

All hype on energy

Reform, reform and more reform. That was the message of the first ever CERAWEEK, India Energy Forum held in New Delhi last week. Curated by the renowned energy scholar and Pulitzer winning writer, Daniel Yergin, CERAWEEK is the most sought after event in the energy circuit. This year it moved out of the US for the first time, thanks to Union minister of petroleum and natural gas [Dharmendra Pradhan](#)'s efforts to showcase India's changing energy scenario to the world. Pradhan made himself available for all three days of the summit.

There was a lot to learn at the summit where virtually everyone who counts in the energy sector marked her presence. Saudi Aramco, the world's largest energy group, announced the launch of its India operations.

However, the hospitality didn't exactly enthuse the summit's participants. Though no one criticised the Indian government's lackadaisical approach towards energy upfront, every delegate underlined the fact that India has become the third largest importer of hydrocarbons leaving Japan behind. To quote OPEC secretary general, Mohammed Sanusi Barkindo, "India's oil demand will shoot up by 150 per cent in the next decade". Pradhan too admitted that oil is here to stay for the next "40-50 years at least".

This brought to the fore the discord in the government on the issue of oil vs gas. A few days ago, Union minister of road transport and highways, [Nitin Gadkari](#), had asked India's automakers to switch to electric vehicles or "get bulldozed". The global energy forum, however, wasn't impressed. For, India is yet to provide electricity to all its households. It doesn't have enough electricity and is not spending enough on R&D, unlike China which has an annual budget of \$ 80 billion for the development of electric vehicles (EV).

The energy forum was eager to know what India has done to encourage the use of clean fuel - the idea being to encourage the use of natural gas to replace the more polluting traditional fuels such as diesel and petrol. Noted economist Vijay Kelkar - one of the special invitees - had, in the late 1990s, proposed deregulation of gas prices and getting rid of the administered price mechanism. Even 20 years later, delegates were informed that reforms in the gas sector were a work-in-progress. Natural gas is sold in India on the basis of a government-mandated formula which links local prices to rates in gas-surplus nations. However, most long-term contracts for gas imports are linked or indexed to oil. This archaic system - that doesn't allow market determined price - has become a big disincentive. The government does admit that the absence of a modern system like a gas trading hub is negatively impacting the sector. But it is yet to take steps to create one.

No clear roadmap for gasification of India's economy along with the lack of ways to get rid of oil, makes the issue of oil rates all the more important. The steep fall in oil prices, from \$110 a barrel in 2014 to \$ 29/barrel, helped India wipe out almost its entire current account deficit.

A number of experts noted that crude prices will continue to be subdued in the next year. However, they will march northwards in or around 2019 - which incidentally is the year of the general election. The good news is oil will probably never touch the \$100 mark. But the not-so-good news is that prices will be in the range of \$75 to \$80 per barrel - that could throw India's fiscal plans out of gear.

India has been slow in laying the national gas grid. A number of regulatory issues - from land acquisition to tariff - prevent the private sector from investing in India. Will the government live up to the hype it has created with its pro-business agenda? So far it has failed to instil confidence in the business community, both domestic and international.

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