



SOLAR POWER DEVELOPERS ASSOCIATION

910, 9th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi- 110001

Phone: +91-8750394442, Email: spda@solarpda.com

Website: www.solarpda.com

SPDA/PG/2021/287

March 18, 2021

To,
Shri Indu Shekhar Chaturvedi
Secretary
Ministry of New and Renewable Energy
Government of India
New Delhi 110001

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

Dear Sir,

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, renewable energy's impact remained limited, primarily due to Government's proactive efforts. We are reaching out to you again to bring to your kind attention some significant issues like abnormal increase in freight rates and escalation in metal prices that the developers face in implementing the Solar PV projects.

1. **Non-availability of containers leading to an abnormal increase in freight charges:**

Post COVID-19, global economies have slowly opened up, and international trade is picking up pace now. This has resulted in a severe shortage of containers that are used for used in ship transportation. The deficit is primarily attributable to restrictions and slowdown in the clearance of shipments in Europe and North America on imported materials during the lockdown. A significant quantum of containers didn't get back to originating countries like China. In the wake of the reduction in COVID-19 cases, China and other Asian economies recovered faster, and exports are also picked up momentum. However, the pace of return of containers is still slow, and hence, there is a significant imbalance in the market

According to estimates of leading research agencies, North America currently faces a 40% imbalance, which means that for every 100 containers that arrive, only 40 are returned through exports. 60 out of every 100 containers continue to accumulate, a staggering figure considering China to USA trade route sustains on average 900,000 TEUs per month. The implications are visible as container availability has become a massive concern for countries like India. As per the latest quotes available, freight charges for a 40 ft container from China to India have increased from the US \$ 700 to US \$ 4000 in the last year, almost a 5000% increase in price.

2. **Escalation in prices of metal:**

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



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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 steel and non-ferrous metals prices, 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 (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 six 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.

Besides, the increase in steel prices has 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 realization internationally, domestic consumers of steel find it challenging to get the necessary material for their projects.



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The solar industry is already bearing the delayed deliveries during the COVID-induced slowdown. The sudden rise in the price of raw materials has also led to financial hardship. This has severely impacted 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 request you to issue necessary instructions for three months time extension to Central implementing agencies and all the State Governments in this regard.

- As modules make up 50-60% of project CAPEX, a significant cost escalation will make the projects unviable. Therefore, we request a time extension of 3 months on Scheduled Commissioning Date of projects until the containers are available and freight & module prices stabilize. The additional time will help the developers in diversifying the portfolio of our PV module suppliers.
- Immediate intervention is requested so that your office may take this up with the Ministry of Commerce & Industry and Ministry of Steel so that the 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.

Yours Sincerely

Praveen Golash
Joint Secretary -SPDA