

India ranks second on EY renewables list

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India has been placed in the second spot in the renewable energy country attractiveness index by EY.

The UK accountancy firm noted the fast pace of growth in Indian renewable energy in the past three years. Over 10 gigawatt (Gw) of solar power was added between 2015 and 2017 and wind energy capacity grew to 5.4 Gw in 2017-18.

"This growth is in the context of the government's ambitious targets — 175 Gw of renewables by 2022, with 40 per cent installed capacity from renewables by 2030 — and the dra-

matic price falls in photovoltaic technology. In recent tenders, solar developers have offered to supply power at lower prices than newly built coal plants, effectively blocking new coal capacity," EY said.

It, however, noted that such low tariffs raised questions over the risks being taken by the project developers.

EY said falling bids tracked lower technology costs and cheaper capital, allowing developers to maintain margins.

But those margins were already squeezed by competition. "Some projects may not be delivered or quality may be compromised," it added.

In an auction for a 500

WIND IN THE SAILS FOR GREEN ENERGY

India has overtaken the US to become the second-most attractive country after China for renewable energy investment, according to a EY report

A combination of strong government support and increasingly attractive economics has helped push India into the big league



megawatt (Mw) solar power park in Rajasthan bids spiralled down to ₹2.62 per unit. Also, in the first-ever auction of a wind power project, the tariff

fell to ₹3.46 per unit.

"Many developers and their investors are assuming costs will continue to fall. Bids also appear to be predicated on developers

achieving scale so as to generate operational efficiencies; it is doubtful that all developers will be able to reach the scale required.

In addition, major adverse

currency moves or rising interest rates will make equipment and finance more expensive, putting projects at risk," EY noted.

The falling bids coincide with financial and operational restructuring of state-owned power distribution companies. This will be a challenge for off-take from such low-bid renewable energy projects.

The government should ensure that distribution companies have the capacity to continue to purchase renewable electricity, especially if bids level off or rise, EY pointed out. "The availability of capital remains a concern; the government could ease rules for tapping foreign debt," it added.