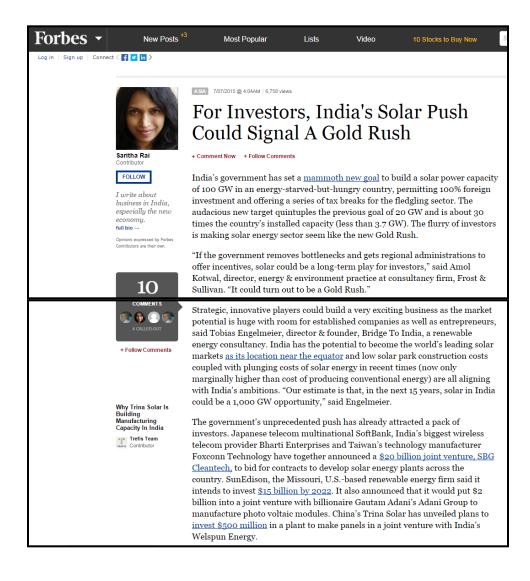


FOR INVESTORS, INDIA'S SOLAR PUSH COULD SIGNAL A GOLD RUSH JULY 7, 2015 FORBES





"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 alterantive energy consultancy firm, Energy Alternatives India.

India is among the world's top five <u>largest energy consumers</u> 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 <u>acute scarcity</u> — 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)

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