


FOR INVESTORS, INDIA'S SOLAR PUSH COULD SIGNAL A GOLD RUSH

JULY 7, 2015

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India's government has set a [mammoth new goal](#) to build a solar power capacity of 100 GW in an energy-starved-but-hungry country, permitting 100% foreign investment and offering a series of tax breaks for the fledgling sector. The audacious new target quintuples the previous goal of 20 GW and is about 30 times the country's installed capacity (less than 3.7 GW). The flurry of investors is making solar energy sector seem like the new Gold Rush.

"If the government removes bottlenecks and gets regional administrations to offer incentives, solar could be a long-term play for investors," said Amol Kotwal, director, energy & environment practice at consultancy firm, Frost & Sullivan. "It could turn out to be a Gold Rush."

Strategic, innovative players could build a very exciting business as the market potential is huge with room for established companies as well as entrepreneurs, said Tobias Engelmeier, director & founder, Bridge To India, a renewable energy consultancy. India has the potential to become the world's leading solar markets [as its location near the equator](#) and low solar park construction costs coupled with plunging costs of solar energy in recent times (now only marginally higher than cost of producing conventional energy) are all aligning with India's ambitions. "Our estimate is that, in the next 15 years, solar in India could be a 1,000 GW opportunity," said Engelmeier.

The government's unprecedented push has already attracted a pack of investors. Japanese telecom multinational SoftBank, India's biggest wireless telecom provider Bharti Enterprises and Taiwan's technology manufacturer Foxconn Technology have together announced a [\\$20 billion joint venture, SBG Cleantech](#), to bid for contracts to develop solar energy plants across the country. SunEdison, the Missouri, U.S.-based renewable energy firm said it intends to invest [\\$15 billion by 2022](#). It also announced that it would put \$2 billion into a joint venture with billionaire Gautam Adani's Adani Group to manufacture photo voltaic modules. China's Trina Solar has unveiled plans to [invest \\$500 million](#) in a plant to make panels in a joint venture with India's Welspun Energy.

"From what we see happening in the past few weeks, the government's target does not seem like an empty goal. It is plausible that India may meet at least 50% of its ambitious target in the next seven years," said Narasimhan Santhanam, cofounder and director of alternative energy consultancy firm, Energy Alternatives India.

India is among the world's top five [largest energy consumers](#) and is projected to become the third-biggest, after China and the United States, in the next decade-and-a-half. But the country faces an [acute scarcity](#) – thousands of villages are still unlit, supply is rationed in towns and blackouts are common even in the biggest cities. In fact, the 100 GW additional solar capacity that India is building will meet less than 5-6% of its overall energy needs by 2022, experts said. The hope is that solar energy output can serve the country's remote regions where even two hours of power supply can change lives.

Foreign investors and their money are critical for the government to meet its grand solar target. A 100 GW of solar capacity will require upwards of \$100 billion (at an estimated \$1 billion per GW) in investment. Given the cost of money in India and Indian banks' over exposure to the infrastructure sector, foreign capital will help greatly.

However, investors will face stiff challenges. Solar energy is land intensive – an estimated 4-5 acres are required to produce 1 MW of solar power – and the government's attempts to pass a [land acquisition bill](#) have got caught up in a political deadlock. Even if large tracts of land are made available to investors to produce solar power, the lack of grid infrastructure is a hindrance. The government will have to focus on building up the grid to support the level of solar capacity addition that is being planned.

At the other end, power utilities (distribution companies or Discoms) operate in a highly-regulated market. Utilities in 20+ of India's 29 states are in a [bleeding financial mess](#) as they sell power far below cost. Populist pressure keeps energy prices low and affordable to millions of poorer Indians.

Yet, India's solar energy market represents a robust opportunity for foreign investors, given that China's market has proved impenetrable. China adds 14-15 GW a year, and this capacity is mostly built by domestic firms and joint ventures. "With the aggressive capacity addition that the government has outlined, India is the next destination for global players," said Kotwal of Frost & Sullivan.



A solar power plant operated by India's Tata Power Solar in Western India (Image: Tata Power Solar)