Centre for Public Policy Research

SRI LANKA'S RENEWABLE ENERGY SECTOR: STRATEGIC BALANCING BETWEEN INDIA AND CHINA AMID GEOPOLITICAL RIVALRIES

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Table of Contents

List of Figures

List of Tables

List of Abbreviations

IOR	Indian Ocean Region
ADB	Asian Development Bank
CEB	Ceylon Electricity Board
LECO	Lanka Electricity Company
TWh	Terawatt hour
PIDG	Private Infrastructure Development Group
IPP	Independent Power Producer
SLEA	Sri Lanka Electricity Act
PPA	Power Purchase Agreement
BRI	Belt and Road Initiative
IA	Implementation Agreement
IOCL	Indian Oil Corporation Limited
FDI	Foreign Direct Investment

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ABSTRACT

Sri Lanka is a strategically important island nation in the Indian Ocean Region (IOR), with a population of 24 million. The nation is currently recovering at a healthy growth rate from the severe economic crisis faced at the beginning of this decade, aided by efficient policies and developmental projects supported by neighbouring nations and institutions, including the Asian Development Bank (ADB). For an extended period, Sri Lanka has imported fossil fuels to fulfil its energy requirements. To address this dependency, Sri Lanka is now prioritising renewable energies, leveraging substantial investments from India and China. Accordingly, the Sri Lankan administration regards the development of the renewable wind and solar sectors as a feasible strategy for enhancing energy security and sustainability. This paper examines the approaches and geopolitical interests of India and China regarding investments in Sri Lanka's renewable energy sector, alongside an analysis of the Sri Lankan energy landscape, with particular attention directed towards renewable transition.

1 INTRODUCTION

Sri Lanka is currently in a period of transition, marked by high inflation and the consequences of systemic governmental corruption, which culminated in the economic crisis of 2021. The economy was severely impacted, with every sector struggling to survive. By April 2022, Sri Lanka had declared bankruptcy, with nearly US$46 billion in foreign debt obligations (Mirchandani and Rafi 2025). The energy sector was no exception; a shortage of fuel for thermal power led to nationwide power cuts lasting up to ten hours a day, while citizens queued for miles to obtain petrol, diesel, and cooking gas. Consequently, the poverty rate doubled, rising from 13 per cent to 25 per cent (The Hindu 2022).

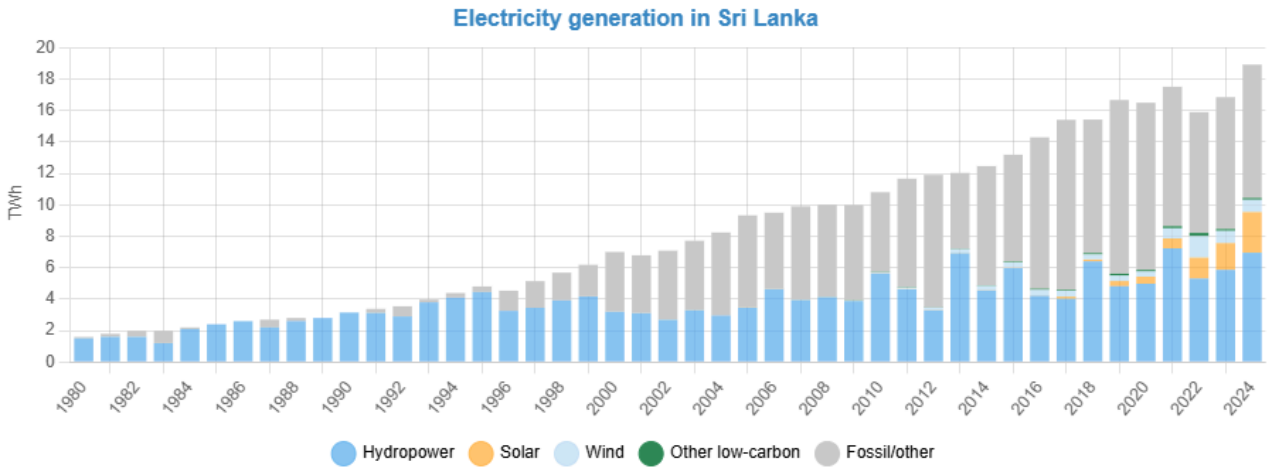
Since this period, Sri Lanka has adopted sustainable and structural reforms within the energy sector. For several years, the government has attempted to restructure the sector by generating a higher proportion of electricity from renewable sources, such as solar, wind, and hydropower, thereby reducing reliance on imported fossil fuels. While several significant foreign investments have been initiated in the renewable energy sector, certain projects have failed owing to security concerns and environmental threats (Economic Times 2025). Progress in the post-crisis era has been gradual; however, the electricity sector is currently undergoing a fundamental transformation, with Sri Lanka aiming to generate 70 per cent of its electricity from renewable energy sources by 2030 (Shanmugam 2025).

In this context, energy security has emerged as a national priority. Sri Lanka's energy sector, however, remains in an evolutionary state. The domestic energy market has traditionally been monopolistic, dominated by the Ceylon Electricity Board (CEB), a wholly state-owned corporation that controls nearly all transmission and 89 per cent of distribution. The remaining distribution is managed by the Lanka Electricity Company Ltd. (LECO), while private participation remains confined to electricity generation. The CEB has been actively involved in developing and managing the country's renewable energy infrastructure, particularly its extensive network of hydropower plants. According to the CEB's daily generation summaries, the combination of major reservoirs and more than 200 smaller mini-hydro projects consistently provides a substantial portion of the nation's electricity, forming the backbone of its renewable energy supply (PVknowhow 2025).

Figures 1 and Table 2 illustrate the performance of Sri Lanka's energy sector and its rapid growth over the past few years, particularly following the decline precipitated by the economic crisis. Sri Lanka generated a record 17.5 TWh of electricity in 2021, though production declined in subsequent years. By 2024, the country had made gradual progress in electricity generation. The share of renewable energies, including hydropower, solar, and wind, exceeded half of total production, accounting for approximately 55 per cent. Of this total, around 37 per cent was produced from hydropower, 14 per cent from solar, and 4 per cent from wind energy. The remaining 45 per cent was generated from fossil fuels, highlighting a significant and ongoing reliance on non-sustainable sources. Moving forward, Sri Lanka must aim to reduce this dependency to achieve a greener energy footprint (Lowcarbonpower 2026).

Electricity consumption per capita has also achieved notable growth. In 2024, per capita electricity consumption reached a record 818 kWh, representing an increase of 48 kWh from the previous record set in 2021. In the same year, approximately 451 kWh per capita was contributed by renewable energies—the highest level in Sri Lankan history—reflecting a 22 per cent growth from the 368 kWh recorded in 2023. This advancement in the contribution of renewable energy indicates a positive shift towards sustainable energy practices, setting a promising tone for future expansions in clean energy infrastructure (Lowcarbonpower 2026).

Figure 1: Energy Mix of Sri Lanka



Source: lowcarbonpower.org

Table 1: Energy Mix of Sri Lanka 2024

Energy Type	Production (in TWh)	Share (in per cent)
Hydropower	6.952	36.7
Solar	2.583	13.65
Wind	0.785	4.14
Other Low-carbon	0.114	0.6
Non-renewables (coal, oil, fossil fuel)	8.485	44.89

Source: lowcarbonpower.org

To sustain growth within the energy sector and achieve its targets, Sri Lanka must integrate its existing energy infrastructure with modern technologies and effective policies. Although the nation possesses abundant natural resources for renewable energy generation, the infrastructure required to convert these resources into usable energy has historically been inadequate. Substantial investment and technological advancement are required; the current infrastructure is outdated and insufficient to meet the ambitious targets that have been established.

Sri Lanka's principal challenges relate to limited grid capacity and ageing infrastructure, both of which restrict the integration of new renewable energy projects. The national grid frequently operates near its maximum capacity, resulting in regular power cuts and grid instability during periods of high demand or low hydropower output (Dutt 2023, 17; World Bank 2023). Many substations and transmission lines are antiquated, with some equipment having been in use for over 30 years, resulting in increased maintenance requirements and a heightened risk of technical failures (CEB 2022, 45). Although national electrification rates are high, rural and remote communities continue to experience unreliable supply and voltage fluctuations owing to weak distribution networks and insufficient last-mile connectivity (World Bank 2023).

Erratic hydropower production caused by climate change further exacerbates the dependency on fossil fuels, particularly coal. Theiventhran and Stokke (2022) note that a lack of public finance and the reluctance of the private sector to invest hinder the initiation of new projects. In response to these challenges, the government has made concerted efforts to improve efficiency and accessibility. In 2022 alone, approximately 208 rural electrification schemes and more than 486 extension schemes were implemented to ensure connectivity in rural areas (CEB n.d.).

The transition towards renewable energy has become a vital component of diversifying Sri Lanka's energy mix and enhancing long-term sustainability. Currently, hydropower contributes the largest share to electricity generation at approximately 37 per cent, while solar and wind account for approximately 14 per cent and 4 per cent respectively (Lowcarbonpower 2026). Harnessing domestic renewable energy potential is crucial to addressing import dependence and enhancing overall sustainability.

Sri Lanka actively promotes foreign investment and private sector participation to reach its target of generating 70 per cent of electricity from large hydro and renewables by 2030. The government permits foreign ownership in renewable energy projects, enabling international companies to develop, finance, and operate such ventures. Foreign investors access land for project development through leasing arrangements, as direct land ownership is not permitted (Dutt 2023, 11–15; Gateway House 2023; Embassy of Sri Lanka in Stockholm n.d.).

1.1 Research Gap

The India–China rivalry over influence in Sri Lanka has been widely studied; however, their competition in renewable energy investment within the nation remains largely unexplored. As energy security remains Sri Lanka's primary objective, renewable energy investments from India and China have become increasingly consequential. Existing literature lacks a focus on the Sri Lankan perspective within this geopolitical context. This study aims to address that gap by exploring the growth of Sri Lanka's renewable energy sector and providing a comparative analysis of Indian and Chinese investments. The scope of this paper lies in evaluating the major renewable energy projects funded by India and China, assessing the dynamics of the India–China rivalry within these investments, and suggesting appropriate policy recommendations for Sri Lanka as it navigates the power dynamics between the two nations.

1.2 Methodology

This research adopts a qualitative methodology, drawing primarily from secondary sources. Academic literature and institutional reports form the core of the analysis, supplemented by think-tank publications. Newspaper articles and reports from several ministries in Sri Lanka and India are also included in order to analyse public opinion and political responses to foreign renewable energy investments.

1.3 Objectives

1. To conduct a comparative analysis of India's and China's investments in the renewable energy sector in Sri Lanka.
2. To analyse how Sri Lanka views the India–China rivalry over renewable energy investments.
3. To study the growth of renewable energy in Sri Lanka and the manner in which these investments contribute to the Sri Lankan energy sector.

2 SRI LANKAN RENEWABLE ENERGY SECTOR: POTENTIAL AND LANDSCAPE

Compared with other developing nations and South Asian states, Sri Lanka's energy sector performs relatively well. Sri Lanka became the first country in South Asia to achieve full electrification in 2016; however, its dependence on imported fossil fuels and oil to meet energy requirements has remained a persistent challenge.

The shift in energy dependence from imported commodities, such as coal and oil, towards renewable sources, like solar and wind, has positioned energy as a geopolitical tool and a central theme within the international arena. Developing nations have established goals for renewable energy production to mitigate economic and environmental threats while striving for energy self-sufficiency. For developing countries to achieve a sustainable energy transition, robust policies must be implemented. Such policies facilitate cost-effective, sustainable outcomes that reduce financial burdens and environmental degradation, thereby encouraging the transition towards renewables. Furthermore, research and development must be sufficiently financed. The inability of developing nations to advance energy transitions across the spheres of policy, investment, and technology has allowed external actors to utilise them as instruments of engagement (Theiventhran 2022).

An analysis of the trend in Sri Lanka's energy mix reveals that reliance on fossil fuels and oil is gradually declining. Figures 1 and 2 summarise the current trajectory of the Sri Lankan energy sector. In 2024, of a total of 18.92 TWh of energy produced, 10.4 TWh (54.96 per cent) was generated from renewables. Comparing this figure with the five-year average for the period 2019–2023, the share of renewable energy in total production increased by more than 10 per cent, while the volume of renewable energy produced rose from 7.36 TWh to 10.4 TWh—an increase of 3.04 TWh, or 41.30 per cent. In 2024, total energy from non-renewable sources (fossil fuels, coal, and oil) was 8.485 TWh (44.84 per cent of total production), representing an 11.04 percentage point decrease in the non-renewable share compared with the five-year average for 2019–2023 (Lowcarbonpower 2026).

Sri Lanka possesses enormous untapped potential in renewable energy, primarily in wind and solar. Coastal regions and offshore areas provide the most favourable conditions for wind power generation, and the country's tropical climate ensures consistent sunlight for solar energy. Research indicates that Sri Lanka's offshore wind resources could be transformative in achieving energy self-sufficiency. Investment in these sectors can reduce foreign fuel dependence, lower electricity costs, and enhance energy security (News On Air 2025). Dasanayaka, Perera, and Abeykoon have noted the following:

> The prediction made relating to the wind energy potential of the country shows that there is an area of around 4,800 km with good levels of wind capacities in and around the country. If a generation potential of 5 MW per km² is assumed (according to the energy conservation fundamentals/assumptions), the overall wind capacity potential of the country could support a total installed capacity of 24,000 MW.

Given Sri Lanka's vulnerability to climate change, developing renewable sources such as wind and solar is vital, not only for mitigating environmental risks but also as a strategic means of reducing import dependence (Renewable Energy and Sustainable Development in South Asia 2024).

Foreign direct investment from multilateral institutions, such as the ADB and the World Bank, has provided essential technical and financial support; however, the most influential players driving Sri Lanka's shift towards renewables are India and China. Their growing involvement reflects more than mere economic interest; it mirrors the broader strategic contest unfolding across the region. As both nations seek to expand their regional influence, Sri Lanka's energy sector has emerged as a key arena of competition.

Structural reforms are required alongside large-scale investments; meeting the nationally adopted target of 70 per cent renewable electricity by 2030 will require front-loaded capital mobilisation, with total investment needs estimated at US$15–30 billion through 2035 to support both generation and system-wide integration (UNDP 2025). Beyond multilateral institutions, such as ADB and the World Bank, other foreign entities are active in the sector, such as the Private Infrastructure Development Group (PIDG), which includes Norway's Development Finance Institution, and Volta Groupe, a French Independent Power Producer (IPP) (Dentons 2023). Historically, the energy sector infrastructure has been antiquated and difficult to integrate with new technologies. Previously, the CEB was a monolithic entity controlling the entire sector; however it has been reformed to permit private participation and decentralised into six state-owned companies.

As part of this restructuring, the Sri Lankan Parliament enacted the Sri Lanka Electricity Act (SLEA) in June 2024, which came into force on March 9, 2026. This legislation repeals and replaces the Ceylon Electricity Act, No. 17 of 1969 and the Sri Lanka Electricity Act, No. 20 of 2009. This legislative shift aims to enhance transparency, encourage private sector participation, and establish clear guidelines and incentives to accelerate renewable energy adoption. The SLEA primarily seeks to dismantle the centralised structure of the power sector; rather than functioning under a single government-controlled entity, the sector will now operate with segregated duties for the generation, transmission, distribution, and system operation of electricity.

The transition was authorised through an extraordinary gazette issued by the Minister of Energy for the modernisation of the electricity sector. Under the new framework, all operational functions previously managed centrally by the CEB will be conducted by successor entities, each tasked with a specific role within the national grid. The duties formerly handled by the Board have been reassigned to:

1. Lanka Electricity Generation Lanka (Private) Limited;
2. National Transmission Network Service Provider (Private) Limited;
3. National System Operator (Private) Limited;
4. Electricity Distribution Lanka (Private) Limited;
5. Employees Fund (Private) Limited; and
6. Energy Ventures Lanka (Private) Limited (MIAP 2026).

These reforms aim to modernise the sector, reduce reliance on state funding, and secure a sustainable energy future (Varners 2024).

Notable steps have been taken to improve transparency, including competitive procurement for projects exceeding10 MW, standardisation of Power Purchase Agreements (PPAs) for renewable projects below 10 MW, and the unbundling of the CEB into separate companies. Sri Lanka is working towards improving policy transparency and reliability in order to attract greater investment in renewable energy. It continues to refine project selection processes and seek

international support to reduce financial risks. While the CEB remains the principal purchaser of renewable electricity, bureaucratic delays and policy fluctuations continue to create uncertainty for investors. Expanding the role of foreign companies remains a priority for meeting energy targets and reducing dependence on imported fuels (Dutt 2023, 12–18; Gateway House 2023; Embassy of Sri Lanka in Stockholm n.d.).

3 RENEWABLE ENERGY INVESTMENTS IN SRI LANKA

Sri Lanka occupies a strategically important position in the IOR. Situated directly upon the world's busiest shipping lane and positioned at the centre of the global East–West maritime corridor, the island lies along sea routes that carry nearly two-thirds of global oil shipments and almost all container traffic. This geographical placement renders Sri Lanka strategically invaluable to major powers. India and China, the two dominant regional powers in the IOR, have invested extensively in Sri Lanka's energy, infrastructure, and connectivity sectors. Investments from India and China play a crucial role in shaping the transition towards renewable energy by supplying essential technology and infrastructure. Through policy coordination, resource sharing, and the joint development of new technologies, these actors drive the shift towards a low-carbon economy and play a key part in addressing climate change risks.

For India, Sri Lanka's stability is essential to the security of its immediate neighbourhood and to its broader ambitions within the Indian Ocean. For China, the island represents a vital node in the Belt and Road Initiative (BRI), linking the Maritime Silk Road to wider trade and energy networks. Their interests converge on Sri Lanka not merely because of geography but also because of the island's potential as a stable partner, a logistical hub, and a platform for regional connectivity. Collectively, these factors position Sri Lanka not merely as a nation-state but as a geopolitical crossroads, where the interests of global and regional actors meet, overlap, and—at times—compete.

Sri Lanka's current energy infrastructure is insufficiently developed to meet its renewable energy targets. The nation must integrate greater infrastructural development, technological advancement, effective policies, and increased investment into its energy sector to overcome these challenges. The projected results cannot be achieved with the existing infrastructure. In June 2024, the Sri Lankan Parliament approved legislation to attract investment in renewable energy and reduce losses in the state-run power monopoly as part of a US$2.9 billion IMF programme. Sri Lankan Power and Energy Minister Kanchana Wijesekera stated in Parliament:

> Sri Lanka has set a target of generating 70% of its power via renewables by 2030. It is estimated that in the next six years Sri Lanka will need $12 billion to meet this goal. So we need to open the sector to attract this investment (Jayasinghe, 2024).

Currently, several significant foreign investments have been made in the Sri Lankan energy sector. These include a US$185 million investment from the World Bank in 2025 (World Bank 2025), a US$100 million investment from the ADB (ADB 2024), Indian investment in the Sampur Solar Power Plant, and Chinese investment in the Sinopec Hambantota refinery.

In February 2024, the ADB inaugurated Sri Lanka's first semi-transparent solar agrivoltaic pilot project in Kandy, designed to blend tea cultivation with solar power generation. A Digital Grid

Research Lab was also inaugurated on May 28, 2024. Agrivoltaics is a dual land-use approach that combines agriculture and solar energy production by installing solar panels above or alongside crops, thereby maximising land use and optimising planting conditions by regulating the microclimate (ADB 2024). In May 2025, the World Bank agreed to invest more than US$1 billion in financing over three years, targeting high-potential areas including energy, agriculture, tourism, and regional development. Of this total, US$185 million is allocated to renewable energy sector development, specifically for new solar and wind generation equivalent to 1 GWof capacity aimed at lowering electricity costs for households and businesses. The project is expected to mobilise more than US$800 million in private investment and includes US$40 million in guarantees (World Bank 2025).

3.1 Indian Investment in the Renewable Energy Sector of Sri Lanka

In January 2023, during an official visit to Sri Lanka, Dr S. Jaishankar, India's Minister of External Affairs, discussed the importance of energy security and India's plans to invest in Sri Lanka's renewable energy sector. He stated that India would encourage greater investment in the Sri Lankan economy, particularly in core areas such as energy, tourism, and infrastructure. Addressing Sri Lanka's energy security, he remarked:

> Energy security is today one of Sri Lanka's most serious challenges. A search for solutions must necessarily encompass the larger region. Only then will Sri Lanka get the full benefit of scale. This country has enormous renewable energy potential that can become a sustainable source of revenue. It has the capability as well for Trincomalee to emerge as an energy hub. In its support for Sri Lanka, India is prepared to be a reliable partner on such initiatives (MEA 2023).

There are multiple projects initiated by both the Indian government and the private sector within Sri Lanka's energy landscape, spanning both renewable and non-renewable resources. Many of these are in their nascent stages and remain subject to modification during their developmental periods. The Adani Group's investment in wind power projects in Mannar and Pooneryn—a US$442 million venture initially approved in 2023, was subsequently cancelled after the Sri Lankan government sought to renegotiate the agreement on grounds of financial unviability. Adani withdrew from the projects in February 2025 (Al Jazeera 2025).

India's engagement in Sri Lanka's renewable energy sector is shaped by strategic interests and regional cooperation goals. Clean energy partnerships with India provide Sri Lanka with considerable economic benefits, primarily by helping to mitigate its balance of payments crisis. However, these partnerships also increase Sri Lanka's dependence on India, which may have long-term implications (Stokke 2025).

These investments help Sri Lanka in establishing a consistent and dependable electricity supply, minimising power disruptions and bolstering energy security, particularly during periods of peak demand or challenging meteorological conditions. India-Sri Lanka renewable energy projects serve as paradigms of inter-state cooperation on clean energy solutions and highlight the critical role of international partnerships in addressing climate change and advancing sustainable development objectives (PVknowhow 2024).

The Sampur Solar Power Project is a joint venture between India's NTPC and Sri Lanka's CEB, with an approximate investment of US$200 million for the development of a 120 MW solar facility in Sri Lanka's Eastern Province. A PPA signed between TPCL and the CEB, along with an Implementation Agreement (IA) with the Government of Sri Lanka for Phase I (50 MW), has been signed. The project will facilitate the diversification of Sri Lanka's energy mix, contribute significantly to the nation's clean energy capacity, avoid approximately 200,000 tonnes of CO_2 emissions annually, and reduce reliance on fossil fuels (NTPC 2025).

The Trincomalee Energy Hub is a trilateral project involving India, the UAE, and Sri Lanka, aimed at developing a multi-faceted energy hub in the eastern city of Trincomalee. Abu Dhabi Ports Group PJSC (AD Ports), Indian Oil Corporation Limited (IOCL), and Ceylon Petroleum Corporation will establish a joint venture company to oversee project execution. The agreement also includes the construction of a bi-directional petroleum pipeline between India and Sri Lanka, strengthening regional logistics and fuel security (Emirates News Agency 2025).

The U-Solar Clean Energy Projects on the islands of Delft, Nainativu, and Analaitivu, off the coast of the Jaffna peninsula, represent another Indian-supported renewable energy initiative in Sri Lanka. This project has a controversial history: it was initially assisted by China, but India raised concerns owing to the proximity of the islands, situated approximately 50 km from the Tamil Nadu coast —to its own territory. In 2021, China suspended its plan to install hybrid energy plants at the location, citing "security concerns" from a "third party" amid reports of Indian objections. India subsequently assumed control of the project in March 2022 and signed an agreement to implement hybrid power systems on the three islands (Swarajya 2022).

The project, to be constructed by U-Solar, will comprise 530 kW of wind power, 1,700 kW of solar power, 2,400 kWh of battery storage, and a 2,500 kW standby diesel power system across the three islands. By integrating these various technologies, the project aims to optimise energy generation and ensure a consistent and reliable power supply to these communities. This initiative represents a significant step towards the widespread adoption of distributed renewable energy sources (Usolar 2024).

The Rooftop Solar System for Religious Institutions is another Indian initiative, which has provided solar infrastructure to numerous religious sites in Sri Lanka, reinforcing the energy partnership. This INR1.7 billion project involved the installation of 25 MW of solar rooftop systems across 5,000 religious institutions, spanning all nine provinces and 25 districts. Projected to supply approximately 37 million units annually, it aligns with Sri Lanka's goal of reducing energy costs and accelerating the shift towards renewable energy (IBEF 2024).

3.2 Chinese Investment in the Renewable Energy Sector of Sri Lanka

Whilst India's approach to renewable energy investment in Sri Lanka emphasises regional collaboration and partnership, China's approach is characterised by strategic assertiveness and the expansion of influence through intensified investments. In 2023, Sri Lanka granted Sinopec, a Chinese oil and gas conglomerate, a licence to operate nearly 150 fuel stations, significantly increasing China's presence within the nation and across the broader IOR (Vaid 2024).

Following the announcement of the BRI in 2013, China began to intensify its engagement with Sri Lanka. Among South Asian nations, Sri Lanka has received a disproportionate degree of attention owing to its geographical location, which is critical to BRI projects given its potential as a hub

facilitating the movement of Chinese exports and imports. Infrastructure development initiatives under this framework are frequently driven by political considerations as much as economic ones (Abeyrathne and Kamburawala 2022).

Various development projects in transport, infrastructure, energy, and urban development have been initiated by China in Sri Lanka under the BRI framework. The Sinopec oil refinery, Hambantota Port, Norochcholai Power Station, and Colombo Port City are among the most notable. Scholars have raised concerns regarding both security implications and the so-called 'debt-trap' dynamics associated with these projects. Wijayasiri and Senaratne (2018) have outlined potential issues for Sri Lanka arising from the BRI, including power imbalances, threats to independence and autonomy, a mounting debt burden, lack of transparency, corruption, low investment returns, public opposition, environmental degradation, and policy instability.

Shanmugam (2025), in his article 'Sri Lanka Balances India and China', explains how Chinese expansion has contributed to Sri Lanka's rising debt burden, with nearly 45 per cent of its bilateral debt owed to China, a situation frequently described as 'debt-trap diplomacy'. A notable example is the 99-year lease of Hambantota Port to China, following Sri Lanka's inability to repay the associated loans. Nishantha, Abeyrathne, and Sumanarathna (2024) have observed that, "The Chinese Belt and Road Initiative and the supply of energy through pipelines were strategic moves taken by China to ensure an uninterrupted supply of energy while encircling India and its allies." Furthermore, China's assertive foreign policy posture, commonly referred to as 'Wolf Warrior Diplomacy', raises legitimate concerns regarding Sri Lankan sovereignty.

Sri Lanka's domestic challenges further complicate these regional power dynamics. The international community has widely criticised Sri Lanka for alleged war crimes and human rights violations. India's support for the Sri Lankan administration during the civil war constrained its engagement, as this approach was widely criticised within various regions of India. In contrast, China shielded Sri Lankan leaders from international prosecution by utilising its veto power in the UN Security Council. This stance strengthened Sri Lanka–China diplomatic ties while simultaneously straining the Sri Lanka–India partnership. These challenges not only shape Sri Lanka's foreign partnerships but also affect the scale and nature of renewable energy investments (De Silva and Ministry of Defence, Colombo, Sri Lanka 2015).

The most notable example of Chinese investment is the Hambantota oil refinery, currently under construction. Valued at approximately US$3.7 billion, it represents the largest foreign investment project in Sri Lanka (Parashar and India 2025). These large-scale investments, while significant, have raised concerns regarding Sri Lanka's economic risks and the strategic advantages China stands to gain in the IOR.

India and China have approached Sri Lanka's renewable energy sector with distinctly different visions: one emphasising development and partnership, the other reflecting a focus on strategic interests. India's efforts, such as the Trincomalee Energy Hub and the rooftop solar project, suggest a focus on mutual benefit and regional cooperation. Conversely, China's high-value projects, including the Hambantota oil refinery, have fuelled debate regarding the nature of these economic ties and their implications for Sri Lanka's future. The island nation's navigation between these two contrasting models of engagement, each carrying inherent opportunities and risks—has significant consequences for both its clean energy ambitions and geopolitical alignment.

4 INDIA-CHINA RIVALRY OVER RENEWABLE ENERGY RESOURCES IN SRI LANKA

Maintaining a healthy relationship with Sri Lanka is always a primary foreign policy objective for both India and China. Multiple factors underpin this shared interest, including Sri Lanka's strategic position in the IOR, India's 'Neighbourhood First' policy, and the broader significance of the island's geographical location. The competition between India and China over renewable energy investments stems from broader strategic interests in the IOR. Historically, the IOR was considered an Indian sphere of influence; however, China's increasing reliance on sea routes through the region for oil and petroleum imports has led to intensified efforts to rival India's longstanding regional influence. This shift in regional power dynamics is the source of the India–China rivalry, placing Sri Lanka at the centre of their strategic calculations (Nishantha Abeyrathne, and Sumanarathna 2024).

With its roots in shifting regional dynamics, this rivalry has broadened over time, most recently extending into the renewable energy sector. The engagement of India and China in Sri Lanka's renewable energy landscape signifies deliberate strategic initiatives. India's investments are driven, in part, by concerns over growing Chinese influence near its maritime borders. For instance, India strongly opposed the docking of Chinese research vessels and submarines in Sri Lanka in 2022 (Saxena 2025). In contrast, China seeks to expand its presence in South Asia by deepening its influence in smaller states such as Sri Lanka, thereby strategically encircling India. New Delhi perceives China's 'String of Pearl' strategy as a direct challenge to its traditional hegemony in the IOR (Nishantha, Abeyrathne. and Sumanarathna 2024).

India's engagement in Sri Lanka's renewable energy sector is shaped by strategic interests and regional cooperation goals. Clean energy partnerships with India provide Sri Lanka with considerable economic benefits, primarily by assisting in the mitigation of its balance of payments crisis. However, these partnerships also increase Sri Lanka's dependence on India, which may carry long-term implications (Stokke 2025). Indian investments are rooted in a longstanding commitment to regional stability and development through collaborative, people-centric initiatives. Particularly since the economic crisis, India's involvement reflects a deep commitment to the island nation's recovery (Vaid 2024).

India views energy cooperation as a cornerstone of the bilateral partnership, with both nations identifying a suite of pivotal projects that capitalise on their geographic proximity. These include green energy initiatives, the establishment of bi-directional electricity trade, the development of a multi-product pipeline, and the exploration of offshore upstream projects. Such collaborative efforts underscore a commitment to a sustainable and mutually beneficial energy future, rather than a purely competitive stance (Vaid 2024).

Currently, several renewable energy projects supported by India are active in Sri Lanka, including the Sampur Solar Power Project, a hybrid renewable system in the Jaffna islands, and a rooftop solar scheme for religious institutions (MEA 2025). Furthermore, the India–Sri Lanka power grid interconnection, linking Madurai (India) with Anuradhapura (Sri Lanka), aims to enable bi-directional electricity trade, eventually allowing Sri Lanka to export surplus renewable energy to India (Economic Times 2025).

The Mannar and Pooneryn wind projects, initially funded by the Adani Green Energy Limited at a cost of US$442 million with a combined capacity of 484 MW (250 MW for Mannar and 234 MW for Pooneryn), have now been effectively withdrawn. While the Adani Group "categorically denied" the outright cancellation of the project, the Dissanayake administration confirmed that renegotiation was sought to obtain a lower tariff. Cabinet Spokesperson Nalinda Jayatissa stated that the government aimed for a tariff below six cents per kilowatt-hour, compared with the previously agreed rate of 8.26 cents per kWh (The Hindu 2025).

Additionally, India has partnered with regional actors such as the UAE and Japan to strengthen trilateral and multilateral clean energy agreements. Nevertheless, some experts question India's economic capacity to fully support Sri Lanka's transition towards renewable energy (Nishantha, Abeyrathne, and Sumanarathna 2024).

While India's approach emphasises regional collaboration and partnership, China's is marked by strategic assertiveness and the expansion of influence through increased investments. In 2023, Sri Lanka granted Sinopec the licence to operate nearly 150 fuel stations, significantly increasing China's foothold in Sri Lanka and the wider IOR (Vaid, 2024).

In the current global context, both India and China rank among the world's leading economies. Rising energy demand and imports have closely linked this growth, as industrialisation has made both nations dependent on external energy supplies. Against this backdrop, Sri Lanka represents a potentially valuable energy partner for both nations.

5 SRI LANKAN PERSPECTIVE ON INVESTMENTS

Following a consideration of India's and China's contrasting models of investment in Sri Lanka's renewable energy sector, it is essential to understand how these investments are perceived and managed from within Sri Lanka. Sri Lanka's response is shaped not only by external pressures but also by domestic priorities and changes in political leadership. This section examines Sri Lanka's internal discourse and strategic decisions as it navigates between India and China while pursuing its sustainable energy goals. Central to these decisions is the challenge of balancing external influence with the preservation of national sovereignty over the country's energy future.

Foreign investment in the energy sector facilitates progress towards Sri Lanka's energy targets and enhances energy security—the government's primary objective in this domain. The energy sector is now better positioned to adopt modern technologies and modernise infrastructure, enabling it to overcome challenges that have persisted in recent years. Such Foreign Direct Investment (FDI) is capable of accelerating economic growth, promoting technological advancement and innovation through collaboration with local firms, enhancing productivity and competitiveness, and integrating Sri Lanka into global value chains.

At the same time, maintaining national control over energy policy requires careful management of foreign investments and the associated interests they entail. Policymakers have expressed concerns regarding the potential erosion of autonomy as large-scale projects, particularly those backed by China, gain influence over key decision-making processes. For example, while Sri Lanka planned to export the majority of the Hambantota oil refinery's output for revenue, China prioritised domestic sales, illustrating a significant economic misalignment. These challenges are directly linked to evolving domestic priorities and decisions, which shape Sri Lanka's approach to foreign investment (The Economic Times 2025).

These evolving domestic priorities frequently coincide with shifts in leadership, which strongly influence Sri Lanka's approach to foreign investment. The Rajapaksa administration (2005–2015; 2019–2022) relied extensively on large-scale Chinese projects despite mounting concerns over debt and sovereignty. By contrast, the subsequent administration of Anura Kumara Dissanayake has sought closer cooperation with India, promoting regional collaboration (Theiventhran 2022). This shift is also reflected in national discourse, where multiple perspectives continue to inform public debate.

Academic discourse reflects diverse perspectives on balancing economic benefits with sovereignty concerns and strategic autonomy. Some view China's BRI with suspicion, citing concerns regarding a 'debt trap' and the erosion of energy independence. Others note that Chinese projects have tended to be implemented more efficiently than Indian initiatives. Sri Lanka seeks to increase Chinese participation in order to leverage technology transfer and financing mechanisms. A more neutral view suggests that the impact of Chinese investments depends upon the manner in which they are implemented (De Silva et al. 2023). This ongoing debate shapes Sri Lanka's cautious and pragmatic approach to managing its partnerships with India and China.

This pragmatic outlook informs Sri Lanka's careful assessment of the specific benefits and risks associated with each partnership. Sri Lanka has shown growing interest in expanding Indian investments, particularly in the energy sector, supported by India's 'Neighbourhood First' policy. Geographic proximity further enhances the practicality of Indian projects, with studies currently under way regarding a high-voltage direct current transmission line between India and Sri Lanka. Despite this, strategic competition between Indian and Chinese renewable energy investments has intensified. A case in point is the Jaffna hybrid power plant project, in which a Chinese firm initially won the tender, only for Indian objections to result in the contract being awarded to an Indian company (Stokke 2025).

Navigating these complex dynamics requires Sri Lanka to systematically evaluate its strategic partnerships in order to optimise economic benefits whilst safeguarding national interests. As the country progresses, managing both internal and external factors will be essential to achieving its renewable energy goals.

6 COMPARITIVE ANALYSIS OF INDIA'S AND CHINA'S RENEWABLE ENERGY INVESTMENTS IN SRI LANKA

6.1 Foreign Policy Approach

India predominantly follows a cooperative, partnership-oriented foreign policy that aims to provide mutual benefits, exemplified by the 'Neighbourhood First' policy and initiatives for regional connectivity. Conversely, China adopts an assertive and strategically driven foreign policy approach towards Sri Lanka, which is, in some instances, underpinned by 'debt-trap' diplomacy (e.g., the 'String of Pearls' and the Belt and Road Initiative).

6.2 Funding Mechanism

India primarily offers grants rather than loans, thereby reducing Sri Lanka's fiscal burden. Certain projects are implemented in cooperation with Sri Lankan agencies, ensuring both parties retain rights over the infrastructure. In contrast, China primarily provides large-scale loans that Sri Lanka has subsequently found difficult to service. China has strategically acquired assets in exchange for waiving or extending repayment terms, a clear manifestation of 'debt-trap' diplomacy.

6.3 Geographic Focus in Sri Lanka

India's investments are concentrated predominantly in the northern regions of Sri Lanka—those in closer proximity to India, such as the Jaffna Islands and Trincomalee—reflecting a strategic rationale. China is currently developing projects primarily in the southern regions (e.g., the Hambantota oil refinery). Its attempt to develop a hybrid energy project in the northern region was unsuccessful following diplomatic interventions from New Delhi.

6.4 Strategic Intent

India's underlying strategic intention is to counterbalance the expansion of Chinese influence near its maritime borders while simultaneously advancing energy transmission and regional connectivity. China aims to extend its dominance across the South Asian region by deepening its presence in smaller states like Sri Lanka, thereby strategically encircling the Indian subcontinent.

6.5 Financial Capacity

With the exception of the Trincomalee Energy Hub, the majority of Indian investments are relatively modest in scale, focused on strengthening regional energy sectors (e.g., the rooftop solar project for religious institutions and the Jaffna Island hybrid project). Compared with India, China's financial involvement in Sri Lankan infrastructure projects is considerably larger, demonstrating a substantially greater financial capacity to support nations within the region.

6.6 Project Outcomes

Indian projects, such as the rooftop solar scheme, have been successfully implemented, though several major projects remain in their nascent phases. To date, Chinese projects have broadly succeeded in terms of operational commencement and technical implementation.

6.7 Energy Focus

Given global sustainability goals and Sri Lanka's target of generating 70 per cent renewable electricity by 2030, India has been more active in supporting the nation's green energy transition. Almost all Indian projects involve renewable energy. Notwithstanding the imperative to transition, China continues to invest heavily in non-renewable projects (e.g., the Hambantota oil refinery), even whilst maintaining involvement in specific renewable energy initiatives.

6.8 Strategic Posture

Fearing China's rapid expansion into the IOR—a region traditionally regarded as within the Indian sphere of influence—India is pursuing a defensive realist posture aimed at offsetting this encroachment. China is adopting an offensive realist posture, actively seeking to undermine India's traditional hegemony in the IOR.

6.9 Type of Projects

India's major renewable energy projects encompass wind, solar, and hybrid renewable energy systems. China primarily focuses on hydropower and wind energy projects.

6.10 Partnership Models

India seeks to engage external partners, such as the UAE, forming trilateral or multilateral partnerships to jointly invest in Sri Lanka's energy transition. In contrast, China largely operates bilaterally, engaging in one-on-one investment arrangements with the Sri Lankan government.

7 WAY FORWARD

The nature of Chinese and Indian investments differs significantly, with each guided by a distinct set of strategic policies. As Sri Lanka navigates the complex geopolitical landscape between India and China, it possesses a unique advantage in the form of its strategic location and significant renewable energy potential. This approach is exemplified by the lessons drawn from Annette Baker Fox's analysis in 'The Power of Small States: Diplomacy in World War II', in which small states, such as Spain, successfully avoided occupation through strategic diplomacy and soft balancing between major powers. Following this precedent, Sri Lanka can maintain balanced engagement with both India and China, avoiding both overreliance on and the neglect of either partner. Additionally, diversifying support by collaborating with international organisations, such as the ADB and the World Bank , can further reduce dependence on either regional power.

To effectively navigate this rivalry and harness its renewable energy potential, Sri Lanka should consider adopting the following policy recommendations:

- The rising share of renewables, particularly solar energy, causes frequency fluctuations in transmission owing to inadequate storage capacity and inefficient transmission lines. Sri Lanka should therefore prioritise wind and hydropower. Wind energy, in particular, possesses the potential to be a transformative force for the energy sector. Infrastructure development, encompassing grid systems, transmission lines, and storage facilities, must be treated as a matter of priority.

- Sri Lanka should expand strategic partnerships with both India and China, leveraging their distinct investment models to accelerate renewable energy development and strengthen energy security. India represents a cooperative, renewable-focused approach, while China offers greater financial capacity and a proven track record of large-scale project implementation.

- Research indicates that a lack of public awareness and significant knowledge gaps regarding resource implementation are key factors hindering the transition to renewable sources. A coordinated public-private partnership (PPP) is therefore essential to raise awareness of the benefits of renewable energy and to address these knowledge gaps.

- Sri Lanka should simultaneously engage with international organisations, such as the ADB and the World Bank, to support research and development (R&D). These institutions have already provided substantial technical and financial support and have assisted in conducting feasibility studies within the renewable energy sector.

- The government must maintain energy sovereignty. When accepting FDI from global powers, transparency is paramount. It is equally important to ensure that changes in political administration do not disrupt the continuity of energy policies, thereby ensuring a stable investment environment.

8 CONCLUSION

Sri Lanka's renewable energy transition is shaped by complex geopolitical dynamics involving India and China; however, internal constraints, such as infrastructure gaps and regulatory shortcomings, represent more immediate obstacles than external pressures. To achieve its 2030 energy targets, the nation must formulate robust strategies to address both internal and external challenges. The strategic rivalry between India and China remains the most significant external factor influencing Sri Lanka's renewable energy landscape. As Annette Baker Fox posits, Sri Lanka can avoid entanglement in power conflicts by adopting a diplomatic balancing strategy. Concurrently, Sri Lanka should broaden its political and economic engagement with other nations and international organisations to diversify its support base and avoid over-reliance on any single partner.

Sri Lanka's position within this power dynamic is not defined by a single, fixed stance; rather, it is recalibrated by a range of domestic and external considerations, including changes in political leadership, economic capacity, historical ties, internal challenges, and the broader geopolitical milieu. At present, Sri Lanka maintains a broadly neutral posture, avoiding overt alignment with either India or China whilst selectively pursuing cooperative ties with both.

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