



SOLAR POWER DEVELOPERS ASSOCIATION

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To,

Shri Indu Shekhar Chaturvedi

Secretary

Ministry of New and Renewable Energy

Government of India.

Sub: Request to align GST rates on storage batteries to 5% for renewable energy projects and grid integration applications.

Dear Sir,

At the outset, we would like to thank the Ministry of New and Renewable Energy (MNRE) for all its support and responsiveness to the sector, enabling us to effectively deal with the coronavirus (COVID-19) pandemic. As a result of the Ministry's support, the renewable energy (RE) sector is on the road to steady recovery since the unlock was announced by the Central Government.

We would also like to commend the Government for actively working towards achieving 175GW of RE and in the process, formulating new bid constructs including RTC and RE thermal hybrid. The Government of India wants non-fossil fuel-based power projects to account for 40% of the total electricity generation capacity by 2030. This requires radical measures to scale up the share of renewable energy. India has embarked on a target of 450 GW of renewable energy capacity by 2030. The integration of this massive renewable energy capacity is expected to pose challenges for grid operations. Storage projects could play a role in grid integration and management of renewable energy.

According to India Smart Grid Forum (ISGF), the energy storage market in India witnessed a demand of 23 GWh in 2018 with 56% of the battery demand coming from the power backup inverter segment. The electric vehicle industry consumed over 5 GWh of batteries in India in 2018. This is likely to grow to 36 GWh by 2025.

As the country transitions towards a higher quantum of renewable energy sources, it is becoming even more imperative to address the variability in RE sources. Our members, who are mostly Independent Power Producers (IPPs) are grateful that the Government is cognizant of the fact that energy storage is a long-term solution for ensuring a balanced grid and we appreciate the steps taken by the government by inviting tenders of new and innovative bid constructs.

To achieve the above mentioned RE target while offering affordable tariffs to consumers, the price of storage technologies will have to reduce significantly. Globally, battery based storage solutions are on reducing cost trajectory and are slated to play a critical role. According to the International Energy Agency (IEA), it is forecasted that India will take up more than a third of

all battery storage deployment by 2040. In the same lines, Bloomberg New Energy Finance expects Energy Storage System (ESS) to attract \$662 bn of investments by 2040 globally and India will be one of the main recipients of global ESS investment. For batteries to play a critical role with all possible RE technologies, a level-playing field w.r.t. cost of battery acquisition shall be provided to make RE installation projects price competitive that will also help to meet the 40 GW target of solar rooftop sector and other off-grid projects. Currently, batteries with solar power generating systems attract 5% GST, while for all other applications GST on batteries is still 18%, still making it an expensive proposition to adopt for future projects.

In this regard, we would like to request your good office to advise the Ministry of Finance and GST Council to align the GST for energy storage batteries to 5% for all renewable energy resources including wind, solar, hybrid thereof, or directly at the grid for better integration of RE with the grid. We firmly believe that this will help Ministry of New and Renewable Energy to achieve

1. India's ambitious RE targets which will increase the value and competitiveness for energy generation from RE sector.
2. Reduce barriers in facilitating grid integration and provide predictable power by balancing variable energy from RE sources.
3. Decarbonise the power sector to meet India's emission targets as per Nationally Determined Commitment (NDCs) to reduce the emission intensity of its GDP by 33-35% by 2030 from 2005 levels.
4. Attract future RE investment opportunities worth \$662 bn by 2040 of which India will be a major recipient.
5. The falling costs will help in widespread market deployment which is not sufficient on their own but it will certainly enable improved battery chemistries to enter the market, support manufacturing and R&D initiatives to drive innovation in battery technology
6. In the long run, it will help India to reduce import dependency from countries like US, China, Japan and South Korea and signal the market in creating conducive environment for Atmanirbhar Bharat.

We look forward to your kind consideration in the above matter. We hope you will accept our request favorably and we will be happy to provide any additional information if required.

Thanking you.

Yours Sincerely,



Praveen Golash
Joint Secretary- SPDA