

Over 90% of India's RE projects received investment-grade ratings in 2020: CEEW-CEF

New Delhi, 7 December 2021: In 2020, more than 90 per cent of the solar and wind energy projects evaluated received investment-grade ratings of BBB and above, according to an independent study released today by the CEEW Centre for Energy Finance (CEEW-CEF). This is due to the significantly improved financial viability of India's renewable energy projects over the last decade on account of favourable policy support from the central government. As recently as 2015, less than 50 per cent of the projects in the sector enjoyed such favourable ratings from credit rating agencies on their debt issuances.

The CEEW-CEF study, supported by Shakti Sustainable Energy Foundation, also highlighted that out of the 90 renewable energy projects evaluated by three credit rating agencies in 2020 and considered in the report, only 6 wind energy projects had below-investment-grade ratings. Of the 44 solar projects evaluated, 26 enjoyed an 'A' rating while 9 of them were rated as 'AA' - indicating an extremely low probability of default. Further, 5 solar projects received BBB ratings on their debt issuances. Similarly, of the 46 wind energy projects evaluated, 30 projects received an 'A' rating, while another 10 projects were given 'BBB' rating by the credit rating firms.

The study found that the government's decision to introduce Solar Energy Corporation of India Ltd (SECI) as an intermediary to buy power from solar projects in 2017, has had a very positive impact. Tariffs declined by 24 per cent, over the next eighteen months solely on account of this policy decision. More importantly, the reduction in tariffs was witnessed despite a slight increase in interest rates on loans during the period. SECI's introduction led banks to favourably assess RE projects, and investors to accept lower returns on their investments.

Gagan Sidhu, Director, CEEW Centre for Energy Finance, said, "Consistent policy support has played a key role in the evolution of India as the fourth largest renewable energy market, with a total installed capacity of more than 100 GW. Policy measures such as the Production Linked Incentive (PLI) scheme for encouraging local manufacturing of solar PV modules can further reduce the cost of solar projects in the coming decades. Such long-term policy impact would be critical to achieving the target of installing 500 GW of RE by 2030. India will need investments worth over USD 20 billion per year to achieve its 2030 targets for generation alone. Access to foreign capital is critical to our long and short-term targets."

The CEEW-CEF study '[How have India's RE Policies Impacted its Wind and Solar Projects?](#)' evaluated the credit ratings of 143 solar energy and 101 wind energy projects between 2010 and 2020, with a cumulative debt of INR 38000 and INR 43000 crore, respectively.

Vaibhav Pratap Singh, Programme Lead, CEEW-CEF, said, “Renewable energy, especially battery storage technology will be the drivers for decarbonising electricity generation, the contributor of over 40 per cent GHG emissions in the country. India's policy stewardship has helped solar become an investment magnet, with record investments pouring in from domestic and international investors in the recent past. However, to achieve continued growth in line with the upcoming target of 500 GWs of renewable by 2030 and later for net-zero by 2070, the policies would need to fix leaking buckets like discoms and go beyond the arrangements like SECI. Sustained policy support, especially on the distribution side of the business, will be vital.”

The CEEW-CEF study highlighted that short-term RE capacity enhancement targets, announced in 2015, coupled with other policy measures such as bypassing distribution company's risk using Solar Energy Corporation of India Ltd (SECI), have helped reduce the risk perception of these projects among investors. Reduction in yields on benchmark government bonds and improvement in technology also helped reduce the cost of financing for these RE projects.

The study '*How have India's RE Policies Impacted its Wind and Solar Projects?*' can be accessed [here](#).

Contact: Riddhima Sethi (CEEW) – riddhima.sethi@ceew.in, +91 9902039054 ; mihir.shah@ceew.in

Methodology

The study provides an overview of India's renewable energy sector by mapping all significant policies over the last decade. In this analysis, credit ratings of more than 250 solar and wind projects from multiple agencies have been analysed to monitor movements against the sectoral policies. To further understand the impact of sectoral policies, the study also tracks tariff trends in the solar and wind sectors and how the returns for investors have evolved.

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.