



New Proposals for Solar Power

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Why in News

Recently, the **Ministry of New and Renewable Energy** has received proposals from various players for over **10 gigawatts (GW)** of fresh **solar** equipment manufacturing.

Earlier, a **750 megawatt (MW) solar project** was also inaugurated in **Rewa, Madhya Pradesh**.

These moves are in line with India's commitment to **attain the target of 175 GW of installed renewable energy capacity by 2022** including **100 GW of solar installed capacity**.

Key Points

- This **rise of interest in the domestic manufacture** of solar equipment coincides with **other measures of the government to promote domestic industry** like increasing **duties on imports across sectors, including solar power**.
 - There is a proposal of increasing customs duty to around **20-25% on solar equipment** and also for a **5% interest subvention scheme** for the domestic manufacturing of ingots, wafers and cells.
 - However, these duty changes should be in compliance with the **World Trade Organisation** (WTO) standards.

- **Solar Power and India:**

- There has been a **significant progress in solar capacity addition** since 2014, with India **progressively emerging as the world's third largest solar market**.
- However, the **domestic solar equipment manufacturing industry has largely failed** to capitalise on the opportunity.
 - **Despite a 20GW demand** for solar cell manufacturing, India's **current average annual capacity is only around 3GW**.
 - **Nearly 80%** of the inputs and components are **imported from China** as it was the **top exporter of solar cells and modules to India in the Financial Year 2019-20**, accounting for USD1.68 billion of the product into the country.
- India has **implemented safeguard duties on import of solar equipment from China and Malaysia**, which have been **extended until July 2021** at a rate of around 15%.

However, a **safeguard duty is of limited duration** and will therefore not induce people to make long-term commitments in terms of investments.
- **Despite all these initiatives** to incentivise domestic production, the safeguard duty, domestic content requirement policy and an approved list of models and manufacturers, the **expected scale-up has not materialised**.

There are about **16 solar cell manufacturers in India** of which **only half have a manufacturing capacity of 100 MW or higher**.
- **Reasons for Less Development of Solar Energy in India:**
 - Solar cell manufacturing is a **complicated process** that is **technology and capital intensive** and it also upgrades every 8-10 months.
 - The **global market** of solar wafer and ingot manufacturing is **dominated by China**, whose companies **dominate the Indian solar components market too** with their competitive pricing.

Way Forward

- Strong financial measures, promotion of research and development, proper mechanisms to tackle China's dumping of solar equipment are few of the steps required to boost the solar energy and its production in the country.
- The government's move to shift from the use of short-term safeguard duties to protect domestic manufacturers to the imposition of customs duties has induced the industry to make long-term commitments in terms of investments.
- It is an indication that the centre's **Atmanirbhar Bharat Abhiyaan** could be yielding early results in the solar energy space.

Source: IE