

MNRE announces a dizzying plan for the sector

The Ministry of New and Renewable Energy (MNRE) has announced a new RE rollout plan entailing 91 GW of new solar and wind project tenders by March 2020. It is an ambitious attempt by the new MNRE administration to address private sector concerns about slowing project pipeline and lack of a clear roadmap. It envisages 67 GW of new solar project tenders and 24 GW of new wind project tenders by March 2020 as well as 20 GW of integrated solar module manufacturing capacity addition. With these planned projects, the new Minister for power and new and renewable energy, R.K. Singh, believes that India would “...comfortably achieve a rather conservative RE target of 175 GW by 2022 and even exceed it...”

The new plan provides new annual targets – 17 GW of solar projects are expected to be tendered out by March 2018, another 30 GW in the next 12 months and a further 30 GW in the subsequent 12 months. Similarly, 4 GW of wind projects are expected to be tendered out by March 2018, another 10 GW in the next 12 months and a further 10 GW in the subsequent 12 months. In total, it equates to issuing new tenders of 3.5 GW capacity every month – in contrast to an average of less than 0.6 GW every month in the last year. The plan includes development of up to 10 GW of capacity to come from floating solar power projects, offshore wind and hybrid solar-wind power systems.

The Minister has also separately laid out broad contours of a new domestic manufacturing policy – 30% capital subsidy is proposed to be allocated to integrated manufacturers (from polysilicon extraction to module manufacturing) on the basis of auctions. The winning bidders shall also be given priority in specific project development tenders.

Quite how the new plan makes sense in the current political and financial set up with weak power demand growth and stretched DISCOM finances is not clear to us. It seems more like a simple mathematical exercise rather than a well-considered, rigorously debated plan. We noted last week that the 175 GW target for 2022 is too ambitious in the context of India’s power needs and actual performance is lagging significantly behind targets compelling the government into making ever bolder announcements. The new plan has no detail on how it will address shortcomings of the earlier plan except the Minister stating that Renewable Purchase Obligations (RPOs) are mandatory and need to be adhered to strictly.

We find it hard to take the new plan seriously when it probably doesn’t even have support from other parts of the central government. The state governments and DISCOMs will also fiercely resist any encroachment on their decision-making authority. It lacks sufficient detail, is off-putting for all stakeholders and instead of providing comfort to the private sector, it unfortunately presents a picture of disarray and confusion.