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Renewable energy rebounds to pre-COVID-19 levels in Q3 FY21; signals economic recovery: CEEW-CEF

New Delhi, 18 February 2021: India's renewable energy (RE) sector rebounded to the pre-COVID-19 levels in Q3 FY21 following the restoration of supply chains, according to the latest edition of the quarterly CEEW Centre for Energy Finance (CEEW-CEF) Market Handbook released today. Signalling an economic recovery, the peak power and energy demand consistently surpassed all months of Q3 FY20. RE capacity additions increased by 59 per cent at 1.9 GW compared to Q1 FY21. RE generation also increased by 20 per cent as compared to Q3 FY20.

The CEEW-CEF Market Handbook also highlighted that coal capacity addition declined further as compared to Q2, with net Q3 addition of 369 MW (versus 550 MW in Q2), which was less than 20 per cent of RE additions. Among RE categories, solar (grid-scale and rooftop) continued to dominate, accounting for 73 per cent of the capacity added in Q3 FY21.

Arunabha Ghosh, CEO, CEEW, said, "India offers one of the largest renewable energy markets operating on market principles. The performance of the RE sector in this quarter has further reiterated the promise the sector holds. To meet the 450 gigawatts renewables target, India needs investments worth more than USD 200 billion for generating capacity alone. Significant additional funds will be required for supporting infrastructure such as storage and transmission. The focus must now be on reducing the cost of finance and embracing innovative financing models such as a timebound credit enhancement scheme to accelerate the growth of the sector."

The Handbook also indicated a decline in quarterly capacity auctioned, with 2.97 GW RE capacity auctioned in Q3 FY21 (versus 4.4 GW and 3.2 GW auctioned in Q1 FY21 and Q2 FY21, respectively). This could be a result of challenges faced by the Solar Energy Corporation of India (SECI) in finding adequate buyers for the previously tendered, higher tariff capacities in the face of rapidly declining tariffs and discom grid integration challenges.

Nikhil Sharma, Associate, CEEW-CEF, said, "SECI needs to ensure power purchase assurance with discoms to attract bidders and provide an upside of the rapidly declining tariffs to discoms to regain momentum in the quarterly capacity auctioned."

In Q3 FY21, India also discovered its lowest ever renewable energy (RE) tariff at the Gujarat Urja Vikas Nigam Limited auction. According to CEEW-CEF analysis, access to low-cost financing and power purchase assurances with identified discoms in Gujarat and Rajasthan were key factors behind such low tariffs. International developers may access debt at ~7 per cent (fully hedged basis) and Indian developers with good credit ratings may access domestic debt via the bond market at ~7-7.5 per cent, which is well below India's typical commercial lending rates.

On the discom payables front, the Handbook indicated only a 1 per cent increase in overdues in Q3 FY21, as compared to a 30 per cent spike in Q1 FY21. As of December 2020, the amount overdue by discoms was INR 1.43 lakh crore.

The CEEW-CEF Market Handbook also highlighted that almost all listed RE companies except Sterling and Wilson Solar outperformed the market (Sensex) in Q3, which was in turn up by 25 per cent (vs end of Q2 FY21).

About CEEW-CEF Market Handbook

The CEEW-CEF Market Handbook aims to accelerate India's energy transition by providing independent market intelligence to investors, executives and policymakers every quarter. **The CEEW-CEF Market Handbook for Q3 2020-21 can be accessed here.** The CEEW-CEF Market Handbook for the previous quarters (Q1 and Q2 2020-21) can be accessed here.

About CEEW-CEF

The CEEW Centre for Energy Finance (CEEW-CEF) is an initiative of the Council on Energy, Environment and Water (CEEW), one of Asia's leading think tanks. CEEW-CEF acts as a non-partisan market observer and driver that monitors, develops, tests, and deploys financial solutions to advance the energy transition. It aims to help deepen markets, increase transparency, and attract capital in clean energy sectors in emerging economies. It achieves this by comprehensively tracking, interpreting, and responding to developments in the energy markets while also bridging gaps between governments, industry, and financiers.

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