Solar beyond safeguard duty

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Although the court has granted a provisional stay on the DGTR order imposing 25 per cent safeguard duty on solar panel imports, cloud of uncertainty still looms large over the stiff targets the government has set.

By Subhajit Roy, Group Editor

Of late, the Finance Ministry of India has notified the Directorate General of Trade Remedies' (DGTR) decision to impose 25 per cent safeguard duty on solar panels imported from China and Malaysia. Under the proposed plan, the tariff would be applicable for two years and would reduce to 20 per cent for the first half of the second year and 15 per cent for the second half. The announcement has led to rise of lots of ambiguities within the solar power industry.

While this may help the domestic manufacturers currently crippling due cheap imports in any adverse material impact on future project awards. At the same time, he points out, "The implementation of the ongoing projects could face challenges in terms of getting approval from the regulators to pass-on the capital cost increase through increase in tariffs and securing funding for the additional capital cost, in a timely manner." Based on the tendering and solar project awards, ICRA estimates solar capacity addition of about 4 - 5 GW in the utility-scale segment having PPAs with the DISCOMS. With the increased tendering activity in CY2018 YTD, the capacity addition is expected to rise in FY2019 and FY2020.

How safeguard duty benefits domestic manufacturers

Research agency CRISIL describes the safeguard duty on solar modules as 'both a boon and a bane for the solar value chain'. It said, "Currently, 85-90 per cent of the solar modules used in India are imported from China and Malaysia. The boon is the opportunity it provides the domestic module industry to flourish. The bane is that the duty could raise capital costs for solar projects based on imported modules by around15-20 per cent (at current prices)."

However, Shekhar Dutt of SPDA points out: "The duty imposition would not help the manufacturing units much as the domestically manufactured cells or modules are technologically uncompetitive as they are less efficient and are not backed-up by insurance. The first and the foremost step is to develop latest technology with high efficiency modules."

Simarpreet Singh of Hartek Solar suggests that indigenous solar panel and cell manufacturers should take it as an opportunity to step up their R&D to come up with more cost-effective and efficient technologies that give them an edge over their Chinese counterparts. He adds, "With the safeguard duty in place for two years, domestic players should use this period to build on their solar cell manufacturing capacities. They should heavily invest in technology so that they can truly 'Make in India' and not just 'assemble in India', as is happening now."

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Simarpreet Singh, Founder-Director, Hartek Solar Pvt Ltd

The imposition of safeguard duty on imported solar cells and modules would improve the competitiveness of domestic module manufacturers but, in Gupta's opinion, the extent of benefit is likely to be constrained by the recent fall in the imported PV module prices owing to the policy changes in China.

Moreover, he feels, "The duty is unlikely to lead to any significant increase in the domestic solar module or cell manufacturing capacity in the near term. Safeguard duty is applicable for 2 years and this 2-year period is insufficient for any module or cell supplier to enhance their capacity to become competitive to Chinese players."

"Instead," Kadam of ICRA said, "The domestic solar cell manufacturing would benefit by having a long-term policy clarity on the safeguard duty or anti-