

UNCTAD-Invest India Workshop on Promoting FDI in Solar Energy Projects

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- **India and the UK have a very strong economic partnership.** India invests more in the UK than in rest of EU combined; the UK is the largest G20 investor in India.
- **UK supports India ambitions on solar and renewables.** UK companies are already significant investors in India's solar space. We see scope for even larger scale investments by UK companies and offer strong expertise through the City of London - premier international financial centre and a leader in Green Finance.
- **Three pronged approach to support the scaling up of investments in solar**
 - 1. Measures to address fundamental issues** – one of the most important is to improve financial situation of Discoms. Current situation creates credit risk for investors UDAY scheme is a good initiative. We would also like to see competition in the electricity retail segment. The UK has done this very successfully and we are sharing our experiences with the Ministry of Power.
 - 2. Measures that are short term-fixes but can help sustain and accelerate the market** – International investors based in the UK tell us they see the opportunities in the Indian market. But they also cite barriers - currency fluctuations, securing land and interconnections, deals sizes are too small to attract institutional investors, lack of exit opportunities for investors etc.

We have helped set up the *The India Innovation Lab for Green Finance* which brings together renewable energy and financial sector experts. In its first cycle, it will develop 4 financial instruments to resolve some of these issues.

3. Market building measures, for example

- o **Withholding Tax:** Indian companies are interested in raising cheaper and longer term capital overseas, for example in London. Investors tell us withholding tax is a barrier. A tax holiday could help.
- o **Cutting Red Tape:** Finding ways to cut time and reduce regulatory process will help improve certainty for investors. An example is the GOI's commitment on Solar Parks. UK has supported the design of the Karnataka Solar Park and the development of guidelines to help accelerate deployment across the country.
- o **Standardisation:** A recent study we supported on solar roof-top highlights that investor confidence will be greatly boosted by standardisation - e.g. net metering to be adopted by all states, process and timing for inter-connections, planning permissions for roof-top installations etc. Similarly, for grid-mounted projects, overseas investors will feel more comfortable with standardised PPAs across states.
- **Summary:** UK welcomes India's ambitions on solar. Huge potential and we will continue to support Government of India and the industry to overcome the challenges and realise those ambitions.