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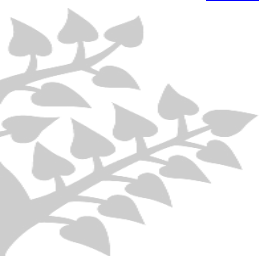
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The Formation of Preferences in Two-level Games: An Analysis of India's Domestic and Foreign Energy Policy

Joachim Betz and Melanie Hanif+*

Abstract

This paper examines the formation of India's energy-policy strategy as an act of double-edged diplomacy. After developing an analytical framework based on the two-level game approach to international relations (IR), it focuses on the domestic context of policy preference formation. India's energy strategy is shaped by a shortage of energy and the scarcity of indigenous reserves; these problems have together resulted in a growing import dependence in order to sustain economic growth rates, outdated cross-subsidies, overregulation, and nontransparent bureaucratic structures which are adverse to private investment. The Indian government still dominates the energy sector, but large electoral constituencies within the country exert a considerable indirect influence. The paper analyzes how all these domestic necessities combine with India's general foreign policy goals and traditions to form an overall energy strategy. We finally discuss how this strategy plays out in a competitive international environment where global resources are shrinking (with most claims already distributed) and environmental concerns are on the rise.

1 Introduction: Energy Policy as a Two-level Game

The distinction between domestic and foreign policy has become more elusive in recent years. Growing political, economic, and informational interdependence has contributed to this development, as have the simultaneous processes of globalization on the one hand and the tendency towards economic and security regionalization on the other hand. In certain sectors the threshold between domestic and foreign affairs appears to be more fluid than in others. Energy policy is certainly one of those sectors where internal and external logics of action overlap and sometimes even contradict each other.

This is due to the fact that, on the one hand, domestic groups, which decide on the re-election of national governments, are interested in economic growth, something that normally increases a country's energy consumption, especially in developing economies. There are also international factors which influence these domestic needs. Thus a country's prestige and leverage within international organizations and global governance forums is usually related to its economic performance and, as a result and indirectly, to



sufficient and secure energy supplies. On the other hand, international energy reserves are shrinking and claims to existing resources have in large part already been distributed. Given that energy politics are barely regulated at the global level, “energy latecomers” such as China and India, whose aggregated energy consumption has skyrocketed during the past decade, now resort to the principle of self-help and compete fiercely for the remaining resources and reserves in order to sustain the growth of their economies (Rittberger/Kruck/Romund 2010: chap. 8). In addition to the fact that emerging economies’ increasing consumption of energy is likely to cause confrontation given the at best stagnating supplies, environmental concerns are also putting pressure on energy policies. During the last couple of years, the growing preoccupation with climate change at the global level has constrained national energy policies. Again, emerging economies, with their spiraling energy consumption and the resulting greenhouse gas emissions, have been the preferred scapegoats.

Thus, the overlapping of global energy and climate policies has already created a complex bargaining environment, especially for rapidly developing energy latecomers. Calls for the continuation of high economic growth rates and, at the same time, for the equal distribution of its fruits further complicate energy-policy choices for these countries. Their growing demand for energy makes certain foreign policy strategies, such as the conclusion of long-term contracts with energy-exporting countries and equity investments in oil-producing countries or countries with proven oil and gas reserves, attractive. But as claims in many oil and gas-exporting countries have already been staked out, the latecomers may not shy away from cooperating with so-called rogue states in order to enhance their energy security. This behavior, in turn, clashes with international efforts to isolate noncompliant states and fuels confrontation with established powers, particularly the United States. Two-level game approaches are most suitable for shedding light on the complex dynamics of bargaining as well as on policy formulation in fields such as energy policy where domestic and international challenges are highly interrelated.

According to the logic of two-level games (Putnam 1988; Moravscik 1993), governments sometimes need to reconcile contradictory domestic and foreign pressures in the process of formulating and implementing policies. This is especially difficult when these governments face a relatively diffuse international distribution of capabilities and powerful domestic veto players (Alons 2007: 212). Domestic power polarity, that is, the government’s domination of society vis-à-vis societal groups and forces, is obviously less favorable for the government in democracies and federal systems, particularly when the interplay of governmental and electoral systems tends to produce fragmented parliaments and executives. The government’s “transmission belt” function (Moravscik 1997: 518), however, also provides it with certain advantages since it is informed about the state of affairs at both the domestic and the international level and can use this edge as an additional bargaining chip in relation to both domestic constituencies and international counterparts (Putnam 1988: 434; Moravscik 1993: 15).

When analyzing two-level games, it is advisable to treat an actor’s preferences as “independent of the strategies of other actors and, therefore, prior to specific interstate political interactions” (Moravscik 1997: 519). Because interest in India’s energy policy is growing, an increasing number of energy reports and policy papers are being issued (e.g., Madan 2006; Joshi 2009). Helpful as these publications are, they usually take Indian preferences as given and then try to analyze Indian behavior and interaction against the backdrop of contextual factors such as the distribution of natural resources (and other material capabilities) or existing bilateral and international treaties. When we begin with the notion of preferences, however, an analysis can go in both directions: it can investigate either the formation of preferences before interaction or the impact of the specified preferences on the process of interaction. At this point in the debate, a theory-guided examination of Indian preferences may be the most reasonable contribution to the topic. Our findings could provide new input for future analyses of India’s interaction with other international actors concerning energy issues.

We begin with a short literature review on preference formation and strategies in two-level games. This serves as the basis for the empirical exploration of Indian energy-policy preferences. Our empirical research is based mainly on official and nongovernmental documents on India’s energy policy. To conclude, we interpret our findings in light of India’s domestic and foreign energy strategies.

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2 The Formation of Preferences and Their Role in Two-level Games

Preferences are central to the study of international politics. They have been a constant subject of investigation as well as a cause of friction within the field of international relations (IR). Following Jeffrey Frieden, the authors of this paper do not consider it useful to assert that actors per se (that is, preferences or strategies) matter more than environmental features (such as anarchy or the distribution of material capabilities) in international politics or vice versa. Rather, we believe that it is the specific question that determines whether actors' preferences, the strategic setting, or the process of interaction itself should be treated as the dependent—or independent—variable (Frieden 1999: 47-48).

In general, the investigation of preferences can be carried out either inductively or deductively. The problem with an inductive approach is that mere observation cannot separate preferences from strategic calculations since an actor's behavior and statements usually reflect both (Frieden 1999: 45). The problem with a deductive approach in our case is that no single comprehensive theory of national preferences exists (Frieden 1999: 53-54). Traditionally, preferences are given more weight in liberalist theories than in other IR paradigms. In a seminal article, Andrew Moravcsik links different strands of liberalist theorizing by arguing that the study of foreign policy needs to include the ideational and economic sources of preferences which influence state action as well as the mode of representation which allows for some domestic interests to be more assertive than others (Moravcsik 1997: 515). [Top](#)

In this vein, ideational liberalism stresses the impact of collective values and identities on the formation of foreign-policy preferences (Moravcsik 1997: 525-28). Economic liberalism points to the importance of economic structures at both the national and the international level and to the role of subnational actors with stakes in the international exchange of goods and services (Moravcsik 1997: 528-30). Last but not least, republican liberalism concentrates on the aggregation of domestic preferences and the question of which interests are privileged in this process (Moravcsik 1997: 530-33). Moravcsik's account suggests including theoretical elements from the fields of international political economy and comparative politics in order to examine national preferences. This means that the study of national preferences requires one, firstly, to scrutinize the particularities of a country's political system and, secondly, to assess the country's position in the international economic and political order. Finally, these variables may be looked at not only as direct constraints to foreign policy but also as influences shaping domestic coalition patterns and regime types and, thereby, the process of preference formation (Gourevitch 1978: 882-900).¹

To summarize, national preferences are formed at the foreign-domestic nexus and are exposed to both outside-in and inside-out dynamics, pressures, and constraints. This means that governments are "forced to balance international and domestic concerns in a process of 'double-edged' diplomacy" (Moravcsik 1993: 15), that is, in a two-level game. The two-level game framework was introduced by Robert Putnam in an attempt to combine the "second image" and "second image reversed" approaches to foreign policy analysis (Putnam 1988: 430). He argues that during international negotiations, governments have to take into account the interests of powerful groups at home just as they do those of international bargaining partners (Putnam 1988: 434). Putnam analytically disaggregates the bargaining process into two phases: Level I negotiations take place between governments; during Level II negotiations each government seeks the approval of its constituencies for the tentative Level I agreement (Putnam 1988: 436). The "set of potential agreements that would be ratified by domestic constituencies in a straight up-or-down vote against the status quo of 'no agreement'" defines the Level II win-set (Moravcsik 1993: 23). Accordingly, the Level I win-set is the set of agreements that gain the required international support. "Thus, agreement is possible only if those win-sets overlap, and the larger each win-set, the more likely they are to overlap" (Putnam 1988: 438).²

This paper focuses mostly on the first stage of the bargaining process: the process of Indian energy preference formation and aggregation in the domestic context. Empirically we draw upon the content analysis of government documents and nongovernmental reports on India's energy policy. We order Indian energy-policy preferences according to the priority they are given in these documents. In line with this prioritization, India's core preference is to secure a sufficient energy supply in order to sustain



economic growth and development. Therefore, we first analyze how existing economic structures impact the process of energy-policy preference formation; second, we examine the ideational sources of Indian energy-policy preferences; and third, we scrutinize the institutional apparatus responsible for Indian energy policy. Last but not least, we outline how the preferences we have derived from the sources mentioned integrate to form an energy strategy and how this strategy might play out in the international context. For a comprehensive picture of the second level of the game—India in international energy politics—a deeper investigation of India's interaction with international partners and rivals as well as their stakes in the energy sector would be necessary. This is, however, beyond the scope of this paper. [Top](#)

3 The Impact of Economic Structures on Indian Energy Preferences

“Ten percent” has become something like an overarching mantra in Indian politics. It refers to the widespread belief in India that the country (only) has a realistic chance of overcoming its abundant social and political problems if its economic growth rate approximates the magic “10 percent” benchmark. Therefore, the Indian government's utmost concern is to secure energy at competitive prices in order to sustain an uninterrupted economic growth rate of at least 8 percent annually until 2030/31 (Planning Commission 2006a: xiii; Planning Commission 2006b: 1-3, 46; Government of India 2007: Chap. 4). This growth rate is considered necessary to reduce the level of absolute poverty in India (27 percent of the population) and to meet the energy needs of the population, especially of those who have not yet been linked to the electricity grid. This latter group still constitutes 56 percent of the Indian population (Government of India 2005a; Planning Commission 2006a; 2006b).³ The Indian National Congress (INC)-led government has referred to the relationship between poverty reduction, economic growth, and energy supply with the term inclusive growth. Indian government publications argue that the country's energy demand is a direct function of its development necessities (Planning Commission 2006b: 49). They calculate a fixed relationship between growth and energy demand, usually anticipating a 0.9 percent increase in energy demand for each percent of growth (*ibid.*).

India was able to pursue its version of import substitution and state-led development longer than most other developing countries because of its huge internal market. Its economic strategy coincided with the foreign policy principles of nonalignment, non-interference and third world solidarity, all of which are scrutinized in greater detail in the next section. India's development strategy relied upon the tight control of the private sector and the dominance of public enterprises in key sectors of the economy: the heavy industries and the banking and insurance sectors. Enterprises in these sectors have been heavy energy consumers (Ahmed/Ghani 2007; Narlikar 2006: 63).

With regard to the current market structure, India's energy production is still dominated by state-owned enterprises. Coal India, for instance, produces more than 80 percent of India's most important energy source, coal. Due to the high degree of regulation within the coal sector, private investors are rare. The oil and gas sectors are more flexible and therefore demonstrate more private activity. Reliance Industries is an example of a relevant private actor on the gas market. Nevertheless, state-owned enterprises such as the Oil and Natural Gas Corporation (ONGC), Oil India Limited (OIL), and the Indian Oil Corporation (IOC) are still the most important players. Electricity production is also largely in the hands of public companies such as the National Thermal Power Corporation, the National Hydroelectric Power Corporation, and the Nuclear Power Corporation. Public-sector companies also dominate the transmission and distribution of energy supplies to the end consumers (IEA 2007: 446-50). The various efforts to unbundle the services of the state electricity boards according to the guidelines offered by the Central Electricity Board (established in 2003) have had mixed success to date. The same holds true for efforts to encourage private-sector involvement in the exploration and exploitation of energy resources as well as in electricity generation (Madan 2006: 37-39; Herd et al. 2007: 204-209).

The dominance of state-owned companies, which are still not competitive internationally and are overstrained with domestic energy challenges, goes hand in hand with high energy subsidies, the overregulation of the Indian energy market, and its insulation against the global market as a legacy of India's mixed-economy model. Nonetheless, the liberalization of the economic regime since 1991 has had a massive impact on India's energy demand and strategy. Firstly, it has brought India to a higher growth trajectory, which has rapidly been increasing its energy demand. Secondly, it has opened the coal and oil sectors to foreign capital. Thirdly, it has altered the sectoral structure of the Indian economy because

capital-and energy-intensive sectors have developed best. Energy demand has also increased because of the growing use of home appliances and cars by the expanding middle class.

Indian primary energy demand has been growing at an accelerating rate, from 209 MTOE in 1980 to 537 MTOE in 2005, making India the fifth-biggest energy consumer in the world (Madan 2006: 1; IEA 2007: 444). According to an Indian government scenario, primary energy demand in the country will have grown fourfold by the year 2032 (Planning Commission 2006a: xiii, 31). By that time India will have become the third-largest energy consumer and carbon dioxide emitter worldwide (IEA 2007: 463). India's per capita energy consumption has remained fairly low (far behind that of developed countries or China). Although decreasing, its energy intensity is still high (Ahmed/Ghani 2007: 144-45; Razavi 2009: 5). Among the BRICs, India will become most dependent on foreign energy supplies, especially oil (Scholvin 2007: 4-5).

Natural gas covers an increasing amount of India's energy demand (today up to 7 percent). This demand is currently being met mainly by local sources, but imports will grow drastically in the next two decades. With regard to coal, which still accounts for the biggest part of Indian energy consumption, import dependence remains relatively low (IEA 2007: 445-45). However, the low quality of domestic coal reserves and infrastructural deficits will make augmenting coal imports unavoidable. India is poorly endowed with uranium and extracts this commodity from extremely low-grade ores. In terms of nuclear fuels, the country thus has two options: either it enriches uranium in its own fast-breeder reactors or it relies upon increasing deliveries made possible by the US-Indo nuclear deal. It is not certain whether India's hopes of a rapidly growing share of nuclear power within its energy mix will materialize.⁴ The construction and putting into service of new nuclear power plants has always trailed far behind the national requirements as set out in government planning (Friedman/ Schaffer 2009: 1-2). When summarizing the supply side of India's energy policy, one has to state that India itself does not possess sufficient natural resources. The security of its energy supply will become an even bigger concern in India's foreign policy if economic growth rates remain comparable to those of the last five years and the boom in vehicle production persists (Planning Commission 2006a: 45; IEA 2007: 458-59, 463). [Top](#)

In addition, a successive structural shift from agriculture to industry, accompanied by the growth of industrial production, is also expected to increase India's energy demand. During the era of "Hindu growth rates" (3 to 3.5 percent annually) and even in the initial phase after economic liberalization, there was no peak in India's energy consumption due to the fact that the economic boom was mainly led by the service sector. But as the importance of the energy-intensive industrial sector has been growing disproportionately quickly since 2004, industrial energy demand is expected to increase accordingly. Given that the construction of power plants trailed behind planning even in times of economic stagnation, current developments must be alarming. In light of India's industrial growth rates since the year 2000, the already energy-intensive character of India's industry, and the persistence of subsidies and transmission losses of up to 40 percent, it seems inevitable that India will face a dangerous energy shortage (Madan 2006: 9).

The changes in India's economic structure have also altered India's energy-policy preferences through the new presence of foreign enterprises in the Indian market (although their profile is still underdeveloped). Furthermore, the sheer dynamic of the Indian economy in the last decade has created new opportunities for international cooperation. The interdependence of the Indian economy has thus increased—a fact which has also impacted India's energy strategy. Firstly, competitive bidding has been introduced in the exploration and exploitation of new coal, gas and oil fields. This reform has stirred moderate interest on the part of foreign investors (Madan 2006: 37-39). Secondly, simultaneous to the growing global interdependence of the Indian economy, the United States has become India's primary trade and investment partner. The conclusion of the Indo-US agreement on civil nuclear energy has opened further avenues for trade and cooperation in this field.⁵ As a consequence, US and Indian enterprises and research institutions are likely to integrate into a network and thus become stakeholders in open trade and friendly relations between the two countries.⁶ In this vein, a new lobby group of Indian companies engaged in Western countries (bolstered by almost three million Indian expatriates in the United States) has come into being; this group's interests need to be taken into account by the Indian government if it becomes



powerful enough in the domestic setting. Before we proceed to the analysis of this domestic setting, the next section addresses the ideational sources of India's foreign policy in general and India's energy-policy preferences in particular.

Notes:

1 The last point refers to the so-called second image-reversed perspective. The fact that preferences can have both domestic and external causes as well as both domestic and external effects again highlights the analytical independence and priority which we attribute to preferences in this paper: preferences are to be kept separate from environment and to be specified before they help to explain (inter)action. Consequently, our focus on the actor (and/or its preferences) is an analytical choice based on our research interest and not a theoretical necessity. Theoretically, the characteristics of the actor that give rise to certain foreign-policy preferences and strategies could just as well be considered to be contingent upon the international environment or international interaction. Thus our findings are connectable in both directions: Preferences may be treated as independent variables explaining Indian behavior in international interactions concerning energy issues. They may also be treated as dependent variables caused by the nature of the domestic system. This very system may furthermore be treated as an outcome of international pressures, which are in turn created by the interaction of actors.

2 Negotiations at each level may be iterative, and Level II ratification does not necessarily include a formal voting procedure. Actors potentially involved at Level II are bureaucracies, interest groups, and the media (Putnam 1998: 436).

3 Newer figures speak of 44 percent of rural households or approximately 400 million people with no access to electricity in India (Friedman/Schaffer 2009: 1).

4 Nuclear power currently accounts for 2.3 percent of India's electricity generation. India hopes to increase this share to 25 percent by the year 2050 (Friedman/Schaffer 2009: 2-3).

5 In the meantime, India has concluded similar agreements with Russia and France which are likely to have comparable effects (Friedman/Schaffer 2009: 2).

6 For a theoretical elaboration of this argument cf. Moravcsik 1997: 528.

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to be continued...

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Note: *Managing Volatility & Growth: A New Energy Paradigm (part VII) will be continued in next coming issue.*

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News Brief National: Oil & Gas

Upstream

Indian Oil, Oil India in talks to buy into Essar's Myanmar gas block

August 24, 2010. State-owned oil companies Indian Oil and Oil India are in talks with the Essar group to pick up 20% stake each in a gas block in Myanmar that is estimated to have even bigger reserves than Reliance Industries' KG-D6 fields. The shallow-water gas block (A2) that Essar group had acquired in 2005 is an estimated 13 trillion cubic feet (tcf) gas reserve, larger than the 10.03 tcf KG-D6 fields. Another of Essar's gas asset in Myanmar (Block L) has an estimated recoverable hydrocarbon reserve of 330 mn barrels of oil equivalent (MMBOE). The Essar group holds the two Myanmar assets through an unlisted entity—Essar Exploration & Production, South East Asia.

India's L&T wins \$257 mn in ONGC gas plant orders

August 24, 2010. Indian engineering major Larsen & Toubro (L&T) said it has received two orders worth ₹ 11.95 bn (US\$256.7 million) from state-run Oil and Natural Gas Corporation (ONGC) for construction related works. The company will set up an additional processing unit at the gas processing complexes of ONGC at Hazira and Uran, Larsen & Toubro (L&T) said in a filing to the Bombay Stock Exchange. The scope of work includes project management, construction and engineering related works and handing over the new processing units to the owner, the filing added. The US\$9.8 billion construction giant has already established onshore gas processing complexes for Reliance Industries Ltd (RIL) at Kakinada and Cairn India at Barmer. Shares of the company were trading at ₹ 1,870 on the BSE, up 0.05 percent from the previous close.

Oil India's daily prodn at a new high

August 24, 2010. Oil India (OIL), the state-owned Navratna oil and gas production company, has achieved a record production level of 10,000 tonnes a day. The company, which produces most of its oil from its Assam oilfields, has been producing 10,000 tonnes daily since mid-August. The company witnessed a dip of 9.52 per cent at 0.798 million tonnes (mt) in crude oil production during the June quarter of this financial year, compared to 0.882 mt in corresponding quarter last year. Its daily average output for the quarter was 8,770 tonnes, compared to 9,910 tonnes in the January-March quarter. The company operates 30 oil and gas blocks, primarily in Assam and Andhra Pradesh. The main reason for scaling down production during the June quarter was due to a shutdown by its top customer, Numaligarh Refinery (NRL), which accounts for over 55 per cent of its crude oil sales. NRL was first shut down for 60 days from March 16 to upgrade units to produce higher quality Euro-III/IV compliant diesel. The shutdown, however, got extended and NRL came back to full stream only on June 27, causing OIL a production loss of 130,000 tonnes in the first quarter. OIL had set a target of producing 0.928 million tonnes crude oil during the first quarter (April-June), but failed to achieve it due to the NRL shutdown.

Cairn strikes oil, gas in KG onshore

August 23, 2010. Cairn India Ltd has discovered oil and gas in its East Coast onshore block. According to the company, a flow of 75 barrels a day of oil and 0.27 million cubic feet a day of gas was achieved during the initial testing in the block KG-ONN-2003/1. If and when more oil and gas are found in the block by Cairn and its partner ONGC, it would help expand their production and revenues. Earlier this year, Cairn had initiated a multi-well exploration drilling campaign in the block that it had won in the fifth round of the New Exploration Licensing Policy (NELP-V).

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India Petronet in talks for LNG from Australia, Qatar

August 20, 2010. India's Petronet LNG is in talks to buy more liquefied natural gas from Qatar and Australia, the company's chief executive A.K. Balyan said.

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Cairn's untapped Barmer fields hot properties for NELP

August 23, 2010. Cairn's unexplored oil fields in Barmer could turn major attractions for bidders in the next auction of oil exploration blocks. Cairn India has exhausted the time limit for its Barmer block (RJ-ON-90 /1) in Rajasthan, but a large area remains unexplored. The government has offered about 230 exploration blocks in eight rounds of bidding under the new exploration licensing policy, or NELP. The unexplored part of the Barmer block could be offered under the ninth NELP round. DGH is planning to offer 40-50 blocks under NELPIX. DGH, a technical arm of the oil ministry, is the custodian of country's oil and gas assets. The development area of the Barmer asset that is under the custody of Cairn India is only 20-25 % of the original block size that is about 11,000 square km. Cairn India holds 70% interest in the development area while the balance 30% is held by state-owned Oil & Natural Gas Corporation.



Generation**Vedanta takes pride in 2.4 GW Power Plant in Orissa**

August 23, 2010. Sterlite Energy Ltd (SEL), the energy arm of Vedanta Resources plc has commissioned its first unit of 2,400 MW (4 X 600-mega watt) and now fully operational in Jharsuguda, Orissa. The SEL power station, which is considered as the single largest power producer in the country with a total production capacity of 3615 mw, other three units of the ₹ 105 bn power project will be operational over the next one year with 3 months of interval. Chief Minister Naveen Patnaik, who always looks forward in the field of industry in Orissa, dedicated the first unit of the plant to the country despite the controversies of the Vedanta surrounding mining at Niyamgiri Hill. According to MoUs (memoranda of understanding) with the Orissa government, SEL from the first unit of its Jharsuguda plant will supply the power to the state grid. However, the plant is free to sell power from other three units in open market later on.

Adani Power to expand capacity to 16 GW by 2014

August 23, 2010. Adani Power plans to expand its power generation capacity to 16,000 megawatts by 2014, Chief Executive Ravi Sharma said on Monday.

ONGC set up first power project to run on Bangladesh gas

August 21, 2010. The Oil and Natural Gas Corporation Ltd (ONGC) has set up first unit of 726-MegaWatt power plant which will run on gas supplied by Bangladesh. The plant is coming up at Palatana, 60 kilometres from Agartala, bordering Bangladesh, which has proven gas reserves of 8.4 trillion cubic feet. According to ONGC, the Power plant will start generating electricity by December 2011. The Palatana power project combined with transmission links and gas pipelines is slated to bring in investments of around rupees 90 billion, the largest ever single investment in northeastern region. Heavy machinery for the project was transported through Bangladesh, with Dhaka allowing transit through the Ashuganj river port on the river Meghna. With the Palatana project generating excess capacity when completed, India has offered to link Bangladesh to its electricity grid and sell it power to help it overcome persistent shortages in peak demand periods.

GVK proposes Punjab to triple Goindwal Power Plant capacity

August 20, 2010. GVK group offered to the Punjab government to increase the capacity of the under-construction GVK Goindwal Sahib Thermal Plant in Amritsar by 1320 MW to 1860 MW. The expansion of the capacity could be done by setting up two more units of 660 MW each in addition to the two units of 270 MW each being set up. GVK offered to setup two units of 660 MW each totalling a combined capacity of 1860 MW of all the four units. GVK Chairman said the work on existing two units of 270 MW each of the Goindwal Project is going ahead of schedule. The project has achieved financial closure and construction activity is in full swing. He said that GVK group is confident to start generating power from this plant much ahead of the scheduled timeline of December 2011. The main contractors of the project namely BHEL and Punj Lloyd have mobilised all the resources and erection of machinery of the project is going on in full swing, Reddy added.

Transmission / Distribution / Trade**APGenco signs pact with Singareni for Tadicherla block**

August 24, 2010. Singareni Collieries Company Ltd. (SCCL) has signed a Memorandum of Understanding (MoU) with Andhra Pradesh Generation Corporation (APGenco) to tap coal from the Tadicherla-1 coal block. The coal produced by SCCL would be to meet the requirements of the upcoming 600 MW thermal power station, KTPP Stage-II. Tadicherla coal block in Karimnagar was allocated to APGenco by the Ministry of Coal in December 2005 to meet the demands of the KTPP Stage-II. SCCL will immediately take up pre-mining activities such as drilling additional bore-holes for preparing detailed geological report and designing mining



parameters for development and operation of the coal block. The mining project required about 2,300 acres and includes 750 acres patta land, 132 acres forest land and the balance Government land.

A tester for high-voltage power lines

August 19, 2010. Developed by a KSEB Assistant Engineer at the Sabarigiri Hydro-electric Project, the handy gadget can 'sense' from a distance whether a high-voltage line is live or not. Lal K C, who joined the KSEB last May, has christened his device a 'No Contact Tester.' "At present, no method exists to know whether a 110 KV line is live or not. On an ordinary 230 Volt line, linemen use a tester to check. On a higher voltage line, you can't do that," says Lal, who lives at Kamaleswaram, Thiruvananthapuram. Lal has developed two prototypes. The first one is hand-held, like a mobile handset. It, in fact, fits inside the outer case of an old Nokia handset. The second prototype is set inside a tiny clock case and can be strapped on to the wrist.

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CIL will supply imported coal to power sector in 2011

August 24, 2010. Coal India is making slow but steady progress on thermal coal imports. Industry sources suggest that the company is now aiming to supply imported coal to the power sector in early 2011. The coal major has already received letter of intents (LoI) from NTPC (4 mt), Damodar Valley Corporation (0.8 mt) and others for importing approximately 6 million tonnes (mt) of thermal coal during the fiscal. Imported coal is used by power producers, partly to bridge the domestic demand-supply gap and partly for blending with the domestic coal to meet the emission-control norms. According to Plan projections, India may require 35 mt of imported thermal coal this fiscal. Of this, over 13 mt will be consumed by the country's largest power producer, NTPC. To meet the demand, CIL has adopted a two-pronged strategy that presupposes direct buying in the open market overseas as well as long-term supply contracts (through strategic alliances) at prices lower than the open market price. Import from open market.

Reliance Power may invest \$5 bn on coal mine, Railway in Indonesia

August 24, 2010. Reliance Power Ltd. may invest \$5 billion to build a railway and develop coal mines in South Sumatra. The utility, owned by Indian billionaire Anil Ambani, plans to build a 230-kilometer (143 miles) long railway that will link its coal production base in Batang Hari to a port, which it will also build. Reliance plans to develop three coal mines in South Sumatra from where it targets to produce as much as 50 million tons of coal a year within five years.

End of mega power benefits to yield little for Indian parts cos

August 23, 2010. The government's move to levy duty on import of power equipment by scrapping mega power policy may also lead to 10% duty on manufacturing of local power parts. Under the rules for mega power projects, thermal projects of 1,000 mw and more and hydel plants of more than 500 mw are exempt from excise and Customs duty. Non-mega power projects are, however, subject to 5% excise and Customs levy. The power ministry has moved a Cabinet note that has proposed about 20% duty on imported power equipment — 5% Customs duty, 10% countervailing duty (CVD) and 4% special additional duty (SAD). With the 10% countervailing duty being offset by the imposition of an equivalent excise duty on locally produced machinery, the effective protection to domestic manufacturers will be much less.

Sops on import of power equipment to continue for now: Shinde

August 23, 2010. Public and private power producers will continue to get duty benefits on the import of equipment till the end of the 11th Five-Year Plan (2007-12), Power Minister Sushilkumar Shinde said. Under the Mega Power Policy, the import of equipment for thermal projects with a capacity of 1,000 MW and above and hydel plants of more than 500 MW are exempted from excise and customs duty. The power projects which do not fall in the mega-power project category are subject to 5 per cent excise and customs duty.

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Power Min to move Cabinet proposal to compensate NTPC

August 23, 2010. The Power Ministry will soon put up a proposal to the Union Cabinet for compensating state-run NTPC, whose upcoming 600-MW hydro-power project at Loharinag Pala in Uttarakhand was scrapped recently by the government over environmental issues. The company is estimated to have committed around ₹ 20 bn on the project, which has been rendered futile on account of the project being scrapped. The Power Ministry has got an assurance from the government that its company will be duly compensated.

Power capacity addition set to scale new peak

August 22, 2010. Despite slippages, a record power capacity addition of around 14,000 MW looks likely this fiscal, boosted largely by a spirited performance by the private sector. Hitherto, the record for power capacity addition in a single year was in fiscal 2009-10, when 9,585 MW was added. While a new record is pretty much certain, the capacity addition this fiscal is likely to be well short of the official target of 21,441 MW set for the period. Till end-July, a capacity of 3,368 MW had been achieved, of which 1,333 MW or 40 per cent was accounted for by the private sector. According to official estimates, of the projects lined up to come through this fiscal, a capacity of 10,405 MW is most likely to be achieved. A key reason for the achievement of a record capacity addition would be the performance of private project developers. The private sector's contribution to capacity addition has shown a progressively improving trend during the first three years of the current Plan period, despite most of these projects not having firm power purchase agreements, difficulties in getting site clearances, problems in open access, lower preference in allocation of fuel linkages, and impediments such as the need to furnish bank guarantees for getting transmission corridors built.

Janata Party thanks PM for cancelling power projects near Ganges

August 21, 2010. Janata Party hanked prime minister Manmohan Singh for cancelling all power projects schedule to come up near river Ganges in a bid to safeguard the river. Party president Subramanian Swamy in a statement here congratulated the prime minister 'for his decisiveness and sagacity in ordering the cancellation of all power projects from Gangotri to Haridwar including, the 600MW Loharibag Pala Hydroelectric project'.

Ramesh 'no' to NMC's power plant

August 19, 2010. Union minister of state for environment Jairam Ramesh has asked chief minister Ashok Chavan to ensure that the proposed 420MW thermal power plant of Nagpur Municipal Corporation (NMC) does not come up within city limits. The minister has said that he was surprised to learn that NMC is setting up a coal-based power plant within city limits. The ministry of environment and forests is involved only in proposals for setting up power plants of 500MW and above capacity. Hence, technically, the civic body's proposed 420MW power plant does not require any clearance. However, such a power plant in city would be environmentally undesirable and unjustifiable, Ramesh has said.

PFC, REC sanction ₹ 95 bn loan for AP Genco projects

August 18, 2010. Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) have approved financial support of Rs 95.06 bn to part-fund Andhra Pradesh Generation Corporation (AP Genco) thermal project coming up at Vodarevu and a gas-based project at Karimnagar respectively. The PFC has sanctioned advance financial assistance of ₹ 68.06 bn at 10.5 per cent interest for setting up a 2x800 mw coal based project at Vodarevu in Prakasham district, and a memorandum of understanding will be inked shortly to finalise the loan agreement. Alongside this, the REC has sanctioned ₹ 27 bn for the development of Phase-I of the 700 MW Karimnagar gas plant. The phase I of 2x800 MW Vodarevu thermal power project is being taken up with an outlay of ₹ 85.08 bn, of this the PFC has provided ₹ 68.08 bn.

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Upstream**Mitsubishi, Penn West to develop BC shale assets**

August 24, 2010. Mitsubishi has entered into an agreement in connection with investing in a natural gas development project centered on shale gas in the Cordova Embayment of northeastern British Columbia, Canada. The project is owned by Penn West Energy Trust (PWE). The Agreement shall become effective following approval by MC's Board of Directors at a meeting scheduled for mid-September and approval for the acquisition from the Canadian Federal Government, etc.

Sinopec restores output at 32 oil wells in northwestern China's Tahe field

August 20, 2010. China Petroleum & Chemical Corp., the nation's largest oil refiner, had restored production at 32 oil wells at Tahe field in northwestern China, China Petrochemical Corp. said. It had previously shut 33 wells at the field following the worst flood since 2002.

Fuel supplies hitting two-decade high may send oil to \$70

August 20, 2010. The biggest U.S. petroleum stockpiles in two decades are leading oil bears to predict further price declines that may lead OPEC to restrict production. Inventories of oil and fuel products rose to the highest level since the Energy Department began keeping combined weekly data in January 1990. The U.S. economic recovery is showing increasing signs of slowing growth and demand for fuel products has declined 6 percent to 19.7 million barrels a day since the recession began in December 2007, according to the Energy Department. With predictions that oil will fall below \$70 a barrel, there is growing pressure for the OPEC the 12-nation group that pumps 40 percent of the world's crude, to stick to their production quotas. The 11 members with quotas increased production by 190,000 barrels a day to 26.8 million last month, implying compliance of 53 percent, the Paris-based IEA said. Supplies from all 12 nations, including Iraq, grew by 220,000 barrels a day to average 29.2 million.

Cnooc Banks on acquisitions, China oil output for growth as profit doubles

August 19, 2010. Cnooc Ltd., China's biggest offshore oil producer, said overseas acquisitions and discoveries at home will drive the company's future growth after record output helped more than double profit in the first six months. Cnooc rose the most in almost three months in Hong Kong trading after reporting oil production outside China more than doubled to 17 million barrels in the first half. It bought a \$3.1 billion stake in Argentina's Bidas Corp. this year, expanding Cnooc's interests beyond Australia, Africa and Southeast Asia as it seeks to boost 2010 output by 28 percent.

Pemex seeks foreign partners to develop offshore oil fields for first time

August 19, 2010. Petroleos Mexicanos, Latin America's largest oil producer, expects to hire foreign oil companies for the first time to explore and produce in the Gulf of Mexico as it seeks to arrest a five-year decline in output. The Mexico City-based company plans to offer four exploration and production contracts as early as September and a further three contracts by the end of the year. Pemex expects Exxon Mobil Corp., Royal Dutch Shell Plc and Chevron Corp., to help develop reserves after changes to Mexico's oil laws in 2008 allowed it to hire foreign companies. The contracts follow a moratorium on U.S. offshore deepwater drilling after the BP Plc spill, the worst in U.S. history.

Scientists say as much as 79 pc of oil remains in Gulf of Mexico

August 18, 2010. A group of scientists says as much as 79 percent of BP Plc's leaked oil remains in the Gulf of Mexico, challenging an Obama administration assessment that the crude is largely gone or rapidly



disappearing. Most of the oil that leaked from BP's Macondo well from April 20 to July 15 is still beneath the water's surface, five scientists including Samantha Joye, a professor of marine sciences at the University of Georgia in Athens, concluded in a memo. The researchers say they drew upon the U.S. government's study while reaching different conclusions. The Obama administration's Aug. 4 report indicated that almost three-fourths of the crude that leaked has disappeared or soon will be eaten by bacteria.

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Kosmos cancels ExxonMobil's \$4 bn deal for Ghana assets

August 18, 2010. Kosmos' Share Purchase Agreement with ExxonMobil related to the \$4 billion acquisition of its Ghana business has been terminated. Oil production from the Jubilee Field phase one development is on schedule to begin in the late fourth quarter 2010; and is expected to increase to a production plateau of 120,000 barrels of oil per day during the first half of 2011. The floating production, storage and offloading vessel (FPSO) is now in Ghana with final installation, hook-up and commissioning underway. On the exploration front, drilling continues on the side track of the Owo-1 discovery well on the Deepwater Tano Block, which will gather additional geological data and test a lower objective.

Oil futures show 2012 U.S. discount disappearing on spill

August 18, 2010. The discount on New York crude for delivery in 2012 compared with North Sea Brent may disappear as the government restricts drilling after the worst oil spill in U.S. history. Shipments for two years' time have been cheaper on the New York Mercantile Exchange than Brent traded on London's Intercontinental Exchange almost every day since April amid a surplus of West Texas Intermediate crude, the U.S. benchmark blend. With near-term deliveries of WTI regaining their premium as stockpiles diminish, history suggests that longer-dated futures will follow. The U.S. may lose 4 percent of its daily oil production should President Barack Obama extend a six-month ban on offshore drilling after the BP disaster spilled 4.1 million barrels into the sea, according to the International Energy Agency. At the same time, an oil pipeline under construction from Canada to the Gulf Coast will reduce the supply glut at Cushing, Oklahoma, the delivery point for Nymex crude.

Anadarko reports first deep-water East Africa oil find in Mozambique basin

August 18, 2010. Anadarko Petroleum Corp., the U.S. partner in BP Plc's damaged Gulf of Mexico well, said it made the first documented deep-water oil find off the coast of East Africa in Mozambique's Rovuma Basin. The Ironclad well encountered about 125 feet (38 meters) of sands saturated with crude and natural gas. The deposit probably won't be commercial to develop. Ironclad was drilled to a total depth of about 17,400 feet in 3,418 feet of water and is located about 70 miles (113 kilometers) south of Anadarko's Windjammer gas discovery, which was announced in February, Christiansen said. Anadarko is exploring in places such as the Gulf of Mexico and Africa for sources of new oil and gas production.

Sudan targeting 35 pc increase in oil output next year

August 18, 2010. Sudan hopes to increase oil production by 35 percent in 2011, as European and Arab investors show more interest in exploring for crude in Africa's biggest country. Sudan, the third-largest producer of crude in sub-Saharan Africa, wants to raise output to 650,000 barrels a day next year from its current level of as much as 480,000 barrels a day, he told reporters in the capital Khartoum. Most of the country's oil is found in the south, which gained a semi-autonomous status after a 2005 peace agreement that ended a two-decade civil war with the north. Under the agreement, the south is scheduled to vote in January on whether to secede and form an independent state. Petroleum Ministry officials plan to sign an agreement with representatives of Fenno Caledonian Holding Ltd. of Finland for the exploration of crude in northeastern Sudan. The concession in an area called Block 10 covers the states of Kassala and Gadarif.

U.S. sees no 'recent' China pressure on global oil companies in South Sea

August 18, 2010. The Pentagon hasn't seen any "recent" Chinese intimidation of global oil and gas companies operating in the South China Sea, according to Robert Scher, U.S. deputy assistant secretary of defense. Secretary of State Hillary Clinton last month offered to help resolve territorial disputes in the waters, irking China, which claims the sea as its own. In June, Secretary of Defense Robert Gates called the waters an "area of growing concern" and objected to efforts to intimidate corporations. Scher's visit, a week after the U.S. Navy held a weeklong exercise with Vietnam, aims to build on improved defense ties. Gates plans to visit Hanoi in



October to meet his counterparts from Vietnam, China and 15 other countries. China has bolstered its naval capabilities in the past decade, enhancing the ability to enforce territorial claims.

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Sinopec to boost Yangzi refinery capacity by 56 pc

August 24, 2010. China Petroleum and Chemical Corp. (SNP) plans to expand the refining capacity of its subsidiary Sinopec Yangzi Petrochemical Co. by 56% to 12.5 million tons a year, or 251,000 barrels a day, in Nanjing city in eastern China, parent company China Petrochemical Corp. said. It will also upgrade the ability of the Sinopec Yangzi facilities in the eastern city of Nanjing to process high-sulfur crude oil, raising capacity to 9 million tons a year, or 180,700 barrels a day, of crude with 2% sulfur. The CNY7.3 billion (\$1.07 billion) expansion and upgrade project passed the government's environmental impact assessment earlier this month, China Petrochemical, known as Sinopec Group, said in an in-house newsletter. Sinopec Yangzi Petrochemical Co. will build a new atmospheric-vacuum distillation unit with an annual capacity of 8 million tons, while scrapping an old distillation unit with a capacity of 3.5 million tons, Sinopec Group said.

Iran says Turkey may help build two petrochemical units in country's South

August 23, 2010. Turkey and Iran may jointly build two petrochemical units. Iran and Turkey are discussing construction of an urea and an ammonia unit in the industrial hub of Assaluyeh in southern Iran. Talks include construction of a petrochemical plant in Miyandoab in western Azerbaijan province that can produce 539,000 tons of petrochemical products annually. International sanctions have prevented Iran from realizing its potential as an energy supplier. Iran is the world's fourth-largest oil producer and has the second-biggest gas reserves after Russia. Iran is under four sets of United Nations sanctions for refusing to scale back its nuclear activities. Iran says its nuclear program is solely for civilian purposes, a claim the U.S. and many of its allies reject. In July, the U.S. blocked access to the American financial system for banks doing business in Iran. The European Union followed, banning investment and sales of equipment to Iran's oil and natural-gas industries. Iran aims to implement 47 petrochemical projects by the end of 2015 to add a total of 43 million tons a year of capacity. Once those projects are completed, Iran's production will represent about 5.3 percent of global petrochemical output and about one third in the Middle East.

Sinopec margins set to extend slump as fuel prices trail crude

August 23, 2010. China Petroleum & Chemical Corp., Asia's biggest refiner, may extend a slump in profit from making gasoline and diesel as government price controls prevent the company from passing on higher crude-oil costs to customers. Margins from processing oil fell 45 percent in the first six months as crude costs surged 84 percent, the company said in its earnings statement. China controls fuel prices to curb inflation in the world's fastest-growing major economy and the government has raised tariffs once this year compared with five increases in 2009. Sinopec, which gets 80 percent of its revenue from producing and selling fuels, may step up acquisitions of oil and gas fields to reduce the Beijing-based company's reliance on refining.

Japan's Gasoil exports to reach record as refineries increase production

August 23, 2010. Gasoil exports from Japanese refiners may rise to a record this month after plants return from maintenance and boost processing amid increased demand for fuel as temperatures soar. Exports are forecast to climb at least 15 percent from a year earlier, exceeding a previous high of 1.44 million kiloliters set in August 2008. Processors are making more gasoil as they ramp out gasoline output to meet summer demand. The increase in gasoil cargoes from Japan may push down prices, which have fallen because of weak regional demand, and cut profits for Asian exporters including South Korea's biggest oil refiner, SK Energy Co. Gasoil refining margins, the spread between Singapore gasoil and Dubai crude oil, dropped to \$11.77 a barrel on Aug. 17 from a 19-month high of \$14.37 on Aug. 9, according to data compiled by Bloomberg. The hotter weather



has prompted cars to burn more gasoline as drivers switch on air-conditioners. When the temperature is at 35 degrees Celsius, air-conditioned cars consume 38 percent more gasoline than vehicles without air-conditioners switched on, according to statistics by the Japan Energy Conservation Center.

China mulls building Uganda refinery

August 19, 2010. China is sending a high-level delegation of company executives to Uganda next month to explore the possibility of building an oil refinery in the country. A delegation from China Petroleum & Chemical Corp. would be traveling to Uganda in September for talks with government officials over possibly building a refinery following the discovery of commercial oil reserves in the country. China's Cnooc Ltd. has already entered an agreement with the U.K.'s Tullow Oil PLC and France's Total SA to develop oil fields in three blocks in Uganda's Lake Albert Basin.

Refiners in Europe, N. America may shut 11 pc capacity by 2013

August 18, 2010. Refiners in North America and Europe could shut down a combined 4.3 million barrels a day, or nearly 11%, of refining capacity by 2013, according to Vienna-based consultancy JBC Energy. Industry consolidation is likely to hit Europe the hardest through 2011, JBC Energy said in a report. The outlook for the continent's refiners is poor given waning gasoline demand from North America and increased competition from diesel producers in Russia and Asia. The consultancy forecasts 2.5 million barrels a day of unprofitable refining capacity will need be shut down in Europe by 2013, assuming refinery utilization stays at an average 82%, JBC says. The shutdown would account for 14% of Europe's crude distillation capacity. Separately, North American shutdowns of around 1.8 million barrels a day are required by 2013 to balance out the market, assuming refinery utilization averages 86%. The closures would reflect an 8% reduction in North America's distillation capacity. JBC's forecasts are more pessimistic than estimates from the International Energy Agency, the energy watchdog for the Organization for Economic Co-operation and Development. The IEA expects OECD refiners to close 1.4 million barrels a day of refining capacity through 2011.

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Atmos agrees to replace 100,000 steel gas service lines

August 24, 2010. Atmos Energy Corp. has agreed to replace 100,000 aging steel service lines over the next two years to prevent natural gas explosions. The deal will probably cost customers 15 cents a month at first, but the fee will almost certainly rise and remain on utility bills for decades. But the 100,000 lines are just a sliver of the 2.2 million steel service lines that connect homes to main natural gas pipelines across the state. It could take decades to replace them all. The \$3.4 million Atmos would collect annually with the initial fee hardly covers the cost to replace all of the lines, which potentially could be as high as \$1 billion. Atmos reached the settlement with lawyers representing about 200 cities responsible for setting utility zones.

Enbridge to add Bakken pipeline capacity

August 24, 2010. Enbridge Energy Partners L.P. and Enbridge Income Fund (ENF) announced that they are proceeding, subject to customary regulatory approvals, with a joint project to further expand crude oil pipeline capacity to accommodate growing production from the Bakken and Three Forks formations located in Montana, North Dakota, Manitoba and Saskatchewan.

Kunlun in \$325 mn bid for LNG terminal operator

August 24, 2010. Kunlun Energy Co Ltd said it would bid up to 2.21 billion yuan (\$325 million) in an open tender for a 75 percent stake in Dalian LNG terminal operator PetroChina Dalian LNG Company Ltd. The oil and natural gas explorer and producer said it would bid for the stake from controlling shareholder PetroChina and fund the deal via internal resources. Kunlun, formerly known as CNPC (Hong Kong) Ltd, said it bid for the interest to ensure and diversify natural gas supply and expand in the vehicle fuel gas and city gas businesses. The LNG terminal to be operated by PetroChina Dalian LNG Company was still in the construction phase and had not commenced operations, it added.

GE to supply turbines, compressors for PNG LNG



August 23, 2010. GE Oil & Gas confirmed that it has entered into contracts to supply equipment and long-term service to PNG LNG. GE will provide PGT25+G4 gas turbines and centrifugal compressors for two LNG trains at the Hides gas conditioning plant. The service contract covers maintenance of 13 turbo compressor trains as well as other performance benefits. The PNG LNG project is an integrated development that includes gas production and processing facilities, onshore and offshore pipelines and liquefaction facilities with the capacity of 6.6 million tonnes per year.

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Outage forces Enbridge to ration oil pipeline space

August 23, 2010. The outage of an Enbridge Inc pipeline following a rupture and oil spill has forced the company to limit individual shipper volumes on two other major lines in its U.S. system. The company, which ships the bulk of Canada's oil exports to the United States, is rationing space on Line 5, a 490,000 barrel a day pipeline to Sarnia, Ontario, from Superior, Wisconsin. It is also rationing on Southern Access, a 400,000 barrel a day line to Flanagan, Illinois, from Superior. Shippers' nominations will be cut back by 26 percent on Line 5 and by 23 percent on Southern Access, also known as Line 61, for September.

LNG realignment underway in East Asia

August 19, 2010. The biggest supplier of liquefied natural gas to the world's top importer of the product has recently been overtaken by competitors after more than 20 years--evidence of the major realignment underway in the Asian, and global LNG sector. Since the 1980s, Indonesia was the biggest source of Japan's LNG, but in the first six months of 2010 it was overtaken by Malaysia, and more importantly Australia, which is on track to become a key player in the industry. It will also be a tough competitor in emerging LNG markets to established players like Qatar and newcomers like Russia's Sakhalin-2 project, which started exporting in 2009. Japan, which accounts for around 30% of global LNG demand, has committed to buying a lot more Australian gas from a string of projects due on line in coming years. Emerging markets China and India have also made commitments, as has existing major buyer South Korea.

GDF Suez, AXA said among bidders for Exxon, shell gas storage

August 19, 2010. GDF Suez SA and infrastructure investment units of Deutsche Bank AG, AXA SA and Prudential Plc made initial bids for Exxon Mobil Corp. and Royal Dutch Shell Plc natural-gas storage facilities in Germany. Exxon and Shell may enter negotiations with the four bidders after they made indicative offers at the end of July. Exxon and Shell are seeking to sell the BEB Erdgas und Erdoel GmbH venture's two smallest facilities, and Houston-based Exxon wants to sell further gas storage. The total value of the deal may exceed 1 billion euros (\$1.29 billion). Exxon, Shell and other oil companies are selling pipelines, refineries and filling stations, as they boost spending on more profitable oil and gas production. Shell is divesting three European refineries to curb costs, while Exxon sold a stake in a Norwegian pipeline network in April.

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Policy / Performance

KBR wins Iraq refinery contracts

August 24, 2010. KBR announced that it has been awarded two contracts by the Republic of Iraq Ministry of Oil through the South Refineries Company. KBR will provide licensing and basic engineering services for the construction of Fluid Catalytic Cracking (FCC) and Solvent Deasphalting (SDA) units at the planned grassroots Maissan Refinery in Maissan, Iraq. Work on the projects is expected to commence immediately. KBR will license its FCC Technology for an anticipated 47,500 barrels per day (BPD) FCC unit and its Residuum Oil Supercritical Extraction (ROSE) technology for a 45,000 BPD SDA unit. The FCC unit will be delivered under a joint marketing alliance between KBR and ExxonMobil Research and Engineering Company (EMRE).

OPEC members to spend \$40 bn on refinery expansions



August 24, 2010. Members of the Organization of Petroleum Exporting Countries, or OPEC, will be investing heavily in downstream activities over the coming years despite uncertainty about the global economic climate, OPEC Secretary General Salem El-Badri said in the latest OPEC Bulletin. In 2009, around 30 projects came onstream in OPEC member countries, resulting in an increase of 1.5 million barrels a day in net crude and liquids capacity. Furthermore, over the next five years 140 projects are expected to be completed and this will add about 12 million barrels a day of gross crude and liquids capacity. This represents an investment, estimated at \$160 billion. However, it should be enough to satisfy growing demand for OPEC crude, as well as provide a comfortable cushion of capacity, which already exceeds 6 million barrels a day.

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Nabucco group scraps Iran gas supply plan

August 23, 2010. European energy companies have shelved a plan to source gas from Iran to Europe via the European Union-backed Nabucco gas pipeline given Iran's political situation, the Nabucco consortium said. In line with previous statements on Iran, the consortium said it has decided to go ahead with the construction of two smaller supply pipes from Georgia and Iraq to the Turkish Nabucco pipeline starting point, but that the plan for a third from Iran has been cancelled for the time being. The consortium behind the estimated EUR7.9 billion Nabucco pipeline comprises Austria's OMV AG, Romania's Transgaz, Bulgaria's Bulgargaz, Hungary's MOL Nyrt. and Germany's RWE AG. Starting in 2014, the planned 3,000-kilometer Nabucco pipeline is set to carry up to 31 billion cubic meters of natural gas a year from Turkey to Western Europe through Romania, Hungary, Bulgaria and Austria. The feeder lines are needed to bring supply from gas producers to the pipe.

Algeria invites India Inc for \$10 bn gas pipeline project

August 23, 2010. Oil-rich Algeria, the second largest country in Africa, has invited Indian companies to participate in a \$10-billion project to build an ambitious trans-Saharan gas pipeline originating from Nigeria via neighbouring Niger. The Algerian ambassador said Algeria, one of the largest producers and exporters of natural gas in the world, has had some good experiences with the state-run Indian Oil Corp that has a \$3-billion pact with his country's own public sector company Sonatrach. The two state-owned firms had successfully bid for major hydrocarbon blocks in Libya. Some of the world's biggest companies have evinced interest in the project, he said referring to Russia's Gazprom, Italy's ENI, France's Total and Anglo-Dutch Royal Dutch Shell. Nigeria, which claims the world's seventh largest gas reserves with about 183 trillion cubic feet, is willing to set aside 13-15 trillion cubic feet for the project. Algeria's own pipeline system extends under the Mediterranean Sea to Spain and Italy.

Korea national is said to make hostile \$2.7 bn bid for Dana Petroleum

August 20, 2010. Korea National Oil Corp. plans to make a hostile 1.7 billion-pound (\$2.7 billion) bid for U.K. explorer Dana Petroleum Plc after its takeover offer was rejected. The state-owned energy explorer plans to keep its offer at 1,800 pence a share, which was rejected by Dana. Korea National plans to spend about \$6 billion on acquisitions and projects this year to more than double output by 2012 as Asia's fourth-biggest oil importer competes with China and India for resources. Dana, which focuses on the North Sea and Africa, said in March its probable reserves rose 15 percent to 223 million barrels of oil equivalent in 2009. The deal, Korea National's second major acquisition since October, values Dana at about \$12 a barrel of oil equivalent, and anything between \$10 and \$13 a barrel is suitable for an explorer. Korea National has been enlisting support from shareholders after its friendly bid was rejected and has secured almost half of Dana stakeholders' acceptance of the offer.

Germany's E.ON seeks lower prices from Gazprom

August 20, 2010. Germany's E.ON the world's largest utility by sales, is seeking an adjustment of contract for gas supply from Russia's Gazprom. E.ON's unit Ruhrgas wants lower prices because of clients' demand.

Pluto LNG decision delayed to 2011

August 18, 2010. Woodside Petroleum Ltd., Australia's second-largest oil and gas producer, said first-half



profit rose 40 percent because of higher commodity prices. It deferred a decision on expanding the Pluto gas project to 2011. Work will continue into next year on a final investment decision to add capacity at the A\$13 billion (\$11.7 billion) Pluto liquefied natural gas project in Western Australia, the company said. Woodside, which announced two gas discoveries to help underpin Pluto, said developing a second phase of the venture depends on finding enough resources, either through exploration or from other suppliers.

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International: Power

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Generation

Australia's Macarthur to buy stake in mining JV

August 24, 2010. Australian miner Macarthur Coal said it will pay A\$334.35 million (\$297.7 million) for a 90 percent stake in a mining joint venture with mining contractor MCG Group Companies. Macarthur also said it plans to raise more than A\$400 million to fund the acquisition.

Platts to provide daily prices of S. Africa coal

August 19, 2010. Platts, the energy and metals information provider plans to provide daily spot prices and freight rates for thermal coal bound for India from South Africa, from September 1. The new price assessments for thermal coal destined for India's east and west coasts will address the needs of power producers, cement manufacturers, coal traders and ship brokers, for an independent source of India-related open market prices, Platts said in a statement. The assessments will reflect the open-market physical spot value for standard calorific value of 6,300 kilocalories a kilogram (kcal/kg), gross as received (GAR), thermal coal with a maximum ash content of 16 per cent and 1.4 per cent maximum sulphur content. They will be assessed on a cost and freight (CFR) basis delivered to specific ports on the east and west coasts of India, Platts said. India is the third largest producer of hard coal, but it is also one of the world's largest importers. South Africa ranks among the world's top 10 producers and exporters of coal. Platts' new assessments capture price dynamics relating to these important marketplaces, it said.

Fujairah Asia Power to start plant by end of 2010

August 18, 2010. Fujairah Asia Power Co (FAPCO), which is partly owned by the UK's International Power Plc and Japan's Marubeni Corp plans to start its \$2.8 billion power plant in the UAE by the end of the year. The 2,000 megawatt F2 power and seawater desalination plant will supply the eastern coast emirate of Fujairah, home to the world's third-largest port for refuelling ships. The power station will use natural gas from Abu Dhabi-based Dolphin Energy, which has a gas pipeline project linking Qatar's giant North Field with the UAE and Oman -- the first cross-border gas project in the Gulf Arab region.

Mozambique's Cabinet approves \$2 bn hydroelectric power plant project

August 18, 2010. Mozambique's government said it approved the construction of a \$2 billion hydropower plant on the Zambezi River that has been under discussion for the past decade, amid opposition by environmental groups. The project will be 40 percent owned by Sao Paulo-based Camargo Correa Desenvolvimento Imobiliario SA, 40 percent by Energia Capital, a closely held Mozambican company, and 20 percent by Mozambique's government. The facility will generate 1,500 megawatts of electricity. Mozambique currently has the capacity to produce 2,226 megawatts of electricity.

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Transmission / Distribution / Trade

Siemens to install high-voltage power line, connecting Georgia and Turkey

August 24, 2010. Siemens AG, Europe's largest engineering company, will install a high-voltage power line to connect Georgia and Turkey's electricity grids. The contract from Energotrans Ltd. is worth about 170 million euros (\$215 million) and is part of the Black Sea Transmission Network project, Siemens said. The work will be completed by May 2013. The transmission lines will help to stabilize electricity systems in both countries and send power from Georgia's hydropower stations to Turkey, where demand for energy is growing, the Munich-based company said.

China Grid likely to win approval to buy Brazilian power lines

August 23, 2010. State Grid Corp. of China, the nation's largest grid operator, is likely to win approval for its 3.1 billion reais (\$1.8 billion) purchase of seven energy companies in Brazil by October, the electricity regulator said. Aneel, as the agency is known, will likely agree with the purchase and operation of the lines. State Grid purchased in May controlling stakes in seven power transmission units in Brazil from Elecnor SA, Abengoa SA, Isolux Ingenieria SA and Cobra Instalaciones y Servicios SA. Latin America's biggest economy is attracting local and foreign investors to develop its energy infrastructure as the economy grows more than 7 percent a year and power demand rises.

ADB oks €122 mn grant to bolster Tajik energy security

August 22, 2010. The Asian Development Bank (ADB) recently announced that it will offer a grant of €122 million for the Tajikistan Regional Power Transmission Project, Asia-Plus reported. Overall cost of the project is €141 million. The grant will expand and modernize the country's electricity transmission systems which in turn will bolster energy trading with neighbouring countries to meet winter shortages. The Board of Directors of ADB has approved the assistance for the project, from its concessional Asian Development Fund. ADB's grant makes up 87 % of the total project cost, with the government of Tajikistan and Barki Tojik contributing the remaining €19 million. The project is expected to be completed by February 2015. The project involves the construction of two new 220kV transmission lines totalling 140km, as well as the rehabilitation of substations. Besides, the project will also support a series of reforms to restructure Barki Tojik, the state-owned national utility company, and to make operational improvements across the power sector which will address issues such as poor planning and maintenance, low service quality, and weak financial management.

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Policy / Performance

Northern Mexico expands its power generation capacity

August 24, 2010. Argentine conglomerate Techint and two South Korean companies – Korea Electric Power and Samsung C&T Corporation - have won the bid to build a much needed combined-cycle power plant in the north of Mexico, says the Federal Commission for Electricity (CFE). The CCC Norte II plant, which will be located 33 km southeast of the city of Chihuahua, represents an investment of EUR325m (\$418m). CCC Norte II, with a generating capacity of 377 MW, is scheduled to enter commercial operation in May 2013.

Sudan plans to build nuclear plant

August 23, 2010. Sudan is planning to build a nuclear reactor and its first nuclear power plant by 2020. Mohamed Ahmed Hassan el-Tayeb, director-general of the Sudanese Atomic Energy Agency, said that his government had begun the plan for the development of the nuclear reactor at the beginning of this year. Tayeb said an IAEA delegation would visit Sudan to discuss the project this week. Sudan has been an IAEA member



since 1958 and can develop a peaceful nuclear energy programme with IAEA assistance. Sudan's economy has suffered under US sanctions since 1997 and from decades of warfare.

Merkel Rebuffs E.ON, RWE on nuclear tax, demands alternatives

August 23, 2010. Chancellor Angela Merkel challenged German atomic-power plant operators E.ON AG and RWE AG to come up with alternatives to a planned tax on nuclear fuel that they oppose, sharpening her conflict with utilities and industry. Merkel refused to budge on the tax on utility profits announced in June, saying the government needs the 2.3 billion euros (\$2.9 billion) in annual revenue. Merkel, whose coalition's approval ratings are at historic lows, is taking on the utilities while crafting an energy policy for Europe's biggest economy that includes extending the operating life of nuclear plants. E.ON and RWE, two of the worst-performing members of the benchmark DAX index this year, have threatened to close nuclear plants ahead of schedule if the tax goes ahead and said the levy would hurt investment.

Zimbabwe: Victory for electricity consumers

August 22, 2010. The beleaguered Zimbabwe Electricity Supply Authority (Zesa) said it will comply with an order from Competition and Tariff Commission (CTC) to reduce tariffs and reverse some of the bills it gave to consumers. After a 10-month investigation into complaints that the power utility was abusing its monopoly, CTC last week ruled that the power utility had treated its domestic and commercial clients unfairly. Consumers complained about Zesa's collapsed meter reading and billing systems, excessive tariffs, overlapping bills, fluctuating and unfair fixed charges, unfair load shedding, arbitrary disconnection of power, poor communication with customers, aggressive and arrogant staff.

Russia opening Iran nuclear plant advances goal to play power-broker role

August 21, 2010. Iran, under United Nations sanctions for its nuclear program, fulfilled a 36-year quest to join the club of atomic-powered nations today when Russia's Rosatom Corp. switched on a reactor along the Persian Gulf coast. The physical start of the 1,000-megawatt power reactor near the southern city of Bushehr makes Iran the first country in the Middle East to have a nuclear-energy facility, freeing more of its fossil fuels for export. Iran, which becomes the second Muslim state after Pakistan to have nuclear power, aims to build enough plants to generate 20,000 megawatts within 20 years.

Japan to develop bigger, longer-lasting reactors to replace old models

August 18, 2010. Toshiba Corp. and Mitsubishi Heavy Industries Ltd. are among companies working with the government on a \$645 million project to develop longer-lasting jumbo-sized reactors by 2030 to replace older models at home and for export. The government and companies, who also include Hitachi-GE Nuclear Energy Ltd., will share the 55 billion yen cost of developing the 1,800-megawatt light-water reactors, according to a draft assessment report submitted to a nuclear power committee in Tokyo. Tokyo Electric Power Corp. operates Japan's biggest reactors, each with 1,356 megawatts capacity. Japan is targeting sales to the U.S., Europe and at home, where 270 reactors will likely be replaced by 2050 after reaching a 60-year use-by date, according to the report. The country is also hoping to meet growing demand for carbon-free generation in developing countries in Asia and the Middle East. The new reactors will have 80-year lifespans and take less than 30 months to build, according to the report. Basic design of the reactors will be completed by 2015, it said.

Pentagon misuses U.S. emergency fund on Afghan power project, Skelton says

August 18, 2010. The Defense Department is mispending at least \$227 million on an Afghan power project from a U.S. fund designed to let combat commanders bankroll small, high-impact humanitarian efforts, according to House Armed Services Committee Chairman Ike Skelton. The money is among the largest amounts spent so far from the Commander's Emergency Response Program, known as CERP. It's being used to lease or buy generators and a year's worth of fuel to provide more electric power to Kandahar, the southern Afghanistan city that U.S., NATO and Afghan forces are trying to wrest from Taliban control.



China signs nuclear safety agreement with IAEA

August 18, 2010. China signed a nuclear safety agreement with the International Atomic Energy Agency, the People's Daily newspaper reported citing the China Atomic Energy Authority.

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Renewable Energy / Climate Change Trends

National

ABB opens 4th wind power generator unit at Vadodara

August 23, 2010. Power and automation technology major ABB, launched its fourth global wind power generator factory at Vadodara. The factory will supply wind power generators for Indian and global markets. The new factory — employing around 150 people — will produce up to 100 units a month, with a rating of up to 2.5 MW. India is currently the world's fifth-largest user of wind power. ABB supplies a variety of components and solutions for wind turbine manufacturers and operators: robots that paint the blades, motors, drives, transformers and low- and medium-voltage equipment located in the nacelle and the products and systems that connect the power to the grid.

Greenko to raise capacity to 1 Gw

August 23, 2010. Renewable energy companies in India are expecting a major boost to demand, thanks to the government's recent regulations that make it mandatory for power utilities to source about 6% to 10% from renewable sources, and the introductions of the renewable energy certificate scheme, a move that has biggies like IOC eyeing the clean energy sector. Greenko group, the Hyderabad-based, AIM-listed independent renewable energy operator, is planning to raise its total capacity to 1,000 megawatt (mw) by 2014.

A solar hopeful caught in bureaucratic shadow

August 23, 2010. INDIKO Solar, a small company that wants to put up a 1 MW grid-connected solar power plant in Puducherry, has found to its dismay that it has got excluded, by its account, for no fault of its. To register, the project proponents should have got the power purchase agreement ready with the Electricity Board. And, to have the PPA, they should have the tariff order from the respective State Electricity Regulatory Commissions. INDIKO wants to set up the plant in Puducherry and the regulatory commission, in its case, is the Joint Electricity Regulatory Commissions (JERC), headquartered in Gurgaon, Haryana. JERC has not given its Tariff Order as yet, but the deadline for registration is over. JERC is well within its legal timeframe to issue the order, but nevertheless, the absence of the order, and the consequent absence of the PPA, means that INDIKO cannot set up the project at all.

Orient Green may add 60 MW biomass power capacity this year

August 23, 2010. Orient Green Power Company Ltd, a subsidiary of Shriram EPC Ltd, expects to add 60 MW of biomass-based power generation capacity in the current financial year. The company now has 40 MW of biomass power as part of its 200-MW renewable energy portfolio. (The rest is predominantly wind energy.) Orient Green has filed its prospectus with the Securities and Exchange Board of India (SEBI) for its initial public offering. In presentations made as part of the IPO-related road shows, the company has said it expects to raise its renewable energy capacity to 350 MW by the end of this financial year, 800 MW by March 2012, and 1,000 MW by March 2013.

ICT infrastructure energy consumption to grow 30 pc by 2014

August 22, 2010. The energy consumption of India Inc's information and communication technology infrastructure is forecast to grow by 30 per cent to over 31 trillion-watt hours by 2014, a study by global research firm Gartner said. ICT infrastructure used by enterprises includes computing infrastructure equipment, such as personal computers and servers; imaging infrastructure equipment, such as printers; and enterprise communications infrastructure equipment, such as switches, routers and PABX.

₹ 250 bn Kitty to tackle climate change: Ramesh



August 21, 2010. India is going to be affected "the most" by climate change but the government has made a provision for ₹ 250 bn to mitigate its impact, Environment Minister Jairam Ramesh said. Replying to a debate on a private member's resolution for setting up a fund for dealing with climate change, the minister said money is being raised through cess on coal and compulsory afforestation fund. Besides, the Finance Ministry has sanctioned ₹ 50 bn as recommended by 13th Finance Commission. About 220 scientists from 120 research institutions are working on assessment of the impact of climate change on agriculture, water, health and forest. The research covers impact on the Himalayan glaciers, North Eastern region, Western Ghat and coastal areas. Their report will be available in the next two months, Ramesh said.

India, US initial pact on joint clean energy research centre

August 20, 2010. India and the United States Friday initialled an agreement for setting up a Joint Clean Energy Research and Development Centre to foster innovation and joint efforts to accelerate deployment of clean energy technologies. The joint research centre was one of the priority initiatives envisaged under an MOU signed during Prime Minister Manmohan Singh's state visit to US last November to enhance cooperation on Energy Security, Energy Efficiency and Climate Change. The Centre will facilitate joint research and development by teams of scientists and engineers from the US and India on clean energy and related joint activities, needed to deploy clean energy technologies rapidly with the greatest impact. The areas of cooperation would include energy efficiency of buildings, smart grids, unconventional natural gas, second-generation bio fuels, clean coal technologies and solar energy. Both governments would provide funding for the activities to help ensure long-term and stable financial support to achieve the objectives of the Centre.

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Delhi to harness energy from waste, solar power

August 20, 2010. A bio-gas plant that would use the bio-degradable waste generated in the Delhi Secretariat to provide gas to its canteen was inaugurated by Chief Minister Sheila Dikshit as part of the Akshay Urja Diwas (renewable energy day) celebrations. Ms. Dikshit said harnessing renewable energy is a must for Delhi as it would help in decreasing its pollution load. She also stressed the need for sensitising the citizens towards their duty of contribution to make Delhi a cleaner and better place to live in. The Chief Minister said according to the wind resource assessment data available for the country, Delhi does not have the potential to harness wind and hence the only possible renewable energy options left to it are solar and waste.

Orient Green ties up with Japanese co for biomass power project

August 18, 2010. Orient Green Power Company Ltd (OGPL), a part of the Chennai-based Shriram Group, has tied up with Nishi-Nippon Environmental Energy Co of Japan to set up a 7.5-MW biomass power project. The independent renewable energy-based power generation company, the joint venture is to set up a 7.5 MW poultry litter-based power generation project in Namakkal, Tamil Nadu. Orient Green will hold a 60 per cent stake and NEECO the balance in the joint venture called Orient Eco Energy Ltd (OEEL).

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Global

SRS Bulgaria to build a new 180 MW wind power plant

August 24, 2010. Dnevnik reported that German Bulgarian company SRS Bulgaria will plunk BGL 483.7 million in the construction of wind power plant near General Toshevo. The 60 turbine Spasovo wind farm, with a nameplate capacity of 150 MW to 180 MW, will stomach BGL 6.5 million in 2010 and a further BGL 292.6 million and BGL 186 million in the following two years, respectively. The project will create 20 jobs. Construction works are scheduled for completion in 2011.

World Bank supports giving credits to HFC projects as UN boosts scrutiny

August 23, 2010. The World Bank expressed support for the United Nations-overseen program that awards tradable credits for reducing hydrofluorocarbon-23 gases, saying it hasn't inflated production of a chemical called chlorodifluoromethane. HFC-23 gases, or trifluoromethane, are a byproduct in the making of chlorodifluoromethane, which is known as HCFC-22 and used in the air-conditioning and refrigeration industries. HFC-23 gas's warming effect in the atmosphere is 11,700 times more powerful than carbon dioxide.



The price of credits from the UN's Clean Development Mechanism Executive Board surged after it requested reviews for five HFC-23-cutting projects, spurring speculation that a clamp down will reduce the supply of credits.

Enel seeks \$3.8 bn from Enel Green stake sale

August 23, 2010. Enel SpA expects to raise "at least" 3 billion euros (\$3.8 billion) from the sale of a minority stake in its Enel Green Power unit, less than his previous estimate. The Rome-based company is in talks with sovereign wealth funds that may bid to buy a direct stake in the alternative energy unit of Italy's biggest utility. Enel will also sell part of Enel Green Power in October in what may be Europe's biggest initial share sale since 2007.

GE denied motion to dismiss Mitsubishi suit

August 23, 2010. Mitsubishi Heavy Industries Ltd said a U.S. District Court has denied a motion by General Electric Co to dismiss litigation that charges GE with trying to monopolize the U.S. market for variable speed wind turbines. Mitsubishi Heavy and Mitsubishi Power Systems Americas Inc filed the original complaint at the U.S. District Court's Western District of Arkansas in May. Mitsubishi had alleged that after it gained foothold in the US in 2006, GE embarked on an anti-competitive scheme to drive Mitsubishi suppliers out of the market. The court found it inappropriate to go forward with the case and therefore stayed the case pending the outcome of GE's patent infringement cases against MHI. The two companies have been escalating a battle with each other over wind turbine technology.

UK to launch reverse VAT charges for CO₂ trading

August 23, 2010. Britain's tax authority will introduce reverse value-added tax (VAT) charges relating to carbon emissions trading from November 1, replacing a zero tax rate implemented last year to prevent fraud. The zero VAT rate was put in place in July 2009 as an interim measure to halt rapidly escalating carousel fraud in spot trading of European Union carbon permits, called EUAs, HMRC said. European prosecutors are investigating a suspected 5 billion euro (\$6.36 billion) tax fraud under the EU's Emissions Trading Scheme. The new reverse charge will also apply to sales of two types of Kyoto Protocol carbon offsets called Certified Emissions Reductions (CERs) and Emissions Reduction Units (ERUs).

Gazprom gets voluntary carbon standard approval for forestry credits

August 23, 2010. Gazprom Marketing & Trading, a unit of the world's largest natural-gas producer, said its method for generating carbon credits from forestry projects was approved by the Voluntary Carbon Standard. The International Emissions Trading Association and the World Economic Forum helped develop the voluntary carbon standard in 2005 to verify which credits companies can use to comply with carbon-reduction programs. Gazprom's method will produce REDD credits in the Rimba Raya Biodiversity Reserve in Borneo, southeast Asia. The area is made up of 100,000 hectares (250,000 acres) of tropical peat swamp forest and wetlands next to an area of expanding plantations, according to Gazprom's statement. The project will create as many as 75 million metric tons of emission reduction credits over the next 30 years. They could be valued at as much as 600 million pounds (\$932 million) at today's price for United Nations offsets, or Certified Emissions Reductions.

China plans charging standards for electric cars

August 22, 2010. China plans to issue new standards to regulate the charging infrastructure needed for electric cars. The government plans to introduce three standards in October that would cover technical requirements, among others, for the charging facilities for electrical vehicles. The regulator is currently talking with power grid operators and crude oil producers for five other standards that it aims to establish this year. The Chinese government will invest more than 100 billion yuan (\$14.8 billion) to subsidize its fledgling environmentally friendly car industry over the next 10 years.

World's first solar diesel power station unveiled in Western Australia

August 22, 2010. A town in Western Australia has officially unveiled a world-first - A solar diesel power station that stores energy in flywheel "batteries". Western Australian Mines and Petroleum Minister Moore officially



opened Horizon Power's Pippunyah Solar Diesel Power Station. Located at Marble Bar in the eastern Pilbara region, the power station incorporates the largest single axis tracking solar farm in Australia, combined with the latest diesel technology and an innovative flywheel energy storage system. The 1,350 SunPower solar panels follow the path of the sun and produce a generating capacity of 1,160 kW. It's expected the solar farm component will provide up to 89% of the town's electricity needs during peak periods in summer.

High level meet prepares roadmap for climate summit

August 20, 2010. A high-level meeting of experts from India, Bangladesh, Nepal and Bhutan decided to come up with individual country roadmaps on the water, energy, biodiversity and food security sectors leading up to the proposed Bhutan Climate Summit 2011. During the meeting, delegates from the countries pledged their support for the sub-regional initiative started by the government of Bhutan and the impact of climate change in the southern slopes of Eastern Himalayas. The initiative is aimed at finalising climate adaptation plans that the Eastern Himalayan nations can use in their efforts to adapt to changes taking place in the region, says a release issued by ICIMOD (International Centre for Integrated Mountain Development). Experts presented four papers on water, energy, biodiversity and food security during the meet.

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U.N. panel to review CER request from 5th HFC plant

August 20, 2010. A United Nations panel will review a carbon offset request from a fifth greenhouse gas destroying plant, the UN said, a sign that all similar projects approved under a Kyoto Protocol carbon finance scheme will be scrutinized. The UN's climate arm said on its website it would review a request for offsets, called Certified Emissions Reductions (CERs), from the Zhejiang Juhua project in China, which makes money by destroying a potent greenhouse gas called HFC-23. The project was approved under Kyoto's \$2.7 billion Clean Development Mechanism (CDM), which helps fund cuts in carbon emissions in emerging economies. It is the fifth HFC-23 project to have its CER issuance request face an additional review by the CDM's executive board. It had requested 1.44 million CERs for abatement activities between September and November 2009.

China renewables to power ahead without CDM

August 20, 2010. Green investment in China will forge ahead even without a United Nations carbon offset scheme, eventually shriveling the country's dominant role in a program that has underpinned billions of dollars in investment. Investors are sidestepping the Clean Development Mechanism in China because of uncertainties over its future. China is the largest player in the \$2.7 billion U.N. scheme, which rewards clean energy investors in developing nations with valuable carbon credits that make the projects viable. The scheme is part of the Kyoto Protocol, whose first phase ends in 2012, leaving the CDM's shape unclear after that in the absence of a broader climate pact. Long delays in project approvals have also deterred investors. China took top spot in global clean energy finance and investments in 2009, with \$34.6 billion.

Brazil pledges \$113 mn to fight climate change

August 20, 2010. Brazil will allocate \$ 113 million next year to fight climate change. Branca Americana, environment ministry's secretary for climate change said a part of the money for National Fund on Climate Change will come from the oil sector. The law that governs oil industry was modified to provide revenues to the fund, he said at a climate conference in northeastern Fortaleza city. The fund was created in 2009 to cut emissions and stop deforestation and degradation. In partnership with Empresa Brasileira de Pesquisa Agropecuaria, a state-owned agricultural research firm, the fund will develop programmes to promote sustainable agricultural practices.



New Jersey calls for 1.1 GW of offshore wind

August 20, 2010. New Jersey Governor Chris Christie signed the Offshore Wind Economic Development Act, a law that will help spur the development of a vibrant offshore wind industry in the state. The bill directs the New Jersey Board of Public Utilities (BPU) to develop an offshore renewable energy certificate program (OREC) that calls for a percentage of electricity sold in the state to be from offshore wind energy. This percentage support the development of at least 1,100 megawatts of generation from offshore wind projects, according to the announcement from the office of the governor.

Meet of BRIC nations to discuss legal issues in climate change

August 19, 2010. In the run-up to the Cancun climate summit later this year, leading decisions makers from the BRIC block --Brazil, India, Russia and China-- will come together to discuss legal issues surrounding climate change. The colloquium on "Climate Change Law and Governance in South Asia", which aims to inspire legal discussion within and between the BRICs countries, is being jointly organised by the Environment Ministry of Government of India and the Geneva-based International Union for the Conservation of Nature (IUCN). Environment Minister Jairam Ramesh will initiate the opening remarks at the meet to be attended by diplomats from Brazil, Russia and China, besides leading experts including Nitin Desai, member, Prime Minister's Advisory Council on Climate Change, Roberto Zaghera, World Bank Director for India, judges P N Bhagwati and Leila Seth and various agencies.

New software enhances climate change research

August 19, 2010. New powerful computer software will allow scientists to study the climate change in a more detailed manner. The Community Earth System Model (CESM) will be one of the primary climate models used for the next assessment by the Intergovernmental Panel on Climate Change (IPCC). The new model's advanced capabilities will help scientists some important questions.

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German solar developers boost sales abroad after govt incentives cut

August 19, 2010. German solar power developers including Phoenix Solar AG and S.A.G. Solarstroem AG are expanding their businesses abroad in anticipation of slowing demand at home. S.A.G. almost doubled the proportion of sales abroad to 38 percent in the first six months of the year. Phoenix Solar boosted overseas revenue by more than 10 times in the second quarter. Germany, forecast to install about half of the world's new solar energy capacity in 2010, cut the price sun-generated electricity receives by 13 percent for projects started from July. That sparked a surge in sales in the first half of the year for projects seeking to qualify for the old rate.

Japan to subsidize energy-efficient plants

August 19, 2010. Japan's government plans to subsidize domestic plants producing clean-energy and energy-efficient goods under steps to support the slowing economy, as the murky outlook keeps firms from boosting spending at home. A strong yen is putting additional pressure on Japan's fragile economy, which is already seeing slowing growth and mired in grinding deflation, forcing the government to consider drafting a package of stimulus measures. In a draft version of the stimulus package, the government plans to subsidize investment in domestic plants manufacturing goods such as lithium battery cells for electric vehicles.

Samsung heavy starts producing 500 MW wind turbines in South Korea

August 19, 2010. Samsung Heavy Industries Co. said it has started manufacturing wind turbines in South Korea. The plant has the capacity to produce wind turbines that can generate 500 megawatts annually, the Seoul-based company said.

Carbon profit grows on trees as Kiwi farmers ditch sheep

August 19, 2010. New Zealand's sheep farmers are flocking to a government carbon trading program that pays more to plant trees than sell wool and mutton. The system, begun in 2008 and the only one of its kind outside Europe, awards farmers credits that are sold to offset greenhouse gas emissions. The project may earn them about NZ\$600 a hectare (\$172 per acre) a year on land unprofitable for grazing animals, said David Evison, a senior lecturer at the University of Canterbury's New Zealand School of Forestry. Forests planted for carbon



credits may increase to 30,000 hectares a year compared with 3,500 hectares in 2009, the government estimates.

Russia to set 10 euro carbon floor price

August 19, 2010. Russia has set a minimum price of 10 euros per tonne (\$12.84) for Kyoto Protocol-backed carbon offsets generated in the country, according to a letter from Sberbank. According to the letter, sent to firms that had successfully submitted clean energy project proposals to the bank under a tender for 30 million carbon offsets, any credit sales from the approved projects will only be permitted if above this limit. Under Kyoto's Joint Implementation, companies can invest in carbon-cutting projects in Kyoto signatory countries, and in return receive offsets called Emissions Reduction Units (ERUs), which can be used toward emissions targets or sold for profit.

China awaits proof to back carbon capture: officials

August 18, 2010. China's plans for energy are unlikely to offer direct support for carbon capture technologies as Beijing remains wary about their cost and feasibility. CCS covers various technologies aimed at stripping climate-warming carbon dioxide (CO₂) from burning fossil fuels and burying it. The International Energy Agency has identified the approach as one of the crucial components in the global fight against climate change, particularly in China. Overseas utilities like Duke Energy and American Electric Power, facing possible CO₂ abatement bills at home, are counting on Beijing to lead the global effort to develop CCS, but China said it was still too early to tell whether or not the technology was commercially viable. Its CCS project at the Gaobeidian power plant in Beijing captures just 3,000 tonnes of CO₂ a year, a negligible fraction of the plant's total emissions. Although its Shanghai facility is designed to catch 120,000 tonnes a year, a capacity of at least 1 million tonnes was essential if the technology was to move forward.

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UN Emissions Board will question all hydrofluorocarbon projects, IETA says

August 18, 2010. United Nations-appointed regulators will probably question all projects seeking emission credits for reducing hydrofluorocarbon-23 gases, the International Emissions Trading Association said. The Clean Development Mechanism Executive Board, backed by a Bonn-based secretariat, will request reviews for all HFC-23 projects as it questions the method used to determine how many credits to allot, said Kim Carnahan, policy leader of flexible mechanisms at the Geneva-based lobby group for emissions traders.

Two China new energy firms eye \$2 bn in IPOs

August 18, 2010. China Huaneng Group Corp and Datang Corp, the country's top power producers, plan to float shares of their renewable energy units in Hong Kong in offerings that could raise over \$2 billion. The deals are unfolding as China aggressively develops its renewable energy sector and the nation's biggest power firms look to boost investment in the industry to drive future growth. Huaneng's renewable energy unit, Huaneng New Energy Industrial Co., plans to raise \$1 billion to \$1.5 billion in an initial public offering as early as October, sources close to the deal said on Tuesday. China Datang Corp, the country's second-largest power producer, also plans to float shares of its renewable energy unit in a Hong Kong IPO as early as December.

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