HIGH PROSPECTS, YET FACING DEATH AT INFANCY
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The influx of highly under-priced solar modules is hurting domestic industry.

The Indian solar manufacturing industry is in a peculiar situation. While the solar energy market is poised for unprecedented growth, driven by various government programmes, rising fuel prices and overall macroeconomic growth, the solar manufacturing industry, threatened by global overcapacity and widespread dumping, is facing utter despair and is on the verge of shutting down. The root cause behind this situation can be traced back to 2010, when the demand for solar generated energy increased dramatically due to increased focus on renewable energy. According to GTM research, the market grew 150 per cent from 7 gw to 18 gw in 2010, resulting in a sharp buildup of global manufacturing capacity, primarily in Asian countries like China, Taiwan and Malaysia. Events took an unexpected turn when the market demand started to flatten in 2011. This resulted in a drastic excess capacity and huge inventory across most solar manufacturing companies globally. While some companies chose to exit the business, others resorted to offloading their inventory and sell at costs well below manufacturing price by using government subsidies, cheap long-term loans, among others. To counter this influx of highly under-priced solar modules, a number of countries/regions have taken or in process of taking measures to safeguard domestic industry. The US has already imposed antidumping and countervailing duties on imports of solar cells from China and investigations by the European Commission are under way. In India, The Jawaharlal Nehru National Solar Mission (JNNSM), launched in 2010, is a major initiative by the Indian government and state governments to promote ecologically sustainable growth while addressing India's energy security challenges. The mission set the ambitious target of deploying 20,000 mw of grid connected solar power by 2022 and is aimed at reducing the cost of solar power generation in the country. Ministry of new and renewable energy (MNRE), which is responsible for administering JNNSM has followed a policy of progressively increasing domestic content. In the last batch of phase I, MNRE mandated a domestic content requirement (DCR) for both cells and modules. However, it only specified this for crystalline PV technology, not thin-film. Consequently, more than 75 per cent of projects used imported thin-film technology, and ignored domestically manufactured cells and modules. As MNRE gets ready to launch the next major phase of JNNSM, its position regarding domestic content requirement in the next phase of JNNSM is still unclear, despite desperate entreaties from domestic manufacturers to enforce DCR in its true spirit and not just name. The core issue remains that any dilution of the domestic content requirements of JNNSM sets up perverse behaviour in the marketplace due to current global supply dynamics where value leaks out to exporters in the US and Asia. In addition, many substandard modules make their way into India as the policy remains sensitive only to cost and not quality, which in the long term might harm the industry. Most Indian manufacturers continue to operate at less than 25 per cent capacity utilisation and incur huge losses. In 2013, analysts expect there will be close to 1 gw worth of project installations in India, but out of which only 10-15 per cent will use domestically made cells & modules, even though the domestic industry has a capacity to provide 100 per cent of these installation. Unless this situation is corrected, there would be a serious impact on the continuity of the Indian solar manufacturing capacities. Closure of most manufacturing units or shifting

to regions/ countries with friendlier policies. Killing all future research and expansion plans of domestic solar manufacturing. Resources/Investment write-offs and employment losses in near future. Significant opportunity loss to India and gains to China, in context of manufacturing GDP. If the manufacturing base for solar products is eliminated, there is a real risk of India becoming dependent on import of solar technology and equipment, compromising our energy security. Moreover, being a sunrise industry, solar manufacturing industry has tremendous potential to create jobs across various levels. It is therefore important to nurture the industry in its formative years. Proposed Solutions/ Measures needed: Without compromising the interest of the solar industry as a whole, the solution needs to be implemented at two levels: Anti-dumping and/or countervailing duties: This is the preferred short-term solution, per WTO guidelines, that will level the playing field immediately and help the local industry to sustain. While an antidumping investigation is currently in progress, the government needs to issue a preliminary tariff ruling by June at the latest to provide desperately-needed relief to the ailing manufacturing industry.

Comprehensive domestic content requirement: This is the preferred long-term solution to supporting Indian industry, promoting energy security as well as creating a level-playing field given the significant capacity already available in India. The need is for a more comprehensive DCR that doesn't give any loopholes to be exploited (e.g., thin-film) and extends the policy to state level and not just centre. Dumping, in any form, impacts the sustainability of the industry concerned. These recommendations, critical for the survival of the Indian solar manufacturing industry, are similar to steps that most of the governments across the world are taking to protect their domestic solar manufacturing industry from unfair exporting of under-valued products.