'Without PLI and duty protection, Indian solar manufacturers won't be competitive today'

bl. interview

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Chennai

Nasdaq-listed ReNew Power is the largest player in India, with a total operational and under-construction capacity of 13.4 GW. *businessline* caught up with Sumant Sinha, ReNew Power's Chairman and Managing Director, for a chat about the leading trends in the renewable energy industry, in which he explains why it is wise to support solar manufacture in India even though Indian manufacturers would never be competitive against the Chinese. Excerpts:

We see two trends in the renewable energy industry — increase of corporate PPAs and demand for round-the-clock (RTC) power supply. Do you see these two trends converging?

Corporates sometimes have a requirement for RTCs, sometimes they have a requirement for just wind and solar, it depends on the company's requirements which are different from time-to-time. So the trends can be seen converging, for sure. Some corporations do want RTC power solutions. It really depends on their specific requirements.

Why wouldn't corporates be demanding only RTC power supply?

I generally agree with you that even corporations, as we go forward, will start preferring round-the-clock solutions because it allows them to maximise their savings, because in the same line, they are able to get a lot of renewable energy. And therefore, if they are going for wind or solar, they will have a saving against their connected load.

Can you give me some idea on the additional yield you get in corporate PPAs?

The returns in corporate PPAs are slightly better. But, you know, it's not like there is a massive difference either. So, there is a slight improvement but here we are talking about a couple per cent higher, so it's not a massive change.

Is there a reason why your portfolio contains such little merchant capacity?

You have to recognise that merchant tariffs are higher right now, but ultimately, keep in mind, that we are unaware of how much longer they are going to be higher for.

So, it's a bit of a punt. And as you rightly observed, you asked yourself the question, who is going to debt finance it? So, you know all of this is not as straightforward.

When do you think they (financiers) will develop confidence in merchant projects? It seems to be a good growth area.

Keep in mind that merchant prices for the longest time have not been so high. They have been high for the last year-and-a-half, or so. We do not know how much longer they will be higher for.

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>
> **SUMANT SINHA,**
> Chairman and MD, ReNew Power

Do you get income from carbon credits?

But in India renewables are not based on carbon credits. Projects get carbon credits because only if they can prove that there is some additionality in your project, that your project would not have happened if the carbon credit was not there.

Therefore, there is an issue to prove that additionality. And carbon credits under the CDM-Kyoto Protocol are available but even that has no got shut off as of 2021.

But if the same power capacity were to be built with coal, it would be bad for the world, right?

The point is, there is now a commercial reason to build renewables than coal and since renewables are cheaper, people would rather build that than coal. I am building a renewable energy plant because it is cheaper for me.

The world over, carbon credits for avoidance have no takers, but those for removal of carbon is becoming popular.

(*businessline* has learnt that ReNew Power has 4GW of capacity registered for carbon credits with another 5GW in the pipeline.

When asked about this later, Sumant Sinha said: "For new RE projects it is harder to get new carbon credits. Some of the older projects get them but under the CDM mechanism that is stopping from 2021.")

Coming to solar, after this 40 per cent basic customs duty protection goes and PLI scheme, will you be competitive with the Chinese?

The short answer is 'No'.

Then how long can the developers keep bearing higher prices? Is it not better off buying cheaper?

You are asking a very fundamental question, which you should ask the government of India. You tell me why did solar and wind energy get a sudden increase from 5 per cent to 12 per cent? The answer is simple, the government feels that the default price for electricity in India is the coal base price. Anything cheaper than that is just a bonus. And so therefore if wind and solar are much cheaper than coal, then perhaps there is some opportunity to make some revenue out of there.

But doesn't that put things directly in conflict with the government's net zero pledges?

No, absolutely not. Ultimately, it's the consumer that pays for the power, who would pay the extra GST amount, right? Why?

Because it ultimately helps the government in meeting its own revenue objectives which has many other repercussions and benefits for the government. Similarly, if they ask you to buy a slightly more expensive module, which allows us to get independence from China from a sourcing standpoint.

And you know with all the stuff that is going on, it has value or no?

And if that means that if the cost of solar goes from ₹2.30-2.40 to ₹2.70-2.80, does it matter that the coal-based power is ₹5?