

Govt may Defer Duty on Solar Gear Imports, Extend Project Deadlines

Helping hand for projects facing supply uncertainties from vendors in China

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New Delhi:

The government is mulling delaying the imposition of customs duty on imported solar equipment or allowing extension of deadline for completion of domestic solar projects which are facing supply uncertainties from vendors in China, power and renewable energy minister RK Singh told ET.

"We have received a demand saying there is this problem (Chinese companies delaying supplies by invoking force majeure). Of course, my orientation is 'buy Indian'. But there are no sufficient stocks to buy Indian," Singh told ET in an exclusive interview. "So we are mulling over either timeline extension or duty extension. We haven't taken any view."

Domestic solar companies allege that Chinese companies are taking advantage of the proposed 40% customs duty on solar equipment from April next year, making Indian firms pay more than 1.5 times of the originally signed contract.

Equipment supply from China also remains uncertain as the Chinese government has imposed severe power cuts on its industries, leading to abrupt increase in solar panels cost and retraction of signed binding contract, they said.

Adding to the woes of Indian companies is China's travel ban on Indian firms – senior executives of Indian solar companies China for negotiations, industry insiders said.

Rising prices of commodities such as polysilicon, copper, steel, aluminum, silver and increased sea freight had led to solar equipment prices rising to a record high earlier this year.

The contracts for upcoming solar power plants do not have provision for price variation, and any increase in the cost of in companies. As per the contracts, change in price can only be allowed when there is a change in law or force majeure. Solar power project developers have written to the renewable energy ministry seeking extension of the duty deadline by a year.

"BCD imposition will be virtual death knell for developers if not extended," Solar Power Developers Association recently told the renewable energy ministry in a letter.

"It is increasingly becoming unviable to do business for solar power developers. Imposition of BCD of 40% (total becomes 61%, including GST and cess) wef April 1, 2022 will be aggravating the situation. The Chinese suppliers are taking advantage of this deadline and forcing Indian IPP to pay more than 1.5 times of original signed contract. Through this deadline we are only benefitting Chinese companies," the letter said.

The association said extension of BCD imposition by at least one year will be a “win-win situation as domestic manufacturing will come up and Indian solar developers won’t have to depend on Chinese imports”.The extension would not hit the proposed solar equipment manufacturing under production linked incentive scheme as the auction is likely to be concluded this month and facilities have a minimum gestation period of 18 months, it said.

Last month, the National Solar Energy Federation of India had sought deferment of the BCD on solar cells and modules by six months, to October 1, 2022.

“The solar industry has been credited with bringing down the solar tariff at par with conventional power in a short span of 10 years. The industry is experiencing sharp rise in cost of major inputs for the first time, never seen before during the last 10 years,” it had said in its letter to the ministry.