

Budget 2022: What To Look For

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The year 2021 was a year of mixed fortunes. On the one hand, we witnessed India crossing 100 GW of installed renewable energy, while on the other, the pandemic took a toll on communities at large. Many of the efforts that had started at a good clip in early 2021 saw considerable slowing down mid-year due to the pandemic. The past year also had approximately 12GW of solar energy capacity installed, more than 250% compared to 2020.

Currently, rooftop photovoltaics (RTPV), while showing great promise and potential, are lagging behind large ground-mounted PV. Distributed power generation, especially for residential consumers, is an opportunity waiting to be untapped. The capital subsidy scheme for residential consumers is expected to spur growth in this direction. The upcoming budget needs to allocate at least INR 1,000 crore for RTPV, with a target of 6 GW capacity. State distribution companies (DISCOMs) should become part of the solution. At the same time, the eligibility of a DISCOM to be a part of this should depend on past performance, present preparedness for RTPV uptake, and financial strength.

The Government has planned on increasing the production-linked incentive (PLI) scheme for solar manufacturers from INR 4,500 crore to INR 24,000 crore to allow India to cross 10GW of manufacturing capacity, thereby opening up avenues for export. While the updated Approved List of Models and Manufacturers (ALMM) has ~41 manufacturers, the number is likely to go up considering the additional funds allocated to the PLI scheme. With Basic Customs Duty (BCD) expected to be implemented from April 2022, domestic manufacturers can safeguard themselves from being dumped by international players while increasing their production capacity. Many developers consider this to be a restrictive move in terms of discovering a true market price for PV modules which is lesser than what the distorted market yields. However, given the increase in the quality of domestically-manufactured PV equipment along with the willingness of Solar Energy Corporation of India (SECI) and other consumers to pay slightly higher power purchase agreement (PPA) rates compared to 2019-20, developers should not be deterred from sourcing Indian modules.

Although the 100 GW solar target for 2021-22 is stiff, the efforts made by the Government (both states and central), developers, and nodal agencies so far have been commendable. With extant difficulties arising due to the pandemic and disruption in the global supply chain, it is essential not to lose focus on the broader target announced by the Prime Minister at COP26 of 500GW of renewable energy capacity by 2030 and work assiduously towards it.