Date: 25th August 2022

Publication: Renewable Watch

Interview with Rajiv Ranjan Mishra

"The current global energy markets are facing a polycrisis"

Rajiv Ranjan Mishra
Managing Director of
Apraava Energy

With the global energy markets in turmoil owing to the lingering impact of the pandemic as well as the distressing Russia-Ukraine conflict, it is indeed a time for the renewable energy sector to shine. However, the Indian renewable energy sector is also dealing with rising freight costs and commodity prices, as well as high interest rates, along with the longstanding challenges of contract sanctity and overdue payments from discoms. Despite these issues, government intervention and private industry initiative are driving green energy investments in the country. It is an especially interesting time for a company like Apraava Energy, which is present in both the energy generation and transmission spaces. Rajiv Ranjan Mishra, managing director of Apraava Energy, discusses these topical subjects and the outlook for his organisation's growth.

From CLP India to Apraava Energy, what has been the overall experience for the company in the Indian renewable energy space?

Over the past two decades, we have built a financially resilient business by providing customers with reliable, high-quality energy, while all our stakeholders have benefitted from our world-class governance and operating standards. Apraava Energy was one of the first companies to see the possibilities of renewable energy in India, with its first wind farm built in 2009. Since then, we have gradually grown our wind and solar energy portfolio of about 1,174 MW, and now we have a presence in seven states - Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Tamil Nadu, Telangana and Karnataka. We are also developing a 250 MW wind power project at Sidhpur in Gujarat, which is expected to be commissioned in financial year 2022-23. We were the first power company in Southeast Asia to issue a green bond and one of the early corporate partners of the International Solar Alliance.

We have witnessed a massive transformation in India's renewable sector. The government is taking steps in the right direction by scaling up renewable capacity and developing favourable policies that would bring in the required investment in the sector. India has great potential to become one of the leaders in the renewable space and Apraava is well placed to be an important contributor to that new energy future.

"India has great potential to become one of the leaders in the renewable space."

What have been the key achievements for Apraava in the past one year? What is the company's current renewable power portfolio?

We embarked on a transformational journey with the unveiling of our new corporate identity, Apraava Energy, in October last year. As a step toward strengthening this growth journey, our investors, CDPQ, a global investment group; and CLP Group (CLP), one of the largest investor-owned power businesses in Asia, recently agreed upon the sale by CLP of a 10 per cent stake in Apraava Energy to CDPQ, bringing their respective stakes in the company to 50 per cent. With this, Apraava Energy will have a sharper and more dedicated focus on the investment and development of clean energy and power transmission projects.

We also recently concluded the acquisition of a 49 per cent equity stake in Kohima-Mariani Transmission Limited (KMTL) from Kalpataru Power Transmission Limited and Techno-Electric & Engineering Company Limited; the remaining 51 per cent will be acquired as per the terms of the Transmission Service Agreement. KMTL owns and operates a 254 km, 400 kV double circuit transmission line along with a substation in the North-Eastern part of India. This asset has been operational since December 2020.

Our diverse portfolio comprises over 3,000 MW of installed capacity, which consists of approximately 1,175 MW of wind energy (including an under-construction 252 MW wind project at Sidhpur, Gujarat) and about 250 MW of solar energy projects across seven Indian states.

What are the company's short-term and long-term plans? Is it planning investments in emerging areas of growth like storage, hybrids or green hydrogen?

Apraava Energy is stepping into the future with a vision of creating a diversified business that will help fuel India's economic growth through clean, reliable, and affordable energy. In October 2021, Apraava Energy announced its ambition to fast-track its growth, through measures such as doubling its energy portfolio by 2025, focusing on low-carbon growth areas, and exploring diversification into power distribution and other customer-focused energy businesses. It will seek to encourage participation from local shareholders in the medium term. The firm will announce a measurable, science-based emissions reduction objective, which will be validated by the Science Based Targets initiative, this year. It also aims to positively impact two million lives by 2025 through community investment.

A strong pipeline of auction opportunities across sectors such as transmission, wind, solar, advance metering infrastructure (AMI), battery energy storage system (BESS) and hybrid projects has been announced by the Indian government as the Covid situation has improved. Apraava is confidently pursuing its growth strategy through active preparation and participation in these opportunities.

What is your perspective on the current status of financing in the sector? What are the big opportunities in this space going forward?

In November 2021, Prime Minister Narendra Modi announced the national target of net zero carbon emissions by 2070. To achieve this target, the prime minister called for increasing the non-fossil fuel installed capacity to 500 GW by 2030. Capacity additions in solar, wind, storage and hybrid systems are the biggest opportunities for meeting these targets.

> "Apraava Energy is stepping into the future with a vision of creating a diversified business that will help fuel India's economic growth through clean, reliable, and affordable energy."

The 2030 target positions India as one of the largest and most attractive renewable energy markets in the world. Bloomberg New Energy Finance has estimated a massive financing requirement of $223 billion by 2030 just to meet the solar and wind capacity targets, and $175 billion for transmission and distribution network strengthening.

Availability of competitive, long-term financing through multiple channels would be the key to achieving this target. Bond markets for the renewable energy space need to evolve further with better frameworks/safeguards, which would allow long-term investors such as insurance companies, and provident and pension funds to invest in this sector. As most of the power purchase agreements (PPAs) in the sector are long-term, these assets are ideal investments for long-term investors. Any steps to increase their participation will help deepen the bond markets and provide much-required long-term liquidity to developers.

Further, as power tariffs are fixed for the entire PPA life, it is crucial for developers to have certainty on interest obligations. Fixed interest rates (through long-term bonds) will help provide much-required certainty to developers and deepen the investment potential for this sector. Many green/ environmental, social and governance funds are coming up globally that India can seek to tap once the bond markets deepen further, and this will give further impetus to new investments.

What is your take on the rising global energy security concerns and the changing energy landscape? Do you feel the current solar and wind tariffs are sustainable in this backdrop?

The current global energy markets are facing a polycrisis. A polycrisis is not merely a situation where we face multiple crises at the same time, but where the crisis "as a whole" is even more dangerous than the "sum of its parts".

With global inflation at multi-decade highs, there is little doubt whether interest rates will rise. The question is when, by how much and how often? Commodity prices have been driven higher by post Covid-19 economic recovery and exacerbated by supply disruptions due to the Russia-Ukraine War. These factors have squeezed global energy markets and driven up energy prices to uneconomical levels. Renewable tariffs are inherently sensitive to interest rates and commodity prices are also facing headwinds feeding the "greenflation".

Domestically, our renewable sector saw rapid growth in funding from 2013 to 2017 due to state- and central-level policy incentives for higher renewable capac-