

# Renewables sector wants Budget to pack more energy

Wants govt. to take policy decisions concerning levies and local manufacturing

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Industry players in the renewable energy sector are of the view that there are a number of policy decisions related to import duties and domestic manufacturing, which, if taken, could further boost the sector.

The opinion comes despite growing budgetary allocation to the Ministry of New and Renewable Energy (MNRE) over the years.

The Centre had allocated ₹5,472.8 crore to MNRE in last year's Budget and approved demand for grants for ₹10,814.5 crore. Both these figures are higher than during the tenure of this government as can be seen from the table.

At the same time, renewable energy generation had grown significantly over the years, touching 70,134.4 million units in the April-November 2017 period. In other words, in 2017-18, India generated 85.6% of the renewable energy it did in the full year 2016-17 with a third of the year still to go.

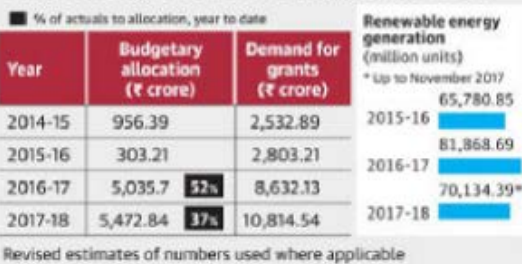
However, industry players said achieving the target of 175 GW of renewable energy capacity and generation by 2022 requires a lot more to be done than simply increasing Budgetary allocation.

"More than allocation, the enablers need to be sound and realistic to achieve the set targets," said Amarthalu Subba Rao, ED - finance and strategy, CLP India.

"Incentives should be granted for imported solar panels rather than making them more expensive through 'crippling duties.' When we don't have domestic capacity for manufacturing solar panels needed to

## Belied expectations

The industry has seen both budgetary allocation and energy generation rise over time. However, this alone may not be adequate to help meet the 2022 capacity target of 175 GW



Revised estimates of numbers used where applicable

Source: Budget Documents, Central Electricity Authority

meet the targets, the country cannot meet targets unless we import.

"The currently envisaged solar policy seems to be misplaced to achieve the target," Mr. Rao said.

## BUDGET WATCH

"Setting up solar parks and transmission of power to load centres would repeat the mistake committed in the thermal projects. Solar projects should be decentralised to optimise on the transmission costs and losses. They should be set up closer to the load centres," he said.

Apart from these, there are various aspects related to tax structure that can be modified to help the sector, according to another industry player, Vikram Solar.

"The current provision is that the claim of 80% depreciation for the solar industry was allowed till March 31, 2017, and was reduced to 40% in the last Budget," Vikram Solar said in a note to *The Hindu*. "We would recommend that the 80% accelerated depreciation benefit should be reinstated for

the solar industry to achieve the 100 GW target of National Solar Mission.

"We recommend that Minimum Alternate Tax (MAT) should be removed for the next 10 years for units operating in Special Economic Zones in order to increase their competitiveness," the company added.

"While some of these challenges could be addressed with non-Budgetary action, we do hope the forthcoming budget will address some of these pressing issues," said Shekhar Singal, managing director, Eastman Auto & Power.

"The Central Board of Excise and Customs has sought to reclassify imported solar panels and modules in a category that attracts 7.5% duty and various kinds of cess. With the cost of a solar cell, [being] around 30 cents at present, would rise to around 50 cents for Indian developers if 70% safeguard duty is imposed. The cost of solar power will accordingly go up to around ₹7 per unit."

Within solar energy, rooftop solar installed capacity seems to still be a laggard, and companies operating in

the sector have their own recommendations for the Budget, distinct from those for utility-scale installations.

## Rooftop solar

"Capital expenditure in rooftop photovoltaic is always higher than utility projects due to the smaller scale and customised design," said Sanjeev Aggarwal, MD and CEO, Amplus Energy.

"Therefore, impact of taxes is higher on rooftop than utility projects. Such higher capex results in higher tariffs and lower returns."

"Considering the fact that only about 1.5 GW has been achieved against the annual target of 5.7 GW, a special push is required to make rooftop more affordable," added Mr. Aggarwal. "We recommend to exempt all components used in rooftop projects from custom duty and GST."

Another aspect of solar installations is the solar thermal sector, which has also been suffering from cheaper import of components. "We, at the Solar Thermal Federation of India, have been pursuing the government to keep a check on the spurious imports of solar thermal systems," said Jaideep N Malaviya, secretary general, Solar Thermal Federation of India.

The sector also felt that the Budget could do more for the bio-ethanol sector as well. "Vis-à-vis the bio-ethanol space in India, we are optimistic that Budget 2018 will provide significant financial support towards subsidies for encouraging domestic bio-ethanol manufacturing facilities and remunerative 2G ethanol prices," said Sanjay Aggarwal, MD, Fortum India.