

INDIA WORRIED OVER WTO'S VERDICT ON ONTARIO SOLAR CASE

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The World Trade Organization's (WTO) recent ruling against Ontario's domestic content requirements for renewable energy projects is setback for India, which is defending a similar case filed against it by the US. But the country has not given up hopes of a favourable verdict, as it believes that the finer details of its case are different. "Our situation is very different from Ontario's. In our case, production is for Government procurement, which cannot be brought under WTO discipline. Besides, in phase-II of the solar mission, we propose to divide the 750 MW capacity put on offer into two. Some projects would mandate domestic content, and some would be open for use of imported products," a senior official from the Ministry for New & Renewable Energy told *Business Line*. The Commerce Department, which represents the country at the WTO, is analyzing the details of the Ontario verdict. "We are at the moment going through the judgement as we want to be clear about how the WTO arrived at its decision. This will help us fight our case better," a Commerce Department official said. In February, the US filed a complaint with the Dispute Settlement Body of WTO against domestic content requirement in the Jawaharlal Nehru National Solar Mission (JNSSM), which mandates that solar photovoltaic modules based on crystalline technology have to be sourced locally. As per WTO rules, members cannot impose such conditions on investors.

India has so far argued in the WTO that as the power produced under the mission will be bought by NTPC, a public sector unit, it amounted to Government procurement, which does not fall under the ambit of WTO rules. India is not a signatory to the Government Procurement Agreement of WTO, a plurilateral agreement that has just a few countries as members. The US is hopeful that by successfully fighting its case at the WTO, it will manage to foil India's plans of extending the local content requirement to solar thin films, most of which are supplied by US companies, in the second phase of the mission beginning this year. The Indian industry is, understandably, worried that removal of domestic content requirement could lead to foreign manufacturers benefiting from it at the cost of local

producers. "The core issue remains that any dilution of the domestic content requirement under the solar mission sets up perverse behaviour in the market place due to current global supply dynamics where value leaks out to exporters in the US and Asia," said Ajay Goel, CEO, TATA Power Solar. Most Indian manufacturers continue to operate at less than 25 per cent capacity utilization and incur huge losses.

In 2013, analysts expect there would be close to 1 GW worth of project installations in India, out of which only 10-15 per cent will use domestically made cells and modules, even though the domestic industry has a capacity to provide 100 per cent of these installations. According to Raj Prabhu, CEO, Mercom Capital Group, India should amicably settle its dispute with the US and should help the domestic industry in other ways. "The focus should be on creating a conducive investment environment with an eye on demand creation," he added.