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# Policy Amendments in India: A must to boost the Renewable Energy sector

Mr. Tulsi R. Tanti, Chairman & Managing Director, Suzlon Group, believes that the government needs to create a more favourable regulatory environment to support the growth of renewable energy in India

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The renewable energy (RE) in general and wind energy in particular require significant impetus on infrastructure to have a successful outcome. Considering that India is not blessed with quality fossil fuel resource, RE has the potential to act as a great catalyst to the ' Make in India' initiative. Also, the fact that the Indian renewable industry offers immense potential and opportunities for saving forex reserves, ensuring both energy & environmental security and sustained employment creation in far and remote areas. The Indian Government has also recognized renewable energy as the perfect alternative to the depleting energy supplies which earlier looked more like a part of one's corporate social responsibility.

Over the years, due to massive uncertainty in coal procurement (production in domestic and cost implication in imported one), future supply may not be able to keep pace with the rising demand. This has led to increased focus on renewable energy- the resource that is available within the country. This will help the Government drive the growing demand with zero environmental impact. Also with technical advancements that has lead to cost stabilization & optimization, the sector is bound to witness big investments from across the globe in comparison to thermal based electricity generation, where costs are constantly rising. This has led to price parity in the wind energy segment.

This year, the Indian Government has set an ambitious target to quadruple its renewable power capacity to 175 gigawatts by 2022. This includes 100 GW of solar energy, 60 GW of wind energy, 10 GW of biomass and remaining in hydro projects. This target set by the Ministry of New and Renewable Energy (MNRE) will certainly fuel the growth of the renewable sector and assist in resolving India's biggest challenge – electricity for all by 2022.

The government's target of 175GW from renewables by 2022 can only be achieved if some of the key issues are addressed:

1. Availability of grid and land infrastructure at state level needs to be adequate, for which Government needs to invest and accord reforms
2. Important that long term FiT( Feed in Tariff) are in place as that would bring regulatory certainty and steady flow of investments both from domestic and international markets required for setting up wind energy projects
3. Stronger programs need to be designed that will attract investments, essentially to scale the wind power generation to reach 60 GW and breathe new life into India's wind energy market
4. Important to have a long term national uniform policy & regulatory framework for both investments & implementation
5. Advance planning & investments in transmission grid infrastructure both at national and state level for seamless transfer of electricity
6. Financial Institutions/Banks should finance RE projects with a longer amortization schedule (viz. 20 years) and a

debt: equity ratio of 80:20 in lines with international practice

7. Push for strengthening the SME sector by encouraging them to invest into RE projects for their captive use, this will help in freezing their energy costs and thereby make them competitive , by giving an interest rebate of 5% on the investment made. This will truly transform India and would be a successful Make in India
8. GST for RE projects should be set at zero rate, this will lead to reduction in cost of energy and make RE affordable to utility & consumers

Policy action has been reinforced by corporate backing. The Indian Government has secured pledges from 213 companies to set up renewable energy capacity of 266 gigawatts (GW) over the next five years with special focus on reducing the cost of energy (COE). The National Action Plan on Climate Change (NAPCC, 2008) envisages a dynamic RPO target of 10% at the national level for 2015 with an annual increase of 1% so as to reach around 15% by 2020. With a target of 15% increase in output by 2020, India is working towards becoming the leading destination for investment in this sector. Looking at the positive corporate backing on the policy action front, RBI has also recently proposed a revised guideline on loans to renewable energy sector bringing it under the ambit of priority sector lending.

Investments in the Indian wind market have been volatile with sporadic inflows. The in-consistencies of the government policies at the state and central level have created road blocks for the growth of the renewable energy. This can be clearly analyzed from the fact that the wind energy generators who invested more than INR 20,000 crore ($3.9 billion) in wind energy were able to add 3,200 MW of wind capacity in financial year (FY) 2013–14. In FY 2012–13, wind energy capacity additions reduced to 1,700 MW while investments amounted to Rs 9,700 crore ($1.8 billion) due to rollback of key Government fiscal incentives like accelerated depreciation (AD). Supported by the reintroduction of generation based incentives (GBI) in September 2013 and reinstatement of accelerated depreciation, investments led largely by independent power producers increased the wind capacity to 2300MW by 2014-15. The fluctuating market investment therefore highlights that a stable policy regime is crucial to realizing the country's enormous wind energy potential.

The Indian Wind market is poised for rapid growth. Market size is expected to grow from 2000 MW in FY 14 to 4000 MW in the next 3 years and register a 20% growth annually. Though, policy amendments definitely provide the required push for the growth of the renewable energy sector, I hope very soon this sector becomes self-sustained in India without major dependence on government subsidies