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WTO Probes Solar Gear Sourcing Rules

US, EU decry India's mandatory local sourcing norm

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The World Trade Organisation has started preliminary investigation into India's domestic sourcing clause for contracts under its national solar mission, a senior official of the renewable energy ministry told ET.

Under the Jawaharlal Nehru National Solar Mission, all investors have to compulsorily use domestic solar modules and buy 30% of their equipment from local manufacturers. The European Union and the US say the sourcing policy in India thwarts competition and violates WTO regulations.

"The investigation is in its initial stage to see whether there's a violation of trade regulations," Joint Secretary Tarun Kapoor said.

"The WTO is asking the same questions that were earlier raised by the US and the EU on whether this policy hurts the import market," he added.

New Delhi, however, has said it has no intention of changing or scrapping the clause.

"The government is doing everything in the best interest of the local industry to provide a level-playing field. What they (the government) have done is neither new nor unique. Domestic content in the solar or renewable energy industry exists in at least 15 countries," said Vivek Chaturvedi, chief marketing officer at Moser Baer Solar, In-

dia's second-largest solar cell manufacturer.

The National Solar Mission was announced in 2009 with the aim to generate 20 gigawatts of energy by 2022. The plan will help cut rolling blackouts in Asia's third largest economy where most of the power generation is coal-based.

Bidding for solar PV projects under the first phase of the solar plan was done in two parts. In the first, it was mandatory for investors to use crystalline silicon (CSI) technology and modules manufactured locally. In

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the second phase of bidding, it was mandatory for all PV projects using CSI technology to source equipment and/or complete modules from Indian manufacturers. The domestic sourcing clause, however, did not apply to those going for solar cells based on thin-film technology or concentrator PV cells as long as the technical qualification criterion was fulfilled.

In India, solar cell manufacturers use only CSI technology. However, it is the cheaper thin-film technology that has gained popularity among project developers, who are going for imports, especially from China. The current ratio of CSI-based projects to those based on thin films is 45:55.

In fact, the high level of Chinese imports has led some Indian solar manufacturers to seek a WTO probe into what they allege is dumping by Chinese solar equipment manufacturers.