tariffs will have on India's 100GW target remains to be seen.

In a recent report, Crisil Research estimates that even under the best case scenario, the country will only be able to reach capacity of 80GW – 20GW short of the government's target.