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India wants to become a solar powerhouse without China's help

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A pair of measures in Tuesday's budget will help Prime Minister Narendra Modi's efforts to extend his government's made-in-India campaign to the clean power sector, in which about 80% of all solar hardware is imported from the nation's northern neighbor.

Grants of 195 billion rupees (\$2.6 billion) are being added to spur local equipment production, while there'll also be a 40% tax on imports of solar modules and 25% on cells from the next fiscal year.

India, the world's third biggest emitter of greenhouse gases, plans to more than quadruple its renewable power generation capacity to 450 gigawatts by 2030, including 280 gigawatts of solar. That total will continue to rise sharply as the nation seeks to zero out its emissions by 2070.

"With such ambitious targets in mind, one can't continue to depend on imports and remain exposed to supply chain risks," said Rupesh Sankhe, vice president at Elara Capital India Pvt. in Mumbai. Building out a local supply chain will limit risks tied to border skirmishes and other disputes with China and also help deliver local jobs, Sankhe said.

Major local firms including Reliance Industries Ltd. and Adani Group have already outlined plans to add solar equipment production lines.

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