



Sameer Gupta
Chairman & Managing Director

Tax and Duty Relief Top of the Budget 2022 Wishlist of Energy Storage Companies

The companies also look forward to the exemption of customs duty on importing lithium-ion batteries

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The Indian energy storage market did not gain much ground in 2021. However, energy storage developers believe 2022 will witness higher capacity additions.

According to Mercom India Research, India has only 20 MW of operational battery storage capacity, with 1.3 GW of storage capacity in different stages of development.

India's renewable energy capacity is increasing rapidly, and energy storage is expected to play a critical role in integrating renewables into the grid. Energy storage is also seen as the answer to help renewables meet peak power demand and ensure supply round-the-clock.

The storage sector pinned high hopes on the upcoming Union Budget to be tabled on February 1, 2022.

Mercom spoke to several storage developers to know their requirements and expectations from the upcoming Budget 2022 to help the market scale.



Import Duties

Vivek Bhardwaj, sales head of India GoodWe, said, "The successful take-off of the Indian storage market depends on reliable equipment suppliers. The government needs to understand that a hybrid energy system is very complex and cannot be compared with an uninterruptible power supply (UPS) device with a local manufacturing footprint. We spend a lot on R&D, which needs a global market and 25GW+ manufacturing to sustain this business. With a full-blown need to integrate storage with PV, no local equipment supplier can satisfy such complex requirements. As the leading overseas manufacturers, we hope there is a full exemption of import duty on hybrid storage products, which we have already requested MNRE."

Anil Bhat, business CEO – distributed generation at Amplus Solar, "We look forward to hearing announcements on reducing import duties for batteries. Incentives that promote battery usage during peak hours and for diesel replacement could help increase the early adoption of energy storage. However, the government should ensure that these incentives address different mechanical, electromagnetic, electrochemical energy storage options and not just lithium technology."

Harendra Tomar, lead-business development, Sungrow, stressed that domestic manufacturing should be prioritized. According to Tomar, "Electronic components of battery storage systems should be included under the production-linked incentive (PLI) program, to encourage manufacturing these products at the domestic level. The government could also consider imposing customs duty on importing finished electronic equipment used in battery energy storage systems (BESS) as they have on solar modules. This can help the domestic market enhance its manufacturing capacity and sustainable business in the long run. We recommend lower duty on battery cell (maybe kept higher on finished battery container/module) until domestic manufacturing comes up to cater to local market requirements so the BESS market can grow. To encourage export, the government should also reduce export duties on electronic components of battery storage systems."

GST and other tax relief

According to Subhamay Ganguly, AGM energy storage and innovation, Amp Energy India, the sector expects a reduction in Goods and Services (GST) rate for battery, primarily used in solar and storage or storage purposes. In addition, there should be tax relief on solar plus storage projects. The government should allocate funds for scientific research in different advanced storage technologies. Bhat agreeing to the importance of tax relief, expects the Union Budget to provide tax incentives for the stationary storage segment, as provided to the electric vehicle (EV) market. In his opinion, the existing GST for batteries needs to be reduced for better commercial viability and to increase the adoption of energy storage.

Policy-driven Innovation

Sameer Gupta, Managing Director, Jakson Group, wants the budgetary allocation to strengthen and modernize the transmission systems. There is a need to have a BESS roadmap with a blueprint of the transmission system in India over the next ten years. There can be tax rebates, accelerated depreciation, interest intervention, and subsidies for using battery energy storage systems (BESS) for residential, commercial, and industrial users. Government can perhaps mandate the use of BESS for all government buildings and institutions, resulting in reduced diesel usage, thereby reducing the burden on the country of imports of fossil fuel.

"Today, lithium ion-based batteries are commercially and technically accepted. However, India has limited reserves of li-ion; hence we need to focus on alternate chemical element sources to meet the objectives of self-reliant India. We need to have programs, policies, and incentives to promote innovation in this area. In the interim, we expect the exemption of customs duty on importing lithium-ion," Gupta added.

Hitachi Energy India MD and CEO N Venu looks forward to incentives and tax benefits for technology players enabling the development of sunrise sectors in India through new technologies – battery storage, artificial intelligence, machine learning, and the Internet of Things – to build the local manufacturing ecosystem and supply chain.

Raj Prabhu, CEO at Mercom Capital Group said, "Globally, venture capital investments into battery storage companies took off in 2021, reflecting the importance and interest in the sector. It is time for India to lay the groundwork to build a battery storage ecosystem that is attractive to the investment community as substantial investments are needed to get battery technologies of the ground and into commercial stages at scale."

With grid stability being the key to achieving the country's renewable target, an established energy storage ecosystem becomes a necessary choice. The upcoming budget is expected to lay down a roadmap for the industry to follow and achieve the scale it intends to in this year.