India’s Ambitious Goal Of Reaching 100 GW

Relevancy

- ✓ G.S. Paper 2
- ✓ India’s ambitious goal of reaching 100 GW
- ✓ How is the solar capacity addition working for India?
- ✓ The concerns and possible solutions

Recently:

- ❖ India has set an ambitious goal of reaching 100 Gigawatt (GW) of solar energy capacity by 2022.
- ❖ However uncertainties around import duties and future tax rates on existing power purchase agreements have dampened investor sentiment.

How is the solar capacity addition working for India?

- Because of solar capacity addition in India, real volumes have started to come.
- It has brought the installation of large-scale projects and focus towards solar pumps.
- Last year, India was in third place in terms of solar market growth over the year.
- The trajectory towards capacity addition is accelerating too and if this trajectory is to continue over the next few years, it will certainly be possible to achieve the target of 100GW.

What are the concerns?

In the last few months, investor sentiments have been dampened due to various factors.

Safeguard Duty:

- The Director General (Safeguards) had earlier recommended imposing a 70% safeguard duty. This applied to imported solar cells, panels and modules, for a minimum period of 200 days.
- No decision has yet been taken on this and the proposal is causing a lot of uncertainty in the industry.
- This is because the proposed 70% safeguard duty would also inflate the project costs by 25%.
- It would also push the viable tariff to Rs. 3.75 per unit from Rs. 3 estimated earlier.
- All these will eventually make solar power less attractive to discoms.
- Thus Tariff complications, added with protectionism are big concerns.

GST:

- In the pre GST regime, there was zero tax on solar panels. However, the case now is 5% GST.
- Moreover, there is a lot of confusion surrounding the GST on project execution, which needs clarity.

Uncertainty:

- In the case of bids, certain tariffs are decided upon. But there is uncertainty over the incidence of future taxes and how they would affect the tariffs.
- Developers cannot mitigate that risk by keeping a margin in the bid.

Power purchase Agreements:

- Another issue is State governments renegotiating past power purchase agreements.
- This is due to lower tariffs being discovered subsequent to the signing of their PPAs. There have been instances of lower-than-contracted payments or grid curtailments.
- India thus lacks an effective ecosystem to make solar capacity addition happen in a speedy and time-bound manner.

Rooftop solar component:

- Another aspect holding up the 100 GW target, is the rooftop solar component within this target.
- Out of the total, utility scale capacity is to make up 60% of the target. Rooftop solar is to make up the remaining 40%.
- Out of the total achievement of 20 GW (out of 100GW) at present, about 18 GW is probably from utility scale.
- The volume installed on the rooftop side is modest at less than 2 GW. The utility scale segment has thus achieved 30% of the 2022 target with four years to go.
- On the other hand, the rooftop segment has achieved less than 4%.

What needs to be done?

- The installation base in solar in India has touched 20 GW. Notably, in the last 10-12 years, it has come from 10 MW to 20 GW.
- But with 2022 as the target, India needs to make 20 GW every year in the coming 4 years.
- Imposing import duties on the primary materials of these projects could work against the goal.
- In a VUCA [volatility, uncertainty, complexity and ambiguity] environment, what investors and financiers need is certainty.

India-China-Pakistan Cooperation: Transforming The Subcontinent

Relevancy

- ✓ G.S. Paper 2,3
- ✓ Brief Background about India-China-Pakistan cooperation
- ✓ The Results of poor integration and the arguments caused
- ✓ BRI solution and counter arguments
- ✓ Benefits for India
- ✓ Alternatives

A Brief Background:

- Despite being neighbors, India and Pakistan are among the least integrated nations in the world. Because of their unending mutual hostility, South Asia too has become the least integrated region in the world.
- The South Asian Association for Regional Cooperation (SAARC) is in a coma.
- Sadly, the most populous region in the world has also remained home to the largest number of poor people in the world.

Results of Poor integration:

- There are no direct flights between their capitals — New Delhi and Islamabad.
- The frequency of Delhi-Lahore and Mumbai-Karachi flights has become minimal.
- At less than $3 billion annually, trade with Pakistan accounts for a meagre 0.4% of India's growing global commerce.

What are the arguments?

- On the Indian side, it is said that terror and trade cannot go together. The Narendra Modi government has raised the bar higher — terror and talks cannot go together.
- On the Pakistani side, resolution of the Kashmir issue has become a precondition for any substantial bilateral cooperation.
- The needs of common citizens of India and Pakistan- employment, education, health care and food-and-environmental security- can be met only through regional cooperation, not regional rivalry.

BRI as part of the solution:

- A three-way India-China-Pakistan cooperation is possible, and Chinese President Xi Jinping's Belt and Road Initiative (BRI) provides a practical framework for such partnership.
- The government's opposition to the BRI is based, among other things, on the basis that the China-Pakistan Economic Corridor (CPEC), a flagship project under the BRI, violates India's sovereignty since it passes through Pakistan-occupied Kashmir (PoK). It undermines India's long-term development and security interests.

What are the counter-arguments?

- CPEC does not recognise PoK to be Pakistan's sovereign territory.
- Both China and Pakistan have stated that they are open to India joining CPEC.
- China has also expressed its readiness to rename CPEC suitably to both address India's concerns and to reflect the project's expanded regional scope.

What are the benefits for India?

- The BRI will connect Lahore and Amritsar (also Delhi and the rest of India), the two sides of Kashmir (which all Kashmir-based political parties want), Sindh and southern Punjab with Gujarat and Rajasthan, and Karachi with Mumbai.
- By joining the renamed CPEC, India would gain land access, through Pakistan, to Afghanistan, Iran, Central Asia and western China.
- The CPEC-plus-India can also be linked to the Bangladesh-China-India-Myanmar Corridor, thus creating a grand garland of connectivity and integration for the whole of South Asia.

- The rename CPEC is also indispensable for the success of two other mega projects that are critical for India’s energy security and accelerated economic growth — the Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Iran-Pakistan-India gas pipelines.
- Connectivity, cooperation and economic integration are the only realistic bases for any future India-Pakistan settlement of the Kashmir dispute.

What comprises the alternatives?

- An alternative connectivity project by the “Quadrilateral” of the U.S., Japan, Australia and India is unlikely to take off. Even if it does, its developmental benefits to India will be limited since it will seek to keep China and Pakistan out.
- India’s gains due to Chabahar are modest, and nowhere comparable to those that would accrue by India having a direct land access to Afghanistan through Pakistan.

Conclusion:

- The proposed connectivity initiative would thus create strong new bonds of regional cooperation and interdependence, could also help resolve three long-standing geopolitical problems in the region, in which countless people have been killed — terrorism, Kashmir and Afghanistan.
- To realise this vision of a resurgent South Asia, two obstacles will have to be removed blind nationalism and the unfriendly designs of extra-regional powers.

US Imposing Tariffs On The Import Of Steel And Aluminum Indefinitely!

Relevancy

- ✓ G.S. Paper 2
- ✓ US decision to pose high traffic on steel and aluminium indefinitely
- ✓ The issue and a flawed reasoning
- ✓ Reaction of other countries
- ✓ Cause of concern

Recently:

- ❖ American President Donald Trump last week announced that his administration would soon impose tariffs on the import of steel and aluminum into the U.S. for an indefinite period of time.
- ❖ He explained his logic in a tweet on Friday which exposed a shocking ignorance of basic economics.

What is the issue?

- U.S. President recently announced that his administration would soon impose tariffs on the import of steel and aluminum indefinitely.
- He justified the decision to impose protective tariffs by citing U.S.'s huge trade deficit with the rest of the world.
- This has triggered a global backlash and it is unlikely that Mr. Trump will walk back on his decision, especially given its populist resonance.

Why is it a flawed reasoning?

- The announcement seems premised on the belief that "trade deficit inherently means loss" - a flawed economic conception.
- Trump seems to be of the view that international trade is a "zero-sum game" and that it is good to simply block international trade to reduce deficits.
- While the move would benefit steelworkers, all other American consumers as a whole will be paying higher prices for their goods.
- Trade deficit does not represent a country's loss, but merely the flip side of a capital account surplus.
- Countries do have certain domestic losers due to low tariffs and consequently deficits.
- E.g. the U.S. manufacturing sector lost out to global competition.
- But curtailing free trade would only make Americans and everyone else poorer.
- Notably, this was the phenomenon that was witnessed in the aftermath of the Great Depression.

How have other countries reacted?

- Many nations have stated that they will retaliate by imposing import duties against the U.S., if Mr. Trump goes ahead with his customs proposals.
- The EU, which is one of the largest trading partners for the U.S., has vowed to return the favour through retaliatory measures targeting U.S. exporters.
- Notably, the EU is soon expected to come out with a list of over 100 items imported from the U.S. that will be subject to scrutiny.
- China, which is a major iron and steel importer to the US has not reacted thus far, and its response to the announcements will be very significant.
- Instead of retaliating with more tariffs, which could cause the current dispute to spiral, achieving a truce through negotiations would be better.

Why all this is a cause of concern?

Such aggressive posturing runs the risk of re-establishing worldwide protectionism that could potentially weaken the entire global economy.