

Policy innovations in energy and minerals in India: emerging and needed

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Emerging Issues that call for innovative thinking

- A reemergence of the importance of resources in international relations
- Increase in competition for resource access has altered power equations, international alignments, and economic and financial flows.
- Carbon concerns and pressure to reduce use of fossil fuels
- The shift in societal concerns around resource development:
 - 1980s – focus on environmental issues
 - 1990s – a focus on social issues
 - 2000 – focus on sustainability issues
 - 2010 - the focus is and will increasingly be on distributive justice.
- Growing distributive conflicts that emerge because of revenue sharing and compensation arrangements around “Who benefits, and who doesn’t?” from resource development?

India's Resource needs

2002-2030

- Coal – 2 fold (300)
- Gas – 4 fold (29)
- Oil – 2.3 fold (148)
- Hydro – 3.6 fold (13)
- Nuclear - 5.8 fold(24)

- ┌ Range of Imports in 2031 (for 8% growth p.a)
- ┌ Coal import: 387-1010 Mtoe
 - ~Import dependency: 11-45%
- ┌ Oil import: 315-451 MT
 - Import dependency: 90-93%
- ┌ Natural Gas import: 0-97 Mtoe
 - Import dependency: 0-49%

IEP, 2006

(figures In brackets, mtoe)

Implications of humungous resource needs

- Growing global presence
 - Trade ties & cross investments in energy
 - Mergers, takeovers, new investments in steel
 - Increased FDI in the minerals sector
- New kinds of conflicts, competitions, tensions emerging
- Many emerging policy innovations

Emerging Policy Innovations-

(a) securing conventional energy resources

- Overseas equity investments: Balancing interests and principles
- Enlarging the engagement with the near and expanded neighbourhood: Increased economic ties
 - West Asia, South Asia, Central Asia
- Sourcing resources from Africa: building on long term relations
- Accessing global civil nuclear markets: Collaboration with the USA and emerging ties post the NSG waiver

Emerging Policy Innovations-

b) Creating Markets for Renewable Energy

- 15 states have Renewable Energy Purchase Obligations on DISCOMS
- Creating a platform for trading in Renewable Energy Certificates
- Setting up a nodal agency (NTPC Vidyut Vyapar Nigam (NVVN)) to create and catalyze a market for sale and purchase of 33 kV and above Grid connected Solar Power under Phase -I (cum. 1000 MW)
- Innovative financing by IREDA, Green Banks, etc

c) Fiscal innovations in the Centre-State relations (XIII FC)

- Greater fiscal space through increased resource revenues for States to enable increased supplies of critically short public goods.
- Rs. 50 billion given as grants in aid to States to support the development of RE markets
- Offshore resources recommended to be treated as “fiscal commons” and for use of the larger collective
- A share of the royalty collected by States recommended to be earmarked for development of human capital in the producing area

In the Minerals Sector

- A Sustainable Development Framework is being developed
- A new Mines and Mineral (Development & Regulations) Act (MMDR Act), 2010 is currently being discussed nationally
- Perhaps a Mining Regulator soon
- Tax reform being mooted

The land question in resource projects

Growing conflict around access and compensation

Community

- **Payments** are only made for damage created or for losses incurred; do not create a benefit.
- Do not make communities or individual beneficiaries (or stakeholders) in project.
- Depend on a clear definition of land tenure and rights – and these do not always exist
- Do not recognize the loss of opportunity by the affected people in benefiting from enhanced land values as a result of resource development
- Have a focus on compensation of individuals for loss of land, does not compensate community interest

Companies

- Time overruns
- Delays
- Frustration
- Unclear jurisdictions
- Lack of clear titles

Committee on 'State Agrarian Relations and the Unfinished Task in Land Reforms' reported in 2010

The issue of land for resource projects –emerging ideas

- Need of clear titles – land titling bill
- Need to recognize role and value of land, share project benefits with owners beyond compensation for replacement value of land
- The idea of a land bank
- Need of a land regulator?
- Commercial agreements with indigenous peoples as in Australia?

Need to think differently and big in the resources sector

...the realization of justice in the sense of *nyaya* (concentrating on comprehensive outcomes), is not just a matter of judging institutions and rules (*niti*) but judging societies themselves. No matter how proper the established organizations might be, if a big fish could still devour a small fish at will, then that must be a patent violation of human justice as *nyaya*.

Thank you