

Domestic content requirement

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What is it?

- It is about utilizing the domestically manufactured solar modules and cells for solar projects in India which are setup under JNNSM.

Why?

- The domestic content requirement (DCR) category was instituted in the Jawaharlal Nehru National Solar Mission from the beginning of 2010 in an effort to create a healthy and robust indigenous manufacturing base and to elevate India's status as a solar hub.

What is this mission?

- The National Solar Mission or the Jawaharlal Nehru National Solar Mission (the "JNNSM") adopted by India in 2010 targets generation of 100,000 MW of grid connected solar power capacity by 2022.
- The procedure adopted typically involves the government entering into long-term power purchase agreements ("PPAs") with solar power developers ("SPDs") wherein the government undertakes to purchase solar power generated by a particular SPD.
- A mandatory domestic content requirement (known as a "DCR") was imposed on SPDs participating in phase I and phases II.

Why did the US complain about India in WTO?

- National treatment is a basic principle of GATT/WTO that prohibits discrimination between imported and domestically produced goods with respect to internal taxation or other government regulation.
- DCR violates the National Treatment principle of WTO.

This principle prohibits discrimination between imported and domestically produced goods with respect to internal taxation or other government regulation.

Is there any exception to this principle?

- **Yes- Public procurement**
- WTO itself recognizes the concept of public procurement. It states, "Government agencies often purchase goods and services with public resources and for public purposes to fulfill their functions and sometimes to achieve other domestic policy goals, such as the promotion of specific local industry sectors or social groups. Such purchases are generally referred to as government/public procurement."

Then why did India lose?

- US argued that public procurement is electricity but India has put restrictions on the solar cells

Is the case exaggerated?

- **Yes:**
- USA complained against DCR in Phase –II of this mission.
- Essentially, the entire tussle at WTO was over 1,075 MW or just ***37 per cent of the total solar target in the second phase.***

What is the status of DCR now?

- There is reduced interest in the DCR.
- According to recent tendering under DCR, Under NSM Phase-II Batch-4, 225 MW of DCR projects were tendered, out of which only 25 MW were auctioned.
- Chinese manufacturers captured most of the global market at the cost of manufacturers elsewhere, including Indians, with cheap Chinese modules flooding the market; developers did not need to buy expensive domestic panels anymore.

- It was estimated that, Indian non-DCR modules typically cost about 10-15 percent more compared to Chinese modules. Auctions are getting highly competitive, and it seems these projects would be viable only with Chinese panels prices of which keep falling every quarter.