

Safeguard duty will push tariffs up and hamper capacity growth, say solar power developers

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Solar power developers have warned that the implementation of 25 per cent safeguard duty on solar cells and panels imported from China and Malaysia will push solar tariff up, make solar power less competitive and lead to slowdown in capacity addition.

The Ministry of Finance had, earlier this week, notified imposing a safeguard duty of 25 per cent for a year till July 29, 2019, followed by a duty of 20 per cent for the following six months and 15 per cent for an-

other six months (till July, 29, 2020).

The safeguard duty was proposed by the DGTR after it was found out that the increased imports of solar cells have caused "serious injury" and "threaten to cause serious injury" to the domestic producers.

The notification was issued despite the Orissa High Court staying the imposition of safeguard duty until August 20, following a petition from one of the largest solar developers, ACME Solar.

An ICRA note said while im-

position of safeguard duty for a short period of two years is unlikely to lead to any significant increase in the domestic solar module or cell manufacturing capacity, the move will lead to 15 per cent increase in the capital cost for a solar power project.

The industry players expect the safeguard duty to increase the solar tariff by 50-70

paise. Considering the average weighted tariff of ₹2.66, the tariff will cross ₹3 a unit.

Shashi Shekhar, Vice-Chairman of ACME Group, which emerged as the lowest bidder in multiple SECI auctions quoting record tariff of ₹2.44 per unit, said demand for solar power has increased because of the low tariffs achieved so far.

"Why would discoms buy solar power if the tariff goes above ₹3 per unit when they can rather opt for thermal power," Shekhar asked.

"Application of the safeguard duty would adversely im-

pose commercial viability of some solar power projects and the increased tariffs will be ultimately passed on to the customers, hampering adoption of clean energy," Nikunj Ghodawat, CFO at CleanMax Solar, one of the largest rooftop solar developers, said.

Samitla Subba, Head

Communications, Azure Power, said the industry now expects a slowdown in the growth of solar power generation as several auctions have been cancelled recently as the tariff bid was above ₹3/unit.

Ongoing projects

While new bids will have the safeguard duty factored in the tariff, the projects under construction and those bid recently could face the most impact. Developers say the imposition of duty will push up the costs of the projects of 5,000-7,000 MW total capacity,

putting pressure on the returns.

Although the amendments to bidding norms approved in April allow passing through the tariff increase to the off-takers, the "loose language" makes practical implementation of these amendments challenging and leading to lengthy litigations, industry players say.

Subba noted the pass through of the extra cost from safeguard duty would require significant time and effort for final realisation. "Any implication of duties must accompany clarity on how pass through of duties will be implemented and timing for such relief for a smooth transition," she said.

According to Shekhar, ACME has completed 60 per cent of work in Rewa and Bhadla solar parks, and now will face challenges in clearing the imports of PV modules ordered for the remaining capacity that are expected to reach the ports anytime soon.

Since the safeguard duty will be applicable to these shipments, the company would need to shell additional ₹130 crore, which is a concern for the developer.

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Duty impact Safeguard duty would adversely impact commercial viability of some solar projects, say players