

MIXED RESPONSE FROM SOLAR INDUSTRY TO INDIA BUDGET

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Tata Solar chief executive Ajay Goel, while admitting that his reaction came from an "initial understanding" based on limited information, said his company felt the budget failed to place solar in its rightful place of importance in forming India's future energy mix. Image: Tata.

The portions of Indian prime minister Narendra Modi's first national budget relating to solar energy have been met with a mixed reaction from the industry, based on first impressions.

Deutsche Bank analyst Vishal Shah said that his firm believed steps announced in the budget yesterday are "positive for the Indian solar market". Conversely, Ajay Goel, chief executive officer of Tata Solar, said that with the budget, India's new government has missed an opportunity to recognise the "potential and bigger role solar has to play in meeting India's energy demand compared to other energy sources".

Yesterday, PV Tech reported the [key aspects of the budget pertaining to solar](#), which included a number of tax advantages for the industry. Domestic manufacturing of solar PV cells and

modules has been given a boost with a number of tax exemptions for copper wire and backsheets, while concessionary rates of 5% will be applied to PV-specific project equipment and machinery.

Additionally, around INR5 billion, around US\$84 million, will be set aside for large scale, so-called 'ultra-mega' solar projects in the five states of Rajasthan, Gujarat, Tamil Nadu, and Laddakh. Solar powered water pumps for agriculture and water pumping stations will get a proposed INR4 billion (around US\$66 million) boost, INR1 billion (~US\$17 million) worth of 1MW solar farms will be developed nationally along canalways. Meanwhile, the government has also pledged to accelerate the development of its Green Energy Corridor, a grid infrastructure project designed to help accommodate increasing levels of renewable energy capacity. The government now intends to get the Green Energy Corridor project underway during the current financial year.

In a brief note, Vishal Shah highlighted Deutsche Bank's assertion that the budget is good news for the solar industry with his expectation that it will foster the addition of around 1.5GW of PV generation capacity during 2014.

However, Ajay Goel of Tata Solar, solar subsidiary of the Mumbai-based multinational Tata Group, argued that several of the exemptions included in the budget are merely reinforcements of already existing tax rules. While stressing that his reaction was based on an initial understanding of the budget and admitting that this was based on the "limited information" available, Goel said that some "key areas pertaining to solar which require immediate attention" were neglected in the budget. Tata Solar manufactures its own modules as well as performing downstream project activities.

"...we will have more clarity once we go through the fine-print. However, we feel that the budget has missed to provide due importance to solar considering the potential and bigger role solar has to play in meeting India's energy demand compared to other energy sources," Goel said.

"Some of the key areas pertaining to solar which require immediate attention, but neglected in the budget, include matters pertaining to inverted duty structure for solar components, concessional financing for manufacturing and fund allocation and availability for solar programmes."

Goel said that although one of the stated central aims of finance minister Arun Jaitley's budget was to foster domestic manufacturing, he did not see any impetus to do so in the sections affecting solar. In an appearance at Intersolar Europe in early June, Goel had said that without adopting recommended anti-dumping duties, India's solar manufacturing sector could be "dead" within as little as six months.

In a recent blog post, PV Tech senior news editor Mark Osbourne pointed out that in his opinion, protectionist measures over domestic content would be less beneficial to solar manufacturing in India than, for example, research and development incentives or mechanisms to lower the cost of finance.

Finance minister Arun Jaitley, in announcing the budget, said: "Climate change is a reality which all of us have to face together."