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Import curbs can't make the solar sector shine

Four years ago, nobody would have believed that electricity generated by solar power plants could be sold at around ₹7 per unit. Today, it is not only a reality but there is also room to believe that prices will fall further.

The fall in solar power prices over the past four years was due to scale-driven prices of modules — the silicon panels that produce electricity from sunlight. Price of these products, central to a solar power plant, fell from \$1.8 a watt in 2010, to around a third of it now, and this happened mainly because the Chinese built up much more capacity relative to demand, resulting in a glut.

In future, the fall in solar prices will not come from a decline in module prices, but from technological breakthroughs in their production.

What's up

A couple of years ago, in a conversation with this writer, Charlie Gay, Chairman of Applied Materials, the US multinational that produces, among other things, solar photo voltaic products, talked of a company called Crystal Solar.

This California-based firm (founded by an Indian, TS Ravi), Gay said, was working on a new process of making solar cells which would skip a couple of steps in the existing process, saving costs significantly.

There is also a race in the market for improving the efficiency of modules. Companies such as First Solar in the US and Solar Frontier of Japan are announcing new marks in efficiency levels.

All these, combined with the possibility of cheaper finance hold out promise for further fall in solar power prices.

That said, at a time when such epochal changes are happening, the Indian government seems to be throwing a spanner in the works by levying anti-dumping duties on those who are prepared to sell cheap to solar power producers in India.

The idea, ostensibly, is to protect domestic manufacturing, which, in any case, is present only at the final, thin slice of value addition — that of making (imported) cells into modules. There are claims of cell-making capacity in the country, which the solar power companies are, however, loathe to buy due to quality perceptions.

Anyway, the National Solar Mission has reserved a quota for local products, to meet which, incidentally, local makers have sought a year's time. While fostering a large manufacturing base for a user industry as large as India's is a laudable objective, the way to go about it is not by shielding local manufacturers from competition, but exposing them to it, like the US has done.

The US government has indeed imposed an anti-dumping duty on certain Chinese products, because it has a huge local industry to protect, but it is clear that over the long-term, its competitive edge vis-à-vis the big-scale Chinese would come only from technology and innovation. Crystal Solar's Ravi speaks of a "strong push" that companies like his are getting from the US government to take on China's scale with innovation.

India ought to support local companies with liberal grants for R&D. Indian companies should try to acquire technology abroad. Guess who spotted Crystal Solar's potential? A South Korean company, Hanwha, which picked up a stake in Crystal Solar for \$15 million, in 2011. Could it not have been, say, Tata Power Solar, instead of Hanwha?