



SOLAR POWER DEVELOPERS ASSOCIATION

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SPDA/DG/2021/286

March 18, 2021

Sub: Request for a blanket extension of three months in SCoD of Solar Power project in addition to five months granted earlier.

Hon'ble Shri RK Singh ji,

Greetings from Solar Power Developers Association.

At the outset, 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.

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.

Former

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 (Galvalume) 550 grade (Rs per Kg)	46% price increase within one 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 PolyolefinElastomer (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 industry opting to larger panels have 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 SPDs thin margins under existing contract terms.

In addition, the increase in steel prices have been attributed to the rise in the cost of iron ore and coking coal that are 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.

Owing to the continued rise in COVID-19 cases observed in different parts of the country, solar power projects continue to face implementation issues due to the absence of Government officials due to understaffed office personnel being overtly busy in some form related to COVID related work or the other. This has resulted in project delays which requires seeking approvals permission related to land approval, registration, connectivity related permissions from STU/CTU etc for project commissioning.

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 3 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.

Shri R. K Singh

Yours Sincerely,



Shekhar Dutt

To,
Shri R. K Singh
Hon'ble Minister of State (IC)
Ministry of Power and New and Renewable Energy
Shram Shakti Bhawan
New Delhi