



## PAYNE INSTITUTE COMMENTARY SERIES: VIEWPOINT

**INDIA'S SOLAR IMPORT DUTIES ARE SLOWING DOWN THE CLEAN ENERGY TRANSITION**

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In India, Prime Minister Narendra Modi's government aims to install 227 gigawatts of renewable power generation capacity by 2022. Accounting for one-half of the targeted capacity, solar power plays a key role in these plans. However, the government's recent import duties on solar panels make achieving this goal less likely and more expensive.

On July 30, 2018, the Indian government placed an import duty of 25% on Chinese and Malaysian solar cells and modules. As usual, the actions were justified as a safeguard measure to protect domestic producers from an import surge. The Indian government's argument was that domestic producers are unable to grow because of stiff foreign competition.

The effect of the import duties is easy to see. In the second quarter of 2018 solar installations decreased from the previous quarter by one-half to 1.6 gigawatts, and by one-fifth when compared to the second quarter of 2017. Indeed, already before the import duty, uncertainties around trade and other policy had begun weighing on India's solar pipeline.

India's solar import duties are a flawed policy. Most obviously, they increase the cost of solar installations, thus reducing deployment and compromising the competitiveness of solar power relative to alternatives such as polluting coal-fired power plants.

But the solar import duties are also of little help the domestic manufacturers. India's annual solar manufacturing capacity is only about eight gigawatts, and Indian solar manufacturers are unable to supply cutting-edge solar technology at competitive prices. Building a competitive domestic industry would require a suite of industrial policies that help manufacturers realize economies of scale, strengthen supply gains, and cut costs.

While the import duties will do immense damage to solar deployment, they are unlikely to support a vibrant manufacturing industry in isolation. The import duties compromise India's short-term solar deployment aspirations without producing much hope for medium-term industrial growth.

A better strategy for Prime Minister Modi's cabinet would protect India's solar deployment targets with consistent policy across areas. India has reaped huge reputational gains for progressive renewable energy policy, and rightly so. In the short run, Prime Minister Modi should protect these gains and establish India as a leading country in global climate protection under the 2015 Paris agreement on climate change.

In the medium run, industrial development is a necessity for India's massive and badly underemployed workforce. A systematic approach to cultivating domestic industrial production, including in the field of clean technology, is clearly in order. Here the strategy should begin with improving infrastructure, reforming domestic policies, and directly supporting job creation.

Import duties do not solve India's industrial development problem, but they do a lot of damage to India's aspirations as a clean energy leader.

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## ABOUT THE AUTHOR

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