

PETROTECH 2014: Policy framework should support domestic efforts (CEO Conclave)

One a man who is very much India's man of the hour on the global stage of trade and economic affairs and the other is someone who has been a driving force in India's economic reforms agenda right from the mid-1980s. Both Union Trade & Commerce Minister Anand Sharma, fresh from his significantly crucial and triumphant outing in WTO Ministerial Conference in Bali which delivered the 'Bali Package' that facilitates, among other things, food security initiatives in developing countries like India, and the Deputy Chairman of Planning Commission Montek Singh Ahluwalia in two exclusive sessions in PETROTECH 2014's CEO Conclave highlighted the benefits of a strong domestic energy ecosystem to the country's developmental prospects and the catalytic role that 'energy security' can play in unfettering the country's growth potential by removing in one fell swoop many teething roadblocks in some the country's major infrastructure and utilities projects arising out of the primary energy-deficit situation.

In saying so, the two also did not fall shy of marking down the need to fine-tune, modify or adapt the current administrative and operating models of the energy sector, particularly the oil & gas industry, to better respond to the challenges of the rising country with growing energy demand and the complexities of a globally integrated marketplace not immune to ripples and ramification of events elsewhere – be it technological, economic, geographical or even geopolitical.



Trade & Commerce Minister makes the 'Special Address' at CEO Conclave

Trade & Commerce Minister Anand Sharma in his special address on the occasion focused on the criticality of an energy-deficient country like India to have a policy framework that facilitates enterprise and investment in the E&P sector. What also compounds the situation further, he noted, is that current reserve estimates make India not so significantly endowed in terms of hydrocarbon reserves in relation to its energy consumption trends. In this current energy supply-demand context, he reckoned it is extremely important for India to have a strong technological base through either indigenous development of R&D capacities or partnerships with global technology leaders so that

the established reserves are optimally exploited and strong endeavours towards tapping the frontier and unconventional areas can be initiated. He also remarked on the need to have strong diplomatic and business engagement with resource-rich countries so that the country's energy sourcing portfolio remains well diversified and balanced to tackle any uncertainties and volatility arising out of unexpected supply disruptions.

“A well-diversified energy basket is a crucial element of our country's energy security agenda, providing a stable and reliable supply of energy to the country even in uncertain times”

However, with crude prices seemingly settling into a stable but high-price bracket in excess of \$100 per barrel over the last 3-4 years translating to a growing trade deficit for the country, owing to the country's significant reliance on crude imports to meet domestic demand, it has become increasingly urgent for the country to find a way to ramp up domestic output, especially when the Ministry has drawn up extensive plans to boost the country's manufacturing sector through the adoption of the National Manufacturing Policy in order to increase the country's share in global trade, the Minister further observed. In this connection, he also elaborated on the plan to increase the contribution of the Manufacturing sector to the country's GDP from the current 16 per cent to 25 per cent by 2025 through the setting up of 14 Integrated Industrial Clusters, with a special focus on Manufacturing activities, which besides adding to the export volumes will also create new industrial cities and significant employment opportunities.

Deputy Chairman (Planning Commission of India) Montek Singh Ahluwalia, who delivered the valedictory address of the CEO Conclave, in characteristic incisiveness, pointed out the need to have uniformity in the fundamental principles that govern the many policies, particularly tax treatment, related to the many sectors within the country's energy domain. In absence of a unified Energy Ministry, this fundamental overlap across the different policy regimes, he reckoned, will allow for more clarity and consistency in formulating a more inclusive and comprehensive approach to making the country 'energy secure' by creating a level-playing field for all the players in the space. Mr. Ahluwalia also articulated his strong reservations about what essentially is a 'non-statutory informal price control' mechanism, in the questionable guise of 'subsidies', which has practically rendered the domestic fuel market uncompetitive and unattractive, besides promoting business inefficiencies. This artifice, he said, has also seriously undermined the potential and constrained the growth of the country's oil & gas segment by disincentivising any sizeable long-term investment programme of the E&P oil companies, who, in the lack of a market-linked price environment, would rather aim for more profitable and viable overseas opportunities.



Planning Commission Deputy Chairman on the need for a more uniform tax regime

He also said that any movement towards renewable energy alternatives will have to be supported by governmental sops and fiscal incentives, as evidenced by examples in Europe where the prospects for renewable energy are the highest – this again, he reckoned, is a tricky situation as investors in the new forms of energy will have to factor in the leverage that governmental support lends to any such investment as withdrawal of incentives could majorly impact the commercial viability of those projects.

“Let the pricing reflect the scarcity of the energy we are consuming. Let the consumers react to price rise and reach accordingly. Any artificial instrument that creates an unrealistic buffer of comfort to shield the consumers will never allow a natural supply-demand situation to realize”

He also pitched for greater functional and managerial autonomy to the PSUs through leaner decision making and governance structures. Such moves to unshackle the public sector companies could greatly embolden the business efforts of a critical company like OVL, he said. In conclusion, while commending the role of platforms like Petrotech in furthering the dialogue on energy and promoting Indian oil & gas sector on the global landscape, he asked of PETROTECH 2014 to come forward with a critique on the 12th Plan’s section pertaining to ‘energy sector’ so that relevant points for reconsideration and revision can be put for the Plan’s Mid-term Appraisal which is due next year, post the formation of the new Government at the Centre.



CMD ONGC & Chairman PETROTECH 2014 Steering Committee Sudhir Vasudeva with Montek Singh Ahluwalia during the CEO Conclave's Valedictory session