

India RE Weekly

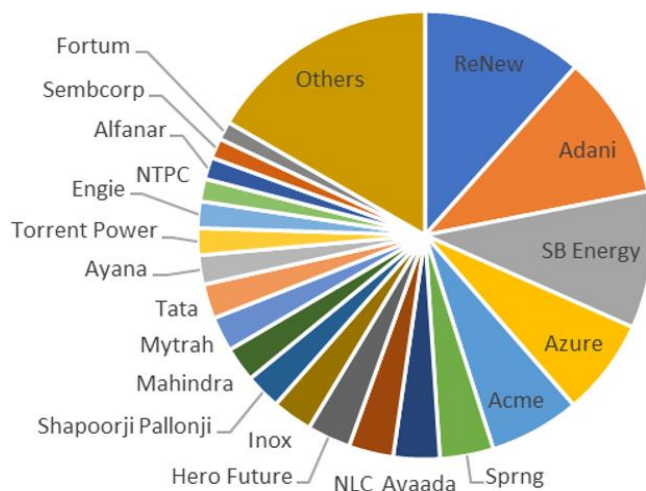
The renewable energy bull run is over

Last week, we stated that investor interest in the RE sector has fallen sharply in the last 12 months. In the wake of increasing costs and execution risks, difficulties in getting debt financing and [delinquent DISCOMs](#), the developers are finally saying [no to new tenders](#). The number of active bidders has declined from more than 200 in 2015 to just 30 in H1-2019. We view this as formal end of the [2.5 year bull run in the RE sector](#).

- Most of the 37.6 GW wind and solar capacity allocated in the last 2.5 years is likely to face viability challenges and sub-optimal returns;
- There is a growing risk of developers being unable to fund projects or service capital on time turning RE projects into non-performing assets;
- The sector faces a long-term investment shortfall unless urgent reforms are undertaken by the central government;

The bull run commenced in 2017, fed by the sheer wall of money rushing into the sector. Some of the biggest Indian industrial houses, leading international utilities, private equity, sovereign wealth and pension funds as well as hundreds of start-ups have been desperate to make an entry. Total RE capacity of 37.6 GW (solar 23.8 GW, wind and solar-wind hybrid 13.8 GW) has been allocated in this period at a weighted average tariff of INR 2.64/ kWh. That is a staggering USD 30 billion of investment with sub-optimal returns.

Figure: Winners of utility scale solar and wind projects since January 2017



Source: BRIDGE TO INDIA research

It is remarkable that it has taken so long for reality to sink in. Domination of financial investor led platforms and classic 'agency problem' between managers and owners are partly to blame. Sharper than expected fall in module costs and some successful exits have also helped to drag the bull run.

As experience in other sectors has shown, most notably in roads and thermal power, passing of the bull run can leave a horrific after effect. Investment taps in these sectors are still dry after over five years of near total inactivity. Currently, there are 29.4 GW of RE projects in pipeline. In the best case, strong sponsors would manage to successfully raise capital, execute projects and be able to carry them in the portfolio alongside more profitable assets. But most of the second and third-tier sponsors would be unable to either execute the projects or service capital on time turning them into non-performing assets.

It is time for the central government and Ministry of Power/ MNRE to show decisive leadership. Urgent long-term reform is needed to restore confidence in the sector. The government needs to focus, in particular, on strengthening the power distribution system, T&D upgradation and tariff reform. The [urgency shown by MNRE](#) in the last few months is therefore encouraging but it may not be easy to get the states on board.

News we have been reading

[UP power regulator gives consumers a shock with 8-15% tariff hike](#) | Business Standard

[Delhi's power demand peaks at night this summer](#) | Live Mint

[Andhra Pradesh discoms need to clear dues soon: Power Minister](#) | Energy World

[Tribunal directs Andhra ERC against public hearing on solar PPAs](#) | Energy World

[Kerala: State electricity board invites E-Tender for roof top solar project](#) | Energy World

[Suzlon Energy bankers stare at haircut on loans in new debt recast plan](#) | Energy World

[ReNew Power raises \\$300 mn via offshore bond sales](#) | Energy World

[Rajasthan tenders 50 MW rooftop solar for government buildings](#) | PV Magazine

[Himachal Pradesh signs agreements to tap 250 MW solar power](#) | Energy World

[Uttar Pradesh tenders 16 MW of 'Capex mode' rooftop solar](#) | PV Magazine

[Suzlon scraps \\$1.2 billion debt repayment offer as Vestas backs out](#) | Energy World

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[Module industry going through step changes](#)

[RE market forced to consolidate through the primary route](#)

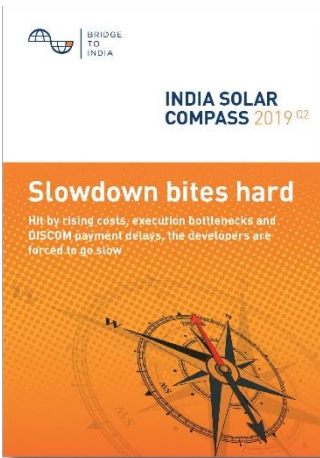
[Sputtering RE needs decisive government help](#)

[Solar sector faces growing water risk](#)

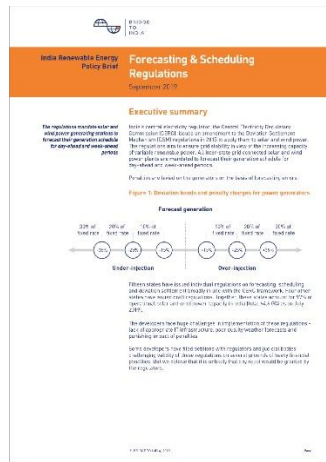
[Impressions from an international module conference](#)

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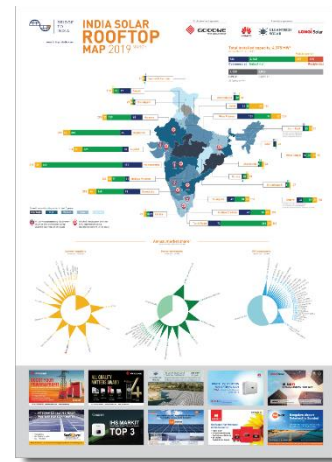
India Solar Compass Q2 2019



Forecasting & Scheduling Regulations



India Solar Rooftop Map | June 2019



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