

TARGET OF 100 GW BY 2022 TOUGH TO ACHIEVE

'India's Green Energy Target May Trip on Funding Woes'

Aggressive bidding for projects may dry up funds with cos: ReNew's Sinha

Rachita.Prasad
@timesgroup.com

Mumbai: India's green energy goals are in line with the UN climate change pact, but the country may not meet its target of having 100 gigawatts (GW) of renewable energy capacity by 2022 as long term investment to the sector may dry up as aggressive bids threaten the profitability of projects, said Sumant Sinha, founder of ReNew Power.

India's renewable energy target for 2022 hinges on capacity addition in the solar sector, which has witnessed record capacity addition in the past two years. The tariff bid for new projects has fallen to unprecedented levels with some projects being bagged at ₹4.63 a unit from bids that ranged between ₹10.95 and ₹12.76 only till five years back.

"This was the first time that India went with an open mind without a defensive posture to the climate change meet in Paris because the targets were not being imposed on us but were the target which we were anyway trying to achieve internally," he said.

"Indian government is well intentioned but there will be bumps along the way. If we don't manage to source long term funding, we may only achieve 70-80GW and miss the 100GW target," Sinha said.

The UN climate change conference in Paris concluded with countries agreeing to a global temperature increase cap at 2 degrees Celsius of the pre-industrial level, which means 40-70% emission reduction by 2050 from 2010 levels. Nations committed to balance



BLOOMBERG

ON FUNDING

Govt is well intentioned but there will be bumps along the way. If we don't manage to source long term funding, we may only achieve 70-80GW and miss the 100GW target

SUMANT SINHA
Founder, ReNew Power

greenhouse gas emissions with reforestation and planting of trees.

"The challenge is that we are trying to add the same capacity in renewable energy in seven years that was added in conventional energy over several decades. There are physical challenges in that. But the bigger problem is that we need \$50-60 billion of equity investment which will come only if the returns are attractive," he said.

At bids below ₹5 a unit, projects would have an internal rate of return of 10%, which will be exposed to forex risk and other cost overruns. Sinha's company too bid be-

low ₹5 a unit, which in retrospect, he feels was "aggressive". Bids could settle at ₹5-5.25 a unit, going ahead. Sinha echoes concerns of some other industry players that if investors burn their fingers in solar projects, it will freeze future fund flows to the sector.

ReNew Power has raised a total equity funding of \$655 million from investors such as Goldman Sachs, Abu Dhabi Investment Authority, Asian Development Bank, and Global Environment Fund.

Under the climate change accord, nations will have to increase the \$100 billion spend a year that they had previously agreed to provide beginning 2020. While there is a lot of ambiguity around how this fund would work, it could be of big help for a country like India. "We don't know the modalities of the fund yet, but given our carbon emission, it would be safe to say 20-30% of this should come to India," Sinha explained.

He said that besides the investment on the capacity addition, the country needs to invest and develop supporting infrastructure like transmission and distribution for evacuating power from solar power projects.