

FICCI CALLS FOR LEVEL PLAYING FIELD FOR INDIAN INDUSTRY IN NATIONAL SOLAR MISSION

May 13, 2010, NEW DELHI. Leading Indian companies in the field of solar power including manufacturers of photovoltaic (PV) cells and modules, systems integrators and power project developers, under the aegis of the newly-constituted FICCI Solar Energy Task Force, have met top government functionaries in the capital over the last few days to express their concerns over the implementation plans being finalised for the Jawaharlal Nehru National Solar Mission (JNNSM).

The Task Force, chaired by Mr K Subramanya, CEO, Tata BP Solar, and Co-Chaired by Mr Vivek Chaturvedi, Senior Vice President, Moser Baer India Ltd., has called on the Union Minister for New and Renewable Energy, Dr Farooq Abdullah, the Union Minister for Power, Mr Sushil Kumar Shinde, the Deputy Chairman of the Planning Commission, Dr. Montek Singh Ahluwalia, the Principal Secretary to the Prime Minister, Mr T K A Nair, and the Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Mr R P Singh, the Member (Energy) of Planning Commission Mr B K Chaturvedi, to convey their opinion on some of the key issues such as the use of “Made In India” products in the JNNSM, the selection criteria to be used for selection of the projects in the Phase I, and the bankability of the power purchase agreements (PPA) to be signed by the solar power developers with the NTPC Vidyut Vyapar Nigam (NVVN). The primary concern raised by the FICCI Task Force is to ensure that the right ecosystem for the development of solar power in the country is facilitated from the start of the Phase 1 of the mission in order to incentivise companies to invest in R&D and manufacturing to help achieve the mission target of 20000 MW of solar power by 2022.

Tata BP Solar CEO and Chairman of the Task Force, Mr K Subramanya said the national solar mission is India's national effort to ensure her energy security and combat global warming by large scale and rapid diffusion of solar energy. Indian solar companies currently export most of their products to Germany, Spain and US meeting their stringent quality standards. India will have solar PV cells manufacturing capacity of 750 MW by end of 2010 and there is already 1000 MW of PV modules capacity in India. Hence there is no problem with either the quality or the quantity of Indian PV products. Indian products can and do compete with the world's best on quality and reliability but it is not possible for them to match “Made in China” products on prices since we cannot recreate their economic settings in India including very low cost of finance, excellent infrastructure at negligible cost and significant export incentives in the form of tax breaks. Solar power projects will have 25 year PPAs and the Government should ensure the plants actually deliver power over that long period and that it has legal recourse in case of poor or non-performance. This will be difficult to ensure in case non-Indian products are used. India must welcome new investment in manufacturing of solar cells, inverters and new materials and new technologies. But we must ensure that environmentally unfriendly technologies coming into India in the wake of the solar mission are avoided.”

The Task Force members expressed apprehension regarding the proposed selection criteria for projects in case of applications exceeding the Phase 1 Target of 1000 MW whereby it is proposed to select projects on the basis of the developers sharing the tariff with the NVVN and those offering the maximum such percentage would be selected first and so on. The Task Force members said that this selection method is precarious for an infant industry like solar. There is a potential for aggressive underbidding which could lead to unviable projects that might eventually jeopardize the mission targets. Once sufficient experience is gained leading to industry maturity, competitive bidding might be introduced. The present CERC tariff structure based on normative costs should be implemented. Germany, Italy and Spain have all consciously avoided the use of competitive bidding for project selection for this very reason.

The Task Force members also asked the Ministers and Officials for a level playing field to address the challenge of long term cost competitiveness of Indian industry through economies of scale and development of local capabilities. The policy should promote a strong domestic manufacturing base towards achieving grid parity in an accelerated manner. Disparities in incentives for Indian manufacturer's vis-à-vis international (Chinese) modules should be addressed. Long term sustainability and quality through local manufacturing will ensure that the socio-economic goals of JNNSM are met. The expert committee report on indigenous content should be implemented by the mission.

The bankability of PPA is critical towards a favorable investment climate for the JNNSM. The assurance of a robust payment mechanism backed by a strong balance sheet such as that of NTPC and a speedy dispute resolution process will create investor confidence and accelerate project implementation. Selection criteria for developers should not be limited to the targeted capacity of 1000 MW in case a larger number of qualified applications are received. Any increase in Phase 1 projects may be accommodated by adjusting against the next phase goals, keeping in view the overall target of 20GW.

The companies represented in the FICCI Solar Energy Task Force Delegation to the meetings included representatives of leading Indian solar companies such as Tata BP Solar, Moser Baer India Ltd, Indo Solar, Solar Semiconductor, Maharishi Solar, Lanco Infratech, BHEL, L&T, Mahindra, and Photon Energy.

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