



## SOLAR POWER DEVELOPERS ASSOCIATION

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SPDA/DG/2021/270

February 17, 2021

**Sub: Request for your kind intervention to mitigate the impact of the increase in the price of metals, alloys and cost of Solar PV Modules in the Solar Sector.**

*Dear Dr Mishra,*

Greetings from Solar Power Developers Association.

SPDA appreciates and commends your leadership in driving India's renewable energy program. Despite the challenges posed by COVID-19, the impact on renewable energy remained limited, largely due to Government's proactive efforts. The industry welcomes the Government's efforts to drive the budget in the direction of economic reforms with a focus to promote and encourage growth of businesses, industries and manufacturing in India. The industry has complete confidence in resolving the challenges and bottlenecks for the timely achievement of capacity addition targets for renewable energy.

Through this letter, we wish to bring to your kind attention in the abrupt increase in prices of metals and alloys that are used in Solar PV plants, which have put tremendous cost pressures on under execution projects.

The module makes up 60% of the total project CAPEX cost whereas the Module Mounting Structure (MMS) makes up 8% of the cost as mentioned in the table below.

Sr No.	Particular	Contribution to total project CAPEX (%)	Raw Materials
1.	Module	~ 60%	Silver, Aluminium, Copper, Zinc, Glass and Ethylene Vinyl Acetate
2.	MMS	~ 8%	HRC (350 Grade) and Coated Steel (Galvalume) 550 grade.

There has been an unforeseen increase in the prices of steel and non-ferrous, which can be seen in the description below.

Sr No.	Description	Raw material	Percentage increase in Sales Price
1.	Steel	HRC (350 Grade) (Rs per Kg)	40% price increase within one year from Jan 2020.
		Coated Steel	46% price increase within one

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- Deputy National Security Advisor, Govt. of India • Defence Secretary, Govt. of India • Secretary Defence Production, Govt. of India
- Secretary Ministry of Health, Govt. of India • Director General, Sports Authority of India

		(Galvalume) 550 grade (Rs per Kg)	year from Jan 2020.
2.	Non-Ferrous Metal and Alloys	Aluminum Spot Price (Rs/Ton)	38% price increase in the past 6 months.
		Silver Spot price (Rs/Troy ounce)	50% increase of Silver price in the past half-year.
		Copper price (Rs/Ton)	37% increase from Jan 2020.
		Zinc price (Rs Ton)	14 % increase in the past year from Jan 2020.
		3.2 mm of coating PV Glass (RMB/m2)	75% price increase within three months for 3.2mm glass
		Ethylene Vinyl Acetate and Polyolefin Elastomer (PoE) (RMB/m2)	Since September, 52% increase in EVA price and a 32% increase in POE.
3.	Freight charges from China to India (US\$/20ft)		Increased more than 150% before and after the pandemic.

Globally, the increase in the demand of better technology of PV modules is due to the use of bifacial modules and switch to larger panels which has caused a shortage in the supply of glass-processing capacity. Moreover, supply chain disruption due to pandemic has impacted module imports as most of the PV manufacturers are currently consolidated in few countries like China, Vietnam and Taiwan etc. Also, the increase in abrupt prices of modules coupled with the scarcity of raw materials for their manufacturing, acts as a double-edged sword to developers in a highly Indian competitive market, eroding their thin margins under existing contract terms.

Further, the increase in steel prices has been attributed to the rise in the cost of iron ore and coking coal used to manufacture steel due to the ongoing trade war between China and Australia in the international market. Consequently, Indian steel producers have increased the prices as per the global market. Due to increased price realisation internationally, domestic consumers of steel find it challenging to get the necessary material for their projects.

This is particularly concerning as the Government of India has offered various structural benefits to Indian steel producers in the form of allocation of iron ore mines, protection from imports of steel through tariff barriers, and other concessions that have been offered by State Governments under their industrial policies. Instead of prioritizing the nation's needs, steel producers are resorting to profiteering and taking advantage of the situation. Shri Nitin Gadkari, Hon'ble Minister for Road Transport and Highways has also acknowledged the alarming increase in prices where he expressed his concerns on rising steel and cement prices and pointed to cartelization by more prominent players in the respective industries.

The solar industry is already bearing the delayed deliveries during COVID-induced slowdown and the sudden rise in the price of raw materials on top of it has led to financial hardship. It is severely impacting the viability of the projects, and hence, there is an urgent need to control the prices of steel and other non-ferrous materials through appropriate intervention.

**Request:**

We urge the Government to take the necessary steps at the earliest in this regard.

i. As module make up 50-60% of project CAPEX, therefore, we request for a time extension of 6 months on Scheduled Commissioning Date of our project until the module prices stabilize and in the meanwhile, it provides us the necessary relief in diversifying the portfolio of our PV module suppliers.

ii. An immediate intervention requested so that your office may take this up with Ministry of Commerce & Industry and Ministry of Steel so that Centre may direct the firms to prioritize supply to domestic end-users over exports. This can be done through a temporary ceiling on steel exports, which can help meet the steel's quantity required by domestic consumers.

We look forward to your kind support in the matter.

Thanking you.

*With warm regards*

Yours Sincerely,

**To,  
Dr. P.K. Mishra  
Principal Secretary to Hon'ble PM  
Prime Minister Office  
Govt. of India  
South Block  
New Delhi**



**Shekhar Dutt**