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Acquisitions in India's RE sector jump by more than 300% in value terms in 2021: CEEW-CEF & IEA

- *Investors with access to low-cost debt drove down tariffs to record lows in December 2020*
- *Increase in PV module prices could lower realised investor returns*

New Delhi, 15 December 2021: Total value of acquisitions in India's renewable energy sector surged by more than 300% to USD 6 billion in the first ten months of 2021 (till October) from less than USD 1.5 billion reported in 2020, according to an independent study released today by the CEEW Centre for Energy Finance (CEEW-CEF) and the International Energy Agency (IEA). This signals enhanced appetite from companies to invest in climate-friendly technologies, and opportunities for investors to book profits and re-invest proceeds in new projects, or even exit completely.

The growth in acquisitions was supported by conducive global financial conditions and accommodative monetary policy maintained by the Reserve Bank of India. Adani Green's takeover of SB Energy India, in October, at a reported enterprise value of USD 3.5 billion was the biggest deal in the sector.

However, the '*Clean Energy Investment Trends 2021*' study highlighted that solar PV capacity awarded in the first six months of 2021 fell sharply to just 2.6 GigaWatt from 15.3 GW (including 1.6 GW solar-wind hybrid capacity) reported in the corresponding period in 2020. This was largely as a result of a backlog of unsigned power sales agreements (PSAs) amounting to around 20 GW with the Solar Energy Corporation of India (SECI) at the end of 2020.

"A healthy level of mergers and acquisitions (M&A) activity signals continued interest to invest in Indian renewables, facilitating the entry of financial investors and allowing developers to exit at attractive returns. However, market uncertainty stemming from delays in signing power sales agreements, the timely availability and pricing of modules, and the persistent risk of retrospective contract renegotiation could prevent the flow of new investments rising to a level consistent with India's 500 GW target." said Arjun Dutt, Programme Lead, CEEW-CEF.

"Our analysis indicates that sectoral risks associated with the Indian market are higher compared to other large renewables markets. However, if challenges related to reliability of power purchase and timely availability of land and transmission infrastructure can be addressed, financing costs could be considerably lowered, translating into even lower tariffs" said Pablo González, Investment Analyst, IEA.

The study also highlighted that India's renewable energy sector will face headwinds in the near-term. An increase in prices of PV modules, driven in turn by rising raw material and shipping costs, could result in lower realised returns than those priced into tariffs at the time of bidding. Further, the Indian government's decision to levy basic custom duty of 40 per cent and 25 per cent from April 2022**,** on imports of solar modules and cells respectively, is expected to increase module prices in the near term as well, as buyers advance their purchases to avoid the extra cost. The study estimated that an increase of 20 per cent in realised module prices, from those assumed in the most competitive tariffs - INR 1.99/kWh (discovered in December 2020) - could lower equity returns by around 45 per cent.

The study '*Clean Energy Investment Trends 2021*' can be accessed *here*.

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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.