

INDIA SEEKS CHEAPER RENEWABLE POWER CONTRACTS TO SPUR PROJECTS

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

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India is considering plans to assist renewable energy developers as cash-strapped utilities shun the long-term contracts needed to underwrite new wind and solar projects, according to people familiar with the proposals.

State-run Solar Energy Corp. is discussing an option to pool electricity supply from renewable energy projects by developers including Adani Green Energy Ltd. and offer it to utilities at a more affordable price, according to the people, who requested anonymity to discuss private details. That should help the firms seal pacts with utilities and enable construction to start on as much as 15.2 gigawatts of renewable energy capacity, a sixth of current installations, and help the government meet its climate goals.

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India's renewable energy ministry didn't respond to an emailed request for comment.

The country's debt-burdened distribution utilities, which have suffered losses related to electricity theft, have been reluctant to agree to long-term contracts, particularly with prices of solar power expected to continue to decline. It's a potential further drag on the roll-out of renewable projects in India, which has stalled amid the Covid-19 pandemic.

Utility-scale solar installations in the first three quarters of 2020 declined 72% from a year earlier, while wind installations in the same period were the lowest in more than a decade, according to BloombergNEF. India, the world's third-largest emitter of greenhouse gases, has set out targets to nearly double its renewable power capacity to 175 gigawatts by 2022 and raise it fivefold to 450 gigawatts by 2030.

"India's shift away from fossil fuels is absolutely critical to limiting global climate change," said Sunil Dahiya, a New Delhi-based analyst at the Centre for Research on Energy and Clean Air. "Policies to promote clean energy and its renewable power auctions have given it geopolitical clout, which might diminish if the projects fail to take off. The country has to be more aggressive in making sure projects get built."

The pooling plan includes 12 gigawatts of projects awarded under India's biggest solar auctions last year. Adani Green won bids to build two-thirds of that capacity, with the remainder going to Azure Power Global Ltd. The companies quoted a winning price of 2.92 rupees a kilowatt-hour of power, above prevailing prices in other solar auctions although the tender also included bids for solar module manufacturing plants.

About 90% of India's electricity is sold to provincial distribution utilities through long-term contracts that run for as long as 25 years. Some thermal power projects that failed to sign such contracts in the past have struggled to repay their debt, leaving lenders reluctant to fund electricity projects without buyer commitments.

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