

# India Needs Uniform Regulation In Wind Energy



**PAULO FERNANDO SOARES**  
GLOBAL CEO  
Kenersys

## GOURI AGTEY ATHALE

Kenersys is a relatively new entrant in the global wind energy market, with a target of installing 150 mega watt (mw) wind turbine by December. These plans are noteworthy, given that its installed base was 30 mw last year, its first full year of operations. Despite its small installed base and lack of size, the Germany-headquartered Kenersys Group is eyeing growth opportunities in its largest market, India, besides the US and Brazil. "Despite the economic slowdown, the US remains the largest and fiercest market for wind energy," says Paulo Fernando Soares, Global CEO of Kenersys group.

According to him, the US is

the fiercest as it has all the big players and also equipment makers. With their large manufacturing set ups, these manufacturers can finance their customers or bring down prices. "In the US, it is possible to put up large wind farms, the state governments have all mandated renewable energy installations and it is the largest free market in the world. But we don't work in China nor have any plans of going there. In a market where 20,000 mw wind turbines were installed, international companies sold only 2,000 mw. In China, government companies sell to government companies and the market for international companies is very small. Also, business is not fair and while turbine costs may be lower there, they are cheaper only on the surface. Other factors like availability, quality, performance are all poorer," he says.

Kenersys, a designer and assembler of turbines for the wind energy sector, is a joint venture (75:25) between the Kalyani group and the US-based First Reserve Corporation, a private equity (PE) fund focused on the energy sector. The

company expects to set up a manufacturing base in the US in the next three years, after it installs a significant number of sites to showcase its capabilities. On top of its agenda, though, is the Brazilian market, where it expects to set up its own assembly operations before the end of the year.

"We will set up an assembly operation in Brazil in the next two-three months, and not because I am a Brazilian! We need to be in Brazil and the US in the next three years," says Soares. It is no accident that Kenersys' majority owner, the Kalyani-promoted Bharat Forge is also set on its next round of aggressive expansion in that region, specifically Brazil.

India accounts for two-thirds of Kenersys' global installed base of 74 mw installations. The company has bought land in Gujarat, near Rajkot, and Tamil Nadu and is looking at the "challenging" conditions in Rajasthan where land is available, but the climate is hot and dusty.

On global trends in the wind energy market, Soares says the move is to have turbines that cater to low wind speed sites.

"We have a product, the 2.4 MW 110 metre diameter turbine that gives more power so that it offsets a lower tariff. We will start installing these in Gujarat from next year, when the second phase begins," he says.

Turbines are now being targeted at sites referred to as Class II and III where wind speeds are lower. "Turbines now have to operate at lower wind speeds and generate energy since the financial model is revenue-based."

The other emerging trend in the renewable energy sector is a wind-gas hybrid. "There is an opportunity for wind and solar power, but that is not so popular yet as a business model. In the next three years, there could be complementarity between wind and gas because gas is cheap and can be stored. People are, therefore, looking at a complementary model of wind and gas to generate power," Soares says.

Re-powering, or replacing older, smaller and less efficient turbines with newer, larger and more efficient ones, has been regarded as an opportunity, but Soares reckons that there are problems in the way

"It (re-powering) is not always possible, in India or in other parts of the world. In the past couple of years in India, customers have been driven to wind energy because of the depreciation benefits. So, in a 100 MW wind farm there could be 40-45 customers. I cannot replace these turbines on a one-to-one basis because the ones that have been installed are very small and in one location instead of three existing turbines, I will need only one! This is also the case in Germany where the 10-year old tariff may be better than the one offered today," he says.

Are there any regulatory hurdles in the wind energy sector in India? Soares says that the lack of uniformity, among states, in regulation, poses a challenge. "What is needed in India is a standardised national environment. Also, here the business model involves the equipment supplier buying the land, which is very difficult and expensive, investing in the infrastructure, from construction of the site, building a substation, to laying grid lines for power evacuation. This locks up a lot of money!" he said.