

Indian Renewable Energy Sector: Green Ammonia

Green ammonia production to gain momentum with Government's push; however, challenges persist

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Solar Energy Corporation of India Limited's (SECI) auctions under the "Strategic Interventions for Green Hydrogen Transition" (SIGHT) programme – Mode 2A is aimed at decarbonising the fertiliser sector and reducing ammonia import dependence for NPK (Nitrogen, Phosphorous and Potassium) fertilisers. However, the prices of green ammonia discovered in the bidding process are significantly higher than grey ammonia prices.



SECI has conducted auctions under the *SIGHT* programme – *Mode 2A*, which is focused on promoting green ammonia production in India by aggregating demand for ammonia from 13 phosphatic fertiliser producers and allocating annual capacities to successful bidders (green ammonia producers) who quoted the lowest supply prices for supplying green ammonia at respective locations (fertiliser unit).



SECI will act as an intermediary between the green ammonia producer (GAP) and the procurer (fertiliser units) by signing green ammonia purchase agreement (GAPA) with the GAP and green ammonia supply agreement (GASA) with the procurer (fertiliser unit).



The lowest tariff discovered in the bids stands at about \$565/MT, over the eight-year average imported grey ammonia landed price of \$508/MT—indicating that green ammonia remains around \$57/MT (around 11%) more expensive than even the lowest bid. However, the viability of green ammonia is expected to strengthen at lower electrolyser costs and interest rates.



The Government of India (GoI) would have to provide two types of subsidies—one to incentivise green ammonia production and another to bridge the gap between grey and green ammonia prices for fertiliser manufacturers. The GoI will provide green ammonia producers a subsidy of Rs. 1,500 crore over the first three years of their operations. Additionally, the annual subsidy for fertiliser manufacturers is estimated at Rs. 500 crore to bridge the cost gap between grey and green ammonia. Timely release of these subsidies will remain critical.



This policy framework is likely to face challenges arising from the limited 10-year green ammonia purchase agreement leading to uncertainty of offtake and price beyond this period. The projects may also be exposed to execution risk, with SECI allowing 12-15 months for signing agreements along with another 36-48 months for construction and commissioning.



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