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City
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Mumbai
Hyderabad
Kolkata
Chandigarh
Chennai
Guwahati
Jaipur
New Delhi

Newspaper and edition
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The Pioneer (also the New Delhi edition)
The Daily, The Economic Times (also the New Delhi and Kolkatta editions), The Free Press Journal, The Financial Express (also the New Delhi edition), The Indian Express (also the Bangalore, Chandigarh, Chennai, and the New Delhi editions), Metropolis, The Times of India (also the New Delhi edition)
The Tribune
The Tribune
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TERI
E-mail teripress@teri.res.in
Darbari Seth Block
IHC Complex
Lodhi Road
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TERI–NA
E-mail teri@igc.org
5373 Crimson Sky Court
Centreville
VA 20120

Web www.teriin.org
Fax +1 571 522 1580
Tel. +1 571 522 1581

The $ sign in this publication refers to US dollars unless stated otherwise.
1 lakh = 100 000; 1 crore = 10 million
Emerging water crisis

As temperatures rise entering the peak of summer so do tensions about water. Angry citizens in Delhi, mainly housewives who have to bear the burden, take to the streets protesting about no water supply for days and erratic tanker services, which are controlled either by unthinking bureaucracy or extortionist private operators. But it is not only in cities that the problem is serious. In fact, people living in villages have to trek many more miles every day for their minimum requirements.

And yet, the crisis is not a seasonal one. The availability of water has been under pressure over the years. Intensification of agricultural technology has given us the Green Revolution and a food surplus (even though equitable distribution remains critical). But it has taken a toll on groundwater resources, which are depleting at an alarming rate. The growing population and the even more disturbing rapid urbanization demand higher and higher levels of domestic consumption. These have to be met. Similarly, if we want an industrial growth rate of 8%, there will be a demand for water as a resource. Can we deny this requirement? It would be shortsighted to imagine that industry will remain the villains. The reality is that the common perception of competing demands for water has to be converted into a vision of complementary needs and inputs for a growing economy and a society responsive to its natural resource endowment.

In order to facilitate a common consensus, or at least an understanding, it is essential to provide a legal framework within which conflicts can be resolved. We do not have clarity about this either at the national or the state level. At the same time, it is high time that we recognize that water is a finite resource which is becoming scarce—in hard economic terms this means that it has a monetary value and, therefore, a cost and eventually a price. If all of us do not accept this it will be exceedingly difficult to evolve an efficient and equitable system to manage this precious resource in a sustainable manner.

Ashok Jaitly
Distinguished Fellow, TERI
What is red mud?
Red mud is a by-product of alumina extraction from bauxite by the Bayer process. It is alkaline and can contaminate vulnerable surfaces and groundwater sources. Red mud has a pH of more than 11, mainly due to its high exchangeable sodium ion percentage, which is more than 70. As excess exchangeable sodium has an adverse effect on the physical and chemical properties of the soil, red mud lacks the physical properties of soil, which are suitable for biological processes such as porosity, water retention capacity, etc. This adversely impacts the growth of vegetation on red mud.

Red mud at INDAL
INDAL’s aluminium refinery in Belgaum (Karnataka) generates a voluminous quantity (270 000 tonnes per annum) of industrial waste in the form of red mud. This is largely dumped at sites, which are referred to as red-mud ponds. The ratio of red mud to alumina in the plant varies from 0.95 to 1.05 tonnes per tonne of alumina, depending upon the bauxite source. The volume of waste generated is large, and its alkalinity has the potential to contaminate valuable surface and groundwater resources.

After de-watering, this mud contains 30%–35% moisture, and is dry-stacked in marked ponds in the neighbourhood of the plant. INDAL has earmarked 69 hectares of land for disposal of red mud by way of two specially constructed ponds measuring 30 hectares and 39 hectares. Pond I has been in use since 1985 and about 60% of it is filled with red mud, while Pond II is proposed to be used after Pond I is completely used up. There is productive agricultural land around the red-mud ponds.

During the dry season, material at the surface turns loose and powdery, becomes wind-borne, and settles on the surrounding areas, including the agriculture fields. Conversely, during the rains, the red-mud surface inhibits water infiltration, but rainwater seeps down the cracks and exerts lateral pressure, creating a tendency to slump rainwater. The red mud becomes sticky when wet clods are formed and crusting occurs on drying. The dried surface is hard and also develops reticular cracks because of the swelling and shrinking property of its finer fractions. The cracks are often very deep and hinder congenial hydrologic conditions, which adversely impacts tilling, seed germination, root growth, and development of seedlings.

In June 2002, INDAL partnered with TERI to rehabilitate and re-vegetate the used-up red mud ponds progressively to achieve the following objectives.
- Reduction in top soil erosion
- Increase in evapo-transpiration during the wet season
- Reduction in wind-blown dust during the dry period
- Improvement of the aesthetic and visual impact of the site and
- Improve the productivity of the soil

In response, TERI initiated a technological experiment to identify amenders, including bacteria and mycorrhiza, as well as identify suitable tree/grass/legume species for rehabilitation of red-mud ponds.

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1 This is a report on the TERI-INDAL (INDAL is now Hindalco Industries Ltd) partnership in rehabilitating red-mud ponds (dumpyards of industrial wastes) and restoring soil productivity. The project was discussed in the CoRE–BCSD, India, Roundtable Meeting on 16 December 2004.
The choice of amendment depended on their relative effectiveness in improving the red mud and vegetative growth, and the relative cost involved. Given the chemical properties of red mud (Table 1), the time required for an amendment to react in mud and effectively replace the adsorbed sodium was also a consideration in the choice of amendment.

A field trial was conducted at TERI’s Gual Pahari complex in Haryana on three tonnes of red mud transported from INDAL site at Belgaum.

The choice of treatments, method of assigning treatments to experimental units, and arrangements of experimental units in various patterns to suit the requirement of particular problems have been essential parts of design of the experiment.

Amenders such as gypsum, FYM (farmyard manure), fly ash/vegetative dust, along with bacterial and mycorrhizal consortia developed by TERI, were used to form twelve treatments and one control. A randomized block design was used to lay out the experiment.

The experiment data were analysed statistically (Table 2). The results indicated a good range of growth tolerance against biological adversities for the pre-selected plant species. The use of amenders also helped in improving the physical and chemical properties of red-mud consortium and allowed the vegetation to grow and sustain itself. The vegetative species showed excellent or good range of growth in different combinations of the amendments used.

### From the greenhouse to the site

The site development at Belgaum involved three phases of work, covering 1 earth work, 2 mixing of amendments, and 3 plantation.

Mechanized land levelling was done and the surface was prepared for plantation. Thereafter, in May 2003, the amenders were applied. These constituted the best

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**Table 1** Chemical properties of red mud before the beginning of the experiment in June 2002

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>pH</td>
<td>11.50</td>
</tr>
<tr>
<td>Electric conductivity (dS/m)</td>
<td>6.18</td>
</tr>
<tr>
<td>Organic carbon (%)</td>
<td>0.20</td>
</tr>
<tr>
<td>Available phosphorus (kg/ha)</td>
<td>28.80</td>
</tr>
<tr>
<td>Available potassium (kg/ha)</td>
<td>414.00</td>
</tr>
<tr>
<td>Exchangeable sodium (%)</td>
<td>70.00</td>
</tr>
</tbody>
</table>

---

**Table 2** Results of the amended red mud analysis at the end of the experiment in December 2002

<table>
<thead>
<tr>
<th>Treatment</th>
<th>OC (%)</th>
<th>N (%) (Total)</th>
<th>P (mg/kg) (available)</th>
<th>K (mg/kg) (available)</th>
<th>pH</th>
<th>Electrical conductivity (dS/m)</th>
<th>Exchangeable sodium (as Na) (by mass)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.05</td>
<td>0.17</td>
<td>5.09</td>
<td>26.26</td>
<td>8.12</td>
<td>2.53</td>
<td>0.36</td>
</tr>
<tr>
<td>2</td>
<td>1.89</td>
<td>0.14</td>
<td>5.55</td>
<td>22.87</td>
<td>8.08</td>
<td>3.08</td>
<td>0.35</td>
</tr>
<tr>
<td>3</td>
<td>3.25</td>
<td>0.21</td>
<td>8.07</td>
<td>34.37</td>
<td>8.09</td>
<td>3.49</td>
<td>0.08</td>
</tr>
<tr>
<td>4</td>
<td>2.42</td>
<td>0.21</td>
<td>5.64</td>
<td>28.37</td>
<td>7.95</td>
<td>3.06</td>
<td>0.25</td>
</tr>
<tr>
<td>5</td>
<td>1.50</td>
<td>0.15</td>
<td>5.65</td>
<td>22.68</td>
<td>7.92</td>
<td>2.92</td>
<td>0.09</td>
</tr>
<tr>
<td>6</td>
<td>2.29</td>
<td>0.15</td>
<td>4.42</td>
<td>24.55</td>
<td>8.13</td>
<td>2.38</td>
<td>0.20</td>
</tr>
<tr>
<td>7</td>
<td>1.64</td>
<td>0.16</td>
<td>4.47</td>
<td>22.60</td>
<td>8.15</td>
<td>2.35</td>
<td>0.23</td>
</tr>
<tr>
<td>8</td>
<td>2.65</td>
<td>0.17</td>
<td>5.36</td>
<td>34.82</td>
<td>7.95</td>
<td>2.94</td>
<td>0.37</td>
</tr>
<tr>
<td>9</td>
<td>2.39</td>
<td>0.17</td>
<td>4.53</td>
<td>33.69</td>
<td>7.99</td>
<td>2.85</td>
<td>0.36</td>
</tr>
<tr>
<td>10</td>
<td>2.06</td>
<td>0.17</td>
<td>6.58</td>
<td>17.06</td>
<td>8.05</td>
<td>2.62</td>
<td>0.28</td>
</tr>
<tr>
<td>11</td>
<td>1.76</td>
<td>0.15</td>
<td>4.28</td>
<td>22.76</td>
<td>8.12</td>
<td>3.23</td>
<td>0.40</td>
</tr>
<tr>
<td>12</td>
<td>2.09</td>
<td>0.20</td>
<td>5.10</td>
<td>22.21</td>
<td>8.14</td>
<td>3.00</td>
<td>0.29</td>
</tr>
<tr>
<td>13</td>
<td>2.51</td>
<td>0.15</td>
<td>4.03</td>
<td>28.21</td>
<td>8.14</td>
<td>3.27</td>
<td>0.23</td>
</tr>
</tbody>
</table>
combinations obtained from the earlier experiment at TERI’s research centre, Gual Pahari facility.

With the application of amenders completed, the red-mud surface was, thus, made ready for vegetation. Grasses and legumes were sown and planted. On the terraces, tree saplings were planted. The plantations were then nurtured regularly. Periodic monitoring of the soil conditions was done to mark the progress of this environmental enterprise. The mark of progress was found in spreading vegetative cover and shift in soil quality.

Monitoring in December 2003 indicated a tree survival rate of 82%. Soil analysis from depths of 15 cm, 30 cm, and 45 cm indicated positive changes in both physical properties and chemical characteristics of the red mud (Table 3).

The TERI team was involved on the site till April 2004. Subsequently, INDAL took up the rehabilitation of another one hectare area of red-mud pond.

### Table 3 Change in characteristics of red mud at 30-cm depth

<table>
<thead>
<tr>
<th>Parameters</th>
<th>May 2003</th>
<th>July 2003</th>
<th>December 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>pH</td>
<td>8.3</td>
<td>8.19</td>
<td>7.67</td>
</tr>
<tr>
<td>Electrical conductivity (ds/m)</td>
<td>8.68</td>
<td>4.02</td>
<td>4.35</td>
</tr>
<tr>
<td>Exchangeable sodium (Me/100g)</td>
<td>83</td>
<td>50</td>
<td>18.7</td>
</tr>
<tr>
<td>Organic carbon (%)</td>
<td>0.65</td>
<td>1.0</td>
<td>0.74</td>
</tr>
<tr>
<td>Available nitrogen (kg N/ha)</td>
<td>160</td>
<td>235</td>
<td>223</td>
</tr>
<tr>
<td>Available phosphorous (kg /ha)</td>
<td>72.1</td>
<td>112</td>
<td>144.1</td>
</tr>
<tr>
<td>Available potassium (kg/ha)</td>
<td>2912</td>
<td>4032</td>
<td>1740</td>
</tr>
<tr>
<td>Total bacterial population</td>
<td>2 × 104</td>
<td>4 × 105</td>
<td>1 × 106</td>
</tr>
</tbody>
</table>

**Soil texture**

| Sand (%)         | 64.1 | 84.0 | 72.2 |
| Silt (%)         | 18.8 | 6.0  | 20   |
| Clay (%)         | 17.9 | 10.0 | 7.8  |
| CEC [cmol (px)/kg] | 21.0 | 14.5 | 15.5 |
| Texture class    | Sandy loam | Sandy loam | Sandy loam |

Note Article reprinted from **ENCORE 2 (2)**
News

IFC to invest $4 million in equity fund for biotechnology
The Asian Age, 17 May 2005
IFC (International Finance Corporation), the private sector arm of the World Bank Group, will be investing up to $4 million in APIDC (Andhra Pradesh Industrial Development Corporation) Biotechnology Fund, a private equity fund formed by the APIDC to invest in start-up and early stage life sciences businesses in India. ‘This is the first fund in India to focus exclusively on the life sciences sector and will seek early stage opportunities in areas such as health care, drug discovery, agriculture, dairy, environmental, and industrial applications throughout India,’ an IFC release said.

PM clears Rs 1740 billion for rural infrastructure
The Economic Times, 17 May 2005
The PM (prime minister) has cleared Rs 1740 billion to be spent over four years to build rural infrastructure including telecom connectivity. The ‘Bharat nirman’ project focuses on six critical areas such as irrigation, roads, water supply, housing, and rural electrification besides telecom. ‘Bharat nirman’ will bring an additional 10 million hectares under assured irrigation; connect all villages with a population of 1000 (or 500 in hilly/tribal areas) with a road; construct 60 lakh houses for the poor; provide drinking water to over 74 000 new habitations; reach electricity to 125 000 villages that still do not have electricity and offer electricity connection to 23 million households; and give telephone connectivity to the remaining 66 822 villages, said an official statement. ‘Bharat nirman’ is an important initiative of the central government this year, offering a new deal to rural India the PM was quoted as saying in an official statement. It will emphasize outcomes and not just outlays, it added.

Mid-term appraisal gets cabinet nod
The Economic Times, 20 May 2005
The MTA (mid-term appraisal) that recommends about 60 areas of action of priority, including sale of minority stake of PSUs (public sector undertakings) and opening retail trade to FDI (foreign direct investment) besides resetting the growth targets for the Tenth Plan to 7%, was approved by the union cabinet today. The review process that began last August has suggested changes to labour laws, reduction in Inspector Raj, review of the existing sector-specific regulators, higher level of public–private participation in infrastructure creation, and model concessioning agreement to enable PPP (petroleum product pricing) and review of PPP. The MTA has also said that rural distress needs to be addressed by reversing the declining trends seen in agriculture in the last few years. For this, it has called for completion of irrigation projects – including the mega projects – and restructuring of irrigation departments to handle watershed and minor irrigation projects as well as revival of traditional water harvesting structures. It has also recommended an amendment of the Essential Commodities Act – although the National Common Minimum Programme states the legislation is not to be diluted – and a new Agricultural Produce Marketing Committee Act to allow freer movement of agricultural produce across the country and development of modern and common market for farm produce.

Chidambaram presents report card on economic performance
The Hindu, 27 May 2005
The union finance minister, Mr P Chidambaram, projected an overall economic growth of 7% in 2005/06 while holding the promise to keep inflation under check along with low interest rates. The finance minister’s forecast is in keeping with the Reserve Bank of India and the Asian Development Bank’s identical projections of a gross domestic product growth of 7% in
the current fiscal, while the International Monetary Fund pegged it a tad lower at 6.7%. A 7% growth this fiscal would be impressive, coming as it would after a ‘respectable’ 6.9% growth estimated for the previous fiscal which is on the back of a 8.5% growth in 2003/04. With normal monsoon expected this year, Mr Chidambaram said a 3% growth was likely in agriculture while the manufacturing and services sector would continue to perform well. Outlining a five-point recipe for attaining the 7% growth, he said ‘investment growth has to be sustained, infrastructure improved, fiscal and revenue deficit curtailed, inflation curbed, and interest rates kept benign.’ On the issue of trade deficit, Mr Chidambaram said although the gap was widening, the balance of payments situation was not vulnerable as the foreign exchange reserves position was comfortable and continued to surge.

Revised WTO offer in services gets approval
Business Standard, 31 May 2005
The Cabinet Committee on the WTO (World Trade Organization) approved the revised offer in the services sector. As per the offer to the WTO under the General Agreement on Trade in Services, India will bind higher the FDI limit in banking, telecom, retail, and accounting. The WTO has asked all member countries to submit their revised offers by 31 May. The committee on WTO headed by the PM of India Dr Manmohan Singh had directed the ministry of commerce to make revised proposals in sectors where initial offers had been made in June 2003.

Energy

IIM-C to monitor coal sales via e-auction
The Financial Express, 17 May 2005
The union coal ministry has appointed the IIM-C (Indian Institute of Management-Calcutta), to monitor the e-auction process initiated by CIL (Coal India Ltd) and its subsidiaries for selling coal to both linked and non-linked consumers, according to union secretary, Mr P C Parakh. The ministry has set a target of selling 10 MT (million tonnes) of coal via e-auction this fiscal and the figure will go up in future if the response of the consumers is positive. The process of selling coal through online auctions is expected to enable migration towards market-determined prices against the prevalent administered prices, thereby eliminating black-marketing. This is also aimed at bringing in free sales of coal from the erstwhile ‘quota’ or ‘linkages’ regime.

PSUs with coal blocks to get stake in mines
Business Standard, 18 May 2005
The government is likely to allow public sector companies, which get coal blocks by being government-owned, to have a minority stake in the joint venture formed for mining. The matter is likely to get a green signal from the PMO (Prime Minister’s Office), as it will encourage the development of captive coal mines in the public sector. The existing guidelines for blocks, given through the government company dispensation route, are silent on equity holding. Both the coal and power ministries are in favour of allowing government-owned companies to retain only 26% stake, and privatizing the remaining 74%, though this will mean losing the public sector character. The other route for allocation of captive blocks is through a screening committee.

CIL to acquire new blocks in Indonesia
The Financial Express, 28 May 2005
CIL is planning to acquire mine blocks in Indonesia and South Africa to source coking coal, with the CIL board approving the incorporation of Coal Videsh, company chairman Mr Sushil Kumar said. With the proposed overseas venture in Mozambique falling through following the withdrawal by sail, the coal monolith may now go alone for acquiring 100% stake in Indonesian blocks.
Mr Kumar said the proposed venture was still at a preliminary stage and the company was holding talks with the Indonesian government.

**Tata Steel to phase out use of coal in generating steam, power**
*The Hindu Business Line, 28 May 2005*
Tata Steel would phase out completely the use of coal in generating steam and power from September, and it would be done by recycling the by-product gases produced in the steel-making process. This would help the company reduce its coal cost as well as control pollution levels further.

Mr R P Sharma, Chief of Environment and Occupational Health, said that the company was converting its coal-fired boilers into gas-fired boilers and would be using the gases generated in the blast furnace and the steel melting shop to heat the boilers.

**Coal prices may be freed further**
*Business Standard, 30 May 2005*
In a move that may raise the prices of paper and aluminium, the government is planning to bring the two sectors out of the definition of core sector for allocation of coal linkages. Coming out of the core category can result in an increase in coal prices for companies like Hindalco, Nalco, Balco, and Sterlite Industries. At present, CIL and its seven subsidiaries sell coal at a basic price ranging between Rs 1870 and Rs 270 a tonne depending on its quality. A government official said, ‘If these two sectors are moved out of the core sector list, they will have to pay the market price, which can be at least 15% higher.’ [By Jyoti Mukul]

**Maharashtra wants coal blocks back from KPCL**
*The Hindu Business Line, 30 May 2005*
Faced with the need to mobilize additional coal supplies to feed its power plants, the Maharashtra government is likely to exert pressure on the UPA (United Progressive Alliance) government at the centre to revert an earlier decision of the coal ministry to allocate a string of coal blocks located in the state to KPCL (Karnataka Power Corporation Ltd). It is not known how far the state government will go to get back its coal blocks, but it has taken a hard stand on the issue, especially in light of the worsening power situation in the state. The state energy minister, Mr Dilip Valse Patil, gave a hint of the state government’s stand. The minister also said that we have taken up the issue (of allocation of the coal blocks) with the centre in order to retain control over the blocks. He made it clear that the blocks should remain with the state. The state government is under pressure from various quarters within the state to get back the coal blocks allocated to KPCL. [By Rahul Wadke]

**GAIL implements gas management system**
*The Hindu Business Line, 16 May 2005*
In a bid to simplify the complex gas transportation and distribution system, GAIL (GAIL India Ltd) has successfully implemented ‘GMS (gas management system)’. The Web-enabled system ensures better coordination and total transparency, and is a step towards advanced customer service, a company release said. It facilitates smooth handling of different streams of natural gas from multiple supply sources pumped into the pipeline systems for delivery to multiple end-users. GMS has been implemented for natural gas transportation for all trunk pipeline networks across India, which includes HVJ (Hazira–Vijaipur–Jagdishpur) pipeline, Dahej–Vijaipur pipeline, South Gujarat, North Gujarat, Mumbai, KG (Krishna–Godavari) basin, Cauvery basin, Agartala, Lakwa, and Rajasthan pipeline networks. GMS creates a common platform by integrating multiple players such as suppliers, shippers, customers, and transporters. Taking advantage of the system, GAIL has doubled the supplies of re-gasified LNG (liquefied natural gas) through the Dahej–Vijaipur pipeline system since April 2005 to 17.5 MSCMD (million standard cubic metres per day), thereby easing the overall gas availability situation to the customers along its route.

**Refineries net zoom 45%–85%**
*The Economic Times, 16 May 2005*
Standalone refining companies have seen record profits in FY (fiscal year) 2005 on account of high refining margins and...
increased crude oil throughput. Reliance, MRPL (Mangalore Refineries and Petrochemicals Ltd), Kochi Refineries, and Chennai Petroleum have seen full year profits increase by 45%–85%. However, refining stocks have not done well on the bourses as future performance may be hit by subsidies on various petroleum products. Reliance, which runs a 33 MT refinery at Jamnagar, has seen net profit increase by 47% to Rs 75.72 billion. Refining accounted for over half of the turnover and PBIT (profit before interest and tax). In FY 05, the refining business had a PBIT of Rs 55.21 billion – 52.7% of the total. ONGC’s (Oil and Natural Gas Corporation) subsidiary, MRPL, has recorded a net profit of Rs 8500 million, compared to Rs 4590 million last year. The refinery had a GRM (gross refining margin) of over $5/bbl during the year, against $3.9/bbl last year. IOC’s (Indian Oil Corporation) subsidiary, Chennai Petroleum, declared a net profit of Rs 5700 million during the year, up 42.5% over FY 04.

Reliance to pump in Rs 150 billion in refinery

The Financial Express, 16 May 2005

RIL (Reliance Industries Ltd) is planning to raise the capacity of its Jamnagar oil refinery to 60 MTPA (million tonnes per annum) by 2009, a move that may involve an investment of upto Rs 150 billion (3.33 billion). ‘Reliance is planning a third train to hike capacity from current 660 000 bpd (barrels per day) (33 MTPA) to 1.2 million bpd (60 MTPA),’ a source familiar with the development said. A senior company official confirmed plans to raise Jamnagar refinery capacity by 2009/10. He, however, did not talk about capital expenditure that RIL may have planned for the purpose.

Bongaigaon Refinery net profit up 57%

The Hindu Business Line, 17 May 2005

BRPL (Bongaigaon Refinery and Petrochemicals Ltd) has posted a 57% increase in its net profit for the financial year 2004/05. The profit after tax for the year ended 31 March 2005 stood at Rs 4780 million as against Rs 3040 million for the corresponding fiscal. BRPL’s turnover has increased by 56% to Rs 49.92 billion (2004/05) from Rs 32.04 billion in 2003/04. The company’s board declared a final dividend of Rs 6 (13.2 cents) per share, which is 60% of the paid-up capital.

OVL’s Ecuador bid cleared

Business Standard, 17 May 2005

The government has cleared OVL’s (ONGC Videsh Ltd) non-binding bid for Project Diamond in Ecuador, which would give it access to 1 million barrels of crude petroleum annually. The ONGC subsidiary is pitted against a consortium comprising China Petroleum and Chemical Corporation and China National Petroleum Corporation which had made a $1.2 billion bid in the first round against the Indian company’s $1.08 billion. The assets include Canadian company EnCana’s stake in Amazon blocks and Tarapoa in addition to 36% stake in a new pipeline from the blocks to the Pacific coast. The second round of bidding was cleared by an empowered committee, which had petroleum secretary Mr S C Tripathi and economic affairs secretary Mr Rakesh Mohan as members. The decision was based on the risk analysis for the assets. It also set a bid band— OVL can bid up to $300 million. OVL executives did not comment on the practicality of this restriction.

[By Sidhartha / Jyoti Mukul]

Haldia Petro joins global players with Basell

Business Standard, 18 May 2005

Kolkata-based Haldia Petrochemicals’ investment in the consortium of Indian and Russian financiers buying European plastics producer Basell for 4.4 billion euros has been given major backing by domestic banks. Indian lenders to Haldia, the country’s second largest petrochemicals group, will provide Rs 15 billion–Rs 20 billion for the deal, corresponding to a 30% share of the consortium’s equity investment in Basell, jointly owned by BASF and Shell. Financial groups including the State Bank of India and ICICI, the two biggest banks, and Industrial Development Bank of India, the largest project financier, agreed to Haldia’s package at the weekend, signalling a vote of
confidence in a recent chemicals turnaround. Haldia's largest single shareholder with about 60% is Mr Pernendu Chatterjee, whose Mumbai-based investment entity, TCG (The Chatterjee Group), is one of the two parties in the consortium that bagged Basell. [By Khozem Merchant]

Refiners get import parity prices
*The Economic Times, 18 May 2005*

In the first sign of a thaw in the overheated oil market, marketing companies have started paying refiners import parity prices. For the past month and a half, the prices were frozen at 1 April levels. But with crude prices softening and falling to a near three month low last week, the companies have revised the prices at which they buy petroleum products from the refiners like RIL, MRPL, Chennai Petroleum, and Kochi Refineries.

Shell plans to invest Rs 30 billion at Hazira
*The Financial Express, 18 May 2005*

Royal Dutch/Shell plans to invest Rs 30 billion to set up a bulk cargo and container terminal at Hazira Port, where it has built an LNG receiving terminal. For its container terminal, Shell is talking to several multinational firms, including Maersk, P&O Ports of Australia, etc. Shell India Pvt. Ltd director Marc den Hartog said Shell is in discussions with Essar steel for setting up a bulk cargo terminal at Hazira. ‘The cargo terminal would be for Essar steel’s captive use,’ he said. Mr Hartog said the total investment will be of the order of Rs 30 billion but did not give any timeframe for implementation of the two projects.

BIS, GAIL form exclusive cell to develop standards
*The Hindu Business Line, 19 May 2005*

The BIS (Bureau of Indian Standards) and GAIL formed an exclusive cell for the development of standards for high-pressure oil and gas transmission pipeline systems. ‘The introduction of such standards would become specially relevant in the context of de-regulation of the gas business with multiple players in the transmission business and the crying need for a cross-country National Gas Grid’. Ms Satwant Reddy, Director-General, BIS, said, ‘Safety and environment parameters would be given paramount importance while formulating BIS standards for transmission of natural gas.’ She also stressed on ‘the role of Weights and Measures Act under the Department of Consumer Affairs in the area of gas metering in the interest of the consumer at large.’

Oil hunt: India, China to join hands
*The Financial Express, 20 May 2005*

The ministry of petroleum and natural gas is giving final touches to a strategy paper on India–China cooperation in the hydrocarbon sector. The essence of this paper is to encourage cooperation in place of competition between the two sides. It is proposed that Indian and Chinese companies could pre-determine between them the oil and gas blocks in which they are interested in a specific country to avoid competing with each other to the extent possible. Cooperation in this area would also include sharing of information and assessments relating to specific blocks on offer. As both the countries are pursuing transnational pipeline projects, the possibilities of pipelines linking them should be explored. While India is looking at pipelines from Iran, Central Asia, and Myanmar, China too has been examining the possibility of pipelines reaching its industrial centres from Russia and Central Asia. [By Anupama Airy]

Aiyar for equitable sharing of oil price hike burden
*The Hindu Business Line, 21 May 2005*

The petroleum minister, Mr Mani Shankar Aiyar, has said that the price revision mechanism for domestic fuel may have to take into account an equitable sharing of the burden among the three stakeholders – the consumers, the government, and the oil marketing companies. ‘We have to see whether there is some way in which the burden (of international hike in crude prices) can be more equitably shared between the three stakeholders,’ the minister said. Earlier attempts by the government to raise petrol
and diesel prices have come in for severe criticism from the Left, who have been opposing any price hike. Following a recent meeting of the Left allies with the finance minister and the petroleum minister, the finance ministry is examining the suggestions made by them. Indications are that a price formula may be worked out soon. The Left allies led by the CPI (M) have been maintaining that it is not fair to burden the consumer with an increase in cess from Rs 1.50 per litre to Rs 2, in view of the abnormal rise in crude price. They have also been voicing their concern over the new excise duty structure, which according to them would actually help the stand-alone private refineries, especially Reliance, while hitting the public sector oil companies.

[By Richa Mishra]

Cairn to invest $1.33 billion in Rajasthan

_The Indian Express, 21 May 2005_

Cairn Energy of UK will invest $1.33 billion in its Rajasthan oilfields to produce 125 000 to 150 000 bpd from mid-2007. The firm has proposed to invest the amount in Mangala, Bhagyam, and Aishwaria fields (three of the 10 discoveries made by Cairn in Rajasthan) to produce oil till 2040. This was stated by the DGH (Directorate-General of Hydrocarbons), Mr V K Sibal. Saying the Cairns find has a capacity to go up, Sibal said, ‘Cairn has submitted a development plan. Technically, it is a very viable plan. We will approve the plan by the month end.’ Plateau production would last 6–7 years, he said, adding that the field had an upside production potential of 150 000 bpd.

ONGC’s marginal fields in demand

_The Economic Times, 21 May 2005_

Oil is hot property – even if it comes in small doses. ONGC’s marginal fields, which have been put on the block, have evoked a new stir in the oil industry. Reliance, Bharat Petroleum Corporation Ltd, Prize Petroleum to foreign firms like Quad Energy from Canada, are in the race for the blocks. The bids are slated to close by May end. Interestingly, RIL, which struck gas in the KG basin in 2002 has shown interest in these blocks and has bought bid documents for all the nine blocks. Similar interest has been shown by Quad Energy, which is set to make a debut if it manages to win the bid. Prize Petroleum, the joint venture exploration company of HPCL (Hindustan Petroleum Corporation Ltd) is close on the heels having bought documents for eight blocks. The decision to put the marginal fields on the block is part of the open acreage system being mooted by the government. According to this, India would, from time to time, put some of its existing fields on the block to draw investments from global players into the exploration business.

[By Soma Banerjee]

Indian Oil all set for an African safari

_The Pioneer, 22 May 2005_

State owned IOC is now planning to expand its operations to neighbouring African countries. ‘The company has also doubled its investment plan in Mauritius from $18 million to $35 million’ said N G Kannan, Director, Marketing, IOC. The plan envisages setting up of a modern fuel testing laboratory and increasing the capacity of its proposed storage terminal at Mer Rougue. The terminal will serve as a supply base for the company in Mauritius. At present all companies operating in Mauritius get their fuel tested from Johannesburg. IOC’s planned fuel testing laboratory will, therefore, not merely serve its retailing business interests but would also be an independent profit centre. The storage facilities will be augmented primarily to tap available opportunities in the shipping fuel business. Mauritius is fast emerging as one of the busiest ports in the region. IOC has already strengthened bunkering facilities with new lines of quays in the port. In the auto fuel retailing business, the company has plans to set up 25 outlets in the country. Of these, five have already been put up and the rest will follow in another one-and-a-half years.

Petrol, diesel may attract VAT in next FY

_The Times of India, 23 May 2005_

Petroleum products may attract VAT (value added tax) from the next fiscal as is
implicitly recommended by MTA of the Tenth Five-year Plan, Empowered Committee secretary Mr Ramesh Chandra said. ‘We are not averse to imposing VAT on petroleum products, but we are for gradual expansion of VAT list. As they say, we hasten but slowly,’ Mr Ramesh Chandra said. At present, petrol and diesel are out of VAT, while LPG (liquefied petroleum gas) attracts VAT at 12.5%. MTA, approved by the cabinet on 19 May, pointed out that many goods have been kept out of VAT, including petroleum products, which are basic to manufacturing and transport. The report will now be put before the NDC (National Development Council) for approval. The meeting of NDC is likely to be held next month. Explaining the rationale of keeping petroleum products out of VAT, the white paper released by finance minister Mr P Chidambaram said that prices of these products are not fully market determined. However, the Delhi government had imposed VAT on diesel in this year’s budget and increased the rate to 20% from 12.5%.

Scheme to strengthen PDS kerosene distribution from August, says Aiyar
The Hindu Business Line, 23 May 2005

The petroleum ministry plans to launch the scheme for strengthening the distribution and marketing of kerosene under the PDS (public distribution system) by the first fortnight of August. This is to ensure that the subsidized product is made available to the intended consumers and is not diverted for unauthorized applications. At present, there are no dealerships in over half of the blocks in the country. Feeling the need to address this on an urgent basis, if the highly subsidized PDS kerosene is to reach the targeted beneficiaries belonging to the lower strata of the society, a pilot project has been approved by the government for strengthening the distribution network of PDS kerosene in 10% of the blocks initially. The Minister for Petroleum and Natural Gas, Mr Mani Shankar Aiyar, said, ‘We are going to have one final round of meeting in the Ministry on 31 May and then we will have a well-prepared and a well-packaged proposal. The proposal will then be taken to the secretaries concerned of the state governments by the secretary of petroleum’. This will be the pilot project. The project would also help to create infrastructural facilities such as underground storage tanks, dispensing pumps, barrel-filling facilities, and barrel storage sheds at wholesale/sub-wholesale points at block level on a pilot basis in 10% of the blocks in the country initially. Based on the experience of the scheme for six months, the proposal for scaling it up to cover the entire country would be considered, he said.

[By Richa Mishra]

Shell allowed to use foreign vessels
The Economic Times, 23 May 2005

The centre has permitted Royal Dutch/Shell Group to deploy foreign flag vessels to bring in LNG on CIF (cost, insurance, and freight) basis without an Indian partner as insisted by the Director-General of Shipping. ‘As the parcel size is short and sourced from different places, it has been decided to permit Royal Dutch/Shell Group to bring LNG to its terminal at Hazira, Gujarat on CIF basis,’ shipping secretary Mr D T Joseph said. Earlier, DG Shipping said licence should be granted to only those chartered LNG vessels, which are Indian vessels or if an Indian partner owned at least 26% in the LNG vessel.

40% rise in sale of NELP data packages
The Times of India, 24 May 2005

There has been nearly 40% rise in the sale of data packages for the fifth round of oil field auctions. So far, data packages worth Rs 200 million have been bought by 32 companies under the fifth round of the NELP (New Exploration Licensing Policy) announced on 4 January 2005. This is a significant rise over the Rs 121.3 million notched during the last round and is expected to increase further as domestic regulars like ONGC and Reliance will be buying at the close of the sales. The sale has been achieved in spite of discounted price and data being available online. A majority of the 32 companies that have bought the data packages are new to India. Among the major companies are Australia’s BHP, BP (British Petroleum), Total of
France, Petrobras of Brazil, Talisman of Canada, ENI of Italy, Norway’s Statoil, and Petronas of Malaysia. Statoil, ENI, BP, Petrobras, Merlin Energy, Talisman, and Total have bought data packages for several of the blocks. This is a result of oil minister Mr Mani Shankar Aiyar’s tireless travelling and pro-active diplomacy over the last few months. Mr Aiyar and petroleum secretary Mr S C Tripathi has been trotting the globe, hawking the blocks. For the first time, venues like Amsterdam and Moscow were added to the list of roadshows to attract smaller, but important, players. [By Sanjay Dutta]

**Crude import bill up 40%**

*The Hindu Business Line, 24 May 2005*

The country’s crude oil import bill increased 40% to Rs 1170.32 billion in 2004/05 fiscal on the back of high international oil prices, the union petroleum secretary, Mr S C Tripathi, said. ‘Crude oil import bill has risen from Rs 835.28 billion in 2003/04 to Rs 1170.32 billion in 2004/05,’ he said at a CII (Confederation of Indian Industry) conference. The country imported 95.9 MT of crude oil in 2004/05, up from 90.4 MT. A sum of Rs 283.86 billion was sent on importing 8.9 MT of petroleum products, a 69.1% rise over Rs 167.81 billion spent on importing 8 MT in 2003/04. Petroleum product export grew 53.7% to Rs 149.50 billion (17.5 MT) in 2004/05 as compared to Rs 97.23 billion (14.6 MT) the previous year, he said. ‘We imported 76% of our total crude oil requirement.’ Mr Tripathi said the net oil import bill (all imports minus exports) was Rs 1035.96 billion in 2004/05 as against Rs 764.70 billion last year. Oil consumption grew 3.7% to 111.7 MT in 2004/05. ‘Oil consumption is likely to grow at 3.7% in Tenth Plan Period (2002–07).’

**New-look petroleum regulatory Bill ready**

*The Financial Express, 24 May 2005*

The Committee of Secretaries, headed by cabinet secretary Mr B K Chaturvedi, has made significant amendments to the draft PNGRB (Petroleum and Natural Gas Regulatory Board) Bill 2005. The amended draft Bill, to be shortly circulated among the members of the GoM (Group of Ministers) and the Department of Legal Affairs, has incorporated a set of important provisions relating to a common appellate tribunal for the electricity, petroleum and natural gas sectors and the concept of contract carrier. The draft also proposes establishing a strong affiliate code of conduct, monitoring the price of natural gas, methodology for fixation of transportation charges by pipelines, besides an exclusivity clause for city or local distribution network. An official said that after detailed deliberations on whether the upstream sector should also be included in the purview of the proposed Bill, it has been decided that the DGH would regulate the upstream issues and the PNGRB will look into the downstream issues. ‘A distinction has, however, been made as regards the pricing of natural gas. While the DGH will look into the pricing of natural gas under the provisions of the PCS (production sharing contracts), the PNGRB will look into the pricing of natural gas in the context of provisions relating to profiteering and transportation charges for pipelines. This provision has been suitably incorporated in the amended Bill,’ said the official.

**ONGC eyes Tide Water Oil, seeks to enter lube oil biz**

*The Economic Times, 24 May 2005*

ONGC is on the prowl once again. Following its acquisition of AV Birla group’s MRPL, the public sector major is eyeing a controlling 42% stake in TWOC (Tide Water Oil Company (India), which markets lubricants under ‘Veedol’ and ‘Nippon Mitsubishi’ brands. Information trickling in suggests that ONGC is in the process of appointing valuers to carry out a due diligence for TWOC. When contacted, ONGC chairman and managing director Mr Subir Raha confirmed the development. ‘We have evinced interest in TWOC following an intimation from the department of heavy industries. The issue is now being discussed between the department of heavy industries and DoD (department of disinvestments). We are waiting for their response,’ Mr Raha said. Union minister of state for heavy industries and public
enterprises Mr Santosh Mohan Dev said, ‘we will speak to the board for reconstruction of public sector enterprises and also speak to the DoD on it. The whole process could take a few months.’ [By Anuradha Himatsingka / Rakhi Mazumdar]

**ONGC to invest Rs 28 billion more in Bassein field**

*The Hindu Business Line, 24 May 2005*

ONGC has finalized a Rs 28 billion additional development plan for the Bassein gas field. The company is also planning to pump an additional Rs 20 billion into re-developing the existing field. Both projects will be completed in 2007. Despite a rapid drop in production after being operational for over 20 years, Bassein is now producing 28.2 MSCMD of gas, more than half the country’s total natural gas production of 53 MSCMD. According to sources, the company will place its additional development plan for approval before the board of directors at its next meeting. The tender documents are being finalized, and once the board’s approval is obtained, the company is expected to take a few months to award the contracts. ONGC has identified 97 MT of oil and oil equivalent gas in east Bassein. As per the re-development project, the company will set up two platforms and two booster compressors to tap the newly available resources. [By Pratim Ranjan Bose]

**Three-nation project on gas pipeline**

*The Asian Age, 25 May 2005*

India, Myanmar, and Bangladesh are expected to sign an MoU (memorandum of understanding) to build an international consortium company for the construction of a trination gas pipeline, according to Bangladeshi proponents of the project. ‘It is expected that the three nations will very soon sign an MoU for an international consortium company which will build, own, and operate the pipeline,’ Mr K B Ahmed, Managing Director of Mohona Holding, which formulated the concept said in Dhaka. ‘It would not only benefit the country but also usher in new areas of regional cooperation,’ he said. Explaining details of the project, he said there were two options for the pipeline, which would go through Bangladesh. While the first option was for the pipeline to go through Mizoram and Tripura and after crossing into Bangladesh before entering West Bengal, the other envisaged a route through Bangladesh from Myanmar through the coast and enter Bandgaon with other routes remaining unchanged. [By Nadim Qadir]

**IOC likely to post first ever net loss this quarter**

*The Pioneer, 25 May 2005*

IOC, the country’s largest oil firm, is likely to post its first ever net loss this quarter with a net deficit of about Rs 6000 million mainly due to non revision in fuel prices. ‘We estimate a revenue loss of Rs 30 billion in April–June quarter on selling petrol and diesel and a slightly lesser amount on LPG and kerosene,’ a senior company official said. Petrol and diesel prices have not been changed since November despite crude price rising by 25%. While kerosene prices have remained unchanged for over three years, LPG prices were last revised in August 2004.

**Gujarat Petro close to a strike in KG basin**

*The Economic Times, 26 May 2005*

The state-owned GSPC (Gujarat State Petroleum Corporation Ltd) may have finally struck gas in the KG basin. According to top
GSPC officials, a large gas reserve has been detected while drilling KG-OSN-2001/3 exploration block. ‘We cannot comment on the find, but it looks promising,’ GSPC sources said. ‘We have sent the sample for testing. The data analysis process is over, we will have a clear idea about the name or gas reserves,’ they said.

LNG from West Asia to feed Shell’s Hazira plant

*Business Standard, 26 May 2005*

Royal Dutch Shell will be sourcing LNG for its Hazira terminal in Gujarat from West Asia. A ship carrying LNG from the Gulf was likely to unload at the terminal by June-end, company executives said. The terminal, in which France’s Total has a 26% equity, was originally designed to handle 5 MT of LNG. But currently its capacity is 2.5 MT. The first LNG consignment was sourced from Australia’s North-West Shelf project, in which Shell has a 22% stake. A Shell-controlled tanker, the 136 000 cubic metre Gemmata, carried the first cargo. Shell is currently selling LNG to only GSPC. It has a contract for supplying 0.7 MSCMD of gas for 210 days, at a price of $3.70 per MBTU (million British thermal unit) to the GSPC. The corporation executives told Business Standard that Shell’s price was slightly higher than Petronet LNG Ltd’s $3.66 per MBTU. This is because the LNG brought by Shell is more expensive. So, it has to pay a higher customs duty. Shell began supplying natural gas to the GSPC in April. [By Jyoti Mukul]

Oil consumption fell 5.3% in April

*The Financial Express, 26 May 2005*

India’s oil consumption fell 5.3% to 8.88 MT in April this year, while crude imports declined 2.9% on lower demand. Petroleum ministry officials attribute the fall to negative growth in petrol and diesel, mainly due to high base on account of Lok Sabha elections last year and disruption of business activities due to VAT implementation. Diesel, which makes up for over 35% of oil produce demand, saw consumption slip by 5.3% to 3.324 MT, while petrol requirement was lower by 0.8% at 671 00 tonne, according to the latest data released by the ministry of petroleum and natural gas.

Oil ministry for global pricing at refineries

*The Indian Express, 26 May 2005*

The petroleum ministry is contemplating a complete overhaul of the present pricing mechanism for petrol, diesel, LPG, and kerosene. The reason: spikes in international crude oil price are burdening the oil marketing companies. A paper prepared by the ministry suggests shifting the product pricing at refineries to global rates alone, thereby removing the customs duty and transport tariff that get included while calculating such prices under the existing import-parity mechanism. The objective is to bring down the under-recoveries of the oil marketing companies who buy these controlled products from refineries at import-parity prices, but are restrained by the government from hiking consumer prices to recover their purchase cost. The paper suggests options such as an average of import and export parity prices or a moderation equal to the incremental changes in crude oil prices. In terms of a solution, it favours export parity. ‘Ideally, exports will be encouraged, if the price prevalent in the domestic market is export parity price. However, as part of a gradual movement to this pricing mechanism, pricing based on the average of the import and export parity prices can be considered for a suitable period,’ it says. To buttress its recommendation, the ministry has used Planning Commission’s argument that ‘duty protection and normalization of transport costs increase the margins of refiners’ at the cost of state-run oil marketing companies. The Commission had suggested that trade parity norm was a better pricing option, as import parity pricing provided higher margins and larger profits to the refiners. The ministry’s prescription, which borrows heavily from the Commission’s report, supports a system of ‘open price competition’ by removing distortions by pricing all products at international parity.
levels and removing controls on retail prices. The subsidy, it says, should be retained, only for kerosene and domestic LPG with more transparency and better targeting of the grant. ‘A system of distribution of domestic LPG through ration cards – along with the free availability of sufficient quantities at market prices – can be considered to make it more targeted. Similarly, limiting the kerosene subsidy to below poverty line families only can be considered to make it more targeted and also bring down the quantum of the subsidy,’ it says. It also advocates concurrent revival of the price band mechanism to get the new policy started. Further moderation, in case of a breach in the upper ceiling of the price band, could be through a Price Stabilization Fund that would compensate the oil marketing companies, it adds. The ministry has suggested removing the Freight Equalization Mechanism where prices of the four products are kept equal at all storage locations – irrespective of their distance from ports or refineries – through a levy on petrol and diesel. Instead, it could be replaced by an explicit budgetary subsidy for product movement to far-flung and remote areas. The proposal recommends that the ad valorem component in the excise duty levied on petrol and diesel be removed as it fuels the oil prices that are already under fire. It suggests that the ad valorem component be first reduced to 4% from the current 8% and then abolished with appropriate raise in specific duties to make it revenue-neutral. On local levies such as sales tax and entry tax, it prescribes rationalization by getting the state governments to phase out these components. These steps, says the ministry, would remove distortions in pricing and taxation that introduce undesirable or unsustainable investments in fuel use that ‘impact economic growth, efficiency and social equity’.

ONGC likely to grab Petronas stake in Iran’s LNG project  
*The Pioneer, 26 May 2005*
ONGC may take upto 20% stake in Malaysia’s Petronas, which the latter had abandoned in a $2 billion LNG project in Iran. Petronas had on Monday ceded its 20% interest in the Pars LNG production company set up last year to build a $2 dollar liquefaction facility in Iran. ‘We discussed the issue on Tuesday and OVL (the overseas arm of ONGC) is keen on the opportunity created by the exit of Petronas,’ a top official in the ministry of petroleum and natural gas said. The project involved conversion of gas from Phase-11 of the giant South Pars offshore gas field into LNG. France’s Total SA and Petronas hold 60% and 40% in the partnership looking to develop block 11. The two had also formed a production company Pars LNG, half owned by Iranian state oil firm National Iranian Oil Co., with Total holding a 30% share, and Petronas 20%. While Petronas withdrew from the LNG production project, as commercial terms did not meet its investment criteria, it was still committed to the development of gas in Block 11.

Stage set for rollout of ethanol-doped petrol  
*The Economic Times, 26 May 2005*
Automobile owners may soon get to choose between regular petrol and its green variant, biofuel. Decks are expected to be cleared shortly by the oil companies to market ethanol-blended petrol, thanks to the sugar industry offering a scaled down selling price for ethanol at Rs 19.50 a litre. What is more, this could even help push up margins of oilcos at a time when oil prices are at a new high. A major hurdle to the introduction of biofuel had been the price of ethanol. With the sugar industry agreeing to sell ethanol at Rs 19.50 per litre, this issue has been resolved. This offer is way below the Rs 22 per litre fixed in the past by the sugar industry. The PMO will have a meeting to sort out the remaining outstanding issues between the oil companies, buyers of ethanol, and the sugar industry. Petroleum minister Mr Mani Shankar Aiyar has asked the PSU oil companies to quickly arrive at a framework to buy ethanol from the sugar manufactures on a regular basis. Some of the outstanding issues include implementing a
uniform policy across states for the quantum of ethanol to be earmarked for blending with petrol and other fuels.

[By M K Venu / Soma Banerjee]

**Trial run of bio-diesel to end in June**

*The Asian Age, 26 May 2005*

HPCL will finish its bio-diesel trial runs conducted on 25 BEST (Brihanmumbai Electric Supply and Transport) Undertaking buses in June 2005. We were conducting trials on these buses where they were running on diesel blended with 5%, 10%, and 20% of jatropha oil and imported bio-diesel,' said Mr Bharat Balan, Ex-Deputy General Manager, Alternative Fuels, HPCL. ‘We had to resort to importing bio-diesel as currently there is not enough supply available in the country,’ he added. 'As a PSU we embarked on this initiative as we were very keen to understand the practical mechanics of actually utilizing bio-diesel or blending certain percentages of bio-diesel with mainstream fuels, to totally understand what is required for bio-diesel to become a real and genuine alternative fuel in the Indian context,’ he said. [By Shuchi Srivastava]

**Ballooning bills: natural gas set to be dearer by up to 75%**

*The Economic Times, 27 May 2005*

The government has decided to increase natural gas prices for all consumers. This will translate into hefty gains for gas producers, with ONGC alone set to rake in an extra Rs 10 billion annually. Natural gas prices have remained frozen since April 2002. Consumers of natural gas, cutting across sectors from steel to automobile, power to fertilizer, and glass to electronics, will have to cough up hefty fuel bills The price hike would lead to increased power tariffs, higher subsidies for fertilizer companies, and increased fuel costs for industrial users. The hike is also expected to increase the price of CNG, a primary fuel for public transport in the cities. While natural gas prices will be increased to Rs 3200 per 1000 SCM (standard cubic metre) from Rs 2850 per 1000 SCM for power and fertilizers users, industrial consumers will have to pay the market rates for the gas. Essar Steel, Vikram Steel (of the AV Birla group), Maruti, Reliance, Gujarat Gas Corporation Ltd, Samtel Industries, and a host of glass and electronic part manufacturing units along the HBJ pipeline will have to bear a steep hike in their gas bills. It is estimated that gas prices for these consumers may go up to a minimum of Rs 5000 per 1000 SCM from the existing Rs 2850 per 1000 SCM. This would be the first step towards decontrolling gas prices. A decision to this effect was taken at the Cabinet meeting last week itself. Senior petroleum ministry officials confirmed that the decision to increase gas prices was approved last week and the companies will soon apprise the customers of the new prices. Almost 20% of the total gas pumped by the PSU oil companies is sold to the industrial and commercial consumers. The new pricing decision will allow gas producers to sell all new and additional gas produced at market rates. [By Soma Banerjee]

**HPCL profits down 33% on high fuel cost**

*The Economic Times, 27 May 2005*

Lower margins on diesel and petrol, and increased subsidy on LPG and kerosene have resulted in a 33% drop in profit for oil marketing major HPCL. Numbers for the fourth quarter are comparatively better because of high margins in January 2005. HPCL’s net profit for the quarter ending March 2005 is down by 5.2% to Rs 5000 million and the full year profit is down by 33% to Rs 12 770 million.

**India, Iran to sign LNG pact in June**

*The Times of India, 27 May 2005*

India is expected to sign a sale–purchase agreement for importing 7.5 MT of LNG from Iran during petroleum minister Mr Mani Shankar Aiyar’s visit on 11 June. The two countries had signed an MoU during January and have since then been ironing out commercial and technical details of the first gas sale agreement between them. All major issues related with the sale-purchase of 7.5 MT of LNG have been
resolved. The Iranian team will be there next week to finalize the draft of the agreement to be signed,’ Mr Aiyar said after meeting Mr R Javedi, Managing Director of National Iranian Gas and Export Company and his team. It has been agreed that Iran will supply LNG in two lots with the first tranche of 5 MT beginning 2009 and the remainder from 2011.

**India’s energy security**

_The Economic Times, 28 May 2005_

With an impressive rate of economic growth of 6%–8% in recent years, India’s energy needs are growing. With abundant coal resources – of the order of 80 billion tonnes of proven reserves – available within the country, no doubt coal will be the primary fuel. Another major resource, which India has, but exploited to only about 10% to 15% of the potential, is the vast major hydro potential, lying untapped in the northeast and north. With an integrated grid and electricity-trading regime, one hopes that market will pick up more of the low-cost hydropower. Our oil demand has been increasing thanks to improved highways and toll roads and increasing passenger car demand, along with the inefficiency of railways, which is losing out freight traffic to oil guzzling road sector. We must have a public–private partnership here, where existing private sector freight operators are incentivized to use the rail for the long distance haulage of their goods. On the supply side, we are trying to consolidate our oil PSUs into global majors capable of taking on the oil MNCs (multinational companies) like Exxon-Mobil, pick up equity stake in foreign oil firms like the Russian Yukos, and conduct road shows to invite foreign MNCs to explore in India, dispelling the notion that it is a barren land in oil terms. However, it is in the area of gas that our policies are in a fluid state. First, we must distinguish between NG (natural gas) and LNG. In the case of LNG, gas is first liquefied, put into containers in special ships and transported, and regasified at the destination. NG and LNG also simultaneously take the meaning of nearby (available) gas and long distance gas. NG is either locally available nor can it be imported through pipelines from nearby countries like Bangladesh, Myanmar, and Turkmenistan. Even Iran is interested in exporting NG through pipelines via Pakistan. The Pakistan government is very keen on this project, as Pakistan then gets the twin benefits of buying the Iran gas and also collecting transit charges for the India bound gas. Without India, this pipeline will not be viable on the comparatively small Pakistan demand alone. India, however, is wary of this option, as the pipeline is likely to be vulnerable to terrorist attacks as well as susceptible to arm-twisting by Pakistan during times of war. In securing Iran gas, India also has to keep in mind Indo–US relations, which are maturing now, since it is the avowed policy of the US to contain Iran and curb its influence in the region, by frustrating its oil and gas advantage. As far as India is concerned, NG is cheap and economical while LNG is costly and of doubtful economic viability. This means that we have to intensify our diplomatic initiatives with our neighbours—Myanmar, Bangladesh, Pakistan (for Iran gas), and Afghanistan (for Turmenistan gas). In this respect, we could follow the example of Thailand. Nearly 80% of Thailand’s electricity is powered by natural gas sourced from Myanmar and Malaysia. Thailand enjoys a good rapport with Myanmar’s ruling establishment, though it has problems with Malaysia, with Islamic insurgency affecting its southern districts. India can get an energy dividend if it is seen as a friend not only by the ruling establishment in these neighbouring countries, but even by the terrorists. But our public sector GAIL, a pipeline company, which has also arrogated to itself the task of buying the gas, has already entered into a long-term contract with Ras Laffan in Qatar for gas through the LNG route, without carefully exploring the lower-cost options of buying natural gas through pipelines. By procuring huge quantity of LNG at exorbitant landed costs (of the order of 5 cents per mmBtu) India will fuel a high cost economy on the one hand and end up giving a huge unwarranted dividend to Reliance for its gas discoveries at Krishna basin, on the basis that in a
competitive world, the law of one price operates. [By V Ranganathan]

IOC tenders to buy kerosene

*The Hindu Business Line, 28 May 2005*

IOC has bought via tender 55 000–60 000 tonnes of superior kerosene for June, after cancelling an earlier tender to import four cargoes for late April and May, traders said. IOC bought the first cargo of 25 000 tonnes from Vitol on a cost and freight basis for delivery during 3–7 June, while the second cargo of 30 000–35 000 tonnes was purchased from Glencore for 2–26 June delivery, they said. Both cargoes were priced at premiums of between $3.60 and $3.70 a barrel to IOC’s formula, trader said.

Kalol plant to get extra gas from GSPCL

*The Financial Express, 28 May 2005*

IFFCO (Indian Farmer Fertiliser Cooperative Ltd) is into advanced stages of finalizing a long-term contract with GSPCL for supply of additional gas to its fertilizer plant located at Kalol in central Gujarat. IFFCO will be supplied gas by GSPCL. The gas supplies from GSPCL will resume from 1 July 2005 after which the plant will become a gas-based fertilizer unit of IFFCO in Gujarat. [By Siddharth J Baad]

New petrochem policy calls for levelling pitch

*The Financial Express, 28 May 2005*

In a move that could upset the monopoly positions of GAIL in the natural gas market and RIL in the basic polymer segment, the new petrochemical policy has called for ‘specific policy interventions’ to ensure the benefit of competition across the value chain. The policy, cleared by the Minister for Chemicals and Fertilizers Mr Ram Vilas Paswan earlier this week, has refrained from prescribing any direct regulatory role of the government to end the monopolies, but is seized of the core issue of inverted import tariff that disallows fair competition. Currently, the suppliers of feedstock like naphtha, NG (GAIL), and basic polymer (RIL) have a tariff protection advantage over producers of finished products like plastics and synthetic fibres. [By K G Narendranath]

Oil companies, ISMA to ink pact on ethanol-blended petrol

*The Hindu Business Line, 28 May 2005*

Oil marketing companies and the ISMA (Indian Sugar Mills’ Association) will sign an agreement soon for supply of ethanol blended petrol in several states including Tamil Nadu, Andhra Pradesh, Gujarat, Uttar Pradesh, Maharashtra, and four union territories from July. The Ministry of Petroleum and Natural Gas is committed to implementing the EBP (ethanol-blended petrol) programme for which the indigenous ethanol suppliers and the oil marketing companies are equal partners. The Ministry of Petroleum had met the ethanol manufacturers two months ago where it was agreed that ISMA, on behalf of ethanol suppliers, and the Ministry, on behalf of the oil marketing companies, would work on a draft MoU for long-term supply of ethanol by the sugar industry for the EBP programme. ‘We have been in negotiation with ISMA about giving real life to our ethanol blended programme. ‘We have been very seriously working on a system that will provide for sustained alternative fuels,’ the petroleum minister, Mr Mani Shankar Aiyar, said.

ONGC to commence gas production from KG ‘digital’ fields by April 2006

*The Hindu Business Line, 28 May 2005*

ONGC will start producing gas from G1 and GS 15 ‘digital’ fields in the KG basin by April 2006. The total production from the two fields is pegged at 2 MSCMD. The wells are scheduled to produce oil at a later stage. A ‘digital’ oil field incorporates remotely monitored and controlled ‘smart’ wells. The ONGC chairman, Mr Subir Raha, said that the company was developing five production wells in the deep-sea G-1 structure, which is located 28 km offshore, in depths ranging from 135 to 500 metres. Development of GS-15, a shallow-water field lying 5 km offshore, has been integrated into the project.
ONGC to invest Rs 5000 million in Sundarbans

_O unmanned, 28 May 2005_

ONGC would go ahead with its proposed investment of Rs 20 billion in Assam, its chairman and managing director Mr Subir Raha said. ONGC will also spend Rs 5000 million for digging four wells in the Sundarbans. Mr Raha was in the city to attend the centenary celebration of the Mining, Geological, and Metallurgical Institute of India. ‘We have problems in many states. Our rig was held up in Andhra Pradesh. We faced an agitation in Gujarat, but for this we are not going to change our investment plans,’ Mr Raha told reporters when asked whether ONGC would go ahead with its Rs 20 billion investment plan in Assam where matters were in doldrums.

Permanent residential status must for allotting oil dealership: SC

_The Tribune, 28 May 2005_

Dealing with the question of the eligibility for allotment of oil and LPG dealings under the employment scheme of the government, the SC (Supreme Court) has ruled that the allottee should be a permanent resident of a particular district where the allotment is intended to be made to the unemployed persons. [By S S Negi]

RIL to spend $2.4 billion on offshore gas production

_The Financial Express, 28 May 2005_

RIL said it will invest $2.4 billion to produce NG off India’s east coast as demand surges. Reliance’s venture in the KG basin, which has enough gas to supply India for more than a decade, may produce 40 MSCMD within months of the start-up in 2008, said Mr P M S Prasad, President and Chief Executive of petroleum business at Reliance. The project will boost India’s gas output by 50% and alleviate energy shortages, encouraging investment by companies including Intel Corporation, which is considering building a chip plant in India or China. Mr Prasad said the company will finance spending on the field, discovered in 2002, with earnings or a possible fund raising.

ONGC, GE explore mutual business opportunities

_The Pioneer, 30 May 2005_

GE (General Electric Corporation) and ONGC are exploring opportunities for mutual business cooperation based on respective competence and technological strengths. GE Chairman Jeffrey Immelt, who is on a visit to India, met the ONGC chairman Mr Subir Raha to discuss opportunities for mutual business cooperation, ONGC officials said. In a wide-ranging discussion, the head of both the companies interacted on business environment and strategic issues relating to potential areas of cooperation based on individual strengths. The meeting was preliminary and discussed about areas of cooperation in various fields, they said. Oil and gas is new business for GE in addition to their traditional lead portfolios of power, plastics, appliances, and medical business, they said.

GAIL to take 10% in Daroha

_The Asian Age, 31 May 2005_

GAIL will take 10% equity in the proposed 1000 MW (megawatt) Daroha gas-based power plant of the PSEB (Punjab State Electricity Board), to be set up at Daroha, near Ludhiana in Punjab. GAIL and PSEB have recently signed the heads of agreement for the supply of 4.5 MSCMD of natural gas for the proposed mega power project, likely to be commissioned by the year 2008/09 at an estimated cost of Rs 35 billion. It is also learnt from the ministry of petroleum and natural gas that the cabinet has approved a revision in the price of natural gas. The revised price of Rs 3200/1000 SCM will now be applicable to the customers in the power and fertilizer sectors, CNG distribution, customers drawing less than 0.05 MSCMD gas, and also for fuel consumption by GAIL in the HVJ pipeline system.

IOC chief for equitable sharing of burden of under-recoveries

_The Hindu Business Line, 31 May 2005_

The Chairman of IOC, Mr S Behuria, said there was a need for three things to happen. ‘International oil prices have to come down, which is happening. There should be equitable
sharing of the burden of under-recoveries as we had to provide almost 67% petrol and diesel at prices frozen since November last year and no one shared the burden with us. So we are requesting the government to increase the price of petrol and diesel at least marginally if not to the full extent and to make everyone share the burden.’

**MIDC to enter gas distribution**

*The Financial Express, 31 May 2005*

After GAIL and Reliance, MIDC (Maharashtra Industrial Development Corporation) is entering gas transport by procuring it from GSPCL for its pilot project at Tarapur. MIDC has roped in PricewaterhouseCoopers to conduct a pre-feasibility study for the proposed pipeline, which entails laying a 50 km pipeline from Talasari on the Maharashtra–Gujarat border to Tarapur in Thane district, MIDC chief executive officer Mr Satish Gavai said. MIDC has initiated preliminary talks with GSPCL, which had committed 1 MSCMD for the pipeline and the entire project would entail an investment of about Rs 2000 million. MIDC and GSPCL will also look at external funding. MIDC expects the reports to be submitted in the next two weeks, subsequent to which the project implementation could take another 18–20 months. ‘The success of this pilot project will encourage us to expand this activity to other industrial belts in the state,’ Mr Gavai said.

**Prize Petro to start production in November**

*Business Standard, 31 May 2005*

Hydrocarbon Resources Development and Prize Petroleum will start crude oil production of about 5000–6000 barrels a day from its Sanganpur field in Gujarat in November. The field has recoverable reserve of 15 million barrels. Prize recently acquired 50% holding in the field. It had bought 49% participatory interest in the field from Hardy Exploration and Production and 1% from Hydrocarbon Resource Development.

[By Jyoti Mukul]

**Energy**

**Government to tap India Inc’s captive power capacity**

*The Hindu Business Line, 16 May 2005*

With power shortages affecting much of the country, the government plans to bring in around 5000 MW of electricity into the system over the next two years by providing grid connectivity to the larger captive plants set up by India Inc. Captive units, mostly set up by industry for its own consumption, account for a cumulative power generation capacity of nearly 20 000 MW. Following the passage of the Electricity Act 2003, owners of captive plants can sell their surplus power to the grid.

**MSEB plans to buy coal mine abroad**

*Business Standard, 16 May 2005*

The MSEB (Maharashtra State Electricity Board) is planning to acquire a coal mine abroad to increase its power generation capacity. This the first time that any SEB (state electricity board) is exploring such an option. The Maharashtra Cabinet had cleared a proposal that permitted the MSEB to get into captive coal mining for meeting its fuel requirements.

**Unbundling of SEBs postponed**

*Business Standard, 18 May 2005*

The government has decided to extend the deadline for unbundling of SEBs by six months beyond 9 June 2005. On the review process for the Electricity Act, 2003, the centre had said suitable steps would be taken to address concerns regarding elimination of cross-subsidies, even though in its own opinion, the issue had been adequately addressed in the Electricity Policy. The government would also take care of the concerns regarding the misconceptions about the creation of an urban-rural divide in the Act.

**Power commission announces fresh rates**

*The Tribune, 19 May 2005*

Effecting a steep hike in the security deposits for supply of electricity, the Himachal Pradesh Electricity Commission has notified new rates for distributing power. These
orders, which have come into effect from 1 April, will enable the department to exercise control over habitual defaulters by undertaking their annual credit rating through reputed consultants. The credit rating will also help identify the poorly rated consumers who have an outstanding amount exceeding Rs 10,000. The list of such consumers would be published in newspapers and put on the website to instill some sense of embarrassment among them. While making the security deposit for procuring power mandatory, the commission has pointed out that the consumer will at all times maintain with the electricity board an amount equivalent to the consumption charges for the billing cycle. Further, if the supply is sought through a pre-payment meter, the security deposit was not required and if deposited, it could be refunded.

**Power companies to offer prepaid electricity**
*The Economic Times, 19 May 2005*

Following the success of prepaid in telecom sector, the power companies would soon offer prepaid electricity to their subscribers. BSES and NDPL are in discussion with India Prepaid Service Ltd, a Delhi-based prepaid telecom provider, for providing prepaid tariff to their subscribers. Prepaid electricity is hugely successful in South Africa and Ireland, where one can buy prepaid coupons even on weekly basis. The power sector is currently facing problems such as faulty billing, bad debts, faulty meters, and pilferage. This results in revenue losses as high as 40% of the total revenue. This has made power companies extremely unprofitable and has been one of the main reasons for lack of investment coming into the power sector. It is a big challenge for power companies to reduce pilferage.

*By Manoj Gairola*

**MSEB seeks Rs 55 billion assistance**
*The Financial Express, 20 May 2005*

The MSEB has sought around Rs 55 billion from the state government to clear its balance sheet after the proposed unbundling. Of the Rs 55 billion, MSEB has pleaded that the government should write off or convert its loan of Rs 31,930 million into equity and the balance amount be provided for servicing various bonds including Dabhol project equity bonds. The state cabinet, which is scheduled to give its approval for the MSEB’s unbundling into four companies, would consider the board’s proposal for the special assistance of Rs 55 billion. The government has proposed MSEB to be unbundled into a holding company, a generation company, a transmission company, and a distribution company before 10 June. [By Sanjay Jog]

**NEEPCO powers ahead with 100% profit jump**
*The Times of India, 20 May 2005*

The north-east is powering ahead, with state-owned NEEPCO (North Eastern Electric Power Corporation) posting a Rs 2,000 million profit for the second year running in 2004/05 after its turnaround a year back. This year’s profit is a 100% jump over the profit of Rs 1010 million posted in 2003/04.

*By Sanjay Dutta*

**Indian project to light up Kabul with power from Uzbekistan**
*The Indian Express, 21 May 2005*

Committed to building infrastructure in Afghanistan, the government is all set to clear the Rs 5,000 million Pul-e-Khumri to Kabul power transmission project, that will bring the much-needed Uzbek power for the capital. The project is to be executed by the PGC (Power Grid Corporation). [By Kandula Subramaniam]

**WBSEB ranked eighth by ICRA**
*The Statesman, 22 May 2005*

WBSEB (West Bengal State Electricity Board) has been ranked eighth among all SEBs by the ICRA (Investment and Credit Rating Agency). ICRA was commissioned by the union ministry of power to rate the boards. The rating showed that there has been an improvement in its gradation in 2004 compared to 2003 and 2002. The
Andhra Pradesh SEB was ranked first with 57.03 points while WBSEB scored 44 points. The official said WBSEB improved its functioning and rank from 13 in 2003 to 8 in 2004. ICRA has done the ratings based on the following parameters – quality of power supplied in both urban and rural areas, steps taken to reduce T&D (transmission and distribution) losses, supply of power at optimum frequency band, improvement in T&D network, track record of debt servicing, and other allied factors.

New tariff policy for higher returns to distcoms
The Financial Express, 23 May 2005
The ministry of power has modified the power tariff policy to incorporate a series of important changes dealing with rate of return on investment in distribution, depreciation rates, operating norms, and competitive procurement of power. The final draft of the policy was circulated in mid-May to states and electricity regulatory commissions for comments. While investments in T&D businesses were earlier allowed similar return on equity, the revised policy clarifies that since distribution involves higher risks, a higher return on equity should be allowed there as compared to generation or transmission. The quantum of return will, however, be fixed by the regulator.
[By Anupama Airy]

Twelve states in grip of power crisis:
ASSOCHAM
The Statesman, 24 May 2005
As many as 12 states are headed towards an ‘unprecedented’ power crisis this summer, a survey by the ASSOCHAM (Associated Chambers of Commerce and Industry) has shown. The states include Maharashtra, Gujarat, Uttar Pradesh, Haryana, Madhya Pradesh, Bihar, and Meghalaya. A countrywide ASSOCHAM Eco Pulse survey revealed that the energy deficiency in states such as Madhya Pradesh, Gujarat, and Haryana ranged from 7% to 25% in April 2005, not only adversely impacting industrial production and the agriculture sector but also making life difficult for the common man. Maharashtra, which recently faced a furore over stoppage of free electricity to farmers, is facing one of the worst crises with a 19% energy deficit of 1690 MU (million units) and peak deficit of more than 4000 MW. India’s most industrialized state, according to the survey, is resorting to power cuts of 4–5 hours a day. Madhya Pradesh, which has a power requirement of 3003 MU, has an availability of only 2250 MU, a deficit of more than 25%. The situation is no better in Gujarat with a power deficit of 12.7%. The availability in the state is only 4766 MU against the requirement of 5459 MU, the figures for April 2005 reveal.

Government favours sops for captive plants
Business Standard, 24 May 2005
As an incentive to captive power plants to supply power to the national grid, the power ministry has written to SERCs (state electricity regulatory commissions), asking them to waive the surcharge these plants have to pay. Currently, uneconomical wheeling fees and losses charged to industries discourage captive plants from supplying to the national grid. In addition, inflated charges imposed on these plants make selling power to another state or consumer difficult. Captive power plants are likely to be defined as those where at least 26% stake are held by the owners, and where the owners offtake more than 51% of the electricity generated. Among the various options being discussed are the ones to make the tariff more attractive by letting the state electricity boards bear a part of the fixed charge of these plants.

Maharashtra takes cue from states in MSEB unbundling
The Financial Express, 24 May 2005
The Maharashtra government has taken cue from the experiences of Andhra Pradesh, Madhya Pradesh, Karnataka, Orissa, Delhi, and Uttar Pradesh in adopting the unbundling of MSEB. The state has prepared its own model, which is not based on an assumption that the transmission and
distribution losses would continue to rise alike other states.

**New tariff policy to push energy conservation**

*The Indian Express, 24 May 2005*

The ministry of power’s new tariff policy would for the first time incorporate clauses that promote energy conservation and sustainable use of ground water. In addition to this, the long-awaited tariff policy also requires the SERCs to lay out a roadmap that rationalizes retail tariffs within a narrow 20% range of the average cost of supply by the turn of this decade. At present, industrial tariffs are way above the average cost while that of the farm sector are well below the costs.

**Reliance, Tatas in talks for developing northeastern power sector: NEEPCO**

*The Pioneer, 25 May 2005*

Industry majors Tatas, Reliance, Jaiprakash Industries, and others are in talks with the north eastern governments and NEEPCO to develop power projects in the region. The corporation is planning to invest Rs 5540 million in the current year—50% of the investment is going to come from market borrowing through REC (Rural Electrification Corporation), PFC (Power Finance Corporation), PNB, etc., and the rest 50% is going to be raised from equity. NEEPCO which is a key hydel and thermal power player in the north eastern region has made a net profit of Rs 2060 million in 2004/05 growing by 4% as against Rs 1980 million made in 2003/04. The corporation aims at making a profit of Rs 2060 million in 2004/05 growing by 4% as against Rs 1980 million made in 2003/04. The power supplied by KPCL, VVN, CGS, and conventional IPPs will be allocated between the various ESCOMs on the basis of the share of each ESCOM (calculated according to a ratio) in total energy consumption during the year. [By P Manoj]

**ESCOMs to take over power trading activity**

*The Hindu, 26 May 2005*

ESCOMs (electricity supply companies) will take over power trading activity in the state from 10 June by directly purchasing power from generating companies after the state transmission utility, KPTCL (Karnataka Power Transmission Corporation Ltd), ceases to trade in electricity as specified in Section 39 (1) of the Electricity Act, 2003. The PPAs (power purchase agreement) of KPCL, VVN, CGS (central generating stations), and conventional IPPs (independent power producers) will be assigned to all the ESCOMs with each ESCOM becoming a signatory to the PPAs with their rights, duties, and liabilities limited to the extent of their share. The power supplied by KPCL, VVN, CGS, and conventional IPPs will be allocated between the various ESCOMs on the basis of the share of each ESCOM (calculated according to a ratio) in total energy consumption during the year. [By P Manoj]

**Power tariff raised by 10.5% in Rajasthan**

*The Hindu, 27 May 2005*

The Rajasthan government has announced an increase in the power tariff by nearly 10.5% in all categories by partially accepting the recommendations of the SERC. The hike will lead to a financial burden amounting to Rs 3920 million on agricultural and domestic consumers effective from 1 May.

**Power Grid Corporation for review of guarantee fee**

*The Indian Express, 28 May 2005*

The ministry of power is considering PGC’s proposal to review the current guarantee fee charged for outstanding multilateral loans. The proposal, which has been put forward by the central transmission utility, says the present 1.2% fee on outstanding balances of multilateral loans doubles the cost of borrowings needed for their transmission projects. Confirming this, senior PGC executives also told that the corporation has asked the ministry of power to change their
present mini-ratna status to that of a navratna company, which would then enable them to get speedy clearances. [By Kandula Subramaniam]

**Review power sector reforms: Plan panel**

*The Asian Age, 28 May 2005*

The committee on infrastructure of the Planning Commission, which will be making a presentation before PM Dr Manmohan Singh in a week or so, has stressed on the need to take a fresh look at the power sector reforms. Apparently, the Planning Commission has expressed its disappointment with the performance of APDRP (Accelerated Power Development and Reform Programme), a programme committee set up by the previous BJP-led NDA government with an objective to develop and encourage reforms in the power sector and also provide incentives to the state governments to take up measures to check energy losses. The Committee has said that there is need for restructuring of APDRP. According to the committee presentation, although the government had made a provision for APDRP investments of Rs 20 000 for over five years, the actual realization stands at Rs 58 billion in over three years. Sources indicate that low realization reflects on the fact that things are not moving in a positive direction. The committee presentation also says that the tariff increases are responsible for restraining growth of the AT&C losses.

**Electricity Board to import coal again**

*The Hindu, 29 May 2005*

The TNEB (Tamil Nadu Electricity Board) has decided to import coal again to ensure ‘comfortable availability’ of the fuel for its thermal power stations. ‘The quantum of coal has not yet been decided. But, as in the past, MMTC will be the agency for obtaining the fuel for us from China,’ official sources say. Early this year, the Board placed an order for 5 lakh tonnes with MMTC (formerly known as Minerals and Metals Trading Corporation of India), a company under the control of the union commerce ministry. The import was made during March and May. Because of the crisis on coal availability, the TNEB has been forced to take the decision of importing coal.

[By T Ramakrishnan]

**Free power for farmers is an obstacle, says Manmohan**

*The Hindu, 29 May 2005*

Free power supply to farmers is an obstacle to making the country self-reliant, prime minister Dr Manmohan Singh said on Saturday. He was dedicating the 1500-MW Nathpa Jhakri power project to the nation. He laid emphasis on urgent reforms in the sector, especially in the SEBs, which were headed for losses. Hinting at rapid economic reforms, the prime minister called upon the states to assist the centre in the process of new economic revolution. He said Himachal Pradesh, with a potential of 20 000 MW of hydroelectric power, could help the country meet its overall requirements. With the increase in everyday demand, the state needed to produce more electricity and should meet its target of generating 10 000 MW in a few years. Under the UPA government’s Bharat Nirman project, electricity would be provided to all villages in the country in the next four years. Clean tap water, irrigation and road connectivity would also be provided soon, Dr Singh said. [By Kanwar Yogendra]

**PM pushes for power reforms, says it is engine of growth**

*The Financial Express, 30 May 2005*

Making a strong case for reforms in the power sector, prime minister Dr Manmohan Singh told a meeting of power secretaries from across the country that only this could be ‘the engine of growth.’ He ruled out implementing a uniform power policy, pointing out that every state has specific problems, which need to be addressed flexibly. Dr Singh told reporters later that a rigid uniform power policy in the states could prove counter-productive. Stressing that trifurcation of SEBs or ‘unbundling’ was not a goal in itself but ensuring efficiency,
economy, and enhancement of generation was, he said, ‘I want to know why there has not been a boom in private investment in the power sector.’ The key element underlying reform in many states was ‘unbundling’ whereby generation, transmission, and distribution of power are handled by different companies, he said. He, however, admitted that cross-subsidy remained a critical element in the sector and would continue ‘for a long time so that certain sections of society, for whom power is an absolute necessity and cannot afford it, can continue to get power at affordable, less-than-cost rates.’

**Shift in energy strategy sought**
*Business Standard, 30 May 2005*

FICCI (Federation of Indian Chambers of Commerce and Industry) and the PCRA (Petroleum Conservation Research Association) has called for bringing down unsustainably high-energy intensity and laid down a few steps to avert a possible deceleration of growth. FICCI and PCRA have called for a shift in India’s energy strategy from supply domination to an integrated approach, a judicial mix of investment in supply and operational efficiency, T&D loss reduction, and a thrust on renewable technologies. The paper noted that the time was ripe for giving a strategic fillip to energy service companies to develop, install, and finance projects designed to improve energy efficiency and maintenance cost for facilities over a 7–10 year time frame and pointed that integrated resource planning and demand side management, including active promotion of efficiency in electricity end uses, should form the core of the energy strategy.

**$300 million central guarantee for Dabhol**
*The Financial Express, 31 May 2005*

The government has decided to limit its guarantee towards the Dabhol power project to $300 million. It has reached a settlement for $760.7 million as against the $861.7 million claimed by various stakeholders including overseas banks, Opic, GE, and Bechtel. Under the new financing plan proposed by the finance ministry for approval of the empowered GoM’s, besides the centre’s $300 million guarantee, $460.7 million will be brought in up-front as equity contribution—NTPC and GAIL ($96.6 million each), Indian financial institutions ($154.5 million), and MSEB ($113 million). Under the restructuring plan, two SPVs (special purpose vehicles) will be set up. While the project SPV, comprising NTPC, GAIL, and Indian financial institutions would settle the non-debt claims of Opic, GE, and Bechtel the financial SPV would float bonds to raise funds for the buyout of the offshore banks and Opic debt.

**Electricity deficit swells 56%**
*Business Standard, 31 May 2005*

Rising demand for electricity and practically static supply has meant the gap between demand and supply of electricity in India has widened from 3015 MU in April 2004 to 4695 MU in April 2005, a rise of almost 56%. The peak power deficit—the gap between requirement and availability during peak hours—rose to 10.5%, from 9665 MU in April 2004 to 10 681 MU in April 2005. The west and the north reported rising deficits, while the south was better off, mainly because of the additional supply from power plants commissioned recently. Not surprisingly, the deficit was worst in the west, where availability was 16.7% short, up from 10.7% in April 2004. Among the states in this region, Madhya Pradesh performed worst. The power deficit in the state was 25% in April 2005, up from only 12.8% in April 2004. Among the northern states, Uttar Pradesh – another state that has not added capacity addition has meant a worsening of the power situation. The deficit in April 2005, at 1690 MU, was 18.8%, up from 873 MU in April 2004, which was only 10.9% of the state’s power requirement in that period. Among the northern states, Uttar Pradesh – another state that has not added capacity in a long time – saw its deficit widening from 9.3% to 17.9%. Jammu and Kashmir was next, with its deficit going up from 1.3% to 10.3%. The east is a power surplus region and deficits, if any, are
because power is supplied to the grid, rather than within the state, in order to generate additional revenue. The south has, however, reported significantly improved performance. The deficit has gone down from 3.5% in April 2004 to only 0.8% in April 2005. [By Mamata Singh]

**Hike in power tariff inevitable now: distcoms**

*The Hindustan Times, 31 May 2005*

With Delhi Transco asking for an increase in bulk supply tariff in its revised annual revenue requirement, a substantial increase in power tariff now appears inevitable. 'The hike for domestic consumers can be between 12%-15%,' a senior government official told. According to officials, Delhi Transco has sought an increase of about 10 paise in the bulk supply tariff for the year 2004/05. 'If we take this into account, the revenue requirements submitted by the three distcoms and analyse the DERC’s evaluation procedure, the consumers should get ready for the hike,' he added. The disappointing fact is that SBI Caps, while predicting the privatization future in 2001, said the tariff increase in third year would only be 8%-9%. [By Chetan Chauhan]

**Reliance plans 12 000 MW plant in Orissa**

*Business Standard, 31 May 2005*

REL (Reliance Energy Ltd) has proposed to set up a 12 000 MW thermal power plant at a cost of Rs 480 billion, at Hirma in the Jharsuguda district of Orissa. REL’s executive vice-chairman Mr Satish Seth made a presentation before chief minister Mr Naveen Patnaik at the state secretariat here in this regard. REL has proposed to put up the power plant in phases. In the first phase, the company intends to set up six units of 660 MW each at a cost of approximately Rs 180 billion. The presentation was a revival of the company’s old proposal to set up a 4000 MW power plant at Hirma. The earlier proposal was submitted to the state government in the mid-1990s. The company had then tied up with Hong Kong-based Consolidated Electric Power Asia Ltd to set up the venture. However, the project did not move forward owing to delays in the finalization of power purchase agreements with different states. [By Dilip Satapathy]

**Siemens to invest Rs 1.50 billion in new power factory**

*The Statesman, 31 May 2005*

Engineering major Siemens Ltd announced setting up a Greenfield power transformer factory at its Kalwa complex in neighbouring Thane district at an investment of Rs 1.50 billion (0.033 billion). The new unit, expected to go on stream by the end of 2006, would provide direct employment to about 500 people and another 1000 are expected to get indirect employment opportunities.

**Tata Power net up 213% to Rs 1700 million**

*Business Standard, 31 May 2005*

Tata Power posted a net profit of Rs 1705.5 million for the quarter ended 31 March 2005, registering a 213% jump over its net profit of Rs 543.5 million, recorded in the corresponding quarter of the previous year. Total income grew to Rs 11 544 million for the quarter under review – a growth of 6.1% over Rs 10 880 million in the corresponding quarter in 2004. Tata Power posted net profit of Rs 5513.6 million for the year ended 31 March 2005 – an 8.30% growth over Rs 5090.8 million in 2004. Total income for the year under review was at Rs 43.17 billion, a decline of 1.85% growth over previous year’s Rs 43.99 billion.

**West Bengal government to invite EoIs to revamped SEB**

*The Economic Times, 31 May 2005*

With an eye on 9 December 2005 deadline, the Left Front government in West Bengal is poised to take the first decisive step towards the politically sensitive WBSEB unbundling exercise. The West Bengal power department will shortly invite EoIs (expressions of interest) to appoint a consultant who will prepare WBSEB’s restructuring roadmap in line with the provision of Electricity Act 2003. The West Bengal power department will shortly decide on a specific date for inviting EoIs.
Mega renewable energy scheme in Sundarbans soon

The Hindu Business Line, 24 May 2005

The country’s largest renewable energy programmes would soon be launched in the Sundarbans to light up thousands of homes and streets in this estuarine delta of Bay of Bengal. The Rs 1500-million project would set up renewable energy plants generating a total of 10 MW with the help of biomass, wind, tidal, or solar energy. Envisaged by the WBREDA (West Bengal Renewable Energy Development Agency) and jointly funded by the state and the centre, the special rural electrification programme with renewables would start within the next two months. The WBREDA director and Green Oscar awardee, Mr S P Gon Chaudhuri, said that the project would target covering almost all the 53 islands in the Sundarban area against the 10 covered by another programme now.

Wind energy sector needs policy

The Asian Age, 27 May 2005

A national policy on renewable energy, along the lines of the Renewable Energy Act in Germany, is needed to give the necessary fillip to the wind energy sector, Mr Rakesh Bakshi, a member of the Chairman Committee of the Bonn-based World Council for Renewable Energy, said. Mr Bakshi said a national policy would not to mean granting additional subsidies and incentives, but should encourage the use of non-conventional energy and make the industries in the sector competitive through a uniform policy adopted across states. 'In just the last five years, Germany has been able to produce 17 000 MW through renewable energy sources. This is because they had the right legislation in place,' Mr Bakshi said. India, after 20 years of effort, produces only 3800 MW of wind power. Mr Bakshi, who is also Managing Director of Vestas RRB India Ltd, a wind energy equipment manufacturer, said that a mandatory tag, as is done in Germany, should be replicated in India. This was necessary to harness the estimated 45 000 MW capacity, the country has in the wind energy sector. The German Act mandates that every conventional power producer should have a compulsory percentage of the power generated from a renewable source. The Act also gives the freedom to consumer to demand the source of the power that is supplied to him of course an attractive pricing strategy in attached. [By Suchitra Srinivas]

Gujarat set to provide wasteland to industries

The Financial Express, 27 May 2005

A revolutionary decision taken by the Gujarat government to allot wasteland to big industrial houses for corporate farming, agro-processing, herbal, and food parks is expected to expedite implementation of projects worth over Rs 5000 million proposed by seven companies, which had been languishing thus far for want of allocation of land. According to government sources, the decision has been taken in view of the MoUs signed by the state government during the vibrant Gujarat investment summit in January 2005. These include a proposal by Godrej Agrovet Ltd (Rs 2000 million) for their oil palm development project in South Gujarat, BK Goenka and Associates (Rs 2000 million) for developmental farming of cotton with hi-tech in total area aggregating 10 000 hectares, National Agricultural Cooperative Marketing Federation of India Ltd for cultivation of jatropha on wasteland project (Rs 300 million) in Kutch or North Gujarat, Maxo (India) Pharmachem Pvt. Ltd for manufacturing bio-fuel from jatropha (Rs 350 million) in Navasari district, Gujarat Oliochem Ltd for wasteland development and bio-fuel (Rs 100 million) in Bhuruch, Aaditya Aeromadic and Bio Energies Pvt. Ltd for bio-diesel from non-edible oil seeds (Rs 50 million) in Navasari, and Ganesh Foundation for integrated project of cultivation, processing, and packing of horticulture, floriculture, and medicinal plants (Rs 342 million) in North Gujarat. All the companies were awaiting the government’s clearance for wasteland
acquisition to kick-off their projects.
[By Nayad Dave]

### Environmental Sustainability

**India drafts third biodiversity report**

*The Statesman, 22 May 2005*

The government today finalized the draft for India’s third National Report to the CBD (Convention on Biological Diversity). This will help it meet the mandate enjoined by the CBD upon all parties to the convention, Joint Secretary in the Ministry of Environment and Forests Mr Desh Deepak Verma said. ‘Preparation of such reports also helps us monitor and review the status of implementation of the commitments we have taken on as a contracting party along with identifying gaps in our capacity’, he said. He was addressing a workshop on the preparation of the report. India had earlier submitted the first two reports in 1998 and 2001 respectively.

### Biodiversity

**Hall of shame: 252 species facing extinction in India**

*The Economic Times, 31 May 2005*

According to the World Conservation Union, 552 animal and plant species in India are facing extinction. This places India squarely amongst the top environmental culprits – at tenth place worldwide. Others that have made it to the hall of shame include Ecuador, USA, Malaysia, Indonesia, and China. According to PETA (People for the Ethical Treatment of Animals), the species under greatest risk of extinction in India include the tiger, lion, elephant, rhino, snow leopard, sea-turtle, wild dog, great Indian bustard, ibex, and the lion-tailed macaque. According to Anuradha Sawhney, Chief functionary, PETA (India), these species have been selected as they represent different ecosystems. The presence and survival of these species directly concerns the health of their ecosystem. While habitat destruction and degradation account for the maximum damage, there is also the Chinese threat. Body parts of animals such as the tiger, snow leopard, and rhino are poached and smuggled to China for use in traditional medicine.
[By Amit Bhandari/Muthukumar]

### Climate Change

**India major seller in emissions market**

*The Hindu Business Line, 25 May 2005*

Worldwide trading in emissions added up to less than $400 million last year. But it is early days yet. Turnover is growing rapidly, as is the price at which emissions are being traded. About 107 MTCO$_{2e}$ (million tones of carbon dioxide equivalent) was exchanged in 2004 through ‘Kyoto Protocol’ projects, mostly purchased by rich countries in developing countries and in countries with economies in transition—up 38% compared to the 78 million MTCO$_{2e}$ traded in 2003. It is estimated that 43 MTCO$_{2e}$ have been exchanged so far this year. Prices for project-based emissions increased by 20%–25% over the last year. Verified Emissions Reductions now trade at a weighted average price of $4.22.

Certified Emissions Reductions command a premium of one dollar per MTCO$_{2e}$. To get at the total size of the emissions market, one must add trading in ‘allowance’ markets to the figure for project-based emissions. In this fast growing market, a company can sell whatever it saves from the total emissions quota allotted or auctioned to it by a public regulator. In the period from January 2003 to December 2004, the share of India in total emission reduction projects of different sorts worldwide was 26% with the rest of Asia having a share of 17%. India’s share has since gone up a few percentage points. The share of the rest of Asia has fallen slightly, but this has been offset by the growth in total volume. In addition there are a large number of unilateral CDM (clean development mechanism) projects that are under various stages of implementation in India. Since credits relating to the 60–70 projects in this category have yet to be sold they have not been included in the figures mentioned in the Carbon Report.
[By Sudhanshu Ranade]
**Environment** | **Natural disasters**
---|---
**Twelve groups formed for disaster management in Gurgaon**
*The Tribune, 30 May 2005*
The District Administration has constituted twelve Emergency Response Groups to meet the emergency during natural and manmade disasters. The objective behind these groups is to render immediate help to the persons trapped in earthquake, fire, explosive, chemical and poisonous gas leak, railway, and road accidents. Gurgaon deputy commissioner Mr Sudhir Rajpal informed that the constitution of groups has been done in such a way that the time required for rendering the help should be minimum, and accordingly, the group has been scattered all over the city. In case of emergency, the nearest group at the place of accident will be activated and in this way, emergency help can be made available without wasting time in transportation to the affected people. The groups have been constituted taking persons from different industrial organizations like Hero Honda, Munjal Showa, Indian Oil Corporation, Honda Motorcycle Scooter, Denso Haryana, Sandhar Industries, RICO Auto, Sona Steering, and Sunbeam Auto. With the help of these groups, the administration would be capable of providing immediate help to the affected persons.
[By Abhay Jain]

**Environment** | **Natural resources**
---|---
**Ministry asks farmers to harness rainwater**
*Business Standard, 18 May 2005*
The agriculture ministry has advised farmers to go in for rainwater harvesting to save crops in case of any prolonged break in the monsoon rainfall. It has also suggested intercropping (planting of different crops in alternate rows) to lower the risk of crop failure. The run-off rainwater stored in on-farm ponds can be used to provide life-saving irrigation to standing crops in case of paucity of rains. Similarly, sowing normal crop admixed with that requiring less water will reduce the risk of total crop loss. Planting of seeds on the ridges and leaving the furrows for irrigation has been suggested for better moisture utilization and avoiding water logging. These advisories are part of the measures mooted by the ministry to maximize crop output in the ensuing kharif season. The states have been requested to popularize latest crop production technology through its departments and publicity campaigns.

**Orissa natural resources policy**
*The Hindu Business Line, 19 May 2005*
Orissa will soon come out with a ‘well thought-out’ policy to manage its natural resources, the chief minister, Mr Naveen Patnaik, said. ‘Orissa is coming out with a well thought-out mineral policy which will lay emphasis on maximum value additional to the minerals within the state,’ Mr Patnaik said addressing the ‘CII annual session and national conference’. He said the policy would be drafted keeping in mind the environmental concerns. The mineral-rich state accounts for nearly 33% of the total iron ore in the country, 60% of bauxite reserves, and 25% of coal, besides having a virtual monopoly over chromium reserves. Observing that his is a power surplus state, he said ‘Orissa is now poised to invite private sector investment in the power sector in a big way.’

**Government to monitor water flow at Pareechu river**
*The Times of India, 20 May 2005*
India is racing to set up two monitoring stations on the Pareechu river to give itself elbow room if an artificially created lake in Tibet splits wide open to send mountains of water into Himachal. With the snow beginning to melt in the Himalayas, the union home ministry has already reviewed the situation. The main risk will be from June to July, say officials. A monitoring station near the border could at least give warning enough to save lives. In the past few months, the Chinese have agreed not just to exchange information but also to try and control the release of water from the lake. They also have a station near the lake and data may start coming in from month-end. The government intends to monitor water flow in the Pareechu, a tributary of the Spiti. An official says an automatic water monitoring
Station has just been set up near Sumdo, in Himachal Pradesh’s Kinnaur district, near where the Pareechu re-enters India from China. [By Chandrika Mago]

**Ship canal project in choppy waters**
*The Statesman, 24 May 2005*

The Rs 25-billion (about $12 billion) SSCP (Sethusamudram Ship Canal Project) may have been cleared by the government, but environmental concerns within India and the safety and security worries of neighbouring Sri Lanka remain, threatening delay in the start of the massive scheme. The project may also impinge upon global biodiversity laws, ecologists warn. The highly complex project envisages dredging of a ship channel in the shallow portion of the sea to link the Gulf of Mannar and Bay of Bengal through Palk Bay. It involves dredging of some 12 to 13 million cubic metres. The Sethu canal, when completed, will save up to 43 nautical miles (one nautical mile is equivalent to 1.852 km) of distance and up to 30 hours of sailing time for ships sailing between the east and the west coast. The project would be devastating the world’s richest biosphere reserve, the Gulf of Mannar. The huge investment in ‘this deadly project’ would be a great national loss and would cause an irrevocable damage to Gulf of Mannar’s biodiversity.

**TERI study to frame water management plan for corporates**
*The Economic Times, 28 May 2005*

TERI (The Energy and Resources Institute) organized a one-day seminar on national water study for Indian industries on 27 May 2005. The study is meant to address the problem of increasing global scarcity of water. According to TERI, the pressure on water is multiplying steadily with the increase in world population, expansion towards greater infrastructure development, and rapid industrialization. The objective of the study is to develop a comprehensive strategy and action plan for the corporates to undertake a forward looking water management strategy, using a watershed approach, which aims at ensuring long-term sustainability of water resources and forging effective stakeholder partnerships.

**Water woes cast shadow on Punjab success story**
*The Statesman, 30 May 2005*

Punjab may be the harbinger of the green revolution in the country, which earned it the title of the ‘food bowl of the nation’. But ironically, the land of plenty has one blot to its discredit: it ranks second-last in the country when it comes to providing ‘sustainable and stipulated drinking water to its rural folk. Worse only remains Rajasthan, a ‘desert state’. Punjab has 906 non-covered habitations, second only to Rajasthan where 2785 habitations are non-covered in terms of provision for clean drinking water. The total number of non-covered habitations in this respect stands at 5388. In all these areas people still live without sustainable and stipulated drinking water supply. According to a report on the coverage plan, which is based on a comprehensive action plan drafted in 1999, while considerable success has been achieved in meeting the drinking water needs of the rural population (95.34% rural habitations are fully covered with stipulated level drinking facilities, says the report), around 4.28% habitations in the country still remain ‘partially covered’ and 0.38% remain ‘not covered’ in terms of drinking water supply. Interestingly, a large percentage of the 0.38% non-covered habitations are located in Punjab. The report reveals, that Punjab also has as many as 1198, of the total 60 884 ‘partially covered’ habitations in the country in terms of drinking water provisions. As per the Tenth Plan, all habitations under Comprehensive Action Plan, 1999, were to be provided adequate drinking water by 31 March 2004. With this in view, the discussion on water supply was the main item at the conference of state secretaries on ‘rural drinking water supply and total sanitation campaign programme,’ held recently.

**Wind profile to trace roots of Taj pollution**
*The Pioneer, 18 May 2005*

After failed attempts to check pollution in the vicinity of Taj Mahal, the CPCB (Central Pollution Control Board) will now chart a
‘wind profile’ of the monument to trace the ‘source’ of pollution that is robbing the Taj of its milky shine. In its quest to ascertain the wind direction, the CPCB has recently installed a state-of-the-art ‘real time ambient air quality monitoring system’ at the monument to study the wind pattern. According to experts, the gadget will help the CPCB officials determine if the Mathura oil refinery is the major pollutant, a charge that has long been doing the rounds. According to CPCB sources, the pollution monitoring station of the board, located at Taj Mahal, has been recently equipped with an automatic Beta-Attenuation Monitoring System with the help of the Environment Department of the Canadian government. This system, which monitors air pollution in real time, is fitted with the facility of storing pollution data for 20 days on a filter paper tape hermetically sealed inside the monitoring unit and this tape, which is then bombarded with beta radiation from a C14 isotope, produces valuable data on pollution. Currently, the system, housed in a tower on the Taj premises, is being subjected to a trial run for the past three months since its installation in February this year and has been found to work satisfactorily, albeit with some minor calibration glitches. Sources say the glitches will be corrected soon, before the system is declared fully functional.

Report lists pollution hotspots
The Hindu, 24 May 2005
The State of Environment Report of Tamil Nadu, released by the Environment Department on Monday, officially confirmed what environmentalists had feared all along— pollution and overexploitation had taken an unprecedented toll on the state’s natural resources. The report also listed out a series of hotspots where the burden on land, water, and air was the maximum. While rivers Cooum, Noyyal, and Cauvery had been sullied by effluent discharge, coastal areas such as Chennai, Cuddalore, Nagapattinam, and Tuticorin did not fare any better. Manali in Chennai, Cuddalore, Vaniyambadi, Tuticorin, and Tiruppur emerged as industrial hotspots for air pollution. The report listed things as they stood in 2002. This is the first such attempt made by the Environment Department as part of the Tenth-year Plan and the report is expected to provide a benchmark for environmental reporting by assembling together all available data on issues like water and air pollution, biodiversity conservation, land degradation, and waste management.

Panel to monitor effluent plants set up
The Statesman, 29 May 2005
After being pulled up by the SC for failing to clean up river Yamuna even after spending crore of rupees, the Delhi government has decided to tighten up its act. In a meeting held recently, Delhi chief secretary, Mr S Regunathan, announced the formation of a committee to monitor the functioning of all the common ETPs (effluent treatment plants) installed in the capital. The members of the committee include DSIDC managing director, Mr Jalaj Srivastava, DJB member (drainage) and Delhi pollution control committee secretary, among others. Mr Regunathan has asked the committee to submit a report within a fortnight. Under the Clean Yamuna campaign, it was decided to install 15 CETPs (common effluent treatment plants) planned for treating 42 MGD (million gallons per day) of industrial sewage generated in the capital. The move to set up a committee has been initiated following a SC order dated 26 April where it had directed that operations and maintenance of 10 CETPs should handed over to the respective CETP societies under the provision of the CETP Act 2000 within a period of four weeks under the supervision of the environment pollution (prevention and control) authority.

International

UN seeks climate ‘roadmap’ beyond Kyoto
Reuters News Service, 18 May 2005
The world should work out a roadmap this year for extending the UN Kyoto protocol on global warming beyond 2012 even though
many rich states are far from complying. ‘There are a number of countries ... that are far from their targets’ for GHG (greenhouse gas) emissions, Joke Waller-Hunter, Executive Secretary of the UN Framework Convention on Climate Change, told Reuters during a two-day 190-nation seminar. ‘We are going to need action to make sure that the targets are being met,’ she said. The panel of scientists that advises the UN projects that temperatures are likely to rise by 1.4–5.8 °C (2.5–10.5 F) by 2100, threatening more storms, floods, driving thousands of species to extinction, and pushing up sea levels.

India, China, and Brazil have accused rich states at the seminar of failing to stick to promised cuts in emissions of heat-trapping gases under Kyoto while wanting poor states to sign up after Kyoto’s first period ends in 2012. Kyoto – which sets caps on emissions of gases from factories, power plants, and cars in developed nations to curb the creeping rise in world temperatures – entered into force on 16 February 2005 despite a US pullout. Rich nations are meant to cut emissions of heat-trapping carbon dioxide by 5.2% below 1990 levels by 2008–12.

Glaciers on Everest melting faster
_The Financial Express, 18 May 2005_

Chinese scientists have found tell-tale evidence of global warming around Mt Everest, which has resulted in glaciers melting faster in areas in south-west China’s Tibet autonomous region. A team of Chinese scientists currently carrying out comprehensive research on Mt Everest has spotted evidence of the glaciers’ shrinkage in the world’s highest area. The melting area of Dongyongbu glacier rises to 6400 metres this year, about 50 metres higher than the figure two years ago, said Kang Shichang, head of the scientific expedition. ‘This indicates a drastic change of glaciers. Usually, the melting areas only grow by less than ten metres each year,’ he was quoted as saying by Xinhua news agency. Attributing the glaciers’ shrinkage to global warming, the scientists said the effects of snowfall changes or human activities could almost be ignored in such natural changes.

Biomass could displace 30% of US transport oil
_Refocus, 18 May 2005_

A national strategy to produce 1 billion dry tonnes of biomass a year could displace 30% of the oil consumed for transportation in the US. The potential on forest and agricultural land exceeds 1.3 billion dry tonnes, concludes the study _Biomass as Feedstock for a Bioenergy & Bioproducts Industry: The Technical Feasibility of a Billion-Ton Annual Supply_ that was produced by the Oak Ridge National Laboratory for the departments of Agriculture and Energy. That level would represent a six-fold increase in current biomass production but could be reached with only relatively modest changes in land use and agricultural and forestry practices. Nearly half of the 2263 million acres of the US land base has potential for growing biomass. One-third of the land area is classified as forest, 26% as grassland, 13% as urban areas or deserts, and 8% as special uses such as public facilities. Biomass currently supplies 3% of US energy, more than hydropower, and is the largest domestic source of renewable energy, the report notes. Any organic matter that is available on a renewable or recurring basis includes corncobs, cornstalks, and switchgrass.

Mayors snub Bush and sign up to Kyoto Protocol
_The Hindu, 18 May 2005_

Mayors from across the US are signing up to an initiative to get American cities to meet the US’s Kyoto environmental target which US President George W Bush repudiated—cutting GHG emissions by 7% by 2010. The response has astounded the scheme’s founder, Seattle Mayor, Greg Nickels, who persuaded eight other Mayors to write on 30 March to 400 colleagues across the country. Dozens of cities have since contacted his office with the total reaching 134 in 35 states. The Mayors who have signed up represent 29.3 million people. Although most are Democrats some 12 big cities with Republican Mayors, representing
8 million people, have joined, including New York city. Mr Nickels is a Democrat but he said his campaign was non-partisan.

[By Paul Brown]

**UN food agency warns of looming aid shortage**

*Reuters, 19 May 2005*

The UN food agency has warned that it would soon have to reduce rations to refugees in Africa unless donors came up quickly with the $315 million it needed. The WFP (World Food Programme), which aids some 2.2 million people worldwide, said it had received only $460 million of the $775 million sought in funding for 2005, of which 75% is spent in Africa. WFP began reducing food aid to Sierra Leone this month and assistance has also been cut for refugees in Guinea and Liberia because only 40% of the agency’s $93.5 million appeal for West Africa has been met.

[http://www.alertnet.org](http://www.alertnet.org)

**Amazon deforestation up 6% in 2004**

*Associated Press, 19 May 2005*

Deforestation in the Amazon rain forest in 2004 was the second worst ever, figures released by the Brazilian government showed. Satellite photos and data showed that ranchers, soybean farmers, and loggers burned and cut down a near-record area of 10 088 square miles of rain forest in the 12 months ending in August 2004, the Brazilian environmental ministry said. The destruction was nearly 6% higher than in the same period the year before, when 9500 square miles were destroyed. The deforestation hit record numbers in 1995, when the Amazon shrank a record 11 200 square miles, an area roughly the size of Belgium or the American state of Massachusetts. The Amazon forest – which sprawls over 1.6 million square miles and covers more than half the country – is a key component of the global environment. The jungle is sometimes called the world’s ‘lung’ because its billions of trees produce oxygen and absorb carbon dioxide from the atmosphere.

[http://www.newsday.com](http://www.newsday.com)

**Petrochemicals in China to rise 22%**

*The Financial Express, 20 May 2005*

China’s petrochemicals production capacity will increase by an average 22% annually until 2010 with several new plants starting up, Mr Qu Guangdong, a Director of Access Intelligence Beijing, said. Output of ethylene, the main feedstock for auto parts, construction materials, and fibers, will jump by 22%, compared with growth of 8% in the last 14 years, Mr Qu said at the Asian Petrochemical Industry Conference in Yokohama. China Petroleum and Chemical Corp., known as Sinopec, said on 29 March it plans to spend about $5 billion to build two chemical plants after rising demand lifted the company’s 2004 profit to a record. PetroChina Co., the nation’s biggest oil company, said in February it plans to spend $3.3 billion expanding the country’s largest petrochemical project. China’s domestic petrochemicals capacity will rise to about 20 MT per year from 6.2 MT in 2004, lowering Chinese imports of petrochemicals.

**Global warming will increase world hunger: UN**

*Reuters, 27 May 2005*

Global warming is likely to significantly diminish food production in many countries and greatly increase the number of hungry people, the UN FAO said. FAO said in a report that food distribution systems and their infrastructure would be disrupted and that the severest impact would likely be in sub-Saharan African countries. ‘There is strong evidence that global climate is changing and that the social and economic costs of slowing down global warming and of responding to its impacts will be considerable,’ said the report by FAO’s Committee on World Food Security. Many scientists fear rising temperatures, blamed mainly on heat-trapping gases from burning fossil fuels, will melt ice caps, raise sea levels by almost a metre (three feet) by the end of this century, and bring more floods, droughts, and storms. Global warming would increase the amount of land classified as being either arid or insufficiently moist in the
developing world. In Africa the amount of this type of harsh land could increase by as much as 90 million hectares by 2008, an area nearly four times the size of Britain. Changes in temperature, rainfall as well as an increase in the number of so-called 'extreme weather events' such as floods will bring with them potentially devastating effects.

http://www.planetark.com

EDF invests 320 million euros in oil, gas-fired stations

*Reuters, 27 May 2005*

EDF.UL (Electricite de France) has announced that it was investing more than 320 million euros ($402.2 million) to modernize its fossil fuel-fired power stations in France to bolster supplies during peak demand. EDF President Mr Pierre Gadonneix said that the investment, to restart four oil-fired units and build two new gas turbines of 500 MW, would add an additional 3100 MW of generation capacity by 2008. The EDF board had also agreed to shut seven coal-fired stations, among the oldest of its power plants. EDF relies on a fleet of nuclear reactors that accounts for more than 60% of its 100 000 MW of capacity to provide relatively carbon emission free power. It relies on fossil fuel-fired or so-called thermal production, the most polluting type of generation, for peak demand. Thermal generation, accounts for 28% of capacity while renewables, mainly hydropower, for 19%. The French electricity grid operator RTE has repeatedly warned that France needs to build new power plants by the end of the decade or risk blackouts as demand rises. The two new turbines will be in the Paris region.

http://www.planetark.com

18% of rain-fed cereal may be lost

*The Hindu, 29 May 2005*

Close to the midway mark of the 2015 deadline set by the World Food Summit in 1996 for reducing hunger, the FAO (Food and Agriculture Organization) of the UN (United Nations) has described the progress made so far as ‘disappointing.’ Also climate change threatens to increase the number of the world’s hungry by reducing the area of land available for farming in developing countries. The FAO made this observation in a report presented to the Committee on World Food Security that reviewed the progress on reduction of hunger in the world this week. [By Gargi Parsai]

Climate change may increase crop loss

*The Financial Express, 29 May 2005*

Climate change threatens to increase crop losses as also the number of people facing malnutrition in developing nations and may change the development patterns of animal disease and plant pests, the UN’s agricultural agency has warned. India could lose 125 MT, or 18%, of its rain-fed cereal production, while China’s production of 350 MT is expected to rise by 15%, it says. The UN FAO in collaboration with the International Institute of Applied Systems analysis has developed the agro-ecological zones methodology, a worldwide spatial oil and climate suitability database for use in quantifying regional impacts and geographical shifts in agricultural land and productivity potentials. Using this data, FAO says in the report, presented during the 31st session of the committee on world food security, that the northern industrialized countries could increase their crop production potential as a result of climate change. On the other hand, ‘In some 40 poor, developing countries, with a combined population of 2 billion production losses due to climate change may drastically increase the number of undernourished people, severely hindering progress in combating poverty and food insecurity,’ it says. Agriculture, it says, will have to adapt to an accelerating stream of new pests and diseases caused by changing ecological conditions resulting from climate change.
### Forthcoming events

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Tel. +44 (0) 113 343 1850  • E-mail p.ellingham@adm.leeds.ac.uk  
Fax +44 (0)113 343 6107  • Website www.bseconference.org |
| Paris, France     | International Symposium ‘Reduction of emissions and geological storage of CO₂’ | Patricia Fulgoni, IFP– Communications Division, 1 & 4, avenue de Bois-Pr, au-92852 Rueil-Malmaison, Cedex, France  
Tel. +33 147 527 096  • E-mail patricia.fulgoni@ifp.fr  
Website www.CO2symposium.com |
| Agra, India       | 7th Global Conference on Environmental Education                       | Indian Environmental Society, U-112, 3rd Floor, Vidhata House, Shakarpur, Vikas Marg, New Delhi – 110 092  
Tel. (91-11) 245 0749  • E-mail iesenro@vsnl.com  
Fax (91-11) 222 3311  • Website www.iesglobal.org |
| Tokyo, Japan      | The 2005 World Sustainable Building Conference                        | Registration Office of SB05 Tokyo, c/o Congress Corporation, 5-1 Kojimachi, Chiyoda-ku, Tokyo 102-8481, Japan  
Tel. +81 3 5216 5552  • E-mail info@sb05.com |
Tel. +49 (0) 228 739 053  • E-mail wefering.ihdp@uni-bonn.de  
Fax +49 (0) 228 739 054  • Website www.ihdp.org |
| Athens, Greece    | International Exhibition and Forum on Energy Products, Technologies, and Processes | ATOU SA, 134 Doiranis Street, 17673 Kallithea, Athens, Greece  
Tel. +30 210 957 6100-3  • E-mail atousa@otenet.gr  
Fax +30 210 957 6200  • Website www.atou.gr |
| Brighton, UK      | WREN (World Renewable Energy Network/Council), International Seminar in Britain | Prof Ali Sayigh, WREN, P O Box 362, Brighton BN2 1YH, United Kingdom  
Tel. +44 (0)1273 625 643  • E-mail asayigh@netcomuk.co.uk  
Fax +44 (0)1273 625 768  • Website www.wrenuk.co.uk |

### Recent appointments

- Mr A K D Jadhav, Secretary, Ministry of Mines, Government of India
- Ms Sunila Basant, Secretary – Drinking Water Supply, Ministry of Rural Development, Government of India
- Mr Umesh Narain Panjiar, Director-General, National Productivity Council of India