



## SOLAR POWER DEVELOPERS ASSOCIATION

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**SPDA/DG/2021/294**

**March 31, 2021**

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

*Dear Shri Sinha,*

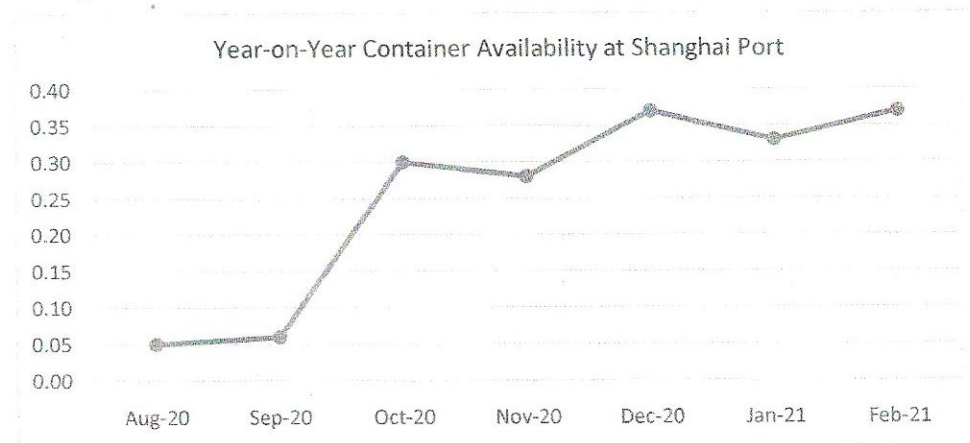
Greetings from Solar Power Developer Association.

We are an independent industry association, committed to promoting the solar sector in India. We provide a neutral platform for policy advocacy, discussions, and examination of issues critical to the development of the solar sector and are well recognized by the Ministry of New and Renewable Energy (GoI). SPDA represents around 50-member companies from the solar sector providing their assistance in policy evolution and a healthier investment climate for renewable energy projects and services. The member companies of SPDA includes all the large players who have actively contributed with more than 75% of total capacity operation in India.

We are reaching out to your good office to seek your support regarding the pressing matters related to abnormal increase in freight rates and escalation in raw material prices impacting the Solar Photovoltaic module prices that the Solar Power Developers (SPDs) are face in implementing Solar PV projects. The current uncertainties looming over the RE sector are causing a great distress to SPDs leading to serious predicaments in RE capacity additions to meet RE target of 175 GW as per the vision of the Hon'ble Prime Minister's for the year 2022.

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

Post COVID-19, global economies have slowly opened, and international trade is picking up its pace now. This has resulted in a severe shortage of containers that are used in ship transportation. The graph as shown below shows Container Availability Index Year (CAI) at Shanghai Port.



Source: Container Xchange

Former

- 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

A CAI value of 1 means a location has a total surplus of boxes, and a value of 0 indicates there are no free boxes in the location. This deficit can be attributed to the supply chain disruption due to COVID-induced lockdowns resulting in economic shutdowns and halting of shipment clearances in Europe and North America on imported materials. Because of this, 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 have now picked up momentum. However, the pace of return of containers remains slow, and hence, there is a significant imbalance in the market.

According to the 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 Drewry World Container Index, freight charges for a 40 ft container moving eastward from China to India have increased from US\$ 2000 to US\$ 4900 between June 2020 to March 2021, i.e., almost a 145% increase in container prices.

## 2. Escalation in prices of raw materials impacting the increase in PV module prices:

The Module makes up ~50-60% of the total project CAPEX cost. From 2020 onwards, the Solar Photovoltaic module quoted by the Chinese manufacturers has become approx. 10-12 cents per Wp. Further, the Module Mounting Structure (MMS) makes up 8% of the price, as mentioned in the table below.

Sr No.	Particular	Contribution to total project CAPEX (%)	Raw Materials
1.	Module	~ 50-60%	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.

Sr No.	Description	Raw material	Percentage increase in Sales Price
		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.

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:**

Therefore, due to the abovementioned reasons causing a significant rise in the shipment prices and escalation in prices of raw materials impacting the PV module price increase will make the projects financially unviable that are already working on thin margins. Hence, we request your kind office to issue necessary directions to MNRE for an additional time extension of 3 months on Scheduled Commissioning Date over and above the 5-month extension already provided, until the containers are available freight and module prices stabilize.

This additional time will provide necessary relief to developers in bracing the uncertainty caused due to the global supply chain constraints affecting the solar PV sector.

We look forward to your kind support in the matter.

Thanking you.

*With warm regards*

Yours Sincerely,



**Shekhar Dutt**

**To,  
Shri Amarjeet Sinha  
Advisor to the Hon'ble Prime Minister  
Prime Minister's Office  
South Block  
New Delhi**