

INDIA'S GREEN ENERGY GOALS BOOSTED BY RETURN OF FOREIGN BACKERS

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India's goal of doubling [renewable power](#) by next year is getting a boost from international investors who see the massive market's potential outweighing significant risks.

French oil major Total SA's \$2.5 billion investment in [Adani Green Energy](#) Ltd. last week is a sign that global companies increasingly under pressure to invest in environmental assets are eyeing India's 1.3 billion energy users, despite a mounting debt at generation companies and attempts by some provinces to renege on power purchase contracts.

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Foreign investments are key to meeting Prime Minister Narendra Modi's target to nearly double renewable energy capacity by 2022 and raise it five-fold to 450 gigawatts over the next decade. The plan offers investment opportunities of \$20 billion a year through 2030, Modi told investors at a gathering last year.

"For India, the Total-Adani deal can also be perceived as a reflection of increasing confidence among foreign investors in India's power sector," said Charanjit Singh, head of ESG research at consultant firm Acuity Knowledge Partners. "With an improvement in the commercial viability of the power distribution sector, more foreign investments in the space could be expected."

India's renewables industry should be a prime candidate for investors increasingly demanding products that comply with the Paris climate agreement. The country is expected to have the world's second-largest clean energy fleet by 2050, and unlike No. 1 China, it isn't dominated by state-owned giants.

For investments to rise more, though, the country may need to fix its ailing power distribution sector. Power producers have been beset by delayed payments from provincial distribution utilities, which are often forced by local governments to sell power below cost.

Andhra Pradesh, a southern state in the country, decided to renegotiate renewable power purchase contracts in 2019, saying they were "exorbitantly priced" and needed to be reviewed to ease the financial burden of the state's utilities and reduce power costs for consumers.

The decision, now under litigation, soured the mood of investors who kept away from project auctions for months. With the federal government's pledge to protect the investments and enforce contracts, investors seem to be regaining that lost confidence, with participation rising in recent auctions.

In addition to Total, oil majors such as BP Plc and Malaysia's Petroliaam Nasional Bhd have invested in the sector, along with private equity and pension funds of countries including Canada and Singapore. India's low per capita energy use, which is a third of the world average, holds promise of consistent demand growth.

"A key reason that draws investors to India is the scope for growth in energy use, led by urbanization, applications from homes to transport, and a switch to green energy," said Kameswara Rao, leader for energy and mining at PwC India. Still, "they will look for mature platforms that shuffle their assets and improve quality and lower risk."

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